

# **KALEDEN IRRIGATION DISTRICT**

**Financial Statements**

**Year Ended December 31, 2018**

# KALEDEN IRRIGATION DISTRICT

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Year Ended December 31, 2018

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## INDEPENDENT AUDITOR'S REPORT

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To the Trustees of Kaleden Irrigation District

*Report on the Financial Statements*

*Opinion*

We have audited the financial statements of Kaleden Irrigation District (the District), which comprise the statement of financial position as at December 31, 2018, and the statements of operations and accumulated surplus, changes in net financial assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the District as at December 31, 2018, and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

*Basis for Opinion*

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the District in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with those requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

*Other Matter*

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The current year's supplementary information included in Schedule 1 and 2 is presented for purposes of additional analysis and is not a required part of the financial statements. Such supplementary information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

*Responsibilities of Management and Those Charged with Governance for the Financial Statements*

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the District's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless management either intends to liquidate the District or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the District's financial reporting process.

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Wayne Heal Ltd. Ryan Schulz Ltd.  
Chris Newton Ltd. Kris Omland Ltd.  
Andrew Nendick Inc.



### *Auditor's Responsibilities for the Audit of the Financial Statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the District's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the District to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

*Omland Heal LLP*

Chartered Professional Accountants

Penticton, BC  
April 17, 2019

# KALEDEN IRRIGATION DISTRICT

Statement of Financial Position

December 31, 2018

	2018	2017
<b>Financial assets</b>		
Cash and investments <i>(Note 3)</i>	\$ 783,704	\$ 797,472
Accounts receivable <i>(Note 4)</i>	57,956	45,403
Refundable deposits	3,600	2,400
	<u>845,260</u>	<u>845,275</u>
<b>Liabilities</b>		
Accounts payable and accrued liabilities <i>(Note 5)</i>	35,347	24,829
Deferred income	2,646	1,876
Deposits payable	25,874	54,674
	<u>63,867</u>	<u>81,379</u>
Net financial assets	<u>781,393</u>	<u>763,896</u>
<b>Non-financial assets</b>		
Tangible capital assets <i>(Schedule 2)</i>	1,170,514	1,057,672
Prepaid expenses	454	750
Supply inventory	6,088	5,681
	<u>1,177,056</u>	<u>1,064,103</u>
Accumulated surplus	<u>\$ 1,958,449</u>	<u>\$ 1,827,999</u>

On behalf of District

\_\_\_\_\_ Trustee

\_\_\_\_\_ Trustee

See accompanying notes to financial statements.

# KALEDEN IRRIGATION DISTRICT

## Statement of Operations and Accumulated Surplus

Year Ended December 31, 2018

	Budget (Unaudited) 2018	2018	2017
<b>Revenues</b>			
Domestic taxes	\$ 321,141	\$ 321,717	\$ 302,550
Irrigation taxes and tolls	70,859	71,334	68,795
Recoveries	-	32,420	300
Extra tolls	30,590	31,474	29,708
Interest and penalties	-	9,751	9,655
Interest	800	9,239	4,276
Capital levies	-	4,900	57,000
Cemetery	-	3,050	4,485
Connections and upgrades	-	1,705	1,620
Search and subdivision	-	880	420
	423,390	486,470	478,809
<b>Expenses</b>			
Operating expenses (Schedule 1)	278,964	284,902	258,008
Administrative expenses (Schedule 1)	70,744	71,118	66,815
	349,708	356,020	324,823
Annual surplus	73,682	130,450	153,986
Accumulated surplus - beginning of year	1,827,999	1,827,999	1,674,013
Accumulated surplus - end of year	\$ 1,901,681	\$ 1,958,449	\$ 1,827,999

See accompanying notes to financial statements.

# KALEDEN IRRIGATION DISTRICT

## Statement of Changes in Net Financial Assets

Year Ended December 31, 2018

	Budget (Unaudited) 2018	2018	2017
Annual surplus (deficit)	\$ 73,682	\$ 130,450	\$ 153,986
Amortization of tangible capital assets	-	46,717	44,499
Purchase of tangible capital assets	(6,500)	(159,809)	(31,526)
Loss on disposal of tangible capital assets	-	249	982
	67,182	17,607	167,941
Acquisition of prepaid expenses	-	(454)	(750)
Use of prepaid expenses	-	750	217
Acquisition of supply inventory	-	(406)	(340)
	-	(110)	(873)
Increase in net financial assets	67,182	17,497	167,068
Net financial assets - beginning of year	763,896	763,896	596,828
Net financial assets - end of year	\$ 831,078	\$ 781,393	\$ 763,896

See accompanying notes to financial statements.

# KALEDEN IRRIGATION DISTRICT

## Statement of Cash Flows

Year Ended December 31, 2018

	2018	2017
Operating activities		
Annual surplus	\$ 130,450	\$ 153,986
Items not affecting cash:		
Amortization of tangible capital assets	46,717	44,499
Loss on disposal of tangible capital assets	249	982
	177,416	199,467
Changes in non-cash working capital:		
Accounts receivable	(12,553)	14,472
Supply inventory	(407)	(340)
Accounts payable and accrued liabilities	10,519	7,490
Deferred income	770	710
Prepaid expenses	296	(533)
Refundable deposits	(1,200)	-
Deposits payable	(28,800)	34,800
	(31,375)	56,599
Net change in cash from operating activities	146,041	256,066
Capital activity		
Purchase of tangible capital assets	(159,809)	(31,526)
Cash flow used by capital activity	(159,809)	(31,526)
Increase (decrease) in cash flow	(13,768)	224,540
Cash and investments - beginning of year	797,472	572,932
Cash and investments - end of year	\$ 783,704	\$ 797,472

See accompanying notes to financial statements.



# KALEDEN IRRIGATION DISTRICT

Notes to Financial Statements

Year Ended December 31, 2018

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## 1. Purpose of the District

Kaleden Irrigation District (the "District") provides water to property owners in Kaleden, British Columbia. It is defined as an improvement district under the Letters Patent authorized by the Province of British Columbia and is subject to the provisions contained in the Local Government Act. The District is exempt from income tax under Section 149(1)(c) of the Income Tax Act.

## 2. Significant accounting policies

The financial statements were prepared in accordance with Canadian generally accepted accounting principles for governments as recommended by the Public Sector Accounting Board (PSAB) and, in management's opinion, with consideration of materiality and within the framework of the following accounting policies:

### Fund accounting

The District follows the fund method of accounting for revenues and expenses with the resources and operations of the District segregated into funds. The Operating Fund, Plant and System Maintenance Fund, Capital Levy Fund, Cemetery Fund, Renewal Reserve Fund and Capital Asset Fund for accounting and financial reporting purposes. Revenue and expenses related to water supply are reported in the Operating Fund. Interest earned on investments are reported in the applicable fund in which the cash is held. The Capital Asset Fund reports revenues and expenses related to the District's tangible capital assets.

### Cash and investments

Investments are Guaranteed Investment Certificates ("GIC's"). Due to the short term maturity of these investments, the carrying amount approximates fair value.

### Inventory

Inventory is valued at the lower of cost and net realizable value with the cost being determined on a first-in, first-out basis.

### Revenue recognition

Domestic water taxes are recorded on an accrual basis and recognized when the service or product is provided by the District. Other revenue is recorded as it is earned and measurable. Accounts that have been received in advance of services being rendered are recorded as deferred revenues until the District discharges the obligation that led to the collection of funds.

### Reserve funds

The Renewal Reserve Fund is established under bylaw, pursuant to Section 698 and 706 of the Local Government Act, for the upgrading, replacement or renewal of existing capital works. The funds set aside, and interest earned on the funds, are deposited in a separate account at a financial institution.

Disbursements can only be made from the account after a bylaw is passed by the trustees of the irrigation district.

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# KALEDEN IRRIGATION DISTRICT

Notes to Financial Statements

Year Ended December 31, 2018

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## 2. Significant accounting policies *(continued)*

### Use of estimates

Certain amounts in the financial statements are subject to measurement uncertainty and are based on the District's best information and judgement. Actual results could differ from these estimates.

Examples of significant estimates include:

- providing for amortization of tangible capital assets;
- the estimated useful lives of tangible capital assets;
- the allowance for doubtful accounts;
- the allowance for inventory obsolescence.

### Financial instruments

The District's financial instruments consist of cash and investments, accounts receivable and accounts payable. Unless otherwise noted, it is the Board's opinion that the District is not exposed to significant interest, currency or credit risk arising from these financial instruments.

### Tangible capital assets

Tangible capital assets are stated at cost or deemed cost less accumulated amortization and are amortized over their estimated useful lives on a declining balance basis at the following rates and methods:

Land	N/A	
Automotive	15 years	straight-line method
Buildings	50 years	straight-line method
Office equipment	10 years	straight-line method
Pumps	20 years	straight-line method
Tools equipment	10 years	straight-line method
Water systems	50 years	straight-line method

The District regularly reviews its tangible capital assets to eliminate obsolete items.

Tangible capital assets acquired during the year but not placed into use are not amortized until they are placed into use.

### Impairment of tangible capital assets

The District tests for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. Recoverability is assessed by comparing the carrying amount to the projected future net cash flows the tangible capital assets are expected to generate through their direct use and eventual disposition. When a test for impairment indicates that the carrying amount of an asset is not recoverable, an impairment loss is recognized to the extent the carrying value exceeds its fair value.

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# KALEDEN IRRIGATION DISTRICT

Notes to Financial Statements

Year Ended December 31, 2018

## 2. Significant accounting policies (continued)

### Government transfers

Government transfers are the transfer of assets from senior levels of government and are not the result of any exchange transactions, meaning there is no expectation to repay the amounts in the future. Government transfers are recognized in the fiscal year in which events giving rise to the transfer occur, providing the transfer is authorized, any eligibility criteria have been met and reasonable estimates of the amounts can be made.

A Government transfer are recognized by the transferring government as an expense in the period the transfer is authorized and all eligibility criteria have been met by the recipient.

## 3. Cash and investments

	2018	2017
Cash	\$ 582,641	\$ 597,209
Term deposit - Plant Fund	135,217	134,678
Term deposit - Renewal Reserve Fund	31,204	31,080
Term deposit - Operating Fund	22,352	5,497
Term deposit - Cemetery Fund	8,321	8,288
Term deposit - Capital Levy Fund	3,969	20,720
	<u>\$ 783,704</u>	<u>\$ 797,472</u>

Investments consist of three GIC's with TD Canada Trust. GIC's are cashable and mature December 14, 2019 at 1.5%. Their use is internally restricted for use in their respective funds.

## 4. Accounts receivable

	2018	2017
Trade receivables	\$ 39,281	\$ 36,377
Goods and services tax rebate	14,644	7,120
Other receivables	2,141	871
Accrued interest	1,890	1,035
	<u>\$ 57,956</u>	<u>\$ 45,403</u>

## 5. Accounts payable and accrued liabilities

	2018	2017
Trade payable	\$ 25,894	\$ 14,939
Payroll liabilities	8,844	8,702
Credit cards	609	1,188
	<u>\$ 35,347</u>	<u>\$ 24,829</u>

# **KALEDEN IRRIGATION DISTRICT**

Notes to Financial Statements

Year Ended December 31, 2018

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## **6. Transfer of property**

During the year the District transferred land with a estimated fair market value of \$401,000 to the Regional District of Okanagan-Similkameen (the "RDOS") for consideration of \$1. This land is to be used by the RDOS for the purpose of fire department training, and other related uses of fire departments, or such other use with the prior written consent of the District or any successor organization thereto.

## **7. Related party transactions**

Each Board member of the District receives compensation for acting in their capacity as Trustees. During 2018, a total of \$6,411 (2017 - \$6,164) in compensation was paid to the Trustees.

Transactions with related parties are recorded at the exchange amount, which is the amount of consideration agreed to between the related parties.

# KALEDEN IRRIGATION DISTRICT

Schedule of Operations By Fund and Object

Year Ended December 31, 2018

(Schedule 1)

	Budget										
	(Unaudited)		Operating		Plant	Cemetery	Renewal	Capital	Capital	2017	
	2018	Fund	Fund	Fund	Fund	Fund	Fund	Levy	Asset	2018	
								Fund	Fund		
Revenue											
Domestic taxes	\$ 321,141	\$ 321,717	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 321,717	\$ 302,550
Irrigation taxes and tolls	70,859	71,334	-	-	-	-	-	-	-	71,334	68,795
Recoveries	-	32,420	-	-	-	-	-	-	-	32,420	300
Extra tolls	30,590	31,474	-	-	-	-	-	-	-	31,474	29,708
Interest and penalties	-	9,751	-	-	-	-	-	-	-	9,751	9,655
Interest	800	3,118	-	1,962	68	2,850	1,241	4,900	-	9,239	4,276
Capital levies	-	-	-	-	-	-	4,900	-	-	4,900	57,000
Cemetery	-	2,770	-	-	280	-	-	-	-	3,050	4,485
Connections and upgrades	-	1,705	-	-	-	-	-	-	-	1,705	1,620
Search and subdivision	-	880	-	-	-	-	-	-	-	880	420
	423,390	475,169	1,962	348	2,850	6,141	486,470	-	-	478,809	
Operating expenses											
Amortization	-	-	-	-	-	-	-	-	46,717	46,717	44,499
Automotive	1,500	441	-	-	-	-	-	-	-	441	562
Cemetery	2,000	739	-	-	-	-	-	-	-	739	863
Chlorine	5,000	3,461	-	-	-	-	-	-	-	3,461	3,417
Engineering and consulting	22,713	950	-	-	-	-	-	-	-	950	8,874
Insurance	21,251	21,073	-	-	-	-	-	-	-	21,073	20,208
Loss on disposal of tangible capital assets	-	-	-	-	-	-	-	249	-	249	982
Power	71,400	59,993	-	-	-	-	-	-	-	59,993	65,810
Repairs and maintenance	54,500	56,767	-	-	-	-	-	-	-	56,767	19,970
Salaries - manager	33,000	36,527	-	-	-	-	-	-	-	36,527	34,582
Salaries - superintendent	50,600	39,188	-	-	-	-	-	-	-	39,188	49,567
Small tools and supplies	500	717	-	-	-	-	-	-	-	717	78
Wages - emergency relief	16,000	17,988	-	-	-	-	-	-	-	17,988	8,596
Water Quality/Conservation Program	500	92	-	-	-	-	-	-	-	92	-
Total operating expenses	278,964	237,936	-	-	-	-	46,966	284,902	-	258,008	

(continues)

See accompanying notes to financial statements.

# KALEDEN IRRIGATION DISTRICT

Schedule of Operations By Fund and Object (continued)

Year Ended December 31, 2018

(Schedule 1)

	Budget (Unaudited) 2018	Operating Fund	Plant Fund	Cemetery Fund	Renewal Reserve Fund	Capital Levy Fund	Capital Asset Fund	2018	2017
Administrative expenses									
Advertising	1,100	1,344	-	-	-	-	-	1,344	485
Bank charges	300	207	-	-	-	-	-	207	212
Employee benefits	19,630	19,858	-	-	-	-	-	19,858	18,154
Licenses and dues	1,650	1,815	-	-	-	-	-	1,815	1,540
Office and postage	3,900	4,860	-	-	-	-	-	4,860	4,318
Professional fees	6,000	5,995	-	-	-	-	-	5,995	6,430
Salaries - secretary	26,500	26,559	-	-	-	-	-	26,559	26,081
Seminars	2,500	1,296	-	-	-	-	-	1,296	725
Telephone and internet	3,000	2,773	-	-	-	-	-	2,773	2,706
Trustee remuneration	6,164	6,411	-	-	-	-	-	6,411	6,164
Total administrative expenses	70,744	71,118	-	-	-	-	-	71,118	66,815
Annual surplus (deficit)	73,682	166,115	1,962	348	2,850	6,141	(46,966)	130,450	153,986
Accumulated surplus - beginning of year	\$ 1,827,999	186,131	232,841	10,527	228,412	112,416	1,057,672	1,827,999	1,674,013
Acquisition of tangible capital assets	-	(46,042)	-	-	-	(113,766)	159,808	-	-
Interfund transfers	-	(103,268)	37,993	-	65,275	-	-	-	-
Accumulated surplus - end of year	\$ 1,901,681	\$ 202,936	\$ 272,796	\$ 10,875	\$ 296,537	\$ 4,791	\$ 1,170,514	\$ 1,958,449	\$ 1,827,999

See accompanying notes to financial statements.

# KALEDEN IRRIGATION DISTRICT

Schedule of Tangible Capital Assets  
Year Ended December 31, 2018

(Schedule 2)

	Land	Buildings	Tools equipment	Office equipment	Automotive	Water systems	Pump equipment	2018	2017
<b>Cost</b>									
Opening balance	\$ 5,650	\$ 74,257	\$ 15,810	\$ 10,675	\$ 18,642	\$ 1,915,746	\$ 67,693	\$ 2,108,473	\$ 2,082,113
Add: additions	-	-	-	-	-	156,514	3,295	159,809	31,526
Less: disposals	(250)	-	-	-	-	-	-	(250)	(5,166)
	5,400	74,257	15,810	10,675	18,642	2,072,260	70,988	2,268,032	2,108,473
<b>Accumulated amortization</b>									
Opening balance	-	28,843	10,297	10,675	3,107	992,889	4,990	1,050,801	1,010,486
Add: Amortization	-	1,485	642	-	1,243	39,880	3,467	46,717	44,499
Less: effects of disposals	-	-	-	-	-	-	-	-	(4,184)
	-	30,328	10,939	10,675	4,350	1,032,769	8,457	1,097,518	1,050,801
<b>Net book value - December 31, 2018</b>	\$ 5,400	\$ 43,929	\$ 4,871	\$ -	\$ 14,292	\$ 1,039,491	\$ 62,531	\$ 1,170,514	
<b>Net book value - December 31, 2017</b>	\$ 5,650	\$ 45,414	\$ 5,513	\$ -	\$ 15,535	\$ 922,857	\$ 62,703	\$ 1,057,672	

See accompanying notes to financial statements.