

**TOWN OF SPIRIT RIVER**

**Financial Statements**

**For the Year Ended December 31, 2015**

TOWN OF SPIRIT RIVER  
CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2015

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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, 2015, 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, 2015 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 16, 2016

  
CHARTERED PROFESSIONAL ACCOUNTANTS

**TOWN OF SPIRIT RIVER**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

As at December 31, 2015

	2015	2014
<b>FINANCIAL ASSETS</b>	\$	\$
Cash and temporary investments (Note 2)	4,234,237	3,143,634
Receivables		
Taxes and grants in place of taxes (Note 3)	164,106	148,932
From other governments	352,477	763,996
Trade and other (Note 4)	1,535,159	1,893,142
Land inventory held for resale	494,329	494,329
Other inventory held for resale	26,708	27,364
Investments (Note 5)	953,218	978,915
Other assets (Note 6)	2,233	-
	<b>7,762,467</b>	<b>7,450,312</b>

**LIABILITIES**

Accounts payable and accrued liabilities	411,932	446,595
Payable to other governments	114,309	98,407
Deposit liabilities	41,380	38,360
Deferred revenue (Note 7)	377,478	472,841
Employee benefit obligations (Note 8)	52,099	28,789
Provision for landfill closure and post-closure costs (Note 9)	3,575	3,575
Long-term debt (Note 10)	1,406,245	1,528,858
Other liabilities (Note 11)	-	10,205
	<b>2,407,018</b>	<b>2,627,630</b>

<b>NET FINANCIAL ASSETS (DEBT)</b>	<b>5,355,449</b>	<b>4,822,682</b>
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**NON-FINANCIAL ASSETS**

Tangible capital assets (Schedule 2, Note 13)	12,581,782	12,084,119
Prepaid expenses	124,484	115,276
	<b>12,706,266</b>	<b>12,199,395</b>

<b>ACCUMULATED SURPLUS (Schedule 1, Note 15)</b>	<b>18,061,715</b>	<b>17,022,077</b>
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Commitments and Contingencies - See Note 19 and 20

See accompanying schedules and notes to the financial statements.

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**TOWN OF SPIRIT RIVER**  
**CONSOLIDATED STATEMENT OF OPERATIONS**

For the Year Ended December 31, 2015

	Budget (Unaudited)	2015	2014
	\$	\$	\$
<b>REVENUE</b>			
Net municipal taxes (Schedule 3)	1,398,464	1,377,650	1,324,514
User fees and sales of goods	846,425	907,171	967,587
Government transfers for operating (Schedule 4)	340,562	590,635	402,438
Penalties and costs on taxes	37,965	44,218	37,967
Licenses and permits	4,400	5,502	4,230
Fines	9,345	7,380	9,347
Franchise and concession contracts	136,350	136,161	136,352
Investment income	67,965	51,179	67,564
Rentals	12,200	17,656	12,049
Other revenues	122,845	228,639	97,517
Gain on disposal of tangible capital assets	-	-	7,120
<b>Total Revenue</b>	<b>2,976,521</b>	<b>3,366,191</b>	<b>3,066,685</b>
<b>EXPENSES (Schedule 5 - By Object)</b>			
Council and legislative	74,500	77,050	77,403
Administration	395,791	513,859	452,268
Fire fighting and protective services	69,945	59,115	66,718
Disaster services	16,200	16,125	16,125
Bylaws enforcement	3,050	-	-
Roads, streets, walks, lighting	649,600	691,298	746,295
Airport	57,339	39,540	48,487
Water supply and distribution	502,217	428,454	445,378
Wastewater treatment and disposal	175,958	61,981	101,841
Waste management	110,476	98,483	96,232
Family and community support	40,503	45,329	34,299
Public health and welfare	3,877	101,793	10,856
Cemetery	17,465	3,268	2,378
Land use planning, zoning and development	7,150	6,144	5,559
Subdivision land development	27,107	26,082	27,106
Parks and recreation	389,281	450,335	396,318
Culture	124,140	86,784	77,426
<b>Total Expenses</b>	<b>2,664,599</b>	<b>2,705,640</b>	<b>2,604,689</b>
<b>EXCESS (SHORTFALL) OF REVENUE OVER EXPENSES - BEFORE OTHER</b>	<b>311,922</b>	<b>660,551</b>	<b>461,996</b>
<b>OTHER</b>			
Contributed assets	-	6,000	-
Local improvement taxes for capital	75,572	5,526	663,166
Government transfers for capital (Schedule 4)	325,882	367,561	844,444
<b>EXCESS (SHORTFALL) OF REVENUE OVER EXPENSES</b>	<b>713,376</b>	<b>1,039,638</b>	<b>1,969,606</b>
<b>ACCUMULATED SURPLUS, BEGINNING OF YEAR</b>	<b>17,022,077</b>	<b>17,022,077</b>	<b>15,052,471</b>
<b>ACCUMULATED SURPLUS, END OF YEAR</b>	<b>17,735,453</b>	<b>18,061,715</b>	<b>17,022,077</b>

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, 2015

	Budget (Unaudited)	2015	2014
	\$	\$	\$
<b>EXCESS (SHORTFALL) OF REVENUES OVER EXPENSES</b>	713,376	1,039,638	1,969,606
Acquisition of tangible capital assets	(956,776)	(1,043,819)	(2,223,260)
Contributed tangible capital assets	-	(6,000)	-
Proceeds on disposal of tangible capital assets	-	-	7,120
Amortization of tangible capital assets	537,723	522,479	537,642
Loss (gain) on sale of tangible capital assets	-	29,677	(7,120)
	(419,053)	(497,663)	(1,685,618)
Acquisition of supplies inventories	(127,860)	(92,369)	(125,441)
Acquisition of prepaid assets	(124,625)	(143,892)	(148,074)
Use of supplies inventories	127,860	92,369	125,441
Use of prepaid assets	124,625	134,684	124,628
	-	(9,208)	(23,446)
<b>INCREASE (DECREASE) IN NET ASSETS (DEBT)</b>	294,323	532,767	260,542
<b>NET FINANCIAL ASSETS (DEBT), BEGINNING OF YEAR</b>	4,822,682	4,822,682	4,562,140
<b>NET FINANCIAL ASSETS (DEBT), END OF YEAR</b>	5,117,005	5,355,449	4,822,682

See accompanying schedules and notes to the financial statements.

**TOWN OF SPIRIT RIVER**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**

For the Year Ended December 31, 2015

	2015	2014
	\$	\$
<b>NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:</b>		
<b>OPERATING</b>		
Excess (shortfall) of revenues over expenses	1,039,638	1,969,606
Non-cash items included in excess (shortfall) of revenues over expenses:		
Amortization of tangible capital assets	522,479	537,642
Loss (gain) on disposal of tangible capital assets	29,677	(7,120)
Contributed capital assets	-	-
Non-cash charges to operations (net change):		
Decrease (increase) in taxes and grants in lieu receivable	(15,174)	(8,223)
Decrease (increase) in from other government receivables	411,519	(753,406)
Decrease (increase) in trade and other receivables	357,983	(587,939)
Decrease (increase) in land held for resale	-	-
Decrease (increase) in other inventory held for resale	656	918
Decrease (increase) in other assets	(2,233)	-
Decrease (increase) in prepaid expenses	(9,208)	(23,446)
Increase (decrease) in accounts payable and accrued liabilities	(34,663)	172,193
Increase (decrease) in payable to other governments	15,902	4,322
Increase (decrease) in deposit liabilities	3,020	2,780
Increase (decrease) in deferred revenue	(95,363)	(195,755)
Increase (decrease) in employee benefit obligations	23,310	14,594
Increase (decrease) in other liabilities	(10,205)	6,676
Cash provided by operating transactions	2,237,338	1,132,842
<b>CAPITAL</b>		
Acquisition of tangible capital assets	(1,049,819)	(2,223,260)
Sale of tangible capital assets	-	7,120
Cash provided by (applied to) capital transactions	(1,049,819)	(2,216,140)
<b>INVESTING</b>		
Decrease (increase) in restricted cash or cash equivalents	81,051	172,046
Decrease (increase) in investments	25,697	(51,890)
Cash provided by (applied to) investing transactions	106,748	120,156
<b>FINANCING</b>		
Long-term debt issued	-	-
Long-term debt repaid	(122,613)	(117,717)
Cash provided by (applied to) financing transactions	(122,613)	(117,717)
<b>CHANGE IN CASH AND EQUIVALENTS DURING THE YEAR</b>	<b>1,171,654</b>	<b>(1,080,859)</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<b>2,592,754</b>	<b>3,673,613</b>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<b>3,764,408</b>	<b>2,592,754</b>
<b>Cash and cash equivalents is made up of:</b>		
Cash and temporary investments (Note 2)	4,234,237	3,143,634
Less: restricted portion of cash and temporary investments (Note 2)	(469,829)	(550,880)
	<b>3,764,408</b>	<b>2,592,754</b>

See accompanying schedules and notes to the financial statements.

## TOWN OF SPIRIT RIVER

## Schedule 1

## SCHEDULE OF CHANGES IN ACCUMULATED SURPLUS

For the Year Ended December 31, 2015

	Unrestricted Surplus	Restricted Surplus	Equity in Tangible Capital Assets	2015	2014
	\$	\$	\$	\$	\$
<b>BALANCE, BEGINNING OF YEAR</b>	<b>3,054,404</b>	<b>2,202,594</b>	<b>11,765,079</b>	<b>17,022,077</b>	<b>15,052,471</b>
Excess (deficiency) of revenues over expenses	1,039,638	-	-	1,039,638	1,969,606
Unrestricted funds designated for future use	(500,000)	500,000	-	-	-
Restricted funds used for operations	21,693	(21,693)	-	-	-
Restricted funds used for tangible capital assets	-	(476,058)	476,058	-	-
Current year funds used for tangible capital assets	(567,761)	-	567,761	-	-
Contributed tangible capital assets	(6,000)	-	6,000	-	-
Disposal of tangible capital assets	29,677	-	(29,677)	-	-
Annual amortization expense	522,479	-	(522,479)	-	-
Capital long-term debt repaid	(36,286)	-	36,286	-	-
<b>CHANGE IN ACCUMULATED SURPLUS</b>	<b>503,440</b>	<b>2,249</b>	<b>533,949</b>	<b>1,039,638</b>	<b>1,969,606</b>
<b>BALANCE, END OF YEAR</b>	<b>3,557,844</b>	<b>2,204,843</b>	<b>12,299,028</b>	<b>18,061,715</b>	<b>17,022,077</b>

See accompanying schedules and notes to the financial statements.



**TOWN OF SPIRIT RIVER**

**Schedule 2**

**SCHEDULE OF TANGIBLE CAPITAL ASSETS**

For the Year Ended December 31, 2015

	Land	Buildings	Engineered Structures	Machinery and Equipment	Vehicles	2015	2014
	\$	\$	\$	\$	\$	\$	\$
<b>COST:</b>							
BALANCE, BEGINNING OF YEAR	134,234	6,826,231	14,827,724	1,863,807	385,483	24,037,479	21,967,322
Acquisition of tangible capital assets	103,870	200,439	745,510	-	-	1,049,819	2,180,594
Construction-in-progress	-	-	-	-	-	-	42,666
Disposal of tangible capital assets	(2,533)	(34,805)	(19,275)	(136,994)	-	(193,607)	(153,103)
Write down of tangible capital assets	-	-	-	-	-	-	-
BALANCE, END OF YEAR	235,571	6,991,865	15,553,959	1,726,813	385,483	24,893,691	24,037,479
<b>ACCUMULATED AMORTIZATION:</b>							
BALANCE, BEGINNING OF YEAR	-	2,212,876	8,255,528	1,209,505	275,451	11,953,360	11,568,821
Annual amortization	-	116,407	346,522	44,055	15,495	522,479	537,642
Accumulated amortization on disposals	-	(7,661)	(19,275)	(136,994)	-	(163,930)	(153,103)
BALANCE, END OF YEAR	-	2,321,622	8,582,775	1,116,566	290,946	12,311,909	11,953,360
<b>NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS</b>	<b>235,571</b>	<b>4,670,243</b>	<b>6,971,184</b>	<b>610,247</b>	<b>94,537</b>	<b>12,581,782</b>	<b>12,084,119</b>
2014 NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	134,234	4,613,355	6,572,196	654,302	110,032	12,084,119	

See accompanying schedules and notes to the financial statements.

## TOWN OF SPIRIT RIVER

## Schedule 3

## SCHEDULE OF PROPERTY AND OTHER TAXES

For the Year Ended December 31, 2015

	Budget (Unaudited)	2015	2014
	\$	\$	\$
<b>TAXATION</b>			
Real property taxes	1,439,474	1,409,116	1,359,499
Linear property taxes	66,353	78,540	79,986
Government grants in place of property taxes	16,885	30,910	29,727
Special assessments	59,000	29,150	29,500
Local improvement taxes	46,343	49,320	46,343
	1,628,055	1,597,036	1,545,055
<b>REQUISITIONS</b>			
Alberta School Foundation Fund	158,342	161,332	152,348
Grande Prairie R.C.S.S.D. #28	67,861	64,871	64,778
Grande Spirit Seniors Foundation	3,388	3,388	3,415
Adjustments to Requisition Transfers	-	(10,205)	-
	229,591	219,386	220,541
<b>NET MUNICIPAL TAXES</b>	1,398,464	1,377,650	1,324,514

See accompanying schedules and notes to the financial statements.

## TOWN OF SPIRIT RIVER

## Schedule 4

## SCHEDULE OF GOVERNMENT TRANSFERS

For the Year Ended December 31, 2015

	Budget (Unaudited)	2015	2014
	\$	\$	\$
<b>TRANSFERS FOR OPERATING</b>			
Federal Government	1,000	1,071	1,221
Provincial Government	6,762	66,964	65,617
Local Government	332,800	522,600	335,600
	340,562	590,635	402,438
<b>TRANSFERS FOR CAPITAL</b>			
Federal Government	-	-	-
Provincial Government	325,882	367,561	844,444
Local Government	-	-	-
	325,882	367,561	844,444
<b>TOTAL GOVERNMENT TRANSFERS</b>	666,444	958,196	1,246,882

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, 2015

	Budget (Unaudited)	2015	2014
	\$	\$	\$
<b>CONSOLIDATED EXPENSES BY OBJECT</b>			
Salaries, wages and benefits	897,046	797,690	777,013
Contracted and general services	539,543	570,047	602,111
Purchases from other governments	23,838	33,351	31,013
Materials, goods and utilities	527,580	482,333	509,648
Provision for allowances	-	-	-
Transfers to local boards and agencies	13,207	16,152	19,344
Transfers to individuals and organizations	35,800	45,600	56,608
Bank charges and short-term interest	1,550	2,658	2,624
Interest on long-term debt (Note 10)	68,512	63,541	68,509
Other expenditures	19,800	142,112	177
Loss on disposal of tangible capital assets	-	29,677	-
Amortization of tangible capital assets	537,723	522,479	537,642
	2,664,599	2,705,640	2,604,689

See accompanying schedules and notes to the financial statements.

## TOWN OF SPIRIT RIVER

## Schedule 6

## SCHEDULE OF SEGMENTED DISCLOSURE

For the Year Ended December 31, 2015

	General Government	Protective Services	Transportation Services	Environmental Services	Planning & Development	Recreation & Culture	Other	Total 2015
	\$	\$	\$	\$	\$	\$	\$	\$
<b>REVENUE</b>								
Net municipal taxes	1,299,181	-	22,607	26,712	-	29,150	-	1,377,650
User fees and sales of goods	213	-	-	820,667	-	86,341	(50)	907,171
Government transfers for operating	536,400	-	6,800	30,564	-	15,800	1,071	590,635
Penalties and costs on taxes	44,218	-	-	-	-	-	-	44,218
Licenses and permits	4,283	718	-	-	501	-	-	5,502
Fines	7,380	-	-	-	-	-	-	7,380
Franchise and concession contracts	136,161	-	-	-	-	-	-	136,161
Investment income	51,179	-	-	-	-	-	-	51,179
Rentals	-	-	1,200	-	-	4,756	11,700	17,656
Other revenues	3,260	11,142	5,252	1,302	-	114,492	93,191	228,639
Gain on disposal of tangible capital assets	-	-	-	-	-	-	-	-
	2,082,275	11,860	35,859	879,245	501	250,539	105,912	3,366,191
<b>EXPENSES</b>								
Salaries, wages and benefits	287,109	13,403	211,069	96,617	-	159,586	29,906	797,690
Contracted and general services	240,721	14,387	71,943	199,889	6,144	34,591	2,372	570,047
Purchases from other governments	-	31,813	-	1,538	-	-	-	33,351
Materials, goods and utilities	50,247	2,196	187,897	121,275	-	116,524	4,194	482,333
Transfers to local boards and agencies	-	-	-	-	-	8,319	7,833	16,152
Transfers to individuals and organizations	-	1,500	-	-	-	39,600	4,500	45,600
Bank charges and short-term interest	2,658	-	-	-	-	-	-	2,658
Interest on long-term debt	-	-	10,650	24,136	26,082	2,673	-	63,541
Other expenditures	10,102	-	-	-	-	66,349	65,661	142,112
Loss on disposal of tangible capital assets	-	-	-	-	-	-	29,677	29,677
	590,837	63,299	481,559	443,455	32,226	427,642	144,143	2,183,161
<b>Net revenue before amortization and government transfers for capital</b>	1,491,438	(51,439)	(445,700)	435,790	(31,725)	(177,103)	(38,231)	1,183,030
Amortization	(72)	(11,941)	(249,279)	(145,463)	-	(109,477)	(6,247)	(522,479)
Contributed assets	-	-	-	-	-	-	6,000	6,000
Local improvement taxes for capital	-	-	-	5,526	-	-	-	5,526
Government transfers for capital	-	-	367,561	-	-	-	-	367,561
<b>NET REVENUE (SHORTFALL)</b>	1,491,366	(63,380)	(327,418)	295,853	(31,725)	(286,580)	(38,478)	1,039,638
2014 NET REVENUE (SHORTFALL)	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, 2015

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### **1. SIGNIFICANT ACCOUNTING POLICIES**

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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 Chartered Professional Accountants of Canada. 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, 2015

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### **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.

#### **j) Contaminated Sites Liability**

Contaminated sites are a result of contamination being introduced into air, soil, water or sediment of a chemical, organic or radioactive material or live organism that exceeds an environmental standard. The liability is recorded net of any expected recoveries. A liability for remediation of a contaminated site is recognized when a site is not in productive use and is management's estimate of the cost of post-remediation including operation, maintenance and monitoring.

# TOWN OF SPIRIT RIVER

## NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended December 31, 2015

### 1. SIGNIFICANT ACCOUNTING POLICIES - CON'T

#### k) 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.

#### l) 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, 2015

### 2. CASH AND TEMPORARY INVESTMENTS

	2015	2014
	\$	\$
Cash	4,234,237	3,143,634
Temporary investments	-	-
	4,234,237	3,143,634

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

Included in cash and temporary investments are restricted amounts totalling \$335,521 (2014: \$432,472) received from the provincial government being held exclusively for specific projects and funds owing to other local governments of \$134,308 (2014: \$118,408) in conjunction with a government partnership and a specific project.

### 3. TAXES AND GRANTS IN PLACE OF TAXES RECEIVABLES

	2015	2014
	\$	\$
Current taxes and grants in place of taxes	114,908	98,823
Arrears taxes	54,914	55,825
	169,822	154,648
Less: Allowance for doubtful accounts	5,716	5,716
	164,106	148,932

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

For the Year Ended December 31, 2015

**4. TRADE AND OTHER RECEIVABLES**

	2015	2014
	\$	\$
Local improvement levies	1,393,706	1,696,340
Trade accounts	19,429	18,939
Accrued interest	4,644	4,709
Goods and services tax recoverable	46,657	92,929
Utility accounts	70,723	80,225
	1,535,159	1,893,142

Local improvement levies of \$93,670 are to be received in 2016 with the balance of \$1,300,036 to be received in the years 2017 to 2034.

**5. INVESTMENTS**

	2015		2014	
	Cost	Market Value	Cost	Market Value
	\$	\$	\$	\$
Debenture borrowing shares	10	10	10	10
Equity held in UFA	9,239	9,239	9,211	9,211
Equity held in AAMD&C	-	-	486	486
Public corporation bonds	238,363	242,468	236,751	238,912
Government and government guaranteed bonds	705,606	798,579	732,457	816,633
	953,218	1,050,296	978,915	1,065,252

Public corporation bonds have effective interest rates of 2.364% to 4.95% (2014: 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% (2014: 1.5% to 5.6%) with maturity dates from June 1, 2016, to December 1, 2048.

**6. OTHER ASSETS**

	2015	2014
	\$	\$
Alberta School Foundation Fund under-levy	2,233	-

# TOWN OF SPIRIT RIVER

## NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended December 31, 2015

### 7. DEFERRED REVENUE

	2015	2014
	\$	\$
Provincial government transfers		
Alberta Municipal Infrastructure - Capital 2010	-	101,432
Basic Municipal Transportation - 2012 to 2013	96,252	91,771
Federal Gas Tax Fund 2013	27,912	27,912
Water/waste water - Capital 2009	211,357	211,357
	335,521	432,472
Local government transfer	20,000	20,000
Prepaid property tax charges	21,957	20,369
	377,478	472,841

Provincial funding as per above \$335,521 (2014: \$432,472) 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 \$335,521 (2014: \$432,472) held exclusively for these projects (refer to Note 2).

### 8. EMPLOYEE BENEFIT OBLIGATIONS

	2015	2014
	\$	\$
Sick pay benefits	13,164	10,882
Vacation and overtime	38,935	17,907
	52,099	28,789

#### 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, 2015

### 9. 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, 2015	3,575

### 10. LONG-TERM DEBT

	2015	2014
	\$	\$
Debentures:		
Supported by general tax levies - operating debt	586,943	633,825
Supported by special levies - operating debt	536,548	575,993
Supported by general tax levies - capital debt	25,399	49,704
Supported by utility rates - capital debt	257,355	269,336
	1,406,245	1,528,858
Current portion of long-term debt	126,412	122,613

Principal and interest repayments are as follows:

	Principal	Interest	Total
	\$	\$	\$
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
2020	89,368	42,506	131,874
Thereafter	918,951	216,470	1,135,421
	1,406,245	471,181	1,877,426

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% (2014: 4.25%). Debenture debt is issued on the credit and security of the TOWN OF SPIRIT RIVER at large.

Interest on long-term debt amounted to \$63,541 (2014: \$68,509).

The TOWN's total cash payments for interest were \$65,042 (2014: \$69,938)

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

For the Year Ended December 31, 2015

**11. OTHER LIABILITIES**

	2015	2014
	\$	\$
Alberta School Foundation Fund over-levy	-	10,205

**12. 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:

	2015	2014
	\$	\$
Total debt limit	5,600,628	5,866,694
Total debt	1,406,245	1,528,858
Amount of debt limit unused	4,194,383	4,337,836
Debt servicing limit	933,438	977,782
Debt servicing	186,317	187,655
Amount of debt servicing limit unused	747,121	790,127

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.

**13. TANGIBLE CAPITAL ASSETS**

Net Book Value	2015	2014
	\$	\$
Land	235,571	134,234
Buildings	4,670,243	4,613,355
Engineered Structures		
Airport pavement	77,336	92,805
Roadway system	3,013,120	2,443,197
Roadway system - construction-in-progress	-	42,666
Water distribution system	2,381,592	2,461,784
Wastewater treatment system	1,499,136	1,531,744
Machinery, equipment, and furnishings	610,247	654,302
Vehicles	94,537	110,032
	12,581,782	12,084,119

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

For the Year Ended December 31, 2015

**14. EQUITY IN TANGIBLE CAPITAL ASSETS**

	2015	2014
	\$	\$
Tangible capital assets (Schedule 2)	24,893,691	24,037,479
Accumulated amortization (Schedule 2)	(12,311,909)	(11,953,360)
Net Book Value	12,581,782	12,084,119
Long-term capital debt (Note 10)	(282,754)	(319,040)
	12,299,028	11,765,079

**15. ACCUMULATED SURPLUS**

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

	2015	2014
	\$	\$
Unrestricted surplus	3,557,844	3,054,404
Restricted surplus		
Tax rate stabilization	305,683	327,376
Administration building	98,082	98,082
Roads, streets and equipment	916,492	1,392,550
Recreation and cultural facilities	884,586	384,586
Equity in tangible capital assets	12,299,028	11,765,079
	18,061,715	17,022,077

**16. 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, 2015

### 17. 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)	2015 Total	2014 Total
Mayor:				
GEORGET, Allan	10,108	5,571	15,679	14,072
Councillors:				
BOOMGAARDEN, Terrance	3,924	2,202	6,126	7,551
GLASSEL, Garth	3,201	1,819	5,020	4,671
PIKE, Paul	1,859	1,165	3,024	6,696
SELLIN, Hermann	7,141	3,876	11,017	9,714
SKOWORODKO, Denise	3,589	1,988	5,577	6,824
STANICH, Brenda	4,999	2,713	7,712	7,597
	34,821	19,334	54,155	57,125
Chief Administrative Officer:				
DEVEAU, Deedra	84,799	16,219	101,018	96,214
	119,620	35,553	155,173	153,339

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, group life insurance, accidental disability and dismemberment, 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, 2015

### 18. 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, 2015 audited financial statement:

	2015	2014
	\$	\$
Share of assets (25%)	38,948	65,671
Share of liabilities (25%)	-	-
	38,948	65,671
Total revenues	21,600	21,600
Total expenses	(128,488)	(15,405)
	(106,888)	6,195
Share of excess (shortfall) of revenue over expenses (25%)	(26,722)	1,549

### 19. COMMITMENTS

The Town of Spirit is in the process of entering into a new agreement with Saddle Hills County, Birch Hills County, Municipal District of Spirit River #133 and the Village of Rycroft to construct and operate a new medical clinic. The estimated cost to construct the facility is \$4,000,000. The Town's total commitment for this project is \$600,000 which equals 15% of the total cost. As of December 31, 2015 the Town has a payable of \$69,870 towards the acquisition of land for the facility and has a remaining obligation of \$530,130 towards the construction of the building. Operational costs of the facility are to be shared 15% by the Town of Spirit River, 60% by Saddle Hills County, 10% by Birch Hills County, 12.5% by Municipal District of Spirit River #133 and 2.5% by the Village of Rycroft.

### 20. CONTINGENCIES

The TOWN OF SPIRIT RIVER is a member of the Jubilee Reciprocal Insurance Exchange. 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.



# **TOWN OF SPIRIT RIVER**

## **NOTES TO THE FINANCIAL STATEMENTS**

For the Year Ended December 31, 2015

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### **21. RELATED PARTY TRANSACTIONS**

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During the year, the TOWN OF SPIRIT RIVER paid \$1,538 (2014: \$0) to the Central Peace Regional Waste Management Commission which it is a member of. These transactions were made in the normal course of operations and have been measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

### **22. FINANCIAL INSTRUMENTS**

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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.

### **23. CONTAMINATED SITES LIABILITY**

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On January 1, 2015 the Town adopted PS3260 Liability for Contaminated Sites. The standard was applied on a retroactive basis and did not result in any adjustments to the financial liabilities, tangible capital assets or accumulated surplus of the Town.

### **24. APPROVAL OF FINANCIAL STATEMENTS**

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Council and Management have approved these financial statements.