

PIERS ISLAND IMPROVEMENT DISTRICT

Financial Statements

Year Ended December 31, 2015

PIERS ISLAND IMPROVEMENT DISTRICT
Index to Financial Statements
Year Ended December 31, 2015

	Page
MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING	1
INDEPENDENT AUDITOR'S REPORT	2
FINANCIAL STATEMENTS	
Statement of Financial Position	3
Statement of Revenues and Expenditures	4
Statement of Changes in Net Assets	5
Statement of Cash Flows	6
Notes to Financial Statements	7 - 11
Schedule of Operating Expenses (<i>Schedule 1</i>)	12

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING


The financial statements of Piers Island Improvement District are the responsibility of Piers Island Improvement District and have been prepared in compliance with legislation, and in accordance with Canadian accounting standards for local governments. 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.

In carrying out its responsibilities, management maintains appropriate systems of internal and administrative controls designed to provide reasonable assurance that transactions are executed in accordance with proper authorization, that assets are properly accounted for and safeguarded, and that the financial information is reliable and accurate.

The Board of Trustees is responsible for ensuring that management fulfills its responsibility for financial reporting and is ultimately responsible for reviewing and approving the financial statements.

The financial statements have been audited by Paterson Henn CPA Chartered Professional Accountants. The independent auditor's report addressed to the Trustees appears on the following page. Their opinion is based upon an examination conducted in accordance with Canadian generally accepted auditing standards, performing such tests and other procedures as they consider necessary to obtain reasonable assurance that the consolidated financial statements are free of material misstatement and present fairly the financial position and results of the Improvement District in accordance with Canadian accounting standards for local governments.


Trustee


Trustee

Sidney, British Columbia
April 26, 2016



PATERSON HENN CPA
CHARTERED PROFESSIONAL ACCOUNTANTS

Caroline M. Paterson, CPA, CGA*

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INDEPENDENT AUDITOR'S REPORT

To the Trustees of Piers Island Improvement District

We have audited the accompanying financial statements of Piers Island Improvement District, which comprise the statement of financial position as at December 31, 2015 and the statements of revenues and expenditures, changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for local governments, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Piers Island Improvement District as at December 31, 2015 and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for local governments.

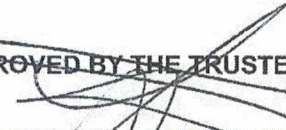
Sidney, British Columbia
May 6, 2016

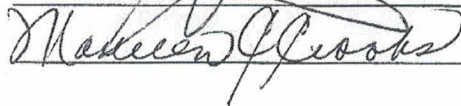
Chartered Professional Accountants

PIERS ISLAND IMPROVEMENT DISTRICT
Statement of Financial Position
December 31, 2015

	2015	2014
ASSETS		
CURRENT		
Cash	\$ 40,632	\$ 34,203
Term deposits	90,576	90,679
Renewal reserve funds (Note 8)	286,952	224,042
Accounts receivable	2,126	1,222
GST/HST rebate recoverable	2,243	1,748
	422,529	351,894
TANGIBLE CAPITAL ASSETS (Note 3)	200,425	209,678
	\$ 622,954	\$ 561,572
 LIABILITIES AND NET ASSETS		
CURRENT		
Accounts payable and accrued liabilities	\$ 6,335	\$ 6,581
Deferred revenue (Note 5)	15,343	12,800
	21,678	19,381
 NET ASSETS		
Operating Fund (Notes 6, 7)	113,866	108,473
Reserve Funds (Note 8)	286,986	224,041
Capital Fund	200,424	209,677
	601,276	542,191
	\$ 622,954	\$ 561,572

APPROVED BY THE TRUSTEES:


Trustee


Trustee

PIERS ISLAND IMPROVEMENT DISTRICT
Statement of Revenues and Expenditures
For the Year Ended December 31, 2015

	Budget 2015	Operating Fund 2015	Reserve Funds (See Note 8) 2015	Capital Fund 2015	Total 2015	Total 2014
Revenue						
Assessments	\$ 79,200	\$ 79,200	\$ -	\$ -	\$ 79,200	\$ 72,600
Special Assessments	-	-	-	-	-	26,400
Capital Reserve	-	-	-	-	-	-
Assessments (Note 8)			59,400	-	59,400	-
Water	15,000	13,849	-	-	13,849	14,805
Penalties	150	220	-	-	220	545
Interest Revenue	725	583	3,545	-	4,128	3,859
Rental revenue	2,500	3,591	-	-	3,591	2,425
Donations	-	5,657	-	-	5,657	-
Other Revenue	400	510	-	-	510	1,322
	97,975	103,610	62,945	-	166,555	121,956
OPERATING EXPENSES (Schedule 1)						
Administration expenses	22,330	23,632	-	-	23,632	21,805
Fire Protection expenses	38,280	41,288	-	-	41,288	29,998
Water expenses	34,205	26,399	-	-	26,399	22,331
Dolphin Road Lot	3,160	2,219	-	-	2,219	2,965
	97,975	93,538	-	-	93,538	77,099
Excess (deficiency) of revenue over expenses before amortization	-	10,072	62,945	-	73,017	44,857
Other expenses	-	-	-	13,932	13,932	15,664
Amortization	-	-	-	-	-	-
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	\$ -	\$ 10,072	\$ 62,945	\$ (13,932)	\$ 59,085	\$ 29,193

The accompanying notes form an integral part of these financial statements

PIERS ISLAND IMPROVEMENT DISTRICT
Statement of Changes in Net Assets
Year Ended December 31, 2015

	Operating Fund	Reserve Funds (See Note 8)	Capital Fund	2015	2014
NET ASSETS - BEGINNING OF YEAR	\$ 108,473	\$ 224,041	\$ 209,677	\$ 542,191	\$ 512,998
Excess of revenue over expenses	10,072	62,945	(13,932)	59,085	29,193
Transfer from Operating Fund to Sustainment Funds	(10,072)	-	-	(10,072)	-
Sustainment funds transfer (Note 7)	10,072	-	-	10,072	-
Transfer to Capital Fund	(4,679)	-	4,679	-	-
NET ASSETS - END OF YEAR (Notes 6, 7, 8)	\$ 113,866	\$ 286,986	\$ 200,424	\$ 601,276	\$ 542,191

The accompanying notes form an integral part of these financial statements

PIERS ISLAND IMPROVEMENT DISTRICT
Statement of Cash Flows
Year Ended December 31, 2015

	2015	2014
OPERATING ACTIVITIES		
Excess of revenue over expenses	\$ 59,085	\$ 29,193
Item not affecting cash:		
Amortization	13,932	15,664
	<u>73,017</u>	<u>44,857</u>
Changes in non-cash working capital:		
Accounts receivable	(904)	896
GST/HST rebate recoverable	(495)	808
Accounts payable and accrued liabilities	(246)	(3,593)
Deferred revenue	2,543	12,300
Prepaid expenses	-	3,600
	<u>898</u>	<u>14,011</u>
Cash flow from operating activities	<u>73,915</u>	<u>58,868</u>
CAPITAL TRANSACTIONS		
Purchase of tangible capital assets	(4,679)	(8,538)
Cash flow used by capital transactions	<u>(4,679)</u>	<u>(8,538)</u>
INCREASE IN CASH FLOW	69,236	50,330
Cash - beginning of year	<u>348,924</u>	<u>298,594</u>
CASH - END OF YEAR	<u>418,160</u>	<u>348,924</u>
CASH CONSISTS OF:		
Cash	\$ 40,632	\$ 34,203
Term deposits	90,576	90,679
Renewal reserve funds	286,952	224,042
	<u>\$ 418,160</u>	<u>\$ 348,924</u>

The accompanying notes form an integral part of these financial statements

PIERS ISLAND IMPROVEMENT DISTRICT

Notes to Financial Statements

Year Ended December 31, 2015

1. NATURE OF OPERATIONS

The Piers Island Improvement District ("the District") is an improvement district under the Local Government Act in British Columbia. The district provides for water services and fire protection by acquisition, maintenance and operations related to these functions for the community. The Improvement District is tax-exempt pursuant to the Canadian Income Tax Act.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The financial statements were prepared in accordance with Canadian accounting standards for local governments (GAAP). This format conforms with the published model financial statements issued by the Local Government Division of the Ministry of Community, Sports, and Cultural Development of the Province of British Columbia. These financials have been updated to this format with no changes to accounting policies or changes to net assets. Some figures have been reclassified to conform to this year's format.

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.

Sustainment Funds

Sustaining internally restricted reserve funds were established in 2001 to provide in advance for unforeseen expenses within the funds. These funds include Fire Protection, Water Works and Building and Land Improvements (previously Dolphin Road Lot). The funds, as well as interest earned on the funds, are held in separate interest earning cash or cash equivalent accounts. The reporting of the interest and expenditures are included in the operating fund. (See Note 7)

Renewal Reserve Funds

The Renewal Reserve Funds are funds 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 Section of 751 of the Local Government Act. (See Note 8)

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

"Vehicle, Fire Protection and Medical Equipment Renewal Reserve Fund" (Bylaw 113) was approved in 2015 and replaces the previous funds and is known within these statements as "Fire Protection".

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

Tangible Capital Assets Fund

The 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, 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement uncertainty

The preparation of financial statements in conformity with Canadian accounting standards for local governments 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 Renewal Reserve funds are recognized as revenue of the Fund when earned. All other investment income is recognized in the Operating Fund.

Tangible capital assets

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

Land		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

Contributed services

The operations of the organization 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.

PIERS ISLAND IMPROVEMENT DISTRICT

Notes to Financial Statements

Year Ended December 31, 2015

3. TANGIBLE CAPITAL ASSETS

	Cost	Accumulated amortization	2015 Net book value	2014 Net book value
Land - Dolphin Road	\$ 1	\$ -	\$ 1	\$ 1
Lot fencing and lighting	4,809	4,809	-	-
Fire Halls	161,704	145,719	15,985	22,378
Fire protection equipment	143,912	136,743	7,169	6,220
Office equipment	3,574	3,173	401	573
Other equipment	9,201	7,866	1,335	1,670
Other vehicles	9,387	9,181	206	295
Water system	133,424	61,467	71,957	72,247
Water pipeline and right of way	62,557	21,894	40,663	41,914
Valves - water control	35,611	6,675	28,936	29,826
Pump houses	39,105	5,333	33,772	34,554
	\$ 603,285	\$ 402,860	\$ 200,425	\$ 209,678

4. TANGIBLE CAPITAL ASSET ADDITIONS

During the year capital asset additions include the following:

	2015	2014
Dry Hydrant Project	\$ -	\$ 5,966
Fire Protection - Protective Gear	3,309	1,124
Self-Priming Pump	-	1,448
Water system	1,370	-
	\$ 4,679	\$ 8,538

5. DEFERRED REVENUE

Funding received for projects that will be completed in future years is disclosed as deferred revenue and consists of the following items:

	2015	2014
Donations for fire department purchases	\$ 10,743	\$ 12,800
Water projects	4,600	-
	\$ 15,343	\$ 12,800

PIERS ISLAND IMPROVEMENT DISTRICT

Notes to Financial Statements

Year Ended December 31, 2015

6. OPERATING NET ASSETS

Operating net assets includes internally restricted funds as per Note 7 and consist of the following:

	2015	2014
Operating net assets	\$ 58,380	\$ 63,058
Sustainment Funds (Internally Restricted Net Assets)	55,486	45,415
	\$ 113,866	\$ 108,473

7. SUSTAINMENT FUNDS

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

	Fire Protection	Water Works	Building and Land Improvements	Total
Balance, beginning of year	\$ 29,812	\$ 8,603	\$ 7,000	\$ 45,415
Current year transfers	3,357	3,357	3,357	10,071
	\$ 33,169	\$ 11,960	\$ 10,357	\$ 55,486

8. RENEWAL RESERVE FUNDS

The renewal reserve funds are held in separate interest earning cash or cash equivalent accounts in accordance to the Improvement District's policies. These funds are comprised of the following:

	Fire Protection	Water Works	Building and Land Improvements	Total
Balance, beginning of year	\$ 54,047	\$ 169,994	\$ -	\$ 224,041
Capital Improvements Assessment	23,477	26,680	9,243	59,400
Interest revenue	482	3,032	30	3,544
	\$ 78,006	\$ 199,706	\$ 9,273	\$ 286,985

9. CREDIT FACILITY

The Improvement District has a credit facility with the Royal Bank of Canada, which includes an approved operating line that can be drawn upon to a maximum of \$21,600, which bears interest at prime rate. As at December 31, 2015 the operating loan had a NIL balance (December 31, 2014 - NIL). There were no activities with this loan during the year.

PIERS ISLAND IMPROVEMENT DISTRICT

Notes to Financial Statements

Year Ended December 31, 2015

10. COMMITMENTS

Piers Island Improvement District has entered into an agreement with Piers Island Association (PIA) regarding the terms and conditions to 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 2015 rent in the amount of \$1,050 was paid to PIA (2014 - \$750).

PIERS ISLAND IMPROVEMENT DISTRICT

Schedule of Operating Expenses

(Schedule 1)

Year Ended December 31, 2015

	Budget 2015	Total 2015	Total 2014
OPERATING EXPENSES			
Administration			
Accounting and audit	\$ 2,850	\$ 2,993	\$ 2,850
Administrator	6,000	6,000	5,400
Meetings and conventions	300	495	579
Insurance	9,700	9,640	9,640
Interest and bank charges	330	489	319
Land Lease	750	1,050	750
Office and sundry	2,400	2,965	2,267
	<u>22,330</u>	<u>23,632</u>	<u>21,805</u>
Fire Protection			
Alarm system	950	903	443
Electricity	3,100	2,567	3,129
Fire Chief discretionary/honorarium	3,300	2,028	11,961
Insurance and licences	1,870	1,938	1,856
Repairs and maintenance	4,400	3,956	3,690
Tools and minor equipment	13,880	16,194	4,723
Training	5,750	4,820	981
Vehicle	4,880	8,691	3,082
Workers' Compensation Board	150	191	133
	<u>38,280</u>	<u>41,288</u>	<u>29,998</u>
Water			
Electricity	200	199	220
Equipment and supplies	1,770	1,854	299
Licences	350	250	325
Office and sundry	600	344	159
Repairs and maintenance	6,065	2,234	2,073
Systems improvements	4,700	-	200
Training	1,100	-	-
Water purchased	16,000	18,103	16,077
Water testing	3,420	3,415	2,978
	<u>34,205</u>	<u>26,399</u>	<u>22,331</u>
Dolphin Road Lot			
Grant to North Saanich	160	160	160
Repairs and maintenance	2,800	1,904	2,601
Utilities	200	155	204
	<u>3,160</u>	<u>2,219</u>	<u>2,965</u>
	<u>\$ 97,975</u>	<u>\$ 93,538</u>	<u>\$ 77,099</u>

The accompanying notes form an integral part of these financial statements