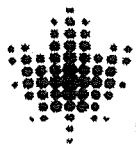
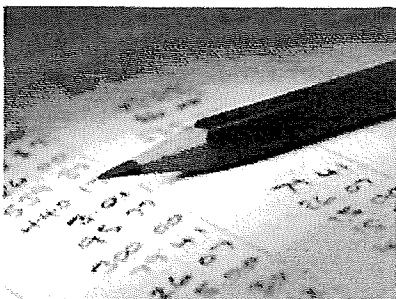


SYLVAIN & COMPANY

TOWN OF SPIRIT RIVER

Financial Statements

For the Year Ended December 31, 2017



CPA

CHARTERED
PROFESSIONAL
ACCOUNTANTS

TOWN OF SPIRIT RIVER
CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2017

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SYLVAIN & COMPANY

Chartered Professional Accountants

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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, 2017, 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.

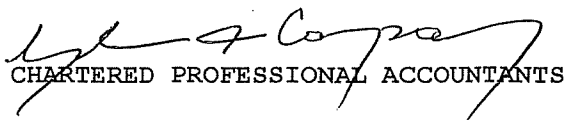
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or 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, 2017 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 5, 2018


CHARTERED PROFESSIONAL ACCOUNTANTS

TOWN OF SPIRIT RIVER
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at December 31, 2017

	2017	2016
FINANCIAL ASSETS	\$	\$
Cash and temporary investments (Note 2)	4,792,386	5,523,313
Receivables		
Taxes and grants in place of taxes (Note 3)	226,013	195,470
From other governments	602,874	67,864
Trade and other (Note 4)	1,538,090	1,539,005
Land inventory held for resale	446,961	446,961
Other inventory held for resale	18,046	24,870
Investments (Note 5)	618,204	593,167
Other assets (Note 6)	9,133	-
	8,251,707	8,390,650

LIABILITIES

Accounts payable and accrued liabilities	602,505	411,055
Payable to other governments	148,012	274,230
Deposit liabilities	43,810	42,240
Deferred revenue (Note 7)	432,583	451,948
Employee benefit obligations (Note 8)	38,469	32,331
Provision for landfill closure and post-closure costs (Note 9)	3,575	3,575
Long-term debt (Note 10)	965,280	1,046,074
Other liabilities (Note 11)	-	3,834
	2,234,234	2,265,287

NET FINANCIAL ASSETS (DEBT)	6,017,473	6,125,363
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NON-FINANCIAL ASSETS

Tangible capital assets (Schedule 2, Note 13)	13,721,543	12,268,295
Prepaid expenses	118,220	120,254
	13,839,763	12,388,549

ACCUMULATED SURPLUS (Schedule 1, Note 15)	19,857,236	18,513,912
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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, 2017

	Budget (Unaudited)	2017	2016
REVENUE	\$	\$	\$
Net municipal taxes (Schedule 3)	1,473,465	1,386,477	1,391,607
User fees and sales of goods	876,530	1,010,075	898,110
Government transfers for operating (Schedule 4)	605,533	652,886	609,064
Penalties and costs on taxes	47,600	32,958	47,585
Licenses and permits	11,000	6,118	14,590
Fines	3,500	3,887	3,051
Franchise and concession contracts	140,000	149,147	140,033
Investment income	64,280	63,461	84,963
Rentals	20,000	22,949	20,405
Other revenues	103,250	202,446	145,699
Gain on disposal of tangible capital assets	-	-	-
Total Revenue	3,345,158	3,530,404	3,355,107
EXPENSES (Schedule 5 - By Object)			
Council and legislative	78,300	80,895	78,954
Administration	457,607	472,049	483,313
Fire fighting and protective services	73,000	35,832	305,129
Disaster services	16,125	16,125	16,125
Bylaws enforcement	3,050	40	-
Roads, streets, walks, lighting	694,570	757,106	783,011
Airport	54,542	39,097	48,061
Water supply and distribution	458,290	473,492	503,217
Wastewater treatment and disposal	140,424	73,959	67,802
Waste management	96,778	102,989	82,780
Family and community support	48,871	92,259	57,465
Public health and welfare	9,260	8,067	15,898
Cemetery	17,450	9,413	3,645
Land use planning, zoning and development	5,000	796	2,870
Subdivision land development	25,000	23,883	72,377
Parks and recreation	402,621	446,973	421,476
Culture	121,791	122,425	135,255
Total Expenses	2,702,679	2,755,400	3,077,378
EXCESS (SHORTFALL) OF REVENUE OVER			
EXPENSES - BEFORE OTHER	642,479	775,004	277,729
OTHER			
Contributed assets	-	-	-
Local improvement taxes for capital	-	-	174,468
Government transfers for capital (Schedule 4)	409,116	568,320	-
EXCESS (SHORTFALL) OF REVENUE OVER EXPENSES	1,051,595	1,343,324	452,197
ACCUMULATED SURPLUS, BEGINNING OF YEAR	18,513,912	18,513,912	18,061,715
ACCUMULATED SURPLUS, END OF YEAR	19,565,507	19,857,236	18,513,912

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, 2017

	Budget (Unaudited)	2017	2016
	\$	\$	\$
EXCESS (SHORTFALL) OF REVENUES OVER EXPENSES	1,051,595	1,343,324	452,197
Acquisition of tangible capital assets	(3,149,700)	(2,012,655)	(398,740)
Contributed tangible capital assets	-	-	(6,000)
Proceeds on disposal of tangible capital assets	15,000	14,147	179,950
Amortization of tangible capital assets	502,602	540,679	511,618
Loss (gain) on sale of tangible capital assets	-	4,581	26,659
	(2,632,098)	(1,453,248)	313,487
Acquisition of supplies inventories	(118,200)	(151,040)	(191,932)
Acquisition of prepaid assets	(140,085)	(134,930)	(135,892)
Use of supplies inventories	118,200	151,040	191,932
Use of prepaid assets	140,085	136,964	140,122
	-	2,034	4,230
INCREASE (DECREASE) IN NET ASSETS (DEBT)	(1,580,503)	(107,890)	769,914
NET FINANCIAL ASSETS (DEBT), BEGINNING OF YEAR	6,125,363	6,125,363	5,355,449
NET FINANCIAL ASSETS (DEBT), END OF YEAR	4,544,860	6,017,473	6,125,363

See accompanying schedules and notes to the financial statements.

TOWN OF SPIRIT RIVER
CONSOLIDATED STATEMENT OF CASH FLOWS

For the Year Ended December 31, 2017

	2017	2016
	\$	\$
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING		
Excess (shortfall) of revenues over expenses	1,343,324	452,197
Non-cash items included in excess (shortfall) of revenues over expenses:		
Amortization of tangible capital assets	540,679	511,618
Loss (gain) on disposal of tangible capital assets	4,581	26,659
Contributed capital assets	-	-
Non-cash charges to operations (net change):		
Decrease (increase) in taxes and grants in lieu receivable	(30,543)	(31,364)
Decrease (increase) in from other government receivables	(535,010)	284,613
Decrease (increase) in trade and other receivables	915	(3,846)
Decrease (increase) in land held for resale	-	47,368
Decrease (increase) in other inventory held for resale	6,824	1,838
Decrease (increase) in other assets	(9,133)	2,233
Decrease (increase) in prepaid expenses	2,034	4,230
Increase (decrease) in accounts payable and accrued liabilities	191,450	(877)
Increase (decrease) in payable to other governments	(126,218)	159,921
Increase (decrease) in deposit liabilities	1,570	860
Increase (decrease) in deferred revenue	(19,365)	74,470
Increase (decrease) in employee benefit obligations	6,138	(19,768)
Increase (decrease) in other liabilities	(3,834)	3,834
Cash provided by operating transactions	1,373,412	1,513,986
CAPITAL		
Acquisition of tangible capital assets	(2,012,655)	(404,740)
Sale of tangible capital assets	14,147	179,950
Cash provided by (applied to) capital transactions	(1,998,508)	(224,790)
INVESTING		
Decrease (increase) in restricted cash or cash equivalents	11,190	(70,812)
Decrease (increase) in investments	(25,037)	360,051
Cash provided by (applied to) investing transactions	(13,847)	289,239
FINANCING		
Long-term debt issued	-	-
Long-term debt repaid	(80,794)	(360,171)
Cash provided by (applied to) financing transactions	(80,794)	(360,171)
CHANGE IN CASH AND EQUIVALENTS DURING THE YEAR	(719,737)	1,218,264
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	4,982,672	3,764,408
CASH AND CASH EQUIVALENTS, END OF YEAR	4,262,935	4,982,672
Cash and cash equivalents is made up of:		
Cash and temporary investments (Note 2)	4,792,386	5,523,313
Less: restricted portion of cash and temporary investments (Note 2)	(529,451)	(540,641)
	4,262,935	4,982,672

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, 2017

	Unrestricted Surplus	Restricted Surplus	Equity in Tangible Capital Assets	2017	2016
	\$	\$	\$	\$	\$
BALANCE, BEGINNING OF YEAR	4,109,833	2,380,767	12,023,312	18,513,912	18,061,715
Excess (deficiency) of revenues over expenses	1,343,324	-	-	1,343,324	452,197
Unrestricted funds designated for future use	(500,000)	500,000	-	-	-
Restricted funds used for operations	14,746	(14,746)	-	-	-
Restricted funds used for tangible capital assets	-	(425,059)	425,059	-	-
Current year funds used for tangible capital assets	(1,587,596)	-	1,587,596	-	-
Contributed tangible capital assets	-	-	-	-	-
Disposal of tangible capital assets	18,728	-	(18,728)	-	-
Annual amortization expense	540,679	-	(540,679)	-	-
Capital long-term debt repaid	(12,778)	-	12,778	-	-
CHANGE IN ACCUMULATED SURPLUS	(182,897)	60,195	1,466,026	1,343,324	452,197
BALANCE, END OF YEAR	3,926,936	2,440,962	13,489,338	19,857,236	18,513,912

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, 2017

	Land	Buildings	Engineered Structures	Machinery and Equipment	Vehicles	2017	2016
	\$	\$	\$	\$	\$	\$	\$
COST:							
BALANCE, BEGINNING OF YEAR	235,571	7,207,982	15,576,229	1,663,133	170,440	24,853,355	24,893,691
Acquisition of tangible capital assets	-	27,713	548,320	82,033	32,407	690,473	176,867
Construction-in-progress	-	1,322,182	-	-	-	1,322,182	227,873
Disposal of tangible capital assets	-	-	-	(27,544)	(22,915)	(50,459)	(445,076)
Write down of tangible capital assets	-	-	-	-	-	-	-
BALANCE, END OF YEAR	235,571	8,557,877	16,124,549	1,717,622	179,932	26,815,551	24,853,355
ACCUMULATED AMORTIZATION:							
BALANCE, BEGINNING OF YEAR	-	2,438,084	8,929,669	1,077,206	140,101	12,585,060	12,311,909
Annual amortization	-	116,989	370,147	40,894	12,649	540,679	511,618
Accumulated amortization on disposals	-	-	-	(8,816)	(22,915)	(31,731)	(238,467)
BALANCE, END OF YEAR	-	2,555,073	9,299,816	1,109,284	129,835	13,094,008	12,585,060
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	235,571	6,002,804	6,824,733	608,338	50,097	13,721,543	12,268,295
2016 NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	235,571	4,769,898	6,646,560	585,927	30,339	12,268,295	

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, 2017

	Budget (Unaudited)	2017	2016
	\$	\$	\$
TAXATION			
Real property taxes	1,464,011	1,448,819	1,440,789
Linear property taxes	73,889	72,224	78,629
Government grants in place of property taxes	28,902	31,418	28,900
Special assessments	29,150	29,300	29,150
Local improvement taxes	52,045	49,430	52,003
	1,647,997	1,631,191	1,629,471
REQUISITIONS			
Alberta School Foundation Fund	116,612	174,702	165,643
Grande Prairie R.C.S.S.D. #28	58,091	70,183	66,642
Grande Spirit Seniors Foundation	3,663	3,663	3,346
Adjustments to Requisition Transfers	(3,834)	(3,834)	2,233
	174,532	244,714	237,864
NET MUNICIPAL TAXES	1,473,465	1,386,477	1,391,607

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, 2017

	Budget (Unaudited)	2017	2016
	\$	\$	\$
TRANSFERS FOR OPERATING			
Federal Government	1,180	2,606	3,192
Provincial Government	58,753	69,440	59,283
Local Government	545,600	580,840	546,589
	605,533	652,886	609,064
TRANSFERS FOR CAPITAL			
Federal Government	-	-	-
Provincial Government	409,116	548,320	-
Local Government	-	20,000	-
	409,116	568,320	-
TOTAL GOVERNMENT TRANSFERS	1,014,649	1,221,206	609,064

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, 2017

	Budget (Unaudited)	2017	2016
	\$	\$	\$
CONSOLIDATED EXPENSES BY OBJECT			
Salaries, wages and benefits	922,575	901,867	819,557
Contracted and general services	527,267	542,429	563,297
Purchases from other governments	12,663	11,247	76,565
Materials, goods and utilities	491,500	565,583	663,314
Transfers to other governments	9,300	8,114	9,290
Transfers to central peace fire commission (Note 21)	70,000	15,000	192,451
Transfers to local boards and agencies	5,500	5,500	5,500
Transfers to individuals and organizations	47,100	44,949	48,025
Bank charges and short-term interest	1,350	1,603	1,601
Interest on long-term debt (Note 10)	98,122	39,789	96,594
Other expenditures	14,700	74,059	62,907
Loss on disposal of tangible capital assets	-	4,581	26,659
Amortization of tangible capital assets	502,602	540,679	511,618
	2,702,679	2,755,400	3,077,378

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, 2017

	General Government	Protective Services	Transportation Services	Environmental Services	Planning & Recreation Development & Culture	Other	Total 2017
	\$	\$	\$	\$	\$	\$	\$
REVENUE							
Net municipal taxes	1,307,747	-	23,952	25,478	-	29,300	- 1,386,477
User fees and sales of goods	9	-	-	898,485	-	109,681	1,900 1,010,075
Government transfers for operating	517,800	23,495	8,000	30,953	-	56,484	16,154 652,886
Penalties and costs on taxes	32,958	-	-	-	-	-	- 32,958
Licenses and permits	3,004	758	-	-	2,356	-	- 6,118
Fines	3,847	40	-	-	-	-	- 3,887
Franchise and concession contracts	149,147	-	-	-	-	-	- 149,147
Investment income	63,461	-	-	-	-	-	- 63,461
Rentals	-	-	1,500	-	-	5,567	15,882 22,949
Other revenues	22,035	15,200	10,076	22,290	-	64,783	68,062 202,446
Gain on disposal of tangible capital assets	-	-	-	-	-	-	- -
	2,100,008	39,493	43,528	977,206	2,356	265,815	101,998 3,530,404
EXPENSES							
Salaries, wages and benefits	230,607	-	283,941	122,746	-	197,929	66,644 901,867
Contracted and general services	253,179	4,974	44,014	193,483	796	43,135	542,429 2,848
Purchases from other governments	-	11,125	-	122	-	-	- 11,247
Materials, goods and utilities	37,127	250	184,136	173,296	-	148,080	22,694 565,583
Transfers to other governments	-	15,000	-	-	-	8,114	- 23,114
Transfers to local boards and agencies	-	-	-	-	-	5,500	- 5,500
Transfers to individuals and organizations	-	3,001	-	-	-	39,600	2,348 44,949
Bank charges and short-term interest	1,603	-	-	-	-	-	- 1,603
Interest on long-term debt	-	-	-	15,707	23,883	199	- 39,789
Other expenditures	30,356	17,647	-	-	-	25,478	578 74,059
Loss on disposal of tangible capital assets	-	-	4,581	-	-	-	- 4,581
	552,872	51,997	516,672	505,354	24,679	459,921	103,226 2,214,721
Net revenue before amortization and government transfers for capital	1,547,136	(12,504)	(473,144)	471,852	(22,323)	(194,106)	(1,228) 1,315,683
Amortization	(72)	-	(279,531)	(145,086)	-	(109,477)	(6,513) (540,679)
Contributed assets	-	-	-	-	-	-	- -
Local improvement taxes for capital	-	-	-	-	-	-	- -
Government transfers for capital	-	-	548,320	-	-	20,000	- 568,320
NET REVENUE (SHORTFALL)	1,547,064	(12,504)	(204,355)	326,766	(22,323)	(283,583)	(7,741) 1,343,324
2016 NET REVENUE (SHORTFALL)	1,556,612	(314,840)	(792,322)	335,327	(5,216)	(323,799)	(3,565) 452,197

See accompanying schedules and notes to the financial statements.

TOWN OF SPIRIT RIVER

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended December 31, 2017

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, 2017

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, 2017

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, 2017

2. CASH AND TEMPORARY INVESTMENTS

	2017	2016
	\$	\$
Cash	4,751,433	5,450,762
Temporary investments	40,953	72,551
	4,792,386	5,523,313

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

Included in cash and temporary investments are restricted amounts totalling \$376,894 (2016: \$389,321) received from the provincial government being held exclusively for specific projects and funds owing to other local governments of \$152,557 (2016: \$151,320) in conjunction with a government partnership and a specific project.

3. TAXES AND GRANTS IN PLACE OF TAXES RECEIVABLES

	2017	2016
	\$	\$
Current taxes and grants in place of taxes	177,164	110,396
Arrears taxes	54,565	90,790
	231,729	201,186
Less: Allowance for doubtful accounts	5,716	5,716
	226,013	195,470

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

For the Year Ended December 31, 2017

4. TRADE AND OTHER RECEIVABLES

	2017	2016
	\$	\$
Local improvement levies	1,311,427	1,400,839
Trade accounts	58,852	31,818
Accrued interest	3,068	3,410
Goods and services tax recoverable	84,804	12,359
Utility accounts	79,939	90,579
	1,538,090	1,539,005

Local improvement levies of \$93,268 are to be received in 2018 with the balance of \$1,218,159 to be received in the years 2019 to 2034.

5. INVESTMENTS

	2017		2016	
	Cost	Market Value	Cost	Market Value
	\$	\$	\$	\$
Debenture borrowing shares	10	10	10	10
Equity held in UFA	9,289	9,289	9,264	9,264
Public corporation bonds	135,988	157,285	109,476	110,988
Government and government guaranteed bonds	472,917	517,134	474,417	523,615
	618,204	683,718	593,167	643,877

Public corporation bonds have effective interest rates of 1.968% to 2.944% (2016: 2.364% to 4.95%) with maturity dates from July 25, 2019 to March 02, 2022. Government and government guaranteed bonds have effective interest rates of 1.50% to 5.6% (2016: 1.5% to 5.6%) with maturity dates from June 1, 2019 to December 1, 2048.

6. OTHER ASSETS

	2017	2016
	\$	\$
Alberta School Requisition under-levy	8,982	-
Grande Spirit Foundation under-levy	151	-
	9,133	-

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

For the Year Ended December 31, 2017

7. DEFERRED REVENUE

	2017	2016
	\$	\$
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
Municipal Sustainability Initiative - Operating	944	-
Alberta Health Services - Cancer care	40,429	49,601
Water/waste water - Capital 2009	211,357	211,357
	376,894	389,321
Local government transfer	28,778	26,639
Prepaid property tax charges	26,911	29,942
Prepaid utility charges	-	6,046
	432,583	451,948

Provincial funding as per above \$376,894 (2016: \$389,321) 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 \$376,894 (2016: \$389,321) held exclusively for these projects (refer to Note 2).

8. EMPLOYEE BENEFIT OBLIGATIONS

	2017	2016
	\$	\$
Sick pay benefits	9,918	10,841
Vacation and overtime	28,551	21,490
	38,469	32,331

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, 2017

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, 2017	3,575

10. LONG-TERM DEBT

	2017	2016
	\$	\$
Debentures:		
Supported by general tax levies - operating debt	488,696	538,586
Supported by special levies - operating debt	244,379	262,505
Supported by general tax levies - capital debt	-	-
Supported by utility rates - capital debt	232,205	244,983
	965,280	1,046,074
Current portion of long-term debt	55,353	80,795

Principal and interest repayments are as follows:

	Principal	Interest	Total
	\$	\$	\$
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
2022	58,270	28,088	86,358
Thereafter	677,552	137,755	815,307
	965,280	302,429	1,267,709

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 2021 through 2032. The average annual interest rate is 3.88% (2016: 3.81%). Debenture debt is issued on the credit and security of the TOWN OF SPIRIT RIVER at large.

Interest on long-term debt amounted to \$39,789 (2016: \$47,851). Penalties charged on debenture prepayments in 2016 amounted to \$48,743.

The TOWN's total cash payments for interest were \$40,627 (2016: \$53,581)

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

For the Year Ended December 31, 2017

11. OTHER LIABILITIES

	2017	2016
	\$	\$
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:

	2017	2016
	\$	\$
Total debt limit	5,325,606	5,294,363
Total debt	965,280	1,046,074
Amount of debt limit unused	4,360,326	4,248,289
Debt servicing limit	887,601	882,394
Debt servicing	93,229	121,422
Amount of debt servicing limit unused	794,372	760,972

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	2017	2016
	\$	\$
Land	235,571	235,571
Buildings	4,680,622	4,555,169
Buildings - construction-in-progress	1,322,182	214,729
Engineered Structures		
Airport pavement	46,398	61,867
Roadway system	3,147,099	2,818,481
Roadway system - construction-in-progress	8,664	13,144
Water distribution system	2,204,930	2,293,970
Wastewater treatment system	1,417,642	1,459,098
Machinery, equipment, and furnishings	608,338	585,927
Vehicles	50,097	30,339
	13,721,543	12,268,295

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

For the Year Ended December 31, 2017

14. EQUITY IN TANGIBLE CAPITAL ASSETS

	2017	2016
	\$	\$
Tangible capital assets (Schedule 2)	26,815,551	24,853,355
Accumulated amortization (Schedule 2)	(13,094,008)	(12,585,060)
Net Book Value	13,721,543	12,268,295
Long-term capital debt (Note 10)	(232,205)	(244,983)
	13,489,338	12,023,312

15. ACCUMULATED SURPLUS

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

	2017	2016
	\$	\$
Unrestricted surplus	3,926,936	4,109,833
Restricted surplus		
Tax rate stabilization	117,038	117,038
Administration	157,275	172,078
Roads, streets and equipment	1,229,438	757,150
Recreation and cultural facilities	937,211	1,334,501
Equity in tangible capital assets	13,489,338	12,023,312
	19,857,236	18,513,912

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, 2017

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)	2017 Total	2016 Total
Mayor:				
GEORGET, Allan	12,269	6,699	18,968	22,055
Councillors:				
BOOMGAARDEN, Terrance	2,872	1,614	4,486	7,041
EZIO, Harry	851	477	1,328	-
GLASSEL, Garth	-	-	-	4,681
PIKE, Paul	-	-	-	2,547
SELLIN, Hermann	5,496	2,965	8,461	9,273
SKOWORODKO, Denise	3,617	1,996	5,613	5,173
STANICH, Brenda	5,786	3,130	8,916	7,988
YAREMKO, Tammy	2,128	1,169	3,297	-
	33,019	18,050	51,069	58,758
Chief Administrative Officer:				
DEVEAU, Deedra	96,533	16,883	113,416	104,990
	129,552	34,933	164,485	163,748

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, 2017

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, 2017 audited financial statement:

	2017	2016
	\$	\$
Share of assets (25%)	43,510	41,560
Share of liabilities (25%)	-	-
	43,510	41,560
Total revenues	21,600	21,600
Total expenses	(13,803)	(11,155)
	7,797	10,445
Share of excess (shortfall) of revenue over expenses (25%)	1,949	2,611

19. COMMITMENTS

The Town of Spirit River entered into an 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 \$5,500,000. The Town's total commitment for this project is \$795,962 which equals 15% of \$4,048,129 and 13% of \$1,451,871. As of December 31, 2017 the Town has contributed \$652,453 (2016: \$240,514) towards the facility and has a remaining obligation of \$143,509 towards the construction of the building.

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, 2017

21. RELATED PARTY TRANSACTIONS

During the year, the TOWN OF SPIRIT RIVER paid \$0 (2016: \$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 forwarded a cash donation of \$15,000, recovered 2016 costs of \$13,494 (2016: \$0), made a capital cash contribution of \$0 (2016: \$26,902), transferred capital assets with a value of \$0 (2016: \$165,549) and paid \$0 (2016: \$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, 2017 the Town has an accounts payable to the Commission of \$1,480 (2016: \$32,482). 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.