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MAYNE ISLAND IMPROVEMENT DISTRICT  
FINANCIAL STATEMENTS  
DECEMBER 31, 2006

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**AUDITORS' REPORT**

**TO: The Members of  
MAYNE ISLAND IMPROVEMENT DISTRICT**

We have audited the statement of financial position of Mayne Island Improvement District as at December 31, 2006 and the statements of operations and fund balances, and cash flows for the year then ended. These financial statements are the responsibility of the District's board. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free from material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

A portion of the books and records were not available for audit verification. Accordingly, our verification of these expenses was limited to the amounts recorded in the books and records.

In our opinion, except for the effect of adjustments, if any, had the expenses been susceptible to audit verification, these financial statements present fairly, in all material respects, the financial position of the District as at December 31, 2006, and the results of its operations and the changes in its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

*Barry + McLean and Company*

**BARRY & McLEAN AND COMPANY**  
Certified General Accountants

June 27, 2007  
Victoria, British Columbia

MAYNE ISLAND IMPROVEMENT DISTRICT  
 STATEMENT OF FINANCIAL POSITION  
 DECEMBER 31, 2006

	Operating Fund	Property, Plant & Equipment Fund	Renewal Reserve Fund	Total 2006	Total 2005
<b>CURRENT ASSETS</b>					
Cash	\$ 7,433	\$	\$	7,433	\$ 2,645
Term deposits	126,672		264,047	390,719	390,580
Accounts receivable	24,318			24,318	9,210
Accrued interest receivable	1,859		3,916	5,775	4,092
Due from (to) other funds	26,656		(26,656)	-	-
Prepaid expenses	13,721			13,721	10,814
	200,659		241,307	441,966	417,341
<b>PROPERTY, PLANT &amp; EQUIPMENT - Notes 2 &amp; 3</b>		815,301		815,301	772,229
	\$ 200,659	\$ 815,301	\$ 241,307	\$ 1,257,267	\$ 1,189,570
<b>CURRENT LIABILITIES</b>					
Accounts payable and accrued liabilities	\$ 19,563	\$	\$	19,563	\$ 81,320
Due to government agencies	3,510			3,510	1,064
	23,073			23,073	82,384
<b>FUND BALANCES - Note 2</b>					
Invested in Property, Plant & Equipment		815,301		815,301	772,229
Internally restricted	104,850			104,850	83,197
Externally restricted			241,307	241,307	155,923
Unrestricted	72,736			72,736	95,837
	177,586	815,301	241,307	1,234,194	1,107,186
	\$ 200,659	\$ 815,301	\$ 241,307	\$ 1,257,267	\$ 1,189,570

APPROVED BY THE TRUSTEES:

The accompanying notes are an integral part of these statements

**MAYNE ISLAND IMPROVEMENT DISTRICT  
STATEMENT OF OPERATIONS AND CHANGES IN FUND BALANCES  
FOR THE YEAR-ENDED DECEMBER 31, 2006**

	<i>Property, Plant &amp;</i>				
	<i>Operating Fund</i>	<i>Equipment Fund</i>	<i>Renewal Reserve Fund</i>	<i>Total 2006</i>	<i>Total 2005</i>
<b>REVENUES</b>					
Tax levy	\$ 273,376	\$	\$ 125,000	\$ 398,376	\$ 244,650
Permits	2,630			2,630	3,134
Investment income	3,831		6,039	9,870	7,627
	<u>279,837</u>		<u>131,039</u>	<u>410,876</u>	<u>255,411</u>
<b>EXPENSES</b>					
Advertising	1,361			1,361	741
Amortization		68,266		68,266	62,419
Bookkeeping	16,156			16,156	6,968
Education and training	18,501			18,501	10,426
Insurance - building	6,266			6,266	4,886
- trustees liability	1,550			1,550	1,448
- accident	4,578			4,578	4,578
- vehicle	3,298			3,298	3,068
Memberships and dues	7,500			7,500	5,000
Office and miscellaneous	1,819			1,819	5,291
Professional fees	4,430			4,430	3,300
Repairs and maintenance - buildings and grounds	4,549			4,549	1,778
- equipment	9,299			9,299	6,162
Supplies	390			390	558
Telecommunications	2,422			2,422	2,399
Travel	1,394			1,394	1,497
Tree removal and trimming	19,404			19,404	-
Utilities	4,442			4,442	4,367
Vehicle fuel	3,729			3,729	1,635
Vehicle maintenance	13,135			13,135	6,932
Volunteer appreciation	2,097			2,097	1,946
Wages and costs	89,282			89,282	48,122
	<u>215,602</u>	<u>68,266</u>		<u>283,868</u>	<u>183,521</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES</b>	64,235	(68,266)	131,039	127,008	71,890
<b>FUND BALANCES, BEGINNING OF YEAR</b>	179,034	772,229	155,923	1,107,186	1,035,296
	243,269	703,963	286,962	1,234,194	1,107,186
<b>INVESTED IN PROPERTY, PLANT AND EQUIPMENT INTERFUND TRANSFERS</b>	(65,766)	111,338	(45,572)		
	83	(83)			
<b>FUND BALANCES, END OF YEAR</b>	<u>\$ 177,586</u>	<u>\$ 815,301</u>	<u>\$ 241,307</u>	<u>\$ 1,234,194</u>	<u>\$ 1,107,186</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, 2006

	Operating Fund	Property Plant & Equipment Fund	Renewal Reserve Fund	Total 2006	Total 2005
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Excess (deficiency) of revenues over expenses	\$ 64,235	\$ (68,266)	\$ 131,039	\$ 127,008	\$ 71,890
Net change in non-cash working capital	(31,826)		(47,183)	(79,009)	58,436
Add back items not requiring cash: - amortization		68,266		68,266	62,419
<b>Cash flows from operating activities</b>	<b>32,409</b>	<b>-</b>	<b>83,856</b>	<b>116,265</b>	<b>192,745</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Purchase of property, plant and equipment	(65,766)		(45,572)	(111,338)	(110,306)
<b>Cash flows from investing activities</b>	<b>(65,766)</b>	<b>-</b>	<b>(45,572)</b>	<b>(111,338)</b>	<b>(110,306)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>					
Interfund transfers	83		(83)		
<b>Cash flows from financing activities</b>	<b>83</b>	<b>-</b>	<b>(83)</b>		
<b>INCREASE IN CASH AND TERM DEPOSITS</b>	<b>(33,274)</b>		<b>38,201</b>	<b>4,927</b>	<b>82,439</b>
<b>CASH AND TERM DEPOSITS, BEGINNING OF YEAR</b>	<b>167,379</b>		<b>225,846</b>	<b>393,225</b>	<b>310,786</b>
<b>CASH AND TERM DEPOSITS, END OF YEAR</b>	<b>\$ 134,105</b>	<b>\$ -</b>	<b>\$ 264,047</b>	<b>\$ 398,152</b>	<b>\$ 393,225</b>

The accompanying notes are an integral part of these statements

**MAYNE ISLAND IMPROVEMENT DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2006**

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**NOTE 1 - PURPOSE OF THE ORGANIZATION**

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

The District is governed by the Local Government Act, Letters Patent and its own By-laws. It is tax-exempt pursuant to the Income Tax Act.

**NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES**

**Revenue Recognition**

The Mayne Island Improvement District follows the restricted fund method of accounting for contributions.

**Fund Accounting**

The Operating Fund accounts for the District's program delivery and administrative activities. The fund reports unrestricted and internally restricted resources.

The Property, Plant and Equipment Fund reports the assets, liabilities, revenues and expenses related to the District's Property, Plant and Equipment.

The Renewal Reserve Fund is a fund established by bylaw for the upgrading, replacement or renewal of buildings or equipment for fire protection. Monies set aside under this bylaw are approved by the trustees by way of resolution. Expenditures may only be made from this fund by obtaining pre-approval from the Inspector of Municipalities with the submission of a renewal reserve expenditure bylaw.

**Property, Plant and Equipment**

Property, Plant and Equipment are recorded at cost and are being amortized over their estimated useful lives at the following annual rates:

Paving	20 years straight line
Buildings	4% declining balance
Computer equipment	45% declining balance
Equipment and travel trailer	20% declining balance
Firefighting clothing and equipment	10% declining balance
Heliport	20 years straight line
Radios and pagers	20% declining balance
Software	100% declining balance
Utility trailer	30% declining balance
Vehicles	15% declining balance
Water storage	10% declining balance
Water access	10 years straight line

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

**MAYNE ISLAND IMPROVEMENT DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2006**

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

**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.

**NOTE 3 - PROPERTY, PLANT AND EQUIPMENT**

	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>	
			<u>2006</u>	<u>2005</u>
Land	\$ 3,650	\$ -	\$ 3,650	\$ 3,650
Paving	43,667	19,650	24,017	26,200
Building				
- Fire Department	158,071	42,214	115,857	120,684
- Health Centre	330,000	101,463	228,537	238,059
Computer equipment	4,077	1,880	2,197	2,140
Equipment and travel trailer	7,538	3,233	4,305	3,661
Firefighting clothing	88,717	36,618	52,099	32,696
Firefighting equipment	170,651	99,751	70,900	54,715
Heliport	53,413	1,335	52,078	-
Radios and pagers	44,719	35,302	9,417	11,771
Software	674	674	-	336
Utility trailer	815	649	166	237
Vehicles	587,733	358,542	229,191	253,765
Water Storage	40,800	21,522	19,278	19,956
Water Access	7,502	3,893	3,609	4,359
	<u>\$ 1,542,027</u>	<u>\$ 726,726</u>	<u>\$ 815,301</u>	<u>\$ 772,229</u>