

GABRIOLA FIRE PROTECTION IMPROVEMENT DISTRICT
Financial Statements
Year Ended December 31, 2021

GABRIOLA FIRE PROTECTION IMPROVEMENT DISTRICT

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Year Ended December 31, 2021

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INDEPENDENT AUDITOR'S REPORT

To the Members of Gabriola Fire Protection Improvement District

Report on the Financial Statements

Opinion

We have audited the financial statements of Gabriola Fire Protection Improvement District (the improvement district), which comprise the statement of financial position as at December 31, 2021, and the statements of operations, changes in accumulated surplus, changes in net financial assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the improvement district as at December 31, 2021, and the results of its operations and cash flows for the year then ended in accordance with Canadian public sector accounting standards (PSAS)

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the improvement district in accordance with ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with PSAS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the improvement district's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the improvement district or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the improvement district's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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Independent Auditor's Report to the Members of Gabriola Fire Protection Improvement District *(continued)*

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 improvement district's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the improvement district's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the improvement district to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

KMA Chartered Professional Accountants

Lantzville, British Columbia
May 11, 2022

KMA CHARTERED PROFESSIONAL ACCOUNTANTS

GABRIOLA FIRE PROTECTION IMPROVEMENT DISTRICT
Statement of Financial Position
December 31, 2021

	Dec-31 2021	Dec-31 2020
FINANCIAL ASSETS		
Cash and cash equivalents <i>(Note 7)</i>	\$ 684,959	\$ 919,417
Interest receivable	\$ -	\$ 202
GST receivable	7,489	16,219
	692,448	935,838
LIABILITIES		
Accounts payable and accrued liabilities <i>(Note 10)</i>	39,427	31,801
Deferred Revenue <i>(Note 5)</i>	10,900	-
Debt <i>(Note 3)</i>	1,055,656	1,214,051
	1,105,983	1,245,852
NET DEBT	(413,535)	(310,013)
NON-FINANCIAL ASSETS		
Tangible capital assets <i>(Note 9)</i>	5,269,331	4,598,535
Prepaid expenses	23,140	18,582
	5,292,471	4,617,117
ACCUMULATED SUPLUS	\$ 4,878,936	\$ 4,307,104

Approved by the Trustees:

Trustee

Trustee

GABRIOLA FIRE PROTECTION IMPROVEMENT DISTRICT
Statement of Operations
For the year ended December 31, 2021

	2021 Budget (Unaudited)	2021 <i>Actual</i>	2020 <i>Actual</i>
REVENUES			
Provincial levy	\$ 688,600	\$ 688,600	\$ 683,600
Capital tax advance	-	186,660	186,660
UBCM Grant - Burn Building	-	19,450	-
UBCM Grant - FireSmart	-	8,539	-
Donations (Note 4)	-	447,629	-
Other revenue	-	14,334	4,209
	\$ 688,600	\$ 1,365,212	\$ 874,469
EXPENSES			
Amortization	\$ -	\$ 236,424	\$ 210,978
Gabriola Volunteer Firefighters Association	6,000	6,000	6,000
Insurance	50,000	53,415	48,069
Interest and bank charges	-	457	409
Interest on long term debt	-	26,304	30,204
Office	12,000	15,902	11,014
Training	36,000	12,645	18,429
Truck operating costs	50,500	48,198	51,108
Repairs and maintenance - supplies & fire safety	22,000	26,925	34,587
Professional fees	13,500	9,500	10,100
Repairs and maintenance - building	11,000	7,439	19,482
FireSmart Expenses	-	8,539	-
Wages and benefits	302,100	314,307	256,245
Supplies & fire safety	2,500	3,473	8,814
Telephone	7,000	8,847	5,914
Travel	-	573	826
Utilities	26,000	21,082	22,079
	538,600	800,030	734,258
SURPLUS FOM OPERATIONS	150,000	565,182	140,211
OTHER INCOME (LOSS)			
Gain on disposal of tangible capital assets	-	6,650	(1,165)
	-	6,650	(1,165)
SURPLUS FOR THE YEAR	150,000	571,832	139,046
Accumulated surplus, beginning of year	4,307,104	4,307,104	4,168,058
ACCUMULATED SURPLUS, END OF YEAR	\$ 4,457,104	\$ 4,878,936	\$ 4,307,104

GABRIOLA FIRE PROTECTION IMPROVEMENT DISTRICT
Statement of Changes in Accumulated Surplus
For the year ended December 31, 2021

	2021	2020
ACCUMULATED SURPLUS, BEGINNING OF YEAR	\$ 4,307,104	\$ 4,168,058
ANNUAL SURPLUS	571,832	139,046
ACCUMULATED SURPLUS, END OF YEAR	\$ 4,878,936	\$ 4,307,104

GABRIOLA FIRE PROTECTION IMPROVEMENT DISTRICT
Statement of Changes in Net Debt
For the year ended December 31, 2021

	2021 Budget (Unaudited)	2021 <i>Actual</i>	2020 <i>Actual</i>
SURPLUS (DEFICIT) FOR THE YEAR	\$ 150,000	\$ 211,506	\$ 139,046
Purchase of tangible capital assets	(45,000)	(540,511)	(243,324)
Amortization of tangible capital assets	-	230,041	210,978
	105,000	(98,965)	106,700
Acquisition of prepaid expenses	-	(23,140)	(18,582)
Use of prepaid expenses	-	18,582	17,161
	-	(4,558)	(1,421)
Increase in the net financial assets	105,000	(103,523)	105,279
Net financial assets (debt), beginning of year	(310,013)	(310,013)	(415,292)
NET DEBT, END OF YEAR	\$ (205,013)	\$ (413,536)	\$ (310,013)

GABRIOLA FIRE PROTECTION IMPROVEMENT DISTRICT
Statement of Cash Flows
For the year ended December 31, 2021

	2021	2020
OPERATING		
Surplus for the year	\$ 571,832	\$ 139,046
Items not involving cash:		
Amortization of tangible capital assets	236,424	210,978
	808,256	350,024
Change in non-cash operating assets and liabilities		
GST receivable	8,730	(11,666)
Interest receivable	202	-
Deferred revenue	10,900	-
Accounts payable	7,628	(16,807)
Prepaid expenses	(4,558)	(1,421)
Cash provided (used) by operating transactions	\$ 831,158	\$ 320,129
CAPITAL		
Purchase of tangible capital assets	\$ (540,511)	\$ (243,324)
Cash used by capital transactions	\$ (540,511)	\$ (243,324)
FINANCING		
Repayment of debt	(158,395)	(154,470)
Cash provided (used) by financing transactions	\$ (158,395)	(154,470)
(Decrease) Increase in cash and cash equivalents	132,251	(77,665)
Cash and cash equivalents - beginning of year	919,417	997,082
Cash and cash equivalents - end of year	\$ 1,051,668	\$ 919,417

GABRIOLA FIRE PROTECTION IMPROVEMENT DISTRICT

Notes to Financial Statements

Year Ended December 31, 2021

1. PURPOSE OF THE IMPROVEMENT DISTRICT

Gabriola Fire Protection District (the "improvement district") was incorporated on July 25, 1969, pursuant to the issue of Letters Patent.

The improvement district operates under the provisions of the *Local Government Act*, Part 17 - Improvement Districts. The primary activities of the improvement district are providing fire protection services and fire safety education to residents of the incorporated area.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The improvement district prepares its financial statements in accordance with Canadian public sector accounting standards for local governments as established by the Public Sector Accounting Board ("PSAB") of the Chartered Professional Accountants of Canada.

Revenue Recognition

A provincial levy is received annually from the Province of British Columbia, and is recognized as revenue in the year it is received.

Interest and property tax revenues are recognized in the period in which the transactions or events occurred that gave rise to the revenues.

Cash donations and other revenues are recognized when they are received. In-kind donations are recognized at fair market value where that information is available. If fair market value is not available, they are recognized at cost.

Revenue from grants without restrictions are recognized in the period they are received. Revenue from grants with restrictions are recognized as revenues in the period in which eligible expenses are incurred. Until then, they are recorded as a deferred revenue liability.

Contributed Services

The improvement district's volunteers contribute a number of hours each year to keep the website up and running, and assist with various community events. Contributed services are not recognized in the financial statements due to difficulty determining their fair value.

Non-financial assets

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the ordinary course of operations.

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GABRIOLA FIRE PROTECTION IMPROVEMENT DISTRICT

Notes to Financial Statements

Year Ended December 31, 2021

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

Tangible capital assets

Tangible capital assets are recorded at cost, which includes amounts that are directly related to the acquisition, design, construction, development, improvement or betterment of the assets. Tangible capital assets are recognized where the cost is greater than \$500, and the useful life is greater than one year. Cost includes overhead directly attributable to the acquisition or construction of the asset. When historical costs were not available, other methods were used to estimate the cost and accumulated amortization of the assets. The improvement district applied a consistent method of estimating the fair value of tangible capital assets for which it did not have historical costs.

Buildings	40 years	straight-line method
Furniture, fixtures, and equipment	10 to 30 years	straight-line method
Motor vehicles	20 years	straight-line method
Computer equipment	5 years	straight-line method
Water tanks	10 to 20 years	straight-line method
Dam, water management systems	30 to 40 years	straight-line method
Parking Lot	5 years	straight-line method

The improvement district regularly reviews its tangible capital assets to eliminate obsolete items.

Tangible capital assets acquired during the year but not placed into use are not amortized until they are placed into use.

Long-term debt (capital tax advance repayments)

Capital tax advance repayments are collected by the Surveyor of Taxes for British Columbia from taxes levied on properties in this Improvement District's area. Revenue is received from the Ministry of Community Services net of long-term debt interest.

Financial Instruments

The following is a summary of the classifications the Improvement District has elected to apply to each of its significant categories of financial instruments.

Financial Statement Accounts	Financial Instrument Category
Cash	Cash Instrument
Accounts payable and accrued liabilities	Other Liabilities
Long-term debt	Other Liabilities

Cash instruments of the Improvement District measured at their fair value.

Other liabilities are measured at amortized cost.

Environmental Issues

The accounting policy of the Improvement District is to record environmental liabilities as they become known and can be reasonably estimated. There are no known environmental liabilities as at December 31, 2021.

Use of Estimates

The preparation of the financial statements in conformity with Canadian public sector accounting standards, requires management to make estimates and assumptions that affect the reporting amounts of assets and liabilities and disclosure of contingent assets and liabilities, at the date of the financial statements and the reported amounts of the revenues and expenses during the year. Items requiring the use of significant estimates include the useful life of capital assets and determination of accruals.

GABRIOLA FIRE PROTECTION IMPROVEMENT DISTRICT

Notes to Financial Statements

Year Ended December 31, 2021

3. LONG-TERM DEBT

	<u>2021</u>	<u>2020</u>
Bylaw #78 - 2008 Firetruck loan bearing interest at 4% per annum. The loan matures on July 1, 2023.	\$ 59,525	\$ 87,582
Bylaw #88 - Firehall Building loan bearing interest at 2.2% per annum. The loan matures on July 1, 2028.	<u>996,131</u>	<u>1,126,449</u>
	1,055,656	1,214,031
Amounts payable within one year	<u>(162,364)</u>	<u>(158,374)</u>
	\$ 893,292	\$ 1,055,657

Principal repayment terms are approximately:

2022	\$ 162,364
2023	166,461
2024	139,109
2025	142,170
2026	145,298
Thereafter	<u>300,254</u>
	\$ 1,055,656

4. SUBSEQUENT EVENT

On April 20, 2022 a cash donation of \$407,453.87 was received for the full cost of the Mallet Creek Dam by Gabriola Fire Improvement District. The donation was used to reimburse the donor for the full cost of the expenses required to bring the dam into working order. Since the full value was donated, the full cost of the dam is recognized as an asset to the Improvement District.

5. DEFERRED REVENUE

The Improvement District received a grant in 2021 for the FireSmart program. The agreement for the grant specifies that any money received that is not spent on eligible expenses must be returned to the Union of BC Municipalities (UBCM) 30 days after the project end date, and no later than July 8th, 2022. The amount recognized as revenue has corresponding expenses that were incurred in 2021. The balance of the money received will be recognized as deferred until such time that eligible expenses have been incurred.

GABRIOLA FIRE PROTECTION IMPROVEMENT DISTRICT

Notes to Financial Statements

Year Ended December 31, 2021

6. TRAINING FUND

During 2021, Gabriola Fire Protection began raising donations for Emergency Medical Responder (EMR) training. These funds are restricted for that purpose only and kept in a "training fund". The goal is \$40,000 and once it is reached, training will commence.

7. CASH

	<u>2021</u>	<u>2020</u>
Cash	\$ 213,082	\$ 156,953
Restricted Cash	471,877	762,464
	<u>\$ 684,959</u>	<u>\$ 919,417</u>

Restricted cash consists of the contingency fund, the capital reserve fund, and the training fund. The training fund consists of donations received for EMR training.

8. CONTRACTUAL RIGHTS

In May 2021, the improvement district signed a commercial lease agreement with the Gabriola Community Bus Foundation ("GCBF"). The lease agreement stipulates that GCBF will lease the improvement district's old fire hall for ten years from the date the contract was signed. In exchange, GCBF will use grant money from the B.C. Community Economic Recovery Infrastructure Program to upgrade the leased structure. The grant amount is \$187,896. Due to uncertainty about valuation of the repairs and upgrades, and the percentage of completion, this asset and the related revenues are not reflected in the financial statements.

GABRIOLA FIRE PROTECTION IMPROVEMENT DISTRICT
Notes to Financial Statements
For the year ended December 31, 2021

9. TANGIBLE CAPITAL ASSETS

	Land	Buildings	Vehicles	Furniture and equipment	Firefighting equipment	Water Tanks	Mallet Creek Dam	Parking Area	2021 Total
Cost:									
Opening balance	\$ 1	\$ 4,530,893	\$ 1,236,915	\$ 116,223	\$ 128,530	\$ 67,807	\$ -	\$ 2,746	\$ 6,083,115
Additions	-	38,681	424,333	18,461	18,290	-	407,454	-	907,219
Disposals	-	-	-	-	-	-	-	-	-
Closing Balance	1	4,569,574	1,661,248	134,684	146,820	67,807	407,454	2,746	6,990,335
Accumulated Amortization:									
Opening Balance	-	850,332	505,955	46,206	60,285	19,056	-	2,746	1,484,580
Amortization	-	113,382	72,515	10,812	29,433	3,491	6,791	-	236,424
Disposals	-	-	-	-	-	-	-	-	-
Closing Balance	-	963,714	578,470	57,018	89,718	22,547	6,791	2,746	1,721,004
Net book value	\$ 1	\$ 3,605,860	\$ 1,082,778	\$ 77,666	\$ 57,103	\$ 45,260	\$ 400,663	\$ -	\$ 5,269,331

10. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2021	2020
Trade accounts payable	\$ -	\$ 88
Accrued wages and vacation payable	11,258	6,089
Payroll remittances payable	6,488	2,732
Accrued accounting fees	9,500	8,750
Accrued interest on long-term debt	12,181	14,142
	\$ 39,427	\$ 31,800

GABRIOLA FIRE PROTECTION IMPROVEMENT DISTRICT

Notes to Financial Statements

Year Ended December 31, 2021

11. ACCUMULATED SURPLUS

Certain amounts, as approved by the Board of Trustees, are set aside in net assets for future operating and capital purposes. Transfers to/from funds and reserves are an adjustment to the respective fund when approved by the Board of Trustees.

Revenues and expenses related to operations and administrative activities are reported in the Operating Fund.

The Net Investment in Tangible Capital Assets Fund represents the net book value of capital assets less debt owing on capital assets.

The Capital Reserve Fund is used by the Improvement District to save for major tangible capital asset purchases.

The Contingency Fund is used by the district to save for any unforeseen breakdowns, damages and/or other repairs that may be required.

The Training Fund is used to save donations received for the Don Elkington challenge.

	Net Investment in Tangible Capital Assets				2021
	General Fund	Contingency Reserve Fund	Capital Reserve Fund	Training Fund	
2020 Balance	\$ 159,543	\$ 59,086	\$ 703,378	\$ -	\$ 4,307,103
Surplus	467,613	-	238	-	211,506
Contributions	-	-	100,000	20,175	845,365
Withdrawals	(434,366)	-	(411,000)	-	(845,366)
2021 Balance	\$ 192,790	\$ 59,086	\$ 392,616	\$ 20,175	\$ 4,518,608