

**KITCHENER IMPROVEMENT DISTRICT
FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021**

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MANAGEMENT'S RESPONSIBILITY

Management is responsible for the preparation and presentation of the accompanying financial statements, including responsibility for significant accounting judgments and estimates in accordance with Canadian public sector accounting standards and ensuring that all information in the annual report is consistent with the statements. This responsibility includes selecting appropriate accounting principles and methods and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibilities for the integrity and fairness of the financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of financial statements.

The Trustees are responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving the financial information included in the annual report. The trustees fulfil these responsibilities by reviewing the financial information prepared by management and discussing relevant matters with management and external auditors. The Trustees are also responsible for recommending the appointment of the District's external auditors.

Apex Accounting, Chartered Professional Accountants are appointed by the trustees to audit the financial statements and report directly to them; their report follows. The external auditors have full and free access to, and meet periodically and separately with management to discuss their audit findings.

November 16, 2022



Chair



Trustee

INDEPENDENT AUDITORS' REPORT

To the Members of Kitchener Improvement District

Opinion

We have audited the accompanying financial statements of Kitchener Improvement District, which comprise the statements of financial position as at December 31, 2021, 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, 2021, and its financial performance 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 Auditors' 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 these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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 the 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 related to going concern and using the going concern basis of accounting unless management either intends to liquidate the District or 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.

Auditors' 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 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 of 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 the 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.



Chartered Professional Accountants

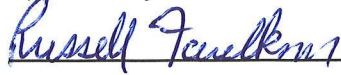
Creston, B.C.
November 16, 2022


**KITCHENER IMPROVEMENT DISTRICT
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2021**

	2021	2020
FINANCIAL ASSETS		
Cash (Note 3)	\$ 49,246	\$ 33,202
Water tolls receivable	500	2,405
Government remittances receivable	980	3,080
Due from general reserve	5,650	9,150
	<u>56,376</u>	<u>47,837</u>
FINANCIAL LIABILITIES		
Accounts payable and accrued liabilities	9,452	3,676
Deferred contributions and grants (Note 4)	76,834	78,874
Prepaid water tolls	900	210
Due to renewal reserve	5,650	9,150
	<u>92,836</u>	<u>91,910</u>
NET FINANCIAL LIABILITIES	<u>(36,460)</u>	<u>(44,073)</u>
NON-FINANCIAL ASSETS		
Inventory	9,828	9,828
Prepaid expenses	969	917
Tangible capital assets (Note 5)	312,777	323,068
	<u>323,574</u>	<u>333,813</u>
ACCUMULATED SURPLUS (Note 6)	<u>\$ 287,114</u>	<u>\$ 289,740</u>
Accumulated surplus represented by:		
Renewal Fund	\$ 30,635	\$ 27,091
General Fund	20,538	18,456
Capital Fund	235,941	244,193
	<u>\$ 287,114</u>	<u>\$ 289,740</u>

See accompanying notes to the financial statements.

Approved by the Trustees:





**KITCHENER IMPROVEMENT DISTRICT
STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS
FOR THE YEAR ENDED DECEMBER 31, 2021**

	2021	2020
REVENUE		
Annual water levies and tolls	\$ 34,200	\$ 34,100
Deferred contribution revenue	2,040	2,040
Interest and miscellaneous	44	54
Discounts	(2,700)	(2,250)
	33,584	33,944
EXPENDITURE		
Accounting and legal	6,200	4,650
Amortization	11,743	11,453
Bad debt	45	3,300
Dues, memberships and licenses	371	370
Fuel and mileage	2,503	1,661
Insurance	3,078	2,946
Interest and bank charges	58	70
Maintenance	3,919	1,722
Materials and supplies	6,028	2,277
Office	15	215
Trustee fees	2,250	2,250
	36,210	30,914
SURPLUS (DEFICIENCY) FOR THE YEAR	(2,626)	3,030
ACCUMULATED SURPLUS, beginning of year	289,740	286,710
ACCUMULATED SURPLUS, end of year	\$ 287,114	\$ 289,740

See accompanying notes to the financial statements.

**KITCHENER IMPROVEMENT DISTRICT
STATEMENT OF CHANGES IN NET FINANCIAL LIABILITIES
FOR THE YEAR ENDED DECEMBER 31, 2021**

	2021	2020
SURPLUS (DEFICIENCY) FOR THE YEAR	\$ (2,626)	\$ 3,030
Acquisition of tangible capital assets	(1,451)	(9,966)
Amortization of tangible capital assets	11,742	11,454
	<u>7,665</u>	<u>4,518</u>
Purchase of inventory	-	(4,127)
Payment of prepaid expense	(969)	(917)
Use of prepaid expense	917	901
	<u>(52)</u>	<u>(16)</u>
DECREASE IN NET FINANCIAL LIABILITIES	7,613	375
NET FINANCIAL LIABILITIES , beginning of year	<u>(44,073)</u>	<u>(44,448)</u>
NET FINANCIAL LIABILITIES , end of year	\$ (36,460)	\$ (44,073)

See accompanying notes to the financial statements.

**KITCHENER IMPROVEMENT DISTRICT
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2021**

	2021	2020
CASH FLOW FROM OPERATING ACTIVITIES		
Surplus (deficiency) for the year	\$ (2,626)	\$ 3,030
Amortization	11,743	11,453
Decrease in accounts receivable	4,005	23,797
Increase in inventories	-	(4,127)
Increase in prepaid expenses	(52)	(16)
Increase (decrease) in accounts payable	5,775	(188)
Increase (decrease) in unearned water tolls	690	(390)
Decrease in deferred contributions and grants	(2,040)	(2,041)
	<u>17,495</u>	<u>31,518</u>
CASH FLOW FROM INVESTING ACTIVITIES		
Additions to tangible capital assets	<u>(1,451)</u>	<u>(9,966)</u>
INCREASE IN CASH FOR THE YEAR	16,044	21,552
CASH, beginning of year	<u>33,202</u>	<u>11,650</u>
CASH, end of year (Note 3)	\$ 49,246	\$ 33,202

See accompanying notes to the financial statements.

KITCHENER IMPROVEMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2021

1. PURPOSE

The Kitchener Improvement District was organized by Letters Patent on October 18, 1989. The objects of the improvement district are to provide potable water to landowners within the District.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) **BASIS OF PRESENTATION**

These financial statements have been prepared in accordance with Canadian Public Sector Accounting Standards as prescribed by the Public Sector Accounting Board (PSAB).

(b) **FUND ACCOUNTING**

The District uses fund accounting to segregate accounting and financial reporting for the general fund and the reserves fund. Renewal reserve fund was established for future infrastructure costs. Resolution in the minutes stipulates that \$50/water user is allocated to the reserve fund. With the exception of the overdue accounts; there will not be any allocation of funds whenever the overdue balances are paid.

(c) **CASH AND CASH EQUIVALENTS**

Cash and cash equivalents consist of bank account balance held in financial institutions.

(d) **TANGIBLE CAPITAL ASSETS**

Tangible capital assets are recorded at cost less accumulated amortization and are classified according to their functional use. Amortization is recorded on a straight-line basis over the estimated useful life of the asset commencing the year the asset is put into service.

Estimated useful lives as follows:

Buildings	20 years
Equipment	5 years
Dyke System	50 years
Pipes & Lines	60 to 80 years
Storage Tank	20 to 50 years

(e) **FINANCIAL INSTRUMENTS**

The District's financial statements include various financial instruments. It is the Trustees' opinion that the District is not exposed to significant interest, currency or credit risk from these financial instruments. It is also the Trustees' opinion that the fair value of these financial instruments approximates their carrying value.

(f) **USE OF ESTIMATES**

These financial statements include certain estimates and assumptions. In particular, the Trustees have made estimates and assumptions regarding the collectibility of accounts receivable, the useful lives of tangible capital assets and deferred revenue and therefore their appropriate amortization rates. Actual results could differ.

**KITCHENER IMPROVEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) MEASUREMENT UNCERTAINTY

These financial statements have been prepared in accordance with Canadian generally accepted auditing standards. In preparing these financial statements management has made estimates and assumptions that affect the amount reported. Actual results could differ from those estimates.

(h) REVENUE RECOGNITION

Revenue from water levies and tolls is recognised when earned and collection can be reasonably assured.

(i) RELATED PARTY TRANSACTIONS

Related party transactions are measured at an exchange amount, which is the amount of consideration established and agreed to by the related parties. The nature of these transactions are in the normal course of operations.

(j) IMPAIRMENT OF LONG-LIVED ASSETS

The District assesses long-lived assets for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. An impairment loss is recognized on a long-lived asset to be held and used when its carrying value exceeds the total undiscounted cash flows expected from its use and disposal. The amount of the loss is determined by deducting the asset's fair value from its carrying amount.

3. CASH

	<u>2021</u>	<u>2020</u>
Cash, non-restricted Operating fund	\$ 18,613	\$ 6,112
Cash, restricted Renewal reserve	<u>30,634</u>	<u>27,090</u>
	<u>\$ 49,246</u>	<u>\$ 33,202</u>

**KITCHENER IMPROVEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

4. DEFERRED CONTRIBUTIONS AND GRANTS

Deferred contributions related to equipment represent capital assets acquired with a Regional District of Central Kootenays grant to support the upgrade to the water intake. The deferred contributions will be reported into revenue on the same basis as the contributed asset is amortized. Deferred grant relates to the portion of RDCK funding to be used on future upgrade projects. The changes in the deferred contribution balance for the year is as follows:

	<u>2021</u>	<u>2020</u>
Balance, beginning of the year	\$ 78,874	\$ 80,915
Amounts amortized to revenue	<u>(2,040)</u>	<u>(2,041)</u>
Balance, end of year	<u>\$ 76,834</u>	<u>\$ 78,874</u>

5. TANGIBLE CAPITAL ASSETS

	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net 2021</u>	<u>Net 2020</u>
Intake/Storage Tank	\$ 464,406	\$ 205,109	\$ 259,297	\$ 268,930
System Line	15,000	4,875	10,125	10,312
Bypass Line	13,288	10,576	2,712	2,753
Service Line	50,677	22,999	27,678	28,311
Dyke System	100,000	100,000	-	-
Water Connections	1,611	262	1,349	1,369
Equipment	5,199	2,974	2,225	1,418
Storage Unit	3,500	1,483	2,017	2,192
Storage Shed	8,193	819	7,374	7,783
	<u>\$ 661,874</u>	<u>\$ 349,097</u>	<u>\$ 312,777</u>	<u>\$ 323,068</u>

**KITCHENER IMPROVEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

6. ACCUMULATED SURPLUS

	<u>2021</u>	<u>2020</u>
Renewal Fund:		
Beginning Balance	\$ 27,091	\$ 23,608
Interest earned	44	33
Provision from General Fund	<u>3,500</u>	<u>3,450</u>
Ending Balance	<u>\$ 30,635</u>	<u>\$ 27,091</u>
General Fund:		
Beginning Balance	\$ 18,456	\$ 19,461
Annual surplus (deficit)	<u>2,083</u>	<u>(1,005)</u>
Ending Balance	<u>\$ 20,539</u>	<u>\$ 18,456</u>
Capital Fund:		
Beginning Balance	\$ 244,193	\$ 243,640
Purchases	1,451	9,966
Amortization	(11,743)	(11,453)
Deferred contributions	<u>2,040</u>	<u>2,040</u>
Ending Balance	<u>\$ 235,941</u>	<u>\$ 244,193</u>

7. RELATED PARTY TRANSACTIONS

Related party transactions are measured at an exchange amount, which is the amount of consideration established and agreed to by the related parties.

During the year, the District paid trustee fees of \$2,250 (2020 - \$2,250), reimbursed repairs and maintenance totaling \$756 (2020 - nil) and reimbursed fuel and mileage costs totaling \$2,503, (2020 - \$1,661) to trustees. The District paid a total of \$653 (2020 - \$1,560) to KMD Drilling Ltd., a company owned by a District trustee, of which related to general repairs.

The nature of the transactions are in the normal course of operations.

KITCHENER IMPROVEMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2021

8. CAPITAL MANAGEMENT

The capital management objectives of the District are to maintain adequate capital resources to support its working capital needs.

9. FINANCIAL INSTRUMENTS

The District is exposed to various risks through its financial instruments. The following analysis provides a measure of the entity's risk exposure and concentrations as at December 31, 2021.

(a) Credit Risk

Credit risk is the risk of loss associated with a counterpart's inability to fulfill its payment obligations. The District's credit risk is primarily attributable to cash and receivables. Management manages cash default risk by dealing with only large financial institutions with good credit ratings. Receivables risk is the potential for financial loss to the District if members fail to meet payment obligations in accordance with agreed terms; however, due to taxes being considered charges against the property, ultimate collection is certain either through District enforcement or upon sale of the property. It is also the Trustees' opinion that the fair value of these financial instruments approximates their carrying value.

(b) Liquidity Risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The District is exposed to this risk mainly in respect of its accounts payable. The carrying amount of all financial liabilities amounts to \$16,002 (2020 - \$13,036).