

TOWN OF SUNDRE

FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

Approved by Council:



Terry Leslie, Mayor



Chris Albert, CPA, CGA
Acting Director of Corporate Services



May 28, 2018

Independent Auditor's Report

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

We have audited the accompanying financial statements of the Town of Sundre, which comprise the statement of financial position as at December 31, 2017 and the statements 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 consolidated financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of 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 consolidated 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 consolidated 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.

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



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, 2017 and the results of its operations, changes in its cash flows and net financial assets for the year then ended in accordance with Canadian public sector accounting standards.

PricewaterhouseCoopers LLP

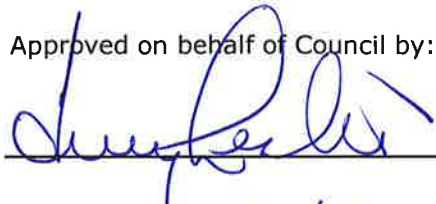
Chartered Professional Accountants

**Town of Sundre
Statement of Financial Position
As at December 31, 2017**

	2017 \$	2016 \$
	<u> </u>	<u> </u>
FINANCIAL ASSETS		
Cash and temporary investments (Note 3)	8,567,321	7,587,227
Receivables (Note 4)		
Taxes and grants in place of taxes	365,643	250,495
Trade and other receivables	1,339,926	1,145,812
Investments (Note 5)	27,700	27,700
	<u>10,300,590</u>	<u>9,011,234</u>
 LIABILITIES		
Accounts payable and accrued liabilities	1,581,191	550,092
Deposit liabilities	2,850	2,900
Deferred revenue (Note 6)	952,752	1,900,339
Long-term debt (Note 7)	4,379,096	3,732,417
	<u>6,915,889</u>	<u>6,185,748</u>
 NET FINANCIAL ASSETS	<u>3,384,701</u>	<u>2,825,486</u>
 NON-FINANCIAL ASSETS		
Tangible capital assets (Note 10)	40,406,790	39,591,054
Inventory for consumption	52,572	65,489
Prepaid Expense	30,366	25,499
	<u>40,489,728</u>	<u>39,682,042</u>
 ACCUMULATED SURPLUS (Note 12)	<u>43,874,429</u>	<u>42,507,528</u>

Commitments and contingencies (Note 15 and 16)

Approved on behalf of Council by:



 Chris Albert

Town of Sundre
Statement of Operations and Accumulated Surplus
As at December 31, 2017

	Budget \$	2017 \$	2016 \$
REVENUE			
Net municipal taxes (Schedule 3)	\$ 3,247,810	\$ 3,241,208	\$ 3,215,836
User fees and sales of goods	3,775,172	5,079,447	3,723,080
Government transfers for operating (Schedule 4)	653,712	888,904	795,458
Investment Income	20,348	79,990	48,838
Fines, penalties and cost of taxes	95,120	109,784	106,138
Licenses and permits	68,838	74,216	63,893
Rentals	490,287	107,214	34,804
Other	6,500	471,011	407,678
Total Revenue	8,357,787	10,051,774	8,395,725
EXPENSES			
Legislative	336,922	417,689	330,328
Administration	451,118	517,981	521,311
Protective services	541,006	604,817	670,417
Roads, streets, walks, lighting	927,380	1,035,089	915,485
Water supply and distribution	693,965	1,014,281	1,081,764
Wastewater treatment and disposal	532,052	719,896	727,739
Waste management	221,588	219,930	207,631
Gas distribution	1,073,767	1,092,071	987,166
Family and community support	154,706	172,673	146,031
Land use planning, zoning and development	901,928	1,845,616	656,883
Parks and recreation	1,423,039	1,487,753	1,545,242
Culture	302,694	301,798	305,916
Total Expenses	7,560,165	9,429,594	8,095,913
EXCESS OF REVENUE OVER EXPENSES - BEFORE OTHER	797,622	622,180	299,812
OTHER			
Contributed Assets	-	-	55,927
Government Transfers for capital (Schedule 4)	773,000	744,721	170,186
	773,000	744,721	226,113
EXCESS OF REVENUE OVER EXPENSES	1,570,622	1,366,901	525,925
ACCUMULATED SURPLUS, BEGINNING OF YEAR	42,507,528	42,507,528	41,981,603
ACCUMULATED SURPLUS, END OF YEAR (Note 12)	44,078,150	43,874,429	42,507,528

Town of Sundre
Statement of Change in Net Financial Assets
As at December 31, 2017

	2017 Budget \$	2017 \$	2016 \$
EXCESS OF REVENUES OVER EXPENSES	1,570,622	1,366,901	525,925
Change in tangible capital assets			
Acquisition of tangible capital assets	(2,343,740)	(2,462,292)	(524,174)
Contributed Tangible capital assets	-	-	(55,927)
(Gain) / Loss on sale of tangible capital assets	-	(5,147)	26,791
Amortization of tangible capital assets	-	1,625,389	1,578,804
Proceeds on disposal of tangible capital assets	-	26,314	52,290
	<u>(2,343,740)</u>	<u>(815,736)</u>	<u>1,077,784</u>
Change in non-financial assets			
Use (acquisition) of inventories for consumption	-	12,917	(4,701)
(Acquisition) Use of prepaid assets	-	(4,867)	14,378
	<u>-</u>	<u>8,050</u>	<u>9,677</u>
INCREASE IN NET ASSETS	(773,118)	559,215	1,613,386
NET FINANCIAL ASSETS, BEGINNING OF YEAR	<u>2,825,486</u>	<u>2,825,486</u>	<u>1,212,100</u>
NET FINANCIAL ASSETS, END OF YEAR	<u><u>2,052,368</u></u>	<u><u>3,384,701</u></u>	<u><u>2,825,486</u></u>

**Town of Sundre
Statement of Cash Flows
As at December 31, 2017**

	2017 \$	2016 \$
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING		
Excess of revenues over expenses	1,366,901	525,925
Non-cash items included in excess (shortfall) of revenue over expenses		
Amortization of tangible capital assets	1,625,389	1,578,804
Tangible capital assets received as contributions	-	(55,927)
(Gain) / Loss on disposal of tangible capital assets	(5,147)	26,791
Non-cash charges to operations (net change)		
Increase in taxes and grants in place of taxes	(115,148)	(24,449)
Increase in trade and other receivables	(194,114)	(131,167)
Decrease (Increase) in inventory for consumption	12,917	(4,701)
(Increase) Decrease in prepaid expenses	(4,867)	14,378
Increase (Decrease) in accounts payable and accrued liabilities	1,031,099	(72,524)
(Decrease) Increase in deposit liabilities	(50)	150
(Decrease) Increase in deferred revenue	(947,587)	648,620
Total cash provided by operations	<u>2,769,393</u>	<u>2,505,900</u>
CAPITAL		
Acquisition of tangible capital assets	(2,462,292)	(524,174)
Proceeds on disposal of tangible capital assets	26,314	52,290
Cash applied to capital transactions	<u>(2,435,978)</u>	<u>(471,884)</u>
FINANCING		
Long-term debt repaid	(353,321)	(338,681)
Long-term debt acquired	1,000,000	-
Cash provided by (applied to) financing transactions	<u>646,679</u>	<u>(338,681)</u>
CHANGE IN CASH AND TEMPORARY INVESTMENTS DURING THE YEAR	980,094	1,695,335
CASH AND TEMPORARY INVESTMENTS, BEGINNING OF YEAR	<u>7,587,227</u>	<u>5,891,892</u>
CASH AND TEMPORARY INVESTMENTS, END OF YEAR	<u><u>8,567,321</u></u>	<u><u>7,587,227</u></u>
Cash and temporary investments is made up of:		
Cash and temporary investments (Note 3)	7,739,808	5,831,472
Designated portion of cash (Note 3)	827,513	1,755,755
	<u><u>8,567,321</u></u>	<u><u>7,587,227</u></u>

Town of Sundre
Schedule of Changes in Accumulated Surplus
As at December 31, 2017
Schedule 1

	Unrestricted Surplus	Restricted Surplus	Equity in Tangible Capital Assets	2017	2016
BALANCE, BEGINNING OF YEAR	1,017,123	5,631,768	35,858,637	42,507,528	41,981,603
Excess of revenues over expenses	1,366,901	-	-	1,366,901	525,925
Unrestricted funds designated for future use	(1,768,577)	1,768,577	-	-	-
Restricted funds used for operations	162,890	(162,890)	-	-	-
Restricted funds used for tangible capital assets	-	(427,830)	427,830	-	-
Current year funds used for tangible capital assets	(2,034,461)	-	2,034,461	-	-
Contributed tangible capital assets	-	-	-	-	-
Disposal of tangible capital assets	21,167	-	(21,167)	-	-
Annual amortization expense	1,625,389	-	(1,625,389)	-	-
Long term debt acquired	1,000,000	-	(1,000,000)	-	-
Long term debt repaid	(353,322)	-	353,322	-	-
Change in accumulated surplus	19,987	1,177,857	169,057	1,366,901	525,925
BALANCE, END OF YEAR	1,037,110	6,809,625	36,027,694	43,874,429	42,507,528

TOWN OF SUNDRE
SCHEDULE OF TANGIBLE CAPITAL ASSETS
For the Year Ended December 31, 2017
Schedule 2

	Buildings	Engineered Structures	Land	Land Improvements	Machinery & Equipment	Vehicles	2017	2016
COSTS:								
Balance, beginning 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
Acquisition of tangible capital assets	47,155	1,061,683	-	370,979	321,580	14,827	1,816,224	518,542
Work-in-progress	(47,155)	648,039	-	58,120	-	(12,936)	646,068	61,559
Disposal of tangible capital assets	-	-	-	-	(90,553)	(57,758)	(148,311)	(200,830)
Balance, end 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
ACCUMULATED AMORTIZATION:								
Balance, beginning of year	\$ 4,646,114	\$ 9,645,370	\$ -	\$ 479,603	\$ 1,324,517	\$ 688,678	\$ 16,784,282	\$ 15,327,227
Annual Amortization	451,059	819,813	-	98,840	199,558	56,119	1,625,389	1,578,804
Accumulated amortization on disposals	-	-	-	-	(81,498)	(45,646)	(127,744)	(121,749)
Balance, end of year	\$ 5,097,173	\$ 10,465,183	\$ -	\$ 578,443	\$ 1,442,577	\$ 699,151	\$ 18,282,527	\$ 16,784,282
2017 NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	\$ 9,591,635	\$ 17,655,435	\$ 9,297,610	\$ 1,316,497	\$ 1,570,745	\$ 974,868	\$ 40,406,790	\$ 39,591,054
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	

Town of Sundre
Schedule of Property and Other Taxes
For the Year Ended December 31, 2017
Schedule 3

	Budget \$	2017 \$	2016 \$
TAXATION			
Real property taxes	4,086,476	4,051,024	4,021,623
Linear property taxes	157,115	157,115	150,361
Special assessments and local improvement taxes	75,286	104,135	102,821
	<u>4,318,877</u>	<u>4,312,274</u>	<u>4,274,805</u>
REQUISITIONS			
Alberta School Foundation Fund	1,016,185	1,016,185	1,005,609
Mountain View Senior's Housing	54,882	54,881	53,360
	<u>1,071,067</u>	<u>1,071,066</u>	<u>1,058,969</u>
NET MUNICIPAL TAXES	<u><u>3,247,810</u></u>	<u><u>3,241,208</u></u>	<u><u>3,215,836</u></u>

Town of Sundre
Schedule of Government Transfers
For the Year Ended December 31, 2017
Schedule 4

	Budget \$	2017 \$	2016 \$
TRANSFERS FOR OPERATING			
FEDERAL TRANSFERS			
Celebrate Canada	-	2,200	2,000
PROVINCIAL TRANSFERS			
Family & Community Services	-	71,478	63,159
Municipal Sustainability Initiative	-	33,578	2,256
River Bank Stabilization	-	52,983	21,262
Forest Resource Improvement Association	-	-	30,962
Other	-	42,917	37,279
	-	200,956	154,918
LOCAL GOVERNMENT TRANSFERS			
Shared-cost agreements and grants	653,712	685,748	638,540
Total Operating	<u>653,712</u>	<u>888,904</u>	<u>795,458</u>
TRANSFERS FOR CAPITAL			
FEDERAL TRANSFERS			
Federal Gas Tax Rebate	43,000	114,969	94,770
PROVINCIAL TRANSFERS			
Municipal Sustainability Initiative	730,000	629,752	75,416
LOCAL GOVERNMENT TRANSFERS			
Shared-cost agreements	-	-	-
Total Capital	<u>773,000</u>	<u>744,721</u>	<u>170,186</u>
TOTAL GOVERNMENT TRANSFERS	<u><u>1,426,712</u></u>	<u><u>1,633,625</u></u>	<u><u>965,644</u></u>

**Town of Sundre
Schedule of Expenses by Object
For the Year Ended December 31, 2017
Schedule 5**

	Budget \$	2017 \$	2016 \$
EXPENSES BY OBJECT			
Salaries, wages and benefits	2,990,125	2,738,284	2,782,643
Contracted and general services	980,297	1,963,853	670,685
Materials, goods, utilities and other	2,798,833	2,353,099	2,318,632
Transfers to local boards and agencies	617,788	618,867	603,868
Interest on long-term debt	173,122	130,102	141,281
Amortization of tangible capital assets	-	1,625,389	1,578,804
	<u>7,560,165</u>	<u>9,429,594</u>	<u>8,095,913</u>

Town of Sundre
Schedule of Segmented Disclosure
For the Year Ended December 31, 2017
Schedule 6

	General Government	Protective Services	Transportation Services	Planning & Development	Recreation & Culture	Utility Services	Total \$
REVENUE							
Net Municipal Taxes	3,241,208	-	-	-	-	-	3,241,208
Government transfers	30,533	172,297	686,326	28,553	668,947	46,969	1,633,625
User fees and sales of goods	81,332	161,984	109,890	1,256,927	391,064	3,369,464	5,370,661
Investment income	37,601	6,881	8,823	5,780	4,931	15,974	79,990
Other revenues	157,826	15,221	284,721	6,850	6,393	-	471,011
	3,548,500	356,383	1,089,760	1,298,110	1,071,335	3,432,407	10,796,495
EXPENSES							
Contract & general services	181,542	96,728	97,623	1,347,743	74,098	166,119	1,963,853
Salaries & wages	439,115	203,426	229,063	345,528	718,164	802,988	2,738,284
Goods & supplies	180,893	208,502	274,190	125,345	378,069	1,185,448	2,352,447
Transfers to local boards	-	-	-	26,999	549,090	42,778	618,867
Long-term debt interest	23,724	-	22,405	-	6,609	77,364	130,102
Other expenses	-	-	652	-	-	-	652
	825,274	508,656	623,933	1,845,615	1,726,030	2,274,697	7,804,205
NET REVENUE, BEFORE AMORTIZATION	2,723,226	(152,273)	465,827	(547,505)	(654,695)	1,157,710	2,992,290
Amortization expense	(109,670)	(96,160)	(411,097)	-	(236,255)	(772,207)	(1,625,389)
EXCESS OF REVENUE OVER EXPENSES	2,613,556	(248,433)	54,730	(547,505)	(890,950)	385,503	1,366,901

Town of Sundre
Notes to Financial Statements
For the Year Ended December 31, 2017

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, 2017

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, 2017**

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, 2017**

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 the 2018 fiscal year 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 3420, Inter-entity Transactions

This section is effective 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.

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, 2017

3. CASH AND TEMPORARY INVESTMENTS

	2017	2016
	\$	\$
Cash/Cheques issued in excess of bank balances	7,031,154	4,925,236
Temporary Investments	708,654	906,236
Designated Cash	827,513	1,755,755
	8,567,321	7,587,227

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.

4. TAXES AND GRANTS IN PLACE OF TAXES RECEIVABLES

	2017	2016
	\$	\$
Current taxes and grants in place of taxes	365,643	250,495
Trade and other	1,339,926	1,145,812
	1,705,569	1,396,307

5. INVESTMENTS

	2017	2016
	\$	\$
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, 2017

6. DEFERRED REVENUE

	2017 Beginning \$	Additions	Utilizations	2017 End \$
Royal Bank of Canada – Learn to Play	8,031	-	1,247	6,784
SW Cougar Bantam Hockey Team	1,474	-	1,474	-
Prepaid local improvement charges	104,525	6,801	22,265	89,061
Mountain View Senior’s Housing	296,670	-	277,642	19,028
	<u>410,700</u>	<u>6,801</u>	<u>302,628</u>	<u>114,873</u>
Grants				
Riverbank Stabilization	78,078	538	52,983	25,633
FRIAA FireSmart Program	35	-	-	35
Travel Alberta	-	28,553	28,553	-
Municipal Sustainability Int. - Operating	30,553	32,418	33,578	29,393
Federal Gas Tax Fund	88,265	146,566	114,969	119,862
Municipal Sustainability Int. - Capital	1,292,708	-	629,752	662,956
	<u>1,489,639</u>	<u>208,075</u>	<u>859,835</u>	<u>837,879</u>
	<u>1,900,339</u>	<u>214,876</u>	<u>1,162,463</u>	<u>952,752</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 \$22,265 per year over the next 4 years.

7. LONG-TERM DEBT

	2017 \$	2016 \$
Tax supported debentures	<u>1,625,993</u>	<u>720,165</u>
Special levies supported debentures	<u>1,026,217</u>	<u>1,146,342</u>
Utility supported debentures	<u>1,726,886</u>	<u>1,865,910</u>
	<u>4,379,096</u>	<u>3,732,417</u>

The current portion of long-term debt is \$405,234 (2016 - \$353,321).

Town of Sundre
Notes to Financial Statements
For the Year Ended December 31, 2017

7. LONG-TERM DEBT – continued

Principal and interest repayments are as follows:

	Principal \$	Interest \$	Total \$
2018	405,234	176,034	581,268
2019	400,027	158,933	558,960
2020	367,107	142,688	509,795
2021	355,228	127,710	482,938
2022	216,519	114,193	330,712
Thereafter	2,634,981	614,346	3,249,327
	4,379,096	1,333,904	5,713,000

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 2037. 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 \$130,102 (2016 - \$141,281).

The Town's total cash payments for interest in 2017 were \$160,297 (2016 - \$174,937).

8. RESERVES

Reserves for operating and capital activities are as follows:

	Beginning of Year \$	End of Year \$
Operating		
General Reserve	355,381	478,431
Planning & Development	231,169	341,812
Fire Donations	25,093	22,653
Fire (Operating)	50,000	54,800
	661,643	897,696
Capital		
Sundre Golf Society	52,559	53,032
Bylaw	15,322	21,476
Fire Town	428,447	514,605
Fire Mountain View County	250,628	279,754
Recreation Fields	24,015	29,251
Off-Site Levy	298,115	300,801

Town of Sundre
Notes to Financial Statements
For the Year Ended December 31, 2017

Municipal Reserve	41,477	61,259
Roads	695,517	701,637
Fleet	-	338,010
Water and Sewer	1,072,454	1,377,647
Solid Waste	124,436	235,280
Economic Development	55,169	96,604
Infrastructure	746,671	742,107
Sundre Community Centre	53,601	63,113
Arena	235,689	177,593
Greenwood Park	69,667	70,294
Parks	111,270	60,997
Recreation and Culture	2,269	15,280
Community Services	10,068	10,158
Trails	60,636	71,210
Gas	622,115	691,821
	<u>4,970,125</u>	<u>5,911,929</u>
 Total Reserves	 <u>5,631,768</u>	 <u>6,809,625</u>

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

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:

	2017	2016
	\$	\$
Total debt limit	<u>15,077,661</u>	<u>12,593,588</u>
Total debt	<u>4,379,096</u>	<u>3,732,417</u>
Amount of debt limit unused	<u>10,698,565</u>	<u>8,861,171</u>
	2017	2016
	\$	\$
Debt servicing limit	<u>2,512,944</u>	<u>2,098,931</u>
Debt servicing	<u>581,268</u>	<u>513,618</u>
Amount of debt servicing limit unused	<u>1,931,676</u>	<u>1,585,313</u>

Town of Sundre
Notes to Financial Statements
For the Year Ended December 31, 2017

9. DEBT LIMITS – continued

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	
	2017	2016
	\$	\$
Land	9,297,610	9,297,610
Land Improvements	1,316,497	986,238
Buildings	9,591,635	10,042,694
Engineered Structures	17,655,435	16,765,526
Machinery, equipment and furnishings	1,570,745	1,457,778
Vehicles	974,868	1,041,208
	40,406,790	39,591,054

There were contributed assets of NIL in 2017 (2016 - \$55,927); and the total contributed assets value is \$977,607 (2016 - \$977,607).

11. EQUITY IN TANGIBLE CAPITAL ASSETS

	2017	2016
	\$	\$
Tangible Capital Assets (Schedule 2)	58,689,317	56,375,336
Accumulated Amortization (Schedule 2)	(18,282,527)	(16,784,282)
Long-term Debt (Note 7)	(4,379,096)	(3,732,417)
	36,027,694	35,858,637

**Town of Sundre
Notes to Financial Statements
For the Year Ended December 31, 2017**

12. ACCUMULATED SURPLUS

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

	2017	2016
	\$	\$
Equity in tangible capital assets (Note 11)	<u>36,027,694</u>	<u>35,858,637</u>
Unrestricted surplus (Schedule 1)	1,037,110	1,017,123
Restricted surplus		
Operating Reserve (Note 8)	897,696	661,643
Capital Reserve (Note 8)	<u>5,911,929</u>	<u>4,970,125</u>
	<u>43,874,429</u>	<u>42,507,528</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 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 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 2017 were \$213,287 (2016 - \$200,629). Total current service contributions by the employees of the town to the LAPP in 2017 were \$195,964 (2016 - \$184,424).

At December 31, 2016 LAPP disclosed an actuarial deficit of \$637 million (2015 - \$923 million).

Town of Sundre
Notes to Financial Statements
For the Year Ended December 31, 2017

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:

			2017	2016
			\$	\$
	Salary ¹	Benefits & Allowances ²	Total	Total
Mayor & Councilors:				
Mayor, Leslie	27,930	1,158	29,088	29,915
Councilor, Isaac	15,840	582	16,422	16,440
Councilor, Thompson	11,950	173	12,123	14,843
Councilor, Vardas	11,510	192	11,702	16,988
Councilor, Funke	16,015	590	16,605	16,075
Councilor, McFadden	11,600	168	11,768	15,367
Councilor, Blatchford	11,245	389	11,634	6,848
Councilor, Warnock	4,330	180	4,510	-
Councilor, Wolfe	3,625	146	3,771	-
Councilor, Preston	3,280	130	3,410	-
Councilor, Dalke	2,575	96	2,671	-
Councilor, Orr	-	-	-	5,408
	119,900	3,804	123,704	121,884
Chief Administrative Officer	90,001	4,690	94,691	64,421

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, 2017**

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, 2020.

April 1, 2017 – March 31, 2018	\$38,220
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, 2018 – December 19, 2018	\$28,322
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, 2018.

January 1, 2018 – December 31, 2018	\$24,000
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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, 2018.

May 1, 2017 – April 30, 2018	\$41,400
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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, 2017 – September 30, 2018 - \$1.23 per household
Compost/Organics	October 1, 2017 – September 30, 2018 - \$1.23 per household
Recyclables	June 1, 2017 – May 31, 2018 - \$1.31 per household

**Town of Sundre
Notes to Financial Statements
For the Year Ended December 31, 2017**

15. COMMITMENTS (con't)

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	February 1, 2018 – December 31, 2018	\$13,956
	January 1, 2019 – December 31, 2019	\$15,225
	January 1, 2020 – January 31, 2020	\$ 1,269
Town Office	February 1, 2018 – December 31, 2018	\$25,314
	January 1, 2019 – December 31, 2019	\$27,615
	January 1, 2020 – January 31, 2020	\$ 2,301
Town Shop	February 1, 2018 – December 31, 2018	\$18,008
	January 1, 2019 – December 31, 2019	\$19,646
	January 1, 2020 – January 31, 2020	\$ 1,637

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 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.

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, 2017

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.

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).

**Town of Sundre
Notes to Financial Statements
For the Year Ended December 31, 2017**

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, 2017 is nil (2016 – nil). This line of credit bears interest at a rate of prime plus 0.25% per annum and is payable on a monthly basis.

20. BUDGET AMOUNTS

The 2017 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 2017 actual expenditures less actual amortization of tangible capital assets to the 2017 budgeted amounts.

Actual <u>Expenses</u>	Actual <u>Amortization</u>	Actual Expenses less <u>Amortization</u>	Budgeted <u>Expenses</u>
\$ 9,429,594	\$ 1,625,389	\$ 7,804,205	\$ 7,560,165

21. APPROVAL OF FINANCIAL STATEMENTS

The Council and Management have approved these financial statements.

22. COMPARATIVE FIGURES

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