GENELLE IMPROVEMENT DISTRICT

FINANCIAL STATEMENTS

DECEMBER 31, 2019

Management's Responsibility for Financial Reporting

Management is composed entirely of the Board of Trustees who is elected by the Members of the Genelle Improvement District. 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. 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 the financial statements.

The Board of Trustees is responsible for overseeing the financial reporting responsibilities and for approving the financial information and discussing relevant matters with the external auditors. The Board of Trustees is also responsible for recommending the appointment of the District's external auditors.

Grant Thornton LLP, an independent firm of Chartered Professional Accountants, is appointed by the Board of Trustees to audit the financial statements and report directly to them; their report follows. The external auditors have full and free access to meet with the Board of Trustees to discuss their audit findings.

Trustee

March 30, 2020

Date

Trustee

March 30, 2020

Date

Grant Thornton

Independent Auditor's Report

Grant Thornton LLP
4 - 615 Columbia Avenue
Castlegar, BC V1N 1G9

T +1 250 365 7745
F +1 250 365 8027
www.GrantThornton.ca

To the Members of
Genelle Improvement District

Opinion

We have audited the financial statements of Genelle Improvement 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 and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Genelle Improvement District as at December 31, 2019 and the results of its operations, changes in net financial assets and 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 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 these 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 related to a 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.

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.

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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.

Grant Thornton LLP

Castlegar, Canada
March 30, 2020

Chartered Professional Accountants

GENELLE IMPROVEMENT DISTRICT

Statement of Financial Position

As at December 31

	2019	2018
Financial Assets		
Cash and cash equivalents (Note 2)	$ 631,875	$ 540,378
Accounts receivable (Note 3)	19,230	29,360
	651,105	569,738
Financial Liabilities		
Accounts payable	11,490	15,088
Net Financial Assets	639,615	554,650
Non-Financial Assets		
Inventory of supplies	16,421	16,421
Prepaid expenses	20,978	1,217
Tangible capital assets (Note 4)	1,056,046	1,099,723
	1,093,445	1,117,361
Accumulated Surplus (Schedule)	$ 1,733,060	$ 1,672,011
Represented By:		
Unrestricted operating fund	$ 172,504	$ 121,882
Internally restricted capital expenditure fund	29,121	28,976
Internally restricted capital works renewal reserve fund	475,389	421,430
Invested in tangible capital assets	1,056,046	1,099,723
	$ 1,733,060	$ 1,672,011

Approved by the Trustees:

_____ Trustee _____ Trustee

GENELLE IMPROVEMENT DISTRICT

Statement of Changes in Net Financial Assets

For the Year Ended December 31

	2019 Budget (unaudited)	2019 Actual	2018
Annual surplus	$ 28,350	$ 61,049	$ 44,186
Changes in tangible capital assets			
Acquisition of tangible capital assets	(40,000)	-	(27,273)
Amortization of tangible capital assets	50,000	43,677	57,527
Loss on disposal of tangible capital assets	-	-	566
	10,000	43,677	30,820
Changes in other non-financial assets			
Acquisition of inventory of supplies	-	-	(16,421)
Use of inventory of supplies	-	-	18,933
Acquisition of prepaid expenses	-	(20,978)	(1,217)
Use of prepaid expenses	-	1,217	20,234
	-	(19,761)	21,529
Changes in net financial assets	38,350	84,965	96,535
Net financial assets, beginning of year	554,650	554,650	458,115
Net financial assets, end of year	$ 593,000	$ 639,615	$ 554,650

GENELLE IMPROVEMENT DISTRICT

Statement of Operations and Accumulated Surplus

For the Year Ended December 31

	Budget	2019	2018
	Budget (unaudited)	Actual	
Revenues			
Water taxes	$ 115,600	$ 115,758	$ 114,792
Water tolls	68,900	68,576	67,008
Garbage taxes	57,600	56,832	54,769
Connection fees and miscellaneous	-	11,395	14,103
Interest - internally restricted	-	4,104	3,869
Interest - unrestricted	14,000	1,721	1,491
	256,100	258,386	256,032
Operating Expenses			
Garbage collection	57,600	49,778	48,558
Insurance and licences	21,600	20,541	21,090
Repairs and maintenance	10,000	10,288	9,079
Utilities	16,000	10,382	12,422
Water study	2,500	1,449	3,671
Water system operator	20,000	12,211	18,907
	127,700	104,649	113,727
	128,400	153,737	142,305
Administrative Expenses			
Advertising and promotion	250	-	179
Amortization	50,000	43,677	57,527
Honoraria	9,000	7,970	7,430
Office	4,600	4,953	3,599
Professional fees	9,000	11,300	7,100
Seminars	1,500	498	707
Telephone	2,000	1,972	1,832
Utilities	1,200	2,563	1,929
Wages and benefits	22,500	19,755	17,250
	100,050	92,688	97,553
Annual surplus from operations	28,350	61,049	44,752
Loss on disposal of tangible capital assets	-	-	(566)
Annual surplus	28,350	61,049	44,186
Accumulated surplus, beginning of year	1,672,011	1,672,011	1,627,825
Accumulated surplus, end of year	$ 1,700,361	$ 1,733,060	$ 1,672,011

GENELLE IMPROVEMENT DISTRICT

Statement of Cash Flows

For the Year Ended December 31

	2019	2018
Cash Flows Provided By (Used In) Operating Activities		
Cash received from users	$ 262,691	$ 241,049
Cash paid to suppliers and employees	(177,019)	(137,742)
Cash received from internally restricted interest	4,104	3,869
Cash received from unrestricted interest	1,721	1,491
	91,497	108,667
Cash Flows Provided By (Used In) Investing Activities		
Purchase of tangible capital assets	-	(27,273)
Increase in cash	91,497	81,394
Cash, beginning of year	540,378	458,984
Cash, end of year	$ 631,875	$ 540,378

Nature of Operations

The Genelle Improvement District was formed as an Improvement District on April 12, 1962. The objectives of the District are the acquisition, maintenance and operation of the waterworks and all incidental matters thereto for the land within the District. Under the Income Tax Act of Canada, the District qualifies as a not-for-profit organization and is exempt from income tax.

1. Summary of Significant Accounting Policies

Basis of presentation

The financial statements have been prepared in accordance with Canadian public sector accounting standards. Funds are segregated for the purpose of carrying on specific activities or attaining specific objectives. The following funds are currently in use:

Unrestricted operating fund - this fund is used to report the operating activities of the District, including general operations and the water utilities.

Internally restricted reserve funds - these funds have been established to hold funds for specific future requirements. The use of these funds is at the discretion of the Board of Trustees and consists of a capital expenditure fund and a capital works renewal reserve fund.

Use of estimates

The preparation of financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions which affect the reported amount of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant items subject to such estimates and assumptions include the valuation of accounts receivable, accrued liabilities included in accounts payable, the valuation of inventory of supplies and estimated useful lives of tangible capital assets. Actual results may differ from these estimated amounts.

Non-financial assets

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the ordinary course of operations.

Inventory of supplies

Inventory of supplies consist of materials and supplies for use and consumption. Inventory of supplies are measured at the lower of cost and net replacement value. Cost has been determined using the specific identification method.

Tangible capital assets

Tangible capital assets are recorded at cost. Amortization is calculated on the straight-line basis over the following periods:

Building	20 years
Fence	10 years
Fire hydrants	40 years
Office equipment	5 years
Reservoir	50 years
Soft start system	5 years
Storage container	5 years
Tools	5 years
Vehicle	8 years
Water system and equipment	5-50 years

Revenue recognition

Water taxes, water tolls and garbage taxes revenues are recognized on an accrual basis and recognized in the period to which they relate provided that collection is reasonably assured. Capital expenditure charges, subdivision fees and connection fees are recognized when services are rendered provided that collection is reasonably assured. All other revenue is recognized when collection is reasonably assured.

The District defers taxes, tolls and other fees relating to services not yet rendered. The revenue is recorded in the year in which the service is provided.

Expense recognition

Operating and administrative expenses are recognized on an accrual basis in the period in which they are incurred.

Donated goods and services

The District benefits from donated goods and services in the form of volunteer time and donated goods. Donated goods and services are not recognized in these financial statements.

Invested in tangible capital assets

The District records amounts paid for the acquisition of tangible capital assets and principal repayments on loans incurred to acquire tangible capital assets to this account. A reduction is charged against this account for funds received to finance tangible capital asset purchases, proceeds from the sale of tangible capital assets and amortization. The net investment is classified as restricted where there are external restrictions placed upon the use and/or possible future dispositions of the tangible capital assets.

Budget data

The unaudited budget data presented in these financial statements was adopted by the Board of Trustees at the Annual General Meeting on April 24, 2019.

2. Cash and cash equivalents

Cash and cash equivalents comprise unrestricted operating accounts that consist of bank accounts and member shares and internally restricted reserve funds that consist of Kootenay Savings Credit Union savings funds. The reserve funds have been established by the Board for specific operating uses. Funds received from capital expenditure charges and interest earned on these funds are included in the capital expenditure fund. These funds may only be used to increase source capacity, enlarge supply mains, increase storage or augment the capacity of the works of the District. Funds received from the sale of District land, current revenue, general revenue surplus or as otherwise provided in the Municipal Act may from time to time be paid into the capital works renewal reserve fund. These funds and interest earned on these funds may only be used for expenditures for any upgrading, replacement or renewal of existing works. The funds may be disbursed by a Bylaw of the Trustees of the District.

	2019	2018
Operating accounts	$ 127,365	$ 89,972
Capital expenditure fund	29,121	28,976
Capital works renewal reserve fund	475,389	421,430
	$ 631,875	$ 540,378

3. Accounts Receivable

	2019	2018
Trade receivables	$ 14,721	$ 19,021
GST recoverable	4,509	10,339
	$ 19,230	$ 29,360

4. Tangible Capital Assets

As at December 31, 2019	Cost	Accumulated Amortization	Net Book Value
Land - second well	$ 7,723	$ -	$ 7,723
Reservoir easement	4,052	-	4,052
Building	79,033	69,629	9,404
Fence	1,098	1,098	-
Fire hydrants	39,397	14,450	24,947
Fire hydrants (12th Street)	2,162	1,702	460
Office equipment	4,157	3,619	538
Reservoir	522,263	80,011	442,252
Soft start system	10,488	10,488	-
Storage container	4,958	4,958	-
Tools	731	731	-
Vehicle	24,694	16,978	7,716
Water system and equipment	1,004,872	445,918	558,954
	$ 1,705,628	$ 649,582	$ 1,056,046

As at December 31, 2018	Cost	Accumulated Amortization	Net Book Value
Land - second well	$ 7,723	$ -	$ 7,723
Reservoir easement	4,052	-	4,052
Building	79,033	68,442	10,591
Fence	1,098	1,098	-
Fire hydrants	39,397	13,465	25,932
Fire hydrants (12th Street)	2,162	1,648	514
Office equipment	4,157	3,465	692
Reservoir	522,263	69,566	452,697
Soft start system	10,488	10,488	-
Storage container	4,958	4,958	-
Tools	731	731	-
Vehicle	24,694	13,891	10,803
Water system and equipment	1,004,872	418,153	586,719
	$ 1,705,628	$ 605,905	$ 1,099,723

Additions for the year amount to $Nil in fire hydrants (2018: $2,525), $Nil in office equipment (2018: $769), $Nil in water system and equipment (2018: $23,979). Disposals for the year amount to $Nil (2018: $566 in carrying value). Amortization expense for the year amounted to $43,677 (2018: $57,527).

GENELLE IMPROVEMENT DISTRICT

Schedule of Changes in Accumulated Surplus

For the Year Ended December 31

	Unrestricted Operating Fund	Internally Restricted Capital Expenditure Fund	Internally Restricted Capital Works Renewal Reserve Fund	Invested in Tangible Capital Assets	Total 2019	Total 2018
Accumulated surplus, beginning of year	$ 121,882	$ 28,976	$ 421,430	$ 1,099,723	$ 1,672,011	$ 1,627,825
Annual surplus	61,049	-	-	-	61,049	44,186
Capital works renewal reserve fund - transfer	(50,000)	-	50,000	-	-	-
Restricted interest - transfer	(4,104)	145	3,959	-	-	-
Amortization of tangible capital assets - transfer	43,677	-	-	(43,677)	-	-
Accumulated surplus, end of year	$ 172,504	$ 29,121	$ 475,389	$ 1,056,046	$ 1,733,060	$ 1,672,011