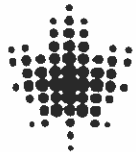
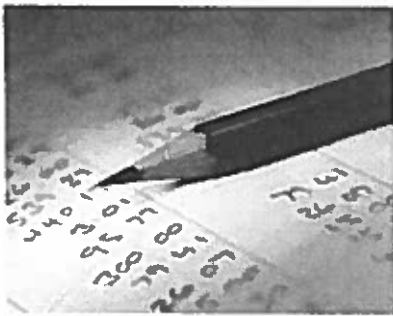


SYLVAIN & COMPANY

**MUNICIPAL DISTRICT OF SPIRIT RIVER
NO. 133**

Financial Statements

For the Year Ended December 31, 2018



CPA

**CHARTERED
PROFESSIONAL
ACCOUNTANTS**

MUNICIPAL DISTRICT OF SPIRIT RIVER NO. 133

CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2018

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SYLVAIN & COMPANY

Chartered Professional Accountants

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INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the consolidated financial statements of the MUNICIPAL DISTRICT OF SPIRIT RIVER NO. 133 (the Municipality), which comprise the consolidated statement of financial position as at December 31, 2018, and the results of its operations, changes in net financial assets (debt) 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 MUNICIPAL DISTRICT OF SPIRIT RIVER NO. 133 as at December 31, 2018, 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.

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 Municipality in accordance with the ethical requirements that are relevant to our audit of the 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 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 financial statements, management is responsible for assessing the Municipality'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 cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Municipality's financial reporting process.

(Continues)

SYLVAIN & COMPANY 2

*DENOTES CHARTERED PROFESSIONAL ACCOUNTANT WHOSE PROFESSIONAL CORPORATION IS A MEMBER OF THE PARTNERSHIP

**Independent Auditor's Report to Members of Council MUNICIPAL DISTRICT OF SPIRIT RIVER
NO. 133 (continued)**

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 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:

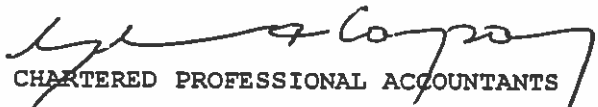
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting 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 Municipality'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 Municipality'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 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 Municipality to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the 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.

Report on Other Legal and Regulatory Requirements

- Debt Limit Regulation:
In accordance with Alberta Regulation 255/2000, we confirm that the municipality is in compliance with the Debt Limit Regulation. A detailed account of the municipality's debt limit can be found in note 8.
- Supplementary Accounting Principles and Standards Regulation:
In accordance with Alberta Regulation 313/2000, we confirm that the municipality is in compliance with the Supplementary Accounting Principles and Standards Regulation and note the information required can be found in note 13.

Falher, AB
March 21, 2019


CHARTERED PROFESSIONAL ACCOUNTANTS
SYLVAIN & COMPANY/3

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

As at December 31, 2018

	2018	2017
FINANCIAL ASSETS	\$	\$
Cash and temporary investments (Note 2)	78,956	3,339,002
Receivables		
Taxes and grants in place of taxes (Note 3)	70,105	67,485
Trade and other (Note 4)	484,025	315,770
Investments (Note 5)	8,363,649	5,130,138
	8,996,735	8,852,395

LIABILITIES

Accounts payable and accrued liabilities	194,336	131,830
Deposit liabilities	25,850	26,950
Deferred revenue (Note 6)	577,941	1,410,349
Employee benefit obligations (Note 7)	120,129	107,203
	918,256	1,676,332

NET FINANCIAL ASSETS (DEBT)

8,078,479 **7,176,063**

NON-FINANCIAL ASSETS

Tangible capital assets (Schedule 2, Note 10)	23,869,606	24,420,734
Inventory for consumption	2,317,358	2,863,670
Prepaid expenses	72,023	29,252
	26,258,987	27,313,656

ACCUMULATED SURPLUS (Schedule 1, Note 11)

34,337,466 **34,489,719**

Commitments and Contingencies - See Note 16

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, 2018

	Budget (Unaudited)	2018	2017
	\$	\$	\$
REVENUE			
Net municipal taxes (Schedule 3)	3,161,256	3,017,698	3,020,949
User fees and sales of goods	158,885	274,208	285,016
Well drilling charges	-	30,067	9,271
Government transfers for operating (Schedule 4)	910,638	713,571	974,234
Penalties and costs on taxes	9,500	11,116	9,322
Licenses and permits	500	1,060	500
Investment income	80,000	149,508	94,319
Rentals	20,100	19,712	24,648
Drawn from allowances	-	6,730	4,925
Other revenues	279,015	112,426	203,255
Total Revenue	4,619,894	4,336,096	4,626,439
EXPENSES (Schedule 5 - By Object)			
Council and other legislative	127,619	129,867	133,550
General administration	677,174	626,456	685,770
Fire fighting and protective services (Note 17)	190,163	281,858	296,195
Disaster and emergency services	10,000	9,192	11,125
Roads, streets, walks, lighting	2,914,084	3,701,021	3,218,789
Water supply and distribution	300,000	4,931	2,960
Waste management	5,600	9,784	9,065
Family and community support services	208,576	182,738	206,547
Public health	15,546	108,565	33,901
Cemeteries	9,500	2,000	500
Land use planning, zoning and development	30,000	9,530	25,717
Economic/agricultural development	285,300	208,940	288,188
Parks and recreation	35,000	40,529	28,837
Culture: libraries, museums, halls	28,700	24,528	70,732
Total Expenses	4,837,262	5,339,939	5,011,876
EXCESS (SHORTFALL) OF REVENUE OVER EXPENSES - BEFORE OTHER	(217,368)	(1,003,843)	(385,437)
OTHER			
Government transfers for capital (Schedule 4)	1,005,500	851,590	203,260
EXCESS (SHORTFALL) OF REVENUE OVER EXPENSES	788,132	(152,253)	(182,177)
ACCUMULATED SURPLUS, BEGINNING OF YEAR	34,489,719	34,489,719	34,671,896
ACCUMULATED SURPLUS, END OF YEAR	35,277,851	34,337,466	34,489,719

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, 2018

	Budget (Unaudited)	2018	2017
	\$	\$	\$
EXCESS (SHORTFALL) OF REVENUES OVER EXPENSES	788,132	(152,253)	(182,177)
Acquisition of tangible capital assets	(1,798,550)	(1,757,015)	(609,918)
Contributed tangible capital assets	-	-	-
Proceeds on disposal of tangible capital assets	551,101	552,131	65,206
Amortization of tangible capital assets	1,426,868	1,483,978	1,447,328
(Gain) loss on sale of tangible capital assets	-	272,034	13,150
	179,419	551,128	915,766
Acquisition of supplies inventories	(136,544)	(118,328)	(1,135,854)
Acquisition of prepaid assets	(35,800)	(79,868)	(37,004)
Use of supplies inventories	136,544	664,640	509,943
Use of prepaid assets	35,800	37,097	36,904
	-	503,541	(626,011)
INCREASE (DECREASE) IN NET ASSETS (DEBT)	967,551	902,416	107,578
NET FINANCIAL ASSETS (DEBT), BEGINNING OF YEAR	7,176,063	7,176,063	7,068,485
NET FINANCIAL ASSETS (DEBT), END OF YEAR	8,143,614	8,078,479	7,176,063

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, 2018

	2018	2017 (Note 20)
NET INFLOW (OUTFLOW) OF CASH RELATED TO FOLLOWING ACTIVITIES:	\$	\$
OPERATING		
Excess (shortfall) of revenues over expenses	(152,253)	(182,177)
Non-cash items included in excess (shortfall) of revenues over expenses:		
Amortization of tangible capital assets	1,483,978	1,447,328
Loss (gain) on disposal of tangible capital assets	272,034	13,150
Non-cash charges to operations (net change):		
Decrease (increase) in taxes and grants in lieu receivable	(2,620)	(7,975)
Decrease (increase) in trade and other receivables	(168,255)	56,340
Decrease (increase) in other assets	-	21,352
Decrease (increase) in inventory for consumption	546,312	(625,911)
Decrease (increase) in prepaid expenses	(42,771)	(100)
Increase (decrease) in accounts payable and accrued liabilities	62,506	(123,840)
Increase (decrease) in deposit liabilities	(1,100)	2
Increase (decrease) in deferred revenue	(832,408)	138,282
Increase (decrease) in employee benefit obligations	12,926	(11,064)
Increase (decrease) in other liabilities	-	(1,932)
Cash provided by operating transactions	1,178,349	723,455
CAPITAL		
Acquisition of tangible capital assets	(1,757,015)	(609,918)
Sale of tangible capital assets	552,131	65,206
Cash provided by (applied to) capital transactions	(1,204,884)	(544,712)
INVESTING		
Decrease (increase) in restricted cash or cash equivalents	-	-
Decrease (increase) in investments	(3,233,511)	599,211
Cash provided by (applied to) investing transactions	(3,233,511)	599,211
FINANCING		
Long-term debt issued	-	-
Long-term debt repaid	-	-
Cash provided by (applied to) financing transactions	-	-
CHANGE IN CASH AND EQUIVALENTS DURING THE YEAR	(3,260,046)	777,954
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	3,339,002	2,561,048
CASH AND CASH EQUIVALENTS, END OF YEAR	78,956	3,339,002
Cash and cash equivalents is made up of:		
Cash and temporary investments (Note 2)	78,956	3,339,002
Cash flows supplementary information:		
Interest received	122,591	181,938

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, 2018

	Unrestricted Surplus	Restricted Surplus	Equity in Tangible Capital Assets	2018	2017
	\$	\$	\$	\$	\$
BALANCE, BEGINNING OF YEAR	-	10,068,985	24,420,734	34,489,719	34,671,896
Excess (deficiency) of revenues over expenses	(152,253)	-	-	(152,253)	(182,177)
Unrestricted funds designated for future use	(741,719)	741,719	-	-	-
Restricted funds used for operations	-	-	-	-	-
Restricted funds used for tangible capital assets	-	(342,844)	342,844	-	-
Current year funds used for tangible capital assets	(1,414,171)	-	1,414,171	-	-
Contributed tangible capital assets	-	-	-	-	-
Disposal of tangible capital assets	824,165	-	(824,165)	-	-
Annual amortization expense	1,483,978	-	(1,483,978)	-	-
Capital long-term debt repaid	-	-	-	-	-
CHANGE IN ACCUMULATED SURPLUS	-	398,875	(551,128)	(152,253)	(182,177)
BALANCE, END OF YEAR	-	10,467,860	23,869,606	34,337,466	34,489,719

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, 2018

	Land	Buildings	Engineered Structures	Machinery and Equipment	Vehicles	2018	2017
	\$	\$	\$	\$	\$	\$	\$
COST:							
BALANCE, BEGINNING OF YEAR	658,661	1,301,163	68,357,215	2,474,144	931,947	73,723,130	73,405,913
Acquisition of tangible capital assets	-	98,143	-	1,519,340	139,532	1,757,015	266,060
Construction-in-progress	-	-	-	-	-	-	343,858
Disposal of tangible capital assets	-	-	-	(1,110,086)	(124,461)	(1,234,547)	(292,701)
Write down of tangible capital assets	-	-	-	-	-	-	-
BALANCE, END OF YEAR	658,661	1,399,306	68,357,215	2,883,398	947,018	74,245,598	73,723,130
ACCUMULATED AMORTIZATION:							
BALANCE, BEGINNING OF YEAR	-	218,574	47,710,744	700,836	672,242	49,302,396	48,069,413
Annual amortization	-	25,986	1,278,244	133,402	46,346	1,483,978	1,447,328
Accumulated amortization on disposals	-	-	-	(291,034)	(119,348)	(410,382)	(214,345)
BALANCE, END OF YEAR	-	244,560	48,988,988	543,204	599,240	50,375,992	49,302,396
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	658,661	1,154,746	19,368,227	2,340,194	347,778	23,869,606	24,420,734
2017 NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	658,661	1,082,589	20,646,471	1,773,308	259,705	24,420,734	

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, 2018

	Budget (Unaudited)	2018	2017
	\$	\$	\$
TAXATION			
Real property taxes	2,870,388	2,866,158	2,834,863
Linear property taxes	782,396	780,351	832,862
	3,652,784	3,646,509	3,667,725
REQUISITIONS			
Alberta School Foundation Fund	463,329	585,169	592,016
Grande Prairie R.C.S.S.D. No. 28	17,869	30,385	25,378
Grande Spirit Seniors Foundation	10,330	10,330	9,962
Designated Industrial Property	-	2,927	-
Adjustments to requisition transfers	-	-	19,420
	491,528	628,811	646,776
NET MUNICIPAL TAXES	3,161,256	3,017,698	3,020,949

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, 2018

	Budget (Unaudited)	2018	2017
	\$	\$	\$
TRANSFERS FOR OPERATING			
Federal Government	101,250	37,473	102,000
Local Government	18,138	67,616	107,735
Provincial Government	791,250	608,482	764,499
	910,638	713,571	974,234
TRANSFERS FOR CAPITAL			
Federal Government	-	-	-
Provincial Government	1,005,500	851,590	203,260
	1,005,500	851,590	203,260
TOTAL GOVERNMENT TRANSFERS	1,916,138	1,565,161	1,177,494

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, 2018

	Budget (Unaudited)	2018	2017
	\$	\$	\$
CONSOLIDATED EXPENSES BY OBJECT			
Salaries, wages and benefits	1,160,610	1,217,129	1,193,748
Contracted and general services	1,063,029	562,675	643,944
Purchases from other governments (Note 17)	200,663	199,491	11,341
Materials, goods and utilities	891,646	1,418,052	1,263,234
Transfers to other governments (Note 17)	3,400	93,400	296,589
Transfers to local boards and agencies	13,700	13,452	12,348
Transfers to individuals and organizations	56,996	54,165	53,837
Bank charges and short-term interest	3,250	2,787	2,885
Other expenditures	17,100	22,776	73,472
Amortization of tangible capital assets	1,426,868	1,483,978	1,447,328
Loss on disposal of tangible capital assets	-	272,034	13,150
	4,837,262	5,339,939	5,011,876

See accompanying schedules and notes to the financial statements.

**MUNICIPAL DISTRICT OF SPIRIT RIVER NO. 133
SCHEDULE OF SEGMENTED DISCLOSURE**

Schedule 6

For the Year Ended December 31, 2018

	General Government	Protective Services	Transportation Services	Environmental Services	Public Health & Welfare	Planning & Agriculture	Recreation & Culture	Total 2018
	\$	\$	\$	\$	\$	\$	\$	\$
REVENUE								
Net municipal taxes (Schedule 3)	3,017,698	-	-	-	-	-	-	3,017,698
User fees and sales of goods	2,780	-	159,924	103,519	610	7,375	-	274,208
Well drilling charges	30,067	-	-	-	-	-	-	30,067
Government transfers for operating (Schedule 4)	47,539	101,125	220,226	-	164,866	152,315	27,500	713,571
Penalties and costs on taxes	11,116	-	-	-	-	-	-	11,116
Licenses and permits	-	-	-	-	-	1,060	-	1,060
Investment income	149,508	-	-	-	-	-	-	149,508
Rentals	15,837	-	2,075	-	1,800	-	-	19,712
Drawn from allowances	6,730	-	-	-	-	-	-	6,730
Other revenues	21,001	-	15,200	-	56,648	12,577	7,000	112,426
	3,302,276	101,125	397,425	103,519	223,924	173,327	34,500	4,336,096
EXPENSES								
Salaries, wages and benefits	438,408	-	554,628	-	120,032	104,061	-	1,217,129
Contracted and general services	229,646	-	248,943	10,312	24,034	49,740	-	562,675
Purchases from other governments (Note 17)	216	199,275	-	-	-	-	-	199,491
Materials, goods and utilities	54,476	-	1,168,101	1,443	128,405	51,098	14,529	1,418,052
Transfers to other governments	-	90,000	3,400	-	-	-	-	93,400
Transfers to local boards and agencies	-	-	-	-	-	-	13,452	13,452
Transfers to individuals and organizations	16,438	-	-	-	-	11,727	26,000	54,165
Bank charges and short-term interest	2,516	-	92	-	109	70	-	2,787
Other expenditures	8,521	80	3,099	-	-	-	11,076	22,776
Loss on disposal of tangible capital assets	-	-	272,034	-	-	-	-	272,034
	750,221	289,355	2,250,297	11,755	272,580	216,696	65,057	3,855,961
Net revenue before amortization and government transfers for capital	2,552,055	(188,230)	(1,852,872)	91,764	(48,656)	(43,369)	(30,557)	480,135
Amortization	(6,102)	(1,695)	(1,450,724)	(2,960)	(20,722)	(1,775)	-	(1,483,978)
Government transfers for capital	-	-	845,290	-	-	6,300	-	851,590
NET REVENUE (SHORTFALL)	2,545,953	(189,925)	(2,458,306)	88,804	(69,378)	(38,844)	(30,557)	(152,253)
2017 NET REVENUE (SHORTFALL)	2,493,695	(3,006)	(2,556,065)	79,113	(11,354)	(112,491)	(72,069)	(182,177)

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, 2018

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, 2018

1. SIGNIFICANT ACCOUNTING POLICIES - CON'T

d) Cash and Temporary Investments

Cash and cash equivalents consists of cash on hand, balances with banks, deposits and bonds with an original maturity date of purchase of three months or less. Because of the short term maturity of these investments, their carrying value approximates fair value.

e) 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.

f) 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.

g) 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.

h) 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.

i) 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.

j) 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.

MUNICIPAL DISTRICT OF SPIRIT RIVER NO. 133

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended December 31, 2018

1. SIGNIFICANT ACCOUNTING POLICIES - CON'T

k) 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.

l) 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.

m) 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.

MUNICIPAL DISTRICT OF SPIRIT RIVER NO. 133

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended December 31, 2018

1. SIGNIFICANT ACCOUNTING POLICIES - CON'T

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.

2. CASH AND TEMPORARY INVESTMENTS

	2018	2017
	\$	\$
Cash	78,956	121,787
Temporary investments	-	3,217,215
	78,956	3,339,002

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

3. TAXES AND GRANTS IN PLACE OF TAXES RECEIVABLES

	2018	2017
	\$	\$
Current taxes and grants in place of taxes	54,777	57,982
Arrears taxes	15,328	16,233
	70,105	74,215
Less: Allowance for doubtful accounts	-	6,730
	70,105	67,485

MUNICIPAL DISTRICT OF SPIRIT RIVER NO. 133

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended December 31, 2018

4. TRADE AND OTHER RECEIVABLES

	2018	2017
	\$	\$
Accrued interest	63,819	15,803
Central Peace Fire Commission (Note 17)	-	75,959
From other governments	264,851	61,250
Goods and services tax recoverable	25,706	14,374
Other accounts	105,411	94,077
Trade accounts	24,238	54,307
	484,025	315,770

5. INVESTMENTS

	2018		2017	
	Cost	Market Value	Cost	Market Value
			\$	\$
Debenture borrowing shares	10	10	10	10
Equity held in U.F.A.	5	5	5	5
Investment in bonds	635,993	615,306	635,993	621,577
Investment deposits	7,727,641	7,727,641	4,494,130	4,494,130
	8,363,649	8,342,962	5,130,138	5,115,722

Investment in bonds have effective interest rates of 1.90% to 3.226% with maturity dates from December 2, 2021 to June 1, 2027. Investment deposits have effective interest rates of 1.20% to 3.22% with maturity dates from April 3, 2019 to November 8, 2020.

Council has designated funds of \$58,307 (2017: \$38,037) included in the above amounts for capital asset replacement (Note 11)

Included in investments are restricted amounts totalling \$564,115 (2017: \$1,408,937) received from the provincial government being held exclusively for capital projects (Note 6).

MUNICIPAL DISTRICT OF SPIRIT RIVER NO. 133

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended December 31, 2018

6. DEFERRED REVENUE

	2018	2017
	\$	\$
Provincial government transfers		
Municipal Sustainability Initiative - Capital	564,115	1,408,937
FCSS EC Mapping - Operating	5,625	-
	569,740	1,408,937
Saddle Hills County - FCSS EC Mapping	8,201	-
Prepaid user charges	-	1,412
	577,941	1,410,349

Government funding as per above \$569,740 remain unspent at year-end. The use of these funds is restricted to eligible projects as approved under the funding agreements. Unexpended capital funds related to the advance are supported by investments of \$564,115 (2017: \$1,408,937) held exclusively for these capital projects (refer Note 5).

7. EMPLOYEE BENEFIT OBLIGATIONS

	2018	2017
	\$	\$
Sick pay benefits	14,843	19,646
Vacation and overtime	105,286	87,557
	120,129	107,203

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, 2018

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

	2018	2017
	\$	\$
Total debt limit	6,504,144	6,939,659
Total debt	-	-
Amount of debt limit unused	6,504,144	6,939,659
Debt servicing limit	1,084,024	1,156,610
Debt servicing	-	-
Amount of debt servicing limit unused	1,084,024	1,156,610

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.

9. TANGIBLE CAPITAL ASSETS

Net Book Value	2018	2017
	\$	\$
Land	658,661	658,661
Buildings	1,154,746	605,782
Buildings - construction in progress	-	476,807
Engineered Structures		
Roadway system	19,344,821	20,623,065
Roadway system - construction in progress	23,406	23,406
Machinery, equipment and furnishings	2,340,194	1,773,308
Vehicles	347,778	259,705
	23,869,606	24,420,734

MUNICIPAL DISTRICT OF SPIRIT RIVER NO. 133

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended December 31, 2018

10. EQUITY IN TANGIBLE CAPITAL ASSETS

	2018	2017
	\$	\$
Tangible capital assets (Schedule 2)	74,245,598	73,723,130
Accumulated amortization (Schedule 2)	(50,375,992)	(49,302,396)
Net Book Value	23,869,606	24,420,734
Long-term debt	-	-
	23,869,606	24,420,734

11. ACCUMULATED SURPLUS

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

	2018	2017
	\$	\$
Unrestricted surplus (deficit)	-	-
Restricted surplus - Operating		
Municipal land reserve	23,131	21,131
Family and community support services	56,438	46,351
Heritage	1,000,000	1,000,000
Contingency (mill rate stabilization)	9,329,984	8,963,196
Restricted surplus - Capital		
Fire fighting and services	20,000	20,000
Family and community support services	8,706	8,706
Economic/agricultural	9,601	9,601
Public health	20,000	-
Equity in tangible capital assets	23,869,606	24,420,734
	34,337,466	34,489,719

12. 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, 2018

13. 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)	2018 Total	2017 Total
	\$	\$	\$	\$
Reeve:				
VAN ROOTSEELAR, Tony	11,304	11,253	22,557	20,020
Councillors:				
BZOWY, Stan	10,195	7,423	17,618	25,343
GARROW, Elaine	18,152	11,675	29,827	31,494
MERCIER, Yves	-	-	-	15,105
VAN ROOTSEELAR, Nick	10,472	10,960	21,432	4,224
	50,123	41,311	91,434	96,186
Chief Administrative Officer:				
HUDSON, Kelly	128,031	23,635	151,666	96,531
Designated Officers:				
HUDSON, Kelly	-	-	-	59,022
	128,031	23,635	151,666	155,553
	178,154	64,946	243,100	251,739

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, 2018

16. 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.

17. RELATED PARTY TRANSACTIONS

During the year, the MUNICIPAL DISTRICT OF SPIRIT RIVER #133 transferred government funding it received, \$90,000 (2017: \$293,189) to the Central Peace Fire and Rescue Commission and received \$6,000 (2017: \$6,000) of administration compensation which it is a member of. Also the MUNICIPAL DISTRICT OF SPIRIT RIVER #133 purchased and paid the Central Peace Fire and Rescue Commission a total of \$190,163 (2017: \$0) for the provision of fire protection services and \$925 for other expenditures. As at December 31, 2018 the Municipality has an accounts receivable from the Commission of \$0 (2017: \$75,959). 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.

18. 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.

MUNICIPAL DISTRICT OF SPIRIT RIVER NO. 133

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended December 31, 2018

19. APPROVAL OF FINANCIAL STATEMENTS

Council and Management have approved these financial statements.

20. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to correspond with the current year presentation.