

February 5th, 2015

Agenda

Special Monthly Meeting – Call to Order – 6:00 PM

Adoption of Agenda –

CAO Report – For the Period Ending 2015 – Attached
Matters Arising:

Delegation – Brian King, Auditor – 6:30 PM

- 2014 Municipal Audit

Business:

- 1) **In-Camera – Land – Closed Session** **B1**
- 2) **Residential Subdivision** – Tender Package - addition **B2**
- 3) **Organizational Council Meeting Dates** **B3**
- 4) **Round Table**
- 5)
- 6)

Adjournment -

Town of Sedgewick - CAO Report – Period Ending – February 5th, 2015

(12) Administration

Accounts Receivable:

Invoice #431 in the amount of \$17,206.81 for firefighting expenses incurred on Plan 3825P; Block 3; Lots 15-18 (4619-48th Street) has been outstanding since 2013. The invoice was under review with the owner's insurance company. On February 3rd, 2015 after multiple attempts to resolve this matter the owners insurance company advised that they would not be covering the costs incurred.

Auditor King advised that the invoice should be sent to Small Claims Court following the completion of the Town's 2014 municipal audit.

A municipality has the authority to charge such charges against a person(s) taxroll pursuant to Section 553 of the Municipal Government Act. After consulting with Municipal Affairs (MA) and our legal team both parties recommended that Invoice #431 be transferred to the taxroll.

This transfer was completed on February 3rd, 2015 and the property owners were notified via email and registered mail.

Legal Update:

Plan 3825P; Block 3; Lots 28P-31 (4857 -47th Street) - the Town's legal team (RMRF) received all documents from Allwest Demolition's solicitors pertaining to File #112053-002-WWB.

Being conscious to the funds expended on this project, Administration directed RMRF to wait for Allwest Demolition to take the next step in the process whereby calling for questioning. In preparation for such potential questioning, Administration would meet with RMRF to do a final review our documents in an attempt to resolve the matters.

Pursuant to discussions with RMRF it is more cost effective for our municipality to proceed as expressed above – as there would be a significant cost incurred to have legal conduct an in depth review of file providing the strength of our case; as this would occur during questioning.

Employee Updates:

Following the approval of the new janitorial job description and task sheet the Town's longstanding janitors resigned effective January 31st, 2015.

Administration will maintain janitorial duties until the position is filled.

05-Feb-15
Mayor

05-Feb-15
CAO

POLICY SECTION C: Agenda - Delegation Request for Presentation to Council

Name of Delegation: Brian King, Auditor

Issue to be discussed: Mr. King will be presenting the Town of Sedgewick 2014 audited financial statement.

Request of Council:
Approval of the Town of Sedgewick’s 2014 Audited Financial statement.

Date of Council Meeting: February 5th, 2015

Delegation Time: 6:30 PM

Attachments:

1. Recommendation Letter
2. Management Letter
3. Audited Financial Statement
4. Audit Report
5. 3 Year Engagement Letter

*Note – King shall have a printed bound copy of the financial statement for each member of council at the meeting.

**Note – at December 31st, 2014 the Town of Sedgewick had a \$100,621 surplus; Administration directed that Auditor King allocate the funds to the General Operating Reserve Account. Council to provide direction on this allocation, the funds can be allocated to any reserve account at any time by MOTION of council, however to finalize the audit in preparation for the presentation a decision was required.

05-Feb-15
Mayor

15-Feb-15
CAO

Scheduled Time Frame –30 minutes

February 2, 2015

Town of Sedgewick
Box 129
Sedgewick, Alberta
T0B 4C0

Attention: Amanda Davis

Dear Amanda:

Thank you for the opportunity to prepare the financial statements for the Town of Sedgewick.

Please find enclosed the following:

- 9 unbound and 1 bound copies of the 2014 Audited Financial Statements.
- Copy of the Audited Financial Information Return.
- Copy of the Local Authorities Pension Plan audit.

Sincerely yours,

BRIAN KING PROFESSIONAL CORPORATION

Brian King, CGA

/bk

Enclosures:

February 2, 2015

Town of Sedgewick
Box 129
Sedgewick, Alberta
T0B 4C0

Attention: Amanda Davis and Council members

Dear Amanda and Council Members:

At this time I would like to thank Amanda, and the office staff for their co-operation throughout the audit. I would also like to make the following recommendations with regards to the town.

- All deficiencies were minor in nature and have been communicated directly with administration

If you have any questions or concerns regarding this or any other matter, please feel free to contact myself.

Sincerely yours,

BRIAN KING PROFESSIONAL CORPORATION

Brian King, CGA
/bk
Enclosures:

TOWN OF SEDGEWICK
BOX 129
SEDEGWICK, ALBERTA
T0B 4C0

February 2, 2015

Brian King Professional Corporation
Box 560
Hardisty, Alberta
T0B 1V0

Dear Madam:

This representation letter is provided in connection with your audit of the financial statements of the Town of Sedgewick (the Municipality) for the year ended December 31, 2014 for the purpose of expressing an opinion as to whether the financial statements are presented fairly, in all material respects, in accordance with [specify the applicable framework, such as: Canadian generally accepted accounting principles for private enterprises or Canadian generally accepted accounting principles for municipalities.

We confirm that to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

Financial statements

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement, for the preparation of the financial statements in accordance with Canadian generally accepted accounting principles for municipalities; in particular, the financial statements are fairly presented in accordance therewith.
2. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.
3. Related party relationships and transactions have been appropriately accounted for and disclosed.
4. All events subsequent to the date of the financial statements and for which require adjustment or disclosure have been adjusted or disclosed.
5. The effects of uncorrected misstatements are immaterial, both individually and in the aggregate, to the financial statements as a whole.
6. We have reviewed and approved all journal entries you prepared or changed, account codes you determined or changed, transactions you classified, and accounting records you prepared or changed.

Information provided

1. We have provided you with:
 - Access to all information of which we are aware that is relevant to the preparation of the financial statements, such as records, documentation and other matters;
 - Additional information that you have requested from us for the purpose of the audit; and
 - Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.

2. All transactions have been recorded in the accounting records and are reflected in the financial statements.
3. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
4. We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the entity and involves:
 - Management;
 - Employees who have significant roles in internal control; or
 - Others where the fraud could have a material effect on the financial statements.
5. We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, analysts, regulators or others.
6. We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.
7. We have disclosed to you the identity of the entity's related parties and all the related party relationships and transactions of which we are aware.
8. We have disclosed to you all known or possible litigation and claims whose effects should be considered when preparing the financial statements, and they have been accounted for and disclosed.

Other matters

1. We have obtained all consents that are required under applicable privacy legislation for the collection, use, and disclosure to you of personal information.

Sincerely,

Amanda Davis, CAO

TOWN OF SEDGEWICK

CONSOLIDATED STATEMENT OF FINANCIAL POSITION DECEMBER 31, 2014

	<u>2014</u>	<u>2013</u> (restated)
FINANCIAL ASSETS		
Cash (Note 2)	3,650,126	2,879,919
Taxes and grants in place of taxes (Note 3)	75,493	80,941
Trade and other receivables	183,259	165,366
Receivable from other governments	118,345	94,536
Inventory held for resale	144,705	117,192
Other financial assets	53,234	50,220
	<u>4,225,162</u>	<u>3,388,174</u>
LIABILITIES		
Accounts payable and accrued liabilities	242,378	180,343
Deposits held in trust	12,903	10,560
Deferred revenue (Note 5)	1,200,765	828,136
Long term debt (Note 6)	85,258	168,913
	<u>1,541,304</u>	<u>1,187,952</u>
NET FINANCIAL ASSETS	<u>2,683,858</u>	<u>2,200,222</u>
NON-FINANCIAL ASSETS		
Tangible capital assets	7,045,934	7,283,083
Prepaid expenses	53,851	42,349
	<u>7,099,785</u>	<u>7,325,432</u>
ACCUMULATED SURPLUS (NOTE 8)	<u>9,783,643</u>	<u>9,525,654</u>

TOWN OF SEDGEWICK

CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES FOR THE YEAR ENDED DECEMBER 31, 2014

	Budget (unaudited)	2014	2013 (restated)
REVENUE			
Net municipal property taxes (Schedule 3)	735,760	729,409	708,230
User fees and sales of goods	1,063,870	1,193,806	1,035,773
Penalties	18,500	21,737	20,908
Licenses and permits	1,750	1,901	4,920
Fines	2,500	1,065	2,208
Franchise and concession contracts	27,000	32,940	27,861
Investment income	20,530	42,287	37,508
Rentals	5,500	17,445	49,940
Government transfers for operating	157,020	98,527	68,739
Other	47,500	17,100	10,628
	<u>2,079,930</u>	<u>2,156,217</u>	<u>1,966,715</u>
EXPENSES			
Legislative	65,100	52,523	56,252
Administration	289,894	268,202	228,800
Protective services	90,970	94,782	83,662
Transportation	252,022	243,009	207,801
Water supply and distribution	83,270	93,338	75,456
Wastewater treatment and disposal	52,735	47,233	40,404
Waste management	127,160	126,318	124,179
Public health and welfare	14,800	11,910	11,750
Planning and development	192,488	13,753	49,744
Recreation	246,935	109,656	73,550
Culture	19,080	19,658	18,746
Gas system	472,336	537,774	388,166
Amortization	-	285,363	286,987
	<u>1,906,790</u>	<u>1,903,519</u>	<u>1,645,497</u>
EXCESS OF REVENUE OVER EXPENSES BEFORE OTHER	173,140	252,698	321,218
OTHER			
Government transfers for capital (Schedule 4)	101,420	5,291	35,317
EXCESS OF REVENUE OVER EXPENSES	274,560	257,989	356,535
ACCUMULATED SURPLUS, BEGINNING OF YEAR	<u>9,525,654</u>	<u>9,525,654</u>	<u>9,169,119</u>
ACCUMULATED SURPLUS, END OF YEAR	<u><u>9,800,214</u></u>	<u><u>9,783,643</u></u>	<u><u>9,525,654</u></u>

TOWN OF SEDGEWICK

CONSOLIDATED STATEMENT OF CHANGES IN NET FINANCIAL ASSETS FOR THE YEAR ENDED DECEMBER 31, 2014

	Budget (unaudited)	2014	2013 (restated)
EXCESS OF REVENUE OVER EXPENSES	<u>274,560</u>	<u>257,989</u>	<u>356,535</u>
Acquisition of tangible capital assets	-	(55,178)	(19,784)
Proceeds on disposal of tangible capital assets	-	6,964	-
Amortization of tangible capital assets	-	285,363	286,987
	<u>-</u>	<u>237,149</u>	<u>267,203</u>
Net (increase) decrease of prepaid assets	-	(11,502)	(25,085)
INCREASE IN NET FINANCIAL ASSETS	274,560	483,636	598,653
NET FINANCIAL ASSETS, BEGINNING OF YEAR	<u>2,200,222</u>	<u>2,200,222</u>	<u>1,601,569</u>
NET FINANCIAL ASSETS, END OF YEAR	<u>2,474,782</u>	<u>2,683,858</u>	<u>2,200,222</u>

TOWN OF SEDGEWICK

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2014

	2014	2013 (restated)
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING		
Excess of revenues over expenses	257,989	356,535
Non-cash items included in excess of revenue over expenses:		
Amortization of tangible capital assets	285,363	286,987
Non-cash charges to operations (net change):		
Decrease (increase) in taxes and grants in place of taxes	5,448	(2,281)
Decrease (increase) in trade and other receivables	(17,893)	182
Decrease (increase) in trade and other receivables	(23,809)	151,910
Decrease (increase) in prepaid expenses	(11,502)	(25,085)
Decrease (increase) in other financial assets	(3,014)	(3,391)
Increase (decrease) in accounts payable and accrued liabilities	62,035	(335,140)
Increase (decrease) in deposits held in trust	2,343	(1,033)
Increase (decrease) in deferred revenue	372,629	343,175
	902,076	771,859
CAPITAL		
Acquisition of tangible capital assets	(55,178)	(19,784)
Sale of tangible capital assets	6,964	-
	(48,214)	(19,784)
FINANCING		
Long-term debt repaid	(83,655)	(82,083)
CHANGE IN CASH AND EQUIVALENTS DURING THE YEAR	770,207	669,992
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	2,879,919	2,209,927
CASH AND CASH EQUIVALENTS, END OF YEAR	3,650,126	2,879,919
CASH AND CASH EQUIVALENTS IS MADE UP OF:		
Cash on hand	300	300
Cash in bank	3,649,826	2,879,619
	3,650,126	2,879,919

TOWN OF SEDGEWICK

SCHEDULE OF CHANGES IN ACCUMULATED SURPLUS FOR THE YEAR ENDED DECEMBER 31, 2014 (Schedule 1)

	Unrestricted Surplus	Restricted Surplus	Equity in Tangible Capital Assets	2014	2013 (restated)
BALANCE, BEGINNING OF YEAR	818,898	1,592,586	7,114,170	9,525,654	9,169,119
Excess (deficiency) of revenues over expenses	257,989	-	-	257,989	356,535
Unrestricted funds designated for future use	(411,483)	411,483	-	-	-
Current year funds used for tangible capital assets	(18,500)	-	18,500	-	-
Annual amortization expense	285,363	-	(285,363)	-	-
Net long term debt repaid or issued	(83,655)	-	83,655	-	-
Change in accumulated surplus	36,678	411,483	(190,172)	257,989	356,535
BALANCE, END OF YEAR	<u>855,576</u>	<u>2,004,069</u>	<u>6,923,998</u>	<u>9,783,643</u>	<u>9,525,654</u>

TOWN OF SEDGEWICK

CONSOLIDATED SCHEDULE OF TANGIBLE CAPITAL ASSETS FOR THE YEAR ENDED DECEMBER 31, 2014 (Schedule 2)

	LAND	LAND IMPROVEMENTS	BUILDINGS	ENGINEERED STRUCTURES	MACHINERY AND EQUIPMENT	VEHICLES	2014	2013 (restated)
COST:								
Balance - beginning of year	182,836	237,901	321,045	9,849,809	569,457	79,978	11,241,026	11,221,242
Acquisition of tangible capital assets	-	-	-	-	-	18,500	18,500	19,784
Construction in progress	-	-	-	36,678	-	-	36,678	-
Disposal of tangible capital assets	-	-	-	6,964	-	-	6,964	-
Balance - end of year	182,836	237,901	321,045	9,879,523	569,457	98,478	11,289,240	11,241,026
ACCUMULATED AMORTIZATION								
Balance - beginning of year	-	19,610	212,648	3,307,744	352,139	65,802	3,957,943	3,670,956
Annual amortization	-	4,759	7,169	242,330	26,130	4,975	285,363	286,987
Balance - end of year	-	24,369	219,817	3,550,074	378,269	70,777	4,243,306	3,957,943
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	182,836	213,532	101,228	6,329,449	191,188	27,701	7,045,934	7,283,083
PRIOR YEAR NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	182,836	218,291	108,397	6,542,065	217,318	14,176	7,283,083	

TOWN OF SEDGEWICK

CONSOLIDATED SCHEDULE OF PROPERTY TAXES LEVIED FOR THE YEAR ENDED DECEMBER 31, 2014 (Schedule 3)

	Budget (Unaudited)	2014	2013 (restated)
TAXATION			
Real property taxes	947,021	947,093	927,131
Linear property taxes	22,715	16,291	16,127
Government grants in place of property taxes	1,363	1,363	1,327
	<u>971,099</u>	<u>964,747</u>	<u>944,585</u>
REQUISITIONS			
Alberta School Foundation	215,737	215,736	219,752
Flagstaff Regional Housing Group	19,602	19,602	16,603
	<u>235,339</u>	<u>235,338</u>	<u>236,355</u>
NET MUNICIPAL TAXES	<u>735,760</u>	<u>729,409</u>	<u>708,230</u>

TOWN OF SEDGEWICK

CONSOLIDATED SCHEDULE OF GOVERNMENT TRANSFERS FOR THE YEAR ENDED DECEMBER 31, 2014 (Schedule 4)

	Budget (Unaudited)	2014	2013 (restated)
TRANSFERS FOR OPERATING			
Federal Government	2,000	2,000	2,000
Provincial Government	118,285	63,619	38,819
Local Governments	36,735	32,908	27,920
	<u>157,020</u>	<u>98,527</u>	<u>68,739</u>
TRANSFERS FOR CAPITAL			
Federal Government	50,000	-	-
Provincial Government	51,420	5,291	35,317
	<u>101,420</u>	<u>5,291</u>	<u>35,317</u>
TOTAL GOVERNMENT TRANSFERS	<u>258,440</u>	<u>103,818</u>	<u>104,056</u>

TOWN OF SEDGEWICK

CONSOLIDATED SCHEDULE OF EXPENDITURE BY OBJECT FOR THE YEAR ENDED DECEMBER 31, 2014 (Schedule 5)

	Budget (Unaudited)	2014	2013 (restated)
Expenditures			
Salaries, wages and benefits	526,277	469,728	373,901
Contracted and general services	619,610	483,002	474,936
Purchases from other governments	11,750	11,365	11,383
Materials, goods and utilities	639,448	603,150	444,999
Provision for allowances	-	406	3,223
Transfers to local boards and agencies	106,555	48,026	45,989
Bank charges and short term interest	150	122	141
Interest on capital long term debt	3,000	2,357	3,938
Amortization of tangible capital assets	-	285,363	286,987
	<u>1,906,790</u>	<u>1,903,519</u>	<u>1,645,497</u>

TOWN OF SEDGEWICK

SCHEDULE OF SEGMENTED DISCLOSURE FOR THE YEAR ENDED DECEMBER 31, 2014 (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)	729,409	-	-	-	-	-	-	-	729,409
User fees and sales of goods	6,959	10,110	5,540	526,332	1,100	23,265	-	620,500	1,193,806
Penalties and costs on taxes	18,513	-	-	1,001	-	-	-	2,223	21,737
Licenses and permits	-	1,901	-	-	-	-	-	-	1,901
Fines	915	150	-	-	-	-	-	-	1,065
Franchise and concession contracts	32,940	-	-	-	-	-	-	-	32,940
Investment income	40,113	1,218	-	-	-	-	35	921	42,287
Rentals	16,945	-	-	-	-	-	500	-	17,445
Government transfers	63,619	30,408	-	-	2,500	2,000	-	-	98,527
Other	-	11,693	298	400	-	-	4,709	-	17,100
	<u>909,413</u>	<u>55,480</u>	<u>5,838</u>	<u>527,733</u>	<u>3,600</u>	<u>25,265</u>	<u>5,244</u>	<u>623,644</u>	<u>2,156,217</u>
EXPENSES									
Salaries, wages and benefits	227,423	29,981	85,058	53,734	-	-	55,073	18,459	469,728
Contracted and general services	84,381	33,001	71,686	173,094	4	1,926	37,425	81,485	483,002
Purchases from other governments	-	11,365	-	-	-	-	-	-	11,365
Materials, goods and utilities	8,393	20,435	83,825	40,144	336	6,749	5,438	437,830	603,150
Transfers to local boards and agencies	-	-	-	-	11,570	5,078	31,378	-	48,026
Bank charges and short term interest	122	-	-	-	-	-	-	-	122
Interest on capital long term debt	-	-	2,357	-	-	-	-	-	2,357
	<u>320,725</u>	<u>94,782</u>	<u>242,926</u>	<u>266,972</u>	<u>11,910</u>	<u>13,753</u>	<u>129,314</u>	<u>537,774</u>	<u>1,618,156</u>
NET REVENUE, BEFORE AMORTIZATION	<u>588,688</u>	<u>(39,302)</u>	<u>(237,088)</u>	<u>260,761</u>	<u>(8,310)</u>	<u>11,512</u>	<u>(124,070)</u>	<u>85,870</u>	<u>538,061</u>
AMORTIZATION AND DISPOSAL OF ASSETS									
Amortization of tangible capital assets	<u>2,791</u>	<u>6,094</u>	<u>141,273</u>	<u>125,778</u>	<u>-</u>	<u>-</u>	<u>4,758</u>	<u>4,669</u>	<u>285,363</u>
NET REVENUE	<u><u>585,897</u></u>	<u><u>(45,396)</u></u>	<u><u>(378,361)</u></u>	<u><u>134,983</u></u>	<u><u>(8,310)</u></u>	<u><u>11,512</u></u>	<u><u>(128,828)</u></u>	<u><u>81,201</u></u>	<u><u>252,698</u></u>

TOWN OF SEDGEWICK

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2014

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, 2014

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, 2014

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, 2014

2. CASH AND TERM DEPOSITS

	<u>2014</u>	<u>2013</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)	1,112,123	763,945
Included in cash and term deposits are amounts held for deposits in trust	12,903	10,560
Included in cash and term deposits are amounts designated by council for future expenses and tangible capital asset acquisitions. (Note 8)	2,004,069	1,592,586
Total restricted cash and term deposits	<u>3,129,095</u>	<u>2,367,091</u>
Total unrestricted cash and term deposits	<u>521,031</u>	<u>512,828</u>

3. TAXES AND GRANTS IN PLACE OF TAXES RECEIVABLES

	<u>2014</u>	<u>2013</u>
Current taxes and grants in place of taxes	33,167	40,269
Arrears taxes	29,726	28,072
Property held by the village as a result of tax forfeiture	14,753	14,753
	77,646	83,094
Less: allowance for doubtful accounts	2,153	2,153
	<u>75,493</u>	<u>80,941</u>

4. DEFERRED INCOME

	<u>2014</u>	<u>2013</u>
Deferred income consists of the following:		
Basic Municipal Transportation Grant	158,340	158,340
Municipal Sustainability Initiative - Capital	897,211	605,605
Municipal Sustainability Initiative - Operating	39,214	64,191
Federal Gas Tax	50,000	-
Other deferred revenue	56,000	-
	<u>1,200,765</u>	<u>828,136</u>

TOWN OF SEDGEWICK

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2014

5. LONG TERM DEBT

	2014	2013
Alberta Capital Finance Authority	85,258	168,913
Principal and interest payments are as follows:		
	Principal	Interest
2015	85,258	1,222
		Total
		86,480

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 2014 were \$2,824 (2013 - \$4,397).

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:

	2014	2013
Total debt limit	3,234,326	2,971,110
Total debt	85,258	168,913
Surplus debt limit	3,149,068	2,802,197
Debt servicing limit	539,054	495,185
Debt servicing	86,480	86,479
Surplus debt servicing	452,574	408,706

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

	2014	2013
Tangible capital assets (Schedule 2)	11,289,240	11,241,026
Accumulated amortization (Schedule 2)	(4,243,306)	(3,957,943)
Long-term debt (Note 6)	(85,258)	(168,913)
	6,960,676	7,114,170

TOWN OF SEDGEWICK

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2014

8. ACCUMULATED SURPLUS

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

	2014	2013
Unrestricted surplus	818,898	818,898
Restricted surplus		
Operating		
General	223,786	123,165
Office GIS project	5,897	-
Occupational health	1,200	1,200
Lagoon maintenance	10,500	10,500
Physician recruitment	2,000	2,000
Recreation	200,308	108,564
	443,691	245,429
Capital reserves		
Administration	2,250	6,250
Fire building	35,085	40,000
Fire equipment	123,288	112,069
Public works equipment	122,509	125,399
Public works building	41,577	45,000
Infrastructure improvement	64,836	64,836
Street work	50,000	40,000
Grant interest	8,179	1,653
Water infrastructure and meters	261,199	159,501
Sewer system	183,821	131,967
Cemetery	2,000	1,000
Subdivision recreation reserve	3,528	3,493
Future development	138,982	131,684
Recreation	474,366	435,547
Natural gas	48,758	48,758
	1,560,378	1,347,157
	2,004,069	1,592,586
Equity in tangible capital assets	6,960,676	7,114,170
	9,783,643	9,525,654

TOWN OF SEDGEWICK

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2014

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:

	2014			2013
	Salary	Benefits & Allowances	Total	Total
Chaisson	-	-	-	3,763
Dame	5,625	128	5,753	1,535
Gagnon	-	-	-	3,235
McArthur	-	-	-	1,805
Robinson	7,288	145	7,433	1,573
Rose	5,789	132	5,921	-
Skoberg	1,992	37	2,029	-
Sparrow	5,775	133	5,908	1,469
St. Pierre	7,056	-	7,056	10,597
Watkins	4,638	95	4,733	1,432
Whitehead	-	-	-	2,863
Whitten	-	-	-	7,628
Williams	6,758	165	6,923	1,728
Wylie	-	-	-	4,225
CAO	86,400	17,074	103,474	75,670

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, 2014

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 230,534 people and 418 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 10.43% of pensionable earnings up to the year's maximum pensionable earnings under the Canada Pension Plan and 14.47% on pensionable earnings above this amount. Employees of the town are required to make current service contributions of 9.43% of pensionable salary up to the year's maximum pensionable salary and 13.47% on pensionable salary above this amount.

Total current service contributions by the town to the LAPP were \$32,033. Total current service contributions by the employees of the town to the LAPP were \$29,405.

At December 31, 2013, the LAPP disclosed an actuarial deficiency of \$4.86 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, 2014

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)	2014	2013
Excess of revenue over expenditures, per financial statements	274,560	257,989	356,535
Adjustments			
Amortization expense	-	285,363	286,987
Acquisition of tangible capital assets	(35,000)	(55,178)	(19,784)
Proceeds on disposition of tangible capital assets	-	6,964	-
Results of operations - previous methods	239,560	495,138	623,738
Net transfers (to) from reserves	(156,860)	(411,483)	(541,655)
Debenture repaid	(83,700)	(83,655)	(82,083)
Increase (decrease) in unrestricted surplus	(1,000)	-	-

TOWN OF SEDGEWICK

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2014

15. PRIOR PERIOD ADJUSTMENT

During the year, council determined it was in the best interest to cancel the funding to the recreation centre that was provided at the end of the prior year and instead place the grant in a reserve fund for future use. Transfers to local boards and agencies was reduced by \$100,000, bank account and recreation reserve accounts were increased by \$100,000.

16. COMPARITIVE FIGURES

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

17. APPROVAL OF FINANCIAL STATEMENTS

Council and Management have approved these financial statements.

TOWN OF SEDGEWICK
FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

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, 2014, 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, 2014, 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 2, 2015

Certified General Accountant

January 26, 2015

Town of Sedgewick
Box 129
Sedgewick, Alberta
T0B 4C0

Attention: Amanda Davis

Dear Madam:

This letter confirms the terms of our engagement as auditors of the Town of Sedgewick (“the municipality”).

The objective and scope of the audit

You have requested that I audit the financial statements of the Municipality, which comprise the statement of financial position as at December 31, 2014, 2015 and 2016, and the statement of financial activities, changes in net assets and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information. We are pleased to confirm our acceptance and our understanding of this audit engagement by means of this letter. My audit will be conducted with the objective of our expressing an opinion on the financial statements.

The responsibilities of the auditor

I will conduct my audit in accordance with Canadian Auditing Standards (CASs). Those standards require that I 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. 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.

Because of the inherent limitations of an audit, together with the inherent limitations of internal control, there is an unavoidable risk that some material misstatements may not be detected, even though the audit is properly planned and performed in accordance with CASs.

In making our risk assessments, I consider internal control relevant to the Municipality’s preparation 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 Municipality’s internal control. However, I will communicate to you in writing concerning any significant deficiencies in internal control relevant to the audit of the financial statements that we have identified during the audit.

We will advise council in writing of all relationships and other matters between me and the Municipality that, in my professional judgment, may reasonably be thought to bear on my independence.

The responsibilities of management

My audit will be conducted on the basis that management acknowledge and understand that they have responsibility:

- a) For the preparation and fair presentation of the financial statements in accordance with Canadian generally accepted accounting principles for Municipalities.
- b) 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.
- c) To provide me with:
 - i) Access to all information of *which management* is aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
 - ii) Additional information that we may request from management for the purpose of the audit and
 - iii) Unrestricted access to persons within the Municipality from whom we determine it necessary to obtain audit evidence.

As part of my audit process, I will request from management written confirmation concerning representations made to me in connection with the audit.

I look forward to full cooperation from your staff during our audit.

Other matters

My fees are based on the complexity and nature of the work, and on the degree of responsibility and skill required. Any disbursements will be added to our invoice. Invoices for services completed or in progress will be rendered monthly and are due within 10 days from the date issued. Interest will be charged on overdue accounts at 3% per month or 42.58% per annum.

The audit will be completed at the following rates for 2014 of \$9,000, 2015 \$9,100 and 2016 \$9,200. In the event that any further consulting or accounting advice is required I would be pleased to be of assistance at the rate of \$150.00 per hour of work plus travel and expenses.

The audit price includes the Audited Financial Statements, and preparation of the audited Financial Information Return. Extra charges would be required in the event that there are major bookkeeping problems such as an unbalanced bank account, unbalanced sub-ledger's, change in accounting system that changes account numbers or data generation in a way that extends the time required to do the audit, or a significant change in personnel. Extra charges may also be required in the event that the reporting bodies significantly change the presentation of the financial statements or required disclosure as well as the information required in the financial information return. In the unlikely event that I feel that an extra charge should be made, I will discuss it with yourself for your approval or to be discussed by council before proceeding.

I confirm my duty of confidentiality with respect to client affairs. Accordingly, except for information that is in the public domain, I will not provide any third party with confidential information concerning the affairs of the Municipality without the Municipality's prior consent, unless required to do so by legal authority, or by the *Code of Ethical Principles and Rules of Conduct* (CEPROC) of the Certified General Accountants Association of Alberta. Further, in order to complete my engagement, we will require access to certain personal information. You hereby represent to us that you have obtained all consents

that are required under applicable privacy legislation for the collection, use, and disclosure to me of personal information. I will manage all personal information in compliance with my Privacy Code.

In accordance with professional requirements, our client files are subject to periodic practice review by our provincial governing body as a self-regulating professional organization that is responsible for regulating its members and protecting the public. The practice reviewers are required to maintain strict confidentiality of any client information they may encounter during this process.

In order to audit the financial statements pursuant to this engagement, I will prepare various working papers. I will retain ownership of all such working papers, which I may use in any manner I deem appropriate, while respecting your confidentiality.

Reporting

I anticipate that our report will be substantially in the following form. The form and content of our report may need to be amended in the light of our audit findings.

INDEPENDENT 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, 201x, 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, 201x, 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.

The above terms will remain in effect from year to year unless amended in writing by both parties or terminated by written notice from either party. Upon termination of this engagement, we will invoice you for any unbilled fees and expenses. Further, you agree to pay your account to the date of termination upon receipt of my invoice.

This engagement will be subject to and governed by the laws of the Province of Alberta. Any disputes arising from this engagement shall be subject to the exclusive jurisdiction of the courts of the Province of Alberta.

I shall be pleased to discuss the contents of this letter with you at any time, particularly if your requirements change, and to explain the reasons for any items. Please sign and return the attached copy of this letter to indicate your acknowledgement of, and agreement with, the arrangements for our audit of the financial statements including our respective responsibilities.

We appreciate the opportunity of continuing to be of service to you.

Yours truly,

BRIAN KING PROFESSIONAL CORPORATION

Brian King, CGA

/bk

The services set out in the foregoing letter are in accordance with our requirements. The terms set out are acceptable to us and are hereby agreed to.

TOWN OF SEDGEWICK

Request for Decision (RFD)

Topic: Special Council Meeting Dates
Initiated by: 2015 By Election - LAEA
Prepared by: Administration
Attachments: N/A

Recommendation:

That an Organizational meeting be held on February 9th, 2015 at 6:00 PM.

Background:

Following the by-election an organizational meeting is required for the appointment of Grant Imlah.