

KALEDEN IRRIGATION DISTRICT

Financial Statements

Year Ended December 31, 2019

KALEDEN IRRIGATION DISTRICT

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Year Ended December 31, 2019

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INDEPENDENT AUDITOR'S REPORT

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, 2019, 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, 2019, 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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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
May 13, 2020

KALEDEN IRRIGATION DISTRICT

Statement of Financial Position

December 31, 2019

	2019	2018
Financial assets		
Cash and investments <i>(Note 3)</i>	\$ 937,261	\$ 783,704
Accounts receivable <i>(Note 4)</i>	62,315	57,956
Refundable deposits	4,000	3,600
	<u>1,003,576</u>	<u>845,260</u>
Liabilities		
Accounts payable and accrued liabilities <i>(Note 5)</i>	21,138	35,347
Deferred income	1,691	2,646
Deposits payable	25,374	25,874
	<u>48,203</u>	<u>63,867</u>
Net financial assets	<u>955,373</u>	<u>781,393</u>
Non-financial assets		
Tangible capital assets <i>(Schedule 2)</i>	1,151,485	1,170,514
Prepaid expenses	674	454
Supply inventory	4,220	6,088
	<u>1,156,379</u>	<u>1,177,056</u>
Accumulated surplus	<u>\$ 2,111,752</u>	<u>\$ 1,958,449</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, 2019

	Budget (Unaudited) 2019	2019	2018
Revenues			
Domestic taxes	\$ 351,594	\$ 352,392	\$ 321,717
Irrigation taxes and tolls	72,761	72,647	71,334
Extra tolls	32,349	32,308	31,474
Interest	1,500	14,132	9,239
Interest and penalties	-	10,457	9,751
Connections and upgrades	-	8,353	1,705
Capital levies	-	6,900	4,900
Grant funding	1,663	3,597	-
Recoveries	-	2,725	32,420
Search and subdivision	-	435	880
Cemetery	-	250	3,050
	459,867	504,196	486,470
Expenses			
Operating expenses (Schedule 1)	306,363	272,726	284,902
Administrative expenses (Schedule 1)	74,141	78,167	71,118
	380,504	350,893	356,020
Annual surplus	79,363	153,303	130,450
Accumulated surplus - beginning of year	1,958,449	1,958,449	1,827,999
Accumulated surplus - end of year	\$ 2,037,812	\$ 2,111,752	\$ 1,958,449

See accompanying notes to financial statements.

KALEDEN IRRIGATION DISTRICT

Statement of Changes in Net Financial Assets

Year Ended December 31, 2019

	Budget (Unaudited) 2019	2019	2018
Annual surplus	\$ 79,363	\$ 153,303	\$ 130,450
Amortization of tangible capital assets	-	35,966	46,717
Purchase of tangible capital assets	(15,500)	(16,937)	(159,809)
Loss on disposal of tangible capital assets	-	-	249
	63,863	172,332	17,607
Acquisition of prepaid expenses	-	(674)	(454)
Use of prepaid expenses	-	454	750
Acquisition of supply inventory	-	1,868	(406)
	-	1,648	(110)
Increase in net financial assets	63,863	173,980	17,497
Net financial assets - beginning of year	781,393	781,393	763,896
Net financial assets - end of year	\$ 845,256	\$ 955,373	\$ 781,393

See accompanying notes to financial statements.

KALEDEN IRRIGATION DISTRICT

Statement of Cash Flows

Year Ended December 31, 2019

	2019	2018
Operating activities		
Annual surplus	\$ 153,303	\$ 130,450
Items not affecting cash:		
Amortization of tangible capital assets	35,966	46,717
Loss on disposal of tangible capital assets	-	249
	189,269	177,416
Changes in non-cash working capital:		
Accounts receivable	(4,359)	(12,553)
Supply inventory	1,868	(407)
Accounts payable and accrued liabilities	(14,209)	10,519
Deferred income	(955)	770
Prepaid expenses	(220)	296
Refundable deposits	(400)	(1,200)
Deposits payable	(500)	(28,800)
	(18,775)	(31,375)
Net change in cash from operating activities	170,494	146,041
Capital activity		
Purchase of tangible capital assets	(16,937)	(159,809)
Cash flow used by capital activity	(16,937)	(159,809)
Increase (decrease) in cash flow	153,557	(13,768)
Cash and investments - beginning of year	783,704	797,472
Cash and investments - end of year	\$ 937,261	\$ 783,704

See accompanying notes to financial statements.

KALEDEN IRRIGATION DISTRICT

Notes to Financial Statements

Year Ended December 31, 2019

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, 2019

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.

Financial assets measured at amortized cost on a straight-line basis include cash, term deposits and accounts receivable.

Financial liabilities measured at amortized cost on a straight-line basis include accounts payable.

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 method:

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, 2019

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.

Government transfers 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

	2019	2018
Cash	\$ 733,166	\$ 582,641
Term deposit - Plant Fund	137,256	135,217
Term deposit - Renewal Reserve Fund	31,674	31,204
Term deposit - Operating Fund	22,689	22,352
Term deposit - Cemetery Fund	8,447	8,321
Term deposit - Capital Levy Fund	4,029	3,969
	<u>\$ 937,261</u>	<u>\$ 783,704</u>

Investments consist of three GIC's with TD Canada Trust. GIC's are cashable and mature December 15, 2020 at 1.5%. Their use is internally restricted for use in their respective funds.

4. Accounts receivable

	2019	2018
Trade receivables	\$ 46,759	\$ 39,281
Goods and services tax rebate	8,346	14,644
Other receivables	4,940	2,141
Accrued interest	2,270	1,890
	<u>\$ 62,315</u>	<u>\$ 57,956</u>

5. Accounts payable and accrued liabilities

	2019	2018
Trade payable	\$ 10,726	\$ 25,894
Payroll liabilities	8,547	8,844
Credit cards	1,272	609
Banked hours payable	593	-
	<u>\$ 21,138</u>	<u>\$ 35,347</u>

KALEDEN IRRIGATION DISTRICT

Notes to Financial Statements

Year Ended December 31, 2019

6. Related party transactions

Each Board member of the District receives compensation for acting in their capacity as Trustees. During 2019, a total of \$6,411 (2018 - \$6,411) in Trustee compensation was paid. Additionally, two board members were also compensated a total of \$3,075 (2018 - \$352) for additional work at the District at the standard rates.

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

(Schedule 1)

Year Ended December 31, 2019

	Budget (Unaudited) 2019	Operating Fund	Plant Fund	Cemetery Fund	Renewal Reserve Fund	Capital Levy Fund	Capital Asset Fund	2019	2018
Revenue									
Domestic taxes	\$ 351,594	\$ 352,392	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 352,392	\$ 321,717
Irrigation taxes and tolls	72,761	72,647	-	-	-	-	-	72,647	71,334
Extra tolls	32,349	32,308	-	-	-	-	-	32,308	31,474
Interest	1,500	4,417	4,403	168	5,066	78	-	14,132	9,239
Interest and penalties	-	10,457	-	-	-	-	-	10,457	9,751
Connections and upgrades	-	8,353	-	-	-	-	-	8,353	1,705
Capital levies	-	-	-	-	-	6,900	-	6,900	4,900
Grant funding	1,663	3,597	-	-	-	-	-	3,597	-
Recoveries	-	2,725	-	-	-	-	-	2,725	32,420
Search and subdivision	-	435	-	-	-	-	-	435	880
Cemetery	-	240	-	10	-	-	-	250	3,050
	459,867	487,571	4,403	178	5,066	6,978	-	504,196	486,470
Operating expenses									
Amortization	-	-	-	-	-	-	35,966	35,966	46,717
Automotive	2,500	2,923	-	-	-	-	-	2,923	441
Cemetery	-	146	-	-	-	-	-	146	739
Chlorine	5,000	3,608	-	-	-	-	-	3,608	3,461
Engineering and consulting	22,713	456	-	-	-	-	-	456	950
Insurance	22,000	21,698	-	-	-	-	-	21,698	21,073
Loss on disposal of tangible capital assets	-	-	-	-	-	-	-	-	249
Power	71,650	57,499	-	-	-	-	-	57,499	59,993
Repairs and maintenance	69,200	50,872	-	-	-	-	-	50,872	56,767
Salaries - manager	31,800	22,536	-	-	-	-	-	22,536	36,527
Salaries - superintendent	54,500	46,898	-	-	-	-	-	46,898	39,188
Small tools and supplies	500	150	-	-	-	-	-	150	717
Wages - emergency relief	26,000	27,578	-	-	-	-	-	27,578	17,988
Water Quality/Conservation Program	500	2,396	-	-	-	-	-	2,396	92
Total operating expenses	306,363	236,760	-	-	-	-	35,966	272,726	284,902

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See accompanying notes to financial statements.

KALEDEN IRRIGATION DISTRICT

Schedule of Operations By Fund and Object *(continued)*

(Schedule 1)

Year Ended December 31, 2019

	Budget (Unaudited) 2019	Operating Fund	Plant Fund	Cemetery Fund	Renewal Reserve Fund	Capital Levy Fund	Capital Asset Fund	2019	2018
Administrative expenses									
Advertising	1,100	1,080	-	-	-	-	-	1,080	1,344
Bank charges	300	250	-	-	-	-	-	250	207
Employee benefits	21,430	21,214	-	-	-	-	-	21,214	19,858
Licenses and dues	1,650	1,777	-	-	-	-	-	1,777	1,815
Office and postage	4,150	4,861	-	-	-	-	-	4,861	4,860
Professional fees	6,000	7,925	-	-	-	-	-	7,925	5,995
Salaries - secretary	27,600	28,044	-	-	-	-	-	28,044	26,559
Seminars	2,500	3,922	-	-	-	-	-	3,922	1,296
Telephone and internet	3,000	2,683	-	-	-	-	-	2,683	2,773
Trustee remuneration	6,411	6,411	-	-	-	-	-	6,411	6,411
Total administrative expenses	74,141	78,167	-	-	-	-	-	78,167	71,118
Annual surplus (deficit)	79,363	172,644	4,403	178	5,066	6,978	(35,966)	153,303	130,450
Accumulated surplus - beginning of year	\$ 1,958,449	202,936	272,796	10,875	296,537	4,791	1,170,514	1,958,449	1,827,999
Acquisition of tangible capital assets	-	(16,937)	-	-	-	-	16,937	-	-
Interfund transfers	-	(123,502)	33,720	-	89,782	-	-	-	-
Accumulated surplus - end of year	\$ 2,037,812	\$ 235,141	\$ 310,919	\$ 11,053	\$ 391,385	\$ 11,769	\$ 1,151,485	\$ 2,111,752	\$ 1,958,449

See accompanying notes to financial statements.

KALEDEN IRRIGATION DISTRICT

Schedule of Tangible Capital Assets

(Schedule 2)

Year Ended December 31, 2019

	Land	Buildings	Tools equipment	Office equipment	Automotive	Water systems	Pump equipment	2019	2018
Cost									
Opening balance	\$ 5,400	\$ 74,257	\$ 15,810	\$ 10,675	\$ 18,642	\$ 2,072,260	\$ 70,988	\$ 2,268,032	\$ 2,108,473
Add: additions	-	-	2,253	-	-	7,173	7,511	16,937	159,809
Less: disposals	-	-	-	-	-	-	-	-	(250)
	5,400	74,257	18,063	10,675	18,642	2,079,433	78,499	2,284,969	2,268,032
Accumulated amortization									
Opening balance	-	30,328	10,939	10,675	4,350	1,032,769	8,457	1,097,518	1,050,801
Add: Amortization	-	1,485	755	-	1,243	28,746	3,737	35,966	46,717
	-	31,813	11,694	10,675	5,593	1,061,515	12,194	1,133,484	1,097,518
Net book value - December 31, 2019	\$ 5,400	\$ 42,444	\$ 6,369	\$ -	\$ 13,049	\$ 1,017,918	\$ 66,305	\$ 1,151,485	
Net book value - December 31, 2018	\$ 5,400	\$ 43,929	\$ 4,871	\$ -	\$ 14,292	\$ 1,039,491	\$ 62,531		\$ 1,170,514

See accompanying notes to financial statements.