

WASA LAKE LAND IMPROVEMENT DISTRICT
Financial Statements
Year Ended December 31, 2018

WASA LAKE LAND IMPROVEMENT DISTRICT

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Year Ended December 31, 2018

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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.

Ms. Sharon Prinz, Chair

Ms. Kathy McCauley, Secretary /
Treasurer

Wasa, BC
March 20, 2018

INDEPENDENT AUDITOR'S REPORT

To the Trustees of Wasa Lake Land Improvement District

Report on the Financial Statements

Opinion

We have audited the financial statements of Wasa Lake Land Improvement District (the Improvement District), which comprise the statement of financial position as at December 31, 2018, 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 Improvement District as at December 31, 2018, 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 Improvement 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.

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 Improvement 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 Improvement District or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Improvement 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 Improvement 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 Improvement 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 Improvement 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.



Cranbrook, BC
March 20, 2019

Adams Wooley
Chartered Professional Accountants

WASA LAKE LAND IMPROVEMENT DISTRICT
Statement of Financial Position
December 31, 2018

	2018	2017
FINANCIAL ASSETS		
Cash <i>(Note 4)</i>	\$ 47,634	\$ 48,290
Term deposits <i>(Notes 4 and 5)</i>	5,815	5,734
Accounts receivable <i>(Note 6)</i>	5,441	5,530
Goods and services tax recoverable	444	883
	59,334	60,437
LIABILITIES		
Accounts payable and accrued liabilities	3,606	7,472
Deferred revenue <i>(Notes 4 and 7)</i>	734	1,106
	4,340	8,578
NET FINANCIAL ASSETS	54,994	51,859
NON-FINANCIAL ASSETS		
Tangible capital assets <i>(Notes 2 and 8)</i>	2,374	1,603
ACCUMULATED SURPLUS <i>(Note 9)</i>	\$ 57,369	\$ 53,461

ON BEHALF OF IMPROVEMENT DISTRICT

_____ *Trustee*

_____ *Trustee*

The attached notes are an integral part of these financial statements.

WASA LAKE LAND IMPROVEMENT DISTRICT
Statement of Operations and Accumulated Surplus
Year Ended December 31, 2018

	2018	2017
REVENUES		
Property taxes	\$ 18,950	\$ 18,950
Grants <i>(Note 10)</i>	1,087	-
Other	567	693
	<u>20,604</u>	<u>19,643</u>
EXPENSES		
Advertising and promotion	420	1,172
Amortization	587	214
Business taxes, licences and memberships	150	50
Consulting fees	105	120
Insurance	1,992	1,917
Interest and bank charges	140	140
Office	7,284	7,929
Professional fees	2,979	3,086
Rental	450	450
Repairs and maintenance	757	3,009
Salaries and wages	123	96
Supplies	1,685	7,513
Travel / Conferences / Education	25	320
	<u>16,697</u>	<u>26,016</u>
SURPLUS (DEFICIT) FROM OPERATIONS	<u>3,907</u>	<u>(6,373)</u>
RESTRICTED REVENUE AND EXPENSES		
Regional District of East Kootenay for Wasa Volunteer Fire Prevention and Suppression Group <i>(Note 7)</i>	4,203	-
Disbursed to Wasa Volunteer Fire Prevention and Suppression Group <i>(Note 7)</i>	(4,203)	-
	<u>-</u>	<u>-</u>
ANNUAL SURPLUS (DEFICIT)	<u>3,907</u>	<u>(6,373)</u>
ACCUMULATED SURPLUS - BEGINNING OF YEAR	<u>53,462</u>	<u>59,834</u>
ACCUMULATED SURPLUS - END OF YEAR	<u>\$ 57,369</u>	<u>\$ 53,461</u>

The attached notes are an integral part of these financial statements.

WASA LAKE LAND IMPROVEMENT DISTRICT
Statement of Changes in Net Financial Assets
Year Ended December 31, 2018

	2018	2017
ANNUAL SURPLUS (DEFICIT)	\$ 3,907	\$ (6,373)
Amortization of tangible capital assets	587	214
Purchase of tangible capital assets	(1,359)	-
	(772)	214
INCREASE (DECREASE) IN NET FINANCIAL ASSETS	3,135	(6,159)
NET FINANCIAL ASSETS - BEGINNING OF YEAR	51,859	58,018
NET FINANCIAL ASSETS - END OF YEAR	\$ 54,994	\$ 51,859

The attached notes are an integral part of these financial statements.

WASA LAKE LAND IMPROVEMENT DISTRICT

Statement of Cash Flows

Year Ended December 31, 2018

	2018	2017
OPERATING ACTIVITIES		
Annual Surplus (deficit)	\$ 3,907	\$ (6,373)
Item not affecting cash:		
Amortization of tangible capital assets	587	214
	<u>4,494</u>	<u>(6,159)</u>
Changes in non-cash working capital:		
Accounts receivable	89	(510)
Accounts payable and accrued liabilities	(3,866)	5,172
Deferred revenue	(372)	210
Goods and services tax payable	439	(662)
	<u>(3,710)</u>	<u>4,210</u>
Cash flow from (used by) operating activities	<u>784</u>	<u>(1,949)</u>
INVESTING ACTIVITY		
Purchase of tangible capital assets	<u>(1,359)</u>	-
Cash flow from (used by) investing activity	<u>(1,359)</u>	-
DECREASE IN CASH FLOW	(575)	(1,949)
Cash - beginning of year	<u>54,024</u>	<u>55,973</u>
CASH - END OF YEAR	\$ 53,449	\$ 54,024
CASH CONSISTS OF:		
Cash	\$ 47,634	\$ 48,290
Term deposits	<u>5,815</u>	<u>5,734</u>
	\$ 53,449	\$ 54,024

The attached notes are an integral part of these financial statements.

WASA LAKE LAND IMPROVEMENT DISTRICT

Notes to Financial Statements

Year Ended December 31, 2018

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 (PSAB).

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 performed. Revenue is recognized in the period when the related expenses are incurred, services are performed, or the tangible capital assets are acquired.

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 straight-line basis at the following rates and methods:

Equipment	10 years
Furniture and fixtures	10 years
Signs	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, 2018

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 PSAB, 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 tangible capital assets, asset impairments, and legal and tax contingencies..

3. FINANCIAL INSTRUMENTS

The improvement district is exposed to various risks through its financial instruments. The following analysis provides information about the improvement district's risk exposure and concentration as of December 31, 2018.

(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 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, 2018

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. The improvement district is exposed to interest rate risk primarily through its guaranteed investment certificate.

Unless otherwise noted, it is management's opinion that the improvement district is not exposed to significant other risks arising from these financial instruments and risk is not significantly different from that of the previous period.

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>2018</u>	<u>2017</u>
Cash held for restricted funds		
Restricted cash held in operating account	\$ 1,734	\$ 1,106
Contingency fund account	8,016	8,008
Capital works renewal reserve account	8,140	8,132
Term deposit <i>(Note 5)</i>	<u>5,815</u>	<u>5,734</u>
Total restricted cash	<u>23,705</u>	<u>22,980</u>
Less restricted funds		
Deferred revenue <i>(Note 7)</i>	(734)	(1,106)
Capital works renewal reserve <i>(Note 12)</i>	(13,955)	(13,866)
Contingency reserve <i>(Note 12)</i>	(8,016)	(8,008)
Wasa Volunteer Fire Prevention and Suppression Group <i>(Note 12)</i>	<u>(1,000)</u>	<u>-</u>
	<u>(23,705)</u>	<u>(22,980)</u>
Over / (Under) funded restricted amounts	<u>\$ -</u>	<u>\$ -</u>

5. TERM DEPOSITS

	<u>2018</u>	<u>2017</u>
East Kootenay Community Credit Union - One-year Guaranteed Investment Certificate at 2.00%, maturing July 19, 2019	\$ 5,815	\$ -
East Kootenay Community Credit Union - One-year Guaranteed Investment Certificate at 1.40%, maturing July 19, 2018	<u>-</u>	<u>5,734</u>
	<u>\$ 5,815</u>	<u>\$ 5,734</u>

WASA LAKE LAND IMPROVEMENT DISTRICT

Notes to Financial Statements

Year Ended December 31, 2018

6. ACCOUNTS RECEIVABLE

	<u>2018</u>	<u>2017</u>
Taxes - current	\$ 3,556	\$ 3,550
Taxes - arrears	<u>1,885</u>	<u>1,980</u>
	<u>\$ 5,441</u>	<u>\$ 5,530</u>

7. DEFERRED REVENUE

	<u>2018</u>	<u>2017</u>
Regional District of East Kootenay for Wasa Volunteer Fire Prevention and Suppression Group	\$ 4,500	\$ -
Wasa Volunteer Fire Suppression	<u>(4,203)</u>	<u>-</u>
Wasa Volunteer Fire Prevention and Suppression Group funds remaining	297	-
Taxes paid in advance	437	451
Regional District of East Kootenay for Aquatic Milfoil Project (Note 10)	<u>-</u>	<u>655</u>
	<u>\$ 734</u>	<u>\$ 1,106</u>

8. TANGIBLE CAPITAL ASSETS

	Cost	Accumulated amortization	2018 Net book value	2017 Net book value
Equipment	\$ 1,737	\$ 608	\$ 1,129	\$ 1,303
Computer equipment	1,359	374	985	-
Furniture and fixtures	<u>400</u>	<u>140</u>	<u>260</u>	<u>300</u>
	<u>\$ 3,496</u>	<u>\$ 1,122</u>	<u>\$ 2,374</u>	<u>\$ 1,603</u>

WASA LAKE LAND IMPROVEMENT DISTRICT

Notes to Financial Statements

Year Ended December 31, 2018

9. ACCUMULATED SURPLUS

Accumulated surplus consists of:

	<u>2018</u>	<u>2017</u>
Surplus		
Equity in tangible capital assets <i>(Note 11)</i>	\$ 2,374	\$ 1,603
Accumulated surplus from operations	<u>32,024</u>	<u>29,984</u>
	<u>34,398</u>	<u>31,587</u>
Reserves funds set aside for specific purpose by trustees <i>(Note 12)</i>		
Capital works renewal reserve	13,955	13,866
Contingency reserve	8,016	8,008
Wasa Volunteer Fire Prevention and Suppression Group	<u>1,000</u>	<u>-</u>
	<u>22,971</u>	<u>21,874</u>
	<u>\$ 57,369</u>	<u>\$ 53,461</u>

10. GRANT REVENUE

	<u>2018</u>	<u>2017</u>
<u>Regional District of East Kootenay</u>		
Water testing	\$ 432	\$ -
Aquatic Milfoil Project (from deferred revenue) <i>(Note 7)</i>	<u>655</u>	<u>-</u>
	<u>\$ 1,087</u>	<u>\$ -</u>

11. EQUITY IN TANGIBLE CAPITAL ASSETS

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

	<u>2018</u>	<u>2017</u>
Equity in TCA, beginning of year	\$ 1,603	\$ 1,817
Add:		
Purchases of tangible capital assets	1,358	-
Less:		
Amortization	<u>(587)</u>	<u>(214)</u>
Equity in TCA, end of year	<u>\$ 2,374</u>	<u>\$ 1,603</u>

WASA LAKE LAND IMPROVEMENT DISTRICT

Notes to Financial Statements

Year Ended December 31, 2018

12. 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>2018</u>	<u>2017</u>
Capital works renewal reserve (Bylaw 63)		
Opening balance	\$ 13,866	\$ 13,785
Interest earned	89	81
Transfer from flood mitigation reserve	-	-
Contribution	-	-
	<u>13,955</u>	<u>13,866</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	8,008	8,004
Interest earned	8	4
	<u>8,016</u>	<u>8,008</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.

Wasa Volunteer Fire Prevention and Suppression Group		
Opening balance	-	-
Interest earned	-	-
Contribution	1,000	-
	<u>1,000</u>	<u>-</u>

Purpose: Funds are set aside for the Wasa Volunteer Fire Prevention and Suppression Group on an as-needed basis. The Group is reimbursed for approved expenses upon submission of the proper documentation. Amounts are to be expensed to Advertising and Promotion when disbursed. Changes to the reserve are determined by the trustees on an ongoing basis.

\$	<u>22,971</u>	\$	<u>21,874</u>
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