
MAYNE ISLAND IMPROVEMENT DISTRICT
FINANCIAL STATEMENTS
DECEMBER 31, 2011

	Page
Auditors' Report	1
Statement of Financial Position	2
Statement of Operations	3
Statement of Cash Flows	4
Notes to the Financial Statements	5 - 8
Schedule 1 – Fire Protection and Governance Revenues and Expenditures	9
Schedule 2 – Health Centre Revenues and Expenditures	10
Schedule 3 – Continuity of Reserves	11
Schedule 4 – Continuity of Surplus	12

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, 2011, and the statements of operations and cash flows for the year then ended, 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 that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

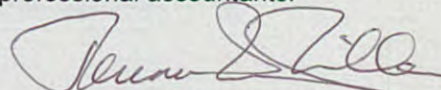
Opinion

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, 2011, and its financial performance and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles for local governments.

Comparative Figures for 2010

The comparative figures for 2010 were audited by another firm of professional accountants.

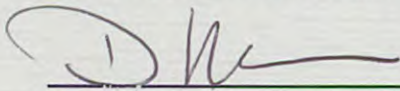
April 12, 2012
Vancouver, Canada

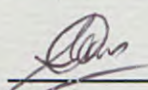

Chartered Accountant

**MAYNE ISLAND IMPROVEMENT DISTRICT
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2011 AND 2010**

	2011	2010
FINANCIAL ASSETS		
Cash	\$ 316,730	\$ 297,984
Bank term deposits - Note 2	335,877	174,805
Accounts receivable	10,941	20,097
	663,548	492,886
 LIABILITIES		
Accounts payable and accrued liabilities	33,559	24,044
Deferred revenue - Note 2		1,200
Bank borrowings - Note 3	10,229	44,979
	43,788	70,223
 NET FINANCIAL ASSETS	619,760	422,663
 NON-FINANCIAL ASSETS		
Tangible capital assets - Notes 2 & 4	902,283	978,003
Prepaid expenses	17,434	20,390
	919,717	998,393
 ACCUMULATED SURPLUS	\$ 1,539,477	\$ 1,421,056
 ACCUMULATED SURPLUS REPRESENTED BY:		
Tangible capital assets - Note 4	902,283	978,003
Renewal reserve funds - Note 2 and Schedule 3 (Page 11)	335,877	191,593
Operating surplus - Schedule 4 (Page 12)	301,317	251,460
	\$ 1,539,477	\$ 1,421,056

APPROVED BY THE TRUSTEES:





**MAYNE ISLAND IMPROVEMENT DISTRICT
STATEMENT OF OPERATIONS
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010**

	<u>Budget 2011</u>	<u>Actual 2011</u>	<u>Actual 2010</u>
REVENUES			
Fire Protection and Governance revenues - Schedule 1 (Page 9)	\$ 595,842	\$ 602,557	\$ 597,227
Health Centre revenues - Schedule 2 (Page 9)	<u>117,086</u>	<u>117,161</u>	<u>101,717</u>
	<u>712,928</u>	<u>719,718</u>	<u>698,944</u>
EXPENSES			
Fire Protection - Schedule 1 (Page 9)	385,912	360,153	341,262
Governance - Schedule 1 (Page 9)	72,995	62,864	50,747
Health Centre - Schedule 2 (Page 10)	<u>78,886</u>	<u>81,725</u>	<u>121,914</u>
Total Expenses	<u>537,793</u>	<u>504,742</u>	<u>513,923</u>
NET SURPLUS BEFORE OTHER ITEMS	<u>\$ 175,135</u>	214,976	185,021
Amortization of Capital Assets		(92,809)	(79,364)
Failed referendum new fire hall project expenditures		(3,746)	(205,014)
Gain (loss) on disposal of assets			<u>(6,369)</u>
ANNUAL SURPLUS (DEFICIT)		<u>118,421</u>	<u>(105,726)</u>
ACCUMULATED SURPLUS, BEGINNING OF YEAR		<u>1,421,056</u>	<u>1,526,782</u>
ACCUMULATED SURPLUS, END OF YEAR (The composition of the surplus is presented on the Statement of Financial Position Page 2)		<u>\$ 1,539,477</u>	<u>\$ 1,421,056</u>

**MAYNE ISLAND IMPROVEMENT DISTRICT
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010**

	<u>2011</u>	<u>2010</u>
OPERATING TRANSACTIONS		
Annual surplus (deficit)	\$ 118,421	\$ (105,726)
Amortization (an expense not requiring the use of cash)	92,809	79,364
Reduction in accounts receivable	9,156	3,528
Decrease in prepaid expenses	2,956	206
Deferred revenue of 2010 taken into income in 2011	(1,200)	1,200
Increase (decrease) in accounts payable and accruals	9,515	(19,740)
Cash provided by operating transactions	<u>231,657</u>	<u>(41,168)</u>
CAPITAL TRANSACTIONS		
Cash used to acquire tangible capital assets	(17,089)	(149,897)
Write off of new fire hall project, previously capitalized		205,014
Proceeds on disposition of capital assets		1,702
Loss on disposal of assets		6,369
Cash provided by (applied to) capital transactions	<u>(17,089)</u>	<u>63,188</u>
INVESTING TRANSACTIONS		
(Increase) decrease in bank term deposits	<u>(161,072)</u>	<u>268,421</u>
FINANCING TRANSACTIONS		
Heliport principle loan payments	(15,000)	(15,000)
Equipment principle loan payments	(3,500)	(3,500)
Generator loan payments	(16,250)	(16,250)
Cash used to pay down bank debt	<u>(34,750)</u>	<u>(34,750)</u>
NET INCREASE IN CASH DURING THE YEAR	18,746	255,691
CASH , BEGINNING OF YEAR	<u>297,984</u>	<u>42,293</u>
CASH (as shown on Statement of Financial Position), END OF YEAR	<u>\$ 316,730</u>	<u>\$ 297,984</u>

**MAYNE ISLAND IMPROVEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011**

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 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 an independent Mayne Island resident.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES

Accounting principles for Local Government

The Improvement District follows accounting principles generally accepted for British Columbia local government, and consistently applies such principles. The format of the financial statements conforms with evolving Canadian generally accepted accounting principles for government bodies, as prescribed by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants. 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 capital works. The funds, as well as interest earned on the funds, are invested in 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 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 and maintenance of the Mayne Island Health Centre, including the heliport.

**MAYNE ISLAND IMPROVEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011**

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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, 2011**

NOTE 3 - DEBT

	<u>2011</u>	<u>2010</u>
Bank demand loan for the Heliport pursuant to by-law #82, repayable at \$1,250 per month plus interest at prime.	\$ 5,000	\$ 20,000
Bank demand loan for Wildfire Fire Fighting Equipment pursuant to by-law #83, repayable at \$292 per month plus interest at prime.	1,167	4,667
Bank demand loan for a generator pursuant to by-law #85, repayable at \$1,354 per month plus interest at prime.	<u>4,062</u>	<u>20,312</u>
	<u>\$ 10,229</u>	<u>\$ 44,979</u>

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

NOTE 4 - CAPITAL ASSETS

	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>	
			<u>2011</u>	<u>2010</u>
Fire Protection				
Land	\$ 3,650	\$ -	\$ 3,650	\$ 3,650
Building – fire hall	159,402	63,733	95,669	99,655
Computer equipment	9,383	5,729	3,654	2,182
Equipment - other	10,337	6,884	3,453	3,065
Fire fighting clothing	56,010	31,337	24,673	25,029
Fire fighting equipment	137,369	67,753	69,616	76,433
Generator	104,278	23,228	81,050	86,264
Paving	43,667	30,567	13,100	15,283
Radios and pagers	15,587	10,066	5,521	7,446
Software	1,618	1,618		130
Vehicles	806,201	486,938	319,263	359,573
Water storage	55,197	30,681	24,516	27,276
Water access and related equipment	19,177	10,339	8,838	10,756
	<u>1,421,876</u>	<u>768,873</u>	<u>653,003</u>	<u>716,742</u>
Health Centre				
Building	353,890	147,454	206,436	215,453
Equipment	595	208	387	446
Heliport	55,673	15,084	40,589	43,373
Water system	2,397	528	1,869	1,989
	<u>412,555</u>	<u>163,274</u>	<u>249,281</u>	<u>261,261</u>
Total tangible capital assets	<u>\$ 1,834,430</u>	<u>\$ 932,147</u>	<u>\$ 902,283</u>	<u>\$ 978,003</u>

**MAYNE ISLAND IMPROVEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011**

NOTE 5 - ALLOCATION OF EXPENSES

In 2010, a percentage of the expenses noted as governance and fire protection pertained to the Health Centre; and conversely, a percentage of the expense noted as Health Centre, pertained to fire protection and governance. Accordingly, at year end, a net allocation of expenses was made to the Health Centre to attempt to properly reflect the actual costs of each operation.

In 2011, an attempt was made to allocate, if appropriate, each expenditure at the time it was recorded in the accounts, and thus, there is no such allocation required at December 31, 2011.

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, 2011 AND 2010

	<u>Budget 2011</u>	<u>Actual 2011</u>	<u>Actual 2010</u>
REVENUES FOR FIRE PROTECTION AND GOVERNANCE			
Fire Protection and Governance tax levies	\$ 592,842	\$ 592,842	\$ 579,272
Donations received			12,980
Burn permits		3,320	4,150
Investment income		1,625	326
Miscellaneous	3,000	4,770	499
	<u>\$ 595,842</u>	<u>\$ 602,557</u>	<u>\$ 597,227</u>
EXPENSES FOR FIRE PROTECTION			
Appreciation and awards	1,500	1,428	2,300
Asset and inventory management	1,000	413	468
Building repairs and maintenance	5,875	4,228	8,651
Record keeping for volunteer firefighters	3,000	3,100	1,496
Education and training	26,300	27,817	26,824
Equipment maintenance and supplies	8,950	5,832	17,004
Fire prevention	5,000	2,036	4,325
Insurance	14,250	13,913	13,488
Interest	500	286	785
Office supplies in firehall	4,000	2,321	5,537
Software Fire Department annual maintenance fees	1,200	1,110	1,154
Subscriptions and dues	1,828	1,782	1,404
Telecommunications	6,000	5,282	4,742
Travel	1,000	1,016	1,300
Firefighter clothing	2,000	1,643	5,886
Utilities	6,000	5,517	4,878
Vehicle fuel and insurance	7,000	6,333	5,865
Vehicle repairs and maintenance	15,000	9,653	11,599
Wages and payroll taxes of MIID office staff	31,909	22,856	19,468
Wages and payroll costs of full-time and volunteer firefighters	243,600	243,587	220,101
Allocation of expenses to Health Centre - Note 5			(16,013)
	<u>\$ 385,912</u>	<u>\$ 360,153</u>	<u>\$ 341,262</u>
EXPENSES FOR GOVERNANCE			
Audit fees	\$ 7,875	\$ 6,451	\$ 7,969
Bank charges	1,000	975	861
Consulting fees	6,000	8,344	6,787
Building and grounds maintenance	6,000	5,210	5,519
Insurance	1,012	1,012	1,013
Legal	1,000	1,450	3,051
Newsletters and bulletins	3,000	1,784	790
Office supplies and equipment	4,997	4,769	5,209
Public meetings, freedom of information, etc.	1,000	1,653	5,438
Telecommunications	8,875	9,926	7,672
Travel expense	1,000	432	476
Wages and payroll taxes of MIID office staff	31,236	20,858	16,687
Allocation of expenses to Health Centre - Note 5			(10,725)
	<u>\$ 72,995</u>	<u>\$ 62,864</u>	<u>\$ 50,747</u>

**MAYNE ISLAND IMPROVEMENT DISTRICT
SCHEDULE 2 - HEALTH CENTRE REVENUES AND EXPENDITURES
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010**

	<i>Budget 2011</i>	<i>Actual 2011</i>	<i>Actual 2010</i>
REVENUES			
Health Centre tax levies	\$ 105,086	\$ 101,411	\$ 87,362
Rent	12,000	12,000	12,000
Contributions and donations - Note 2		1,200	
Investment income		114	
Penalties and Interest on tax levy		2,436	2,355
	<u>\$ 117,086</u>	<u>\$ 117,161</u>	<u>\$ 101,717</u>
EXPENSES			
Audit fees	\$ 2,625	\$ 2,150	\$ 3,000
Billing costs	12,000	8,984	8,228
Building repairs and maintenance	17,550	18,051	32,749
Building roof replacement		9,985	
Heliport operation	2,000	152	553
Insurance	7,838	7,749	8,541
Interest	587	587	812
Legal	2,000	1,651	7,151
Management fees	11,000	9,060	9,675
Travel	150	75	108
Utilities	4,500	4,333	3,249
Wages and payroll taxes of MIID office staff	16,636	17,805	19,468
Water testing	2,000	1,143	1,642
Allocation of expenses - Note 5			26,738
	<u>\$ 78,886</u>	<u>\$ 81,725</u>	<u>\$ 121,914</u>

**MAYNE ISLAND IMPROVEMENT DISTRICT
SCHEDULE 3 - CONTINUITY OF RESERVES
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2011**

	Health Centre Building	Fire Department			Total
		Equipment	Vehicles	Building	
Balance of reserves, Dec 31, 2009	\$ 14,100	\$ 5,095		\$ 195,884	\$ 215,079
Transactions in 2010					
Transfers from surplus to increase reserves	10,000	5,000	55,000	50,000	120,000
Interest income		10		316	326
Withdrawals from reserves, as permitted by various by-laws	(12,725)			(155,000)	(167,725)
Transfers, back to reserves, of unspent monies from completed by-law projects				23,913	23,913
Change in reserves in year	(2,725)	5,010	55,000	(80,771)	(23,486)
Balance of reserves, Dec 31, 2010	11,375	10,105	55,000	115,113	191,593
Transactions in 2011					
Transfers to increase reserves	10,000	5,000	60,000	50,000	125,000
Interest income	114	92	550	983	1,739
Transfer, back to reserves, of excess funds previously withdrawn for Control Cost Estimate By-law 101				17,545	17,545
Change in reserves in year	10,114	5,092	60,550	68,528	144,284
Balance of reserves, Dec 31, 2011	\$ 21,489	\$ 15,197	\$ 115,550	\$ 183,641	\$ 335,877

**MAYNE ISLAND IMPROVEMENT DISTRICT
SCHEDULE 4 - CONTINUITY OF SURPLUS
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2011**

	Surplus allocation			<u>Total</u>
	<u>Capital Assets</u>	<u>Reserves</u>	<u>Operating Surplus</u>	
Accumulated Surplus, Dec 31, 2009	<u>\$1,120,553</u>	<u>\$ 215,079</u>	<u>\$ 191,150</u>	<u>\$ 1,526,782</u>
Transactions in 2010				
Net surplus for the year, before the following			(105,726)	(105,726)
Net Capital asset change - net of amortization over new purchases	(142,550)		142,550	
Net changes to reserves - see schedule 3		(23,486)	23,486	
Change in surplus in year	<u>(142,550)</u>	<u>(23,486)</u>	<u>60,310</u>	<u>(105,726)</u>
Accumulated surplus, Dec 31, 2010	<u>978,003</u>	<u>191,593</u>	<u>251,460</u>	<u>1,421,056</u>
Transactions in 2011				
Net surplus for the year, before the following			118,421	118,421
Net Capital asset change - net of amortization over new purchases	(75,720)		75,720	
Net changes to reserves - see schedule 3		144,284	(144,284)	
Change in surplus in year	<u>(75,720)</u>	<u>144,284</u>	<u>49,857</u>	<u>118,421</u>
Accumulated surplus, Dec 31, 2011	<u>\$ 902,283</u>	<u>\$ 335,877</u>	<u>\$ 301,317</u>	<u>\$ 1,539,477</u>