

# TOWN OF SUNDRE

## FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

Approved by Council:



Terry Leslie, Mayor



Chris Albert, CPA, CGA  
Director of Corporate Services



## *Independent auditor's report*

To the Mayor and Town Council of Town of Sundre

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### *Our opinion*

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Town of Sundre (the Town) as at December 31, 2018 and the results of its operations, changes in net debt and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

#### **What we have audited**

The Town's financial statements comprise:

- the statement of financial position as at December 31, 2018;
- the statement of operations and accumulated surplus for the year then ended;
- the statement of changes in net financial assets for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

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### *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 financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Independence**

We are independent of the Town in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

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### *Responsibilities of management and those charged with governance for the financial statements*

Management is responsible for the preparation and fair presentation of the 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 financial statements that are free from material misstatement, whether due to fraud or error.

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"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.



In preparing the financial statements, management is responsible for assessing the Town'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 Town or to cease operations, or has no realistic alternative but to do so.

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

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### *Auditor's responsibilities for the audit of the 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 Town'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 Town'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 Town 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.

*PricewaterhouseCoopers LLP*

Chartered Professional Accountants

Calgary, Alberta  
April 15, 2019

**Town of Sundre  
Statement of Financial Position  
As at December 31, 2018**

	2018 \$	2017 \$
	<hr/>	<hr/>
<b>FINANCIAL ASSETS</b>		
Cash and temporary investments (Note 4)	9,546,753	8,567,321
Receivables (Note 5)		
Taxes and grants in place of taxes	298,879	365,643
Trade and other receivables	728,442	1,339,926
Investments (Note 6)	27,700	27,700
	<hr/>	<hr/>
	10,601,774	10,300,590
	<hr/>	<hr/>
<b>LIABILITIES</b>		
Accounts payable and accrued liabilities	986,721	1,581,191
Deposit liabilities	62,753	2,850
Deferred revenue (Note 7)	905,806	952,752
Long-term debt (Note 8)	5,456,862	4,379,096
	<hr/>	<hr/>
	7,412,142	6,915,889
	<hr/>	<hr/>
<b>NET FINANCIAL ASSETS</b>	<hr/>	<hr/>
	3,189,632	3,384,701
	<hr/>	<hr/>
<b>NON-FINANCIAL ASSETS</b>		
Tangible capital assets (Note 11)	41,722,955	40,406,790
Inventory for consumption	80,840	52,572
Prepaid Expense	29,315	30,366
	<hr/>	<hr/>
	41,833,110	40,489,728
	<hr/>	<hr/>
<b>ACCUMULATED SURPLUS (Note 13)</b>	<hr/>	<hr/>
	45,022,742	43,874,429
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Commitments and contingencies (Note 16 and 17)

Approved on behalf of Council by:

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**Town of Sundre**  
**Statement of Operations and Accumulated Surplus**  
**As at December 31, 2018**

	Budget \$	2018 \$	2017 \$
<b>REVENUE</b>			
Net municipal taxes (Schedule 3)	\$ 3,473,313	\$ 3,336,996	\$ 3,241,208
User fees and sales of goods	3,805,823	3,916,803	5,079,447
Government transfers for operating (Schedule 4)	665,449	1,037,935	888,904
Investment Income	20,198	141,329	79,990
Fines, penalties and cost of taxes	97,270	131,758	109,784
Licenses and permits	77,893	161,497	74,216
Rentals	50,475	105,927	107,214
Other	6,500	210,774	471,011
<b>Total Revenue</b>	<b>8,196,921</b>	<b>9,043,019</b>	<b>10,051,774</b>
<b>EXPENSES</b>			
Legislative	337,202	364,749	417,689
Administration	462,388	573,897	517,981
Protective services	535,053	619,970	604,817
Roads, streets, walks, lighting	949,095	1,355,759	1,035,089
Water supply and distribution	716,945	1,037,605	1,014,281
Wastewater treatment and disposal	537,274	744,301	719,896
Waste management	230,796	208,181	219,930
Gas distribution	1,157,969	928,751	1,092,071
Family and community support	154,779	166,258	172,673
Land use planning, zoning and development	759,575	691,216	1,845,616
Parks and recreation	1,432,928	1,604,706	1,487,753
Culture	304,672	322,364	301,798
<b>Total Expenses</b>	<b>7,578,676</b>	<b>8,617,757</b>	<b>9,429,594</b>
<b>EXCESS OF REVENUE OVER EXPENSES - BEFORE OTHER</b>	<b>618,245</b>	<b>425,262</b>	<b>622,180</b>
<b>OTHER</b>			
Government Transfers for capital (Schedule 4)	660,300	723,051	744,721
	660,300	723,051	744,721
<b>EXCESS OF REVENUE OVER EXPENSES</b>	<b>1,278,545</b>	<b>1,148,313</b>	<b>1,366,901</b>
<b>ACCUMULATED SURPLUS, BEGINNING OF YEAR</b>	<b>43,874,429</b>	<b>43,874,429</b>	<b>42,507,528</b>
<b>ACCUMULATED SURPLUS, END OF YEAR (Note 13)</b>	<b>45,152,974</b>	<b>45,022,742</b>	<b>43,874,429</b>

**Town of Sundre**  
**Statement of Change in Net Financial Assets**  
**As at December 31, 2018**

	2018 Budget \$	2018 \$	2017 \$
<b>EXCESS OF REVENUES OVER EXPENSES</b>	1,278,545	1,148,313	1,366,901
<b>Change in tangible capital assets</b>			
Acquisition of tangible capital assets	(3,085,514)	(3,063,545)	(2,462,292)
Contributed Tangible capital assets	-	-	-
(Gain) / Loss on sale of tangible capital assets	-	38,561	(5,147)
Amortization of tangible capital assets	-	1,708,819	1,625,389
Proceeds on disposal of tangible capital assets	-	-	26,314
	<u>(3,085,514)</u>	<u>(1,316,165)</u>	<u>(815,736)</u>
<b>Change in non-financial assets</b>			
Use (acquisition) of inventories for consumption	-	(28,269)	12,917
(Acquisition) Use of prepaid assets	-	1,052	(4,867)
	<u>-</u>	<u>(27,217)</u>	<u>8,050</u>
<b>(DECREASE) INCREASE IN NET ASSETS</b>	(1,806,969)	(195,069)	559,215
<b>NET FINANCIAL ASSETS, BEGINNING OF YEAR</b>	<u>3,384,701</u>	<u>3,384,701</u>	<u>2,825,486</u>
<b>NET FINANCIAL ASSETS, END OF YEAR</b>	<u><u>1,577,732</u></u>	<u><u>3,189,632</u></u>	<u><u>3,384,701</u></u>

**Town of Sundre  
Statement of Cash Flows  
As at December 31, 2018**

	2018 \$	2017 \$
<b>NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:</b>		
<b>OPERATING</b>		
Excess of revenues over expenses	1,148,313	1,366,901
Non-cash items included in excess (shortfall) of revenue over expenses		
Amortization of tangible capital assets	1,708,819	1,625,389
Tangible capital assets received as contributions	-	-
Loss / (Gain) on disposal of tangible capital assets	38,561	(5,147)
Non-cash charges to operations (net change)		
Decrease (Increase) in taxes and grants in place of taxes	66,763	(115,148)
Decrease (Increase) in trade and other receivables	611,484	(194,114)
(Increase) Decrease in inventory for consumption	(28,269)	12,917
Decrease (Increase) in prepaid expenses	1,052	(4,867)
(Decrease) Increase in accounts payable and accrued liabilities	(594,469)	1,031,099
Increase (Decrease) in deposit liabilities	59,903	(50)
Decrease in deferred revenue	(46,946)	(947,587)
Proceeds on disposal of tangible capital assets included in Operating	(2,550)	-
Total cash provided by operations	<u>2,962,661</u>	<u>2,769,393</u>
<b>CAPITAL</b>		
Acquisition of tangible capital assets	(3,063,545)	(2,462,292)
Proceeds on disposal of tangible capital assets	2,550	26,314
Cash applied to capital transactions	<u>(3,060,995)</u>	<u>(2,435,978)</u>
<b>FINANCING</b>		
Long-term debt repaid	(405,234)	(353,321)
Long-term debt acquired	1,483,000	1,000,000
Cash provided by financing transactions	<u>1,077,766</u>	<u>646,679</u>
<b>CHANGE IN CASH AND TEMPORARY INVESTMENTS DURING THE YEAR</b>	979,432	980,094
<b>CASH AND TEMPORARY INVESTMENTS, BEGINNING OF YEAR</b>	<u>8,567,321</u>	<u>7,587,227</u>
<b>CASH AND TEMPORARY INVESTMENTS, END OF YEAR</b>	<u>9,546,753</u>	<u>8,567,321</u>
<b>Cash and temporary investments is made up of:</b>		
Cash and temporary investments (Note 4)	8,698,243	7,739,808
Designated portion of cash (Note 4)	848,510	827,513
	<u>9,546,753</u>	<u>8,567,321</u>



**Town of Sundre**  
**Schedule of Changes in Accumulated Surplus**  
**As at December 31, 2018**  
**Schedule 1**

	Unrestricted Surplus	Restricted Surplus	Equity in Tangible Capital Assets	2018	2017
<b>BALANCE, BEGINNING OF YEAR</b>	1,037,110	6,809,625	36,027,694	43,874,429	42,507,528
Excess of revenues over expenses	1,148,313	-	-	1,148,313	1,366,901
Unrestricted funds designated for future use	(1,662,722)	1,662,722	-	-	-
Restricted funds used for operations	10,558	(10,558)	-	-	-
Restricted funds used for tangible capital assets	-	(958,663)	958,663	-	-
Current year funds used for tangible capital assets	(2,104,882)	-	2,104,882	-	-
Disposal of tangible capital assets	38,561	-	(38,561)	-	-
Annual amortization expense	1,708,819	-	(1,708,819)	-	-
Long term debt acquired	1,483,000	-	(1,483,000)	-	-
Long term debt repaid	(405,234)	-	405,234	-	-
Change in accumulated surplus	216,413	693,501	238,399	1,148,313	1,366,901
<b>BALANCE, END OF YEAR</b>	<u>1,253,523</u>	<u>7,503,126</u>	<u>36,266,093</u>	<u>45,022,742</u>	<u>43,874,429</u>

**TOWN OF SUNDRE**  
**SCHEDULE OF TANGIBLE CAPITAL ASSETS**  
**For the Year Ended December 31, 2018**  
**Schedule 2**

	Buildings	Engineered Structures	Land	Land Improvements	Machinery & Equipment	Vehicles	2018	2017
<b>COSTS:</b>								
Balance, beginning of year	\$ 14,688,808	\$ 28,120,618	\$ 9,297,610	\$ 1,894,940	\$ 3,013,322	\$ 1,674,019	\$ 58,689,317	\$ 56,375,336
Acquisition of tangible capital assets	141,302	2,617,809	-	-	65,432	34,487	2,859,030	1,816,224
Work-in-progress	(22,096)	7,136	-	3,000	216,475	-	204,515	646,068
Disposal of tangible capital assets	(29,338)	-	-	-	(55,329)	(16,235)	(100,902)	(148,311)
<b>Balance, end of year</b>	<b>\$ 14,778,676</b>	<b>\$ 30,745,563</b>	<b>\$ 9,297,610</b>	<b>\$ 1,897,940</b>	<b>\$ 3,239,900</b>	<b>\$ 1,692,271</b>	<b>\$ 61,651,960</b>	<b>\$ 58,689,317</b>
<b>ACCUMULATED AMORTIZATION:</b>								
Balance, beginning of year	\$ 5,097,173	\$ 10,465,183	\$ -	\$ 578,443	\$ 1,442,577	\$ 699,151	\$ 18,282,527	\$ 16,784,282
Annual Amortization	455,035	880,076	-	114,862	174,125	84,721	1,708,819	1,625,389
Accumulated amortization on disposals	(5,430)	-	-	-	(43,030)	(13,881)	(62,341)	(127,144)
<b>Balance, end of year</b>	<b>\$ 5,546,778</b>	<b>\$ 11,345,259</b>	<b>\$ -</b>	<b>\$ 693,305</b>	<b>\$ 1,573,672</b>	<b>\$ 769,991</b>	<b>\$ 19,929,005</b>	<b>\$ 18,282,527</b>
<b>2018 NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS</b>	<b>\$ 9,231,898</b>	<b>\$ 19,400,304</b>	<b>\$ 9,297,610</b>	<b>\$ 1,204,635</b>	<b>\$ 1,666,228</b>	<b>\$ 922,280</b>	<b>\$ 41,722,955</b>	<b>\$ 40,406,790</b>
<b>2017 NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS</b>	<b>\$ 9,591,635</b>	<b>\$ 17,655,435</b>	<b>\$ 9,297,610</b>	<b>\$ 1,316,497</b>	<b>\$ 1,570,745</b>	<b>\$ 974,868</b>	<b>\$ 40,406,790</b>	

**Town of Sundre**  
**Schedule of Property and Other Taxes**  
**For the Year Ended December 31, 2018**  
**Schedule 3**

	Budget \$	2018 \$	2017 \$
<b>TAXATION</b>			
Real property taxes	3,398,027	4,180,990	4,051,024
Linear property taxes	-	123,584	157,115
Grants in Lieu of Taxes	-	38,413	-
Special assessments and local improvement taxes	75,286	102,511	104,135
	<u>3,473,313</u>	<u>4,445,498</u>	<u>4,312,274</u>
<b>REQUISITIONS</b>			
Alberta School Foundation Fund	-	1,045,255	1,016,185
Mountain View Senior's Housing	-	62,821	54,881
Designated Industrial Properties	-	426	-
	<u>-</u>	<u>1,108,502</u>	<u>1,071,066</u>
<b>NET MUNICIPAL TAXES</b>	<u><u>3,473,313</u></u>	<u><u>3,336,996</u></u>	<u><u>3,241,208</u></u>

**Town of Sundre**  
**Schedule of Government Transfers**  
**For the Year Ended December 31, 2018**  
**Schedule 4**

	Budget \$	2018 \$	2017 \$
<b>TRANSFERS FOR OPERATING</b>			
<b>FEDERAL TRANSFERS</b>			
Celebrate Canada	-	-	2,200
<b>PROVINCIAL TRANSFERS</b>			
Family & Community Services	-	71,478	71,478
Municipal Sustainability Initiative	-	29,394	33,578
River Bank Stabilization	-	16,704	52,983
Flood Mitigation	-	23,780	-
Forest Resource Improvement Association	-	-	-
Other	-	41,247	42,917
	-	182,603	200,956
<b>LOCAL GOVERNMENT TRANSFERS</b>			
Shared-cost agreements and grants	665,449	855,332	685,748
<b>Total Operating</b>	<u>665,449</u>	<u>1,037,935</u>	<u>888,904</u>
<b>TRANSFERS FOR CAPITAL</b>			
<b>FEDERAL TRANSFERS</b>			
Federal Gas Tax Rebate	60,300	-	114,969
<b>PROVINCIAL TRANSFERS</b>			
Municipal Sustainability Initiative	600,000	723,051	629,752
<b>LOCAL GOVERNMENT TRANSFERS</b>			
Shared-cost agreements	-	-	-
<b>Total Capital</b>	<u>660,300</u>	<u>723,051</u>	<u>744,721</u>
<b>TOTAL GOVERNMENT TRANSFERS</b>	<u><u>1,325,749</u></u>	<u><u>1,760,986</u></u>	<u><u>1,633,625</u></u>

**Town of Sundre  
Schedule of Expenses by Object  
For the Year Ended December 31, 2018  
Schedule 5**

	Budget \$	2018 \$	2017 \$
<b>EXPENSES BY OBJECT</b>			
Salaries, wages and benefits	3,084,487	2,819,324	2,738,284
Contracted and general services	822,601	939,134	1,963,853
Materials, goods, utilities and other	2,870,610	2,279,957	2,353,099
Transfers to local boards and agencies	622,515	694,489	618,867
Interest on long-term debt	178,463	176,034	130,102
Amortization of tangible capital assets	-	1,708,819	1,625,389
	<u>7,578,676</u>	<u>8,617,757</u>	<u>9,429,594</u>

**Town of Sindre**  
**Schedule of Segmented Disclosure**  
**For the Year Ended December 31, 2018**  
**Schedule 6**

	General Government	Protective Services	Transportation Services	Planning & Development	Recreation & Culture	Utility Services	Total \$
<b>REVENUE</b>							
Net Municipal Taxes	3,336,996	-	-	-	-	-	3,336,996
Government transfers	29,394	193,417	745,047	30,222	762,906	-	1,760,986
User fees and sales of goods	98,762	143,527	89,303	282,131	396,266	3,305,996	4,315,985
Investment income	58,870	14,005	16,394	11,933	8,389	31,738	141,329
Other revenues	173,446	26,448	-	6,630	4,250	-	210,774
	3,697,468	377,397	850,744	330,916	1,171,811	3,337,734	9,766,070
<b>EXPENSES</b>							
Contract & general services	170,802	96,729	160,198	149,824	72,957	288,624	939,134
Salaries & wages	405,552	209,356	261,046	376,938	763,312	803,120	2,819,324
Goods & supplies	230,364	211,544	413,196	139,716	325,703	920,874	2,241,397
Transfers to local boards	-	-	-	24,739	634,191	35,559	694,489
Long-term debt interest	21,241	-	77,705	-	5,325	71,763	176,034
Other expenses	-	3,136	2,354	-	33,070	-	38,560
	827,959	520,765	914,499	691,217	1,834,558	2,119,940	6,908,938
<b>NET REVENUE, BEFORE AMORTIZATION</b>	2,869,509	(143,368)	(63,755)	(360,301)	(662,747)	1,217,794	2,857,132
Amortization expense	(110,687)	(99,205)	(441,260)	-	(258,770)	(798,897)	(1,708,819)
<b>EXCESS OF REVENUE OVER EXPENSES</b>	2,758,822	(242,573)	(505,015)	(360,301)	(921,517)	418,897	1,148,313

**Town of Sundre**  
**Notes to Financial Statements**  
**For the Year Ended December 31, 2018**

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**1. SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the Town of Sundre are the representations of management prepared in accordance with generally accepted accounting principles for local governments established by the Public Sector Accounting Board (PSAB) of the Chartered Professional Accountants of Canada. Significant aspects of the accounting policies adopted by the Town of Sundre are as follows:

a) **Reporting Entity**

The financial statements reflect the assets, liabilities, revenue and expenditures, changes in fund balances and changes in financial position of the reporting entity that comprises all the organizations that are accountable for the administration of their financial affairs and resources to the Council and are controlled by the municipality.

The schedule of taxes levied also includes requisitions for education and seniors' lodges that are not part of the municipal reporting entity. 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 recognizes the effect of transactions and events in the period in which the transactions and events occur, regardless of whether there has been a receipt or payment of cash or its equivalent.

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

Expenses are recognized as they are incurred and measurable based upon receipt of goods or services and/or legal obligation to pay.

c) **Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles for local governments established by PSAB 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.

d) **Government Transfers**

Government transfers are the transfers 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 revenues in the period that the events giving rise to the transfer occurred, providing the transfers are authorized, any eligibility criteria have been met by the municipality, and reasonable estimates of the amounts can be determined.

**Town of Sundre**  
**Notes to Financial Statements**  
**For the Year Ended December 31, 2018**

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**1. SIGNIFICANT ACCOUNTING POLICIES (continued)**

e) **Deferred Revenue**

Government transfers, contributions and other amounts are received from third parties pursuant to legislation, regulation or agreement and is restricted and may only be used in the conduct of 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.

f) **Taxes and Grants in place of Taxes Receivable**

Taxes and grants in place of taxes receivable consist of current and non-current property tax levies, which remain outstanding at December 31.

g) **Investments**

Investments are recorded at amortized cost. When there is a loss in value that is other than a temporary decline, the respective investment is written down to recognize the loss.

h) **Prepaid Local Improvement Charges**

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 municipality.

Where a taxpayer has elected to prepay the outstanding local improvement charges, such amounts are recorded as deferred revenue. Deferred revenue is amortized to revenue on a straight-line basis over the remaining term of the related borrowings.

In the event that the prepaid amounts are applied against the related borrowings, the deferred revenue is amortized to revenue by an amount equal to the debt repayment.

i) **Non-Financial Assets**

Non-Financial Assets are assets that are not available to discharge existing liabilities but held for use in Town operations. Such assets have useful lives extending beyond the current year and are not intended for sale in the normal course of Town operations. The change in non-financial assets during the year, together with the excess of revenues over expenses, provides the Change in Net Financial Assets for the year.



**Town of Sundre  
Notes to Financial Statements  
For the Year Ended December 31, 2018**

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**1. SIGNIFICANT ACCOUNTING POLICIES (continued)**

j) **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 in accordance with Board Policy B-019 – Tangible Capital Assets as follows:

	<b>YEARS</b>
Land Improvements	15 - 25
Buildings	25 - 30
Engineered Structures	
Water System	30 - 40
Waste Water System	30 - 75
Gas System	30 - 50
Other engineered structures	5 - 40
Machinery & Equipment	3 - 40
Vehicles	10 - 25

One-half of the annual amortization is charged in the year of acquisition and in the year of disposal. Assets under construction are not amortized until the asset is available for productive use. Government contributions for the acquisition of capital assets are recorded as capital revenue and do not reduce the related capital asset costs.

k) **Contributions of Tangible Capital Assets**

Contributed tangible capital assets are recorded at fair value at the date of receipt and are recorded as revenue in the year of acquisition.

l) **Inventories**

Inventories of materials and supplies are valued at the lower of cost or net realizable value with cost determined by the average cost method.

m) **Reserves for Future Expenditures**

Reserves are established at the discretion of Council to set aside funds for future operating and capital expenditures. Transfers to and/or from reserves are reflected in accumulated surplus.

n) **Leases**

Leases are classified as capital or operating leases. Leases that transfer substantially all of the benefit 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.

**Town of Sundre**  
**Notes to Financial Statements**  
**For the Year Ended December 31, 2018**

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**1. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**o) Contaminated Sites**

The Town of Sundre reviews all contaminated sites for possible liabilities associated with the remediation of such sites. Management has assessed such sites and has determined there is no liability regarding the remediation of these sites.

**2. ADOPTION OF NEW ACCOUNTING STANDARDS**

**PSAB Section 2200, Related Party Disclosures**

Effective January 1, 2018, the Town adopted the new PSAB 2200 Related Party Disclosures. PS 2200 contains disclosure standards for related parties and related party transactions, including Council members, key management personnel and close family members. Disclosure of information about related party transactions and the relationship underlying them is required when they have occurred at a value different from that which would have been arrived at if the parties were unrelated, and when the transactions have, or could have, a material financial effect on the financial statements. Related parties and transactions were reviewed and no disclosure is required at this time.

**PSAB Section 3210, Assets**

Effective January 1, 2018, the Town adopted the new PSAB 3210 Assets. PS 3210 provides guidance for applying the definition of assets set out in Section PS 1000, Financial Statement Concepts, and establishes general disclosure standards for assets. No additional disclosures are required by the Town at this time.

**PSAB Section 3320, Contingent Assets**

Effective January 1, 2018, the Town adopted the new PSAB 3320 Contingent Assets. PS 3320 contains standards for defining and disclosing assets. Disclosure of information about contingent assets is required when the occurrence of the confirming future event is likely. No additional disclosures are required by the Town at this time.

**PSAB Section 3380, Contractual Rights**

Effective January 1, 2018, the Town adopted the new PSAB 3380 Contractual Rights. PS 3380 contains standards for disclosure of contractual rights. Disclosure of information is required, including a description of their nature, extend and timing. No additional disclosures are required by the Town at this time.

**PSAB Section 3420, Inter-Entity Transactions**

PSAB 3420 Inter-Entity Transactions came into effect for the 2018 fiscal year and establishes standards on how to account for and report transactions between public sector entities that comprise a government's reporting entity from both a provider and recipient perspective. Currently, the Town does not have inter-entity transactions.

**Town of Sundre**  
**Notes to Financial Statements**  
**For the Year Ended December 31, 2018**

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**3. FUTURE ACCOUNTING POLICIES**

The Public Sector Accounting Board (PSAB) recently announced the following accounting pronouncements:

**PSAB Section 1201, Financial Statement Presentation**

This section is effective for fiscal years beginning on or after April 1, 2021, when sections PS 2601 and PS 3450 are adopted and establishes new general reporting principles and standards for the disclosure of information in government financial statements.

**PSAB Section 2601, Foreign Currency Translation**

This section is effective for fiscal years beginning on or after April 1, 2021 and establishes standards on how to account for and report transactions that are denominated in foreign currency in government financial statements.

**PSAB Section 3280, Asset Retirement Obligations**

This section is effective for fiscal years beginning on or after April 1, 2021 and provides guidance on accounting for asset retirement obligations.

**PSAB Section 3400, Revenue**

This section is effective for fiscal years beginning on or after April 1, 2022 and provides greater clarity on the difference between exchange and non-exchange transactions.

**PSAB Section 3430, Restructuring Transactions**

This section is effective for the 2019 fiscal year and applies to restructuring transactions.

**PSAB Section 3450, Financial Instruments**

This accounting pronouncement establishes standards on how to account for and report all types of financial instruments including derivatives. Financial instruments include primary instruments and derivative instruments. It is effective for fiscal years beginning on or after April 1, 2019 for governments only, with early adoption encouraged. In addition, the Town will be required to assess Section 3041, Portfolio investments; Section 3050, Loans receivable; Section 3390, Contractual obligations; Section 3230, Long-term debt; Section 2500, Consolidation; and Section 3070, Investments in government business enterprises.

Management is assessing the impact of the adoption of these standards which is not known or reasonably estimable at this time.

**Town of Sundre**  
**Notes to Financial Statements**  
**For the Year Ended December 31, 2018**

**4. CASH AND TEMPORARY INVESTMENTS**

	2018	2017
	\$	\$
Cash	7,873,018	7,031,154
Temporary Investments	825,225	708,654
Designated Cash	848,510	827,513
	9,546,753	8,567,321

Temporary investments consist of short-term deposits with original maturities of three months or less and that can be converted to cash as required. Designated cash relates to conditional grants received that are held in separate bank accounts.

**5. TAXES AND GRANTS IN PLACE OF TAXES RECEIVABLES**

	2018	2017
	\$	\$
Current taxes and grants in place of taxes	298,879	365,643
Trade and other	728,442	1,339,926
	1,027,321	1,705,569

**6. INVESTMENTS**

	2018	2017
	\$	\$
Investment in Gas Alberta Inc.		
Shares at cost	200	200
Debentures	27,500	27,500
	27,700	27,700

The investment in Gas Alberta Inc. consists of shares of \$200 and debenture of \$27,500 that is non-interest bearing and is due when the Gas Alberta Inc. contract expires. Expiry requires five years notice prior to service termination. Shares are not publically traded therefore fair market value is not readily available.

**Town of Sundre**  
**Notes to Financial Statements**  
**For the Year Ended December 31, 2018**

**7. DEFERRED REVENUE**

	2018 Beginning \$	Additions	Utilizations	2018 End \$
Royal Bank of Canada – Learn to Play	6,784	-	-	6,784
Catalyst Changers – gazebo project	-	5,000	-	5,000
Prepaid local improvement charges	89,061	3,121	22,085	70,097
Mountain View Senior’s Housing	19,028	2,202	-	21,230
	<u>114,873</u>	<u>10,323</u>	<u>22,085</u>	<u>103,111</u>
<b>Grants</b>				
Riverbank Stabilization	25,633	368	16,704	9,297
FRIAA FireSmart Program	35	-	-	35
Travel Alberta	-	30,222	30,222	-
Municipal Sustainability Int. - Operating	29,393	34,957	29,393	34,957
Federal Gas Tax Fund	119,862	1,712	-	121,574
Municipal Sustainability Int. - Capital	662,956	696,927	723,051	636,832
Provincial Flood Mitigation Grant	-	23,780	23,780	-
	<u>837,879</u>	<u>787,966</u>	<u>823,150</u>	<u>802,695</u>
	<u>952,752</u>	<u>798,289</u>	<u>845,235</u>	<u>905,806</u>

Deferred revenue represents amounts received or receivable which will be recognized as revenue in the period in which they are earned and corresponding expenditures are incurred.

The use of the Municipal Sustainability Initiative Grants, the Basic Municipal Transportation Grant and the Federal Gas Tax Grant is restricted to eligible capital projects as approved by the Province, which are scheduled for completion in the future.

Prepaid local improvement charges are being amortized to revenue at a rate of \$22,085 per year over the next 4 years.

**8. LONG-TERM DEBT**

	2018 \$	2017 \$
Tax supported debentures	2,974,420	1,625,993
Special levies supported debentures	900,765	1,026,217
Utility supported debentures	1,581,677	1,726,886
	<u>5,456,862</u>	<u>4,379,096</u>

The current portion of long-term debt is \$453,662 (2017 - \$405,234).

**Town of Sundre**  
**Notes to Financial Statements**  
**For the Year Ended December 31, 2018**

**8. LONG-TERM DEBT (continued)**

Principal and interest repayments are as follows:

	Principal \$	Interest \$	Total \$
2019	453,662	206,757	660,419
2020	422,501	188,753	611,254
2021	412,439	171,958	584,397
2022	275,607	156,563	432,170
2023	286,705	145,465	432,170
Thereafter	3,605,948	834,538	4,440,486
	5,456,862	1,704,034	7,160,896

Debenture debt is repayable to the Alberta Capital Finance Authority bearing interest rates ranging from 3.13% to 5.39% per annum, before provincial subsidy and matures in periods 2019 to 2038. For qualifying debentures, the Province of Alberta rebates interest. Debenture debt is issued on the credit and security of the Town of Sundre at large.

Interest on long-term debt amounted to \$176,034 (2017 - \$130,102).

The Town's total cash payments for interest in 2018 were \$176,034 (2017 - \$160,297).

**9. RESERVES**

Reserves for operating and capital activities are as follows:

	Beginning of Year \$	End of Year \$
<b>Operating</b>		
General Reserve	478,431	556,210
Planning & Development	341,812	461,543
Fire Donations	22,653	23,039
Fire (Operating)	54,800	55,653
	897,696	1,096,445
<b>Capital</b>		
Sundre Golf Society	53,032	53,889
Bylaw	21,476	27,823
Fire Town	514,605	482,684
Fire Mountain View County	279,754	229,058
Recreation Fields	29,251	34,864
Off-Site Levy	300,801	305,659

**Town of Sundre**  
**Notes to Financial Statements**  
**For the Year Ended December 31, 2018**

Municipal Reserve	61,259	62,248
Roads	701,637	405,668
Fleet	338,010	419,651
Water and Sewer	1,377,647	1,955,019
Solid Waste	235,280	253,903
Economic Development	96,604	96,648
Infrastructure	742,107	646,200
Sundre Community Centre	63,113	64,184
Arena	177,593	190,940
Greenwood Park	70,294	71,530
Parks	60,997	67,595
Recreation and Culture	15,280	15,432
Community Services	10,158	110,372
Trails	71,210	82,610
Gas	691,821	830,704
	<u>5,911,929</u>	<u>6,406,681</u>
 Total Reserves	 <u>6,809,625</u>	 <u>7,503,126</u>

Capital reserves are based on a 10-year capital replacement plan that is approved by Council on an annual basis.

**10. DEBT LIMITS**

Section 276(2) of the Municipal Government Act requires that debt and debt limits as defined by Alberta Regulation 255/2000 for the Town of Sundre be disclosed as follows:

	2018	2017
	\$	\$
Total debt limit	<u>13,564,528</u>	<u>15,077,661</u>
Total debt	<u>5,456,862</u>	<u>4,379,096</u>
Amount of debt limit unused	<u>8,107,666</u>	<u>10,698,565</u>
	2018	2017
	\$	\$
Debt servicing limit	<u>2,260,755</u>	<u>2,512,944</u>
Debt servicing	<u>660,418</u>	<u>581,268</u>
Amount of debt servicing limit unused	<u>1,600,337</u>	<u>1,931,676</u>

The debt limit is calculated at 1.5 times revenue of the municipality (as defined in Alberta Regulation 255/2000) and the debt service limit is calculated at 0.25 times such revenue.

**Town of Sundre**  
**Notes to Financial Statements**  
**For the Year Ended December 31, 2018**

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**10. DEBT LIMITS (continued)**

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.

**11. TANGIBLE CAPITAL ASSETS**

	Net Book Value	
	2018	2017
	\$	\$
Land	9,297,610	9,297,610
Land Improvements	1,204,635	1,316,497
Buildings	9,231,898	9,591,635
Engineered Structures	19,400,304	17,655,435
Machinery, equipment and furnishings	1,666,228	1,570,745
Vehicles	922,280	974,868
	41,722,955	40,406,790

There were contributed assets of NIL in 2018 (2017 - NIL); and the total contributed assets value is \$977,607 (2017 - \$977,607).

**12. EQUITY IN TANGIBLE CAPITAL ASSETS**

	2018	2017
	\$	\$
Tangible Capital Assets (Schedule 2)	61,651,960	58,689,317
Accumulated Amortization (Schedule 2)	(19,929,005)	(18,282,537)
Long-term Debt (Note 8)	(5,456,862)	(4,379,096)
	36,266,093	36,027,694



**Town of Sundre**  
**Notes to Financial Statements**  
**For the Year Ended December 31, 2018**

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**13. ACCUMULATED SURPLUS**

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

	2018	2017
	\$	\$
Equity in tangible capital assets (Note 12)	36,266,093	36,027,694
Unrestricted surplus (Schedule 1)	1,253,523	1,037,110
Restricted surplus		
Operating Reserve (Note 9)	1,096,445	897,696
Capital Reserve (Note 9)	6,406,681	5,911,929
	45,022,742	43,874,429

**14. LOCAL AUTHORITIES PENSION PLAN**

Employees of the town participate in the Local Authorities Pension Plan (LAPP), which is one of the plans covered by the Alberta Public Sector Pension Plan Act. The LAPP serves about 253,862 people and 417 employers. It is financed by employer and employee contributions and by investment earnings of the LAPP Fund.

The Town of Sundre is required to make current service contributions to the plan of 10.39% of the pensionable earnings up to the Canada Pension Plan Year's Maximum Pensionable Earnings and 14.84% for the excess. Employees of the Town are required to make current service contributions of 9.39% of pensionable salary up to the year's maximum pensionable salary and 13.84% on pensionable salary above this amount.

Total current service contributions by the town to the LAPP in 2018 were \$197,581 (2017 - \$213,287). Total current service contributions by the employees of the town to the LAPP in 2018 were \$180,124 (2017 - \$195,964).

At December 31, 2017 LAPP disclosed an actuarial surplus of \$4.84 billion (2016 - \$637 million deficit).

**Town of Sundre**  
**Notes to Financial Statements**  
**For the Year Ended December 31, 2018**

**15. SALARY AND BENEFITS DISCLOSURE**

Disclosure of salaries and benefits for municipal officials, the chief administrative officer and designated officers are required by Alberta Regulation 313/2000 are as follows:

			2018	2017
			\$	\$
	Salary <sup>1</sup>	Benefits & Allowances <sup>2</sup>	Total	Total
<b>Mayor &amp; Councilors:</b>				
Mayor, Leslie	29,227	1,264	30,491	29,088
Councilor, Warnock	16,720	649	17,369	4,510
Councilor, Isaac	16,545	640	17,185	16,422
Councilor, Dalke	15,930	610	16,540	2,671
Councilor, Funke	15,630	595	16,225	16,605
Councilor, Wolfe	15,315	580	15,895	3,771
Councilor, Preston	15,067	568	15,635	3,410
Councilor, Thompson	-	-	-	12,123
Councilor, McFadden	-	-	-	11,768
Councilor, Vardas	-	-	-	11,702
Councilor, Blatchford	-	-	-	11,634
	124,434	4,906	129,340	123,704
Chief Administrative Officer	140,107	27,704	167,811	94,691

1. Salary includes regular base pay, bonuses, overtime, lump sum payments, and per diem payments.
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.

**Town of Sundre**  
**Notes to Financial Statements**  
**For the Year Ended December 31, 2018**

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**16. COMMITMENTS**

The Town of Sundre has an agreement with Wild Rose Assessment Services Inc. to provide assessment services. Assessment services are required by the municipality in order to carry out the assessment of property within each municipality, primarily for taxation purposes. Under the terms of the agreements the Town of Sundre is committed to the following minimum payments until the end of March 31, 2020.

April 1, 2018 – March 31, 2019	\$38,220
April 1, 2019 – March 31, 2020	\$38,220

The Town of Sundre has entered into a lease agreement with Brandt Tractor Ltd. in regards to a John Deere 524K Wheel Loader. Under the terms of the lease the Town of Sundre is committed to the following payments until December 19, 2021

January 19, 2019 – December 19, 2019	\$28,322
January 19, 2020 – December 19, 2020	\$28,322
January 19, 2021 – December 19, 2021	\$28,322

The Town of Sundre has an agreement with Jane Finney to provide animal control services. Under the terms of the agreements the Town of Sundre is committed to the following minimum payments until the end of December 31, 2019.

January 1, 2019 – December 31, 2019	\$24,000
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The Town of Sundre has agreements with Can Pak Environmental Inc. to provide for the residential collection and processing of solid waste, recyclables and compost/organics services. Under the terms of the agreements the Town of Sundre is committed to the following monthly charges:

Residential Solid Waste	October 1, 2018 – September 30, 2019 - \$1.27 per household
	October 1, 2019 – September 30, 2020 - \$1.27 per household
Compost/Organics	October 1, 2018 – September 30, 2019 - \$1.27 per household
	October 1, 2019 – September 30, 2020 - \$1.27 per household
Recyclables	June 1, 2018 – May 31, 2019 - \$1.35 per household

The Town of Sundre has agreements with Angela's Janitorial Services to provide custodial services to the Town of Sundre firehall, town office and town shop facilities. Under the terms of the agreements the Town of Sundre is committed to the following charges:

Firehall	January 1, 2019 – December 31, 2019	\$15,225
	January 1, 2020 – January 31, 2020	\$ 1,269
Town Office	January 1, 2019 – December 31, 2019	\$27,615
	January 1, 2020 – January 31, 2020	\$ 2,301
Town Shop	January 1, 2019 – December 31, 2019	\$19,646
	January 1, 2020 – January 31, 2020	\$ 1,637

**Town of Sundre  
Notes to Financial Statements  
For the Year Ended December 31, 2018**

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**16. COMMITMENTS (continued)**

The Town of Sundre has eight agreements with ADT Canada Inc to provide security monitoring services to each of the Town owned facilities. Under the terms of the agreements, the Town of Sundre is committed to the following charges:

January 1, 2019 – December 31, 2019	\$5,179
January 1, 2020 – December 31, 2020	\$5,179
January 1, 2021 – December 31, 2021	\$5,179
January 1, 2022 – December 31, 2022	\$5,179
January 1, 2023 – March 31, 2023	\$1,295

**17. CONTINGENCIES**

The Town of Sundre, in the conduct of its normal activities can be named as a defendant in legal proceedings. The ultimate outcome of these proceedings can often not be determined until the proceedings are completed. Should any loss result from the resolution of these proceedings or if the amount of the loss can be determined, such amount would be expensed as they become known to the Town.

The Town was served with a civil claim in March 2016 alleging damage to a residence during excavation and tramping work carried out by a contractor on behalf of the Town on March 19, 2013. The claim is for \$11,000.

The Town of Sundre is a member of the Alberta Local Authorities Reciprocal Insurance Exchange (ALARIE). Under the terms of the membership, the town 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. FINANCIAL INSTRUMENTS**

The town's financial instruments consist of cash and temporary investments, receivables, investments, accounts payable and accrued liabilities, deposit liabilities and long-term debt. It is management's opinion that the Town is not exposed to significant interest or currency risk arising from these financial statements.

The town is subject to credit risk with respect to taxes, utilities and other accounts receivables. Credit risk arises from the possibility that some taxpayers and other customers may experience financial difficulty and be unable to fulfill their obligations. The Town's customers and taxpayers are diverse which minimizes this risk.

Other than long-term debt or otherwise noted, the carrying value of the financial instrument approximates fair value.

**Town of Sundre**  
**Notes to Financial Statements**  
**For the Year Ended December 31, 2018**

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**19. SEGMENTED DISCLOSURE**

The Town is a diversified municipal government that provides a wide range of services to its citizens, including bylaw, fire, water, wastewater and gas management.

For management reporting purposes, the Town's operations and activities are organized and reported by functions and services provided. Certain functions that have been disclosed in the segmented information, along with services provided are as follows:

**a) General Government**

This category encompasses General revenue which includes taxes, government transfers, investment income, and franchise fees as well as Legislative Services which pertains to Town Council, Chief Administrative Officer and Legislative Services and also includes Corporate Services which oversees Financial Services, Taxation Administration, Utilities Administration, Accounts Payable, Accounts Receivable, Payroll, Insurance and Risk Management, Human Resources, and Information Technology.

**b) Protective Services**

Protective services includes Bylaw Enforcement, Animal Control, Disaster Services and Fire Services.

**c) Transportation Services**

This category includes Roads, sidewalk maintenance, street lighting, fleet management and Shop.

**d) Planning and development**

This category includes municipal planning, development and economic development.

**e) Utility Services**

This category includes water supply and distribution, water treatment, wastewater treatment and disposal, waste and recycling and the purchase and distribution of gas services for the Town.

**f) Recreation and Culture**

Parks and recreation includes the Sundre Community Centre, Arena, Greenwood Campground, Baseball, Parks, Recreation & Culture grants, Community Services, Trails, Outdoor Rinks, Recreation Fields, funds provided to the Sundre Municipal Library, and funds provided to Greenwood Neighbourhood place to provide Family and Community Support Services (FCSS).

For each reported segment, revenues and expenses represent amounts that are directly attributable to the segments and amounts that are allocated on a reasonable basis. Therefore, certain allocation methodologies are employed in the preparation of segmented financial information. The accounting policies used in these segments are consistent with those followed in the preparation of financial statements as disclosed in Note 1. For additional information see the Schedule of Segmented Disclosure (Schedule 6).

**20. REVOLVING LINE OF CREDIT**

The Town has a \$750,000 revolving demand facility. Use of the line of credit is limited to funding current expenditures and obligations of the Town until such time as the taxes levied or to be levied are collected. It is secured by the assets of the Town. The balance outstanding at December 31, 2018 is nil (2017 – nil). This line of credit bears interest at a rate of prime plus 0.25% per annum and is payable on a monthly basis.

**Town of Sundre**  
**Notes to Financial Statements**  
**For the Year Ended December 31, 2018**

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**21. BUDGET AMOUNTS**

The 2018 Budget of the Town of Sundre was approved by Council on December 5, 2016, has been reported in the financial statements for information purposes only and does not include amortization of tangible capital assets. The following information compares the 2018 actual expenditures less actual amortization of tangible capital assets to the 2018 budgeted amounts.

<u>Actual</u> <u>Expenses</u>	<u>Actual</u> <u>Amortization</u>	Actual Expenses less <u>Amortization</u>	<u>Budgeted</u> <u>Expenses</u>
\$ 8,617,757	\$ 1,708,819	\$ 6,908,938	\$ 7,578,676

**22. APPROVAL OF FINANCIAL STATEMENTS**

The Council and Management have approved these financial statements.

**23. COMPARATIVE FIGURES**

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