

**HORNBY ISLAND RESIDENTS' AND
RATEPAYERS' ASSOCIATION**

Financial Statements

Year ended December 31, 2011

(Prepared without audit)

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MANAGEMENT'S RESPONSIBILITY

To the Members of Hornby Island Residents' and Ratepayers' Association

Management is responsible for the preparation and presentation of the accompanying December 31, 2011 financial statements, including responsibility for significant accounting judgments and estimates in accordance with Canadian generally accepted accounting principles and ensuring that all information in the annual report is consistent with the statements. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which subjective judgment is required.

In discharging its responsibilities for the integrity and fairness of the December 31, 2011 financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of financial statements.

The Executive Committee is responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving the financial information included in the annual report. The Executive Committee fulfils these responsibilities by reviewing the financial information prepared by management and discussing relevant matters with management and external accountants. The Executive Committee is also responsible for recommending the appointment of the Association's external accountants.

Presley & Partners, an independent firm of Chartered Accountants, is appointed by the members to review the December 31, 2011 financial statements and report directly to them; their report follows. The external accountants have full and free access to both the Executive Committee and management to discuss their findings.

Lynn Nunley, President

Rudy Rogalsky, Treasurer



Presley & Partners

REVIEW ENGAGEMENT REPORT

To the Members of Hornby Island Residents' and Ratepayers' Association

We have reviewed the statement of financial position of Hornby Island Residents' and Ratepayers' Association as at December 31, 2011 and the statements of operations, changes in net financial assets and cash flows for the year then ended. Our review was made in accordance with Canadian generally accepted standards for review engagements and, accordingly, consisted primarily of enquiry, analytical procedures and discussion related to information supplied to us by the Association.

A review does not constitute an audit and consequently we do not express an audit opinion on these financial statements.

Based on our review, nothing has come to our attention that causes us to believe that these financial statements are not, in all material respects, in accordance with Canadian generally accepted accounting principles.

Presley & Partners

Chartered Accountants

Courtenay, B.C.

February 27, 2012

HORNBY ISLAND RESIDENTS' AND RATEPAYERS' ASSOCIATION
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2011
(Prepared without audit)

	2011	2010
FINANCIAL ASSETS		
Cash	\$ 72,764	\$ 98,258
Accounts receivable	16,071	5,284
Sales tax receivable	12,433	8,720
	<hr/>	<hr/>
	101,268	112,262
FINANCIAL LIABILITIES		
Accounts payable and accrued liabilities	18,638	7,791
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NET FINANCIAL ASSETS	82,630	104,471
TANGIBLE CAPITAL ASSETS <i>(Note 3)</i>	105,595	116,012
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ACCUMULATED SURPLUS	\$ 188,225	\$ 220,483
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Approved on behalf of the Board

_____ Director

_____ Director

HORNBY ISLAND RESIDENTS' AND RATEPAYERS' ASSOCIATION
STATEMENT OF OPERATIONS
YEAR ENDED DECEMBER 31, 2011
(Prepared without audit)

	2011 Budget <i>(Unaudited)</i>	2011	2010
REVENUE			
Regional District	\$ 435,297	\$ 435,529	\$ 450,248
Tipping fees	56,500	54,512	56,661
Rental	35,320	33,669	38,714
Recreation and registration fees	-	18,857	12,473
Donations and fundraising	3,160	7,955	11,559
Refundable sales	12,000	18,953	10,703
Other revenue	3,600	9,851	6,089
Grants	-	5,900	5,620
Harvest fair	-	4,661	3,351
	<u>545,877</u>	<u>589,887</u>	<u>595,418</u>
EXPENSES			
Recycling	235,882	245,217	215,800
Fire Department	281,738	203,428	208,862
Community Hall	49,424	60,601	56,016
Mt Geoffrey	52,274	37,974	34,413
Recreation	-	42,049	29,771
Privy Council	10,975	9,440	10,411
General fund	7,592	8,805	10,301
Savoie Building	3,696	9,639	4,678
Fall Fair	350	3,533	3,606
Cemetary	27	316	267
Trails	-	327	242
Composting Toilet Facility	-	816	-
	<u>641,958</u>	<u>622,145</u>	<u>574,367</u>
ANNUAL SURPLUS (EXPENDITURE)	\$ (96,081)	(32,258)	21,051
ACCUMULATED SURPLUS AT BEGINNING OF YEAR		220,483	199,432
ACCUMULATED SURPLUS AT END OF YEAR		\$ 188,225	\$ 220,483

HORNBY ISLAND RESIDENTS' AND RATEPAYERS' ASSOCIATION
STATEMENT OF CHANGES IN NET FINANCIAL ASSETS
YEAR ENDED DECEMBER 31, 2011
(Prepared without audit)

	2011 Budget <i>(Unaudited)</i>	2011	2010
ANNUAL SURPLUS (EXPENDITURE)	\$ (96,081)	\$ (32,258)	\$ 21,051
AQUISITION OF TANGIBLE CAPITAL ASSETS	-	-	(10,253)
<u>AMORTIZATION OF TANGIBLE CAPITAL ASSETS</u>	<u>10,417</u>	<u>10,417</u>	<u>10,075</u>
CHANGE IN NET FINANCIAL ASSETS	\$ (85,664)	(21,841)	20,873
<u>NET FINANCIAL ASSETS AT BEGINNING OF YEAR</u>		<u>104,471</u>	<u>83,598</u>
<u>NET FINANCIAL ASSETS AT END OF YEAR</u>		<u>\$ 82,630</u>	<u>\$ 104,471</u>

HORNBY ISLAND RESIDENTS' AND RATEPAYERS' ASSOCIATION
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2011
(Prepared without audit)

	2011	2010
CASH FLOWS FROM		
OPERATING TRANSACTIONS		
Cash received from government	\$ 441,430	\$ 455,868
Cash from user fees and rents	92,537	106,808
Cash from donations and fundraising	12,616	14,910
Cash from sales and other	28,803	16,792
Cash paid to suppliers	(384,081)	(379,811)
Cash paid to and on behalf of employees	(216,799)	(201,325)
	(25,494)	13,242
CAPITAL TRANSACTION		
Purchase of property and equipment	-	(10,253)
INCREASE (DECREASE) IN CASH	(25,494)	2,989
CASH AT BEGINNING OF YEAR	98,258	95,269
CASH AT END OF YEAR	\$ 72,764	\$ 98,258

HORNBY ISLAND RESIDENTS' AND RATEPAYERS' ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2011

(Prepared without audit)

1. PURPOSE

The Hornby Island Residents' & Ratepayers' Association ("HIRRA") is a non-profit society registered in the province of BC since 1973. Through this association the HIRRA have an opportunity to be self-governing. HIRRA administers Hornby Island tax dollars and membership is open to residents and property owners of the island. HIRRA's principle functions are guided by a published vision statement, constitution and bylaws, policies and management contracts with the Comox Valley Regional District ("CVRD").

Through contracts held with the CVRD, HIRRA administers the following tax funded local services: fire protection, recycling programs, operating and maintaining the community hall, maintaining comfort stations at beach accesses, organizing recreational activities, and stewarding Mount Geoffrey Regional Nature Park.

HIRRA also manages the tenancy of its property and the Savoie building, the development and tenancy of its leased ten acres, the annual Fall Fair, the development of roadside trails and beach access parks and the community cemetery.

2. SIGNIFICANT ACCOUNTING POLICIES

These financial statements were prepared in accordance with Canadian generally accepted accounting standards for governments as recommended by the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants.

a) Use of Estimates

The preparation of the financial statements in conformity with Canadian generally accepted accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the current period. These estimates are reviewed periodically and adjustments are made to income as appropriate in the year they become known.

b) Tangible Capital Assets

Tangible capital assets are recorded at cost less accumulated amortization. Repairs and maintenance are expensed in the period in which they occur. Betterments which enhance the asset life or capacity are capitalized. Amortization is calculated on the straight line method at the annual rates indicated in Note 3, except in the year of acquisition when one-half the normal rate is used.

c) Revenue Recognition

All revenues are recognized in the year in which the funds are received.

The Association recognizes revenue from contracts held with the CVRD to administer tax funded local services. The Association creates a budget and upon approval receives quarterly funding for the predetermined amount. This revenue is recognized in the period when those services are being performed.

Additional revenue also comes from fundraising events, donations, and building and land rentals. Revenue from fundraising events is recognized when the event has occurred, the amount reasonably determined, and collection is assured. Revenue from donations is recognized when the amount is received. Revenue from rentals is recognized on a monthly basis as those rental services are provided.

HORNBY ISLAND RESIDENTS' AND RATEPAYERS' ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2011
(Prepared without audit)

3. TANGIBLE CAPITAL ASSETS

			2011		2010
	<i>Rate</i>	<i>Cost</i>	<i>Accumulated Amortization</i>	<i>Net</i>	<i>Net</i>
Land	-	\$ 20,171	\$ -	\$ 20,171	\$ 20,171
Equipment	1/5	31,468	19,617	11,851	18,145
Parking lot	1/15	10,253	1,026	9,227	9,911
Buildings	1/40	137,538	73,192	64,346	67,785
		\$ 199,430	\$ 93,835	\$ 105,595	\$ 116,012

4. FINANCIAL INSTRUMENTS

The Association, as part of its operations, carries a number of financial instruments. It is management's opinion that the Association is not exposed to significant interest, credit or currency risks arising from these financial instruments except as otherwise disclosed.

Credit Risk

Credit risk is the risk that the Association will incur losses based on credit that it has granted to other parties. The total amount of this exposure is the balance in accounts receivable. As of the date of the financial statements, a significant portion of the accounts receivable is owed from the CVRD. Due to the nature of transactions with the CVRD and their past payment history, this concentration of risk is reduced to a minimum.

5. ECONOMIC DEPENDENCE

The Association is economically dependent on the CVRD as its primary source of income from funding received through tax dollars from the CVRD.

6. COMPARATIVE FIGURES

Certain of the 2010 comparative figures have been reclassified to conform with the presentation adopted for 2011.

HORNBY ISLAND RESIDENTS' AND RATEPAYERS' ASSOCIATION**Schedule****SCHEDULE OF EXPENSES BY TYPE****YEAR ENDED DECEMBER 31, 2011****(Prepared without audit)**

	2011	2010
Administrative	\$ 3,608	\$ 6,551
Advertising and promotion	15,827	19,091
Amortization	10,417	10,075
Bad debts	988	3,857
Capital maintenance	-	5,358
Conferences	2,040	2,443
Fire patrol	16,837	17,202
Freight and waste materials	70,069	41,242
Fuel	6,030	3,442
Insurance	13,805	13,849
Office	13,184	12,914
Professional fees	20,943	23,542
Projects and events	4,888	4,868
Recreation program	5,598	4,886
Repairs and maintenance	113,274	109,604
Subcontractors	21,204	15,490
Supplies	20,177	17,036
Tipping fees paid	28,276	26,887
Training and education	17,279	23,313
Utilities	16,663	7,392
Volunteer fund	4,239	4,000
Wages and employee benefits	216,799	201,325
	\$ 622,145	\$ 574,367