

TOWN OF STAVELY

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2019

TOWN OF STAVELY

DECEMBER 31, 2019

CONTENTS

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT	1 - 2
FINANCIAL STATEMENTS	
Consolidated Statement of Financial Position	3
Consolidated Statement of Operations	4
Consolidated Statement of Changes in Net Assets	5
Consolidated Statement of Cash Flows	6
Schedule of Accumulated Surplus	7
Schedule of Tangible Capital Assets	8
Schedule of Property Tax and Other Taxes	9
Schedule of Government Transfers	10
Schedule of Expenses by Object	11
Schedule of Segmented Disclosure	12
Notes to Financial Statements	13 - 21
Management Report	22
Revenue and expense graphing	23- 24



SCASE & PARTNER

CHARTERED 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, 2019 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, 2019, 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 Town'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 Town or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Town's 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 Town'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 Town'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 Town 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 Town'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 24, 2020
Calgary, Alberta



Chartered Professional Accountants

TOWN OF STAVELY

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2019

	2019	2018
FINANCIAL ASSETS		
Cash and temporary investments (Note 2)	\$ 1,106,773	\$ 1,235,816
Receivables:		
Taxes and grants in lieu receivable (Note 3)	77,133	58,762
Trade and other receivables	47,463	34,595
Due from other governments	196,532	49,575
Land held for resale (Note 4)	264,972	262,972
	<u>1,692,873</u>	<u>1,641,720</u>
LIABILITIES		
Accounts payable and accrued liabilities	101,935	66,019
Deferred revenue (Note 7)	623,280	481,891
Long term debt (Note 6)	180,816	343,098
	<u>906,031</u>	<u>891,008</u>
NET FINANCIAL ASSETS	<u>786,842</u>	<u>750,712</u>
NON-FINANCIAL ASSETS		
Tangible capital assets Schedule 2, (Note 5)	5,992,370	6,064,268
Prepaid expenses	-	680
	<u>5,992,370</u>	<u>6,064,948</u>
ACCUMULATED SURPLUS Schedule 1, (Note 11)	<u>\$ 6,779,212</u>	<u>\$ 6,815,660</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, 2019

	BUDGET	2019	2018
	(Unaudited)		
REVENUE			
Net municipal taxes (Schedule 3)	\$ 365,513	\$ 363,194	\$ 361,189
User fees and sales	255,700	259,418	262,947
Government transfers (Schedule 4)	93,448	96,216	93,646
Investment income	5,000	19,798	10,070
Franchise and concession contracts	35,500	35,252	33,897
Penalties and costs of taxes	19,000	19,294	21,950
Rentals	13,100	12,600	13,067
Licences and permits	2,300	2,395	2,228
Fines	2,500	2,694	2,342
Other revenue	-	-	2,784
Net gain on sale of capital assets	-	-	1,754
	792,061	810,861	805,874
EXPENSES			
Roads, streets, walks, lighting	217,949	212,315	220,510
Administration	189,853	259,151	180,699
Water supply and distribution	168,342	148,415	154,967
Family and community support	67,243	72,977	57,112
Waste management	68,521	72,402	69,772
Wastewater treatment and disposal	43,745	42,927	65,341
Parks and recreation	54,731	53,788	49,037
Fire and disaster	32,179	34,384	31,200
Subdivision land development	11,556	10,299	14,759
Common service	97,864	99,210	95,409
Legislative	16,750	16,083	15,265
Bylaws enforcement	7,430	6,285	6,924
Culture	10,411	10,411	10,035
Land use, planning, zoning and development	13,016	8,241	8,094
Other general government	3,039	2,889	2,964
Cemeteries	750	750	750
	1,003,379	1,050,527	982,838
EXCESS (SHORTFALL) OF REVENUE OVER EXPENSES - BEFORE OTHER			
	(211,318)	(239,666)	(176,964)
Government transfers for capital (Schedule 4)		203,218	157,770
EXCESS (SHORTFALL) OF REVENUE OVER EXPENSES			
	\$ <u>(211,318)</u>	(36,448)	(19,194)
ACCUMULATED SURPLUS, beginning of year		6,815,660	6,834,854
ACCUMULATED SURPLUS, end of year		\$ 6,779,212	\$ 6,815,660

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, 2019

	BUDGET (Unaudited)	2019	2018
EXCESS (SHORTFALL) OF REVENUES OVER EXPENSES	\$ (211,318)	\$ (36,448)	\$ (19,194)
Acquisition of tangible capital assets	(263,868)	(189,144)	(156,434)
Proceeds on disposal of tangible capital assets	-	-	22,800
Amortization of tangible capital assets	260,751	261,044	260,751
(Gain) loss on sale of tangible capital assets	-	-	(1,754)
	(3,117)	71,900	125,363
Acquisition of prepaid assets	-	-	(680)
Use of prepaid assets	-	680	3,915
	-	680	3,235
DECREASE (INCREASE) IN NET DEBT	<u>\$ (214,435)</u>	36,132	109,404
NET FINANCIAL ASSETS, beginning of year		750,711	641,307
NET FINANCIAL ASSETS, end of year		\$ 786,843	\$ 750,711

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, 2019

	2019	2018
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING		
Excess (shortfall) of revenues over expenses	\$ (36,448)	\$ (19,194)
Non-cash items included in excess (shortfall) of revenues over expenses:		
Amortization	261,044	260,751
(Gain) loss on disposal of tangible capital assets	-	(1,754)
Non-cash charges to operations (net change):		
Decrease (increase) in taxes and grants in place receivable	(18,371)	7,093
Decrease (increase) in trade and other receivables	(161,938)	21,737
Decrease (increase) in due from other governments	2,112	(3,713)
Decrease (increase) in land held for resale	(2,000)	-
Decrease (increase) in prepaid expenses	680	3,236
Increase (decrease) in accounts payable and accrued liabilities	35,915	(9,652)
Increase (decrease) in deferred revenue	141,389	173,468
CASH PROVIDED BY OPERATING TRANSACTIONS	222,383	431,972
CAPITAL		
Acquisition of tangible capital assets	(189,144)	(156,434)
Sale of tangible capital assets	-	22,800
CASH APPLIED TO CAPITAL TRANSACTIONS	(189,144)	(133,634)
FINANCING		
Long-term debt repaid	(162,282)	(157,500)
CASH APPLIED TO FINANCING TRANSACTIONS	(162,282)	(157,500)
CHANGE IN CASH AND CASH EQUIVALENTS	(129,043)	140,838
CASH AND CASH EQUIVALENTS, beginning of year	1,235,816	1,094,978
CASH AND CASH EQUIVALENTS, end of year	\$ 1,106,773	\$ 1,235,816
CASH AND CASH EQUIVALENTS IS REPRESENTED BY:		
Cash and temporary investments (Note 2)	<u>\$ 1,106,773</u>	<u>\$ 1,235,816</u>
INTEREST EARNED ON INVESTMENTS	<u>\$ 19,798</u>	<u>\$ 10,070</u>
INTEREST PAID ON LONG-TERM DEBT	<u>\$ 10,902</u>	<u>\$ 16,187</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, 2019

SCHEDULE 1

	Unrestricted Surplus	Restricted Surplus	Equity in Tangible Capital Assets	2019	2018
BALANCE , beginning of year	\$ 666,240	\$ 428,250	\$ 5,721,170	\$ 6,815,660	\$ 6,834,854
(Deficiency) excess of revenues over expenses	(36,448)	-	-	(36,448)	(19,194)
Restricted funds used for operations	30,000	(30,000)	-	-	-
Current year funds used for tangible capital assets	(189,144)	-	189,144	-	-
Annual amortization expense	261,044	-	(261,044)	-	-
Long term debt (decrease) increase	(162,282)	-	162,282	-	-
Change in accumulated surplus	(96,830)	(30,000)	90,382	(36,448)	(19,194)
BALANCE , end of year	\$ 569,410	\$ 398,250	\$ 5,811,554	\$ 6,779,212	\$ 6,815,660

TOWN OF STAVELY

SCHEDULE OF TANGIBLE CAPITAL ASSETS FOR THE YEAR ENDED DECEMBER 31, 2019

SCHEDULE 2

ENGINEERED STRUCTURES

	LAND	LAND IMPROVEMENT	BUILDINGS	ROADS AND STREETS	WATER SYSTEM	WASTE SYSTEM	MACHINERY AND EQUIPMENT	VEHICLES	2019	2018
COST:										
BALANCE, beginning of year	\$ 971,286	\$ 44,705	\$ 1,477,803	\$ 4,737,003	\$ 3,447,880	\$ 799,681	\$ 315,627	\$ 215,427	\$ 12,009,412	\$ 11,906,186
Acquisition of tangible capital assets	-	-	-	60,858	30,000	7,614	90,672	-	189,144	156,434
Construction -in-progress	-	-	-	-	-	-	-	-	-	-
Disposal of tangible capital assets	-	-	-	-	-	-	-	-	-	(53,208)
Write-down of tangible assets	-	-	-	-	-	-	-	-	-	-
BALANCE, end of year	<u>971,286</u>	<u>44,705</u>	<u>1,477,803</u>	<u>4,797,861</u>	<u>3,477,880</u>	<u>807,295</u>	<u>406,299</u>	<u>215,427</u>	<u>12,198,556</u>	<u>12,009,412</u>
ACCUMULATED AMORTIZATION:										
BALANCE, beginning of year	-	30,878	395,454	3,249,980	1,461,432	593,959	121,002	92,438	5,945,143	5,716,553
Annual amortization	-	1,627	18,541	136,855	59,420	10,319	19,687	14,594	261,043	260,751
Accum amortization on disposals	-	-	-	-	-	-	-	-	-	(32,162)
BALANCE, end of year	<u>-</u>	<u>32,505</u>	<u>413,995</u>	<u>3,386,835</u>	<u>1,520,852</u>	<u>604,278</u>	<u>140,689</u>	<u>107,032</u>	<u>6,206,186</u>	<u>5,945,142</u>
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	<u>\$ 971,286</u>	<u>\$ 12,200</u>	<u>\$ 1,063,808</u>	<u>\$ 1,411,026</u>	<u>\$ 1,957,028</u>	<u>\$ 203,017</u>	<u>\$ 265,610</u>	<u>\$ 108,395</u>	<u>\$ 5,992,370</u>	<u>\$ 6,064,270</u>
2018 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>	

TOWN OF STAVELY

SCHEDULE OF PROPERTY AND OTHER TAXES FOR THE YEAR ENDED DECEMBER 31, 2019

SCHEDULE 3

	BUDGET (Unaudited)	2019	2018
TAXATION			
Real property taxes	\$ 534,426	\$ 520,469	\$ 456,864
Linear property taxes	-	7,770	11,259
Business taxes	-	5,014	61,946
	534,426	533,253	530,069
REQUISITIONS			
Alberta School Foundation Fund	153,308	154,454	153,230
Seniors Lodge	15,605	15,605	15,650
	168,913	170,059	168,880
NET MUNICIPAL TAXES	\$ 365,513	\$ 363,194	\$ 361,189

TOWN OF STAVELY

SCHEDULE OF GOVERNMENT TRANSFERS FOR THE YEAR ENDED DECEMBER 31, 2019

SCHEDULE 4

	BUDGET (Unaudited)	2019	2018
TRANSFERS FOR OPERATING:			
Provincial Government	\$ 88,448	\$ 91,216	\$ 88,646
Other Local Governments	5,000	5,000	5,000
	<u>93,448</u>	<u>96,216</u>	<u>93,646</u>
TRANSFERS FOR CAPITAL:			
Provincial Government (Comment)	-	203,218	157,770
	<u>-</u>	<u>203,218</u>	<u>157,770</u>
TOTAL GOVERNMENT TRANSFERS	\$ 93,448	299,434	251,416

Comment:

\$12,500 Fuel Tax Grant was approved for spending on an asset assessment program.

TOWN OF STAVELY

SCHEDULE OF EXPENSES BY OBJECT FOR THE YEAR ENDED DECEMBER 31, 2019

SCHEDULE 5

	BUDGET (Unaudited)	2019	2018
CONSOLIDATED EXPENDITURES BY OBJECT			
Salaries, wages and benefits	\$ 333,470	\$ 329,877	\$ 318,175
Amortization of tangible capital assets	260,751	261,044	260,751
Materials, goods and utilities	171,966	175,442	164,050
Contracted and general services	169,184	216,455	168,674
Interest on long-term debt	12,197	10,902	16,187
Transfers to local boards and agencies	37,661	38,661	37,285
Purchases from other governments	17,500	17,536	17,003
Bank charges and short-term interest	650	611	713
	\$ 1,003,379	1,050,527	\$ 982,838

TOWN OF STAVELY

SCHEDULE OF SEGMENTED DISCLOSURE

STATEMENT OF OPERATIONS

FOR THE YEAR ENDED DECEMBER 31, 2019

SCHEDULE 6

	General Government	Protective Services	Transportation Services	Planning and Development	Recreation and Culture	Environmental Services	Other	Total
REVENUE								
Net municipal taxes	\$ 363,194	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 363,194
Government transfers	91,216	-	74,435	-	-	133,783	-	299,434
User fees and sales of goods	17,245	2,285	-	2,070	3,197	234,621	-	259,418
Investment income	19,798	-	-	-	-	-	-	19,798
Other revenues	68,012	-	2,304	-	-	1,920	-	72,236
	559,465	2,285	76,739	2,070	3,197	370,324	-	1,014,080
EXPENSES								
Contract & general services	138,131	22,058	19,698	-	1,110	38,499	-	219,496
Salaries and wages	168,593	85	59,915	-	26,281	75,002	-	329,876
Goods and supplies	25,475	836	81,030	8,241	10,618	49,240	-	175,440
Transfers to local boards	17,000	-	-	-	20,911	-	750	38,661
Long-term debt interest	-	1,865	-	8,434	-	604	-	10,903
Other expenses	613	-	-	-	-	17,536	-	18,149
	349,812	24,844	160,643	16,675	58,920	180,881	750	792,525
NET REVENUE BEFORE AMORTIZATION	209,653	(22,559)	(83,904)	(14,605)	(55,723)	189,443	(750)	221,555
Amortization	1,268	20,751	150,881	-	5,279	82,864	-	261,043
NET REVENUE	\$ 208,385	\$ (43,310)	\$ (234,785)	\$ (14,605)	\$ (61,002)	\$ 106,579	\$ (750)	\$ (39,488)

TOWN OF STAVELY

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019

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, 2019

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, 2019

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, 2019

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>2019</u>	<u>2018</u>
Cash	\$ 718,208	\$ 753,617
Temporary investments	<u>388,565</u>	<u>482,199</u>
	1,106,773	1,235,816
Less restricted Restricted funds for other than current use	<u>(834,293)</u>	<u>(885,141)</u>
Unrestricted cash	<u>\$ 272,480</u>	<u>\$ 350,675</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>2019</u>	<u>2018</u>
Current taxes and grants in place of taxes	\$ 54,780	\$ 50,579
Arrears taxes	<u>22,353</u>	<u>8,183</u>
	77,133	58,762
Less: allowance for doubtful accounts	<u>-</u>	<u>-</u>
	<u>\$ 77,133</u>	<u>\$ 58,762</u>

TOWN OF STAVELY

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019

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>2019</u>	<u>2018</u>
Land		\$ 971,286	\$ 971,286
Land Improvements		12,200	13,827
Buildings		1,063,809	1,082,349
Engineered Structures			
Roadway system		1,411,026	1,487,022
Water distribution system		1,957,028	1,986,448
Wastewater treatment system		203,017	205,722
Machinery, equipment and furnishings		265,610	194,625
Vehicles		<u>108,394</u>	<u>122,989</u>
		<u>\$ 5,992,370</u>	<u>\$ 6,064,268</u>

6. LONG-TERM DEBT

	<u>2019</u>	<u>2018</u>
Tax supported debentures	\$	134,582
Bank loans - ATB Financial	<u>180,816</u>	<u>208,516</u>
	<u>\$ 180,816</u>	<u>\$ 343,098</u>
Current Portion	<u>27,700</u>	<u>162,282</u>
	<u>\$ 27,700</u>	<u>\$ 162,282</u>
	<u>Principle</u>	<u>Interest</u>
2020	\$ 27,700	\$ 5,919
2021	27,700	5,212
2022	27,700	4,482
2023	27,700	3,728
2024	27,700	2,950
Thereafter	<u>42,316</u>	<u>2,694</u>
	<u>\$ 180,816</u>	<u>\$ 24,985</u>
	<u>\$ 205,801</u>	<u>\$ 205,801</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 Stavely at large.

TOWN OF STAVELY

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019

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>2019</u>	<u>2018</u>
Unearned income		
AB Community Partnership	\$ 42,960	\$
MSI grant capital	449,775	404,086
Federal gas tax fund	76,395	50,315
Other	25,000	25,000
Fire grant	800	800
	594,930	480,201
Prepaid income	28,350	1,690
	<u>\$ 623,280</u>	<u>\$ 481,891</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>2019</u>			<u>2018</u>
	<u>Salary</u>	<u>Benefits and Allowances</u>	<u>Total</u>	<u>Total</u>
<u>Councillors</u>				
D. Norby	2,395	235	2,630	2,590
M. Varey	1,695	17	1,712	1,220
J. Binmore	2,735	215	2,950	3,183
D. Gugala	2,065	726	2,791	2,236
G. Hall	2,280	32	2,312	2,070
R. Perusse	-	-	-	1,800
D. James	210	31	241	675
T. Martin	1,600	-	1,600	1,855
R. Whittingham	2,090	-	2,090	2,016

TOWN OF STAVELY

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019

8. SALARY AND BENEFITS DISCLOSURE, continued

Chief Administration Officer(s)

C. Gillespie	5,741	-	5,741	71,580
S. Fath	17,701	-	17,701	-
C Greig	38,017	-	38,017	-

- (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>2019</u>	<u>2018</u>
Total debt limit	\$ 1,235,043	\$ 1,209,885
Total debt	<u>(180,816)</u>	<u>(343,098)</u>
Amount of debt limit available (exceeded).	<u>\$ 1,054,227</u>	<u>\$ 866,787</u>

	<u>2019</u>	<u>2018</u>
Debt servicing limit	\$ 205,841	\$ 201,648
Debt servicing	<u>(33,619)</u>	<u>(172,440)</u>
Amount of debt servicing limit available (exceeded).	<u>\$ 172,222</u>	<u>\$ 29,208</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.

TOWN OF STAVELY

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019

10. EQUITY IN TANGIBLE CAPITAL ASSETS

	<u>2019</u>	<u>2018</u>
Tangible capital assets (Schedule 2)	\$12,198,556	\$12,009,412
Accumulated amortization (Schedule 2)	<u>(6,206,186)</u>	<u>(5,945,142)</u>
Net book value	5,992,370	6,064,270
Long-term debt (Note 5)	<u>(180,816)</u>	<u>(343,098)</u>
	<u>\$ 5,811,554</u>	<u>\$ 5,721,172</u>

11. ACCUMULATED SURPLUS

	<u>2019</u>	<u>2018</u>
Unrestricted surplus	\$ <u>569,410</u>	\$ <u>666,240</u>
Restricted surplus		
Water reserve	22,897	52,897
FCSS reserve	962	962
Joint facility reserve	95,586	95,586
Park reserve	11,067	11,067
Contingency reserve	161,901	161,901
Operating reserve	8,024	8,024
Capital reserve	33,414	33,414
Lagoon reserve	36,400	36,400
Office equipment	4,400	4,400
Fire department	1,600	1,600
Recycling	<u>22,000</u>	<u>22,000</u>
Total restricted surplus	<u>398,251</u>	<u>428,251</u>
Equity in tangible capital assets	<u>5,811,554</u>	<u>5,721,170</u>
	<u>\$ 6,779,215</u>	<u>\$ 6,815,661</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 2019 were \$16,772 (2018 - \$19,706). Total current service contributions by the employees of the Town to the LAPP in 2019 were \$15,012 (2018 - \$17,824).

TOWN OF STAVELY

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019

13. COMMITMENTS

The Town purchased new financial inhouse operating software. The cost of the software, annual support and ongoing training as necessary has been termed out over a three year period beginning September 2019 and ending August 2022.

The commitment of this costs is as follows:

2020	\$	15,428
2021	\$	15,428
2022	\$	10,285

14. 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.

15. 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 there 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.

16. 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.

17. 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, 2019 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.

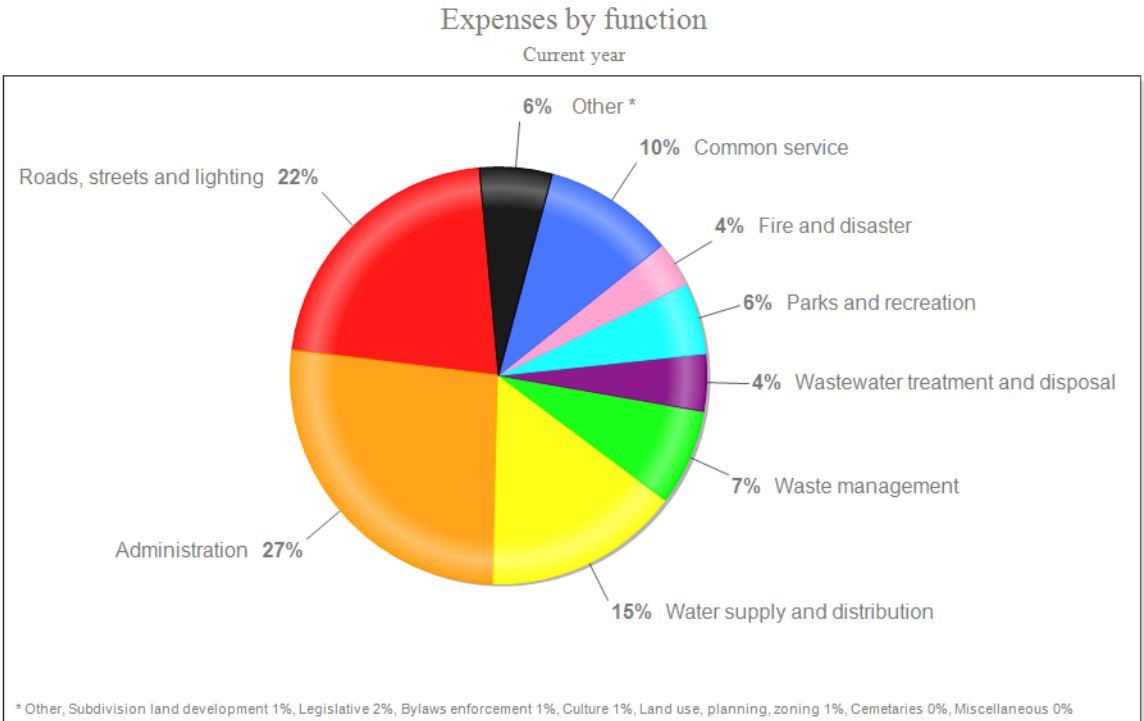
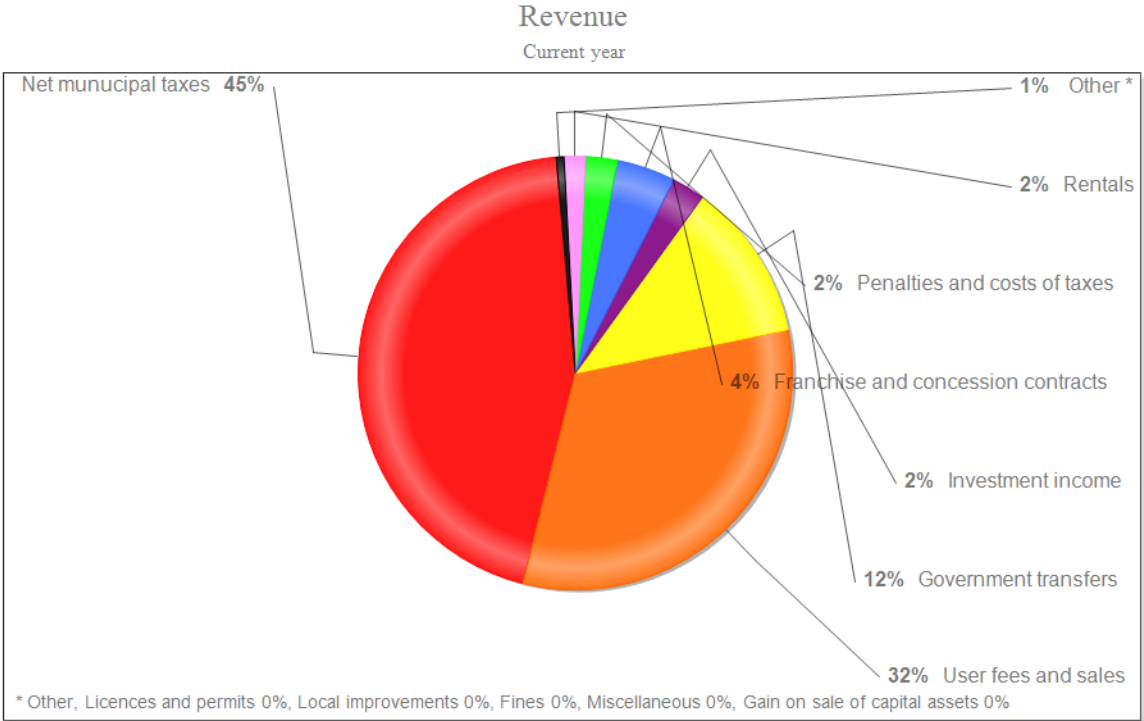
The consolidated financial statements have been audited by Scase & Partner Chartered Professional Accountants, the external auditors, in accordance with Canadian generally accepted auditing standards on behalf of Council, residents and ratepayers of the Town of Stavelly. Scase & Partners has full and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

Mayor

Date

TOWN OF STAVELY

DECEMBER 31, 2019



TOWN OF STAVELY

DECEMBER 31, 2019

Expenses by object

