

TOWN OF SPIRIT RIVER

Financial Statements

For the Year Ended December 31, 2016

TOWN OF SPIRIT RIVER
CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2016

CONTENTS

	<u>Page</u>
Independent Auditors' Report	2
Consolidated Statement of Financial Position	3
Consolidated Statement of Operations	4
Consolidated Statement of Changes in Net Financial Assets (Debt)	5
Consolidated Statement of Cash Flows	6
Schedule 1 - Schedule of Changes in Accumulated Surplus	7
Schedule 2 - Schedule of Tangible Capital Assets	8
Schedule 3 - Schedule of Property and Other Taxes	9
Schedule 4 - Schedule of Government Transfers	10
Schedule 5 - Schedule of Consolidated Expenses by Object	11
Schedule 6 - Schedule of Segmented Disclosure	12
Notes to the Financial Statements	13 - 24

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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, 2016, 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, 2016 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 2, 2017


CHARTERED PROFESSIONAL ACCOUNTANTS

TOWN OF SPIRIT RIVER
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at December 31, 2016

	2016	2015
FINANCIAL ASSETS	\$	\$
Cash and temporary investments (Note 2)	5,523,313	4,234,237
Receivables		
Taxes and grants in place of taxes (Note 3)	195,470	164,106
From other governments	67,864	352,477
Trade and other (Note 4)	1,539,005	1,535,159
Land inventory held for resale	446,961	494,329
Other inventory held for resale	24,870	26,708
Investments (Note 5)	593,167	953,218
Other assets (Note 6)	-	2,233
	8,390,650	7,762,467

LIABILITIES

Accounts payable and accrued liabilities	411,055	411,932
Payable to other governments	274,230	114,309
Deposit liabilities	42,240	41,380
Deferred revenue (Note 7)	451,948	377,478
Employee benefit obligations (Note 8)	32,331	52,099
Provision for landfill closure and post-closure costs (Note 9)	3,575	3,575
Long-term debt (Note 10)	1,046,074	1,406,245
Other liabilities (Note 11)	3,834	-
	2,265,287	2,407,018

NET FINANCIAL ASSETS (DEBT)	6,125,363	5,355,449
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NON-FINANCIAL ASSETS

Tangible capital assets (Schedule 2, Note 13)	12,268,295	12,581,782
Prepaid expenses	120,254	124,484
	12,388,549	12,706,266

ACCUMULATED SURPLUS (Schedule 1, Note 15)	18,513,912	18,061,715
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Commitments and Contingencies - See Note 19 and 20

See accompanying schedules and notes to the financial statements.

TOWN OF SPIRIT RIVER
CONSOLIDATED STATEMENT OF OPERATIONS

For the Year Ended December 31, 2016

	Budget (Unaudited)	2016	2015
REVENUE	\$	\$	\$
Net municipal taxes (Schedule 3)	1,379,775	1,391,607	1,377,650
User fees and sales of goods	901,450	898,110	907,171
Government transfers for operating (Schedule 4)	586,143	609,064	590,635
Penalties and costs on taxes	44,000	47,585	44,218
Licenses and permits	5,300	14,590	5,502
Fines	7,300	3,051	7,380
Franchise and concession contracts	136,350	140,033	136,161
Investment income	45,500	84,963	51,179
Rentals	22,400	20,405	17,656
Other revenues	111,875	145,699	228,639
Gain on disposal of tangible capital assets	-	-	-
Total Revenue	3,240,093	3,355,107	3,366,191
EXPENSES (Schedule 5 - By Object)			
Council and legislative	75,100	78,954	77,050
Administration	435,895	483,313	513,859
Fire fighting and protective services	72,370	112,678	59,115
Disaster services	16,200	16,125	16,125
Bylaws enforcement	3,050	-	-
Roads, streets, walks, lighting	676,802	783,011	691,298
Airport	53,927	48,061	39,540
Water supply and distribution	438,352	503,217	428,454
Wastewater treatment and disposal	134,660	67,802	61,981
Waste management	110,238	82,780	98,483
Family and community support	47,228	57,465	45,329
Public health and welfare	2,060	15,898	101,793
Cemetery	16,900	3,645	3,268
Land use planning, zoning and development	6,200	2,870	6,144
Subdivision land development	26,082	72,377	26,082
Parks and recreation	387,591	421,476	450,335
Culture	126,514	135,255	86,784
Total Expenses	2,629,169	2,884,927	2,705,640
EXCESS (SHORTFALL) OF REVENUE OVER EXPENSES - BEFORE OTHER	610,924	470,180	660,551
OTHER			
Transfer to central peace fire commission (Note 21)	(100,000)	(192,451)	-
Contributed assets	-	-	6,000
Local improvement taxes for capital	5,525	174,468	5,526
Government transfers for capital (Schedule 4)	-	-	367,561
EXCESS (SHORTFALL) OF REVENUE OVER EXPENSES	516,449	452,197	1,039,638
ACCUMULATED SURPLUS, BEGINNING OF YEAR	18,061,715	18,061,715	17,022,077
ACCUMULATED SURPLUS, END OF YEAR	18,578,164	18,513,912	18,061,715

See accompanying schedules and notes to the financial statements.

TOWN OF SPIRIT RIVER

CONSOLIDATED STATEMENT OF CHANGES IN NET FINANCIAL ASSETS (DEBT)

For the Year Ended December 31, 2016

	Budget (Unaudited)	2016	2015
	\$	\$	\$
EXCESS (SHORTFALL) OF REVENUES OVER EXPENSES	516,449	452,197	1,039,638
Acquisition of tangible capital assets	(956,776)	(398,740)	(1,043,819)
Contributed tangible capital assets	-	(6,000)	(6,000)
Proceeds on disposal of tangible capital assets	-	179,950	-
Amortization of tangible capital assets	518,131	511,618	522,479
Loss (gain) on sale of tangible capital assets	-	26,659	29,677
	(438,645)	313,487	(497,663)
Acquisition of supplies inventories	(105,660)	(191,932)	(92,369)
Acquisition of prepaid assets	(134,862)	(135,892)	(143,892)
Use of supplies inventories	105,660	191,932	92,369
Use of prepaid assets	134,862	140,122	134,684
	-	4,230	(9,208)
INCREASE (DECREASE) IN NET ASSETS (DEBT)	77,804	769,914	532,767
NET FINANCIAL ASSETS (DEBT), BEGINNING OF YEAR	5,355,449	5,355,449	4,822,682
NET FINANCIAL ASSETS (DEBT), END OF YEAR	5,433,253	6,125,363	5,355,449

See accompanying schedules and notes to the financial statements.

TOWN OF SPIRIT RIVER
CONSOLIDATED STATEMENT OF CASH FLOWS

For the Year Ended December 31, 2016

	2016	2015
	\$	\$
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING		
Excess (shortfall) of revenues over expenses	452,197	1,039,638
Non-cash items included in excess (shortfall) of revenues over expenses:		
Amortization of tangible capital assets	511,618	522,479
Loss (gain) on disposal of tangible capital assets	26,659	29,677
Contributed capital assets	-	-
Non-cash charges to operations (net change):		
Decrease (increase) in taxes and grants in lieu receivable	(31,364)	(15,174)
Decrease (increase) in from other government receivables	284,613	411,519
Decrease (increase) in trade and other receivables	(3,846)	357,983
Decrease (increase) in land held for resale	47,368	-
Decrease (increase) in other inventory held for resale	1,838	656
Decrease (increase) in other assets	2,233	(2,233)
Decrease (increase) in prepaid expenses	4,230	(9,208)
Increase (decrease) in accounts payable and accrued liabilities	(877)	(34,663)
Increase (decrease) in payable to other governments	159,921	15,902
Increase (decrease) in deposit liabilities	860	3,020
Increase (decrease) in deferred revenue	74,470	(95,363)
Increase (decrease) in employee benefit obligations	(19,768)	23,310
Increase (decrease) in other liabilities	3,834	(10,205)
Cash provided by operating transactions	1,513,986	2,237,338
CAPITAL		
Acquisition of tangible capital assets	(404,740)	(1,049,819)
Sale of tangible capital assets	179,950	-
Cash provided by (applied to) capital transactions	(224,790)	(1,049,819)
INVESTING		
Decrease (increase) in restricted cash or cash equivalents	(70,812)	81,051
Decrease (increase) in investments	360,051	25,697
Cash provided by (applied to) investing transactions	289,239	106,748
FINANCING		
Long-term debt issued	-	-
Long-term debt repaid	(360,171)	(122,613)
Cash provided by (applied to) financing transactions	(360,171)	(122,613)
CHANGE IN CASH AND EQUIVALENTS DURING THE YEAR	1,218,264	1,171,654
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	3,764,408	2,592,754
CASH AND CASH EQUIVALENTS, END OF YEAR	4,982,672	3,764,408
Cash and cash equivalents is made up of:		
Cash and temporary investments (Note 2)	5,523,313	4,234,237
Less: restricted portion of cash and temporary investments (Note 2)	(540,641)	(469,829)
	4,982,672	3,764,408

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, 2016

	Unrestricted Surplus	Restricted Surplus	Equity in Tangible Capital Assets	2016	2015
	\$	\$	\$	\$	\$
BALANCE, BEGINNING OF YEAR	3,557,844	2,204,843	12,299,028	18,061,715	17,022,077
Excess (deficiency) of revenues over expenses	452,197	-	-	452,197	1,039,638
Unrestricted funds designated for future use	(500,000)	500,000	-	-	-
Restricted funds used for operations	83,732	(83,732)	-	-	-
Restricted funds used for tangible capital assets	-	(240,344)	240,344	-	-
Current year funds used for tangible capital assets	(164,396)	-	164,396	-	-
Contributed tangible capital assets	-	-	-	-	-
Disposal of tangible capital assets	206,609	-	(206,609)	-	-
Annual amortization expense	511,618	-	(511,618)	-	-
Capital long-term debt repaid	(37,771)	-	37,771	-	-
CHANGE IN ACCUMULATED SURPLUS	551,989	175,924	(275,716)	452,197	1,039,638
BALANCE, END OF YEAR	4,109,833	2,380,767	12,023,312	18,513,912	18,061,715

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, 2016

	Land	Buildings	Engineered Structures	Machinery and Equipment	Vehicles	2016	2015
	\$	\$	\$	\$	\$	\$	\$
COST:							
BALANCE, BEGINNING OF YEAR	235,571	6,991,865	15,553,959	1,726,813	385,483	24,893,691	24,037,479
Acquisition of tangible capital assets	-	1,388	9,126	93,255	73,098	176,867	1,049,819
Construction-in-progress	-	214,729	13,144	-	-	227,873	-
Disposal of tangible capital assets	-	-	-	(156,935)	(288,141)	(445,076)	(193,607)
Write down of tangible capital assets	-	-	-	-	-	-	-
BALANCE, END OF YEAR	235,571	7,207,982	15,576,229	1,663,133	170,440	24,853,355	24,893,691
ACCUMULATED AMORTIZATION:							
BALANCE, BEGINNING OF YEAR	-	2,321,622	8,582,775	1,116,566	290,946	12,311,909	11,953,360
Annual amortization	-	116,462	346,894	38,855	9,407	511,618	522,479
Accumulated amortization on disposals	-	-	-	(78,215)	(160,252)	(238,467)	(163,930)
BALANCE, END OF YEAR	-	2,438,084	8,929,669	1,077,206	140,101	12,585,060	12,311,909
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	235,571	4,769,898	6,646,560	585,927	30,339	12,268,295	12,581,782
2015 NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	235,571	4,670,243	6,971,184	610,247	94,537	12,581,782	

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, 2016

	Budget (Unaudited)	2016	2015
	\$	\$	\$
TAXATION			
Real property taxes	1,439,474	1,440,789	1,409,116
Linear property taxes	66,353	78,629	78,540
Government grants in place of property taxes	30,800	28,900	30,910
Special assessments	29,500	29,150	29,150
Local improvement taxes	49,279	52,003	49,320
	1,615,406	1,629,471	1,597,036
REQUISITIONS			
Alberta School Foundation Fund	165,643	165,643	161,332
Grande Prairie R.C.S.S.D. #28	66,642	66,642	64,871
Grande Spirit Seniors Foundation	3,346	3,346	3,388
Adjustments to Requisition Transfers	-	2,233	(10,205)
	235,631	237,864	219,386
NET MUNICIPAL TAXES	1,379,775	1,391,607	1,377,650

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, 2016

	Budget (Unaudited)	2016	2015
	\$	\$	\$
TRANSFERS FOR OPERATING			
Federal Government	1,000	3,192	1,071
Provincial Government	60,543	59,283	66,964
Local Government	524,600	546,589	522,600
	586,143	609,064	590,635
TRANSFERS FOR CAPITAL			
Federal Government	-	-	-
Provincial Government	-	-	367,561
Local Government	-	-	-
	-	-	367,561
TOTAL GOVERNMENT TRANSFERS	586,143	609,064	958,196

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, 2016

	Budget (Unaudited)	2016	2015
	\$	\$	\$
CONSOLIDATED EXPENSES BY OBJECT			
Salaries, wages and benefits	892,800	819,557	797,690
Contracted and general services	576,478	563,297	570,047
Purchases from other governments (Note 21)	23,838	76,565	33,351
Materials, goods and utilities	502,680	663,314	482,333
Transfers to other governments	8,087	9,290	7,833
Transfers to central peace fire commission (Note 21)	100,000	192,451	-
Transfers to local boards and agencies	5,500	5,500	8,319
Transfers to individuals and organizations	47,100	48,025	45,600
Bank charges and short-term interest	2,050	1,601	2,658
Interest on long-term debt (Note 10)	47,005	96,594	63,541
Other expenditures	5,500	62,907	142,112
Loss on disposal of tangible capital assets	-	26,659	29,677
Amortization of tangible capital assets	518,131	511,618	522,479
	2,729,169	3,077,378	2,705,640

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, 2016

	General Government Services	Protective Services	Transportation Services	Environmental Services	Planning & Development	Recreation & Culture	Other	Total 2016
	\$	\$	\$	\$	\$	\$	\$	\$
REVENUE								
Net municipal taxes	1,310,454	-	24,880	27,123	-	29,150	-	1,391,607
User fees and sales of goods	227	-	-	756,469	60,000	80,814	600	898,110
Government transfers for operating	520,166	-	10,800	30,377	-	36,444	11,277	609,064
Penalties and costs on taxes	47,585	-	-	-	-	-	-	47,585
Licenses and permits	3,485	1,074	-	-	10,031	-	-	14,590
Fines	3,051	-	-	-	-	-	-	3,051
Franchise and concession contracts	140,033	-	-	-	-	-	-	140,033
Investment income	84,963	-	-	-	-	-	-	84,963
Rentals	-	-	1,320	-	-	2,885	16,200	20,405
Other revenues	8,915	5,340	1,750	689	-	83,639	45,366	145,699
Gain on disposal of tangible capital assets	-	-	-	-	-	-	-	-
	2,118,879	6,414	38,750	814,658	70,031	232,932	73,443	3,355,107
EXPENSES								
Salaries, wages and benefits	262,836	11,218	242,450	98,417	-	163,692	40,944	819,557
Contracted and general services	257,632	16,073	62,316	179,011	2,872	43,572	1,821	563,297
Purchases from other governments (Note 21)	-	75,027	-	1,538	-	-	-	76,565
Materials, goods and utilities	32,596	23,485	213,072	195,199	-	193,746	5,216	663,314
Transfers to other governments	-	-	-	-	-	-	9,290	9,290
Transfers to local boards and agencies	-	-	-	-	-	5,500	-	5,500
Transfers to individuals and organizations	-	3,000	-	-	-	39,600	5,425	48,025
Bank charges and short-term interest	1,601	-	-	-	-	-	-	1,601
Interest on long-term debt	-	-	36,043	34,399	25,008	1,144	-	96,594
Other expenditures	7,530	-	-	-	47,367	-	8,010	62,907
Loss on disposal of tangible capital assets	-	-	26,659	-	-	-	-	26,659
	562,195	128,803	580,540	508,564	75,247	447,254	70,706	2,373,309
Net revenue before amortization and government transfers for capital								
	1,556,684	(122,389)	(541,790)	306,094	(5,216)	(214,322)	2,737	981,798
Amortization	(72)	-	(250,532)	(145,235)	-	(109,477)	(6,302)	(511,618)
Transfer to fire commission (Note 21)	-	(192,451)	-	-	-	-	-	(192,451)
Contributed assets	-	-	-	-	-	-	-	-
Local improvement taxes for capital	-	-	-	174,468	-	-	-	174,468
Government transfers for capital	-	-	-	-	-	-	-	-
NET REVENUE (SHORTFALL)	1,556,612	(314,840)	(792,322)	335,327	(5,216)	(323,799)	(3,565)	452,197
2015 NET REVENUE (SHORTFALL)	1,491,366	(63,380)	(327,418)	295,853	(31,725)	(286,580)	(38,478)	1,039,638

See accompanying schedules and notes to the financial statements.

TOWN OF SPIRIT RIVER

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended December 31, 2016

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 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, 2016

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, 2016

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, 2016

2. CASH AND TEMPORARY INVESTMENTS

	2016	2015
	\$	\$
Cash	5,450,762	4,195,751
Temporary investments	72,551	38,486
	5,523,313	4,234,237

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

Included in cash and temporary investments are restricted amounts totalling \$389,321 (2015: \$335,521) received from the provincial government being held exclusively for specific projects and funds owing to other local governments of \$151,320 (2015: \$134,308) in conjunction with a government partnership and a specific project.

3. TAXES AND GRANTS IN PLACE OF TAXES RECEIVABLES

	2016	2015
	\$	\$
Current taxes and grants in place of taxes	110,396	114,908
Arrears taxes	90,790	54,914
	201,186	169,822
Less: Allowance for doubtful accounts	5,716	5,716
	195,470	164,106

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

For the Year Ended December 31, 2016

4. TRADE AND OTHER RECEIVABLES

	2016	2015
	\$	\$
Local improvement levies	1,400,839	1,393,706
Trade accounts	31,818	19,429
Accrued interest	3,410	4,644
Goods and services tax recoverable	12,359	46,657
Utility accounts	90,579	70,723
	1,539,005	1,535,159

Local improvement levies of \$89,412 are to be received in 2017 with the balance of \$1,311,427 to be received in the years 2018 to 2034.

5. INVESTMENTS

	2016		2015	
	Cost	Market Value	Cost	Market Value
	\$	\$	\$	\$
Debenture borrowing shares	10	10	10	10
Equity held in UFA	9,264	9,264	9,239	9,239
Public corporation bonds	109,476	110,988	238,363	242,468
Government and government guaranteed bonds	474,417	523,615	705,606	798,579
	593,167	643,877	953,218	1,050,296

Public corporation bonds have effective interest rates of 2.364% to 4.95% (2015: 2.364% to 4.95%) with maturity dates from September 17, 2017 to January 14, 2020. Government and government guaranteed bonds have effective interest rates of 1.50% to 5.6% (2015: 1.5% to 5.6%) with maturity dates from June 1, 2019 to December 1, 2048.

6. OTHER ASSETS

	2016	2015
	\$	\$
Alberta School Foundation Fund under-levy	-	2,233

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

For the Year Ended December 31, 2016

7. DEFERRED REVENUE

	2016	2015
	\$	\$
Provincial government transfers		
Basic Municipal Transportation - 2012 to 2013	96,252	96,252
Federal Gas Tax Fund 2013	27,912	27,912
Municipal Sustainability Initiative - Capital	4,199	-
Alberta Health Services - Cancer care	49,601	-
Water/waste water - Capital 2009	211,357	211,357
	389,321	335,521
Local government transfer	26,639	20,000
Prepaid property tax charges	29,942	21,957
Prepaid utility charges	6,046	-
	451,948	377,478

Provincial funding as per above \$389,321 (2015: \$335,521) 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 \$389,321 (2015: \$335,521) held exclusively for these projects (refer to Note 2).

8. EMPLOYEE BENEFIT OBLIGATIONS

	2016	2015
	\$	\$
Sick pay benefits	10,841	13,164
Vacation and overtime	21,490	38,935
	32,331	52,099

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, 2016

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, 2016	3,575

10. LONG-TERM DEBT

	2016	2015
	\$	\$
Debentures:		
Supported by general tax levies - operating debt	538,586	586,943
Supported by special levies - operating debt	262,505	536,548
Supported by general tax levies - capital debt	-	25,399
Supported by utility rates - capital debt	244,983	257,355
	1,046,074	1,406,245
Current portion of long-term debt	80,795	126,412

Principal and interest repayments are as follows:

	Principal	Interest	Total
	\$	\$	\$
2017	80,795	40,627	121,422
2018	55,353	37,876	93,229
2019	57,759	35,470	93,229
2020	60,283	32,945	93,228
2021	56,063	30,295	86,358
Thereafter	735,821	165,843	901,664
	1,046,074	343,056	1,389,130

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 periods 2017 through 2032. The average annual interest rate is 3.81% (2015: 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 \$47,851 (2015: \$63,541). Penalties charged on debenture prepayments amounted to \$48,743.

The TOWN's total cash payments for interest were \$53,581 (2015: \$65,042)

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

For the Year Ended December 31, 2016

11. OTHER LIABILITIES

	2016	2015
	\$	\$
Alberta School Foundation Fund over-levy	3,834	-

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:

	2016	2015
	\$	\$
Total debt limit	5,294,363	5,600,628
Total debt	1,046,074	1,406,245
Amount of debt limit unused	4,248,289	4,194,383
Debt servicing limit	882,394	933,438
Debt servicing	121,422	186,317
Amount of debt servicing limit unused	760,972	747,121

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	2016	2015
	\$	\$
Land	235,571	235,571
Buildings	4,555,169	4,670,243
Buildings - construction-in-progress	214,729	-
Engineered Structures		
Airport pavement	61,867	77,336
Roadway system	2,818,481	3,013,120
Roadway system - construction-in-progress	13,144	-
Water distribution system	2,293,970	2,381,592
Wastewater treatment system	1,459,098	1,499,136
Machinery, equipment, and furnishings	585,927	610,247
Vehicles	30,339	94,537
	12,268,295	12,581,782

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

For the Year Ended December 31, 2016

14. EQUITY IN TANGIBLE CAPITAL ASSETS

	2016	2015
	\$	\$
Tangible capital assets (Schedule 2)	24,853,355	24,893,691
Accumulated amortization (Schedule 2)	(12,585,060)	(12,311,909)
Net Book Value	12,268,295	12,581,782
Long-term capital debt (Note 10)	(244,983)	(282,754)
	12,023,312	12,299,028

15. ACCUMULATED SURPLUS

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

	2016	2015
	\$	\$
Unrestricted surplus	4,109,833	3,557,844
Restricted surplus		
Tax rate stabilization	117,038	231,687
Administration	172,078	172,078
Roads, streets and equipment	757,150	916,492
Recreation and cultural facilities	1,334,501	884,586
Equity in tangible capital assets	12,023,312	12,299,028
	18,513,912	18,061,715

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, 2016

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)	2016 Total	2015 Total
Mayor:				
GEORGET, Allan	14,254	7,801	22,055	15,679
Councillors:				
BOOMGAARDEN, Terrance	4,518	2,523	7,041	6,126
GLASSEL, Garth	3,012	1,669	4,681	5,020
PIKE, Paul	1,576	971	2,547	3,024
SELLIN, Hermann	6,024	3,249	9,273	11,017
SKOWORODKO, Denise	3,324	1,849	5,173	5,577
STANICH, Brenda	5,185	2,803	7,988	7,712
	37,893	20,865	58,758	54,155
Chief Administrative Officer:				
DEVEAU, Deedra	88,442	16,548	104,990	101,018
	126,335	37,413	163,748	155,173

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, 2016

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, 2016 audited financial statement:

	2016	2015
	\$	\$
Share of assets (25%)	41,560	38,948
Share of liabilities (25%)	-	-
	41,560	38,948
Total revenues	21,600	21,600
Total expenses	(11,155)	(128,488)
	10,445	(106,888)
Share of excess (shortfall) of revenue over expenses (25%)	2,611	(26,722)

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 \$4,048,129. The Town's total commitment for this project is \$607,219 which equals 15% of the total cost. As of December 31, 2016 the Town has contributed \$240,514 towards the facility and has a remaining obligation of \$366,705 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, 2016

21. RELATED PARTY TRANSACTIONS

During the year, the TOWN OF SPIRIT RIVER paid \$1,538 (2015: \$1,538) 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.

During the year, the TOWN OF SPIRIT RIVER made a capital cash contribution of \$26,902, transferred capital assets with a value of \$165,549 and paid \$32,482 (37% share of operating costs) to the Central Peace Fire and Rescue Commission which it is a member of. As at December 31, 2016 the Town has an accounts payable to the Commission of \$32,482 (2015: \$0). 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

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. APPROVAL OF FINANCIAL STATEMENTS

Council and Management have approved these financial statements.