

PIERS ISLAND IMPROVEMENT DISTRICT

Sidney, British Columbia

FINANCIAL STATEMENTS

Year Ended December 31, 2013

PIERS ISLAND IMPROVEMENT DISTRICT

FINANCIAL STATEMENTS

Year Ended December 31, 2013

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.

INDEPENDENT AUDITORS' 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, 2013, 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, 2013 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.

Conland Paterson + Co.

Sidney, British Columbia
May 9, 2014

PROFESSIONAL ACCOUNTANTS

PIERS ISLAND IMPROVEMENT DISTRICT
 Statement of Financial Position
 December 31, 2013

	Operating Fund	Reserve Funds		Capital Fund	2013 Total	2012 Total
		Water System	Fire Protection			
ASSETS						
Current						
Cash	\$ 10,619	\$ 81	\$ 299	\$ -	\$ 10,999	\$ 20,236
Term deposits (Note 3)	93,605	166,923	27,067	-	287,595	229,015
Accounts receivable	2,118	-	-	-	2,118	4,620
GST/HST recoverable	2,556	-	-	-	2,556	5,304
Prepaid project costs (Note 4)	3,600	-	-	-	3,600	-
	<u>112,498</u>	<u>167,004</u>	<u>27,366</u>	-	<u>306,868</u>	<u>259,175</u>
Capital assets (Note 2)	-	-	-	216,803	216,803	222,495
	<u>\$ 112,498</u>	<u>\$ 167,004</u>	<u>\$ 27,366</u>	<u>\$ 216,803</u>	<u>\$ 523,671</u>	<u>\$ 481,670</u>
LIABILITIES AND FUND BALANCES						
Current liabilities						
Accounts payable	\$ 10,173	-	-	-	\$ 10,173	\$ 5,223
Deferred revenue (Note 5)	500	-	-	-	500	500
	<u>10,673</u>	-	-	-	<u>10,673</u>	<u>5,723</u>
FUND BALANCES						
Unrestricted	58,522	-	-	-	58,522	53,284
Internally restricted (Note 7)	43,303	167,004	27,366	-	237,673	200,168
Invested in capital assets	-	-	-	216,803	216,803	222,495
	<u>101,825</u>	<u>167,004</u>	<u>27,366</u>	<u>216,803</u>	<u>512,998</u>	<u>475,947</u>
	<u>\$ 112,498</u>	<u>\$ 167,004</u>	<u>\$ 27,366</u>	<u>\$ 216,803</u>	<u>\$ 523,671</u>	<u>\$ 481,670</u>

Commitments (Note 9)

Approved by the Trustees




PIERS ISLAND IMPROVEMENT DISTRICT
Statement of Operations and Changes in Fund Balances
Year Ended December 31, 2013

	Operating Fund	Reserve Funds		Capital Fund	2013 Total	2012 Total
		Water System	Fire Protection			
REVENUE						
Assessments	\$ 99,000	\$ -	\$ -	\$ -	\$ 99,000	\$ 79,200
Water	16,286	-	-	-	16,286	15,692
Penalties	263	-	-	-	263	405
Interest	672	4,458	67	-	5,197	4,288
Rentals	1,998	-	-	-	1,998	1,828
Donations	1,550	-	-	-	1,550	12,910
Other revenue	290	-	-	-	290	1,385
Total Revenue	<u>120,059</u>	<u>4,458</u>	<u>67</u>	<u>-</u>	<u>124,584</u>	<u>115,708</u>
EXPENDITURE (Page 11)						
Water system	25,731	-	-	-	25,731	25,032
Fire protection	21,339	-	-	-	21,339	28,634
Dolphin Road lot	3,996	-	-	-	3,996	11,333
Administration	20,336	20	-	-	20,356	23,565
Total Expenditure	<u>71,402</u>	<u>20</u>	<u>-</u>	<u>-</u>	<u>71,422</u>	<u>88,564</u>
Excess (deficiency) of revenue over expenditures before other items	48,657	4,438	67	-	53,162	27,144
Other items						
Amortization	-	-	-	16,111	16,111	15,984
Total other items	<u>-</u>	<u>-</u>	<u>-</u>	<u>16,111</u>	<u>16,111</u>	<u>15,984</u>
Excess (deficiency) of revenue over expenditures	48,657	4,438	67	(16,111)	37,051	11,160
Fund balances, beginning	89,987	162,566	899	222,495	475,947	464,787
Additions (net) to capital assets	(10,419)	-	-	10,419	-	-
Interfund transfers (Note 6)	(26,400)	-	26,400	-	-	-
Fund balances, ending	<u>\$ 101,825</u>	<u>\$ 167,004</u>	<u>\$ 27,366</u>	<u>\$ 216,803</u>	<u>\$ 512,998</u>	<u>\$ 475,947</u>

PIERS ISLAND IMPROVEMENT DISTRICT

Statement of Cash Flow

Year Ended December 31, 2013

	2013	2012
Cash provided by (used for):		
Operating activities		
Excess of revenue over expenditures	\$ 37,051	\$ 11,160
Items not involving cash		
Amortization	<u>16,111</u>	<u>15,984</u>
	53,162	27,144
Changes in non-cash operating accounts	<u>6,598</u>	<u>(4,317)</u>
	<u>59,760</u>	<u>22,827</u>
Investing activities		
Capital asset additions	(10,418)	(7,071)
Net purchase of term deposits	<u>(58,579)</u>	<u>(13,830)</u>
	<u>(68,997)</u>	<u>(20,901)</u>
Increase (decrease) in cash	(9,237)	1,926
Cash, beginning of year	<u>20,236</u>	<u>18,310</u>
Cash, end of year	<u>\$ 10,999</u>	<u>\$ 20,236</u>
Changes in non-cash operating accounts		
Accounts receivable	\$ 2,500	\$ 380
GST/HST recoverable	2,747	(2,792)
Prepays	(3,600)	-
Accounts payable	<u>4,951</u>	<u>(1,905)</u>
	<u>\$ 6,598</u>	<u>\$ (4,317)</u>
Supplementary Financial Information		
Interest received	<u>\$ 5,541</u>	<u>\$ 3,793</u>

PIERS ISLAND IMPROVEMENT DISTRICT

Notes to Financial Statements

Year Ended December 31, 2013

NATURE OF OPERATIONS

The Piers Island Improvement 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 follows the Canadian Public Sector Accounting Standards for government not-for-profit organizations and is tax-exempt pursuant to the Canadian Income Tax Act.

1. 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 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, 2013

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)

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, 2013

2. CAPITAL ASSETS continued

			2013	2012
	Cost	Accumulated Amortization	Net	Net
Land - Dolphin Road	\$ 1	\$ -	\$ 1	\$ 1
Lot fencing and lighting	4,809	4,809	-	-
Fire halls	161,704	132,933	28,771	35,164
Fire protection equipment	138,030	132,267	5,763	6,869
Office equipment	3,574	2,755	819	-
Other equipment	9,200	7,114	2,086	2,608
Other vehicles	9,387	7,135	2,252	4,626
Water system	126,089	58,195	67,894	61,087
Water pipeline and right of way	62,557	19,392	43,165	44,416
Valves - water control	35,611	4,895	30,716	31,606
Pump houses	<u>39,105</u>	<u>3,769</u>	<u>35,336</u>	<u>36,118</u>
	<u>\$ 590,067</u>	<u>\$ 373,264</u>	<u>\$ 216,803</u>	<u>\$ 222,495</u>

During the year capital asset additions include the following:

	2013	2012
Equipment	\$ -	\$ 1,210
Golf Cart	<u>-</u>	<u>-</u>
	<u>\$ -</u>	<u>\$ 1,210</u>

3. TERM DEPOSITS

Term deposits held at December 31, 2013 consist of:

Operating Fund	
Royal Bank of Canada cashable GICs, interest at 0.8%, maturing January 4, July 23 and September 13, 2014	\$ 93,303
Accrued interest	<u>302</u>
	<u>\$ 93,605</u>
Water System Fund	
Coast Capital Savings GICs, 1.45%-2.5%, maturing from September 8 to October 2, 2014	\$ 166,173
Accrued interest	<u>749</u>
	<u>\$ 166,922</u>
Fire Protection Fund	
Royal Bank of Canada cashable GIC, interest at 0.8%, maturing September 10, 2014	\$ 27,000
Accrued interest	<u>67</u>
	<u>\$ 27,067</u>

PIERS ISLAND IMPROVEMENT DISTRICT

Notes to Financial Statements

Year Ended December 31, 2013

4. PREPAID PROJECT EXPENSES

The prepaid project expenses are for a fuel catchment facility which is expected to be completed in 2014. This project is within normal fire protection operations.

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:

	2013	2012
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	\$ 23,500	\$ 8,603	\$ 4,600	\$ 36,703
Current year transfers	<u>4,200</u>	<u>-</u>	<u>2,400</u>	<u>6,600</u>
Balance, beginning and end of year	<u>\$ 27,700</u>	<u>\$ 8,603</u>	<u>\$ 7,000</u>	<u>\$ 43,303</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, 2013 this demand line of credit had a NIL balance outstanding. There were no activities with this loan during the year.

PIERS ISLAND IMPROVEMENT DISTRICT

Notes to Financial Statements

Year Ended December 31, 2013

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 2013, the amount paid to PIA for this rent totalled \$750 (2012 - \$600)

Piers Island Improvement District is currently considering options for newer fire fighting apparatus in order to maintain the District's current fire insurance rating. Based on the requirements agreed upon, one apparatus will be purchased prior to December 2014 and the second before July 2016. The details, including the costs and funding for this commitment, are not yet known.

PIERS ISLAND IMPROVEMENT DISTRICTSchedule of Expenditures
Year Ended December 31, 2013

	2013	2012
Water		
Electricity	\$ 189	\$ 177
Licences	250	310
Repairs and maintenance	7,590	7,107
Training	-	1,312
Water purchased	<u>17,702</u>	<u>16,126</u>
	<u>25,731</u>	<u>25,032</u>
Fire Protection		
Alarm system	393	404
Electricity	2,935	3,185
Fire Chief discretionary	1,383	2,065
Fire Chief honorarium	3,000	-
Insurance and licences	1,864	1,990
Repairs and maintenance	1,402	4,680
Tools and minor equipment	3,935	9,583
Training	1,067	919
Vehicle	5,226	5,656
Workers' Compensation Board	<u>134</u>	<u>152</u>
	<u>21,339</u>	<u>28,634</u>
Dolphin Road Lot		
Electricity	161	150
Grant to North Saanich	159	159
Repairs and maintenance	<u>3,676</u>	<u>11,024</u>
	<u>3,996</u>	<u>11,333</u>
Administration		
Accounting and audit	2,850	2,798
Administrator	5,400	5,400
Annual meeting expense	63	63
Fire Chief honorarium	-	3,000
Insurance	9,594	9,501
Interest and bank charges	396	483
Land lease	750	600
Office	<u>1,303</u>	<u>1,720</u>
	<u>20,356</u>	<u>23,565</u>