GABRIOLA FIRE PROTECTION IMPROVEMENT DISTRICT

Financial Statements

Year Ended December 31, 2024

KMA CHARTERED PROFESSIONAL ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

To the Trustees 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, 2024, and the statements of operations, changes in net assets, 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, 2024, 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.

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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.

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

Nanaimo, British Columbia
July 8, 2025

KMA CHARTERED PROFESSIONAL ACCOUNTANTS

GABRIOLA FIRE PROTECTION IMPROVEMENT DISTRICT

Statement of Financial Position

December 31, 2024

	Total 2024	Total 2023
Financial assets		
Cash and cash equivalents	**$ 926,556**	$ 950,119
Accounts receivable *(Note 4)*	**19,525**	46,935
Restricted cash *(Note 8)*	**1,613**	22,396
Inventory *(Note 5)*	**2,910**	3,988
	950,604	1,023,438
Liabilities		
Accounts payable *(Note 6)*	**61,157**	32,915
Payroll liabilities *(Note 7)*	**23,375**	28,460
Deferred revenue *(Note 8)*	**121,358**	174,937
Current portion of long term debt *(Note 9)*	**142,170**	139,109
Long term debt *(Note 9)*	**445,552**	587,722
	793,612	963,143
Net financial assets	**156,992**	60,295
Non-financial assets		
Prepaid expenses *(Note 10)*	**75,211**	66,012
Tangible capital assets *(Note 11)*	**5,062,738**	5,007,378
	5,137,949	5,073,390
Accumulated surplus	**$ 5,294,941**	$ 5,133,685

ON BEHALF OF THE BOARD

________________________________ *Trustee*

See notes to financial statements

GABRIOLA FIRE PROTECTION IMPROVEMENT DISTRICT
Statement of Operations
Year Ended December 31, 2024

	Budget	**Total 2024**	Total 2023
Revenues			
Provincial levy	$ 1,021,958	**$ 1,021,958**	$ 841,820
Capital tax advance	-	**155,100**	186,660
Grant revenue	-	**47,419**	53,055
Other revenue	-	**30,933**	14,684
Deployment revenue	-	**26,840**	107,005
Lease revenue	-	**26,826**	30,750
Donations	-	**20,703**	13,818
	1,021,958	**1,329,779**	1,247,792
Expenses			
Wages and benefits	431,458	**475,610**	337,375
Insurance	84,000	**96,908**	76,096
Truck operating costs	40,500	**53,683**	40,458
Telephone and utilities	47,500	**30,348**	33,683
Training	45,000	**30,339**	23,126
Firefighting equipment and maintenance	53,100	**35,899**	55,687
First responder supplies and maintenance	5,000	**2,685**	1,958
Professional fees	24,000	**48,416**	32,420
Office and trustee	22,900	**33,704**	24,931
Gabriola Volunteer Firefighters Association	16,500	**16,500**	16,500
Building and grounds maintenance	10,000	**19,281**	12,007
Advertising and promotion	2,500	**1,824**	4,109
Travel	2,000	**1,937**	1,092
Hydrant maintenance	2,000	**450**	166
Emergency response	1,000	**8,330**	36,421
Emergency medical response and first responder training	16,000	**19,980**	8,138
Amortization	-	**252,286**	246,029
FireSmart	-	**23,635**	22,229
Interest on long term debt	-	**14,552**	18,171
Interest and bank charges	-	**5,656**	-
	803,458	**1,172,023**	990,596
Surplus from operations	218,500	**157,756**	257,196
Other income			
Gain (loss) on disposal of tangible capital assets	-	**3,500**	(2,291)
Annual Surplus	$ 218,500	**$ 161,256**	$ 254,905

See notes to financial statements

GABRIOLA FIRE PROTECTION IMPROVEMENT DISTRICT
Statement of Changes in Net Assets
Year Ended December 31, 2024

	Total 2024	Total 2023
Accumulated surplus - beginning of year	**$ 5,133,685**	$ 4,878,780
Annual surplus	**161,256**	254,905
Net assets, end of the year	**$ 5,294,941**	$ 5,133,685

See notes to financial statements

GABRIOLA FIRE PROTECTION IMPROVEMENT DISTRICT
Statement of Changes in Net Financial Assets
Year Ended December 31, 2024

	Total 2024	Total 2023
Annual Surplus	**$ 161,256**	$ 254,905
Amortization of tangible capital assets	**252,286**	246,029
Purchase of tangible capital assets	**(323,147)**	(99,733)
Proceeds on disposal of tangible capital assets	**19,000**	-
Loss (gain) on disposal of assets	**(3,500)**	2,291
Increase in prepaid expenses	**(9,198)**	(13,529)
	(64,559)	135,058
Increase in net financial assets	**96,697**	389,963
Net financial assets (debt) - beginning of year	**60,295**	(329,668)
Net financial assets - end of year	**$ 156,992**	$ 60,295

See notes to financial statements

GABRIOLA FIRE PROTECTION IMPROVEMENT DISTRICT
Statement of Cash Flows
Year Ended December 31, 2024

	Total 2024	Total 2023
Operating activities		
Annual surplus	$ **161,256**	$ 254,905
Items not affecting cash:		
Amortization of tangible capital assets	**252,286**	246,029
Loss (gain) on disposal of tangible capital assets	**(3,500)**	2,291
	410,042	503,225
Changes in non-cash working capital:		
Accounts receivable	**27,410**	(39,418)
Inventory	**1,078**	2,106
Accounts payable	**28,243**	(18,831)
Deferred revenue *(Note 8)*	**(53,579)**	(22,763)
Prepaid expenses	**(9,199)**	(13,527)
Restricted cash	**20,783**	14,404
Payroll liabilities	**(5,085)**	(2,715)
	9,651	(80,744)
Cash flow from operating activities	**419,693**	422,481
Investing activities		
Purchase of tangible capital assets *(Note 11)*	**(323,147)**	(99,733)
GCBF tenant improvements	**-**	49,496
Proceeds on disposal of tangible capital assets	**19,000**	-
Cash flow used by investing activities	**(304,147)**	(50,237)
Financing activity		
Repayment of long term debt *(Note 9)*	**(139,109)**	(166,461)
Cash flow used by financing activity	**(139,109)**	(166,461)
Increase (decrease) in cash flow	**(23,563)**	205,783
Cash - beginning of year	**950,119**	744,336
Cash - end of year	$ **926,556**	$ 950,119
Cash consists of:		
Cash and cash equivalents	$ **926,556**	$ 950,119

See notes to financial statements

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

<u>Basis of Accounting</u>

The improvement district prepares its financial statements in accordance with Canadian public sector accounting standards ("PSAS") for local governments.

<u>Revenue Recognition</u>

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 that generated them occurred.

Cash donations and other revenues are recognized when they are received if they are received for a general purpose. Donations received with a specified purpose are recognized as deferred until the related expenditures have occurred. 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.

Revenues 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.

Other revenue consists of fire extinguisher sales and fees charged. They are recognized when received, as all associated performance obligations are deemed fulfilled.

Deployment revenue is recognized when it is received from the payer.

Lease revenue is recognized during the period to which it applies.

<u>Deferred Revenue</u>

Revenue is deferred when one or more performance obligations have not yet been fulfilled at year-end. Revenue will be recognized as earned when these performance obligations have been fulfilled. For example, grants received for a specific purpose are recognized as revenue when the related expenses are incurred.

Donations are deferred when received for a specific purpose rather than for general operations. They are recognized as revenue when the related expenditures have been made.

Lease revenue is deferred when it is received before the lease term for which it applies. If a lump sum is received up front, it is deferred and recognized evenly over time to reflect the lease liability being fulfilled as a function of time.

<u>Contributed Services</u>

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

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2. Summary of Significant Accounting Policies *(continued)*

Accounts Receivable

Accounts receivable are recorded when the improvement district has fulfilled its performance obligations and has either invoiced or expects to send an invoice to the payor. These amounts are recorded when the improvement district can reasonably expect to receive economic inflows in the near future.

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.

Inventory

Inventory is valued at the lower of cost and net realizable value, with the cost being determined on a first-in, first-out basis.

Tangible Capital Assets

Tangible capital assets are recorded at cost, which includes amounts directly related to the asset's acquisition, design, construction, development, improvement, or betterment. They are recognized where the cost exceeds $500 and the useful life exceeds one year.

When historical costs are unavailable, other methods were used to estimate the cost and accumulated amortization of the assets. The improvement district applies a consistent method of estimating the fair value of tangible capital assets for which it does not have historical costs.

Buildings	40 years	straight-line method
Firefighting Equipment	3 to 15 years	straight-line method
Motor vehicles	20 years	straight-line method
Computer equipment	5 years	straight-line method
Furniture, Fixtures and Equipment	10 to 30 years	straight-line method
Communications Equipment	10 years	straight-line method
Water Management Systems	20 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 such time.

Long-term debt (capital tax advance repayments)

The Surveyor of Taxes collects capital tax advance repayments 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.

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2. Summary of Significant Accounting Policies *(continued)*

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 receivable	Other Asset
Deferred revenue	Other Liabilities
Accounts payable and accrued liabilities	Other Liabilities
Long-term debt	Other Liabilities

Cash instruments of the improvement district are measured at their fair value.

Other liabilities are measured at amortized cost.

Environmental Issues

The improvement district's accounting policy is to record environmental liabilities as they become known and can be reasonably estimated. At year-end, there were no known environmental liabilities.

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, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the year. Items requiring significant estimates include the useful life of capital assets and the determination of accruals.

Impairment of long-lived assets

Long-lived assets are evaluated for impairment annually or when indicators of potential impairment are present. When certain events or changes in operating conditions occur, asset lives may be adjusted, and an impairment assessment may be performed to assess the recoverability of the carrying amounts.

3. Comparative figures

The prior year balances may have been regrouped to conform to the current year's presentation. The underlying numbers have not changed. This was done to make comparing the actual results with the budgeted results easier for users.

4. Accounts receivable

	2024	2023
GST receivable	**$ 15,230**	$ 5,308
Payroll deductions receivable	**4,295**	41,627
	$ 19,525	$ 46,935

5. Inventory

Inventory consists of fire extinguishers and fire blankets held for sale. They are sold at a marginal mark-up from cost. The primary purpose of the sale is to promote fire safety, not to earn a profit.

6. Accounts payable and accrued liabilities

	2024	2023
Trade payables	$ **17,151**	$ -
Accrued liabilities	**37,842**	25,312
Accrued interest on long-term debt	**6,164**	7,602
	$ **61,157**	$ 32,914

7. Payroll liabilities

	2024	2023
Wages payable	$ **6,659**	$ -
Vacation payable	**11,211**	21,482
Source deductions payable	**5,505**	6,978
	$ **23,375**	$ 28,460

8. Deferred revenue

EMR deferred revenue

In 2024, the improvement district utilized funds donated for Emergency Medical Responder (EMR) training in prior years.

These funds are restricted; they can only be used to facilitate the improvement district's firefighters obtaining their EMR certification.

This fund is also known as the Don Elkington Challenge.

	2024	2023
Opening balance, deferred revenue	$ **21,366**	$ 28,379
Contributions and interest income received in the year	**227**	3,653
Less: Eligible expeditures in the year	**(19,980)**	(10,666)
Deferred EMR Fund revenue, end of the year	**1,613**	21,366

Deferred lease revenue

Gabriola Fire Improvement Protection District signed a lease with Gabriola Community Bus Foundation ("the foundation") in 2021. This lease has a ten-year term. In lieu of cash lease payments over the term, the foundation will renovate the leased property with funds received for this purpose. The maximum is the foundation's grant amount of $187,847.

Deferred revenue was recognized when the foundationmade eligible grant expenditures. This revenue will be recognized over the lease term.

Opening balance, deferred revenue	**138,570**	119,824
Add: Eligible expenditures incurred by the foundation	**-**	49,496
Less: Revenue recognized in the year	**(18,826)**	(30,750)
Deferred lease revenue, end of the year	**119,744**	138,570

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8. Deferred revenue *(continued)*

Deferred Grant Revenue

The district was approved for a grant to purchase firefighter equipment. The grant was approved in December 2023. The requirements for the grant were fulfilled in the current year and the full amount of revenue was recognized.

	2024	2023
Opening balance of deferred grant revenue	**15,000**	-
Grants received in the year	**15,000**	15,000
Related expenditures incurred	**(30,000)**	-
Deferred grant revenue at year-end	**-**	15,000
Deferred revenue grand total, end of the year	**$ 121,358**	$ 174,937

9. Long term debt

	2024	2023
Bylaw #88 - Firehall Building loan bearing interest at 2.2% per annum, repayable in monthly blended payments of $155,100. The loan matures on July 1, 2028 and is secured by Firehall #1 which has a carrying value of $3,261,277.	**$ 587,722**	$ 726,831
Amounts payable within one year	**(142,170)**	(139,109)
	$ 445,552	$ 587,722

Principal repayment terms are approximately:

2025	$ 142,170
2026	145,298
2027	148,494
2028	151,760
	$ 587,722

10. Prepaids

Prepaids consist of various prepaid insurance covering the buildings, vehicles, and firefighters.

11. Tangible capital assets

Cost	2023 Balance	Additions	Disposals	**2024 Balance**
Land	$ 1	$ -	$ -	**$ 1**
Hall #1	4,520,020	28,089	-	**4,548,109**
Hall #2	16,791	3,815	-	**20,606**
Old North Hall (GERTIE)	187,847	-	-	**187,847**
Burn Building	40,482	8,187	-	**48,669**
Parking Area	2,746	-	-	**2,746**
Vehicles	1,650,946	213,341	20,000	**1,844,287**
Furniture & Equipment	93,087	2,783	-	**95,870**
Communications equipment	49,169	-	-	**49,169**
Firefighting Equipment	221,723	66,932	-	**288,655**
EMR Equipment	4,086	-	-	**4,086**
Water Tanks	67,807	-	-	**67,807**
Mallet Creek Dam	356,432	-	-	**356,432**
	$ 7,211,137	$ 323,147	$ 20,000	**$ 7,514,284**

Accumulated amortization	2023 Balance	Amortization	Disposals	**2024 Balance**
Land	$ -	$ -	$ -	**$ -**
Hall #1	1,173,503	113,329	-	**1,286,832**
Hall #2	14,986	142	-	**15,128**
Old North Hall (GERTIE)	8,155	4,696	-	**12,851**
Burn Building	2,463	1,217	-	**3,680**
Parking Area	2,746	-	-	**2,746**
Vehicles	722,645	76,611	4,500	**794,756**
Furniture & Equipment	58,703	5,309	-	**64,012**
Communications equipment	24,589	4,744	-	**29,333**
Firefighting Equipment	135,910	29,984	-	**165,894**
EMR Equipment	927	984	-	**1,911**
Water Tanks	29,429	3,390	-	**32,819**
Mallet Creek Dam	29,703	11,881	-	**41,584**
	$ 2,203,759	$ 252,287	$ 4,500	**$ 2,451,546**

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11. Tangible capital assets *(continued)*

Net book value	2024	2023
Land	**$ 1**	$ 1
Hall #1	**3,261,277**	3,346,517
Hall #2	**5,478**	1,805
Old North Hall (GERTIE)	**174,996**	179,692
Burn Building	**44,989**	38,019
Vehicles	**1,049,531**	928,301
Furniture & Equipment	**31,858**	34,384
Communications equipment	**19,836**	24,580
Firefighting Equipment	**122,761**	85,813
EMR Equipment	**2,175**	3,159
Water Tanks	**34,988**	38,378
Mallet Creek Dam	**314,848**	326,729
	$ 5,062,738	$ 5,007,378

12. Lease to Gabriola Community Bus Foundation

In May 2021, the improvement district signed a commercial lease agreement with the Gabriola Community Bus Foundation ("the foundation"). The lease agreement stipulates that the foundation will lease the improvement district's old fire hall for ten years from the date the contract was signed.

In exchange, the foundation will use grant money from the B.C. Community Economic Recovery Infrastructure Program to upgrade the leased structure. The grant amount is $187,896.

An asset has been recognized to the extent that the foundation has incurred eligible expenditures. As of December 31, 2023, the foundation fully utilized the provided grant. Revenue will now be recognized evenly over the remaining lease term.

13. Commitment

In December 2023, the improvement district committed to purchasing a new fire truck. The truck chassis was purchased in the current year for $199,200, plus applicable taxes. The installation of the superstructure on the chassis was on-going at year end and will cost $517,899 plus applicable taxes, for a total acquisition cost of $717,099 before taxes. Completion of the superstructure and payment will occur in 2025. The acquisition will be funded out of the Capital Reserve Fund.

14. Subsequent events

Lawsuit

During the year an employee was terminated. The employee has since filed a statement of claim alleging wrongful dismissal and claiming damages. The improvement district has responded to the allegations and the matter is before the courts. It is not clear what amount, if any, the improvement district will ultimately have to pay to settle this claim.

Unionization

The employees of the improvement district unionized in March 2025. This will result in increased employee benefits and changes in operational costs beginning in the 2025 fiscal year.

15. Accumulated surplus and fund balances

Approved by the Board of Trustees, specific amounts are set aside in net assets for future operating and capital purposes.

Contributions to the capital reserve fund and the contingency reserve fund are approved by the Board of Trustees when the annual budget bylaw is passed. The contributions occur when the provincial levy is received the following year. The surplus attributed to the contingency and reserve funds represents any interest revenue earned on those funds in the year. The capital reserve fund is used to save for capital asset purchases. The contingency fund pays for unexpected expenditures that the budget cannot cover.

Contributions to the net investment in tangible capital assets include capital assets purchased in the year and long-term debt repaid via the capital tax advance. The deficit attributed to this fund represents amortization charged to the assets and the interest expense incurred on long-term debt related to capital assets. Any gains or losses on the disposal of assets are also captured in this fund. This fund is net of the outstanding long-term debt used to purchase capital assets.

The Training Fund represents amounts donated to upgrade the firefighters to Emergency Medical Responders (EMRs.) Contributions include donations received in the year, and withdrawals are expenditures made to achieve that goal.

The General Fund surplus is whatever remains of net income (the current year surplus) after the surplus has been allocated to the other funds.

	General Fund	Net Investment in Tangible Capital Assets	Contingency Reserve Fund	Capital Reserve Fund	Training Fund	**Total 2024**	Total 2023
Accumulated surplus							
Opening balances	$ 204,326	$ 4,277,215	$ 22,521	$ 608,257	$ 21,366	**$ 5,133,685**	$ 4,878,780
Inter-fund transfers							
Contributions	-	467,373	5,000	155,000	-	**627,373**	407,685
Withdrawals	(384,083)	-	-	(223,310)	(19,980)	**(627,373)**	(407,685)
	(179,757)	4,744,588	27,521	539,947	1,386	**5,133,685**	4,878,780
Current year surplus	406,431	(266,648)	293	20,953	227	**161,256**	254,905
	-	-	-	-	-	**-**	-
Accumulated surplus, ending balances	$ 226,674	$ 4,477,940	$ 27,814	$ 560,900	$ 1,613	**$ 5,294,941**	$ 5,133,685

The contingency reserve, capital reserve, and EMR training fund funds are held in separate bank accounts. The EMR training fund is externally restricted, while the contingency and capital reserve funds are designated assets.