

UNION BAY IMPROVEMENT DISTRICT

FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2007

UNION BAY IMPROVEMENT DISTRICT

FINANCIAL STATEMENTS

DECEMBER 31, 2007

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Brent Johnson, CGA Ltd.
Certified General Accountant

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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, 2007 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, 2007 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 11, 2008

UNION BAY IMPROVEMENT DISTRICT

STATEMENT OF OPERATIONS AND CHANGES IN FUND BALANCES

YEAR ENDED DECEMBER 31, 2007

	Budget	Capital Fund	Waterworks Operating	Fire Protection Operating Note 2 (g)	Total 2007	Total 2006
REVENUE						
Parcel taxes	\$ 70,000	\$ -	\$ 69,380	\$ -	\$ 69,380	\$ 69,267
Water tolls	194,000	-	166,672	-	166,672	170,856
Connection fees	5,000	-	9,454	-	9,454	11,873
Capital expenditure charge	35,000	14,000	-	-	14,000	7,000
Street light cost share	1,700	-	-	2,172	2,172	1,738
Provincial tax levies	287,600	-	-	287,600	287,600	235,000
Interest and other	11,850	13,551	13,083	3,169	29,803	22,143
Donations	1,000	-	-	4,540	4,540	1,959
Meter installations	2,000	-	2,224	-	2,224	6,360
Contribution of assets from operations	<u>75,000</u>	<u>67,719</u>	<u>-</u>	<u>-</u>	<u>67,719</u>	<u>75,481</u>
	683,150	95,270	260,813	297,481	653,564	601,677
EXPENSES - Page 7	<u>683,150</u>	<u>93,860</u>	<u>254,501</u>	<u>298,656</u>	<u>647,017</u>	<u>540,508</u>
Excess Revenue over Expenses	-	1,410	6,312	(1,175)	6,547	61,169
Fund Balance						
Balance beginning	2,058,221	1,886,991	111,354	59,877	2,058,222	1,997,053
Ending balance - Page 3	<u>\$2,058,221</u>	<u>\$1,888,401</u>	<u>\$ 117,666</u>	<u>\$ 58,702</u>	<u>\$2,064,769</u>	<u>\$2,058,222</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, 2007

ASSETS

	2007	2006
CURRENT		
Cash	\$ 172,708	\$ 194,527
Goods and Services Tax recoverable	8,868	6,752
Accounts receivable	2,754	5,194
Prepaid expenses	5,165	4,849
Inventory (Note 2(a))	<u>14,421</u>	<u>20,097</u>
	203,916	231,419
Restricted cash and term deposits (Note 6)	200,180	381,824
PROPERTY AND EQUIPMENT (Note 4)	<u>2,187,889</u>	<u>1,505,167</u>
	<u>\$2,591,985</u>	<u>\$2,118,410</u>

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UNION BAY IMPROVEMENT DISTRICT

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2007

LIABILITIES

	2007	2006
CURRENT		
Accounts payable	\$ 21,412	\$ 6,775
Deferred revenue	-	50,000
Wages and benefits payable	6,136	3,413
Current portion of long term debt	<u>10,532</u>	<u>-</u>
	<u>38,080</u>	<u>60,188</u>
Long term debt (Note 5)	<u>489,136</u>	<u>-</u>
	<u>527,216</u>	<u>60,188</u>

FUND BALANCES

Invested in property and equipment	1,688,221	1,505,167
Externally restricted net assets (Note 5)	<u>200,180</u>	<u>381,824</u>
	1,888,401	1,886,991
Unrestricted	<u>176,368</u>	<u>171,231</u>
Ending balance - Page 1	<u>2,064,769</u>	<u>2,058,222</u>
	<u>\$2,591,985</u>	<u>\$2,118,410</u>

APPROVED BY THE TRUSTEES

_____ Trustee

_____ Trustee

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

UNION BAY IMPROVEMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2007

1. HISTORY AND NATURE OF THE ORGANIZATION

The District was incorporated under Letters Patent from the Province of British Columbia.

The 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) **Marketable securities** are valued at the lower of cost or market value.
- (c) **Investments** are carried at cost less write-downs for any permanent decline in value.
- (d) **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:

Buildings	20	year straight-line
Fire trucks	20	year straight-line
Fire protection equipment	10	year straight-line
Pumps, tools and equipment	3-5	year straight-line
Mains and services	40	year straight-line
Reservoir	40	year straight-line

- (e) **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.
- (f) **Waterworks** follows the restricted fund method of accounting for contributions, and reports the revenue and expenses related to the operations for water distribution.
- (g) **Fire Protection** reports the revenue and expenses related to the operation for fire protection and street lighting.
- (h) **Capital fund** maintains the control of the actual property and equipment, accumulated amortization and the renewal reserve and capital expenditure charges.
- (i) **Local Government Act** requires the District to prepare these financial statements in accordance with generally accepted accounting principles for local governments.

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

UNION BAY IMPROVEMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2007

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- (j) **Budget** amounts stated on the Statement of Operations and Changes in Fund Balances are shown as consolidated amounts only for financial statement purposes.
- (k) **Comparative figures** have been reclassified, where applicable, to conform to the current presentation.
- (l) **Statement of cash flow** has not been included in these financial statements as the information is readily determinable from the statements provided.

3. FINANCIAL INSTRUMENTS

The 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 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 2007</u>	<u>Net 2006</u>
Buildings	\$ 223,922	\$ 31,181	\$ 192,741	\$ 11,195
Fire protection equipment	583,547	396,657	186,890	192,267
Pumps, tools and equipment	105,058	60,039	45,019	43,987
Mains and reservoir	1,780,070	585,324	1,194,746	1,221,829
Land and easements	<u>568,493</u>	<u>-</u>	<u>568,493</u>	<u>35,889</u>
	<u>\$ 3,261,090</u>	<u>\$ 1,073,201</u>	<u>\$ 2,187,889</u>	<u>\$ 1,505,167</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, 2007

5. LONG TERM DEBT

	2007	2006
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.	\$ 499,668	\$ -
Less current portion	<u>10,532</u>	<u>-</u>
	<u>\$ 489,136</u>	<u>\$ -</u>
Principal repayments, based on the loan terms and conditions at year end, are as follows:		
2008	\$ 10,532	
2009	11,063	
2010	11,621	
2011	12,208	
2012	12,823	
2013 and subsequent	<u>441,421</u>	
	<u>\$ 499,668</u>	

6. RENEWAL RESERVES AND CAPITAL EXPENDITURE CHARGE FUND

Section #751 of the Local Government Act provides for the establishment of a renewal reserve fund to renew works when replacement is required. The District has set aside operating surpluses each year for this purpose, with no commitment made to a specific amount.

Funds raised for the renewal of works must be kept separate from other funds of the District and must not be disbursed without prior written consent of the inspector.

The changes for the year are as follows:

	Waterworks		Fire Protection	2007	2006
	Capital	Renewal			
Beginning balance	\$ 74,183	\$ 1,829	\$ 305,812	\$ 381,824	\$ 357,521
Gain on sale of asset	-	-	31	31	-
Capital expenditures	14,000	-	(209,195)	(195,195)	7,000
Interest income	<u>2,304</u>	<u>75</u>	<u>11,141</u>	<u>13,520</u>	<u>17,303</u>
	<u>\$ 90,487</u>	<u>\$ 1,904</u>	<u>\$ 107,789</u>	<u>\$ 200,180</u>	<u>\$ 381,824</u>

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

UNION BAY IMPROVEMENT DISTRICT

SCHEDULE OF EXPENSES

DECEMBER 31, 2007

EXPENSES	Budget	Capital Fund	Waterworks Operating	Fire Protection Operating Note 2 (g)	Total 2007	Total 2006
Advertising	\$ 5,400	\$ -	\$ 3,771	\$ 3,312	\$ 7,083	\$ 4,841
Amortization	-	93,860	-	-	93,860	91,633
Dues	4,000	-	1,727	1,822	3,549	3,076
Honorariums	15,000	-	-	15,000	15,000	12,000
Insurance	33,000	-	10,734	13,923	24,657	35,212
Interest on long term	-	-	-	4,657	4,657	-
Loan payment	-	-	-	322	322	282
Office expense	25,450	-	14,448	10,520	24,968	20,887
Professional fees	10,500	-	7,010	5,111	12,121	6,474
Property and equipment purchase	179,400	-	28,589	39,130	67,719	75,481
Street lights	23,000	-	-	19,994	19,994	19,769
Supplies	53,800	-	24,743	34,519	59,262	28,345
Travel and training	37,000	-	4,329	22,571	26,900	25,307
Trustee remuneration	4,000	-	2,000	1,999	3,999	4,000
Utilities and telephone	17,300	-	8,093	15,321	23,414	16,438
Vehicles	26,200	-	6,645	20,826	27,471	20,287
Wages and benefits	<u>249,100</u>	-	<u>142,412</u>	<u>89,629</u>	<u>232,041</u>	<u>176,476</u>
Total - Page 1	<u>\$ 683,150</u>	<u>\$ 93,860</u>	<u>\$ 254,501</u>	<u>\$ 298,656</u>	<u>\$ 647,017</u>	<u>\$ 540,508</u>

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