
PIERS ISLAND IMPROVEMENT DISTRICT
Financial Statements
Year Ended December 31, 2018

PIERS ISLAND IMPROVEMENT DISTRICT
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Year Ended December 31, 2018

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BOARD OF TRUSTEES' RESPONSIBILITY FOR FINANCIAL REPORTING

The financial statements of Piers Island Improvement District have been prepared in accordance with Canadian public sector accounting standards. When alternative accounting methods exist, the Board of Trustees has chosen those it deems most appropriate in the circumstances. These statements include certain amounts based on the Boards' estimates and judgments. The Board has determined such amounts based on reasonableness in order to ensure that the financial statements are presented fairly in all material respects.

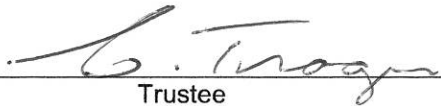
The integrity and reliability of Piers Island Improvement District's reporting systems are achieved through the use of formal policies and procedures, the careful selection of volunteers and an appropriate division of responsibilities. These systems are designed to provide reasonable assurance that the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

The Board of Trustees is responsible for ensuring that they fulfill their responsibility for financial reporting and is ultimately responsible for reviewing and approving the financial statements. The Board carries out this responsibility principally through its Finance Administrator. The Finance Administrator is appointed by the Board and meets periodically with the auditors to review significant accounting, reporting and internal control matters. Following his review of the financial statements and discussions with the auditors, the Finance Administrator reports to the Board of Trustees prior to approval of the financial statements. The Finance Administrator also considers, for review and approval by the Board, the engagement or re-appointment of the external auditors.

The financial statements have been audited on behalf of the trustees by Cowland & Associates, in accordance with Canadian public sector accounting standards.



Trustee



Trustee

Sidney, British Columbia
May 16, 2019

INDEPENDENT AUDITORS' REPORT

To the Trustees of Piers Island Improvement District

Report on the Financial Statements

Opinion

We have audited the financial statements of Piers Island Improvement District (the District), which comprise the statement of financial position as at December 31, 2018, and the statements of operations, changes in accumulated surplus, changes in net financial assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the District as at December 31, 2018, and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the District in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with those requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the Board of Trustees for the Financial Statements

The Board is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian public sector accounting standards, and for such internal control as it 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, the Board is responsible for assessing the District's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless it either intends to liquidate the District or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the District's financial reporting process.

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Independent Auditors' Report to the Trustees of Piers Island Improvement District *(continued)*

Auditors' 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 District's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board.
- Conclude on the appropriateness of the Board's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the District's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' report. However, future events or conditions may cause the District to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Conland + Associates,


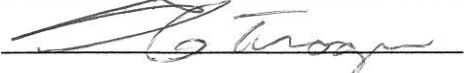
Sidney, British Columbia
May 16, 2019

CHARTERED PROFESSIONAL ACCOUNTANTS

PIERS ISLAND IMPROVEMENT DISTRICT
Statement of Financial Position
December 31, 2018

	Total 2018	Total 2017
FINANCIAL ASSETS		
Cash	\$ 65,025	\$ 103,771
Operations/sustainment investments (Note 5)	86,957	51,533
Capital reserve fund investments (Note 7)	451,857	404,932
Accounts receivable	2,133	3,410
GST rebate recoverable	3,758	5,612
	609,730	569,258
LIABILITIES		
Accounts payable and accrued liabilities	490	2,865
NET FINANCIAL ASSETS	609,240	566,393
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 3)	220,034	206,329
ACCUMULATED SURPLUS	\$ 829,275	\$ 772,722

APPROVED BY THE TRUSTEES


 _____ Trustee

 _____ Trustee

PIERS ISLAND IMPROVEMENT DISTRICT
Statement of Operations
Year Ended December 31, 2018

	Budget 2018	Operating Fund 2018	Sustainment Fund 2018	Capital Reserve Fund 2018	Capital Fund 2018	Total 2018	Total 2017
REVENUES							
Assessments	\$ 79,200	\$ 79,200	\$ -	\$ -	\$ -	\$ 79,200	\$ 79,200
Fundraising Revenue	-	-	-	-	-	-	28,588
Capital Reserve Assessments	62,030	-	-	63,360	-	63,360	62,040
Water Revenue	19,000	19,234	-	-	-	19,234	20,294
Donations	2,000	2,400	-	-	-	2,400	5,465
Interest Revenue	-	2	835	6,065	-	6,902	3,197
Other Revenue	300	1,783	-	-	-	1,783	1,878
Rental Revenue	4,180	3,165	-	-	-	3,165	3,484
Gain on disposal of assets	-	3,399	-	-	-	3,399	-
Capital Fund revenue recognition	-	-	-	-	19,146	19,146	15,766
	166,710	109,183	835	69,425	19,146	198,589	219,912
EXPENSES							
Administration	30,035	29,805	-	-	-	29,805	28,668
Building and Land Improvement	5,785	1,988	-	-	-	1,988	3,296
Fire Protection	36,975	28,993	1,772	-	-	30,765	26,273
Water Supply	19,000	22,617	-	-	-	22,617	16,000
Water System	24,885	9,840	3,409	-	-	13,249	12,867
Other	-	5,320	-	-	-	5,320	9,954
	116,680	98,563	5,181	-	-	103,744	97,058
SURPLUS (DEFICIT) FROM OPERATIONS	50,030	10,620	(4,346)	69,425	19,146	94,845	122,854
OTHER EXPENSES							
Amortization	-	-	-	-	19,146	19,146	15,766
ANNUAL SURPLUS (DEFICIT)	\$ 50,030	\$ 10,620	\$ (4,346)	\$ 69,425	\$ -	\$ 75,699	\$ 107,088

See notes to financial statements

PIERS ISLAND IMPROVEMENT DISTRICT
Statement of Changes in Accumulated Surplus
Year Ended December 31, 2018

	Operating Fund 2018	Sustainment 2018	Capital Reserve Fund 2018	Capital Fund 2018	Total 2018	Total 2017
ACCUMULATED SURPLUS - BEGINNING OF YEAR	\$ 88,110	\$ 61,776	\$ 416,506	\$ 206,329	\$ 772,722	\$ 681,400
SURPLUS (DEFICIT) FOR THE YEAR	10,620	(4,346)	69,425	-	75,699	107,088
CURRENT YEAR AMORTIZATION	98,730	57,430	485,931	206,329	848,421	788,488
Allocation of surplus	(10,620)	10,620	-	(19,146)	(19,146)	(15,766)
Net capital additions (Note 4)	-	-	(32,952)	32,952	-	-
Net book value of disposed assets	101	-	-	(101)	-	-
Capital reserve pending GIC adjustment (Note 7)	1,122	-	(1,122)	-	-	-
ACCUMULATED SURPLUS - END OF YEAR	\$ 89,333	\$ 68,050	\$ 451,857	\$ 220,034	\$ 829,275	\$ 772,722

See notes to financial statements

PIERS ISLAND IMPROVEMENT DISTRICT
Statement of Changes in Net Financial Assets
Year Ended December 31, 2018

	2018	2017
ANNUAL SURPLUS	\$ 75,699	\$ 107,088
Amortization of tangible capital assets	19,146	15,767
Amortization offset from Capital Fund	(19,146)	(15,767)
Purchase of tangible capital assets <i>(Note 4)</i>	(32,955)	(35,257)
Proceeds on disposal of tangible capital assets	3,500	-
(Gain) on disposal of assets	(3,400)	-
	<u>(32,855)</u>	<u>(35,257)</u>
INCREASE IN NET FINANCIAL ASSETS	42,844	71,831
NET FINANCIAL ASSETS - BEGINNING OF YEAR	566,396	494,565
NET FINANCIAL ASSETS - END OF YEAR	\$ 609,240	\$ 566,396

See notes to financial statements

PIERS ISLAND IMPROVEMENT DISTRICT
Statement of Cash Flows
Year Ended December 31, 2018

	2018	2017
OPERATING ACTIVITIES		
Annual Surplus	\$ 75,699	\$ 107,088
Items not affecting cash:		
Amortization of tangible capital assets	19,146	15,766
Capital Fund revenue recognition	(19,146)	(15,766)
Gain on disposal of tangible capital assets	(3,399)	-
	<u>72,300</u>	<u>107,088</u>
Changes in non-cash working capital:		
Accounts receivable	1,277	5,658
Accounts payable and accrued liabilities	(2,373)	(4,320)
GST rebate recoverable	1,854	(4,217)
	<u>758</u>	<u>(2,879)</u>
Cash flow from operating activities	<u>73,058</u>	<u>104,209</u>
INVESTING ACTIVITIES		
Purchase of tangible capital assets	(32,955)	(35,257)
Proceeds on disposal of tangible capital assets	3,500	-
Cash flow used by investing activities	<u>(29,455)</u>	<u>(35,257)</u>
INCREASE IN CASH FLOW	43,603	68,952
Cash - beginning of year	<u>560,236</u>	<u>491,284</u>
CASH - END OF YEAR	\$ 603,839	\$ 560,236
CASH CONSISTS OF:		
Cash	\$ 65,025	\$ 103,771
Operations/Sustainment Fund GIC	86,957	51,533
Capital Reserve Fund GICs	451,857	404,932
	<u>\$ 603,839</u>	<u>\$ 560,236</u>

See notes to financial statements

PIERS ISLAND IMPROVEMENT DISTRICT
Notes to Financial Statements
Year Ended December 31, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The financial statements were prepared in accordance with Canadian public sector accounting standards as per Part 17, Section 691 of the Local Government Act.

Fund accounting

Piers Island Improvement District follows the restricted fund method of accounting for contributions.

Operating Fund

The Operating Fund accounts for the Improvement District's program delivery and administrative activities of fire protection, water systems and land and building maintenance including Dolphin Road Lot.

Sustainment Fund

Sustaining internally restricted funds were established in 2001 to provide in advance for expenses within the funds. These funds include Fire Protection (Piers Island Volunteer Fire Department), Water System and Building and Land Improvements (including Dolphin Road Lot). The funds, as well as interest earned on the funds, are held in separate interest earning cash or cash equivalent accounts. Interest and expenditures are reported in the operating fund. (See Note 6).

Emergency Fund

In 2016, an additional fund was set up for emergencies. This fund is internally restricted and is part of the Operating Fund.

Capital Reserve Fund

The Capital Reserve Fund (previously known as renewal reserve funds) is a fund established through bylaw for the upgrading, replacement or renewal of existing works. The funds, as well as interest earned on the funds, are held in separate interest earning cash or cash equivalent accounts. Expenditures may only be made from these funds after a bylaw is approved by the Trustees of the Improvement District. These funds are established pursuant to the provisions of Division 4 of Part 17, Section 706 of the Local Government Act. (See Note 7).

"Domestic Potable Water System Renewal Reserve Fund" (Bylaw 112) was approved in 2015 and is known within these statements as "Water System".

"Vehicles, Fire Protection and Medical Response Equipment Renewal Reserve Fund" (Bylaw 113) was approved in 2015 and is known within these statements as "Fire Protection".

"Buildings and Land Improvements Renewal Reserve Fund" (Bylaw 114) established in 2015 and this is known within these statements as "Building and Land Improvements Fund".

Capital Fund

The Capital Fund (previously Tangible Capital Assets Fund) reports the assets, liabilities, revenues and expenses related to Piers Island Improvement District's capital assets for land, buildings, fire protection and the water system.

(continues)

PIERS ISLAND IMPROVEMENT DISTRICT
Notes to Financial Statements
Year Ended December 31, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement uncertainty

The preparation of financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Such estimates are periodically reviewed and any adjustments necessary are reported in earnings in the period in which they become known. Actual results could differ from these estimates.

Revenue recognition

Piers Island Improvement District follows the restricted fund method of accounting for contributions.

Restricted contributions related to general operations are recognized as revenue of the Operating Fund in the year in which the related expenses are incurred. All other restricted contributions are recognized as revenue of the appropriate restricted fund.

Unrestricted contributions are recognized as revenue of the Operating Fund in the year received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Investment income earned on funds held in the Capital Reserve Fund is recognized as revenue of the Fund when earned. All other investment income is recognized in the Operating Fund.

Contributed services

The operations of the 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 is therefore not reflected in these financial statements.

Tangible capital assets

Tangible capital assets are stated at cost or deemed cost less accumulated amortization. Tangible capital assets are amortized over their estimated useful lives at the following rates and methods, except in the year of acquisition, when one-half amortization is recorded:

Land - Dolphin Road		non-depreciable
Lot fencing and lighting	10%	declining balance method
Fire protection equipment	30%	declining balance method
Office equipment	30%	declining balance method
Other equipment	20%	declining balance method
Other vehicles	30%	declining balance method
Fire halls	25 years	straight-line method
Water system	80 years	straight-line method
Water pipeline and right of way	50 years	straight-line method
Valves - water control	40 years	straight-line method
Pump houses	50 years	straight-line method

PIERS ISLAND IMPROVEMENT DISTRICT
Notes to Financial Statements
Year Ended December 31, 2018

2. PURPOSE OF THE DISTRICT

Piers Island Improvement District (the "District") is an improvement district subject to the provisions contained in the Local Government Act, a statute of the provincial government.

The District operates to provide water services, fire protection and operation of the Dolphin Road Lot by acquisition, maintenance and operations related to these functions for the community. The District is exempt from income taxes under the Income Tax Act.

3. TANGIBLE CAPITAL ASSETS

	Cost	Accumulated amortization	2018 Net book value	2017 Net book value
Land - Dolphin Road	\$ 1	\$ -	\$ 1	\$ 1
Lot fencing and lighting	4,809	4,809	-	-
Fire protection equipment	161,426	148,547	12,879	18,398
Office equipment	3,574	3,436	138	197
Other equipment	9,200	8,517	683	854
Other vehicles	32,952	4,943	28,009	101
Fire Halls	179,447	162,769	16,678	20,587
Water system	133,424	66,378	67,046	68,667
Water pipeline and right of way	62,556	25,647	36,909	38,161
Valves - water control	35,611	9,346	26,265	27,156
Pump houses	39,105	7,679	31,426	32,208
	<u>\$ 662,105</u>	<u>\$ 442,071</u>	<u>\$ 220,034</u>	<u>\$ 206,330</u>

4. TANGIBLE CAPITAL ASSET ADDITIONS

The following additions were made to tangible capital assets during the year:

	2018	2017
Other Vehicles - Fire Truck	\$ 9,737	\$ -
Other Vehicles - Club Car Ambulance	23,215	-
Fire protection equipment - Tractor Bucket	-	9,793
Fire protection equipment - Chipper	-	7,721
Fire halls - Paver Stones	-	17,743
	<u>32,952</u>	<u>35,257</u>
Subtotal	32,952	35,257
Less net book value of 2018 vehicles sold	(101)	-
	<u>\$ 32,851</u>	<u>\$ 35,257</u>

PIERS ISLAND IMPROVEMENT DISTRICT
Notes to Financial Statements
Year Ended December 31, 2018

5. OPERATING NET ASSETS

Operating net assets include internally restricted funds as per Note 6 and consist of the following:

	<u>2018</u>	<u>2017</u>
Operating Fund	\$ 63,110	\$ 63,110
Sustainment funds - Note 6	68,050	61,776
Emergency Fund	25,000	25,000
	<u>\$ 156,160</u>	<u>\$ 149,886</u>

6. SUSTAINMENT FUNDS

The Sustaining internally restricted funds were established in 2001 to finance major expenses. The accumulated balances are as follows:

	<u>Fire Protection</u>	<u>Water System</u>	<u>Building and Land</u>	<u>Total</u>
Opening January 1, 2018	\$ 24,097	\$ 24,960	\$ 12,719	\$ 61,776
Transfer from Sustainment	(1,772)	(3,409)	-	(5,181)
Interest Earned	342	267	226	835
Transfer current year surplus	4,354	3,398	2,868	10,620
	<u>\$ 27,021</u>	<u>\$ 25,216</u>	<u>\$ 15,813</u>	<u>\$ 68,050</u>

7. CAPITAL RESERVE FUNDS

The Capital Reserve funds are held in reserve for the purchase and maintenance of Piers Island's capital assets. In 2018, \$63,360 of the Piers Island parcel tax levies was allocated to the capital reserve and distributed 10% to the Fire Protection Reserve, 80% to the Water System Reserve and 10% to the Building and Land Reserve.

The fund activity for the year consisted of the following:

	<u>Fire Protection</u>	<u>Water System</u>	<u>Building and Land</u>	<u>Total</u>
Balance January 1, 2017	\$ 130,030	\$ 253,409	\$ 33,067	\$ 416,506
Capital Replacement Funds	6,336	50,688	6,336	63,360
Interest - term deposits	2,320	3,169	577	6,066
Purchase of Capital Assets	(32,952)	-	-	(32,952)
Pending GIC adjustments	(1,628)	227	279	(1,122)
	<u>\$ 104,106</u>	<u>\$ 307,493</u>	<u>\$ 40,259</u>	<u>\$ 451,858</u>

PIERS ISLAND IMPROVEMENT DISTRICT
Notes to Financial Statements
Year Ended December 31, 2018

8. COMMITMENTS

Piers Island Improvement District has entered into an agreement with Piers Island Association (PIA) regarding the terms and conditions by which the District is permitted to continue to use sites on the property owned by the PIA. In consideration of this agreement, the District is committed to paying annual rent to the PIA consisting of costs of services, annual cost of joint insurance and the cost of any third party fees or charges related to the access and use of the Property by the District. In 2018, rent in the amount of \$1,080 was paid to PIA (2017 - \$1,070).

9. COMPARATIVE FIGURES

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

PIERS ISLAND IMPROVEMENT DISTRICT
Schedule of Operating Expenses
(Schedule 1)
Year Ended December 31, 2018

	Budget 2018	Total 2018	Total 2017
Administration			
Administration	\$ 30,035	\$ 29,805	\$ 28,668
Building and Land Improvements			
Infrastructure	2,700	432	339
Parking compound	3,085	1,556	2,957
	<u>5,785</u>	<u>1,988</u>	<u>3,296</u>
Fire Protection			
Fire Protection	2,100	1,985	2,101
Electric	3,125	2,553	3,195
Fire Department Operations	16,700	15,309	14,006
Repairs and Maintenance	8,600	4,136	3,453
Insurance and Licenses	2,250	2,182	2,159
Fire Chief Discretionary	4,000	2,649	1,168
Workers' Compensation Board	200	179	191
	<u>36,975</u>	<u>28,993</u>	<u>26,273</u>
Water Supply			
Water Supply	19,000	22,617	16,000
Water System			
Water System	4,825	4,874	4,255
Other	1,910	943	898
Repair and Maintenance	1,400	455	1,464
Scheduled Preventative Maintenance	4,750	3,568	5,879
System Upgrade Expense	-	-	371
	<u>12,885</u>	<u>9,840</u>	<u>12,867</u>
Other			
Other	-	5,320	9,954
	<u>\$ 104,680</u>	<u>\$ 98,563</u>	<u>\$ 97,058</u>