

**UNION BAY IMPROVEMENT DISTRICT**

**FINANCIAL STATEMENTS**

**YEAR ENDED DECEMBER 31, 2009**

# UNION BAY IMPROVEMENT DISTRICT

## FINANCIAL STATEMENTS

DECEMBER 31, 2009

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**Brent Johnson, CGA, CFP**

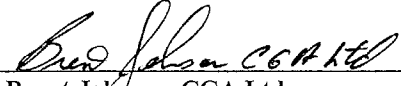
## AUDITOR'S REPORT

**To the Members of: Union Bay Improvement District**

I have audited the statement of financial position of Union Bay Improvement District, as at December 31, 2009 and the statement of operations and changes in fund balances for the year then ended. These financial statements are the responsibility of the Directors. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of 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.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the District as at December 31, 2009 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles for British Columbia Improvement Districts.

  
Brent Johnson, CGA Ltd.  
Certified General Accountant

Qualicum Beach, British Columbia  
February 10, 2010



# UNION BAY IMPROVEMENT DISTRICT

## STATEMENT OF OPERATIONS AND CHANGES IN FUND BALANCES

YEAR ENDED DECEMBER 31, 2009

	Budget	Capital Fund	Waterworks Operating	Fire Protection Operating Note 2 (e)	Total 2009	Total 2008
<b>REVENUE</b>						
Parcel taxes	\$ 142,000	\$ -	\$ 139,851	\$ -	\$ 139,851	\$ 69,660
Water tolls	207,000	-	204,844	-	204,844	204,994
Connection fees	5,000	-	1,040	-	1,040	7,381
Capital expenditure charge	35,000	8,100	-	-	8,100	7,000
Street light cost share	1,700	-	-	1,738	1,738	2,172
Provincial tax levies	402,000	-	-	402,000	402,000	348,800
Interest and other	13,300	6,007	13,879	5,559	25,445	33,394
Donations	1,000	-	-	2,578	2,578	3,566
Rental Income	18,000	-	-	19,187	19,187	300
Meter installations	3,500	-	350	-	350	410
Contribution of assets from operations	<u>157,400</u>	<u>176,357</u>	<u>-</u>	<u>-</u>	<u>176,357</u>	<u>48,092</u>
	<b>985,900</b>	<b>190,464</b>	<b>359,964</b>	<b>431,062</b>	<b>981,490</b>	<b>725,769</b>
<b>EXPENSES - Page 8</b>	<u>985,900</u>	<u>162,037</u>	<u>362,036</u>	<u>410,850</u>	<u>934,923</u>	<u>724,810</u>
Excess Revenue over Expenses	-	<b>28,427</b>	<b>(2,072)</b>	<b>20,212</b>	<b>46,567</b>	<b>959</b>
<b>Fund Balance</b>						
Balance beginning	-	5,172,472	119,079	95,196	5,386,747	2,064,768
Public sector accounting board adjustment (Note 2(j))	-	-	-	-	-	3,321,020
Transfer to Renewal reserve	-	<u>159,626</u>	<u>(96,820)</u>	<u>(62,806)</u>	<u>-</u>	<u>-</u>
Ending balance - Page 3	<u>\$ -</u>	<u>\$5,360,525</u>	<u>\$ 20,187</u>	<u>\$ 52,602</u>	<u>\$5,433,314</u>	<u>\$5,386,747</u>

The auditor's report and notes are an integral part of the financial statements.

# UNION BAY IMPROVEMENT DISTRICT

## STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2009

### ASSETS

	2009	2008
<b>CURRENT</b>		
Cash	\$ 53,947	\$ 303,060
Goods and Services Tax recoverable	5,973	5,630
Accounts receivable	4,623	7,673
Prepaid expenses	6,316	5,155
Inventory (Note 2(a))	<u>21,525</u>	<u>13,743</u>
	<b>92,384</b>	<b>335,261</b>
<b>RESTRICTED CASH AND TERM DEPOSITS</b> (Note 7)	309,016	215,923
<b>PROPERTY AND EQUIPMENT</b> (Note 4)	<u>5,469,909</u>	<u>5,445,884</u>
	<b><u>\$5,871,309</u></b>	<b><u>\$5,997,068</u></b>

The auditor's report and notes are an integral part of the financial statements.

# UNION BAY IMPROVEMENT DISTRICT

## STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2009

### LIABILITIES

	2009	2008
<b>CURRENT</b>		
Accounts payable	\$ 13,795	\$ 17,032
Statutory advance (Note 6)	-	100,000
Wages and benefits payable	5,793	3,955
Current portion of long term debt	<u>14,301</u>	<u>10,998</u>
	<b>33,889</b>	<b>131,985</b>
Long term debt (Note 5)	<u>404,106</u>	<u>478,336</u>
	<b><u>437,995</u></b>	<b><u>610,321</u></b>

### FUND BALANCES

Invested in property and equipment	5,051,501	4,956,549
Externally restricted net assets (Note 7)	<u>309,016</u>	<u>215,923</u>
	<b>5,360,517</b>	<b>5,172,472</b>
Unrestricted	<u>72,797</u>	<u>214,275</u>
Ending balance - Page 1	<b><u>5,433,314</u></b>	<b><u>5,386,747</u></b>
	<b><u>\$5,871,309</u></b>	<b><u>\$5,997,068</u></b>

APPROVED BY THE TRUSTEES

  
Trustee

  
Trustee

The auditor's report and notes are an integral part of the financial statements.

# UNION BAY IMPROVEMENT DISTRICT

## STATEMENT OF CASH FLOW

DECEMBER 31, 2009

	2009	2008
<b>CASH PROVIDED BY OPERATING ACTIVITIES</b>		
Net income	\$ 46,567	\$ 959
<b>Charges (credits) to income not involving cash</b>		
Amortization property and equipment	<u>155,646</u>	<u>100,784</u>
	<u>202,213</u>	<u>101,743</u>
<b>Changes in non-cash working capital</b>		
Accounts receivable	3,050	(4,919)
Inventory	(7,782)	678
Prepaid expenses	(1,161)	10
Accounts payable	(3,237)	(4,380)
Goods and Services Tax payable	(343)	3,238
Statutory advance	(100,000)	100,000
Wages and benefits payable	<u>1,838</u>	<u>(2,181)</u>
	<u>(107,635)</u>	<u>92,446</u>
<b>Net Cash Provided by Operating Activities</b>	<u>94,578</u>	<u>194,189</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Long term debt - reduction	<u>(70,927)</u>	<u>(10,334)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Property and equipment - purchase	(179,671)	(37,759)
Transfers to restricted cash and term deposits	(193,733)	(15,744)
Transfers from restricted cash and term deposits	<u>100,640</u>	<u>-</u>
	<u>(272,764)</u>	<u>(53,503)</u>
<b>Change for the year</b>	<b>(249,113)</b>	<b>130,352</b>
<b>CASH ON-HAND</b>		
<b>Beginning balance</b>	<u>303,060</u>	<u>172,708</u>
<b>Ending balance</b>	<u>\$ 53,947</u>	<u>\$ 303,060</u>

The auditor's report and notes are an integral part of the financial statements.

# UNION BAY IMPROVEMENT DISTRICT

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2009

### 1. HISTORY AND NATURE OF THE ORGANIZATION

The Improvement District is limited to supplying the services of street lighting, fire protection and domestic water supply. In addition, these services cannot be delivered outside the boundaries of the Improvement District with the exception of fire protection where mutual aid agreements have been established.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Improvement District follows the restricted method of accounting for contributions. Outlined below are those policies considered particularly significant.

(a) **Inventory** is valued at the lower of cost or net realizable value.

(b) **Property** and equipment are recorded at cost. Amortization is determined at rates which will reduce original cost to estimated residual value over the estimated useful life of each asset. Annual rates used to compute amortization are as follows:

During the year, the Improvement District accepted the PSAB water system funding calculation for accounting for the water system. This has resulted in the cost of the system being restated in 2008 replacement values, less the applicable amortization adjustment.

Buildings	20 year straight-line
Fire protection equipment	10 year straight-line
Mains and reservoirs	60-100 year straight-line
Pumps, tools and equipment	3-5 year straight-line

(c) **Revenue recognition** is based on when the amount is received or receivable, if the amount to be received can be reasonably estimated and collection is reasonably assured.

(d) **Waterworks** follows the restricted fund method of accounting for contributions, and reports the revenue and expenses related to the operations for water distribution.

(e) **Fire Protection** reports the revenue and expenses related to the operation for fire protection and street lighting.

(f) **Capital fund** maintains the control of the actual property and equipment, accumulated amortization and the renewal reserve and capital expenditure charges.

(g) **Local Government Act** requires the Improvement District to prepare these financial statements in accordance with generally accepted accounting principles for local governments.

(h) **Budget** amounts stated on the Statement of Operations and Changes in Fund Balances are shown as consolidated amounts only for financial statement purposes.

(i) **Comparative figures** have been reclassified, where applicable, to conform to the current presentation.

The auditor's report and notes are an integral part of the financial statements.



# UNION BAY IMPROVEMENT DISTRICT

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2009

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

(j) **Public Sector Accounting Board** These statements reflect the recommendations of the Public sector accounting board. This has resulted in an adjustment to the capital fund which reflects an alternative accounting treatment to generally accepted accounting principles. The adjustment to the capital account is the result of changing the cost basis of accounting for the water system to a 2008 replacement cost based upon an engineering report provided to the board. This has resulted in a net increase in the capital fund of \$3,321,020.

### 3. FINANCIAL INSTRUMENTS

The Improvement District's financial instruments consist of cash, short term investments, accounts receivable and accounts payable. Unless otherwise noted, it is management's opinion that the Improvement District is not exposed to significant interest, currency or credit risks arising from these financial instruments, the fair value of which approximates their carrying value.

### 4. PROPERTY AND EQUIPMENT

	<u>Cost</u>	<u>Amortization</u>	<u>Net 2009</u>	<u>Net 2008</u>
Buildings	\$ 247,357	\$ 54,051	\$ 193,306	\$ 193,048
Fire protection equipment	695,582	451,867	243,715	160,741
Mains and reservoir	7,067,534	2,660,171	4,407,363	4,479,928
Pumps, tools and equipment	141,587	84,555	57,032	43,674
Land and easements	<u>568,493</u>	<u>-</u>	<u>568,493</u>	<u>568,493</u>
	<u>\$ 8,720,553</u>	<u>\$ 3,250,644</u>	<u>\$ 5,469,909</u>	<u>\$ 5,445,884</u>

The cost base of the mains and reservoir have been restated to the replacement value based upon the PSAB water system funding calculation. This will result in an increased amortization charge against capital on an annual bases. The effect for 2009 was an increase in expense of \$59,522.

The auditor's report and notes are an integral part of the financial statements.

# UNION BAY IMPROVEMENT DISTRICT

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2009

### 5. LONG TERM DEBT

	2009	2008
Mortgage payable to the Union Bay Credit Union in monthly installments of \$2,908 including interest at 5%, secured by specific assets with the balance due October 2012.	\$ 418,407	\$ 489,334
Less current portion	<u>14,301</u>	<u>10,998</u>
	<u><u>\$ 404,106</u></u>	<u><u>\$ 478,336</u></u>
Principal repayments, based on the loan terms and conditions at year end, are as follows:		
2010	\$ 14,301	
2011	15,032	
2012	<u>389,074</u>	
	<u><u>\$ 418,407</u></u>	

### 6. STATUTORY ADVANCE

Funds scheduled to be received in the next fiscal year were received in advance of the current period.

### 7. RESTRICTED CASH AND TERM DEPOSITS

Funds raised for the renewal of works and capital expenditure fees must be kept separate from other funds of the Improvement District and must be distributed through a disbursement bylaw authorized by the Board of Trustees.

The changes for the year are as follows:

	Waterworks		Fire Protection	2009	2008
	Capital	Renewal			
Beginning balance	\$ 101,663	\$ 1,962	\$ 112,298	\$ 215,923	\$ 200,180
Proceeds sale of truck	-	-	20,000	20,000	-
Capital expenditure	-	-	(100,640)	(100,640)	-
Renewal Reserve	-	96,820	62,806	159,626	-
Capital expenditure charge	8,100	-	-	8,100	7,000
Interest income	<u>3,332</u>	<u>230</u>	<u>2,445</u>	<u>6,007</u>	<u>8,743</u>
	<u><u>\$ 113,095</u></u>	<u><u>\$ 99,012</u></u>	<u><u>\$ 96,909</u></u>	<u><u>\$ 309,016</u></u>	<u><u>\$ 215,923</u></u>

The auditor's report and notes are an integral part of the financial statements.

# UNION BAY IMPROVEMENT DISTRICT

## SCHEDULE OF EXPENSES

DECEMBER 31, 2009

EXPENSES	Budget	Capital Fund	Waterworks Operating	Fire Protection Operating Note 2 (e)	Total 2009	Total 2008
Advertising	\$ 6,200	\$ -	\$ 3,038	\$ 4,504	\$ 7,542	\$ 5,529
Amortization of property and equipment	-	155,646	-	-	155,646	100,784
Dues	2,000	-	1,319	5,272	6,591	3,850
Honorariums	15,000	-	-	15,750	15,750	15,000
Insurance	34,000	-	12,707	14,955	27,662	27,547
Interest on long term debt	26,100	-	-	23,547	23,547	24,563
Loan payment	10,000	-	-	71,553	71,553	10,797
Occupancy	22,000	-	10,000	7,684	17,684	17,726
Office expense	23,000	-	13,081	6,142	19,223	27,384
Professional fees	25,000	-	12,587	5,843	18,430	13,026
Property and equipment purchases	307,000	-	58,397	53,069	111,466	37,544
Street lights	25,000	-	-	21,229	21,229	20,991
Supplies	58,000	-	15,172	27,912	43,084	53,526
Travel and training	34,000	-	8,513	16,485	24,998	32,668
Trustee remuneration	5,000	-	2,500	2,500	5,000	4,775
Utilities and telephone	38,500	-	11,733	24,705	36,438	38,469
Vehicles	34,600	-	8,587	20,774	29,361	27,046
Wages and benefits	320,500	-	204,402	88,926	293,328	263,585
Loss on sale of asset	-	6,391	-	-	6,391	-
<b>Total - Page 1</b>	<b><u>\$ 985,900</u></b>	<b><u>\$ 162,037</u></b>	<b><u>\$ 362,036</u></b>	<b><u>\$ 410,850</u></b>	<b><u>\$ 934,923</u></b>	<b><u>\$ 724,810</u></b>

The auditor's report and notes are an integral part of the financial statements.