

TOWN OF SPIRIT RIVER

Financial Statements

For the Year Ended December 31, 2014

TOWN OF SPIRIT RIVER
CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2014

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SYLVAIN & COMPANY

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INDEPENDENT AUDITORS' REPORT

To the Members of Council
TOWN OF SPIRIT RIVER

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of the TOWN OF SPIRIT RIVER, which comprise the statement of financial position as at December 31, 2014, and the statements of operations, change in net financial assets (debt) and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we 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 judgement, including the assessment of the 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 accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the TOWN OF SPIRIT RIVER as at December 31, 2014 and the results of its operations, change in its net financial assets (debt) and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Falher, Alberta
March 17, 2015

Sylvain & Company
CERTIFIED GENERAL ACCOUNTANTS

TOWN OF SPIRIT RIVER
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at December 31, 2014

	2014	2013 (Restated)
	\$	\$
FINANCIAL ASSETS		
Cash and temporary investments (Note 2)	3,143,634	4,396,539
Receivables		
Taxes and grants in place of taxes (Note 3)	148,932	140,709
From other governments	763,996	10,590
Trade and other (Note 4)	1,893,142	1,305,203
Land inventory held for resale	494,329	494,329
Other inventory held for resale	27,364	28,282
Investments (Note 5)	978,915	927,025
	7,450,312	7,302,677

LIABILITIES

Accounts payable and accrued liabilities	446,595	274,402
Payable to other governments	98,407	94,085
Deposit liabilities	38,360	35,580
Deferred revenue (Note 6)	472,841	668,596
Employee benefit obligations (Note 7)	28,789	14,195
Provision for landfill closure and post-closure costs (Note 8)	3,575	3,575
Long-term debt (Note 9)	1,528,858	1,646,575
Other liabilities (Note 10)	10,205	3,529
	2,627,630	2,740,537

NET FINANCIAL ASSETS (DEBT)	4,822,682	4,562,140
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NON-FINANCIAL ASSETS

Tangible capital assets (Schedule 2, Note 12)	12,084,119	10,398,501
Prepaid expenses	115,276	91,830
	12,199,395	10,490,331

ACCUMULATED SURPLUS (Schedule 1, Note 14)	17,022,077	15,052,471
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Contingencies - See Note 18

See accompanying schedules and notes to the financial statements.

TOWN OF SPIRIT RIVER
CONSOLIDATED STATEMENT OF OPERATIONS

For the Year Ended December 31, 2014

	Budget (Unaudited)	2014	2013 (Restated)
	\$	\$	\$
REVENUE			
Net municipal taxes (Schedule 3)	1,275,754.	1,324,514	1,270,832
User fees and sales of goods	741,719	967,587	757,129
Penalties and costs on taxes	39,328	37,967	39,329
Licenses and permits	6,775	4,230	7,231
Fines	5,596	9,347	5,596
Franchise and concession contracts	127,007	136,352	127,008
Investment income	80,099	67,564	80,708
Rentals	29,800	12,049	12,384
Government transfers for operating (Schedule 4)	436,479	402,438	442,264
Other revenues	127,241	97,517	100,310
Gain on disposal of tangible capital assets	-	7,120	-
Total Revenue	2,869,798	3,066,685	2,842,791
EXPENSES (Schedule 5 - By Object)			
Council and legislative	74,030	77,403	51,131
Administration	413,606	452,268	323,364
Fire fighting and protective services	69,445	66,718	68,034
Disaster services	16,000	16,125	10,852
Bylaws enforcement	5,300	-	-
Roads, streets, walks, lighting	646,070	746,295	714,735
Airport	53,953	48,487	38,585
Water supply and distribution	507,330	445,378	428,515
Wastewater treatment and disposal	152,500	101,841	122,931
Waste management	107,399	96,232	89,640
Family and community support	35,641	34,299	35,519
Public health and welfare	19,467	10,856	9,050
Cemetery	19,751	2,378	2,336
Land use planning, zoning and development	11,650	5,559	12,000
Subdivision land development	28,080	27,106	28,083
Parks and recreation	349,498	396,318	267,325
Culture	111,301	77,426	103,750
Total Expenses	2,621,021	2,604,689	2,305,850
EXCESS (SHORTFALL) OF REVENUE OVER EXPENSES - BEFORE OTHER	248,777	461,996	536,941
OTHER			
Contributed assets	-	-	1,226,707
Local improvement taxes for capital	663,166	663,166	-
Government transfers for capital (Schedule 4)	910,511	844,444	336,190
EXCESS (SHORTFALL) OF REVENUE OVER EXPENSES	1,822,454	1,969,606	2,099,838
ACCUMULATED SURPLUS, BEGINNING OF YEAR	15,052,471	15,052,471	12,952,633
ACCUMULATED SURPLUS, END OF YEAR	16,874,925	17,022,077	15,052,471

See accompanying schedules and notes to the financial statements.

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TOWN OF SPIRIT RIVER

CONSOLIDATED STATEMENT OF CHANGES IN NET FINANCIAL ASSETS (DEBT)

For the Year Ended December 31, 2014

	Budget (Unaudited)	2014	2013 (Restated)
	\$	\$	\$
EXCESS (SHORTFALL) OF REVENUES OVER EXPENSES	1,822,454	1,969,606	2,099,838
Acquisition of tangible capital assets	(2,236,843)	(2,223,260)	(2,849,439)
Contributed tangible capital assets	-	-	1,258,670
Proceeds on disposal of tangible capital assets	-	7,120	98,000
Amortization of tangible capital assets	401,746	537,642	404,714
Loss (gain) on sale of tangible capital assets	10,000	(7,120)	25,021
	(1,825,097)	(1,685,618)	(1,063,034)
Acquisition of supplies inventories	(131,538)	(125,441)	(109,914)
Acquisition of prepaid assets	(113,852)	(148,074)	(164,105)
Use of supplies inventories	131,538	125,441	109,914
Use of prepaid assets	113,852	124,628	112,208
	-	(23,446)	(51,897)
INCREASE (DECREASE) IN NET ASSETS (DEBT)	(2,643)	260,542	984,907
NET FINANCIAL ASSETS (DEBT), BEGINNING OF YEAR	4,562,140	4,562,140	3,577,233
NET FINANCIAL ASSETS (DEBT), END OF YEAR	4,559,497	4,822,682	4,562,140

See accompanying schedules and notes to the financial statements.

TOWN OF SPIRIT RIVER
CONSOLIDATED STATEMENT OF CASH FLOWS

For the Year Ended December 31, 2014

	Budget (Unaudited)	2014 \$	2013 (Restated) \$
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:			
OPERATING			
Excess (shortfall) of revenues over expenses		1,969,606	2,099,838
Non-cash items included in excess (shortfall) of revenues over expenses:			
Amortization of tangible capital assets		537,642	404,714
Loss (gain) on disposal of tangible capital assets		(7,120)	25,021
Contributed capital assets		-	(1,226,707)
Non-cash charges to operations (net change):			
Decrease (increase) in taxes and grants in lieu receivable		(8,223)	(8,677)
Decrease (increase) in from other government receivables		(753,406)	198,247
Decrease (increase) in trade and other receivables		(587,939)	62,801
Decrease (increase) in land held for resale		-	-
Decrease (increase) in other held for resale		918	1,378
Decrease (increase) in prepaid expenses		(23,446)	(51,897)
Increase (decrease) in accounts payable and accrued liabilities		172,193	(65,140)
Increase (decrease) in payable to other governments		4,322	-
Increase (decrease) in deposit liabilities		2,780	2,910
Increase (decrease) in deferred revenue		(195,755)	65,193
Increase (decrease) in employee benefit obligations		14,594	(132)
Increase (decrease) in other liabilities		6,676	(3,977)
Cash provided by operating transactions		1,132,842	1,503,572
CAPITAL			
Acquisition of tangible capital assets		(2,223,260)	(364,062)
Sale of tangible capital assets		7,120	98,000
Cash provided by (applied to) capital transactions		(2,216,140)	(266,062)
INVESTING			
Decrease (increase) in restricted cash or cash equivalents		172,046	(46,750)
Decrease (increase) in investments		(51,890)	63,815
Cash provided by (applied to) investing transactions		120,156	17,065
FINANCING			
Long-term debt issued		-	-
Long-term debt repaid		(117,717)	(113,049)
Cash provided by (applied to) financing transactions		(117,717)	(113,049)
CHANGE IN CASH AND EQUIVALENTS DURING THE YEAR		(1,080,859)	1,141,526
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR		3,673,613	2,532,087
CASH AND CASH EQUIVALENTS, END OF YEAR		2,592,754	3,673,613
Cash and cash equivalents is made up of:			
Cash and temporary investments (Note 2)		3,143,634	4,396,539
Less: restricted portion of cash and temporary investments (Note 2)		(550,880)	(722,926)
		2,592,754	3,673,613

See accompanying schedules and notes to the financial statements.

Schedule 1

TOWN OF SPIRIT RIVER
SCHEDULE OF CHANGES IN ACCUMULATED SURPLUS

For the Year Ended December 31, 2014

	Unrestricted Surplus	Restricted Surplus	Equity in Tangible Capital Assets	2014	2013 (Restated)
	\$	\$	\$	\$	\$
BALANCE, BEGINNING OF YEAR (RESTATED)	3,115,278	1,892,594	10,044,599	15,052,471	12,952,633
Excess (deficiency) of revenues over expenses	1,969,606	-	-	1,969,606	2,099,838
Unrestricted funds designated for future use	(310,000)	310,000	-	-	-
Restricted funds used for operations	-	-	-	-	-
Restricted funds used for tangible capital assets	-	-	-	-	-
Current year funds used for tangible capital assets	(2,223,260)	-	2,223,260	-	-
Contributed tangible capital assets	-	-	-	-	-
Disposal of tangible capital assets	-	-	-	-	-
Annual amortization expense	537,642	-	(537,642)	-	-
Capital long-term debt repaid	(34,862)	-	34,862	-	-
CHANGE IN ACCUMULATED SURPLUS	(60,874)	310,000	1,720,480	1,969,606	2,099,838
BALANCE, END OF YEAR	3,054,404	2,202,594	11,765,079	17,022,077	15,052,471

See accompanying schedules and notes to the financial statements.

Schedule 2

TOWN OF SPIRIT RIVER
SCHEDULE OF TANGIBLE CAPITAL ASSETS

For the Year Ended December 31, 2014

	Land	Buildings	Engineered Structures	Machinery and Equipment	Vehicles	2014	2013
	\$	\$	\$	\$	\$	\$	\$
COST:							
BALANCE, BEGINNING OF YEAR	134,234	6,826,231	12,664,092	1,937,174	405,591	21,967,322	20,577,462
Acquisition of tangible capital assets	-	-	2,180,594	-	-	2,180,594	332,099
Construction-in-progress	-	-	42,666	-	-	42,666	1,258,670
Disposal of tangible capital assets	-	-	(59,628)	(73,367)	(20,108)	(153,103)	(200,909)
Write down of tangible capital assets	-	-	-	-	-	-	-
BALANCE, END OF YEAR	134,234	6,826,231	14,827,724	1,863,807	385,483	24,037,479	21,967,322
ACCUMULATED AMORTIZATION:							
BALANCE, BEGINNING OF YEAR	-	2,099,783	7,954,519	1,237,106	277,413	11,568,821	11,241,995
Annual amortization	-	113,093	360,637	45,766	18,146	537,642	404,714
Accumulated amortization on disposals	-	-	(59,628)	(73,367)	(20,108)	(153,103)	(77,888)
BALANCE, END OF YEAR	-	2,212,876	8,255,528	1,209,505	275,451	11,953,360	11,568,821
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	134,234	4,613,355	6,572,196	654,302	110,032	12,084,119	10,398,501
2013 NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	134,234	4,726,448	4,709,573	700,068	128,178	10,398,501	

See accompanying schedules and notes to the financial statements.

TOWN OF SPIRIT RIVER
SCHEDULE OF PROPERTY AND OTHER TAXES

Schedule 3

For the Year Ended December 31, 2014

	Budget (Unaudited)	2014	2013 (Restated)
	\$	\$	\$
TAXATION			
Real property taxes	1,284,156	1,359,499	1,325,859
Linear property taxes	59,500	79,986	59,572
Government grants in place of property taxes	27,308	29,727	27,308
Special assessments	29,500	29,500	29,550
Local improvement taxes	92,300	46,343	54,527
	<u>1,492,764</u>	<u>1,545,055</u>	<u>1,496,816</u>
REQUISITIONS			
Alberta School Foundation Fund	161,614	152,348	171,139
Grande Prairie R.C.S.S.D. #28	51,981	64,778	55,118
Grande Spirit Seniors Foundation	3,415	3,415	3,704
Adjustment to Requisition Transfers	-	-	(3,977)
	<u>217,010</u>	<u>220,541</u>	<u>225,984</u>
NET MUNICIPAL TAXES	<u>1,275,754</u>	<u>1,324,514</u>	<u>1,270,832</u>

See accompanying schedules and notes to the financial statements.

TOWN OF SPIRIT RIVER
SCHEDULE OF GOVERNMENT TRANSFERS

Schedule 4

For the Year Ended December 31, 2014

	Budget (Unaudited)	2014	2013
	\$	\$	\$
TRANSFERS FOR OPERATING			
Federal Government	-	1,221	-
Provincial Government	73,379	65,617	420,664
Local Government	363,100	335,600	21,600
	436,479	402,438	442,264
TRANSFERS FOR CAPITAL			
Federal Government	-	-	-
Provincial Government	910,511	844,444	336,190
Local Government	-	-	-
	910,511	844,444	336,190
TOTAL GOVERNMENT TRANSFERS	1,346,990	1,246,882	778,454

See accompanying schedules and notes to the financial statements.

TOWN OF SPIRIT RIVER

Schedule 5

SCHEDULE OF CONSOLIDATED EXPENSES BY OBJECT

For the Year Ended December 31, 2014

	Budget (Unaudited)	2014	2013
	\$	\$	\$
CONSOLIDATED EXPENSES BY OBJECT			
Salaries, wages and benefits	856,610	777,013	623,053
Contracted and general services	568,211	602,111	554,261
Purchases from other governments	23,638	31,013	21,952
Materials, goods and utilities	627,966	509,648	513,711
Provision for allowances	-	-	14,740
Transfers to local boards and agencies	11,200	19,344	27,101
Transfers to individuals and organizations	31,800	56,608	34,300
Bank charges and short-term interest	1,700	2,624	1,624
Interest on long-term debt (Note 9)	73,350	68,509	73,246
Other expenditures	14,800	177	12,127
Loss on disposal of tangible capital assets	10,000	-	25,021
Amortization of tangible capital assets	401,746	537,642	404,714
	2,621,021	2,604,689	2,305,850

See accompanying schedules and notes to the financial statements.

TOWN OF SPIRIT RIVER

SCHEDULE OF SEGMENTED DISCLOSURE

For the Year Ended December 31, 2014

	General Government	Protective Services	Transportation Services	Environmental Services	Planning & Development	Recreation & Culture	Other	Total 2014
	\$	\$	\$	\$	\$	\$	\$	\$
REVENUE								
Net municipal taxes	1,248,671	-	19,270	27,073	-	29,500	-	1,324,514
User fees and sales of goods	197	-	-	859,881	-	106,509	1,000	967,587
Penalties and costs on taxes	37,967	-	-	-	-	-	-	37,967
Licenses and permits	2,734	783	-	-	713	-	-	4,230
Fines	9,347	-	-	-	-	-	-	9,347
Franchise and concession contracts	136,352	-	-	-	-	-	-	136,352
Investment income	67,564	-	-	-	-	-	-	67,564
Rentals	-	-	900	-	-	5,749	5,400	12,049
Government transfers for operating	320,417	6,000	13,300	40,000	-	21,500	1,221	402,438
Other revenues	4,480	2,228	6,435	3,320	-	54,149	26,905	97,517
Gain on disposal of tangible capital assets	-	-	7,120	-	-	-	-	7,120
	1,827,729	9,011	47,025	930,274	713	217,407	34,526	3,066,685
EXPENSES								
Salaries, wages and benefits	287,544	8,899	244,690	91,946	-	117,738	26,196	777,013
Contracted and general services	207,714	13,346	153,993	147,080	5,559	71,676	2,743	602,111
Purchases from other governments	-	29,475	-	1,538	-	-	-	31,013
Materials, goods and utilities	31,539	17,174	170,586	177,925	-	111,125	1,299	509,648
Transfers to local boards and agencies	-	-	-	-	-	10,982	8,362	19,344
Transfers to individuals and organizations	-	2,008	-	-	-	48,600	6,000	56,608
Bank charges and short-term interest	2,624	-	-	-	-	-	-	2,624
Interest on long-term debt	-	-	11,402	25,856	27,106	4,145	-	68,509
Other expenditures	177	-	-	-	-	-	-	177
Loss on disposal of tangible capital assets	-	-	-	-	-	-	-	-
	529,598	70,902	580,671	444,345	32,665	364,266	44,600	2,067,047
Net revenue before amortization and government transfers for capital	1,298,131	(61,891)	(533,646)	485,929	(31,952)	(146,859)	(10,074)	999,638
Amortization	(72)	(11,941)	(214,111)	(199,108)	-	(109,477)	(2,933)	(537,642)
Local improvement taxes for capital	-	-	245,332	417,834	-	-	-	663,166
Government transfers for capital	-	-	413,214	431,230	-	-	-	844,444
NET REVENUE (SHORTEALL)	1,298,059	(73,832)	(89,211)	1,135,885	(31,952)	(256,336)	(13,007)	1,969,606

See accompanying schedules and notes to the financial statements.

TOWN OF SPIRIT RIVER
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2014

1. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements of the TOWN OF SPIRIT RIVER are the representations of management prepared in accordance with generally accepted accounting principles for local governments established by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants. Significant aspects of the accounting policies adopted by the TOWN are as follows:

a) Reporting Entity

The consolidated financial statements reflect the assets, liabilities, revenues and expenditures, changes in fund balances and change in financial position of the reporting entity. This entity is comprised of the municipal operations plus all of the organizations that are owned or controlled by the TOWN and are, therefore, accountable to the TOWN Council for the administration of their financial affairs and resources. Included with the municipality are the following:

Town of Spirit River Fire Department
Central Peace Medical Clinic

The schedule of taxes levied also includes requisitions for education, health, social and other external organizations that are not part of the municipal reporting entity.

The statements exclude trust assets that are administered for the benefit of external parties. Interdepartmental and organizational transactions and balances are eliminated.

b) Basis of Accounting

The financial statements are prepared using the accrual basis of accounting. The accrual basis of accounting records revenue as it is earned and measurable. Expenses are recognized as they are incurred and measurable based upon receipt of goods or services and/or the legal obligation to pay.

Funds from external parties and earnings thereon restricted by agreement or legislation are accounted for as deferred revenue until used for the purpose specified.

Government transfers, contributions and other amounts are received from third parties pursuant to legislation, regulation or agreement and may only be used for certain programs, in the completion of specific work, or for the purchase of tangible capital assets. In addition, certain user charges and fees are collected for which the related services have yet to be performed. Revenue is recognized in the period when the related expenses are incurred, services performed or the tangible capital assets are acquired.

c) Use of Estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles 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 expenditure during the period. Where measurement uncertainty exists, the financial statements have been prepared within reasonable limits of materiality. Actual results could differ from those estimates.

TOWN OF SPIRIT RIVER
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2014

1. SIGNIFICANT ACCOUNTING POLICIES - CON'T

d) Investments

Investments are recorded at amortized cost. Investment premiums and discounts are amortized on the net present value basis over the term of the respective investments. When there has been a loss in value that is other than a temporary decline, the respective investment is written down to recognize the loss.

e) Debt Charges Recoverable

Debt charges recoverable consist of amounts that are recoverable from municipal agencies or other local governments with respect to outstanding debentures or other long-term debt pursuant to annexation orders or joint capital undertakings. These recoveries are recorded at a value that equals the offsetting portion of the un-matured long-term debt, less actuarial requirements for the retirement of any sinking fund debentures.

f) Requisition Over-levy and Under-levy

Over-levies and under-levies arise from the difference between the actual property tax levy made to cover each requisition and the actual amount requisitioned.

If the actual levy exceeds the requisition, the over-levy is accrued as a liability and property tax revenue is reduced. Where the actual levy is less than the requisition amount, the under-levy is accrued as a receivable and as a property tax revenue.

Requisition tax rates in the subsequent year are adjusted for any over-levies or under-levies of the prior year.

g) Inventories for Resale

Land held for resale is recorded at the lower of cost or net realizable value. Cost includes costs for land acquisition and improvements required to prepare the land for servicing such as clearing, stripping and levelling charges. Related development costs incurred to provide infrastructure such as water and wastewater services, roads, sidewalks and street lighting are recorded as physical assets under their respective function.

h) Tax Revenue

Tax revenues are recognized when the tax has been authorized by bylaw and the taxable event has occurred.

Requisitions operate as a flow through and are excluded from municipal revenue.

i) Landfill Closure and Post-Closure Liability

Pursuant to the Alberta Environment Protection and Enhancement Act, the TOWN is required to fund the closure of its landfill site and provide for post-closure care of the facility. Closure and post-closure activities include the final clay cover, landscaping, as well as surface and ground water monitoring, leachate control, and visual inspection. The requirement is being provided for over the estimated remaining life of the landfill site based on usage.

TOWN OF SPIRIT RIVER
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2014

1. SIGNIFICANT ACCOUNTING POLICIES - CON'T

j) Government Transfers

Government transfers are the transfer of assets from senior levels of government that are not the result of an exchange transaction, are not expected to be repaid in the future, or the result of a direct financial return.

Government transfers are recognized in the financial statements as revenue in the period in which events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met, and reasonable estimates of the amounts can be determined.

k) 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 normal course of operations. The change in non-financial assets during the year, together with the excess of revenues over expenses, provides the consolidated Change in Net Financial Assets (Debt) for the year.

i. 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 is amortized on a straight-line basis over the estimated useful life as follows:

	YEARS
Buildings	50
Engineered structures	
Water system	40
Wastewater system	40
Other engineered structures	20-40
Machinery and equipment	10-20
Vehicles	10-25

Annual amortization is charged in the year of acquisition and no amortization is charged in the year of disposal. Assets under construction are not amortized until the asset is available for productive use.

ii. Contributions of Tangible Capital Assets

Tangible capital assets received as contributions are recorded at fair value at the date of receipt and also are recorded as revenue.

iii. Leases

Leases are classified as capital or operating leases. Leases which transfer substantially all of the benefits and risks incidental to ownership of property are accounted for as capital leases. All other leases are accounted for as operating leases and the related lease payments are charged to expenses as incurred.

iv. Inventories

Inventories held for consumption are recorded at the lower of cost and replacement cost, with cost being realized on a first-in first-out basis.

v. Cultural and Historical Tangible Capital Assets

Works of art for display are not recorded as tangible capital assets but are disclosed.

TOWN OF SPIRIT RIVER
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2014

2. CASH AND TEMPORARY INVESTMENTS

	2014	2013
	\$	\$
Cash	3,143,634	4,334,517
Temporary investments	-	62,022
	3,143,634	4,396,539

Temporary investments are short-term deposits with original maturities of three months or less.

Included in cash and temporary investments are restricted amounts totalling \$432,472 (2013 - \$608,841) received from the provincial government being held exclusively for specific projects and funds owing to other local governments of \$118,408 (2013 - \$114,085) in conjunction with a government partnership and a specific project.

3. TAXES AND GRANTS IN PLACE OF TAXES RECEIVABLES

	2014	2013
	\$	\$
Current taxes and grants in place of taxes	98,823	121,745
Arrears taxes	55,825	24,680
	154,648	146,425
Less: Allowance for doubtful accounts	5,716	5,716
	148,932	140,709

TOWN OF SPIRIT RIVER
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2014

4. TRADE AND OTHER RECEIVABLES

	2014	2013 (Restated)
	\$	\$
Local improvement levies	1,696,340	1,122,591
Trade accounts	18,939	84,597
Accrued interest	4,709	4,491
Goods and services tax recoverable	92,929	5,441
Utility accounts	80,225	88,083
	1,893,142	1,305,203

Local improvement levies of \$90,428 are to be received in 2015 with the balance of \$1,605,912 to be received in the years 2016 to 2034.

5. INVESTMENTS

	2014		2013	
	Cost	Market Value	Cost	Market Value
	\$	\$	\$	\$
Debenture borrowing shares	10	10	10	10
Equity held in UFA	9,211	9,211	9,179	9,179
Equity held in AAMD&C	486	486	1,398	1,398
Public corporation bonds	236,751	238,912	206,158	203,845
Government and government guaranteed bonds	732,457	816,633	710,280	745,592
	978,915	1,065,252	927,025	960,024

Public corporation bonds have effective interest rates of 2.364% to 4.95% (2013 - 2.364% to 4.95%) with maturity dates from February 27, 2017 to January 14, 2020. Government and government guaranteed bonds have effective interest rates of 1.50% to 5.6% (2013 - 1.5% to 5.6%) with maturity dates from June 1, 2016, to June 18, 2037.

TOWN OF SPIRIT RIVER
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2014

6. DEFERRED REVENUE

	2014	2013 (Restated)
	\$	\$
Provincial government transfers		
Alberta Municipal Infrastructure - Capital 2010	101,432	101,432
Basic Municipal Transportation - 2013 to 2014	91,771	268,140
Federal Gas Tax Fund 2013	27,912	27,912
Water/waste water - Capital 2009	211,357	211,357
	432,472	608,841
Local government transfer	20,000	20,000
Prepaid property tax charges	20,369	36,737
Prepaid user charges	-	3,018
	472,841	668,596

Provincial funding as per above \$432,472 (2013 - \$608,841) remain unspent at year-end. The use of these funds is restricted to eligible projects as approved under the funding agreements. Unexpended funds related to the advance are supported by cash and temporary investments of \$432,472 (2013 - \$608,841) held exclusively for these projects (refer to Note 2).

7. EMPLOYEE BENEFIT OBLIGATIONS

	2014	2013 (Restated)
	\$	\$
Sick pay benefits	10,882	12,063
Vacation and overtime	17,907	2,132
	28,789	14,195

Sick pay benefits

The sick pay benefits liability is comprised of sick pay that accumulates but does not vest and is paid only upon an illness or injury-related absence. The extent to which accumulated sick days are expected to be used by the employees has been considered in measuring this obligation.

Vacation and overtime

The vacation and overtime liability is comprised of the vacation and overtime that employees are deferring to future years. Employees have either earned the benefits (and are vested) or are entitled to these benefits within the next budgetary year.

TOWN OF SPIRIT RIVER

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended December 31, 2014

8. LANDFILL CLOSURE AND POST-CLOSURE LIABILITY

Alberta environmental law requires closure and post-closure care of landfill sites, which includes final covering and landscaping, pumping of ground water and leachates from the site, and ongoing environmental monitoring, site inspections and maintenance.

The accrued liability for closure and post-closure of the TOWN's landfill is recognized, using management's estimated costs for closure and post-closure care. Management is unable to estimate how many years that post-closure care could be required.

The TOWN has not designated assets for setting closure and post-closure liabilities.

The following summarizes the total estimated costs of closure and post-closure care:

	\$
Estimated closure costs	10,000
Estimated post-closure costs	5,000
Estimated total costs	15,000
Actual closure and post-closure costs incurred to date	(11,425)
Ending balance, December 31, 2014	3,575

9. LONG-TERM DEBT

	2014	2013 (Restated)
	\$	\$
Debentures:		
Supported by general tax levies - operating debt	633,825	679,287
Supported by special levies - operating debt	575,993	613,386
Supported by general tax levies - capital debt	49,704	72,962
Supported by utility rates - capital debt	269,336	280,940
	1,528,858	1,646,575
Current portion of long-term debt	122,613	117,717

Principal and interest repayments are as follows:

	Principal	Interest	Total
	\$	\$	\$
2015	122,613	65,042	187,655
2016	126,412	59,905	186,317
2017	105,150	54,917	160,067
2018	81,191	50,682	131,873
2019	85,173	46,701	131,874
Thereafter	1,008,319	258,975	1,267,294
	1,528,858	536,222	2,065,080

Debenture debt is repayable to Alberta Capital Finance Authority and bears interest at rates ranging from 1.661% to 8.375% per annum and matures in period 2016 through 2032. The average annual interest rate is 4.25% (2013 - 4.24%). Debenture debt is issued on the credit and security of the TOWN OF SPIRIT RIVER at large.

Interest on long-term debt amounted to \$68,509 (2013 - \$73,246).

The TOWN's total cash payments for interest were \$69,938 (2013 - \$74,606)

TOWN OF SPIRIT RIVER**NOTES TO THE FINANCIAL STATEMENTS**

For the Year Ended December 31, 2014

10. OTHER LIABILITIES

	2014	2013
	\$	\$
Alberta School Foundation Fund over-levy	10,205	3,529

11. DEBT LIMITS

Section 276(2) of the Municipal Government Act requires that debt and debt limits as defined by Alberta Regulation 255/00 for the TOWN OF SPIRIT RIVER be disclosed as follows:

	2014	2013 (Restated)
	\$	\$
Total debt limit	5,866,694	4,107,612
Total debt	1,528,858	1,759,624
Amount of debt limit unused	4,337,836	2,347,988
Debt servicing limit	977,782	684,602
Debt servicing	187,655	187,655
Amount of debt servicing limit unused	790,127	496,947

The debt limit is calculated at 1.5 times revenue of the municipality (as defined in Alberta Regulation 255/00) and the debt service limit is calculated at 0.25 times such revenue. Incurring debt beyond these limitations requires approval by the Minister of Municipal Affairs. These thresholds are guidelines used by Alberta Municipal Affairs to identify municipalities that could be at financial risk if further debt is acquired. The calculation taken alone does not represent the financial stability of the municipality. Rather, the financial statements must be interpreted as a whole.

12. TANGIBLE CAPITAL ASSETS

Net Book Value	2014	2013
	\$	\$
Land	134,234	134,234
Buildings	4,613,355	1,822,992
Buildings - construction-in-progress	-	2,903,456
Engineered Structures		
Airport pavement	92,805	108,274
Roadway system	2,443,197	1,718,134
Roadway system - construction-in-progress	42,666	1,637
Water distribution system	2,461,784	1,908,529
Water distribution system - construction-in-progress	-	15,163
Wastewater treatment system	1,531,744	942,673
Wastewater treatment system - construction-in-progress	-	15,163
Machinery, equipment, and furnishings	654,302	700,068
Vehicles	110,032	128,178
	12,084,119	10,398,501

TOWN OF SPIRIT RIVER**NOTES TO THE FINANCIAL STATEMENTS**

For the Year Ended December 31, 2014

13. EQUITY IN TANGIBLE CAPITAL ASSETS

	2014	2013 (Restated)
	\$	\$
Tangible capital assets (Schedule 2)	24,037,479	21,967,322
Accumulated amortization (Schedule 2)	(11,953,360)	(11,568,821)
Net Book Value	12,084,119	10,398,501
Long-term capital debt (Note 9)	(319,040)	(353,902)
	11,765,079	10,044,599

14. ACCUMULATED SURPLUS

Accumulated surplus consists of restricted and unrestricted amounts and equity in tangible capital assets as follows:

	2014	2013 (Restated)
	\$	\$
Unrestricted surplus	3,054,404	3,115,278
Restricted surplus		
Tax rate stabilization	327,376	1,252,876
Administration building	98,082	96,704
Roads, streets and equipment	1,392,550	103,883
General equipment replacement	-	121,656
Water	-	186,851
Wastewater	-	56,038
Cemetery	-	30,304
Recreation and cultural facilities	384,586	44,282
Equity in tangible capital assets	11,765,079	10,044,599
	17,022,077	15,052,471

15. SEGMENTED DISCLOSURE

The TOWN OF SPIRIT RIVER provides a range of services to its ratepayers. For each reported segment, revenues and expenses represent both amounts that are directly attributable to the segment and amounts that are allocated on a reasonable basis. The accounting policies used in these segments are consistent with those followed in the preparation of the financial statements as disclosed in Note 1.

Refer to the Schedule of Segmented Disclosure (schedule 6)

TOWN OF SPIRIT RIVER

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended December 31, 2014

16. SALARY AND BENEFITS DISCLOSURE

Disclosure of salaries and benefits for municipal officials, the chief administrative officer and designated officers as required by Alberta Regulation 313/2000 is as follows:

	Salary(1)	Benefits & Allowances(2)	2014 Total	2013 Total
Mayor:				
GEORGET, Allan	9,034	5,038	14,072	5,136
Councillors:				
BOOMGAARDEN, Terrance	4,834	2,717	7,551	3,102
GLASSEL, Garth	2,967	1,704	4,671	902
LOSET, Lorinda	-	-	-	3,709
PIKE, Paul	4,300	2,396	6,696	702
SELLIN, Hermann	6,267	3,447	9,714	4,710
SKOWORODKO, Denise	4,384	2,440	6,824	3,311
STANICH, Brenda	4,900	2,697	7,597	5,210
	36,686	20,439	57,125	26,782
Chief Administrative Officer:				
DEVEAU, Deedra	80,499	15,715	96,214	86,448
	117,185	36,154	153,339	113,230

1) Salary includes regular base pay, bonuses, overtime, lump sum payments, retiring allowances, gross honoraria and any other direct cash remuneration.

2) For mayor and councillors, benefits and allowances consists of employer's share of Canada pension plan, travel and general non-accountable expense allowances. For chief administrative officer, benefits and allowances consists of automobile allowance, employer's share of Canada pension plan, employment insurance, registered retirement savings plan contributions, health care, dental coverage, group life insurance, accidental disability and dismemberment insurance and long and short-term disability plans made on behalf of the employee.

TOWN OF SPIRIT RIVER

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended December 31, 2014

17. GOVERNMENT PARTNERSHIP

A Co-Owners agreement between the Village of Rycroft, Town of Spirit River, Municipal District of Spirit River No. 133 and Birch Hills County was made the 1st day of February, 2004. Each Co-Owner is the registered owner of an undivided 25% tenancy-in-common interest in the property of the Central Peace Medical Clinic. The primary purpose of this agreement is to provide and maintain a building to rent to the doctors whereby they can provide medical services to local residents. This investment is accounted for by the proportionate consolidation method. The following information was taken from the December 31, 2014 audited financial statement:

	2014	2013
	\$	\$
Share of assets (25%)	65,671	64,122
Share of liabilities (25%)	-	-
	65,671	64,122
Total revenues	21,600	21,600
Total expenditures	(15,405)	(14,142)
	6,195	7,458
Share of surplus for the year ended December 31 (25%)	1,549	1,865

18. CONTINGENCIES

The TOWN OF SPIRIT RIVER is a member of the Alberta Municipal Insurance Exchange (MUNIX). Under the terms of the membership, the TOWN OF SPIRIT RIVER could become liable for its proportionate share of any claim losses in excess of the funds held by the exchange. Any liability incurred would be accounted for as a current transaction in the year the losses are determined.

19. FINANCIAL INSTRUMENTS

The TOWN's financial instruments consist of cash and temporary investments, accounts receivable, investments, debt charges recoverable, accounts payable and accrued liabilities, deposit liabilities, requisition over-levy, and long-term debt. It is management's opinion that the TOWN is not exposed to significant interest or currency risks arising from these financial instruments.

The TOWN is subject to credit risk with respect to taxes and grants in place of taxes receivables and trade and other receivables. Credit risk arises from the possibility that taxpayers and entities to which the TOWN provides services may experience financial difficulty and be unable to fulfill their obligations. The large number and diversity of taxpayers and customers minimizes the credit risk.

Unless otherwise noted, the carrying value of the financial instrument approximates fair value.

TOWN OF SPIRIT RIVER

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended December 31, 2014

20. PRIOR PERIOD ADJUSTMENTS

The TOWN has restated its financial statements to comply with the provisions of Section 3255 and Section 3510 of the Public Sector Accounting Board Handbook, which requires governments to accrue sick pay benefits and recognize local improvement taxes at the date the bylaw is authorized. These adjustments are as follows:

	2013
Adjustments to opening accumulated surplus:	\$
As previously reported	11,926,091
Increase to Dec 31, 2012 employee benefit obligations	(12,063)
Decrease to Dec 31, 2012 deferred revenue	126,130
Increase to Dec 31, 2012 trade and other receivables	912,475
As restated	12,952,633

	2013
Adjustments to excess (shortfall) of revenues over expenses:	\$
As previously reported	2,138,288
Decrease to local improvement taxes	(38,450)
As restated	2,099,838

	2013
Adjustments to trade and other receivables:	\$
As previously reported	425,904
Increase to local improvement levies	879,299
As restated	1,305,203

	2013
Adjustments to employee benefit obligations:	\$
As previously reported	2,132
Increase to employee benefit obligations	12,063
As restated	14,195

	2013
Adjustments to deferred revenue:	\$
As previously reported	789,452
Decrease to deferred revenue	(120,856)
As restated	668,596

Certain comparative figures have been restated to conform to the current year's presentation. Long-term debt supported by special levies has been restated from capital to operating debt.

21. APPROVAL OF FINANCIAL STATEMENTS

Council and Management have approved these financial statements.