

MUNICIPAL DISTRICT OF SPIRIT RIVER NO. 133
Consolidated Financial Statements
For the Year Ended December 31, 2020

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

To the Members of Council of Municipal District of Spirit River No. 133

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

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

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

JDP Wasserman & Associates have been appointed by the Members of Council of Municipal District of Spirit River No. 133 to express an opinion on the consolidated financial statements.



Dan Dibbelt
Chief Administrative Officer

Spirit River, AB
April 7, 2021



JDP Wasserman & Associates *
Chartered Professional Accountants

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

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

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

INDEPENDENT AUDITOR'S REPORT

To the Members of Council of Municipal District of Spirit River No. 133

Opinion

We have audited the consolidated financial statements of Municipal District of Spirit River No. 133 (the "MD"), which comprise the consolidated statement of financial position as at December 31, 2020, and the consolidated statements of operations and accumulated surplus, changes in net financial assets and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the MD as at December 31, 2020, and the results of its operations, changes in net financial assets and cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the MD in accordance with ethical requirements that are relevant to our audit of financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Matter

The consolidated financial statements of the MD for the year ended December 31, 2019, were audited by another auditor who expressed an unmodified opinion on those consolidated financial statements on March 26, 2020.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the MD's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the MD or to cease operations, or has no realistic alternative but to do so.

Those charged with governance (Members of Council) are responsible for overseeing the MD's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the MD'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 MD's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the MD to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Edmonton, Alberta
April 7, 2021


ISRAEL WASSERMAN PROFESSIONAL CORPORATION
CHARTERED PROFESSIONAL ACCOUNTANT

MUNICIPAL DISTRICT OF SPIRIT RIVER NO. 133

Consolidated Statement of Financial Position

As at December 31, 2020

	2020	2019
FINANCIAL ASSETS		
Cash and cash equivalents (Note 2)	\$ 3,426,519	\$ 1,021,159
Accounts receivable (Note 3)	839,564	485,466
Land held for resale	1,355,027	1,002,963
Investments (Note 4)	5,912,031	8,016,295
	<u>11,533,141</u>	<u>10,525,883</u>
LIABILITIES		
Bank indebtedness (Note 2)	262,914	-
Accounts payable and accrued liabilities (Note 5)	571,160	267,147
Deposit liabilities	44,503	25,850
Deferred revenue (Note 6)	989,522	1,020,264
Long-term debt (Note 7)	260,250	-
	<u>2,128,349</u>	<u>1,313,261</u>
NET FINANCIAL ASSETS	<u>9,404,792</u>	<u>9,212,622</u>
NON-FINANCIAL ASSETS		
Prepaid expenses	86,666	73,779
Inventory for consumption	1,314,473	1,795,827
Tangible capital assets (Schedule 1)	22,362,944	22,868,441
	<u>23,764,083</u>	<u>24,738,047</u>
ACCUMULATED SURPLUS (Note 9)	<u>\$ 33,168,875</u>	<u>\$ 33,950,669</u>

CONTINGENCY (Note 16)

ON BEHALF OF COUNCIL:

_____ Reeve

_____ Councillor

MUNICIPAL DISTRICT OF SPIRIT RIVER NO. 133
Consolidated Statement of Operations and Accumulated Surplus
For the Year Ended December 31, 2020

	2020 (Budget) (Note 13)	2020 (Actual)	2019 (Actual)
REVENUES			
Net municipal property taxes (Schedule 3)	\$ 3,048,562	\$ 3,060,489	\$ 3,036,562
Government transfers for operating (Schedule 4)	679,338	759,011	654,595
User fees and sales of goods	266,400	196,325	241,130
Other revenues	82,802	194,748	116,190
Investment income	100,000	163,551	172,033
Penalties and costs on taxes	8,000	16,960	10,828
Well drilling	11,180	11,180	10,447
Rentals	1,460	8,010	2,974
Licenses and permits	1,000	1,340	3,101
	<u>4,198,742</u>	<u>4,411,614</u>	<u>4,247,860</u>
EXPENSES			
Roads, streets, walks, lighting	1,951,886	3,349,766	3,014,058
General administration	947,196	1,019,498	754,920
Economic and agricultural development	363,633	275,416	281,044
Family and community support services	171,141	211,747	225,374
Fire fighting and protective services	166,255	169,931	172,264
Council and legislative	166,597	136,292	148,620
Parks and recreation	71,972	74,762	63,696
Other public health and welfare	42,730	60,863	125,288
Land use planning, zoning and development	32,300	33,179	7,567
Other planning and development	39,643	25,843	-
Disaster and emergency services	-	19,711	-
Water supply and distribution	201,000	16,949	4,048
Culture	16,027	15,867	30,647
Cemetery	12,000	10,194	3,241
Waste management	12,000	7,556	13,036
	<u>4,194,380</u>	<u>5,427,574</u>	<u>4,843,803</u>
ANNUAL SURPLUS (DEFICIT) BEFORE OTHER	<u>4,362</u>	<u>(1,015,960)</u>	<u>(595,943)</u>
OTHER REVENUES (EXPENSES)			
Government transfers for capital (Schedule 4)	410,847	505,323	270,806
Loss on disposal of tangible capital assets	-	(271,157)	(61,660)
	<u>410,847</u>	<u>234,166</u>	<u>209,146</u>
ANNUAL SURPLUS (DEFICIT)	<u>415,209</u>	<u>(781,794)</u>	<u>(386,797)</u>
ACCUMULATED SURPLUS - TO BEGIN YEAR	<u>33,950,669</u>	<u>33,950,669</u>	<u>34,337,466</u>
ACCUMULATED SURPLUS - END OF YEAR	<u>\$ 34,365,878</u>	<u>\$ 33,168,875</u>	<u>\$ 33,950,669</u>

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

MUNICIPAL DISTRICT OF SPIRIT RIVER NO. 133
Consolidated Statement of Changes in Net Financial Assets
For the Year Ended December 31, 2020

	2020 (Budget) <i>(Note 13)</i>	2020 (Actual)	2019 (Actual)
ANNUAL SURPLUS (DEFICIT)	\$ 415,209	\$ (781,794)	\$ (386,797)
Amortization of tangible capital assets	-	1,402,484	1,355,472
Purchase of tangible capital assets	(900,000)	(1,173,145)	(1,122,759)
Proceeds on disposal of tangible capital assets	-	5,000	706,792
Loss on disposal of tangible capital assets	-	271,157	61,660
Acquisition of prepaid expenses	-	(12,886)	(1,756)
Use of inventory for consumption	-	481,354	521,531
	<u>(900,000)</u>	<u>973,964</u>	<u>1,520,940</u>
INCREASE (DECREASE) IN NET FINANCIAL ASSETS	(484,791)	192,170	1,134,143
NET FINANCIAL ASSETS - BEGINNING OF YEAR	<u>9,212,622</u>	<u>9,212,622</u>	<u>8,078,479</u>
NET FINANCIAL ASSETS - END OF YEAR	<u>\$ 8,727,831</u>	<u>\$ 9,404,792</u>	<u>\$ 9,212,622</u>

MUNICIPAL DISTRICT OF SPIRIT RIVER NO. 133

Consolidated Statement of Cash Flows

For the Year Ended December 31, 2020

	2020	2019
OPERATING ACTIVITIES		
Annual deficit	\$ (781,794)	\$ (386,797)
Item not affecting cash and cash equivalents:		
Amortization of tangible capital assets	1,402,484	1,355,472
Loss on disposal of tangible capital assets	271,157	61,660
	<u>891,847</u>	<u>1,030,335</u>
Changes in non-cash working capital:		
Accounts receivable	(354,098)	68,664
Land held for resale	(352,064)	(1,002,963)
Accounts payable and accrued liabilities	304,013	(47,318)
Deposit liabilities	18,653	-
Deferred revenue	(30,742)	442,323
Prepaid expenses	(12,886)	(1,756)
Inventory for consumption	481,354	521,531
	<u>54,230</u>	<u>(19,519)</u>
Cash flow from operating activities	<u>946,077</u>	<u>1,010,816</u>
INVESTING ACTIVITIES		
Purchase of tangible capital assets	(1,173,145)	(1,122,759)
Proceeds on disposal of tangible capital assets	5,000	706,792
Net change in investments	<u>2,104,264</u>	<u>347,354</u>
Cash flow from (used by) investing activities	<u>936,119</u>	<u>(68,613)</u>
FINANCING ACTIVITY		
Issuance of promissory note	<u>260,250</u>	-
Cash flow from financing activity	<u>260,250</u>	-
CHANGE IN CASH AND CASH EQUIVALENTS	2,142,446	942,203
Cash and cash equivalents - beginning of year	<u>1,021,159</u>	<u>78,956</u>
CASH AND CASH EQUIVALENTS (BANK INDEBTEDNESS) - END OF YEAR	\$ <u>3,163,605</u>	\$ <u>1,021,159</u>

MUNICIPAL DISTRICT OF SPIRIT RIVER NO. 133
Schedule of Tangible Capital Assets
For the Year Ended December 31, 2020

(Schedule 1)

	Land	Land Improvements	Buildings	Engineered Structures	Machinery and Equipment	Vehicles	2020	2019
COST								
BALANCE, BEGINNING OF YEAR	\$ 692,198	\$ -	\$ 1,479,849	\$ 68,333,810	\$ 2,991,238	\$ 947,018	\$ 74,444,113	\$ 74,245,598
Purchase of tangible capital assets	-	-	287,343	835,680	50,122	-	1,173,145	1,122,759
Disposal of tangible capital assets	(276,158)	-	-	-	-	-	(276,158)	(924,244)
BALANCE, END OF YEAR	\$ 416,040	\$ -	\$ 1,767,192	\$ 69,169,490	\$ 3,041,360	\$ 947,018	\$ 75,341,100	\$ 74,444,113
ACCUMULATED AMORTIZATION								
BALANCE, BEGINNING OF YEAR	\$ -	\$ -	\$ 272,799	\$ 50,128,224	\$ 529,064	\$ 645,585	\$ 51,575,672	\$ 50,375,992
Amortization of tangible capital assets	-	-	31,715	1,172,399	150,246	48,124	1,402,484	1,355,472
Disposal of tangible capital assets	-	-	-	-	-	-	-	(155,792)
BALANCE, END OF YEAR	\$ -	\$ -	\$ 304,514	\$ 51,300,623	\$ 679,310	\$ 693,709	\$ 52,978,156	\$ 51,575,672
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	\$ 416,040	\$ -	\$ 1,462,678	\$ 17,868,867	\$ 2,362,050	\$ 253,309	\$ 22,362,944	\$ 22,868,441
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS, 2019	\$ 692,198	\$ -	\$ 1,207,050	\$ 18,205,586	\$ 2,462,174	\$ 301,433	\$ 22,868,441	\$ 22,868,441

Included in the net book value of tangible capital assets is work-in-progress of \$248,485 (2019 - \$Nil).

MUNICIPAL DISTRICT OF SPIRIT RIVER NO. 133

Schedule of Equity in Tangible Capital Assets

(Schedule 2)

For the Year Ended December 31, 2020

	2020	2019
BALANCE, BEGINNING OF YEAR	\$ 22,868,441	\$ 23,869,606
Purchase of tangible capital assets	1,173,145	1,122,759
Amortization of tangible capital assets	(1,402,484)	(1,355,472)
Cost of tangible capital assets disposed of	(276,158)	(924,244)
Accumulated amortization of tangible capital assets disposed	-	155,792
BALANCE, END OF YEAR	\$ 22,362,944	\$ 22,868,441
Equity in tangible capital assets is comprised of:		
Net book value of tangible capital assets (Schedule 1)	\$ 22,362,944	\$ 22,868,441

MUNICIPAL DISTRICT OF SPIRIT RIVER NO. 133

Schedule of Property Taxes

(Schedule 3)

For the Year Ended December 31, 2020

	2020 (Budget) (Note 13)	2020 (Actual)	2019 (Actual)
TAXATION			
Real property taxes	\$ 2,198,382	\$ 2,073,457	\$ 2,211,132
Designated industrial property taxes	1,489,024	1,625,876	1,468,542
	<u>\$ 3,687,406</u>	<u>\$ 3,699,333</u>	<u>\$ 3,679,674</u>
REQUISITIONS			
Alberta School Foundation Fund	\$ 620,979	\$ 620,979	\$ 625,270
Grande Spirit Foundation	10,911	10,911	10,724
Designated Industrial Property	6,954	6,954	7,118
	<u>\$ 638,844</u>	<u>\$ 638,844</u>	<u>\$ 643,112</u>
NET MUNICIPAL PROPERTY TAXES	<u>\$ 3,048,562</u>	<u>\$ 3,060,489</u>	<u>\$ 3,036,562</u>

MUNICIPAL DISTRICT OF SPIRIT RIVER NO. 133

Schedule of Government Transfers

(Schedule 4)

For the Year Ended December 31, 2020

	2020 (Budget) (Note 13)	2020 (Actual)	2019 (Actual)
TRANSFERS FOR OPERATING			
Provincial government	\$ 607,050	\$ 606,218	\$ 545,650
Federal government	54,150	127,900	4,150
Local government	18,138	24,893	104,795
	<u>\$ 679,338</u>	<u>\$ 759,011</u>	<u>\$ 654,595</u>
TRANSFERS FOR CAPITAL			
Provincial government	\$ 410,847	\$ 505,323	\$ 270,806
TOTAL GOVERNMENT TRANSFERS	<u>\$ 1,090,185</u>	<u>\$ 1,264,334</u>	<u>\$ 925,401</u>

MUNICIPAL DISTRICT OF SPIRIT RIVER NO. 133

Schedule of Expenses by Object

(Schedule 5)

For the Year Ended December 31, 2020

	2020 (Budget) (Note 13)	2020 (Actual)	2019 (Actual)
Amortization of tangible capital assets	\$ -	\$ 1,402,484	\$ 1,355,470
Materials, goods and utilities	1,247,862	1,345,081	1,295,185
Salaries, wages and benefits	1,287,933	1,330,810	1,264,386
Contracted and general services	1,369,063	1,031,095	620,040
Purchases from other governments	166,480	186,182	170,785
Transfers to individuals and organizations	57,950	50,389	55,487
Transfers to other governments	45,000	45,000	43,056
Bank charges and short-term interest	4,340	20,781	23,642
Transfers to local boards and agencies	15,752	15,752	15,752
	\$ 4,194,380	\$ 5,427,574	\$ 4,843,803

MUNICIPAL DISTRICT OF SPIRIT RIVER NO. 133
Schedule of Segmented Disclosure
For the Year Ended December 31, 2020

(Schedule 6)

	General government	Protective services	Transportation services	Environmental services	Health and welfare	Planning and development	Recreation and culture	2020
REVENUES								
Net municipal property taxes	\$ 820,669	\$ 80,200	\$ 1,949,621	\$ -	\$ 1,066	\$ 167,605	\$ 41,328	\$ 3,060,489
Government transfers for operating	74,918	105,766	269,979	-	158,616	122,232	27,500	759,011
User fees and sales of goods	2,045	-	117,302	67,348	8,070	1,560	-	196,325
Other revenues	49,379	-	10,982	-	93,289	19,296	21,802	194,748
Investment income	163,551	-	-	-	-	-	-	163,551
Penalties and costs on taxes	16,960	-	-	-	-	-	-	16,960
Well drilling	11,180	-	-	-	-	-	-	11,180
Rentals	6,910	-	1,100	-	-	-	-	8,010
Licenses and permits	-	-	-	-	-	1,340	-	1,340
	\$ 1,145,612	\$ 185,966	\$ 2,348,984	\$ 67,348	\$ 261,041	\$ 312,033	\$ 90,630	\$ 4,411,614
EXPENSES								
Materials, goods and utilities	\$ 181,851	\$ -	\$ 969,143	\$ 1,039	\$ 125,491	\$ 32,662	\$ 34,895	\$ 1,345,081
Salaries, wages and benefits	405,893	-	628,668	-	112,641	170,129	13,479	1,330,810
Contracted and general services	486,882	-	405,422	20,506	19,427	97,636	1,222	1,031,095
Purchases from other governments	216	185,966	-	-	-	-	-	186,182
Transfer to individuals & organizations	10,134	-	-	-	3,435	11,538	25,282	50,389
Transfers to other governments	40,000	-	5,000	-	-	-	-	45,000
Bank charges and short-term interest	20,636	-	30	-	47	68	-	20,781
Transfers to local boards and agencies	-	-	-	-	-	-	15,752	15,752
	1,145,612	185,966	2,008,263	21,545	261,041	312,033	90,630	4,025,090
NET REVENUE BEFORE AMORTIZATION OF TANGIBLE CAPITAL ASSETS	\$ -	\$ -	\$ 340,721	\$ 45,803	\$ -	\$ -	\$ -	\$ 386,524
Amortization of tangible capital assets	\$ 10,180	\$ 3,676	\$ 1,341,502	\$ 2,960	\$ 21,762	\$ 22,404	\$ -	\$ 1,402,484
NET REVENUE (DEFICIT)	\$ (10,180)	\$ (3,676)	\$ (1,000,781)	\$ 42,843	\$ (21,762)	\$ (22,404)	\$ -	\$ (1,015,960)

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

MUNICIPAL DISTRICT OF SPIRIT RIVER NO. 133
Schedule of Segmented Disclosure
For the Year Ended December 31, 2019

(Schedule 7)

	General government	Protective services	Transportation services	Environmental services	Health and welfare	Planning and development	Recreation and culture	2019
REVENUES								
Net municipal property taxes	\$ 3,036,562	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,036,562
Government transfers for operating	22,173	11,125	170,649	-	245,833	177,315	27,500	654,595
User fees and sales of goods	2,131	-	150,961	81,953	4,975	1,110	-	241,130
Investment income	172,033	-	-	-	-	-	-	172,033
Other revenues	17,793	-	9,351	-	62,746	13,760	12,540	116,190
Penalties and costs on taxes	10,828	-	-	-	-	-	-	10,828
Well drilling	10,447	-	-	-	-	-	-	10,447
Licenses and permits	-	-	-	-	-	3,101	-	3,101
Rentals	1,260	-	1,714	-	-	-	-	2,974
	\$ 3,273,227	\$ 11,125	\$ 332,675	\$ 81,953	\$ 313,554	\$ 195,286	\$ 40,040	\$ 4,247,860
EXPENSES								
Materials, goods and utilities	\$ 99,580	\$ -	\$ 1,009,440	\$ 1,088	\$ 125,181	\$ 44,748	\$ 15,148	\$ 1,295,185
Salaries, wages and benefits	461,756	-	527,490	-	145,814	105,840	23,486	1,264,386
Contracted and general services	287,063	-	172,550	13,036	22,787	107,847	16,757	620,040
Purchases from other governments	216	170,569	-	-	-	-	-	170,785
Transfer to individuals & organizations	22,037	-	-	-	-	10,250	23,200	55,487
Transfers to other governments	-	-	5,000	-	38,056	-	-	43,056
Bank charges and short-term interest	23,106	-	352	-	61	123	-	23,642
Transfers to local boards and agencies	-	-	-	-	-	-	15,752	15,752
	\$ 993,758	\$ 170,569	\$ 1,714,832	\$ 14,124	\$ 331,899	\$ 268,808	\$ 94,343	\$ 3,488,333
NET REVENUE (DEFICIT) BEFORE AMORTIZATION OF TANGIBLE CAPITAL ASSETS	\$ 2,379,469	\$ (159,444)	\$ (1,382,157)	\$ 67,829	\$ (18,345)	\$ (73,522)	\$ (54,303)	\$ 759,527
Amortization of tangible capital assets	\$ 9,781	\$ 1,695	\$ 1,299,227	\$ 2,960	\$ 22,004	\$ 19,803	\$ -	\$ 1,355,470
NET REVENUE (DEFICIT)	\$ 2,369,688	\$ (161,139)	\$ (2,681,384)	\$ 64,869	\$ (40,349)	\$ (93,325)	\$ (54,303)	\$ (595,943)

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

MUNICIPAL DISTRICT OF SPIRIT RIVER NO. 133

Notes to Consolidated Financial Statements

For the Year Ended December 31, 2020

1. ACCOUNTING POLICIES

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

(a) Reporting Entity

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

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

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

(b) Basis of Accounting

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

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

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

(c) Cash and Cash Equivalents

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

(d) Investments

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

(e) Land Held for Resale

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

(continues)

MUNICIPAL DISTRICT OF SPIRIT RIVER NO. 133

Notes to Consolidated Financial Statements

For the Year Ended December 31, 2020

1. ACCOUNTING POLICIES (continued)

(f) *Non-Financial Assets*

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the normal course of operations. The change in non-financial assets during the year, together with the annual surplus (deficit), provides the Consolidated Statement of Changes in Net Financial Assets for the year (page 7).

(g) *Inventories for Consumption*

Inventories of materials and supplies for consumption are recorded at the lower of cost or net realizable value with cost determined using the average cost method.

(h) *Tangible Capital Assets*

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

Buildings	50 years
Engineered structures:	
Road system	20 - 60 years
Bridges and culverts	10 - 80 years
Machinery and equipment	10 - 20 years
Vehicles	10 - 25 years

Tangible capital assets received as contributions are recorded at fair value at the date of receipt and also are recorded as revenue. Tangible capital assets received or purchased as part of a restructuring transaction are recorded at carrying value at the date of receipt and also are recorded as revenue.

Tangible capital assets under construction are not amortized until the asset is substantially complete and available for productive use. Those tangible capital assets not meeting this criteria are categorized as work-in-progress as of year-end.

Works of art for display are not recorded as tangible capital assets but are disclosed.

Leases are classified as capital or operating leases. Leases which transfer substantially all of the benefits and risks incidental to ownership of property are accounted for as capital leases. All other leases are accounted for as operating leases and the related lease payments are charged to expenses as incurred.

(i) *Landfill Closure and Post-Closure Liability*

Pursuant to the *Alberta Environmental Protection and Enhancement Act*, the MD is required to fund the closure of its landfill site and provide for post-closure costs of the facility. Closure and post-closure activities include the final clay cover, landscaping, as well as surface and ground water monitoring, leachate control, and visual inspection. The requirement is to be provided for over the estimated remaining useful life of the landfill site based on usage.

(continues)

MUNICIPAL DISTRICT OF SPIRIT RIVER NO. 133

Notes to Consolidated Financial Statements

For the Year Ended December 31, 2020

1. ACCOUNTING POLICIES (continued)

(j) Contaminated Sites

Contaminated sites are defined as a result of contamination being introduced in air, soil, water or sediment of a chemical, organic, or radioactive material or live organism that exceeds an environmental standard. A liability for remediation on contaminated sites is recognized, net of any recoveries, when an environmental standard exists, contamination exceeds the environmental standard, the MD is directly responsible for or accepts responsibility for the liability, future economic benefits will be given up, and a reasonable estimate of the liability can be made.

(k) Tax Revenue

Property taxes are recognized as revenue in the year they are levied.

Construction and borrowing costs associated with local improvement projects are recovered through annual special assessments during the period of the related borrowings. These levies are collectable from property owners for work performed by the MD and are recognized as revenue in the year in which the local improvement project is completed.

(l) Requisition Over-levies and Under-levies

Requisition over-levies and under-levies arise from the difference between the actual property tax levy made to cover each requisition and the actual amount requisitioned.

If the actual levy exceeds the requisition, the over-levy is accrued as a liability and property tax revenue is reduced. If the actual levy is less than the requisition amount, the under-levy is accrued as a receivable and as property tax revenue. Requisition tax rates in the subsequent year are adjusted for any over-levies or under-levies of the prior year.

(m) Use of Estimates

The preparation of consolidated financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the period. Where measurement uncertainty exists, the consolidated financial statements have been prepared within reasonable limits of materiality. Actual results could differ from those estimates.

The MD has used estimates to determine accrued liabilities, tangible capital asset useful lives and well as provisions made for allowances for amounts receivable or any provision for impairment.

(n) New Accounting Standards not yet Adopted

Effective for fiscal years beginning on or after April 1, 2022, *PS3280 Asset Retirement Obligations* provides guidance on how to account for and report liabilities for retirement of tangible capital assets including landfill closure and post-closure costs.

Effective for fiscal years beginning on or after April 1, 2023, *PS3400 Revenue* provides guidance on how to account for and report revenue, and specifically, it addresses revenue arising from exchange transactions and unilateral transactions.

MUNICIPAL DISTRICT OF SPIRIT RIVER NO. 133

Notes to Consolidated Financial Statements

For the Year Ended December 31, 2020

2. CASH AND CASH EQUIVALENTS (BANK INDEBTEDNESS)

	<u>2020</u>	<u>2019</u>
Temporary investments	\$ 3,393,070	\$ 920,049
Treasury bill savings account	33,049	14,717
Petty cash	400	400
Operating bank account indebtedness	<u>(262,914)</u>	<u>85,993</u>
	\$ 3,163,605	\$ 1,021,159

Temporary investments include investment portfolio cash and high interest savings accounts, as well as guaranteed investment certificates ("GICs") and bonds which have a maturity of 90 days or less at acquisition.

The MD does not have any existing credit facility agreements in place. The operating bank account was in a temporary overdraft position as of year-end approved by ATB.

3. ACCOUNTS RECEIVABLE

	<u>2020</u>	<u>2019</u>
Receivable from other governments	\$ 492,408	\$ 220,431
Trade and other	157,445	94,314
Goods and Services Tax recoverable	88,474	36,877
Taxes and grants in place of taxes	75,922	85,240
Accrued interest	<u>25,315</u>	<u>48,604</u>
	\$ 839,564	\$ 485,466

4. INVESTMENTS

	<u>2020</u>	<u>2020</u>	<u>2019</u>	<u>2019</u>
	Market Value	Cost	Market Value	Cost
GICs	\$ 5,273,567	\$ 5,273,567	\$ 7,380,297	\$ 7,380,297
Bonds	669,576	638,459	635,756	635,993
UFA Co-op Ltd. shares	5	5	5	5
	<u>\$ 5,943,148</u>	<u>\$ 5,912,031</u>	<u>\$ 8,016,058</u>	<u>\$ 8,016,295</u>

Investments bear interest at rates ranging from 0.62% to 3.23% (2019 - 1.90% - 3.23%) per annum and mature at dates between February 2021 - February 2028 (2019 - April 2020 - June 2027).

5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	<u>2020</u>	<u>2019</u>
Trade and other	\$ 430,711	\$ 166,550
Employee earned vacation, sick and overtime liability	86,797	100,597
Construction holdbacks payable	<u>53,652</u>	<u>-</u>
	\$ 571,160	\$ 267,147

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Notes to Consolidated Financial Statements

For the Year Ended December 31, 2020

6. DEFERRED REVENUE

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

	<u>2020</u>	<u>2019</u>
Municipal Sustainability Initiative - Capital	\$ 750,986	\$ 832,196
Other	68,109	70,174
Federal Gas Tax Fund	50,000	50,000
Municipal Stimulus Program	47,500	-
Municipal Operating Support Transfer	37,941	-
Alberta Rural Transportation Program	34,986	67,894
	<u>\$ 989,522</u>	<u>\$ 1,020,264</u>

7. LONG-TERM DEBT

	<u>2020</u>	<u>2019</u>
Promissory note on land held for resale purchase, repayable in annual interest-free installments of \$86,750.	\$ 260,250	\$ -

Principal and interest payments are due as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 86,750	\$ -	\$ 86,750
2022	86,750	-	86,750
2023	86,750	-	86,750
	<u>\$ 260,250</u>	<u>\$ -</u>	<u>\$ 260,250</u>

MUNICIPAL DISTRICT OF SPIRIT RIVER NO. 133

Notes to Consolidated Financial Statements

For the Year Ended December 31, 2020

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 MD be disclosed as follows:

	<u>2020</u>	<u>2019</u>
Total debt limit	\$ 6,617,421	\$ 6,392,415
Total debt	<u>(260,250)</u>	<u>-</u>
Total debt limit remaining	\$ 6,357,171	\$ 6,392,415
Service on debt limit	\$ 1,102,904	\$ 1,065,402
Service on debt	<u>(86,750)</u>	<u>-</u>
Total service on debt limit remaining	\$ 1,016,154	\$ 1,065,402

The debt limit is calculated at 1.5 times revenues of the MD (as defined by Regulation 255/00) and the debt service limit is calculated at 0.25 times such revenues. Incurring debt beyond these limits requires approval by the Minister of Municipal Affairs. These thresholds are guidelines used by Alberta Municipal Affairs to identify municipalities which could be at financial risk if further debt is acquired. The calculation taken alone does not represent the stability of the MD. Rather, the consolidated financial statements must be interpreted as a whole.

9. ACCUMULATED SURPLUS

	<u>2020</u>	<u>2019</u>
Unrestricted surplus	\$ -	\$ -
Restricted surplus		
Operating reserves (Note 10)	10,731,624	11,007,921
Capital reserves (Note 10)	74,307	74,307
Equity in tangible capital assets (Schedule 2)	<u>22,362,944</u>	<u>22,868,441</u>
	\$ 33,168,875	\$ 33,950,669

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Notes to Consolidated Financial Statements

For the Year Ended December 31, 2020

10. RESTRICTED SURPLUS

	<u>2020</u>	<u>2019</u>
Operating Reserves		
Contingency (mill rate stabilization)	\$ 9,640,538	\$ 9,931,119
Heritage	1,000,000	1,000,000
Family and community support services	63,290	53,671
Municipal land reserve	27,796	23,131
	<u>\$ 10,731,624</u>	<u>\$ 11,007,921</u>
Capital Reserves		
Fire fighting and services	\$ 40,000	\$ 40,000
Public health	20,000	20,000
Family and community support services	8,706	8,706
Economic / agricultural	5,601	5,601
	<u>\$ 74,307</u>	<u>\$ 74,307</u>

11. SALARIES AND BENEFITS DISCLOSURE

Disclosure of salaries and benefits for MD officials, the MD Chief Administrative Officer and designated officers are required by Alberta Regulation 313/200 is as follows:

	<u>Salary (1)</u>	<u>Benefits (2)</u>	<u>2020</u>	<u>2019</u>
Reeve Van Rootselaar, Tony	\$ 21,358	\$ 3,094	\$ 24,452	\$ 24,497
Councillors				
Garrow	30,839	2,095	32,934	36,124
Van Rootselaar, Nick	20,295	6,925	27,220	27,610
Bzowy	17,973	6,219	24,192	26,816
Chief Administrative Officer				
Dibbelt	142,233	11,200	153,433	50,200
Hudson	-	-	-	151,307
	<u>\$ 232,698</u>	<u>\$ 29,533</u>	<u>\$ 262,231</u>	<u>\$ 316,554</u>

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

(2) Employer's share of all employee benefits and contributions or payments made on behalf of employees including pension, health care, dental coverage, vision coverage, group life insurance, accidental disability and dismemberment insurance, long and short-term disability plans, professional memberships and tuition. Benefits also include the employer's share of the costs of additional taxable benefits including special leave with pay, financial planning services, retirement planning services, concessionary loans, travel allowances, car allowances and club memberships.

MUNICIPAL DISTRICT OF SPIRIT RIVER NO. 133

Notes to Consolidated Financial Statements

For the Year Ended December 31, 2020

12. LOCAL AUTHORITIES PENSION PLAN

Employees of the MD participate in the Local Authorities Pension Plan ("LAPP"), which is one of the plans covered by the *Public Sector Pension Plans Act*. The LAPP is financed by employer and employee contributions and investment earnings of the LAPP Fund.

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

The MD is required to make current service contributions to the LAPP at 9.39% (2019 - 9.39%) of pensionable earnings up to the year's maximum pensionable earnings under the Canada Pension Plan and 13.84% (2019 - 13.84%) on pensionable earnings above this amount. Employees of the MD are required to make current service contributions of 8.39% (2019 - 8.39%) of pensionable earnings up to the year's maximum pensionable earnings and 12.84% (2019 - 12.84%) on pensionable earnings above this amount.

Total current and past service contributions by the MD to the LAPP in 2020 were \$84,159 (2019 - \$78,853). Total current and past service contributions by employees of the MD to the LAPP in 2020 were \$77,547 (2019 - \$70,590).

At December 31, 2019 the LAPP disclosed an actuarial surplus of \$7.913 billion (2018 - \$3.469 billion).

13. BUDGET FIGURES

	2020 (Budget)	2020 (Actual)
Annual surplus	\$ 415,209	\$ (781,794)
Amortization of tangible capital assets	-	1,402,484
Acquisition of tangible capital assets	(900,000)	(1,173,145)
Issuance of promissory note	-	260,250
Net transfers from reserves	484,791	276,297
Results of operations	\$ -	\$ (15,908)

The budget data presented in these consolidated financial statements is based on the operating and capital budgets approved by MD Council on May 6, 2020. The chart above reconciles the approved financial plan to the figures reported in these consolidated financial statements.

14. FINANCIAL INSTRUMENTS

The MD's financial instruments consist of cash and cash equivalents, investments, accounts receivable, accounts payable and accrued liabilities, and long-term debt. It is management's opinion that the MD is not exposed to significant currency, other price or liquidity risk arising from these financial instruments. Unless otherwise noted, the fair values of these financial instruments approximate their carrying values.

The MD is exposed to credit risk with respect to its accounts receivable. Credit risk arises from the possibility that customers, tax and rate-payers may experience financial difficulty and be unable to fulfill their obligations. The large number and diversity of customers, tax and rate-payers minimizes the MD's credit risk.

The MD is exposed to interest rate risk with respect to its investments. Interest rate risk is the risk that the value of financial instruments might be adversely affected by a change in interest rates. The MD manages exposure through its normal operating and financing activities, and holding short-term investments that are approximately equal to any significant specific liabilities as they become due.

MUNICIPAL DISTRICT OF SPIRIT RIVER NO. 133

Notes to Consolidated Financial Statements

For the Year Ended December 31, 2020

15. SEGMENTED INFORMATION

The MD provides a range of services to its citizens. For each reported segment, revenues and expenses represent both amounts that are directly attributable to the segment and amounts that are allocated on a reasonable basis. The accounting policies used in these segments are consistent with those followed in the preparation of the consolidated financial statements as disclosed in *Note 1*. For additional information see the Schedules of Segmented Disclosure (*Schedule 6 & Schedule 7*).

16. CONTINGENCY

The MD is a member of the Jubilee Reciprocal Insurance Exchange. Under the terms of membership, the MD 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. IMPACT OF COVID-19

On March 11, 2020, the COVID-19 outbreak was declared a global pandemic by the World Health Organization and on March 17, 2020 the Province of Alberta declared a public health emergency. COVID-19 had various operational and financial impacts on the MD in 2020, mainly with regards to decreased revenues and corresponding personnel and other operating expenses related to facilities and programs that were unable to operate, and increased government transfers revenues providing COVID-19 relief and recovery funding.

Management's opinion is that COVID-19 has not and will not have a significant financial impact on the MD. Overall, as government response is still ongoing and an end to the pandemic is indeterminable, an estimate of any future potential financial impact on the MD cannot be made at this time. However, many businesses and individuals in a vast array of sectors may continue to experience an economic loss due to COVID-19 which may have a financial impact on the MD.

18. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the current year's presentation.

19. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

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