

PIERS ISLAND IMPROVEMENT DISTRICT

Sidney, British Columbia

FINANCIAL STATEMENTS

Year Ended December 31, 2012

PIERS ISLAND IMPROVEMENT DISTRICT

FINANCIAL STATEMENTS

Year Ended December 31, 2012

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200 - 9377 Bevan Avenue
Sidney, B.C. V8L 4M9
Ph: 656-5547 Fax: 656-2382
admin@cowlandpaterson.com
www.cowlandpaterson.com

Chris Cowland, CA*
Caroline Paterson, CGA*

*operating as a partnership of incorporated professionals

INDEPENDENT AUDITOR'S REPORT

To the Members 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, 2012 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 government not-for-profit organizations, 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.

(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, 2012 and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for government not-for-profit organizations.

Comparative Information

Without modifying our opinion, we draw attention to Note 1 to the financial statements which describes that Piers Island Improvement District adopted Canadian accounting standards for government not-for-profit organizations on January 1, 2012 with a transition date of January 1, 2011. These standards were applied retrospectively by management to the comparative information in these financial statements, including the statement of financial position as at December 31, 2011 and January 1, 2011 and the statements of revenues and expenditures, changes in net assets and cash flows for the year ended December 31, 2011 and related disclosures. We were not engaged to report on the restated comparative information, and as such, it is unaudited.

Contand Paterson + Co.

Sidney, British Columbia
May 6, 2013

PROFESSIONAL ACCOUNTANTS

PIERS ISLAND IMPROVEMENT DISTRICT
Statement of Financial Position
December 31, 2012

	Operating Fund	Reserve Funds		Capital Fund	2012 Total	2011 Total	January 1 2011
		Water System	Fire Protection				
ASSETS							
Current							
Cash	\$ 18,932	\$ 405	\$ 899	\$ -	\$ 20,236	\$ 18,310	\$ 20,553
Investments (Note 4)	66,854	162,161	-	-	229,015	215,185	176,712
Accounts receivable	4,620	-	-	-	4,620	5,001	1,683
HST/GST recoverable	5,304	-	-	-	5,304	2,512	2,350
	<u>95,710</u>	<u>162,566</u>	<u>899</u>	<u>-</u>	<u>259,175</u>	<u>241,008</u>	<u>201,298</u>
Capital assets (Note 3)	-	-	-	222,495	222,495	231,408	246,582
	<u>\$ 95,710</u>	<u>\$ 162,566</u>	<u>\$ 899</u>	<u>\$ 222,495</u>	<u>\$ 481,670</u>	<u>\$ 472,416</u>	<u>\$ 447,880</u>
LIABILITIES AND FUND BALANCES							
Current liabilities							
Accounts payable	\$ 5,223	\$ -	\$ -	\$ -	\$ 5,223	\$ 7,129	\$ 4,123
Deferred revenue (Note 5)	500	-	-	-	500	500	500
	<u>5,723</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,723</u>	<u>7,629</u>	<u>4,623</u>
FUND BALANCES							
Unrestricted	53,284	-	-	-	53,284	40,188	32,018
Internally restricted (Note 7)	36,703	162,566	899	-	200,168	193,191	164,657
Invested in capital assets	-	-	-	222,495	222,495	231,408	246,582
	<u>89,987</u>	<u>162,566</u>	<u>899</u>	<u>222,495</u>	<u>475,947</u>	<u>464,787</u>	<u>443,257</u>
	<u>\$ 95,710</u>	<u>\$ 162,566</u>	<u>\$ 899</u>	<u>\$ 222,495</u>	<u>\$ 481,670</u>	<u>\$ 472,416</u>	<u>\$ 447,880</u>

Commitments (Note 9)

Approved by the Trustees





PIERS ISLAND IMPROVEMENT DISTRICT
Statement of Operations and Changes in Fund Balances
Year Ended December 31, 2012

	Operating Fund	Reserve Funds		Capital Fund	2012 Total	2011 Total
		Water System	Fire Protection			
REVENUE						
Assessments	\$ 79,200	\$ -	\$ -	\$ -	\$ 79,200	\$ 79,200
Water	15,692	-	-	-	15,692	15,152
Penalties	405	-	-	-	405	398
Interest	452	3,837	-	-	4,289	2,684
Rentals	1,828	-	-	-	1,828	1,792
Donations	12,910	-	-	-	12,910	1,746
Other revenue	1,385	-	-	-	1,385	2,111
Total Revenue	<u>111,872</u>	<u>3,837</u>	<u>-</u>	<u>-</u>	<u>115,709</u>	<u>103,083</u>
EXPENDITURE (Page 10)						
Water system	25,032	-	-	-	25,032	26,503
Fire protection	28,634	-	-	-	28,634	15,282
Dolphin Road lot	11,333	-	-	-	11,333	911
Administration	23,506	20	40	-	23,566	22,472
Total Expenditure	<u>88,505</u>	<u>20</u>	<u>40</u>	<u>-</u>	<u>88,565</u>	<u>65,168</u>
Excess (deficiency) of revenue over expenditures before other items	23,367	3,817	(40)	-	27,144	37,915
Other Items						
Amortization	-	-	-	15,984	15,984	16,384
Total other items	<u>-</u>	<u>-</u>	<u>-</u>	<u>15,984</u>	<u>15,984</u>	<u>16,384</u>
Excess (deficiency) of revenue over expenditures	23,367	3,817	(40)	(15,984)	11,160	21,531
Fund balances, beginning	86,891	145,549	939	231,408	464,787	443,256
Additions (net) to capital assets	(7,071)	-	-	7,071	-	-
Interfund transfers (Note 6)	<u>(13,200)</u>	<u>13,200</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances, ending	<u>\$ 89,987</u>	<u>\$ 162,566</u>	<u>\$ 899</u>	<u>\$ 222,495</u>	<u>\$ 475,947</u>	<u>\$ 464,787</u>

PIERS ISLAND IMPROVEMENT DISTRICT

Statement of Cash Flow

Year Ended December 31, 2012

	2012	2011
Cash provided by (used for):		
Operating activities		
Excess of revenue over expenditures	\$ 11,160	\$ 21,531
Items not involving cash		
Amortization	<u>15,984</u>	<u>16,384</u>
	27,144	37,915
Changes in non-cash operating accounts	<u>(4,317)</u>	<u>(475)</u>
	<u>22,827</u>	<u>37,440</u>
Investing activities		
Capital asset additions	(7,071)	(1,210)
Net purchase of investments	<u>(13,830)</u>	<u>(38,473)</u>
	<u>(20,901)</u>	<u>(39,683)</u>
Increase (decrease) in cash	1,926	(2,243)
Cash, beginning of year	<u>18,310</u>	<u>20,553</u>
Cash, end of year	<u>\$ 20,236</u>	<u>\$ 18,310</u>
Changes in non-cash operating accounts		
Accounts receivable	\$ 380	\$ (3,318)
HST/GST recoverable	(2,792)	(162)
Accounts payable	<u>(1,905)</u>	<u>3,005</u>
	<u>\$ (4,317)</u>	<u>\$ (475)</u>
Supplementary Financial Information		
Interest received	<u>\$ 3,793</u>	<u>\$ 1,541</u>

PIERS ISLAND IMPROVEMENT DISTRICT

Notes to Financial Statements

Year Ended December 31, 2012

NATURE OF OPERATIONS

The Piers Island Improvement District is an improvement district under the Local Government Act. The district provides for water services and fire protection by acquisition, maintenance and operations related to these functions for the community.

1. FIRST TIME ADOPTION OF ACCOUNTING STANDARDS FOR GOVERNMENT NOT-FOR-PROFIT ORGANIZATIONS

During the year the district adopted accounting standards for government not-for-profit organizations. These financial statements are the first prepared in accordance with these standards as set out in the Canadian Public Sector Accounting Standards for government not-for-profit organizations. The changes have been applied retrospectively. No changes to beginning equity or to accounting policies were required with this change.

2. SIGNIFICANT ACCOUNTING POLICIES

a) 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.

In the current year there was no fund balance or activity for the Fire Hall Reserve Fund so this fund has not been presented.

b) 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.

c) 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.

d) Capital assets

Capital assets purchased or constructed are recorded at cost less accumulated amortization using the rates and methods as per Note 3. 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, 2012

2. SIGNIFICANT ACCOUNTING POLICIES continued

e) 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.

f) 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)

3. 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, 2012

3. CAPITAL ASSETS continued

			2012	2011
	Cost	Accumulated Amortization	Net	Net
Land - Dolphin Road	\$ 1	\$ -	\$ 1	\$ 1
Lot fencing and lighting	4,809	4,809	-	-
Fire halls	161,704	126,540	35,164	41,557
Fire protection equipment	136,906	130,037	6,869	9,813
Office equipment	2,610	2,610	-	-
Other equipment	9,200	6,592	2,608	1,429
Other vehicles	9,387	4,761	4,626	986
Water system	117,758	56,671	61,087	62,559
Water pipeline and right of way	62,557	18,141	44,416	45,667
Valves - water control	35,611	4,005	31,606	32,496
Pump houses	<u>39,105</u>	<u>2,987</u>	<u>36,118</u>	<u>36,900</u>
	<u>\$ 579,648</u>	<u>\$ 357,153</u>	<u>\$ 222,495</u>	<u>\$ 231,408</u>

During the year capital asset additions include the following:

	2012	2011
Equipment	\$ 1,628	\$ 1,210
Golf Cart	<u>5,443</u>	<u>-</u>
	<u>\$ 7,071</u>	<u>\$ 1,210</u>

4. INVESTMENTS

Investments at December 31, 2012 consist of various Guaranteed Investment Certificates as follows:

Operating Fund

Royal Bank of Canada cashable GICs, interest at 0.8% - 1%, maturing July 23 and September 5, 2013	\$ 66,703
Accrued interest	<u>151</u>
	<u>\$ 66,854</u>

Water System Fund

Coast Capital Savings GICs, 2.0%-3.5%, maturing from October 1, 2013 to September 14, 2014	\$ 160,850
Accrued interest	<u>1,310</u>
	<u>\$ 162,160</u>

PIERS ISLAND IMPROVEMENT DISTRICT

Notes to Financial Statements

Year Ended December 31, 2012

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:

	2012	2011
Emergency Preparedness Program - fire hall repair	<u>500</u>	<u>500</u>
	<u>\$ 500</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:

	Fire Protection	Water Works	Dolphin Road Lot	Total
Balance, beginning of year	\$ 31,100	\$ 8,603	\$ 7,000	\$ 46,703
Current year repairs	(2,000)	-	(2,400)	(4,400)
Transfer to capital fund	<u>(5,600)</u>	<u>-</u>	<u>-</u>	<u>(5,600)</u>
Balance, beginning and end of year	<u>\$ 23,500</u>	<u>\$ 8,603</u>	<u>\$ 4,600</u>	<u>\$ 36,703</u>

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, 2012 this demand line of credit had a NIL balance outstanding.

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 2012, the amount paid to PIA for this rent totalled \$600 (2011 - \$600)

PIERS ISLAND IMPROVEMENT DISTRICT
 Schedule of Expenditures
 Year Ended December 31, 2012

	2012	2011
Water		
Water purchased	\$ 16,126	\$ 16,933
Repairs and maintenance	7,107	6,851
Electricity	177	263
Licences	310	492
Training	1,312	50
Systems analyst project: CRD	-	1,914
	<u>25,032</u>	<u>26,503</u>
Fire Protection		
Repairs and maintenance	4,680	2,514
Alarm system	404	417
Workers' Compensation Board	152	150
Vehicle	5,656	3,120
Insurance and licences	1,990	1,568
Electricity	3,185	2,550
Fire Chief discretionary	2,065	1,427
Tools and minor equipment	9,583	3,496
Training	919	40
	<u>28,634</u>	<u>15,282</u>
Dolphin Road Lot		
Repairs and maintenance	11,024	582
Electricity	150	170
Grant to North Saanich	159	159
	<u>11,333</u>	<u>911</u>
Administration		
Administrator	5,400	5,400
Annual meeting expense	63	73
Accounting and audit	2,798	2,798
Fire Chief honorarium	3,000	3,000
Insurance	9,501	9,501
Interest and bank charges	484	354
Land lease	600	600
Office	1,720	746
	<u>23,566</u>	<u>22,472</u>