

**Spences Bridge Improvement District
Financial Statements
For the Year Ended December 31, 2019**

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Independent Auditor's Report

**To the Board of Trustees
Spences Bridge Improvement District**

Opinion

We have audited the financial statements of Spences Bridge Improvement District (the "District"), which comprise the statement of financial position as at December 31, 2019, and the statement of changes in net financial assets, operations 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 District as at December 31, 2019, and its results of operations and its cash flows for the then ended in accordance with 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.

Other Matter

The comparative amounts presented in these financial statements were reviewed which expressed an unmodified conclusion dated March 29, 2019.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with 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.

BDO Canada LLP

Chartered Professional Accountants

Kamloops, British Columbia
November 23, 2020

Spences Bridge Improvement District
Statement of Financial Position

As at December 31	2019	2018
		(Unaudited)
Financial Assets		
Cash	\$ 47,343	\$ 28,290
Temporary investments (Note 2)	118,606	117,585
Accounts receivable	6,001	6,435
	<u>171,950</u>	<u>152,310</u>
Liabilities		
Accounts payable and accrued liabilities	14,486	7,111
Deferred capital contributions (Note 3)	3,940	4,145
Deferred revenue	-	3,427
	<u>18,426</u>	<u>14,683</u>
Net financial assets	<u>153,524</u>	<u>137,627</u>
Non-Financial Assets		
Prepaid expenses	3,143	4,245
Tangible capital assets (Note 4)	132,579	143,677
	<u>135,722</u>	<u>147,922</u>
Accumulated Surplus (Note 6)	<u>\$ 289,246</u>	<u>\$ 285,549</u>

Approved on behalf of the Board:

Cheryl Kline, Trustee

(Sic): Charles Michael J. Jensen, Trustee
: JET TOCRA-PT: 2019.1

Spences Bridge Improvement District
Statement of Changes in Net Financial Assets

<u>For the year ended December 31</u>	<u>Financial Plan</u>	<u>2019</u>	<u>2018</u>
			(Unaudited)
Annual surplus (deficit)	\$ (22,307)	\$ 3,697	\$ (9,360)
Amortization of tangible capital assets	-	11,098	13,767
Acquisition (use) of prepaid expenses	-	1,102	(258)
	-	12,200	13,509
Change in net financial assets for the year	(22,307)	15,897	4,149
Net financial assets, beginning of the year	137,627	137,627	133,478
Net financial assets, end of year	\$ 115,320	\$ 153,524	\$ 137,627

Spences Bridge Improvement District
Statement of Operations

<u>For the year ended December 31</u>	<u>Financial Plan</u>	<u>2019</u>	<u>2018</u> (Unaudited)
Revenue			
Government grants	\$ 57,300	\$ 57,300	\$ 56,242
Fire protection	13,708	13,708	13,496
Donations	-	-	585
Other income	-	1,215	6,327
Amortization of deferred capital contributions (Note 3)	-	205	225
	<u>71,008</u>	<u>72,428</u>	<u>76,875</u>
Expenses			
Administration (Schedule 1)	33,015	33,891	27,769
Fire protection (Schedule 2)	52,500	27,517	51,292
Street lighting (Schedule 3)	7,800	7,323	7,174
	<u>93,315</u>	<u>68,731</u>	<u>86,235</u>
Annual surplus (deficit)	(22,307)	3,697	(9,360)
Accumulated surplus, beginning of year	285,549	285,549	294,909
Accumulated surplus, end of year	\$ 263,242	\$ 289,246	\$ 285,549

Spences Bridge Improvement District
Statement of Cash Flows

<u>For the year ended December 31</u>	2019	2018
		(Unaudited)
Operating activities		
Cash receipts from senior government and other contributions	\$ 69,230	\$ 74,867
Cash paid to employees and suppliers	<u>(49,156)</u>	<u>(77,253)</u>
Cash flows from (used in) operating activities	20,074	(2,386)
Investing activity		
Purchase of short-term investments	<u>(1,021)</u>	<u>(1,477)</u>
Net increase (decrease) in cash	19,053	(3,863)
Cash, beginning of year	<u>28,290</u>	<u>32,153</u>
Cash, end of year	<u>\$ 47,343</u>	<u>\$ 28,290</u>

Spences Bridge Improvement District Summary of Significant Accounting Policies

December 31, 2019

Basis of Presentation	The Spences Bridge Improvement District (the "District") prepares its financial statements in accordance with Canadian public sector accounting standards.
Revenue Recognition	<p>Government transfers, which include legislative grants, are recognized in the financial statements in the period in which events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria are met, and reasonable estimates of the amounts can be made.</p> <p>Fire protection fees are recognized in the period in which the fire protection agreement is in place.</p> <p>Donations are recognized in the period in which they are received.</p> <p>Other income is recognized in the period in which it is received.</p>
Use of Estimates	<p>The preparation of financial statements in accordance with Canadian public sector accounting standards requires management to make assumptions and estimates that have an effect on the reported amounts 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 year. Actual results could be different from those estimates.</p> <p>The district has estimates in respect of amortization of tangible capital assets.</p>

Spences Bridge Improvement District Summary of Significant Accounting Policies

December 31, 2019

Segmented Information

The District identifies segments based on the service provided to the citizens. The segments identified by the District include:

Administration

This segment relates to the revenues and expenses for the operations of the District itself and cannot be directly attributed to a specific segment.

Fire Protection

The fire department is responsible to provide fire suppression service, fire prevention programs, training and education. The members of the fire department consist of volunteers.

Street Lighting

This segment provides the District with street lighting.

Tangible Capital Assets

Tangible capital assets are recorded at cost in the period they are acquired and recorded on the statement of financial position net of accumulated amortization.

Contributed tangible capital assets are recorded at fair value at the time of the donation and recorded on the statement of financial position net of accumulated amortization. The corresponding amount of the donation is deferred and amortized to revenue on the same basis as the related depreciable tangible capital assets.

The District does not capitalize interest as part of the costs of its tangible capital assets.

Amortization for buildings, fire engines, fire department equipment, and furniture and fixtures is calculated on a declining balance basis at the following rates:

<u>Asset</u>	<u>Rate</u>
Buildings	4%
Fire department equipment	20%
Fire department vehicles	30%
Furniture and fixtures	20%
Storage containers	10%

Spences Bridge Improvement District Notes to Financial Statements

December 31, 2019

1. Nature of Business

The District was incorporated on June 21, 1957 under the *Water Act* of the Province of British Columbia.

The District provides fire protection and street lighting to its residents.

2. Temporary Investments

Temporary investments are made up of ten term deposits with one earning interest at 1.10% and the remaining nine at 1.00% per annum maturing between January 2020 and October 2020. These term deposits represent the cash for the renewal reserve fund.

	<u>2019</u>	<u>2018</u>
Interior Savings, term deposits	\$ 118,606	\$ 117,585

3. Deferred Capital Contributions

	<u>2019</u>	<u>2018</u>
Balance at the beginning of year	\$ 4,145	\$ 4,370
Less the amounts amortized to revenue	<u>(205)</u>	<u>(225)</u>
	<u>\$ 3,940</u>	<u>\$ 4,145</u>

**Spences Bridge Improvement District
Notes to Financial Statements**

December 31, 2019

4. Tangible Capital Assets

	2019						
	Land	Buildings	Fire department vehicles	Fire department equipment	Furniture and fixtures	Storage containers	Total
Cost, beginning of year, being end of year	\$ 6,000	\$ 169,946	\$ 60,804	\$ 88,213	\$ 8,951	\$ 4,764	\$ 338,678
Accumulated amortization, beginning of year	-	59,079	44,806	81,304	8,017	1,795	195,001
Amortization	-	4,434	4,800	1,380	187	297	11,098
Accumulated amortization, end of year	-	63,513	49,606	82,684	8,204	2,092	206,099
Net carrying amount, end of year	\$ 6,000	\$ 106,433	\$ 11,198	\$ 5,529	\$ 747	\$ 2,672	\$ 132,579

	2018						
	Land	Buildings	Fire department vehicles	Fire department equipment	Furniture and fixtures	Storage containers	Total
Cost, beginning of year, being end of year	\$ 6,000	\$ 169,946	\$ 60,804	\$ 88,213	\$ 8,951	\$ 4,764	\$ 338,678
Accumulated amortization, beginning of year	-	54,459	37,949	79,578	7,783	1,465	181,234
Amortization	-	4,620	6,857	1,726	234	330	13,767
Accumulated amortization, end of year	-	59,079	44,806	81,304	8,017	1,795	195,001
Net carrying amount, end of year	\$ 6,000	\$ 110,867	\$ 15,998	\$ 6,909	\$ 934	\$ 2,969	\$ 143,677

**Spences Bridge Improvement District
Notes to Financial Statements**

December 31, 2019

5. Related Party Transactions

All related party transactions are in the normal course of operations and are measured at the exchange value (the amount of consideration established and agreed to by the related parties), which approximates the arm's length equivalent value for sales of product.

During the year, the Trustees incurred \$nil (2018 - \$nil) in expenses on behalf of the District. These expenses were reimbursed at cost.

6. Accumulated Surplus

The District segregates its accumulated surplus in the following categories:

	<u>2019</u>	<u>2018</u>
Capital fund	\$ 123,496	\$ 134,389
General fund	78,094	64,525
Renewal reserve fund	<u>87,656</u>	<u>86,635</u>
	<u>\$ 289,246</u>	<u>\$ 285,549</u>

7. Segmented Information

The District is a municipal government institution that provides services to its citizens such as fire protection and street lighting. Distinguishable functional segments have been separately disclosed in the segmented information. The nature of the segments are described in the summary of significant accounting policies. Revenues and expenditures of the segments are outlined in the attached schedules.

The accounting policies of the segments are the same as those described in the summary of significant accounting policies.

Spences Bridge Improvement District Notes to Financial Statements

December 31, 2019

8. Financial Plan

The Financial Plan (Budget) By-Law adopted by the Trustees was not prepared on a basis consistent with that used to report actual results (Canadian Public Sector Accounting Standards). The budget was prepared on a modified accrual basis while Canadian Public Sector Accounting Standards now require a full accrual basis. As a result, the budget figures presented in the statements of operations and changes in net financial assets represent the Financial Plan adopted by the Trustees with adjustments as follows:

	<u>2019</u>
Financial Plan (Budget) Bylaw surplus for the year	\$ (22,307)
Transfer from reserves	<u>22,307</u>
Budget surplus per statement of financial activities	<u>\$ -</u>

9. Subsequent Events

Subsequent to year end, the impact of COVID-19 in Canada and on the global economy increased significantly. As the impacts of COVID-19 continue, there could be further impact on the District, its citizens, employees, suppliers and other third party business associates that could impact the timing and amounts realized on the District's assets and future ability to deliver services and projects. At this time, the full potential impact of COVID-19 on the District is not known. Although the disruption from the virus is expected to be temporary, given the dynamic nature of these circumstances, the duration of disruption and the related financial impact cannot be reasonably estimated at this time. The District's ability to continue delivering non-essential services and employ related staff, will depend on the legislative mandates from the various levels of government. The District will continue to focus on collecting receivables, managing expenditures, and leveraging existing reserves and available credit facilities to ensure it is able to continue providing essential services to its citizens.

Spences Bridge Improvement District
Schedule 1 - Statement of Operations
Administration

For the year ended December 31	Financial Plan	2019	2018
Revenue			
Other income	\$ -	\$ 1,215	\$ 2,152
Amortization of deferred capital contributions	-	205	225
	-	1,420	2,377
Expenses			
Audit and legal	8,000	9,866	6,642
Insurance and licenses	7,175	4,179	3,913
Office supplies and expenses	1,000	986	1,550
Bad debt	-	550	-
Trustee fees	6,300	6,939	6,777
Wages and benefits	10,540	11,371	8,887
	33,015	33,891	27,769
Annual deficit	\$ (33,015)	\$ (32,471)	\$ (25,392)

Spences Bridge Improvement District
Schedule 2 - Statement of Operations
Fire Protection

<u>For the year ended December 31</u>	<u>Financial Plan</u>	<u>2019</u>	<u>2018</u>
Revenue			
Fire protection	\$ 13,708	\$ 13,708	\$ 13,496
Government grants	49,500	49,500	49,042
Wildfire revenue	-	-	4,760
	<u>63,208</u>	<u>63,208</u>	<u>67,298</u>
Expenses			
Amortization	-	11,098	13,767
Communications	4,000	1,613	2,645
Dues and fees	-	140	140
First responders	-	-	152
Repairs and maintenance	7,000	3,233	4,580
Supplies	14,000	199	6,159
Training	10,000	-	3,629
Uniforms	7,500	-	7,204
Utilities	10,000	9,315	10,041
Vehicle	-	1,919	2,975
	<u>52,500</u>	<u>27,517</u>	<u>51,292</u>
Annual surplus	\$ 10,708	\$ 35,691	\$ 16,006

Spences Bridge Improvement District
Schedule 3 - Statement of Operations
Street Lighting

<u>For the year ended December 31</u>	<u>Financial Plan</u>	<u>2019</u>	<u>2018</u>
Revenue			
Government grants	\$ 7,800	\$ 7,800	\$ 7,200
Expenses			
Street lighting	7,800	7,323	7,174
Annual surplus	\$ -	\$ 477	\$ 26