

MUNICIPAL DISTRICT OF SPIRIT RIVER NO. 133
Consolidated Financial Statements
For the Year Ended December 31, 2022

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 LLP 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 5, 2023



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

5010 – 51st Street
Wetaskwin, 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 AUDITORS' 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, 2022, 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, 2022, 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 *Auditors' 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.

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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Auditors' 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 auditors' 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 auditors' 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 auditors' 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 5, 2023

**JDP Wasserman
LLP**
Chartered Professional Accountants

MUNICIPAL DISTRICT OF SPIRIT RIVER NO. 133

Consolidated Statement of Financial Position

As at December 31, 2022

	2022	2021
FINANCIAL ASSETS		
Cash and cash equivalents (Note 2)	\$ 4,395,115	\$ 7,084,032
Accounts receivable (Note 3)	2,003,750	687,747
Land held for resale	1,068,728	1,068,728
Investments (Note 4)	1,885,915	1,730,956
	<u>9,353,508</u>	<u>10,571,463</u>
LIABILITIES		
Accounts payable and accrued liabilities (Note 5)	1,025,045	273,462
Deposit liabilities	19,503	44,503
Deferred revenue (Note 6)	758,789	941,400
Long-term debt (Note 7)	86,750	173,500
	<u>1,890,087</u>	<u>1,432,865</u>
NET FINANCIAL ASSETS	<u>7,463,421</u>	<u>9,138,598</u>
NON-FINANCIAL ASSETS		
Prepaid expenses	46,027	109,808
Inventory for consumption	618,454	1,163,940
Tangible capital assets (Schedule 1)	25,812,184	22,221,112
	<u>26,476,665</u>	<u>23,494,860</u>
ACCUMULATED SURPLUS (Note 9)	<u>\$ 33,940,086</u>	<u>\$ 32,633,458</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, 2022

	2022 (Budget) (Note 13)	2022 (Actual)	2021 (Actual)
REVENUES			
Net municipal property taxes (Schedule 3)	\$ 3,406,082	\$ 3,485,772	\$ 3,104,848
Government transfers for operating (Schedule 4)	607,133	599,762	748,556
User fees and sales of goods	157,348	228,234	477,712
Other revenues	89,516	134,116	126,326
Investment income	120,000	125,057	73,575
Rentals	19,710	18,805	22,070
Penalties and costs on taxes	8,500	15,465	11,507
Licenses and permits	1,000	2,570	1,680
	<u>4,409,289</u>	<u>4,609,781</u>	<u>4,566,274</u>
EXPENSES			
Roads, streets, walks, lighting	2,225,825	3,789,462	3,527,507
General administration	1,103,705	999,180	971,325
Economic and agricultural development	323,260	270,814	309,053
Fire fighting and protective services	204,181	205,075	193,055
Family and community support services	146,120	174,336	177,887
Council and legislative	156,523	162,333	146,113
Other public health and welfare	71,427	83,443	65,720
Parks and recreation	74,096	56,572	75,475
Other planning and development	31,360	21,501	25,473
Disaster and emergency services	27,800	20,214	24,368
Culture	16,341	16,256	15,797
Water supply and distribution	1,300	4,641	20,750
Cemetery	11,500	3,708	4,032
Waste management	9,000	3,508	9,072
Land use planning, zoning and development	32,400	1,252	480,043
	<u>4,434,838</u>	<u>5,812,295</u>	<u>6,045,670</u>
ANNUAL DEFICIT BEFORE OTHER	<u>(25,549)</u>	<u>(1,202,514)</u>	<u>(1,479,396)</u>
OTHER REVENUES (EXPENSES)			
Government transfers for capital (Schedule 4)	2,763,931	2,509,142	833,411
Gain on disposal of tangible capital assets	-	-	110,568
	<u>2,763,931</u>	<u>2,509,142</u>	<u>943,979</u>
ANNUAL SURPLUS (DEFICIT)	2,738,382	1,306,628	(535,417)
ACCUMULATED SURPLUS - TO BEGIN YEAR	<u>32,633,458</u>	<u>32,633,458</u>	<u>33,168,875</u>
ACCUMULATED SURPLUS - END OF YEAR	<u>\$ 35,371,840</u>	<u>\$ 33,940,086</u>	<u>\$ 32,633,458</u>

MUNICIPAL DISTRICT OF SPIRIT RIVER NO. 133
Consolidated Statement of Changes in Net Financial Assets
For the Year Ended December 31, 2022

	2022 (Budget) <i>(Note 13)</i>	2022 (Actual)	2021 (Actual)
ANNUAL SURPLUS (DEFICIT)	\$ 2,738,382	\$ 1,306,628	\$ (535,417)
Amortization of tangible capital assets	-	1,602,060	1,428,303
Purchase of tangible capital assets	(5,857,500)	(5,193,132)	(1,295,523)
Proceeds on disposal of tangible capital assets	-	-	119,619
Gain on disposal of tangible capital assets	-	-	(110,568)
Use (acquisition) of prepaid expenses	-	63,781	(23,141)
Use of inventory for consumption	-	545,486	150,533
	<u>(5,857,500)</u>	<u>(2,981,805)</u>	<u>269,223</u>
DECREASE IN NET FINANCIAL ASSETS	(3,119,118)	(1,675,177)	(266,194)
NET FINANCIAL ASSETS - BEGINNING OF YEAR	<u>9,138,598</u>	<u>9,138,598</u>	<u>9,404,792</u>
NET FINANCIAL ASSETS - END OF YEAR	<u>\$ 6,019,480</u>	<u>\$ 7,463,421</u>	<u>\$ 9,138,598</u>

MUNICIPAL DISTRICT OF SPIRIT RIVER NO. 133

Consolidated Statement of Cash Flows

For the Year Ended December 31, 2022

	2022	2021
OPERATING ACTIVITIES		
Annual surplus (deficit)	\$ 1,306,628	\$ (535,417)
Item not affecting cash and cash equivalents:		
Amortization of tangible capital assets	1,602,060	1,428,303
Gain on disposal of tangible capital assets	-	(110,568)
	<u>2,908,688</u>	<u>782,318</u>
Changes in non-cash working capital:		
Accounts receivable	(1,316,003)	151,817
Land held for resale	-	286,299
Accounts payable and accrued liabilities	751,583	(297,698)
Deposit liabilities	(25,000)	-
Deferred revenue	(182,611)	(48,122)
Prepaid expenses	63,781	(23,141)
Inventory for consumption	545,486	150,533
	<u>(162,764)</u>	<u>219,688</u>
Cash flow from operating activities	<u>2,745,924</u>	<u>1,002,006</u>
INVESTING ACTIVITIES		
Purchase of tangible capital assets	(5,193,132)	(1,295,523)
Proceeds on disposal of tangible capital assets	-	119,619
Net change in investments	<u>(154,959)</u>	<u>4,181,075</u>
Cash flow from (used by) investing activities	<u>(5,348,091)</u>	<u>3,005,171</u>
FINANCING ACTIVITY		
Repayment of long-term debt	<u>(86,750)</u>	<u>(86,750)</u>
Cash flow used by financing activity	<u>(86,750)</u>	<u>(86,750)</u>
CHANGE IN CASH AND CASH EQUIVALENTS	<u>(2,688,917)</u>	<u>3,920,427</u>
Cash and cash equivalents - beginning of year	<u>7,084,032</u>	<u>3,163,605</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 4,395,115</u>	<u>\$ 7,084,032</u>

MUNICIPAL DISTRICT C. SPIRIT RIVER NO. 133

Schedule of Tangible Capital Assets

For the Year Ended December 31, 2022

(Schedule 1)

	Land	Land Improvements	Buildings	Engineered Structures	Machinery and Equipment	Vehicles	2022	2021
COST								
BALANCE, BEGINNING OF YEAR	\$ 413,207	\$ -	\$ 2,504,692	\$ 69,665,614	\$ 3,103,259	\$ 800,994	\$ 76,487,766	\$ 75,341,100
Purchase of tangible capital assets	143,825	-	481,919	4,477,413	89,975	-	5,193,132	1,295,523
Disposal of tangible capital assets	-	-	-	-	-	-	-	(148,857)
BALANCE, END OF YEAR	\$ 557,032	\$ -	\$ 2,986,611	\$ 74,143,027	\$ 3,193,234	\$ 800,994	\$ 81,680,898	\$ 76,487,766
ACCUMULATED AMORTIZATION								
BALANCE, BEGINNING OF YEAR	\$ -	\$ -	\$ 354,608	\$ 52,479,238	\$ 833,565	\$ 599,243	\$ 54,266,654	\$ 52,978,156
Amortization of tangible capital assets	-	-	50,660	1,350,985	158,054	42,361	1,602,060	1,428,303
Disposal of tangible capital assets	-	-	-	-	-	-	-	(139,805)
BALANCE, END OF YEAR	\$ -	\$ -	\$ 405,268	\$ 53,830,223	\$ 991,619	\$ 641,604	\$ 55,868,714	\$ 54,266,654
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	\$ 557,032	\$ -	\$ 2,581,343	\$ 20,312,804	\$ 2,201,615	\$ 159,390	\$ 25,812,184	\$ 22,221,112
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS, 2021	\$ 413,207	\$ -	\$ 2,150,084	\$ 17,186,376	\$ 2,269,694	\$ 201,751	\$ 22,221,112	

Included in the net book value of tangible capital assets is work-in-progress of \$453,629 (2021 - \$288,568).

MUNICIPAL DISTRICT OF SPIRIT RIVER NO. 133

Schedule of Equity in Tangible Capital Assets

(Schedule 2)

For the Year Ended December 31, 2022

	2022	2021
BALANCE, BEGINNING OF YEAR	\$ 22,221,112	\$ 22,362,944
Purchase of tangible capital assets	5,193,132	1,295,523
Amortization of tangible capital assets	(1,602,060)	(1,428,303)
Cost of tangible capital assets disposed of	-	(148,857)
Accumulated amortization of tangible capital assets disposed	-	139,805
BALANCE, END OF YEAR	\$ 25,812,184	\$ 22,221,112
Equity in tangible capital assets is comprised of:		
Net book value of tangible capital assets <i>(Schedule 1)</i>	\$ 25,812,184	\$ 22,221,112

MUNICIPAL DISTRICT OF SPIRIT RIVER NO. 133

Schedule of Property Taxes

(Schedule 3)

For the Year Ended December 31, 2022

	2022 (Budget) (Note 13)	2022 (Actual)	2021 (Actual)
TAXATION			
Real property taxes	\$ 2,474,246	\$ 2,268,682	\$ 2,148,845
Designated industrial property taxes	1,613,405	1,898,659	1,606,589
	<u>\$ 4,087,651</u>	<u>\$ 4,167,341</u>	<u>\$ 3,755,434</u>
REQUISITIONS			
Alberta School Foundation Fund	\$ 662,135	\$ 662,135	\$ 633,069
Grande Spirit Foundation	11,481	11,481	10,642
Designated Industrial Property	7,953	7,953	6,875
	<u>\$ 681,569</u>	<u>\$ 681,569</u>	<u>\$ 650,586</u>
NET MUNICIPAL PROPERTY TAXES	<u>\$ 3,406,082</u>	<u>\$ 3,485,772</u>	<u>\$ 3,104,848</u>

MUNICIPAL DISTRICT OF SPIRIT RIVER NO. 133

Schedule of Government Transfers

(Schedule 4)

For the Year Ended December 31, 2022

	2022 (Budget) <i>(Note 13)</i>	2022 (Actual)	2021 (Actual)
TRANSFERS FOR OPERATING			
Provincial government	\$ 534,816	\$ 505,823	\$ 674,119
Federal government	51,680	57,122	51,300
Local government	20,637	36,817	23,137
	<u>\$ 607,133</u>	<u>\$ 599,762</u>	<u>\$ 748,556</u>
TRANSFERS FOR CAPITAL			
Provincial government	\$ 2,613,931	\$ 2,365,317	\$ 833,411
Federal government	150,000	143,825	-
	<u>\$ 2,763,931</u>	<u>\$ 2,509,142</u>	<u>\$ 833,411</u>
TOTAL GOVERNMENT TRANSFERS	<u>\$ 3,371,064</u>	<u>\$ 3,108,904</u>	<u>\$ 1,581,967</u>

MUNICIPAL DISTRICT OF SPIRIT RIVER NO. 133

Schedule of Expenses by Object

(Schedule 5)

For the Year Ended December 31, 2022

	2022 (Budget) <i>(Note 13)</i>	2022 (Actual)	2021 (Actual)
Amortization of tangible capital assets	\$ -	\$ 1,602,060	\$ 1,428,303
Salaries, wages and benefits	1,599,063	1,519,434	1,509,035
Materials, goods and utilities	1,290,908	1,359,106	1,828,360
Contracted and general services	1,143,168	1,048,188	1,001,177
Purchases from other governments	202,502	194,915	196,962
Transfers to individuals and organizations	50,832	44,833	41,371
Bank charges and short-term interest	33,100	19,423	19,710
Transfers to local boards and agencies	16,065	16,065	15,752
Transfers to other governments	99,200	5,000	5,000
Provision for allowances	-	3,271	-
	\$ 4,434,838	\$ 5,812,295	\$ 6,045,670

MUNICIPAL DISTRICT C. SPIRIT RIVER NO. 133

(Schedule 6)

Schedule of Segmented Disclosure
For the Year Ended December 31, 2022

	General government	Protective services	Transportation services	Environmental services	Health and welfare	Planning and development	Recreation and culture	2022
REVENUES								
Net municipal property taxes	\$ 901,009	\$ 203,091	\$ 2,234,615	\$ -	\$ 1,630	\$ 127,229	\$ 18,198	\$ 3,485,772
Government transfers for operating	65,594	21,303	218,168	-	158,465	112,232	24,000	599,762
User fees and sales of goods	2,285	-	148,919	67,241	8,439	1,350	-	228,234
Other revenues	3,645	-	2,665	-	69,483	27,693	30,630	134,116
Investment income	125,057	-	-	-	-	-	-	125,057
Rentals	16,800	-	2,005	-	-	-	-	18,805
Penalties and costs on taxes	15,465	-	-	-	-	-	-	15,465
Licenses and permits	-	-	-	-	-	2,570	-	2,570
	\$ 1,129,855	\$ 224,394	\$ 2,606,372	\$ 67,241	\$ 238,017	\$ 271,074	\$ 72,828	\$ 4,609,781
EXPENSES								
Salaries, wages and benefits	\$ 480,991	\$ -	\$ 720,023	\$ -	\$ 148,874	\$ 159,959	\$ 9,587	\$ 1,519,434
Materials, goods and utilities	102,028	-	1,126,050	1,681	55,249	53,076	21,022	1,359,106
Contracted and general services	513,639	29,695	417,805	3,508	31,751	50,429	1,361	1,048,188
Purchases from other governments	216	194,699	-	-	-	-	-	194,915
Transfer to individuals & organizations	10,387	-	-	-	2,093	7,560	24,793	44,833
Bank charges and short-term interest	19,323	-	-	-	50	50	-	19,423
Transfers to local boards and agencies	-	-	-	-	-	-	16,065	16,065
Transfers to other governments	-	-	5,000	-	-	-	-	5,000
Provision for allowances	3,271	-	-	-	-	-	-	3,271
	1,129,855	224,394	2,268,878	5,189	238,017	271,074	72,828	4,210,235
NET REVENUE BEFORE AMORTIZATION OF TANGIBLE CAPITAL ASSETS								
	\$ -	\$ -	\$ 337,494	\$ 62,052	\$ -	\$ -	\$ -	\$ 399,546
Amortization of tangible capital assets	\$ 31,659	\$ 895	\$ 1,520,584	\$ 2,960	\$ 23,470	\$ 22,492	\$ -	\$ 1,602,060
NET REVENUE (DEFICIT)	\$ (31,659)	\$ (895)	\$ (1,183,090)	\$ 59,092	\$ (23,470)	\$ (22,492)	\$ -	\$ (1,202,514)

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

MUNICIPAL DISTRICT C. SPIRIT RIVER NO. 133

Schedule of Segmented Disclosure

For the Year Ended December 31, 2021

(Schedule 7)

	General government	Protective services	Transportation services	Environmental services	Health and welfare	Planning and development	Recreation and culture	2021
REVENUES								
Net municipal property taxes	\$ 916,453	\$ 74,063	\$ 1,699,722	\$ -	\$ -	\$ 374,603	\$ 40,007	\$ 3,104,848
Government transfers for operating	51,451	142,466	223,681	-	184,226	122,232	24,500	748,556
User fees and sales of goods	3,185	-	133,388	62,408	7,202	271,529	-	477,712
Other revenues	9,563	-	3,311	-	65,353	21,334	26,765	126,326
Investment income	73,575	-	-	-	-	-	-	73,575
Rentals	20,860	-	1,210	-	-	-	-	22,070
Penalties and costs on taxes	11,507	-	-	-	-	-	-	11,507
Licenses and permits	-	-	-	-	-	1,680	-	1,680
	\$ 1,086,594	\$ 216,529	\$ 2,061,312	\$ 62,408	\$ 256,781	\$ 791,378	\$ 91,272	\$ 4,566,274
EXPENSES								
Materials, goods and utilities	\$ 99,987	\$ -	\$ 1,110,844	\$ 1,345	\$ 78,584	\$ 501,554	\$ 36,046	\$ 1,828,360
Salaries, wages and benefits	453,786	-	746,397	-	123,205	171,686	13,961	1,509,035
Contracted and general services	502,587	19,783	318,322	25,518	21,578	110,638	2,751	1,001,177
Purchases from other governments	216	196,746	-	-	-	-	-	196,962
Transfer to individuals & organizations	10,308	-	-	-	801	7,500	22,762	41,371
Bank charges and short-term interest	19,710	-	-	-	-	-	-	19,710
Transfers to local boards and agencies	-	-	-	-	-	-	15,752	15,752
Transfers to other governments	-	-	5,000	-	-	-	-	5,000
	1,086,594	216,529	2,180,563	26,863	224,168	791,378	91,272	4,617,367
NET REVENUE (DEFICIT) BEFORE AMORTIZATION OF TANGIBLE CAPITAL ASSETS								
Amortization of tangible capital assets	\$ -	\$ -	\$ (119,251)	\$ 35,545	\$ 32,613	\$ -	\$ -	\$ (51,093)
	\$ 30,845	\$ 895	\$ 1,346,941	\$ 2,960	\$ 23,470	\$ 23,192	\$ -	\$ 1,428,303
NET REVENUE (DEFICIT)	\$ (30,845)	\$ (895)	\$ (1,466,192)	\$ 32,585	\$ 9,143	\$ (23,192)	\$ -	\$ (1,479,396)

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

MUNICIPAL DISTRICT OF SPIRIT RIVER NO. 133

Notes to Consolidated Financial Statements

For the Year Ended December 31, 2022

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, 2022

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, 2022

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.

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Notes to Consolidated Financial Statements

For the Year Ended December 31, 2022

2. CASH AND CASH EQUIVALENTS

	<u>2022</u>	<u>2021</u>
Temporary investments	\$ 4,038,617	\$ 6,983,681
Operating bank account	339,245	66,835
Treasury bill savings account	16,253	33,116
Petty cash	1,000	400
	<u>\$ 4,395,115</u>	<u>\$ 7,084,032</u>

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.

3. ACCOUNTS RECEIVABLE

	<u>2022</u>	<u>2021</u>
Receivable from other governments	\$ 1,583,686	\$ 476,386
Goods and Services Tax recoverable	188,511	26,839
Trade and other	128,082	84,356
Taxes and grants in place of taxes	67,561	79,067
Accrued interest	35,910	21,099
	<u>\$ 2,003,750</u>	<u>\$ 687,747</u>

4. INVESTMENTS

	2022 Market Value	2022 Cost	2021 Market Value	2021 Cost
GICs	\$ 1,109,741	\$ 1,109,743	\$ 943,957	\$ 943,957
Bonds	726,814	776,167	787,842	786,994
UFA Co-op Ltd. shares	5	5	5	5
	<u>\$ 1,836,560</u>	<u>\$ 1,885,915</u>	<u>\$ 1,731,804</u>	<u>\$ 1,730,956</u>

Investments bear interest at rates ranging from 1.25% to 5.40% (2021 - 0.15% - 3.23%) per annum and mature at dates between April 2023 - June 2035 (2021 - April 2022 - December 2028).

5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	<u>2022</u>	<u>2021</u>
Trade and other	\$ 792,084	\$ 173,186
Construction holdbacks payable	141,575	-
Employee earned vacation, sick and overtime liability	91,386	100,276
	<u>\$ 1,025,045</u>	<u>\$ 273,462</u>

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Notes to Consolidated Financial Statements

For the Year Ended December 31, 2022

6. DEFERRED REVENUE

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

	<u>2022</u>	<u>2021</u>
Municipal Sustainability Initiative - Capital	\$ 695,668	\$ 682,027
Other	34,121	46,768
Alberta Rural Transportation Program	20,650	62,605
Canada Community Building Fund	8,350	150,000
	<u>\$ 758,789</u>	<u>\$ 941,400</u>

7. LONG-TERM DEBT

	<u>2022</u>	<u>2021</u>
Promissory note on land held for resale purchase, repayable in annual interest-free installments of \$86,750.	<u>\$ 86,750</u>	<u>\$ 173,500</u>

Principal and interest payments are due as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	<u>\$ 86,750</u>	<u>\$ -</u>	<u>\$ 86,750</u>

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>2022</u>	<u>2021</u>
Total debt limit	\$ 6,914,672	\$ 6,849,411
Total debt	<u>(86,750)</u>	<u>(173,500)</u>
Total debt limit remaining	<u>\$ 6,827,922</u>	<u>\$ 6,675,911</u>
Service on debt limit	\$ 1,152,445	\$ 1,141,569
Service on debt	<u>(86,750)</u>	<u>(86,750)</u>
Total service on debt limit remaining	<u>\$ 1,065,695</u>	<u>\$ 1,054,819</u>

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.

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Notes to Consolidated Financial Statements

For the Year Ended December 31, 2022

9. ACCUMULATED SURPLUS

	<u>2022</u>	<u>2021</u>
Unrestricted surplus	\$ -	\$ -
Restricted surplus		
Operating reserves (Note 10)	8,053,595	10,338,039
Capital reserves (Note 10)	74,307	74,307
Equity in tangible capital assets (Schedule 2)	<u>25,812,184</u>	<u>22,221,112</u>
	<u>\$ 33,940,086</u>	<u>\$ 32,633,458</u>

10. RESTRICTED SURPLUS

	<u>2022</u>	<u>2021</u>
Operating Reserves		
Contingency (mill rate stabilization)	\$ 6,922,147	\$ 9,218,247
Heritage	1,000,000	1,000,000
Family and community support services	103,652	91,996
Municipal land reserve	<u>27,796</u>	<u>27,796</u>
	<u>\$ 8,053,595</u>	<u>\$ 10,338,039</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	<u>5,601</u>	<u>5,601</u>
	<u>\$ 74,307</u>	<u>\$ 74,307</u>

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Notes to Consolidated Financial Statements

For the Year Ended December 31, 2022

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:

	Salary (1)	Benefits (2)	2022	2021
Reeve Van Rootselaar, Tony	\$ 25,465	\$ 3,367	\$ 28,832	\$ 26,119
Councillors				
Garrow	39,567	2,157	41,724	36,518
Van Rootselaar, Nick	21,823	7,588	29,411	29,732
Bzowy	16,238	5,653	21,891	23,781
Chief Administrative Officer				
Dibbelt	191,209	-	191,209	185,640
Designated Officers				
Lizotte (Agricultural Fieldman)	59,665	16,022	75,687	88,284
Amting (Agricultural Fieldman)	3,979	983	4,962	-
Down (Contracted Assessor)	44,192	-	44,192	41,539
	\$ 402,138	\$ 35,770	\$ 437,908	\$ 431,613

(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.

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 8.45% (2021 - 9.39%) of pensionable earnings up to the year's maximum pensionable earnings under the Canada Pension Plan and 12.80% (2021 - 13.84%) on pensionable earnings above this amount. Employees of the MD are required to make current service contributions of 7.45% (2021 - 8.39%) of pensionable earnings up to the year's maximum pensionable earnings and 11.80% (2021 - 12.84%) on pensionable earnings above this amount.

Total current and past service contributions by the MD to the LAPP in 2022 were \$86,766 (2021 - \$86,840). Total current and past service contributions by employees of the MD to the LAPP in 2022 were \$77,242 (2021 - \$72,281).

At December 31, 2021 the LAPP disclosed an actuarial surplus of \$11.922 billion (2020 - \$4.961 billion).

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Notes to Consolidated Financial Statements

For the Year Ended December 31, 2022

13. BUDGET FIGURES

	2022 (Budget)	2022 (Actual)
Annual surplus	\$ 2,738,382	\$ 1,306,628
Amortization of tangible capital assets	-	1,602,060
Acquisition of tangible capital assets	(5,857,500)	(5,193,132)
Repayment of long-term debt	-	(86,750)
Net transfers (to) from reserves:		2,284,444
Funding acquisition of tangible capital assets	2,847,319	-
Other net transfers from reserves	271,799	-
Results of operations	\$ -	\$ (86,750)

The budget data presented in these consolidated financial statements is based on the operating and capital budgets approved by MD Council on May 4, 2022. 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.

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.

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Notes to Consolidated Financial Statements

For the Year Ended December 31, 2022

17. TRUST FUNDS

The MD administers the following trusts which are not reflected in these consolidated financial statements. Changes in the balances are as follows:

	Opening	Tax sale surpluses in year	Interest earned	Ending
Tax sale surplus	\$ 17,395	\$ 24,220	\$ -	\$ 41,615

18. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

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