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**MAYNE ISLAND IMPROVEMENT DISTRICT**  
**FINANCIAL STATEMENTS**  
**DECEMBER 31, 2010**

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Catherine W. McLean, CGA

Paula M. Wheadon, CGA

Frédéric Lizotte, CGA

Nina Pollock, CGA

## INDEPENDENT AUDITORS' REPORT

**TO: The Board of Trustees  
MAYNE ISLAND IMPROVEMENT DISTRICT**

We have audited the accompanying financial statements of Mayne Island Improvement District, which comprise the statement of financial position as at December 31, 2010, and the statement of operations, statement of changes in net assets, and cash flow statement 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 generally accepted accounting principles for local governments and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatements, 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' judgement, 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 Mayne Island Improvement District as at December 31, 2010, and its financial performance and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles for local governments.

*McLean, Lizotte, Wheadon and Company*

**March 14, 2011  
Victoria, British Columbia**

**McLEAN, LIZOTTE, WHEADON AND COMPANY  
Certified General Accountants**

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*\*denotes professional corporation*

**MAYNE ISLAND IMPROVEMENT DISTRICT  
STATEMENT OF FINANCIAL POSITION  
DECEMBER 31, 2010**

	<b>2010</b>	<b>2009</b>
<b>FINANCIAL ASSETS</b>		
Cash and cash equivalents	\$ 297,984	\$ 42,293
Guaranteed investment certificates	174,805	443,226
Accounts receivable	19,557	22,905
Due from employees	540	720
	492,886	509,144
 <b>LIABILITIES</b>		
Accounts payable and accrued liabilities	10,109	20,291
Wages and wage costs payable	6,843	10,870
Due to government agencies	7,092	12,623
Deferred revenue - Note 2	1,200	
Debt - Note 3	44,979	79,729
	70,223	123,513
 <b>NET FINANCIAL ASSETS</b>	 422,663	 385,631
 <b>NON-FINANCIAL ASSETS</b>		
Capital assets - Note 4	978,003	1,120,555
Prepaid expenses	20,390	20,596
	998,393	1,141,151
 <b>ACCUMULATED SURPLUS</b>	 \$ 1,421,056	 \$ 1,526,782
 <b>ACCUMULATED SURPLUS REPRESENTED BY:</b>		
Capital assets	978,003	1,120,555
Renewal reserve funds/Health Centre Building Fund - Note 2	191,594	215,077
Operating surplus	251,459	191,150
	\$ 1,421,056	\$ 1,526,782

**APPROVED BY THE TRUSTEES:**

  
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The accompanying notes are an integral part of these statements

**MAYNE ISLAND IMPROVEMENT DISTRICT  
STATEMENT OF OPERATIONS  
FOR THE YEAR-ENDED DECEMBER 31, 2010**

	<u>Budget 2010</u>	<u>Actual 2010</u>	<u>Actual 2009</u>
<b>REVENUES</b>			
Fire Department tax levies	\$ 579,272	\$ 579,272	512,713
Health Centre tax levies	87,340	87,362	82,184
Contributions and donations - Note 2	3,000	12,980	3,087
Rent	12,000	12,000	12,000
Burn permits	-	4,150	3,290
Investment income	-	825	4,123
Other	-	2,355	60
	<u>681,612</u>	<u>698,944</u>	<u>617,457</u>
<b>EXPENSES</b>			
<b>Governance</b>			
Audit fees	7,000	10,969	9,700
Bank charges	600	861	1,700
Bookkeeping and consulting fees	3,000	6,787	7,464
Building and grounds maintenance	6,000	5,519	5,694
Insurance	1,550	1,013	1,550
Legal	1,000	3,051	1,802
Newsletters and bulletins	2,000	790	5,207
Office and miscellaneous	5,400	16,747	11,289
Recording secretary	1,500	2,901	2,778
Referendum	-	-	12,247
Telecommunications	1,200	1,572	1,613
Temporary offices	10,500	-	-
Travel expense	1,000	476	562
Wages and costs	51,288	52,722	59,047
	<u>92,038</u>	<u>103,408</u>	<u>120,653</u>
<b>Fire Protection</b>			
Appreciation and awards	2,500	2,300	1,513
Asset and inventory management	1,000	468	4,218
Building repairs and maintenance	4,300	8,651	19,572
Burn permit costs	-	1,359	-
Data entry	4,000	1,496	5,082
Education and training	28,300	26,824	30,273
Equipment maintenance and supplies	15,350	17,004	7,642
Fire prevention	3,000	2,966	1,333
Insurance	16,546	13,488	13,783
Interest	-	785	1,226
Office and miscellaneous	2,000	5,537	4,680
Software	1,200	1,154	1,050
Subscriptions and dues	2,128	1,404	1,161
Telecommunications	5,000	4,742	6,239
Travel	1,000	1,300	743
Uniforms	-	5,886	1,684
Utilities	6,500	4,878	5,273
Vehicle fuel and insurance	4,000	5,865	5,562
Vehicle repairs and maintenance	18,000	11,599	14,613
Wages and costs	234,650	220,101	202,808
	<u>349,474</u>	<u>337,807</u>	<u>328,455</u>
<b>Total Governance and Fire Protection Expenses Before Allocation</b>	<u>441,512</u>	<u>441,215</u>	<u>449,108</u>
Allocation of expenses to Health Centre - Note 5	(16,640)	(29,738)	(27,908)
<b>Total Governance and Fire Protection Expenses</b>	<u>424,872</u>	<u>411,477</u>	<u>421,200</u>
<b>Health Centre</b>			
Allocation of expenses - Note 5	16,640	29,738	27,908
Billing costs	6,000	8,228	8,246
Building repairs and maintenance	22,500	32,749	16,507
Heliport operation	500	553	778
Insurance	5,650	8,541	6,907
Interest	1,200	812	1,258
Legal	2,000	7,151	-
Management fees	10,000	9,675	10,024
Office and miscellaneous	4,000	-	-
Travel	150	108	165
Utilities	4,500	3,249	3,597
Water testing	1,200	1,642	1,434
	<u>74,340</u>	<u>102,446</u>	<u>76,824</u>
<b>Total Expenses</b>	<u>499,212</u>	<u>513,923</u>	<u>498,024</u>
<b>NET SURPLUS (DEFICIT) BEFORE OTHER ITEMS</b>			
	182,400	185,021	119,433
Amortization	-	(79,364)	(78,063)
Write off of new fire hall project expenditures - Note 2	-	(205,014)	-
Gain (loss) on disposal of assets	-	(6,369)	-
	<u>182,400</u>	<u>(105,726)</u>	<u>41,370</u>
<b>ANNUAL SURPLUS (DEFICIT)</b>	<u>182,400</u>	<u>(105,726)</u>	<u>41,370</u>
<b>ACCUMULATED SURPLUS, BEGINNING OF YEAR</b>	1,526,782	1,526,782	1,485,412
<b>ACCUMULATED SURPLUS, END OF YEAR</b>	<u>\$ 1,709,182</u>	<u>\$ 1,421,056</u>	<u>\$ 1,526,782</u>

The accompanying notes are an integral part of these statements

**MAYNE ISLAND IMPROVEMENT DISTRICT  
STATEMENT OF CHANGES IN NET FINANCIAL ASSETS  
FOR THE YEAR-ENDED DECEMBER 31, 2010**

<b>STATEMENT OF CHANGES IN NET FINANCIAL ASSETS</b>	<i>Budget 2010</i>	<i>Actual 2010</i>	<i>Actual 2009</i>
<b>Annual surplus</b>	\$ 182,400	\$ (105,726)	\$ 41,370
Acquisition of tangible capital assets	(240,300)	(149,897)	(253,716)
Amortization of tangible capital assets	-	79,364	78,063
Write off of new fire hall project expenditures - Note 2	-	205,014	
(Gain) loss on disposal of assets	-	6,369	
Proceeds on disposition of capital assets		1,702	
Use of prepaid expenses	-	20,596	20,531
Acquisition of prepaid expenses	-	(20,390)	(20,596)
<b>Change in net financial assets / net debt</b>	<u>(57,900)</u>	<u>37,032</u>	<u>(134,348)</u>
<b>NET FINANCIAL ASSETS, BEGINNING OF YEAR</b>	385,631	385,631	519,979
<b>NET FINANCIAL ASSETS, END OF YEAR</b>	<u>\$ 327,731</u>	<u>\$ 422,663</u>	<u>\$ 385,631</u>

The accompanying notes are an integral part of these statements

**MAYNE ISLAND IMPROVEMENT DISTRICT  
STATEMENT OF CASH FLOWS  
FOR THE YEAR-ENDED DECEMBER 31, 2010**

	<b>2010</b>	<b>2009</b>
<b>OPERATING TRANSACTIONS</b>		
Annual surplus (deficit)	\$ (105,726)	41,370
Amortization	79,364	78,063
Accrued interest receivable	-	3,386
Prepaid expenses	206	(65)
Other	(15,012)	3,187
<b>Cash provided by operating transactions</b>	<b>(41,168)</b>	<b>125,941</b>
<b>CAPITAL TRANSACTIONS</b>		
Cash used to acquire tangible capital assets	(149,897)	(253,716)
Write off of new fire hall project	205,014	
Proceeds on disposition of capital assets	1,702	
Loss on disposal of assets	6,369	
<b>Cash provided by (applied to) capital transactions</b>	<b>63,188</b>	<b>(253,716)</b>
<b>INVESTING TRANSACTIONS</b>		
Guaranteed investment certificates purchased	(174,805)	(553,272)
Guaranteed investment certificates redeemed	443,226	697,077
<b>Cash provided by (applied to) investing transactions</b>	<b>268,421</b>	<b>143,805</b>
<b>FINANCING TRANSACTIONS</b>		
Heliport principle loan payments	(15,000)	(15,000)
Equipment principle loan payments	(3,500)	(3,500)
Generator loan payments	(16,250)	(16,250)
<b>Cash applied on principle to financing transactions</b>	<b>(34,750)</b>	<b>(34,750)</b>
<b>INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>255,691</b>	<b>(18,720)</b>
<b>CASH AND EQUIVALENTS, BEGINNING OF YEAR</b>	<b>42,293</b>	<b>61,013</b>
<b>CASH AND EQUIVALENTS, END OF YEAR</b>	<b>\$ 297,984</b>	<b>42,293</b>

The accompanying notes are an integral part of these statements

**MAYNE ISLAND IMPROVEMENT DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2010**

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**NOTE 1 - PURPOSE OF THE ORGANIZATION**

The Mayne Island Improvement District is an Improvement District governed by the Local Government Act, Community Charter, Letters Patent and its own bylaws. It is tax-exempt pursuant to the Income Tax Act.

The objects of the Improvement District are the provision of fire protection, the provision of garbage collection and disposal, the operation of the Mayne Island Health Centre, and the acquisition, maintenance and operation of works, buildings and equipment for these purposes and all matters incidental thereto.

**NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES**

On January 1, 2009, the Improvement District adopted the changes required to remain in conformity with generally accepted accounting principles for local governments in British Columbia. The changes required the financial statements be presented in a new format.

The accounting policies of the Improvement District conform to generally accepted accounting principles for local governments in British Columbia and are consistently applied. The financial statements have been prepared using the accrual basis of accounting.

The Renewal Reserve Funds are funds established through bylaw for the upgrading, replacement or renewal of existing capital works. The funds, as well as interest earned on the funds, are deposited in a separate account at a financial institution. Expenditures may only be made from these funds after a bylaw is passed by the trustees of the Improvement District, some of which must be approved by the Inspector of Municipalities.

**Basis of Presentation of Schedules**

As the Improvement District's objects are to provide more than one activity, the schedules segregate the activities into the following funds:

The Fire Protection Operating Fund reports the revenue and expenses for fire protection.

The Health Centre Operating Fund reports the revenue and expenses for the operation of the Mayne Island Health Centre, including the heliport.

The Health Centre Building Fund is comprised of monies set aside for future building improvements and/or replacement of the Mayne Island Health Centre. On September 23, 2010, the Improvement District passed a bylaw recognizing this fund as a Renewal Reserve Fund.

**MAYNE ISLAND IMPROVEMENT DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2008**

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**NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Capital Assets**

Capital Assets are recorded at cost and are being amortized over their estimated useful lives at the following annual rates:

Buildings	4% declining balance
Computer equipment	2 years straight line
Equipment – other	10 years straight line
Fire fighting clothing	10 years straight line
Fire fighting equipment	10 years straight line
Generator	20 years straight line
Heliport	20 years straight line
Paving	20 years straight line
Radios and pagers	5 years straight line
Software	2 years straight line
Trailers	10 years straight line
Vehicles	20 years straight line
Water storage	20 years straight line
Water access and related equipment	10 years straight line

Amortization is charged at one-half of the above rates for acquisitions in the year.

As a result of the referendum on March 12, 2011, the new fire hall project will not proceed. Accordingly, the costs incurred to date have been written off.

During 2007 the Improvement District changed the annual rates of amortization to better reflect useful estimates.

**Financial Instruments**

Financial instruments are initially recorded at historical cost. If subsequent circumstances indicate that a decline in fair value is other than temporary, the financial asset is written down to its fair value. Unless otherwise indicated, the fair values of financial instruments approximate their recorded amounts.

**Revenue Recognition**

Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. When the related expenses have not been incurred, the restricted contribution is recognized as deferred revenue on the statement of financial position.

Other revenues are recorded in the period in which the transaction or events that gave rise to the revenues occurred. Expenditures are recorded in the period that the goods and services are acquired and a liability is incurred.

**MAYNE ISLAND IMPROVEMENT DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2010**

**NOTE 3 - DEBT**

	<u>2010</u>	<u>2009</u>
Demand loan payable to Royal Bank for the Mayne Island Heliport pursuant to by-law #82. Repayable at \$1,250 per month plus interest at prime. Due June 2011.	\$ 20,000	\$ 35,000
Demand loan payable to Royal Bank for Wildfire Fire Fighting Equipment pursuant to by-law #83. Repayable at \$292 per month plus interest at prime. Due June 2011.	4,667	8,167
Demand loan payable to Royal Bank for the Generator pursuant to by-law #85. Repayable at \$1,354 per month plus interest at prime. Due March 2012.	<u>20,312</u>	<u>36,562</u>
	<u>\$ 44,979</u>	<u>\$ 79,729</u>

The toll collecting and taxing powers of the Improvement District have been pledged as security for all of these loans

**NOTE 4 - CAPITAL ASSETS**

	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>	
			<u>2010</u>	<u>2009</u>
<b>Fire Protection</b>				
Land	\$ 3,650	\$ -	\$ 3,650	\$ 3,650
Buildings				
- Fire Hall	159,402	59,747	99,655	103,807
- New fire hall project – note 2	-	-	-	92,559
Computer equipment	6,117	3,935	2,182	1,898
Equipment - other	8,982	5,917	3,065	3,861
Fire fighting clothing	51,153	26,124	25,029	30,073
Fire fighting equipment	130,842	54,409	76,433	78,484
Generator	104,278	18,014	86,264	91,478
Paving	43,666	28,383	15,283	17,466
Radios and pagers	14,503	7,057	7,446	10,347
Software	1,618	1,488	130	665
Trailer	-	-	-	8,071
Vehicles	806,201	446,628	359,573	388,348
Water storage	57,595	28,328	29,267	16,868
Water access and related equipment	19,177	8,423	10,754	3,719
	<u>1,407,184</u>	<u>688,453</u>	<u>718,731</u>	<u>851,294</u>
<b>Health Centre</b>				
Building	353,890	138,437	215,453	222,597
Equipment - other	595	149	446	506
Heliport	55,673	12,300	43,373	46,156
	<u>410,158</u>	<u>150,886</u>	<u>259,272</u>	<u>269,259</u>
	<u>\$ 1,817,342</u>	<u>\$ 839,339</u>	<u>\$ 978,003</u>	<u>\$ 1,120,553</u>

**MAYNE ISLAND IMPROVEMENT DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2010**

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**NOTE 5 - ALLOCATION OF EXPENSES**

A percentage of the expenses noted as governance and fire protection pertain to the Heath Centre; and conversely, a percentage of the expense noted as Health Centre, pertain to fire protection and governance. The allocation reflects those percentages of expenses.

**NOTE 6 - COMPARITIVE FIGURES**

Some comparative figures have been re-presented to conform to the current presentation.

**MAYNE ISLAND IMPROVEMENT DISTRICT**  
**SCHEDULE A - SCHEDULE OF FINANCIAL POSITION BY FUND**  
**DECEMBER 31, 2010**

	<u>Health Centre</u>	<u>Fire Protection</u>	<u>Total</u>
<b>FINANCIAL ASSETS</b>			
Cash and cash equivalents	\$ 16,174	\$ 281,810	\$ 297,984
Guaranteed investment certificates	11,376	163,429	174,805
Accounts receivable	7,541	12,016	19,557
Due from employees		540	540
	<u>35,091</u>	<u>457,795</u>	<u>492,886</u>
<b>LIABILITIES</b>			
Accounts payable and accrued liabilities	863	9,246	10,109
Wages and wage costs payable		6,843	6,843
Due to government agencies		7,092	7,092
Deferred revenue	1,200		1,200
Debt	20,000	24,979	44,979
	<u>22,063</u>	<u>48,160</u>	<u>70,223</u>
<b>NET FINANCIAL ASSETS</b>	<u>13,028</u>	<u>409,635</u>	<u>422,663</u>
<b>NON-FINANCIAL ASSETS</b>			
Capital assets	259,272	718,731	978,003
Prepaid expenses	3,618	16,772	20,390
	<u>262,890</u>	<u>735,503</u>	<u>998,393</u>
<b>ACCUMULATED SURPLUS</b>	<u>\$ 275,918</u>	<u>\$ 1,145,138</u>	<u>\$ 1,421,056</u>
<b>ACCUMULATED SURPLUS REPRESENTED BY:</b>			
Capital assets	259,272	718,731	978,003
Renewal reserve funds	11,376	180,218	191,594
Health Centre building fund	-	-	-
Operating surplus	5,270	246,189	251,459
	<u>\$ 275,918</u>	<u>\$ 1,145,138</u>	<u>\$ 1,421,056</u>

**SCHEDULE A - SCHEDULE OF FINANCIAL POSITION BY FUND**  
**DECEMBER 31, 2009**

	<u>Health Centre</u>	<u>Fire Protection</u>	<u>Total</u>
<b>FINANCIAL ASSETS</b>			
Cash and cash equivalents	\$ 38,928	\$ 3,366	\$ 42,294
Guaranteed investment certificates		443,226	443,226
Accounts receivable	13,752	9,153	22,905
Due from employees		720	720
	<u>52,680</u>	<u>456,465</u>	<u>509,145</u>
<b>LIABILITIES</b>			
Accounts payable and accrued liabilities	1,517	18,773	20,290
Wages and wage costs payable		10,870	10,870
Due to government agencies		12,623	12,623
Debt	35,000	44,729	79,729
	<u>36,517</u>	<u>86,995</u>	<u>123,512</u>
<b>NET FINANCIAL ASSETS</b>	<u>16,163</u>	<u>369,470</u>	<u>385,633</u>
<b>NON-FINANCIAL ASSETS</b>			
Capital assets	269,259	851,294	1,120,553
Prepaid expenses	3,124	17,472	20,596
	<u>272,383</u>	<u>868,766</u>	<u>1,141,149</u>
<b>ACCUMULATED SURPLUS</b>	<u>\$ 288,546</u>	<u>\$ 1,238,236</u>	<u>\$ 1,526,782</u>
<b>ACCUMULATED SURPLUS REPRESENTED BY:</b>			
Capital assets	269,259	851,294	1,120,553
Renewal reserve funds		200,977	200,977
Health centre building fund	14,100		14,100
Operating surplus	5,187	185,965	191,152
	<u>\$ 288,546</u>	<u>\$ 1,238,236</u>	<u>\$ 1,526,782</u>

**MAYNE ISLAND IMPROVEMENT DISTRICT  
SCHEDULE B - SCHEDULE OF OPERATIONS BY FUND  
FOR THE YEAR-ENDED DECEMBER 31, 2010**

	<u>Health Centre</u>	<u>Fire Protection</u>	<u>Total</u>
REVENUES PER STATEMENT OF OPERATIONS	101,604	\$ 597,340	\$ 698,944
EXPENSES PER STATEMENT OF OPERATIONS	102,446	411,477	513,923
NET SURPLUS (DEFICIT) BEFORE OTHER ITEMS	(842)	185,863	185,021
Amortization	(11,783)	(67,581)	(79,364)
Write off of new firehall project expenditures - Note 2		(205,014)	(205,014)
Gain (loss) on disposal of assets		(6,369)	(6,369)
ANNUAL SURPLUS (DEFICIT)	(12,625)	(93,101)	(105,726)
ACCUMULATED SURPLUS, BEGINNING OF YEAR	288,543	1,238,239	1,526,782
ACCUMULATED SURPLUS, END OF YEAR	<u>275,918</u>	<u>\$ 1,145,138</u>	<u>\$ 1,421,056</u>
ACCUMULATED SURPLUS REPRESENTED BY:			
Capital assets	259,272	718,731	978,003
Renewal reserve funds	11,376	180,218	191,594
Health Centre building fund	-		-
Operating surplus	5,270	246,190	251,460
	<u>275,918</u>	<u>\$ 1,145,139</u>	<u>\$ 1,421,057</u>

**SCHEDULE B - SCHEDULE OF OPERATIONS BY FUND  
FOR THE YEAR-ENDED DECEMBER 31, 2009**

	<u>Health Centre</u>	<u>Fire Protection</u>	<u>Total</u>
REVENUES PER STATEMENT OF OPERATIONS	94,184	\$ 523,273	\$ 617,457
EXPENSES PER STATEMENT OF OPERATIONS	76,824	421,200	498,024
NET SURPLUS BEFORE OTHER ITEMS	17,360	102,073	119,433
Amortization	(12,044)	(66,019)	(78,063)
ANNUAL SURPLUS	5,316	36,054	41,370
ACCUMULATED SURPLUS, BEGINNING OF YEAR	283,227	1,202,185	1,485,412
ACCUMULATED SURPLUS, END OF YEAR	<u>288,543</u>	<u>\$ 1,238,239</u>	<u>\$ 1,526,782</u>
ACCUMULATED SURPLUS REPRESENTED BY:			
Capital assets	269,259	851,294	1,120,553
Renewal reserve funds		200,977	200,977
Health Centre building fund	14,100		14,100
Operating surplus	5,184	185,968	191,152
	<u>288,543</u>	<u>\$ 1,238,239</u>	<u>\$ 1,526,782</u>