

WASA LAKE LAND IMPROVEMENT DISTRICT
Financial Statements
Year Ended December 31, 2016

WASA LAKE LAND IMPROVEMENT DISTRICT
Index to Financial Statements
Year Ended December 31, 2016

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MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The financial statements of Wasa Lake Land Improvement District have been prepared in accordance with Canadian public sector accounting standards. When alternative accounting methods exist, management has chosen those it deems most appropriate in the circumstances. These statements include certain amounts based on management's estimates and judgments. Management has determined such amounts based on a reasonable basis in order to ensure that the financial statements are presented fairly in all material respects.

The integrity and reliability of Wasa Lake Land Improvement District 's reporting systems are achieved through the use of formal policies and procedures, the careful selection of employees and an appropriate division of responsibilities. These systems are designed to provide reasonable assurance that the financial information is reliable and accurate.

The board of trustees are responsible for ensuring that management fulfills its responsibility for financial reporting and is ultimately responsible for reviewing and approving the financial statements. The trustees carry out this responsibility by meeting periodically with management and the trustees' auditors to review significant accounting, reporting and internal control matters. Following its review of the financial statements and discussions with the auditors, the trustees approve the financial statements. The trustees also consider the engagement or re-appointment of the external auditors.

The financial statements have been audited on behalf of the trustees by Adams Wooley, Chartered Professional Accountants, in accordance with Canadian public sector accounting standards.

Mr. Cliff Youngs, Chair

Ms. Kathy McCauley, Secretary /
Treasurer

Wasa, BC
March 11, 2017

INDEPENDENT AUDITOR'S REPORT

To the Trustees of Wasa Lake Land Improvement District

We have audited the accompanying financial statements of Wasa Lake Land Improvement District, which comprise the statement of financial position as at December 31, 2016 and the statements of operations and accumulated surplus, changes in net financial assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

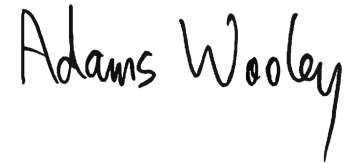
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Independent Auditor's Report to the Trustees of Wasa Lake Land Improvement District *(continued)*

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Wasa Lake Land Improvement District as at December 31, 2016 and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

A handwritten signature in black ink that reads "Adams Wooley". The signature is written in a cursive, slightly slanted style.

Cranbrook, BC
March 11, 2017

Adams Wooley
Chartered Professional Accountants

WASA LAKE LAND IMPROVEMENT DISTRICT

Statement of Financial Position

December 31, 2016

FINANCIAL ASSETS

| | | | | |
|------------------------------------|----|---------------|----|---------------|
| Cash (Note 4) | \$ | 50,315 | \$ | 42,002 |
| Term deposits (Notes 4 and 5) | | 5,658 | | 5,224 |
| Accounts receivable (Note 6) | | 5,020 | | 4,846 |
| Goods and services tax recoverable | | 221 | | 1,279 |
| | | <u>61,214</u> | | <u>53,351</u> |

LIABILITIES

| | | | | |
|--|--|--------------|--|--------------|
| Accounts payable and accrued liabilities | | 2,299 | | 2,299 |
| Deferred revenue (Note 7) | | 896 | | - |
| | | <u>3,195</u> | | <u>2,299</u> |

NET FINANCIAL ASSETS

| | | | | |
|--|--|---------------|--|---------------|
| | | <u>58,019</u> | | <u>51,052</u> |
|--|--|---------------|--|---------------|

NON-FINANCIAL ASSETS

| | | | | |
|---|--|--------------|--|--------------|
| Tangible capital assets (Notes 2 and 8) | | <u>1,817</u> | | <u>2,030</u> |
|---|--|--------------|--|--------------|

ACCUMULATED SURPLUS

| | | | | |
|--|----|---------------|----|---------------|
| | \$ | <u>59,835</u> | \$ | <u>53,082</u> |
|--|----|---------------|----|---------------|

ON BEHALF OF IMPROVEMENT DISTRICT

_____ Trustee

_____ Trustee

WASA LAKE LAND IMPROVEMENT DISTRICT
Statement of Operations and Accumulated Surplus
Year Ended December 31, 2016

| | 2016 | 2015 |
|--|------------------|------------------|
| REVENUES | | |
| Property taxes | \$ 18,950 | \$ 18,950 |
| Other | 329 | 140 |
| Grants | 162 | 128 |
| | <u>19,441</u> | <u>19,218</u> |
| EXPENSES | | |
| Amortization | 214 | 107 |
| Business taxes, licences and memberships | 50 | 330 |
| Consulting fees | - | 158 |
| Insurance | 1,917 | 1,917 |
| Interest and bank charges | 146 | 73 |
| Office | 6,438 | 6,993 |
| Professional fees | 2,727 | 2,313 |
| Rental | 450 | 340 |
| Repairs and maintenance | 162 | - |
| Salaries and wages | 94 | - |
| Supplies | - | 220 |
| Travel / Conferences / Education | 490 | - |
| | <u>12,688</u> | <u>12,451</u> |
| ANNUAL SURPLUS | 6,753 | 6,767 |
| ACCUMULATED SURPLUS - BEGINNING OF YEAR | <u>53,082</u> | <u>46,315</u> |
| ACCUMULATED SURPLUS - END OF YEAR | \$ 59,835 | \$ 53,082 |

See notes to financial statements

WASA LAKE LAND IMPROVEMENT DISTRICT
Statement of Changes in Net Financial Assets
Year Ended December 31, 2016

| | 2016 | 2015 |
|---|-------------------------|-------------------------|
| ANNUAL SURPLUS | \$ 6,753 | \$ 6,767 |
| Amortization of tangible capital assets | 214 | 107 |
| Purchase of tangible capital assets | - | (1,737) |
| Capitalized interest | - | - |
| Capitalized overhead | - | - |
| | <u>214</u> | <u>(1,630)</u> |
| INCREASE IN NET FINANCIAL ASSETS | 6,967 | 5,137 |
| NET FINANCIAL ASSETS - BEGINNING OF YEAR | 51,052 | 45,915 |
| NET FINANCIAL ASSETS - END OF YEAR | <u>\$ 58,019</u> | <u>\$ 51,052</u> |

See notes to financial statements

WASA LAKE LAND IMPROVEMENT DISTRICT

Statement of Cash Flows

Year Ended December 31, 2016

| | 2016 | 2015 |
|---|----------------------|----------------------|
| OPERATING ACTIVITIES | | |
| Surplus | \$ 6,753 | \$ 6,767 |
| Item not affecting cash: | | |
| Amortization of tangible capital assets | 214 | 107 |
| | <u>6,967</u> | <u>6,874</u> |
| Changes in non-cash working capital: | | |
| Accounts receivable | (174) | 764 |
| Deferred revenue | 896 | - |
| Goods and services tax payable | 1,058 | (366) |
| | <u>1,780</u> | <u>398</u> |
| Cash flow from operating activities | <u>8,747</u> | <u>7,272</u> |
| INVESTING ACTIVITY | | |
| Purchase of tangible capital assets | - | (1,737) |
| Cash flow from (used by) investing activity | <u>-</u> | <u>(1,737)</u> |
| INCREASE IN CASH FLOW | 8,747 | 5,535 |
| Cash - beginning of year | <u>47,226</u> | <u>41,691</u> |
| CASH - END OF YEAR | <u>55,973</u> | <u>47,226</u> |
| CASH CONSISTS OF: | | |
| Cash | \$ 50,315 | \$ 42,002 |
| Term deposits | 5,658 | 5,224 |
| | <u>\$ 55,973</u> | <u>\$ 47,226</u> |

See notes to financial statements

WASA LAKE LAND IMPROVEMENT DISTRICT

Notes to Financial Statements

Year Ended December 31, 2016

1. PURPOSE OF THE IMPROVEMENT DISTRICT

Wasa Lake Land Improvement District is a duly elected body that has letters patent granted by the Province of British Columbia for water quality and quantity control of Wasa Lake.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The financial statements were prepared in accordance with Canadian public sector accounting standards for governments, as recommended by the Public Sector Accounting Board (PSAB) of the Chartered Professional Accountants of Canada. Significant accounting policies adopted by the Improvement District are as follows:

Cash and cash equivalents

Cash includes cash and cash equivalents. Cash equivalents are investments in guaranteed investment certificates and are valued at cost plus accrued interest. The carrying amounts approximate fair value because they are highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

Deferred revenue and deposits

Deferred revenue includes grants, contributions and other amounts received from third parties pursuant to legislation regulation, or agreement, which may only be used in certain programs, in the completion of specific work, or for the purchase of tangible capital assets. In addition, certain user charges and fees collected for which the related services have yet to be preformed. Revenue is recognized in the period when the related expenses are incurred, services are preformed, or the tangible capital assets are acquired.

Tangible capital assets

Tangible capital assets are stated at cost or deemed cost less accumulated amortization. Tangible capital assets are amortized over their estimated useful lives on a straight-line basis at the following rates:

| | |
|------------------------|----------|
| Equipment | 10 years |
| Furniture and fixtures | 10 years |

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

Tangible capital assets are written down when conditions indicate that they no longer contribute to the ability to provide goods and services, or when the value of future economic benefits associated with the asset is less than the book value.

Contributions of tangible capital assets - Tangible capital assets received as contributions are recorded at their fair value at the date of receipt and also recorded as revenue. Where an estimate of fair value cannot be made or where there is no future benefit related to the asset, the tangible capital asset is recognized at a nominal value.

Capitalized interest - Interest is capitalized whenever debt is issued to finance the construction of tangible capital assets.

Leased tangible capital assets - Leases that transfer substantially all the benefits and risks incidental to ownership of property are accounted for as leased tangible capital assets. All other leases are accounted for as operating leases and the related payments are charged to expenses as incurred.

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WASA LAKE LAND IMPROVEMENT DISTRICT

Notes to Financial Statements

Year Ended December 31, 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Revenue recognition

Wasa Lake Land Improvement District follows the deferral method of accounting for contributions.

Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Investment revenue is recognized as revenue when earned.

Government grants

Government grants are recorded when there is a reasonable assurance that the improvement district has complied with and will continue to comply with, all the necessary conditions to obtain the grants.

Contributed services

The operations of the improvement district depend on both the contribution of time by volunteers and donated materials from various sources. The fair value of donated materials and services cannot be reasonably determined and are therefore not reflected in these financial statements.

Measurement uncertainty

When preparing financial statements according to ASNPO, management makes estimates and assumptions relating to:

- reported amounts of revenues and expenses
- reported amounts of assets and liabilities
- disclosure of contingent assets and liabilities.

Estimates are based on a number of factors including historical experience, current events and actions that the improvement district may undertake in the future, and other assumptions that management believes are reasonable under the circumstances. By their nature, these estimates are subject to measurement uncertainty and actual results could differ. In particular, estimates are used in accounting for certain items such as revenues, allowance for doubtful accounts, useful lives of capital assets, asset impairments, legal and tax contingencies, and retained interest in securitized receivables.

3. FINANCIAL INSTRUMENTS

The improvement district is exposed to various risks through its financial instruments and has a comprehensive risk management framework to monitor, evaluate and manage these risks. The following analysis provides information about the improvement district's risk exposure and concentration as of December 31, 2016.

(a) Credit risk

Credit risk arises from the potential that a counter party will fail to perform its obligations. The improvement district is exposed to credit risk from customers. In order to reduce its credit risk, the improvement district reviews a new customer's credit history before extending credit and conducts regular reviews of its existing customers' credit performance. An allowance for doubtful accounts is established based upon factors surrounding the credit risk of specific accounts, historical trends and other information. The improvement district has a significant number of customers which minimizes concentration of credit risk.

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WASA LAKE LAND IMPROVEMENT DISTRICT

Notes to Financial Statements

Year Ended December 31, 2016

3. FINANCIAL INSTRUMENTS *(continued)*

(b) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The improvement district is exposed to this risk mainly in respect of its receipt of funds from its customers and other related sources and accounts payable.

(c) Interest rate risk

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. In seeking to minimize the risks from interest rate fluctuations, the improvement district manages exposure through its normal operating and financing activities.

Unless otherwise noted, it is management's opinion that the improvement district is not exposed to significant other risks arising from these financial instruments.

4. RESTRICTED CASH

The improvement district maintains restricted funds designated, either by bylaw or by resolution, for specific purposes. These funds are maintained in either term deposits or in the general bank account, but are not to be used for any other purpose unless provided by an amended bylaw or by issuing a new resolution.

| | <u>2016</u> | <u>2015</u> |
|---|-----------------|-------------|
| Cash held for restricted funds | | |
| Restricted cash held in operating account | \$ - | \$ 16,123 |
| Contingency fund account | 8,004 | - |
| Capital works renewal reserve account | 8,127 | - |
| GIC | 5,658 | 5,224 |
| | <hr/> | <hr/> |
| Total restricted cash | 21,789 | 21,347 |
| Less restricted funds | | |
| Capital works renewal reserve | (13,785) | (8,123) |
| Contingency reserve | (8,004) | (8,000) |
| Flood migration reserve | - | (5,224) |
| | <hr/> | <hr/> |
| Total reserves | (21,789) | (21,347) |
| Over / (Under) funded reserves | \$ - | \$ - |

5. TERM DEPOSITS

| | <u>2016</u> | <u>2015</u> |
|--|-----------------|-------------|
| East Kootenay Community Credit Union - One-year Guaranteed Investment Certificate at 1.35%, maturing July 19, 2017 | \$ 5,658 | \$ - |
| Tangerine - One-year Guaranteed Investment Certificate at 1.00%, maturing May 6, 2016 | - | 5,190 |
| | <hr/> | <hr/> |
| | 5,658 | 5,190 |
| Accrued interest | - | 34 |
| | <hr/> | <hr/> |
| | \$ 5,658 | \$ 5,224 |

WASA LAKE LAND IMPROVEMENT DISTRICT

Notes to Financial Statements

Year Ended December 31, 2016

6. ACCOUNTS RECEIVABLE

| | <u>2016</u> | | <u>2015</u> | |
|-----------------|-------------|--------------|-------------|--------------|
| Taxes - current | \$ | 3,554 | \$ | 3,031 |
| Taxes - arrears | | <u>1,466</u> | | <u>1,815</u> |
| | \$ | <u>5,020</u> | \$ | <u>4,846</u> |

7. DEFERRED REVENUE

| | <u>2016</u> | | <u>2015</u> | |
|--|-------------|------------|-------------|----------|
| Prepaid taxes | \$ | 241 | \$ | - |
| Regional District of East Kootenay grant | | <u>655</u> | | <u>-</u> |
| | \$ | <u>896</u> | \$ | <u>-</u> |

8. TANGIBLE CAPITAL ASSETS

| | Cost | Accumulated amortization | 2016 Net book value | 2015 Net book value |
|------------------------|----------|-----------------------------|---------------------------|---------------------------|
| Equipment | \$ 1,737 | \$ 260 | \$ 1,477 | \$ 1,650 |
| Furniture and fixtures | 400 | 60 | <u>340</u> | <u>380</u> |
| | \$ 2,137 | \$ 320 | \$ 1,817 | \$ 2,030 |

9. ACCUMULATED SURPLUS

Accumulated surplus consists of:

| | <u>2016</u> | | <u>2015</u> | |
|---|-------------|---------------|-------------|---------------|
| Surplus | | | | |
| Invested in tangible capital assets (Note 10) | \$ | 1,817 | \$ | 2,030 |
| Surplus from operations | | <u>36,229</u> | | <u>29,705</u> |
| | | <u>38,046</u> | | <u>31,735</u> |
| Reserves funds set aside for specific purpose by trustees (Note 11) | | | | |
| Capital works renewal reserve | | 13,785 | | 8,123 |
| Contingency reserve | | 8,004 | | 8,000 |
| Flood mitigation reserve | | <u>-</u> | | <u>5,224</u> |
| | | <u>21,789</u> | | <u>21,347</u> |
| | \$ | <u>59,835</u> | \$ | <u>53,082</u> |

WASA LAKE LAND IMPROVEMENT DISTRICT

Notes to Financial Statements

Year Ended December 31, 2016

10. EQUITY IN TANGIBLE CAPITAL ASSETS

Equity in tangible capital assets (TCA) represents the net book value (NBV) of total capital assets less long term obligations assumed to acquire those assets. The change in consolidated equity in tangible capital assets is as follows:

| | <u>2016</u> | <u>2015</u> |
|--------------------------------------|-----------------|-----------------|
| Equity in TCA, beginning of year | \$ 2,030 | \$ 400 |
| Add: | | |
| Purchases of tangible capital assets | - | 1,737 |
| Less: | | |
| Amortization | (213) | (107) |
| | - | - |
| | <u>-</u> | <u>-</u> |
| Equity in TCA, end of year | <u>\$ 1,817</u> | <u>\$ 2,030</u> |

WASA LAKE LAND IMPROVEMENT DISTRICT

Notes to Financial Statements

Year Ended December 31, 2016

11. RESERVE FUNDS

Restricted funds are for future expenses that occur less often than once a year or that do not usually occur. Investment revenue earned on the restricted funds is added to the fund balances annually.

| | <u>2016</u> | <u>2015</u> |
|---|---------------|--------------|
| Capital works renewal reserve (Bylaw 63) | | |
| Opening balance | \$ 8,123 | \$ 8,096 |
| Interest earned | 4 | 27 |
| Transfer from flood mitigation reserve | 5,242 | - |
| Contribution | 416 | - |
| | <u>13,785</u> | <u>8,123</u> |

Purpose: Upgrading, replacement or renewal of existing works. Funded by money from the sale of improvement district land, current revenue, general revenue fund surplus (to the extent to which it is available), or as otherwise provided in the Local Government Act, from time to time.

| | | |
|----------------------------|--------------|--------------|
| Contingency reserve | | |
| Opening balance | 8,000 | - |
| Transferred in | - | 8,000 |
| Interest earned | 4 | - |
| | <u>8,004</u> | <u>8,000</u> |

Purpose: Future use related to estimated costs to repair or replace items as required. Changes to the reserve are determined by the trustees on an ongoing basis. Created by resolution on March 23, 2015.

| | | |
|--|----------------|--------------|
| Flood mitigation reserve | | |
| Opening balance | 5,224 | 5,169 |
| Interest earned | 18 | 55 |
| | <u>5,242</u> | <u>5,224</u> |
| Transferred to capital works renewal reserve | <u>(5,242)</u> | - |
| | <u>-</u> | <u>5,224</u> |

Purpose: Maintenance of the flood mitigation gates and infrastructure. Changes to the reserve are determined by the trustees on an ongoing basis.

| | | |
|--|------------------|------------------|
| | <u>\$ 21,789</u> | <u>\$ 21,347</u> |
|--|------------------|------------------|