

**MAYNE ISLAND IMPROVEMENT DISTRICT**  
**Financial Statements**  
**Year Ended December 31, 2014**



**PATERSON HENN**  
PROFESSIONAL ACCOUNTANTS

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## INDEPENDENT AUDITOR'S REPORT

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To the Board of Trustees of 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, 2014 and the statements of operations, changes in net surplus (debt) 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 local governments, 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.

### 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, 2014 and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for local governments.

The financial statements for the year ended December 31, 2013 were audited by another Chartered Accountant and are presented for comparative purposes only.

Sidney, British Columbia  
March 16, 2015

PROFESSIONAL ACCOUNTANTS

**MAYNE ISLAND IMPROVEMENT DISTRICT**  
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**Year Ended December 31, 2014**

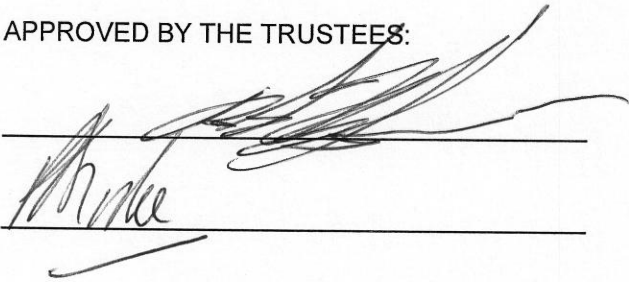
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**MAYNE ISLAND IMPROVEMENT DISTRICT**  
**Statement of Financial Position**  
**Year Ended December 31, 2014**

	2014	2013
<b>FINANCIAL ASSETS</b>		
Cash	\$ 228,382	\$ 232,927
Renewal reserve funds (Note 7)	282,933	234,445
Accounts receivable	28,734	41,880
	<u>540,049</u>	<u>509,252</u>
<b>LIABILITIES</b>		
Accounts payable and accrued liabilities	106,048	27,495
Short term debt (Notes 5, 8)	301,080	-
	<u>407,128</u>	<u>27,495</u>
<b>NET FINANCIAL ASSETS</b>	<u>132,921</u>	481,757
<b>NON-FINANCIAL ASSETS</b>		
Tangible capital assets (Note 3)	1,534,970	1,350,233
Prepaid expenses	20,421	18,931
Prepaid temporary occupancy costs (Notes 3, 8)	18,196	-
	<u>1,573,587</u>	<u>1,369,164</u>
<b>ACCUMULATED SURPLUS (Notes 6, 7)</b>	<u>\$ 1,706,508</u>	<u>\$ 1,850,921</u>

APPROVED BY THE TRUSTEES:



**MAYNE ISLAND IMPROVEMENT DISTRICT**

**Statement of Operations**

**Year Ended December 31, 2014**

	Budget 2014	Fire Protection 2014	Health Centre 2014	Total 2014	Total 2013
<b>REVENUES</b>					
Fire Protection Tax Levies	\$ 587,969	\$ 587,969	\$ -	\$ 587,969	\$ 573,444
Health Centre Tax Levies	92,127	-	92,154	92,154	84,429
Penalties & Interest on Tax Levies	2,200	-	1,729	1,729	2,186
Rental Revenue	12,000	-	14,250	14,250	12,000
Burn Permit Sales	2,500	3,445	-	3,445	3,140
Contributions in Kind (Note 9)	-	4,500	-	4,500	149,557
Other Revenue	2,750	4,454	-	4,454	14,287
Interest Revenue on Reserve Funds	-	2,666	174	2,840	2,390
	699,546	603,034	108,307	711,341	841,433
<b>EXPENSES</b>					
Fire Protection expenditures (Schedule 1)	406,193	447,530	-	447,530	412,282
Governance expenditures (Schedule 2)	49,600	57,983	-	57,983	47,063
Health Centre expenditures (Schedule 3)	96,327	-	104,573	104,573	79,859
	552,120	505,513	104,573	610,086	539,204
<b>Annual Surplus (Debt) from operations</b>	147,426	97,521	3,734	101,255	302,229
<b>OTHER REVENUE (EXPENSES)</b>					
Amortization	-	(92,157)	(26,010)	(118,167)	(139,074)
Loss (gain) on disposal of capital assets (Note 4)	-	(127,501)	-	(127,501)	259
Budgeted transfer to Fire Protection reserve	(124,166)	-	-	-	-
Capital purchases - current year budget	(13,260)	-	-	-	-
Budgeted transfer to Health Centre reserve	(10,000)	-	-	-	-
	(147,426)	(219,658)	(26,010)	(245,668)	(138,815)
<b>ANNUAL SURPLUS (DEBT)</b>	\$ -	\$ (122,137)	\$ (22,276)	\$ (144,413)	\$ 163,414

The accompanying notes and schedules are an integral part of these financial statements.

**MAYNE ISLAND IMPROVEMENT DISTRICT**  
**Statement of Changes in Net Surplus (Debt)**  
**Year Ended December 31, 2014**

	Fire Protection 2014	Health Centre 2014	Tangible Capital Assets 2014	Renewal Reserves See Note 7 2014	Total Total 2014	Total Total 2013
<b>NET SURPLUS (DEBT) - BEGINNING OF YEAR</b>	\$ 226,713	\$ 39,530	\$ 1,350,233	\$ 234,445	\$ 1,850,921	\$ 1,687,506
Annual surplus (debt)	(122,137)	(22,276)	-	-	(144,413)	163,415
<b>Net tangible capital asset changes</b>						
Amortization of tangible capital assets	92,157	26,010	(118,167)	-	-	-
Fire hall - new building Generator	(364,863)	-	364,863	-	-	-
Fire fighting equipment	(3,796)	-	3,796	-	-	-
Dry hydrants (current year budget)	(20,241)	-	20,241	-	-	-
Health Centre - HVAC	(13,260)	-	13,260	-	-	-
Health Centre - water system	-	(30,960)	30,960	-	-	-
Fire protection vehicle disposals	50,333	(8,285)	8,285	-	-	-
Disposal of old fire hall	88,168	-	(50,333)	-	-	-
	(66,926)	4,019	1,534,970	234,445	1,706,508	1,850,921
Budgeted transfers	(124,166)	(10,000)	-	134,166	-	-
Transfer of prior year surplus	-	(9,013)	-	9,013	-	-
Reserve funds interest income	(2,664)	(122)	-	2,786	-	-
Fire protection - capital purchases per Bylaws	58,232	-	-	(58,232)	-	-
Health Centre - capital purchases per Bylaws	-	39,245	-	(39,245)	-	-
<b>NET SURPLUS (DEBT) - END OF YEAR</b>	\$ (135,524)	\$ 24,129	\$ 1,534,970	\$ 282,933	\$ 1,706,508	\$ 1,850,921

The accompanying notes and schedules are an integral part of these financial statements.

**MAYNE ISLAND IMPROVEMENT DISTRICT****Statement of Cash Flows****Year Ended December 31, 2014**

	2014	2013
<b>OPERATING ACTIVITIES</b>		
Annual Surplus	\$ (144,413)	\$ 163,414
Items not affecting cash:		
Amortization of tangible capital assets	118,167	139,074
Loss (gain) on disposal of assets	127,501	(259)
	<u>101,255</u>	<u>302,229</u>
Changes in non-cash working capital:		
Accounts receivable	13,146	(29,169)
Accounts payable and accrued liabilities	78,553	2,921
Prepaid expenses	(1,490)	(1,351)
Prepaid temporary occupancy costs	(18,196)	-
	<u>72,013</u>	<u>(27,599)</u>
Cash flow from operating activities	<u>173,268</u>	<u>274,630</u>
<b>CAPITAL TRANSACTIONS</b>		
Purchase of capital assets	(441,405)	(629,605)
Proceeds on disposal of capital assets	11,000	4,000
	<u>-</u>	<u>-</u>
Cash flow used by capital transactions	<u>(430,405)</u>	<u>(625,605)</u>
<b>INVESTING TRANSACTIONS</b>		
(Increase) decrease in renewal reserve funds	<u>(48,488)</u>	<u>201,813</u>
<b>FINANCING ACTIVITY</b>		
Proceeds from bank debt	<u>301,080</u>	<u>-</u>
<b>DECREASE IN CASH FLOW</b>	<u>(4,545)</u>	<u>(149,162)</u>
Cash - beginning of year	<u>232,927</u>	<u>382,089</u>
<b>CASH - END OF YEAR</b>	<u>\$ 228,382</u>	<u>\$ 232,927</u>

The accompanying notes and schedules are an integral part of these financial statements.

# MAYNE ISLAND IMPROVEMENT DISTRICT

## Notes to Financial Statements

Year Ended December 31, 2014

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### 1. NATURE OF OPERATIONS

The Mayne Island Improvement District (the "Improvement District") is an Improvement District in British Columbia, Canada, governed by the Local Government Act, Letters Patent and its own bylaws. It is tax-exempt pursuant to the Canadian Income Tax Act.

The Improvement District is empowered to levy taxes to support the provisions of fire protection, the operation of the Mayne Island Health Centre and to ensure garbage disposal services are provided to the community. Fire protection consists of prevention services, fire control and public education. The Health Centre facility and heliport are maintained by the Improvement District while the operations are carried out in collaboration with the Mayne Island Health Centre Association (MIHCA). The Improvement District relegates the garbage collection operation to independent Mayne Island residents.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Basis of presentation

The financial statements were prepared in accordance with Canadian accounting standards for local governments (GAAP). This format conforms with the published model financial statements issued by the Local Government Division of the Ministry of Community, Sports, and Cultural Development of the Province of British Columbia.

The prior year comparatives were audited by another Chartered Accountant and are presented for comparative purposes only. Some of these figures have been reclassified to conform to the current year's presentation.

#### Renewal Reserve and Other Funds

Mayne Island Improvement District follows the deferral method of accounting for contributions.

Revenues and expenses related to fire protection, governance of the fire protection operations and the Health Centre are reported in the Operating Fund. The programs consist of fire protection and governance as well as the Health Care Centre and heliport. Costs specific to one function only are charged to the specific cost centre. When costs relate to the entire Improvement District, the expenses are consistently allocated 35% to Fire Protection, 30% to Governance of the Fire Protection operations, and 35% to the Health Centre.

The Tangible Capital Fund reports the assets, liabilities, revenues, and expenses related to Mayne Island Improvement District's capital assets and building improvements campaign.

The Renewal Reserve Funds are funds 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 and submitted for review to the Inspector of Municipalities. See Note 7.

#### Bank debt

During the year the Improvement District held a referendum passing the question to borrow \$2.4 million dollars for the construction of a new fire hall. The Improvement District has established credit facilities with the Royal Bank of Canada in the amount of \$2.4 million dollars in accordance with the Mayne Island Improvement District Borrowing Bylaw, 2014. Bank debt is recorded at amortized cost. See also Note 5.

*(continues)*



**MAYNE ISLAND IMPROVEMENT DISTRICT**  
**Notes to Financial Statements**  
**Year Ended December 31, 2014**

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Measurement uncertainty

The preparation of financial statements in conformity with Canadian accounting standards for local governments 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

Mayne Island Improvement District follows the deferral method of accounting for contributions.

Restricted contributions (if any) 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, including tax 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.

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, with one-half amortization charged in the year of acquisition:

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

The Improvement District regularly reviews its tangible capital assets to eliminate obsolete items.

Tangible capital assets acquired or constructed during the year but not placed into use are not amortized. The new fire hall has not been amortized and will likely be amortized at 40 years under the straight-line method.

Certain costs relating to the construction do not qualify as capital assets and are expensed during the year with an allocation as per the Improvement District's policies. These costs include temporary occupancy costs as these are rented on a monthly basis. Costs incurred during the year relating to the demolition of the previous fire hall, site expenses and referendum costs have been included in the costs of the new fire hall as these are considered costs of the construction. Once complete, the fire hall costs will be considered for its fair value and any impairments will be expensed in that year.

**MAYNE ISLAND IMPROVEMENT DISTRICT**

**Notes to Financial Statements**

**Year Ended December 31, 2014**

**3. TANGIBLE CAPITAL ASSETS**

	Cost	Accumulated amortization	2014 Net book value	2013 Net book value
<b><u>Fire Protection</u></b>				
Land	\$ 3,650	\$ -	\$ 3,650	\$ 3,650
Building - fire hall	-	-	-	88,168
Building - new fire hall	376,570	-	<b>376,570</b>	11,708
Computer equipment	42,893	36,102	<b>6,791</b>	21,959
Equipment - other	10,337	9,984	<b>353</b>	1,386
Fire fighting clothing	56,010	48,140	<b>7,870</b>	13,471
Fire fighting equipment	167,532	112,456	<b>55,076</b>	50,576
Generator	108,072	38,964	<b>69,108</b>	70,622
Paving	43,667	37,117	<b>6,550</b>	8,733
Radios and pagers	15,587	15,587	-	-
Vehicles	985,402	455,208	<b>530,194</b>	620,768
Water access and equipment	47,830	19,065	<b>28,765</b>	19,625
Water storage	55,197	38,961	<b>16,236</b>	18,996
	<u>1,912,747</u>	<u>811,584</u>	<u><b>1,101,163</b></u>	<u>929,662</u>
<b><u>Health Centre</u></b>				
Building	571,749	183,633	<b>388,116</b>	372,681
Computer equipment	14,627	10,970	<b>3,657</b>	10,970
Equipment	595	387	<b>208</b>	268
Heliport	55,673	23,435	<b>32,238</b>	35,022
Water system	10,682	1,094	<b>9,588</b>	1,630
	<u>653,326</u>	<u>219,519</u>	<u><b>433,807</b></u>	<u>420,571</u>
	<u>\$ 2,566,073</u>	<u>\$ 1,031,103</u>	<u>\$ 1,534,970</u>	<u>\$ 1,350,233</u>

**4. LOSSES ON DISPOSAL OF ASSETS**

The losses on disposal of assets include losses from the sale of vehicles with a loss of \$50,333 (mini-pumper truck and a tender). In addition, the old fire hall was removed from the financials during the year with a loss of \$88,168.

**5. CREDIT FACILITY**

The Improvement District has a credit facility with Royal Bank of Canada, which includes an approved operating line that can be drawn upon to a maximum of \$2,400,000. The credit facility bears interest accrued daily at RBC prime + 0% (2.85% at December 31, 2014). At December 31, 2014 the amount owing was \$301,080. Interest is calculated annually and payable in one year with a date to be determined. No interest has been accrued on this loan.

The loan is repayable in full November 30, 2015 or earlier when funding is received by way of a debenture from the Province of British Columbia. This loan is in accordance with the Mayne Island Improvement District Borrowing Bylaw, 2014.

**MAYNE ISLAND IMPROVEMENT DISTRICT**  
**Notes to Financial Statements**  
**Year Ended December 31, 2014**

6. ACCUMULATED SURPLUS

Accumulated surplus is represented by the following:

	2014	2013
Tangible capital assets (Note 3)	\$ 1,534,970	\$ 1,350,233
Fire Department Operating Surplus	(135,524)	226,713
Health Centre Operating Surplus	24,129	39,530
Renewal reserve funds (Note 7)	282,933	234,445
	\$ 1,706,508	\$ 1,850,921

7. RENEWAL RESERVE FUNDS

Renewal reserve funds are comprised of the following:

	2014	2013
<b>Renewal Reserve Funds</b>		
Fire Department Reserve Funds	\$ 279,449	\$ 210,851
Health Centre Reserve Funds	3,484	23,594
	\$ 282,933	\$ 234,445

Renewal reserve funds are held in separate interest earning cash or cash equivalent accounts in accordance to the Improvement District's policies.

8. FIRE HALL BUILDING COMMITMENT

The Improvement District has committed to the construction of a new fire hall with an expected completion in 2015 as established by the passing of the referendum during the year. Construction began during the year with the demolition of the previous fire hall and temporary facilities being rented and set up on the Improvement District's grounds for the fire department and administration offices while the construction takes place. Temporary occupancy costs for these offices do not qualify as capital assets and are expensed during the year with an allocation as per the Improvement District's policies. Other costs relating to the demolition, referendum and preparing for construction have been included in capital assets as per Note 3 above with the use of the debt as per Note 5 above. Budgets and costs for the overall fire hall build are closely monitored.

9. CONTRIBUTION OF EXTENSION TO HEALTH CENTRE

In the prior year, contributions in the amount of \$149,377 consist of the building expansion to the Health Centre from the Mayne Island Health Centre Association (MIHCA). These funds were raised through MIHCA in order to build the new emergency room, storage rooms and a wheelchair accessible washroom. The addition to the building was transferred to the Improvement District once construction was complete as the Improvement District acts as the landlord for the premises while MIHCA is responsible for providing funds for the purchase of some medical and office equipment, co-ordinating the services within the building, and developing programs in co-operation with the Vancouver Island Health Authority for the benefit of the island population.

**MAYNE ISLAND IMPROVEMENT DISTRICT**

**Notes to Financial Statements**

**Year Ended December 31, 2014**

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10. OTHER COMMITMENTS

The Improvement District has entered into various agreements with other organizations regarding the construction, leases and rentals and other matters. These agreements are made in accordance to the Bylaws which have been approved by the trustees of the Improvement District and submitted for review to the Inspector of Municipalities.

During the year, the Improvement District entered into a lease as the lessor with the Mayne Island Volunteer Firefighters' Association, whereby the Improvement District donated a building, with a nominal fair value, and agreed to lease the lands for a nominal value under a Ground Lease agreement dated May 9, 2014.

**MAYNE ISLAND IMPROVEMENT DISTRICT**

**Fire Protection Expenditures**

**(Schedule 1)**

**Year Ended December 31, 2014**

	Budget 2014	Actual 2014	Actual 2013
<b>FIRE PROTECTION EXPENDITURES</b>			
Appreciation and awards	\$ 2,000	\$ 3,389	\$ 1,822
Audit fees	3,150	4,375	4,025
Building repairs and maintenance	8,964	7,464	14,093
Education and training	38,400	34,549	53,383
Equipment maintenance and supplies	33,898	36,283	35,183
Firefighter clothing	2,000	4,684	3,459
Fire prevention education	4,000	3,709	3,714
Insurance	6,705	5,825	6,972
Office supplies and sundry	5,600	6,856	6,232
Software - Fire Department	1,150	1,144	1,121
Subscriptions and dues	1,975	1,183	2,010
Telecommunications	5,000	6,996	3,707
Temporary occupancy costs (Notes 3, 8)	-	31,477	-
Travel	2,372	1,704	2,993
Utilities	6,300	6,934	6,885
Vehicle fuel and insurance	6,750	10,084	10,070
Vehicle repairs and maintenance	25,333	25,310	33,483
Wages and benefits - MIID office staff	27,348	29,048	21,349
Wages and benefits - firefighters	225,248	226,516	201,781
	<u>\$ 406,193</u>	<u>\$ 447,530</u>	<u>\$ 412,282</u>

The accompanying notes and schedules are an integral part of these financial statements.

**MAYNE ISLAND IMPROVEMENT DISTRICT**

**Governance Expenditures**

**(Schedule 2)**

**Year Ended December 31, 2014**

	Budget 2014	Actual 2014	Actual 2013
<b>GOVERNANCE EXPENDITURES</b>			
Audit fees	\$ 2,700	\$ 3,750	\$ 3,450
Bank charges	1,000	1,025	1,112
Building and grounds maintenance	1,540	1,305	668
Insurance	878	878	878
Legal	3,500	3,146	4,826
Newsletters and bulletins	300	98	-
Office supplies and equipment	5,000	5,383	5,283
Public meetings, freedom of information, misc	1,900	636	955
Telecommunications	3,318	4,062	1,691
Temporary occupancy costs (Notes 3, 8)	-	8,398	-
Training and continuing education	3,000	1,925	-
Travel	500	36	782
Wages and benefits of MIID office staff	25,044	26,524	25,381
Water operations	920	817	-
Website related costs	-	-	2,037
	<u>\$ 49,600</u>	<u>\$ 57,983</u>	<u>\$ 47,063</u>

The accompanying notes and schedules are an integral part of these financial statements.

## MAYNE ISLAND IMPROVEMENT DISTRICT

## Health Centre Expenditures

(Schedule 3)

Year Ended December 31, 2014

	Budget 2014	Actual 2014	Actual 2013
<b>HEALTH CENTRE EXPENDITURES</b>			
Audit fees	\$ 3,150	\$ 4,375	\$ 4,025
Billing costs	7,000	6,532	5,460
Building repairs and maintenance	27,002	29,137	23,281
Heliport operations and insurance	3,400	3,002	2,244
Insurance	8,668	8,707	8,541
Legal	1,500	1,124	2,324
Operations manager	7,500	4,575	5,509
Telephone, internet and utilities	7,250	5,066	5,998
Temporary occupancy costs (Notes 3, 8)	-	9,798	-
Wages and benefits - MIID office staff	29,857	30,599	21,349
Water system	1,000	1,658	1,128
	<b>\$ 96,327</b>	<b>\$ 104,573</b>	<b>\$ 79,859</b>

The accompanying notes and schedules are an integral part of these financial statements.