

TOWN OF SPIRIT RIVER
Consolidated Financial Statements
For the Year Ended December 31, 2021

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

To the Members of Council of Town of Spirit River

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

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

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

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

Greg Gayton
Interim Chief Administrative Officer

Spirit River, AB
May 2, 2022



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

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

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

INDEPENDENT AUDITOR'S REPORT

To the Members of Council of Town of Spirit River

Opinion

We have audited the consolidated financial statements of Town of Spirit River (the "Town"), which comprise the consolidated statement of financial position as at December 31, 2021, 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, 2021, 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.

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
May 2, 2022


ISRAEL WASSERMAN PROFESSIONAL CORPORATION
CHARTERED PROFESSIONAL ACCOUNTANT

TOWN OF SPIRIT RIVER
Consolidated Statement of Financial Position
As at December 31, 2021

	2021	2020
FINANCIAL ASSETS		
Cash and cash equivalents <i>(Note 2)</i>	\$ 5,907,671	\$ 5,452,123
Accounts receivable <i>(Note 3)</i>	2,857,703	2,181,387
Land held for resale	395,839	446,961
Other inventory held for resale	52,508	22,380
Investments <i>(Note 4)</i>	630,067	640,465
	9,843,788	8,743,316
LIABILITIES		
Accounts payable and accrued liabilities <i>(Note 5)</i>	1,505,521	487,137
Deposit liabilities	45,310	44,830
Deferred revenue <i>(Note 6)</i>	1,621,684	1,143,843
Long-term debt <i>(Note 7)</i>	735,821	791,884
	3,908,336	2,467,694
NET FINANCIAL ASSETS	5,935,452	6,275,622
NON-FINANCIAL ASSETS		
Prepaid expenses	105,426	112,332
Tangible capital assets <i>(Schedule 1)</i>	20,348,149	16,151,570
	20,453,575	16,263,902
ACCUMULATED SURPLUS <i>(Note 9)</i>	\$ 26,389,027	\$ 22,539,524

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, 2021

	2021 (Budget) <i>(Note 13)</i>	2021 (Actual)	2020 (Actual)
REVENUES			
Net municipal property taxes <i>(Schedule 3)</i>	\$ 1,369,816	\$ 1,384,470	\$ 1,376,462
User fees and sales of goods	930,006	970,385	899,579
Government transfers for operating <i>(Schedule 4)</i>	684,312	672,996	799,715
Franchise and concession contracts <i>(Note 11)</i>	143,500	142,884	141,581
Penalties and costs on taxes	50,000	61,999	49,790
Investment income	62,500	44,010	62,163
Rentals	18,000	18,906	13,482
Other revenues	13,800	18,631	33,100
Licenses and permits	5,010	5,505	4,021
Fines	2,000	1,678	651
	<u>3,278,944</u>	<u>3,321,464</u>	<u>3,380,544</u>
EXPENSES			
Roads, streets, walks, lighting	825,820	837,500	924,432
Water supply and distribution	422,682	509,529	408,907
General administration	433,706	508,760	529,338
Parks and recreation	318,522	309,045	249,002
Fire fighting and protective services	182,206	181,862	157,947
Waste management	124,965	119,122	122,583
Culture	118,749	107,395	110,300
Wastewater treatment and disposal	90,625	80,167	87,433
Council and legislative	55,949	72,118	54,161
Subdivision land and development	20,107	70,712	70,107
Family and community support services	75,418	48,817	81,658
Airport	48,997	28,556	46,130
Other public health and welfare	26,913	26,923	28,611
Disaster and emergency services	14,650	13,368	14,827
Cemetery	18,748	12,529	12,901
Land use planning, zoning and development	800	1,045	796
	<u>2,778,857</u>	<u>2,927,448</u>	<u>2,899,133</u>
ANNUAL SURPLUS BEFORE OTHER	<u>500,087</u>	<u>394,016</u>	<u>481,411</u>
OTHER REVENUES (EXPENSES)			
Government transfers for capital <i>(Schedule 4)</i>	4,087,108	3,457,758	905,930
Loss on disposal of tangible capital assets	-	(2,271)	-
	<u>4,087,108</u>	<u>3,455,487</u>	<u>905,930</u>
ANNUAL SURPLUS	4,587,195	3,849,503	1,387,341
ACCUMULATED SURPLUS - TO BEGIN YEAR	<u>22,539,524</u>	<u>22,539,524</u>	<u>21,152,183</u>
ACCUMULATED SURPLUS - END OF YEAR	<u>\$ 27,126,719</u>	<u>\$ 26,389,027</u>	<u>\$ 22,539,524</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, 2021

	2021 (Budget) (Note 13)	2021 (Actual)	2020 (Actual)
ANNUAL SURPLUS	\$ 4,587,195	\$ 3,849,503	\$ 1,387,341
Amortization of tangible capital assets	593,972	663,199	686,594
Purchase of tangible capital assets	(5,723,474)	(4,886,860)	(1,654,759)
Proceeds on disposal of tangible capital assets	-	24,811	-
Loss on disposal of tangible capital assets	-	2,271	-
Use of prepaid expenses	-	6,906	12,446
	<u>(5,129,502)</u>	<u>(4,189,673)</u>	<u>(955,719)</u>
INCREASE (DECREASE) IN NET FINANCIAL ASSETS	(542,307)	(340,170)	431,622
NET FINANCIAL ASSETS - BEGINNING OF YEAR	<u>6,275,622</u>	<u>6,275,622</u>	<u>5,844,000</u>
NET FINANCIAL ASSETS - END OF YEAR	<u>\$ 5,733,315</u>	<u>\$ 5,935,452</u>	<u>\$ 6,275,622</u>

TOWN OF SPIRIT RIVER
Consolidated Statement of Cash Flows
For the Year Ended December 31, 2021

	2021	2020
OPERATING ACTIVITIES		
Annual surplus	\$ 3,849,503	\$ 1,387,341
Item not affecting cash and cash equivalents:		
Amortization of tangible capital assets	663,199	686,594
Gain on disposal of tangible capital assets	2,271	-
	<u>4,514,973</u>	<u>2,073,935</u>
Changes in non-cash working capital:		
Accounts receivable	(676,316)	(590,412)
Land held for resale	51,122	-
Other inventory held for resale	(30,128)	(725)
Accounts payable and accrued liabilities	1,018,384	211,954
Deposit liabilities	480	2,140
Deferred revenue	477,841	644,861
Prepaid expenses	6,906	12,446
	<u>848,289</u>	<u>280,264</u>
Cash flow from operating activities	<u>5,363,262</u>	<u>2,354,199</u>
INVESTING ACTIVITIES		
Purchase of tangible capital assets	(4,886,860)	(1,654,759)
Proceeds on disposal of tangible capital assets	24,811	-
Net change in investments	<u>10,398</u>	<u>(28,586)</u>
Cash flow used by investing activities	<u>(4,851,651)</u>	<u>(1,683,345)</u>
FINANCING ACTIVITY		
Repayment of long-term debt	<u>(56,063)</u>	<u>(60,284)</u>
Cash flow used by financing activity	<u>(56,063)</u>	<u>(60,284)</u>
CHANGE IN CASH AND CASH EQUIVALENTS	455,548	610,570
Cash and cash equivalents - beginning of year	<u>5,452,123</u>	<u>4,841,553</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 5,907,671</u>	<u>\$ 5,452,123</u>

TOWN OF SPIRIT RIVER
Schedule of Tangible Capital Assets
For the Year Ended December 31, 2021

(Schedule 1)

	Land	Land Improvements	Buildings	Engineered Structures	Machinery and Equipment	Vehicles	2021	2020
COST								
BALANCE, BEGINNING OF YEAR	\$ 335,571	\$ -	\$ 9,900,818	\$ 18,796,574	\$ 1,906,141	\$ 207,633	\$ 31,146,737	\$ 29,491,978
Purchase of tangible capital assets	-	-	101,153	4,768,267	17,440	-	4,886,860	1,654,759
Disposal of tangible capital assets	-	-	-	-	(56,093)	-	(56,093)	-
BALANCE, END OF YEAR	\$ 335,571	\$ -	\$ 10,001,971	\$ 23,564,841	\$ 1,867,488	\$ 207,633	\$ 35,977,504	\$ 31,146,737
ACCUMULATED AMORTIZATION								
BALANCE, BEGINNING OF YEAR	\$ -	\$ -	\$ 3,076,675	\$ 10,529,758	\$ 1,243,948	\$ 144,786	\$ 14,995,167	\$ 14,308,573
Amortization of tangible capital assets	-	-	176,600	426,349	49,006	11,244	663,199	686,594
Disposal of tangible capital assets	-	-	-	-	(29,011)	-	(29,011)	-
BALANCE, END OF YEAR	\$ -	\$ -	\$ 3,253,275	\$ 10,956,107	\$ 1,263,943	\$ 156,030	\$ 15,629,355	\$ 14,995,167
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	\$ 335,571	\$ -	\$ 6,748,696	\$ 12,608,734	\$ 603,545	\$ 51,603	\$ 20,348,149	\$ 16,151,570
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS, 2020	\$ 335,571	\$ -	\$ 6,824,143	\$ 8,266,816	\$ 662,193	\$ 62,847		\$ 16,151,570

Included in the net book value of tangible capital assets is work-in-progress of \$5,026,234 (2020 - \$373,847).

TOWN OF SPIRIT RIVER
Schedule of Equity in Tangible Capital Assets *(Schedule 2)*
For the Year Ended December 31, 2021

	2021	2020
BALANCE, BEGINNING OF YEAR	\$ 15,962,309	\$ 14,978,033
Purchase of tangible capital assets	4,886,860	1,654,759
Amortization of tangible capital assets	(663,199)	(686,594)
Repayment of long-term debt	56,063	60,284
Cost of tangible capital assets disposed of	(56,093)	-
Accumulated amortization of tangible capital assets disposed	29,011	-
Change in non-capital long-term debt <i>(Note 7)</i>	(42,704)	(44,173)
BALANCE, END OF YEAR	\$ 20,172,247	\$ 15,962,309
Equity in tangible capital assets is comprised of:		
Net book value of tangible capital assets <i>(Schedule 1)</i>	\$ 20,348,149	\$ 16,151,570
Capital portion of long-term debt <i>(Note 7)</i>	(175,902)	(189,261)
	\$ 20,172,247	\$ 15,962,309

TOWN OF SPIRIT RIVER
Schedule of Property Taxes
For the Year Ended December 31, 2021

(Schedule 3)

	2021 (Budget) (Note 13)	2021 (Actual)	2020 (Actual)
TAXATION			
Real property taxes	\$ 1,471,226	\$ 1,492,880	\$ 1,479,187
Designated industrial property taxes	67,200	70,142	67,200
Recreational services special tax	28,925	28,950	28,925
Local improvement taxes	38,243	27,385	38,153
Government grants in lieu of property taxes	16,932	17,574	16,931
	<u>\$ 1,622,526</u>	<u>\$ 1,636,931</u>	<u>\$ 1,630,396</u>
Alberta School Foundation Fund	\$ 248,499	\$ 248,500	\$ 249,754
Grande Spirit Foundation	3,961	3,961	4,180
Designated Industrial Property	250	-	-
	<u>\$ 252,710</u>	<u>\$ 252,461</u>	<u>\$ 253,934</u>
NET MUNICIPAL PROPERTY TAXES	<u>\$ 1,369,816</u>	<u>\$ 1,384,470</u>	<u>\$ 1,376,462</u>

TOWN OF SPIRIT RIVER
Schedule of Government Transfers
For the Year Ended December 31, 2021

(Schedule 4)

	2021 (Budget) (Note 13)	2021 (Actual)	2020 (Actual)
TRANSFERS FOR OPERATING			
Local government	\$ 598,679	\$ 573,670	\$ 606,013
Provincial government	67,914	82,485	172,702
Federal government	17,719	16,841	21,000
	<u>\$ 684,312</u>	<u>\$ 672,996</u>	<u>\$ 799,715</u>
TRANSFERS FOR CAPITAL			
Provincial government	\$ 4,087,108	\$ 3,457,758	\$ 905,930
TOTAL GOVERNMENT TRANSFERS	<u>\$ 4,771,420</u>	<u>\$ 4,130,754</u>	<u>\$ 1,705,645</u>

TOWN OF SPIRIT RIVER
Schedule of Expenses by Object
For the Year Ended December 31, 2021

(Schedule 5)

	2021 (Budget) <i>(Note 13)</i>	2021 (Actual)	2020 (Actual)
Salaries, wages and benefits	\$ 867,720	\$ 834,782	\$ 788,873
Amortization of tangible capital assets	593,972	663,199	686,594
Contracted and general services	593,078	651,371	679,449
Materials, goods and utilities	460,615	484,299	425,859
Purchases from other governments	170,312	169,310	166,305
Transfers to individuals and organizations	43,100	43,004	39,750
Provision for allowances	-	33,985	62,149
Interest on long-term debt	32,246	29,659	32,247
Transfers to local boards and agencies	8,500	8,500	8,500
Transfers to other governments	8,114	8,114	8,114
Bank charges and short-term interest	1,200	1,225	1,293
	<u>\$ 2,778,857</u>	<u>\$ 2,927,448</u>	<u>\$ 2,899,133</u>

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

(Schedule 6)

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

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

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

(Schedule 7)

	General government	Protective services	Transportation services	Environmental services	Health and welfare	Planning and development	Recreation and culture	2020
REVENUES								
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
	\$ 883,238	\$ 172,713	\$ 867,802	\$ 903,416	\$ 123,170	\$ 70,903	\$ 359,302	\$ 3,380,544
EXPENSES								
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
	581,127	172,713	620,193	457,364	99,947	70,903	210,292	2,212,539
NET REVENUE (DEFICIT) BEFORE AMORTIZATION OF TANGIBLE CAPITAL ASSETS	\$ 302,111	\$ -	\$ 247,609	\$ 446,052	\$ 23,223	\$ -	\$ 149,010	\$ 1,168,005
Amortization of tangible capital assets	\$ 2,434	\$ -	\$ 350,368	\$ 161,559	\$ 23,223	\$ -	\$ 149,010	\$ 686,594
NET REVENUE (DEFICIT)	\$ 299,677	\$ -	\$ (102,759)	\$ 284,493	\$ -	\$ -	\$ -	\$ 481,411

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, 2021

1. ACCOUNTING POLICIES

The consolidated financial statements of Town of Spirit River (the "Town") are the representations of management, prepared in accordance with Canadian public sector accounting standards. Significant aspects of the accounting policies adopted by the Town are as follows:

(a) Reporting Entity

The consolidated financial statements reflect the assets, liabilities, revenues and expenses, and cash flows of the reporting entity. The entity is comprised of all the organizations that are owned or controlled by the Town and are, therefore, accountable to Town Council for the administration of their financial affairs and resources.

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

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

(b) Basis of Accounting

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

Funds from external parties and earnings thereon restricted by agreement or legislation are accounted for as deferred revenue until used for the purpose specified.

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

(c) Cash and Cash Equivalents

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

(d) Investments

Investments are recorded at amortized cost. Investment premiums and discounts are amortized over the term of the respective investments. When there has been a loss in value that is other than a temporary decline, the respective investment is written-down to recognize the loss. Gains on principal protected notes are recognized as income when sold.

(e) Land Held for Resale

Land held for resale is recorded at the lower of cost or net realizable value. Cost includes costs for land acquisition and improvements required to prepare the land for servicing such as clearing, stripping and leveling charges. Related development costs incurred to provide infrastructure such as water and wastewater services, roads, sidewalks and street lighting are recorded as physical assets under the respective function.

(continues)

TOWN OF SPIRIT RIVER
Notes to Consolidated Financial Statements
For the Year Ended December 31, 2021

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, 2021

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, 2021

2. CASH AND CASH EQUIVALENTS

	2021	2020
Bank account	\$ 5,883,303	\$ 5,435,784
Temporary investments	23,568	15,539
Petty cash	800	800
	\$ 5,907,671	\$ 5,452,123

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

3. ACCOUNTS RECEIVABLE

	2021	2020
Receivable from other governments	\$ 1,581,020	\$ 794,632
Local improvement tax	811,494	933,766
Taxes and grants in place of taxes	305,894	315,635
Goods and Services Tax recoverable	143,757	59,809
Utility accounts	91,556	111,239
Trade and other	9,489	31,910
Accrued interest	2,522	2,137
	2,945,732	2,249,128
Less: allowance for doubtful accounts	(88,029)	(67,741)
	\$ 2,857,703	\$ 2,181,387

4. INVESTMENTS

	2021 Market Value	2021 Cost	2020 Market Value	2020 Cost
Provincial bonds	\$ 303,696	\$ 271,621	\$ 337,183	\$ 280,300
Federal bonds	228,549	214,611	248,364	218,645
Corporate bonds	134,730	134,546	135,507	132,231
UFA Co-op Ltd. shares	9,289	9,289	9,289	9,289
	\$ 676,264	\$ 630,067	\$ 730,343	\$ 640,465

Bonds bear interest at effective rates ranging from 0.14% to 5.13% (2020 - 0.69% - 5.13%) per annum and mature at dates between December 2022 - December 2051 (2020 - December 2021 - December 2051).

TOWN OF SPIRIT RIVER
Notes to Consolidated Financial Statements
For the Year Ended December 31, 2021

5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2021	2020
Trade and other	\$ 1,002,486	\$ 323,138
Construction holdbacks payable	432,593	109,975
Employee earned vacation and sick liability	58,525	41,471
Accrued interest on long-term debt	8,342	8,978
Landfill closure and post-closure liability	3,575	3,575
	\$ 1,505,521	\$ 487,137

6. DEFERRED REVENUE

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

	2021	2020
Municipal Sustainability Initiative - Capital	\$ 1,194,643	\$ 864,242
Alberta Municipal Water / Wastewater Partnership	211,357	211,357
Federal Gas Tax Fund	116,503	-
Other	99,181	68,244
	\$ 1,621,684	\$ 1,143,843

TOWN OF SPIRIT RIVER
Notes to Consolidated Financial Statements
For the Year Ended December 31, 2021

7. LONG-TERM DEBT

	2021	2020
Alberta Capital Finance Authority debenture repayable in semi-annual installments of \$24,139 including interest at 4.779% maturing September 2031.	\$ 380,258	\$ 409,317
Alberta Capital Finance Authority debenture repayable in semi-annual installments of \$19,041 including interest at 2.947% maturing September 2032.	355,563	382,567
	\$ 735,821	\$ 791,884

Principal and interest payments are due as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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
2026	68,057	18,301	86,358
Thereafter	420,503	67,672	488,175
	\$ 735,821	\$ 184,144	\$ 919,965

Long-term debt includes a capital portion of \$175,902 (2020 - \$189,261) and an operating portion of \$559,919 (2020 - \$602,623).

TOWN OF SPIRIT RIVER
Notes to Consolidated Financial Statements
For the Year Ended December 31, 2021

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:

	2021	2020
Total debt limit	\$ 4,982,196	\$ 5,070,816
Total debt	(735,821)	(791,884)
Total debt limit remaining	\$ 4,246,375	\$ 4,278,932
Service on debt limit	\$ 830,366	\$ 845,136
Service on debt	(86,358)	(86,358)
Total service on debt limit remaining	\$ 744,008	\$ 758,778

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

	2021	2020
Unrestricted surplus	\$ 5,009,188	\$ 4,493,433
Restricted surplus		
Operating reserves (Note 10)	43,038	43,038
Capital reserves (Note 10)	1,164,554	2,040,744
Equity in tangible capital assets (Schedule 2)	20,172,247	15,962,309
	\$ 26,389,027	\$ 22,539,524

10. RESTRICTED SURPLUS

	2021	2020
Operating Reserves		
Tax rate stabilization	\$ 43,038	\$ 43,038
Capital Reserves		
Roads, streets, walks, lighting equipment	\$ 822,658	\$ 822,658
Lagoon	254,199	1,111,303
General administration	87,697	106,783
	\$ 1,164,554	\$ 2,040,744

TOWN OF SPIRIT RIVER
Notes to Consolidated Financial Statements
For the Year Ended December 31, 2021

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:

	2021 (Budget) (Note 13)	2021 (Actual)	2020 (Actual)
ATCO natural gas	\$ 86,518	\$ 86,147	\$ 86,338
ATCO electricity	56,982	56,737	55,243
	\$ 143,500	\$ 142,884	\$ 141,581

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)	2021	2020
Mayor Georget	\$ 11,964	\$ 552	\$ 12,516	\$ 13,815
Mayor Yaremko	1,700	60	1,760	-
Councillors				
Yaremko	8,502	297	8,799	6,549
Stanich	6,735	321	7,056	6,167
Ezio	6,650	-	6,650	7,522
Skoworodko	5,811	49	5,860	3,585
Sellin	4,519	41	4,560	5,157
Dwernychuk	3,153	91	3,244	2,972
Meyer	1,705	96	1,801	3,602
Nicholson	1,535	70	1,605	3,210
Thomas	2,728	136	-	2,864
Chief Administrative Officer				
Deveau	116,677	19,221	135,898	130,032
	\$ 171,679	\$ 20,934	\$ 192,613	\$ 185,475

(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, 2021

13. BUDGET FIGURES

	2021 (Budget)	2021 (Actual)
Annual surplus	\$ 4,587,195	\$ 3,849,503
Acquisition of tangible capital assets	(5,723,474)	(4,886,860)
Repayment of long-term debt	-	(56,063)
Net transfers (to) from reserves:		876,190
Funding acquisition of tangible capital assets	1,636,366	-
Transfers to reserves	(500,000)	-
Results of operations	\$ 87	\$ (217,230)

The budget data presented in these consolidated financial statements is based on the operating and capital budgets approved by Town Council on May 17, 2021. 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, 2021

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 2021, 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.

18. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

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