MAGNUS LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

ADVISORY · ASSURANCE & ACCOUNTING · TAXATION · TRANSACTION CONSULTING

INDEPENDENT AUDITOR'S REPORT

To the Special Operating Agencies Financing Authority
and Office of the Fire Commissioner

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Office of the Fire Commissioner (the "Agency"), which comprise the statement of financial position as at March 31, 2020, and the statements of operations, change 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 Agency as at March 31, 2020, and the results of its operations 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 Agency 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.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Agency's 2019-2020 annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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 Agency'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 Agency or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Agency'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 Agency'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 Agency'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 Agency 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.

Magnus

July 17, 2020
Winnipeg, Canada

Chartered Professional Accountants

OFFICE OF THE FIRE COMMISSIONER
AN AGENCY OF THE PROVINCIAL GOVERNMENT
PROVINCE OF MANITOBA

Statement of Financial Position

(in thousands)

March 31, 2020

	2020 Actual	2019 Actual
Financial assets		
Cash and cash equivalents	$ -	$ 18,596
Accounts receivable (Note 5)	-	1,049
Portfolio investments	-	787
	-	20,432
Liabilities		
Accounts payable and accrued liabilities (Note 6)	-	969
Deferred revenue and government grants (Note 7)	-	1,153
Employee future benefits (Note 8)	-	1,064
	-	3,186
Net financial assets	-	17,246
Non-financial assets		
Tangible capital assets (Note 9)	-	7,471
Prepaid expenses	-	184
Inventories of supplies	-	334
	-	7,989
Accumulated surplus (Note 10)	$ -	$ 25,235

Designated assets (Note 11)
Commitments (Note 12)
Contingency (Note 16)

See accompanying notes to financial statements.

OFFICE OF THE FIRE COMMISSIONER
AN AGENCY OF THE PROVINCIAL GOVERNMENT
PROVINCE OF MANITOBA

Statement of Operations
(in thousands)
Year ended March 31, 2020

	2020 Budget	2020 Actual	2019 Actual
Revenue (Schedule 1):			
Government grants/transfers:			
Federal Government	$ 525	$ 498	$ 379
Fees and other revenue	18,255	18,022	17,376
Investment income	70	151	142
	18,850	18,671	17,897
Expenses:			
Salaries and employee benefits	10,781	9,463	9,836
Mutual Aid expenses	360	247	264
Travel and transportation	618	483	591
Communications	410	230	296
Supplies and services (Schedule 2)	1,580	1,378	1,368
Emergency response	350	715	845
Minor capital expenses	318	191	69
Amortization of tangible capital assets	1,000	1,955	1,046
(Gain) on disposal of tangible capital assets	-	(8)	(16)
Other operating expenses (Schedule 3)	1,362	1,271	1,027
	16,779	15,925	15,326
Net income before transfer of funds to the Province of Manitoba	2,071	2,746	2,571
Transfer of funds to the Province of Manitoba (Note 13)	-	-	950
Transfer of assets and liabilities to SOAFA (Notes 1 and 4)	-	27,981	-
Net (loss) income for the year	2,071	(25,235)	1,621
Accumulated surplus, beginning of year	24,850	25,235	23,614
Accumulated surplus, end of year	$ 26,921	$ -	$ 25,235

See accompanying notes to financial statements.

OFFICE OF THE FIRE COMMISSIONER
AN AGENCY OF THE PROVINCIAL GOVERNMENT
PROVINCE OF MANITOBA

Statement of Change in Net Financial Assets
(in thousands)
Year ended March 31, 2020

	2020 Budget	2020 Actual	2019 Actual
Net (loss) income for the year	$ 2,071	$ (25,235)	$ 1,621
Tangible capital assets:			
Acquisitions of tangible capital assets	(1,565)	(422)	(538)
Disposals of tangible capital assets	-	-	1
Amortization of tangible capital assets	1,000	1,955	1,046
Transfer of tangible capital assets to SOAFA	-	5,938	-
Net acquisition of tangible capital assets	(565)	7,471	509
Other non-financial assets:			
(Increase) in prepaid expenses	-	(15)	(27)
Transfer of non-financial assets to SOAFA	-	533	-
Net acquisition of other non-financial assets	-	518	(27)
Change in net financial assets	1,506	(17,246)	2,103
Net financial assets, beginning of year	16,960	17,246	15,143
Net financial assets, end of year	$ 18,466	$ -	$ 17,246

See accompanying notes to financial statements.

OFFICE OF THE FIRE COMMISSIONER
AN AGENCY OF THE PROVINCIAL GOVERNMENT
PROVINCE OF MANITOBA

Statement of Cash Flow

(in thousands)

Year ended March 31, 2020

	2020 Actual	2019 Actual
Cash provided by (applied to)		
Operating activities:		
Net (loss) income for the year	$ (25,235)	$ 1,621
Adjustments for:		
Amortization of tangible capital assets	1,955	1,046
(Gain) on disposal of tangible capital assets	(8)	(16)
	(23,288)	2,651
Changes in the following prior to transfer:		
Accounts receivable	862	(48)
Accounts payable and accrued liabilities	103	(456)
Deferred revenue and government grants	-	177
Employee future benefits	47	(44)
Prepaid expenses	(15)	(27)
Transfer of net working capital to SOAFA	(1,829)	-
Cash provided by (applied to) operating activities	(24,120)	2,253
Capital activities:		
Acquisitions of tangible capital assets	(422)	(538)
Proceeds on disposal of tangible capital assets	8	17
Transfer of tangible capital assets to SOAFA	5,938	-
Cash (applied to) capital activities	5,524	(521)
Change in cash and cash equivalents	(18,596)	1,732
Cash and cash equivalents, beginning of year	18,596	16,864
Cash and cash equivalents, end of year	$ -	$ 18,596

See accompanying notes to financial statements.

Notes to Financial Statements

(in thousands)

Year ended March 31, 2020

1. Nature of organization

Effective April 1, 1996, the Office of the Fire Commissioner (the "Agency") was designated as a Special Operating Agency (SOA) pursuant to *The Special Operating Agencies Financing Authority Act*, Cap. S185, C.C.S.M. and operates under a charter approved by the Lieutenant Governor in Council.

Effective April 1, 1996, a Transfer Agreement between the Government of Manitoba (Labour) and the Special Operating Agencies Financing Authority (SOAFA), a corporation pursuant to *The Special Operating Agencies Financing Authority Act*, transferred all assets in the Fires Prevention Fund valued at $11,809 to the Financing Authority. A Management Agreement executed between the Financing Authority and the Government of Manitoba (Labour) assigned responsibility for these assets to the Agency to manage and account for the related assets and operations on behalf of the Financing Authority. The Agency does not hold title to these assets. Effective April 1, 1996, the Financing Authority established a fund referred to as the Fires Prevention Fund to hold these assets.

Effective April 1, 2011, the operations and related net liabilities valued at $358 of the former Mechanical and Engineering Branch of the Department of Labour and Immigration were transferred to the Financing Authority to be managed and accounted for by the Office of the Fire Commissioner.

The Agency is part of the Department of Municipal Relations, previously the Department of Growth, Enterprise and Trade, and is ultimately under the policy direction of the Minister of Municipal Relations. The Agency is bound by relevant legislation and regulations. The Agency is also bound by administrative policy except where specific exemptions have been provided for in its charter in order to meet business objectives.

During the year ended March 31, 2013, the Agency's operating charter was updated and an Audit Committee established to oversee the financial reporting and overall operations of the Agency.

During the year ended March 31, 2020, the designation of the Agency as a SOA under *The Special Operating Agencies Financing Authority Act* was revoked by Manitoba Order in Council No. 65/2020 dated March 10, 2020 and the Agency's operating charter and the delegations of ministerial powers to the Fire Commissioner was cancelled effective the close of business on March 31, 2020. Therefore, effective the close of business on March 31, 2020, the net assets of the Agency were transferred to SOAFA (Note 4).

Effective April 1, 2020, the former operations of the Agency will continue to operate within the Department of Municipal Relations.

2. Basis of accounting

These financial statements have been prepared in accordance with Canadian Public Sector Accounting Standards which are Canadian generally accepted accounting principles for the public sector as recommended by the Public Sector Accounting Board.

3. Summary of significant accounting policies

(a) Revenue

Government grants/transfers

Government transfers without eligibility criteria or stipulations are recognized as revenue when the transfer is authorized.

Government transfers with eligibility criteria but without stipulations are recognized as revenue when the transfer is authorized and all eligibility criteria have been met.

Government transfers with or without eligibility criteria but with stipulations are recognized as revenue in the period the transfer is authorized and all eligibility criteria have been met, except when and to the extent that the transfer gives rise to a liability.

Fees and other revenue

Insurance levy revenue is recognized in accordance with the underlying legislation. *The Fires Prevention and Emergency Response Act* imposes a special assessment on licensed insurers in Manitoba equal to a set percentage of total property insurance premiums. The levy rate is currently set at 1.25% (2019 - 1.25%). The Agency collects this levy based on the value of premiums and assessments relating to property insurance premiums in a calendar year. Levy revenue with respect to the 2019 calendar year is recognized as revenue in the fiscal year ending March 31, 2020 with no amounts recognized in the financial statements for January to March of the current fiscal year due to it not being practicable to determine a reasonable estimate for these amounts.

Inspection technical services revenue including amusement rides, boiler and pressure vessel, gas and oil, electrical, and elevator fees including certificates, design registrations, examinations, inspections, licenses, permits, searches and special acceptances under *The Amusements Act, The Electricians' License Act, The Elevator Act, The Gas and Oil Burner Act, The Power Engineers Act and The Steam and Pressure Plants Act* are recognized on the accrual basis.

Codes and standards revenue including building, mobile home and plumbing code inspections and permits under *The Buildings and Mobile Homes Act* is recognized on the accrual basis. Fire inspections, investigations and reports under *The Fires Prevention and Emergency Response Act* are recognized on the accrual basis.

Tuition fees, emergency services and other conferences revenue are recognized on the accrual basis. Amounts received in advance for tuition fees, conferences and inspection technical services are deferred on the statement of financial position and recognized as revenue during the period the revenue relates to.

Investment income and all other revenue is recognized on the accrual basis.

(b) Expenses

Expenses

Expenses incurred for goods and services are recorded on the accrual basis when the related goods or services are received.

Government transfers

Government transfers are recognized as expenses in the period in which the transfers are authorized and all eligibility criteria have been met.

(in thousands)

3. Summary of significant accounting policies (continued)

(c) Financial assets

Cash and cash equivalents

Cash and cash equivalents include cash on hand and short term investments and deposits with original maturities of three months or less.

Accounts receivable

Accounts receivable are recorded at the lower of cost and net realizable value. An allowance for doubtful accounts is recorded when there is uncertainty whether the amounts will be collected.

Portfolio investments

Portfolio investments are investments and deposits with original maturities of more than three months. These investments are recognized at cost.

(d) Liabilities

Liabilities are present obligations as a result of transactions and events occurring at or prior to the end of the fiscal year the settlement of which will result in the future transfer or use of assets or other form of settlement. Liabilities are recognized when there is an appropriate basis of measurement and a reasonable estimate can be made of the amount involved.

(e) Non-financial assets

Non-financial assets do not normally provide resources to discharge existing liabilities of the Agency. These assets are normally employed to provide future services.

Tangible capital assets

Tangible capital assets are recognized at cost. Cost includes the purchase price as well as other acquisition costs. During the year ended March 31, 2020, the Agency changed its capitalization and amortization policies to align its policies with the Province of Manitoba in preparation for the transfer of its tangible capital assets to SOAFA (Notes 1, 4 and 9).

The costs of tangible capital assets, less any residual value, are amortized over their estimated useful lives as follows:

Building	40	years straight-line (2019 - 5% declining balance)
Practical training site	25	years straight-line (2019 - 10% declining balance)
Equipment	10	years straight-line (2019 - 20% declining balance)
Fire engines	10	years straight-line (2019 - 30% declining balance)
Other vehicles	5-10	years straight-line (2019 - 30% declining balance)
Air compressors	10	years straight-line (2019 - 20% declining balance)
Furniture	10	years straight-line (2019 - 20% declining balance)
Computer equipment and software	4-15	years straight-line (2019 - 30% declining balance)
Leasehold improvements		Term of lease (2019 - 10% declining balance)

The change in capitalization and amortization policies during the year was accounted for prospectively and resulted in an increase in amortization expense for the year of $1,079.

3. Summary of significant accounting policies (continued)

Prepaid expenses

Prepaid expenses are payments for goods or services which will provide economic benefits in future periods. The prepaid amount is recognized as an expense in the year the goods or services are consumed.

Inventories of supplies

Inventories of supplies are recorded at cost and recognized as an expense in the year the supplies are consumed.

(f) Financial instruments - measurement

Financial instruments are classified into one of two measurement categories: (a) fair value; or (b) cost or amortized cost.

The Agency records its financial assets at cost, which include cash and cash equivalents, accounts receivable and portfolio investments. The Agency also records its financial liabilities at cost, which include accounts payable and accrued liabilities.

Gains and losses on financial instruments measured at cost or amortized cost are recognized in the statement of operations in the period the gain or loss occurs. Gains and losses on financial instruments measured at fair value, if any, are recorded in accumulated surplus as remeasurement gains and losses until realized; upon disposition of the financial instruments, the cumulative remeasurement gains and losses are reclassified to the statement of operations.

(g) Measurement uncertainty

The preparation of financial statements in accordance with Canadian Public Sector Accounting Standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingencies at the date of the financial statements, and the reported amount of revenues and expenses during the reporting period. These estimates are reviewed periodically and adjustments are recognized in the period they become known. Actual results may differ from these estimates.

Notes to Financial Statements

(in thousands)

Year ended March 31, 2020

4. Transfer of assets and liabilities to SOAFA

Upon cancellation of the Agency's operating charter effective the close of business on March 31, 2020, the following assets and liabilities were transferred to SOAFA:

Financial assets:		
Cash and cash equivalents	$	23,872
Accounts receivable (Note 5)		187
Portfolio investments		787
Non-financial assets:		
Tangible capital assets (Note 9)		5,938
Prepaid expenses		199
Inventories of supplies		334
		31,317
Liabilities:		
Accounts payable and accrued liabilities		(1,072)
Deferred revenues and government grants (Note 7)		(1,153)
Employee future benefits (Note 8)		(1,111)
Total net assets transferred to SOAFA on March 31, 2020	$	27,981

5. Accounts receivable

		2020		2019
Financial Institutions Branch of the Department of Finance - Fire Prevention Levy	$	-	$	211
Public Safety Canada - National Heavy Urban Search and Rescue Program		-		525
Trade accounts receivable		620		685
Allowance for doubtful accounts (Note 15)		(433)		(372)
		187		1,049
Less: Transfer to SOAFA on March 31, 2020		(187)		-
	$	-	$	1,049

6. Accounts payable and accrued liabilities

		2020		2019
Trade payables and accruals	$	349	$	141
Vacation and overtime entitlements		717		760
City of Winnipeg - professional services		-		53
Provincial sales and goods and services taxes payable		6		15
		1,072		969
Less: Transfer to SOAFA on March 31, 2020		(1,072)		-
	$	-	$	969

(in thousands)

7. Deferred revenue and government grants

Prior to the transfer to SOAFA on March 31, 2020, included in deferred revenue and government grants was $605 (2019 - $578) relating to funding received and/or receivable from Public Safety Canada pursuant to the Heavy Urban Search and Rescue Program for which the related eligible expenditures have not been incurred.

8. Employee future benefits

	2020	2019
Severance benefits	$ 980	$ 926
Sick pay benefits	131	138
	1,111	1,064
Less: Transfer to SOAFA on March 31, 2020	(1,111)	-
	$ -	$ 1,064

Pension benefits

Employees of the Agency are eligible for pension benefits in accordance with the provisions of *The Civil Service Superannuation Act* (*CSSA*), administered by the Civil Service Superannuation Board. The *CSSA* established a defined benefit plan to provide benefits to employees of the Manitoba Civil Service and to participating agencies of the Government, including the Agency, through the Civil Service Superannuation Fund.

Effective March 31, 2001, pursuant to an agreement with the Province of Manitoba, the Agency transferred to the Province the pension liability for its employees. Commencing April 1, 2011, the Agency was required to pay to the Province an amount equal to the current pension contributions of its employees. The amount paid for the year ended March 31, 2020 was $620 (2019 - $643). Under this agreement, the Agency has no further pension liability.

Severance benefits

Effective April 1, 1998, the Agency began recording accumulated severance pay benefits for its employees. The amount of severance pay obligations is based on actuarial calculations. The periodic actuarial valuations of these liabilities may determine that adjustments are needed to the actuarial calculations when actual experience is different from expected and/or because of changes in the actuarial assumptions used. The resulting actuarial gains or losses are amortized over the expected average remaining service life (EARSL) of the related employee group.

An actuarial report was completed for the severance pay liability as at March 31, 2017. The report provides a formula to update the liability on an annual basis. In accordance with the formula, the Agency's actuarially determined net liability for accounting purposes as at March 31, 2020 is $980 (2019 - $926), with the net actuarial losses of $289 (2019 - $289) based on the completed actuarial reports being amortized over the 15 year EARSL of the employee group.

(in thousands)

8. Employee future benefits (continued)

Significant long-term actuarial assumptions used in the March 31, 2017 valuation, and in the determination of the March 31, 2020 present value of the accrued severance benefit liability, are:

Annual rate of return:	
Inflation component	2.00% (2019 - 2.00%)
Real rate of return	1.80% (2019 - 1.80%)
	3.80% (2019 - 3.80%)
Assumed salary increase rates:	
Annual productivity increase	1.00% (2019 - 1.00%)
Annual general salary increase	2.75% (2019 - 2.75%)
	3.75% (2019 - 3.75%)

The severance benefit liability at March 31 includes the following components:

	2020	2019
Accrued benefit liability, beginning of year	$ 1,081	$ 1,133
Current period service costs	64	67
Interest on accrued severance benefits	41	43
Severance benefits paid	(70)	(162)
Accrued benefit liability, end of year	1,116	1,081
Less: unamortized actuarial losses	(136)	(155)
Severance benefit liability, end of year	$ 980	$ 926

The total expense related to severance benefits for the year ended March 31 includes the following components:

	2020	2019
Current period service costs	$ 64	$ 67
Interest on accrued severance benefits	41	43
Amortization of actuarial losses over EARSL	19	19
Total expense related to severance benefits	$ 124	$ 129

Sick pay benefits

The Agency provided sick leave benefits for employees that accumulate but do not vest. The accrued benefit obligation related to sick leave entitlements earned by employees is determined using a valuation model developed by an actuary. The valuation is based on employee demographics, sick leave usage and actuarial assumptions. These assumptions include a 5.00% (2019 - 5.00%) annual return and a 3.00% (2019 - 3.00%) annual salary increase. The Agency's sick leave benefit liability as at March 31, 2020 based on the valuation model is $131 (2019 - $138). The decrease in the sick leave benefit liability of $7 (2019 - decrease of $11) represents the total sick leave benefit recovery for the year.

Notes to Financial Statements
(in thousands)
Year ended March 31, 2020

9. Tangible capital assets

	2020			
	Opening Balance	Additions	Disposals/ Transfers	Closing Balance
Cost				
Buildings	$ 7,835	$ -	$ (7,835)	$ -
Practical training site	3,212	-	(3,212)	-
Equipment	3,606	-	(3,606)	-
Fire engines	2,105	-	(2,105)	-
Other vehicles	1,752	178	(1,930)	-
Air compressors	1,703	244	(1,947)	-
Furniture	294	-	(294)	-
Computer equipment and software	641	-	(641)	-
Leasehold improvements	74	-	(74)	-
	$ 21,222	$ 422	$ (21,644)	$ -
Accumulated amortization				
Buildings	$ (4,085)	$ (804)	$ 4,889	$ -
Practical training site	(2,091)	(334)	2,425	-
Equipment	(2,557)	(280)	2,837	-
Fire engines	(1,826)	(81)	1,907	-
Other vehicles	(1,324)	(199)	1,523	-
Air compressors	(1,105)	(149)	1,254	-
Furniture	(205)	(17)	222	-
Computer equipment and software	(528)	(47)	575	-
Leasehold improvements	(30)	(44)	74	-
	$ (13,751)	$ (1,955)	$ 15,706	$ -
Net book value	$ 7,471	$ (1,533)	$ (5,938)	$ -

During the year ended March 31, 2020, the Agency changed its capitalization and amortization policies resulting in an increase in amortization expense of $1,079 and a write-down of tangible capital asset cost and related accumulated amortization of $4,800. In addition, during the year ended March 31, 2020, the Agency disposed of tangible capital assets with a total cost and related accumulated amortization of $40. Effective the close of business on March 31, 2020, the Agency transferred tangible capital assets with a cost of $16,804 and related accumulated amortization of $10,866 to SOAFA. As at March 31, 2020, the total net book value of tangible capital assets not subject to amortization is $nil (2019 - $nil).

Notes to Financial Statements
(in thousands)
Year ended March 31, 2020

9. Tangible capital assets (continued)

	2019			
	Opening Balance	Additions	Disposals	Closing Balance
Cost				
Buildings	$ 7,835	$ -	$ -	$ 7,835
Practical training site	2,772	440	-	3,212
Equipment	3,478	149	(21)	3,606
Fire engines	2,118	-	(13)	2,105
Other vehicles	1,676	80	(4)	1,752
Air compressors	1,703	-	-	1,703
Furniture	294	-	-	294
Computer equipment and software	641	-	-	641
Leasehold improvements	74	-	-	74
Capital assets under construction	131	(131)	-	-
	$ 20,722	$ 538	$ (38)	$ 21,222
Accumulated amortization				
Buildings	(3,887)	(198)	-	(4,085)
Practical training site	(2,012)	(79)	-	(2,091)
Equipment	(2,327)	(251)	21	(2,557)
Fire engines	(1,718)	(120)	12	(1,826)
Other vehicles	(1,155)	(173)	4	(1,324)
Air compressors	(956)	(149)	-	(1,105)
Furniture	(182)	(23)	-	(205)
Computer equipment and software	(480)	(48)	-	(528)
Leasehold improvements	(25)	(5)	-	(30)
	$ (12,742)	$ (1,046)	$ 37	$ (13,751)
Net book value	$ 7,980	$ (508)	$ (1)	$ 7,471

During the year ended March 31, 2019, capital assets under construction of $131 were transferred to practical training site additions due to construction being completed.

10. Accumulated surplus

A portion of the Agency's accumulated surplus is restricted pursuant to *The Fires Prevention and Emergency Response Act* to be used by the Agency in carrying out its duties and responsibilities in accordance with this Act therefore cannot be used by the Agency for any other purpose.

(in thousands)

11. Designated assets

The Agency had allocated $787 (2019 - $787) of its portfolio investments as designated assets for cash received from the Province of Manitoba for vacation entitlements earned by employees of the Agency prior to its designation as a SOA and for severance pay benefits for certain of its employees. As at March 31, 2020, $559 (2019 - $559) is designated for the vacation entitlements and severance pay benefits accumulated to March 31, 1998 for certain of its employees and $228 (2019 - $228) is designated for the severance pay benefits accumulated to April 1, 2011 for employees transferred from the former Mechanical and Engineering Branch, now Inspection Technical Services. These amounts are held in an interest bearing account until the cash is required to discharge the related liabilities. Any unused balance is re-invested annually.

12. Commitments

The Agency had entered into a lease agreement with the City of Brandon for the land on which the practical training facility has been constructed. The term of the lease expires May 31, 2022. Minimum annual rent is $18 due in equal monthly installments, plus all operating costs with respect to the subject land.

The Agency had entered into leases on a fleet of 36 vehicles.

These leases give rise to lease commitments as follows:

2021	$	188
2022		164
2023		115
2024		51
2025		5

13. Transfer of funds to the Province of Manitoba

During the year, with Lieutenant-Governor-in-Council approval by Order in Council, the Agency transferred $nil (2019 - $950) of its surplus funds to the Province of Manitoba.

14. Professional services

The Agency had a professional services agreement with the Department of Growth, Enterprise and Trade for the provision of legislation and policy services to the Agency as needed throughout the year. This agreement ended in October of 2019. The total amount paid pursuant to this agreement for the year ended March 31, 2020 was $25 (2019 - $56). As at year end, no amounts are owing pursuant to this agreement (2019 - $nil).

15. Financial instruments and financial risk management

The Agency does not have any significant financial instruments subsequently measured at fair value or denominated in a foreign currency therefore the Agency did not incur any remeasurement gains or losses during the year (2019 - $nil).

(in thousands)

15. Financial instruments and financial risk management (continued)

Financial risk management – overview

The Agency had exposure to the following risks from its use of financial instruments: credit risk; liquidity risk; market risk; interest risk; and foreign currency risk.

Credit risk

Credit risk is the risk that one party to a financial instrument fails to discharge an obligation and causes financial loss to another party. Financial instruments which potentially subject the Agency to credit risk consist primarily of cash and cash equivalents, accounts receivable and portfolio investments.

The maximum exposure of the Agency to credit risk at March 31 is:

	2020	2019
Cash and cash equivalents	$ 23,872	$ 18,596
Accounts receivable	187	1,049
Portfolio investments	787	787
	24,846	20,432
Less: Transfer to SOAFA on March 31, 2020	(24,846)	-
	$ -	$ 20,432

Cash and cash equivalents and portfolio investments: The Agency is not exposed to significant credit risk as these amounts are held primarily by the Minister of Finance.

Accounts receivable: The Agency is exposed to credit risk on its trade accounts receivable. The Agency establishes an allowance for doubtful accounts that represents its estimate of potential credit losses. The allowance for doubtful accounts is based on management's estimates and assumptions regarding current market conditions, customer analysis and historical payment trends. These factors are considered when determining whether past due accounts are allowed for or written off.

The balance in the allowance for doubtful accounts prior to the transfer to SOAFA on March 31, 2020 was $433 (2019 - $372). The change in the allowance for doubtful accounts during the year is as follows:

	2020	2019
Balance, beginning of the year	$ 372	$ 472
Net provision for receivable impairment	87	(100)
Amounts deemed uncollectible recorded against the allowance	(26)	-
Balance, end of the year	$ 433	$ 372

The aging of accounts receivable and the related allowance for doubtful accounts prior to the transfer to SOAFA on March 31, 2020 was as follows:

	Accounts receivable	Allowance	Net
Current	$ 65	$ -	$ 65
30-60 days past the billing date	74	-	74
61-90 days past the billing date	48	-	48
Over 90 days past the billing date	433	(433)	-
Balance, end of the year	$ 620	$ (433)	$ 187

15. Financial instruments and financial risk management (continued)

Liquidity risk

Liquidity risk is the risk that the Agency will not be able to meet its financial obligations as they come due. The Agency manages liquidity risk by maintaining adequate cash balances and by review from the Province of Manitoba to ensure adequate funding will be received to meet its obligations.

Market risk

Market risk is the risk that changes in market prices, such as interest rates and foreign exchange rates, will affect the Agency's income or the fair values of its financial instruments.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The interest rate exposure relates to cash and cash equivalents and portfolio investments.

The interest rate risk on cash and cash equivalents is considered to be low because of their short-term nature. The interest rate risk on portfolio investments is considered low as the original deposits are reinvested at rates for investments with similar terms and conditions.

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Agency is not exposed to significant foreign currency risk as it does not have any significant financial instruments denominated in a foreign currency.

16. Contingency

The Agency has been named in a legal action. The outcome of this claim is not determinable and management is of the opinion that any loss or liability to the Agency will not be material. No amounts related to this claim are included in these financial statements. Losses, if any, will be recognized in the period any amounts involved can be reasonably determined.

17. COVID-19 implications

During March of 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organization. The situation is dynamic and the ultimate duration and magnitude of the impact on the economy and the financial effect on the Agency's operations are not known at this time. Management is of the opinion that financial implications, if any, will be temporary and will not have a significant long-term impact on the Agency's operations as at the date of approval of these financial statements.

OFFICE OF THE FIRE COMMISSIONER
AN AGENCY OF THE PROVINCIAL GOVERNMENT
PROVINCE OF MANITOBA

Schedule 1 - Revenue
(in thousands)
Year ended March 31, 2020

	2020 Budget	2020 Actual	2019 Actual
Revenue:			
Government grants/transfers:			
Federal Government:			
Public Safety Canada - Heavy Urban Search and Rescue Program	$ 525	$ 498	$ 379
Fees and other revenue:			
Insurance levy	9,268	10,173	9,465
Inspection technical services	5,526	4,780	4,477
Codes and standards	2,341	2,007	2,276
Tuition fees	950	917	915
Fire inspections, investigations and reports	150	124	111
Other revenue and recoveries	20	21	132
Total fees and other revenue	18,255	18,022	17,376
Investment income	70	151	142
	$ 18,850	$ 18,671	$ 17,897

OFFICE OF THE FIRE COMMISSIONER
AN AGENCY OF THE PROVINCIAL GOVERNMENT
PROVINCE OF MANITOBA

Schedule 2 - Supplies and Services Expenses
(in thousands)
Year ended March 31, 2020

	2020 Budget	2020 Actual	2019 Actual
Supplies and services expenses:			
Supplies	$ 205	$ 148	$ 137
Repairs and maintenance	300	231	127
Rent	390	393	386
Professional services - Growth, Enterprise and Trade (Note 14)	50	25	56
Professional fees - contracted services	325	306	293
Professional fees - legal and audit	-	52	93
Mutual Aid - air compressor maintenance	130	89	126
Fuel - training supplies	40	16	18
Utilities	100	89	104
Other	40	29	28
	$ 1,580	$ 1,378	$ 1,368

OFFICE OF THE FIRE COMMISSIONER
AN AGENCY OF THE PROVINCIAL GOVERNMENT
PROVINCE OF MANITOBA

Schedule 3 - Other Operating Expenses
(in thousands)
Year ended March 31, 2020

	2020 Budget	2020 Actual	2019 Actual
Other operating expenses:			
Desktop management	$ 513	$ 560	$ 492
Travel	275	194	237
Bad debt expense (recovery)	50	87	(100)
Property taxes	164	164	167
Insurance	145	134	122
Clothing	65	27	36
Publications	30	12	3
Professional development	50	71	44
Seminar and conference registration	10	4	7
Memberships and subscriptions	10	7	9
Mutual Aid - meetings	-	2	2
Other	50	9	8
	$ 1,362	$ 1,271	$ 1,027