

THETIS ISLAND IMPROVEMENT DISTRICT

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2017



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 Chartered Professional Accountants of Canada.

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

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* Carter L. Chomyn 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, 2017, 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, 2017 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

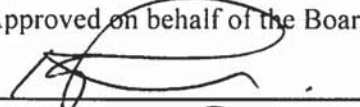
Victoria, British Columbia
April 24, 2018



THETIS ISLAND IMPROVEMENT DISTRICT
Consolidated Statement of Financial Position
December 31, 2017

	2017	2016
Financial assets		
Cash (note 4)	\$ 311,340	\$ 256,732
Accounts receivable (note 5)	2,665	1,573
	<u>314,005</u>	<u>258,305</u>
Financial liabilities		
Accounts payable and accrued liabilities (note 6)	8,726	13,065
Deferred revenue (note 7)	151,993	126,690
	<u>160,719</u>	<u>139,755</u>
Net financial assets	<u>153,286</u>	<u>118,550</u>
Non-financial assets		
Prepaid expenses	6,413	7,810
Tangible capital assets (note 8)	201,327	199,050
	<u>207,740</u>	<u>206,860</u>
Accumulated surplus	<u>\$ 361,026</u>	<u>\$ 325,410</u>

Approved on behalf of the Board of Trustees:



 KEVIN RUSED
 CHAIR
 BOARD OF TRUSTEES

(see accompanying notes)



THETIS ISLAND IMPROVEMENT DISTRICT
Consolidated Statement of Operations and Accumulated Surplus
Year ended December 31, 2017

	2017 Budget	2017 Actual	2016 Actual
Revenue			
Property taxes	\$ 253,380	\$ 253,380	\$ 136,410
Donations	-	960	502
Interest income	-	206	164
	<u>253,380</u>	<u>254,546</u>	<u>137,076</u>
Expenses			
Wages and benefits	89,600	88,707	36,217
Travel and training	26,450	30,437	25,131
Vehicle expense	20,700	18,923	15,834
Office	13,600	11,438	11,470
Insurance	12,500	11,311	11,362
Firefighting supplies	12,350	16,470	13,025
Repairs and maintenance	7,400	2,720	3,677
Accounting and legal	6,700	6,502	7,389
Communications	4,500	4,351	3,873
Utilities	4,100	3,021	1,729
Bank charges and interest	480	273	403
Amortization	25,000	24,777	22,056
	<u>223,380</u>	<u>218,930</u>	<u>152,166</u>
Annual surplus (deficit)	30,000	35,616	(15,090)
Accumulated surplus, beginning of year	\$ 325,410	\$ 325,410	\$ 340,500
Accumulated surplus, end of year	\$ 355,410	\$ 361,026	\$ 325,410

(see accompanying notes)



THETIS ISLAND IMPROVEMENT DISTRICT
Consolidated Statement of Change in Net Financial Assets
Year ended December 31, 2017

	2017 Budget	2017 Actual	2016 Actual
Annual surplus (deficit) (note 11)	\$ 30,000	\$ 35,616	\$ (15,090)
Acquisition of tangible capital assets	(30,000)	(27,054)	(18,609)
Amortization of tangible capital assets	25,000	24,777	22,056
Decrease (increase) in prepaid expense	-	1,397	(25)
	(5,000)	(880)	3,422
Change in net financial assets	25,000	34,736	(11,668)
Net financial assets, beginning of year	\$ 118,550	\$ 118,550	\$ 130,218
Net financial assets, end of year	\$ 143,550	\$ 153,286	\$ 118,550

(see accompanying notes)



THETIS ISLAND IMPROVEMENT DISTRICT
Consolidated Statement of Cash Flows
Year ended December 31, 2017

	2017	2016
Cash provided by (used for) the following activities		
Operating activities		
Annual surplus (deficit)	\$ 35,616	\$ (15,090)
Items not involving cash:		
Amortization of tangible capital assets	24,777	22,056
Changes in non-cash items:		
Change in trade accounts receivable	(1,092)	1,851
Change in prepaid expenses	1,397	(25)
Change in accounts payable	(4,339)	4,485
Change in deferred revenue	25,303	126,690
	<u>81,662</u>	<u>139,967</u>
Capital transactions		
Cash used to acquire tangible capital assets	(27,054)	(18,609)
Increase in cash during the year	54,608	121,358
Cash, beginning of year	256,732	135,374
Cash, end of year	\$ 311,340	\$ 256,732

THETIS ISLAND IMPROVEMENT DISTRICT

Notes to the Consolidated Financial Statements

December 31, 2017

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 Chartered Professional Accountants of Canada. 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, 2017

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.



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, 2017

4. Cash

At year end, the District's cash balances are as follows:

	2017	2016
Cash on deposit	\$ 334,381	\$ 265,548
Cheques issued and outstanding	(23,041)	(8,816)
	\$ 311,340	\$ 256,732

5. Accounts receivable

Accounts receivable represents GST receivable from the federal government.

6. Accounts payable

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

7. Deferred revenue

The District received \$151,993 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 2018 fiscal year.

8. Tangible capital assets

	Cost	Accumulated Amortization	Net Book Value	
			2017	2016
Buildings	\$ 114,386	\$ 43,482	\$ 70,904	\$ 71,201
Water tanks	18,882	5,365	13,517	15,404
Communication equipment	21,547	16,142	5,405	5,521
Fire protection equipment	132,665	69,372	63,293	49,098
Vehicles	322,875	274,667	48,208	57,826
	\$ 610,355	\$ 409,028	\$ 201,327	\$ 199,050



THETIS ISLAND IMPROVEMENT DISTRICT
Notes to the Consolidated Financial Statements
December 31, 2017

9. Accumulated Surplus

The District segregates its accumulated surplus into the following categories:

	2017	2016
Operating Fund	\$ 30,831	\$ 25,539
Capital Replacement Fund	111,008	82,970
Health and Welfare Fund	17,860	17,851
Property and Equipment Fund	201,327	199,050
	\$ 361,026	\$ 325,410

10. Inter-fund transfers

During the year, the Operating fund transferred \$55,000 to the Capital Replacement fund. Funds from the Capital Replacement fund were transferred in the amount of \$27,054 to the Property and Equipment fund for the purchase of tangible capital assets.

11. 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.

12. Comparative figures

Certain comparative figures have been reclassified to conform to the method of presentation adopted in the current year.



THETIS ISLAND IMPROVEMENT DISTRICT
Schedule of Tangible Capital Assets - Schedule 1
December 31, 2017

	Buildings	Vehicles	Fire protection equipment	Communication equipment	Water Tanks	2017	2016
Cost							
Balance, beginning of year	\$ 111,886	\$ 322,875	\$ 109,171	\$ 20,487	\$ 18,882	\$ 583,301	\$ 564,692
Add:							
Additions during the year	2,500	-	23,494	1,060	-	27,054	18,609
Less:							
Disposal during the year	-	-	-	-	-	-	-
Balance, end of year	114,386	322,875	132,665	21,547	18,882	610,355	583,301
Accumulated amortization							
Balance, beginning of year	(40,685)	(265,049)	(60,073)	(14,966)	(3,478)	(384,251)	(362,195)
Add:							
Amortization	(2,797)	(9,618)	(9,299)	(1,176)	(1,887)	(24,777)	(22,056)
Less:							
Accumulated amortization on disposals	-	-	-	-	-	-	-
Balance, end of year	(43,482)	(274,667)	(69,372)	(16,142)	(5,365)	(409,028)	(384,251)
Net book value of Tangible Capital Assets	\$ 70,904	\$ 48,208	\$ 63,293	\$ 5,405	\$ 13,517	\$ 201,327	\$ 199,050



THETIS ISLAND IMPROVEMENT DISTRICT
Consolidated Schedule of Operations and Changes in Fund Balances - Schedule 2
Year ended December 31, 2017

	Operating Fund	Capital Replacement Fund	Property and Equipment Fund	Health and Welfare Fund	2017 Actual	2017 Budget	2016 Actual
Revenue							
Property taxes	\$ 253,380	\$ -	\$ -	\$ -	\$ 253,380	\$ 253,380	\$ 136,410
Donations	960	-	-	-	960	-	502
Miscellaneous other revenues	-	-	-	-	-	-	-
Interest income	91	99	-	16	206	-	164
	254,431	99	-	16	254,546	253,380	137,076
Expenses							
Wages and benefits	88,707	-	-	-	88,707	89,600	36,217
Travel and training	30,437	-	-	-	30,437	26,450	25,131
Vehicle expense	18,923	-	-	-	18,923	20,700	15,834
Firefighting supplies	16,470	-	-	-	16,470	12,350	13,025
Office	11,438	-	-	-	11,438	13,600	11,470
Insurance	11,311	-	-	-	11,311	12,500	11,362
Accounting and legal	6,502	-	-	-	6,502	6,700	7,389
Communications	4,351	-	-	-	4,351	4,500	3,873
Utilities	3,021	-	-	-	3,021	4,100	1,729
Repairs and maintenance	2,720	-	-	-	2,720	7,400	3,677
Bank charges and interest	259	7	-	7	273	480	403
Amortization	-	-	24,777	-	24,777	25,000	22,056
	194,139	7	24,777	7	218,930	223,380	152,166
Excess revenue over expenses	60,292	92	(24,777)	9	35,616	30,000	(15,090)
Fund balance							
Opening balance	25,539	82,970	199,050	17,851	325,410	325,410	340,500
Purchase of tangible capital assets	-	(27,054)	27,054	-	-	-	-
Interfund transfers	(55,000)	55,000	-	-	-	-	-
Ending balance	\$ 30,831	\$ 111,008	\$ 201,327	\$ 17,860	\$ 361,026	\$ 355,410	\$ 325,410

