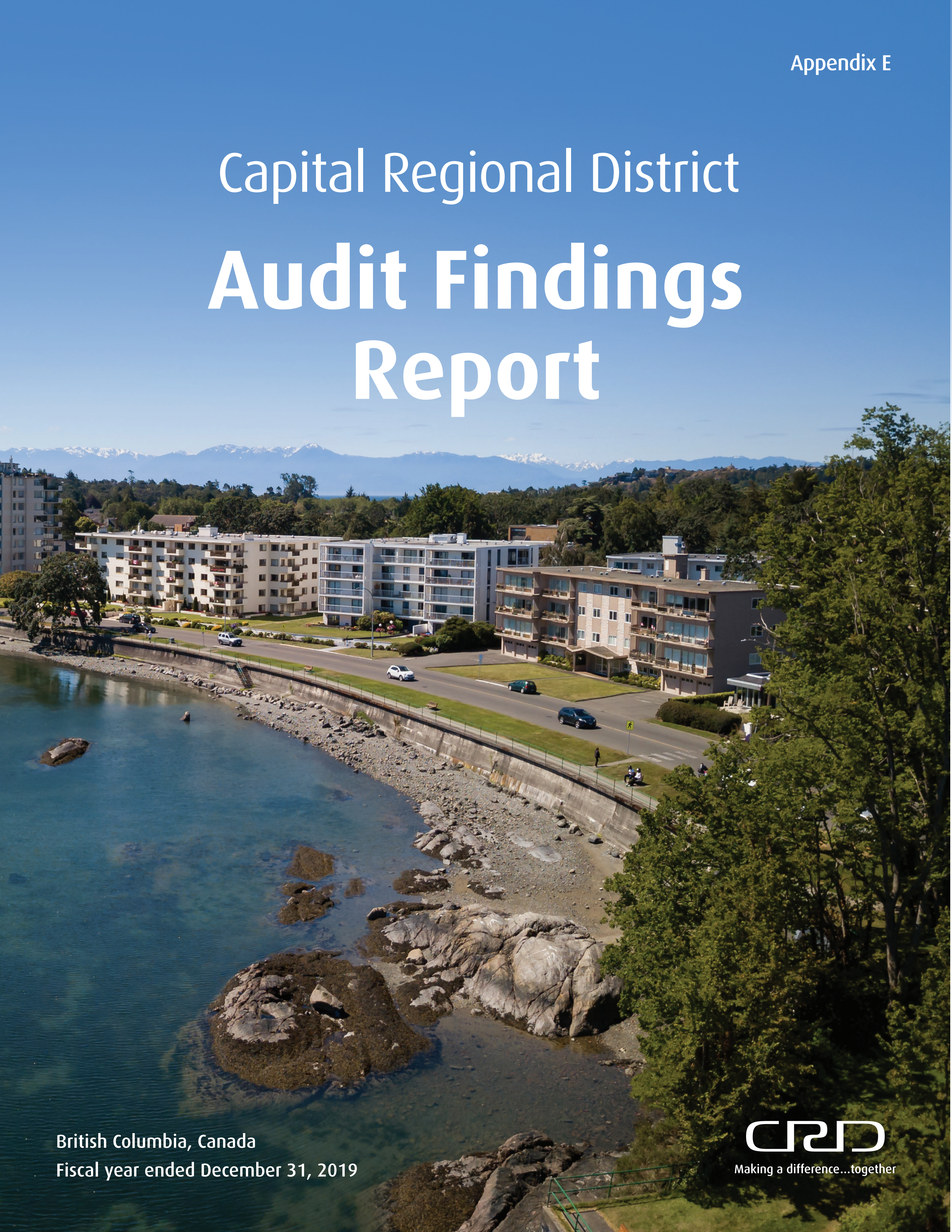
Appendix E

Capital Regional District

Audit Findings Report



British Columbia, Canada

Fiscal year ended December 31, 2019

Making a difference...together

Capital Regional District

Audit Findings Report
for the year ended December 31, 2019

For the meeting on May 13, 2020

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KPMG

Table of contents

Executive summary

Purpose of this report[1]

The purpose of this Audit Findings Report is to assist you, as a member of the Board of Directors, in your review of the results of our audit of the consolidated financial statements of Capital Regional District (the District) as at and for the year ended December 31, 2019.This Audit Findings Report builds on the Audit Plan we presented to the Board of Directors on January 8, 2020.

Changes from the Audit Plan

There have been no significant changes regarding our audit from the Audit Planning Report previously presented to you.

Finalizing the Audit

As of the date of this report, we have completed the audit of the financial statements, with the exception of certain remaining procedures, which include:

- Completing our discussions with the Board of Directors;
- Obtaining the signed management representation letter; and
- Obtaining evidence of the Board's approval of the financial statements.

We will update the Board of Directors, on significant matters, if any, arising from the completion of the audit, including the completion of the above procedures. Our auditors' report will be dated upon the completion of any remaining procedures.

Areas of Audit Focus

At the planning stage of the audit we discussed with you areas of audit focus. We are satisfied that our work has appropriately dealt with the focus areas identified.

Adjustments and differences

Adjustments and differences identified during the audit have been categorized as "Corrected adjustments" or "Uncorrected differences". These include disclosure adjustments and differences.

We identified one adjustment which remains uncorrected in relation to expenses being recognized in fiscal 2019 instead of in 2018. The impact is an understatement of annual surplus of $287,740 in fiscal 2019, and an overstatement of annual surplus of $287,740 in fiscal 2018. There is no net impact on accumulated surplus as at December 31, 2019.

We identified three misstatements that were communicated to management and subsequently corrected in the financial statements.

[1] This Audit Findings Report should not be used for any other purpose or by anyone other than the Board of Directors. KPMG shall have no responsibility or liability for loss or damages or claims, if any, to or by any third party as this Audit Findings Report has not been prepared for, and is not intended for, and should not be used by, any third party or for any other purpose.

Executive summary (continued)

Significant accounting policies and practices

There have been no initial selections of, or changes to, significant accounting policies and practices to bring to your attention.

There was no financial reporting impact from the new accounting standard PS 3430 *Restructuring transactions* effective for the 2019 fiscal year-end.

The presentation and disclosure of the financial statements are, in all material respects, in accordance with Canadian public sector accounting standards. Misstatements, including omissions, if any, related to disclosure or presentation items are in the management representation letter.

Control and other observations

We did not identify any control deficiencies that we determined to be significant deficiencies in internal controls over financial reporting.

We have issued a separate management letter with control recommendations in areas not considered to be significant deficiencies in internal controls over financial reporting.

Independence

We confirm that we are independent with respect to the District within the meaning of the relevant rules and related interpretations prescribed by the relevant professional bodies in Canada and any applicable legislation or regulation from January 1, 2019 up to the date of this report.

Current Developments

There have been no significant updates to the current developments included in our Audit Plan previously provided to the Board of Directors.

Audit risks and results

Area of focus	Why are we focusing here?
Fraud risk from management override of controls.	This is a presumed fraud risk. We have not identified any specific additional risks of management override relating to this audit.

Our response and significant findings

Our audit methodology incorporates the required procedures in professional standards to address the risk of fraud. These procedures include:

- Testing of journal entries and other adjustments;
- Performing a retrospective review of significant estimates; and
- Evaluating the business rationale of significant unusual transactions.

There were no significant issues noted in our testing.

Audit risks and results (continued)

Significant findings from the audit regarding other areas of focus are as follows:

Area of focus	Why are we focusing here?
Regional Housing First Program (RHFP) Millstream Ridge – 713 and 715 Treanor Avenue	On January 25, 2019, the District purchased Millstream Ridge for $42.25M. The District entered into a 60-year prepaid lease and 35 year operator agreement with Capital Region Housing Corporation (CRHC) regarding this project. The prepaid lease of CRHC was funded by a mortgage between CRHC and BC Housing Management Commission (BCHMC).

Our response and significant findings

- RHFP is a partnership between three levels of government that have committed to fund affordable or supportive housing projects in the capital region. BC Housing, CMHC and the District have committed to invest $30M each to develop and acquire approximately 300 (at $300,000 each) new housing units that will have a rental rate equal to the Province's income assistance shelter rate ($375) for residents of the region experiencing chronic homelessness.
- Either BC Housing or the District will purchase the approximately 20% provincial assistance rate units as an equity contribution. The operator (non-profit organization or CRHC) operates 100% of the units and maintains ownership of the remaining approximately 80% of units (or lease agreement with BC Housing or the District). CMHC's $30 million contribution is in the form of a grant to the CRD, where the CRD holds ownership of those units.
- The purchase of the property is funded by a $30 million contribution received from CMHC ($9 million of which was received for Treanor and $21 million which remains for other projects under the RHFP).
- KPMG inspected the RHFP project details, purchase contract, lease agreement and the BC Housing financing commitment letter.
- KPMG agreed the purchase price allocated to the land and building to the costs capitalized with no issues.
- KPMG concurs with management's accounting treatment of the transaction in the financial statements, including the removal of inter-entity transactions between CRD and CRHC in the consolidated financial statements.

Audit risks and results (continued)

Area of focus	Why are we focusing here?
Wastewater Treatment Project ("WTP")	The Wastewater Treatment Project is a significant capital project that, once completed, will provide wastewater treatment services to member municipalities.

Our response and significant findings

- The CRD's Wastewater Treatment Project ("WTP") includes construction of the wastewater treatment plant, residuals treatment facility, and the conveyance system and is budgeted at a total cost of $775M.
- Costs capitalized for the WTP in 2019 were $219M.
- We reviewed the WTP Board minutes and inquired with management on the progress of this project.
- We performed a walkthrough of the procurement processes related to the WTP and related controls over expenditures and did not note any significant deficiencies.
- We performed substantive audit procedures over a sample of capital additions, agreeing samples to source documentation.
- We verified the completeness of liabilities and contingent liabilities related to the WTP.
- We reviewed management's analysis over impairment and concur with management's assessment of costs written off related to project components no longer being pursued including upgrades to the Currie Pump Station, twinning of the Currie Forcemain and twinning of the East Coast Interceptor.
- In 2019, $76M of federal grants and $62M in provincial grants were received and recognized as revenue related to WTP. We inspected the grant claims, agreed them to cash receipt and noted appropriate eligible expenses related to grant terms. No issues or adjustments were noted.

Audit risks and results (continued)

Area of focus	Why are we focusing here?
Hartland Landfill closure and post-closure costs	Landfill closure and post-closure costs (2019 - $10.658M, 2018 - $10.139M) are recognized in the financial statements including disclosure in the notes. The eventual estimated costs are accrued annually as the capacity of the site is being utilized.

Our response and significant findings

- Closure and post-closure costs are a significant estimate recognized in the District's financial statements. Measurement involves a number of estimates including capacity available and used, future costs, discount rates, inflation rates, among others.
- The last detailed assessment of costs by an external expert was performed in 1995. Management performed an analysis and updated significant assumptions in subsequent years including 2019.
- We discussed the projections and discount rates used to determine the closure and post-closure liabilities for the landfill with management and verified the accuracy of management's disclosed liabilities.
- We concur with management's position that the estimates are reasonable for purposes of the annual consolidated financial statements.
- We recommend closure cost estimates be revisited when significant changes in closure timing and plans are made, such as the District's plans for composting waste.
- Effective for the 2022 fiscal year, new accounting standards for asset retirement obligations will require a significant revaluation of the landfill liability and recognition of all closure and post-closure costs upfront rather than as capacity of the landfill is used. We recommend early planning for this transition as it will result in recognition of a liability sooner than current practice and a significant increase in net debt for financial reporting purposes. The change in accounting standard will not affect how the District decides to fund the liability through reserve funding.

Audit Response to COVID-19 Pandemic

Area of focus

Subsequent to December 31, 2019, the COVID-19 outbreak was declared a pandemic by the World Health Organization and has had a significant financial market and social dislocating impact. As such enhanced subsequent events procedures are warranted.

There are two types of subsequent events, with the accounting treatment dependent on the categorization as follows:

- Events that provide future evidence of conditions that existed at the financial statement date. For these conditions, the financial statements should be adjusted for measurable impact to the assets, liabilities, revenues and expenditures.
- Events that are indicative of conditions that rose subsequent to the financial statement date. For these conditions, disclosures, at a minimum, should include a description of the event and an estimate of the financial impact, when practicable or a statement that an estimate cannot be made.

Our response and significant findings

- KPMG discussed the impact of the pandemic with management. At this time management considers it not practicable to calculate the impact on the District of future cash flows, any significant changes to assets or liabilities and the magnitude of impact on future operations.
- A subsequent events note is included in the financial statements; KPMG concurs this is not an adjusting event and disclosure provided is appropriate.

Resources for Management, Board and Committee members

COVID-19 Alerts (Live Link)

KPMG has compiled COVID-19 resources regarding the topics below. This site is being updated daily based on information being released by Federal, Provincial and Municipal news releases. We encourage reference to these materials during the District's response and recovery period.

- Business continuity guide
- Immediate actions to take
- Medium to long-term actions
- Tax considerations and a summary of Federal and Provincial programs
- Legal considerations
- Financial reporting and audit considerations

Significant accounting policies and practices

Significant Accounting Policies

- There were no changes to the critical accounting policies and practices.
- There were no changes in significant accounting policies.
- There were no significant accounting policies in controversial or emerging areas.
- There were no material issues noted with the timing of the District's transactions in relation to the period in which they are recorded. One uncorrected adjustment was identified in relation to expenses being recognized in the incorrect period.
- There were no issues noted with the extent to which the financial statements are affected by a significant unusual transaction and extent of disclosure of such transactions.
- There were no issues noted with the extent to which the financial statements are affected by non-recurring amounts recognized during the period and extent of disclosure of such transitions.

Significant Accounting Estimates

- There were no issues noted with management's identification of accounting estimates.
- There were no issues noted with management's process for making accounting estimates.
- There were no indicators of possible management bias.
- There were no significant factors affecting the District's asset and liability carrying values.

Form, arrangement, and content of the financial statements

- There were no issues noted with the judgments made, in formulating particularly sensitive financial statement disclosures.
- There were no issues noted with the overall neutrality, consistency, and clarity of the disclosures in the financial statements.
- There were no significant potential effects on the financial statements of significant risks, exposures and uncertainties.

Uncorrected Differences and Corrected Adjustments

Adjustments and differences identified during the audit have been categorized as "Corrected adjustments" or "Uncorrected differences". Differences and adjustments include disclosure differences and adjustments. Professional standards require that we request of management and the Board that all identified differences be corrected. We have already made this request of management.

Uncorrected differences

The management representation letter includes the Summary of Uncorrected Audit Misstatements, which disclose the impact of all uncorrected differences identified greater than our posting threshold.

We identified one adjustment which remains uncorrected in relation to expenses being recognized in fiscal 2019 instead of in 2018. The impact is an understatement of annual surplus of $287,740 in fiscal 2019, and an overstatement of annual surplus of $287,740 in fiscal 2018. There is no net impact on accumulated surplus as at December 31, 2019, therefore the adjustment remains uncorrected.

We concur with management's representation that the differences are not material to the financial statements. Accordingly, the differences have no effect on our auditors' report.

Corrected adjustments

We identified three adjustments that were communicated to management and corrected. These adjustments did not have an impact on the total assets, liabilities or annual surplus of the District. They relate primarily to presentation of figures within notes to the financial statements which are prepared only once a year for financial reporting purposes in accordance with Public Sector Accounting Standards. Management does not use these figures for financial decision making during the year.

- An adjustment to Note 8 to the financial statements to present $4.4 million of work in progress asset transfers on a net basis.
- A reduction in the same amount of interest earnings and other expenses by $731,500 on the statement of operations.
- A $553,264 decrease of committed contractual obligations disclosure in Note 10.

Appendices

Appendix 1: Selected Financial Information

Appendix 2: Required Communications

Appendix 3: Audit quality and risk management

Appendix 4: Key audit matters – identification

Appendix 5: Management representation letter

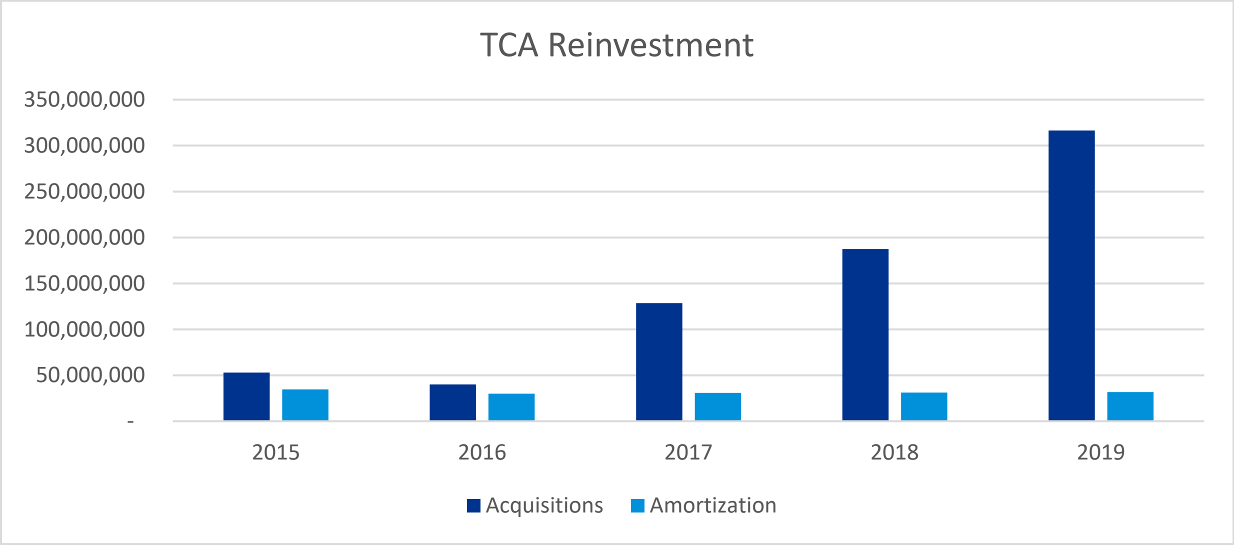
Appendix 1: Selected Financial Information

As part of the audit, there are certain key ratios and trends that we review. We share these ratios with the Board and Management and welcome any questions related to our interpretation of trends. The following financial information is taken from the annual audited financial statements prepared in accordance with Public Sector Accounting Standards. The accounting framework used in these financial statements differs from the framework used in the financial plan in that the rate-setting formula is based on a cash-basis and includes transfers from reserves and other unspent funds and planned capital acquisitions rather than amortization of capital assets.

Appendix 1: Selected Financial Information (continued)

Tangible Capital Asset (TCA) Reinvestment

TCA is the District's most significant asset and is funded by a combination of internal reserves and external financing. The following illustration depicts TCA acquisitions and amortization amounts for the past five years:



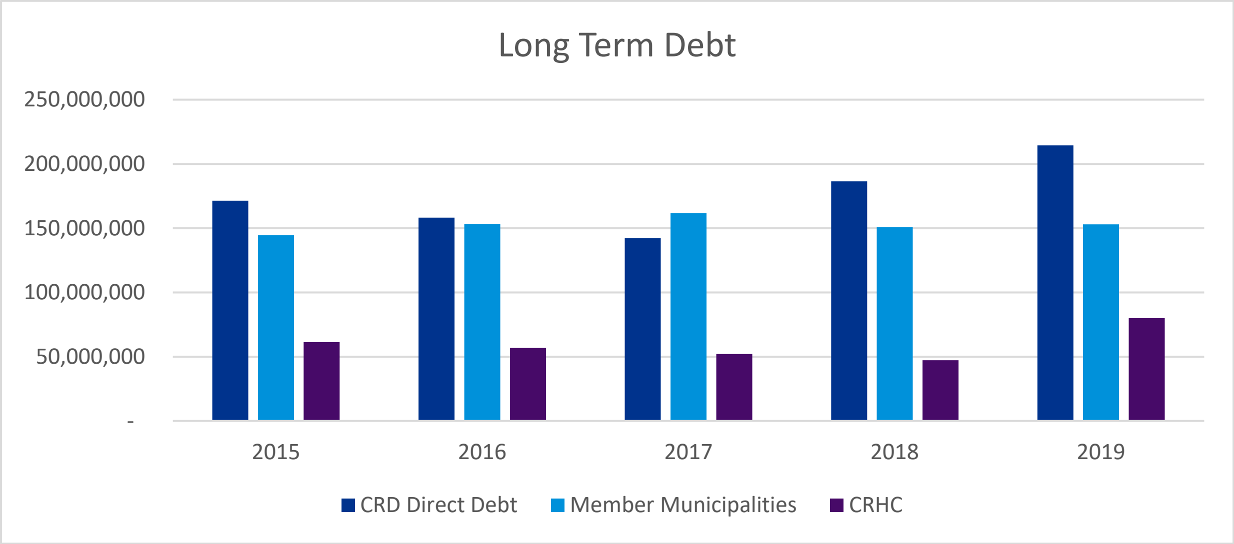
TCA acquisitions were relatively consistent 2015 to 2016, until 2017 when more significant capital additions were acquired under the Wastewater Treatment Project. TCA additions in 2019 are 8 times the value of additions in 2016, primarily as a result of the construction and associated capital costs under the project.

The value of amortization has remained relatively consistent over the past 5 years. In 2016 – 2019 the District has been replenishing capital assets at a faster pace than they are being used. Acquisitions are 10 times the value of annual amortization.

Appendix 1: Selected Financial Information (continued)

Long-term Debt

The District incurs debt directly, and on behalf of its member municipalities through agreements with the MFA. Repayments of interest and principal on long-term debt are included in the annual operating expenditure for each function. The Community Charter and Municipal Liabilities regulation provides that a municipality's (district's) annual cost of servicing its aggregate liabilities for the year cannot exceed 25 percent of its annual revenue for the previous year. Interest expense in 2019 represents approximately 13.5% of the District's revenue excluding government transfers and interest expense related to municipal borrowing equates to approximately 4.6% of revenue excluding government transfers. Debt represents approximately 14% of the net book value of capital assets.



CRD direct debt decreased from 2015 to 2017 and increased in 2018 by 31% due to the additional debt obtained to finance construction of the Wastewater Treatment Project. Direct debt has increased in 2019 by 15% with additional financing from MFA to finance the project construction.

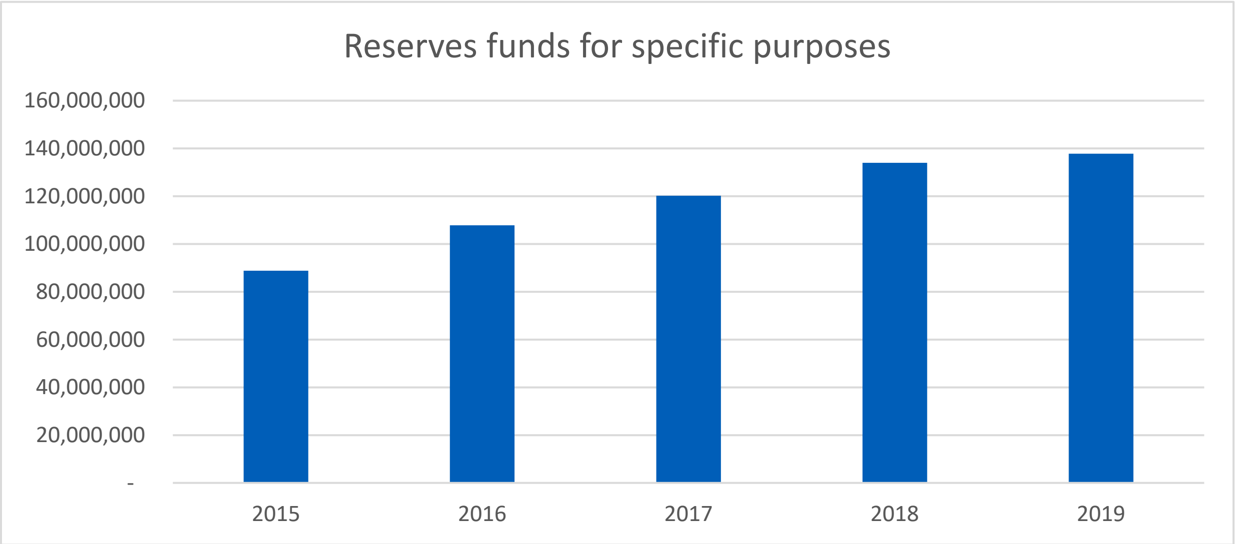
In addition, member municipalities' debt has increased steadily from 2015 to 2017. In 2018, there was a slight decrease in member debt consistent with the trend that in a low interest rate environment, more debt is held through short term facilities until project completion when a more precise amount of borrowing is determined and locked into long term financing. Short term borrowing by member municipalities is not included in the District's financial statements. There was a small increase in member municipalities' debt in 2019.

The increase in CRHC debt in 2019 represents new debt obtained to fund the purchase of the RHFP Millstream Ridge/Treanor housing project.

Appendix 1: Selected Financial Information (continued)

Reserves

The accumulated surplus for the District is made up of amounts invested in tangible capital assets, operating reserves, for both the District and Capital Region Housing Corporation, and reserves set aside for regional, sub-regional and local purposes. The amounts shown in the graph relate to reserve funds set aside for specific purposes as detailed in note 9 in the financial statements:



These reserves are tracked on a per service basis. Each year, the amount presented is the accumulated amount. Since 2015, the reserves have continued to grow at a consistent rate. In 2019, reserves increased by 13% over prior year and this was due primarily to increases in the Equipment Replacement Reserve, the Office Facilities & Equipment Reserve, the Solid Waste Operating Reserve, the Saanich Peninsula Ice Arena Facility Capital Reserve, and the Trunk Sewers and Sewage Disposal Facilities Capital Reserve.

Appendix 2: Required Communications

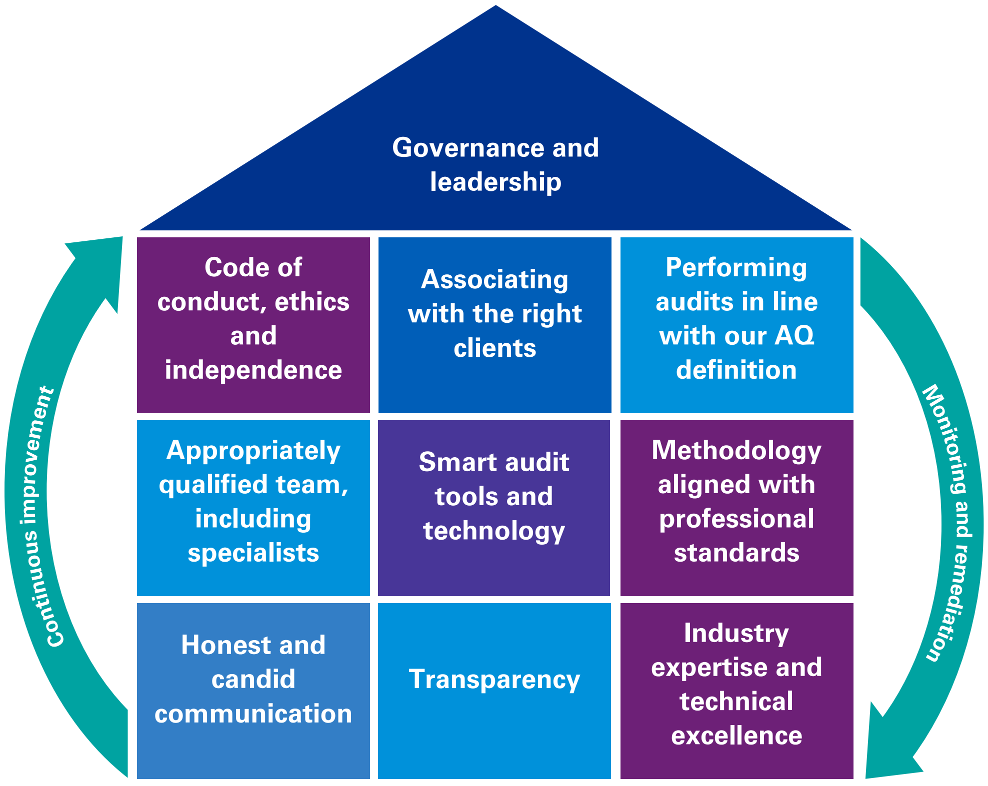
In accordance with professional standards, there are a number of communications that are required during the course of and upon completion of our audit. These include:

Auditor’s report	Management representation letter
The conclusion of our audit is set out in our draft auditors’ report attached to the draft financial statements.	In accordance with professional standards, a copy of the management representation letter is provided in Appendix 5.

Appendix 3: Audit Quality and Risk Management

KPMG maintains a system of quality control designed to reflect our drive and determination to deliver independent, unbiased advice and opinions, and also meet the requirements of Canadian professional standards.

Quality control is fundamental to our business and is the responsibility of every partner and employee. The following diagram summarizes the key elements of our quality control system.



Audit Quality Framework

What do we mean by audit quality?

Audit Quality (AQ) is at the core of everything we do at KPMG.

We believe that it is not just about reaching the right opinion, but how we reach that opinion.

We define ‘audit quality’ as being the outcome when audits are:

- Executed consistently, in line with the requirements and intent of applicable professional standards within a strong system of quality controls and
- All of our related activities are undertaken in an environment of the utmost level of **objectivity, independence, ethics,** and **integrity**.

Our AQ Framework summarises how we deliver AQ. Visit our Audit Quality Resources page for more information including access to our Audit Quality and Transparency report.

Appendix 4: Key Audit Matters – Identification

Key audit matters (KAMs) are those matters that were communicated to those charged with governance which required significant audit attention in performing the audit and that, in the auditor's professional judgment, were of the most significance in the audit of the financial statements in the current period.

Currently, the communication of KAMs in the auditors' report is only applicable when:

1. The auditors' report will refer to International Standards on Auditing and the audit is for a complete set of general purpose financial statements of a listed entity
2. Required by law or regulation; or
3. The auditor is engaged to do so

However, the AASB approved amendments to bullet #1 which now require auditors' to communicate KAMs in the auditors' report for audits of complete sets of general purpose financial statements of:

- Toronto Stock Exchange listed entities (TSX listed entities) for periods ending on or after December 15, 2020.
- Other listed entities (non-TSX listed entities) for periods ending on or after December 15, 2022.

The above excludes TSX listed entities / Non-TSX listed entities that comply with National Instrument 81-106, *Investment Fund Continuous Disclosure*.

The above includes auditors' reports on separate/non-consolidated financial statements.

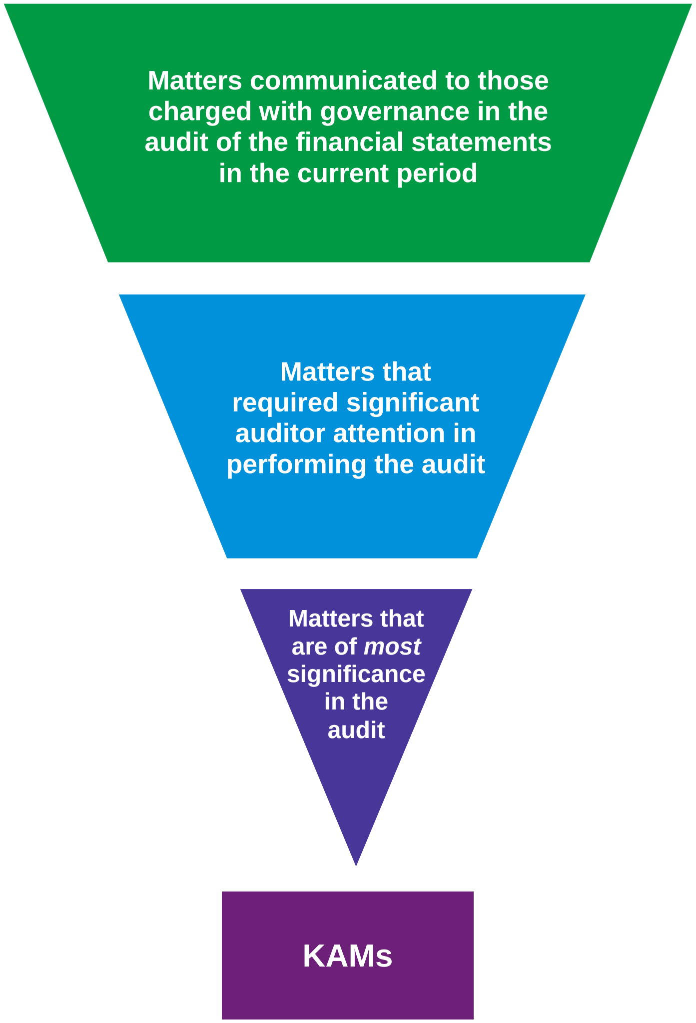
The total population of potential KAMs begins with all matters communicated to the audit committee during the audit of the current period.

The auditor is required to identify from that total population of potential KAMs, which matters required significant auditor attention in performing the audit. In doing so, the auditor is required to take into account the following:

- Areas of higher assessed risks of material misstatement identified
- Areas of significant risks identified
- Significant auditor judgments relating to areas in the financial statements that are subject to a high degree of estimation uncertainty
- The effect of the audit of significant events or transactions that occurred during the period

From that population of potential KAMs, the auditor identifies those matters that are of "most" significance in the audit. The use of the term "most" significance in the audit. The use of the term "most" is not intended to limit the number of KAMs to one. However, lengthy lists of KAMs may be contrary to the notion that such matters are of most significance to the audit.

The District currently does not meet the requirements for communications of KAMs.



Appendix 5: Management Representation Letter

Ladies and Gentlemen:

We are writing at your request to confirm our understanding that your audit was for the purpose of expressing an opinion on the consolidated financial statements (hereinafter referred to as "financial statements") of Capital Regional District ("the Entity") as at and for the period ended December 31, 2019.

General:

We confirm that the representations we make in this letter are in accordance with the definitions as set out in Attachment I to this letter.
We also confirm that, to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

Responsibilities:

1) We have fulfilled our responsibilities, as set out in the terms of the engagement letter dated May 9, 2017, including for:

   a) the preparation and fair presentation of the financial statements and believe that these financial statements have been prepared and present fairly in accordance with the relevant financial reporting framework.
   b) providing you with all information of which we are aware that is relevant to the preparation of the financial statements, such as all financial records and documentation and other matters, including:
      (i) the names of all related parties and information regarding all relationships and transactions with related parties; and
      (ii) the complete minutes of meetings, or summaries of actions of recent meetings for which minutes have not yet been prepared, of the board of directors and committees of the board of directors that may affect the financial statements. All significant actions are included in such summaries.
   c) providing you with unrestricted access to such relevant information.
   d) providing you with complete responses to all enquiries made by you during the engagement.
   e) providing you with additional information that you may request from us for the purpose of the engagement.
   f) providing you with unrestricted access to persons within the Entity from whom you determined it necessary to obtain audit evidence.
   g) 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 also acknowledge and understand that we are responsible for the design, implementation and maintenance of internal control to prevent and detect fraud.
   h) ensuring that all transactions have been recorded in the accounting records and are reflected in the financial statements.

Internal control over financial reporting:

2) We have communicated to you all deficiencies in the design and implementation or maintenance of internal control over financial reporting of which we are aware.

Appendix 5: Management Representation Letter (continued)

Fraud & non-compliance with laws and regulations

3) We have disclosed to you:

   a) the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
   b) all information in relation to fraud or suspected fraud that we are aware of that involves:
      — management;
      — employees who have significant roles in internal control over financial reporting; or
      — others

      where such fraud or suspected fraud could have a material effect on the financial statements.
   c) all information in relation to allegations of fraud, or suspected fraud, affecting the financial statements, communicated by employees, former employees, analysts, regulators, or others.
   d) all known instances of non-compliance or suspected non-compliance with laws and regulations, including all aspects of contractual agreements, whose effects should be considered when preparing financial statements.
   e) all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.
   f) We have disclosed to you all information regarding investigations into possible fraud and/or non-compliance or suspected non-compliance with laws and regulations, including illegal acts, that we have undertaken at our discretion and completed, including the results of such investigations, and the resolution of the matters, if any, identified in such investigations.

Subsequent events:

4) All events subsequent to the date of the financial statements and for which the relevant financial reporting framework requires adjustment or disclosure in the financial statements have been adjusted or disclosed.

Related parties:

5) We have disclosed to you the identity of the Entity's related parties.
6) We have disclosed to you all the related party relationships and transactions/balances of which we are aware.
7) All related party relationships and transactions/balances have been appropriately accounted for and disclosed in accordance with the relevant financial reporting framework.

Estimates:

8) Measurement methods and significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.

Going concern:

9) We have provided you with all information relevant to the use of the going concern assumption in the financial statements.
10) We confirm that we are not aware of material uncertainties related to events or conditions that may cast significant doubt upon the Entity's ability to continue as a going concern.

Appendix 5: Management Representation Letter (continued)

Misstatements:

11) The effects of the uncorrected misstatements described in Attachment II are immaterial, both individually and in the aggregate, to the financial statements as a whole.
12) We approve the corrected misstatements identified by you during the audit described in Attachment II.

Non-SEC registrants or non-reporting issuers:

13) We confirm that the Entity is not a Canadian reporting issuer (as defined under any applicable Canadian securities act) and is not a United States Securities and Exchange Commission ("SEC") Issuer (as defined by the Sarbanes-Oxley Act of 2002). We also confirm that the financial statements of the Entity will not be included in the consolidated financial statements of a Canadian reporting issuer audited by KPMG or an SEC Issuer audited by any member of the KPMG organization.

Yours very truly,

____

Ms. Robert Lapham, Chief Administrative Office

____

Mr. Nelson Chan, Chief Financial Officer

cc: Board of Directors

Attachment I – Definitions

Materiality

Certain representations in this letter are described as being limited to matters that are material. Misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements. Judgments about materiality are made in light of surrounding circumstances, and are affected by the size or nature of a misstatement, or a combination of both.

Fraud & Error

Fraudulent financial reporting involves intentional misstatements including omissions of amounts or disclosures in financial statements to deceive financial statement users.

Misappropriation of assets involves the theft of an entity's assets. It is often accompanied by false or misleading records or documents in order to conceal the fact that the assets are missing or have been pledged without proper authorization.

An error is an unintentional misstatement in financial statements, including the omission of an amount or a disclosure.

Attachment II – Summary of Audit Misstatement Schedule

Year ended December 31, 2019

Corrected misstatements

- An adjustment to Note 8 to the financial statements to present $4.4 million of work in progress asset transfers on a net basis.
- A reduction in the same amount of interest earnings and other expenses by $731,500 on the statement of operations.
- A $553,264 decrease of committed contractual obligations disclosure in Note 10.

Uncorrected misstatements

Description	(Decrease) Increase	Assets (Decrease) Increase	Liabilities (Decrease) Increase	**Accumulated Surplus (Decrease) Increase**
To record the contract for service and consultants expense in the correct year	**287,740**	**-**	**-**	**-**

Year ended December 31, 2018

Uncorrected misstatements

In 2018, management identified a prior year misstatement relating to a land acquisition recorded at cost which was below market value. The difference between cost and market value was due to a portion of the value of the land being donated to the District; this donated value was unrecorded in 2017. In 2018, an entry was posted to record the donated amount and increase the value of the land asset. As a result, in 2017 and 2018, there is one uncorrected difference due to the timing of the correction. At December 31, 2018, accumulated surplus is correct, as the error relates to timing of revenue recognition and not an error in overall value. The timing difference does not affect the cash surplus or accumulated surplus of the District and is not material to the overall financial statements such that it does not impact on our ability to issue an unqualified audit opinion.

Description	(Decrease) Increase	Assets (Decrease) Increase	Liabilities (Decrease) Increase	**Accumulated Surplus** **(Decrease) Increase**
To record the increase in value of land purchased and donated in the correct year	(2,500,000)	-	-	**-**
To record the contract for service and consultants expense in the correct year	**(287,740)**	**-**	**287,740**	**(287,740)**

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KPMG LLP, an Audit, Tax and Advisory firm (kpmg.ca) and a Canadian limited liability partnership established under the laws of Ontario, is the Canadian member firm of KPMG International Cooperative (“KPMG International”).

KPMG member firms around the world have 174,000 professionals, in 155 countries.

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