

PIERS ISLAND IMPROVEMENT DISTRICT
Financial Statements
Year Ended December 31, 2017

PIERS ISLAND IMPROVEMENT DISTRICT
Index to Financial Statements
Year Ended December 31, 2017

	Page
MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING	1
INDEPENDENT AUDITORS' REPORT	2
FINANCIAL STATEMENTS	
Statement of Financial Position	3
Statement of Revenues and Expenditures	4
Statement of Changes in Accumulated Surplus	5
Statement of Changes in Net Financial Assets	6
Statement of Cash Flows	7
Notes to Financial Statements	8 - 11
Schedule of Operating Expenses (<i>Schedule 1</i>)	12

MANAGEMENT'S 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, management has chosen those it deems most appropriate in the circumstances. 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.

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 employees 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 management fulfills its responsibility for financial reporting and is ultimately responsible for reviewing and approving the financial statements. The Board carries out this responsibility principally through its Audit Committee. The Audit Committee is appointed by the Board and meets periodically with management and the trustees' auditors to review significant accounting, reporting and internal control matters. Following its review of the financial statements and discussions with the auditors, the Audit Committee reports to the Board of Trustees prior to its approval of the financial statements. The Committee also considers, for review by the Board and approval by the trustees, 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 28, 2018

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, 2017 and the statements of revenues and expenditures and accumulated surplus, changes in net financial assets and cash flows and related schedule 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 public sector accounting standards, 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.

Auditors' 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 auditors' 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 auditors consider 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, 2017 and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Cowland & Associates.


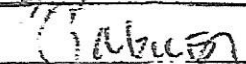
Sidney, British Columbia
May 28, 2018

CHARTERED PROFESSIONAL ACCOUNTANTS

PIERS ISLAND IMPROVEMENT DISTRICT
Statement of Financial Position
December 31, 2017

	Total 2017	Total 2016
FINANCIAL ASSETS		
Cash	\$ 103,771	\$ 173,933
Operations/sustainment investments	51,533	81,184
Capital reserve funds investments (Note 7)	404,932	236,167
Accounts receivable	3,410	9,068
GST rebate recoverable	5,612	1,402
	<u>569,258</u>	<u>501,754</u>
Liabilities		
Accounts payable and accrued liabilities	2,861	7,188
NET FINANCIAL ASSETS	<u>566,397</u>	<u>494,566</u>
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 3)	<u>206,330</u>	<u>186,839</u>
ACCUMULATED SURPLUS	<u>\$ 772,727</u>	<u>\$ 681,405</u>

APPROVED BY THE TRUSTEES


 _____ Trustee

 _____ Trustee

PIERS ISLAND IMPROVEMENT DISTRICT
Statement of Revenues and Expenditures
Year Ended December 31, 2017

	Budget 2017	Operating Fund 2017	Capital Reserve Fund 2017	Capital Fund 2017	2017	2016
REVENUES						
Assessments	\$ 79,200	\$ 79,200	\$ -	\$ -	\$ 79,200	\$ 79,200
Fundraising Revenue	-	-	-	28,587	28,587	-
Capital Reserve Assessments	-	-	62,040	-	62,040	60,720
Water Revenue	18,000	20,294	-	-	20,294	25,375
Penalties	150	-	-	-	-	-
Interest Revenue	100	353	2,845	-	3,198	4,340
Rental Revenue	3,700	3,484	-	-	3,484	6,165
Donations	2,000	5,465	-	-	5,465	12,693
Other Revenue	400	1,878	-	-	1,878	6,168
	103,550	110,674	64,885	28,587	204,146	194,661
OPERATING EXPENSES (Schedule 1)						
Administration	26,960	28,668	-	-	28,668	27,883
Building and Land Improvements	6,810	3,296	-	-	3,296	3,299
Fire Protection	36,975	26,273	-	-	26,273	32,710
Water Supply	19,000	16,000	-	-	16,000	21,628
Water System	13,805	12,867	-	-	12,867	15,426
Other	-	9,954	-	-	9,954	-
	103,550	97,058	-	-	97,058	100,946
SURPLUS FROM OPERATIONS						
	-	13,616	64,885	28,587	107,088	93,715
OTHER EXPENSES						
Amortization	-	-	-	15,766	15,766	13,586
ANNUAL SURPLUS						
	\$ -	\$ 13,616	\$ 64,885	\$ 12,821	\$ 91,322	\$ 80,129

See notes to financial statements

PIERS ISLAND IMPROVEMENT DISTRICT
Statement of Changes in Accumulated Surplus
Year Ended December 31, 2017

	Operating Fund 2017	Capital Reserve Fund 2017	Capital Fund 2017	Total 2017	Total 2016
ACCUMULATED SURPLUS - BEGINNING OF YEAR	\$ 142,945	\$ 351,621	\$ 186,839	\$ 681,405	\$ 601,276
SURPLUS FOR THE YEAR	13,616	64,885	12,821	91,322	80,129
ACCUMULATED SURPLUS - END OF YEAR	\$ 156,561	\$ 416,506	\$ 199,660	\$ 772,727	\$ 681,405

See notes to financial statements

PIERS ISLAND IMPROVEMENT DISTRICT
Statement of Changes in Net Financial Assets
Year Ended December 31, 2017

	2017	2016
ANNUAL SURPLUS	\$ 91,322	\$ 80,129
Amortization of tangible capital assets	15,766	13,586
Purchase of tangible capital assets <i>(Note 4)</i>	(35,257)	-
	(19,491)	13,586
INCREASE IN NET FINANCIAL ASSETS	71,831	93,715
NET FINANCIAL ASSETS - BEGINNING OF YEAR	494,566	400,851
NET FINANCIAL ASSETS - END OF YEAR	\$ 566,397	\$ 494,566

PIERS ISLAND IMPROVEMENT DISTRICT
Statement of Cash Flows
Year Ended December 31, 2017

	2017	2016
OPERATING ACTIVITIES		
Surplus	\$ 91,322	\$ 80,129
Item not affecting cash:		
Amortization of tangible capital assets	15,766	13,589
	<u>107,088</u>	<u>93,718</u>
Changes in non-cash working capital:		
Accounts receivable	5,658	(6,942)
GST rebate recoverable	(4,210)	841
Accounts payable and accrued liabilities	(4,327)	850
Deferred income	-	(15,343)
	<u>(2,879)</u>	<u>(20,594)</u>
Cash flow from operating activities	<u>104,209</u>	<u>73,124</u>
INVESTING ACTIVITY		
Purchase of tangible capital assets	<u>(35,257)</u>	-
Cash flow from (used by) investing activity	<u>(35,257)</u>	-
INCREASE IN CASH FLOW	68,952	73,124
Cash - beginning of year	<u>491,284</u>	<u>418,160</u>
CASH - END OF YEAR	<u>560,236</u>	<u>491,284</u>
CASH CONSISTS OF:		
Cash	\$ 103,771	\$ 173,933
Term deposits - operations/sustainment	51,533	81,184
Term deposits - capital reserve funds	404,932	236,167
	<u>\$ 560,236</u>	<u>\$ 491,284</u>

PIERS ISLAND IMPROVEMENT DISTRICT
Notes to Financial Statements
Year Ended December 31, 2017

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 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. Interest and expenditures are reported in the operating fund. (See Note 6).

Emergency Fund

In the previous year, 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, 2017

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, 2017

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 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	2017 Net book value	2016 Net book value
Land - Dolphin Road	\$ 1	\$ -	\$ 1	\$ 1
Lot fencing and lighting	4,809	4,809	-	-
Fire protection equipment	161,426	143,028	18,398	5,016
Office equipment	3,574	3,377	197	281
Other equipment	9,201	8,347	854	1,068
Other vehicles	9,387	9,286	101	144
Fire Halls	179,447	158,860	20,587	9,592
Water system	133,424	64,757	68,667	70,289
Water pipeline and right of way	62,557	24,396	38,161	39,412
Valves - water control	35,611	8,455	27,156	28,046
Pump houses	39,105	6,897	32,208	32,990
	<u>\$ 638,542</u>	<u>\$ 432,212</u>	<u>\$ 206,330</u>	<u>\$ 186,839</u>

4. TANGIBLE CAPITAL ASSET ADDITIONS

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

	2017	2016
Fire protection equipment - Tractor Bucket	\$ 9,793	\$ -
Fire protection equipment - Chipper	7,721	-
Fire halls - Paver Stones	17,743	-
	<u>\$ 35,257</u>	<u>\$ -</u>

5. OPERATING NET ASSETS

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

	2017	2016
Operating net assets	\$ 63,893	\$ 58,380
Sustainment funds - Note 6	61,776	59,567
Emergency fund	25,000	25,000
	<u>\$ 150,669</u>	<u>\$ 142,947</u>

PIERS ISLAND IMPROVEMENT DISTRICT
Notes to Financial Statements
Year Ended December 31, 2017

6. 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, 2017	\$ 28,968	\$ 21,120	\$ 9,479	\$ 59,567
Transfer from Sustainment Fund	(9,792)	-	-	(9,792)
Transfer to Emergency Fund	(662)	(517)	(436)	(1,615)
Transfer current year surplus	5,583	4,357	3,676	13,616
	<u>\$ 24,097</u>	<u>\$ 24,960</u>	<u>\$ 12,719</u>	<u>\$ 61,776</u>

7. CAPITAL RESERVE FUNDS

The Capital Reserve funds are held in separate interest earning cash or cash equivalent accounts in accordance with the Improvement District's policies.

The fund activity for the year consisted of the following:

	Fire Protection	Water System	Building and Land	Total
Balance January 1, 2017	\$ 103,481	\$ 226,290	\$ 21,850	\$ 351,621
Capital Replacement Assessment	25,046	25,846	11,148	62,040
Interest - term deposits	1,503	1,273	69	2,845
	<u>\$ 130,030</u>	<u>\$ 253,409</u>	<u>\$ 33,067</u>	<u>\$ 416,506</u>

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 2017, rent in the amount of \$1,070 was paid to PIA (2016 - \$1,060).

9. COMPARATIVE FIGURES

The prior year comparative figures were audited by another firm of chartered professional accountants. 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, 2017

	Budget 2017	Total 2017	Total 2016
Administration			
General and administrative expenses	\$ 26,960	\$ 28,668	\$ 27,883
Building and Land Improvements			
Infrastructure	3,700	339	1,199
Parking compound	3,110	2,957	2,100
	6,810	3,296	3,299
Fire Protection			
Alarm system	2,100	2,101	1,646
Electric	3,125	3,195	3,014
Fire department operations	17,700	14,006	21,082
Repairs and maintenance	7,600	3,453	4,048
Insurance and licences	2,250	2,159	2,013
Fire Chief Discretionary	4,000	1,168	907
Workers' Compensation Board	200	191	-
	36,975	26,273	32,710
Water Supply			
Water purchased (see note below)	19,000	16,000	21,628
Water System			
Operations	4,775	4,255	5,993
Other	3,080	898	3,320
Repairs and maintenance	1,400	1,464	5,466
Scheduled preventative maintenance	4,550	5,879	263
System upgrade expense	-	371	384
	13,805	12,867	15,426
Other			
Fire	-	9,954	-
	\$ 103,550	\$ 97,058	\$ 100,946

Note: The 2017 expense does not include the invoice dated in February 2018 for the water purchased for September to December 2017 of \$5,185.82.