

**KALEDEN
IRRIGATION DISTRICT**

Financial Statements

Year Ended December 31, 2022

KALEDEN IRRIGATION DISTRICT

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Year Ended December 31, 2022

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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, 2022, 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, 2022, 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
April 20, 2023

KALEDEN IRRIGATION DISTRICT

Statement of Financial Position

December 31, 2022

	2022	2021
Financial assets		
Cash and investments <i>(Note 3)</i>	\$ 1,172,084	\$ 988,056
Accounts receivable <i>(Note 4)</i>	51,420	79,465
Refundable deposits	3,970	4,400
	<u>1,227,474</u>	<u>1,071,921</u>
Liabilities		
Accounts payable and accrued liabilities <i>(Note 5)</i>	29,995	54,810
Deferred income	3,361	857
Deposits payable	86,492	82,192
	<u>119,848</u>	<u>137,859</u>
Net financial assets	<u>1,107,626</u>	<u>934,062</u>
Non-financial assets		
Tangible capital assets <i>(Schedule 2)</i>	1,395,611	1,390,485
Prepaid expenses	31,956	41,455
Supply inventory	5,991	4,448
	<u>1,433,558</u>	<u>1,436,388</u>
Accumulated surplus	<u>\$ 2,541,184</u>	<u>\$ 2,370,450</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, 2022

	Budget (Unaudited) 2022	2022	2021
Revenues			
Domestic taxes and tolls	\$ 411,007	\$ 411,696	\$ 368,404
Irrigation taxes	89,603	89,977	84,452
Extra tolls	39,259	40,838	37,002
Interest	900	17,429	2,125
Recoveries	-	12,610	21,554
Interest and penalties	-	10,990	12,351
Capital levies	-	8,000	5,000
Grant funding	5,000	5,850	5,807
Cemetery	-	2,115	1,450
Search and subdivision	-	675	1,100
Connections and upgrades	-	200	4,625
	545,769	600,380	543,870
Expenses			
Operating expenses (Schedule 1)	330,870	333,137	332,026
Administrative expenses (Schedule 1)	92,895	96,509	88,813
	423,765	429,646	420,839
Annual surplus	122,004	170,734	123,031
Accumulated surplus - beginning of year	2,370,450	2,370,450	2,247,419
Accumulated surplus - end of year	\$ 2,492,454	\$ 2,541,184	\$ 2,370,450

See accompanying notes to financial statements.

KALEDEN IRRIGATION DISTRICT

Statement of Changes in Net Financial Assets

Year Ended December 31, 2022

	Budget (Unaudited) 2022	2022	2021
Annual surplus	\$ 122,004	\$ 170,734	\$ 123,031
Amortization of tangible capital assets	-	44,158	40,712
Purchase of tangible capital assets	(32,627)	(64,739)	(230,474)
Loss on disposal of tangible capital assets	-	10,455	-
Proceeds on disposal of tangible capital assets	-	5,000	-
	89,377	165,608	(66,731)
Acquisition of prepaid expenses	-	(567)	(41,455)
Use of prepaid expenses	-	10,066	499
Use of supply inventory	-	(1,543)	(330)
	-	7,956	(41,286)
Increase (decrease) in net financial assets	89,377	173,564	(108,017)
Net financial assets - beginning of year	934,062	934,062	1,042,079
Net financial assets - end of year	\$ 1,023,439	\$ 1,107,626	\$ 934,062

See accompanying notes to financial statements.

KALEDEN IRRIGATION DISTRICT

Statement of Cash Flows

Year Ended December 31, 2022

	2022	2021
Operating activities		
Annual surplus	\$ 170,734	\$ 123,031
Items not affecting cash:		
Amortization of tangible capital assets	44,158	40,712
Loss on disposal of tangible capital assets	10,455	-
	225,347	163,743
Changes in non-cash working capital:		
Accounts receivable	28,045	1,095
Supply inventory	(1,543)	(330)
Accounts payable and accrued liabilities	(24,814)	22,486
Deferred income	2,504	(4,644)
Prepaid expenses	9,498	(40,956)
Refundable deposits	430	(800)
Deposits payable	4,300	56,818
	18,420	33,669
Net change in cash from operating activities	243,767	197,412
Capital activity		
Purchase of tangible capital assets	(64,739)	(230,474)
Proceeds on disposal of tangible capital assets	5,000	-
Cash flow used by capital activity	(59,739)	(230,474)
Increase (decrease) in cash flow	184,028	(33,062)
Cash and investments - beginning of year	988,056	1,021,118
Cash and investments - end of year	\$ 1,172,084	\$ 988,056

See accompanying notes to financial statements.

KALEDEN IRRIGATION DISTRICT

Notes to Financial Statements

Year Ended December 31, 2022

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, 2022

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 judgment. 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.

Liability for contaminated sites

The District recognizes and measures a liability for remediation of contaminated sites where:

- a) an environmental standard exists;
- b) contaminated levels exceed the environmental standards;
- c) the District is directly responsible or accepts responsibility;
- d) it is expected that future economic benefits will be given up; and
- e) a reasonable estimate of the amount can be made

The liability is based on the present value of the estimated costs directly attributable to the remediation and post-remediation activities

As at December 31, 2022 and 2021, no contaminated sites have been identified that meet the criteria outlined in the standard.

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KALEDEN IRRIGATION DISTRICT

Notes to Financial Statements

Year Ended December 31, 2022

2. Significant accounting policies *(continued)*

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.

Initial measurement

The District initially measures its financial assets and liabilities originated or exchanged in arm's length transactions at fair value. Financial assets and liabilities originated or exchanged in related party transactions, except for those that involve parties whose sole relationship with the District is in the capacity of management, are initially measured at cost.

The cost of a financial instrument in a related party transaction depends on whether the instrument has repayment terms. If it does, the cost is determined using its undiscounted cash flows, excluding interest and dividend payments, less any impairment losses previously recognized by the transferor. Otherwise, the cost is determined using the consideration transferred or received by the District in the transaction.

Subsequent measurement

The District subsequently measures all its financial assets and liabilities at cost or amortized cost, except for investments in equity instruments that are quoted in an active market, which are measured at fair value. Changes in fair value are recognized in income in the period incurred.

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

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

Transaction costs

Transaction costs attributable to financial instruments subsequently measured at fair value and to those originated or exchanged in a related party transaction are recognized in income in the period incurred. Transaction costs related to financial instruments originated or exchanged in an arm's length transaction that are subsequently measured at cost or amortized cost are recognized in the original cost of the instrument. When the instrument is measured at amortized cost, transaction costs are recognized in income over the life of the instrument using the straight-line method.

Impairment

For financial assets measured at cost or amortized cost, the District determines whether there are indications of possible impairment. When there are, and the District determines that a significant adverse change has occurred during the period in the expected timing or amount of future cash flows, a write-down is recognized in income. If the indicators of impairment have decreased or no longer exist, the previously recognized impairment loss may be reversed to the extent of the improvement. The carrying amount of the financial asset may be no greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. The amount of the reversal is recognized in income.

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KALEDEN IRRIGATION DISTRICT

Notes to Financial Statements

Year Ended December 31, 2022

2. Significant accounting policies (continued)

Tangible capital assets

Tangible capital assets are stated at cost or deemed cost less accumulated amortization and are amortized over their estimated useful lives 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.

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

	2022	2021
Cash	\$ 963,163	\$ 780,381
Term deposit - Plant Fund	140,501	139,663
Term deposit - Renewal Reserve Fund	32,423	32,230
Term deposit - Operating Fund	23,226	23,087
Term deposit - Cemetery Fund	8,646	8,595
Term deposit - Capital Levy Fund	4,125	4,100
	<u>\$ 1,172,084</u>	<u>\$ 988,056</u>

Investments consist of three GIC's with TD Canada Trust. GIC's are cashable and mature December 15, 2023 at 3%. Their use is internally restricted for use in their respective funds.

KALEDEN IRRIGATION DISTRICT

Notes to Financial Statements

Year Ended December 31, 2022

4. Accounts receivable

	2022	2021
Trade receivables	\$ 32,371	\$ 56,766
Goods and services tax rebate	11,217	20,815
Accrued interest	6,505	334
Other receivables	1,327	1,550
	<hr/> \$ 51,420	<hr/> \$ 79,465

5. Accounts payable and accrued liabilities

	2022	2021
Trade payable	\$ 17,850	\$ 42,725
Payroll liabilities	10,189	10,329
Banked hours payable	1,296	732
Credit cards	660	1,024
	<hr/> \$ 29,995	<hr/> \$ 54,810

6. Related party transactions

Each Board member of the District receives compensation for acting in their capacity as Trustees. During 2022, a total of \$6,907 (2021 - \$6,911) in Trustee compensation was paid.

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, 2022

(Schedule 1)

	Budget (Unaudited) 2022	Operating Fund	Plant Fund	Cemetery Fund	Renewal Reserve Fund	Capital Levy Fund	Capital Asset Fund	2022	2021
Revenue									
Domestic taxes and tolls	\$ 411,007	\$ 411,696	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 411,696	\$ 368,404
Irrigation taxes	89,603	89,977	-	-	-	-	-	89,977	84,452
Extra tolls	39,259	40,838	-	-	-	-	-	40,838	37,002
Interest	900	5,433	4,108	115	7,492	281	-	17,429	2,125
Recoveries	-	12,610	-	-	-	-	-	12,610	21,554
Interest and penalties	-	10,990	-	-	-	-	-	10,990	12,351
Capital levies	-	-	-	-	-	8,000	-	8,000	5,000
Grant funding	5,000	5,850	-	-	-	-	-	5,850	5,807
Cemetery	-	1,985	-	130	-	-	-	2,115	1,450
Search and subdivision	-	675	-	-	-	-	-	675	1,100
Connections and upgrades	-	200	-	-	-	-	-	200	4,625
	545,769	580,254	4,108	245	7,492	8,281	-	600,380	543,870
Operating expenses									
Amortization	-	-	-	-	-	-	44,158	44,158	40,712
Automotive	2,800	2,377	-	-	-	-	-	2,377	2,249
Cemetery	-	1,299	-	-	-	-	-	1,299	-
Chlorine	15,000	15,913	-	-	-	-	-	15,913	4,975
Engineering and consulting	6,700	4,620	-	-	-	-	-	4,620	4,440
Insurance	26,000	27,058	-	-	-	-	-	27,058	25,332
Loss on disposal of tangible capital assets	-	-	-	-	-	-	10,455	10,455	-
Power	69,700	67,696	-	-	-	-	-	67,696	68,757
Repairs and maintenance	81,650	34,816	-	-	-	-	-	34,816	45,541
Salaries - manager	43,350	47,551	-	-	-	-	-	47,551	43,284
Salaries - superintendent	59,670	53,938	-	-	-	-	-	53,938	66,225
Small tools and supplies	2,500	838	-	-	-	-	-	838	1,897
Wages - emergency relief	23,000	22,250	-	-	-	-	-	22,250	25,701
Water Quality/Conservation Program	500	168	-	-	-	-	-	168	2,913
Total operating expenses	330,870	278,524	-	-	-	-	54,613	333,137	332,026

(continues)

See accompanying notes to financial statements.

KALEDEN IRRIGATION DISTRICT

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

(Schedule 1)

Year Ended December 31, 2022

	Budget (Unaudited) 2022	Operating Fund	Plant Fund	Cemetery Fund	Renewal Reserve Fund	Capital Levy Fund	Capital Asset Fund	2022	2021
Administrative expenses									
Advertising	1,400	1,067	-	-	-	-	-	1,067	365
Bank charges	300	(63)	-	-	-	-	-	(63)	51
Employee benefits	28,246	26,406	-	-	-	-	-	26,406	26,724
Licenses and dues	1,800	1,731	-	-	-	-	-	1,731	1,735
Office and postage	6,500	6,032	-	-	-	-	-	6,032	7,000
Professional fees	7,500	11,057	-	-	-	-	-	11,057	7,528
Salaries - secretary	33,638	35,516	-	-	-	-	-	35,516	33,977
Seminars	3,000	4,597	-	-	-	-	-	4,597	1,543
Telephone and internet	3,600	3,259	-	-	-	-	-	3,259	2,979
Trustee remuneration	6,911	6,907	-	-	-	-	-	6,907	6,911
Total administrative expenses	92,895	96,509	-	-	-	-	-	96,509	88,813
Annual surplus (deficit)	122,004	205,221	4,108	245	7,492	8,281	(54,613)	170,734	123,031
Accumulated surplus - beginning of year	\$ 2,341,828	229,542	313,263	11,476	408,790	16,894	1,390,485	2,370,450	2,247,419
Acquisition of tangible capital assets	-	(59,739)	-	-	-	-	59,739	-	-
Interfund transfers	-	(133,710)	6,710	-	127,000	-	-	-	-
Accumulated surplus - end of year	\$ 2,463,832	\$ 241,314	\$ 324,081	\$ 11,721	\$ 543,282	\$ 25,175	\$ 1,395,611	\$ 2,541,184	\$ 2,370,450

See accompanying notes to financial statements.

KALEDEN IRRIGATION DISTRICT

Schedule of Tangible Capital Assets

(Schedule 2)

Year Ended December 31, 2022

	Land	Buildings	Tools equipment	Automotive	Cemetery	Water systems	Pump equipment	2022	2021
Cost									
Opening balance	\$ 5,400	\$ 73,520	\$ 28,738	\$ 18,642	\$ -	\$ 2,322,845	\$ 151,947	\$ 2,601,092	\$ 2,370,618
Add: additions	-	5,200	2,003	-	4,928	10,555	42,053	64,739	230,474
Less: disposals	-	-	(697)	-	-	(27,006)	-	(27,703)	-
	5,400	78,720	30,044	18,642	4,928	2,306,394	194,000	2,638,128	2,601,092
Accumulated amortization									
Opening balance	-	34,003	24,103	8,079	-	1,121,864	22,558	1,210,607	1,169,895
Add: Amortization	-	1,646	953	1,243	-	33,368	6,948	44,158	40,712
Less: disposals	-	-	(697)	-	-	(11,551)	-	(12,248)	-
	-	35,649	24,359	9,322	-	1,143,681	29,506	1,242,517	1,210,607
Net book value - December 31, 2022	\$ 5,400	\$ 43,071	\$ 5,685	\$ 9,320	\$ 4,928	\$ 1,162,713	\$ 164,494	\$ 1,395,611	
Net book value - December 31, 2021	\$ 5,400	\$ 39,517	\$ 4,635	\$ 10,563	\$ -	\$ 1,200,981	\$ 129,389		\$ 1,390,485

See accompanying notes to financial statements.