

MAYNE ISLAND IMPROVEMENT DISTRICT
Financial Statements
Year Ended December 31, 2016

MAYNE ISLAND IMPROVEMENT DISTRICT
Index to Financial Statements
Year Ended December 31, 2016

	Page
MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING	1
INDEPENDENT AUDITOR'S REPORT	2
FINANCIAL STATEMENTS	
Statement of Financial Position	3
Statement of Operations	4
Statement of Changes in Net Surplus (Debt)	5
Statement of Cash Flows	6
Notes to Financial Statements	7 - 12
Fire Protection Expenditures (<i>Schedule 1</i>)	13
Governance Expenditures (<i>Schedule 2</i>)	14
Health Centre Expenditures (<i>Schedule 3</i>)	15

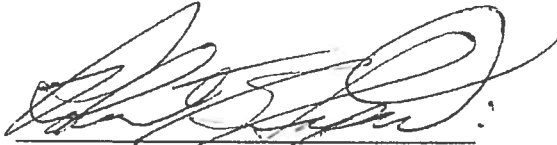
MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The financial statements of Mayne Island Improvement District are the responsibility of Mayne Island Improvement District and have been prepared in compliance with legislation, and in accordance with Canadian accounting standards for local governments. These statements include certain amounts based on management's estimates and judgments. Management has determined such amounts based on a reasonable basis in order to ensure that the financial statements are presented fairly in all material respects.

In carrying out its responsibilities, management maintains appropriate systems of internal and administrative controls designed to provide reasonable assurance that transactions are executed in accordance with proper authorization, that assets are properly accounted for and safeguarded, and that the financial information is reliable and accurate.

The Board of Trustees is responsible for ensuring that management fulfills its responsibility for financial reporting and is ultimately responsible for reviewing and approving the financial statements.

The financial statements have been audited by Paterson Henn CPA Chartered Professional Accountants. The independent auditor's report addressed to the Trustees appears on the following page. Their opinion is based upon an examination conducted in accordance with Canadian generally accepted auditing standards, performing such tests and other procedures as they consider necessary to obtain reasonable assurance that the consolidated financial statements are free of material misstatement and present fairly the financial position and results of the Improvement District in accordance with Canadian accounting standards for local governments.



Trustee



Trustee

Mayne Island, BC
March 13, 2017



INDEPENDENT AUDITOR'S REPORT

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, 2016 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, 2016 and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for local governments.


Sidney, British Columbia
March 13, 2017

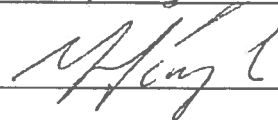
Chartered Professional Accountants

MAYNE ISLAND IMPROVEMENT DISTRICT
Statement of Financial Position
Year Ended December 31, 2016

	2016	2015
FINANCIAL ASSETS		
Cash	\$ 299,391	\$ 312,267
Renewal reserve funds (Note 6)	168,544	386,269
Accounts receivable	9,247	58,622
	<u>477,182</u>	<u>757,158</u>
LIABILITIES		
Accounts payable and accrued liabilities	35,587	221,075
Long term debt (Note 4)	2,286,159	2,400,000
	<u>2,321,746</u>	<u>2,621,075</u>
NET FINANCIAL ASSETS	<u>(1,844,564)</u>	<u>(1,863,917)</u>
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 3)	3,583,104	3,489,804
Prepaid expenses	18,380	18,778
Prepaid temporary occupancy costs	-	10,000
	<u>3,601,484</u>	<u>3,518,582</u>
ACCUMULATED SURPLUS (Notes 5, 6)	<u>\$ 1,756,920</u>	<u>\$ 1,654,665</u>

APPROVED BY THE TRUSTEES:





MAYNE ISLAND IMPROVEMENT DISTRICT

Statement of Operations

Year Ended December 31, 2016

	Budget 2016	Fire Protection 2016	Health Centre 2016	Total 2016	Total 2015
REVENUES					
Fire Protection Tax Levies	\$ 587,969	\$ 587,969	\$ -	\$ 587,969	\$ 587,969
Capital Tax Advance Levies	-	159,606	-	159,606	-
Health Centre Tax Levies	89,127	-	89,048	89,048	93,583
Penalties & Interest on Tax Levies	2,200	-	4,760	4,760	3,188
Rental Revenue	15,000	-	15,000	15,000	15,000
Burn Permit Sales	3,000	2,690	-	2,690	3,465
Contributions in Kind	-	-	-	-	4,728
Other Revenue	750	5,498	-	5,498	3,096
Interest Revenue on Reserve Funds	-	1,129	-	1,129	2,575
	<hr/> 698,046	<hr/> 756,892	<hr/> 108,808	<hr/> 865,700	<hr/> 713,604
EXPENSES					
Fire Protection expenditures (Schedule 1)	438,342	472,477	-	472,477	486,972
Governance expenditures (Schedule 2)	44,877	40,436	-	40,436	59,688
Health Centre expenditures (Schedule 3)	93,327	-	92,916	92,916	113,905
	<hr/> 576,546	<hr/> 512,913	<hr/> 92,916	<hr/> 605,829	<hr/> 660,565
Annual Surplus (Debt) from operations	<hr/> 121,500	<hr/> 243,979	<hr/> 15,892	<hr/> 259,871	<hr/> 53,039
OTHER REVENUE (EXPENSES)					
Amortization	-	(134,968)	(18,281)	(153,249)	(104,882)
Loss (gain) on disposal of tangible capital assets	-	(4,367)	-	(4,367)	-
Budgeted transfer to Fire Protection reserve	(86,000)	-	-	-	-
Capital purchases - Fire Protection	(22,500)	-	-	-	-
Budgeted transfer to Health Centre reserve	(13,000)	-	-	-	-
	<hr/> (121,500)	<hr/> (139,335)	<hr/> (18,281)	<hr/> (157,616)	<hr/> (104,882)
ANNUAL SURPLUS (DEBT)	<hr/> \$ -	<hr/> \$ 104,644	<hr/> \$ (2,389)	<hr/> \$ 102,255	<hr/> \$ (51,843)

MAYNE ISLAND IMPROVEMENT DISTRICT
Statement of Changes in Net Surplus (Debt)
Year Ended December 31, 2016

	Fire Protection 2016	Health Centre 2016	Tangible Capital Assets 2016	Renewal Reserves See Note 7 2016	Total 2016	Total 2015
NET SURPLUS (DEBT) - BEGINNING OF YEAR	\$ (2,233,403)	\$ 11,995	\$ 3,489,804	\$ 386,269	\$ 1,654,665	\$ 1,706,508
Annual surplus (debt)	104,644	(2,389)	-	-	102,255	(51,843)
Net tangible capital asset changes						
Amortization of tangible capital assets	134,968	18,281	(153,249)	-	-	-
Fire hall additions	(103,713)	-	103,713	-	-	-
Paving & apron	(66,500)	-	66,500	-	-	-
Fire fighting equipment	(80,703)	-	80,703	-	-	-
Disposal of paving & apron	4,367	-	(4,367)	-	-	-
	(2,240,340)	27,887	3,583,104	386,269	1,756,920	1,654,665
Renewal reserve transfers (per budget)	(86,000)	(13,000)	-	99,000	-	-
Transfer of prior year surplus	-	(4,829)	-	4,829	-	-
Reserve funds interest income	(1,119)	(4)	-	1,123	-	-
Fire protection - capital purchases per Bylaws	322,677	-	-	(322,677)	-	-
NET SURPLUS (DEBT) - END OF YEAR	\$ (2,004,782)	\$ 10,054	\$ 3,583,104	\$ 168,544	\$ 1,756,920	\$ 1,654,665

MAYNE ISLAND IMPROVEMENT DISTRICT
Statement of Cash Flows
Year Ended December 31, 2016

	2016	2015
OPERATING ACTIVITIES		
Annual surplus (debt)	\$ 102,255	\$ (51,843)
Items not affecting cash:		
Amortization of tangible capital assets	153,249	104,882
Loss on disposal of tangible capital assets	4,367	-
	<u>259,871</u>	<u>53,039</u>
Changes in non-cash working capital:		
Accounts receivable	49,375	(29,888)
Accounts payable and accrued liabilities	(185,488)	115,027
Prepaid expenses	398	1,643
Prepaid temporary occupancy costs	10,000	8,196
	<u>(125,715)</u>	<u>94,978</u>
Cash flow from operating activities	<u>134,156</u>	<u>148,017</u>
CAPITAL TRANSACTIONS		
Purchase of tangible capital assets	(250,916)	(2,059,716)
	<u>-</u>	<u>-</u>
Cash flow used by capital transactions	<u>(250,916)</u>	<u>(2,059,716)</u>
INVESTING TRANSACTIONS		
(Increase) decrease in renewal reserve funds	<u>217,725</u>	<u>(103,336)</u>
FINANCING ACTIVITIES		
Repayment of bank debt	-	(301,080)
Proceeds from long term financing (Note 4)	-	2,400,000
Repayment of long term debt	(113,841)	-
	<u>(113,841)</u>	<u>2,098,920</u>
Cash flow from (used by) financing activities	<u>(113,841)</u>	<u>2,098,920</u>
INCREASE (DECREASE) IN CASH FLOW	(12,876)	83,885
Cash - beginning of year	<u>312,267</u>	<u>228,382</u>
CASH - END OF YEAR	\$ 299,391	\$ 312,267

MAYNE ISLAND IMPROVEMENT DISTRICT

Notes to Financial Statements

Year Ended December 31, 2016

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 delegates 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.

Basis of accounting

Operating Funds - Fire Protection and Health Centre

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. The operating fund also accounts for the net bank debt and long term debt and the associated costs for these, unless considered construction costs. 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.

Tangible Capital Assets Fund

The Tangible Capital Assets Fund reports the assets, liabilities, revenues, and expenses related to Mayne Island Improvement District's capital assets for fire protection and the Health Centre. Bank debt and long term debt relating to the fire hall building are considered part of the applicable operating fund.

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 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 6

(continues)

MAYNE ISLAND IMPROVEMENT DISTRICT
Notes to Financial Statements
Year Ended December 31, 2016

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

Revenue recognition

The Improvement District collects taxes for Fire Protection and the Mayne Island Health Centre. The provincial government distributes the taxes collected for fire protection as an annual statutory advance in June. In addition, the provincial government collects taxes for the capital advance tax levy which is distributed directly to offset the long term debt held with the provincial government. 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.

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.

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.

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 - Health Centre	4%	declining balance method
Building - Fire hall	40 years	straight-line method
Computer equipment	2 years	straight-line method
Equipment and furniture	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. The tangible capital assets are considered for their fair value and any impairments are expensed. During the year the previous apron and paving were written-off.

(continues)

MAYNE ISLAND IMPROVEMENT DISTRICT
Notes to Financial Statements
Year Ended December 31, 2016

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

Tangible capital assets acquired or constructed during the year but not placed into use are not amortized. There are currently no assets under construction as the fire hall construction was considered substantially complete in November 2015.

Costs incurred relating to the construction include costs for demolition of the previous fire hall, site expenses and referendum costs as these are considered costs of the construction. Interest costs, up to substantial completion, has also been capitalized. After substantial completion interest costs relating to the fire hall are expensed in the year paid and/or accrued.

Certain costs relating to the construction do not qualify as capital assets and are expensed. In the prior year temporary occupancy costs were expensed as these were rented on a monthly basis.

3. TANGIBLE CAPITAL ASSETS

	Cost	Accumulated amortization	2016 Net book value	2015 Net book value
<u>Fire Protection</u>				
Land	\$ 3,650	\$ -	\$ 3,650	\$ 3,650
Building - fire hall	2,518,718	64,579	2,454,139	2,412,098
Computer equipment	42,893	42,893	-	-
Equipment and furniture	22,677	12,188	10,489	11,723
Fire fighting clothing	56,010	56,010	-	2,269
Fire fighting equipment	248,234	149,997	98,237	38,323
Generator	108,072	49,771	58,301	63,704
Paving	66,500	1,663	64,837	4,367
Radios and pagers	15,587	15,587	-	-
Vehicles	985,402	522,434	462,968	496,470
Water access and equipment	56,770	29,972	26,798	32,475
Water storage	55,198	44,480	10,718	13,477
	<u>4,179,711</u>	<u>989,574</u>	<u>3,190,137</u>	<u>3,078,556</u>
<u>Health Centre</u>				
Building	571,749	214,061	357,688	372,591
Computer equipment	14,627	14,627	-	-
Equipment	595	506	89	149
Heliport	55,673	29,002	26,671	29,454
Water system	10,682	2,163	8,519	9,054
	<u>653,343</u>	<u>260,359</u>	<u>392,967</u>	<u>411,248</u>
	<u>\$ 4,833,037</u>	<u>\$ 1,249,933</u>	<u>\$ 3,583,104</u>	<u>\$ 3,489,804</u>

(continues)

MAYNE ISLAND IMPROVEMENT DISTRICT
Notes to Financial Statements
Year Ended December 31, 2016

3. TANGIBLE CAPITAL ASSETS *(continued)*

The following additions and disposals occurred during the year:

	2015 Cost	2016 Additions	2016 Disposals	2016 Cost
<u>Fire Protection</u>				
Land	\$ 3,650	\$ -	\$ -	\$ 3,650
Building - fire hall	2,415,006	103,713	-	2,518,718
Computer equipment	42,893	-	-	42,893
Equipment and furniture	22,677	-	-	22,677
Fire fighting clothing	56,010	-	-	56,010
Fire fighting equipment	167,532	80,703	-	248,234
Generator	108,072	-	-	108,072
Paving	43,667	66,500	(43,667)	66,500
Radios and pagers	15,587	-	-	15,587
Vehicles	985,402	-	-	985,402
Water access and equipment	56,770	-	-	56,770
Water storage	55,198	-	-	55,197
	<u>3,972,464</u>	<u>250,916</u>	<u>(43,667)</u>	<u>4,179,710</u>
<u>Health Centre</u>				
Building	571,749	-	-	571,749
Computer equipment	14,627	-	-	14,627
Equipment	595	-	-	595
Heliport	55,673	-	-	55,673
Water system	10,682	-	-	10,682
	<u>653,326</u>	<u>-</u>	<u>-</u>	<u>653,326</u>
	<u>\$ 4,625,790</u>	<u>\$ 250,916</u>	<u>\$ (43,667)</u>	<u>\$ 4,833,036</u>

Paving costs with costs of \$43,667 and accumulated amortization of \$39,300 were written-off during the year resulting in a loss of \$4,367.

MAYNE ISLAND IMPROVEMENT DISTRICT
Notes to Financial Statements
Year Ended December 31, 2016

4. LONG TERM DEBT

	2016	2015
Bylaw 167 - Capital Tax Advance issued, for the purpose of financing the construction of the new fire hall, in the amount of \$2,400,000, requiring annual payments of loan bearing interest at 3% per annum, repayable in annual blended payments of \$159,606, beginning in 2016 through 2035.	\$ 2,286,159	\$ 2,400,000

Principal repayment terms for the next five years are approximately:

2017	\$	91,021
2018		93,751
2019		96,564
2020		99,461
2021		102,445
		\$ 483,242

Tax levies are collected by the BC provincial government and applied directly each July to the debt held with the provincial government.

5. ACCUMULATED SURPLUS (DEBT)

Accumulated surplus (debt) is represented by the following:

	2016	2015
Fire Department Operating Surplus (Debt)	\$ (2,004,782)	\$ (2,233,403)
Health Centre Operating Surplus	10,054	11,995
Tangible capital assets (Note 3)	3,583,104	3,489,804
Renewal reserve funds (Note 6)	168,544	386,269
	\$ 1,756,920	\$ 1,654,665

6. RENEWAL RESERVE FUNDS

Renewal reserve funds are comprised of the following:

	2016	2015
Fire Protection Renewal Reserve	\$ 137,226	\$ 372,784
Health Centre Renewal Reserve	31,318	13,485
	\$ 168,544	\$ 386,269

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

Subsequent to the year end, Bylaw 175 allow for \$60,000 from the Capital Works Renewal Reserve Fund to be used for completion of the fire hall to obtain Final Occupancy Certification.

MAYNE ISLAND IMPROVEMENT DISTRICT
Notes to Financial Statements
Year Ended December 31, 2016

7. 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.

The Improvement District entered into a lease as the lessor with the Mayne Island Volunteer Firefighters' Association in 2014, 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, 2016

	Budget 2016	Actual 2016	Actual 2015
FIRE PROTECTION EXPENDITURES			
Appreciation and awards	\$ 3,000	\$ 2,890	\$ 3,255
Audit fees	4,375	3,850	4,375
Building repairs and maintenance	8,155	21,870	15,413
Education and training	31,680	23,583	28,910
Equipment maintenance and supplies	43,235	26,852	47,652
Firefighter clothing	3,000	5,342	773
Fire prevention education	4,000	4,299	3,096
Insurance	10,400	11,014	5,663
Interest on long term debt	-	45,764	-
Office supplies and sundry	8,000	7,274	8,606
Subscriptions and dues	2,165	5,074	1,911
Telecommunications	5,555	10,362	10,204
Temporary occupancy costs	-	-	41,552
Travel	2,261	2,191	2,079
Utilities	9,000	3,241	13,482
Vehicle fuel and insurance	10,475	6,830	8,167
Vehicle repairs and maintenance	14,700	20,250	15,807
Wages and benefits - MIID office staff	20,578	21,413	27,428
Wages and benefits - firefighters	257,763	250,378	248,599
	\$ 438,342	\$ 472,477	\$ 486,972

MAYNE ISLAND IMPROVEMENT DISTRICT**Governance Expenditures****(Schedule 2)****Year Ended December 31, 2016**

	Budget 2016	Actual 2016	Actual 2015
GOVERNANCE EXPENDITURES			
Audit fees	\$ 3,750	\$ 3,300	\$ 3,750
Bank charges	1,100	1,456	1,169
Insurance	910	878	878
Legal	3,000	-	-
Newsletters and bulletins	600	1,250	599
Office supplies and equipment	5,500	4,594	5,766
Public meetings, freedom of information, misc	1,003	428	2,063
Telecommunications	3,640	3,323	3,599
Temporary occupancy costs	-	-	14,540
Training and continuing education	2,000	1,764	947
Travel	500	76	434
Wages and benefits of MIID office staff	22,724	23,208	25,098
Water operations	150	159	845
	\$ 44,877	\$ 40,436	\$ 59,688

MAYNE ISLAND IMPROVEMENT DISTRICT**Health Centre Expenditures****(Schedule 3)****Year Ended December 31, 2016**

	Budget 2016	Actual 2016	Total 2015
HEALTH CENTRE EXPENDITURES			
Audit fees	\$ 4,375	\$ 3,850	\$ 4,375
Billing costs	5,600	8,874	6,526
Building repairs and maintenance	28,448	28,363	30,735
Heliport operations and insurance	3,200	2,166	2,748
Insurance	9,290	5,181	7,497
Legal	2,000	3,686	1,740
Operations manager	6,000	5,450	1,769
Telephone, internet and utilities	6,380	6,563	5,830
Temporary occupancy costs	-	-	16,963
Wages and benefits - MIID office staff	26,434	26,951	29,286
Water system	1,600	1,832	6,436
	<u>\$ 93,327</u>	<u>\$ 92,916</u>	<u>\$ 113,905</u>