

**PIERS ISLAND IMPROVEMENT DISTRICT**

Sidney, British Columbia

FINANCIAL STATEMENTS

Year Ended December 31, 2014

**PIERS ISLAND IMPROVEMENT DISTRICT**

**FINANCIAL STATEMENTS**

Year Ended December 31, 2014

**CONTENTS**

Auditors' Report	1 - 2.
Statement of Financial Position	3.
Statement of Operations and Changes in Fund Balances	4.
Statement of Cash Flows	5.
Notes to Financial Statements	6 - 10.
Schedule of Expenditures	11.



**PATERSON HENN**  
PROFESSIONAL ACCOUNTANTS

**Caroline M. Paterson, CPA, CGA\***  
**Sheila C. Henn, CPA, CA\***

\* denotes Incorporated Professionals

Suite 103 – 9710 Second Street  
Sidney, BC V8L 3C4  
P: **250-656-7284 (PATH)**  
F: **250-656-7288**  
admin@patersonhenn.com  
www.patersonhenn.com

---

## INDEPENDENT AUDITORS' 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, 2014, and the statement of operations and changes in fund balances and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes and information.

### Management's Responsibilities for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles 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 of 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 these 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.

*(continues)*

Independent Auditor's Report to the Members of Piers Island Improvement District (continued)

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, 2014 and the results of its operations and its cash flows for the year then ended in accordance with Canadian Public Sector Accounting Standards for government not-for-profit organizations.

The financial statements for the year ended December 31, 2013 were audited by another accounting firm and are presented for comparative purposes only.

Sidney, British Columbia  
May 13, 2015

*Paterson Hean*  
PROFESSIONAL ACCOUNTANTS

**PIERS ISLAND IMPROVEMENT DISTRICT**  
Statement of Financial Position  
December 31, 2014

	Operating Fund	Reserve Funds		Capital Fund	2014 Total	2013 Total
		Water System	Fire Protection			
<b>ASSETS</b>						
Current						
Cash	\$ 34,203	\$ 73	\$ 16	\$ -	\$ 34,292	\$ 11,000
Term deposits (Note 3)	90,679	169,921	54,031	-	314,631	287,594
Accounts receivable	1,222	-	-	-	1,222	2,118
GST recoverable	1,748	-	-	-	1,748	2,556
Prepaid project costs (Note 4)	-	-	-	-	-	3,600
	<u>127,852</u>	<u>169,994</u>	<u>54,047</u>	<u>-</u>	<u>351,893</u>	<u>306,868</u>
Capital assets (Note 2)	-	-	-	209,677	209,677	216,803
	<u>\$ 127,852</u>	<u>\$ 169,994</u>	<u>\$ 54,047</u>	<u>\$ 209,677</u>	<u>\$ 561,570</u>	<u>\$ 523,671</u>
<b>LIABILITIES AND FUND BALANCES</b>						
Current liabilities						
Accounts payable and accrued liabilities	\$ 6,580	\$ -	\$ -	\$ -	\$ 6,580	\$ 10,173
Deferred revenue (Note 5)	12,800	-	-	-	12,800	500
	<u>19,380</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>19,380</u>	<u>10,673</u>
<b>FUND BALANCES</b>						
Unrestricted	63,057	-	-	-	63,057	58,522
Internally restricted (Note 7)	45,415	169,994	54,047	-	269,456	237,673
Invested in capital assets	-	-	-	209,677	209,677	216,803
	<u>108,472</u>	<u>169,994</u>	<u>54,047</u>	<u>209,677</u>	<u>542,190</u>	<u>512,998</u>
	<u>\$ 127,852</u>	<u>\$ 169,994</u>	<u>\$ 54,047</u>	<u>\$ 209,677</u>	<u>\$ 561,570</u>	<u>\$ 523,671</u>

Commitments (Note 9)

Approved by the Trustees

**PIERS ISLAND IMPROVEMENT DISTRICT**  
Statement of Operations and Changes in Fund Balances  
Year Ended December 31, 2014

	Operating Fund	Reserve Funds		Capital Fund	2014 Total	2013 Total
		Water System	Fire Protection			
<b>REVENUE</b>						
Assessments	\$ 99,000	\$ -	\$ -	\$ -	\$ 99,000	\$ 99,000
Water	14,805	-	-	-	14,805	16,286
Penalties	545	-	-	-	545	263
Interest	587	2,990	281	-	3,858	5,197
Rentals	2,725	-	-	-	2,725	1,998
Donations	-	-	-	-	-	1,550
Other revenue	1,022	-	-	-	1,022	290
Total Revenue	<u>118,684</u>	<u>2,990</u>	<u>281</u>		<u>121,955</u>	<u>124,584</u>
<b>EXPENDITURE (Page 11)</b>						
Water system	22,032	-	-	-	22,032	25,731
Fire protection	30,297	-	-	-	30,297	21,339
Dolphin Road lot	2,965	-	-	-	2,965	3,996
Administration	21,805	-	-	-	21,805	20,355
Total Expenditure	<u>77,099</u>				<u>77,099</u>	<u>71,421</u>
Excess (deficiency) of revenue over expenditures before other items	41,585	2,990	281	-	44,856	53,163
Other Items						
Amortization	-	-	-	15,664	15,664	16,111
Total other items				<u>15,664</u>	<u>15,664</u>	<u>16,111</u>
Excess (deficiency) of revenue over expenditures	41,585	2,990	281	(15,664)	29,192	37,052
Fund balances, beginning	101,825	167,004	27,366	216,803	512,998	475,946
Additions (net) to capital assets	(8,538)	-	-	8,538	-	-
Interfund transfers (Note 6)	(26,400)	-	26,400	-	-	-
Fund balances, ending	<u>\$ 108,472</u>	<u>\$ 169,994</u>	<u>\$ 54,047</u>	<u>\$ 209,677</u>	<u>\$ 542,190</u>	<u>\$ 512,998</u>



**PIERS ISLAND IMPROVEMENT DISTRICT**

Statement of Cash Flows

Year Ended December 31, 2014

	2014	2013
Cash provided by (used for):		
Operating activities		
Excess of revenue over expenditures	\$ 29,192	\$ 37,052
Items not involving cash		
Amortization	<u>15,664</u>	<u>16,111</u>
	44,856	53,163
Changes in non-cash operating accounts	<u>14,012</u>	<u>6,598</u>
	<u>58,868</u>	<u>59,761</u>
Investing activities		
Capital asset additions	(8,538)	(10,418)
Purchase of term deposits (net)	<u>(27,038)</u>	<u>(58,579)</u>
	<u>(35,576)</u>	<u>(68,997)</u>
Increase (decrease) in cash	23,292	(9,236)
Cash, beginning of year	<u>11,000</u>	<u>20,236</u>
Cash, end of year	<u>\$ 34,292</u>	<u>\$ 11,000</u>
Changes in non-cash operating accounts		
Accounts receivable	\$ 898	\$ 2,500
GST recoverable	808	2,747
Prepaid project costs	3,600	(3,600)
Accounts payable and accrued liabilities	(3,594)	4,951
Deferred revenue	<u>12,300</u>	<u>-</u>
	<u>\$ 14,012</u>	<u>\$ 6,598</u>
Supplementary Financial Information		
Interest received	<u>\$ 3,623</u>	<u>\$ 5,541</u>

# PIERS ISLAND IMPROVEMENT DISTRICT

## Notes to Financial Statements

Year Ended December 31, 2014

### 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.

#### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### Basis of presentation

These financial statements were prepared in accordance with Canadian Public Sector Accounting Standards for government not-for-profit organizations.

The prior year comparatives were audited by another accounting firm and are presented for comparative purposes only.

##### Fund Accounting

The district presents its financial statements using the fund basis of accounting.

Revenue and expenses related to the district are reported in the Operating Fund. The purpose of the internally restricted Reserve Fund is to provide in advance for renewal of the works in accordance with Section 751 of the Local Government Act. Reserve Funds have been created to hold assets for specific future capital requirements. The Capital Fund reports the property and equipment owned by the district.

##### Revenue Recognition

The district follows the restricted fund method of accounting for contributions.

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

##### Accrual Method

The accrual method of accounting has been used to determine the amount of revenues and expenditures. Prepaid expenses and inventory have not been recorded in order to properly match operating expenditures against revenues that have been raised for their purchase.

##### Capital assets

Capital assets purchased or constructed are recorded at cost less accumulated amortization using the rates and methods as per Note 2. Capital assets contributed to the the district are either not recorded or recorded at a nominal amount.



**PIERS ISLAND IMPROVEMENT DISTRICT**

Notes to Financial Statements

Year Ended December 31, 2014

**2. SIGNIFICANT ACCOUNTING POLICIES continued**

Measurement uncertainty

The preparation of financial statements in conformity with Canadian government not-for-profit standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of the revenues and expenditures 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.

Deferred Revenue

The deferred revenue reported in the Operating Fund represents restricted operating funds received in the current year that are related to the subsequent period.  
(See Note 5)

**2. CAPITAL ASSETS**

Amortization is calculated on a diminishing balance method for the following assets.

Lot fencing and lighting	10%
Fire protection equipment	30%
Office equipment	30%
Other equipment	20%
Other vehicles	30%

The following assets are amortized on a straight line basis.

Fire halls	25 years
Water system	80 years
Water pipeline and right of way	50 years
Valves - water control	40 years
Pump house	50 years

In the year of acquisition, one half of the regular amortization is charged.

**PIERS ISLAND IMPROVEMENT DISTRICT**

Notes to Financial Statements

Year Ended December 31, 2014

**2. CAPITAL ASSETS continued**

			2014	2013
	Cost	Accumulated Amortization	Net	Net
Land - Dolphin Road	\$ 1	\$ -	\$ 1	\$ 1
Lot fencing and lighting	4,809	4,809	-	-
Fire halls	161,704	139,326	22,378	28,771
Fire protection equipment	140,602	134,382	6,220	5,763
Office equipment	3,574	3,001	573	819
Other equipment	9,200	7,531	1,669	2,086
Other vehicles	9,387	9,092	295	2,252
Water system	132,055	59,808	72,247	67,894
Water pipeline and right of way	62,557	20,643	41,914	43,165
Valves - water control	35,611	5,785	29,826	30,716
Pump houses	<u>39,105</u>	<u>4,551</u>	<u>34,554</u>	<u>35,336</u>
	<u>\$ 598,605</u>	<u>\$ 388,928</u>	<u>\$ 209,677</u>	<u>\$ 216,803</u>

During the year capital asset additions include the following:

Dry Hydrant Project	\$ 5,966
Fire Protection - Pager/Protective Gear	1,124
Self-Priming Pump	<u>1,448</u>
	<u>\$ 8,538</u>

**3. TERM DEPOSITS**

Term deposits held at December 31, 2014 consist of:

Operating Fund

Royal Bank of Canada cashable GICs, interest at 0.8%, maturing August and September 2015	\$ 90,415
Accrued interest	<u>264</u>
	<u>\$ 90,679</u>

Water System Fund

Coast Capital Savings GICs, 1.2%-1.9%, maturing from September 8, 2015 to Feb 2, 2017	\$ 168,964
Accrued interest	<u>957</u>
	<u>\$ 169,921</u>

Fire Protection Fund

Royal Bank of Canada cashable GIC, interest at 0.8%, maturing September 10, 2015	\$ 53,900
Accrued interest	<u>132</u>
	<u>\$ 54,032</u>

**PIERS ISLAND IMPROVEMENT DISTRICT**

Notes to Financial Statements

Year Ended December 31, 2014

**4. PREPAID PROJECT EXPENSES**

In the prior year prepaid project expenses were set up for a fuel catchment facility. As this project has been discontinued the costs paid of \$4,488 have been expensed from the district's fire protection sustaining funds.

**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:

	2014	2013
Donations for fire department purchases	12,800	-
Emergency Preparedness Program - fire hall repair	<u>-</u>	<u>500</u>
	<u>\$ 12,800</u>	<u>\$ 500</u>

**6. INTERFUND BALANCES**

Interfund balances have no fixed terms of repayment and are non interest-bearing.

**7. INTERNALLY RESTRICTED NET ASSETS**

The Sustaining internally restricted funds were established in 2001 to finance major unforeseen water system and fire protection repair and replacement costs. The accumulated balances are as follows:

	<b>Fire Protection</b>	<b>Water Works</b>	<b>Dolphin Road Lot</b>	<b>Total</b>
Balance, beginning of year	\$ 27,700	\$ 8,603	\$ 7,000	\$ 43,303
Current year expenses	(4,488)	-	-	(4,488)
Current year transfers	<u>6,600</u>	<u>-</u>	<u>-</u>	<u>6,600</u>
<b>Balance, beginning and end of year</b>	<u>\$ 29,812</u>	<u>\$ 8,603</u>	<u>\$ 7,000</u>	<u>\$ 45,415</u>

## PIERS ISLAND IMPROVEMENT DISTRICT

### Notes to Financial Statements

Year Ended December 31, 2014

#### 8. CREDIT FACILITY

The district has a demand line of credit in the amount of \$21,600 bearing interest at bank prime rate with the Royal Bank of Canada. As at December 31, 2014 this demand line of credit had a NIL balance outstanding. There were no activities with this loan during the year.

#### 9. 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 2014, the amount paid to PIA for this rent totalled \$750 (2013 - \$750)

#### 10. COMPARATIVE BALANCES

The prior year financial statements were audited by another accounting firm. The comparative figures have been restated to conform to current year presentation.



**PIERS ISLAND IMPROVEMENT DISTRICT**

Schedule of Expenditures  
Year Ended December 31, 2014

	2014	2013
<b>Water</b>		
Electricity	\$ 220	\$ 189
Licences	325	250
Office supplies	132	-
Repairs and maintenance	5,278	7,590
Water purchased	<u>16,077</u>	<u>17,702</u>
	<u>22,032</u>	<u>25,731</u>
 <b>Fire Protection</b>		
Alarm system	443	393
Electricity	3,129	2,935
Fire Chief discretionary/honorarium	11,961	4,383
Insurance and licences	1,856	1,864
Repairs and maintenance	3,690	1,402
Tools and minor equipment	5,022	3,935
Training	981	1,067
Vehicle	3,082	5,226
Workers' Compensation Board	<u>133</u>	<u>134</u>
	<u>30,297</u>	<u>21,339</u>
 <b>Dolphin Road Lot</b>		
Electricity	204	161
Grant to North Saanich	160	159
Repairs and maintenance	<u>2,601</u>	<u>3,676</u>
	<u>2,965</u>	<u>3,996</u>
 <b>Administration</b>		
Accounting and audit	2,850	2,850
Administrator	5,400	5,400
Annual meeting expense	579	63
Insurance	9,640	9,594
Interest and bank charges	319	395
Land lease	750	750
Office	<u>2,267</u>	<u>1,303</u>
	<u>21,805</u>	<u>20,355</u>