

Mill Bay Fire Protection District
Financial Statements

December 31, 2022

Mill Bay Fire Protection District

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For the year ended December 31, 2022

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To the Board of Trustees of Mill Bay Fire Protection District:

Opinion

We have audited the financial statements of Mill Bay Fire Protection District (the "District"), which comprise the statement of financial position as at December 31, 2022, and the statements of operations and accumulated surplus, changes in net debt, cash flows and the related schedules 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 District as at December 31, 2022, and the results of its operations, changes in its financial net debt and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

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 District in accordance with the 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 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.

In preparing the financial statements, management is responsible for assessing the 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 District or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the 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.

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 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 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 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.

Nanaimo, British Columbia

April 27, 2023


MNP LLP

Chartered Professional Accountants

Mill Bay Fire Protection District
Statement of Financial Position
As at December 31, 2022

	<u>2022</u>	<u>2021</u>
Financial Assets		
Cash and short-term investments	1,020,437	1,020,884
Restricted cash and short-term investments	321,523	157,612
Accounts receivable	102,336	95,020
Goods and Services Tax rebate receivable	23,791	54,604
Interest receivable	5,082	1,540
	1,473,169	1,329,660
Financial Liabilities		
Accounts payable and accruals	81,875	40,148
Capital tax advance debt (Note 3)	1,870,940	2,015,408
	1,952,815	2,055,556
Net Debt	(479,646)	(725,896)
Commitment (Note 10)		
Non-Financial Assets		
Prepaid expenses	90,310	16,560
Tangible capital assets (Note 4)	3,929,718	4,153,919
	4,020,028	4,170,479
Accumulated Surplus (Note 5)	3,540,382	3,444,583

Approved on behalf of the Trustees


 Trustee


 Trustee

The accompanying notes are an integral part of these financial statements

Mill Bay Fire Protection District
Statement of Operations and Accumulated Surplus
For the year ended December 31, 2022

	2022	2022	2021
	<i>Budget</i>		
	<i>(Note 6)</i>		
Revenue			
Operating tax advance	1,227,740	1,227,740	1,119,000
Capital tax advances	-	207,366	345,524
Province of BC - deployment	-	102,336	243,487
Other	-	65,043	58,088
Interest	-	12,297	6,376
	1,227,740	1,614,782	1,772,475
Expenses			
Advertising	5,000	22,368	12,295
Amortization	-	243,661	265,025
Business taxes and licenses	13,000	10,726	6,072
Calls, duty and drills	197,420	209,108	170,000
Fuel	17,500	26,032	19,117
Insurance	61,000	54,970	34,704
Interest and bank charges	-	1,821	1,587
Interest on long-term debt	-	62,899	107,703
Loss on disposals of tangible capital assets	-	-	12,417
Office and administration	68,000	20,408	15,968
Prevention	3,500	4,432	4,396
Professional fees	16,000	24,595	13,877
Repairs and maintenance	61,000	108,362	98,540
Replacement and renewals	50,120	76,934	74,268
Safety supplies, consumables and freight	4,200	3,211	3,301
Salaries and benefits	436,000	492,987	534,653
Telephone	8,000	12,576	7,105
Testing and certification	13,000	10,404	9,308
Training	99,000	86,014	77,444
Training meals	5,000	5,931	4,372
Utilities	37,000	41,544	41,353
	1,094,740	1,518,983	1,513,505
Annual surplus	133,000	95,799	258,970
Accumulated surplus, beginning of year	3,444,583	3,444,583	3,185,613
Accumulated surplus, end of year	3,577,583	3,540,382	3,444,583

The accompanying notes are an integral part of these financial statements

Mill Bay Fire Protection District
Statement of Change in Net Debt
For the year ended December 31, 2022

	2022 Budget (Note 6)	2022	2021
Annual surplus	133,000	95,799	258,970
Amortization	-	243,661	265,025
Prepaid expenses	-	(73,750)	(981)
Purchase of tangible capital assets	(33,000)	(19,460)	(199,741)
Loss on disposal of tangible capital assets	-	-	12,417
Proceeds on disposition of tangible capital assets	-	-	11,150
		150,451	87,870
Change in net debt	100,000	246,250	346,840
Net debt, beginning of year	(725,896)	(725,896)	(1,072,736)
Net debt, end of year	(625,896)	(479,646)	(725,896)

Mill Bay Fire Protection District

Statement of Cash Flows

For the year ended December 31, 2022

	2022	2021
Cash provided by (used for) the following activities		
Operating activities		
Annual surplus	95,799	258,970
Amortization	243,661	265,025
Loss on disposal of tangible capital assets	-	12,417
Change in accounts receivable	(7,316)	(95,020)
Change in prepaid expenses	(73,750)	(981)
Change in Goods and Services Tax rebate receivable	30,813	20,286
Change in interest receivable	(3,542)	1,582
Change in accounts payable and accruals	41,727	(12,227)
	327,392	450,052
Investing activities		
Proceeds on disposition of tangible capital assets	-	11,150
Purchase of tangible capital assets	(19,460)	(199,741)
	(19,460)	(188,591)
Financing activities		
Change in restricted cash and short term investments	(163,911)	43,620
Repayment of capital tax advance debt	(144,468)	(237,820)
	(308,379)	(194,200)
Increase (decrease) in cash resources	(447)	67,261
Cash resources, beginning of year	1,020,884	953,623
Cash resources, end of year	1,020,437	1,020,884

The accompanying notes are an integral part of these financial statements

Mill Bay Fire Protection District

Notes to the Financial Statements

For the year ended December 31, 2022

1. ***Incorporation and operations***

Mill Bay Fire Protection District (the "District") was incorporated under the Municipal Act of the Province of British Columbia in order to carry out the functions of a Fire Protection District. Under Section 149(1)(c) of the Income Tax Act, the Fire Protection District is exempt from taxation.

2. ***Significant accounting policies***

These financial statements have been prepared in accordance with Canadian public sector accounting standards as recommended by the public sector accounting board of CPA Canada which encompasses the following principles:

Fund accounting

The District records accounting transactions using the fund accounting method generally in use for governments. A fund is determined for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. Each fund has its own statement of operations which presents the results of operations for the fund. The statement of financial position of the District includes the assets, liabilities and accumulated surplus of all funds presented in the financial statements.

The District maintains a capital fund which accounts for the tangible capital assets of the District and an operations fund which includes the operations of the District. The operations fund is split into two categories. Operations accounts for the day-to-day activities of providing services and the renewal reserve, which was established to fund purchases and replacement of tangible capital assets. The renewal reserve can only be disbursed through a Bylaw. Details of the operations of each program are set out in the supplementary schedules.

All inter-entity balances have been eliminated on consolidation, but in order to present the results of operations for each specific fund, transactions amongst programs have not necessarily been eliminated on the individual schedules.

Tangible capital assets

Tangible capital assets are recorded at cost which includes all amounts that are directly attributable to acquisition, construction, development, or betterment of the asset. The cost, less residual value, of the tangible capital assets are amortized over their estimated useful lives (ranging from 5 to 50 years) or on a straight-line basis.

Revenue recognition

Revenue is accounted for in the period in which the transactions or events occur that give rise to the revenue. Government transfers, from the Province of British Columbia, such as the operating tax advance, are recognized as revenue when the transfer is authorized and any eligibility criteria are met, except to the extent that transfer stipulations give rise to an obligation that meets the definition of a liability. Transfers are recognized as deferred revenue when transfer stipulations give rise to a liability. Transfer revenue is recognized in the statement of operations as the stipulation liabilities are settled. Interest and other income are recognized as revenue as earned on an accrual basis.

Measurement uncertainty

The preparation of financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the period.

Amortization is based on the estimated useful lives of tangible capital assets.

These estimates and assumptions are reviewed periodically and, as adjustments become necessary, they are reported in earnings in the periods in which they become known.

Cash and cash equivalents

Cash and cash equivalents include balances with banks and short-term investments with maturities of twelve months or less. Cash subject to restrictions that prevent its use for current purposes is included in restricted cash.

Short-term investments

Short-term investments consist of various term deposits due within one year.

Mill Bay Fire Protection District
Notes to the Financial Statements

For the year ended December 31, 2022

2. Significant accounting policies (Continued from previous page)

Liability for contaminated sites

A liability for remediation of a contaminated site is recognized at the best estimate of the amount required to remediate the contaminated site when contamination exceeding an environmental standard exists, the District is either directly responsible or accepts responsibility, it is expected that future economic benefits will be given up, and a reasonable estimate of the amount is determinable. The best estimate of the liability includes all costs directly attributable to remediation activities and is reduced by expected net recoveries based on information available at December 31, 2022.

At each financial reporting date, the District reviews the carrying amount of the liability. Any revisions required to the amount previously recognized is accounted for in the period revisions are made. The District continues to recognize the liability until it is settled or otherwise extinguished. Disbursements made to settle the liability are deducted from the reported liability when they are made. As at December 31, 2022, the District has not recorded any liability for contaminated sites as no sites exist.

3. Capital tax advance debt

	2022	2021
Province of BC (Bylaw #109) loan bearing interest at 3.70% per annum, repayable in annual blended payments of \$34,994. The loan matures on December 31, 2029.	216,128	242,757
Province of BC (Bylaw #132) loan bearing interest at 3.25% per annum, repayable in annual blended payments of \$92,544. The loan matures on December 31, 2033.	857,624	921,649
Province of BC (Bylaw #157) loan bearing interest at 3.20% per annum. Repayable in annual blended payments of \$81,463. The loan matures on December 31, 2034.	797,188	851,002
	1,870,940	2,015,408

The five-year principal repayment schedule for capital tax advance debt is as follows:

	2027	2026	2025	2024	2023
Bylaw #109	31,380	30,260	29,180	28,139	27,136
Bylaw #132	73,981	71,652	69,396	67,212	65,097
Bylaw #157	62,047	60,123	58,259	56,452	54,702
	167,408	162,035	156,835	151,803	146,935

Mill Bay Fire Protection District
Notes to the Financial Statements

For the year ended December 31, 2022

4. Tangible capital assets

	Cost	Accumulated amortization	2022 Net Book Value	2021 Net Book Value
Main hall	1,787,771	751,325	1,036,446	1,073,347
Satellite hall	1,290,761	227,596	1,063,165	1,089,133
Satellite well	7,328	4,836	2,492	2,638
Land	140,000	-	140,000	140,000
Firetrucks	3,055,020	1,727,639	1,327,381	1,457,126
Vehicles	223,233	81,195	142,038	153,200
Office furniture and equipment	24,242	19,409	4,833	7,282
Tools and equipment	306,495	119,961	186,534	197,011
Computers	60,907	34,078	26,829	34,182
	<u>6,895,757</u>	<u>2,966,039</u>	<u>3,929,718</u>	<u>4,153,919</u>

5. Accumulated Surplus

Accumulated Surplus consists as follows:

	<u>2022</u>	<u>2021</u>
Operations	1,011,124	913,662
Renewal Reserve	459,330	381,260
Equity in Tangible Capital Assets	<u>2,069,928</u>	<u>2,149,661</u>
	<u>3,540,382</u>	<u>3,444,583</u>

6. Budget

Budget figures represent the budget adopted by the Board on October 26, 2021. The following schedule reconciles the surplus as presented in the budget as approved by the Board to the surplus as shown on the Statement of Operations.

Budgeted surplus as approved by Trustees	-
Transfer to renewal reserve	100,000
Purchases of tangible capital assets	<u>33,000</u>
Budgeted annual surplus, as per Statement of Operations	<u>133,000</u>

7. Environmental regulations

The District makes every reasonable effort to comply with all environmental regulations that apply to its operations. These regulations may require future expenditures to meet applicable standards. Amounts required to meet these obligations will be charged to operations or set aside as future reserves when they can be reasonably estimated.

8. Financial instruments

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

Mill Bay Fire Protection District

Notes to the Financial Statements

For the year ended December 31, 2022

9. Economic dependence

The District's primary source of income is funding from the Province of British Columbia. The funding can be cancelled if the District does not observe certain established guidelines. The District's ability to continue viable operations is dependent upon maintaining those established guidelines. As at the date of these financial statements the District believes that it is in compliance with the guidelines.

10. Commitment

The District has signed a letter of intent, and paid a 10% deposit, for the purchase of a fire truck in the amount of \$690,705 plus applicable taxes. This purchase will be funded by debt.

11. Recent accounting pronouncement

PS 3280 *Asset Retirement Obligations*, issued August 2018, establishes standards for recognition, measurement, presentation and disclosure of legal obligations associated with the retirement of tangible capital assets and is effective for the District as of January 1, 2023. A liability will be recognized when, as at the financial reporting date:

- a. There is a legal obligation to incur retirement costs in relation to a tangible capital asset;
- b. The past transaction or event giving rise to the liability has occurred;
- c. It is expected that future economic benefits will be given up; and
- d. A reasonable estimate of the amount can be made.

Liabilities are recognized for statutory, contractual or legal obligations associated with the retirement of tangible capital assets when those obligations result from the acquisition, construction, development or normal operation of the assets. The obligations are measured initially at fair value, determined using present value methodology, and the resulting costs capitalized into the carrying amount of the related tangible capital asset. In subsequent periods, the liability is adjusted for accretion and any changes in the amount or timing of the underlying future cash flows. The capitalized asset retirement cost is amortized on the same basis as the related asset and accretion expense is included in the Statement of Operations.

Management is in the process of assessing the impact of adopting this standard on the District's financial results.

Mill Bay Fire Protection District
Schedule 1 - Segmented Information
For the year ended December 31, 2022

	Operations	Renewal Reserve	Tangible Capital Assets	2022
Revenue				
Operating tax advance	1,127,740	100,000	-	1,227,740
Capital tax advances	207,366		-	207,366
Province of BC - deployment	102,336			102,336
Other	65,043		-	65,043
Interest	9,501	2,796	-	12,297
	1,511,986	102,796	-	1,614,782
Expenses				
Advertising	22,368	-	-	22,368
Amortization	-	-	243,661	243,661
Business taxes and licenses	10,726	-	-	10,726
Calls, duty and drills	209,108	-	-	209,108
Fuel	26,032	-	-	26,032
Insurance	54,970	-	-	54,970
Interest and bank charges	1,821	-	-	1,821
Interest on long-term debt	62,899	-	-	62,899
Office and administration	20,408	-	-	20,408
Prevention	4,432	-	-	4,432
Professional fees	24,595	-	-	24,595
Repairs and maintenance	88,599	19,763	-	108,362
Replacement and renewals	76,934	-	-	76,934
Safety supplies, consumables and freight	3,211	-	-	3,211
Salaries and benefits	492,987	-	-	492,987
Telephone	12,576	-	-	12,576
Testing and certification	10,404	-	-	10,404
Training	86,014	-	-	86,014
Training meals	5,931	-	-	5,931
Utilities	41,544	-	-	41,544
	1,255,559	19,763	243,661	1,518,983
Annual surplus (deficit)	256,427	83,033	(243,661)	95,799
Transfers				
Net transfers to fund tangible capital asset acquisitions	(14,497)	(4,963)	19,460	-
Transfer to fund principal payments	(144,468)	-	144,468	-
Accumulated surplus, beginning of year	913,662	381,260	2,149,661	3,444,583
Accumulated surplus, end of year	1,011,124	459,330	2,069,928	3,540,382

Mill Bay Fire Protection District
Schedule 2 - Operations

For the year ended December 31, 2022

	2022	2021
Revenue		
Operating tax advance	1,127,740	1,034,000
Capital tax advances	207,366	345,524
Province of BC - deployment	102,336	243,487
Other	65,043	58,088
Interest	9,501	4,861
	1,511,986	1,685,960
Expenses		
Advertising	22,368	12,295
Business taxes and licenses	10,726	6,072
Calls, duty and drills	209,108	170,000
Fuel	26,032	19,117
Insurance	54,970	34,704
Interest and bank charges	1,821	1,587
Interest on long-term debt	62,899	107,703
Office and administration	20,408	15,968
Prevention	4,432	4,396
Professional fees	24,595	13,877
Repairs and maintenance	88,599	84,874
Replacement and renewals	76,934	74,268
Safety supplies, consumables and freight	3,211	3,301
Salaries and benefits	492,987	534,653
Telephone	12,576	7,105
Testing and certification	10,404	9,308
Training	86,014	77,444
Training meals	5,931	4,372
Utilities	41,544	41,353
	1,255,559	1,222,397
Total expenses	1,255,559	1,222,397
Annual surplus	256,427	463,563
Transfers		
Transfers with renewal reserve	-	-
Transfer to fund tangible capital asset acquisitions	(14,497)	(60,608)
Transfer to fund principal payments	(144,468)	(237,822)
	(158,965)	(298,430)
Accumulated surplus, beginning of year	913,662	748,529
Accumulated surplus, end of year	1,011,124	913,662

Mill Bay Fire Protection District
Schedule 3 - Renewal Reserve Fund
For the year ended December 31, 2022

	2022	2021
Revenue		
Operating tax advance	100,000	85,000
Interest	2,796	1,515
	102,796	86,515
Expenses		
Interest and bank charges	-	-
Repairs and maintenance	19,763	13,666
	19,763	13,666
Annual surplus	83,033	72,849
Accumulated surplus, beginning of year	381,260	447,544
Transfers	(4,963)	(139,133)
	459,330	381,260

Mill Bay Fire Protection District
Schedule 4 - Equity in Tangible Capital Assets
For the year ended December 31, 2022

	2022	2021
Expenses		
Amortization	243,661	265,025
Other Income and Expenses		
Loss on disposal of assets	-	12,417
Annual deficit	(243,661)	(277,442)
Accumulated surplus, beginning of year	2,149,661	1,989,540
Transfers		
Transfers of new capital tax advance debt	-	-
Transfers to fund tangible capital asset acquisitions	19,460	199,741
Transfers on disposal of tangible capital assets	-	-
Transfers to fund principal payments	144,468	237,822
	163,928	437,563
Accumulated surplus, end of year	2,069,928	2,149,661