

TOWN OF STAVELY

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2018

TOWN OF STAVELY

DECEMBER 31, 2018

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Scase & Partners

Professional Accountants

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF COUNCIL TOWN OF STAVELY

We have audited the consolidated financial statements of the Town of Stavely, which comprise the consolidated statement of financial position for the year ended December 31, 2018 and the consolidated statements of operations, changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated statements present fairly, in all material respects the financial position of the Town of Stavely as at December 31, 2018, and its financial performance and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Town of Stavely in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with Canadian public sector accounting standards organizations and for such internal control as management determines is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Municipality's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Foundation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Municipalities financial reporting process.

Auditor's responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

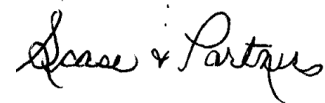
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Municipality's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Municipality to cease to continue as a going concern.
- Evaluate the overall presentation, structure, and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Municipality to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Municipality's audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

The engagement partner on the audit resulting in this independent auditor's report is Darryl Scase

April 22, 2019
Calgary, Alberta



Professional Accountants

TOWN OF STAVELY

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2018

	2018	2017
FINANCIAL ASSETS		
Cash and temporary investments (Note 2)	\$ 1,235,816	\$ 1,094,978
Receivables:		
Taxes and grants in lieu receivable (Note 3)	58,762	65,855
Trade and other receivables	49,575	45,862
Due from other governments	34,595	56,332
Land held for resale (Note 4)	262,972	262,972
	<u>1,641,720</u>	<u>1,525,999</u>
LIABILITIES		
Accounts payable and accrued liabilities	66,019	75,678
Deferred revenue (Note 7)	481,891	308,423
Long term debt (Note 6)	343,098	500,597
	<u>891,008</u>	<u>884,698</u>
NET FINANCIAL ASSETS	<u>750,712</u>	<u>641,301</u>
NON-FINANCIAL ASSETS		
Tangible capital assets Schedule 2, (Note 5)	6,064,268	6,189,632
Prepaid expenses	680	3,915
	<u>6,064,948</u>	<u>6,193,547</u>
ACCUMULATED SURPLUS Schedule 1, (Note 11)	<u>\$ 6,815,660</u>	<u>\$ 6,834,848</u>

APPROVED:

_____ **Mayor**

_____ **Councilor**

The accompanying notes form an integral part of these financial statements

TOWN OF STAVELY

CONSOLIDATED STATEMENT OF OPERATIONS FOR THE YEAR ENDED DECEMBER 31, 2018

	BUDGET		
	(Unaudited)	2018	2017
REVENUE			
Net municipal taxes (Schedule 3)	\$ 362,169	\$ 361,189	\$ 355,810
User fees and sales	257,400	262,947	249,553
Government transfers (Schedule 4)	93,646	93,646	86,879
Investment income	7,000	10,070	11,261
Franchise and concession contracts	35,000	33,897	34,662
Penalties and costs of taxes	19,000	21,950	21,930
Rentals	12,700	13,067	11,146
Licences and permits	2,100	2,228	2,325
Fines	3,000	2,342	3,415
Other revenue	6,950	2,784	-
Net gain on sale of capital assets	-	1,754	700
	798,965	805,874	777,681
EXPENSES			
Roads, streets, walks, lighting	216,049	220,510	212,956
Administration	181,677	180,699	179,070
Water supply and distribution	154,036	154,967	150,222
Family and community support	65,369	57,112	65,945
Waste management	69,485	69,772	67,475
Wastewater treatment and disposal	43,500	65,341	36,102
Parks and recreation	56,944	49,037	55,856
Fire and disaster	31,612	31,200	28,136
Subdivision land development	14,616	14,759	16,427
Common service	99,509	95,409	91,871
Legislative	18,000	15,265	17,953
Bylaws enforcement	7,423	6,924	6,498
Culture	10,035	10,035	9,256
Land use, planning, zoning and development	13,000	8,094	13,830
Other general government	3,027	2,964	3,037
Cemeteries	750	750	750
	985,032	982,838	955,384
EXCESS (SHORTFALL) OF REVENUE OVER			
EXPENSES - BEFORE OTHER	(186,067)	(176,964)	(177,703)
Government transfers for capital (Schedule 4)	306,286	157,770	252,395
EXCESS (SHORTFALL) OF REVENUE OVER			
EXPENSES	\$ <u>120,219</u>	(19,194)	74,692
ACCUMULATED SURPLUS, beginning of year		6,834,854	6,760,162
ACCUMULATED SURPLUS, end of year		\$ 6,815,660	\$ 6,834,854

The accompanying notes form an integral part of these financial statements

TOWN OF STAVELY

CONSOLIDATED STATEMENT OF NET FINANCIAL ASSETS (DEBT) FOR THE YEAR ENDED DECEMBER 31, 2018

	BUDGET	2018	2017
	(Unaudited)		
EXCESS (SHORTFALL) OF REVENUES OVER EXPENSES	\$ 120,219	\$ (19,194)	\$ 74,692
Acquisition of tangible capital assets	(263,868)	(156,434)	(287,995)
Proceeds on disposal of tangible capital assets	-	22,800	8,900
Amortization of tangible capital assets	260,751	260,751	256,973
(Gain) loss on sale of tangible capital assets	-	(1,754)	(700)
	(3,117)	125,363	(22,822)
Acquisition of prepaid assets	-	(680)	(3,915)
Use of prepaid assets	-	3,915	4,192
	-	3,235	277
DECREASE (INCREASE) IN NET DEBT	<u>\$ 117,102</u>	109,404	52,147
NET FINANCIAL ASSETS, beginning of year		641,307	589,160
NET FINANCIAL ASSETS, end of year		\$ 750,711	\$ 641,307

The accompanying notes form an integral part of these financial statements

TOWN OF STAVELY

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2018

	2018	2017
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING		
Excess (shortfall) of revenues over expenses	\$ (19,194)	\$ 74,692
Non-cash items included in excess (shortfall) of revenues over expenses:		
Amortization	260,751	256,973
(Gain) loss on disposal of tangible capital assets	(1,754)	(700)
Non-cash charges to operations (net change):		
Decrease (increase) in taxes and grants in place receivable	7,093	(220)
Decrease (increase) in trade and other receivables	(3,713)	(441)
Decrease (increase) in due from other governments	21,737	(54,513)
Decrease (increase) in land held for resale	-	(262,972)
Decrease (increase) in prepaid expenses	3,236	276
Increase (decrease) in accounts payable and accrued liabilities	(9,653)	13,097
Increase (decrease) in deferred revenue	173,468	12,538
CASH PROVIDED BY OPERATING TRANSACTIONS	431,971	38,730
CAPITAL		
Acquisition of tangible capital assets	(156,434)	(287,995)
Sale of tangible capital assets	22,800	8,900
CASH APPLIED TO CAPITAL TRANSACTIONS	(133,634)	(279,095)
FINANCING		
Long-term debt issued	-	157,000
Long-term debt repaid	(157,500)	(152,890)
CASH APPLIED TO FINANCING TRANSACTIONS	(157,500)	4,110
CHANGE IN CASH AND CASH EQUIVALENTS	140,837	(236,255)
CASH AND CASH EQUIVALENTS, beginning of year	1,094,978	1,331,233
CASH AND CASH EQUIVALENTS, end of year	\$ 1,235,815	\$ 1,094,978
CASH AND CASH EQUIVALENTS IS REPRESENTED BY:		
Cash and temporary investments (Note 2)	<u>\$ 1,235,816</u>	<u>\$ 1,094,978</u>
INTEREST EARNED ON INVESTMENTS	<u>\$ 10,070</u>	<u>\$ 11,261</u>
INTEREST PAID ON LONG-TERM DEBT	<u>\$ 16,187</u>	<u>\$ 18,676</u>

The accompanying notes form an integral part of these financial statements

TOWN OF STAVELY

SCHEDULE OF CHANGES IN ACCUMULATED SURPLUS

FOR THE YEAR ENDED DECEMBER 31, 2018

SCHEDULE 1

	Unrestricted Surplus	Restricted Surplus	Equity in Tangible Capital Assets	2018	2017
BALANCE , beginning of year	\$ 663,757	\$ 482,062	\$ 5,689,035	\$ 6,834,854	\$ 6,760,162
(Deficiency) excess of revenues over expenses	(19,194)	-	-	(19,194)	74,692
Unrestricted funds designated for future use	(65,537)	65,537	-	-	-
Restricted funds used for operations	119,349	(119,349)	-	-	-
Current year funds used for tangible capital assets	(156,434)	-	156,434	-	-
Disposal of tangible capital assets	21,046	-	(21,046)	-	-
Annual amortization expense	260,751	-	(260,751)	-	-
Long term debt (decrease) increase	(157,500)	-	157,500	-	-
Change in accumulated surplus	2,481	(53,812)	32,137	(19,194)	74,692
BALANCE , end of year	\$ 666,238	\$ 428,250	\$ 5,721,170	\$ 6,815,660	\$ 6,834,854

TOWN OF STAVELY

SCHEDULE OF TANGIBLE CAPITAL ASSETS FOR THE YEAR ENDED DECEMBER 31, 2018

SCHEDULE 2

ENGINEERED STRUCTURES

	LAND	LAND IMPROVEMENT	BUILDINGS	ROADS AND STREETS	WATER SYSTEM	WASTE SYSTEM	MACHINERY AND EQUIPMENT	VEHICLES	2018	2017
COST:										
BALANCE, beginning of year	\$ 963,840	\$ 44,705	\$ 1,477,803	\$ 4,689,192	\$ 3,399,830	\$ 799,681	\$ 315,502	\$ 215,633	\$ 11,906,186	\$ 11,634,591
Acquisition of tangible capital assets	7,446	-	-	47,811	48,050	-	18,125	35,002	156,434	287,995
Construction -in-progress	-	-	-	-	-	-	-	-	-	-
Disposal of tangible capital assets	-	-	-	-	-	-	(18,000)	(35,208)	(53,208)	(16,400)
Write-down of tangible assets	-	-	-	-	-	-	-	-	-	-
BALANCE, end of year	<u>971,286</u>	<u>44,705</u>	<u>1,477,803</u>	<u>4,737,003</u>	<u>3,447,880</u>	<u>799,681</u>	<u>315,627</u>	<u>215,427</u>	<u>12,009,412</u>	<u>11,906,186</u>
ACCUMULATED AMORTIZATION:										
BALANCE, beginning of year	-	29,252	376,781	3,108,931	1,402,485	583,724	113,656	101,725	5,716,554	5,467,780
Annual amortization	-	1,626	18,673	141,049	58,947	10,235	15,626	14,595	260,751	256,973
Accum amortization on disposals	-	-	-	-	-	-	(8,280)	(23,882)	(32,162)	(8,200)
BALANCE, end of year	<u>-</u>	<u>30,878</u>	<u>395,454</u>	<u>3,249,980</u>	<u>1,461,432</u>	<u>593,959</u>	<u>121,002</u>	<u>92,438</u>	<u>5,945,143</u>	<u>5,716,553</u>
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	<u>\$ 971,286</u>	<u>\$ 13,827</u>	<u>\$ 1,082,349</u>	<u>\$ 1,487,023</u>	<u>\$ 1,986,448</u>	<u>\$ 205,722</u>	<u>\$ 194,625</u>	<u>\$ 122,989</u>	<u>\$ 6,064,269</u>	<u>\$ 6,189,633</u>
2017 NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	<u>\$ 963,840</u>	<u>\$ 15,453</u>	<u>\$ 1,101,022</u>	<u>\$ 1,580,261</u>	<u>\$ 1,997,345</u>	<u>\$ 215,957</u>	<u>\$ 201,846</u>	<u>\$ 113,908</u>	<u>\$ 6,189,632</u>	

TOWN OF STAVELY

SCHEDULE OF PROPERTY AND OTHER TAXES FOR THE YEAR ENDED DECEMBER 31, 2018

SCHEDULE 3

	BUDGET (Unaudited)	2018	2017
TAXATION			
Real property taxes	\$ 531,049	\$ 456,864	\$ 442,143
Linear property taxes	-	11,259	9,104
Business taxes	-	61,946	61,703
	531,049	530,069	512,950
REQUISITIONS			
Alberta School Foundation Fund	153,230	153,230	142,696
Seniors Lodge	15,650	15,650	14,444
	168,880	168,880	157,140
NET MUNICIPAL TAXES	\$ 362,169	\$ 361,189	\$ 355,810

TOWN OF STAVELY

SCHEDULE OF GOVERNMENT TRANSFERS FOR THE YEAR ENDED DECEMBER 31, 2018

SCHEDULE 4

	BUDGET (Unaudited)	2018	2017
TRANSFERS FOR OPERATING:			
Provincial Government	\$ 88,646	\$ 88,646	\$ 81,879
Other Local Governments	5,000	5,000	5,000
	93,646	93,646	86,879
TRANSFERS FOR CAPITAL:			
Provincial Government	306,286	157,770	252,395
	306,286	157,770	252,395
TOTAL GOVERNMENT TRANSFERS	\$ 399,932	251,416	339,274

TOWN OF STAVELY

SCHEDULE OF CONSOLIDATED EXPENSES BY OBJECT FOR THE YEAR ENDED DECEMBER 31, 2018

SCHEDULE 5

	BUDGET (Unaudited)	2018	2017
CONSOLIDATED EXPENDITURES BY OBJECT			
Salaries, wages and benefits	\$ 339,410	\$ 318,175	\$ 328,654
Amortization of tangible capital assets	260,751	260,751	256,973
Materials, goods and utilities	169,700	164,050	159,932
Contracted and general services	152,556	168,674	146,286
Interest on long-term debt	16,079	16,187	18,676
Transfers to local boards and agencies	29,338	37,285	27,861
Purchases from other governments	16,500	17,003	16,382
Bank charges and short-term interest	700	712	621
	\$ 985,034	982,837	\$ 955,385

TOWN OF STAVELY

SCHEDULE OF SEGMENTED DISCLOSURE

STATEMENT OF OPERATIONS

FOR THE YEAR ENDED DECEMBER 31, 2018

SCHEDULE 6

	General Government	Protective Services	Transportation Services	Planning and Development	Recreation and Culture	Environmental Services	Other	Total
REVENUE								
Net municipal taxes	\$ 361,189	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 361,189
Government transfers	88,646	-	157,770	-	-	5,000	-	251,416
User fees and sales of goods	15,837	1,979	-	4,684	6,845	233,602	-	262,947
Investment income	10,070	-	-	-	-	-	-	10,070
Other revenues	73,797	-	2,304	-	-	1,920	-	78,021
	549,539	1,979	160,074	4,684	6,845	240,522	-	963,643
EXPENSES								
Contract & general services	62,216	19,397	17,269	347	1,219	68,226	-	168,674
Salaries and wages	159,448	54	60,765	-	25,109	72,799	-	318,175
Goods and supplies	16,321	965	82,808	7,747	7,329	48,879	-	164,049
Transfers to local boards	16,000	-	-	-	20,535	-	750	37,285
Long-term debt interest	-	5,865	-	8,894	-	1,428	-	16,187
Other expenses	711	-	-	-	-	17,003	-	17,714
	254,696	26,281	160,842	16,988	54,192	208,335	750	722,084
NET REVENUE BEFORE AMORTIZATION	294,843	(24,302)	(768)	(12,304)	(47,347)	32,187	(750)	241,559
Amortization	1,344	17,707	155,076	-	4,879	81,745	-	260,751
NET REVENUE	\$ 293,499	\$ (42,009)	\$ (155,844)	\$ (12,304)	\$ (52,226)	\$ (49,558)	\$ (750)	\$ (19,192)

TOWN OF STAVELY

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

1. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements of the Town of Stavelly are the representations of management prepared in accordance with Canadian public sector accounting standards for local governments established by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada. 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 and are therefore, accountable to the Town 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.

(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.

(c) 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 STAVELY

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

1. SIGNIFICANT ACCOUNTING POLICIES, continued

(d) Investments

Investments are recorded at cost. Investment premiums and discounts are amortized on the net present value basis over the term of the respective investments. When there has been a loss in value that is other than a temporary decline, the respective investment is written down to recognize the loss..

(e) 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 (Debt) for the year.

i. Tangible Capital Assets

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

Land Improvements	15-20 years
Buildings	25-50 years
Engineered Structures	
Water System	35-65 years
Wastewater system	35-65 years
Other engineered structures	15-40 years
Machinery and equipment	5-20 years
Vehicles	3-20 years

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 assets if 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.

The accompanying notes form an integral part of these financial statements

TOWN OF STAVELY

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

1. SIGNIFICANT ACCOUNTING POLICIES, continued

(f) Prepaid Local Improvement Charges

Construction and borrowing costs associated with local improvement projects are recovered through annual special assessments during the period of the related borrowing. These levies are collectible from property owners for work performed by the municipality.

Where a taxpayer has elected to repay the outstanding local improvement charges, such amounts are recorded as deferred revenue. Deferred revenue is amortized to revenue on a straight-line basis over the remaining term of the related borrowings.

In the event that the prepaid amounts are applied against the related borrowings, the deferred revenue is amortized to revenue by the amount equal to the debt repayment.

(g) Pension Liability

The Town of Stavely and its eligible employees participate in the Local Authorities Pension Plan, which provides pensions to the Town of Stavely employees based on years of service and earnings. Employer, employee and Government of Alberta contributions and investment earnings of the LAPP Fund finance the plan.

The actuarial valuation was determined using the projected benefit method prorated on service. Assumptions used in the valuation are based on the Pension board's best estimate of future events. The plan's future experiences will inevitably differ, perhaps significantly, from the assumptions. Any differences between actuarial assumptions and future experience will emerge as gains or losses in future valuations and will be amortized over the expected average remaining service life of the employee group.

(h) Reserves for Future Expenditures

Reserves are established at the discretion of council to set aside funds for future operating and capital expenditures. Transfers to and/or from reserves are reflected as an adjustment to the applicable fund.

(i) Use of Estimates

The preparation of financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures 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.

(j) Fund Accounting

Management funds consist of the operating, capital and reserve funds. Transfers between funds are recorded as adjustments to the appropriate equity account. Capital fund debt principal and interest payments are recorded as operating fund expenditures. Proceeds from sales of land held for resale are recorded as operating fund revenues

TOWN OF STAVELY

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

1. SIGNIFICANT ACCOUNTING POLICIES, continued

(k) Requisition Over-levies and Under-levies

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.

(l) Certain schedule balances may not add due to formula rounding.

2. CASH AND BANK FACILITY

Cash and temporary investments

	<u>2018</u>	<u>2017</u>
Cash	\$ 753,617	\$ 673,803
Temporary investments	<u>482,199</u>	<u>421,175</u>
	1,235,816	1,094,978
Less restricted Restricted funds for other than current use	<u>(883,451)</u>	<u>(736,953)</u>
Unrestricted cash	<u>\$ 352,365</u>	<u>\$ 358,025</u>

Bank operating credit facility

The Town of Stavely has established a demand operating revolving credit facility to a maximum of \$100,000. Interest is charged on the outstanding balance at prime bank rate and is payable on the last day of each month. Advances and repayments are in increments of \$10,000. Security for the operating facility is by way of a bylaw passed by the Town of Stavely and a general security agreement over the assets of the Town. The Town does not have an outstanding balance at year end.

3. TAXES AND GRANTS IN PLACE OF TAXES RECEIVABLE

	<u>2018</u>	<u>2017</u>
Current taxes and grants in place of taxes	\$ 50,579	\$ 47,237
Arrears taxes	<u>8,183</u>	<u>18,618</u>
	58,762	65,855
Less: allowance for doubtful accounts	<u>-</u>	<u>-</u>
	<u>\$ 58,762</u>	<u>\$ 65,855</u>

TOWN OF STAVELY

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

4. INVENTORY

Land held for resale

Inventory is comprised of a parcel of land purchased by the Town in 2018 for future subdivision purposes. The land is recorded at cost which includes the original purchase price and incidental costs expended by the Town during the balance of the year. The land is recorded as a financial asset as it meets the requirements for such classification under the public sector standards.

5. TANGIBLE CAPITAL ASSETS

	NET BOOK VALUE	<u>2018</u>	<u>2017</u>
Land		\$ 971,286	\$ 963,840
Land Improvements		13,827	15,453
Buildings		1,082,349	1,101,022
Engineered Structures			
Roadway system		1,487,022	1,580,261
Water distribution system		1,986,448	1,997,345
Wastewater treatment system		205,722	215,957
Machinery, equipment and furnishings		194,625	201,846
Vehicles		<u>122,989</u>	<u>113,908</u>
		<u>\$ 6,064,268</u>	<u>\$ 6,189,632</u>

6. LONG-TERM DEBT

	<u>2018</u>	<u>2017</u>
Tax supported debentures	\$ 134,582	264,381
Bank loans - ATB Financial	<u>208,516</u>	<u>236,216</u>
	<u>\$ 343,098</u>	<u>\$ 500,597</u>
Current Portion	<u>\$ 162,282</u>	<u>\$ 157,500</u>
	<u>\$ 162,282</u>	<u>\$ 157,500</u>
	Principle	Interest
2019	\$ 162,282	\$ 10,158
2020	27,700	5,599
2021	27,700	4,656
2022	27,700	3,754
2023	27,700	2,851
Thereafter	<u>70,016</u>	<u>3,581</u>
	<u>\$ 343,098</u>	<u>\$ 30,599</u>
	<u>\$ 343,098</u>	<u>\$ 373,697</u>

Debenture debts are repayable to Alberta Municipal Financing Corporation. Both mature in 2019 with an annual interest rate of 4.65% and 3.4943%. Debenture debt is issued on the credit and security of the Town of Stavelly at large.

TOWN OF STAVELY

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

6. LONG-TERM DEBT,

ATB Financial term loan repayable annually with a principal payment of \$12,000 plus interest calculated at prime plus 0.15%. Amortization of the loan is over 25 years with a term of 10 years. The loan is issued on the credit and security of the Town of Stavely at large.

ATB Financial loan repayable annually with a principal payment of \$15,700 plus interest calculated at prime plus .25%. Amortization of the loan is over 10 years. The loan is issued on the credit and security of the Town of Stavely at large.

All ATB Financial loans are due on demand. ATB Financial has indicated however, that they will accept monthly payments on the term non revolving loans. All ATB Financial banking facilities are subject to annual review.

7. DEFERRED REVENUE

	<u>2018</u>	<u>2017</u>
Unearned income		
AB Community Partnership	\$ 25,000	\$
MSI grant capital	404,085	215,969
Federal gas tax fund	50,316	81,308
BMTG		6,816
Fire grant	800	800
	480,201	304,893
Prepaid income	1,690	3,530
	<u>\$ 481,891</u>	<u>\$ 308,423</u>

8. SALARY AND BENEFITS DISCLOSURE

Disclosure of salaries and benefits for elected municipal officials the chief administrative officer and designated officers as required by Alberta Regulation 313-2000 is as follows:

	<u>2018</u>			<u>2017</u>
	<u>Salary</u>	<u>Benefits and Allowances</u>	<u>Total</u>	<u>Total</u>
B. Johnson	\$ -	\$ -	\$ -	\$ 1,750
D. Gillespie	-	-	-	1,870
D. Norby	2,075	515	2,590	1,610
M. Varey	1,220	-	1,220	-
J. Binmore	2,895	288	3,183	3,259
D. Gugala	1,870	366	2,236	1,867
G. Hall	2,070	-	2,070	2,841
R. Perusse	-	-	-	1,800
D. James	210	31	241	675
T. Martin	1,855	-	1,855	420
R. Whittingham	2,000	16	2,016	400
C. Gillespie	59,823	11,757	71,580	73,633

TOWN OF STAVELY

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

8. SALARY AND BENEFITS DISCLOSURE, continued

- (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.
- (3) Benefits and allowance figures also include the employer's share of the costs of additional taxable benefits including special leave with pay, financial planning services, retirement services, concession loans, travel allowances, car allowances and club memberships.

9. 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 Stavely be disclosed as follows:

	<u>2018</u>	<u>2017</u>
Total debt limit	\$ 1,209,885	\$ 1,166,522
Total debt	<u>(343,098)</u>	<u>(500,597)</u>
Amount of debt limit available (exceeded).	<u>\$ 866,787</u>	<u>\$ 665,925</u>
	<u>2018</u>	<u>2017</u>
Debt servicing limit	\$ 201,649	\$ 194,420
Debt servicing	<u>(172,440)</u>	<u>(173,702)</u>
Amount of debt servicing limit available (exceeded).	<u>\$ 29,209</u>	<u>\$ 20,718</u>

The debt limit is calculated as 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 that could be at financial risk if further debt is acquired. The calculation taken alone does not represent the financial stability of the municipality. Rather, the financial statements must be interpreted as a whole.

10. EQUITY IN TANGIBLE CAPITAL ASSETS

	<u>2018</u>	<u>2017</u>
Tangible capital assets (Schedule 2)	\$12,009,412	\$11,906,186
Accumulated amortization (Schedule 2)	<u>(5,945,143)</u>	<u>(5,716,553)</u>
Net book value	6,064,269	6,189,633
Long-term debt (Note 5)	<u>(343,098)</u>	<u>(500,597)</u>
	<u>\$ 5,721,171</u>	<u>\$ 5,689,036</u>

TOWN OF STAVELY

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

11. ACCUMULATED SURPLUS

	<u>2018</u>	<u>2017</u>
Unrestricted surplus	\$ <u>666,238</u>	\$ <u>663,757</u>
Restricted surplus		
Water reserve	52,897	47,897
FCSS reserve	962	962
Joint facility reserve	95,586	211,436
Park reserve	11,067	7,067
Contingency reserve	161,901	150,212
Operating reserve	8,024	3,024
Capital reserve	33,414	5,064
Lagoon reserve	36,400	32,400
Office equipment	4,400	4,400
Fire department	1,600	1,600
Recycling	<u>22,000</u>	<u>18,000</u>
Total restricted surplus	<u>428,251</u>	<u>482,062</u>
Equity in tangible capital assets	<u>5,721,170</u>	<u>5,689,035</u>
	<u>\$ 6,815,659</u>	<u>\$ 6,834,854</u>

12. 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 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 5.525% of pensionable earnings up to the year's maximum pensionable earnings under the Canada Pension Plan and 7.4% on pensionable earnings above this amount. Employees of the Town are required to make current service contributions of 4.535% of pensionable salary up to the year's maximum pensionable salary and 6.4% on pensionable salary above this amount.

Total current service contributions by the Town to the LAPP in 2018 were \$19,706 (2017 - \$20,761). Total current service contributions by the employees of the Town to the LAPP in 2018 were \$17,824 (2017 - \$18,956).

13. CONTINGENCIES

The Town has an Alberta Business Master Card with a limit of \$8,000. The interest on an outstanding balance is calculated a prime bank rate plus 2% per annum. Security is provided for by the Town through its borrowing bylaw and a general security agreement over the assets of the Town.

TOWN OF STAVELY

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

14. FINANCIAL INSTRUMENTS

The Town's financial instruments consist of cash and temporary investments, accounts receivable, accounts payable, deposit liabilities, accrued liabilities, and long-term debt. It is management's opinion that the town is not exposed to significant interest or currency risk arising from these financial instruments.

The Town is subject to credit risk with respect to taxes and grants in place of 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 minimize the credit risk.

Unless otherwise noted, the stated of these financial instruments approximate fair value.

15. SEGMENTED DISCLOSURE

The Town of Stavely 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.

16. APPROVAL OF FINANCIAL STATEMENTS

Council and Management have approved these financial statements.

MANAGEMENT REPORT

The accompanying consolidated financial statements and other information contained in this Financial Report as of December 31, 2018 are the responsibility of the management of the Town of Stavelly.

Management has prepared these consolidated financial statements. Financial statements are not precise since they include certain amounts based on estimated and judgments. Management has determined such amounts on a reasonable basis in order to ensure that the financial statements are presented fairly, in all material respects.

The Town of Stavelly maintains systems of internal accounting and administrative controls that are designed to provide reasonable assurance that the financial information is relevant, reliable, and accurate and that the Town of Stavelly's assets are properly accounted for and adequately safeguarded.

The elected Council of the Town of Stavelly is responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the consolidated financial statements.

The Council meets regularly with management to discuss internal controls over the financial reporting process, auditing matters and financial reporting issues, and to satisfy itself that each party is properly discharging its responsibilities. The Council also approves the engagement or re-appointment of the external auditors. The Council reviews the financial reports.

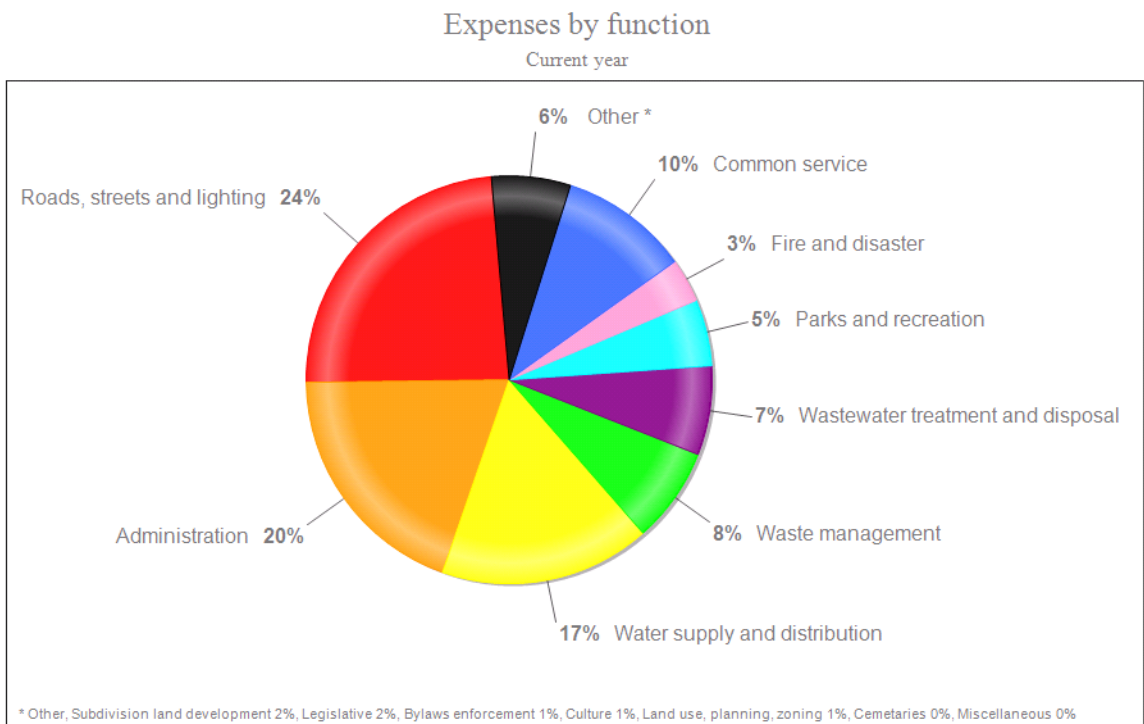
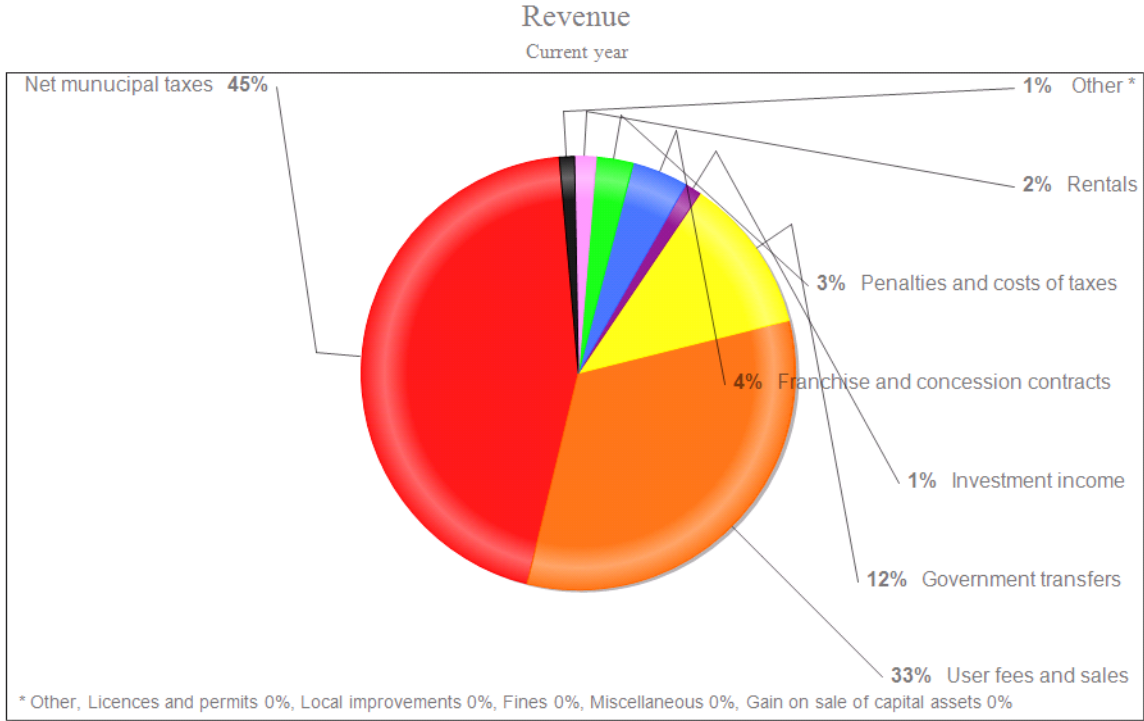
The consolidated financial statements have been audited by Scase & Partners Professional Accountants, the external auditors, in accordance with Canadian generally accepted auditing standards on behalf of Council, residents and ratepayers of the Town of Stavelly. Scase & Partners has full and free access to Council.

Mayor

Date

TOWN OF STAVELY

DECEMBER 31, 2018



TOWN OF STAVELY

DECEMBER 31, 2018

Expenses by object

Current year

