

PIERS ISLAND IMPROVEMENT DISTRICT

Sidney, British Columbia

FINANCIAL STATEMENTS

Year Ended December 31, 2011

PIERS ISLAND IMPROVEMENT DISTRICT

FINANCIAL STATEMENTS

Year Ended December 31, 2011

CONTENTS

Auditors' Report	1.
Statement of Financial Position	2.
Statement of Operations and Changes in Fund Balances	3.
Statement of Cash Flows	4.
Notes to Financial Statements	5 - 8.
Schedule of Expenditures	9.

Chris Cowland, CA*
Caroline Paterson, CGA*

*operating as a partnership of incorporated professionals

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, 2011, 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.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the district as at December 31, 2011, and the results of its operations and changes in fund balances, and cash flows for the year then ended in accordance with the accounting principles set out in Note 1 to the financial statements.

Cowland Paterson & Co.

Sidney, British Columbia
February 13, 2012

PROFESSIONAL ACCOUNTANTS

PIERS ISLAND IMPROVEMENT DISTRICT
 Statement of Financial Position
 December 31, 2011

	Operating Fund	Reserve Funds			Capital Fund	2011 Total	2010 Total
		Water System	Fire Protection	Fire Hall			
ASSETS							
Current							
Cash	\$ 15,169	\$ 2,202	\$ 939	\$ -	\$ -	\$ 20,553	
Investments (Note 3)	71,837	143,347	-	-	-	176,712	
Accounts receivable	7,513	-	-	-	-	4,033	
	<u>94,519</u>	<u>145,549</u>	<u>939</u>	<u>-</u>	<u>-</u>	<u>201,298</u>	
Capital assets (Note 2)	-	-	-	-	231,408	246,582	
	<u>\$ 94,519</u>	<u>\$ 145,549</u>	<u>\$ 939</u>	<u>\$ -</u>	<u>\$ 231,408</u>	<u>\$ 447,880</u>	
LIABILITIES AND FUND BALANCES							
Current liabilities							
Accounts payable	\$ 7,128	\$ -	\$ -	\$ -	\$ -	\$ 4,123	
Deferred revenue (Note 4)	500	-	-	-	-	500	
	<u>7,628</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,623</u>	
FUND BALANCES							
Unrestricted	40,188	-	-	-	-	32,018	
Internally restricted (Note 6)	46,703	145,549	939	-	-	164,657	
Invested in capital assets	-	-	-	-	231,408	246,582	
	<u>86,891</u>	<u>145,549</u>	<u>939</u>	<u>-</u>	<u>231,408</u>	<u>443,257</u>	
	<u>\$ 94,519</u>	<u>\$ 145,549</u>	<u>\$ 939</u>	<u>\$ -</u>	<u>\$ 231,408</u>	<u>\$ 447,880</u>	

Commitments (Note 8)

Approved by the Trustees

PIERS ISLAND IMPROVEMENT DISTRICT
Statement of Operations and Changes in Fund Balances
Year Ended December 31, 2011

	Operating Fund	Reserve Funds			Capital Fund	2011 Total	2010 Total
		Water System	Fire Protection	Fire Hall			
REVENUE							
Assessments	\$ 79,200	\$ -	\$ -	\$ -	\$ 79,200	\$ 79,200	
Water	15,152	-	-	-	15,152	15,812	
Penalties	398	-	-	-	398	213	
Interest	550	2,134	-	-	2,684	1,541	
Rentals	1,792	-	-	-	1,792	1,995	
Good neighbour agreement	-	-	-	-	-	2,500	
Donations	1,746	-	-	-	1,746	1,050	
Other revenue	2,111	-	-	-	2,111	684	
Total Revenue	100,949	2,134			103,083	102,995	
EXPENDITURE (Page 9)							
Water system	26,503	-	-	-	26,503	23,309	
Fire protection	15,282	-	-	-	15,282	22,912	
Dolphin Road lot	911	-	-	-	911	1,181	
Administration	22,472	-	-	-	22,472	22,601	
Total Expenditure	65,168				65,168	70,003	
Excess (deficiency) of revenue over expenditures before other items	35,781	2,134	-	-	37,915	32,992	
Other items							
Amortization	-	-	-	-	16,384	17,452	
(Gain) on sale of capital assets	-	-	-	-	-	(1,905)	
Total other items					16,384	15,547	
Excess (deficiency) of revenue over expenditures	35,781	2,134	-	(16,384)	21,531	17,445	
Fund balances, beginning	78,720	117,015	881	246,582	443,256	425,812	
Additions (net) to capital assets	(1,210)	-	-	1,210	-	-	
Interfund transfers (Note 5)	(26,400)	26,400	58	(58)	-	-	
Fund balances, ending	\$ 86,891	\$ 145,549	\$ 939	\$ 231,408	\$ 464,787	\$ 443,257	

PIERS ISLAND IMPROVEMENT DISTRICT

Statement of Cash Flow

Year Ended December 31, 2011

	2011	2010
Cash provided by (used for):		
Operating activities		
Excess of revenue over expenditures	\$ 21,531	\$ 17,445
Items not involving cash		
Amortization	16,384	17,452
(Gain) on sale of assets	<u>-</u>	<u>(1,905)</u>
	37,915	32,992
Changes in non-cash operating accounts	<u>(475)</u>	<u>2,347</u>
	<u>37,440</u>	<u>35,339</u>
Investing activities		
Capital asset additions	(1,210)	(4,652)
Proceeds from disposal of equipment	-	3,500
Net purchase of investments	<u>(38,473)</u>	<u>(16,121)</u>
	<u>(39,683)</u>	<u>(17,273)</u>
Increase (decrease) in cash	(2,243)	18,066
Cash, beginning of year	<u>20,553</u>	<u>2,487</u>
Cash, end of year	<u>\$ 18,310</u>	<u>\$ 20,553</u>
Changes in non-cash operating accounts		
Accounts receivable	\$ (3,480)	\$ (332)
Accounts payable	<u>3,005</u>	<u>2,679</u>
	<u>\$ (475)</u>	<u>\$ 2,347</u>
Supplementary Financial Information		
Interest received	<u>\$ 1,541</u>	<u>\$ 1,914</u>

PIERS ISLAND IMPROVEMENT DISTRICT

Notes to Financial Statements

Year Ended December 31, 2011

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. 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.

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. Capital assets contributed to the the district are either not recorded or recorded at a nominal amount. In previous years, no depreciation was charged, in accordance with accounting principles in effect at that time.

The district adopted the requirements of the Public Sector Accounting Board Tangible Asset Guide 3150 in 2008 and began recording amortization in that year. In order to transition to these new requirements accumulated amortization in the amount of \$304,020 was recorded directly to net assets in 2008. Amortization is calculated as per Note 2.

PIERS ISLAND IMPROVEMENT DISTRICT

Notes to Financial Statements

Year Ended December 31, 2011

1. SIGNIFICANT ACCOUNTING POLICIES continued

e) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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 reporting period. Actual results could differ from those estimates.

f) Fair value of financial assets and financial liabilities

The fair value of the district's cash, investments, accounts receivable, accounts payable and accrued liabilities approximates their carrying amounts. Investments consist of Guaranteed Investment Certificates which are held to maturity and are carried at cost plus accrued interest. (See Note 3)

g) 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 4)

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, 2011

2. CAPITAL ASSETS continued

			2011	2010
	Cost	Accumulated Amortization	Net	Net
Land - Dolphin Road	\$ 1	\$ -	\$ 1	\$ 1
Lot fencing and lighting	4,809	4,809	-	-
Fire halls	161,704	120,147	41,557	47,950
Fire protection equipment	136,906	127,093	9,813	14,020
Office equipment	2,610	2,610	-	-
Other equipment	7,572	6,143	1,429	425
Other vehicles	3,944	2,958	986	2,169
Water system	117,758	55,199	62,559	64,031
Water pipeline and right of way	62,557	16,890	45,667	46,918
Valves - water control	35,611	3,115	32,496	33,386
Pump houses	<u>39,105</u>	<u>2,205</u>	<u>36,900</u>	<u>37,682</u>
	<u>\$ 572,577</u>	<u>\$ 341,169</u>	<u>\$ 231,408</u>	<u>\$ 246,582</u>

Capital asset additions include the following:

	2011	2010
Equipment	\$ 1,210	\$ -
Tanker truck	-	2,884
Pump house #2 - Chlorine Facility Project	-	1,768
	<u>\$ 1,210</u>	<u>\$ 4,652</u>

3. INVESTMENTS

Investments at December 31, 2011 consist of the following Guaranteed Investment Certificates:

Operating Fund	
Royal Bank of Canada cashable GICs, interest at 1%, maturing September 16, 2011	\$ 71,703
Accrued interest	134
	<u>\$ 71,837</u>
Water System Fund	
Coast Capital Savings GIC, interest at 1.5%, maturing October 1, 2013	\$ 142,516
Accrued interest	831
	<u>\$ 143,347</u>

PIERS ISLAND IMPROVEMENT DISTRICT

Notes to Financial Statements

Year Ended December 31, 2011

4. DEFERRED REVENUE

Funding received for projects that will be completed in future years is disclosed as deferred revenue and consists of the following items:

	2011	2010
Emergency Preparedness Program - fire hall repair	<u>500</u>	<u>500</u>
	<u>\$ 500</u>	<u>\$ 500</u>

5. INTERFUND BALANCES

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

6. 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 and end of year	<u>\$ 31,100</u>	<u>\$ 8,603</u>	<u>\$ 7,000</u>	<u>\$ 46,703</u>

7. CREDIT FACILITY

The district has a demand line of credit in the amount of \$21,600 bearing interest at bank prime rate. As at December 31, 2011 this demand line of credit had a NIL balance outstanding.

8. 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 2010, the amount paid to PIA for this rent totalled \$600 (2009 - \$600)

PIERS ISLAND IMPROVEMENT DISTRICT
 Schedule of Expenditures
 Year Ended December 31, 2011

	2011	2010
Water		
Water purchased	\$ 16,933	\$ 15,055
Repairs and maintenance	6,851	6,786
Electricity	263	172
Licences	492	380
Systems analyst project: CRD	1,914	-
Training	50	916
	<u>26,503</u>	<u>23,309</u>
Fire Protection		
Repairs and maintenance	2,745	3,201
Alarm system	417	407
Workers' Compensation Board	150	138
Vehicle	2,889	2,559
Insurance and licences	1,568	2,380
Electricity	2,550	1,924
Fire Chief discretionary	1,427	1,829
Tools and minor equipment	3,496	9,975
Training	40	499
	<u>15,282</u>	<u>22,912</u>
Dolphin Road Lot		
Repairs and maintenance	582	879
Electricity	170	143
Grant to North Saanich	159	159
	<u>911</u>	<u>1,181</u>
Administration		
Administrator	5,400	5,400
Annual meeting expense	73	140
Accounting and audit	2,798	2,750
Fire Chief honorarium	3,000	3,000
Insurance	9,501	9,501
Interest and bank charges	354	375
Land lease	600	600
Office	746	835
	<u>22,472</u>	<u>22,601</u>