
MAYNE ISLAND IMPROVEMENT DISTRICT
FINANCIAL STATEMENTS
DECEMBER 31, 2012

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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, 2012 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.

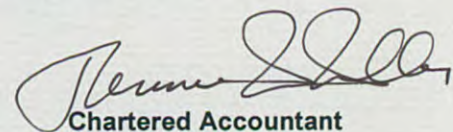
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or 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, 2012 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.

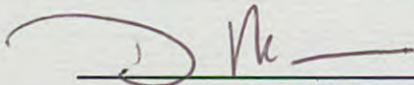
**April 8, 2013
Vancouver, Canada**

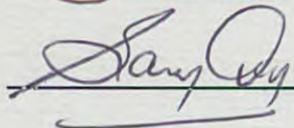

Chartered Accountant

**MAYNE ISLAND IMPROVEMENT DISTRICT
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2012**

	December 31 2012	December 31 2011
FINANCIAL ASSETS		
Cash	\$ 382,089	\$ 316,730
Bank term deposits for renewal reserve funds - below & Note 1	436,259	335,877
Accounts receivable	12,711	10,941
	831,059	663,548
 LIABILITIES		
Accounts payable and accrued liabilities	24,576	33,559
Bank borrowings - Note 2		10,229
	24,576	43,788
 NET FINANCIAL ASSETS	806,483	619,760
 NON-FINANCIAL ASSETS		
Tangible capital assets - Notes 1 & 3	863,443	902,283
Prepaid expenses	17,580	17,434
	881,023	919,717
 ACCUMULATED SURPLUS	\$ 1,687,506	\$ 1,539,477
 ACCUMULATED SURPLUS REPRESENTED BY:		
Tangible capital assets - above & Note 3	\$ 863,443	\$ 902,283
Renewal reserve funds - above, Note 1 and Schedule 3 (Page 10)	436,259	335,877
Operating surplus - Schedule 4 (Page 11)	387,804	301,317
	\$ 1,687,506	\$ 1,539,477

APPROVED BY THE TRUSTEES:





**MAYNE ISLAND IMPROVEMENT DISTRICT
STATEMENT OF OPERATIONS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011**

	<u>Budget 2012</u>	<u>Actual, by fund</u>		<u>Total Actual 2012</u>	<u>Total Actual 2011</u>
		<u>Fire Protection</u>	<u>Health Centre</u>		
REVENUES					
Fire Protection and Governance Schedule 1 (Page 8)	\$ 577,843	\$ 582,271		\$ 582,271	\$ 602,557
Health Centre - Schedule 2 (Page 9)	113,302		\$ 116,088	116,088	117,161
	<u>691,145</u>	<u>582,271</u>	<u>116,088</u>	<u>698,359</u>	<u>719,718</u>
EXPENSES					
Fire Protection - Schedule 1 (Page 8)	393,453	336,778		336,778	363,593
Governance - Schedule 1 (Page 8)	58,680	42,676		42,676	59,424
Health Centre - Schedule 2 (Page 9)	90,243		72,091	72,091	81,725
	<u>542,376</u>	<u>379,454</u>	<u>72,091</u>	<u>451,545</u>	<u>504,742</u>
Total Expenses					
NET SURPLUS BEFORE OTHER ITEMS	<u>\$ 148,769</u>	202,817	43,997	246,814	214,976
Amortization of Capital Assets		(86,804)	(11,981)	(98,785)	(92,809)
Failed referendum new fire hall expenditures					(3,746)
ANNUAL SURPLUS (DEFICIT)		<u>\$ 116,013</u>	<u>\$ 32,016</u>	148,029	118,421
ACCUMULATED SURPLUS, BEGINNING OF YEAR				<u>1,539,477</u>	<u>1,421,056</u>
ACCUMULATED SURPLUS, END OF YEAR (The composition of the surplus is presented on the Statement of Financial Position Page 2)				<u>\$1,687,506</u>	<u>\$1,539,477</u>

**MAYNE ISLAND IMPROVEMENT DISTRICT
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011**

	<u>2012</u>	<u>2011</u>
OPERATING TRANSACTIONS		
Annual surplus	\$ 148,029	\$ 118,421
Add back amortization, an expense not requiring the use of cash	98,785	92,809
(Increase)/Decrease of accounts receivable	(1,770)	9,156
(Increase)/Decrease in prepaid expenses	(146)	2,956
Deferred revenue of 2010 taken into income in 2011		(1,200)
Increase/(decrease) in accounts payable and accruals	(8,983)	9,515
Cash provided by operating transactions	<u>235,915</u>	<u>231,657</u>
CAPITAL TRANSACTIONS		
Cash used to acquire tangible capital assets	<u>(59,945)</u>	<u>(17,089)</u>
INVESTING TRANSACTIONS		
(Increase) decrease in bank term deposits	<u>(100,382)</u>	<u>(161,072)</u>
FINANCING TRANSACTIONS - Note 2		
Heliport principle loan payments	(5,000)	(15,000)
Equipment principle loan payments	(1,167)	(3,500)
Generator loan payments	<u>(4,062)</u>	<u>(16,250)</u>
Cash used to pay down bank debt	<u>(10,229)</u>	<u>(34,750)</u>
NET INCREASE IN CASH DURING THE YEAR	65,359	18,746
CASH , BEGINNING OF YEAR	<u>316,730</u>	<u>297,984</u>
CASH (as shown on Statement of Financial Position), END OF YEAR	<u>\$ 382,089</u>	<u>\$ 316,730</u>

**MAYNE ISLAND IMPROVEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012**

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 delegates 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, 2012**

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.

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, 2011**

NOTE 2 - BANK BORROWINGS

	<u>2012</u>	<u>2011</u>
Bank loan for the Heliport pursuant to by-law #82, repayable \$1,250 monthly plus interest.		\$ 5,000
Bank loan for Wildfire Fire Fighting Equipment pursuant to by-law #83, repayable \$292 monthly plus interest.		1,167
Bank demand loan for a generator pursuant to by-law #85, repayable \$1,354 monthly plus interest.		<u>4,062</u>
	<u>\$ NIL</u>	<u>\$ 10,229</u>

NOTE 3 - CAPITAL ASSETS

	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>	
			<u>2012</u>	<u>2011</u>
Fire Protection				
Land	\$ 3,650	\$ -	\$ 3,650	\$ 3,650
Building – fire hall	159,402	67,559	95,669	95,669
Computer equipment	15,730	10,153	5,577	3,654
Equipment - other	10,337	7,917	2,420	3,453
Fire fighting clothing	56,010	36,938	19,072	24,673
Fire fighting equipment	147,291	81,986	65,304	69,616
Generator	104,278	28,442	75,836	81,050
Paving	43,667	32,750	10,917	13,100
Radios and pagers	15,587	13,183	2,404	5,521
Vehicles	849,878	529,432	320,446	319,263
Water storage	55,197	33,441	21,756	24,516
Water access and related equipment	<u>19,177</u>	<u>12,257</u>	<u>6,920</u>	<u>8,838</u>
	<u>1,480,202</u>	<u>854,059</u>	<u>626,143</u>	<u>653,003</u>
Health Centre				
Building	353,890	156,472	197,418	206,436
Equipment	595	268	327	387
Heliport	55,673	17,868	37,805	40,589
Water system	<u>2,397</u>	<u>647</u>	<u>1,750</u>	<u>1,869</u>
	<u>412,555</u>	<u>175,255</u>	<u>237,300</u>	<u>249,281</u>
Total tangible capital assets	<u>\$ 1,892,757</u>	<u>\$ 1,029,314</u>	<u>\$ 863,443</u>	<u>\$ 902,283</u>

NOTE 4 - 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, 2012 AND 2011

	<u>Budget 2012</u>	<u>Actual 2012</u>	<u>Actual 2011</u>
REVENUES FOR FIRE PROTECTION AND GOVERNANCE			
Fire Protection and Governance tax levies	\$ 572,843	\$ 572,843	\$ 592,842
Donations received		650	
Burn permits	2,500	3,125	3,320
Investment income earned on "Reserves" funds		2,837	1,625
Various other revenues	2,500	2,816	4,770
	<u>\$ 577,843</u>	<u>\$ 582,271</u>	<u>\$ 602,557</u>
EXPENSES FOR FIRE PROTECTION			
Audit fees	\$ 4,200	\$ 2,975	\$ 3,440
Appreciation and awards	1,500	1,495	1,428
Asset and inventory management	1,000	69	413
Building repairs and maintenance	6,100	6,549	4,228
Record keeping for volunteer firefighters	3,000	869	3,100
Education and training	33,500	21,519	27,817
Equipment maintenance and supplies	24,905	23,601	5,832
Fire prevention education	3,000	2,874	2,036
Insurance	8,800	8,224	13,913
Interest	50	17	286
Office supplies in firehall	4,000	3,811	2,321
Software Fire Department annual maintenance fees	1,200	1,138	1,110
Subscriptions and dues	2,000	2,957	1,782
Telecommunications	8,500	7,854	5,282
Travel	1,000	492	1,016
Firefighter clothing	2,500	1,978	1,643
Utilities	6,000	5,767	5,517
Vehicle fuel and insurance	6,000	6,703	6,333
Vehicle repairs and maintenance	16,000	14,008	9,653
Wages and payroll taxes of MIID office staff	19,753	16,984	22,856
Wages and payroll costs of full-time and volunteer firefighters	240,445	206,894	243,587
	<u>\$ 393,453</u>	<u>\$ 336,778</u>	<u>\$ 363,593</u>
EXPENSES FOR GOVERNANCE			
Audit fees	\$ 3,600	\$ 2,550	\$ 3,011
Bank charges	650	1,157	975
Consulting fees	2,500	822	8,344
Building and grounds maintenance	1,200	999	5,210
Insurance	1,100	878	1,012
Legal	1,000	1,151	1,450
Newsletters and bulletins	3,000	950	1,784
Office supplies and equipment	8,000	7,352	4,769
Public meetings, freedom of information, etc.	1,900	1,057	1,653
Telecommunications	3,800	2,396	3,826
Travel expense	1,000	8	432
Wages and payroll taxes of MIID office staff	24,430	18,756	20,858
Website related costs	6,500	4,600	6,100
	<u>\$ 58,680</u>	<u>\$ 42,676</u>	<u>\$ 59,424</u>

**MAYNE ISLAND IMPROVEMENT DISTRICT
SCHEDULE 2 - HEALTH CENTRE REVENUES AND EXPENDITURES
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011**

	<u>Budget 2012</u>	<u>Actual 2012</u>	<u>Actual 2011</u>
REVENUES			
Health Centre tax levies	\$ 101,302	\$ 101,265	\$ 101,411
Rent	12,000	12,000	12,000
Contributions and donations - Note 2			1,200
Investment income earned on "Reserves" funds		173	114
Penalties and Interest on tax levy		2,650	2,436
	<u>\$ 113,302</u>	<u>\$ 116,088</u>	<u>\$ 117,161</u>
EXPENSES			
Audit fees	\$ 4,200	\$ 2,975	\$ 2,150
Billing costs	10,450	7,842	8,984
Building repairs and maintenance	23,925	20,840	18,051
Building roof replacement			9,985
Heliport operation	2,000	26	152
Insurance	7,900	8,988	7,749
Interest	440	41	587
Legal	3,000	205	1,651
Operations manager	11,000	6,394	9,060
Telecommunications (grouped with Fire Dept in 2011)	1,925	2,354	
Travel	150		75
Utilities	4,500	4,009	4,333
Wages and payroll taxes of MIID office staff	19,753	17,437	17,805
Water testing	1,000	980	1,143
	<u>\$ 90,243</u>	<u>\$ 72,091</u>	<u>\$ 81,725</u>

**MAYNE ISLAND IMPROVEMENT DISTRICT
SCHEDULE 3 - CONTINUITY OF RESERVES
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2012**

	<u>Fire Protection Reserves</u>			<u>Health Centre Building</u>	<u>Total</u>
	<u>Equipment</u>	<u>Vehicles</u>	<u>Building</u>		
Balance of reserves, Dec. 31, 2010	\$ 10,105	\$ 55,000	\$ 115,113	\$ 11,375	\$ 191,593
Transactions in 2011					
Budgeted transfers to increase reserves	5,000	60,000	50,000	10,000	125,000
Interest income	92	550	983	114	1,739
Transfer, back to reserves, of unused funds previously withdrawn for the "Control Cost Estimate" for the proposed new fire hall			17,545		17,545
Change in reserves during 2011	5,092	60,550	68,528	10,114	144,284
Balance of reserves, Dec. 31, 2011	15,197	115,550	183,641	21,489	335,877
Transactions in 2012					
Budgeted transfers to increase reserves	5,000	60,000	50,000	10,000	125,000
Interest income	180	1,040	1,616	173	3,009
Transfer to reserves the 2011 health Centre surplus				25,322	25,322
Donations received towards new firehall			650		650
Acquisition of "Utility 1" pick-up truck		(43,677)			(43,677)
Acquisition of transferrable forest fire skid unit equipment for "Utility 1"	(9,922)				(9,922)
Change in reserves during 2012	(4,742)	17,363	52,266	35,495	100,382
Balance of reserves, Dec. 31, 2012	\$ 10,455	\$ 132,913	\$ 235,907	\$ 56,984	\$ 436,259

**MAYNE ISLAND IMPROVEMENT DISTRICT
SCHEDULE 4 - CONTINUITY OF SURPLUS
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2012**

	Operating surplus				Total
	Protection	Health Centre	Operating Surplus	Capital Assets Surplus	
Accumulated Surplus, Dec 31, 2010	\$ 246,189	\$ 5,271	\$ 251,460	\$ 978,003	\$ 1,421,056
Transactions in 2011					
Net 2011 surplus - from Statement of Operations (Page X)	94,966	23,455	118,421		118,421
Net Capital asset changes					
amortization of cost of Capital Assets	80,828	11,981	92,809	(92,809)	
Capital Asset acquisitions in year	(17,089)		(17,089)	17,089	
Net changes to reserves - see schedule 3	(134,170)	(10,114)	(144,284)	144,284	
Change in surplus in year	24,535	25,322	49,857	(75,720)	118,421
Accumulated surplus, Dec 31, 2011	270,724	30,593	301,317	902,283	1,539,477
Transactions in 2012					
Net 2012 surplus - from Statement of Operations (Page X)	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)	148,029
Accumulated surplus, Dec 31, 2012	\$ 348,709	\$ 39,095	\$ 387,804	\$ 863,443	\$ 1,687,506