



2010 FINANCIAL STATEMENTS AND AUDITOR'S REPORT

PURPOSE

This report is to provide Council with a summary of the financial activities of the Town of Sundre for the year ended 2010.

BACKGROUND

This report is prepared in accordance with the *Municipal Government Act (MGA)* requirements. Section 276(1) of the *MGA* requires the municipality to prepare annual financial statements in accordance with the generally accepted accounting principles. Section 280(1) and 281 of the *MGA* requires a municipality to appoint an auditor for the municipality who is responsible for auditing the accounts and transactions of the municipality annually and expressing an opinion on the municipality's financial statements.

Municipalities must now report their tangible capital assets.

Commencing with the fiscal 2009 year end financial statements, municipalities are required to present information about their tangible capital assets and the related amortization in their financial statements to demonstrate stewardship and the costs of using those assets to deliver programs and provide services.

ANALYSIS AND OPTIONS

The auditors have issued an unqualified opinion on the 2010 financial statements.

The annual audit, performed by Chengkalth Van Eyck Chartered Accountants, is conducted in accordance with generally accepted auditing standards. The Auditors' Report, which forms an integral part of the financial statements, is issued by Chengkalth Van Eyck without reservation and reflects their unqualified opinion that the financial statements present fairly, in all material respects, the financial position of the Town in accordance with generally accepted accounting principals.

Significant change in year-end balances

Financial Assets

Total Financial Assets have decreased by \$1.9M. The decrease in Cash and Temporary Investments (\$3.6M) and decreases in Investments (0.9M) are partially offset by an increase in Accounts Receivables (\$2.7M).

The decrease relates largely to significant capital projects such as the River Crossing and the Water Treatment Plant where the Town is required to pay cash prior to receiving grant funds for work completed. At the end of 2010, cash was low while grant receivables was high. The decrease in investments over 2009 relates to monies used for 2010 capital projects.

Liabilities

Total Liabilities have increased by \$0.8M. Increase resulted from \$2.5M in new debt for the Water Treatment Plant and Town Office. This increase is offset by a decrease of \$1.1M in Deferred Revenue (grant monies to be used for future spending) and a decrease in Accounts Payable and Accrued Liabilities of \$0.6M due to paying out Mountain View County amounts owed to them for the Town Shop.

Net Financial Assets/Debt

Net Debt is the amount that Financial Liabilities exceed Financial Assets. The Town's financial position shows net debt of \$2.6M. This is primarily due to the decrease in Investments coupled with the increase in Long-Term Debt.

Non Financial Assets

Non Financial Assets includes the net book value (cost less accumulated amortization) of the Town's tangible capital assets plus inventory and prepaid expenses. The Town's non financial assets increased by \$9.1M in 2010 due to investment in tangible capital assets during the year.

Tangible Capital Assets

In 2010, the Town is reporting its tangible capital assets in the audited financial statements as required by the Public Sector Accounting Board (PSAB) as part of the Town's non financial assets. Figures for 2009 are also shown for comparative purposes.

The net book value of the Town's capital assets including Inventory and Prepaid Expense as reported in the 2010 financial statements is \$34,738,885 (2009 - \$25,633,480). Net book value is the original cost of these assets less amortization (or estimated usage) since they were put into service.

Accumulated Surplus

Accumulated surplus represents the amount by which all assets exceed all liabilities. An accumulated surplus indicates that the Town has net resources that can be used to provide future services and meet its obligations.

The net book value of the Town's assets when added to the Town's Net Asset position results in an Accumulated Surplus for the Town of \$32,121,717. (2009 - \$25,727,165). Note that this surplus includes Tangible Capital Assets of \$28,867,982 (2009 - \$22,241,658), unrestricted funds of \$1,536,385 (2009 - \$1,469,163) and restricted funds of \$1,717,350 (2009 - \$2,016,344). Restricted funds are operating and capital reserve funds. Unrestricted funds are required as operating monies. In 2010 the Town added \$4,484 in excess operating funds over taxes collected.

Reserves and Reserve Funds

Reserves and Reserve Funds are no longer shown separately on the Statement of Financial Position. They are now part of the Accumulated Surplus total as indicated above. Reserves have decreased by \$298,994. The Town added \$965,455 to reserves and deducted \$1,264,449 from reserves as approved by Council within the 2010 budget approval and during the year. The majority of the reserve decrease derives from funding the Water Treatment Plant and to a minor degree the East Side River Crossing. Unspent grant funding is not classified as a Reserve. It is classed in Deferred Revenue.

FINANCIAL IMPACT

These financial statements are prepared in accordance with generally accepted accounting principles and reflect the sound financial management of the Town. Transfers were made to reserves, in accordance with the Town's 2010 Operating and Capital budgets and via requests to Council throughout the year.

Net Operating Loss

Before Government Capital Transfers the Town had a net loss of \$388,955 up by \$162,608 when compared to 2009. The loss occurred because expenses in 2010 were \$728,311 more than in 2009. Revenues increased by \$565,702 that offset the increase in expenses. 2010 annual amortization was \$767,045, a \$54,016 increase over 2009. It is important to note that though amortization is reflected in the Town's net expenses, it is not shown in net revenues per accepted accounting principals. In the Town's actual accounting, we have chosen to fully offset the impact of amortization in revenue making the net impact of amortization nil to the taxpayer. As well, contributed assets and losses from the sale of assets have been included in revenue. With these items taken into account, the Town's profit and loss statement showed that the Town actually had a net surplus of \$4,484.

Excess of Revenue over Expenses

When Government Capital Transfers are added the Town shows a net gain of \$6,394,552 up \$4,346,745 from 2009 due to receiving grant funding for the Water Treatment Plant and for East Side Servicing. These capital transfers offset a large portion of 2010 capital spending.

CONCLUSION

The 2010 financial statements are presented in accordance with the *Municipal Government Act*. The format is consistent with the reporting requirements of the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants. The Town has received an unqualified audit opinion and is in a favorable financial position.