

**TOWN OF SPIRIT RIVER**

**Financial Statements**

**For the Year Ended December 31, 2013**

TOWN OF SPIRIT RIVER  
CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2013

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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, 2013, 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, 2013 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  
April 8, 2014

  
CERTIFIED GENERAL ACCOUNTANTS

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

As at December 31, 2013

|  | 2013              | 2012              |
|--|-------------------|-------------------|
|  | \$                | \$                |
| <b>FINANCIAL ASSETS</b>  |                   |                   |
| Cash and temporary investments (Note 2)                        | 4,396,539         | 3,208,263         |
| Receivables  |                   |                   |
| Taxes and grants in place of taxes (Note 3)                    | 140,709           | 132,032           |
| From other governments   | 16,031            | 208,837           |
| Trade and other  | 420,463           | 455,529           |
| Land held for resale inventory                                 | 494,329           | 494,329           |
| Other held for resale inventory                                | 28,282            | 29,660            |
| Investments (Note 4)   | 927,025           | 990,840           |
|  | <b>6,423,378</b>  | <b>5,519,490</b>  |
| <b>LIABILITIES</b>   |                   |                   |
| Accounts payable and accrued liabilities                       | 368,487           | 433,627           |
| Deposit liabilities  | 35,580            | 32,670            |
| Deferred revenue (Note 5)                                      | 789,452           | 729,533           |
| Employee benefit obligations (Note 6)                          | 2,132             | 2,264             |
| Provision for landfill closure and post-closure costs (Note 7) | 3,575             | 3,575             |
| Long-term debt (Note 8)  | 1,646,575         | 1,759,624         |
| Other liabilities (Note 9)                                     | 3,529             | 7,506             |
|  | <b>2,849,330</b>  | <b>2,968,799</b>  |
| <b>NET FINANCIAL ASSETS (DEBT)</b>                             | <b>3,574,048</b>  | <b>2,550,691</b>  |
| <b>NON-FINANCIAL ASSETS</b>                                    |                   |                   |
| Tangible capital assets (Schedule 2, Note 11)                  | 10,398,501        | 9,335,467         |
| Prepaid expenses   | 91,830            | 39,933            |
|  | <b>10,490,331</b> | <b>9,375,400</b>  |
| <b>ACCUMULATED SURPLUS (Schedule 1, Note 13)</b>               | <b>14,064,379</b> | <b>11,926,091</b> |

Contingencies - See Note 17

See accompanying schedules and notes to the financial statements.

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

For the Year Ended December 31, 2013

|   | Budget<br>(Unaudited) | 2013              | 2012              |
|---|-----------------------|-------------------|-------------------|
|   | \$                    | \$                | \$                |
| <b>REVENUE</b>  |                       |                   |                   |
| Net municipal taxes (Schedule 3)                                  | 1,379,717             | 1,309,282         | 1,232,576         |
| User fees and sales of goods                                      | 785,700               | 757,129           | 1,019,441         |
| Penalties and costs on taxes                                      | 25,000                | 39,329            | 35,508            |
| Licenses and permits  | 5,180                 | 7,231             | 6,358             |
| Fines   | 4,000                 | 5,596             | 4,702             |
| Franchise and concession contracts                                | 113,434               | 127,008           | 113,458           |
| Investment income   | 69,000                | 80,708            | 75,792            |
| Rentals   | 25,500                | 12,384            | 9,588             |
| Government transfers for operating (Schedule 4)                   | 345,020               | 442,264           | 80,569            |
| Other revenues  | 94,500                | 100,310           | 150,003           |
| Gain on disposal of tangible capital assets                       | -                     | -                 | 10,413            |
| <b>Total Revenue</b>  | <b>2,847,051</b>      | <b>2,881,241</b>  | <b>2,738,408</b>  |
| <b>EXPENSES (Schedule 5 - By Object)</b>                          |                       |                   |                   |
| Legislative   | 84,900                | 51,131            | 48,289            |
| Administration  | 423,216               | 323,364           | 360,069           |
| Fire fighting and protective services                             | 125,092               | 68,034            | 79,159            |
| Disaster services   | 10,700                | 10,852            | 10,504            |
| Bylaws enforcement  | 8,940                 | -                 | 127               |
| Roads, streets, walks, lighting                                   | 686,051               | 714,735           | 679,815           |
| Airport   | 61,295                | 38,585            | 42,265            |
| Water supply and distribution                                     | 587,002               | 428,515           | 473,193           |
| Wastewater treatment and disposal                                 | 176,738               | 122,931           | 79,311            |
| Waste management  | 97,288                | 89,640            | 81,721            |
| Family and community support                                      | 34,262                | 35,519            | 36,702            |
| Public health and welfare   | 23,100                | 9,050             | 7,713             |
| Cemetery  | 2,920                 | 2,336             | 2,321             |
| Land use planning, zoning and development                         | 16,850                | 12,000            | -                 |
| Subdivision land development                                      | 29,020                | 28,083            | 29,014            |
| Parks and recreation  | 303,282               | 267,325           | 548,952           |
| Culture   | 80,000                | 103,750           | 41,463            |
| <b>Total Expenses</b>   | <b>2,750,656</b>      | <b>2,305,850</b>  | <b>2,520,618</b>  |
| <b>EXCESS (SHORTFALL) OF REVENUE OVER EXPENSES - BEFORE OTHER</b> | <b>96,395</b>         | <b>575,391</b>    | <b>217,790</b>    |
| <b>OTHER</b>  |                       |                   |                   |
| Contributed assets  | -                     | 1,226,707         | 1,321,791         |
| Government transfers for capital (Schedule 4)                     | 750,846               | 336,190           | -                 |
| <b>EXCESS (SHORTFALL) OF REVENUE OVER EXPENSES</b>                | <b>847,241</b>        | <b>2,138,288</b>  | <b>1,539,581</b>  |
| <b>ACCUMULATED SURPLUS, BEGINNING OF YEAR</b>                     | <b>11,926,091</b>     | <b>11,926,091</b> | <b>10,386,510</b> |
| <b>ACCUMULATED SURPLUS, END OF YEAR</b>                           | <b>12,773,332</b>     | <b>14,064,379</b> | <b>11,926,091</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, 2013

|   | Budget<br>(Unaudited) | 2013        | 2012        |
|---|-----------------------|-------------|-------------|
|   | \$                    | \$          | \$          |
| <b>EXCESS (SHORTFALL) OF REVENUES OVER EXPENSES</b>   | 847,241               | 2,138,288   | 1,539,581   |
| Acquisition of tangible capital assets                | (1,691,804)           | (2,849,439) | (3,552,942) |
| Contributed tangible capital assets                   | -                     | 1,258,670   | 1,321,791   |
| Proceeds on disposal of tangible capital assets       | 98,000                | 98,000      | 20,202      |
| Amortization of tangible capital assets               | 409,500               | 404,714     | 404,371     |
| Loss (gain) on sale of tangible capital assets        | 11,500                | 25,021      | 19,168      |
|   | (1,172,804)           | (1,063,034) | (1,787,410) |
| Acquisition of supplies inventories                   | (198,200)             | (109,914)   | (132,001)   |
| Acquisition of prepaid assets                         | (121,700)             | (164,105)   | (87,349)    |
| Use of supplies inventories                           | 198,200               | 109,914     | 132,001     |
| Use of prepaid assets                                 | 121,700               | 112,208     | 108,755     |
|   | -                     | (51,897)    | 21,406      |
| <b>(INCREASE) DECREASE IN NET DEBT</b>                | (325,563)             | 1,023,357   | (226,423)   |
| <b>NET FINANCIAL ASSETS (DEBT), BEGINNING OF YEAR</b> | 2,550,691             | 2,550,691   | 2,777,114   |
| <b>NET FINANCIAL ASSETS (DEBT), END OF YEAR</b>       | 2,225,128             | 3,574,048   | 2,550,691   |

See accompanying schedules and notes to the financial statements.

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

For the Year Ended December 31, 2013

|  | 2013             | 2012             |
|--|------------------|------------------|
|  | \$               | \$               |
| <b>NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:</b> |                  |                  |
| <b>OPERATING</b>   |                  |                  |
| Excess (shortfall) of revenues over expenses                             | 2,138,288        | 1,539,581        |
| Non-cash items included in excess (shortfall) of revenues over expenses: |                  |                  |
| Amortization of tangible capital assets                                  | 404,714          | 404,371          |
| Loss (gain) on disposal of tangible capital assets                       | 25,021           | 19,168           |
| Contributed capital assets   | (1,226,707)      | (1,321,791)      |
| Non-cash charges to operations (net change):                             |                  |                  |
| Decrease (increase) in taxes and grants in lieu receivable               | (8,677)          | (42,225)         |
| Decrease (increase) in from other government receivables                 | 192,806          | 105,256          |
| Decrease (increase) in trade and other receivables                       | 35,066           | (28,102)         |
| Decrease (increase) in land held for resale                              | -                | -                |
| Decrease (increase) in other held for resale                             | 1,378            | 2,166            |
| Decrease (increase) in prepaid expenses                                  | (51,897)         | 21,406           |
| Increase (decrease) in accounts payable and accrued liabilities          | (65,140)         | 207,123          |
| Increase (decrease) in deposit liabilities                               | 2,910            | (5,650)          |
| Increase (decrease) in deferred revenue                                  | 59,919           | (19,031)         |
| Increase (decrease) in employee benefit obligations                      | (132)            | (285)            |
| Increase (decrease) in other liabilities                                 | (3,977)          | 7,506            |
| Cash provided by operating transactions                                  | 1,503,572        | 889,493          |
| <b>CAPITAL</b>   |                  |                  |
| Acquisition of tangible capital assets                                   | (364,062)        | (909,360)        |
| Sale of tangible capital assets  | 98,000           | 20,202           |
| Cash provided by (applied to) capital transactions                       | (266,062)        | (889,158)        |
| <b>INVESTING</b>   |                  |                  |
| Decrease (increase) in restricted cash or cash equivalents:              |                  |                  |
| Decrease (increase) in investments                                       | (46,750)         | 10,271           |
|  | 63,815           | 217              |
| Cash provided by (applied to) investing transactions                     | 17,065           | 10,488           |
| <b>FINANCING</b>   |                  |                  |
| Long-term debt issued  | -                | 697,380          |
| Long-term debt repaid  | (113,049)        | (64,062)         |
| Cash provided by (applied to) financing transactions                     | (113,049)        | 633,318          |
| <b>CHANGE IN CASH AND EQUIVALENTS DURING THE YEAR</b>                    | <b>1,141,526</b> | <b>644,141</b>   |
| <b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>                      | <b>2,532,087</b> | <b>1,887,946</b> |
| <b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>                            | <b>3,673,613</b> | <b>2,532,087</b> |
| <b>Cash and cash equivalents is made up of:</b>                          |                  |                  |
| Cash and temporary investments (Note 2)                                  | 4,396,539        | 3,208,263        |
| Less: restricted portion of cash and temporary investments (Note 2)      | (722,926)        | (676,176)        |
|  | <b>3,673,613</b> | <b>2,532,087</b> |

**TOWN OF SPIRIT RIVER**  
**SCHEDULE OF CHANGES IN ACCUMULATED SURPLUS**

**Schedule 1**

For the Year Ended December 31, 2013

|   | Unrestricted Surplus | Restricted Surplus | Equity in Tangible Capital Assets | 2013              | 2012              |
|---|----------------------|--------------------|-----------------------------------|-------------------|-------------------|
|   | \$                   | \$                 | \$                                | \$                | \$                |
| <b>BAI</b>  | <b>1,644,749</b>     | <b>1,982,117</b>   | <b>8,299,225</b>                  | <b>11,926,091</b> | <b>10,386,510</b> |
| Exc (deficiency) of revenues over expenses          | 2,138,288            | -                  | -                                 | 2,138,288         | 1,539,581         |
| Unrestricted funds designated for future use        | -                    | -                  | -                                 | -                 | -                 |
| Restricted funds used for operations                | -                    | -                  | -                                 | -                 | -                 |
| Restricted funds used for tangible capital assets   | -                    | (89,523)           | 89,523                            | -                 | -                 |
| Current year funds used for tangible capital assets | (274,539)            | -                  | 274,539                           | -                 | -                 |
| Corruted tangible capital assets                    | (1,226,707)          | -                  | 1,226,707                         | -                 | -                 |
| Disal of tangible capital assets                    | 123,021              | -                  | (123,021)                         | -                 | -                 |
| Amortization expense                                | 404,714              | -                  | (404,714)                         | -                 | -                 |
| Capital long-term debt repaid                       | (68,954)             | -                  | 68,954                            | -                 | -                 |
| <b>CHA</b>  | <b>1,095,823</b>     | <b>(89,523)</b>    | <b>1,131,988</b>                  | <b>2,138,288</b>  | <b>1,539,581</b>  |
| <b>BAI</b>  | <b>2,740,572</b>     | <b>1,892,594</b>   | <b>9,431,213</b>                  | <b>14,064,379</b> | <b>11,926,091</b> |

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, 2013

|   | Budget<br>(Unaudited) | 2013      | 2012      |
|---|-----------------------|-----------|-----------|
|   | \$                    | \$        | \$        |
| <b>TAXATION</b>                                 |                       |           |           |
| Real property taxes                             | 1,380,656             | 1,325,859 | 1,263,877 |
| Linear property taxes                           | 48,785                | 59,572    | 59,254    |
| Government grants in place of property taxes    | 56,500                | 27,308    | 56,733    |
| Special assessments and local improvement taxes | 118,040               | 122,527   | 73,936    |
|   | 1,603,981             | 1,535,266 | 1,453,800 |
| <b>REQUISITIONS</b>                             |                       |           |           |
| Alberta School Foundation Fund                  | 166,874               | 171,139   | 164,616   |
| Grande Prairie R.C.S.S.D. #28                   | 53,686                | 55,118    | 53,014    |
| Grande Spirit Seniors Foundation                | 3,704                 | 3,704     | 3,594     |
| Adjustment to Requisition Transfers             | -                     | (3,977)   | -         |
|   | 224,264               | 225,984   | 221,224   |
| <b>NET MUNICIPAL TAXES</b>                      | 1,379,717             | 1,309,282 | 1,232,576 |

See accompanying schedules and notes to the financial statements.

**TOWN OF SPIRIT RIVER**  
**SCHEDULE OF GOVERNMENT TRANSFERS**

**Schedule 4**

For the Year Ended December 31, 2013

|                                   | Budget<br>(Unaudited) | 2013    | 2012   |
|-----------------------------------|-----------------------|---------|--------|
|                                   | \$                    | \$      | \$     |
| <b>TRANSFERS FOR OPERATING</b>    |                       |         |        |
| Federal Government                | -                     | -       | -      |
| Provincial Government             | 322,220               | 420,664 | 55,969 |
| Local Government                  | 22,800                | 21,600  | 24,600 |
|                                   | 345,020               | 442,264 | 80,569 |
| <b>TRANSFERS FOR CAPITAL</b>      |                       |         |        |
| Federal Government                | -                     | -       | -      |
| Provincial Government             | 750,846               | 336,190 | -      |
| Local Government                  | -                     | -       | -      |
|                                   | 750,846               | 336,190 | -      |
| <b>TOTAL GOVERNMENT TRANSFERS</b> | 1,095,866             | 778,454 | 80,569 |

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, 2013

|   | Budget<br>(Unaudited) | 2013      | 2012      |
|---|-----------------------|-----------|-----------|
|   | \$                    | \$        | \$        |
| <b>CONSOLIDATED EXPENSES BY OBJECT</b>      |                       |           |           |
| Salaries, wages and benefits                | 638,937               | 623,053   | 604,545   |
| Contracted and general services             | 671,861               | 554,261   | 535,663   |
| Purchases from other governments            | 21,700                | 21,952    | 21,281    |
| Materials, goods and utilities              | 774,250               | 513,711   | 490,775   |
| Provision for allowances                    | -                     | 14,740    | -         |
| Transfers to local boards and agencies      | 61,162                | 27,101    | 313,522   |
| Transfers to individuals and organizations  | 30,300                | 34,300    | 55,100    |
| Bank charges and short-term interest        | 3,400                 | 1,624     | 1,984     |
| Interest on long-term debt (Note 9)         | 128,046               | 73,246    | 63,796    |
| Other expenditures                          | -                     | 12,127    | -         |
| Loss on disposal of tangible capital assets | 11,500                | 25,021    | 29,581    |
| Amortization of tangible capital assets     | 409,500               | 404,714   | 404,371   |
|   | 2,750,656             | 2,305,850 | 2,520,618 |

see accompanying schedules and notes to the financial statements.

Schedule 6

TC OF SPIRIT RIVER  
 SC DULE OF SEGMENTED DISCLOSURE  
 For Year Ended December 31, 2013

| REVENUE                                     | General Government |                     |                         |                        |   | Total 2013 |
|---|--------------------|---------------------|-------------------------|------------------------|---|------------|
|   | Government         | Protective Services | Transportation Services | Environmental Services | Planning & Recreation Development & Culture |            |
| REVENUE                                     | \$                 | \$                  | \$                      | \$                     | \$  | \$         |
| Municipal taxes                             | 1,186,755          | -                   | 29,723                  | 63,254                 | -   | 1,309,282  |
| fees and sales of goods                     | 150                | -                   | -                       | 716,305                | -   | 757,129    |
| Utilities and costs on taxes                | 39,329             | -                   | -                       | -                      | -   | 39,329     |
| Licenses and permits                        | 3,013              | 993                 | -                       | -                      | 3,225                                       | 7,231      |
| Fines                                       | 5,596              | -                   | -                       | -                      | -   | 5,596      |
| Fees on concession contracts                | 127,008            | -                   | -                       | -                      | -   | 127,008    |
| Interest income                             | 80,708             | -                   | -                       | -                      | -   | 80,708     |
| Grants                                      | -                  | -                   | 900                     | -                      | -   | 900        |
| Government transfers for operating revenues | 59,012             | 23,938              | 39,418                  | 221,696                | -   | 442,264    |
| Gain on disposal of tangible capital assets | 5,178              | 3,926               | 6,478                   | 687                    | -   | 100,310    |
|   | 1,506,749          | 28,857              | 76,519                  | 1,001,942              | 3,225                                       | 2,881,241  |
| EXPENSES                                    |                    |                     |                         |                        |   |            |
| Salaries, wages and benefits                | 122,768            | 13,875              | 249,515                 | 148,561                | -   | 623,053    |
| Contracted and general services             | 212,812            | 11,562              | 66,787                  | 162,139                | 12,000                                      | 554,261    |
| Materials from other governments            | -                  | 21,952              | -                       | -                      | -   | 21,952     |
| Materials, goods and utilities              | 37,092             | 18,556              | 215,758                 | 136,667                | -   | 513,711    |
| Provision for allowances                    | -                  | -                   | -                       | -                      | -   | -          |
| Transfers to local boards and agencies      | -                  | -                   | -                       | -                      | -   | -          |
| Transfers to individuals and organizations  | -                  | -                   | -                       | -                      | -   | -          |
| Barter charges and short-term interest      | -                  | 1,000               | -                       | -                      | -   | 1,000      |
| Interest on long-term debt                  | 1,624              | -                   | -                       | -                      | -   | 1,624      |
| Other expenditures                          | 127                | -                   | 12,109                  | 27,489                 | 28,083                                      | 73,246     |
| Loss on disposal of tangible capital assets | -                  | -                   | 12,000                  | -                      | -   | 12,127     |
|   | 374,423            | 66,945              | 581,190                 | 474,856                | 40,083                                      | 1,901,136  |
| Net revenue before amortization and         |                    |                     |                         |                        |   |            |
| government transfers for capital            | 1,132,326          | (38,088)            | (504,671)               | 527,086                | (36,858)                                    | 980,105    |
| Amortization                                | (72)               | (11,941)            | (172,130)               | (166,230)              | -   | (404,714)  |
| Contributed assets                          | -                  | -                   | -                       | -                      | -   | -          |
| Government transfers for capital            | -                  | -                   | -                       | 286,190                | -   | 1,226,707  |
|   | 1,132,254          | (50,029)            | (676,801)               | 647,046                | (36,858)                                    | 2,138,288  |
| NET VENUE (SHORTFALL)                       |                    |                     |                         |                        |   |            |
|   |                    |                     |                         |                        |   |            |

See accompanying schedules and notes to the financial statements.

# TOWN OF SPIRIT RIVER

## NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended December 31, 2013

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### 1. SIGNIFICANT ACCOUNTING POLICIES

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The consolidated financial statements of the TOWN OF SPIRIT RIVER are the representations of management prepared in accordance with generally accepted accounting principles for local governments established by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants. 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, 2013

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

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**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) Prepaid Local Improvement Charges**

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 collectible from property owners for work performed by the municipality.

Where a taxpayer has elected to prepay the outstanding local improvement charges, such amounts are recorded as deferred revenue. Deferred revenue is amortized to revenue on a straight line basis over the remaining term of the related borrowings.

In the event that the prepaid amounts are applied against the related borrowings, the deferred revenue is amortized to revenue by an amount equal to the debt repayment.

**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.

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

For the Year Ended December 31, 2013

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

**j) 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.

**k) 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:

|                             | <b>YEARS</b> |
|-----------------------------|--------------|
| 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, 2013

**2. CASH AND TEMPORARY INVESTMENTS**

|                       | 2013             | 2012             |
|-----------------------|------------------|------------------|
|                       | \$               | \$               |
| Cash                  | 4,334,517        | 3,178,689        |
| Temporary investments | 62,022           | 29,574           |
|                       | <b>4,396,539</b> | <b>3,208,263</b> |

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

Included in cash and temporary investments are restricted amounts totalling \$608,841 (2012 - \$567,361) received from the provincial government being held exclusively for specific projects and funds owing to other local governments of \$114,085 (2012 - \$108,815) in conjunction with a government partnership and a specific project.

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

|  | 2013           | 2012           |
|--|----------------|----------------|
|  | \$             | \$             |
| Current taxes and grants in place of taxes | 121,745        | 84,755         |
| Arrears taxes                              | 24,680         | 52,993         |
|  | <b>146,425</b> | <b>137,748</b> |
| Less: Allowance for doubtful accounts      | 5,716          | 5,716          |
|  | <b>140,709</b> | <b>132,032</b> |

**4. INVESTMENTS**

|  | 2013           |                | 2012           |                  |
|--|----------------|----------------|----------------|------------------|
|  | Cost           | Market Value   | Cost           | Market Value     |
|  | \$             | \$             | \$             | \$               |
| Debenture borrowing shares                 | 10             | 10             | 10             | 10               |
| Equity held in UFA                         | 9,179          | 9,179          | 8,809          | 8,809            |
| Equity held in AAMD&C                      | 1,398          | 1,398          | 436            | 436              |
| Public corporation bonds                   | 206,158        | 203,845        | 95,179         | 96,029           |
| Government and government guaranteed bonds | 710,280        | 745,592        | 886,406        | 973,461          |
|  | <b>927,025</b> | <b>960,024</b> | <b>990,840</b> | <b>1,078,745</b> |

Public corporation bonds have effective interest rates of 2.364% to 2.944% (2012 - 4.95% to 5.69%) with maturity dates from February 27, 2017 to January 14, 2020. Government and government guaranteed bonds have effective interest rates of 1.50% to 5.6% (2012 - 2.00% to 5.6%) with maturity dates from June 1, 2014, to June 18, 2037.



**TOWN OF SPIRIT RIVER**

**NOTES TO THE FINANCIAL STATEMENTS**

For the Year Ended December 31, 2013

**5. DEFERRED REVENUE**

|  | 2013           | 2012           |
|--|----------------|----------------|
|  | \$             | \$             |
| Provincial government transfers                      |                |                |
| Alberta Municipal Infrastructure - Capital 2010      | 101,432        | 101,432        |
| Basic Municipal Transportation - 2010 to 2013        | 268,140        | 137,760        |
| Federal Gas Tax Fund 2013                            | 27,912         | -              |
| Municipal Sustainability Initiative - Operating 2011 | -              | 109,306        |
| Water/waste water - Capital 2009                     | 211,357        | 211,357        |
|  | <b>608,841</b> | <b>559,855</b> |
| Local government transfer                            | 20,000         | 20,000         |
| Prepaid local improvement charges                    | 120,856        | 126,130        |
| Prepaid property tax charges                         | 36,737         | 23,548         |
| Prepaid user charges                                 | 3,018          | -              |
|  | <b>789,452</b> | <b>722,027</b> |

Prepaid local improvements charges are being amortized to revenue as follows:

|                             |                |
|-----------------------------|----------------|
| 2014-2015, \$8,569 per year | 17,138         |
| 2016-2023, \$8,253 per year | 66,024         |
| 2024-2025, \$6,983 per year | 13,966         |
| 2026-2029, \$5,443 per year | 21,772         |
| 2030, \$1,626 per year      | 1,626          |
| 2031-2032 \$165 per year    | 330            |
|                             | <b>120,856</b> |

Provincial funding as per above \$608,841 (2012 - \$559,855) 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 \$608,841 (2012 - \$567,361) held exclusively for these projects (refer to Note 2).

**6. EMPLOYEE BENEFIT OBLIGATIONS**

|                       | 2013  | 2012  |
|-----------------------|-------|-------|
|                       | \$    | \$    |
| Vacation and overtime | 2,132 | 2,264 |

**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, 2013

**7. 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, 2013                      | 3,575    |

**8. LONG-TERM DEBT**

|  | 2013             | 2012             |
|--|------------------|------------------|
|  | \$               | \$               |
| Debentures:                                      |                  |                  |
| Supported by general tax levies - operating debt | 679,287          | 723,382          |
| Supported by general tax levies - capital debt   | 72,962           | 95,218           |
| Supported by special levies - capital debt       | 613,386          | 635,622          |
| Supported by utility rates - capital debt        | 280,940          | 305,402          |
|  | <u>1,646,575</u> | <u>1,759,624</u> |
| Current portion of long-term debt                | <u>117,717</u>   | <u>113,049</u>   |

Principal and interest repayments are as follows:

|            | Principal        | Interest       | Total            |
|------------|------------------|----------------|------------------|
|            | \$               | \$             | \$               |
| 2014       | 117,717          | 69,938         | 187,655          |
| 2015       | 122,613          | 65,042         | 187,655          |
| 2016       | 126,412          | 59,905         | 186,317          |
| 2017       | 105,150          | 54,917         | 160,067          |
| 2018       | 81,191           | 50,682         | 131,873          |
| Thereafter | 1,093,492        | 305,677        | 1,399,169        |
|            | <u>1,646,575</u> | <u>606,161</u> | <u>2,252,736</u> |

Debenture debt is repayable to Alberta Capital Finance Authority and bears interest at rates ranging from 1.661% to 8.375% per annum and matures in period 2015 through 2052. The average annual interest rate is 4.24% (2012 5.11%). Debenture debt is issued on the credit and security of the TOWN OF SPIRIT RIVER at large.

The TOWN's total cash payments for interest were \$74,606 (2012 - \$59,356)

**TOWN OF SPIRIT RIVER**

**NOTES TO THE FINANCIAL STATEMENTS**

For the Year Ended December 31, 2013

**9. OTHER LIABILITIES**

|  | 2013  | 2012  |
|--|-------|-------|
|  | \$    | \$    |
| Alberta School Foundation Fund over-levy | 3,529 | 7,506 |

**10. 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:

|                                       | 2013      | 2012      |
|---------------------------------------|-----------|-----------|
|                                       | \$        | \$        |
| Total debt limit                      | 4,826,147 | 4,107,612 |
| Total debt                            | 1,646,575 | 1,759,624 |
| Amount of debt limit unused           | 3,179,572 | 2,347,988 |
| Debt servicing limit                  | 804,358   | 684,602   |
| Debt servicing                        | 187,655   | 187,655   |
| Amount of debt servicing limit unused | 616,703   | 496,947   |

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.

**11. TANGIBLE CAPITAL ASSETS**

| Net Book Value   | 2013      | 2012      |
|--|-----------|-----------|
|  | \$        | \$        |
| Land   | 134,234   | 134,234   |
| Buildings  | 1,822,992 | 1,878,015 |
| Buildings - construction-in-progress                   | 2,903,456 | 1,676,750 |
| Engineered Structures                                  |           |           |
| Airport pavement                                       | 108,274   | 123,743   |
| Roadway system   | 1,718,134 | 1,832,972 |
| Roadway system - construction-in-progress              | 1,637     | -         |
| Water distribution system                              | 1,908,529 | 2,000,556 |
| Water distribution system - construction-in-progress   | 15,163    | -         |
| Wastewater treatment system                            | 942,673   | 998,890   |
| Wastewater treatment system - construction-in-progress | 15,163    | -         |
| Machinery, equipment, and furnishings                  | 700,068   | 543,982   |
| Vehicles   | 128,178   | 146,325   |

**TOWN OF SPIRIT RIVER**

**NOTES TO THE FINANCIAL STATEMENTS**

For the Year Ended December 31, 2013

**12. EQUITY IN TANGIBLE CAPITAL ASSETS**

|                                       | 2013             | 2012             |
|---------------------------------------|------------------|------------------|
|                                       | \$               | \$               |
| Tangible capital assets (Schedule 2)  | 21,967,322       | 20,577,462       |
| Accumulated amortization (Schedule 2) | (11,568,821)     | (11,241,995)     |
| Net Book Value                        | 10,398,501       | 9,335,467        |
| Long-term capital debt (Note 8)       | (967,288)        | (1,036,242)      |
|                                       | <u>9,431,213</u> | <u>8,299,225</u> |

**13. ACCUMULATED SURPLUS**

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

|                                   | 2013              | 2012              |
|-----------------------------------|-------------------|-------------------|
|                                   | \$                | \$                |
| Unrestricted surplus              | 2,740,573         | 1,644,749         |
| Restricted surplus                |                   |                   |
| Tax rate stabilization            | 1,252,875         | 1,267,875         |
| Administration building           | 96,704            | 102,987           |
| Roads and streets                 | 103,883           | 103,883           |
| General equipment replacement     | 121,656           | 211,179           |
| Water                             | 186,851           | 186,851           |
| Wastewater                        | 56,038            | 56,038            |
| Cemetery                          | 30,304            | 30,304            |
| Parks and recreation              | 44,282            | 23,000            |
| Equity in tangible capital assets | 9,431,213         | 8,299,225         |
|                                   | <u>14,064,379</u> | <u>11,926,091</u> |

**14. 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, 2013

**15. 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) | 2013<br>Total | 2012<br>Total |
|--------------------------------------|-----------|---------------------------|---------------|---------------|
| <b>Mayor:</b>                        |           |                           |               |               |
| GEORGET, Allan                       | 3,417     | 1,719                     | 5,136         | 4,040         |
| <b>Councillors:</b>                  |           |                           |               |               |
| BOOMGAARDEN, Terrance                | 2,067     | 1,035                     | 3,102         | 2,425         |
| BOURASSA, Dan                        | -         | -                         | -             | 1,506         |
| GLASSEL, Garth                       | 600       | 302                       | 902           | -             |
| LOSET, Lorinda                       | 2,467     | 1,242                     | 3,709         | 3,544         |
| PILE, Paul                           | 467       | 235                       | 702           | -             |
| SELLIN, Hermann                      | 3,133     | 1,577                     | 4,710         | 4,641         |
| SKOWORODKO, Denise                   | 2,200     | 1,111                     | 3,311         | 4,057         |
| STANICH, Brenda                      | 3,467     | 1,743                     | 5,210         | 5,068         |
|                                      | 17,818    | 8,964                     | 26,782        | 25,281        |
| <b>Chief Administrative Officer:</b> |           |                           |               |               |
| DEVEAU, Deedra                       | 75,150    | 11,298                    | 86,448        | 78,641        |
|                                      | 92,968    | 20,262                    | 113,230       | 103,922       |

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 travel and general non-accountable expense allowances. For chief administrative officer, benefits and allowances consists of 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, 2013

**16. 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, 2013 audited financial statement:

|   | 2013     | 2012     |
|---|----------|----------|
|   | \$       | \$       |
| Share of assets (25%)                                 | 64,122   | 62,257   |
| Share of liabilities (25%)                            | -        | -        |
|   | 64,122   | 62,257   |
| Total revenues  | 21,600   | 21,600   |
| Total expenditures                                    | (14,142) | (10,202) |
|   | 7,458    | 11,398   |
| Share of surplus for the year ended December 31 (25%) | 1,865    | 2,850    |

**17. CONTINGENCIES**

The TOWN OF SPIRIT RIVER is a member of the Alberta Municipal Insurance Exchange (MUNIX). 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.

**18. 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.

Council and Management have approved these financial statements.