

TOWN OF SUNDRE

FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

Approved by Council:



Terry Leslie, Mayor



Vic Pirie, CPA, CGA
Director of Finance & Administration

**Town of Sundre
Financial Statements
As at December 31, 2016**

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May 12, 2017

Independent Auditor's Report

**To the Mayor and Town Council of
The Town of Sundre**

We have audited the accompanying financial statements of Town of Sundre, which comprise the statement of financial position as at December 31, 2016 and the statement of operations and accumulated surplus, cash flows and change in net financial assets for the year then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these 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.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Town of Sundre as at December 31, 2016 and the results of its operations, changes in its cash flow and net financial assets for the year then ended in accordance with Canadian public sector accounting standards.

PricewaterhouseCoopers LLP

Chartered Professional Accountants

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

**Town of Sundre
Statement of Financial Position
As at December 31, 2016**

	2016	2015
	\$	\$
	<hr/>	<hr/>
FINANCIAL ASSETS		
Cash and temporary investments (Note 3)	7,587,227	5,891,892
Receivables (Note 4)		
Taxes and grants in place of taxes	250,495	226,046
Trade and other receivables	1,145,812	1,014,645
Investments (Note 5)	27,700	27,700
	<hr/>	<hr/>
	9,011,234	7,160,283
	<hr/>	<hr/>
LIABILITIES		
Accounts payable and accrued liabilities	550,092	622,616
Deposit liabilities	2,900	2,750
Deferred revenue (Note 6)	1,900,339	1,251,719
Long-term debt (Note 7)	3,732,417	4,071,098
	<hr/>	<hr/>
	6,185,748	5,948,183
	<hr/>	<hr/>
NET FINANCIAL ASSETS	2,825,486	1,212,100
	<hr/>	<hr/>
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 10)	39,591,054	40,668,838
Inventory for consumption	65,489	60,788
Prepaid Expense	25,499	39,877
	<hr/>	<hr/>
	39,682,042	40,769,503
	<hr/>	<hr/>
ACCUMULATED SURPLUS (Note 12)	42,507,528	41,981,603
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Town of Sundre
Statement of Operations and Accumulated Surplus
As at December 31, 2016

	Budget \$	2016 \$	2015 \$
REVENUE			
Net municipal taxes (Schedule 3)	3,238,222	3,215,836	3,101,500
User fees and sales of goods	3,827,822	3,723,080	3,822,960
Government transfers for operating (Schedule 4)	592,195	795,458	802,014
Investment Income	59,131	48,838	42,584
Fines, penalties and cost of taxes	86,365	106,138	92,794
Licenses and permits	76,838	63,893	97,029
Rentals	279,501	34,804	269,704
Other	500	407,678	486,365
Total Revenue	8,160,574	8,395,725	8,714,950
EXPENSES			
Legislative	358,503	330,328	339,480
Administration	468,382	521,311	652,204
Protective services	504,702	670,417	570,139
Roads, streets, walks, lighting	773,830	915,485	1,170,065
Water supply and distribution	696,781	1,081,764	1,205,615
Wastewater treatment and disposal	492,798	727,739	690,789
Waste management	218,522	207,631	335,799
Gas distribution	1,121,378	987,166	1,079,387
Family and community support	106,342	146,031	149,060
Land use planning, zoning and development	635,977	656,883	641,773
Parks and recreation	1,369,277	1,545,242	1,347,450
Culture	291,764	305,916	284,946
Total Expenses	7,038,256	8,095,913	8,466,707
EXCESS OF REVENUE OVER EXPENSES - BEFORE OTHER	1,122,318	299,812	248,243
OTHER			
Contributed Assets	-	55,927	155,070
Government Transfers for capital (Schedule 4)	108,000	170,186	1,817,190
	108,000	226,113	1,972,260
EXCESS OF REVENUE OVER EXPENSES	1,230,318	525,925	2,220,503
ACCUMULATED SURPLUS, BEGINNING OF YEAR	41,981,603	41,981,603	39,761,100
ACCUMULATED SURPLUS, END OF YEAR (Note 12)	43,211,921	42,507,528	41,981,603

Town of Sundre
Statement of Change in Net Financial Assets
As at December 31, 2016

	2016 Budget \$	2016 \$	2015 \$
EXCESS OF REVENUES OVER EXPENSES	1,230,318	525,925	2,220,503
Change in tangible capital assets			
Acquisition of tangible capital assets	(1,162,000)	(524,174)	(2,735,416)
Contributed Tangible capital assets	-	(55,927)	(155,070)
Loss on sale of tangible capital assets	-	26,791	4,116
Amortization of tangible capital assets	-	1,578,804	1,494,960
Proceeds on disposal of tangible capital assets	-	52,290	2,850
	<u>(1,162,000)</u>	<u>1,077,784</u>	<u>(1,388,560)</u>
Change in non-financial assets			
Use (acquisition) of inventories for consumption	-	(4,701)	16,453
Use (acquisition) of prepaid assets	-	14,378	16,280
	<u>-</u>	<u>9,677</u>	<u>32,733</u>
INCREASE IN NET ASSETS	68,318	1,613,386	864,676
NET FINANCIAL ASSETS, BEGINNING OF YEAR	<u>1,212,100</u>	<u>1,212,100</u>	<u>347,424</u>
NET FINANCIAL ASSETS, END OF YEAR	<u><u>1,280,418</u></u>	<u><u>2,825,486</u></u>	<u><u>1,212,100</u></u>

**Town of Sundre
Statement of Cash Flows
As at December 31, 2016**

	2016 \$	2015 \$
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING		
Excess of revenues over expenses	525,925	2,220,503
Non-cash items included in excess (shortfall) of revenue over expenses		
Amortization of tangible capital assets	1,578,804	1,494,960
Tangible capital assets received as contributions	(55,927)	(155,070)
Loss on disposal of tangible capital assets	26,791	4,116
Non-cash charges to operations (net change)		
Increase in taxes and grants in place of taxes	(24,449)	(10,849)
Increase in trade and other receivables	(131,167)	(239,663)
(Increase) Decrease in inventory for consumption	(4,701)	16,453
Decrease in prepaid expenses	14,378	16,280
(Decrease) Increase in accounts payable and accrued liabilities	(72,524)	210,524
Increase (Decrease) in deposit liabilities	150	(50)
Increase (Decrease) in deferred revenue	648,620	(982,760)
Total cash provided by operations	<u>2,505,900</u>	<u>2,574,444</u>
CAPITAL		
Acquisition of tangible capital assets	(524,174)	(2,735,416)
Proceeds on disposal of tangible capital assets	52,290	2,850
Cash provided by capital transactions	<u>(471,884)</u>	<u>(2,732,566)</u>
FINANCING		
Long-term debt repaid	(338,681)	(366,626)
Payments on obligation under capital leases	-	(116,163)
Cash applied to financing transactions	<u>(338,681)</u>	<u>(482,789)</u>
CHANGE IN CASH AND TEMPORARY INVESTMENTS DURING THE YEAR	1,695,335	(640,911)
CASH AND TEMPORARY INVESTMENTS, BEGINNING OF YEAR	<u>5,891,892</u>	<u>6,532,803</u>
CASH AND TEMPORARY INVESTMENTS, END OF YEAR	<u><u>7,587,227</u></u>	<u><u>5,891,892</u></u>
Cash and temporary investments is made up of:		
Cash and temporary investments (Note 3)	5,831,472	4,733,585
Designated portion of cash (Note 3)	<u>1,755,755</u>	<u>1,158,307</u>
	<u><u>7,587,227</u></u>	<u><u>5,891,892</u></u>

Town of Sundre
Schedule of Changes in Accumulated Surplus
As at December 31, 2016
Schedule 1

	Unrestricted Surplus	Restricted Surplus	Equity in Tangible Capital Assets	2016	2015
BALANCE, BEGINNING OF YEAR	993,808	4,390,055	36,597,740	41,981,603	39,761,100
Excess of revenues over expenses	525,925	-	-	525,925	2,220,503
Unrestricted funds designated for future use	(1,625,778)	1,625,778	-	-	-
Restricted funds used for operations	116,226	(116,226)	-	-	-
Restricted funds used for tangible capital assets	-	(267,839)	267,839	-	-
Current year funds used for tangible capital assets	(256,335)	-	256,335	-	-
Contributed tangible capital assets	(55,927)	-	55,927	-	-
Disposal of tangible capital assets	79,081	-	(79,081)	-	-
Annual amortization expense	1,578,804	-	(1,578,804)	-	-
Long term debt repaid	(338,681)	-	338,681	-	-
Change in accumulated surplus	23,315	1,241,713	(739,103)	525,925	2,220,503
BALANCE, END OF YEAR	1,017,123	5,631,768	35,858,637	42,507,528	41,981,603

TOWN OF SUNDRE
SCHEDULE OF TANGIBLE CAPITAL ASSETS
For the Year Ended December 31, 2016
Schedule 2

	Buildings	Engineered Structures	Land	Land Improvements	Machinery & Equipment	Vehicles	2016	2015
COSTS:								
Balance, beginning of year	\$ 14,641,653	\$ 26,331,851	\$ 9,297,610	\$ 1,351,830	\$ 2,656,171	\$ 1,716,950	\$ 55,996,065	\$ 53,157,612
Acquisition of tangible capital assets	-	79,045	-	114,577	324,920	-	518,542	2,890,486
Work-in-progress	47,155	-	-	1,468	-	12,936	61,559	-
Disposal of tangible capital assets	-	-	-	(2,034)	(198,796)	-	(200,830)	(52,033)
Balance, end of year	\$ 14,688,808	\$ 26,410,896	\$ 9,297,610	\$ 1,465,841	\$ 2,782,295	\$ 1,729,886	\$ 56,375,336	\$ 55,996,065
ACCUMULATED AMORTIZATION:								
Balance, beginning of year	\$ 4,198,201	\$ 8,840,384	\$ -	\$ 401,741	\$ 1,314,652	\$ 572,249	\$ 15,327,227	\$ 13,877,334
Annual Amortization	447,913	804,986	-	79,082	130,394	116,429	1,578,804	1,494,960
Accumulated amortization on disposals	-	-	-	(1,220)	(120,529)	-	(121,749)	(45,067)
Balance, end of year	\$ 4,646,114	\$ 9,645,370	\$ -	\$ 479,603	\$ 1,324,517	\$ 688,678	\$ 16,784,282	\$ 15,327,227
2016 NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	\$ 10,042,694	\$ 16,765,526	\$ 9,297,610	\$ 986,238	\$ 1,457,778	\$ 1,041,208	\$ 39,591,054	\$ 40,668,838
2015 NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	\$ 10,443,452	\$ 17,491,467	\$ 9,297,610	\$ 950,089	\$ 1,341,519	\$ 1,144,701	\$ 40,668,838	

Town of Sundre
Schedule of Property and Other Taxes
For the Year Ended December 31, 2016
Schedule 3

	Budget \$	2016 \$	2015 \$
TAXATION			
Real property taxes	4,057,545	4,021,623	3,842,192
Linear property taxes	150,361	150,361	169,181
Special assessments and local improvement taxes	89,286	102,821	103,702
	<u>4,297,192</u>	<u>4,274,805</u>	<u>4,115,075</u>
REQUISITIONS			
Alberta School Foundation Fund	1,005,609	1,005,609	962,842
Mountain View Senior's Housing	53,361	53,360	50,733
	<u>1,058,970</u>	<u>1,058,969</u>	<u>1,013,575</u>
NET MUNICIPAL TAXES	<u><u>3,238,222</u></u>	<u><u>3,215,836</u></u>	<u><u>3,101,500</u></u>

Town of Sundre
Schedule of Government Transfers
For the Year Ended December 31, 2016
Schedule 4

	Budget \$	2016 \$	2015 \$
TRANSFERS FOR OPERATING			
FEDERAL TRANSFERS			
Celebrate Canada	-	2,000	2,000
PROVINCIAL TRANSFERS			
Family & Community Services	-	63,159	70,043
Municipal Sustainability Initiative	-	2,256	55,417
River Bank Stabilization	-	21,262	8,409
Forest Resource Improvement Association	-	30,962	-
Other	-	37,279	28,815
	-	<u>154,918</u>	<u>162,684</u>
LOCAL GOVERNMENT TRANSFERS			
Shared-cost agreements and grants	592,195	638,540	637,330
Total Operating	<u>592,195</u>	<u>795,458</u>	<u>802,014</u>
TRANSFERS FOR CAPITAL			
FEDERAL TRANSFERS			
Federal Gas Tax Rebate	108,000	94,770	251,166
PROVINCIAL TRANSFERS			
Flood Readiness Program	-	-	30,642
Municipal Sustainability Initiative	-	75,416	1,081,716
Basic Municipal Transportation Grant	-	-	419,828
	-	<u>75,416</u>	<u>1,532,186</u>
LOCAL GOVERNMENT TRANSFERS			
Shared-cost agreements	-	-	33,838
Total Capital	<u>108,000</u>	<u>170,186</u>	<u>1,817,190</u>
TOTAL GOVERNMENT TRANSFERS	<u><u>700,195</u></u>	<u><u>965,644</u></u>	<u><u>2,619,204</u></u>

Town of Sundre
Schedule of Expenses by Object
For the Year Ended December 31, 2016
Schedule 5

	Budget \$	2016 \$	2015 \$
EXPENSES BY OBJECT			
Salaries, wages and benefits	2,906,834	2,782,643	2,748,399
Contracted and general services	736,451	670,685	854,998
Materials, goods, utilities and other	2,668,116	2,289,519	2,563,976
Transfers to local boards and agencies	551,918	603,868	611,351
Interest on long-term debt and capital leases	174,937	141,281	188,907
Amortization of tangible capital assets	-	1,578,804	1,494,960
Loss on disposal of tangible capital assets	-	29,113	4,116
	<u>7,038,256</u>	<u>8,095,913</u>	<u>8,466,707</u>

Town of Sundre
Schedule of Segmented Disclosure
For the Year Ended December 31, 2016
Schedule 6

	General Government	Protective Services	Transportation Services	Planning & Development	Recreation & Culture	Utility Services	Total \$
REVENUE							
Net Municipal Taxes	3,215,836	-	-	-	-	-	3,215,836
Government transfers	-	190,389	32,492	29,104	646,366	67,293	965,644
User fees and sales of goods	80,317	190,499	84,488	73,502	370,445	3,128,664	3,927,915
Investment income	42,826	812	-	-	-	5,200	48,838
Contributed assets	-	55,927	-	-	-	-	55,927
Other revenues	103,265	234,218	47,954	7,800	14,441	-	407,678
	3,442,244	671,845	164,934	110,406	1,031,252	3,201,157	8,621,838
EXPENSES							
Contract & general services	154,993	118,689	51,011	101,711	74,956	169,325	670,685
Salaries & wages	386,446	240,083	179,270	403,353	736,061	837,430	2,782,643
Goods & supplies	171,595	195,939	253,794	126,116	425,221	1,116,854	2,289,519
Transfers to local boards	-	-	-	25,703	540,189	37,976	603,868
Long-term debt interest	25,609	-	26,684	-	7,786	81,202	141,281
Other expenses	-	22,192	-	-	1,841	5,080	29,113
	738,643	576,903	510,759	656,883	1,786,054	2,247,867	6,517,109
NET REVENUE, BEFORE AMORTIZATION	2,703,601	94,942	(345,825)	(546,477)	(754,802)	953,290	2,104,729
Amortization expense	(112,996)	(93,515)	(404,726)	-	(211,135)	(756,432)	(1,578,804)
EXCESS OF REVENUE OVER EXPENSES	2,590,605	1,427	(750,551)	(546,477)	(965,937)	196,858	525,925

**Town of Sundre
Notes to Financial Statements
For the Year Ended December 31, 2016**

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, 2016

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, 2016**

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

k) 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:

	YEARS
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.

l) 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.

m) 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.

n) 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.

o) 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, 2016**

p) **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. FUTURE ACCOUNTING POLICIES

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

PSAB Section 2200, Related Party Disclosure

This section is effective for fiscal years beginning on or after April 1, 2018 and defines a related party and establishes disclosures required for related party transactions.

PSAB Section 3210, Assets

This section is effective for the 2018 fiscal year and provides guidance for applying the definition of assets set out in *Section PS 1000, Financial Statement Concepts*, and establishes general disclosure standards for assets.

PSAB Section 3320, Contingent Assets

This section is effective for the 2018 fiscal year and defines and establishes disclosure standards on contingent assets.

PSAB Section 3380, Contractual Rights

This section is effective for the 2018 fiscal year and defines and establishes disclosure standards on contractual rights.

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.

3. CASH AND TEMPORARY INVESTMENTS

	2016	2015
	\$	\$
Cash/Cheques issued in excess of bank balances	(739,782)	340,831
Temporary Investments	6,571,254	4,392,754
Designated Cash	1,755,755	1,158,307
	7,587,227	5,891,892

Temporary investments consist of short-term deposits that can be converted to cash as required. Designated cash relates to conditional grants received that are held in separate bank accounts.

Town of Sundre
Notes to Financial Statements
For the Year Ended December 31, 2016

4. TAXES AND GRANTS IN PLACE OF TAXES RECEIVABLES

	2016	2015
	\$	\$
Current taxes and grants in place of taxes	250,495	226,046
Trade and other	1,145,812	1,014,645
	1,396,307	1,240,691

5. INVESTMENTS

	2016	2015
	\$	\$
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.

6. DEFERRED REVENUE

	2016	Additions	Utilizations	2016
	Beginning			End
	\$			\$
Royal Bank of Canada – Learn to Play	-	10,000	1,969	8,031
SW Cougar Bantam Hockey Team	-	1,474	-	1,474
Prepaid local improvement charges	93,412	31,639	20,526	104,525
Mountain View Senior's Housing	354,625	-	57,955	296,670
	448,037	43,113	80,450	410,700
Grants				
Riverbank Stabilization	98,681	659	21,262	78,078
FRIAA FireSmart Program	-	30,997	30,962	35
Municipal Sustainability Int. - Operating	-	32,809	2,256	30,553
Federal Gas Tax Fund	37,377	145,658	94,770	88,265
Municipal Sustainability Int. - Capital	667,624	700,977	75,893	1,292,708
	803,682	911,100	225,143	1,489,639
	1,251,719	954,213	305,593	1,900,339

**Town of Sundre
Notes to Financial Statements
For the Year Ended December 31, 2016**

6. DEFERRED REVENUE - continued

Prepaid local improvement charges

Prepaid local improvement charges are being amortized to revenue at a rate of \$20,526 per year over the next 5 years.

7. LONG-TERM DEBT

	2016 \$	2015 \$
Tax supported debentures	<u>720,165</u>	<u>810,716</u>
Special levies supported debentures	1,146,342	1,299,371
Utility supported debentures	<u>1,865,910</u>	<u>1,961,011</u>
	<u>3,732,417</u>	<u>4,071,098</u>

The current portion of long-term debt is \$353,321 (2015 - \$338,681).

Principal and interest repayments are as follows:

	Principal \$	Interest \$	Total \$
2017	353,321	160,297	513,618
2018	368,599	145,019	513,618
2019	362,237	129,073	491,310
2020	328,125	114,020	442,145
2021	315,016	100,272	415,288
Thereafter	<u>2,005,119</u>	<u>492,519</u>	<u>2,497,638</u>
	<u>3,732,417</u>	<u>1,141,200</u>	<u>4,873,617</u>

Debenture debt is repayable to the Alberta Capital Finance Authority bearing interest rates ranging from 3.50% to 5.39% per annum, before provincial subsidy and matures in periods 2017 to 2033. 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 \$141,281 (2015 - \$188,907).

The Town's total cash payments for interest in 2016 were \$174,937 (2015 - \$190,327).

Town of Sundre
Notes to Financial Statements
For the Year Ended December 31, 2016

8. RESERVES

Reserves for operating and capital activities are as follows:

	Beginning of Year	End of Year
	\$	\$
Operating		
General Reserve	190,084	355,381
Planning & Development	231,169	231,169
Fire Donations	30,473	25,093
Fire (Operating)	50,902	50,000
	<u>502,628</u>	<u>661,643</u>
Capital		
Sundre Golf Society	52,559	52,559
Bylaw	9,322	15,322
Fire Town	303,134	428,447
Fire Mountain View County	122,973	250,628
Recreation Fields	30,700	24,015
Off-Site Levy	298,115	298,115
Municipal Reserve	41,477	41,477
Roads	467,129	695,517
Water and Sewer	793,850	1,072,454
Solid Waste	-	124,436
Economic Development	57,137	55,169
Infrastructure	769,269	746,671
Sundre Community Centre	65,722	53,601
Arena	213,689	235,689
Greenwood Park	69,667	69,667
Parks	119,513	111,270
Recreation and Culture	13,973	2,269
Community Services	10,068	10,068
Trails	50,636	60,636
Gas	398,494	622,115
	<u>3,887,427</u>	<u>4,970,125</u>
Total Reserves	<u><u>4,390,055</u></u>	<u><u>5,631,768</u></u>

Capital reserves are based on a 20-year capital replacement plan that is approved by Council on an annual basis.

**Town of Sundre
Notes to Financial Statements
For the Year Ended December 31, 2016**

9. 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:

	2016	2015
	\$	\$
Total debt limit	12,593,588	13,072,425
Total debt	3,732,417	4,071,098
Amount of debt limit unused	8,861,171	9,001,327
	2016	2015
	\$	\$
Debt servicing limit	2,098,931	2,178,738
Debt servicing	513,618	513,618
Amount of debt servicing limit unused	1,585,313	1,665,120

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. Incurring debt beyond these limitations requires approval by the Minister of Municipal Affairs. These thresholds are guidelines used by Alberta Municipal Affairs to identify municipalities that could be at financial risk if further debt is acquired. The calculation taken alone does not represent the financial stability of the municipality. Rather, the financial statements must be interpreted as a whole.

10. TANGIBLE CAPITAL ASSETS

	Net Book Value	
	2016	2015
	\$	\$
Land	9,297,610	9,297,610
Land Improvements	986,238	950,089
Buildings	10,042,694	10,443,452
Engineered Structures	16,765,526	17,491,467
Machinery, equipment and furnishings	1,457,778	1,341,519
Vehicles	1,041,208	1,144,701
	39,591,054	40,668,838

There were contributed assets of \$55,927 in 2016; and the total contributed assets value is \$977,607.

**Town of Sundre
Notes to Financial Statements
For the Year Ended December 31, 2016**

11. EQUITY IN TANGIBLE CAPITAL ASSETS

	2016	2015
	\$	\$
Tangible Capital Assets (Schedule 2)	<u>56,375,336</u>	<u>55,996,065</u>
Accumulated Amortization (Schedule 2)	(16,784,282)	(15,327,227)
Long-term Debt (Note 7)	<u>(3,732,417)</u>	<u>(4,071,098)</u>
	<u>35,858,637</u>	<u>36,597,740</u>

12. ACCUMULATED SURPLUS

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

	2016	2015
	\$	\$
Equity in tangible capital assets (Note 11)	<u>35,858,637</u>	<u>36,597,740</u>
Unrestricted surplus (Schedule 1)	1,017,123	993,808
Restricted surplus		
Operating Reserve (Note 8)	661,643	502,628
Capital Reserve (Note 8)	<u>4,970,125</u>	<u>3,887,427</u>
	<u>42,507,528</u>	<u>41,981,603</u>

13. 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 244,621 people and 426 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 11.39% of the pensionable earnings up to the Canada Pension Plan Year's Maximum Pensionable Earnings and 15.84% for the excess. Employees of the Town are required to make current service contributions of 10.39% of pensionable salary up to the year's maximum pensionable salary and 14.84% on pensionable salary above this amount.

Total current service contributions by the town to the LAPP in 2016 were \$200,629 (2015 - \$165,004). Total current service contributions by the employees of the town to the LAPP in 2016 were \$184,424 (2015 - \$151,599).

The plan disclosed an actuarial deficiency of \$923.4 million (2014 - \$2.45 billion) as per the audited financial statements for the year ended December 31, 2015.

**Town of Sundre
Notes to Financial Statements
For the Year Ended December 31, 2016**

14. 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:

			2016	2015
			\$	\$
	Salary ¹	Benefits & Allowances ²	Total	Total
Mayor & Councilors:				
Mayor, Leslie	28,832	1,083	29,915	29,157
Councilor, Funke	15,570	505	16,075	6,692
Councilor, Isaac	15,920	520	16,440	16,410
Councilor, Jordan	-	-	-	4,104
Councilor, McFadden	14,955	412	15,367	13,732
Councilor, Orr	5,233	175	5,408	18,764
Councilor, Thompson	14,690	153	14,843	14,294
Councilor, Vardas	16,445	543	16,988	17,324
Councilor, Blatchford	6,645	203	6,848	-
	<u>118,290</u>	<u>3,594</u>	<u>121,884</u>	<u>120,477</u>
Chief Administrative Officer	61,247	3,174	64,421	147,782

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, 2016**

15. 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, 2017.

April 1, 2016 – March 31, 2017 - \$36,750

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, 2017.

January 1, 2017 – December 31, 2017 - \$24,000

The Town of Sundre has an agreement with OSI Office Solutions Inc. to provide information technical services. Information technical services are required by the municipality to ensure that town server and financial system are in good working order and that data is not lost. Under the terms of the agreements the Town of Sundre is committed to the following minimum payments until the end of April 30, 2017.

May 1, 2016 – April 30, 2017 - \$41,400

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, 2016 – September 30, 2017 - \$1.22 per household
Compost/Organics	October 1, 2016 – September 30, 2016 - \$1.22 per household
Recyclables	June 1, 2016 – May 31, 2017 - \$1.25 per household

The Town of Sundre has agreements with Angela's Janitorial Services and Mr. Mom's Cleaning Service 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 monthly charges:

Firehall (Mr. Mom's Cleaning Service)	January 1, 2017 – December 31, 2017	\$12,300
Town Office (Angela's Janitorial Services)	January 1, 2017 – December 31, 2017	\$25,232
Town Shop (Angela's Janitorial Services)	January 1, 2017 – December 31, 2017	\$17,707

**Town of Sundre
Notes to Financial Statements
For the Year Ended December 31, 2016**

16. 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 has been named in court file number 1201-13723 related to a vicious dog attack. Currently, there are no determinable amounts.

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.

17. 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.

Unless otherwise noted, the carrying value of the financial instrument approximates fair value.

18. 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.

**Town of Sundre
Notes to Financial Statements
For the Year Ended December 31, 2016**

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).

19. 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, 2016 is nil (2015 – nil). This line of credit bears interest at a rate of prime plus 0.25% per annum and is payable on a monthly basis. The term of the borrowing expires on January 31, 2017.

**Town of Sundre
Notes to Financial Statements
For the Year Ended December 31, 2016**

20. BUDGET AMOUNTS

The 2016 Budget of the Town of Sundre was approved by Council and has been reported in the financial statements for information purposes only.

The Town shop charges other departments for the use of it's services as a way of allocating it's costs. The charges for these costs in the amount of \$194,352 for 2015 and is included in rental income. A corresponding expense was recorded by the departments for the same amount resulting in a nil impact on the Town's excess of revenue over expense for the year. Commencing with the 2016 fiscal year the Town no longer records a rental income and corresponding expenditure by department. This change results in a nil impact on the Town's excess of revenue over expense for the year.

21. APPROVAL OF FINANCIAL STATEMENTS

The Council and Management have approved these financial statements.

