

TOWN OF SPIRIT RIVER
Consolidated Financial Statements
For the Year Ended December 31, 2022

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

To the Members of Council of Town of Spirit River

The integrity, relevance and comparability of the data in the accompanying consolidated financial statements are the responsibility of management.

The consolidated financial statements are prepared by management in accordance with Canadian public sector accounting standards. They necessarily include some amounts that are based on the best estimates and judgements of management.

To assist in its responsibility, management maintains accounting, budget and other controls to provide reasonable assurance that transactions are appropriately authorized, that assets are properly accounted for and safeguarded, and that financial records are reliable for preparation of consolidated financial statements.

JDP Wasserman LLP have been appointed by the Members of Council of Town of Spirit River to express an opinion on the consolidated financial statements.

Steve Jack
Chief Administrative Officer

Spirit River, AB
June 20, 2023



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INDEPENDENT AUDITORS' REPORT

To the Members of Council of Town of Spirit River

Opinion

We have audited the consolidated financial statements of Town of Spirit River (the "Town"), which comprise the consolidated statement of financial position as at December 31, 2022, and the consolidated statements of operations and accumulated surplus, changes in net financial assets 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 as at December 31, 2022, and the results of its operations, changes in net financial assets and 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 *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Town in accordance with ethical requirements that are relevant to our audit of 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 Consolidated 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 consolidated financial statements, management is responsible for assessing the Town'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 liquidate the Town or to cease operations, or has no realistic alternative but to do so.

Those charged with governance (Members of Council) are responsible for overseeing the Town's financial reporting process.

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Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 consolidated 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 consolidated 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 Town'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 Town's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated 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 auditors' report. However, future events or conditions may cause the Town to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated 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.

Edmonton, Alberta
June 20, 2023

**JDP Wasserman
LLP**
Chartered Professional Accountants

TOWN OF SPIRIT RIVER
Consolidated Statement of Financial Position
As at December 31, 2022

	2022	2021
FINANCIAL ASSETS		
Cash and cash equivalents <i>(Note 2)</i>	\$ 3,305,300	\$ 5,907,671
Accounts receivable <i>(Note 3)</i>	3,287,417	2,857,703
Land held for resale	395,839	395,839
Other inventory held for resale	36,816	52,508
Investments <i>(Note 4)</i>	2,132,422	630,067
	9,157,794	9,843,788
LIABILITIES		
Accounts payable and accrued liabilities <i>(Note 5)</i>	986,854	1,505,521
Deposit liabilities	45,890	45,310
Deferred revenue <i>(Note 6)</i>	1,420,414	1,621,684
Long-term debt <i>(Note 7)</i>	677,550	735,821
	3,130,708	3,908,336
NET FINANCIAL ASSETS	6,027,086	5,935,452
NON-FINANCIAL ASSETS		
Prepaid expenses	101,821	105,426
Tangible capital assets <i>(Schedule 1)</i>	21,259,205	20,348,149
	21,361,026	20,453,575
ACCUMULATED SURPLUS <i>(Note 9)</i>	\$ 27,388,112	\$ 26,389,027

CONTINGENCY *(Note 16)*

ON BEHALF OF COUNCIL:

_____ Mayor

_____ Councillor

TOWN OF SPIRIT RIVER
Consolidated Statement of Operations and Accumulated Surplus
For the Year Ended December 31, 2022

	2022 (Budget) <i>(Note 13)</i>	2022 (Actual)	2021 (Actual)
REVENUES			
Net municipal property taxes <i>(Schedule 3)</i>	\$ 1,164,640	\$ 1,153,204	\$ 1,384,470
User fees and sales of goods	926,600	994,679	970,385
Government transfers for operating <i>(Schedule 4)</i>	620,300	612,949	672,996
Franchise and concession contracts <i>(Note 11)</i>	143,000	169,698	142,884
Investment income	47,000	139,293	44,010
Other revenues	10,050	61,364	18,631
Penalties and costs on taxes	62,000	51,452	61,999
Rentals	19,500	33,241	18,906
Licenses and permits	5,050	16,473	5,505
Fines	1,600	110	1,678
	<u>2,999,740</u>	<u>3,232,463</u>	<u>3,321,464</u>
EXPENSES			
Roads, streets, walks, lighting	546,270	937,698	837,500
Water supply and distribution	476,303	534,510	509,529
General administration	463,742	528,738	508,760
Parks and recreation	254,194	375,063	309,045
Fire fighting and protective services	193,752	193,051	181,862
Waste management	123,811	143,680	119,122
Culture	84,046	139,070	107,395
Wastewater treatment and disposal	85,590	105,522	80,167
Council and legislative	91,300	102,220	72,118
Other public health and welfare	7,315	38,450	26,923
Family and community support services	10,114	36,539	48,817
Subdivision land and development	20,000	28,543	70,712
Airport	38,874	28,278	28,556
Disaster and emergency services	13,500	13,760	13,368
Bylaw enforcement	10,250	12,640	-
Cemetery	19,126	9,632	12,529
Land use planning, zoning and development	1,045	1,936	1,045
	<u>2,439,232</u>	<u>3,229,330</u>	<u>2,927,448</u>
ANNUAL SURPLUS BEFORE OTHER	<u>560,508</u>	<u>3,133</u>	<u>394,016</u>
OTHER REVENUES (EXPENSES)			
Government transfers for capital <i>(Schedule 4)</i>	910,000	995,952	3,457,758
Loss on disposal of tangible capital assets	-	-	(2,271)
	<u>910,000</u>	<u>995,952</u>	<u>3,455,487</u>
ANNUAL SURPLUS	1,470,508	999,085	3,849,503
ACCUMULATED SURPLUS - TO BEGIN YEAR	<u>26,389,027</u>	<u>26,389,027</u>	<u>22,539,524</u>
ACCUMULATED SURPLUS - END OF YEAR	<u>\$ 27,859,535</u>	<u>\$ 27,388,112</u>	<u>\$ 26,389,027</u>

The accompanying notes form an integral part of these consolidated financial statements.
JDP Wasserman LLP /// Chartered Professional Accountants

TOWN OF SPIRIT RIVER
Consolidated Statement of Changes in Net Financial Assets
For the Year Ended December 31, 2022

	2022 (Budget) (Note 13)	2022 (Actual)	2021 (Actual)
ANNUAL SURPLUS	\$ 1,470,508	\$ 999,085	\$ 3,849,503
Amortization of tangible capital assets	161,592	676,908	663,199
Purchase of tangible capital assets	(991,946)	(1,587,964)	(4,886,860)
Proceeds on disposal of tangible capital assets	-	-	24,811
Loss on disposal of tangible capital assets	-	-	2,271
Use of prepaid expenses	-	3,605	6,906
	<u>(830,354)</u>	<u>(907,451)</u>	<u>(4,189,673)</u>
INCREASE (DECREASE) IN NET FINANCIAL ASSETS	640,154	91,634	(340,170)
NET FINANCIAL ASSETS - BEGINNING OF YEAR	<u>5,935,452</u>	<u>5,935,452</u>	<u>6,275,622</u>
NET FINANCIAL ASSETS - END OF YEAR	<u>\$ 6,575,606</u>	<u>\$ 6,027,086</u>	<u>\$ 5,935,452</u>

TOWN OF SPIRIT RIVER
Consolidated Statement of Cash Flows
For the Year Ended December 31, 2022

	2022	2021
OPERATING ACTIVITIES		
Annual surplus	\$ 999,085	\$ 3,849,503
Item not affecting cash and cash equivalents:		
Amortization of tangible capital assets	676,908	663,199
Loss on disposal of tangible capital assets	-	2,271
	<u>1,675,993</u>	<u>4,514,973</u>
Changes in non-cash working capital:		
Accounts receivable	(429,714)	(676,316)
Land held for resale	-	51,122
Other inventory held for resale	15,692	(30,128)
Accounts payable and accrued liabilities	(518,667)	1,018,384
Deposit liabilities	580	480
Deferred revenue	(201,270)	477,841
Prepaid expenses	3,605	6,906
	<u>(1,129,774)</u>	<u>848,289</u>
Cash flow from operating activities	<u>546,219</u>	<u>5,363,262</u>
INVESTING ACTIVITIES		
Purchase of tangible capital assets	(1,587,964)	(4,886,860)
Proceeds on disposal of tangible capital assets	-	24,811
Net change in investments	<u>(1,502,355)</u>	<u>10,398</u>
Cash flow used by investing activities	<u>(3,090,319)</u>	<u>(4,851,651)</u>
FINANCING ACTIVITY		
Repayment of long-term debt	<u>(58,271)</u>	<u>(56,063)</u>
Cash flow used by financing activity	<u>(58,271)</u>	<u>(56,063)</u>
CHANGE IN CASH AND CASH EQUIVALENTS	(2,602,371)	455,548
Cash and cash equivalents - beginning of year	<u>5,907,671</u>	<u>5,452,123</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 3,305,300</u>	<u>\$ 5,907,671</u>

TOWN OF SPIRIT RIVER
Schedule of Tangible Capital Assets
For the Year Ended December 31, 2022

(Schedule 1)

	Land	Land Improvements	Buildings	Engineered Structures	Machinery and Equipment	Vehicles	2022	2021
COST								
BALANCE, BEGINNING OF YEAR	\$ 335,571	\$ -	\$ 10,001,971	\$ 23,564,841	\$ 1,867,488	\$ 207,633	\$ 35,977,504	\$ 31,146,737
Purchase of tangible capital assets	23,082	-	56,298	1,494,992	13,592	-	1,587,964	4,886,860
Disposal of tangible capital assets	-	-	-	-	-	-	-	(56,093)
BALANCE, END OF YEAR	\$ 358,653	\$ -	\$ 10,058,269	\$ 25,059,833	\$ 1,881,080	\$ 207,633	\$ 37,565,468	\$ 35,977,504
ACCUMULATED AMORTIZATION								
BALANCE, BEGINNING OF YEAR	\$ -	\$ -	\$ 3,253,275	\$ 10,956,107	\$ 1,263,943	\$ 156,030	\$ 15,629,355	\$ 14,995,167
Amortization of tangible capital assets	-	-	166,674	451,181	49,912	9,141	676,908	663,199
Disposal of tangible capital assets	-	-	-	-	-	-	-	(29,011)
BALANCE, END OF YEAR	\$ -	\$ -	\$ 3,419,949	\$ 11,407,288	\$ 1,313,855	\$ 165,171	\$ 16,306,263	\$ 15,629,355
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	\$ 358,653	\$ -	\$ 6,638,320	\$ 13,652,545	\$ 567,225	\$ 42,462	\$ 21,259,205	\$ 20,348,149
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS, 2021	\$ 335,571	\$ -	\$ 6,748,696	\$ 12,608,734	\$ 603,545	\$ 51,603		\$ 20,348,149

Included in the net book value of tangible capital assets is work-in-progress of \$5,910,088 (2021 - \$5,026,234).

TOWN OF SPIRIT RIVER
Schedule of Equity in Tangible Capital Assets **(Schedule 2)**
For the Year Ended December 31, 2022

	2022	2021
BALANCE, BEGINNING OF YEAR	\$ 20,172,247	\$ 15,962,309
Purchase of tangible capital assets	1,587,964	4,886,860
Amortization of tangible capital assets	(676,908)	(663,199)
Repayment of long-term debt	58,271	56,063
Cost of tangible capital assets disposed of	-	(56,093)
Accumulated amortization of tangible capital assets disposed	-	29,011
Change in non-capital long-term debt <i>(Note 7)</i>	(44,515)	(42,704)
BALANCE, END OF YEAR	\$ 21,097,059	\$ 20,172,247
Equity in tangible capital assets is comprised of:		
Net book value of tangible capital assets <i>(Schedule 1)</i>	\$ 21,259,205	\$ 20,348,149
Capital portion of long-term debt <i>(Note 7)</i>	(162,146)	(175,902)
	\$ 21,097,059	\$ 20,172,247

TOWN OF SPIRIT RIVER
Schedule of Property Taxes
For the Year Ended December 31, 2022

(Schedule 3)

	2022 (Budget) (Note 13)	2022 (Actual)	2021 (Actual)
TAXATION			
Real property taxes	\$ 1,269,719	\$ 1,280,531	\$ 1,492,880
Designated industrial property taxes	72,000	70,387	70,142
Recreational services special tax	28,950	29,025	28,950
Local improvement taxes	29,712	22,182	27,385
Government grants in lieu of property taxes	17,000	15,024	17,574
	<u>\$ 1,417,381</u>	<u>\$ 1,417,149</u>	<u>\$ 1,636,931</u>
Alberta School Foundation Fund	\$ 248,500	\$ 259,704	\$ 248,500
Grande Spirit Foundation	4,241	4,241	3,961
	<u>\$ 252,741</u>	<u>\$ 263,945</u>	<u>\$ 252,461</u>
NET MUNICIPAL PROPERTY TAXES	<u>\$ 1,164,640</u>	<u>\$ 1,153,204</u>	<u>\$ 1,384,470</u>

TOWN OF SPIRIT RIVER
Schedule of Government Transfers
For the Year Ended December 31, 2022

(Schedule 4)

	2022 (Budget) (Note 13)	2022 (Actual)	2021 (Actual)
TRANSFERS FOR OPERATING			
Local government	\$ 536,000	\$ 535,000	\$ 573,670
Provincial government	67,500	67,914	82,485
Federal government	16,800	10,035	16,841
	<u>\$ 620,300</u>	<u>\$ 612,949</u>	<u>\$ 672,996</u>
TRANSFERS FOR CAPITAL			
Provincial government	\$ 910,000	\$ 890,269	\$ 3,457,758
Local government	-	105,683	-
	<u>\$ 910,000</u>	<u>\$ 995,952</u>	<u>\$ 3,457,758</u>
TOTAL GOVERNMENT TRANSFERS	<u>\$ 1,530,300</u>	<u>\$ 1,608,901</u>	<u>\$ 4,130,754</u>

TOWN OF SPIRIT RIVER
Schedule of Expenses by Object
For the Year Ended December 31, 2022

(Schedule 5)

	2022 (Budget) (Note 13)	2022 (Actual)	2021 (Actual)
Salaries, wages and benefits	\$ 884,653	\$ 881,011	\$ 834,782
Contracted and general services	613,653	707,614	651,371
Materials, goods and utilities	513,277	678,390	484,299
Amortization of tangible capital assets	161,592	676,908	663,199
Purchases from other governments	171,393	171,652	169,310
Transfers to individuals and organizations	43,100	43,242	43,004
Interest on long-term debt	31,000	27,425	29,659
Provision for allowances	-	22,430	33,985
Transfers to local boards and agencies	10,500	10,500	8,500
Transfers to other governments	8,114	8,114	8,114
Bank charges and short-term interest	1,950	2,044	1,225
	\$ 2,439,232	\$ 3,229,330	\$ 2,927,448

TOWN OF SPIRIT RIVER
Schedule of Segmented Disclosure
For the Year Ended December 31, 2022

(Schedule 6)

	General government	Protective services	Transportation services	Environmental services	Health and welfare	Planning and development	Recreation and culture	2022
REVENUES								
Net municipal property taxes	\$ -	\$ 208,328	\$ 556,235	\$ 10,237	\$ 36,273	\$ -	\$ 342,131	\$ 1,153,204
User fees and sales of goods	5,867	-	-	840,710	2,000	20,687	125,415	994,679
Government transfers for operating	517,914	10,000	22,875	40,000	-	-	22,160	612,949
Franchise and concession contracts	169,698	-	-	-	-	-	-	169,698
Investment income	139,293	-	-	-	-	-	-	139,293
Other revenues	2,839	-	5,716	12,874	35,548	-	4,387	61,364
Penalties and costs on taxes	51,452	-	-	-	-	-	-	51,452
Rentals	1	-	2,400	-	10,800	-	20,040	33,241
Licenses and permits	4,680	1,123	-	-	-	10,670	-	16,473
Fines	110	-	-	-	-	-	-	110
	\$ 891,854	\$ 219,451	\$ 587,226	\$ 903,821	\$ 84,621	\$ 31,357	\$ 514,133	\$ 3,232,463
EXPENSES								
Salaries, wages and benefits	\$ 290,438	\$ -	\$ 296,156	\$ 152,114	\$ 9,632	\$ -	\$ 132,671	\$ 881,011
Contracted and general services	267,178	16,194	80,815	269,630	16,623	13,093	44,081	707,614
Materials, goods and utilities	43,389	29,598	243,274	185,708	26,848	-	149,573	678,390
Purchases from other governments	-	170,159	-	1,493	-	-	-	171,652
Transfer to individuals & organizations	-	3,500	-	-	142	-	39,600	43,242
Interest on long-term debt	-	-	-	10,039	-	17,386	-	27,425
Provision for allowances	22,430	-	-	-	-	-	-	22,430
Transfers to local boards and agencies	-	-	-	-	-	-	10,500	10,500
Transfers to other governments	-	-	-	-	8,114	-	-	8,114
Bank charges and short-term interest	2,044	-	-	-	-	-	-	2,044
	625,479	219,451	620,245	618,984	61,359	30,479	376,425	2,552,422
NET REVENUE BEFORE AMORTIZATION OF TANGIBLE CAPITAL ASSETS	\$ 266,375	\$ -	\$ (33,019)	\$ 284,837	\$ 23,262	\$ 878	\$ 137,708	\$ 680,041
Amortization of tangible capital assets	\$ 5,479	\$ -	\$ 345,730	\$ 164,729	\$ 23,262	\$ -	\$ 137,708	\$ 676,908
NET REVENUE (DEFICIT)	\$ 260,896	\$ -	\$ (378,749)	\$ 120,108	\$ -	\$ 878	\$ -	\$ 3,133

The accompanying notes form an integral part of these consolidated financial statements.
JDP Wasserman LLP /// Chartered Professional Accountants

TOWN OF SPIRIT RIVER
Schedule of Segmented Disclosure
For the Year Ended December 31, 2021

(Schedule 7)

	General government	Protective services	Transportation services	Environmental services	Health and welfare	Planning and development	Recreation and culture	2021
REVENUES								
Net municipal property taxes	\$ 7,631	\$ 183,745	\$ 824,132	\$ 14,206	\$ 32,312	\$ 12,796	\$ 309,648	\$ 1,384,470
User fees and sales of goods	9,262	-	-	822,600	600	58,188	79,735	970,385
Government transfers for operating	532,485	10,000	32,341	40,000	38,170	-	20,000	672,996
Franchise and concession contracts	142,884	-	-	-	-	-	-	142,884
Penalties and costs on taxes	61,999	-	-	-	-	-	-	61,999
Investment income	44,010	-	-	-	-	-	-	44,010
Rentals	-	-	1,200	-	10,800	-	6,906	18,906
Other revenues	1,740	-	8,384	1,969	6,387	-	151	18,631
Licenses and permits	3,249	1,484	-	-	-	772	-	5,505
Fines	1,678	-	-	-	-	-	-	1,678
	\$ 804,938	\$ 195,229	\$ 866,057	\$ 878,775	\$ 88,269	\$ 71,756	\$ 416,440	\$ 3,321,464
EXPENSES								
Salaries, wages and benefits	\$ 266,565	\$ -	\$ 284,219	\$ 141,873	\$ 49,183	\$ -	\$ 92,942	\$ 834,782
Contracted and general services	239,011	5,000	81,591	243,478	5,552	52,945	23,794	651,371
Materials, goods and utilities	37,278	19,412	175,288	149,567	1,754	-	101,000	484,299
Purchases from other governments	-	167,817	-	1,493	-	-	-	169,310
Transfer to individuals & organizations	-	3,000	-	-	404	-	39,600	43,004
Provision for allowances	33,985	-	-	-	-	-	-	33,985
Interest on long-term debt	-	-	-	10,848	-	18,811	-	29,659
Transfers to local boards and agencies	-	-	-	-	-	-	8,500	8,500
Transfers to other governments	-	-	-	-	8,114	-	-	8,114
Bank charges and short-term interest	1,225	-	-	-	-	-	-	1,225
	578,064	195,229	541,098	547,259	65,007	71,756	265,836	2,264,249
NET REVENUE (DEFICIT) BEFORE AMORTIZATION OF TANGIBLE CAPITAL ASSETS	\$ 226,874	\$ -	\$ 324,959	\$ 331,516	\$ 23,262	\$ -	\$ 150,604	\$ 1,057,215
Amortization of tangible capital assets	\$ 2,815	\$ -	\$ 324,959	\$ 161,559	\$ 23,262	\$ -	\$ 150,604	\$ 663,199
NET REVENUE (DEFICIT)	\$ 224,059	\$ -	\$ -	\$ 169,957	\$ -	\$ -	\$ -	\$ 394,016

The accompanying notes form an integral part of these consolidated financial statements.
JDP Wasserman LLP /// Chartered Professional Accountants

TOWN OF SPIRIT RIVER
Notes to Consolidated Financial Statements
For the Year Ended December 31, 2022

1. ACCOUNTING POLICIES

The consolidated financial statements of Town of Spirit River (the "Town") are the representations of management, prepared in accordance with Canadian public sector accounting standards. 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 expenses, and cash flows of the reporting entity. The entity is comprised of all the organizations that are owned or controlled by the Town and are, therefore, accountable to Town Council for the administration of their financial affairs and resources.

The schedule of property taxes also includes requisitions that are not part of the reporting entity.

The consolidated financial statements exclude trust assets that are administered for the benefit of external parties.

(b) Basis of Accounting

The Town follows the accrual basis of accounting. Revenues are accounted for in the period in which the transactions or events occurred that gave rise to the revenues. Expenses are recognized in the period the goods and services are acquired and a liability is incurred or transfers are due.

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 are recognized in the financial statements as revenues in the period that the events giving rise to the transfer occurred, providing the transfers are authorized, the Town has met any eligibility criteria, and reasonable estimates of the amounts can be made.

(c) Cash and Cash Equivalents

Cash and cash equivalents includes items that are readily convertible to known amounts of cash, are subject to an insignificant risk of change in value, and have a maturity of 90 days or less at acquisition.

(d) Investments

Investments are recorded at amortized cost. Investment premiums and discounts are amortized 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. Gains on principal protected notes are recognized as income when sold.

(e) Land Held 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 leveling 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 the respective function.

(continues)

TOWN OF SPIRIT RIVER
Notes to Consolidated Financial Statements
For the Year Ended December 31, 2022

1. ACCOUNTING POLICIES (continued)

(f) 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 annual surplus, provides the Consolidated Statement of Changes in Net Financial Assets for the year (page 7).

(g) Inventories for Consumption

Inventories of materials and supplies for consumption are recorded at the lower of cost or net realizable value with cost determined using the average cost method.

(h) 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:

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

Tangible capital assets received as contributions are recorded at fair value at the date of receipt and also are recorded as revenue. Tangible capital assets received or purchased as part of a restructuring transaction are recorded at carrying value at the date of receipt and also are recorded as revenue.

Tangible capital assets under construction are not amortized until the asset is substantially complete and available for productive use. Those tangible capital assets not meeting this criteria are categorized as work-in-progress as of year-end.

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

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.

(i) Landfill Closure and Post-Closure Liability

Pursuant to the *Alberta Environmental Protection and Enhancement Act*, the Town is required to fund the closure of its landfill site and provide for post-closure costs 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 to be provided for over the estimated remaining useful life of the landfill site based on usage. Management is currently unable to estimate how many years to closure, nor how many years post-closure care could be required.

(continues)

TOWN OF SPIRIT RIVER
Notes to Consolidated Financial Statements
For the Year Ended December 31, 2022

1. ACCOUNTING POLICIES (continued)

(j) Contaminated Sites

Contaminated sites are defined as a result of contamination being introduced in air, soil, water or sediment of a chemical, organic, or radioactive material or live organism that exceeds an environmental standard. A liability for remediation on contaminated sites is recognized, net of any recoveries, when an environmental standard exists, contamination exceeds the environmental standard, the Town is directly responsible for or accepts responsibility for the liability, future economic benefits will be given up, and a reasonable estimate of the liability can be made.

(k) Tax Revenue

Property taxes are recognized as revenue in the year they are levied.

Construction and borrowing costs associated with local improvement projects are recovered through annual special assessments during the period of the related borrowings. These levies are collectable from property owners for work performed by the Town and are recognized as revenue in the year in which the local improvement project is completed.

(l) Requisition Over-levies and Under-levies

Requisition 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. If the actual levy is less than the requisition amount, the under-levy is accrued as a receivable and as property tax revenue. Requisition tax rates in the subsequent year are adjusted for any over-levies or under-levies of the prior year.

(m) Use of Estimates

The preparation of consolidated financial statements in conformity with Canadian public sector accounting standards 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 consolidated financial statements, and the reported amounts of revenues and expenses during the period. Where measurement uncertainty exists, the consolidated financial statements have been prepared within reasonable limits of materiality. Actual results could differ from those estimates.

The Town has used estimates to determine accrued liabilities, tangible capital asset useful lives and well as provisions made for allowances for amounts receivable or any provision for impairment.

(n) New Accounting Standards not yet Adopted

Effective for fiscal years beginning on or after April 1, 2022, *PS3280 Asset Retirement Obligations* provides guidance on how to account for and report liabilities for retirement of tangible capital assets including landfill closure and post-closure costs.

Effective for fiscal years beginning on or after April 1, 2023, *PS3400 Revenue* provides guidance on how to account for and report revenue, and specifically, it addresses revenue arising from exchange transactions and unilateral transactions.

TOWN OF SPIRIT RIVER
Notes to Consolidated Financial Statements
For the Year Ended December 31, 2022

2. CASH AND CASH EQUIVALENTS

	2022	2021
Bank account	\$ 3,289,686	\$ 5,883,303
Temporary investments	14,814	23,568
Petty cash	800	800
	\$ 3,305,300	\$ 5,907,671

Temporary investments include investment portfolio cash accounts and bonds which have a maturity of 90 days or less at acquisition.

3. ACCOUNTS RECEIVABLE

	2022	2021
Receivable from other governments	\$ 2,396,316	\$ 1,581,020
Local improvement tax	711,411	811,494
Taxes and grants in place of taxes	302,917	305,894
Utility accounts	73,280	91,556
Trade and other	10,156	9,489
Accrued interest	8,831	2,522
Goods and Services Tax recoverable	(105,558)	143,757
	3,397,353	2,945,732
Less: allowance for doubtful accounts	(109,936)	(88,029)
	\$ 3,287,417	\$ 2,857,703

4. INVESTMENTS

	2022 Market Value	2022 Cost	2021 Market Value	2021 Cost
GICs	\$ 1,500,000	\$ 1,500,000	\$ -	\$ -
Provincial bonds	230,619	242,938	303,696	271,621
Federal bonds	190,708	206,080	228,549	214,611
Corporate bonds	158,147	174,115	134,730	134,546
UFA Co-op Ltd. shares	9,289	9,289	9,289	9,289
	\$ 2,088,763	\$ 2,132,422	\$ 676,264	\$ 630,067

Investments bear interest at effective rates ranging from 0.69% to 5.13% (2021 - 0.14% - 5.13%) per annum and mature at dates between May 2023 - December 2051 (2021 - December 2022 - December 2051).

TOWN OF SPIRIT RIVER
Notes to Consolidated Financial Statements
For the Year Ended December 31, 2022

5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2022	2021
Trade and other	\$ 699,467	\$ 1,002,486
Construction holdbacks payable	229,295	432,593
Employee earned vacation and sick liability	46,838	58,525
Accrued interest on long-term debt	7,679	8,342
Landfill closure and post-closure liability	3,575	3,575
	\$ 986,854	\$ 1,505,521

6. DEFERRED REVENUE

Deferred revenue represents unspent externally restricted funds that are related to expenses that will be incurred in a future period.

	2022	2021
Municipal Sustainability Initiative - Capital	\$ 954,361	\$ 1,194,643
Alberta Municipal Water / Wastewater Partnership	211,357	211,357
Federal Gas Tax Fund	176,129	116,503
Other	78,567	99,181
	\$ 1,420,414	\$ 1,621,684

TOWN OF SPIRIT RIVER
Notes to Consolidated Financial Statements
For the Year Ended December 31, 2022

7. LONG-TERM DEBT

	2022	2021
Alberta Capital Finance Authority debenture repayable in semi-annual installments of \$24,139 including interest at 4.779% maturing September 2031.	\$ 349,794	\$ 380,258
Alberta Capital Finance Authority debenture repayable in semi-annual installments of \$19,041 including interest at 2.947% maturing September 2032.	327,756	355,563
	<u>\$ 677,550</u>	<u>\$ 735,821</u>

Principal and interest payments are due as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 60,569	\$ 25,789	\$ 86,358
2024	62,964	23,394	86,358
2025	65,458	20,900	86,358
2026	68,057	18,301	86,358
2027	70,764	15,594	86,358
Thereafter	349,738	52,078	401,816
	<u>\$ 677,550</u>	<u>\$ 156,056</u>	<u>\$ 833,606</u>

Long-term debt includes a capital portion of \$162,146 (2021 - \$175,902) and an operating portion of \$515,404 (2021 - \$559,919).

TOWN OF SPIRIT RIVER
Notes to Consolidated Financial Statements
For the Year Ended December 31, 2022

8. 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 be disclosed as follows:

	2022	2021
Total debt limit	\$ 4,848,695	\$ 4,982,196
Total debt	(677,550)	(735,821)
Total debt limit remaining	\$ 4,171,145	\$ 4,246,375
Service on debt limit	\$ 808,116	\$ 830,366
Service on debt	(86,358)	(86,358)
Total service on debt limit remaining	\$ 721,758	\$ 744,008

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

9. ACCUMULATED SURPLUS

	2022	2021
Unrestricted surplus	\$ 5,175,472	\$ 5,009,188
Restricted surplus		
Operating reserves (Note 10)	43,038	43,038
Capital reserves (Note 10)	1,072,543	1,164,554
Equity in tangible capital assets (Schedule 2)	21,097,059	20,172,247
	\$ 27,388,112	\$ 26,389,027

10. RESTRICTED SURPLUS

	2022	2021
Operating Reserves		
Tax rate stabilization	\$ 43,038	\$ 43,038
Capital Reserves		
Roads, streets, walks, lighting equipment	\$ 721,655	\$ 822,658
Lagoon	304,156	254,199
General administration	46,732	87,697
	\$ 1,072,543	\$ 1,164,554

TOWN OF SPIRIT RIVER
Notes to Consolidated Financial Statements
For the Year Ended December 31, 2022

11. FRANCHISE AND CONCESSION CONTRACTS

Disclosure of franchise fees under each utility franchise agreement entered into by the Town as required by Alberta Regulation 313/2000 is as follows:

	2022 (Budget) (Note 13)	2022 (Actual)	2021 (Actual)
ATCO natural gas	\$ 86,217	\$ 102,314	\$ 86,147
ATCO electricity	56,783	67,384	56,737
	\$ 143,000	\$ 169,698	\$ 142,884

12. SALARIES AND BENEFITS DISCLOSURE

Disclosure of salaries and benefits for Town officials, the Town Chief Administrative Officer and designated officers are required by Alberta Regulation 313/200 is as follows:

	Salary (1)	Benefits (2)	2022	2021
Mayor Yaremko	\$ 19,229	\$ 857	\$ 20,086	\$ 1,760
Mayor Georget	-	-	-	12,516
Councillors				
Thomas	8,893	429	9,322	-
Stanich	8,864	418	9,282	7,056
Ezio	7,552	-	7,552	6,650
Skoworodko	7,108	51	7,159	5,860
Meyer	6,674	368	7,042	1,801
Nicholson	6,142	322	6,464	1,605
Yaremko	-	-	-	8,799
Sellin	-	-	-	4,560
Dwernychuk	-	-	-	3,244
Chief Administrative Officer				
Jack	45,415	4,804	50,219	-
Gayton	18,092	1,323	19,415	-
Deveau	12,641	1,510	14,151	135,898
Gautreau	6,095	1,377	7,472	-
	\$ 146,705	\$ 11,459	\$ 158,164	\$ 189,749

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

(2) Employer's share of all employee benefits and contributions or payments made on behalf of employees including pension, health care, dental coverage, vision coverage, group life insurance, accidental disability and dismemberment insurance, long and short-term disability plans, professional memberships and tuition. Benefits also include the employer's share of the costs of additional taxable benefits including special leave with pay, financial planning services, retirement planning services, concessionary loans, travel allowances, car allowances and club memberships.

TOWN OF SPIRIT RIVER
Notes to Consolidated Financial Statements
For the Year Ended December 31, 2022

13. BUDGET FIGURES

	2022 (Budget)	2022 (Actual)
Annual surplus	\$ 1,470,508	\$ 999,085
Amortization of tangible capital assets	161,592	676,908
Acquisition of tangible capital assets	(991,946)	(1,587,964)
Repayment of long-term debt	-	(58,271)
Net transfers (to) from reserves:		92,011
Funding acquisition of tangible capital assets	81,946	-
Transfers to reserves	(722,100)	-
Results of operations	\$ -	\$ 121,769

The budget data presented in these consolidated financial statements is based on the operating and capital budgets approved by Town Council on June 6, 2022 and May 16, 2022, respectively. The chart above reconciles the approved financial plan to the figures reported in these consolidated financial statements.

14. FINANCIAL INSTRUMENTS

The Town's financial instruments consist of cash and cash equivalents, investments, accounts receivable, accounts payable and accrued liabilities, and long-term debt. It is management's opinion that the Town is not exposed to significant currency, other price risk or liquidity risk arising from these financial instruments. Unless otherwise noted, the fair values of these financial instruments approximate their carrying values.

The Town is exposed to credit risk with respect to its accounts receivable. Credit risk arises from the possibility that customers, tax and rate-payers may experience financial difficulty and be unable to fulfill their obligations. The large number and diversity of customers, tax and rate-payers minimizes the Town's credit risk.

The Town is exposed to interest rate risk with respect to its investments. Interest rate risk is the risk that the value of financial instruments might be adversely affected by a change in interest rates. The Town manages exposure through its normal operating and financing activities, and holding short-term investments that are approximately equal to any significant specific liabilities as they become due.

15. SEGMENTED INFORMATION

The Town provides a range of services to its citizens. 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 consolidated financial statements as disclosed in *Note 1*. For additional information see the Schedules of Segmented Disclosure (*Schedule 6 & Schedule 7*).

TOWN OF SPIRIT RIVER
Notes to Consolidated Financial Statements
For the Year Ended December 31, 2022

16. CONTINGENCY

The Town is a member of the Jubilee Reciprocal Insurance Exchange. Under the terms of membership, the Town 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.

17. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

These consolidated financial statements were approved by Town Council and management.
