

**THETIS ISLAND IMPROVEMENT DISTRICT**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**



## **Management's Responsibility for the Consolidated Financial Statements**

The accompanying consolidated financial statements are the responsibility of the management of the Thetis Island Improvement District ("District") and have been prepared in compliance with legislation, and in accordance with Canadian public sector accounting standards established by the Public Sector Accounting Board of the Canadian Institute of Chartered Professional Accountants.

In carrying out its responsibilities, management maintains appropriate accounting systems and systems of internal control and administrative controls designed to provide reasonable assurance that transactions are authorized, assets are properly accounted for and safeguarded, and financial records are properly maintained to provide relevant and reliable information for the preparation of the consolidated financial statements.

The Board of Trustees of the District met with management and external auditors to review the consolidated financial statements and discuss any significant financial reporting or internal control matters prior to their approval of the consolidated financial statements.

Trenholme & Company LLP, an independent firm of Chartered Professional Accountants, is appointed by the Board of Trustees to audit the consolidated financial statements and report directly to them. The independent auditor's report is addressed to the Board of Trustees of the District and appears on the following page. The auditor's opinion is based upon an examination conducted in accordance with Canadian generally accepted auditing standards, performing such tests and other procedures that 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 District in accordance with Canadian public sector accounting standards. The external auditors have full and free access to, and meet periodically with, both the Board of Trustees and management to discuss their audit findings.

  
Administrator





# TRENHOLME & COMPANY

CHARTERED PROFESSIONAL ACCOUNTANTS LLP

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Andrew M. Jackson FCPA, FCA\*   Larry D. Eade CPA, CA\*   Tim P. Jackson CPA, CA\*   David H. Pickstone CPA, CA\*  
Willow L. Rupert CPA, CA\*   Brett A. Jackson CPA, CA\*

*\* denotes incorporated professional*

## INDEPENDENT AUDITOR'S REPORT

### To the Board of Trustees of Thetis Island Improvement District

We have audited the accompanying consolidated financial statements of Thetis Island Improvement District, which comprise the consolidated statement of financial position as at December 31, 2016, and the consolidated statements of operations and accumulated surplus, change in net financial assets and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

#### *Management's Responsibility for the Consolidated Financial Statements*

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

#### *Auditors' Responsibility*

Our responsibility is to express an opinion on these consolidated 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 consolidated financial statement are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated 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 appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit.

*Opinion*

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Thetis Island Improvement District as at December 31, 2016 and the results of its operations, changes in net financial assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

*TRENTHAM & COMPANY*

Chartered Professional Accountants LLP

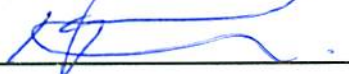
Victoria, British Columbia  
April 20, 2017



**THETIS ISLAND IMPROVEMENT DISTRICT**  
**Consolidated Statement of Financial Position**  
**December 31, 2016**

	2016	2015
<b>Financial assets</b>		
Cash	\$ 256,732	\$ 135,374
Accounts receivable (note 4)	1,573	3,424
	<u>258,305</u>	<u>138,798</u>
<b>Financial liabilities</b>		
Accounts payable and accrued liabilities (note 5)	13,065	8,580
Deferred revenue (note 6)	126,690	-
	<u>139,755</u>	<u>8,580</u>
<b>Net financial assets</b>	<u>118,550</u>	<u>130,218</u>
<b>Non-financial assets</b>		
Prepaid expenses	7,810	7,785
Tangible capital assets (note 7)	199,050	202,497
	<u>206,860</u>	<u>210,282</u>
<b>Accumulated surplus</b>	<u>\$ 325,410</u>	<u>\$ 340,500</u>

Approved on behalf of the Board of Trustees:

  
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KEITH RUSCH  
 CHAIR Board of Trustees.

(see accompanying notes)



**THETIS ISLAND IMPROVEMENT DISTRICT**  
**Consolidated Statement of Operations and Accumulated Surplus**  
**Year ended December 31, 2016**

	<b>2016 Budget</b>	<b>2016 Actual</b>	<b>2015 Actual</b>
<b>Revenue</b>			
Property taxes	\$ 136,410	\$ 136,410	\$ 129,500
Donations	-	502	4,534
Miscellaneous other revenues	-	-	572
Interest income	-	164	152
	<u>136,410</u>	<u>137,076</u>	<u>134,758</u>
<b>Expenses</b>			
Wages and benefits	39,460	38,790	33,604
Amortization	22,000	22,056	26,069
Vehicle expense	18,900	15,834	19,210
Travel and training	20,700	25,131	19,513
Insurance	11,600	11,362	10,881
Office	11,100	11,470	12,643
Firefighting supplies	13,186	10,452	11,595
Accounting and legal	6,500	7,389	6,285
Communications	4,000	3,873	4,687
Repairs and maintenance	2,964	3,677	2,371
Utilities	2,600	1,729	2,564
Bank charges and interest	400	403	400
	<u>153,410</u>	<u>152,166</u>	<u>149,822</u>
<b>Deficit before the following:</b>	<b>(17,000)</b>	<b>(15,090)</b>	<b>(15,064)</b>
Loss on disposal of assets	-	-	(1,977)
<b>Annual (deficit)</b>	<b>(17,000)</b>	<b>(15,090)</b>	<b>(17,041)</b>
<b>Accumulated surplus, beginning of year</b>	<b>\$ 340,500</b>	<b>\$ 340,500</b>	<b>\$ 357,541</b>
<b>Accumulated surplus, end of year</b>	<b>\$ 323,500</b>	<b>\$ 325,410</b>	<b>\$ 340,500</b>

(see accompanying notes)



**THETIS ISLAND IMPROVEMENT DISTRICT**  
**Consolidated Statement of Change in Net Financial Assets**  
**Year ended December 31, 2016**

	<b>2016 Budget</b>	<b>2016 Actual</b>	<b>2015 Actual</b>
<b>Annual (deficit) (note 10)</b>	\$ (17,000)	\$ (15,090)	\$ (17,041)
Acquisition of tangible capital assets	(20,000)	(18,609)	(21,041)
Amortization of tangible capital assets	22,000	22,056	26,069
Loss on disposal of assets	-	-	1,977
Increase in prepaid expense	-	(25)	(1,010)
	2,000	3,422	5,995
<b>Change in net financial assets</b>	<b>(15,000)</b>	<b>(11,668)</b>	<b>(11,046)</b>
<b>Net financial assets, beginning of year</b>	<b>\$ 130,218</b>	<b>\$ 130,218</b>	<b>\$ 141,264</b>
<b>Net financial assets, end of year</b>	<b>\$ 115,218</b>	<b>\$ 118,550</b>	<b>\$ 130,218</b>

(see accompanying notes)



**THETIS ISLAND IMPROVEMENT DISTRICT**  
**Consolidated Statement of Cash Flows**  
**Year ended December 31, 2016**

	<b>2016</b>	<b>2015</b>
<b>Cash provided by (used for) the following activities</b>		
<b>Operating activities</b>		
Annual (deficit)	\$ (15,090)	\$ (17,041)
Items not involving cash:		
Loss on disposal of assets	-	1,977
Amortization of tangible capital assets	22,056	26,069
Changes in non-cash items:		
Change in trade accounts receivable	1,851	(467)
Change in prepaid expenses	(25)	(1,010)
Change in accounts payable	4,485	521
Change in deferred revenue	126,690	(64,750)
	<u>139,967</u>	<u>(54,701)</u>
<b>Capital transactions</b>		
Cash used to acquire tangible capital assets	<u>(18,609)</u>	<u>(21,041)</u>
<b>Increase (decrease) in cash during the year</b>	121,358	(75,742)
<b>Cash, beginning of year</b>	<u>135,374</u>	<u>211,116</u>
<b>Cash, end of year</b>	<u>\$ 256,732</u>	<u>\$ 135,374</u>



**THETIS ISLAND IMPROVEMENT DISTRICT**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2016**

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**1. Incorporation and operations**

The Thetis Island Improvement District ("District") was incorporated on December 16, 1982 and is subject to the provisions contained in the Local Government Act, a statute of the British Columbia provincial government. The principal activities of the District are to provide volunteer fire protection and first-response emergency services to the residents of Thetis Island Improvement District.

**2. Significant accounting policies**

The consolidated financial statements of the District are prepared in accordance with the recommendations of the Public Sector Accounting Board of the Canadian Institute of Chartered Professional Accountants. In accordance with these recommendations, the District has implemented the consolidation of all funds. Significant accounting policies adopted by the District are as follows:

**Basis of accounting**

The consolidated financial statements are prepared using the accrual basis of accounting. The accrual basis of accounting records revenue as it is earned and measurable. Expenses are recognized as they are incurred and measurable based upon the receipt of goods and services or the creation of an obligation to pay.

The consolidated financial statements reflect the assets, liabilities, revenues, and expenditures and changes in fund balances and the financial position of the District. These consolidated statements consolidate the operations of the District's four funds consisting of the operating fund, capital replacement fund, health and welfare insurance fund and the property and equipment fund.

**Fund Accounting**

In order to ensure observance of limitations and restrictions placed on the use of resources available to the District, the accounts are maintained on a fund accounting basis. Accordingly, resources are classified for accounting and reporting purposes into funds. These funds are held in accordance with the objectives specified by the contributors or in accordance with the directives issued by the Board of Trustees.

Four funds are maintained:

*Operating Fund*

The Operating fund accounts for all revenues and expense related to the general and ancillary fire protection and first response services provided by the District.



**THETIS ISLAND IMPROVEMENT DISTRICT**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2016**

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**2. Significant accounting policies - continued**

*Capital Replacement Fund*

The Capital Replacement fund known as the "Fire Protection - Capital Works and Equipment Renewal Reserve Fund" consists of funds established by the Board of the District to be used for expenditures related to the upgrading, replacement or renewal of existing tangible capital assets used in the fire protection and first response services by the District. These funds have been augmented by annual assessments of property tax and must only be invested or disbursed when approved by resolution of the trustees and the Inspector of Municipalities. The fund was established by Bylaw No. 5 dated May 2, 1984 with an initial appropriation of \$2,500 from operating funds.

*Health and Welfare Insurance Fund*

The Health and Welfare Insurance fund consists of funds established in 2002 to provide supplemental assistance for volunteer fire department members and their families during the period of recovery from injury or illness, or to provide interim financial assistance to families of fire department members in the event of death. These funds are intended to supplement any insurance proceeds from the accident and sickness insurance policy of the District. The amounts disbursed from this fund as a supplement to insurance proceeds are not to exceed the fund balance and are to be disbursed when approved by resolution of the trustees.

*Property and Equipment Fund*

This fund accounts for all tangible capital property and equipment of the District used in the provision of fire protection and first response services by the District.

**Revenue recognition**

The provincial government distributes the taxes collected for fire protection and first response services from property tax revenue which is recognized in the calendar year based on approved property tax assessments for the period. Donations, interest income and other income is recognized as revenue as earned on an accrual basis.

**Government transfers**

Government transfers are the transfer of assets from senior levels of government that are not the result of an exchange transaction, are not expected to be repaid in the future, or the result of a direct financial return.

Government transfers are recognized in the financial statements as revenue in the period in which the events giving rise to the transfer occur, providing the the transfers are authorized, any eligibility criteria have been met and a reasonable estimate of the amounts can be determined.

The District is in receipt of government transfers in the form of property tax revenues received from senior levels of government.



# THETIS ISLAND IMPROVEMENT DISTRICT

## Notes to the Consolidated Financial Statements

December 31, 2016

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### 2. Significant accounting policies - continued

#### Contributed services

Volunteers contribute significant time to assist the Improvement District in carrying out its mandate. Because of the difficulty of determining their fair value, contributed services are not recognized in the consolidated financial statements.

#### Use of estimates

The preparation of consolidated financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the period. Management believes that the estimates used are reasonable and prudent, however, actual results could differ from these estimates.

Significant estimates include assumptions used in estimating historical cost and useful lives of tangible capital assets and estimating provisions for accrued liabilities. Actual results could differ from these estimates.

#### Tangible capital assets and amortization

Tangible capital assets are recorded at cost which include amounts that are directly attributable to acquisition, construction, development or betterment of the asset. The costs, less residual value, of the tangible capital assets are amortized on a straight line basis over their estimated useful lives as follows:

Buildings	-	40 years
Water tanks	-	10 years
Communication equipment	-	10 years
Fire protection equipment	-	10 years
Vehicles	-	15 years

Tangible capital assets are written down when conditions indicate that they no longer contribute to the Districts' ability to provide goods or services, or when the value of the future economic benefits associated with the asset are less than the book value of the asset.

Amortization is charged at 50% the year of acquisition and not recorded in the year of disposal. The amortization policy has been applied prospectively to the financial statements on the adoption of the public sector accounting standards based on the original costs and acquisition dates of the tangible capital assets.

### 3. Financial instruments

The Improvement District's financial instruments consist of cash, short-term investments, accounts receivable and accounts payable. It is management's opinion that the Improvement District is not exposed to significant interest, currency or credit risks arising from these financial instruments. Fair value of these financial instruments approximates cost due to their near term to maturity.



**THETIS ISLAND IMPROVEMENT DISTRICT**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2016**

**4. Accounts receivable**

Accounts receivable represents GST receivable from the federal government.

**5. Accounts payable**

Accounts payable represent trade accounts payable relating to operations and to be paid out of the operating funds of the District.

**6. Deferred revenue**

The District received \$126,690 from the provincial government relating to the taxes collected based on approved property tax assessments. The funds are to be used for the provision of fire protection and first response services in the 2017 fiscal year.

**7. Tangible capital assets**

	<b>Cost</b>	<b>Accumulated Amortization</b>	<b>Net Book Value</b>	
			<b>2016</b>	<b>2015</b>
Buildings	\$ 111,886	\$ 40,685	\$ 71,201	\$ 73,997
Water tanks	18,882	3,478	15,404	12,997
Communication equipment	20,487	14,966	5,521	5,869
Fire protection equipment	109,171	60,073	49,098	42,191
Vehicles	322,875	265,049	57,826	67,443
	<b>\$ 583,301</b>	<b>\$ 384,251</b>	<b>\$ 199,050</b>	<b>\$ 202,497</b>

**8. Accumulated Surplus**

The District segregates its accumulated surplus into the following categories:

	<b>2016</b>	<b>2015</b>
Operating Fund	\$ 22,185	\$ 35,315
Capital Replacement Fund	84,012	82,535
Health and Welfare Fund	20,164	20,153
Property and Equipment Fund	199,049	202,497
	<b>\$ 325,410</b>	<b>\$ 340,500</b>



**THETIS ISLAND IMPROVEMENT DISTRICT**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2016**

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**9. Inter-fund transfers**

During the year, the Operating fund transferred \$18,959 to the Capital Replacement fund. Funds from the Capital Replacement fund were transferred in the amount of \$18,609 to the Property and Equipment fund for the purchase of tangible capital assets. Additionally, the Health and Welfare fund transferred \$2,314 to the Operating fund to cover expenses related to the Health and Welfare fund paid out during the year.

**10. Budget figures**

The financial plan is prepared on a revenue and expenditure basis. For comparative purposes, the District has modified its financial plan to prepare a budget that is consistent with the scope and accounting principles used to report the actual results. The unaudited budget figures used in these consolidated financial statements have been approved by the trustees.



**THETIS ISLAND IMPROVEMENT DISTRICT**  
**Schedule of Tangible Capital Assets - Schedule 1**  
**December 31, 2016**

	<b>Buildings</b>	<b>Vehicles</b>	<b>Fire protection equipment</b>	<b>Communication equipment</b>	<b>Water Tanks</b>	<b>2016</b>	<b>2015</b>
<b>Cost</b>							
Balance, beginning of year	\$ 111,886	\$ 322,875	\$ 94,855	\$ 19,749	\$ 15,327	\$ 564,692	\$ 576,649
Add:							
Additions during the year	-	-	14,316	738	3,555	18,609	21,041
Less:							
Disposal during the year	-	-	-	-	-	-	(32,998)
<b>Balance, end of year</b>	<b>111,886</b>	<b>322,875</b>	<b>109,171</b>	<b>20,487</b>	<b>18,882</b>	<b>583,301</b>	<b>564,692</b>
<b>Accumulated amortization</b>							
Balance, beginning of year	(37,888)	(255,432)	(52,665)	(13,880)	(2,330)	(362,195)	(367,147)
Add:							
Amortization	(2,797)	(9,618)	(7,408)	(1,086)	(1,147)	(22,056)	(26,068)
Less:							
Accumulated amortization on disposals	-	-	-	-	-	-	31,020
<b>Balance, end of year</b>	<b>(40,685)</b>	<b>(265,050)</b>	<b>(60,073)</b>	<b>(14,966)</b>	<b>(3,477)</b>	<b>(384,251)</b>	<b>(362,195)</b>
<b>Net book value of Tangible Capital Assets</b>	<b>\$ 71,201</b>	<b>\$ 57,825</b>	<b>\$ 49,098</b>	<b>\$ 5,521</b>	<b>\$ 15,405</b>	<b>\$ 199,050</b>	<b>\$ 202,497</b>



**THETIS ISLAND IMPROVEMENT DISTRICT**

**Consolidated Schedule of Operations and Changes in Fund Balances - Schedule 2**

**Year ended December 31, 2016**

	<b>Operating Fund</b>	<b>Capital Replacement Fund</b>	<b>Property and Equipment Fund</b>	<b>Health and Welfare Fund</b>	<b>2016 Actual</b>	<b>2016 Budget</b>	<b>2015 Actual</b>
<b>Revenue</b>							
Property taxes	\$ 136,410	\$ -	\$ -	\$ -	\$ 136,410	\$ 136,410	\$ 129,500
Donations	502	-	-	-	502	-	4,534
Miscellaneous other revenues	-	-	-	-	-	-	572
Interest income	55	91	-	18	164	-	152
	<b>136,967</b>	<b>91</b>	<b>-</b>	<b>18</b>	<b>137,076</b>	<b>136,410</b>	<b>134,758</b>
<b>Expenses</b>							
Wages and benefits	38,790	-	-	-	38,790	39,460	33,604
Travel and training	25,131	-	-	-	25,131	20,700	19,513
Vehicle expense	15,834	-	-	-	15,834	18,900	19,210
Office	11,470	-	-	-	11,470	11,100	12,643
Firefighting supplies	10,452	-	-	-	10,452	13,186	11,595
Insurance	11,362	-	-	-	11,362	11,600	10,881
Accounting and legal	7,389	-	-	-	7,389	6,500	6,285
Communications	3,873	-	-	-	3,873	4,000	4,687
Utilities	1,729	-	-	-	1,729	2,600	2,564
Repairs and maintenance	3,677	-	-	-	3,677	2,964	2,371
Bank charges and interest	391	6	-	6	403	400	400
Amortization	-	-	22,056	-	22,056	22,000	26,069
	<b>130,098</b>	<b>6</b>	<b>22,056</b>	<b>6</b>	<b>152,166</b>	<b>153,410</b>	<b>149,822</b>
<b>Excess revenue over expenses</b>	<b>6,869</b>	<b>85</b>	<b>(22,056)</b>	<b>12</b>	<b>(15,090)</b>	<b>(17,000)</b>	<b>(15,064)</b>
<b>Fund balance</b>							
Opening balance	35,315	82,535	202,497	20,153	340,500	340,500	357,541
Purchase of tangible capital assets	-	(18,609)	18,609	-	-	-	-
Loss on disposal of tangible capital assets	-	-	-	-	-	-	(1,977)
Interfund transfers	(16,645)	18,959	-	(2,314)	-	-	-
<b>Ending balance</b>	<b>\$ 25,539</b>	<b>\$ 82,970</b>	<b>\$ 199,050</b>	<b>\$ 17,851</b>	<b>\$ 325,410</b>	<b>\$ 323,500</b>	<b>\$ 340,500</b>

