

**TOWN OF SPIRIT RIVER**  
**Consolidated Financial Statements**  
**For the Year Ended December 31, 2020**

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## **MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING**

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

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Dee Deveau  
Chief Administrative Officer

Spirit River, AB  
April 6, 2021



6515 – 118th Avenue NW  
Edmonton, AB T5W 1G5  
Telephone: (780) 479-7327  
Fax: (780) 474-5696  
E-mail: [info@jdpwasserman.com](mailto:info@jdpwasserman.com)

5010 – 51st Street  
Wetaskiwin, AB T9A 1L3  
Telephone: (780) 352-8982  
Fax: (780) 352-5285  
E-mail: [info@jdpwasserman.com](mailto:info@jdpwasserman.com)

101, 4946 – 50th Street  
Camrose, AB T4V 1R1  
Telephone: (780) 608-4849  
Fax: (587) 386-0079  
E-mail: [info@jdpwasserman.com](mailto:info@jdpwasserman.com)

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## INDEPENDENT AUDITOR'S REPORT

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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, 2020, 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, 2020, 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 *Auditor's 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.

### *Other Matter*

The consolidated financial statements of the Town for the year ended December 31, 2019, were audited by another auditor who expressed an unmodified opinion on those consolidated financial statements on March 16, 2020.

### *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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*Auditor's 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 auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these 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 auditor's 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 auditor's 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  
April 6, 2021

  
ISRAEL WASSERMAN PROFESSIONAL CORPORATION  
CHARTERED PROFESSIONAL ACCOUNTANT

**TOWN OF SPIRIT RIVER**  
**Consolidated Statement of Financial Position**  
**As at December 31, 2020**

	2020	2019
<b>FINANCIAL ASSETS</b>		
Cash and cash equivalents <i>(Note 2)</i>	\$ 5,452,123	\$ 4,841,553
Accounts receivable <i>(Note 3)</i>	2,181,387	1,590,975
Land held for resale	446,961	446,961
Other inventory held for resale	22,380	21,655
Investments <i>(Note 4)</i>	640,465	611,879
	8,743,316	7,513,023
<b>LIABILITIES</b>		
Accounts payable and accrued liabilities <i>(Note 5)</i>	487,137	275,183
Deposit liabilities	44,830	42,690
Deferred revenue <i>(Note 6)</i>	1,143,843	498,982
Long-term debt <i>(Note 7)</i>	791,884	852,168
	2,467,694	1,669,023
<b>NET FINANCIAL ASSETS</b>	<b>6,275,622</b>	<b>5,844,000</b>
<b>NON-FINANCIAL ASSETS</b>		
Prepaid expenses	112,332	124,778
Tangible capital assets <i>(Schedule 1)</i>	16,151,570	15,183,405
	16,263,902	15,308,183
<b>ACCUMULATED SURPLUS <i>(Note 9)</i></b>	<b>\$ 22,539,524</b>	<b>\$ 21,152,183</b>

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, 2020**

	2020 (Budget) (Note 13)	2020 (Actual)	2019 (Actual)
<b>REVENUES</b>			
Net municipal property taxes (Schedule 3)	\$ 1,412,733	\$ 1,376,462	\$ 1,411,757
User fees and sales of goods	1,050,221	899,579	1,036,075
Government transfers for operating (Schedule 4)	717,462	799,715	837,228
Franchise and concession contracts (Note 11)	129,580	141,581	129,580
Investment income	109,436	62,163	109,201
Penalties and costs on taxes	46,360	49,790	46,361
Other revenues	21,072	33,100	29,975
Rentals	23,790	13,482	23,896
Licenses and permits	4,380	4,021	4,900
Fines	2,681	651	2,681
	<u>3,517,715</u>	<u>3,380,544</u>	<u>3,631,654</u>
<b>EXPENSES</b>			
Roads, streets, walks, lighting	826,097	924,432	847,459
General administration	456,694	529,338	446,660
Water supply and distribution	484,835	408,907	659,451
Parks and recreation	455,738	249,002	447,572
Fire fighting and protective services	160,786	157,947	160,888
Waste management	123,262	122,583	121,213
Culture	132,371	110,300	149,560
Wastewater treatment and disposal	89,493	87,433	85,635
Family and community support services	100,375	81,658	95,816
Subdivision land and development	21,467	70,107	21,467
Council and legislative	84,625	54,161	84,593
Airport	46,980	46,130	41,773
Other public health and welfare	35,324	28,611	80,574
Disaster and emergency services	15,000	14,827	14,885
Cemetery	18,497	12,901	14,621
Land use planning, zoning and development	-	796	100,722
	<u>3,051,544</u>	<u>2,899,133</u>	<u>3,372,889</u>
<b>ANNUAL SURPLUS BEFORE OTHER</b>	<u>466,171</u>	<u>481,411</u>	<u>258,765</u>
<b>OTHER REVENUES (EXPENSES)</b>			
Government transfers for capital (Schedule 4)	661,099	905,930	211,248
Gain on disposal of tangible capital assets	-	-	13,750
	<u>661,099</u>	<u>905,930</u>	<u>224,998</u>
<b>ANNUAL SURPLUS</b>	1,127,270	1,387,341	483,763
<b>ACCUMULATED SURPLUS - TO BEGIN YEAR</b>	<u>21,152,183</u>	<u>21,152,183</u>	<u>20,668,420</u>
<b>ACCUMULATED SURPLUS - END OF YEAR</b>	<u>\$ 22,279,453</u>	<u>\$ 22,539,524</u>	<u>\$ 21,152,183</u>

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

**TOWN OF SPIRIT RIVER**  
**Consolidated Statement of Changes in Net Financial Assets**  
**For the Year Ended December 31, 2020**

	2020 (Budget) (Note 13)	2020 (Actual)	2019 (Actual)
<b>ANNUAL SURPLUS</b>	\$ 1,127,270	\$ 1,387,341	\$ 483,763
Amortization of tangible capital assets	584,010	<b>686,594</b>	637,630
Purchase of tangible capital assets	(1,422,107)	<b>(1,654,759)</b>	(1,083,485)
Proceeds on disposal of tangible capital assets	-	-	13,750
Gain on disposal of tangible capital assets	-	-	(13,750)
Use of prepaid expenses	-	<b>12,446</b>	3,917
	<u>(838,097)</u>	<u><b>(955,719)</b></u>	<u>(441,938)</u>
<b>INCREASE IN NET FINANCIAL ASSETS</b>	289,173	<b>431,622</b>	41,825
<b>NET FINANCIAL ASSETS - BEGINNING OF YEAR</b>	<u>5,844,000</u>	<u><b>5,844,000</b></u>	<u>5,802,175</u>
<b>NET FINANCIAL ASSETS - END OF YEAR</b>	<u>\$ 6,133,173</u>	<u><b>\$ 6,275,622</b></u>	<u>\$ 5,844,000</u>

**TOWN OF SPIRIT RIVER**  
**Consolidated Statement of Cash Flows**  
**For the Year Ended December 31, 2020**

	2020	2019
<b>OPERATING ACTIVITIES</b>		
Annual surplus	\$ 1,387,341	\$ 483,763
Item not affecting cash and cash equivalents:		
Amortization of tangible capital assets	686,594	637,630
Gain on disposal of tangible capital assets	-	(13,750)
	<u>2,073,935</u>	<u>1,107,643</u>
Changes in non-cash working capital:		
Accounts receivable	(590,412)	92,157
Other inventory held for resale	(725)	3,412
Accounts payable and accrued liabilities	211,954	(167,280)
Deposit liabilities	2,140	(1,100)
Deferred revenue	644,861	(163,088)
Prepaid expenses	12,446	3,917
Other assets	-	1,111
	<u>280,264</u>	<u>(230,871)</u>
Cash flow from operating activities	<u>2,354,199</u>	<u>876,772</u>
<b>INVESTING ACTIVITIES</b>		
Purchase of tangible capital assets	(1,654,759)	(1,083,485)
Proceeds on disposal of tangible capital assets	-	13,750
Net change in investments	<u>(28,586)</u>	<u>25,225</u>
Cash flow used by investing activities	<u>(1,683,345)</u>	<u>(1,044,510)</u>
<b>FINANCING ACTIVITY</b>		
Repayment of long-term debt	<u>(60,284)</u>	<u>(57,758)</u>
Cash flow used by financing activity	<u>(60,284)</u>	<u>(57,758)</u>
<b>CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>610,570</b>	<b>(225,496)</b>
Cash and cash equivalents - beginning of year	<u>4,841,553</u>	<u>5,067,049</u>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<b><u>\$ 5,452,123</u></b>	<b><u>\$ 4,841,553</u></b>



**TOWN OF SPIRIT RIVER**  
**Schedule of Tangible Capital Assets**  
**For the Year Ended December 31, 2020**

*(Schedule 1)*

	Land	Land Improvements	Buildings	Engineered Structures	Machinery and Equipment	Vehicles	2020	2019
<b>COST</b>								
BALANCE, BEGINNING OF YEAR	\$ 335,571	\$ -	\$ 9,896,829	\$ 17,188,651	\$ 1,863,294	\$ 207,633	\$ <b>29,491,978</b>	\$ 28,439,794
Purchase of tangible capital assets	-	-	3,989	1,607,923	42,847	-	<b>1,654,759</b>	1,083,485
Disposal of tangible capital assets	-	-	-	-	-	-	-	(31,301)
BALANCE, END OF YEAR	\$ 335,571	\$ -	\$ 9,900,818	\$ 18,796,574	\$ 1,906,141	\$ 207,633	\$ <b>31,146,737</b>	\$ 29,491,978
<b>ACCUMULATED AMORTIZATION</b>								
BALANCE, BEGINNING OF YEAR	\$ -	\$ -	\$ 2,902,089	\$ 10,082,702	\$ 1,194,412	\$ 129,370	\$ <b>14,308,573</b>	\$ 13,702,244
Amortization of tangible capital assets	-	-	174,586	447,056	49,536	15,416	<b>686,594</b>	637,630
Disposal of tangible capital assets	-	-	-	-	-	-	-	(31,301)
BALANCE, END OF YEAR	\$ -	\$ -	\$ 3,076,675	\$ 10,529,758	\$ 1,243,948	\$ 144,786	\$ <b>14,995,167</b>	\$ 14,308,573
<b>NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS</b>	<b>\$ 335,571</b>	<b>\$ -</b>	<b>\$ 6,824,143</b>	<b>\$ 8,266,816</b>	<b>\$ 662,193</b>	<b>\$ 62,847</b>	<b>\$ 16,151,570</b>	<b>\$ 15,183,405</b>
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS, 2019	\$ 335,571	\$ -	\$ 6,994,740	\$ 7,105,949	\$ 668,882	\$ 78,263		\$ 15,183,405

Included in the net book value of tangible capital assets is work-in-progress of \$373,847 (2019 - \$2,644).

**TOWN OF SPIRIT RIVER**  
**Schedule of Equity in Tangible Capital Assets** **(Schedule 2)**  
**For the Year Ended December 31, 2020**

	2020	2019
<b>BALANCE, BEGINNING OF YEAR</b>	<b>\$ 14,978,033</b>	<b>\$ 14,518,543</b>
Purchase of tangible capital assets	1,654,759	1,083,485
Amortization of tangible capital assets	(686,594)	(637,630)
Repayment of long-term debt	60,284	57,758
Cost of tangible capital assets disposed of	-	(31,301)
Accumulated amortization of tangible capital assets disposed	-	31,301
Change in non-capital long-term debt <i>(Note 7)</i>	<u>(44,173)</u>	<u>(44,123)</u>
<b>BALANCE, END OF YEAR</b>	<b><u>\$ 15,962,309</u></b>	<b><u>\$ 14,978,033</u></b>
Equity in tangible capital assets is comprised of:		
Net book value of tangible capital assets <i>(Schedule 1)</i>	<b>\$ 16,151,570</b>	<b>\$ 15,183,405</b>
Capital portion of long-term debt <i>(Note 7)</i>	<u>(189,261)</u>	<u>(205,372)</u>
	<b><u>\$ 15,962,309</u></b>	<b><u>\$ 14,978,033</u></b>

**TOWN OF SPIRIT RIVER**  
**Schedule of Property Taxes**  
**For the Year Ended December 31, 2020**

**(Schedule 3)**

	2020 (Budget) (Note 13)	<b>2020 (Actual)</b>	2019 (Actual)
<b>TAXATION</b>			
Real property taxes	\$ 1,502,039	\$ <b>1,479,188</b>	\$ 1,500,929
Designated industrial property taxes	75,163	<b>67,200</b>	75,164
Local improvement taxes	40,673	<b>38,153</b>	40,675
Recreational services special tax	29,250	<b>28,925</b>	29,250
Government grants in lieu of property taxes	17,707	<b>16,931</b>	17,707
	<u>\$ 1,664,832</u>	<u>\$ <b>1,630,397</b></u>	<u>\$ 1,663,725</u>
Alberta School Foundation Fund	\$ 247,649	\$ <b>249,754</b>	\$ 247,645
Grande Spirit Foundation	4,180	<b>4,180</b>	4,053
Designated Industrial Property	270	-	270
	<u>\$ 252,099</u>	<u>\$ <b>253,934</b></u>	<u>\$ 251,968</u>
<b>NET MUNICIPAL PROPERTY TAXES</b>	<u>\$ 1,412,733</u>	<u>\$ <b>1,376,463</b></u>	<u>\$ 1,411,757</u>

**TOWN OF SPIRIT RIVER**  
**Schedule of Government Transfers**  
**For the Year Ended December 31, 2020**

**(Schedule 4)**

	2020 (Budget) (Note 13)	<b>2020 (Actual)</b>	2019 (Actual)
<b>TRANSFERS FOR OPERATING</b>			
Local government	\$ 641,800	\$ <b>606,013</b>	\$ 657,312
Provincial government	66,500	<b>172,702</b>	166,574
Federal government	9,162	<b>21,000</b>	13,342
	<u>\$ 717,462</u>	<u>\$ <b>799,715</b></u>	<u>\$ 837,228</u>
<b>TRANSFERS FOR CAPITAL</b>			
Provincial government	\$ 661,099	\$ <b>905,930</b>	\$ 211,248
<b>TOTAL GOVERNMENT TRANSFERS</b>	<u>\$ 1,378,561</u>	<u>\$ <b>1,705,645</b></u>	<u>\$ 1,048,476</u>

**TOWN OF SPIRIT RIVER**  
**Schedule of Expenses by Object**  
**For the Year Ended December 31, 2020**

**(Schedule 5)**

	2020 (Budget) (Note 13)	<b>2020 (Actual)</b>	2019 (Actual)
Salaries, wages and benefits	\$ 949,818	\$ <b>788,873</b>	\$ 892,704
Amortization of tangible capital assets	584,010	<b>686,594</b>	637,630
Contracted and general services	677,593	<b>679,449</b>	970,974
Materials, goods and utilities	574,935	<b>425,859</b>	567,624
Purchases from other governments	163,786	<b>166,305</b>	168,161
Provision for allowances	-	<b>62,149</b>	-
Transfers to individuals and organizations	47,100	<b>39,750</b>	42,835
Interest on long-term debt	34,802	<b>32,247</b>	34,804
Transfers to local boards and agencies	8,500	<b>8,500</b>	8,500
Transfers to other governments	10,000	<b>8,114</b>	48,678
Bank charges and short-term interest	1,000	<b>1,293</b>	979
	<b>\$ 3,051,544</b>	<b>\$ 2,899,133</b>	<b>\$ 3,372,889</b>

**TOWN OF SPIRIT RIVER**  
**Schedule of Segmented Disclosure**  
**For the Year Ended December 31, 2020**

*(Schedule 6)*

	General government	Protective services	Transportation services	Environmental services	Health and welfare	Planning and development	Recreation and culture	<b>2020</b>
<b>REVENUES</b>								
Net municipal property taxes	\$ -	\$ 162,067	\$ 825,922	\$ 19,756	\$ 55,922	\$ 69,844	\$ 242,951	\$ 1,376,462
User fees and sales of goods	2,471	-	-	821,772	800	-	74,536	899,579
Government transfers for operating	622,224	10,000	38,000	40,478	49,013	-	40,000	799,715
Franchise and concession contracts	141,581	-	-	-	-	-	-	141,581
Investment income	62,163	-	-	-	-	-	-	62,163
Penalties and costs on taxes	49,790	-	-	-	-	-	-	49,790
Other revenues	2,042	-	3,100	21,410	6,498	-	50	33,100
Rentals	-	-	780	-	10,937	-	1,765	13,482
Licenses and permits	2,316	646	-	-	-	1,059	-	4,021
Fines	651	-	-	-	-	-	-	651
	<b>\$ 883,238</b>	<b>\$ 172,713</b>	<b>\$ 867,802</b>	<b>\$ 903,416</b>	<b>\$ 123,170</b>	<b>\$ 70,903</b>	<b>\$ 359,302</b>	<b>\$ 3,380,544</b>
<b>EXPENSES</b>								
Salaries, wages and benefits	\$ 218,961	\$ -	\$ 302,304	\$ 135,176	\$ 75,181	\$ -	\$ 57,251	\$ 788,873
Contracted and general services	268,640	5,000	140,728	181,275	6,112	50,796	26,898	679,449
Materials, goods and utilities	30,084	4,101	177,161	126,080	10,390	-	78,043	425,859
Purchases from other governments	-	163,612	-	2,693	-	-	-	166,305
Provision for allowances	62,149	-	-	-	-	-	-	62,149
Transfer to individuals & organizations	-	-	-	-	150	-	39,600	39,750
Interest on long-term debt	-	-	-	12,140	-	20,107	-	32,247
Transfers to local boards and agencies	-	-	-	-	-	-	8,500	8,500
Transfers to other governments	-	-	-	-	8,114	-	-	8,114
Bank charges and short-term interest	1,293	-	-	-	-	-	-	1,293
	<b>581,127</b>	<b>172,713</b>	<b>620,193</b>	<b>457,364</b>	<b>99,947</b>	<b>70,903</b>	<b>210,292</b>	<b>2,212,539</b>
<b>NET REVENUE BEFORE AMORTIZATION OF TANGIBLE CAPITAL ASSETS</b>	<b>\$ 302,111</b>	<b>\$ -</b>	<b>\$ 247,609</b>	<b>\$ 446,052</b>	<b>\$ 23,223</b>	<b>\$ -</b>	<b>\$ 149,010</b>	<b>\$ 1,168,005</b>
Amortization of tangible capital assets	\$ 2,434	\$ -	\$ 350,368	\$ 161,559	\$ 23,223	\$ -	\$ 149,010	\$ 686,594
<b>NET REVENUE (DEFICIT)</b>	<b>\$ 299,677</b>	<b>\$ -</b>	<b>\$ (102,759)</b>	<b>\$ 284,493</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 481,411</b>

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

**TOWN OF SPIRIT RIVER**  
**Schedule of Segmented Disclosure**  
**For the Year Ended December 31, 2019**

*(Schedule 7)*

	General government	Protective services	Transportation services	Environmental services	Health and welfare	Planning and development	Recreation and culture	2019
<b>REVENUES</b>								
Net municipal property taxes	\$ 1,341,831	\$ -	\$ 19,899	\$ 20,777	\$ -	\$ -	\$ 29,250	\$ 1,411,757
User fees and sales of goods	6,471	-	-	908,164	400	-	121,040	1,036,075
Government transfers for operating	516,472	10,000	26,162	40,000	82,270	99,926	62,398	837,228
Franchise and concession contracts	129,580	-	-	-	-	-	-	129,580
Investment income	109,201	-	-	-	-	-	-	109,201
Penalties and costs on taxes	46,361	-	-	-	-	-	-	46,361
Other revenues	3,482	-	3,075	4,312	10,339	-	8,767	29,975
Rentals	-	-	1,200	-	10,800	-	11,896	23,896
Licenses and permits	3,651	728	-	-	-	521	-	4,900
Fines	2,681	-	-	-	-	-	-	2,681
	<u>\$ 2,159,730</u>	<u>\$ 10,728</u>	<u>\$ 50,336</u>	<u>\$ 973,253</u>	<u>\$ 103,809</u>	<u>\$ 100,447</u>	<u>\$ 233,351</u>	<u>\$ 3,631,654</u>
<b>EXPENSES</b>								
Contracted and general services	\$ 257,205	\$ 5,000	\$ 139,519	\$ 385,363	\$ 15,207	\$ 100,722	\$ 67,958	\$ 970,974
Salaries, wages and benefits	238,761	-	256,860	141,901	82,607	-	172,575	892,704
Materials, goods and utilities	34,234	112	190,188	163,747	20,386	-	158,957	567,624
Purchases from other governments	-	167,661	-	500	-	-	-	168,161
Transfers to other governments	-	-	-	-	48,678	-	-	48,678
Transfer to individuals & organizations	-	3,000	-	-	235	-	39,600	42,835
Interest on long-term debt	-	-	-	13,336	-	21,468	-	34,804
Transfers to local boards and agencies	-	-	-	-	-	-	8,500	8,500
Bank charges and short-term interest	979	-	-	-	-	-	-	979
	<u>531,179</u>	<u>175,773</u>	<u>586,567</u>	<u>704,847</u>	<u>167,113</u>	<u>122,190</u>	<u>447,590</u>	<u>2,735,259</u>
NET REVENUE (DEFICIT) BEFORE AMORTIZATION OF TANGIBLE CAPITAL ASSETS	<u>\$ 1,628,551</u>	<u>\$ (165,045)</u>	<u>\$ (536,231)</u>	<u>\$ 268,406</u>	<u>\$ (63,304)</u>	<u>\$ (21,743)</u>	<u>\$ (214,239)</u>	<u>\$ 896,395</u>
Amortization of tangible capital assets	<u>\$ 72</u>	<u>\$ -</u>	<u>\$ 302,666</u>	<u>\$ 161,451</u>	<u>\$ 23,899</u>	<u>\$ -</u>	<u>\$ 149,542</u>	<u>\$ 637,630</u>
<b>NET REVENUE (DEFICIT)</b>	<u>\$ 1,628,479</u>	<u>\$ (165,045)</u>	<u>\$ (838,897)</u>	<u>\$ 106,955</u>	<u>\$ (87,203)</u>	<u>\$ (21,743)</u>	<u>\$ (363,781)</u>	<u>\$ 258,765</u>

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

**TOWN OF SPIRIT RIVER**  
**Notes to Consolidated Financial Statements**  
**For the Year Ended December 31, 2020**

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**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)*

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**TOWN OF SPIRIT RIVER**  
**Notes to Consolidated Financial Statements**  
**For the Year Ended December 31, 2020**

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**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, 2020**

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**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, 2020**

**2. CASH AND CASH EQUIVALENTS**

	2020	2019
Bank account	\$ 5,435,784	\$ 4,801,777
Temporary investments	15,539	38,976
Petty cash	800	800
	\$ 5,452,123	\$ 4,841,553

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

**3. ACCOUNTS RECEIVABLE**

	2020	2019
Local improvement tax	\$ 933,766	\$ 1,112,308
Receivable from other governments	794,632	16,309
Taxes and grants in place of taxes	315,635	317,571
Utility accounts	111,239	81,512
Goods and Services Tax recoverable	59,809	47,905
Trade and other	31,910	18,981
Accrued interest	2,137	2,105
	2,249,128	1,596,691
Less: allowance for doubtful accounts	(67,741)	(5,716)
	\$ 2,181,387	\$ 1,590,975

**4. INVESTMENTS**

	2020 Market Value	2020 Cost	2019 Market Value	2019 Cost
Provincial bonds	\$ 337,183	\$ 280,300	\$ 255,954	\$ 230,643
Federal bonds	248,364	218,645	287,202	258,800
Corporate bonds	135,507	132,231	112,740	113,147
UFA Co-op Ltd. shares	9,289	9,289	9,289	9,289
	\$ 730,343	\$ 640,465	\$ 665,185	\$ 611,879

Bonds bear interest at effective rates ranging from 0.69% to 5.13% (2019 - 1.00% - 5.6%) per annum and mature at dates between December 2021 - December 2051 (2019 - December 2021 - June 2049).

**TOWN OF SPIRIT RIVER**  
**Notes to Consolidated Financial Statements**  
**For the Year Ended December 31, 2020**

**5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

	<b>2020</b>	2019
Trade and other	\$ 323,138	\$ 224,459
Construction holdbacks payable	109,975	-
Employee earned vacation and sick liability	41,471	37,473
Accrued interest on long-term debt	8,978	9,676
Landfill closure and post-closure liability	3,575	3,575
	<b>\$ 487,137</b>	<b>\$ 275,183</b>

**6. DEFERRED REVENUE**

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

	<b>2020</b>	2019
Municipal Sustainability Initiative - Capital	\$ 864,242	\$ 185,170
Alberta Municipal Water / Wastewater Partnership	211,357	211,357
Other	68,244	102,455
	<b>\$ 1,143,843</b>	<b>\$ 498,982</b>

**TOWN OF SPIRIT RIVER**  
**Notes to Consolidated Financial Statements**  
**For the Year Ended December 31, 2020**

**7. LONG-TERM DEBT**

	<b>2020</b>	2019
Alberta Capital Finance Authority debenture repayable in semi-annual installments of \$24,139 including interest at 4.779% maturing September 2031.	<b>\$ 409,317</b>	\$ 437,036
Alberta Capital Finance Authority debenture repayable in semi-annual installments of \$19,041 including interest at 2.947% maturing September 2032.	<b>382,567</b>	408,793
Alberta Capital Finance Authority debenture repayable in annual installments of \$6,870 maturing November 2020.	-	6,339
	<b>\$ 791,884</b>	\$ 852,168

Principal and interest payments are due as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 56,063	\$ 30,295	\$ 86,358
2022	58,270	28,088	86,358
2023	60,569	25,789	86,358
2024	62,964	23,394	86,358
2025	65,458	20,900	86,358
Thereafter	488,560	67,672	556,232
	<b>\$ 791,884</b>	<b>\$ 196,138</b>	<b>\$ 988,022</b>

Long-term debt includes a capital portion of \$189,261 (2019 - \$205,372) and an operating portion of \$602,623 (2019 - \$646,796).

**TOWN OF SPIRIT RIVER**  
**Notes to Consolidated Financial Statements**  
**For the Year Ended December 31, 2020**

**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:

	2020	2019
Total debt limit	\$ 5,070,816	\$ 5,468,106
Total debt	(791,884)	(852,168)
<b>Total debt limit remaining</b>	<b>\$ 4,278,932</b>	<b>\$ 4,615,938</b>
Service on debt limit	\$ 845,136	\$ 911,351
Service on debt	(86,358)	(93,229)
<b>Total service on debt limit remaining</b>	<b>\$ 758,778</b>	<b>\$ 818,122</b>

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**

	2020	2019
Unrestricted surplus	\$ 4,493,433	\$ 4,212,896
Restricted surplus		
Operating reserves (Note 10)	43,038	43,038
Capital reserves (Note 10)	2,040,744	1,918,216
Equity in tangible capital assets (Schedule 2)	15,962,309	14,978,033
	<b>\$ 22,539,524</b>	<b>\$ 21,152,183</b>

**10. RESTRICTED SURPLUS**

	2020	2019
<b>Operating Reserves</b>		
Tax rate stabilization	\$ 43,038	\$ 43,038
<b>Capital Reserves</b>		
Culture	\$ 1,111,303	\$ -
Roads, streets, walks, lighting equipment	822,658	1,776,008
General administration	106,783	142,208
	<b>\$ 2,040,744</b>	<b>\$ 1,918,216</b>

**TOWN OF SPIRIT RIVER**  
**Notes to Consolidated Financial Statements**  
**For the Year Ended December 31, 2020**

**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:

	2020 (Budget) (Note 13)	<b>2020 (Actual)</b>	2019 (Actual)
ATCO natural gas	\$ 79,020	\$ <b>86,338</b>	\$ 79,020
ATCO electricity	50,560	<b>55,243</b>	50,560
	<u>\$ 129,580</u>	<u>\$ <b>141,581</b></u>	<u>\$ 129,580</u>

**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)	<b>2020</b>	2019
<b>Mayor Georget</b>	\$ 13,192	\$ 623	\$ <b>13,815</b>	\$ 15,575
<b>Councillors</b>				
Ezio	7,522	-	<b>7,522</b>	7,551
Yaremko	6,399	150	<b>6,549</b>	8,771
Stanich	5,950	217	<b>6,167</b>	6,191
Sellin	5,108	49	<b>5,157</b>	7,269
Skoworodko	3,536	49	<b>3,585</b>	6,316
Dwernychuk	2,863	109	<b>2,972</b>	2,203
<b>Chief Administrative Officer</b>				
Deveau	111,586	18,446	<b>130,032</b>	126,207
	<u>\$ 156,156</u>	<u>\$ 19,643</u>	<u>\$ <b>175,799</b></u>	<u>\$ 180,083</u>

(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, 2020**

**13. BUDGET FIGURES**

	2020 (Budget)	2020 (Actual)
Annual surplus	\$ 1,127,270	\$ 1,387,341
Acquisition of tangible capital assets	(1,422,107)	(1,654,759)
Repayment of long-term debt	(13,635)	(60,284)
Net transfers (to) from reserves:		(122,528)
Funding acquisition of tangible capital assets	808,508	-
Other net transfers to reserves	(500,000)	-
<b>Results of operations</b>	<b>\$ 36</b>	<b>\$ (450,230)</b>

The budget data presented in these consolidated financial statements is based on the operating and capital budgets approved by Town Council on May 4, 2020 and May 19, 2020, 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*).

**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.



**TOWN OF SPIRIT RIVER**  
**Notes to Consolidated Financial Statements**  
**For the Year Ended December 31, 2020**

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**17. IMPACT OF COVID-19**

On March 11, 2020, the COVID-19 outbreak was declared a global pandemic by the World Health Organization and on March 17, 2020 the Province of Alberta declared a public health emergency. COVID-19 had various operational and financial impacts on the Town in 2020, mainly with regards to decreased revenues and corresponding personnel and other operating expenses related to facilities and programs that were unable to operate, and increased government transfers revenues providing COVID-19 relief and recovery funding.

Management's opinion is that COVID-19 has not and will not have a significant financial impact on the Town. Overall, as government response is still ongoing and an end to the pandemic is indeterminable, an estimate of any future potential financial impact on the Town cannot be made at this time. However, many businesses and individuals in a vast array of sectors may continue to experience an economic loss due to COVID-19 which may have a financial impact on the Town.

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**18. COMPARATIVE FIGURES**

Certain comparative figures have been reclassified to conform to the current year's presentation.

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**19. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS**

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

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