

Financial Statements of

**SALT SPRING ISLAND
FIRE PROTECTION DISTRICT**

Year ended December 31, 2015

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Independent Auditor's Report

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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 Professional 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, 2015, 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, 2015, 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 13, 2016

SALT SPRING ISLAND FIRE PROTECTION DISTRICT

Statement of Financial Position


December 31, 2015, with comparative figures for 2014

	2015	2014 (restated)
Financial assets		
Cash	\$ 997,779	\$ 2,062,924
Accrued interest receivable	6,778	-
GST rebate receivable	9,200	11,155
	<u>1,013,757</u>	<u>2,074,079</u>
Financial liabilities		
Accounts payable and accrued liabilities	46,759	88,391
Deferred revenue	-	1,150,000
Long term debt (Note 2)	691,954	859,931
	<u>738,713</u>	<u>2,098,321</u>
Net financial assets / (debt)	275,044	(24,243)
Non-financial assets		
Net tangible capital assets (Schedule 1)	2,402,931	2,461,047
Prepaid expenses	35,473	22,192
	<u>2,438,404</u>	<u>2,483,239</u>
Accumulated surplus (Note 3)	<u>\$ 2,713,448</u>	<u>\$ 2,458,996</u>

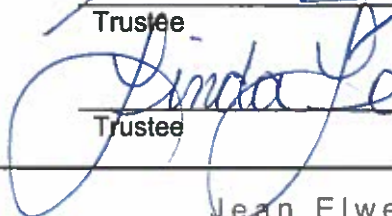
See commitments and contingencies (Note 8)

See accompanying notes to the financial statements.

APPROVED BY:



 Trustee



 Trustee

Jean Elwell, Chartered Professional Accountant

See Independent Auditor's Report dated April 13, 2016.

SALT SPRING ISLAND FIRE PROTECTION DISTRICT

Statement of Operations

Year ended December 31, 2015, with comparative figures for 2014

	Budget (unaudited – Note 7)	2015	2014 (restated)
Revenue:			
Taxation	\$ 2,529,000	\$ 2,519,000	\$ 2,375,000
Debt service revenue	-	200,980	198,901
Capital Reserve Fund	-	10,000	-
Interest	-	18,222	16,116
Gain on disposition of assets	-	-	787
Donation from SSFR Foundation	-	-	265,000
Other revenues	-	2,803	2,944
	<u>2,529,000</u>	<u>2,751,005</u>	<u>2,858,748</u>
Expenses:			
Salaries and wages	1,803,200	1,727,375	1,531,674
Administration (Schedule 2)	234,600	253,618	212,128
Operations (Schedule 2)	440,700	317,975	360,381
Debt interest	-	29,278	36,552
Amortization	-	168,307	175,767
	<u>2,478,500</u>	<u>2,496,553</u>	<u>2,316,502</u>
Annual surplus	50,500	254,452	542,246
Accumulated surplus, beginning of year	2,458,996	2,458,996	1,916,750
Accumulated surplus, end of year (Note 3)	<u>\$ 2,509,496</u>	<u>\$ 2,713,448</u>	<u>\$ 2,458,996</u>

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

Jean Elwell, Chartered Professional Accountant

See Independent Auditor's Report dated April 13, 2016.

SALT SPRING ISLAND FIRE PROTECTION DISTRICT

Statement of Change in Net Financial Assets

Year ended December 31, 2015, with comparative information for 2014

	Budget (unaudited – note 7)	2015	2014 (restated)
Annual surplus	\$ 50,500	\$ 254,452	\$ 542,246
Acquisition of tangible capital assets	(50,500)	(110,191)	(309,649)
Amortization of tangible capital assets	-	168,307	175,767
	-	312,568	408,364
Increase in prepaid expenses	-	(13,281)	(324)
Net disposals	-	-	26,387
Change in net financial assets	-	299,287	434,427
Net financial assets, beginning of year	(24,243)	(24,243)	(458,670)
Net financial assets, end of year	\$ (24,243)	\$ 275,044	\$ (24,243)

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

Jean Elwell, Chartered Professional Accountant

See Independent Auditor's Report dated April 13, 2016.

SALT SPRING ISLAND FIRE PROTECTION DISTRICT

Statement of Cash Flows

Year ended December 31, 2015, with comparative figures for 2014

	2015	2014 (restated)
Cash from operating activities		
Annual surplus	\$ 254,452	\$ 542,246
Items not involving cash:		
Amortization	168,307	175,767
Change in non-cash operating assets and liabilities		
Accrued interest receivable	(6,778)	-
GST rebate receivable	1,955	29,306
Accounts payable and accrued liabilities	(41,632)	15,362
Prepaid expenses	(13,281)	(324)
(Decrease) /increase in deferred revenue	(1,150,000)	1,150,000
	(786,977)	1,912,357
Capital activities:		
Acquisition of tangible capital assets	(110,191)	(309,649)
Net disposal of tangible capital assets	-	26,387
Investing activities:		
Long term debt repaid	(167,977)	(158,799)
(Decrease) in cash	(1,065,145)	1,470,296
Cash, beginning of year	2,062,924	592,628
Cash, end of year:	\$ 997,779	\$ 2,062,924

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

Jean Elwell, Chartered Professional Accountant

See Independent Auditor's Report dated April 13, 2016.

SALT SPRING ISLAND FIRE PROTECTION DISTRICT

Notes to the Financial Statements

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Year ended December 31, 2015

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.

SALT SPRING ISLAND FIRE PROTECTION DISTRICT

Notes to the Financial Statements

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Year ended December 31, 2015

(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

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Year ended December 31, 2015

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	2015	2014
115	2011 Mini-Pumper truck	2021	3.1%	\$ 217,028	\$ 250,514
114	2011 Compress Air Foam truck	2020	3.1%	306,724	362,648
94	2003 Fire truck	2018	5.5%	168,202	218,527
81	2000 Fire truck	2015	7.0%	-	28,242
				\$ 691,954	\$ 859,931

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
2016	145,169
2017	148,842
2018	154,800
2019	98,673
2020	101,731
	\$ 649,215

Jean Elwell, Chartered Professional Accountant

SALT SPRING ISLAND FIRE PROTECTION DISTRICT

Notes to the Financial Statements

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Year ended December 31, 2015

3. ACCUMULATED SURPLUS:

Accumulated surplus consists of:

	2015	2014 (restated)
Surplus:		
Unappropriated surplus	\$ 419,683	\$ 857,880
Appropriated surplus (CWRRF – Note 9)	582,788	-
Net equity in tangible capital assets		
Net book value of tangible capital assets	2,402,931	2,461,047
Less: long term debt	691,954	859,931
	1,710,977	1,601,116
	\$ 2,713,448	\$ 2,458,996

The unappropriated surplus is the amount of accumulated surplus remaining after deducting the other accumulated surplus components. Where this amount is supported by cash and net short-term receivables, it is available to temporarily finance operations until planned revenues (i.e. property taxes, grants, etc.) are received, or for other operating or capital purposes as determined by the District.

Appropriated surplus is the amount of accumulated surplus, supported by a portion of the District's cash and receivables that has been set-aside by decision of the Board of Trustees for a specified purpose. The statutory reserves have been established by bylaw and their use is restricted by legislation. In the normal course of operations, these funds will be used to finance the future capital works for which they have been appropriated.

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.

	2015	2014 (restated)
Balance, beginning of year:	\$ 1,601,116	\$ 1,334,822
Acquisition of tangible capital assets	110,191	309,649
Net disposal of tangible capital assets	-	(26,387)
Repayment of long-term debt	167,977	158,799
Amortization	(168,307)	(175,767)
Balance, end of year	\$ 1,710,977	\$ 1,601,116

Jean Elwell, Chartered Professional Accountant

SALT SPRING ISLAND FIRE PROTECTION DISTRICT

Notes to the Financial Statements

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Year ended December 31, 2015

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

During the year, the District recognized that land with a fair market value of \$265,000, which had been transferred from the Salt Spring Fire Rescue Foundation, had not been reported in the financial statements for the year ended December 31, 2014. As a result, the District has restated its previously issued financial statements for the year ended December 31, 2014 and has a recorded an increase to income \$265,000 and a corresponding increase to annual surplus, net tangible capital assets, net equity in non-financial assets, and accumulated surplus.

Extracts of Financial statements:

	2015	2014 (restated)	2014 (original)	Increase/ (decrease)
Total revenue	\$ 2,751,005	\$ 2,858,748	\$ 2,593,748	\$ 265,000
Annual surplus	265,471	542,246	277,246	265,000
Net tangible assets	2,413,950	2,461,047	2,196,047	265,000
Net equity in tangible capital assets	1,721,996	1,601,116	1,336,116	265,000
Accumulated surplus	\$ 2,724,467	\$ 2,458,996	\$ 2,193,996	\$ 265,000

7. RECONCILIATION OF 2015 BUDGET

The District's budget figures came from the annual budget passed by a board motion on September 16, 2014. 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 2015 budget:

Net budget for 2015 approved by District	\$ -
Capital expenditures	50,500
<u>Annual surplus on a PSAB basis</u>	<u>\$ 50,500</u>

Jean Elwell, Chartered Professional Accountant

SALT SPRING ISLAND FIRE PROTECTION DISTRICT

Notes to the Financial Statements

Year ended December 31, 2015

8. COMMITMENTS AND CONTINGENCIES

(a) Pension liability

The Salt Spring Island Fire Protection District and its employees contribute to the Municipal Pension Plan (the "Plan"), a jointly trustee pension plan. The Board of trustees, representing plan members and employers is responsible for overseeing the management of the Plan, including investment of the assets and administration of benefits. The Plan is a multi-employer contributory pension plan. Basic pension benefits provided are defined. The Plan has about 182,000 active members and approximately 75,000 retired members. Active members include approximately 36,000 contributors from local governments.

The most recent valuation as at December 31, 2012 indicated a \$1,370 million funding deficit for basic pension benefits. The next valuation will be as at December 31, 2015 with results available in 2016. Employers participating in the Plan record their pension expense as the amount of the employer contribution made during the fiscal year (defined contribution pension plan accounting). This is because the Plan records accrued liabilities and accrued assets for the Plan in aggregate with the result that there is no consistent and reliable basis for allocating the obligation, assets and costs to the individual employers participating in the Plan.

The District paid \$162,822 for employer contributions while employees contributed \$117,255 to the Plan in fiscal 2015.

(b) Legal claims

As at December 31, 2015, there were a number of legal claims in various stages of litigation for which management is unable to determine the outcome. Some of these claims may result in a material loss to the District. No provision has been made in the financial statements for these claims. Losses, if any, resulting from these actions will be recorded in the period the loss becomes known and the amounts are determinable.

(c) Property commitment

The District has beneficial interest in the Brinkworthy parcel of land, transferred to the District in January of 2014. At that time, a verbal agreement was set in place with Capital Regional District that the District would provide a connection to the sewer system prior to undertaking any development. The cost of implementing such plans are undeterminable at the time.

SALT SPRING ISLAND FIRE PROTECTION DISTRICT

Notes to the Financial Statements

Year ended December 31, 2015

9. CAPITAL WORKS RENEWAL RESERVE FUND

The Board of Trustees approved an initial transfer of \$ 451,000 from the operating surplus to the Capital Works Renewal Reserve Fund on January 19, 2015, and a subsequent transfer of \$131,788 on May 11, 2015. During 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.

	2015	2014
Opening balance	\$ -	\$ -
Transfers from operating funds	582,788	-
Expenditures	-	-
Ending balance	\$ 582,788	\$ -

Jean Elwell, Chartered Professional Accountant

SCHEDULE 1

SALT SPRING ISLAND FIRE PROTECTION DISTRICT

Tangible Capital Assets Continuity Schedule

Year ended December 31, 2015, with comparative figures for 2014

								Totals	
	Land	Buildings	Containers and trailers	Vehicles	Equipment	Computer infrastructure	Assets under construction	2015	2014 (restated)
Cost									
Opening costs	\$ 801,492	\$ 530,877	\$ 28,410	\$ 2,697,874	\$ 412,680	\$ 43,934	\$ 188,391	\$ 4,703,658	\$ 4,455,310
Additions during the year	-	-	-	-	110,191	-	-	110,191	309,649
Disposals during the year	-	-	-	-	-	-	-	-	(61,301)
Closing costs	801,492	530,877	28,410	2,697,874	522,871	43,934	188,391	4,813,849	4,703,658
Accumulated Amortization									
Opening accum'd amortization	-	385,343	13,096	1,555,960	250,361	37,851	-	2,242,611	2,101,756
Disposals during the year	-	-	-	-	-	-	-	-	(34,912)
Amortization	-	7,277	1,532	114,191	43,482	1,825	-	168,307	175,767
Closing accum'd amortization	-	392,620	14,628	1,670,151	293,843	39,676	-	2,410,918	2,242,611
Net Book Value of Tangible Capital Assets	\$ 801,492	\$ 138,257	\$ 13,782	\$ 1,027,723	\$ 229,028	\$ 4,258	\$ 188,391	\$ 2,402,931	\$ 2,461,047

Jean Elwell, Chartered Professional Accountant

SCHEDULE 2

SALT SPRING ISLAND FIRE PROTECTION DISTRICT

Schedule of Expenses

Year ended December 31, 2015

	Budget (unaudited)	2015	2014
Administration			
Advertising & promotion	\$ 8,600	\$ 1,938	\$ 4,480
Convention & dues	20,500	14,282	18,898
Insurance	42,000	40,295	31,962
Office administration	60,000	116,645	87,710
Licenses & leases	8,000	1,580	6,728
Professional fees	67,000	49,303	47,084
Professional development	12,000	980	685
AGM/Election	6,000	20,452	4,486
Annual dinner	8,000	5,643	7,595
Fireworks	2,500	2,500	2,500
	234,600	253,618	212,128
Operations			
Equipment maintenance and supplies	111,500	76,373	90,196
Building repairs and maintenance	75,000	54,468	72,916
Fire protection	78,700	35,719	47,049
Training	88,500	64,253	86,146
Truck operations	87,000	87,162	64,074
	\$ 440,700	\$ 317,975	\$ 360,381

 Jean Elwell, Chartered Professional Accountant