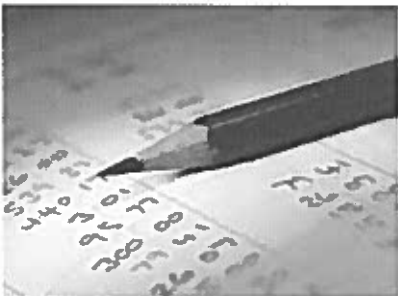


SYLVAIN & COMPANY

MUNICIPAL DISTRICT OF SPIRIT RIVER
NO. 133

Financial Statements

For the Year Ended December 31, 2017



CPA

CHARTERED
PROFESSIONAL
ACCOUNTANTS

MUNICIPAL DISTRICT OF SPIRIT RIVER NO. 133

CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2017

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SYLVAIN & COMPANY

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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, 2017, 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, 2017 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 28, 2018


CHARTERED PROFESSIONAL ACCOUNTANTS

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

As at December 31, 2017

	2017	2016
	\$	\$
FINANCIAL ASSETS		
Cash and temporary investments (Note 2)	3,339,002	2,561,048
Receivables		
Taxes and grants in place of taxes (Note 3)	67,485	59,510
Trade and other (Note 4)	315,770	372,110
Investments (Note 5)	5,130,138	5,729,349
Other assets (Note 6)	-	21,352
	8,852,395	8,743,369

LIABILITIES

Accounts payable and accrued liabilities	131,830	255,670
Deposit liabilities	26,950	26,948
Deferred revenue (Note 7)	1,410,349	1,272,067
Employee benefit obligations (Note 8)	107,203	118,267
Other liabilities (Note 9)	-	1,932
	1,676,332	1,674,884

NET FINANCIAL ASSETS (DEBT)	7,176,063	7,068,485
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NON-FINANCIAL ASSETS

Tangible capital assets (Schedule 2, Note 12)	24,420,734	25,336,500
Inventory for consumption	2,863,670	2,237,759
Prepaid expenses	29,252	29,152
	27,313,656	27,603,411

ACCUMULATED SURPLUS (Schedule 1, Note 13)	34,489,719	34,671,896
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Commitments and Contingencies - See Note 18 and 19

See accompanying schedules and notes to the financial statements.

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

For the Year Ended December 31, 2017

	Budget (Unaudited)	2017	2016
	\$	\$	\$
REVENUE			
Net municipal taxes (Schedule 3)	3,021,283	3,020,949	3,174,972
User fees and sales of goods	161,805	285,016	203,407
Well drilling charges	-	9,271	-
Government transfers for operating (Schedule 4)	704,594	974,234	648,983
Penalties and costs on taxes	5,500	9,322	8,485
Licenses and permits	500	500	720
Investment income	45,252	94,319	92,921
Rentals	18,100	24,648	19,099
Drawn from allowances	-	4,925	-
Other revenues	271,400	203,255	94,669
Total Revenue	4,228,434	4,626,439	4,243,256
EXPENSES (Schedule 5 - By Object)			
Council and other legislative	132,479	133,550	126,504
General administration	671,057	685,770	631,050
Fire fighting and protective services	695	296,195	183,090
Disaster and emergency services	11,125	11,125	11,125
Roads, streets, walks, lighting	3,493,090	3,218,789	3,014,351
Water supply and distribution	300,000	2,960	-
Waste management	6,000	9,065	5,706
Family and community support services	201,732	206,547	188,551
Public health - medical clinic	15,996	33,901	19,387
Cemeteries	9,500	500	610
Land use planning, zoning and development	30,000	25,717	20,839
Economic/agricultural development	374,595	288,188	311,160
Parks and recreation	31,000	28,837	54,636
Culture: libraries, museums, halls	72,430	70,732	12,129
Total Expenses	5,349,699	5,011,876	4,579,138
EXCESS (SHORTFALL) OF REVENUE OVER EXPENSES - BEFORE OTHER	(1,121,265)	(385,437)	(335,882)
OTHER			
Transfer to central peace fire commission (Note 20)	-	-	(335,635)
Government transfers for capital (Schedule 4)	1,037,000	203,260	62,626
EXCESS (SHORTFALL) OF REVENUE OVER EXPENSES	(84,265)	(182,177)	(608,891)
ACCUMULATED SURPLUS, BEGINNING OF YEAR	34,671,896	34,671,896	35,280,787
ACCUMULATED SURPLUS, END OF YEAR	34,587,631	34,489,719	34,671,896

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, 2017

	Budget (Unaudited)	2017	2016
	\$	\$	\$
EXCESS (SHORTFALL) OF REVENUES OVER EXPENSES	(84,265)	(182,177)	(608,891)
Acquisition of tangible capital assets	(1,989,381)	(609,918)	(374,533)
Contributed tangible capital assets	-	-	-
Proceeds on disposal of tangible capital assets	562,000	65,206	342,136
Amortization of tangible capital assets	1,427,563	1,447,328	1,430,943
(Gain) loss on sale of tangible capital assets	-	13,150	7,359
	182	915,766	1,405,905
Acquisition of supplies inventories	(655,200)	(1,135,854)	(1,894,084)
Acquisition of prepaid assets	(42,960)	(37,004)	(34,623)
Use of supplies inventories	655,200	509,943	545,602
Use of prepaid assets	42,960	36,904	31,462
	-	(626,011)	(1,351,643)
INCREASE (DECREASE) IN NET ASSETS (DEBT)	(84,083)	107,578	(554,629)
NET FINANCIAL ASSETS (DEBT), BEGINNING OF YEAR	7,068,485	7,068,485	7,623,114
NET FINANCIAL ASSETS (DEBT), END OF YEAR	6,984,402	7,176,063	7,068,485

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, 2017

	2017	2016
NET INFLOW (OUTFLOW) OF CASH RELATED TO FOLLOWING ACTIVITIES:	\$	\$
OPERATING		
Excess (shortfall) of revenues over expenses	(182,177)	(608,891)
Non-cash items included in excess (shortfall) of revenues over expenses:		
Amortization of tangible capital assets	1,447,328	1,430,943
Loss (gain) on disposal of tangible capital assets	13,150	7,359
Non-cash charges to operations (net change):		
Decrease (increase) in taxes and grants in lieu receivable	(7,975)	(13,116)
Decrease (increase) in trade and other receivables	56,340	(175,006)
Decrease (increase) in other assets	21,352	(21,352)
Decrease (increase) in inventory for consumption	(625,911)	(1,348,482)
Decrease (increase) in prepaid expenses	(100)	(3,161)
Increase (decrease) in accounts payable and accrued liabilities	(123,840)	(83,959)
Increase (decrease) in deposit liabilities	2	(26)
Increase (decrease) in deferred revenue	138,282	94,822
Increase (decrease) in employee benefit obligations	(11,064)	20,621
Increase (decrease) in other liabilities	(1,932)	1,932
Cash provided by operating transactions	723,455	(698,316)
CAPITAL		
Acquisition of tangible capital assets	(609,918)	(374,533)
Sale of tangible capital assets	65,206	342,136
Cash provided by (applied to) capital transactions	(544,712)	(32,397)
INVESTING		
Decrease (increase) in restricted cash or cash equivalents	(167,897)	(64,032)
Decrease (increase) in investments	599,211	(3,339,390)
Cash provided by (applied to) investing transactions	431,314	(3,403,422)
FINANCING		
Long-term debt issued	-	-
Long-term debt repaid	-	-
Cash provided by (applied to) financing transactions	-	-
CHANGE IN CASH AND EQUIVALENTS DURING THE YEAR	610,057	(4,134,135)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	1,294,159	5,428,294
CASH AND CASH EQUIVALENTS, END OF YEAR	1,904,216	1,294,159
Cash and cash equivalents is made up of:		
Cash and temporary investments (Note 2)	3,339,002	2,561,048
Less: restricted portion of cash and temporary investments (Note 2)	(1,434,786)	(1,266,889)
	1,904,216	1,294,159

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, 2017

	Unrestricted Surplus	Restricted Surplus	Equity in Tangible Capital Assets	2017	2016
	\$	\$	\$	\$	\$
BALANCE, BEGINNING OF YEAR	-	9,335,396	25,336,500	34,671,896	35,280,787
Excess (deficiency) of revenues over expenses	(182,177)	-	-	(182,177)	(608,891)
Unrestricted funds designated for future use	(1,093,833)	1,093,833	-	-	-
Restricted funds used for operations	16,385	(16,385)	-	-	-
Restricted funds used for tangible capital assets	-	(343,859)	343,859	-	-
Current year funds used for tangible capital assets	(266,059)	-	266,059	-	-
Contributed tangible capital assets	-	-	-	-	-
Disposal of tangible capital assets	78,356	-	(78,356)	-	-
Annual amortization expense	1,447,328	-	(1,447,328)	-	-
Capital long-term debt repaid	-	-	-	-	-
CHANGE IN ACCUMULATED SURPLUS	-	733,589	(915,766)	(182,177)	(608,891)
BALANCE, END OF YEAR	-	10,068,985	24,420,734	34,489,719	34,671,896

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, 2017

	Land	Buildings	Engineered Structures	Machinery and Equipment	Vehicles	2017	2016
	\$	\$	\$	\$	\$	\$	\$
COST:							
BALANCE, BEGINNING OF YEAR	658,661	957,305	68,375,417	2,491,943	922,587	73,405,913	73,543,474
Acquisition of tangible capital assets	-	-	-	101,000	165,060	266,060	241,584
Construction-in-progress	-	343,858	-	-	-	343,858	132,949
Disposal of tangible capital assets	-	-	(18,202)	(118,799)	(155,700)	(292,701)	(512,094)
Write down of tangible capital assets	-	-	-	-	-	-	-
BALANCE, END OF YEAR	658,661	1,301,163	68,357,215	2,474,144	931,947	73,723,130	73,405,913
ACCUMULATED AMORTIZATION:							
BALANCE, BEGINNING OF YEAR	-	203,687	46,430,849	646,976	787,901	48,069,413	46,801,069
Annual amortization	-	14,887	1,279,895	112,505	40,041	1,447,328	1,430,943
Accumulated amortization on disposals	-	-	-	(58,645)	(155,700)	(214,345)	(162,599)
BALANCE, END OF YEAR	-	218,574	47,710,744	700,836	672,242	49,302,396	48,069,413
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	658,661	1,082,589	20,646,471	1,773,308	259,705	24,420,734	25,336,500
2016 NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	658,661	753,618	21,944,568	1,844,967	134,686	25,336,500	

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, 2017

	Budget (Unaudited)	2017	2016
	\$	\$	\$
TAXATION			
Real property taxes	2,836,736	2,834,863	2,872,186
Linear property taxes	832,862	832,862	940,119
	3,669,598	3,667,725	3,812,305
REQUISITIONS			
Alberta School Foundation Fund	593,917	592,016	605,658
Grande Prairie R.C.S.S.D. No. 28	25,378	25,378	23,359
Grande Spirit Seniors Foundation	9,600	9,962	8,316
Adjustments to requisition transfers	19,420	19,420	-
	648,315	646,776	637,333
NET MUNICIPAL TAXES	3,021,283	3,020,949	3,174,972

See accompanying schedules and notes to the financial statements.

MUNICIPAL DISTRICT OF SPIRIT RIVER NO. 133

Schedule 4

SCHEDULE OF GOVERNMENT TRANSFERS

For the Year Ended December 31, 2017

	Budget (Unaudited)	2017	2016
	\$	\$	\$
TRANSFERS FOR OPERATING			
Federal Government	97,000	102,000	16,466
Local Government	85,138	107,735	105,503
Provincial Government	522,456	764,499	527,014
	704,594	974,234	648,983
TRANSFERS FOR CAPITAL			
Federal Government	-	-	-
Provincial Government	1,037,000	203,260	62,626
	1,037,000	203,260	62,626
TOTAL GOVERNMENT TRANSFERS	1,741,594	1,177,494	711,609

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, 2017

	Budget (Unaudited)	2017	2016
	\$	\$	\$
CONSOLIDATED EXPENSES BY OBJECT			
Salaries, wages and benefits	1,207,835	1,193,748	1,218,806
Contracted and general services	1,099,802	643,944	407,141
Purchases from other governments (Note 20)	11,425	11,341	50,857
Materials, goods and utilities	1,463,842	1,263,234	1,221,038
Provision for allowances	-	-	11,656
Transfers to other governments (Note 20)	3,400	296,589	339,035
Transfers to local boards and agencies	12,430	12,348	12,129
Transfers to individuals and organizations	58,000	53,837	122,421
Bank charges and short-term interest	4,500	2,885	3,521
Other expenditures	60,902	73,472	89,867
Amortization of tangible capital assets	1,427,563	1,447,328	1,430,943
Loss on disposal of tangible capital assets	-	13,150	7,359
	5,349,699	5,011,876	4,914,773

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, 2017

Schedule 6

	General Government	Protective Services	Transportation Services	Environmental Services	Public Health & Welfare	Planning & Agriculture	Recreation & Culture	Total 2017
	\$	\$	\$	\$	\$	\$	\$	\$
REVENUE								
Net municipal taxes (Schedule 3)	3,020,949	-	-	-	-	-	-	3,020,949
User fees and sales of goods	2,243	-	185,830	91,138	1,100	4,705	-	285,016
Well drilling charges	9,271	-	-	-	-	-	-	9,271
Government transfers for operating (Schedule 4)	49,436	304,314	268,681	-	171,988	152,315	27,500	974,234
Penalties and costs on taxes	9,322	-	-	-	-	-	-	9,322
Licenses and permits	-	-	-	-	-	500	-	500
Investment income	94,319	-	-	-	-	-	-	94,319
Rentals	17,333	-	1,555	-	5,400	360	-	24,648
Drawn from allowances	4,925	-	-	-	-	-	-	4,925
Other revenues	105,217	-	3,398	-	51,106	43,534	-	203,255
	3,313,015	304,314	459,464	91,138	229,594	201,414	27,500	4,626,439
EXPENSES								
Salaries, wages and benefits	392,537	-	524,767	-	131,879	144,565	-	1,193,748
Contracted and general services	252,072	2,311	242,418	9,065	26,608	111,470	-	643,944
Purchases from other governments (Note 20)	216	11,125	-	-	-	-	-	11,341
Materials, goods and utilities	138,616	-	995,187	-	81,849	45,195	2,387	1,263,234
Provision for allowances	-	-	-	-	-	-	-	-
Transfers to other governments	-	293,189	3,400	-	-	-	-	296,589
Transfers to local boards and agencies	-	-	-	-	-	-	12,348	12,348
Transfers to individuals and organizations	15,063	-	-	-	400	11,924	26,450	53,837
Bank charges and short-term interest	2,665	-	73	-	96	51	-	2,885
Other expenditures	12,049	-	2,923	-	116	-	58,384	73,472
Loss on disposal of tangible capital assets	-	-	13,150	-	-	-	-	13,150
	813,218	306,625	1,781,918	9,065	240,948	313,205	99,569	3,564,548
Net revenue before amortization and government transfers for capital	2,499,797	(2,311)	(1,322,454)	82,073	(11,354)	(111,791)	(72,069)	1,061,891
Amortization	(6,102)	(695)	(1,436,871)	(2,960)	-	(700)	-	(1,447,328)
Government transfers for capital	-	-	203,260	-	-	-	-	203,260
NET REVENUE (SHORTFALL)	2,493,695	(3,006)	(2,556,065)	79,113	(11,354)	(112,491)	(72,069)	(182,177)
2016 NET REVENUE (SHORTFALL)	2,591,736	(388,458)	(2,702,425)	42,395	17,640	(123,514)	(46,265)	(608,891)

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, 2017

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, 2017

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, 2017

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, 2017

2. CASH AND TEMPORARY INVESTMENTS

	2017	2016
	\$	\$
Cash	121,787	(125,998)
Temporary investments	3,217,215	2,687,046
	3,339,002	2,561,048

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

Included in cash and temporary investments are restricted amounts totalling \$1,434,786 (2016: \$1,266,889) received from the provincial government and other sources held exclusively for specific projects.

3. TAXES AND GRANTS IN PLACE OF TAXES RECEIVABLES

	2017	2016
	\$	\$
Current taxes and grants in place of taxes	57,982	46,934
Arrears taxes	16,233	24,232
	74,215	71,166
Less: Allowance for doubtful accounts	6,730	11,656
	67,485	59,510

4. TRADE AND OTHER RECEIVABLES

	2017	2016
	\$	\$
Accrued interest	15,803	71,170
Central Peace Fire Commission (Note 19)	75,959	58,987
From other governments	61,250	108,116
Goods and services tax recoverable	14,374	69,030
Other accounts	94,077	48,486
Trade accounts	54,307	16,321
	315,770	372,110

5. INVESTMENTS

	2017	2016
	\$	\$
Debenture borrowing shares	10	10
Equity held in U.F.A.	5	5
Investment in bonds (Market Value \$621,577)	635,993	-
Investment deposits	4,494,130	5,729,334
	5,130,138	5,729,349

Investment in bonds have effective interest rates of 1.90% to 3.226% with maturity dates from April 3, 2019 to December 9, 2026. Investment deposits have effective interest rates of 0.90% to 1.93% with maturity dates from April 3, 2018 to December 20, 2018.

MUNICIPAL DISTRICT OF SPIRIT RIVER NO. 133

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended December 31, 2017

6. OTHER ASSETS

	2017	2016
	\$	\$
Alberta School Foundation Fund under-levy	-	21,352

7. DEFERRED REVENUE

	2017	2016
	\$	\$
Provincial government transfers		
Municipal Sustainability Initiative - 2014 Capital	348,883	540,840
Municipal Sustainability Initiative - 2015 Capital	270,768	268,087
Municipal Sustainability Initiative - 2016 Capital	393,874	112,037
Municipal Sustainability Initiative - 2017 Capital	395,412	-
Regional Fire Commission	-	293,189
Village of Rycroft - FCSS	-	4,386
Early Childhood Mapping Grant	-	22,500
	1,408,937	1,241,039
Prepaid user charges	1,412	31,028
	1,410,349	1,272,067

Government funding as per above \$1,408,937 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 \$1,408,937 held exclusively for these projects (refer Note 2).

8. EMPLOYEE BENEFIT OBLIGATIONS

	2017	2016
	\$	\$
Sick pay benefits	19,646	20,309
Vacation and overtime	87,557	97,958
	107,203	118,267

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, 2017

9. OTHER LIABILITIES

	2017	2016
	\$	\$
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:

	2017	2016
	\$	\$
Total debt limit	6,939,659	6,364,884
Total debt	-	-
Amount of debt limit unused	6,939,659	6,364,884
Debt servicing limit	1,156,610	1,060,814
Debt servicing	-	-
Amount of debt servicing limit unused	1,156,610	1,060,814

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	2017	2016
	\$	\$
Land	658,661	658,661
Buildings	605,782	472,691
Buildings - construction in progress	476,807	280,927
Engineered Structures		
Roadway system	20,623,065	21,801,515
Roadway system - construction in progress	23,406	143,053
Machinery, equipment and furnishings	1,773,308	1,844,967
Vehicles	259,705	134,686
	24,420,734	25,336,500

MUNICIPAL DISTRICT OF SPIRIT RIVER NO. 133

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended December 31, 2017

12. EQUITY IN TANGIBLE CAPITAL ASSETS

	2017	2016
	\$	\$
Tangible capital assets (Schedule 2)	73,723,130	73,405,913
Accumulated amortization (Schedule 2)	(49,302,396)	(48,069,413)
Net Book Value	24,420,734	25,336,500
Long-term debt	-	-
	24,420,734	25,336,500

13. ACCUMULATED SURPLUS

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

	2017	2016
	\$	\$
Unrestricted surplus (deficit)	-	-
Restricted surplus		
Municipal land reserve	21,131	8,934
Fire fighting and services	20,000	-
Family and community support services	55,057	64,036
Public health	-	-
Economic/agricultural	9,601	9,601
Heritage	1,000,000	1,000,000
Contingency (mill rate stabilization)	8,963,196	8,252,825
Equity in tangible capital assets	24,420,734	25,336,500
	34,489,719	34,671,896

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, 2017

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)	2017 Total	2016 Total
	\$	\$	\$	\$
Reeve:				
BZOWY, Stan	13,239	12,104	25,343	22,955
Councillors:				
GARROW, Elaine	19,258	12,236	31,494	34,010
MERCIER, Yves	7,952	7,153	15,105	21,219
VAN ROOTSEELAR, Nick	2,227	1,997	4,224	-
VAN ROOTSEELAR, Tony	11,829	8,191	20,020	18,838
	54,505	41,681	96,186	97,022
Chief Administrative Officer:				
HUDSON, Kelly	79,770	16,761	96,531	83,573
Designated Officers:				
HUDSON, Kelly	48,260	10,762	59,022	55,363
	128,030	27,523	155,553	138,936
	182,535	69,204	251,739	235,958

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, 2017

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 2017 were \$87,846 (2016: \$95,858). Total current service contributions by the employees of the MUNICIPAL DISTRICT OF SPIRIT RIVER NO. 133 to the Local Authorities Pension Plan in 2017 were \$80,765 (2016: \$88,162).

At December 31, 2016, the LAPP disclosed an actuarial deficiency of \$637 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, 2017 audited financial statement:

	2017	2016
	\$	\$
Share of assets (25%)	43,510	41,560
Share of liabilities (25%)	-	-
	43,510	41,560
Total revenues	21,600	21,600
Total expenses	(13,803)	(11,155)
	7,797	10,445
Share of excess (shortfall) of revenue over expenses (25%)	1,949	2,611

MUNICIPAL DISTRICT OF SPIRIT RIVER NO. 133

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended December 31, 2017

18. COMMITMENTS

The Municipal District of Spirit River #133 entered into an 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 \$5,500,000. The Municipality's total commitment for this project is \$665,722 which equals 12.5% of \$4,048,129 and 11% of \$1,451,871. As of December 31, 2017 the Municipality has contributed \$540,836 (2016: \$196,978) towards the facility and has a remaining obligation of \$124,886 towards the construction of the building.

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 the balance of government funding it had received, \$293,189 to the Central Peace Fire and Rescue Commission and received \$6,000 (2016: \$4,000) of administration compensation which it is a member of. As at December 31, 2017 the Municipality has an accounts receivable from the Commission of \$75,959 (2016: \$58,987). 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, 2017

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.