
MAYNE ISLAND IMPROVEMENT DISTRICT
FINANCIAL STATEMENTS
DECEMBER 31, 2013

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INDEPENDENT AUDITORS' REPORT

TO: The Board of Trustees
MAYNE ISLAND IMPROVEMENT DISTRICT

I have audited the accompanying financial statements of Mayne Island Improvement District, which comprise the statement of financial position as at December 31, 2013 and the statements of operations and cash flows for the year then, as well as 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.

Auditor's responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

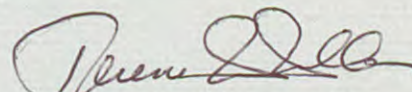
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the 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.

I believe the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Mayne 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 the Canadian Institute of Chartered Accountants' Public Sector Accounting Board's recommended accounting principles for local Governments.

April 14, 2014
Vancouver, Canada


Chartered Accountant

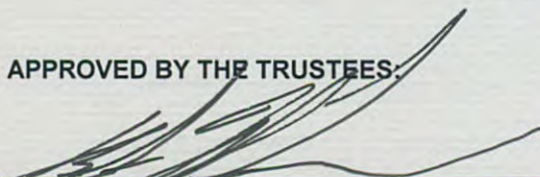
Terence M. Miller CHARTERED ACCOUNTANT

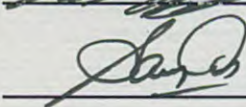
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**MAYNE ISLAND IMPROVEMENT DISTRICT
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2013**

	<u>2013</u>	<u>2012</u>
FINANCIAL ASSETS		
Cash	\$ 232,927	\$ 382,089
Bank term deposits for renewal reserve funds - below & Note 1	234,445	436,259
Accounts receivable	41,880	12,711
	<u>509,252</u>	<u>831,059</u>
 LIABILITIES		
Accounts payable and accrued liabilities	<u>27,495</u>	<u>24,576</u>
 NET FINANCIAL ASSETS	<u>481,757</u>	<u>806,483</u>
 NON-FINANCIAL ASSETS		
Tangible capital assets - below & Notes 1 & 2	1,350,233	863,443
Prepaid expenses	18,931	17,580
	<u>1,369,164</u>	<u>881,023</u>
 ACCUMULATED SURPLUS	<u>\$ 1,850,921</u>	<u>\$ 1,687,506</u>
 ACCUMULATED SURPLUS REPRESENTED BY:		
Tangible capital assets - above & Note 2	\$ 1,350,233	\$ 863,443
Renewal reserve funds - above, Note 1 and Schedule 3 (Page 11)	234,445	436,259
Operating surplus - Schedule 4 (Page 12)	<u>266,243</u>	<u>387,804</u>
	<u>\$ 1,850,921</u>	<u>\$ 1,687,506</u>

APPROVED BY THE TRUSTEES:





**MAYNE ISLAND IMPROVEMENT DISTRICT
STATEMENT OF OPERATIONS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012**

	<u>Budget 2013</u>	<u>Actual, by fund</u>		<u>Total Actual 2013</u>	<u>Total Actual 2012</u>
		<u>Fire Protection</u>	<u>Health Centre</u>		
REVENUES					
Fire Protection and Governance					
Schedule 1 (Page 9)	\$ 578,944	\$ 593,006		\$ 593,006	\$ 582,271
Health Centre - Schedule 2 (Page 10)	98,419		\$ 248,429	248,429	116,088
	<u>677,363</u>	<u>593,006</u>	<u>248,429</u>	<u>841,435</u>	<u>698,359</u>
EXPENSES					
Fire Protection - Schedule 1 (Page 9)	369,121	412,282		412,282	336,778
Governance - Schedule 1 (Page 9)	54,823	47,064		47,064	42,676
Health Centre - Schedule 2 (Page 10)	88,419		79,859	79,859	72,091
Total Expenses	<u>512,363</u>	<u>459,346</u>	<u>79,859</u>	<u>539,205</u>	<u>451,545</u>
OPERATING INCOME (LOSS) BEFORE:	165,000	133,660	168,570	302,230	246,814
Transfers to reserves (Schedule 3)	(165,000)				
Amortization of Capital Assets		(120,561)	(18,254)	(138,815)	(98,785)
ANNUAL SURPLUS (DEFICIT)	<u>\$ -</u>	<u>\$ 13,099</u>	<u>\$ 150,316</u>	163,415	148,029
ACCUMULATED SURPLUS, BEGINNING OF YEAR				<u>1,687,506</u>	<u>1,539,477</u>
ACCUMULATED SURPLUS, END OF YEAR (The composition of the surplus is presented on the Statement of Financial Position Page 2)				<u>\$1,850,921</u>	<u>\$1,687,506</u>

**MAYNE ISLAND IMPROVEMENT DISTRICT
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012**

	<u>2013</u>	<u>2012</u>
OPERATING TRANSACTIONS		
Annual surplus	\$ 163,413	\$ 148,029
Add back amortization, an expense not requiring the use of cash	138,815	98,785
(Increase)/decrease of accounts receivable	(29,169)	(1,770)
(Increase)/decrease in prepaid expenses	(1,351)	(146)
Increase/(decrease) in accounts payable and accruals	<u>2,921</u>	<u>(8,983)</u>
Cash provided by operating transactions	<u>274,629</u>	<u>235,915</u>
CAPITAL TRANSACTIONS		
Cash used to acquire tangible capital assets	(629,605)	(59,945)
Proceeds from sale of retired command vehicle	<u>4,000</u>	<u> </u>
Net Cash used to acquire capital assets	<u>(625,605)</u>	<u>(59,945)</u>
INVESTING TRANSACTIONS		
(Increase) decrease in bank term deposits	<u>201,814</u>	<u>(100,382)</u>
FINANCING TRANSACTIONS		
Heliport principle loan payments	<u> </u>	(5,000)
Equipment principle loan payments	<u> </u>	(1,167)
Generator loan payments	<u> </u>	(4,062)
Cash used to pay out the bank debt	<u> </u>	<u>(10,229)</u>
NET INCREASE (DECREASE) IN CASH DURING THE YEAR	(149,162)	65,359
CASH , BEGINNING OF YEAR	<u>382,089</u>	<u>316,730</u>
CASH (as shown on Statement of Financial Position), END OF YEAR	<u>\$ 232,927</u>	<u>\$ 382,089</u>

**MAYNE ISLAND IMPROVEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013**

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

Purpose of the organization

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

The objects of the Improvement District are the provision of fire protection, the provision of garbage collection and disposal, the operation and maintenance 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. While the Improvement District operates the fire department and maintains the Health Centre building, it relies on the Mayne Island Health Centre Association to operate the Health Centre and it relegates the garbage collection operation to independent Mayne Island residents.

Accounting principles for Local Government

The financial statements of the Improvement District have been prepared using the Canadian Public Sector Accounting Board (PSAB) pronouncements relating to local government entities. Additionally, the format conforms with 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.

Renewal Reserve Funds

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 invested in bank term deposits. 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.

Basis of Presentation of Schedules

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

- The Fire Protection Operating Fund reports the revenue and expenses for fire protection, and is further divided into actual Fire protection and Governance.
- The Health Centre Operating Fund reports the revenue and expenses for the operation and maintenance of the Mayne Island Health Centre, including the heliport.

When costs relate to one function only, the costs are charged against that specific cost centre. When costs relate to the entire Improvement District, they are consistently allocated 35% to Fire Protection, 30% to Governance of the Fire Protection operations, and 35% to the Health Centre.

Use of Estimates

The preparation of financial statements in accordance with Canadian accounting standards for Government not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from Management's best estimates as additional information becomes available in the future.

**MAYNE ISLAND IMPROVEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013**

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Instruments

The Guaranteed Investment certificates (the Royal Bank of Canada term deposits) are recorded at cost. If the maturity date of the term deposit is more than one year, interest is accrued annually. All other financial instruments (if any) are reported at cost or amortized cost less impairment, if applicable. Financial assets are tested for impairment when changes in circumstances indicate the asset could be impaired.

Capital Assets

Capital Assets are recorded at cost and are 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 during the fiscal year. The amortization charge of \$138,815 reported on the Statement of Operations consists of: traditional amortization of \$119,074; extra amortization in 2013 of \$20,000 (because of the recognition that the estimated fair market value is sufficiently less than the net book value of one vehicle); net of a gain of \$259 on the disposal of a different vehicle.

Revenue Recognition

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 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, 2013**

NOTE 2 - CAPITAL ASSETS

	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>	
			<u>2013</u>	<u>2012</u>
Fire Protection				
Land	\$ 3,650	\$	\$ 3,650	\$ 3,650
Building – fire hall	159,402	71,234	88,168	91,841
New fire hall and referendum	11,708		11,708	
Computer equipment	42,893	20,934	21,959	5,577
Equipment - other	10,337	8,951	1,386	2,420
Fire fighting clothing	56,010	42,539	13,471	19,072
Fire fighting equipment	147,291	96,715	50,576	65,304
Generator	104,277	33,655	70,622	75,836
Paving	43,666	34,933	8,733	10,917
Radios and pagers	15,587	15,587		2,404
Vehicles	1,161,221	540,453	620,768	320,446
Water storage	55,197	36,201	18,996	21,756
Water access and related equipment	<u>34,570</u>	<u>14,945</u>	<u>19,625</u>	<u>6,920</u>
	<u>1,845,809</u>	<u>916,147</u>	<u>929,662</u>	<u>626,143</u>
Health Centre				
Building	540,788	168,107	372,681	197,418
Computer equipment	14,627	3,657	10,970	
Equipment	595	327	268	327
Heliport	55,673	20,651	35,022	37,805
Water system	<u>2,397</u>	<u>767</u>	<u>1,630</u>	<u>1,750</u>
	<u>614,080</u>	<u>193,509</u>	<u>420,571</u>	<u>237,300</u>
Total tangible capital assets	\$ <u>2,459,889</u>	\$ <u>1,109,656</u>	\$ <u>1,350,233</u>	\$ <u>863,443</u>

NOTE 3 - FIRE PROTECTION RESERVE FUND

Over the years, the Trustees have maintained one reserve fund for the Health Centre and three reserve funds for Fire Protection. While they intend to always have a separate Health Centre Building Reserve Fund, they decided during the year to streamline their operations by merging the three Fire Protection Reserve Funds (Equipment, Vehicles, and Building) into one Combined Fire Protection Reserve Fund. The merging of the three Reserve Funds reduces the paperwork and administration of separate term deposits and should reduce the constant requirement need for processing by-laws. The reader of these statements will notice the change on the Schedule 3 - Continuity of Reserves.

**MAYNE ISLAND IMPROVEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013**

NOTE 4 - CONTRIBUTION OF EXTENSION TO HEALTH CENTRE

While the Health Centre is owned and maintained by the Mayne Island Improvement District (MIID), The Mayne Island Health Centre Association (MIHCA) and the MIID share the responsibility of operating the facility. MIID essentially acts as landlord of the premises, and MIHCA is responsible for providing funds for the purchase of medical and office equipment, co-ordinating the operations within the building, and developing programs in co-operation with the Vancouver Island Health Authority for the benefit of the island population.

During 2010, it was identified that there was a significant need for a building expansion which would include a new emergency room with an exterior/interior storage cupboard for oxygen cylinders, a wheelchair accessible washroom and a designated storage room for medical supplies and equipment. It was also recognized that if MIID was to cover the expenses, there would likely be a requirement for a referendum to approve the expenditure, and there would likely be a considerable time delay.

Accordingly, during 2011, MIHCA began its fund raising campaign, and within a year, approximately \$170,000 was raised; mostly from local residents. Construction commenced in November 2012 and the project was completed by the summer of 2013. The ownership of the building expansion was transferred to MIID at that time. The cost of the addition, excluding HST/GST, was \$149,377. This amount appears in the revenue section of Schedule 2, as the major portion of the "Contributions and donations".

NOTE 5 - SUBSEQUENT EVENT

The Trustees have scheduled a referendum during April 2014 for the purpose of requesting authorization to borrow up to \$2.4 million dollars for the construction of a new fire hall

NOTE 6 - COMPARITIVE FIGURES

Some comparative figures have been re-grouped to be comparable to the presentation adopted in the current fiscal year.

MAYNE ISLAND IMPROVEMENT DISTRICT
SCHEDULE 1 - FIRE PROTECTION AND GOVERNANCE REVENUES AND EXPENDITURES
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

	<u>Budget 2013</u>	<u>Actual 2013</u>	<u>Actual 2012</u>
REVENUES FOR FIRE PROTECTION AND GOVERNANCE			
Fire Protection and Governance tax levies	\$ 573,444	\$ 573,444	\$ 572,843
Donations received			650
Burn permits	3,000	3,140	3,125
Investment income earned on "Reserves" funds		2,135	2,837
Various other revenues	2,500	14,287	2,816
	<u>\$ 578,944</u>	<u>\$ 593,006</u>	<u>\$ 582,271</u>
EXPENSES FOR FIRE PROTECTION			
Audit fees	\$ 3,150	\$ 4,025	\$ 2,975
Appreciation and awards	1,500	1,822	1,495
Asset and inventory management			69
Building repairs and maintenance	5,560	14,093	6,549
Record keeping for volunteer firefighters			869
Education and training	30,700	53,382	21,519
Equipment maintenance and supplies	35,520	35,183	23,601
Fire prevention education	3,000	3,714	2,874
Insurance	7,200	6,972	8,224
Interest			17
Office supplies in firehall	4,600	6,233	3,811
Software Fire Department annual maintenance fees	2,000	1,121	1,138
Subscriptions and dues	1,906	2,010	2,957
Telecommunications	6,200	3,707	7,854
Travel	500	2,993	492
Firefighter clothing	2,000	3,459	1,978
Utilities	6,500	6,885	5,767
Vehicle fuel and insurance	6,000	10,070	6,703
Vehicle repairs and maintenance	16,075	33,483	14,008
Wages and payroll taxes of MIID office staff	21,039	21,349	16,984
Wages and payroll costs of full-time and volunteer firefighters	215,671	201,781	206,894
	<u>\$ 369,121</u>	<u>\$ 412,282</u>	<u>\$ 336,778</u>
EXPENSES FOR GOVERNANCE			
Audit fees	\$ 2,700	\$ 3,450	\$ 2,550
Bank charges	780	1,112	1,157
Consulting fees			822
Building and grounds maintenance	1,500	668	999
Insurance	910	878	878
Legal	3,500	4,826	1,151
Newsletters and bulletins	1,200		950
Office supplies and equipment	8,000	5,283	7,352
Public meetings, freedom of information, etc.	2,900	955	1,057
Telecommunications	2,500	1,691	2,396
Travel expense	500	782	8
Wages and payroll taxes of MIID office staff	23,833	25,382	18,756
Website related costs	6,500	2,037	4,600
	<u>\$ 54,823</u>	<u>\$ 47,064</u>	<u>\$ 42,676</u>

**MAYNE ISLAND IMPROVEMENT DISTRICT
SCHEDULE 2 - HEALTH CENTRE REVENUES AND EXPENDITURES
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012**

	<u>Budget 2013</u>	<u>Actual 2013</u>	<u>Actual 2012</u>
REVENUES			
Health Centre tax levies	\$ 84,419	\$ 84,429	\$ 101,265
Rent	12,000	12,000	12,000
Contributions and donations - Note 4		149,557	
Investment income earned on "Reserves" funds		257	173
Penalties and Interest on tax levy	2,000	2,186	2,650
	<u>\$ 98,419</u>	<u>\$ 248,429</u>	<u>\$ 116,088</u>
EXPENSES			
Audit fees	\$ 3,150	\$ 4,025	\$ 2,975
Billing costs	9,020	5,460	7,842
Building repairs and maintenance	24,595	23,281	20,840
Heliport operation	2,000	91	26
Insurance	10,690	10,693	8,988
Interest			41
Legal	1,500	2,324	205
Operations manager	9,000	5,509	6,394
Telecommunications	1,925	1,470	2,354
Utilities	4,500	4,529	4,009
Wages and payroll taxes of MIID office staff	21,039	21,349	17,437
Water testing	1,000	1,128	980
	<u>\$ 88,419</u>	<u>\$ 79,859</u>	<u>\$ 72,091</u>

**MAYNE ISLAND IMPROVEMENT DISTRICT
SCHEDULE 3 - CONTINUITY OF RESERVES
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2013**

	Fire Protection Reserves		Combined Fire Protection	Health Centre Building	Total	
	Equipment	Vehicles				
Balance of reserves, Dec. 31, 2011	\$ 15,197	\$ 115,550	\$ 183,641	\$ 314,388	\$ 21,489	\$ 335,877
Transactions in 2012						
Budgeted transfers to increase reserves	5,000	60,000	50,000	115,000	10,000	125,000
Transfer to reserves the 2011 Health Centre surplus					25,322	25,322
Interest income	180	1,040	1,616	2,836	173	3,009
Donations received towards new firehall			650	650		650
Acquisition of "Utility 1" pick-up truck		(43,677)		(43,677)		(43,677)
Acquisition of transferrable forest fire skid unit equipment for "Utility 1"	(9,922)			(9,922)		(9,922)
Change in reserves during 2012	<u>(4,742)</u>	<u>17,363</u>	<u>52,266</u>	<u>64,887</u>	<u>35,495</u>	<u>100,382</u>
Balance of reserves, Dec. 31, 2012	\$ 10,455	\$ 132,913	\$ 235,907	379,275	56,984	436,259
Transactions in 2013 (Note)						
Budgeted transfers from current operations to increase reserves				155,000	10,000	165,000
Transfer to reserves the 2011 and 2012 Fire protection surpluses				102,520		102,520
Transfer to reserves the 2012 Health Centre surplus					8,502	8,502
Interest income				2,135	257	2,392
Acquisition of new accounting software				(27,164)	(14,627)	(41,791)
Acquisition of Engine "2" fire truck				(373,815)		(373,815)
Acquisition of dry hydrants				(15,392)		(15,392)
Costs incurred re new fire hall				(11,708)		(11,708)
MIID's costs re Health Centre expansion					(37,522)	(37,522)
Change in reserves during 2013				<u>(168,424)</u>	<u>(33,390)</u>	<u>(201,814)</u>
Balance of reserves, Dec. 31, 2013				\$ 210,851	\$ 23,594	\$ 234,445

**MAYNE ISLAND IMPROVEMENT DISTRICT
SCHEDULE 4 - CONTINUITY OF SURPLUS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2013**

	Operating surplus				Total	
	Fire Protection	Health Centre	Operating Surplus	Capital Assets Surplus		Reserves Surplus
Accumulated Surplus, Dec 31, 2011	\$ 270,724	\$ 30,593	\$ 301,317	\$ 902,283	\$ 335,877	\$ 1,539,477
Transactions in 2012						
Net 2012 surplus - from Statement of Operations (Page 3)	116,013	32,016	148,029			148,029
Net Capital asset changes						
amortization of cost of Capital Assets	86,804	11,981	98,785	(98,785)		
Capital Asset acquisitions in year	(59,945)		(59,945)	59,945		
Net changes to reserves - see schedule 3	(64,887)	(35,495)	(100,382)		100,382	
Change in surplus in year	77,985	8,502	86,487	(38,840)	100,382	148,029
Accumulated surplus, Dec 31, 2012	348,709	39,095	387,804	863,443	436,259	1,687,506
Transactions in 2013						
Net 2013 surplus - from Statement of Operations (Page 3)	13,099	150,316	163,415			163,415
Net Capital asset changes						
amortization of cost of Capital Assets	120,561	18,254	138,815	(138,815)		
Capital Asset purchases in year, net of disposals	(424,080)	(52,148)	(476,228)	476,228		
Health Care building expansion contribution (Note 4)		(149,377)	(149,377)	149,377		
Net changes to reserves - see schedule 3	168,424	33,390	201,814		(201,814)	
Change in surplus in year	(121,996)	435	(121,561)	486,790	(201,814)	163,415
Accumulated surplus, Dec 31, 2013	\$ 226,713	\$ 39,530	\$ 266,243	\$ 1,350,233	\$ 234,445	\$ 1,850,921