

PIERS ISLAND IMPROVEMENT DISTRICT
Financial Statements
Year Ended December 31, 2016

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Year Ended December 31, 2016

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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
May 18, 2017

PATERSON HENN

Caroline M. Paterson, CPA, CGA*

Sheila C. Henn, CPA, CA*

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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, 2016 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, 2016 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 25, 2017

Chartered Professional Accountants

PIERS ISLAND IMPROVEMENT DISTRICT
Statement of Financial Position
December 31, 2016

	<u>Total 2016</u>	<u>Total 2015</u>
ASSETS		
CURRENT		
Cash	\$ 173,933	\$ 40,632
Operations/sustainment investments	81,184	90,576
Capital reserve funds investments (Note 8)	236,167	286,952
Accounts receivable	9,068	2,126
GST/HST rebate recoverable	1,402	2,243
	<u>501,754</u>	<u>422,529</u>
TANGIBLE CAPITAL ASSETS (Note 3)	<u>186,839</u>	<u>200,425</u>
	<u>\$ 688,593</u>	<u>\$ 622,954</u>
 LIABILITIES AND NET ASSETS		
CURRENT		
Accounts payable and accrued liabilities	\$ 7,188	\$ 6,335
Deferred revenue (Note 5)	-	15,343
	<u>7,188</u>	<u>21,678</u>
 NET ASSETS		
Operating Fund (Notes 6, 7)	142,945	113,865
Capital Reserve Funds (Note 8)	351,621	286,986
Capital Fund	186,839	200,425
	<u>681,405</u>	<u>601,276</u>
	<u>\$ 688,593</u>	<u>\$ 622,954</u>

APPROVED BY THE TRUSTEES:

 Trustee
 Trustee

PIERS ISLAND IMPROVEMENT DISTRICT
Statement of Revenues and Expenditures
For the Year Ended December 31, 2016

	Budget 2016	Operating Fund 2016	Capital Reserve Funds 2016	Capital Fund 2016	2016	2015
Revenue						
Assessments	\$ 79,200	\$ 79,200	\$ -	\$ -	\$ 79,200	\$ 79,200
Capital Reserve Assessments (Note 8)	-	-	60,720	-	60,720	59,400
Water	18,500	25,375	-	-	25,375	13,849
Penalties	150	-	-	-	-	220
Interest Revenue	2,800	425	3,915	-	4,340	4,128
Rental revenue	3,700	6,165	-	-	6,165	3,591
Donations	2,500	12,693	-	-	12,693	5,657
Other Revenue	820	6,168	-	-	6,168	510
	107,670	130,026	64,635	-	194,661	166,555
OPERATING EXPENSES (Schedule 1)						
Administration	25,150	27,883	-	-	27,883	23,632
Building and land improvements	4,660	3,299	-	-	3,299	3,377
Fire protection	42,275	32,710	-	-	32,710	40,130
Water supply	19,000	21,628	-	-	21,628	18,103
Water system	16,585	15,426	-	-	15,426	8,296
	107,670	100,946	-	-	100,946	93,538
Excess (deficiency) of revenue over expenses before amortization	-	29,080	64,635	-	93,715	73,017
Other expenses	-	-	-	-	-	-
Amortization	-	-	-	13,586	13,586	13,932
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	\$ -	\$ 29,080	\$ 64,635	\$ (13,586)	\$ 80,129	\$ 59,085

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, 2016

	Capital			Capital Fund	
	Operating Fund	Reserve Funds		2016	2015
NET ASSETS - BEGINNING OF YEAR					
Excess (deficiency) of revenue over expenses	\$ 113,865	\$ 286,986	\$ 200,425	\$ 601,276	\$ 542,191
Transfer deferred revenue to sustaiment	29,080	64,635	(13,586)	80,129	59,085
Transfer surplus to sustaiment	(15,343)	-	-	(15,343)	-
Sustaiment funds transfer (Note 7)	(13,737)	-	-	(13,737)	-
	29,080	-	-	29,080	-
NET ASSETS - END OF YEAR (Notes 6, 7, 8)	\$ 142,945	\$ 351,621	\$ 186,839	\$ 681,405	\$ 601,276

The accompanying notes form an integral part of these financial statements

PIERS ISLAND IMPROVEMENT DISTRICT
Statement of Cash Flows
Year Ended December 31, 2016

	2016	2015
OPERATING ACTIVITIES		
Excess of revenue over expenses	\$ 80,129	\$ 59,085
Item not affecting cash:		
Amortization	13,586	13,932
	<u>93,715</u>	<u>73,017</u>
Changes in non-cash working capital:		
Accounts receivable	(6,942)	(904)
GST/HST rebate recoverable	841	(495)
Accounts payable and accrued liabilities	853	(246)
Deferred revenue	(15,343)	2,543
	<u>(20,591)</u>	<u>898</u>
Cash flow from operating activities	<u>73,124</u>	<u>73,915</u>
CAPITAL TRANSACTIONS		
Purchase of tangible capital assets	-	(4,679)
Cash flow from (used by) capital transactions	<u>-</u>	<u>(4,679)</u>
INCREASE IN CASH FLOW	73,124	69,236
Cash - beginning of year	<u>418,160</u>	<u>348,924</u>
CASH - END OF YEAR	<u>491,284</u>	<u>418,160</u>
CASH CONSISTS OF:		
Cash	\$ 173,933	\$ 40,632
Term deposits - operations/sustainment	81,184	90,576
Term deposits - capital reserve funds	236,167	286,952
	<u>\$ 491,284</u>	<u>\$ 418,160</u>

The accompanying notes form an integral part of these financial statements

PIERS ISLAND IMPROVEMENT DISTRICT
Notes to Financial Statements
Year Ended December 31, 2016

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, fire protection and operation of Dolphin Road Lot 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, Sport, and Cultural Development of the Province of British Columbia.

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 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 (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. The reporting of the interest and expenditures are included in the operating fund. (See Note 7)

Emergency Fund

In the current year an additional fund was set up for emergencies. This fund is internal and is part of the operating fund.

Capital Reserve Funds

The Capital Reserve Funds (previously known as 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 Part 23, section 751 of the Local Government Act. (See Note 8)

(continues)

PIERS ISLAND IMPROVEMENT DISTRICT

Notes to Financial Statements

Year Ended December 31, 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

"Building 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.

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.

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.

(continues)

PIERS ISLAND IMPROVEMENT DISTRICT

Notes to Financial Statements

Year Ended December 31, 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

3. TANGIBLE CAPITAL ASSETS

	Cost	Accumulated amortization	2016 Net book value	2015 Net book value
Land - Dolphin Road	\$ 1	\$ -	\$ 1	\$ 1
Lot fencing and lighting	4,809	4,809	-	-
Fire Halls	161,704	152,112	9,592	15,985
Fire protection equipment	143,912	138,896	5,016	7,169
Office equipment	3,574	3,293	281	401
Other equipment	9,201	8,133	1,068	1,335
Other vehicles	9,387	9,243	144	206
Water system	133,424	63,135	70,289	71,957
Water pipeline and right of way	62,557	23,145	39,412	40,663
Valves - water control	35,611	7,565	28,046	28,936
Pump houses	39,105	6,115	32,990	33,772
	<u>\$ 603,285</u>	<u>\$ 416,446</u>	<u>\$ 186,839</u>	<u>\$ 200,425</u>

4. TANGIBLE CAPITAL ASSET ADDITIONS

No additions were made to tangible capital assets during the year. The prior year tangible capital asset additions included the following:

	2016	2015
Fire Protection - Protective Gear	\$ -	\$ 3,309
Water system	-	1,370
	<u>\$ -</u>	<u>\$ 4,679</u>

PIERS ISLAND IMPROVEMENT DISTRICT
Notes to Financial Statements
Year Ended December 31, 2016

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:

	2016	2015
Donations for fire department purchases	\$ -	\$ 10,743
Water projects	-	4,600
	\$ -	\$ 15,343

Deferred funds have been transferred to sustainments funds.

6. OPERATING NET ASSETS

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

	2016	2015
Operating net assets	\$ 58,378	\$ 58,380
Sustainment Funds - Note 7	59,567	55,486
Emergency Fund	25,000	-
	\$ 142,945	\$ 113,866

During the year funds were transferred to set up a separate internally restricted Emergency Fund.

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 System	Building and Land	Total
Opening January 1, 2016	\$ 33,169	\$ 11,960	\$ 10,357	\$ 55,486
Transfer to Emergency Fund	(14,944)	(5,209)	(4,847)	(25,000)
Transfer from Deferred Revenue	10,743	4,600	-	15,343
Transfer current year surplus	-	9,769	3,969	13,738
	\$ 28,968	\$ 21,120	\$ 9,479	\$ 59,567

PIERS ISLAND IMPROVEMENT DISTRICT
Notes to Financial Statements
Year Ended December 31, 2016

8. CAPITAL RESERVE FUNDS

The capital reserve funds are held in separate interest earning cash or cash equivalent accounts in accordance to the Improvement District's policies. At December 31, 2016 \$115,454 was held within the operating cash account but considered capital reserve funds. Subsequent to the year end this amount was reinvested into the Capital Reserve Fund investments (term deposits/GIC accounts).

The fund activity for the year consisted of the following:

	Fire Protection	Water System	Building and Land	Total
Balance January 1, 2016	\$ 78,007	\$ 199,706	\$ 9,273	\$ 286,986
Capital Replacement Assessment	25,024	23,238	12,458	60,720
Interest - term deposits	450	3,346	119	3,915
	<u>\$ 103,481</u>	<u>\$ 226,290</u>	<u>\$ 21,850</u>	<u>\$ 351,621</u>

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, 2016 the operating loan had a NIL balance (December 31, 2015 - NIL). There were no activities with this loan during the year.

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 2016 rent in the amount of \$1,060 was paid to PIA (2015 - \$1,050).

PIERS ISLAND IMPROVEMENT DISTRICT

Schedule of Operating Expenses

(Schedule 1)

Year Ended December 31, 2016

	Budget 2016	Total 2016	Total 2015
OPERATING EXPENSES			
Administration			
Accounting and audit	\$ 3,000	\$ 3,500	\$ 2,993
Administrator	8,000	7,993	6,000
Meetings and conventions	500	287	495
Insurance	9,700	10,739	9,640
Interest and bank charges	500	25	489
Land Lease	1,050	1,060	1,050
Office and sundry	2,400	4,279	2,965
	<u>25,150</u>	<u>27,883</u>	<u>23,632</u>
Building and Land Improvements			
Grant to North Saanich	160	159	160
Repairs and maintenance	4,300	2,898	3,062
Utilities	200	242	155
	<u>4,660</u>	<u>3,299</u>	<u>3,377</u>
Fire Protection			
Alarm system	950	857	903
Electricity	3,625	3,014	2,567
Fire Chief discretionary/honorarium	4,250	1,411	2,028
Insurance and licences	2,000	2,013	1,938
Repairs and maintenance	5,750	3,083	2,798
Tools and minor equipment	14,250	11,575	16,194
Training	5,250	8,210	4,820
Vehicle	6,000	2,547	8,691
Workers' Compensation Board	200	-	191
	<u>42,275</u>	<u>32,710</u>	<u>40,130</u>
Water Supply			
Water purchased	19,000	21,628	18,103
	<u>19,000</u>	<u>21,628</u>	<u>18,103</u>
Water System			
Electricity	225	245	199
Equipment and supplies	2,050	1,504	1,854
Licences	350	334	250
Office and sundry	1,420	2,059	344
Repairs and maintenance	6,245	5,729	2,234
Systems improvements	2,000	384	-
Training	300	1,261	-
Water testing	3,995	3,910	3,415
	<u>16,585</u>	<u>15,426</u>	<u>8,296</u>
	<u>\$ 107,670</u>	<u>\$ 100,946</u>	<u>\$ 93,538</u>

The accompanying notes form an integral part of these financial statements