

UNION BAY IMPROVEMENT DISTRICT

FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2006

UNION BAY IMPROVEMENT DISTRICT

FINANCIAL STATEMENTS

DECEMBER 31, 2006

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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, 2006 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, 2006 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
March 1, 2007

UNION BAY IMPROVEMENT DISTRICT

STATEMENT OF OPERATIONS AND CHANGES IN FUND BALANCES

YEAR ENDED DECEMBER 31, 2006

	Budget	Capital Fund	Waterworks Operating	Fire Protection Operating Note 2 (g)	Total 2006	Total 2005
REVENUE						
Parcel taxes	\$ 70,000	\$ -	\$ 69,267	\$ -	\$ 69,267	\$ 69,280
Water tolls	194,000	-	170,856	-	170,856	168,269
Connection fees	5,000	-	11,873	-	11,873	14,814
Capital expenditure charge	-	7,000	-	-	7,000	-
Street light cost share	1,700	-	-	1,738	1,738	1,718
Provincial tax levies	235,000	-	-	235,000	235,000	214,000
Interest and other	11,850	17,303	2,522	2,318	22,143	21,071
Donations	1,000	-	-	1,959	1,959	5,673
Transfer from reserve	30,000	-	-	-	-	-
Meter installations	2,000	-	6,360	-	6,360	2,767
Renewal reserve transfer	35,000	-	-	-	-	28,000
Contribution of assets from operations	<u>-</u>	<u>75,482</u>	<u>-</u>	<u>-</u>	<u>75,482</u>	<u>70,018</u>
	585,550	99,785	260,878	241,015	601,678	595,610
EXPENSES - Page 6	<u>585,550</u>	<u>91,633</u>	<u>205,864</u>	<u>243,013</u>	<u>540,510</u>	<u>530,158</u>
Excess Revenue over Expenses	-	8,152	55,014	(1,998)	61,168	65,452
Fund Balance						
Balance beginning	<u>1,997,053</u>	<u>1,878,839</u>	<u>56,340</u>	<u>61,874</u>	<u>1,997,053</u>	<u>1,931,601</u>
Ending balance - Page 3	<u>\$1,997,053</u>	<u>\$1,886,991</u>	<u>\$ 111,354</u>	<u>\$ 59,876</u>	<u>\$2,058,221</u>	<u>\$1,997,053</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, 2006

ASSETS

	2006	2005
CURRENT		
Cash	\$ 194,526	\$ 70,764
Goods and Services Tax recoverable	6,752	6,120
Accounts receivable	5,194	14,944
Prepaid expenses	4,849	22,177
Inventory (Note 2(a))	<u>20,097</u>	<u>16,394</u>
	231,418	130,399
Restricted cash and term deposits (Note 5)	381,824	357,521
PROPERTY AND EQUIPMENT (Note 4)	<u>1,505,167</u>	<u>1,521,318</u>
	<u>\$2,118,409</u>	<u>\$2,009,238</u>

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UNION BAY IMPROVEMENT DISTRICT

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2006

LIABILITIES

	2006	2005
CURRENT		
Accounts payable	\$ 6,775	\$ 11,607
Deferred revenue	50,000	-
Wages and benefits payable	<u>3,413</u>	<u>578</u>
	<u>60,188</u>	<u>12,185</u>

FUND BALANCES

Invested in property and equipment	1,505,167	1,521,318
Externally restricted net assets (Note 5)	<u>381,824</u>	<u>357,521</u>
	1,886,991	1,878,839
Unrestricted	<u>171,230</u>	<u>118,214</u>
Ending balance - Page 1	<u>2,058,221</u>	<u>1,997,053</u>
	<u>\$2,118,409</u>	<u>\$2,009,238</u>

APPROVED BY THE TRUSTEES

_____ Trustees

_____ Trustees

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

UNION BAY IMPROVEMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2006

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, 2006

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 2006</u>	<u>Net 2005</u>
Buildings	\$ 38,417	\$ 27,222	\$ 11,195	\$ 13,115
Fire protection equipment	555,002	362,735	192,267	189,025
Pumps, tools and equipment	93,163	49,176	43,987	35,309
Mains and reservoir	1,762,038	540,209	1,221,829	1,247,980
Land and easements	<u>35,889</u>	<u>-</u>	<u>35,889</u>	<u>35,889</u>
	<u>\$ 2,484,509</u>	<u>\$ 979,342</u>	<u>\$ 1,505,167</u>	<u>\$ 1,521,318</u>

5. 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:

	<u>Waterworks</u>		<u>Fire</u>	<u>2006</u>	<u>2005</u>
	<u>Capital</u>	<u>Renewal</u>	<u>Protection</u>		
Beginning balance	\$ 64,912	\$ 1,756	\$ 290,853	\$ 357,521	\$ 317,281
Provision renewal	-	-	-	-	28,000
Capital expenditures	7,000	-	-	7,000	-
Interest income	<u>2,271</u>	<u>73</u>	<u>14,959</u>	<u>17,303</u>	<u>12,240</u>
	<u>\$ 74,183</u>	<u>\$ 1,829</u>	<u>\$ 305,812</u>	<u>\$ 381,824</u>	<u>\$ 357,521</u>

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

UNION BAY IMPROVEMENT DISTRICT

SCHEDULE OF EXPENSES

DECEMBER 31, 2006

EXPENSES	Budget	Capital Fund	Waterworks Operating	Fire Protection Operating Note 2 (g)	Total 2006	Total 2005
Advertising	\$ 5,400	\$ -	\$ 1,893	\$ 2,948	\$ 4,841	\$ 5,758
Amortization	-	91,633	-	-	91,633	83,290
Dues	4,000	-	1,254	1,822	3,076	3,179
Honorariums	12,000	-	-	12,000	12,000	10,000
Insurance	41,500	-	15,213	19,999	35,212	39,251
Office expense	21,350	-	10,944	10,226	21,170	19,074
Professional fees	18,500	-	4,465	2,010	6,475	8,726
Property and equipment purchased	135,200	-	24,105	51,376	75,481	76,152
Street lights	23,000	-	-	19,769	19,769	19,538
Supplies	44,800	-	8,059	20,286	28,345	39,520
Travel and training	29,000	-	4,901	20,406	25,307	25,555
Trustee remuneration	4,000	-	2,000	2,000	4,000	4,000
Utilities and telephone	15,200	-	7,015	9,424	16,439	13,473
Vehicles	25,500	-	3,891	16,395	20,286	21,870
Wages and benefits	<u>206,100</u>	<u>-</u>	<u>122,124</u>	<u>54,352</u>	<u>176,476</u>	<u>160,772</u>
Total - Page 1	<u>\$ 585,550</u>	<u>\$ 91,633</u>	<u>\$ 205,864</u>	<u>\$ 243,013</u>	<u>\$ 540,510</u>	<u>\$ 530,158</u>

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