

TOWN OF SEDGEWICK

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016

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, 2016, 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, 2016, 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

January 23, 2017

Chartered Professional Accountant

TOWN OF SEDGEWICK

CONSOLIDATED STATEMENT OF FINANCIAL POSITION DECEMBER 31, 2016

	<u>2016</u>	<u>2015</u>
FINANCIAL ASSETS		
Cash (Note 2)	4,459,961	3,906,997
Taxes and grants in place of taxes (Note 3)	104,039	77,854
Trade and other receivables	141,717	124,597
Receivable from other governments	381,746	357,548
Inventory held for resale	163,680	163,680
Other financial assets	75,790	56,446
	<u>5,326,933</u>	<u>4,687,122</u>
LIABILITIES		
Accounts payable and accrued liabilities	123,786	125,571
Deposits held in trust	110,560	10,630
Deferred revenue (Note 4)	1,844,966	1,579,269
	<u>2,079,312</u>	<u>1,715,470</u>
NET FINANCIAL ASSETS	<u>3,247,621</u>	<u>2,971,652</u>
NON-FINANCIAL ASSETS		
Tangible capital assets	6,825,807	6,854,737
Prepaid expenses	62,498	64,870
	<u>6,888,305</u>	<u>6,919,607</u>
ACCUMULATED SURPLUS (NOTE 7)	<u>10,135,926</u>	<u>9,891,259</u>

TOWN OF SEDGEWICK

CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES FOR THE YEAR ENDED DECEMBER 31, 2016

	Budget (unaudited)	2016	2015
REVENUE			
Net municipal property taxes (Schedule 3)	784,799	779,004	765,533
User fees and sales of goods	990,770	965,923	970,640
Penalties	24,850	21,887	22,677
Licenses and permits	1,850	2,224	2,033
Fines	225	606	1,667
Franchise and concession contracts	37,000	36,595	35,178
Investment income	28,000	123,721	45,621
Rentals	9,400	7,160	9,018
Government transfers for operating	175,491	81,626	43,135
Other	6,500	12,029	19,459
	<u>2,058,885</u>	<u>2,030,775</u>	<u>1,914,961</u>
EXPENSES			
Legislative	53,000	50,115	39,694
Administration	412,493	355,877	307,077
Protective services	84,972	53,762	75,565
Transportation	286,199	239,043	233,137
Water supply and distribution	215,642	98,530	140,382
Wastewater treatment and disposal	154,932	78,586	40,332
Waste management	135,730	136,602	132,135
Public health and welfare	13,430	8,856	15,594
Planning and development	66,545	16,396	11,827
Recreation	100,629	156,057	149,269
Culture	23,190	22,807	27,513
Gas system	385,941	316,362	355,955
Amortization	-	283,462	280,255
Loss (gain) on disposal of assets	-	36,678	-
	<u>1,932,703</u>	<u>1,853,133</u>	<u>1,808,735</u>
EXCESS OF REVENUE OVER EXPENSES BEFORE OTHER	126,182	177,642	106,226
OTHER			
Government transfers for capital (Schedule 4)	-	67,025	1,390
EXCESS OF REVENUE OVER EXPENSES	126,182	244,667	107,616
ACCUMULATED SURPLUS, BEGINNING OF YEAR	<u>9,891,259</u>	<u>9,891,259</u>	<u>9,783,643</u>
ACCUMULATED SURPLUS, END OF YEAR	<u><u>10,017,441</u></u>	<u><u>10,135,926</u></u>	<u><u>9,891,259</u></u>

TOWN OF SEDGEWICK

CONSOLIDATED STATEMENT OF CHANGES IN NET FINANCIAL ASSETS FOR THE YEAR ENDED DECEMBER 31, 2016

	Budget (unaudited)	2016	2015
EXCESS OF REVENUE OVER EXPENSES	126,182	244,667	107,616
Acquisition of tangible capital assets	-	(291,210)	(89,058)
Amortization of tangible capital assets	-	283,462	280,255
Loss on sale of tangible capital assets	-	36,678	-
	-	28,930	191,197
Net (increase) decrease of prepaid assets	-	2,372	(11,019)
INCREASE IN NET FINANCIAL ASSETS	126,182	275,969	287,794
NET FINANCIAL ASSETS, BEGINNING OF YEAR	2,971,652	2,971,652	2,683,858
NET FINANCIAL ASSETS, END OF YEAR	3,097,834	3,247,621	2,971,652

TOWN OF SEDGEWICK

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2016

	2016	2015
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING		
Excess of revenues over expenses	244,667	107,616
Non-cash items included in excess of revenue over expenses:		
Amortization of tangible capital assets	283,462	280,255
Non-cash charges to operations (net change):		
Decrease (increase) in taxes and grants in place of taxes	(26,185)	(2,361)
Decrease (increase) in trade and other receivables	(17,120)	58,662
Decrease (increase) in inventory held for resale	-	(18,975)
Decrease (increase) in trade and other receivables	(24,198)	(239,203)
Decrease (increase) in prepaid expenses	2,372	(11,019)
Decrease (increase) in other financial assets	(19,344)	(3,212)
Increase (decrease) in accounts payable and accrued liabilities	(1,785)	(116,807)
Increase (decrease) in deposits held in trust	99,930	(2,273)
Increase (decrease) in deferred revenue	265,697	378,504
	<u>844,174</u>	<u>431,187</u>
CAPITAL		
Acquisition of tangible capital assets	(291,210)	(89,058)
FINANCING		
Long-term debt repaid	-	(85,258)
CHANGE IN CASH AND EQUIVALENTS DURING THE YEAR	552,964	256,871
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	3,906,997	3,650,126
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>4,459,961</u>	<u>3,906,997</u>
CASH AND CASH EQUIVALENTS IS MADE UP OF:		
Cash on hand	250	300
Cash in bank	4,459,711	3,906,697
	<u>4,459,961</u>	<u>3,906,997</u>

TOWN OF SEDGEWICK

SCHEDULE OF CHANGES IN ACCUMULATED SURPLUS FOR THE YEAR ENDED DECEMBER 31, 2016 (Schedule 1)

	Unrestricted Surplus	Restricted Surplus	Equity in Tangible Capital Assets	2016	2015
BALANCE, BEGINNING OF YEAR	818,898	2,217,624	6,854,737	9,891,259	9,783,643
Excess (deficiency) of revenues over expenses	244,667	-	-	244,667	107,616
Unrestricted funds designated for future use	(492,125)	492,125	-	-	-
Current year funds used for tangible capital assets	(72,682)	(218,528)	291,210	-	-
Disposal of tangible capital assets	36,678	-	(36,678)	-	-
Annual amortization expense	283,462	-	(283,462)	-	-
Change in accumulated surplus	-	273,597	(28,930)	244,667	107,616
BALANCE, END OF YEAR	818,898	2,491,221	6,825,807	10,135,926	9,891,259

TOWN OF SEDGEWICK

CONSOLIDATED SCHEDULE OF TANGIBLE CAPITAL ASSETS FOR THE YEAR ENDED DECEMBER 31, 2016 (Schedule 2)

	LAND	LAND IMPROVEMENTS	BUILDINGS	ENGINEERED STRUCTURES	MACHINERY AND EQUIPMENT	VEHICLES	2016	2015
COST:								
Balance - beginning of year	182,836	237,901	365,997	9,879,523	583,652	128,389	11,378,298	11,289,240
Acquisition of tangible capital assets	-	247,452	14,326	-	18,750	-	280,528	89,058
Construction in progress	-	-	-	10,682	-	-	10,682	-
Disposal of tangible capital assets	-	-	-	36,678	-	-	36,678	-
Balance - end of year	182,836	485,353	380,323	9,853,527	602,402	128,389	11,632,830	11,378,298
ACCUMULATED AMORTIZATION								
Balance - beginning of year	-	28,864	227,435	3,786,078	403,011	78,173	4,523,561	4,243,306
Annual amortization	-	12,744	8,211	229,345	24,271	8,891	283,462	280,255
Balance - end of year	-	41,608	235,646	4,015,423	427,282	87,064	4,807,023	4,523,561
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	182,836	443,745	144,677	5,838,104	175,120	41,325	6,825,807	6,854,737
PRIOR YEAR NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	182,836	209,037	138,562	6,093,445	180,641	50,216	6,854,737	

TOWN OF SEDGEWICK

CONSOLIDATED SCHEDULE OF PROPERTY TAXES LEVIED FOR THE YEAR ENDED DECEMBER 31, 2016 (Schedule 3)

	Budget (Unaudited)	2016	2015
TAXATION			
Real property taxes	1,010,258	1,009,097	984,366
Linear property taxes	19,610	14,979	15,841
Government grants in place of property taxes	1,229	1,229	1,368
	<u>1,031,097</u>	<u>1,025,305</u>	<u>1,001,575</u>
REQUISITIONS			
Alberta School Foundation	226,447	226,450	216,787
Flagstaff Regional Housing Group	19,851	19,851	19,255
	<u>246,298</u>	<u>246,301</u>	<u>236,042</u>
NET MUNICIPAL TAXES	<u>784,799</u>	<u>779,004</u>	<u>765,533</u>

TOWN OF SEDGEWICK

CONSOLIDATED SCHEDULE OF GOVERNMENT TRANSFERS FOR THE YEAR ENDED DECEMBER 31, 2016 (Schedule 4)

	Budget (Unaudited)	2016	2015
TRANSFERS FOR OPERATING			
Federal Government	-	2,000	2,000
Provincial Government	145,036	56,906	10,711
Local Governments	30,455	22,720	30,424
	<u>175,491</u>	<u>81,626</u>	<u>43,135</u>
TRANSFERS FOR CAPITAL			
Federal Government	-	46,000	-
Provincial Government	-	21,025	1,390
	<u>-</u>	<u>67,025</u>	<u>1,390</u>
TOTAL GOVERNMENT TRANSFERS	<u>175,491</u>	<u>148,651</u>	<u>44,525</u>

TOWN OF SEDGEWICK

CONSOLIDATED SCHEDULE OF EXPENDITURE BY OBJECT FOR THE YEAR ENDED DECEMBER 31, 2016 (Schedule 5)

	Budget (Unaudited)	2016	2015
Expenditures			
Salaries, wages and benefits	544,921	498,883	509,738
Contracted and general services	823,556	623,328	531,303
Purchases from other governments	6,916	5,016	10,164
Materials, goods and utilities	488,520	366,973	408,164
Provision for allowances	-	2,092	49
Transfers to local boards and agencies	66,770	36,187	67,723
Interest on capital long term debt	-	-	745
Other expenditures	2,020	514	594
Amortization of tangible capital assets	-	283,462	280,255
Write down of tangible capital assets	-	36,678	-
	<u>1,932,703</u>	<u>1,853,133</u>	<u>1,808,735</u>

TOWN OF SEDGEWICK

SCHEDULE OF SEGMENTED DISCLOSURE FOR THE YEAR ENDED DECEMBER 31, 2016 (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)	779,004	-	-	-	-	-	-	-	779,004
User fees and sales of goods	7,060	8,770	2,302	494,239	1,155	47,675	-	404,722	965,923
Penalties and costs on taxes	20,013	-	-	768	-	-	-	1,106	21,887
Licenses and permits	-	2,224	-	-	-	-	-	-	2,224
Fines	381	225	-	-	-	-	-	-	606
Franchise and concession contracts	36,595	-	-	-	-	-	-	-	36,595
Investment income	120,726	2,911	-	-	-	-	84	-	123,721
Rentals	7,160	-	-	-	-	-	-	-	7,160
Government transfers	50,981	22,720	-	-	-	2,000	-	-	81,626
Other	-	1,700	1,786	-	-	-	8,543	-	12,029
	<u>1,021,920</u>	<u>38,550</u>	<u>4,088</u>	<u>495,007</u>	<u>1,155</u>	<u>49,675</u>	<u>14,552</u>	<u>405,828</u>	<u>2,030,775</u>
EXPENSES									
Salaries, wages and benefits	238,496	16,824	91,533	59,199	-	-	74,362	18,469	498,883
Contracted and general services	150,448	13,536	69,224	218,743	-	4,567	79,840	86,970	623,328
Purchases from other governments	-	5,016	-	-	-	-	-	-	5,016
Materials, goods and utilities	14,442	18,386	78,234	35,828	286	3,515	5,359	210,923	366,973
Provision for allowances	2,092	-	-	-	-	-	-	-	2,092
Transfers to local boards and agencies	-	-	-	-	8,570	8,314	19,303	-	36,187
Interest on capital long term debt	-	-	-	-	-	-	-	-	-
Other expenditures	514	-	-	-	-	-	-	-	514
	<u>405,992</u>	<u>53,762</u>	<u>238,991</u>	<u>313,770</u>	<u>8,856</u>	<u>16,396</u>	<u>178,864</u>	<u>316,362</u>	<u>1,532,993</u>
NET REVENUE, BEFORE AMORTIZATION	<u>615,928</u>	<u>(15,212)</u>	<u>(234,903)</u>	<u>181,237</u>	<u>(7,701)</u>	<u>33,279</u>	<u>(164,312)</u>	<u>89,466</u>	<u>497,782</u>
AMORTIZATION AND DISPOSAL OF ASSETS									
Amortization of tangible capital assets	1,280	7,624	133,656	125,952	-	-	12,744	2,206	283,462
Write down of tangible capital assets	-	-	12,226	24,452	-	-	-	-	36,678
	<u>1,280</u>	<u>7,624</u>	<u>145,882</u>	<u>150,404</u>	<u>-</u>	<u>-</u>	<u>12,744</u>	<u>2,206</u>	<u>320,140</u>
NET REVENUE	<u>614,648</u>	<u>(22,836)</u>	<u>(380,785)</u>	<u>30,833</u>	<u>(7,701)</u>	<u>33,279</u>	<u>(177,056)</u>	<u>87,260</u>	<u>177,642</u>

TOWN OF SEDGEWICK

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

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, 2016

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, 2016

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, 2016

2. CASH AND TERM DEPOSITS

	2016	2015
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)	1,463,220	1,232,525
Included in cash and term deposits are amounts held for deposits in trust	110,560	10,630
Included in cash and term deposits are amounts designated by council for future expenses and tangible capital asset acquisitions. (Note 8)	2,491,221	2,217,624
Total restricted cash and term deposits	4,065,001	3,460,779
Total unrestricted cash and term deposits	394,960	446,218

3. TAXES AND GRANTS IN PLACE OF TAXES RECEIVABLES

	2016	2015
Current taxes and grants in place of taxes	28,638	58,132
Arrears taxes	49,781	7,122
Property held by the town as a result of tax forfeiture	29,797	14,753
	108,216	80,007
Less: allowance for doubtful accounts	4,177	2,153
	104,039	77,854

4. DEFERRED INCOME

Deferred income consists of the following:	2016	2015
Basic Municipal Transportation Grant	158,340	158,340
Municipal Sustainability Initiative - Capital	1,442,354	1,184,846
Municipal Sustainability Initiative - Operating	91,272	89,040
Federal Gas Tax	150,000	100,000
Other deferred revenue	3,000	47,043
	1,844,966	1,579,269

TOWN OF SEDGEWICK

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

5. 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:

	2016	2015
Total debt limit	<u>3,046,163</u>	<u>2,872,442</u>
Total debt	-	-
Surplus debt limit	<u>3,046,163</u>	<u>2,872,442</u>
Debt servicing limit	<u>507,694</u>	<u>478,740</u>
Debt servicing	-	-
Surplus debt servicing	<u>507,694</u>	<u>478,740</u>

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.

6. EQUITY IN TANGIBLE CAPITAL ASSETS

	2016	2015
Tangible capital assets (Schedule 2)	<u>11,632,830</u>	<u>11,378,298</u>
Accumulated amortization (Schedule 2)	<u>(4,807,023)</u>	<u>(4,523,561)</u>
	<u>6,825,807</u>	<u>6,854,737</u>

TOWN OF SEDGEWICK

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

7. ACCUMULATED SURPLUS

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

	2016	2015
Unrestricted surplus	818,898	818,898
Restricted surplus		
Operating		
General	223,786	223,786
Office GIS project	-	5,897
Occupational health	1,200	1,200
Lagoon maintenance	10,500	10,500
Physician recruitment	2,000	2,000
Recreation	317,994	263,494
	<u>555,480</u>	<u>506,877</u>
Capital reserves		
Administration	86,250	3,250
Fire building	28,565	23,564
Fire equipment	147,357	134,446
Public works equipment	100,653	101,903
Public works building	8,819	18,145
Infrastructure improvement	-	64,836
Street work	329,220	116,480
Grant interest	9,042	17,740
Water infrastructure and meters	407,960	323,460
Sewer system	287,524	235,824
Waste disposal	9,331	4,836
Cemetery	4,000	3,000
Subdivision recreation reserve	3,643	3,560
Future development	170,423	138,982
Recreation	260,391	455,547
Culture	11,043	5,000
Natural gas	71,520	60,174
	<u>1,935,741</u>	<u>1,710,747</u>
	<u>2,491,221</u>	<u>2,217,624</u>
Equity in tangible capital assets	6,825,807	6,854,737
	<u><u>10,135,926</u></u>	<u><u>9,891,259</u></u>

TOWN OF SEDGEWICK

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

8. 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)

9. 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:

	2016			2015
	Salary	Benefits & Allowances	Total	Total
Dame	-	-	-	3,919
Higginson	3,963	74	4,037	1,096
Imlah	5,138	112	5,250	3,924
Levey	5,763	113	5,876	-
Robinson	10,112	217	10,329	10,614
Rose	2,836	65	2,901	5,470
Schmutz	5,125	111	5,236	-
Skoberg	-	-	-	4,338
Sparrow	3,900	71	3,971	4,966
Watkins	-	-	-	2,527
CAO	107,200	19,476	126,676	103,490

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, 2016

10. 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 244,621 people and 426 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 \$36,175. Total current service contributions by the employees of the town to the LAPP were \$33,267.

At December 31, 2015, the LAPP disclosed an actuarial deficiency of \$923 Million.

11. 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.

TOWN OF SEDGEWICK

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

12. 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.

13. 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)	2016	2015
Excess of revenue over expenditures, per financial statements	126,182	244,667	107,616
Adjustments			
Amortization expense	-	283,462	280,255
Loss (gain) on disposal of tangible capital assets	-	36,678	-
Acquisition of tangible capital assets	(270,000)	(291,210)	(89,058)
Results of operations - previous methods	(143,818)	273,597	298,813
Net transfers (to) from reserves	143,820	(273,597)	(213,555)
Debenture repaid	-	-	(85,258)
Increase (decrease) in unrestricted surplus	2	-	-

14. COMPARATIVE FIGURES

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

15. APPROVAL OF FINANCIAL STATEMENTS

Council and Management have approved these financial statements.