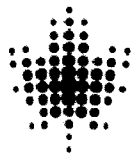
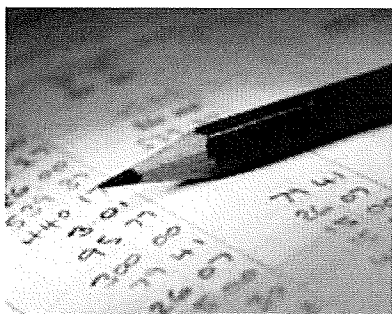


# SYLVAIN & COMPANY

**TOWN OF SPIRIT RIVER**

**Financial Statements**

**For the Year Ended December 31, 2018**



**CPA**

CHARTERED  
PROFESSIONAL  
ACCOUNTANTS

**TOWN OF SPIRIT RIVER**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
December 31, 2018

---

---

**CONTENTS**

---

	<u>Page</u>
Independent Auditor's Report	2 - 3
Consolidated Statement of Financial Position	4
Consolidated Statement of Operations	5
Consolidated Statement of Changes in Net Financial Assets (Debt)	6
Consolidated Statement of Cash Flows	7
Schedule 1 - Schedule of Changes in Accumulated Surplus	8
Schedule 2 - Schedule of Tangible Capital Assets	9
Schedule 3 - Schedule of Property and Other Taxes	10
Schedule 4 - Schedule of Government Transfers	11
Schedule 5 - Schedule of Consolidated Expenses by Object	12
Schedule 6 - Schedule of Segmented Disclosure	13
Notes to the Financial Statements	14 - 25

# SYLVAIN & COMPANY

## Chartered Professional Accountants

Michel A. Sylvain, CPA, CGA\*  
Jean R. Sylvain, CPA, CGA\*  
Karen D. Lambert, CPA, CGA\*

PO Box 5, 006 Central Ave NE  
Falher, Alberta T0H 1M0  
Telephone: (780) 837-2401  
Facsimile: (780) 837-3434  
Email: [sylvainco@telus.net](mailto:sylvainco@telus.net)

---

### INDEPENDENT AUDITOR'S REPORT

---

To the Members of Council TOWN OF SPIRIT RIVER

#### *Opinion*

We have audited the consolidated financial statements of the TOWN OF SPIRIT RIVER (the Municipality), which comprise the consolidated statement of financial position as at December 31, 2018, and the results of its operations, changes in net financial assets (debt) and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the TOWN OF SPIRIT RIVER as at December 31, 2018, 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.

#### *Basis for Opinion*

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Municipality in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

Management is responsible for the preparation and fair presentation of the consolidated 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.

In preparing the financial statements, management is responsible for assessing the Municipality's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Municipality's financial reporting process.

(continues)

SYLVAIN & COMPANY 2

**Independent Auditor's Report to Members of Council TOWN OF SPIRIT RIVER (continued)**

**Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

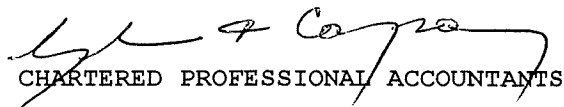
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Municipality's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Municipality's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Municipality to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

**Report on Other Legal and Regulatory Requirements**

- Debt Limit Regulation:  
In accordance with Alberta Regulation 255/2000, we confirm that the municipality is in compliance with the Debt Limit Regulation. A detailed account of the municipality's debt limit can be found in note 11.
- Supplementary Accounting Principles and Standards Regulation:  
In accordance with Alberta Regulation 313/2000, we confirm that the municipality is in compliance with the Supplementary Accounting Principles and Standards Regulation and note the information required can be found in note 16.

Falher, AB  
March 19, 2019

  
CHARTERED PROFESSIONAL ACCOUNTANTS

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

As at December 31, 2018

	2018	2017
<b>FINANCIAL ASSETS</b>	\$	\$
Cash and temporary investments (Note 2)	5,067,049	4,792,386
Receivables		
Taxes and grants in place of taxes (Note 3)	292,780	226,013
From other governments	14,809	602,874
Trade and other (Note 4)	1,375,543	1,538,090
Land inventory held for resale	446,961	446,961
Other inventory held for resale	25,067	18,046
Investments (Note 5)	637,104	618,204
Other assets (Note 6)	1,111	9,133
	<b>7,860,424</b>	<b>8,251,707</b>

**LIABILITIES**

Accounts payable and accrued liabilities	213,582	602,505
Payable to other governments	194,542	148,012
Deposit liabilities	43,790	43,810
Deferred revenue (Note 7)	662,070	432,583
Employee benefit obligations (Note 8)	30,764	38,469
Provision for landfill closure and post-closure costs (Note 9)	3,575	3,575
Long-term debt (Note 10)	909,926	965,280
	<b>2,058,249</b>	<b>2,234,234</b>

<b>NET FINANCIAL ASSETS (DEBT)</b>	<b>5,802,175</b>	<b>6,017,473</b>
------------------------------------	------------------	------------------

**NON-FINANCIAL ASSETS**

Tangible capital assets (Schedule 2, Note 12)	14,737,550	13,721,543
Prepaid expenses	128,695	118,220
	<b>14,866,245</b>	<b>13,839,763</b>

<b>ACCUMULATED SURPLUS (Schedule 1, Note 14)</b>	<b>20,668,420</b>	<b>19,857,236</b>
--	-------------------	-------------------

Commitments and Contingencies - See Note 18 and 19

See accompanying schedules and notes to the financial statements.

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

For the Year Ended December 31, 2018

	Budget (Unaudited)	2018	2017
REVENUE	\$	\$	\$
Net municipal taxes (Schedule 3)	1,390,056	1,402,288	1,386,477
User fees and sales of goods	1,049,840	976,918	1,010,075
Government transfers for operating (Schedule 4)	693,188	741,205	652,886
Penalties and costs on taxes	33,000	44,368	32,958
Licenses and permits	5,400	4,278	6,118
Fines	3,900	1,661	3,887
Franchise and concession contracts	158,000	135,790	149,147
Investment income	64,954	96,711	63,461
Rentals	21,000	17,812	22,949
Other revenues	73,900	86,362	202,446
Gain on disposal of tangible capital assets	-	-	-
<b>Total Revenue</b>	<b>3,493,238</b>	<b>3,507,393</b>	<b>3,530,404</b>
<b>EXPENSES</b> (Schedule 5 - By Object)			
Council and legislative	80,440	74,259	80,895
Administration	465,414	445,445	472,049
Fire fighting and protective services	175,541	178,833	35,832
Disaster services	16,125	14,568	16,125
Bylaws enforcement	-	-	40
Roads, streets, walks, lighting	726,612	831,535	757,106
Airport	44,102	48,099	39,097
Water supply and distribution	526,025	514,562	473,492
Wastewater treatment and disposal	127,775	92,542	73,959
Waste management	103,163	105,281	102,989
Family and community support	81,475	101,854	92,259
Public health and welfare	3,130	59,897	8,067
Cemetery	18,159	13,735	9,413
Land use planning, zoning and development	1,000	30,689	796
Subdivision land development	23,800	22,704	23,883
Parks and recreation	465,836	417,270	446,973
Culture	93,117	131,383	122,425
<b>Total Expenses</b>	<b>2,951,714</b>	<b>3,082,656</b>	<b>2,755,400</b>
<b>EXCESS (SHORTFALL) OF REVENUE OVER EXPENSES - BEFORE OTHER</b>	<b>541,524</b>	<b>424,737</b>	<b>775,004</b>
<b>OTHER</b>			
Local improvement taxes for capital	257,076	-	-
Government transfers for capital (Schedule 4)	643,077	386,447	568,320
<b>EXCESS (SHORTFALL) OF REVENUE OVER EXPENSES</b>	<b>1,441,677</b>	<b>811,184</b>	<b>1,343,324</b>
<b>ACCUMULATED SURPLUS, BEGINNING OF YEAR</b>	<b>19,857,236</b>	<b>19,857,236</b>	<b>18,513,912</b>
<b>ACCUMULATED SURPLUS, END OF YEAR</b>	<b>21,298,913</b>	<b>20,668,420</b>	<b>19,857,236</b>

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, 2018

	Budget (Unaudited)	2018	2017
	\$	\$	\$
<b>EXCESS (SHORTFALL) OF REVENUES OVER EXPENSES</b>	1,441,677	811,184	1,343,324
Acquisition of tangible capital assets	(2,237,729)	(1,628,199)	(2,012,655)
Contributed tangible capital assets	-	-	-
Proceeds on disposal of tangible capital assets	-	-	14,147
Amortization of tangible capital assets	506,514	612,192	540,679
Loss (gain) on sale of tangible capital assets	-	-	4,581
	(1,731,215)	(1,016,007)	(1,453,248)
Acquisition of supplies inventories	(140,470)	(90,270)	(151,040)
Acquisition of prepaid assets	(136,795)	(150,025)	(134,930)
Use of supplies inventories	140,470	90,270	151,040
Use of prepaid assets	136,795	139,550	136,964
	-	(10,475)	2,034
<b>INCREASE (DECREASE) IN NET ASSETS (DEBT)</b>	(289,538)	(215,298)	(107,890)
<b>NET FINANCIAL ASSETS (DEBT), BEGINNING OF YEAR</b>	6,017,473	6,017,473	6,125,363
<b>NET FINANCIAL ASSETS (DEBT), END OF YEAR</b>	5,727,935	5,802,175	6,017,473

See accompanying schedules and notes to the financial statements.

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

For the Year Ended December 31, 2018

	2018	2017 (Note 23)
<b>NET INFLOW (OUTFLOW) OF CASH RELATED TO FOLLOWING ACTIVITIES:</b>	<b>\$</b>	<b>\$</b>
<b>OPERATING</b>		
Excess (shortfall) of revenues over expenses	811,184	1,343,324
Non-cash items included in excess (shortfall) of revenues over expenses:		
Amortization of tangible capital assets	612,192	540,679
Loss (gain) on disposal of tangible capital assets	-	4,581
Non-cash charges to operations (net change):		
Decrease (increase) in taxes and grants in lieu receivable	(66,767)	(30,543)
Decrease (increase) in from other government receivables	588,065	(535,010)
Decrease (increase) in trade and other receivables	162,547	915
Decrease (increase) in land held for resale	-	-
Decrease (increase) in other inventory held for resale	(7,021)	6,824
Decrease (increase) in other assets	8,022	(9,133)
Decrease (increase) in prepaid expenses	(10,475)	2,034
Increase (decrease) in accounts payable and accrued liabilities	(388,923)	191,450
Increase (decrease) in payable to other governments	46,530	(126,218)
Increase (decrease) in deposit liabilities	(20)	1,570
Increase (decrease) in deferred revenue	229,487	(19,365)
Increase (decrease) in employee benefit obligations	(7,705)	6,138
Increase (decrease) in other liabilities	-	(3,834)
Cash provided by operating transactions	1,977,116	1,373,412
<b>CAPITAL</b>		
Acquisition of tangible capital assets	(1,628,199)	(2,012,655)
Sale of tangible capital assets	-	14,147
Cash provided by (applied to) capital transactions	(1,628,199)	(1,998,508)
<b>INVESTING</b>		
Decrease (increase) in restricted cash or cash equivalents	443,158	(30,984)
Decrease (increase) in investments	(18,900)	(25,037)
Cash provided by (applied to) investing transactions	424,258	(56,021)
<b>FINANCING</b>		
Long-term debt issued	-	-
Long-term debt repaid	(55,354)	(80,794)
Cash provided by (applied to) financing transactions	(55,354)	(80,794)
<b>CHANGE IN CASH AND CASH EQUIVALENTS DURING THE YEAR</b>	<b>717,821</b>	<b>(761,911)</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<b>2,741,846</b>	<b>3,503,757</b>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<b>3,459,667</b>	<b>2,741,846</b>
<b>Cash and cash equivalents is made up of:</b>		
Cash and temporary investments (Note 2)	5,067,049	4,792,386
Less: restricted portion of cash and temporary investments (Note 2)	(1,607,382)	(2,050,540)
	3,459,667	2,741,846
<b>Cash flows supplementary information:</b>		
Interest received	100,396	68,926
Interest paid	37,876	40,627

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, 2018

	Unrestricted Surplus	Restricted Surplus	Equity in Tangible Capital Assets	2018	2017
	\$	\$	\$	\$	\$
<b>BALANCE, BEGINNING OF YEAR</b>	<b>3,926,936</b>	<b>2,440,962</b>	<b>13,489,338</b>	<b>19,857,236</b>	<b>18,513,912</b>
Excess (deficiency) of revenues over expenses	811,184	-	-	811,184	1,343,324
Unrestricted funds designated for future use	(500,000)	500,000	-	-	-
Restricted funds used for operations	5,850	(5,850)	-	-	-
Restricted funds used for tangible capital assets	-	(1,096,659)	1,096,659	-	-
Current year funds used for tangible capital assets	(531,540)	-	531,540	-	-
Contributed tangible capital assets	-	-	-	-	-
Disposal of tangible capital assets	-	-	-	-	-
Annual amortization expense	612,192	-	(612,192)	-	-
Capital long-term debt repaid	(13,198)	-	13,198	-	-
<b>CHANGE IN ACCUMULATED SURPLUS</b>	<b>384,488</b>	<b>(602,509)</b>	<b>1,029,205</b>	<b>811,184</b>	<b>1,343,324</b>
<b>BALANCE, END OF YEAR</b>	<b>4,311,424</b>	<b>1,838,453</b>	<b>14,518,543</b>	<b>20,668,420</b>	<b>19,857,236</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, 2018

	Land	Buildings	Engineered Structures	Machinery and Equipment	Vehicles	2018	2017
	\$	\$	\$	\$	\$	\$	\$
<b>COST:</b>							
BALANCE, BEGINNING OF YEAR	235,571	8,557,877	16,124,549	1,717,622	179,932	26,815,551	24,853,355
Acquisition of tangible capital assets	-	1,149,906	371,638	32,844	59,002	1,613,390	690,473
Construction-in-progress	-	-	14,809	-	-	14,809	1,322,182
Disposal of tangible capital assets	-	-	-	(3,956)	-	(3,956)	(50,459)
Write down of tangible capital assets	-	-	-	-	-	-	-
BALANCE, END OF YEAR	235,571	9,707,783	16,510,996	1,746,510	238,934	28,439,794	26,815,551
<b>ACCUMULATED AMORTIZATION:</b>							
BALANCE, BEGINNING OF YEAR	-	2,555,073	9,299,816	1,109,284	129,835	13,094,008	12,585,060
Annual amortization	-	170,897	383,671	42,206	15,418	612,192	540,679
Accumulated amortization on disposals	-	-	-	(3,956)	-	(3,956)	(31,731)
BALANCE, END OF YEAR	-	2,725,970	9,683,487	1,147,534	145,253	13,702,244	13,094,008
<b>NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS</b>	<b>235,571</b>	<b>6,981,813</b>	<b>6,827,509</b>	<b>598,976</b>	<b>93,681</b>	<b>14,737,550</b>	<b>13,721,543</b>
2017 NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	235,571	6,002,804	6,824,733	608,338	50,097	13,721,543	

See accompanying schedules and notes to the financial statements.

**TOWN OF SPIRIT RIVER**  
**SCHEDULE OF PROPERTY AND OTHER TAXES**

**Schedule 3**

For the Year Ended December 31, 2018

	Budget (Unaudited)	2018	2017
	\$	\$	\$
<b>TAXATION</b>			
Real property taxes	1,457,512	1,495,682	1,448,819
Linear property taxes	73,117	74,835	72,224
Government grants in place of property taxes	31,000	17,576	31,418
Special assessments	29,300	29,300	29,300
Local improvement taxes	49,430	44,280	49,430
	1,640,359	1,661,673	1,631,191
<b>REQUISITIONS</b>			
Alberta School Foundation Fund	175,577	175,526	174,702
Grande Prairie R.C.S.S.D. #28	70,645	70,645	70,183
Grande Spirit Seniors Foundation	3,964	3,964	3,663
Designated Industrial Property	117	117	-
Adjustments to Requisition Transfers	-	9,133	(3,834)
	250,303	259,385	244,714
<b>NET MUNICIPAL TAXES</b>	1,390,056	1,402,288	1,386,477

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, 2018

	Budget (Unaudited)	2018	2017
	\$	\$	\$
<b>TRANSFERS FOR OPERATING</b>			
Federal Government	2,650	8,160	2,606
Provincial Government	69,938	120,454	69,440
Local Government	620,600	612,591	580,840
	693,188	741,205	652,886
<b>TRANSFERS FOR CAPITAL</b>			
Federal Government	-	-	-
Provincial Government	643,077	287,856	548,320
Local Government	-	98,591	20,000
	643,077	386,447	568,320
<b>TOTAL GOVERNMENT TRANSFERS</b>	1,336,265	1,127,652	1,221,206

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, 2018

	Budget (Unaudited)	2018	2017
	\$	\$	\$
<b>CONSOLIDATED EXPENSES BY OBJECT</b>			
Salaries, wages and benefits	938,203	891,202	901,867
Contracted and general services	578,054	723,075	542,429
Purchases from other governments	12,625	9,567	11,247
Purchase from central peace fire commission (Note 20)	172,541	175,901	15,000
Materials, goods and utilities	577,370	531,079	565,583
Transfers to other governments	9,000	10,923	8,114
Transfers to local boards and agencies	5,500	5,500	5,500
Transfers to individuals and organizations	47,100	42,804	44,949
Bank charges and short-term interest	1,550	1,656	1,603
Interest on long-term debt (Note 10)	69,757	37,238	39,789
Other expenditures	33,500	41,519	74,059
Loss on disposal of tangible capital assets	-	-	4,581
Amortization of tangible capital assets	506,514	612,192	540,679
	2,951,714	3,082,656	2,755,400

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, 2018

	General Government	Protective Services	Transportation Services	Environmental Services	Planning & Development	Recreation & Culture	Other	Total 2018
	\$	\$	\$	\$	\$	\$	\$	\$
<b>REVENUE</b>								
Net municipal taxes	1,328,707	-	20,830	23,451	-	29,300	-	1,402,288
User fees and sales of goods	141	-	-	893,496	-	82,481	800	976,918
Government transfers for operating	519,937	10,000	16,960	40,000	30,074	44,200	80,034	741,205
Penalties and costs on taxes	44,368	-	-	-	-	-	-	44,368
Licenses and permits	2,841	737	-	-	700	-	-	4,278
Fines	1,586	75	-	-	-	-	-	1,661
Franchise and concession contracts	135,790	-	-	-	-	-	-	135,790
Investment income	96,711	-	-	-	-	-	-	96,711
Rentals	-	-	1,200	-	-	4,154	12,458	17,812
Other revenues	7,789	-	3,366	1,453	-	69,313	4,441	86,362
	2,137,870	10,812	42,356	958,400	30,774	229,448	97,733	3,507,393
<b>EXPENSES</b>								
Salaries, wages and benefits	208,233	-	290,385	140,920	-	180,177	71,487	891,202
Contracted and general services	275,918	4,675	76,000	279,734	30,689	47,207	8,852	723,075
Purchases from other governments	-	185,468	-	-	-	-	-	185,468
Materials, goods and utilities	30,129	258	215,639	132,110	-	127,693	25,250	531,079
Transfers to other governments	-	-	-	-	-	-	10,923	10,923
Transfers to local boards and agencies	-	-	-	-	-	5,500	-	5,500
Transfers to individuals and organizations	-	3,000	-	-	-	39,600	204	42,804
Bank charges and short-term interest	1,656	-	-	-	-	-	-	1,656
Interest on long-term debt	-	-	-	14,534	22,704	-	-	37,238
Other expenditures	3,696	-	-	-	-	-	37,823	41,519
	519,632	193,401	582,024	567,298	53,393	400,177	154,539	2,470,464
<b>Net revenue before amortization and government transfers for capital</b>	1,618,238	(182,589)	(539,668)	391,102	(22,619)	(170,729)	(56,806)	1,036,929
Amortization	(72)	-	(297,610)	(145,087)	-	(148,476)	(20,947)	(612,192)
Gain (loss) on disposal of tangible capital	-	-	-	-	-	-	-	-
Local improvement taxes for capital	-	-	-	-	-	-	-	-
Government transfers for capital	-	-	374,281	12,166	-	-	-	386,447
<b>NET REVENUE (SHORTFALL)</b>	1,618,166	(182,589)	(462,997)	258,181	(22,619)	(319,205)	(77,753)	811,184
2017 NET REVENUE (SHORTFALL)	1,547,064	(12,504)	(204,355)	326,766	(22,323)	(283,583)	(7,741)	1,343,324

See accompanying schedules and notes to the financial statements.

# **TOWN OF SPIRIT RIVER**

## **NOTES TO THE FINANCIAL STATEMENTS**

For the Year Ended December 31, 2018

---

### **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, 2018

---

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

---

#### **d) Cash and Temporary Investments**

Cash and cash equivalents consists of cash on hand, balances with banks, deposits and bonds with an original maturity date of purchase of three months or less. Because of the short term maturity of these investments, their carrying value approximates fair value.

#### **e) 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.

#### **f) 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.

#### **g) 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.

#### **h) 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.

#### **i) 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.

#### **j) Landfill Closure and Post-Closure Liability**

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



# TOWN OF SPIRIT RIVER

## NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended December 31, 2018

---

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

---

#### k) 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.

#### l) 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.

#### m) 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.

# TOWN OF SPIRIT RIVER

## NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended December 31, 2018

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

#### 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.

### 2. CASH AND TEMPORARY INVESTMENTS

	2018	2017
	\$	\$
Cash	5,049,067	4,751,433
Temporary investments	17,982	40,953
	5,067,049	4,792,386

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

Council has designated funds of \$1,151,995 (2017: \$1,715,019) included in the above amounts for capital asset replacement (Note 14)

Included in cash and temporary investments are restricted amounts of \$455,387 (2017: \$335,521) received from the provincial government being held exclusively for capital projects. (Note 7).

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

	2018	2017
	\$	\$
Current taxes and grants in place of taxes	156,356	177,164
Arrears taxes	142,140	54,565
	298,496	231,729
Less: Allowance for doubtful accounts	5,716	5,716
	292,780	226,013

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

For the Year Ended December 31, 2018

**4. TRADE AND OTHER RECEIVABLES**

	2018	2017
	\$	\$
Local improvement levies	1,208,930	1,311,427
Trade accounts	51,966	58,852
Accrued interest	2,477	3,068
Goods and services tax recoverable	33,477	84,804
Utility accounts	78,693	79,939
	<b>1,375,543</b>	<b>1,538,090</b>

Local improvement levies of \$96,622 are to be received in 2019 with the balance of \$1,278,921 to be received in the years 2020 to 2034.

**5. INVESTMENTS**

	2018		2017	
	Cost	Market Value	Cost	Market Value
	\$	\$	\$	\$
Debenture borrowing shares	10	10	10	10
Equity held in UFA	9,289	9,289	9,289	9,289
Public corporation bonds	135,904	134,240	135,988	157,285
Government and government guaranteed bonds	491,901	529,439	472,917	517,134
	<b>637,104</b>	<b>672,978</b>	<b>618,204</b>	<b>683,718</b>

Public corporation bonds have effective interest rates of 1.968% to 2.944% (2017: 1.968% to 2.944%) with maturity dates from July 25, 2019 to March 02, 2022. Government and government guaranteed bonds have effective interest rates of 1.0% to 5.6% (2017: 1.5% to 5.6%) with maturity dates from June 1, 2019 to December 1, 2048.

Council has designated funds of \$627,805 (2017: \$608,905) included in the above amounts for capital asset replacement (Note 14)

**6. OTHER ASSETS**

	2018	2017
	\$	\$
Alberta School Foundation under-levy	1,111	8,982
Grande Spirit Foundation under-levy	-	151
	<b>1,111</b>	<b>9,133</b>

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

For the Year Ended December 31, 2018

**7. DEFERRED REVENUE**

	2018	2017
	\$	\$
Provincial government transfers		
Basic Municipal Transportation - Capital	-	96,252
Federal Gas Tax Fund - Capital	-	27,912
Water or waste water - Capital	211,357	211,357
Municipal Sustainability Initiative - Capital	244,030	-
Municipal Sustainability Initiative - Operating	-	944
Alberta Community Partnership - Operating	124,926	-
Alberta Health Services - Operating	27,381	40,429
	607,694	376,894
Local government transfer	25,000	28,778
Prepaid property tax charges	29,376	26,911
	662,070	432,583

Provincial funding as per above \$607,694 (2017: \$376,894) remain unspent at year-end. The use of these funds is restricted to eligible projects as approved under the funding agreements. Unexpended capital funds related to the advance are supported by cash and temporary investments of \$455,387 (2017: \$335,521) held exclusively for these capital projects (refer to Note 2).

**8. EMPLOYEE BENEFIT OBLIGATIONS**

	2018	2017
	\$	\$
Sick pay benefits	8,119	9,918
Vacation and overtime	22,645	28,551
	30,764	38,469

**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, 2018

#### 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, 2018	3,575

#### 10. LONG-TERM DEBT

	2018	2017
	\$	\$
Debentures:		
Supported by general tax levies - operating debt	463,475	488,696
Supported by special levies - operating debt	227,444	244,379
Supported by utility rates - capital debt	219,007	232,205
	909,926	965,280
Current portion of long-term debt	57,759	55,353

Principal and interest repayments are as follows:

	Principal	Interest	Total
	\$	\$	\$
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
2023	60,569	25,789	86,358
Thereafter	616,982	111,967	728,949
	909,926	264,554	1,174,480

Debenture debt is repayable to Alberta Capital Finance Authority and bears interest at rates ranging from 2.947% to 8.375% per annum and matures in periods 2021 through 2032. The average annual interest rate is 3.92% (2017: 3.88%). Debenture debt is issued on the credit and security of the TOWN OF SPIRIT RIVER at large.

Interest on long-term debt amounted to \$37,238 (2017: \$39,789).

The TOWN's total cash payments for interest were \$37,876 (2017: \$40,627)

## TOWN OF SPIRIT RIVER

### NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended December 31, 2018

#### 11. DEBT LIMITS

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

	2018	2017
	\$	\$
Total debt limit	5,408,976	5,325,606
Total debt	909,926	965,280
Amount of debt limit unused	4,499,050	4,360,326
Debt servicing limit	901,496	887,601
Debt servicing	93,229	93,229
Amount of debt servicing limit unused	808,267	794,372

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

#### 12. TANGIBLE CAPITAL ASSETS

Net Book Value	2018	2017
	\$	\$
Land	235,571	235,571
Buildings	6,981,813	4,680,622
Buildings - construction-in-progress	-	1,322,182
Engineered Structures		
Airport pavement	30,929	46,398
Roadway system	3,281,032	3,147,099
Roadway system - construction-in-progress	11,308	8,664
Water distribution system	2,115,889	2,204,930
Water distribution system - construction-in-progress	6,083	-
Wastewater treatment system	1,376,185	1,417,642
Wastewater treatment system - construction-in-progress	6,083	-
Machinery, equipment, and furnishings	598,976	608,338
Vehicles	93,681	50,097
	14,737,550	13,721,543

**TOWN OF SPIRIT RIVER****NOTES TO THE FINANCIAL STATEMENTS**For the Year Ended December 31, 2018

---

**13. EQUITY IN TANGIBLE CAPITAL ASSETS**

---

	2018	2017
	\$	\$
Tangible capital assets (Schedule 2)	28,439,794	26,815,551
Accumulated amortization (Schedule 2)	(13,702,244)	(13,094,008)
Net Book Value	14,737,550	13,721,543
Long-term capital debt (Note 10)	(219,007)	(232,205)
	14,518,543	13,489,338

---

**14. ACCUMULATED SURPLUS**

---

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

	2018	2017
	\$	\$
Unrestricted surplus	4,311,424	3,926,936
Restricted surplus - Operating		
Tax rate stabilization	58,653	117,038
Restricted surplus - Capital		
Administration	142,208	157,275
Roads, streets and equipment	1,637,592	1,229,438
Recreation and cultural facilities	-	937,211
Equity in tangible capital assets	14,518,543	13,489,338
	20,668,420	19,857,236

---

**15. SEGMENTED DISCLOSURE**

---

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

Refer to the Schedule of Segmented Disclosure (schedule 6)

# TOWN OF SPIRIT RIVER

## NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended December 31, 2018

### 16. SALARY AND BENEFITS DISCLOSURE

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

	Salary(1)	Benefits & Allowances(2)	2018 Total	2017 Total
Mayor:				
GEORGET, Allan	11,346	6,572	17,918	18,968
Councillors:				
BOOMGAARDEN, Terrance	-	-	-	4,486
EZIO, Harry	4,581	2,404	6,985	1,328
LABRECQUE, Dallas	2,049	1,140	3,189	-
SELLIN, Hermann	4,870	2,760	7,630	8,461
SKOWORODKO, Denise	2,847	1,637	4,484	5,613
STANICH, Brenda	3,571	2,073	5,644	8,916
YAREMKO, Tammy	5,195	2,843	8,038	3,297
	34,459	19,429	53,888	51,069
Chief Administrative Officer:				
DEVEAU, Deedra	102,738	17,380	120,118	113,416
	137,197	36,809	174,006	164,485

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, 2018

#### 17. GOVERNMENT PARTNERSHIP

A Co-Owners agreement between the Village of Rycroft, Town of Spirit River, Municipal District of Spirit River No. 133 and Birch Hills County was made the 1st day of February, 2004. Each Co-Owner is the registered owner of an undivided 25% tenancy-in-common interest in the property of the Central Peace Medical Clinic. The primary purpose of this agreement is to provide and maintain a building to rent to the doctors whereby they can provide medical services to local residents. This investment is accounted for by the proportionate consolidation method. The following information was taken from the December 31, 2018 audited financial statement:

	2018	2017
	\$	\$
Share of assets (25%)	38,581	43,510
Share of liabilities (25%)	(525)	-
	38,056	43,510
Total revenues	7,200	21,600
Total expenses	(29,014)	(13,803)
	(21,814)	7,797
Share of excess (shortfall) of revenue over expenses (25%)	(5,454)	1,949

#### 18. COMMITMENTS

The Town of Spirit River, Saddle Hills County, Birch Hills County, Municipal District of Spirit River #133 and the Village of Rycroft are members of the Central Peace Medical Services Corporation formed to operate the newly constructed medical clinic. The municipal partners of the government partnership (Note 17) have agreed to transfer all its assets to the Central Peace Medical Services Corporation in 2019. The Town's total commitment in regards to this transfer is \$38,056.

#### 19. 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, 2018

---

#### **20. RELATED PARTY TRANSACTIONS**

---

During the year, the TOWN OF SPIRIT RIVER paid \$175,901 (2017: \$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.

During the year, the TOWN OF SPIRIT RIVER forwarded a cash donation of \$0 (2017: \$15,000) and recovered costs of \$0 (2017: \$13,494) to the Central Peace Fire and Rescue Commission which it is a member of. As at December 31, 2018 the Town has an accounts payable to the Commission of \$0 (2017: \$1,480). 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.

#### **21. 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.

#### **22. APPROVAL OF FINANCIAL STATEMENTS**

---

Council and Management have approved these financial statements.

#### **23. COMPARATIVE FIGURES**

---

Certain comparative figures have been reclassified to correspond with the current year presentation.