

TOWN OF SEDGEWICK
FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

**Brian King Professional Corporation
Certified General Accountant**



AUDITOR'S REPORT

To the Mayor and Council of the Town of Sedgewick:

Report on the Consolidated Financial Statements

I have audited the accompanying consolidated financial statements of the Town of Sedgewick, which comprise the statement of financial position as at December 31, 2015, and the statements of operations, change in net financial assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these consolidated financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I 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 consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Town of Sedgewick as at December 31, 2015, the results of its operations, change in its net financial assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

M.D. of Wainwright

February 16, 2016

A handwritten signature in black ink, appearing to be 'M.D. of Wainwright', written in a cursive style.

Certified General Accountant

TOWN OF SEDGEWICK

CONSOLIDATED STATEMENT OF FINANCIAL POSITION DECEMBER 31, 2015

	<u>2015</u>	<u>2014</u>
FINANCIAL ASSETS		
Cash (Note 2)	3,906,997	3,650,126
Taxes and grants in place of taxes (Note 3)	77,854	75,493
Trade and other receivables	124,597	183,259
Receivable from other governments	357,548	118,345
Inventory held for resale	163,680	144,705
Other financial assets	56,446	53,234
	<u>4,687,122</u>	<u>4,225,162</u>
LIABILITIES		
Accounts payable and accrued liabilities	125,571	242,378
Deposits held in trust	10,630	12,903
Deferred revenue (Note 5)	1,579,269	1,200,765
Long term debt (Note 6)	-	85,258
	<u>1,715,470</u>	<u>1,541,304</u>
NET FINANCIAL ASSETS	<u>2,971,652</u>	<u>2,683,858</u>
NON-FINANCIAL ASSETS		
Tangible capital assets	6,854,737	7,045,934
Prepaid expenses	64,870	53,851
	<u>6,919,607</u>	<u>7,099,785</u>
ACCUMULATED SURPLUS (NOTE 8)	<u>9,891,259</u>	<u>9,783,643</u>

TOWN OF SEDGEWICK

CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES FOR THE YEAR ENDED DECEMBER 31, 2015

	Budget (unaudited)	2015	2014
REVENUE			
Net municipal property taxes (Schedule 3)	772,094	765,533	729,409
User fees and sales of goods	1,121,319	970,640	1,193,806
Penalties	20,900	22,677	21,737
Licenses and permits	1,850	2,033	1,901
Fines	2,225	1,667	1,065
Franchise and concession contracts	34,173	35,178	32,940
Investment income	27,000	45,621	42,287
Rentals	6,600	9,018	17,445
Government transfers for operating	60,779	43,135	98,527
Other	6,500	19,459	17,100
	<u>2,053,440</u>	<u>1,914,961</u>	<u>2,156,217</u>
EXPENSES			
Legislative	47,691	39,694	52,523
Administration	285,593	307,077	268,202
Protective services	78,415	75,565	94,782
Transportation	298,571	233,137	243,009
Water supply and distribution	252,665	140,382	93,338
Wastewater treatment and disposal	56,715	40,332	47,233
Waste management	133,387	132,135	126,318
Public health and welfare	12,095	15,594	11,910
Planning and development	1,622,275	11,827	13,753
Recreation	414,971	149,269	109,656
Culture	23,190	27,513	19,658
Gas system	501,102	355,955	537,774
Amortization	-	280,255	285,363
	<u>3,726,670</u>	<u>1,808,735</u>	<u>1,903,519</u>
EXCESS OF REVENUE OVER EXPENSES BEFORE OTHER	(1,673,230)	106,226	252,698
OTHER			
Government transfers for capital (Schedule 4)	-	1,390	5,291
EXCESS OF REVENUE OVER EXPENSES	(1,673,230)	107,616	257,989
ACCUMULATED SURPLUS, BEGINNING OF YEAR	<u>9,783,643</u>	<u>9,783,643</u>	<u>9,525,654</u>
ACCUMULATED SURPLUS, END OF YEAR	<u><u>8,110,413</u></u>	<u><u>9,891,259</u></u>	<u><u>9,783,643</u></u>

TOWN OF SEDGEWICK

CONSOLIDATED STATEMENT OF CHANGES IN NET FINANCIAL ASSETS FOR THE YEAR ENDED DECEMBER 31, 2015

	Budget (unaudited)	2015	2014
EXCESS OF REVENUE OVER EXPENSES	<u>(1,673,230)</u>	<u>107,616</u>	<u>257,989</u>
Acquisition of tangible capital assets	-	(89,058)	(55,178)
Proceeds on disposal of tangible capital assets	-	-	6,964
Amortization of tangible capital assets	-	280,255	285,363
	<u>-</u>	<u>191,197</u>	<u>237,149</u>
Net (increase) decrease of prepaid assets	<u>-</u>	<u>(11,019)</u>	<u>(11,502)</u>
INCREASE IN NET FINANCIAL ASSETS	<u>(1,673,230)</u>	<u>287,794</u>	<u>483,636</u>
NET FINANCIAL ASSETS, BEGINNING OF YEAR	<u>2,683,858</u>	<u>2,683,858</u>	<u>2,200,222</u>
NET FINANCIAL ASSETS, END OF YEAR	<u>1,010,628</u>	<u>2,971,652</u>	<u>2,683,858</u>

TOWN OF SEDGEWICK

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2015

	2015	2014
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING		
Excess of revenues over expenses	107,616	257,989
Non-cash items included in excess of revenue over expenses:		
Amortization of tangible capital assets	280,255	285,363
Non-cash charges to operations (net change):		
Decrease (increase) in taxes and grants in place of taxes	(2,361)	5,448
Decrease (increase) in trade and other receivables	58,662	(17,893)
Decrease (increase) in inventory held for resale	(18,975)	(27,513)
Decrease (increase) in trade and other receivables	(239,203)	(23,809)
Decrease (increase) in prepaid expenses	(11,019)	(11,502)
Decrease (increase) in other financial assets	(3,212)	(3,014)
Increase (decrease) in accounts payable and accrued liabilities	(116,807)	62,035
Increase (decrease) in deposits held in trust	(2,273)	2,343
Increase (decrease) in deferred revenue	378,504	372,629
	431,187	902,076
CAPITAL		
Acquisition of tangible capital assets	(89,058)	(55,178)
Sale of tangible capital assets	-	6,964
	(89,058)	(48,214)
FINANCING		
Long-term debt repaid	(85,258)	(83,655)
CHANGE IN CASH AND EQUIVALENTS DURING THE YEAR	256,871	770,207
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	3,650,126	2,879,919
CASH AND CASH EQUIVALENTS, END OF YEAR	3,906,997	3,650,126
CASH AND CASH EQUIVALENTS IS MADE UP OF:		
Cash on hand	300	300
Cash in bank	3,906,697	3,649,826
	3,906,997	3,650,126

TOWN OF SEDGEWICK

SCHEDULE OF CHANGES IN ACCUMULATED SURPLUS FOR THE YEAR ENDED DECEMBER 31, 2015 (Schedule 1)

	Unrestricted Surplus	Restricted Surplus	Equity in Tangible Capital Assets	2015	2014
BALANCE, BEGINNING OF YEAR	818,898	2,004,069	6,960,676	9,783,643	9,525,654
Excess (deficiency) of revenues over expenses	107,616	-	-	107,616	257,989
Unrestricted funds designated for future use	(296,613)	296,613	-	-	-
Current year funds used for tangible capital assets	(6,000)	(83,058)	89,058	-	-
Disposal of tangible capital assets	-	-	-	-	-
Annual amortization expense	280,255	-	(280,255)	-	-
Net long term debt repaid or issued	(85,258)	-	85,258	-	-
Change in accumulated surplus	-	213,555	(105,939)	107,616	257,989
BALANCE, END OF YEAR	<u>818,898</u>	<u>2,217,624</u>	<u>6,854,737</u>	<u>9,891,259</u>	<u>9,783,643</u>

TOWN OF SEDGEWICK

CONSOLIDATED SCHEDULE OF TANGIBLE CAPITAL ASSETS FOR THE YEAR ENDED DECEMBER 31, 2015 (Schedule 2)

	LAND	LAND IMPROVEMENTS	BUILDINGS	ENGINEERED STRUCTURES	MACHINERY AND EQUIPMENT	VEHICLES	2015	2014
COST:								
Balance - beginning of year	182,836	237,901	321,045	9,879,523	569,457	98,478	11,289,240	11,241,026
Acquisition of tangible capital assets	-	-	44,952	-	14,195	29,911	89,058	18,500
Construction in progress	-	-	-	-	-	-	-	36,678
Disposal of tangible capital assets	-	-	-	-	-	-	-	6,964
Balance - end of year	182,836	237,901	365,997	9,879,523	583,652	128,389	11,378,298	11,289,240
ACCUMULATED AMORTIZATION								
Balance - beginning of year	-	24,369	219,817	3,550,074	378,269	70,777	4,243,306	3,957,943
Annual amortization	-	4,495	7,618	236,004	24,742	7,396	280,255	285,363
Balance - end of year	-	28,864	227,435	3,786,078	403,011	78,173	4,523,561	4,243,306
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	182,836	209,037	138,562	6,093,445	180,641	50,216	6,854,737	7,045,934
PRIOR YEAR NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	182,836	213,532	101,228	6,329,449	191,188	27,701	7,045,934	

TOWN OF SEDGEWICK

CONSOLIDATED SCHEDULE OF PROPERTY TAXES LEVIED FOR THE YEAR ENDED DECEMBER 31, 2015 (Schedule 3)

	Budget (Unaudited)	2015	2014
TAXATION			
Real property taxes	985,258	984,366	947,093
Linear property taxes	21,510	15,841	16,291
Government grants in place of property taxes	1,368	1,368	1,363
	<u>1,008,136</u>	<u>1,001,575</u>	<u>964,747</u>
REQUISITIONS			
Alberta School Foundation	216,787	216,787	215,736
Flagstaff Regional Housing Group	19,255	19,255	19,602
	<u>236,042</u>	<u>236,042</u>	<u>235,338</u>
NET MUNICIPAL TAXES	<u>772,094</u>	<u>765,533</u>	<u>729,409</u>

TOWN OF SEDGEWICK

CONSOLIDATED SCHEDULE OF GOVERNMENT TRANSFERS FOR THE YEAR ENDED DECEMBER 31, 2015 (Schedule 4)

	Budget (Unaudited)	2015	2014
TRANSFERS FOR OPERATING			
Federal Government	2,000	2,000	2,000
Provincial Government	25,000	10,711	63,619
Local Governments	33,779	30,424	32,908
	<u>60,779</u>	<u>43,135</u>	<u>98,527</u>
TRANSFERS FOR CAPITAL			
Federal Government	-	-	-
Provincial Government	-	1,390	5,291
	<u>-</u>	<u>1,390</u>	<u>5,291</u>
TOTAL GOVERNMENT TRANSFERS	<u>60,779</u>	<u>44,525</u>	<u>103,818</u>

TOWN OF SEDGEWICK

CONSOLIDATED SCHEDULE OF EXPENDITURE BY OBJECT FOR THE YEAR ENDED DECEMBER 31, 2015 (Schedule 5)

	Budget (Unaudited)	2015	2014
Expenditures			
Salaries, wages and benefits	626,514	509,738	469,728
Contracted and general services	2,486,039	531,303	483,002
Purchases from other governments	11,750	10,164	11,365
Materials, goods and utilities	534,695	408,164	603,150
Provision for allowances	-	49	406
Transfers to local boards and agencies	65,682	67,723	48,026
Bank charges and short term interest	-	-	122
Interest on capital long term debt	1,500	745	2,357
Other expenditures	490	594	-
Amortization of tangible capital assets	-	280,255	285,363
	<u>3,726,670</u>	<u>1,808,735</u>	<u>1,903,519</u>

TOWN OF SEDGEWICK

SCHEDULE OF SEGMENTED DISCLOSURE FOR THE YEAR ENDED DECEMBER 31, 2015 (Schedule 6)

	General Government	Protective Services	Transportation services	Environmental Services	Public Health & Welfare	Planning & Development	Recreation & Culture	Gas system	Total
REVENUE									
Net municipal property taxes (Schedule 2)	765,533	-	-	-	-	-	-	-	765,533
User fees and sales of goods	5,813	900	4,929	508,858	2,550	2,941	-	444,649	970,640
Penalties and costs on taxes	19,707	-	-	1,200	-	-	-	1,770	22,677
Licenses and permits	-	2,033	-	-	-	-	-	-	2,033
Fines	1,592	75	-	-	-	-	-	-	1,667
Franchise and concession contracts	35,178	-	-	-	-	-	-	-	35,178
Investment income	43,614	1,158	-	-	-	-	31	818	45,621
Rentals	8,518	-	-	-	-	-	500	-	9,018
Government transfers	9,283	30,424	-	-	-	2,000	1,428	-	43,135
Other	-	18,109	350	-	-	1,000	-	-	19,459
	<u>889,238</u>	<u>52,699</u>	<u>5,279</u>	<u>510,058</u>	<u>2,550</u>	<u>5,941</u>	<u>1,959</u>	<u>447,237</u>	<u>1,914,961</u>
EXPENSES									
Salaries, wages and benefits	238,694	17,058	92,681	57,023	-	-	85,214	19,068	509,738
Contracted and general services	98,432	23,674	62,730	215,974	4,024	2,424	36,679	87,366	531,303
Purchases from other governments	-	10,164	-	-	-	-	-	-	10,164
Materials, goods and utilities	9,002	22,669	76,935	39,898	-	3,744	6,395	249,521	408,164
Provision for allowances	49	-	-	-	-	-	-	-	49
Transfers to local boards and agencies	-	2,000	-	-	11,570	5,659	48,494	-	67,723
Interest on capital long term debt	-	-	745	-	-	-	-	-	745
Other expenditures	594	-	-	-	-	-	-	-	594
	<u>346,771</u>	<u>75,565</u>	<u>233,091</u>	<u>312,895</u>	<u>15,594</u>	<u>11,827</u>	<u>176,782</u>	<u>355,955</u>	<u>1,528,480</u>
NET REVENUE, BEFORE AMORTIZATION	<u>542,467</u>	<u>(22,866)</u>	<u>(227,812)</u>	<u>197,163</u>	<u>(13,044)</u>	<u>(5,886)</u>	<u>(174,823)</u>	<u>91,282</u>	<u>386,481</u>
AMORTIZATION AND DISPOSAL OF ASSETS									
Amortization of tangible capital assets	<u>1,281</u>	<u>6,859</u>	<u>138,224</u>	<u>125,952</u>	<u>-</u>	<u>-</u>	<u>4,495</u>	<u>3,444</u>	<u>280,255</u>
NET REVENUE	<u>541,186</u>	<u>(29,725)</u>	<u>(366,036)</u>	<u>71,211</u>	<u>(13,044)</u>	<u>(5,886)</u>	<u>(179,318)</u>	<u>87,838</u>	<u>106,226</u>

TOWN OF SEDGEWICK

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

1. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements of the Town of Sedgewick are the representations of management prepared in accordance with generally accepted accounting principles for local governments established by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants.

Significant aspects of the accounting policies adopted by the town are as follows:

a) Reporting Entity

The consolidated financial statements reflect the assets, liabilities, revenues and expenditures, changes in fund balances and change in financial position of the reporting entity. This entity is comprised of the municipal operations plus all of the organizations that are owned or controlled by the town are, therefore accountable to the Council for the administration of their financial affairs and resources.

The schedule of taxes levied also includes requisitions for education, health, social and other external organizations that are not part of the municipal reporting entity.

The statements exclude trust assets that are administered for the benefit of external parties. 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 records revenue as it is earned and measurable. Expenses are recognized as they are incurred and measurable based upon receipt of goods or services and/or the legal obligation to pay.

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

Government transfers, contributions and other amounts are received from third parties pursuant to legislation, regulation or agreement and may only be used for 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.

TOWN OF SEDGEWICK

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

c) Use of Estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles 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) Requisition Over-levy and Under-levy

Over-levies and under-levies arise from the difference between the actual property tax levy made to cover each requisition and the actual amount requisitioned.

If the actual levy exceeds the requisition, the over-levy is accrued as a liability and property tax revenue is reduced. Where the actual levy is less than the requisition amount, the under-levy is accrued as a receivable and as property tax revenue.

Requisition tax rates in the subsequent year are adjusted for any over-levies or under-levies of the prior year.

e) Inventories for Resale

Land held for resale is recorded at the lower of cost or net realizable value. Cost includes costs for land acquisition and improvements required to prepare the land for servicing such as clearing, stripping and levelling charges. Related development costs incurred to provide infrastructure such as water and wastewater services, roads, sidewalks and street lighting are recorded as physical assets under the respective function.

f) Government Transfers

Government transfers are the transfer 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 revenue in the period in which events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met, and reasonable estimates of the amounts can be determined.

TOWN OF SEDGEWICK

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

g) Non-Financial Assets

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

i. Tangible Capital Assets

Tangible capital assets are recorded at cost which includes all amounts that are directly attributable to acquisition, construction, development or betterment of the asset. The cost, less residual value, of the tangible capital assets is amortized on a straight-line basis over the estimated useful life as follows:

	YEARS
Buildings	50
Engineered structures - other	25-75
Engineered structures - water system	50-75
Engineered structures - wastewater system	50
Land improvements	20
Machinery and equipment	5-15
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.

ii. Contributions of Tangible Capital Assets

Tangible capital assets received as contributions are recorded at fair value at the date of receipt and also are recorded as revenue.

iii. Leases

Leases are classified as capital or operating leases. Leases which transfer substantially all of the benefits and risks incidental to ownership of property are accounted for as capital leases. All other leases are accounted for as operating leases and the related lease payments are charged to expenses as incurred.

iv. Inventories

Inventories held for consumption are recorded at the lower of cost and replacement cost.

v. Cultural and Historical Tangible Capital Assets

Works of art for display are not recorded as tangible capital assets but are disclosed.

TOWN OF SEDGEWICK

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

2. CASH AND TERM DEPOSITS

	<u>2015</u>	<u>2014</u>
Included in cash and term deposits are amounts received from various grant funding programs that are held for use in accordance with the funding agreements. (Note 4)	1,232,525	1,112,123
Included in cash and term deposits are amounts held for deposits in trust	10,630	12,903
Included in cash and term deposits are amounts designated by council for future expenses and tangible capital asset acquisitions. (Note 8)	<u>2,217,624</u>	<u>2,004,069</u>
Total restricted cash and term deposits	<u>3,460,779</u>	<u>3,129,095</u>
Total unrestricted cash and term deposits	<u>446,218</u>	<u>521,031</u>

3. TAXES AND GRANTS IN PLACE OF TAXES RECEIVABLES

	<u>2015</u>	<u>2014</u>
Current taxes and grants in place of taxes	58,132	33,167
Arrears taxes	7,122	29,726
Property held by the village as a result of tax forfeiture	<u>14,753</u>	<u>14,753</u>
	80,007	77,646
Less: allowance for doubtful accounts	<u>2,153</u>	<u>2,153</u>
	<u>77,854</u>	<u>75,493</u>

4. DEFERRED INCOME

Deferred income consists of the following:	<u>2015</u>	<u>2014</u>
Basic Municipal Transportation Grant	158,340	158,340
Municipal Sustainability Initiative - Capital	1,184,846	897,211
Municipal Sustainability Initiative - Operating	89,040	39,214
Federal Gas Tax	100,000	50,000
Other deferred revenue	<u>47,043</u>	<u>56,000</u>
	<u>1,579,269</u>	<u>1,200,765</u>

TOWN OF SEDGEWICK

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

5. LONG TERM DEBT

	2015	2014
Alberta Capital Finance Authority	-	85,258
	-	85,258

Debenture debt repayable to the Alberta Capital Finance Authority bears interest at 1.907%, matures in 2015 and is secured by the credit and security of the town at large.

The town's total cash payments for interest in 2015 were \$1,221 (2014 - \$2,824).

6. DEBT LIMITS

Section 276(2) of the Municipal Government Act requires that debt and debt limits as defined by Alberta Regulation 255/00 for the Town of Sedgewick be disclosed as follows:

	2015	2014
Total debt limit	2,872,442	3,234,326
Total debt	-	85,258
Surplus debt limit	2,872,442	3,149,068
Debt servicing limit	478,740	539,054
Debt servicing	-	86,480
Surplus debt servicing	478,740	452,574

The debt limit is calculated at 1.5 times revenue of the municipality (as defined in Alberta Regulation 255/00) 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, which 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.

7. EQUITY IN TANGIBLE CAPITAL ASSETS

	2015	2014
Tangible capital assets (Schedule 2)	11,378,298	11,289,240
Accumulated amortization (Schedule 2)	(4,523,561)	(4,243,306)
Long-term debt (Note 6)	-	(85,258)
	6,854,737	6,960,676

TOWN OF SEDGEWICK

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

8. ACCUMULATED SURPLUS

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

	<u>2015</u>	<u>2014</u>
Unrestricted surplus	<u>818,898</u>	<u>818,898</u>
Restricted surplus		
Operating		
General	223,786	223,786
Office GIS project	5,897	5,897
Occupational health	1,200	1,200
Lagoon maintenance	10,500	10,500
Physician recruitment	2,000	2,000
Recreation	<u>263,494</u>	<u>200,308</u>
	<u>506,877</u>	<u>443,691</u>
Capital reserves		
Administration	3,250	2,250
Fire building	23,564	35,085
Fire equipment	134,446	123,288
Public works equipment	101,903	122,509
Public works building	18,145	41,577
Infrastructure improvement	64,836	64,836
Street work	116,480	50,000
Grant interest	17,740	8,179
Water infrastructure and meters	323,460	261,199
Sewer system	235,824	183,821
Waste disposal	4,836	-
Cemetery	3,000	2,000
Subdivision recreation reserve	3,560	3,528
Future development	138,982	138,982
Recreation	455,547	474,366
Culture	5,000	-
Natural gas	<u>60,174</u>	<u>48,758</u>
	<u>1,710,747</u>	<u>1,560,378</u>
	<u>2,217,624</u>	<u>2,004,069</u>
Equity in tangible capital assets	<u>6,854,737</u>	<u>6,960,676</u>
	<u>9,891,259</u>	<u>9,783,643</u>

TOWN OF SEDGEWICK

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

9. SEGMENTED DISCLOSURE

The Town of Sedgewick provides a range of services to its ratepayers. For each reported segment, revenues and expenses represent both amounts that are directly attributable to the segment and amounts that are allocated on a reasonable basis. The accounting policies used in these segments are consistent with those followed in the preparation of the financial statements as disclosed in Note 1.

Refer to the Schedule of Segmented Disclosure (schedule 6)

10. SALARY AND BENEFITS DISCLOSURE

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

	2015			2014
	Salary	Benefits & Allowances	Total	Total
Dame	3,850	69	3,919	5,753
Higginson	1,075	21	1,096	-
Imlah	3,855	69	3,924	-
Robinson	10,378	236	10,614	7,433
Rose	5,352	118	5,470	5,921
Skoberg	4,255	83	4,338	2,029
Sparrow	4,863	103	4,966	5,908
St. Pierre	-	-	-	7,056
Watkins	2,494	33	2,527	4,733
Williams	-	-	-	6,923
CAO	86,600	16,890	103,490	103,474

1. Salary includes regular base pay, bonuses, overtime, lump sum payments, gross honoraria and any other direct cash remuneration.

2. Employer's share of all employee benefits and contributions or payments made on behalf of employees including pension, health care, dental coverage, vision coverage, group life insurance, accidental disability and dismemberment insurance, long and short-term disability plans, professional memberships and tuition.

TOWN OF SEDGEWICK

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

11. 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 Plans Act. The LAPP serves 237,612 people and 423 employers. The LAPP is financed by employer and employee contributions and by investment earnings of the LAPP Fund.

Contributions for current service are recorded as expenditures in the year in which they become due.

The town is required to make current service contributions to the LAPP of 11.39% of pensionable earnings up to the year's maximum pensionable earnings under the Canada Pension Plan and 15.84% on pensionable earnings above this amount. 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 were \$38,320. Total current service contributions by the employees of the town to the LAPP were \$35,160.

At December 31, 2014, the LAPP disclosed an actuarial deficiency of \$2.45 billion.

12. CONTINGENCIES

The town is a member of the Jubilee/Genesis Reciprocal Insurance Exchange (JRIE/GRIE). 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.

The town is a member of the Flagstaff Regional Solid Waste Management Association. Under the terms of the membership, the town could become liable for its proportionate share of any landfill closure and post-closure costs in excess of the funds held by the association. Any liability incurred would be accounted for as a current transaction in the year the shortfall is determined.

The town is a defendant in a lawsuit relating to the demolition and remediation of a property within town limits. Management believes that the suit is without merit and the balance of the contract less deficiencies have been reflected as an expense in the financial statements.

TOWN OF SEDGEWICK

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

13. FINANCIAL INSTRUMENTS

The Town's financial instruments consist of cash and temporary investments, accounts receivable, investments, bank indebtedness, 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 risks arising from these financial instruments.

The town is subject to credit risk with respect to taxes receivable and trade and other receivables. Credit risk arises from the possibility that taxpayers and entities to which the town provides services may experience financial difficulty and be unable to fulfill their obligations. The large number and diversity of taxpayers and customers minimizes the credit risk.

Unless otherwise noted, the fair value of these financial instruments approximates their fair value.

14. RECONCILIATION OF OPERATING RESULTS TO BUDGETING SYSTEM

The town has prepared its budget according to the former accounting standards that were in place which tracked all municipal activities including capital projects and reserves for future use. The reconciliation below to encompass these items is provided for information purposes only to provide users with supplementary comparative information. It should not be used as a replacement for the consolidated statement of financial activities and accumulated surplus and users should note that this information may not be appropriate for their purposes.

	Budget (unaudited)	2015	2014
Excess of revenue over expenditures, per financial statements	(1,673,230)	107,616	257,989
Adjustments			
Amortization expense	-	280,255	285,363
Acquisition of tangible capital assets	(30,496)	(89,058)	(55,178)
Proceeds on disposition of tangible capital assets	-	-	6,964
Results of operations - previous methods	(1,703,726)	298,813	495,138
Net transfers (to) from reserves	1,789,019	(213,555)	(411,483)
Debenture repaid	(85,300)	(85,258)	(83,655)
Increase (decrease) in unrestricted surplus	(7)	-	-

15. COMPARITIVE FIGURES

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

16. APPROVAL OF FINANCIAL STATEMENTS

Council and Management have approved these financial statements.