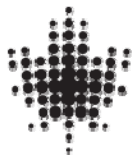


SYLVAIN & COMPANY

MUNICIPAL DISTRICT OF SPIRIT RIVER
NO. 133

Financial Statements

For the Year Ended December 31, 2019



CPA

CHARTERED
PROFESSIONAL
ACCOUNTANTS

MUNICIPAL DISTRICT OF SPIRIT RIVER NO. 133
CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2019

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MANAGEMENT'S RESPONSIBILITY FOR CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements of the Municipal District of Spirit River #133 (the "Municipality") are the responsibility of management and have been approved by the Municipality's Council. The consolidated financial statements have been prepared in conformity with Canadian public sector accounting standards established by the Public Sector Accounting Board of CPA Canada, using management's best estimates and judgments, where appropriate. In the opinion of management, these consolidated financial statements reflect fairly the consolidated financial position, the results of its consolidated financial activities and changes in consolidated financial position of the Municipality within reasonable limits of materiality.

A system of internal accounting and administrative controls is maintained by management to provide reasonable assurance that assets are safeguarded against loss from unauthorized use or disposition and that the financial records are properly maintained to provide accurate and reliable consolidated financial statements.

Council is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal controls. Council carries out this responsibility through regular meetings with management throughout the year to review significant accounting and auditing matters.

These consolidated financial statements have been audited, in accordance with Canadian public sector accounting standards, by SYLVAIN & COMPANY, who were appointed by Council. SYLVAIN & COMPANY have full and unrestricted access to management and Council to discuss their audit and related findings. The Independent Auditor's Report outlining the scope of their examination and their opinion on the consolidated financial statements is presented on the following page.



Dan Dibbelt, Chief Administrative Officer

March 26, 2020

SYLVAIN & COMPANY

Chartered Professional Accountants

Michel A. Sylvain, CPA, CGA*
Jean R. Sylvain, CPA, CGA*
Karen D. Lambert, CPA, CGA*

PO Box 5, 006 Central Ave NE
Falher, Alberta T0H 1M0
Telephone: (780) 837-2401
Facsimile: (780) 837-3434
Email: sylvainco@telus.net

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, 2019, 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, 2019, 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)

**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 9.
- 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 14.


CHARTERED PROFESSIONAL ACCOUNTANTS

Falher, AB
March 26, 2020

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

As at December 31, 2019

	2019	2018
FINANCIAL ASSETS	\$	\$
Cash and temporary investments (Note 2)	1,021,159	78,956
Receivables		
Taxes and grants in place of taxes (Note 3)	85,241	70,105
Trade and other (Note 4)	400,225	484,025
Land inventory held for resale	1,002,963	-
Investments (Note 5)	8,016,295	8,363,649
	10,525,883	8,996,735

LIABILITIES

Accounts payable and accrued liabilities	161,771	194,336
Deposit liabilities	25,850	25,850
Deferred revenue (Note 6)	1,020,264	577,941
Employee benefit obligations (Note 7)	100,597	120,129
Other liabilities (Note 8)	4,779	-
	1,313,261	918,256

NET FINANCIAL ASSETS (DEBT)

9,212,622 8,078,479

NON-FINANCIAL ASSETS

Tangible capital assets (Schedule 2, Note 10)	22,868,441	23,869,606
Inventory for consumption	1,795,827	2,317,358
Prepaid expenses	73,779	72,023
	24,738,047	26,258,987

ACCUMULATED SURPLUS (Schedule 1, Note 12)

33,950,669 34,337,466

Contingencies - See Note 17

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, 2019

	Budget (Unaudited)	2019	2018
	\$	\$	\$
REVENUE			
Net municipal taxes (Schedule 3)	3,024,427	3,036,562	3,017,698
User fees and sales of goods	157,550	241,130	274,208
Well drilling charges	-	10,447	30,067
Government transfers for operating (Schedule 4)	1,246,526	654,595	713,571
Penalties and costs on taxes	8,000	10,828	11,116
Licenses and permits	500	3,101	1,060
Investment income	80,000	172,033	149,508
Rentals	10,700	2,974	19,712
Drawn from allowances	-	-	6,730
Other revenues	125,226	116,190	112,426
Total Revenue	4,652,929	4,247,860	4,336,096
EXPENSES (Schedule 5 - By Object)			
Council and other legislative	141,000	148,620	129,867
General administration	631,129	754,920	626,456
Fire fighting and protective services	172,264	172,264	281,858
Disaster and emergency services	-	-	9,192
Roads, streets, walks, lighting	3,694,637	3,075,718	3,701,021
Water supply and distribution	202,960	4,048	4,931
Waste management	6,000	13,036	9,784
Family and community support services	173,215	225,374	182,738
Other public health	104,655	125,288	108,565
Cemeteries	9,500	3,241	2,000
Land use planning, zoning and development	30,000	7,567	9,530
Economic/agricultural development	379,925	281,044	208,940
Parks and recreation	63,600	63,696	40,529
Culture: libraries, museums, halls	30,752	30,647	24,528
Total Expenses	5,639,637	4,905,463	5,339,939
EXCESS (SHORTFALL) OF REVENUE OVER EXPENSES - BEFORE OTHER	(986,708)	(657,603)	(1,003,843)
OTHER			
Government transfers for capital (Schedule 4)	730,000	270,806	851,590
EXCESS (SHORTFALL) OF REVENUE OVER EXPENSES	(256,708)	(386,797)	(152,253)
ACCUMULATED SURPLUS, BEGINNING OF YEAR	34,337,466	34,337,466	34,489,719
ACCUMULATED SURPLUS, END OF YEAR	34,080,758	33,950,669	34,337,466

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, 2019

	Budget (Unaudited)	2019	2018
	\$	\$	\$
EXCESS (SHORTFALL) OF REVENUES OVER EXPENSES	(256,708)	(386,797)	(152,253)
Acquisition of tangible capital assets	(2,520,000)	(1,122,759)	(1,757,015)
Contributed tangible capital assets	-	-	-
Proceeds on disposal of tangible capital assets	240,000	706,792	552,131
Amortization of tangible capital assets	1,578,105	1,355,472	1,483,978
(Gain) loss on sale of tangible capital assets	-	61,660	272,034
	(701,895)	1,001,165	551,128
Acquisition of supplies inventories	(703,970)	(145,146)	(118,328)
Acquisition of prepaid assets	(39,450)	(40,723)	(79,868)
Use of supplies inventories	703,970	666,677	664,640
Use of prepaid assets	39,450	38,967	37,097
	-	519,775	503,541
INCREASE (DECREASE) IN NET ASSETS (DEBT)	(958,603)	1,134,143	902,416
NET FINANCIAL ASSETS (DEBT), BEGINNING OF YEAR	8,078,479	8,078,479	7,176,063
NET FINANCIAL ASSETS (DEBT), END OF YEAR	7,119,876	9,212,622	8,078,479

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, 2019

	2019	2018
NET INFLOW (OUTFLOW) OF CASH RELATED TO FOLLOWING ACTIVITIES:	\$	\$
OPERATING		
Excess (shortfall) of revenues over expenses	(386,797)	(152,253)
Non-cash items included in excess (shortfall) of revenues over expenses:		
Amortization of tangible capital assets	1,355,472	1,483,978
Loss (gain) on disposal of tangible capital assets	61,660	272,034
Non-cash charges to operations (net change):		
Decrease (increase) in taxes and grants in lieu receivable	(15,136)	(2,620)
Decrease (increase) in trade and other receivables	83,800	(168,255)
Decrease (increase) in land held for resale	(1,002,963)	-
Decrease (increase) in inventory for consumption	521,531	546,312
Decrease (increase) in prepaid expenses	(1,756)	(42,771)
Increase (decrease) in accounts payable and accrued liabilities	(32,565)	62,506
Increase (decrease) in deposit liabilities	-	(1,100)
Increase (decrease) in deferred revenue	442,323	(832,408)
Increase (decrease) in employee benefit obligations	(19,532)	12,926
Increase (decrease) in other liabilities	4,779	-
Cash provided by operating transactions	1,010,816	1,178,349
CAPITAL		
Acquisition of tangible capital assets	(1,122,759)	(1,757,015)
Sale of tangible capital assets	706,792	552,131
Cash provided by (applied to) capital transactions	(415,967)	(1,204,884)
INVESTING		
Decrease (increase) in restricted cash or cash equivalents	-	-
Decrease (increase) in investments	347,354	(3,233,511)
Cash provided by (applied to) investing transactions	347,354	(3,233,511)
FINANCING		
Long-term debt issued	-	-
Long-term debt repaid	-	-
Cash provided by (applied to) financing transactions	-	-
CHANGE IN CASH AND EQUIVALENTS DURING THE YEAR	942,203	(3,260,046)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	78,956	3,339,002
CASH AND CASH EQUIVALENTS, END OF YEAR	1,021,159	78,956
Cash and cash equivalents is made up of:		
Cash and temporary investments (Note 2)	1,021,159	78,956

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, 2019

	Unrestricted Surplus	Restricted Surplus	Equity in Tangible Capital Assets	2019	2018
	\$	\$	\$	\$	\$
BALANCE, BEGINNING OF YEAR	-	10,467,860	23,869,606	34,337,466	34,489,719
Excess (deficiency) of revenues over expenses	(386,797)	-	-	(386,797)	(152,253)
Unrestricted funds designated for future use	(762,294)	762,294	-	-	-
Restricted funds used for operations	2,767	(2,767)	-	-	-
Restricted funds used for tangible capital assets	-	(145,159)	145,159	-	-
Current year funds used for tangible capital assets	(977,600)	-	977,600	-	-
Contributed tangible capital assets	-	-	-	-	-
Disposal of tangible capital assets	768,452	-	(768,452)	-	-
Annual amortization expense	1,355,472	-	(1,355,472)	-	-
Capital long-term debt repaid	-	-	-	-	-
CHANGE IN ACCUMULATED SURPLUS	-	614,368	(1,001,165)	(386,797)	(152,253)
BALANCE, END OF YEAR	-	11,082,228	22,868,441	33,950,669	34,337,466

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, 2019

	Land	Buildings	Engineered Structures	Machinery and Equipment	Vehicles	2019	2018
	\$	\$	\$	\$	\$	\$	\$
COST:							
BALANCE, BEGINNING OF YEAR	658,661	1,399,306	68,357,215	2,883,398	947,018	74,245,598	73,723,130
Acquisition of tangible capital assets	487,920	80,543	-	554,296	-	1,122,759	1,757,015
Construction-in-progress	-	-	-	-	-	-	-
Disposal of tangible capital assets	(454,383)	-	(23,405)	(446,456)	-	(924,244)	(1,234,547)
Write down of tangible capital assets	-	-	-	-	-	-	-
BALANCE, END OF YEAR	692,198	1,479,849	68,333,810	2,991,238	947,018	74,444,113	74,245,598
ACCUMULATED AMORTIZATION:							
BALANCE, BEGINNING OF YEAR	-	244,560	48,988,988	543,204	599,240	50,375,992	49,302,396
Annual amortization	-	28,239	1,139,238	141,650	46,345	1,355,472	1,483,978
Accumulated amortization on disposals	-	-	(2)	(155,790)	-	(155,792)	(410,382)
BALANCE, END OF YEAR	-	272,799	50,128,224	529,064	645,585	51,575,672	50,375,992
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS							
	692,198	1,207,050	18,205,586	2,462,174	301,433	22,868,441	23,869,606
2018 NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS							
	658,661	1,154,746	19,368,227	2,340,194	347,778	23,869,606	

See accompanying schedules and notes to the financial statements.

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

Schedule 3

For the Year Ended December 31, 2019

	Budget (Unaudited)	2019	2018
	\$	\$	\$
TAXATION			
Real property taxes	2,807,225	2,833,915	2,866,158
Linear property taxes	845,800	845,759	780,351
	3,653,025	3,679,674	3,646,509
REQUISITIONS			
Alberta School Foundation Fund	578,315	593,172	585,169
Grande Prairie R.C.S.S.D. No. 28	32,570	32,098	30,385
Grande Spirit Seniors Foundation	10,724	10,724	10,330
Designated Industrial Property	6,989	7,118	2,927
Adjustments to requisition transfers	-	-	-
	628,598	643,112	628,811
NET MUNICIPAL TAXES	3,024,427	3,036,562	3,017,698

See accompanying schedules and notes to the financial statements.

MUNICIPAL DISTRICT OF SPIRIT RIVER NO. 133
SCHEDULE OF GOVERNMENT TRANSFERS

Schedule 4

For the Year Ended December 31, 2019

	Budget (Unaudited)	2019	2018
	\$	\$	\$
TRANSFERS FOR OPERATING			
Federal Government	104,150	4,150	37,473
Local Government	68,139	104,795	67,616
Provincial Government	1,074,237	545,650	608,482
	1,246,526	654,595	713,571
TRANSFERS FOR CAPITAL			
Federal Government	-	-	-
Provincial Government	730,000	270,806	851,590
	730,000	270,806	851,590
TOTAL GOVERNMENT TRANSFERS	1,976,526	925,401	1,565,161

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, 2019

	Budget (Unaudited)	2019	2018
	\$	\$	\$
CONSOLIDATED EXPENSES BY OBJECT			
Salaries, wages and benefits	1,296,800	1,264,386	1,217,129
Contracted and general services	1,087,876	620,038	562,675
Purchases from other governments (Note 18)	170,869	170,785	199,491
Materials, goods and utilities	1,406,027	1,295,185	1,418,052
Transfers to other governments (Note 18)	5,000	43,056	93,400
Transfers to local boards and agencies	15,752	15,752	13,452
Transfers to individuals and organizations	57,808	55,487	54,165
Bank charges and short-term interest	3,750	3,698	2,787
Other expenditures	17,650	19,944	22,776
Amortization of tangible capital assets	1,578,105	1,355,472	1,483,978
Loss on disposal of tangible capital assets	-	61,660	272,034
	5,639,637	4,905,463	5,339,939

See accompanying schedules and notes to the financial statements.

MUNICIPAL DISTRICT OF SPIRIT RIVER NO. 133

Schedule 6

SCHEDULE OF SEGMENTED DISCLOSURE

For the Year Ended December 31, 2019

	General Government	Protective Services	Transportation Services	Environmental Services	Public Health & Welfare	Planning & Agriculture	Recreation & Culture	Total 2019
	\$	\$	\$	\$	\$	\$	\$	\$
REVENUE								
Net municipal taxes (Schedule 3)	3,036,562	-	-	-	-	-	-	3,036,562
User fees and sales of goods	2,130	-	150,962	81,953	4,975	1,110	-	241,130
Well drilling charges	10,447	-	-	-	-	-	-	10,447
Government transfers for operating (Schedule 4)	22,173	11,125	170,649	-	245,833	177,315	27,500	654,595
Penalties and costs on taxes	10,828	-	-	-	-	-	-	10,828
Licenses and permits	-	-	-	-	-	3,101	-	3,101
Investment income	172,033	-	-	-	-	-	-	172,033
Rentals	1,260	-	1,714	-	-	-	-	2,974
Other revenues	17,794	-	9,351	-	62,745	13,760	12,540	116,190
	3,273,227	11,125	332,676	81,953	313,553	195,286	40,040	4,247,860
EXPENSES								
Salaries, wages and benefits	461,757	-	527,490	-	145,814	105,840	23,485	1,264,386
Contracted and general services	306,749	-	167,731	13,036	22,787	107,847	1,888	620,038
Purchases from other governments (Note 18)	216	170,569	-	-	-	-	-	170,785
Materials, goods and utilities	99,580	-	1,009,438	1,088	125,181	44,747	15,151	1,295,185
Transfers to other governments (Note 18)	-	-	5,000	-	38,056	-	-	43,056
Transfers to local boards and agencies	-	-	-	-	-	-	15,752	15,752
Transfers to individuals and organizations	22,037	-	-	-	-	10,250	23,200	55,487
Bank charges and short-term interest	3,161	-	353	-	61	123	-	3,698
Other expenditures	259	-	4,818	-	-	-	14,867	19,944
Loss on disposal of tangible capital assets	-	-	61,660	-	-	-	-	61,660
	893,759	170,569	1,776,490	14,124	331,899	268,807	94,343	3,549,991
Net revenue before amortization and government transfers for capital	2,379,468	(159,444)	(1,443,814)	67,829	(18,346)	(73,521)	(54,303)	697,869
Amortization	(9,781)	(1,695)	(1,299,228)	(2,960)	(22,004)	(19,804)	-	(1,355,472)
Government transfers for capital	-	-	255,806	-	-	15,000	-	270,806
NET REVENUE (SHORTFALL)	2,369,687	(161,139)	(2,487,236)	64,869	(40,350)	(78,325)	(54,303)	(386,797)
2018 NET REVENUE (SHORTFALL)	2,545,953	(189,925)	(2,458,306)	88,804	(69,378)	(38,844)	(30,557)	(152,253)

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, 2019

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, 2019

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, 2019

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, 2019

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

	2019	2018
	\$	\$
Cash	101,110	78,956
Temporary investments	920,049	-
	1,021,159	78,956

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

3. TAXES AND GRANTS IN PLACE OF TAXES RECEIVABLES

	2019	2018
	\$	\$
Current taxes and grants in place of taxes	58,045	54,777
Arrears taxes	27,196	15,328
	85,241	70,105
Less: Allowance for doubtful accounts	-	-
	85,241	70,105

MUNICIPAL DISTRICT OF SPIRIT RIVER NO. 133

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended December 31, 2019

4. TRADE AND OTHER RECEIVABLES

	2019	2018
	\$	\$
Accrued interest	48,604	63,819
From other governments	220,431	264,851
Goods and services tax recoverable	36,877	25,706
Other accounts	82,250	105,411
Trade accounts	12,063	24,238
	400,225	484,025

5. INVESTMENTS

	2019		2018	
	Cost	Market Value	Cost	Market Value
			\$	\$
Debenture borrowing shares	-	-	10	10
Equity held in U.F.A.	5	5	5	5
Investment in bonds	635,993	635,756	635,993	615,306
Investment deposits	7,380,297	7,380,297	7,727,641	7,727,641
	8,016,295	8,016,058	8,363,649	8,342,962

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 2.05% to 3.22% with maturity dates from April 3, 2020 to April 3, 2021.

Council has designated funds of \$74,307 (2018: \$58,037) included in the above amounts for capital asset replacement (Note 12)

Included in investments are restricted amounts totalling \$882,196 (2018: \$564,115) 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, 2019

6. DEFERRED REVENUE

	2019	2018
	\$	\$
Provincial government transfers		
Municipal Sustainability Initiative - Capital	832,196	564,115
Federal Gas Tax Fund - Capital	50,000	-
Rural transportation program - Operating	67,894	-
Transfers FCSS programs - Operating	52,588	5,625
	1,002,678	569,740
Saddle Hills County - FCSS programs	17,586	8,201
	1,020,264	577,941

Provincial government funding as per above \$1,002,678 remains 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 \$882,196 (2018: \$564,115) held exclusively for these capital projects (refer Note 5).

7. EMPLOYEE BENEFIT OBLIGATIONS

	2019	2018
	\$	\$
Sick pay benefits	12,048	14,843
Vacation and overtime	88,549	105,286
	100,597	120,129

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.

8. OTHER LIABILITIES

	2019	2018
	\$	\$
Alberta School Foundation Fund over-levy	4,779	-

MUNICIPAL DISTRICT OF SPIRIT RIVER NO. 133

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended December 31, 2019

9. 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:

	2019	2018
	\$	\$
Total debt limit	6,371,790	6,504,144
Total debt	-	-
Amount of debt limit unused	6,371,790	6,504,144
Debt servicing limit	1,061,965	1,084,024
Debt servicing	-	-
Amount of debt servicing limit unused	1,061,965	1,084,024

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.

10. TANGIBLE CAPITAL ASSETS

Net Book Value	2019	2018
	\$	\$
Land	692,198	658,661
Buildings	1,207,050	1,154,746
Engineered Structures		
Roadway system	18,205,586	19,344,821
Roadway system - construction in progress	-	23,406
Machinery, equipment and furnishings	2,462,174	2,340,194
Vehicles	301,433	347,778
	22,868,441	23,869,606

MUNICIPAL DISTRICT OF SPIRIT RIVER NO. 133

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended December 31, 2019

11. EQUITY IN TANGIBLE CAPITAL ASSETS

	2019	2018
	\$	\$
Tangible capital assets (Schedule 2)	74,444,113	74,245,598
Accumulated amortization (Schedule 2)	(51,575,672)	(50,375,992)
Net Book Value	22,868,441	23,869,606
Long-term debt	-	-
	22,868,441	23,869,606

12. ACCUMULATED SURPLUS

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

	2019	2018
	\$	\$
Unrestricted surplus (deficit)	-	-
Restricted surplus - Operating		
Municipal land reserve	23,131	23,131
Family and community support services	53,671	56,438
Heritage	1,000,000	1,000,000
Contingency (mill rate stabilization)	9,931,119	9,329,984
Restricted surplus - Capital		
Fire fighting and services	40,000	20,000
Family and community support services	8,706	8,706
Economic/agricultural	5,601	9,601
Public health	20,000	20,000
Equity in tangible capital assets	22,868,441	23,869,606
	33,950,669	34,337,466

13. 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, 2019

14. 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)	2019 Total	2018 Total
	\$	\$	\$	\$
Reeve:				
VAN ROOTSEELAR, Tony	21,540	2,957	24,497	22,557
Councillors:				
BZOWY, Stan	20,764	6,052	26,816	17,618
GARROW, Elaine	32,657	3,467	36,124	29,827
VAN ROOTSEELAR, Nick	20,887	6,723	27,610	21,432
	95,848	19,199	115,047	91,434
Chief Administrative Officer:				
HUDSON, Kelly	126,052	25,255	151,307	151,666
DIBBELT, Dan	45,000	5,200	50,200	-
	171,052	30,455	201,507	151,666
	266,900	49,654	316,554	243,100

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 and taxable mileage. For chief administrative officer, Kelly Hudson, 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. For Chief administrative officer, Dan Dibbelt, benefits and allowances consists of an estimated value regarding lodging and utilities.

MUNICIPAL DISTRICT OF SPIRIT RIVER NO. 133

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended December 31, 2019

15. 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 9.39% of pensionable earnings up to the year's maximum pensionable earnings under the Canada Pension Plan and 13.84% on pensionable earnings above this amount. Employees of the MUNICIPAL DISTRICT OF SPIRIT RIVER NO. 133 are required to make current service contributions of 8.39% of pensionable salary up to the year's maximum pensionable salary and 12.84% on pensionable salary above this amount.

Total current service contributions by the MUNICIPAL DISTRICT OF SPIRIT RIVER NO. 133 to the LAPP in 2019 were \$78,111 (2018: \$84,336). Total current service contributions by the employees of the MUNICIPAL DISTRICT OF SPIRIT RIVER NO. 133 to the Local Authorities Pension Plan in 2018 were \$70,641 (2018: \$76,938).

At December 31, 2018, the LAPP disclosed an actuarial surplus of \$3.47 billion.

16. 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 and was terminated March 1, 2019 with all the funds (\$152,224) held being transferred to the Central Peace Medical Services Corporation. 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.

	2019	2018
	\$	\$
Share of assets (25%)	-	38,431
Share of liabilities (25%)	-	(375)
	-	38,056
Total revenues	-	7,200
Total expenses	-	(29,014)
	-	(21,814)
Share of excess (shortfall) of revenue over expenses (25%)	-	(5,454)

MUNICIPAL DISTRICT OF SPIRIT RIVER NO. 133

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended December 31, 2019

17. 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.

18. RELATED PARTY TRANSACTIONS

During the year, the MUNICIPAL DISTRICT OF SPIRIT RIVER #133 transferred government funding it received, \$0 (2018: \$90,000) to the Central Peace Fire and Rescue Commission, received \$6,000 (2018: \$6,000) of administration compensation and received \$3,513 (2018: \$0) of expense recoveries 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 \$170,569 (2018: \$190,163) for the provision of fire protection services. 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.

During the year, the MUNICIPAL DISTRICT OF SPIRIT RIVER #133 transferred it's share of funds accumulated (\$38,056) from the old Central Peace Medical Clinic partnership, to the Central Peace Medical Services Corporation which it is a member of. 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.

19. 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.

20. APPROVAL OF FINANCIAL STATEMENTS

Council and Management have approved these financial statements.