

**WASA LAKE LAND IMPROVEMENT DISTRICT**  
**Financial Statements**  
**Year Ended December 31, 2019**

**WASA LAKE LAND IMPROVEMENT DISTRICT**  
**Index to Financial Statements**  
**Year Ended December 31, 2019**

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## MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

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The financial statements of Wasa Lake Land Improvement District have been prepared in accordance with Canadian public sector accounting standards (PSAS). 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 (PSAS).



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Ms. Sharon Prinz, Chair



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Ms. Kathy McCauley, Secretary /  
Treasurer

Wasa, BC  
March 19, 2020

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## INDEPENDENT AUDITOR'S REPORT

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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, 2019, and the statements of operations and annual surplus (deficit), changes in net financial assets and cash flow 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, 2019, and the results of its operations and cash flow for the year then ended in accordance with Canadian public sector accounting standards (PSAS).

*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 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 PSAS, 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 related 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.

*(continues)*

*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.

*Report on Other Legal and Regulatory Requirements*

As required by the Societies Act of British Columbia, we report that, in our opinion, the accounting policies applied in preparing and presenting the financial statements in accordance with Canadian public sector accounting standards have been applied on a basis consistent with that of the preceding year.



Adams Wooley  
Chartered Professional Accountants

**WASA LAKE LAND IMPROVEMENT DISTRICT**  
**Statement of Financial Position**  
**December 31, 2019**

	2019	2018
<b>FINANCIAL ASSETS</b>		
Cash <i>(Notes 4 and 5)</i>	\$ 39,672	\$ 47,634
Term deposit and community bond <i>(Notes 4, 5 and 6)</i>	16,134	5,815
Accounts receivable <i>(Note 7)</i>	3,431	5,441
Goods and services tax recoverable	413	444
	<b>59,650</b>	<b>59,334</b>
<b>LIABILITIES</b>		
Accounts payable and accrued liabilities	2,682	3,606
Deferred revenue <i>(Notes 5 and 8)</i>	300	734
	<b>2,982</b>	<b>4,340</b>
<b>NET FINANCIAL ASSETS</b>	<b>56,668</b>	<b>54,994</b>
<b>NON-FINANCIAL ASSETS</b>		
Tangible capital assets <i>(Notes 2 and 9)</i>	2,776	2,374
<b>ACCUMULATED SURPLUS <i>(Note 10)</i></b>	<b>\$ 59,442</b>	<b>\$ 57,369</b>

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 Annual Surplus (Deficit)**  
**Year Ended December 31, 2019**

	(Unaudited) Budget	2019	2018
<b>REVENUES</b>			
Property taxes	\$ 19,000	\$ 19,100	\$ 18,950
Grants <i>(Note 11)</i>	-	-	1,087
Other	475	921	567
	<u>19,475</u>	<u>20,021</u>	<u>20,604</u>
<b>EXPENSES</b>			
Advertising and promotion	1,500	1,000	420
Amortization	-	961	587
Aquatic plant control	2,000	1,337	743
Business taxes, licences and memberships	150	150	150
Consulting fees	200	45	105
Insurance	2,000	1,450	1,992
Interest and bank charges	150	146	139
Lake and river gauges	3,000	1,059	1,158
Office	9,100	7,335	7,284
Professional fees	3,500	3,372	2,979
Rental	475	475	450
Repairs and maintenance	350	207	14
Salaries and wages	100	91	123
Supplies	100	245	528
Travel / Conferences / Education	500	75	25
	<u>23,125</u>	<u>17,948</u>	<u>16,697</u>
<b>SURPLUS (DEFICIT) FROM OPERATIONS</b>	<u>(3,650)</u>	<u>2,073</u>	<u>3,907</u>
<b>OTHER REVENUE (EXPENSES)</b>			
Regional District of East Kootenay for Wasa Volunteer Fire Prevention and Suppression Group <i>(Note 8)</i>	-	9,197	4,203
Disbursed to Wasa Volunteer Fire Prevention and Suppression Group <i>(Note 8)</i>	-	(9,197)	(4,203)
	<u>-</u>	<u>-</u>	<u>-</u>
<b>ANNUAL SURPLUS (DEFICIT)</b>	<u>(3,650)</u>	<u>2,073</u>	<u>3,907</u>
<b>ACCUMULATED SURPLUS - BEGINNING OF YEAR</b>	<u>-</u>	<u>57,369</u>	<u>53,462</u>
<b>ACCUMULATED SURPLUS (DEFICIT) - END OF YEAR</b>	<u>\$ (3,650)</u>	<u>\$ 59,442</u>	<u>\$ 57,369</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, 2019**

	2019	2018
<b>ANNUAL SURPLUS</b>	<b>\$ 2,073</b>	<b>\$ 3,907</b>
Amortization of tangible capital assets	963	587
Purchase of tangible capital assets	<u>(1,362)</u>	<u>(1,359)</u>
	<u>(399)</u>	<u>(772)</u>
<b>INCREASE IN NET FINANCIAL ASSETS</b>	<b>1,674</b>	<b>3,135</b>
<b>NET FINANCIAL ASSETS - BEGINNING OF YEAR</b>	<b>54,994</b>	<b>51,859</b>
<b>NET FINANCIAL ASSETS - END OF YEAR</b>	<b><u>\$ 56,668</u></b>	<b><u>\$ 54,994</u></b>

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

**WASA LAKE LAND IMPROVEMENT DISTRICT**

**Statement of Cash Flow**

**Year Ended December 31, 2019**

	2019	2018
<b>OPERATING ACTIVITIES</b>		
Annual surplus	\$ 2,073	\$ 3,907
Item not affecting cash:		
Amortization of tangible capital assets	<u>961</u>	587
	<u>3,034</u>	4,494
Changes in non-cash working capital:		
Accounts receivable	2,010	89
Accounts payable and accrued liabilities	(922)	(3,866)
Deferred revenue	(434)	(372)
Goods and services tax payable	<u>31</u>	439
	<u>685</u>	(3,710)
Cash flow from operating activities	<u>3,719</u>	784
<b>INVESTING ACTIVITY</b>		
Purchase of tangible capital assets	<u>(1,362)</u>	(1,359)
Cash flow used by investing activity	<u>(1,362)</u>	(1,359)
<b>INCREASE (DECREASE) IN CASH FLOW</b>	2,357	(575)
Cash - beginning of year	<u>53,449</u>	54,024
<b>CASH - END OF YEAR</b>	<u>\$ 55,806</u>	\$ 53,449
<b>CASH CONSISTS OF:</b>		
Cash	\$ 39,672	\$ 47,634
Term deposit and community bond <i>(Note 6)</i>	<u>16,134</u>	5,815
	<u>\$ 55,806</u>	\$ 53,449

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

# WASA LAKE LAND IMPROVEMENT DISTRICT

## Notes to Financial Statements

Year Ended December 31, 2019

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### 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.

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### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Basis of presentation

The financial statements were prepared in accordance with Canadian public sector accounting standards (PSAS).

#### Cash and cash equivalents

Cash includes cash and cash equivalents. Cash equivalents are investments in guaranteed investment certificate and a community bond, 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
Boat and motor	10 years
Computer equipment	2 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 benefits and risks incidental to the 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, 2019

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### 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 PSAS, 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..

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### 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, 2019.

#### *(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, 2019

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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.

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4. CASH

	<u>2019</u>	<u>2018</u>
<u>Cash</u>		
Cash	\$ 39,672	\$ 47,634
Term deposit and community bond	16,134	5,815
	<u>\$ 55,806</u>	<u>\$ 53,449</u>
<u>Comprised of</u>		
Cash restricted for specific purposes (Note 5)	\$ 24,475	\$ 23,705
Unrestricted cash	31,331	29,744
	<u>\$ 55,806</u>	<u>\$ 53,449</u>

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**WASA LAKE LAND IMPROVEMENT DISTRICT**

**Notes to Financial Statements**

**Year Ended December 31, 2019**

5. 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>2019</u>	<u>2018</u>
<b>Cash held for restricted funds</b>		
Restricted cash held in operating account	\$ 300	\$ 1,734
Contingency fund account	10,045	8,016
Capital works renewal reserve account	8,152	8,140
Term deposit ( <i>Note 6</i> )	5,978	5,815
	<hr/>	<hr/>
Total restricted cash	24,475	23,705
Less restricted funds		
Deferred revenue ( <i>Notes and 8</i> )	(300)	(734)
Capital works renewal reserve ( <i>Note 13</i> )	(14,130)	(13,955)
Contingency reserve ( <i>Note 13</i> )	(10,045)	(8,016)
Wasa Volunteer Fire Prevention and Suppression Group ( <i>Note 13</i> )	-	(1,000)
	<hr/>	<hr/>
	(24,475)	(23,705)
	<hr/>	<hr/>
Over / (Under) funded restricted amounts	\$ -	\$ -

6. TERM DEPOSIT AND COMMUNITY BOND

	<u>2019</u>	<u>2018</u>
East Kootenay Community Credit Union - One-year Community Bond at 2.10%, maturing April 4, 2020	\$ 10,156	\$ -
East Kootenay Community Credit Union - One-year Guaranteed Investment Certificate at 1.75%, maturing July 19, 2020	5,978	-
East Kootenay Community Credit Union - One-year Guaranteed Investment Certificate at 2.00%, maturing July 19, 2019	-	5,815
	<hr/>	<hr/>
	\$ 16,134	\$ 5,815

Term deposit and community bond accounts include accrued interest.

7. ACCOUNTS RECEIVABLE

	<u>2019</u>	<u>2018</u>
Taxes - current	\$ 2,220	\$ 3,556
Taxes - arrears	1,211	1,885
	<hr/>	<hr/>
	\$ 3,431	\$ 5,441

**WASA LAKE LAND IMPROVEMENT DISTRICT**

**Notes to Financial Statements**

**Year Ended December 31, 2019**

8. DEFERRED REVENUE

	<u>2019</u>	<u>2018</u>
<b>Wasa Volunteer Fire Prevention and Suppression Group</b>		
Deferred from prior year	\$ 297	\$ -
Funds received - Regional District of East Kootenay	8,900	4,500
Funds disbursed	<u>(9,197)</u>	<u>(4,203)</u>
Funds remaining	-	297
<b>Property taxes</b>		
Taxes paid in advance	<u>300</u>	<u>437</u>
	<u>\$ 300</u>	<u>\$ 734</u>

9. TANGIBLE CAPITAL ASSETS

	Cost	Accumulated amortization	2019 Net book value	2018 Net book value
Equipment	\$ 1,737	\$ 781	\$ 956	\$ 1,129
Boat and motor	1,362	68	1,294	-
Computer equipment	1,359	1,053	306	985
Furniture and fixtures	<u>400</u>	<u>180</u>	<u>220</u>	<u>260</u>
	<u>\$ 4,858</u>	<u>\$ 2,082</u>	<u>\$ 2,776</u>	<u>\$ 2,374</u>

10. ACCUMULATED SURPLUS

Accumulated surplus consists of:

	<u>2019</u>	<u>2018</u>
<b>Surplus</b>		
Equity in tangible capital assets <i>(Note 12)</i>	\$ 2,775	\$ 2,374
Accumulated surplus from operations	<u>32,492</u>	<u>32,024</u>
	<u>35,267</u>	<u>34,398</u>
<b>Reserves funds set aside for specific purpose by trustees <i>(Note 13)</i></b>		
Capital works renewal reserve	14,130	13,955
Contingency reserve	10,045	8,016
Wasa Volunteer Fire Prevention and Suppression Group	<u>-</u>	<u>1,000</u>
	<u>24,175</u>	<u>22,971</u>
	<u>\$ 59,442</u>	<u>\$ 57,369</u>

**WASA LAKE LAND IMPROVEMENT DISTRICT**

**Notes to Financial Statements**

**Year Ended December 31, 2019**

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11. GRANT REVENUE

	<u>2019</u>	<u>2018</u>
<u>Regional District of East Kootenay</u>		
Water testing	\$ -	\$ 432
Aquatic Milfoil Project (from deferred revenue)	-	655
	<u>\$ -</u>	<u>\$ 1,087</u>

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12. 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>2019</u>	<u>2018</u>
Equity in TCA, beginning of year	\$ 2,374	\$ 1,603
Add:		
Purchases of tangible capital assets	1,362	1,358
Less:		
Amortization	<u>(961)</u>	<u>(587)</u>
Equity in TCA, end of year	<u>\$ 2,775</u>	<u>\$ 2,374</u>

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WASA LAKE LAND IMPROVEMENT DISTRICT

Notes to Financial Statements

Year Ended December 31, 2019

13. 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>2019</u>	<u>2018</u>
<b>Capital works renewal reserve (Bylaw 63)</b>		
Opening balance	\$ 13,955	\$ 13,866
Interest earned	175	89
	<u>14,130</u>	<u>13,955</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	8,016	8,008
Contribution	1,978	-
Interest earned	51	8
	<u>10,045</u>	<u>8,016</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	1,000	-
Contribution	-	1,000
Wasa Volunteer Fire Prevention and Suppression Group	<u>(1,000)</u>	<u>-</u>
	<u>-</u>	<u>1,000</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.

\$ 24,175	\$ 22,971
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14. COMPARATIVE FIGURES

Some of the comparative figures have been reclassified to conform to the current year's presentation.

April 7, 2020

Wasa Lake Land Improvement District  
Box 133  
Wasa, BC V0B 2K0

**Attention: Ms. Sharon Prinz, Chair**

Dear Ms. Prinz:

**Re: Financial statement audit for December 31, 2019**

This report is intended solely for the use of the trustees and others within the Wasa Lake Land Improvement District and should not be used for any other purpose.

We performed our audit work on your organization for the year ended December 31, 2019 during the month of March 2019. During our audit, we looked at a number of transactions to determine if the transactions are being recorded correctly. In addition, we performed a number of tests of transactions that covered a significant portion of the operations of the Improvement District. Our testing includes looking at specific transactions that have taken place over the past year, as well as looking beyond the transactions to the supporting documentation and approvals.

Our testing is performed on a sample basis, meaning that we select a group of transactions on which to perform our analyses. We summarize our results in our working papers and reach a conclusion on whether or not we can rely on the figures that have been presented to us. The ultimate goal of our audit procedures is to determine if the underlying data is sufficiently reliable to determine that the financial statements are free from material error.

## FINDINGS

Carried over from previous year:

- The records are well kept and neatly organized, with good attention to detail.
- The main weakness of the improvement district is that there is a lack of segregation of duties. In a situation where there is a very small staff such as yours, it is important to build internal controls into the procedures as much as possible. One method of assisting in this regard involves segregating duties so that the same individuals who are performing bookkeeping or reconciliation duties do not also have authority to sign on any bank accounts. The trustees would fill that role to ensure that all payments have adequate supporting documentation before being signed.

During our audit we also, noted the following:

- Expense Report claim forms lack signatures of the claimant and approval of the claim. Improved control over Expense Report claims is often achieved by having two signature lines on the bottom of the Expense Report claim form. One signature line is for the claimant and the second signature line is for approval of the Expense Report (i.e. by a Trustee).
- Approved Board Minutes are not being signed. Board meeting minutes are generally signed by the Secretary and one other Trustee (i.e. the Chair). Signing of Board meeting minutes attests to the authenticity of the minutes, as being the original Board approved minutes.
- Purchase invoices are being approved for payment at the Board meetings. However, to improve controls over approval and payment of purchase invoices, organizations often have an indication of payment approval on each invoice. This can be accomplished by having an individual with authority to approve payments (i.e. a Trustee) sign the invoice being paid.
- The Annual Budget includes a deficit. Under the Local Government Act of BC, Land Improvement Districts may not budget for a deficit. The only provision is when an actual deficit is incurred it must be included as an expenditure in the next year's budget.
- The Annual Taxation Bylaw indicates a 10% Penalty will be charged on current taxes unpaid after July 15, 2019, however the 10% penalty was calculated December 15, 2019. The 10% penalty should be calculated on outstanding current tax balances at July 15. (Otherwise, taxes collected between July 15 and December 15 would not have the 10% penalty charged).

## SUMMARY

We would like to express our sincere thanks to Kathy for assisting in gathering information for our audit. The information was well prepared and Kathy was diligent in answering our questions as we progressed through our work.

We hope that you find our comments to be of assistance to you. Should you require clarification of any of the points contained herein, please do not hesitate to contact us.

Yours truly,

ADAMS WOOLEY

A handwritten signature in black ink, appearing to read "David Adams". The signature is fluid and cursive, with the first name "David" being more prominent than the last name "Adams".

David Adams, BSc, CPA, CGA, CFP

March 19, 2020

Wasa Lake Land Improvement District  
Box 133  
Wasa BC V0B 2K0

Attention: Ms. Sharon Prinz, Chair

Re: Wasa Lake Land Improvement District

We have been engaged to audit the financial statements of Wasa Lake Land Improvement District for the year ending December 31, 2019.

The purpose of this letter is to communicate with you regarding all relationships between Wasa Lake Land Improvement District and ourselves that, in our professional judgment, may reasonably be thought to bear on our independence.

The following comments have been prepared to facilitate our discussion with you regarding independence matters.

We are not aware of any relationships between Wasa Lake Land Improvement District and ourselves that, in our professional judgment, may reasonably be thought to bear on our independence, that have occurred from January 1, 2019 to March 19, 2020.

This letter is intended solely for the use of the audit committee, the board of directors, management, and others within the improvement district and should not be used for any other purpose.

Should you wish to discuss this matter with us further, please contact us at your earliest convenience.

Yours truly,

ADAMS WOOLEY



David Adams, BSc, CPA, CGA, CFP

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# WASA LAKE LAND IMPROVEMENT DISTRICT

Box 133  
Wasa, BC  
V0B 2K0

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March 19, 2020

Adams Wooley  
824 - 1st Street South  
Cranbrook BC V1C 7H5

Dear Sirs:

Re: Management representations letter

This representation letter is provided in connection with your audit of the financial statements of Wasa Lake Land Improvement District for the year ended December 31, 2019, for the purpose of you expressing an opinion as to whether the financial statements are presented fairly, in all material respects, in accordance with Canadian public sector accounting standards.

In making the representations outlined below, we took the time necessary to appropriately inform ourselves on the subject matter through inquiries of entity personnel with relevant knowledge and experience, and, where appropriate, by inspecting supporting documentation.

We confirm that (to the best of our knowledge and belief):

## 1. Financial Statements

We have fulfilled our responsibilities, as set out in the terms of the audit engagement dated March 5, 2018 for:

- a) Preparing and fairly presenting the financial statements in accordance with Canadian public sector accounting standards;
- b) Providing you with:
  - i) Access to all information of which we are aware that is relevant to the preparation of the financial statements, such as:
    - A. Accounting records, supporting data and other relevant documentation,
    - B. Minutes of meetings (such as shareholders, board of directors and audit committees) or summaries of actions taken for which minutes have not yet been prepared, and
    - C. Information on any other matters, of which we are aware, that is relevant to the preparation of the financial statements;
  - ii. Additional information that you have requested from us for the purpose of the audit; and
  - iii. Unrestricted access to persons within the entity from whom you determine it necessary to obtain audit evidence.
- c) Ensuring that all transactions have been recorded in the accounting records and are reflected in the financial statements; and
- d) Designing and implementing such internal control as we determined is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. We have also communicated to you any deficiencies in the design and implementation or the maintenance of internal control over financial reporting of which management is aware.

## 2. Fraud and Non Compliance

We have disclosed to you:

- a. All of our knowledge in relation to actual, alleged or suspected fraud affecting the entity's financial statements involving:
  - i. Management;
  - ii. Employees who have significant roles in internal control; or

**2. Fraud and Non Compliance** *(continued)*

- iii. Others where the fraud could have a material effect on the financial statements;
- b. All of our knowledge in relation to allegations of fraud or suspected fraud communicated by employees, former employees, analysts, regulators or others;
- b. All known instances of non-compliance or suspected non-compliance with laws and regulations, including all aspects of contractual agreements that should be considered when preparing the financial statements;
- b. All known, actual, or possible litigation and claims that should be considered when preparing the financial statements; and
- c. The results of our risk assessments regarding possible fraud or error in the financial statements.

**3. Related Parties**

We confirm that there were no related-party relationships or transactions that occurred during the period.

**4. Estimates**

We acknowledge our responsibility for determining the accounting estimates required for the preparation of the financial statements in accordance with Canadian public sector accounting standards. Those estimates reflect our judgment based on our knowledge and experience of past and current events, and on our assumptions about conditions we expect to exist and courses of action we expect to take. We confirm that the significant assumptions and measurement methods used by us in making accounting estimates, including those measured at fair value, are reasonable.

**5. Commitments and Contingencies**

There are no commitments, contingent liabilities/assets or guarantees (written or oral) that should be disclosed in the financial statements. This includes liabilities arising from contract terms, illegal acts or possible illegal acts, and environmental matters that would have an impact on the financial statements.

**6. Adjustments**

We have reviewed, approved and recorded all of your proposed adjustments to our accounting records. This includes journal entries, changes to account coding, classification of certain transactions and preparation of, or changes to, certain accounting records.

**7. Misstatements**

The effects of uncorrected misstatements are immaterial, individually and in aggregate, to the financial statements as a whole. A list of the uncorrected misstatements, including the reasons why they were not corrected, is attached to this letter.

**8. Accounting policies**

All significant accounting policies are disclosed in the financial statements and are consistent with those used in the previous period.

**9. Contractual compliance**

We have complied with the terms and conditions of all contractual agreements that could have a material effect, in the event of non-compliance, on the financial statements.

**10. Direct liabilities**

We have recorded in the accounts all known liabilities of our improvement district as at December 31, 2019 except for trivial amounts.

**11. Fair values**

We confirm that the significant assumptions used in arriving at the fair values of financial instruments as measured and disclosed in the financial statements are reasonable and appropriate in the circumstances.

**12. Financial instruments**

We have properly recorded all financial assets of equity instruments quoted on an active market at fair value.

## **12. Financial instruments** *(continued)*

Off-balance sheet derivative financial instruments (e.g., futures, options and swaps), including outstanding commitments to purchase or sell securities, assets and/or commodities under forward placement and standby commitments, and information regarding the terms and conditions, interest rate risk, credit risk and foreign exchange risk of financial instruments held at period end have been properly recorded and, when appropriate, adequately disclosed within the financial statements. We confirm that the significant assumptions used in arriving at the fair values of financial instruments, as measured and disclosed (when required) in the financial statements, are reasonable and appropriate in the circumstances.

We have evaluated whether there are indicators of impairment for all financial assets measured at cost or amortized cost, and where there has been a significant adverse change in the expected timing or amount of future cash flows from a financial asset or group of similar financial assets, we have assessed whether a reduction in the carrying value is necessary.

When an impairment is necessary, the carrying amount of the asset, or group of assets, has been reduced to the highest of the cash flows expected to be generated by holding the asset, the amount that could be realized by selling the asset and the amount that the entity expects to realize by exercising any right to collateral held to secure repayment of the asset net of all costs necessary to exercise those rights. The amount of the decline in fair value has been included in net income in the period incurred.

## **13. Future plans**

We have no plans or intentions that may materially affect the carrying value or classification of assets and liabilities reflected in the financial statements.

## **14. Impairment of long-lived assets**

We have evaluated long-lived assets for recoverability whenever events or circumstances indicate that the carrying amount of an asset may not be recoverable. Management acknowledges that when the long-lived asset is not recoverable, an impairment loss is recognized in earnings at the amount by which the carrying amount exceeds its fair value.

## **15. Journal entries**

We have approved all journal entries and other adjustments proposed by you, and they have been included in our financial statements.

## **16. Liabilities and contingencies**

All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to you and are appropriately reflected in the financial statements.

## **17. Long-term investments**

All long-term investments owned by our improvement district are recorded in the accounts. The long-term investments are valued using the equity method, and an appropriate impairment loss has been recognized in earnings when a significant adverse change in the expected timing or amount of future cash flows from investments has been identified. When the extent of such an impairment has decreased, a reversal of the previously recognized impairment loss has been recognized in earnings.

All income earned for the period ended December 31, 2019 on those long-term investments has been recorded in the accounts.

## **18. Marketable securities**

All marketable securities owned by us are recorded in the accounts. The marketable securities are measured at fair value.

All income earned for the period ended December 31, 2019 on these securities has been recognized in earnings along with any transaction costs incurred and changes in fair value.

## **19. Material measurement uncertainties**

The nature of all material measurement uncertainties has been appropriately disclosed in the financial statements, including all estimates where it is reasonably possible that the estimate will change in the near term and the effect of the change could be material to the financial statements.

## **20. Receivables**

**20. Receivables** *(continued)*

The accounts receivable reflected in the accounts constitute valid claims against customers and other debtors. They do not include amounts for goods shipped on consignment, approval or under repurchase commitments, or for goods shipped after December 31, 2019.

No abnormal returns have been made by customers since December 31, 2019 or are expected in respect of merchandise shipped prior to the close of business on December 31, 2019.

Receivables known to be uncollectible have been written off, and adequate provision has been made for anticipated adjustments or losses in connection with the collection of receivables.

**21. Revenue recognition**

We have recorded all revenue that met the following criteria:

- a. Persuasive evidence of an arrangement exists;
- b. Delivery has occurred, or services have been rendered;
- c. Price is fixed or determinable; and
- d. Collectability is reasonably assured.

**22. Subsequent events**

There have been no events between the balance sheet date and the date of this letter that would require recognition or disclosure in the financial statements.

There have been no events subsequent to the balance sheet date of the comparative financial statements that would require adjustment or disclosure in the current financial statements.

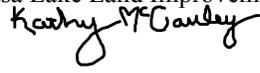
**23. None of the trustees were in debt to the improvement district**

None of the trustees were in debt to the improvement district, other than in the ordinary course of business at the year-end or at any time during the year.

**24. Management fees, wages or bonuses paid to (or accrued on behalf of) related parties**

All management fees, bonuses or other remuneration paid to or accrued on behalf of trustees or related parties represent the fair market value of services performed for, or goods provided to, the improvement district.

Acknowledged and agreed on behalf of Wasa Lake Land Improvement District by:

 _____	 _____
Ms. Sharon Prinz, Chair	Ms. Kathy McCauley, Secretary / Treasurer
_____	_____
March 19, 2020	March 19, 2020
Date signed	Date signed

March 19, 2020

Wasa Lake Land Improvement District  
Box 133  
Wasa, BC V0B 2K0

Dear Trustees:

**Re: Communication with trustees**

This report is intended solely for the use of the trustees, management, and others within the Improvement District and should not be used for any other purpose.

We have been engaged to audit the financial statements of Wasa Lake Land Improvement District (“Improvement District”) for the year ended December 31, 2019. The following comments are intended to facilitate our discussions with you:

**Auditor independence**

We are required to communicate with you regarding all relationships between the Improvement District and our firm that, in our professional judgement, may reasonably be thought to bear on our independence.

Our Code of Professional Conduct (“CPABC Code”) requires us to conduct a review of our relationships with the Improvement District, its affiliates and management and the services we render to identify threats to independence and potential conflicts of interest, consider the impacts and where such threats cannot be reduced to an acceptable level by procedures, withdraw from or decline the engagement. Accordingly, ongoing communication with management and the trustees is essential to avoid situations where independence may be impaired.

The Improvement District, management and the trustees should take a proactive role in this process and understand the independence requirements applicable to the Improvement District and its auditors and to bring to our attention any concerns they may have or any knowledge of situations or relationships between the Improvement District, management, personnel (acting in an oversight or financial reporting role) and our firm, its partners and audit team personnel that may reasonably be thought to bear on our independence. Such matters may include self-review or self-interest threats; advocacy threats; intimidation threats; and familiarity threats. In each of these matters, no threat has been identified.

Accordingly, we are not aware of any relationships between the Improvement District and our firm that, in our professional judgement, may reasonably be thought to bear on our independence. We hereby confirm that our firm is objective with respect to the Improvement District within the meaning of the CPABC Code and Section 206 of the British Columbia Business Corporations Act.

### **Auditors' responsibility under Canadian generally accepted auditing standards and planning the audit**

We have audited the consolidated statement of financial position of the Improvement District as at December 31, 2019 and 2018 and the consolidated statements of operations and cash flow for the years then ended. These consolidated financial statements are the responsibility of the Improvement District's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

Our audit includes:

- i. assessing the risk that the consolidated financial statements may contain material misstatements;
- ii. examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements;
- iii. assessing the accounting principles used and their application;
- iv. assessing the significant estimates made by management;
- v. reviewing the internal controls to gain a sufficient understanding in order to plan the audit and determine the level of control risk. Where control risk is assessed at below maximum a combined audit approach will be used. Where the control risk is assessed at maximum or where it is determined that it would be more cost efficient a substantive audit approach will be used. It should be noted that this does not extend to an evaluation of internal control sufficient for expressing an opinion about its effectiveness.

### **Trustees' responsibility**

The trustees' role is to act, in an independent, objective capacity as a liaison between the auditors and management to ensure the auditors have a facility to discuss governance and audit issues with parties not directly responsible for operations.

The trustees' responsibilities include:

- Meeting with the auditors prior to release and approval of financial statements to review audit, disclosure and compliance issues.
- Where necessary, review matters raised by the auditors with appropriate levels of management and report to the auditors their findings.

- Make known to auditors any issues of disclosure, governance, illegal acts, non-compliance with laws or regulatory requirements that are known to them where such matters may impact the financial statements or auditors' report.
- Reviewing accounting policies and practices followed by the Improvement District and where applicable choosing the most appropriate accounting policies and disclosures for the Improvement District's financial reporting circumstances.

### **Weaknesses in internal control**

We have determined, based on our review of internal controls, that financial and transaction controls are not sufficient to allow us to place reasonable reliance thereon in the conduct of our audit. Accordingly, a substantive audit approach for the current year audit has been adopted.

### **Illegal acts, fraud, intentional misstatements and errors**

Our auditing procedures including tests of your accounting records were limited to those considered necessary in the circumstances and would not necessarily disclose all illegal acts, fraud, intentional misstatements, or errors should any exist. We conducted the audit using Canadian generally accepted auditing standards, which include a review for circumstances where illegal or fraudulent acts may present themselves. As discussed with you, because of the nature of such acts, the standards may not detect fraud, or an illegal act, or may not recognize an act as being illegal even if the effect of its consequences on the consolidated financial statements is material. However, should we become aware that an illegal, or possible illegal act, or an act of fraud may have occurred, other than one considered inconsequential, we will communicate this information directly to the trustees.

It is management's responsibility to detect and prevent fraudulent or illegal actions. If such acts are discovered or trustees become aware of circumstances under which the Improvement District may have been involved in substantive fraudulent, illegal or regulatory non-compliance situation, such action must be disclosed to us.

### **Related party transactions**

During our audit, we conduct various tests to try and identify all transactions with related parties. Related parties exist when one party has the ability to exercise, directly or indirectly, control, joint control or significant influence over the other. Two or more parties are related when they are subject to common control, joint control or common significant influence. Related parties also include management, directors and their immediate family members and/or companies with which these individuals have an economic interest. We did not identify any related party transactions that were not in the normal course of operations and/or permitted by Improvement District policies.

### **Significant accounting principles and policies**

The consolidated financial statements are prepared using Public Sector Accounting Board standard and guidance (“PSAB”), which have been incorporated into the Improvement District's accounting policies and are listed in the notes to the financial statements to the extent they apply, or may apply to the Improvement District's operations. In certain instances, management is responsible for making estimates that have a bearing on the financial results for the operation. There may be acceptable alternative policies, which if used, may produce significant changes in the results of the operations of the Improvement District. If the trustees have a concern that the adoption or change of an accounting policy produces an inappropriate or misleading result in financial reporting or disclosure, such concern must be discussed with management and the auditors. If the trustees feel that there may be a desire to change any of the policies in which management has input this should be discussed at trustees meetings.

### **Ancillary Services**

During 2019 we did not provide services to the Improvement District in addition to normal audit and financial statement preparation services.

### **Significant misstatements**

We have not, in the course of our audit, found any material misstatements nor have we found any misstatements that may cause future financial statements to be materially misstated.

### **Disagreements with management**

During the course of our audit we did not have any disagreements with management nor were we under any significant time pressures or poor working conditions. We are not aware of any cause for concern as to management's attitude, competence or credibility with respect to matters affecting the financial statements.

### **Consolidation Principles**

The consolidated financial statements include the assets, liabilities, income and expense of all of the funds held by the Improvement District. The consolidation eliminates any inter entity transactions and asset and liability balances that exist at the year end, so transactions that exist between the Improvement District and its various funds do not distort the results for the year.

## **Management judgments and accounting estimates**

The preparation of financial statements requires management to make estimates and assumptions that affect the reporting amounts of assets and liabilities and disclosure of contingent assets and liabilities, disclosure of information related to going concern problems and disclosure of information related to financial dependency. The following estimates, judgments and assumptions are considered critical to the preparation of the financial statements:

- Allowance for doubtful accounts
- Taxation of property by the Improvement District
- Recording of grants and other sources of revenue
- Transfers among funds and reserve accounts

We have concluded, based on our audit that the accounting estimates used in preparing the consolidated financial statements and the judgements made related to disclosure of information are reasonable in the context of the financial statements when taken as a whole. Financial results as determined by actual events could differ from those estimated.

## **Materiality**

Materiality is an essential consideration in the planning of an audit and in determining the appropriate level of disclosure for a given set of circumstances. A misstatement in the financial statements can be considered material if knowledge of the misstatement could affect a decision of a reasonable user of the statements. For the Improvement District we have established a materiality level of \$1,000, which is consistent with the materiality established in previous years and considering the relative size of the Improvement District.

We presented our findings of misstatements during the course of our audit and our proposed adjusting journal entries were presented to and approved by to the Improvement District's management.

Should at any time, any of the trustees wish to discuss or review any matter addressed in this letter or any other matters related to financial reporting, please do not hesitate to contact us.

Yours truly

**ADAMS WOOLEY**



David M.W. Adams, BSc, CPA, CGA, CFP

**Acknowledgement of Trustees:**

We have read and reviewed the above disclosures and understand and agree with the comments therein:

SP 04/22/2020 (Date)

F Kelly 04/07/2020 (Date)

DL 04/27/2020 (Date)

MB 04/10/2020 (Date)

\_\_\_\_ (Date)

\_\_\_\_ (Date)

April 7, 2020

Wasa Lake Land Improvement District  
Box 133  
Wasa BC V0B 2K0

Attention: Ms. Sharon Prinz, Chair

Dear Sharon:

Re: Engagement letter

### **The Objective and Scope of the Audit**

You have requested that we audit the financial statements of Wasa Lake Land Improvement District, which comprise the statement of financial position as at December 31, 2020, and the statements of operations and annual surplus (deficit), changes in net financial assets and cash flow for the year then ended, and notes to the financial statements (including a summary of significant accounting policies).

We are pleased to confirm our acceptance and our understanding of the nature, scope and terms of this audit engagement and all services related thereto, by means of this letter (the "Engagement").

The objectives of our audit 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.

### **The Responsibilities of the Auditor**

We will conduct our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements. 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:

- a. 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.
- b. 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 entity's internal control. However, we will communicate to you in writing concerning any significant deficiencies in internal control relevant to the audit of the financial statements that we have identified during the audit.
- c. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

Initials 

- d. 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 entity'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 entity to cease to continue as a going concern.
- e. 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.

Because of the inherent limitations of an audit, together with the inherent limitations of internal control, there is an unavoidable risk that some material misstatements may not be detected, even though the audit is properly planned and performed in accordance with Canadian generally accepted auditing standards.

### **Form and Content of Audit Opinion**

Unless unanticipated difficulties are encountered, our report will be substantially in the following form contained in Appendix A to this letter.

If we conclude that a modification to our opinion on the financial statements is necessary, we will discuss the reasons with you in advance.

### **The Responsibilities of Management**

Our audit will be conducted on the basis that management and, where appropriate, those charged with governance acknowledge and understand that they have responsibility:

- a. For the preparation and fair presentation of the financial statements in accordance with PSAS;
- b. For the design and implementation of 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; and
- c. To provide us with timely:
  - i. Access to all the information of which management is aware that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation and other matters;
  - ii. Information about all known or suspected fraud, any allegations of fraud or suspected fraud and any known or probable instances of non-compliance with legislative or regulatory requirements;
  - iii. Additional information that we may request from management for the purpose of the audit; and
    - A. Copies of all minutes of meetings of shareholders, directors and committees of directors;
    - B. Information relating to any known or probable instances of non-compliance with legislative or regulatory requirements, including financial reporting requirements;
    - C. Information relating to any illegal or possibly illegal acts, and all facts related thereto;
    - D. A listing of all related parties and related-party transactions and information pertaining to the measurement and disclosure of transactions with those related parties;
    - E. An assessment of the reasonableness of significant assumptions underlying fair value measurements and disclosures in the financial statements;
    - F. Any plans or intentions that may affect the carrying value or classification of assets or liabilities;
    - G. Information relating to claims and possible claims, whether or not they have been discussed with Wasa Lake Land Improvement District's legal counsel;
    - H. Information relating to other liabilities and contingent gains or losses, including those associated with guarantees, whether written or oral, under which Wasa Lake Land Improvement District is contingently liable;
    - I. Information on whether Wasa Lake Land Improvement District has satisfactory title to assets, whether liens or encumbrances on assets exist, and whether assets are pledged as collateral;
    - J. Information relating to compliance with aspects of contractual agreements that may affect the financial statements; and
    - K. Information concerning subsequent events.

Initials 

- iv. Unrestricted access to persons within Wasa Lake Land Improvement District from whom we determine it necessary to obtain audit evidence.

As part of the audit process:

- a. We will make inquiries of management about the representations contained in the financial statements. At the conclusion of the audit, we will request from management [and, where appropriate, those charged with governance] written confirmation concerning those representations. If such representations are not provided in writing, management acknowledges and understands that we would be required to disclaim an audit opinion.
- b. We will communicate any misstatements identified during the audit other than those that are clearly trivial. We request that management correct all the misstatements communicated.

### **Confidentiality**

One of the underlying principles of the profession is a duty of confidentiality with respect to client affairs. Each practitioner must preserve the secrecy of all confidential information that becomes known during the practice of the profession. Accordingly, we will not provide any third party with confidential information concerning the affairs of Wasa Lake Land Improvement District unless:

- a. We have been specifically authorized with prior consent;
- b. We have been ordered or expressly required by law or by the British Columbia *Code of Professional Conduct/Code of Ethics*; or
- c. The information requested is (or enters into) public domain.

### **Communications**

In performing our services, we will send messages and documents electronically. As such communications can be intercepted, misdirected, infected by a virus or otherwise used or communicated by an unintended third party, we cannot guarantee or warrant that communications from us will be properly delivered only to the addressee. Therefore, we specifically disclaim, and you release us from any liability or responsibility whatsoever for interception or unintentional disclosure of communications transmitted by us in connection with the performance of this Engagement. In that regard, you agree that we shall have no liability for any loss or damage to any person or entity resulting from such communications, including any that are consequential, incidental, direct, indirect, punitive, exemplary or special damages (such as loss of data, revenues, or anticipated profits).

If you do not consent to our use of electronic communications, please notify us in writing.

### **Use of Information**

It is acknowledged that we will have access to all information about identified individuals ("personal information") in your custody that we require to complete our Engagement. Our services are provided on the basis that:

- a. You represent to us that management has obtained any required consents for our collection, use, disclosure, storage, transfer and process of personal information required under applicable privacy legislation and professional regulation; and
- b. We will hold all personal information in compliance with our Privacy Statement.

### **Use and Distribution of Our Report**

The examination of the financial statements and the issuance of our audit report are solely for the use of Wasa Lake Land Improvement District and those to whom our report is specifically addressed by us. We make no representations or warranties of any kind to any third party in respect of these financial statements or our audit report, and we accept no responsibility for their use by any third party or any liability to anyone other than Wasa Lake Land Improvement District.

For greater clarity, our audit will not be planned or conducted for any third party or for any specific transaction. Accordingly, items of possible interest to a third party may not be addressed and matters may exist that would be assessed differently by a third party, including, without limitation, in connection with a specific transaction. Our audit report should not be circulated (beyond Wasa Lake Land Improvement District) or relied upon by any third party for any purpose, without our prior written consent.

You agree that our name may be used only with our prior written consent and that any information to which we have attached a communication be issued with that communication, unless otherwise agreed to by us in writing.

Initials 

## **Reproduction of Auditor's Report**

If reproduction or publication of our audit report (or reference to our report) is planned in an annual report or other document, including electronic filings or posting of the report on a website, a copy of the entire document should be submitted to us in sufficient time for our review and approval in writing before the publication or posting process begins.

Should some of the information in the annual report not be available until after the date of the auditor's report, we will request management to provide a written representation that the final version of the document(s) will be provided to us when available (and prior to its issuance) so we can complete our required procedures.

Management is responsible for the accurate reproduction of the financial statements, the auditor's report and other related information contained in an annual report or other public document (electronic or paper-based). This includes any incorporation by reference to either full or summarized financial statements that we have audited.

We are not required to read the information contained in your website or to consider the consistency of other information in the electronic site with the original document.

## **Preparation of Schedules**

We understand that you will prepare certain schedules and locate specified documents for our use before our Engagement is planned to commence on March 1, 2021.

The requested schedules and documents are as follows:

- a. Schedules and analyses; and
- b. Other specified documents.

This assistance will facilitate our work and help to minimize our costs. Any failure to provide these working papers or documents on a timely basis may impede our services and require us to suspend our services or even withdraw from the Engagement.

## **Ownership**

The working papers, files, other materials, reports and work created, developed or performed by us during the course of the Engagement are the property of our firm, constitute our confidential information and will be retained by us in accordance with our firm's policies and procedures.

During the course of our work, we may provide, for your own use, certain software, spreadsheets and other intellectual property to assist with the provision of our services. Such software, spreadsheets and other intellectual property must not be copied, distributed or used for any other purpose. We also do not provide any warranties in relation to these items and will not be liable for any lost or corrupted data or other damage or loss suffered or incurred by you in connection with your use of them.

We retain the copyright and all intellectual property rights in any original materials provided to you.

## **File Inspections**

In accordance with professional regulations (and by our firm policy), our client files may be periodically reviewed by practice inspectors the Canadian Public Accountability Board (CPAB), and by other engagement file reviewers to ensure that we are adhering to our professional and firm standards. File reviewers are required to maintain confidentiality of client information.

## **Accounting Advice**

Except as outlined in this letter, this Engagement does not contemplate the provision of specific accounting advice or opinions or the issuance of a written report on the application of accounting standards to specific transactions and to the facts and circumstances of the entity. Such services, if requested, would be provided under a separate engagement letter.

## **Other Services**

In addition to the audit services referred to above, we will, as allowed by the British Columbia *Code of Professional Conduct /Code of Ethics*, prepare your charity returns as agreed upon. Unless expressly agreed in a separate engagement letter, we will have no involvement with or responsibility for the preparation or filing of GST and PST returns or any other (including foreign) tax returns, source deductions, information returns, slips, elections, designations, certificates or reports. Management will, on a timely basis, provide the information necessary to complete these federal and provincial income tax returns and will review and file them with the appropriate authorities on a timely basis.

Initials 

## **Governing Legislation**

This engagement letter is subject to, and governed by, the laws of the Province of British Columbia. The Province of British Columbia will have exclusive jurisdiction in relation to any claim, dispute or difference concerning this engagement letter and any matter arising from it. Each party irrevocably waives any right it may have to object to any action being brought in those courts to claim that the action has been brought in an inappropriate forum or to claim that those courts do not have jurisdiction.

## **Dispute Resolution**

You agree that any dispute that may arise regarding the meaning, performance or enforcement of this Engagement will, prior to resorting to litigation, be submitted to mediation.

## **Indemnity**

Wasa Lake Land Improvement District hereby agrees to indemnify, defend (by counsel retained and instructed by us) and hold harmless our firm (and its partners, agents and employees) from and against any and all losses, costs (including solicitors' fees), damages, expenses, claims, demands and liabilities arising out of (or in consequence of):

- a. The breach by Wasa Lake Land Improvement District, or its directors, officers, agents or employees, of any of the covenants or obligations of Wasa Lake Land Improvement District herein, including, without restricting the generality of the foregoing, the misuse of, or the unauthorized dissemination of, our engagement report or the financial statements in reference to which the engagement report is issued, or any other work product made available to you by our firm.
- b. A misrepresentation by a member of your management or board of directors.

## **Limitation of Liability**

Our aggregate liability for all claims, losses, liabilities and damages in connection with this Engagement, whether as a result of breach of contract, tort (including negligence), or otherwise, regardless of the theory of liability, is limited to \$10,000. Our liability shall be several and not joint and several. We shall only be liable for our proportionate share of any loss or damage, based on our contribution relative to the others' contributions and only if your claim is commenced within 24 months or less of the date Wasa Lake Land Improvement District should have been aware of the potential claim. In addition, we will not be liable in any event for consequential, incidental, indirect, punitive, exemplary, aggravated or special damages, including any amount for loss of profit, data or goodwill, whether or not the likelihood of such loss or damage was contemplated.

## **Time Frames**

We will use all reasonable efforts to complete the Engagement as described in this letter within the agreed upon time frames.

However, we shall not be liable for failures or delays in performance that arise from causes beyond our reasonable control, including any delays in the performance by Wasa Lake Land Improvement District of its obligations.

## **Concerns**

If at any time you would like to discuss our services or make a complaint, please contact your engagement partner or *[insert name of managing or other appropriate partner and phone number]*. We will listen to your concerns and investigate any complaint on a timely basis.

## **Fees at Regular Billing Rate**

Our professional fees will be based on our regular billing rates, plus direct out-of-pocket expenses and applicable GST and PST, and are due when rendered. Fees for any additional services will be established separately.

## **Billing**

Our fees and costs will be billed monthly and are payable upon receipt. Invoices unpaid 30 days past the billing date may be deemed delinquent and are subject to an interest charge of 2.00% per month or 24.00% (APR) per annum. We reserve the right to suspend our services or to withdraw from this Engagement in the event that any of our invoices are deemed delinquent. In the event that any collection action is required to collect unpaid balances due to us, you agree to reimburse us for our costs of collection, including lawyers' fees.

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## **Costs of Responding to Government or Legal Processes**

In the event we are required to respond to a subpoena, court order, government agency, the Canadian Public Accountability Board (CPAB) or other legal process for the production of documents and/or testimony relative to information we obtained and/or prepared during the course of this Engagement, you agree to compensate us at our normal hourly rates for the time we expend in connection with such response and to reimburse us for all of our out-of-pocket costs (including applicable GST and PST) incurred.

## **Termination**

Management acknowledges and understands that failure to fulfill its obligations as set out in this engagement letter will result, upon written notice, in the termination of the Engagement.

Either party may terminate this agreement for any reason upon providing written notice to the other party [*not less than 30 calendar days before the effective date of termination*]. If early termination takes place, Wasa Lake Land Improvement District shall be responsible for all time and expenses incurred up to the termination date.

If we are unable to complete the audit or are unable to come to a conclusion on the financial statements, we may withdraw from the audit before issuing an auditor's report, or we may issue a denial of assurance on the financial statements. If this occurs, we will communicate the reasons and provide details.

## **Survival of Terms**

This engagement letter will continue in force for subsequent audits unless terminated by either party by written notice prior to the commencement of the subsequent audit.

## **Not Liable For Any Failures or Delays Beyond Our Control**

We will use all reasonable efforts to complete the engagement as described in this letter within the agreed-upon time frames. However, we shall not be liable for failures or delays in performance that arise from causes beyond our control, including the untimely performance by your improvement district of its obligations.

## **Consequential Loss**

Our firm and its partners, officers or employees will not be responsible for any consequential loss, injury or damages suffered by the client including but not limited to loss of use, earnings and business interruption, or the unauthorized distribution of any confidential document or report prepared by or on behalf of our firm, including the partners, officers or employees of the accounting firm for the exclusive use of the client.

## **Relevant Parties**

The client will not assert any claim for damages against our firm unless the client has concurrently or previously asserted a claim against all other persons who might reasonably be liable in relation to that claim. Any release, waiver, or covenant to otherwise not sue or enforce any remedy known to law given by the client to a third party shall be deemed to apply in favour of our firm.

## **Third Parties**

The financial documents are prepared solely for the use of the client with whom we have entered into a contract and there are no representations of any kind made by us to any party with whom we have not entered into a written contract.

## **Foreign Reporting**

It is understood and agreed that the improvement district is aware of the foreign reporting rules effective for tax years starting in 1996, and we are relying on the improvement district to provide us with the necessary information. The improvement district may be required to file information returns to comply with these rules if it has:

1. One or more controlled and not-controlled foreign affiliates (Form T1134). Filing deadline is 15 months after the end of the taxation year.
2. Transferred or loaned property to a non-resident/off-shore trust any time after 1990 (Form T1141). Filing deadline is 6 months after the end of the taxation year.
3. Received distributions from or is indebted to a non-resident trust (Form T1142). Filing deadline is 6 months after the end of the taxation year.

Initials 

4. Foreign property with a total cost of more than Cdn \$100,000 (Form T1135). Form T1135 is not required if the foreign property (such as shares of a foreign affiliate, an interest in an offshore trust) is reported on one of the other foreign reporting forms above. The filing deadline is six months after the end of the taxation year.

Failure to comply may result in significant penalties that are not deductible for income tax purposes. There are more penalties to those persons who make or participate in the making of a false statement or omission on the new information returns. Therefore, we must impress upon you the importance of carrying out due diligence to file these returns accurately and completely.

**Conclusion**

This engagement letter includes the relevant terms that will govern the Engagement for which it has been prepared. The terms of this letter supersede any prior oral or written representations or commitments by or between the parties. Any material changes or additions to the terms set forth in this letter will only become effective if evidenced by a written amendment to this letter, signed by all of the parties.

If you have any questions about the contents of this letter, please raise them with us. If the services outlined are in accordance with your requirements, and if the above terms are acceptable to you, please sign the attached copy of this letter in the space provided and return it to us.

We appreciate the opportunity of continuing to be of service to your improvement district.

Yours truly,

ADAMS WOOLEY



David Adams, BSc, CPA, CGA, CFP

Acknowledged and agreed to on behalf of Wasa Lake Land Improvement District by:



Ms. Sharon Prinz, Chair

April 7, 2020

Date signed

Initials \_\_\_\_\_

## Appendix A - Expected Form of 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, 2020, and the statements of operations and annual surplus (deficit), changes in net financial assets and cash flow 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, 2020 and the results of its operations and cash flow for the year then ended in accordance with Canadian public sector accounting standards (PSAS).

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 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 PSAS, 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 related 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.

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.

Initials 

## Appendix A (continued)

- 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.

### Report on Other Legal and Regulatory Requirements

As required by the Societies Act of British Columbia, we report that, in our opinion, the accounting policies applied in preparing and presenting the financial statements in accordance with Canadian public sector accounting standards have been applied on a basis consistent with that of the preceding year.