

MUNICIPAL DISTRICT OF SPIRIT RIVER NO. 133

CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2016

CONTENTS

	<u>Page</u>
Independent Auditors' Report	2
Consolidated Statement of Financial Position	3
Consolidated Statement of Operations	4
Consolidated Statement of Changes in Net Financial Assets (Debt)	5
Consolidated Statement of Cash Flows	6
Schedule 1 - Schedule of Changes in Accumulated Surplus	7
Schedule 2 - Schedule of Tangible Capital Assets	8
Schedule 3 - Schedule of Property and Other Taxes	9
Schedule 4 - Schedule of Government Transfers	10
Schedule 5 - Schedule of Consolidated Expenses by Object	11
Schedule 6 - Schedule of Segmented Disclosure	12
Notes to the Financial Statements	13 - 23

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INDEPENDENT AUDITORS' REPORT

To the Members of Council
MUNICIPAL DISTRICT OF SPIRIT RIVER NO. 133

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of MUNICIPAL DISTRICT OF SPIRIT RIVER NO. 133, which comprise the statement of financial position as at December 31, 2016, 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 MUNICIPAL DISTRICT OF SPIRIT RIVER NO. 133 as at December 31, 2016 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
March 15, 2017


CHARTERED PROFESSIONAL ACCOUNTANTS

MUNICIPAL DISTRICT OF SPIRIT RIVER NO. 133
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at December 31, 2016

	2016	2015
FINANCIAL ASSETS	\$	\$
Cash and temporary investments (Note 2)	2,561,048	6,631,151
Receivables		
Taxes and grants in place of taxes (Note 3)	59,510	46,394
Trade and other (Note 4)	372,110	197,104
Investments (Note 5)	5,729,349	2,389,959
Other assets (Note 6)	21,352	-
	8,743,369	9,264,608

LIABILITIES

Accounts payable and accrued liabilities	255,670	339,629
Deposit liabilities	26,948	26,974
Deferred revenue (Note 7)	1,272,067	1,177,245
Employee benefit obligations (Note 8)	118,267	97,646
Other liabilities (Note 9)	1,932	-
	1,674,884	1,641,494

NET FINANCIAL ASSETS (DEBT)

7,068,485 **7,623,114**

NON-FINANCIAL ASSETS

Tangible capital assets (Schedule 2, Note 12)	25,336,500	26,742,405
Inventory for consumption	2,237,759	889,277
Prepaid expenses	29,152	25,991
	27,603,411	27,657,673

ACCUMULATED SURPLUS (Schedule 1, Note 13)

34,671,896 **35,280,787**

Commitments and Contingencies - See Note 18 and 19

See accompanying schedules and notes to the financial statements.

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MUNICIPAL DISTRICT OF SPIRIT RIVER NO. 133**CONSOLIDATED STATEMENT OF OPERATIONS**

For the Year Ended December 31, 2016

	Budget (Unaudited)	2016	2015
	\$	\$	\$
REVENUE			
Net municipal taxes (Schedule 3)	3,196,545	3,174,972	2,963,342
User fees and sales of goods	221,800	203,407	258,957
Government transfers for operating (Schedule 4)	848,519	648,983	771,987
Penalties and costs on taxes	6,000	8,485	8,719
Licenses and permits	1,500	720	1,794
Investment income	60,250	92,921	103,842
Rentals	21,200	19,099	22,147
Other revenues	241,834	94,669	54,248
Total Revenue	4,597,648	4,243,256	4,185,036
EXPENSES (Schedule 5 - By Object)			
Council and other legislative	130,350	126,504	124,464
General administration	568,686	631,050	457,279
Fire fighting and protective services	246,488	183,090	129,120
Disaster and emergency services	11,100	11,125	11,125
Roads, streets, walks, lighting	3,203,068	3,014,351	3,197,589
Waste management	5,000	5,706	4,544
Family and community support services	175,520	188,551	179,614
Public health - medical clinic	153,496	19,387	177,740
Cemeteries	6,500	610	1,017
Land use planning, zoning and development	32,000	20,839	31,660
Economic/agricultural development	397,321	311,160	294,242
Parks and recreation	61,825	54,636	82,941
Culture: libraries, museums, halls	12,300	12,129	11,918
Total Expenses	5,003,654	4,579,138	4,703,253
EXCESS (SHORTFALL) OF REVENUE OVER EXPENSES - BEFORE OTHER	(406,006)	(335,882)	(518,217)
OTHER			
Contributed assets	-	-	5,000
Transfer to central peace fire commission (Note 20)	-	(335,635)	-
Government transfers for capital (Schedule 4)	-	62,626	276,878
EXCESS (SHORTFALL) OF REVENUE OVER EXPENSES	(406,006)	(608,891)	(236,339)
ACCUMULATED SURPLUS, BEGINNING OF YEAR	35,280,787	35,280,787	35,517,126
ACCUMULATED SURPLUS, END OF YEAR	34,874,781	34,671,896	35,280,787

See accompanying schedules and notes to the financial statements.

MUNICIPAL DISTRICT OF SPIRIT RIVER NO. 133

CONSOLIDATED STATEMENT OF CHANGES IN NET FINANCIAL ASSETS (DEBT)

For the Year Ended December 31, 2016

	Budget (Unaudited)	2016	2015
	\$	\$	\$
EXCESS (SHORTFALL) OF REVENUES OVER EXPENSES	(406,006)	(608,891)	(236,339)
Acquisition of tangible capital assets	(500,000)	(374,533)	(493,852)
Contributed tangible capital assets	-	-	(5,000)
Proceeds on disposal of tangible capital assets	-	342,136	64,255
Amortization of tangible capital assets	1,458,063	1,430,943	1,460,063
(Gain) loss on sale of tangible capital assets	-	7,359	41,376
	958,063	1,405,905	1,066,842
Acquisition of supplies inventories	(1,773,200)	(1,894,084)	(440,069)
Acquisition of prepaid assets	(50,000)	(34,623)	(39,473)
Use of supplies inventories	173,200	545,602	658,393
Use of prepaid assets	50,000	31,462	50,055
	(1,600,000)	(1,351,643)	228,906
INCREASE (DECREASE) IN NET ASSETS (DEBT)	(1,047,943)	(554,629)	1,059,409
NET FINANCIAL ASSETS (DEBT), BEGINNING OF YEAR	7,623,114	7,623,114	6,563,705
NET FINANCIAL ASSETS (DEBT), END OF YEAR	6,575,171	7,068,485	7,623,114

See accompanying schedules and notes to the financial statements.

MUNICIPAL DISTRICT OF SPIRIT RIVER NO. 133**CONSOLIDATED STATEMENT OF CASH FLOWS**

For the Year Ended December 31, 2016

	2016	2015
NET INFLOW (OUTFLOW) OF CASH RELATED TO FOLLOWING ACTIVITIES:	\$	\$
OPERATING		
Excess (shortfall) of revenues over expenses	(608,891)	(236,339)
Non-cash items included in excess (shortfall) of revenues over expenses:		
Amortization of tangible capital assets	1,430,943	1,460,063
Loss (gain) on disposal of tangible capital assets	7,359	41,376
Non-cash charges to operations (net change):		
Decrease (increase) in taxes and grants in lieu receivable	(13,116)	(4,234)
Decrease (increase) in trade and other receivables	(175,006)	140,709
Decrease (increase) in other assets	(21,352)	-
Decrease (increase) in inventory for consumption	(1,348,482)	218,324
Decrease (increase) in prepaid expenses	(3,161)	10,582
Increase (decrease) in accounts payable and accrued liabilities	(83,959)	64,216
Increase (decrease) in deposit liabilities	(26)	6,254
Increase (decrease) in deferred revenue	94,822	320,387
Increase (decrease) in employee benefit obligations	20,621	3,299
Increase (decrease) in other liabilities	1,932	(2,345)
Cash provided by operating transactions	(698,316)	2,022,292
CAPITAL		
Acquisition of tangible capital assets	(374,533)	(498,852)
Sale of tangible capital assets	342,136	64,255
Cash provided by (applied to) capital transactions	(32,397)	(434,597)
INVESTING		
Decrease (increase) in restricted cash or cash equivalents	(64,032)	(327,483)
Decrease (increase) in investments	(3,339,390)	(2,389,514)
Cash provided by (applied to) investing transactions	(3,403,422)	(2,716,997)
FINANCING		
Long-term debt issued	-	-
Long-term debt repaid	-	-
Cash provided by (applied to) financing transactions	-	-
CHANGE IN CASH AND EQUIVALENTS DURING THE YEAR	(4,134,135)	(1,129,302)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	5,428,294	6,557,596
CASH AND CASH EQUIVALENTS, END OF YEAR	1,294,159	5,428,294
Cash and cash equivalents is made up of:		
Cash and temporary investments (Note 2)	2,561,048	6,631,151
Less: restricted portion of cash and temporary investments (Note 2)	(1,266,889)	(1,202,857)
	1,294,159	5,428,294

See accompanying schedules and notes to the financial statements.

**MUNICIPAL DISTRICT OF SPIRIT RIVER NO. 133
 SCHEDULE OF CHANGES IN ACCUMULATED SURPLUS**

Schedule 1

For the Year Ended December 31, 2016

	Unrestricted Surplus	Restricted Surplus	Equity in Tangible Capital Assets	2016	2015
	\$	\$	\$	\$	\$
BALANCE, BEGINNING OF YEAR	-	8,538,382	26,742,405	35,280,787	35,517,126
Excess (deficiency) of revenues over expenses	(608,891)	-	-	(608,891)	(236,339)
Unrestricted funds designated for future use	(1,207,235)	1,207,235	-	-	-
Restricted funds used for operations	277,272	(277,272)	-	-	-
Restricted funds used for tangible capital assets	-	(132,949)	132,949	-	-
Current year funds used for tangible capital assets	(241,584)	-	241,584	-	-
Contributed tangible capital assets	-	-	-	-	-
Disposal of tangible capital assets	349,495	-	(349,495)	-	-
Annual amortization expense	1,430,943	-	(1,430,943)	-	-
Capital long-term debt repaid	-	-	-	-	-
CHANGE IN ACCUMULATED SURPLUS	-	797,014	(1,405,905)	(608,891)	(236,339)
BALANCE, END OF YEAR	-	9,335,396	25,336,500	34,671,896	35,280,787

See accompanying schedules and notes to the financial statements.

**MUNICIPAL DISTRICT OF SPIRIT RIVER NO. 133
SCHEDULE OF TANGIBLE CAPITAL ASSETS**

Schedule 2

For the Year Ended December 31, 2016

	Land	Buildings	Engineered Structures	Machinery and Equipment	Vehicles	2016	2015
	\$	\$	\$	\$	\$	\$	\$
COST:							
BALANCE, BEGINNING OF YEAR	658,661	824,356	68,363,592	2,366,483	1,330,382	73,543,474	73,298,825
Acquisition of tangible capital assets	-	-	11,825	175,016	54,743	241,584	449,788
Construction-in-progress	-	132,949	-	-	-	132,949	49,064
Disposal of tangible capital assets	-	-	-	(49,556)	(462,538)	(512,094)	(254,203)
Write down of tangible capital assets	-	-	-	-	-	-	-
BALANCE, END OF YEAR	658,661	957,305	68,375,417	2,491,943	922,587	73,405,913	73,543,474
ACCUMULATED AMORTIZATION:							
BALANCE, BEGINNING OF YEAR	-	191,760	45,155,521	566,002	887,786	46,801,069	45,489,578
Annual amortization	-	11,927	1,275,328	116,671	27,017	1,430,943	1,460,063
Accumulated amortization on disposals	-	-	-	(35,697)	(126,902)	(162,599)	(148,572)
BALANCE, END OF YEAR	-	203,687	46,430,849	646,976	787,901	48,069,413	46,801,069
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	658,661	753,618	21,944,568	1,844,967	134,686	25,336,500	26,742,405
2015 NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	658,661	632,596	23,208,071	1,800,481	442,596	26,742,405	

See accompanying schedules and notes to the financial statements.

MUNICIPAL DISTRICT OF SPIRIT RIVER NO. 133**Schedule 3****SCHEDULE OF PROPERTY AND OTHER TAXES**

For the Year Ended December 31, 2016

	Budget (Unaudited)	2016	2015
	\$	\$	\$
TAXATION			
Real property taxes	2,844,819	2,872,186	2,516,157
Linear property taxes	924,858	940,119	1,020,756
	3,769,677	3,812,305	3,536,913
REQUISITIONS			
Alberta School Foundation Fund	543,104	605,658	543,104
Grande Prairie R.C.S.S.D. No. 28	23,000	23,359	22,151
Grande Spirit Seniors Foundation	7,028	8,316	8,316
	573,132	637,333	573,571
NET MUNICIPAL TAXES	3,196,545	3,174,972	2,963,342

See accompanying schedules and notes to the financial statements.

SCHEDULE OF GOVERNMENT TRANSFERS

For the Year Ended December 31, 2016

	Budget (Unaudited)	2016	2015
	\$	\$	\$
TRANSFERS FOR OPERATING			
Federal Government	50,000	16,466	50,000
Local Government	29,486	105,503	27,897
Provincial Government	769,033	527,014	694,090
	848,519	648,983	771,987
TRANSFERS FOR CAPITAL			
Federal Government	-	-	-
Provincial Government	-	62,626	276,878
	-	62,626	276,878
TOTAL GOVERNMENT TRANSFERS	848,519	711,609	1,048,865

See accompanying schedules and notes to the financial statements.

MUNICIPAL DISTRICT OF SPIRIT RIVER NO. 133
SCHEDULE OF CONSOLIDATED EXPENSES BY OBJECT

Schedule 5

For the Year Ended December 31, 2016

	Budget (Unaudited)	2016	2015
	\$	\$	\$
CONSOLIDATED EXPENSES BY OBJECT			
Salaries, wages and benefits	1,340,360	1,218,806	1,115,364
Contracted and general services	1,121,105	407,141	636,633
Purchases from other governments (Note 20)	26,650	50,857	26,623
Materials, goods and utilities	859,500	1,221,038	1,250,708
Provision for allowances	-	11,656	-
Transfers to other governments (Note 20)	3,400	339,035	3,400
Transfers to local boards and agencies	12,300	12,129	11,918
Transfers to individuals and organizations	130,825	122,421	146,119
Bank charges and short-term interest	10,750	3,521	10,324
Other expenditures	40,701	89,867	725
Amortization of tangible capital assets	1,458,063	1,430,943	1,460,063
Loss on disposal of tangible capital assets	-	7,359	41,376
	5,003,654	4,914,773	4,703,253

See accompanying schedules and notes to the financial statements.

MUNICIPAL DISTRICT OF SPIRIT RIVER NO. 133
SCHEDULE OF SEGMENTED DISCLOSURE
 For the Year Ended December 31, 2016

Schedule 6

	General Government	Protective Services	Transportation Services	Environmental Services	Public Health & Welfare	Planning & Agriculture	Recreation & Culture	Total 2016
	\$	\$	\$	\$	\$	\$	\$	\$
REVENUE								
Net municipal taxes (Schedule 3)	3,174,972	-	-	-	-	-	-	3,174,972
User fees and sales of goods	4,044	18,291	127,266	48,101	1,325	4,380	-	203,407
Government transfers for operating (Schedule 4)	30,241	68,337	174,182	-	153,408	202,315	20,500	648,983
Penalties and costs on taxes	8,485	-	-	-	-	-	-	8,485
Licenses and permits	40	-	-	-	-	680	-	720
Investment income	92,921	-	-	-	-	-	-	92,921
Rentals	12,104	-	595	-	5,400	1,000	-	19,099
Other revenues	26,483	21	2,000	-	66,055	110	-	94,669
	3,349,290	86,649	304,043	48,101	226,188	208,485	20,500	4,243,256
EXPENSES								
Salaries, wages and benefits	386,530	79,700	487,171	-	106,188	159,217	-	1,218,806
Contracted and general services	180,801	29,557	106,284	4,738	25,268	60,493	-	407,141
Purchases from other governments (Note 20)	216	50,641	-	-	-	-	-	50,857
Materials, goods and utilities	63,550	30,201	992,453	968	76,607	50,623	6,636	1,221,038
Provision for allowances	11,656	-	-	-	-	-	-	11,656
Transfers to other governments	-	-	3,400	-	-	-	-	3,400
Transfers to local boards and agencies	-	-	-	-	-	-	12,129	12,129
Transfers to individuals and organizations	13,457	-	-	-	-	60,964	48,000	122,421
Bank charges and short-term interest	2,880	41	509	-	89	2	-	3,521
Other expenditures	88,482	-	1,385	-	-	-	-	89,867
Loss on disposal of tangible capital assets	-	-	7,359	-	-	-	-	7,359
	747,572	190,140	1,598,561	5,706	208,152	331,299	66,765	3,148,195
Net revenue before amortization and government transfers for capital	2,601,718	(103,491)	(1,294,518)	42,395	18,036	(122,814)	(46,265)	1,095,061
Amortization	(9,982)	(4,075)	(1,415,790)	-	(396)	(700)	-	(1,430,943)
Transfer to fire commission (Note 20)	-	(335,635)	-	-	-	-	-	(335,635)
Government transfers for capital	-	54,743	7,883	-	-	-	-	62,626
NET REVENUE (SHORTFALL)	2,591,736	(388,458)	(2,702,425)	42,395	17,640	(123,514)	(46,265)	(608,891)
2015 NET REVENUE (SHORTFALL)	2,523,668	(79,413)	(2,558,728)	99,738	(31,997)	(115,248)	(74,359)	(236,339)

See accompanying schedules and notes to the financial statements.

MUNICIPAL DISTRICT OF SPIRIT RIVER NO. 133

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended December 31, 2016

1. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements of the MUNICIPAL DISTRICT OF SPIRIT RIVER NO. 133 are the representations of management prepared in accordance with generally accepted accounting principles for local governments established by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada. Significant aspects of the accounting policies adopted by the municipality 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 municipality and are, therefore, accountable to the municipal Council for the administration of their financial affairs and resources.

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.

MUNICIPAL DISTRICT OF SPIRIT RIVER NO. 133

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended December 31, 2016

1. SIGNIFICANT ACCOUNTING POLICIES - CON'T

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) Tax Revenue

Tax revenues are recognized when the tax has been authorized by bylaw and the taxable event has occurred.

Requisitions operate as a flow through and are excluded from municipal revenue.

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.

j) Contaminated Sites Liability

Contaminated sites are a result of contamination being introduced into air, soil, water or sediment of a chemical, organic or radioactive material or live organism that exceeds an environmental standard. The liability is recorded net of any expected recoveries. A liability for remediation of a contaminated site is recognized when a site is not in productive use and is management's estimate of the cost of post-remediation including operation, maintenance and monitoring.

MUNICIPAL DISTRICT OF SPIRIT RIVER NO. 133

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended December 31, 2016

1. SIGNIFICANT ACCOUNTING POLICIES - CON'T

k) 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.

l) Non-Financial Assets

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the normal course of operations. The change in non-financial assets during the year, together with the excess of revenues over expenses, provides the consolidated Change in Net Financial Assets (Debt) for the year.

i. Tangible Capital Assets

Tangible capital assets are recorded at cost which includes all amounts that are directly attributable to acquisition, construction, development or betterment of the asset. The cost, less residual value, of the tangible capital assets is amortized on a straight-line basis over the estimated useful life as follows:

	YEARS
Buildings	50
Engineered structures	
Road system	20-60
Bridges and Culverts	10-80
Machinery and equipment	10-20
Vehicles	10-25

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 costs 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.

MUNICIPAL DISTRICT OF SPIRIT RIVER NO. 133**NOTES TO THE FINANCIAL STATEMENTS**

For the Year Ended December 31, 2016

2. CASH AND TEMPORARY INVESTMENTS

	2016	2015
	\$	\$
Cash	(125,998)	144,262
Temporary investments	2,687,046	6,486,889
	2,561,048	6,631,151

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

Included in cash and temporary investments are restricted amounts totalling \$1,266,889 (2015: \$1,202,857) received from the provincial government and other sources held exclusively for specific projects.

3. TAXES AND GRANTS IN PLACE OF TAXES RECEIVABLES

	2016	2015
	\$	\$
Current taxes and grants in place of taxes	46,934	38,809
Arrears taxes	24,232	7,585
	71,166	46,394
Less: Allowance for doubtful accounts	11,656	-
	59,510	46,394

4. TRADE AND OTHER RECEIVABLES

	2016	2015
	\$	\$
Accrued interest	71,170	38,466
Central Peace Fire Commission (Note 19)	58,987	-
From other governments	108,116	58,606
Goods and services tax recoverable	69,030	11,607
Other accounts	48,486	85,622
Trade accounts	16,321	2,803
	372,110	197,104

5. INVESTMENTS

	2016	2015
	\$	\$
Debenture borrowing shares	10	10
Equity held in U.F.A.	5	5
Investment deposits	5,729,334	2,389,944
	5,729,349	2,389,959

Investment deposits have effective interest rates of 1.64% to 1.93% with maturity dates from December 20, 2017 to December 20, 2018.

MUNICIPAL DISTRICT OF SPIRIT RIVER NO. 133**NOTES TO THE FINANCIAL STATEMENTS**

For the Year Ended December 31, 2016

6. OTHER ASSETS

	2016	2015
	\$	\$
Alberta School Foundation Fund under-levy	21,352	-

7. DEFERRED REVENUE

	2016	2015
	\$	\$
Provincial government transfers		
Municipal Sustainability Initiative - 2014 Capital	540,840	537,789
Municipal Sustainability Initiative - 2015 Capital	268,087	266,787
Municipal Sustainability Initiative - 2016 Capital	112,037	-
Regional Collaboration Program - Medical Clinic	-	3,807
Regional Fire Commission	293,189	345,000
Village of Rycroft - FCSS	4,386	
Early Childhood Mapping Grant	22,500	22,500
	1,241,039	1,175,883
Prepaid user charges	31,028	1,362
	1,272,067	1,177,245

Government funding as per above \$1,241,039 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 \$1,241,039 held exclusively for these projects (refer Note 2).

8. EMPLOYEE BENEFIT OBLIGATIONS

	2016	2015
	\$	\$
Sick pay benefits	20,309	19,358
Vacation and overtime	97,958	78,288
	118,267	97,646

Sick pay benefits

The sick pay benefits liability is comprised of sick pay that accumulates but does not vest and is paid only upon an illness or injury-related absence. The extent to which accumulated sick days are expected to be used by the employees has been considered in measuring this obligation.

Vacation and overtime

The vacation and overtime liability is comprised of the vacation and overtime that employees are deferring to future years. Employees have either earned the benefits (and are vested) or are entitled to these benefits within the next budgetary year.

MUNICIPAL DISTRICT OF SPIRIT RIVER NO. 133**NOTES TO THE FINANCIAL STATEMENTS**

For the Year Ended December 31, 2016

9. OTHER LIABILITIES

	2016	2015
	\$	\$
Grande Spirit Foundation over-levy	1,932	-

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 MUNICIPAL DISTRICT OF SPIRIT RIVER NO. 133 be disclosed as follows:

	2016	2015
	\$	\$
Total debt limit	6,364,884	6,277,554
Total debt	-	-
Amount of debt limit unused	6,364,884	6,277,554
Debt servicing limit	1,060,814	1,046,259
Debt servicing	-	-
Amount of debt servicing limit unused	1,060,814	1,046,259

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	2016	2015
	\$	\$
Land	658,661	658,661
Buildings	472,691	484,618
Buildings - construction in progress	280,927	147,978
Engineered Structures		
Roadway system	21,801,515	23,076,843
Roadway system - construction in progress	143,053	131,228
Machinery, equipment and furnishings	1,844,967	1,800,481
Vehicles	134,686	442,596
	25,336,500	26,742,405

MUNICIPAL DISTRICT OF SPIRIT RIVER NO. 133**NOTES TO THE FINANCIAL STATEMENTS**

For the Year Ended December 31, 2016

12. EQUITY IN TANGIBLE CAPITAL ASSETS

	2016	2015
	\$	\$
Tangible capital assets (Schedule 2)	73,405,913	73,543,474
Accumulated amortization (Schedule 2)	(48,069,413)	(46,801,069)
Net Book Value	25,336,500	26,742,405
Long-term debt	-	-
	25,336,500	26,742,405

13. ACCUMULATED SURPLUS

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

	2016	2015
	\$	\$
Unrestricted surplus (deficit)	-	-
Restricted surplus		
Municipal land reserve	8,934	6,813
Fire fighting and services	-	227,428
Family and community support services	64,036	50,056
Public health	-	101,772
Economic/agricultural	9,601	9,601
Heritage	1,000,000	1,000,000
Contingency (mill rate stabilization)	8,252,825	7,142,712
Equity in tangible capital assets	25,336,500	26,742,405
	34,671,896	35,280,787

14. SEGMENTED DISCLOSURE

The MUNICIPAL DISTRICT OF SPIRIT RIVER NO. 133 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)

MUNICIPAL DISTRICT OF SPIRIT RIVER NO. 133

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended December 31, 2016

15. SALARY AND BENEFITS DISCLOSURE

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

	Salary(1)	Benefits & Allowances(2)	2016 Total	2015 Total
	\$	\$	\$	\$
Reeve:				
BZOWY, Stan	12,386	10,569	22,955	23,738
Councillors:				
GARROW, Elaine	21,144	12,866	34,010	30,827
MERCIER, Yves	11,020	10,199	21,219	16,655
VANROOTSEELAR, Tony	11,280	7,558	18,838	20,585
	55,830	41,192	97,022	91,805
Chief Administrative Officer:				
HUDSON, Kelly	68,001	15,572	83,573	65,102
Designated Officers:				
HUDSON, Kelly	46,614	8,749	55,363	65,102
	114,615	24,321	138,936	130,204
	170,445	65,513	235,958	222,009

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

2) For reeve and councillors, benefits and allowances consists of employer's share of Canada pension plan, health care, dental coverage, vision coverage, group life insurance, accidental disability and dismemberment insurance travel, taxable mileage and general non-accountable expense allowances. For chief administrative officer and designated officers, benefits and allowances consists of employer's share of Canada pension plan, employment insurance contributions, pension, health care, dental coverage, vision coverage, group life insurance, accidental disability and dismemberment insurance, long and short-term disability plans, tuition, travel and automobile allowances.

MUNICIPAL DISTRICT OF SPIRIT RIVER NO. 133

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended December 31, 2016

16. LOCAL AUTHORITIES PENSION PLAN

Employees of the MUNICIPAL DISTRICT OF SPIRIT RIVER NO. 133 participate in the Local Authorities Pension Plan (LAPP), which is one of the plans covered by the Alberta Public Sector Pensions Plans Act. The LAPP is financed by employer and employee contributions and by investment earnings of the LAPP Fund.

Contributions for current service are recorded as expenditures in the year in which they become due.

The MUNICIPAL DISTRICT OF SPIRIT RIVER NO. 133 is required to make current service contributions to the LAPP of 11.39% of pensionable earnings up to the year's maximum pensionable earnings under the Canada Pension Plan and 15.84% on pensionable earnings above this amount. Employees of the MUNICIPAL DISTRICT OF SPIRIT RIVER NO. 133 are required to make current service contributions of 10.39% of pensionable salary up to the year's maximum pensionable salary and 14.84% on pensionable salary above this amount.

Total current service contributions by the MUNICIPAL DISTRICT OF SPIRIT RIVER NO. 133 to the LAPP in 2016 were \$95,858 (2015: \$83,701). Total current service contributions by the employees of the MUNICIPAL DISTRICT OF SPIRIT RIVER NO. 133 to the Local Authorities Pension Plan in 2016 were \$88,162 (2015: \$76,928).

At December 31, 2015, the LAPP disclosed an actuarial deficiency of \$923 million.

17. GOVERNMENT PARTNERSHIP

A Co-Owners agreement between the Village of Rycroft, Town of Spirit River, Municipal District of Spirit River No. 133 and Birch Hills County was made the 1st day of February, 2004. Each Co-Owner is the registered owner of an undivided 25% tenancy-in-common interest in the property of the Central Peace Medical Clinic. The primary purpose of this agreement is to provide and maintain a building to rent to the doctors whereby they can provide medical services to local residents. This investment is accounted for by the proportionate consolidation method. The following information was taken from the December 31, 2016 audited financial statement:

	2016	2015
	\$	\$
Share of assets (25%)	41,560	38,948
Share of liabilities (25%)	-	-
	41,560	38,948
Total revenues	21,600	21,600
Total expenses	(11,155)	(128,488)
	10,445	(106,888)
Share of excess (shortfall) of revenue over expenses (25%)	2,611	(26,722)

MUNICIPAL DISTRICT OF SPIRIT RIVER NO. 133

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended December 31, 2016

18. COMMITMENTS

The Municipal District of Spirit River #133 is in the process of entering into a new agreement with Saddle Hills County, Birch Hills County, Town of Spirit River and the Village of Rycroft to construct and operate a new medical clinic. The estimated cost to construct the facility is \$4,048,129. The Municipality's total commitment for this project is \$506,016 which equals 12.5% of the total cost. As of December 31, 2016 the Municipality has contributed \$196,978 towards the facility and has a remaining obligation of \$309,038 towards the construction of the building. Operational costs of the facility are to be shared 12.5% by the Municipal District of Spirit River #133, 60% by Saddle Hills County, 15% by the Town of Spirit River, 10% by Birch Hills County, and 2.5% by the Village of Rycroft.

19. CONTINGENCIES

The MUNICIPAL DISTRICT OF SPIRIT RIVER NO. 133 is a member of the Jubilee Reciprocal Insurance Exchange. Under the terms of the membership, the MUNICIPAL DISTRICT OF SPIRIT RIVER NO. 133 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.

20. RELATED PARTY TRANSACTIONS

During the year, the MUNICIPAL DISTRICT OF SPIRIT RIVER #133 transferred capital assets with a value of \$335,635 and paid \$33,968 (40% share of operating costs) to the Central Peace Fire and Rescue Commission which it is a member of. As at December 31, 2016 the Municipality has an accounts receivable from the Commission of \$58,987 (2015: \$0). These transactions were made in the normal course of operations and have been measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

MUNICIPAL DISTRICT OF SPIRIT RIVER NO. 133

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended December 31, 2016

21. FINANCIAL INSTRUMENTS

The Municipality's financial instruments consist of cash and temporary investments, accounts receivable, investments, accounts payable and accrued liabilities, deposit liabilities, requisition over-levy and long-term debt. It is management's opinion that the Municipality is not exposed to significant interest or currency risks arising from these financial instruments.

The Municipality 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 municipality provides services may experience financial difficulty and be unable to fulfill their obligations. The large number and diversity of taxpayers and customers minimizes the credit risk.

Unless otherwise noted, the carrying value of the financial instrument approximates fair value.

22. APPROVAL OF FINANCIAL STATEMENTS

Council and Management have approved these financial statements.