

**TOWN OF SEDGEWICK**

**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED DECEMBER 31, 2017**

## 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, 2017, 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, 2017, 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

April 19, 2018

A handwritten signature in black ink, appearing to be the name of the auditor, Brian King.

Brian King Professional Corporation

Chartered Professional Accountant

# TOWN OF SEDGEWICK

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION DECEMBER 31, 2017

|   | <u>2017</u>       | <u>2016</u>       |
|---|-------------------|-------------------|
| <b>FINANCIAL ASSETS</b>                     |                   |                   |
| Cash (Note 2)                               | 4,497,064         | 4,459,961         |
| Taxes and grants in place of taxes (Note 3) | 109,186           | 104,039           |
| Trade and other receivables                 | 173,433           | 141,717           |
| Receivable from other governments           | 706,192           | 381,746           |
| Inventory held for resale                   | 163,680           | 163,680           |
| Other financial assets                      | 77,897            | 75,790            |
|   | <u>5,727,452</u>  | <u>5,326,933</u>  |
| <b>LIABILITIES</b>                          |                   |                   |
| Accounts payable and accrued liabilities    | 157,942           | 123,786           |
| Deposits held in trust                      | 110,560           | 110,560           |
| Deferred revenue (Note 4)                   | 2,021,760         | 1,844,966         |
|   | <u>2,290,262</u>  | <u>2,079,312</u>  |
| <b>NET FINANCIAL ASSETS</b>                 | <u>3,437,190</u>  | <u>3,247,621</u>  |
| <b>NON-FINANCIAL ASSETS</b>                 |                   |                   |
| Tangible capital assets                     | 6,720,118         | 6,825,807         |
| Prepaid expenses                            | 45,652            | 62,498            |
|   | <u>6,765,770</u>  | <u>6,888,305</u>  |
| <b>ACCUMULATED SURPLUS (NOTE 7)</b>         | <u>10,202,960</u> | <u>10,135,926</u> |

# TOWN OF SEDGEWICK

## CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES FOR THE YEAR ENDED DECEMBER 31, 2017

|   | Budget<br>(unaudited)   | 2017                            | 2016                     |
|---|-------------------------|---------------------------------|--------------------------|
| <b>REVENUE</b>  |                         |                                 |                          |
| Net municipal property taxes (Schedule 3)               | 799,334                 | <b>787,613</b>                  | 779,004                  |
| User fees and sales of goods                            | 1,065,595               | <b>1,009,820</b>                | 965,923                  |
| Penalties   | 24,350                  | <b>24,898</b>                   | 21,887                   |
| Licenses and permits                                    | 2,100                   | <b>2,146</b>                    | 2,224                    |
| Fines   | 500                     | <b>623</b>                      | 606                      |
| Franchise and concession contracts                      | 46,820                  | <b>46,164</b>                   | 36,595                   |
| Investment income                                       | 28,500                  | <b>52,090</b>                   | 123,721                  |
| Rentals   | 7,000                   | <b>7,941</b>                    | 7,160                    |
| Government transfers for operating                      | 139,580                 | <b>151,743</b>                  | 81,626                   |
| Other   | 6,000                   | <b>111,724</b>                  | 12,029                   |
|   | <u>2,119,779</u>        | <u><b>2,194,762</b></u>         | <u>2,030,775</u>         |
| <b>EXPENSES</b>   |                         |                                 |                          |
| Legislative   | 52,775                  | <b>42,646</b>                   | 50,115                   |
| Administration  | 445,301                 | <b>494,147</b>                  | 355,877                  |
| Protective services                                     | 76,766                  | <b>50,731</b>                   | 53,762                   |
| Transportation  | 267,199                 | <b>264,832</b>                  | 239,043                  |
| Water supply and distribution                           | 286,355                 | <b>133,294</b>                  | 98,530                   |
| Wastewater treatment and disposal                       | 140,593                 | <b>66,577</b>                   | 78,586                   |
| Waste management  | 138,140                 | <b>135,047</b>                  | 136,602                  |
| Public health and welfare                               | 17,601                  | <b>10,303</b>                   | 8,856                    |
| Planning and development                                | 171,470                 | <b>41,037</b>                   | 16,396                   |
| Recreation  | 158,815                 | <b>257,975</b>                  | 156,057                  |
| Culture   | 23,055                  | <b>17,215</b>                   | 22,807                   |
| Gas system  | 478,678                 | <b>383,343</b>                  | 316,362                  |
| Amortization  | -                       | <b>289,355</b>                  | 283,462                  |
| Loss (gain) on disposal of assets                       | -                       | -                               | 36,678                   |
|   | <u>2,256,748</u>        | <u><b>2,186,502</b></u>         | <u>1,853,133</u>         |
| <b>EXCESS OF REVENUE OVER EXPENSES<br/>BEFORE OTHER</b> | (136,969)               | <b>8,260</b>                    | 177,642                  |
| <b>OTHER</b>  |                         |                                 |                          |
| Government transfers for capital (Schedule 4)           | -                       | <b>58,774</b>                   | 67,025                   |
| <b>EXCESS OF REVENUE OVER EXPENSES</b>                  | (136,969)               | <b>67,034</b>                   | 244,667                  |
| <b>ACCUMULATED SURPLUS, BEGINNING OF YEAR</b>           | <u>10,135,926</u>       | <u><b>10,135,926</b></u>        | <u>9,891,259</u>         |
| <b>ACCUMULATED SURPLUS, END OF YEAR</b>                 | <u><u>9,998,957</u></u> | <u><u><b>10,202,960</b></u></u> | <u><u>10,135,926</u></u> |

# TOWN OF SEDGEWICK

## CONSOLIDATED STATEMENT OF CHANGES IN NET FINANCIAL ASSETS FOR THE YEAR ENDED DECEMBER 31, 2017

|  | Budget<br>(unaudited) | 2017             | 2016             |
|--|-----------------------|------------------|------------------|
| <b>EXCESS OF REVENUE OVER EXPENSES</b>         | <u>(136,969)</u>      | <u>67,034</u>    | <u>244,667</u>   |
| Acquisition of tangible capital assets         | -                     | <b>(183,666)</b> | (291,210)        |
| Amortization of tangible capital assets        | -                     | <b>289,355</b>   | 283,462          |
| Loss on sale of tangible capital assets        | -                     | -                | 36,678           |
|  | <u>-</u>              | <u>105,689</u>   | <u>28,930</u>    |
| Net (increase) decrease of prepaid assets      | -                     | <b>16,846</b>    | 2,372            |
| <b>INCREASE IN NET FINANCIAL ASSETS</b>        | <u>(136,969)</u>      | <u>189,569</u>   | <u>275,969</u>   |
| <b>NET FINANCIAL ASSETS, BEGINNING OF YEAR</b> | <u>3,247,621</u>      | <u>3,247,621</u> | <u>2,971,652</u> |
| <b>NET FINANCIAL ASSETS, END OF YEAR</b>       | <u>3,110,652</u>      | <u>3,437,190</u> | <u>3,247,621</u> |

# TOWN OF SEDGEWICK

## CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2017

|  | <u>2017</u>             | <u>2016</u>             |
|--|-------------------------|-------------------------|
| <b>NET INFLOW (OUTFLOW) OF CASH RELATED TO<br/>THE FOLLOWING ACTIVITIES:</b> |                         |                         |
| <b>OPERATING</b>   |                         |                         |
| Excess of revenues over expenses   | 67,034                  | 244,667                 |
| Non-cash items included in excess of revenue over expenses:                  |                         |                         |
| Amortization of tangible capital assets                                      | 289,355                 | 283,462                 |
| Non-cash charges to operations (net change):                                 |                         |                         |
| Decrease (increase) in taxes and grants in place of taxes                    | (5,147)                 | (26,185)                |
| Decrease (increase) in trade and other receivables                           | (31,716)                | (17,120)                |
| Decrease (increase) in trade and other receivables                           | (324,446)               | (24,198)                |
| Decrease (increase) in prepaid expenses                                      | 16,846                  | 2,372                   |
| Decrease (increase) in other financial assets                                | (2,107)                 | (19,344)                |
| Increase (decrease) in accounts payable and accrued liabilities              | 34,156                  | (1,785)                 |
| Increase (decrease) in deposits held in trust                                | -                       | 99,930                  |
| Increase (decrease) in deferred revenue                                      | 176,794                 | 265,697                 |
|  | <u>220,769</u>          | <u>844,174</u>          |
| <b>CAPITAL</b>   |                         |                         |
| Acquisition of tangible capital assets                                       | <u>(183,666)</u>        | <u>(291,210)</u>        |
| <b>CHANGE IN CASH AND EQUIVALENTS DURING THE YEAR</b>                        | <b>37,103</b>           | <b>552,964</b>          |
| <b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>                          | <u>4,459,961</u>        | <u>3,906,997</u>        |
| <b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>                                | <u><u>4,497,064</u></u> | <u><u>4,459,961</u></u> |
| <b>CASH AND CASH EQUIVALENTS IS MADE UP OF:</b>                              |                         |                         |
| Cash on hand   | 250                     | 300                     |
| Cash in bank   | 4,496,814               | 4,459,661               |
|  | <u><u>4,497,064</u></u> | <u><u>4,459,961</u></u> |

# TOWN OF SEDGEWICK

## SCHEDULE OF CHANGES IN ACCUMULATED SURPLUS FOR THE YEAR ENDED DECEMBER 31, 2017 (Schedule 1)

|   | Unrestricted<br>Surplus | Restricted<br>Surplus | Equity in Tangible<br>Capital Assets | 2017              | 2016              |
|---|-------------------------|-----------------------|--------------------------------------|-------------------|-------------------|
| <b>BALANCE, BEGINNING OF YEAR</b>                   | 818,898                 | 2,491,221             | 6,825,807                            | <b>10,135,926</b> | <b>9,891,259</b>  |
| Excess (deficiency) of revenues over expenses       | 67,034                  | -                     | -                                    | <b>67,034</b>     | 244,667           |
| Unrestricted funds designated for future use        | (182,778)               | 182,778               | -                                    | -                 | -                 |
| Current year funds used for tangible capital assets | (64,243)                | (119,423)             | 183,666                              | -                 | -                 |
| Annual amortization expense                         | 289,355                 | -                     | (289,355)                            | -                 | -                 |
| Change in accumulated surplus                       | 109,368                 | 63,355                | (105,689)                            | <b>67,034</b>     | 244,667           |
| <b>BALANCE, END OF YEAR</b>                         | <b>928,266</b>          | <b>2,554,576</b>      | <b>6,720,118</b>                     | <b>10,202,960</b> | <b>10,135,926</b> |

**TOWN OF SEDGEWICK**

**CONSOLIDATED SCHEDULE OF TANGIBLE CAPITAL ASSETS  
FOR THE YEAR ENDED DECEMBER 31, 2017  
(Schedule 2)**

|   | LAND           | LAND IMPROVEMENTS | BUILDINGS      | ENGINEERED STRUCTURES | MACHINERY AND EQUIPMENT | VEHICLES      | 2017             | 2016             |
|---|----------------|-------------------|----------------|-----------------------|-------------------------|---------------|------------------|------------------|
| <b>COST:</b>  |                |                   |                |                       |                         |               |                  |                  |
| Balance - beginning of year                                 | 182,836        | 496,035           | 380,323        | 9,842,845             | 602,402                 | 128,389       | 11,632,830       | 11,378,298       |
| Acquisition of tangible capital assets                      | -              | 100,704           | 9,966          | -                     | -                       | -             | 110,670          | 280,528          |
| Construction in progress                                    | -              | 54,277            | -              | 18,719                | -                       | -             | 72,996           | 10,682           |
| Disposal of tangible capital assets                         | -              | -                 | -              | -                     | -                       | -             | -                | 36,678           |
| Balance - end of year                                       | 182,836        | 651,016           | 390,289        | 9,861,564             | 602,402                 | 128,389       | 11,816,496       | 11,632,830       |
| <b>ACCUMULATED AMORTIZATION</b>                             |                |                   |                |                       |                         |               |                  |                  |
| Balance - beginning of year                                 | -              | 41,608            | 235,646        | 4,015,423             | 427,282                 | 87,064        | 4,807,023        | 4,523,561        |
| Annual amortization   | -              | 23,219            | 8,553          | 229,135               | 21,582                  | 6,866         | 289,355          | 283,462          |
| Balance - end of year                                       | -              | 64,827            | 244,199        | 4,244,558             | 448,864                 | 93,930        | 5,096,378        | 4,807,023        |
| <b>NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS</b>            | <b>182,836</b> | <b>586,189</b>    | <b>146,090</b> | <b>5,617,006</b>      | <b>153,538</b>          | <b>34,459</b> | <b>6,720,118</b> | <b>6,825,807</b> |
| <b>PRIOR YEAR NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS</b> | 182,836        | 454,427           | 144,677        | 5,827,422             | 175,120                 | 41,325        | 6,825,807        |                  |



# TOWN OF SEDGEWICK

## CONSOLIDATED SCHEDULE OF PROPERTY TAXES LEVIED FOR THE YEAR ENDED DECEMBER 31, 2017 (Schedule 3)

|  | Budget<br>(Unaudited) | 2017                    | 2016             |
|--|-----------------------|-------------------------|------------------|
| <b>TAXATION</b>                              |                       |                         |                  |
| Real property taxes                          | 1,035,516             | <b>1,027,855</b>        | 1,009,097        |
| Linear property taxes                        | 19,128                | <b>15,068</b>           | 14,979           |
| Government grants in place of property taxes | 1,259                 | <b>1,259</b>            | 1,229            |
|  | <u>1,055,903</u>      | <u><b>1,044,182</b></u> | <u>1,025,305</u> |
| <b>REQUISITIONS</b>                          |                       |                         |                  |
| Alberta School Foundation                    | 242,804               | <b>242,804</b>          | 226,450          |
| Flagstaff Regional Housing Group             | 13,765                | <b>13,765</b>           | 19,851           |
|  | <u>256,569</u>        | <u><b>256,569</b></u>   | <u>246,301</u>   |
| <b>NET MUNICIPAL TAXES</b>                   | <u>799,334</u>        | <u><b>787,613</b></u>   | <u>779,004</u>   |

# TOWN OF SEDGEWICK

## CONSOLIDATED SCHEDULE OF GOVERNMENT TRANSFERS FOR THE YEAR ENDED DECEMBER 31, 2017 (Schedule 4)

|                                   | Budget<br>(Unaudited) | 2017                  | 2016           |
|-----------------------------------|-----------------------|-----------------------|----------------|
| <b>TRANSFERS FOR OPERATING</b>    |                       |                       |                |
| Federal Government                | 2,000                 | -                     | 2,000          |
| Provincial Government             | 108,606               | <b>129,203</b>        | 56,906         |
| Local Governments                 | 28,974                | <b>22,540</b>         | 22,720         |
|                                   | <u>139,580</u>        | <u><b>151,743</b></u> | <u>81,626</u>  |
| <b>TRANSFERS FOR CAPITAL</b>      |                       |                       |                |
| Federal Government                | -                     | -                     | 46,000         |
| Provincial Government             | -                     | <b>58,774</b>         | 21,025         |
|                                   | <u>-</u>              | <u><b>58,774</b></u>  | <u>67,025</u>  |
| <b>TOTAL GOVERNMENT TRANSFERS</b> | <u>139,580</u>        | <u><b>210,517</b></u> | <u>148,651</u> |

# TOWN OF SEDGEWICK

## CONSOLIDATED SCHEDULE OF EXPENDITURE BY OBJECT FOR THE YEAR ENDED DECEMBER 31, 2017 (Schedule 5)

|   | Budget<br>(Unaudited) | 2017                    | 2016             |
|---|-----------------------|-------------------------|------------------|
| <b>Expenditures</b>                     |                       |                         |                  |
| Salaries, wages and benefits            | 545,950               | <b>651,520</b>          | 498,883          |
| Contracted and general services         | 1,011,392             | <b>724,324</b>          | 623,328          |
| Purchases from other governments        | 4,650                 | <b>6,383</b>            | 5,016            |
| Materials, goods and utilities          | 636,425               | <b>466,135</b>          | 366,973          |
| Provision for allowances                | -                     | <b>14,022</b>           | 2,092            |
| Transfers to local boards and agencies  | 56,831                | <b>31,479</b>           | 36,187           |
| Other expenditures                      | 1,500                 | <b>3,284</b>            | 514              |
| Amortization of tangible capital assets | -                     | <b>289,355</b>          | 283,462          |
| Write down of tangible capital assets   | -                     | -                       | 36,678           |
|   | <u>2,256,748</u>      | <u><b>2,186,502</b></u> | <u>1,853,133</u> |

**TOWN OF SEDGEWICK**

**SCHEDULE OF SEGMENTED DISCLOSURE  
FOR THE YEAR ENDED DECEMBER 31, 2017  
(Schedule 6)**

|  | General Government | Protective Services | Transportation services | Environmental Services | Public Health & Welfare | Planning & Development | Recreation & Culture | Gas system     | Total            |
|--|--------------------|---------------------|-------------------------|------------------------|-------------------------|------------------------|----------------------|----------------|------------------|
| <b>REVENUE</b>                             |                    |                     |                         |                        |                         |                        |                      |                |                  |
| Net municipal property taxes (Schedule 2)  | 787,613            | -                   | -                       | -                      | -                       | -                      | -                    | -              | 787,613          |
| User fees and sales of goods               | 3,873              | 3,020               | 900                     | 513,027                | 2,915                   | 954                    | 2,078                | 483,053        | 1,009,820        |
| Penalties and costs on taxes               | 21,169             | -                   | -                       | 1,189                  | -                       | -                      | -                    | 2,540          | 24,898           |
| Licenses and permits                       | -                  | 2,146               | -                       | -                      | -                       | -                      | -                    | -              | 2,146            |
| Fines                                      | 398                | 225                 | -                       | -                      | -                       | -                      | -                    | -              | 623              |
| Franchise and concession contracts         | 46,164             | -                   | -                       | -                      | -                       | -                      | -                    | -              | 46,164           |
| Investment income                          | 50,643             | 1,414               | -                       | -                      | -                       | -                      | 33                   | -              | 52,090           |
| Rentals                                    | 7,941              | -                   | -                       | -                      | -                       | -                      | -                    | -              | 7,941            |
| Government transfers                       | 127,007            | 20,040              | -                       | -                      | 2,500                   | -                      | 2,196                | -              | 151,743          |
| Other                                      | 50,194             | 1,133               | 1,800                   | 236                    | -                       | -                      | 58,361               | -              | 111,724          |
|  | <u>1,095,002</u>   | <u>27,978</u>       | <u>2,700</u>            | <u>514,452</u>         | <u>5,415</u>            | <u>954</u>             | <u>62,668</u>        | <u>485,593</u> | <u>2,194,762</u> |
| <b>EXPENSES</b>                            |                    |                     |                         |                        |                         |                        |                      |                |                  |
| Salaries, wages and benefits               | 309,348            | 13,391              | 134,793                 | 64,726                 | -                       | -                      | 117,599              | 11,663         | 651,520          |
| Contracted and general services            | 198,028            | 17,999              | 42,548                  | 202,602                | 2,437                   | 16,040                 | 134,893              | 109,777        | 724,324          |
| Purchases from other governments           | -                  | 6,383               | -                       | -                      | -                       | -                      | -                    | -              | 6,383            |
| Materials, goods and utilities             | 12,111             | 12,958              | 86,987                  | 68,094                 | 410                     | 14,864                 | 8,808                | 261,903        | 466,135          |
| Provision for allowances                   | 14,022             | -                   | -                       | -                      | -                       | -                      | -                    | -              | 14,022           |
| Transfers to local boards and agencies     | -                  | -                   | -                       | -                      | 7,456                   | 10,133                 | 13,890               | -              | 31,479           |
| Other expenditures                         | 3,284              | -                   | -                       | -                      | -                       | -                      | -                    | -              | 3,284            |
|  | <u>536,793</u>     | <u>50,731</u>       | <u>264,328</u>          | <u>335,422</u>         | <u>10,303</u>           | <u>41,037</u>          | <u>275,190</u>       | <u>383,343</u> | <u>1,897,147</u> |
| <b>NET REVENUE, BEFORE AMORTIZATION</b>    | <u>558,209</u>     | <u>(22,753)</u>     | <u>(261,628)</u>        | <u>179,030</u>         | <u>(4,888)</u>          | <u>(40,083)</u>        | <u>(212,522)</u>     | <u>102,250</u> | <u>297,615</u>   |
| <b>AMORTIZATION AND DISPOSAL OF ASSETS</b> |                    |                     |                         |                        |                         |                        |                      |                |                  |
| Amortization of tangible capital assets    | 1,280              | 7,624               | 129,438                 | 125,651                | -                       | 2,228                  | 20,992               | 2,142          | 289,355          |
| <b>NET REVENUE</b>                         | <u>556,929</u>     | <u>(30,377)</u>     | <u>(391,066)</u>        | <u>53,379</u>          | <u>(4,888)</u>          | <u>(42,311)</u>        | <u>(233,514)</u>     | <u>100,108</u> | <u>8,260</u>     |

# TOWN OF SEDGEWICK

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

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### 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, 2017

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### 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, 2017

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### 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, 2017

### 2. CASH AND TERM DEPOSITS

|   | <u>2017</u>      | <u>2016</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) | <b>1,640,014</b> | 1,463,220   |
| Included in cash and term deposits are amounts held for deposits in trust   | <b>110,560</b>   | 110,560     |
| Included in cash and term deposits are amounts designated by council for future expenses and tangible capital asset acquisitions. (Note 8)                            | <b>2,554,576</b> | 2,491,221   |
| Total restricted cash and term deposits   | <b>4,305,150</b> | 4,065,001   |
| Total unrestricted cash and term deposits   | <b>191,914</b>   | 394,960     |

### 3. TAXES AND GRANTS IN PLACE OF TAXES RECEIVABLES

|   | <u>2017</u>    | <u>2016</u> |
|---|----------------|-------------|
| Current taxes and grants in place of taxes              | <b>39,429</b>  | 28,638      |
| Arrears taxes   | <b>57,157</b>  | 49,781      |
| Property held by the town as a result of tax forfeiture | <b>14,753</b>  | 29,797      |
|   | <b>111,339</b> | 108,216     |
| Less: allowance for doubtful accounts                   | <b>2,153</b>   | 4,177       |
|   | <b>109,186</b> | 104,039     |

### 4. DEFERRED INCOME

| Deferred income consists of the following:      | <u>2017</u>      | <u>2016</u> |
|---|------------------|-------------|
| Basic Municipal Transportation Grant            | <b>158,340</b>   | 158,340     |
| Municipal Sustainability Initiative - Capital   | <b>1,660,420</b> | 1,442,354   |
| Municipal Sustainability Initiative - Operating | -                | 91,272      |
| Federal Gas Tax                                 | <b>200,000</b>   | 150,000     |
| Other deferred revenue                          | <b>3,000</b>     | 3,000       |
|   | <b>2,021,760</b> | 1,844,966   |



# TOWN OF SEDGEWICK

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

### 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:

|                        | <u>2017</u>      | <u>2016</u>      |
|------------------------|------------------|------------------|
| Total debt limit       | <u>3,292,143</u> | 3,046,163        |
| Total debt             | -                | -                |
| Surplus debt limit     | <u>3,292,143</u> | <u>3,046,163</u> |
| Debt servicing limit   | <u>548,691</u>   | 507,694          |
| Debt servicing         | -                | -                |
| Surplus debt servicing | <u>548,691</u>   | <u>507,694</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

|                                       | <u>2017</u>        | <u>2016</u>        |
|---------------------------------------|--------------------|--------------------|
| Tangible capital assets (Schedule 2)  | <u>11,816,496</u>  | 11,632,830         |
| Accumulated amortization (Schedule 2) | <u>(5,096,378)</u> | <u>(4,807,023)</u> |
|                                       | <u>6,720,118</u>   | <u>6,825,807</u>   |

# TOWN OF SEDGEWICK

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

### 7. ACCUMULATED SURPLUS

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

|  | <u>2017</u>             | <u>2016</u>             |
|--|-------------------------|-------------------------|
| <b>Unrestricted surplus</b>              | <b><u>928,266</u></b>   | <b><u>818,898</u></b>   |
| <b>Restricted surplus</b>                |                         |                         |
| Operating                                |                         |                         |
| General                                  | 78,786                  | 223,786                 |
| Occupational health                      | 1,200                   | 1,200                   |
| Lagoon maintenance                       | 10,500                  | 10,500                  |
| Physician recruitment                    | 2,000                   | 2,000                   |
| Recreation                               | <u>282,994</u>          | <u>317,994</u>          |
|  | <u>375,480</u>          | <u>555,480</u>          |
| Capital reserves                         |                         |                         |
| Administration                           | 60,250                  | 86,250                  |
| Fire building                            | 38,565                  | 28,565                  |
| Fire equipment                           | 153,771                 | 147,357                 |
| Public works equipment                   | 128,153                 | 100,653                 |
| Public works building                    | 13,819                  | 8,819                   |
| Street work                              | 389,220                 | 329,220                 |
| Grant interest                           | 11,429                  | 9,042                   |
| Water infrastructure and meters          | 473,741                 | 407,960                 |
| Sewer system                             | 339,224                 | 287,524                 |
| Waste disposal                           | 10,331                  | 9,331                   |
| Cemetery                                 | 5,500                   | 4,000                   |
| Subdivision recreation reserve           | 3,676                   | 3,643                   |
| Future development                       | 170,423                 | 170,423                 |
| Recreation                               | 270,392                 | 260,391                 |
| Culture                                  | 16,043                  | 11,043                  |
| Natural gas                              | <u>94,559</u>           | <u>71,520</u>           |
|  | <u>2,179,096</u>        | <u>1,935,741</u>        |
|  | <u>2,554,576</u>        | <u>2,491,221</u>        |
| <b>Equity in tangible capital assets</b> | <b><u>6,720,118</u></b> | <b><u>6,825,807</u></b> |
|  | <u>10,202,960</u>       | <u>10,135,926</u>       |

# TOWN OF SEDGEWICK

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

### 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:

|               | 2017    |                       |         | 2016    |
|---------------|---------|-----------------------|---------|---------|
|               | Salary  | Benefits & Allowances | Total   | Total   |
| Higginson     | -       | -                     | -       | 4,037   |
| Imlah         | 3,575   | 60                    | 3,635   | 5,250   |
| Levy          | 5,950   | 139                   | 6,089   | 5,876   |
| Robinson      | 8,982   | 180                   | 9,162   | 10,329  |
| Rose          | -       | -                     | -       | 2,901   |
| Schmutz       | 4,375   | 87                    | 4,462   | 5,236   |
| Sparrow       | 3,775   | 81                    | 3,856   | 3,971   |
| CAO - Former  | 118,289 | 8,244                 | 126,533 | 126,676 |
| CAO - Current | 44,842  | 10,842                | 55,684  | -       |

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, 2017

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### 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 253,862 people and 417 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 \$31,392. Total current service contributions by the employees of the town to the LAPP were \$29,151.

At December 31, 2016, the LAPP disclosed an actuarial deficiency of \$637 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, 2017

### 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<br>(unaudited) | 2017      | 2016      |
|---|-----------------------|-----------|-----------|
| Excess of revenue over expenditures, per financial statements | (136,969)             | 67,034    | 244,667   |
| Adjustments   |                       |           |           |
| Amortization expense  | -                     | 289,355   | 283,462   |
| Loss (gain) on disposal of tangible capital assets            | -                     | -         | 36,678    |
| Acquisition of tangible capital assets                        | (270,000)             | (183,666) | (291,210) |
| Results of operations - previous methods                      | (406,969)             | 172,723   | 273,597   |
| Net transfers (to) from reserves                              | 143,820               | (63,355)  | (273,597) |
| Increase (decrease) in unrestricted surplus                   | (263,149)             | 109,368   | -         |

### 14. COMPARITIVE 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.