

Financial Statements of

**SALT SPRING ISLAND  
FIRE PROTECTION DISTRICT**

Year ended December 31, 2014

Management's Responsibility for the Financial Statements

Independent Auditor's Report

Statement of Financial Position

Statement of Operations and Accumulated Surplus

Statement of Change in Net Financial Assets

Statement of Cash Flows

Notes to the Financial Statements

Schedule 1 – Schedule of Tangible Capital Assets

Schedule 2 – Schedule of Expenses


## MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The accompanying financial statements of the Salt Spring Island Fire Protection District (the "District") are the responsibility of management and have been prepared in compliance with legislation, and in accordance with public sector accounting principles established by the The Canadian Institute of Chartered Accountants. A summary of the significant accounting policies are described in Note 1 to the financial statements. The preparation of financial statements necessarily involves the use of estimates based on management's judgement, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods.

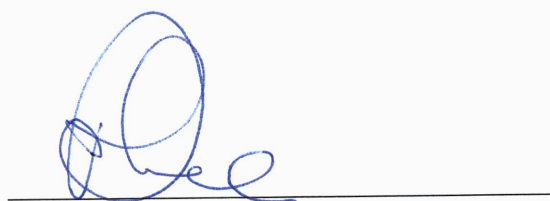
The District's management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and reliable financial information is available on a timely basis for preparation of the financial statements. These systems are monitored and evaluated by management.

Trustees meet with management and the external auditor to review the financial statements and discuss any significant financial reporting or internal control matters prior to their approval of the financial statements.

The financial statements have been audited by Jean Elwell, Chartered Accountant, an independent external auditor appointed by the District. The accompanying Independent Auditor's Report outlines the auditor's responsibilities, scope of examination and opinion on the District's financial statements.



Trustee



Trustee



Jean Elwell, Chartered Accountant

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## INDEPENDENT AUDITOR'S REPORT

I have audited the accompanying financial statements of the Salt Spring Island Fire Protection District, which comprise the statement of financial position as at December 31, 2014, the statements of operations and accumulated surplus, change in net financial assets and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory items.

### Management's Responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these 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 financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the 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 the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by management as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

### Opinion

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Salt Spring Island Fire Protection District as at December 31, 2014, and the results of its operations, its change in net financial assets and its cash flows for the year then ended, in accordance with Canadian public sector accounting standards.

Chartered Accountant

Salt Spring Island, BC

April 6, 2015

# SALT SPRING ISLAND FIRE PROTECTION DISTRICT

## Statement of Financial Position

December 31, 2014, with comparative figures for 2013

	2014	2013 (restated)
<b>Financial assets</b>		
Cash	\$ 2,062,924	\$ 592,628
GST rebate receivable	11,155	40,461
	<u>2,074,079</u>	<u>633,089</u>
<b>Financial liabilities</b>		
Accounts payable and accrued liabilities	88,391	73,029
Deferred revenue	1,150,000	-
Long term debt (Note 2)	859,931	1,018,730
	<u>2,098,321</u>	<u>1,091,759</u>
<b>Net (debt) financial assets</b>	(24,243)	(458,670)
<b>Non-financial assets</b>		
Net tangible capital assets (Schedule 1)	2,196,047	2,353,552
Prepaid expenses	22,192	21,868
	<u>2,218,239</u>	<u>2,375,420</u>
<b>Accumulated surplus</b>	<u>\$ 2,193,996</u>	<u>\$ 1,916,750</u>

See accompanying notes to the financial statements.

APPROVED BY:

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Trustee

\_\_\_\_\_  
Trustee

Jean Elwell, Chartered Accountant

See Independent Auditor's Report dated April 6, 2015.

# SALT SPRING ISLAND FIRE PROTECTION DISTRICT

## Statement of Operations

Year ended December 31, 2014, with comparative figures for 2013

	<b>Budget</b>	<b>2014</b>	<b>2013</b> <b>(restated)</b>
	(unaudited – Note 8)		
Revenue:			
Property tax	\$ 2,375,000	\$ 2,375,000	\$ 2,375,000
Local improvements	-	198,901	216,823
Interest	-	16,116	13,593
Gain on disposition of assets		787	-
Other revenues	-	2,944	1,390
	<u>2,375,000</u>	<u>2,593,748</u>	<u>2,606,806</u>
Expenses:			
Salaries and wages	1,637,700	1,531,674	1,581,003
Administration (Schedule 2)	223,100	212,128	168,315
Operations (Schedule 2)	412,200	360,381	375,793
Debt interest	-	36,552	48,023
Amortization	-	175,767	205,688
	<u>2,273,000</u>	<u>2,316,502</u>	<u>2,378,822</u>
Annual surplus	102,000	277,246	227,984
Accumulated surplus, beginning of year	1,096,864	1,916,750	1,688,766
Accumulated surplus, end of year (Note 3)	<u>\$ 1,198,864</u>	<u>\$ 2,193,996</u>	<u>\$ 1,916,750</u>

The accompanying notes are an integral part of these financial statements.

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Jean Elwell, Chartered Accountant

See Independent Auditor's Report dated April 6, 2015.

# SALT SPRING ISLAND FIRE PROTECTION DISTRICT

## Statement of Change in Net Financial Assets

Year ended December 31, 2014, with comparative information for 2013

	<b>Budget</b>	<b>2014</b>	<b>2013</b> <b>(restated)</b>
	(unaudited – note 6)		
Annual surplus	\$ 102,000	\$ 277,246	\$ 227,984
Acquisition of tangible capital assets	(102,000)	(44,649)	(446,665)
Amortization of tangible capital assets	-	175,767	205,688
	-	408,364	(12,993)
Use of prepaid expenses	-	(324)	1,489
Net disposals		26,387	
Change in net financial assets	-	434,427	(11,504)
Net financial assets, beginning of year	(458,670)	(458,670)	(447,166)
<b>Net financial assets, end of year</b>	<b>\$ (458,670)</b>	<b>\$ (24,243)</b>	<b>\$ (458,670)</b>

The accompanying notes are an integral part of these financial statements.

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Jean Elwell, Chartered Accountant

See Independent Auditor's Report dated April 6, 2015.

# SALT SPRING ISLAND FIRE PROTECTION DISTRICT

## Statement of Cash Flows

Year ended December 31, 2014, with comparative figures for 2013

	2014	2013 (restated)
<b>Cash from operating activities</b>		
Annual surplus	\$ 277,246	\$ 227,984
Items not involving cash:		
Amortization	175,767	205,688
Change in non-cash operating assets and liabilities		
Accounts receivable	29,306	9,219
Accounts payable and accrued liabilities	15,362	(123,585)
Prepaid expenses	(324)	1,331
Increase in deferred revenue	1,150,000	-
	1,647,357	320,637
<b>Capital activities:</b>		
Acquisition of tangible capital assets	(44,649)	(184,037)
Net disposal of tangible capital assets	26,387	-
<b>Investing activities:</b>		
Long term debt repaid	(158,799)	(168,788)
(Decrease) in cash	1,470,296	(32,188)
Cash, beginning of year	592,628	624,816
<b>Cash, end of year:</b>	<b>\$ 2,062,924</b>	<b>\$ 592,628</b>
<b>Supplemental cash flow information:</b>		
Cash paid in interest:	\$ 36,552	\$ 48,023
Cash received from interest:	\$ 16,116	\$ 13,593

The accompanying notes are an integral part of these financial statements.

Jean Elwell, Chartered Accountant

See Independent Auditor's Report dated April 6, 2015.



Year ended December 31, 2014

Salt Spring Island Fire Protection District (the "District") was incorporated as an Improvement District under the Water Act of British Columbia, by Letters Patent issued on November 24, 1959 and is subject to the provisions contained in the Local Government Act, a statute of the provincial government. Its principal activity is to provide fire protection services to the residents of the District.

## 1. SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Salt Spring Fire Protection District are prepared in accordance with the recommendations of the Public Sector Accounting Board for the Canadian Institute of Chartered Accountants. Significant accounting policies adopted by the District are as follows:

(a) *Reporting entity:*

The financial statements include the combination of all the assets, liabilities, revenues, expenses, and changes in net financial assets of the District. The District does not control any external entities and accordingly, no entities have been consolidated with the financial statements. The Board does not administer any trust activities on behalf of external parties.

(b) *Basis of accounting:*

The District follows the accrual method of accounting for revenues and expenses. Revenues are normally recognized in the year in which they are earned and measurable. Expenses are recognized as they are incurred and measurable as a result of receipt of goods or services and/or the creation of a legal obligation to pay.

(c) *Revenue recognition:*

The District collects property tax from the provincial government. The District records these revenues on an accrual basis.

(d) *Long-term debt:*

Long-term debt is recorded net of related principal repayments and actuarial adjustments.

(e) *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.



Year ended December 31, 2014

*(f) Tangible Capital Assets*

Tangible capital assets are recorded at cost which includes amounts that are directly attributable to acquisition, construction, development or betterment of the asset. Contributed tangible capital assets are recorded at fair market value at the date of contribution. The cost, less residual value, of the tangible assets are amortized on a declining balance basis as follows:

Asset	Rate
Buildings	5%
Storage containers & trailers	10%
Vehicles	10%
Radio equipment	20%
Rescue equipment & training props	20%
Office furniture and equipment	20%
Computer infrastructure	30%

Amortization is charged annually; 50% of usual amortization is charged in the year of acquisition and the year of disposal. Assets under construction are not amortized until the asset is available for productive use.

When a tangible capital asset no longer contributes to the District's ability to provide services, its carrying value is written down to its residual value.

The District does not capitalize interest costs associated with the acquisition or construction of a tangible capital asset.

*(g) Measurement uncertainty:*

The preparation of financial statements in conformity with 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 financial statements, and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Significant estimates include assumptions used in estimating historical cost and useful lives of tangible capital assets, and in estimating provisions for accrued liabilities. Actual results could differ from these estimates.

# SALT SPRING ISLAND FIRE PROTECTION DISTRICT

Notes to the Financial Statements

10

Year ended December 31, 2014

## 2. LONG TERM DEBT:

Long term debt is issued by the Province of British Columbia to finance significant physical assets. Interest and principal are collected at source by the Province from local property taxes.

By-law	Purpose	Maturing	Rate	2014	2013
115	2011 Mini-Pumper truck	2021	3.1%	\$ 250,514	\$ 280,976
114	2011 Compress Air Foam truck	2020	3.1%	362,648	416,890
94	2003 Fire truck	2018	5.5%	218,527	266,229
81	2000 Fire truck	2015	7.0%	28,242	54,635
				\$ 859,931	\$ 1,018,730

The aggregate amount of principal repayments required on the District's long-term debt during each of the next five years is as follows:

Year	Amount
2015	165,897
2016	145,169
2017	148,842
2018	154,800
2019	98,673
	\$ 713,381

## 3. ACCUMULATED SURPLUS:

Accumulated surplus consists of:

	2014	2013 (restated)
<b>Surplus:</b>		
Operating surplus	\$ 857,880	\$ 581,928
Net equity in tangible capital assets		
Net book value of tangible capital assets	2,196,047	2,353,552
Less: long term debt	859,931	1,018,730
	1,336,116	1,334,822
	\$ 2,193,996	\$ 1,916,750

Jean Elwell, Chartered Accountant

# SALT SPRING ISLAND FIRE PROTECTION DISTRICT

Notes to the Financial Statements

11

Year ended December 31, 2014

## 4. EQUITY IN TANGIBLE CAPITAL ASSETS

Equity in tangible capital assets represents the net book value of the total tangible capital assets less long-term obligations assumed to acquire those assets. The changes in equity in tangible assets are as follows.

	2014	2013 (restated)
Balance, beginning of year:	\$ 1,334,822	\$ 1,216,134
Acquisition of tangible capital assets	44,649	184,037
Net disposal of tangible capital assets	(26,387)	(29,443)
Repayment of long-term debt	158,799	169,782
Amortization	(175,767)	(205,688)
Balance, end of year	\$ 1,336,116	\$ 1,334,822

## 5. FINANCIAL INSTRUMENTS

The District, as part of its operations, carries a number of financial instruments. The District's financial instruments consist of cash, accounts receivable, accounts payable and accrued liabilities and long-term debt. It is management's opinion that the District is not exposed to significant interest, currency or credit risks arising from these financial instruments.

## 6. CORRECTION OF ACCOUNTING ERROR

In preparing financial statements for the District, and in comparing with financial statements of other improvement districts, management revised their estimate of useful lives of vehicles, changing the amortization rate on vehicles from a rate of 30% to a rate of 10%. As a result, the District has restated its previously issued financial statements for the year ended December 31, 2013 and has a recorded a decrease to the prior year amortization and a corresponding increase to annual surplus of \$53,757. The correction was applied retrospectively and, accordingly an increase was made to net tangible capital assets, net equity in non-financial assets, and accumulated surplus of \$819,886.

# SALT SPRING ISLAND FIRE PROTECTION DISTRICT

Notes to the Financial Statements

12

Year ended December 31, 2014

## 6. CORRECTION OF ACCOUNTING ERROR (CONT.)

Extracts of Financial statements:

	2014	2013 (restated)	2013 (original)	Increase/ (decrease)
Amortization	\$ 175,767	\$ 205,688	\$ 259,445	\$ (53,757)
Annual surplus	277,246	227,984	174,227	53,757
Net tangible assets	2,196,048	2,353,552	1,533,666	819,886
Net equity in tangible capital assets	1,336,116	1,334,822	514,936	819,886
Accumulated surplus	2,193,996	1,916,750	1,096,864	819,866

## 7. SUBSEQUENT EVENT

Subsequent to the end of the year, the Board of Trustees passed by-law No 126 setting out changes to established by-law 39 for setting up a Renewal Reserve Fund for the upgrading or replacement of existing capital works. The new by-law sets out the terms and conditions for the Capital Works, Renewal Reserve Fund ("CWRRF"). Monies in the fund will be held on deposit in a separate bank account and will be disbursed only by by-law passed by the Trustees and approved by the Inspector of Municipalities. Transfers to the renewal reserve fund will be made periodically from operating surpluses or sales of existing assets. The board approved an initial transfer of \$451,000 from the operating surplus to the CWRRF on January 19, 2015.

## 8. RECONCILIATION OF 2014 BUDGET

The District's budget figures came from the annual budget passed by a board motion on September 16, 2013. The budget sets out the proposed expenditures including purchases of capital assets. However, for financial reporting purposes the District follows public sector accounting standards and reports the revenues and expenses, so the following adjustment must be made to the budgeted figures to reconcile them to the District's 2014 budget:

Net budget for 2014 approved by District	\$ -
Capital expenditures	102,000
Annual surplus on a PSAB basis	\$ 102,000

## SCHEDULE 1

**SALT SPRING ISLAND FIRE PROTECTION DISTRICT**

Schedule of Tangible Capital Assets

Year ended December 31, 2014

								Totals	
	Land	Buildings	Containers and trailers	Vehicles	Equipment	Computer infrastructure	Assets under construction	2014	2013 (restated)
<b>Cost</b>									
Opening costs	\$ 536,492	\$ 530,877	\$ 28,410	\$ 2,741,175	\$ 394,407	\$ 42,178	\$ 181,771	\$ 4,455,310	\$ 4,293,028
Additions during the year	-	-	-	18,000	18,273	1,756	6,620	44,649	191,725
Disposals during the year	-	-	-	(61,301)	-	-	-	(61,301)	(29,443)
Closing costs	536,492	530,877	28,410	2,697,874	412,680	43,934	188,391	4,438,658	4,455,310
<b>Accumulated Amortization</b>									
Opening accum'd amortization	-	377,684	11,396	1,464,993	212,065	35,620	-	2,101,758	1,896,070
Disposals during the year	-	-	-	(34,912)	-	-	-	(34,912)	
Amortization	-	7,660	1,701	125,880	38,295	2,231	-	175,767	205,688
<b>Closing accum'd amortization</b>	-	385,344	13,097	1,555,960	250,360	37,851	-	2,242,612	2,101,758
<b>Net Book Value of Tangible Capital Assets</b>	<b>\$ 536,492</b>	<b>\$ 145,533</b>	<b>\$ 15,313</b>	<b>\$ 1,141,914</b>	<b>\$ 162,320</b>	<b>\$ 6,083</b>	<b>\$ 188,391</b>	<b>\$2,196,047</b>	<b>\$ 2,353,552</b>

Jean Elwell, Chartered Accountant

## SCHEDULE 2

**SALT SPRING ISLAND FIRE PROTECTION DISTRICT**

## Schedule of Expenses

Year ended December 31, 2014

	<b>Budget (unaudited)</b>	<b>2014</b>	<b>2013</b>
<b>Administration</b>			
Advertising & promotion	\$ 8,600	\$ 4,480	\$ 5,348
Convention & dues	20,000	18,898	15,457
Insurance	40,000	31,962	36,667
Office administration	61,000	87,710	29,555
Licenses & leases	10,000	6,728	1,006
Professional fees	50,000	47,084	48,840
Professional development	12,000	685	1,500
AGM/Election	11,000	4,486	21,010
Annual dinner	8,000	7,595	6,432
Fireworks	2,500	2,500	2,500
	223,100	212,128	168,315
<b>Operations</b>			
Equipment maintenance and supplies	113,500	90,196	105,448
Building repairs and maintenance	70,000	72,916	63,112
Fire protection	53,200	47,049	49,523
Training	88,500	86,146	86,585
Truck operations	87,000	64,074	71,125
	\$ 412,200	\$ 360,381	\$ 375,793

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 Jean Elwell, Chartered Accountant