

TOWN OF SYLVAN LAKE



Consolidated Financial Statements Year Ended
December 31, 2019



RSM Alberta LLP

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INDEPENDENT AUDITOR'S REPORT

To the Members of Council of Town of Sylvan Lake

Opinion

We have audited the accompanying consolidated financial statements of the Town of Sylvan Lake, which comprises of the consolidated statement of financial position as at December 31, 2019 and the consolidated statements of operations and accumulated surplus, changes in net financial (debt) and cash flows for the year then ended and the notes to the financial statements including a summary of significant accounting policies.

In our opinion, these consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Town of Sylvan Lake as at December 31, 2019, the results of its operations, changes in its net financial (debt) 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 Consolidated Financial Statements* section of our report. We are independent of the Town in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance 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.

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 Responsibilities for the Audit of the Consolidated 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

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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.

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

RSM Alberta LLP

Red Deer County, Alberta
June 23, 2020

Chartered Professional Accountants

TOWN OF SYLVAN LAKE

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December 31, 2019

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TOWN OF SYLVAN LAKE
Consolidated Statement of Financial Position
As at December 31, 2019

| | 2019 | 2018 |
|--|-----------------------|-----------------------|
| FINANCIAL ASSETS | | |
| Cash and cash equivalents <i>(Note 2)</i> | \$ 29,010,845 | \$ 20,284,599 |
| Receivables | | |
| Taxes and grants in place of taxes <i>(Note 3)</i> | 842,387 | 1,100,142 |
| Trade and other receivables, net | 3,872,669 | 3,276,076 |
| | <u>33,725,901</u> | <u>24,660,817</u> |
| LIABILITIES | | |
| Accounts payable and accrued liabilities | 6,379,469 | 3,418,191 |
| Deposit liabilities | 809,215 | 783,082 |
| Deferred revenue <i>(Note 4)</i> | 478,236 | 537,162 |
| Asset retirement obligation <i>(Note 5)</i> | 4,298,000 | - |
| Long-term debt <i>(Note 6)</i> | 31,938,021 | 26,382,330 |
| | <u>43,902,941</u> | <u>31,120,765</u> |
| NET FINANCIAL DEBT | <u>(10,177,040)</u> | <u>(6,459,948)</u> |
| CONTINGENT LIABILITIES <i>(Note 15)</i> | | |
| COMMITMENTS AND CONTRACTUAL RIGHTS <i>(Note 16)</i> | | |
| NON-FINANCIAL ASSETS | | |
| Tangible capital assets <i>(Schedule 2)</i> | 208,910,957 | 202,376,941 |
| Inventory for consumption | 510,815 | 392,095 |
| Prepaid expenses | 1,368,448 | 247,576 |
| | <u>210,790,220</u> | <u>203,016,612</u> |
| ACCUMULATED SURPLUS <i>(Schedule 1, Note 7)</i> | <u>\$ 200,613,180</u> | <u>\$ 196,556,664</u> |

Approved by Council:


 _____ Mayor


 _____ Chief Administrative Officer

See accompanying schedules and notes.

TOWN OF SYLVAN LAKE
Consolidated Statement of Operations
For the Year Ended December 31, 2019

| | Budget (Unaudited) | 2019 | 2018 |
|---|-----------------------|-----------------------|-----------------------|
| REVENUE | | | |
| Net municipal taxes (<i>Schedule 3</i>) | \$ 16,914,681 | \$ 16,927,005 | \$ 16,415,136 |
| User fees and sales of goods | 13,092,884 | 13,218,155 | 13,179,455 |
| Government transfers for operating (<i>Schedule 4</i>) | 1,891,604 | 2,939,723 | 3,030,681 |
| Franchise and concession contracts | 2,240,000 | 2,379,068 | 1,709,421 |
| Rentals and other | 990,500 | 1,308,902 | 1,161,957 |
| Licenses and permits | 464,000 | 560,586 | 456,887 |
| Investment income | 180,000 | 553,493 | 347,123 |
| Fines and costs | 254,650 | 352,522 | 310,338 |
| Penalties and cost of taxes | 307,551 | 342,249 | 395,747 |
| Development levies | - | 57,623 | 1,278,656 |
| | 36,335,870 | 38,639,326 | 38,285,401 |
| EXPENSES | | | |
| Amortization of tangible capital assets | 7,602,000 | 8,097,722 | 8,095,626 |
| Recreation, parks and culture | 7,647,759 | 7,292,493 | 6,756,175 |
| Protective services | 4,838,730 | 4,845,642 | 4,477,148 |
| Roads, streets, walks and lighting | 3,917,512 | 4,810,304 | 4,875,843 |
| Administration | 3,683,131 | 3,497,729 | 3,216,982 |
| Wastewater treatment and disposal | 5,239,614 | 6,982,838 | 1,814,369 |
| Solid waste management | 1,393,520 | 1,441,631 | 1,675,723 |
| Family and community support services | 1,689,745 | 1,730,886 | 1,654,711 |
| Water supply and distribution | 2,374,627 | 2,086,414 | 1,571,280 |
| Planning and development | 1,426,836 | 1,222,232 | 1,160,709 |
| Legislative | 457,809 | 444,438 | 386,374 |
| | 40,271,283 | 42,452,329 | 35,684,940 |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES - BEFORE OTHER OTHER | (3,935,413) | (3,813,003) | 2,600,461 |
| Government transfers for capital (<i>Schedule 4</i>) | - | 5,734,265 | 3,236,273 |
| Contributed tangible capital assets | - | 2,097,410 | 3,280,240 |
| Gain on disposal of tangible capital assets | - | 37,844 | 26,594 |
| EXCESS OF REVENUE OVER EXPENSES ACCUMULATED SURPLUS, BEGINNING OF YEAR | (3,935,413) | 4,056,516 | 9,143,568 |
| | 196,556,664 | 196,556,664 | 187,413,096 |
| ACCUMULATED SURPLUS, END OF YEAR | \$ 192,621,251 | \$ 200,613,180 | \$ 196,556,664 |

See accompanying schedules and notes.

TOWN OF SYLVAN LAKE
Consolidated Statement of Changes in Net Financial Debt
For the Year Ended December 31, 2019

| | Budget (unaudited) | 2019 | 2018 |
|---|-----------------------|---------------------------|------------------|
| EXCESS OF REVENUE OVER EXPENSES | \$ (3,935,413) | \$ 4,056,516 | \$ 9,143,568 |
| Acquisition of tangible capital assets | (35,856,250) | (12,695,960) | (3,020,676) |
| Contributed assets | - | (2,097,410) | (3,280,240) |
| Assets held for sale | - | - | (558,096) |
| Proceeds on disposal of tangible capital assets | - | 199,476 | 167,543 |
| Amortization of tangible capital assets | 7,602,000 | 8,097,722 | 8,095,626 |
| Gain on disposal of tangible assets | - | (37,844) | (26,594) |
| | <u>(28,254,250)</u> | <u>(6,534,016)</u> | <u>1,377,563</u> |
| Acquisition of supplies inventory | - | (118,720) | (49,856) |
| Increase in prepaid assets | - | (1,120,872) | (9,645) |
| | <u>-</u> | <u>(1,239,592)</u> | <u>(59,501)</u> |
| CHANGE IN NET FINANCIAL DEBT | (32,189,663) | (3,717,092) | 10,461,630 |
| NET FINANCIAL DEBT, BEGINNING OF YEAR | - | (6,459,948) | (16,921,578) |
| NET FINANCIAL DEBT, END OF YEAR | \$ (32,189,663) | \$ (10,177,040) | \$ (6,459,948) |

See accompanying schedules and notes.

TOWN OF SYLVAN LAKE
Consolidated Statement of Cash Flow
For the Year Ended December 31, 2019

| | 2019 | 2018 |
|---|-----------------------------|-----------------------------|
| NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES: | | |
| OPERATING | | |
| Excess of revenue over expenses | \$ 4,056,516 | \$ 9,143,568 |
| Non-cash items included in excess of revenue over expenses: | | |
| Amortization of tangible capital assets | 8,097,722 | 8,095,626 |
| Gain on disposal of tangible capital assets | (37,844) | (26,594) |
| Tangible capital assets received as contributions | (2,097,410) | (3,280,240) |
| Tangible capital assets included in accounts payable | (1,261,645) | (205,335) |
| Non-cash charges to operations (net change): | | |
| Increase in taxes and accounts receivable | (338,838) | 185,355 |
| Increase in inventory for consumption | (118,720) | (49,856) |
| Increase in prepaid expenses | (1,120,874) | (9,645) |
| Increase in accounts payable and accrued liabilities | 3,166,615 | 141,214 |
| Increase (decrease) in deferred revenue | (58,926) | 27,308 |
| Increase (decrease) in deposit liabilities | 26,133 | (182,129) |
| Increase in asset retirement obligation | 4,289,000 | - |
| Cash provided by operating transactions | <u>14,601,729</u> | <u>13,839,272</u> |
| CAPITAL | | |
| Acquisition of tangible capital assets | (12,695,960) | (3,020,676) |
| Increase (decrease) in tangible capital assets included in accounts payable | 1,056,310 | (861,185) |
| Proceeds on disposal of tangible capital assets | <u>199,476</u> | <u>167,543</u> |
| Cash applied to capital transactions | <u>(11,440,174)</u> | <u>(3,714,318)</u> |
| FINANCING | | |
| Long-term debt repaid | (1,426,309) | (1,411,756) |
| Proceeds from long-term financing | <u>6,982,000</u> | <u>-</u> |
| Cash provided by financing transactions | <u>5,555,691</u> | <u>(1,411,756)</u> |
| INCREASE IN CASH AND EQUIVALENTS DURING THE YEAR | 8,717,246 | 8,713,198 |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR | <u>20,284,599</u> | <u>11,571,401</u> |
| CASH AND CASH EQUIVALENTS AT END OF YEAR | <u>\$ 29,001,845</u> | <u>\$ 20,284,599</u> |

Included in excess of revenue over expenses is \$553,493 (2018- \$347,123) interest received and \$891,956 (2018 - \$928,928) interest paid.

See accompanying schedules and notes.

TOWN OF SYLVAN LAKE
Consolidated 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 | \$ 4,246,257 | \$ 17,079,227 | \$ 175,231,180 | \$ 196,556,664 | \$ 187,413,096 |
| Excess of revenues over expenses | 4,056,516 | - | - | 4,056,516 | 9,143,568 |
| Unrestricted funds designated for future use | (10,974,799) | 10,974,799 | - | - | - |
| Restricted funds used for operations | 5,625,848 | (5,625,848) | - | - | - |
| Restricted funds used for tangible capital assets | - | (10,032,705) | 10,032,705 | - | - |
| Current year funds used for tangible capital assets | (1,445,312) | - | 1,445,312 | - | - |
| Contributed tangible capital assets | (2,097,410) | - | 2,097,410 | - | - |
| Reclassification of assets held for sale | (558,097) | - | 558,097 | - | - |
| Proceeds of long term debt | 6,982,000 | - | (6,982,000) | - | - |
| Annual amortization expense | 8,097,722 | - | (8,097,722) | - | - |
| Long-term debt repaid | (1,426,309) | - | 1,426,309 | - | - |
| Change in accumulated surplus | 8,260,159 | (4,683,754) | 480,111 | 4,056,516 | 9,143,568 |
| BALANCE, END OF YEAR | \$ 12,506,416 | \$ 12,395,473 | \$ 175,711,291 | \$ 200,613,180 | \$ 196,556,664 |

TOWN OF SYLVAN LAKE
Consolidated Schedule of Tangible Capital Assets
For the Year Ended December 31, 2019

(Schedule 2)

| | Land | Land Improvements | Buildings | Engineered Structures | Machinery & Equipment | Vehicles | 2019 | 2018 |
|--|---------------------|----------------------|---------------------|--------------------------|-----------------------------|--------------------|----------------------|----------------------|
| COST: | | | | | | | | |
| BALANCE, BEGINNING OF YEAR | \$15,976,743 | \$ 16,914,538 | \$75,178,104 | \$162,105,660 | \$ 4,759,707 | \$6,403,230 | \$281,337,982 | \$275,465,331 |
| Acquisition of tangible capital assets | 59,836 | 465,801 | 370,103 | 5,245,372 | 1,295,293 | 231,327 | 7,667,732 | 7,462,943 |
| Assets under construction - prior year | - | (136,735) | (67,790) | (1,249,438) | - | - | (1,453,963) | (2,615,990) |
| Assets under construction - current year | - | 620,545 | 191,314 | 7,758,788 | 8,954 | - | 8,579,601 | 1,453,963 |
| Disposal of tangible capital assets | - | - | - | (10,053) | (362,525) | (118,200) | (490,778) | (428,267) |
| BALANCE, END OF YEAR | 16,036,579 | 17,864,149 | 75,671,731 | 173,850,329 | 5,701,429 | 6,516,357 | 295,640,574 | 281,337,980 |
| ACCUMULATED AMORTIZATION: | | | | | | | | |
| BALANCE, BEGINNING OF YEAR | - | 4,630,547 | 7,896,539 | 59,683,566 | 2,503,068 | 4,247,319 | 78,961,039 | 71,152,731 |
| Annual amortization | - | 860,769 | 1,460,937 | 4,541,578 | 555,669 | 678,769 | 8,097,722 | 8,095,626 |
| Accumulated amortization of disposals | - | - | - | (6,245) | (208,145) | (114,754) | (329,144) | (287,318) |
| BALANCE, END OF YEAR | - | 5,491,316 | 9,357,476 | 64,218,899 | 2,850,592 | 4,811,334 | 86,729,617 | 78,961,039 |
| NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS | \$16,036,579 | \$ 12,372,833 | \$66,314,255 | \$109,631,430 | \$ 2,850,837 | \$1,705,023 | \$208,910,957 | \$202,376,941 |
| 2018 NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS | \$15,971,436 | \$ 12,283,991 | \$66,728,774 | \$102,422,094 | \$ 2,256,639 | \$2,155,911 | \$202,376,941 | |

The Town has title to land which has been transferred by other Governments. This land is not recorded in the financial statements.

TOWN OF SYLVAN LAKE
Consolidated Schedule of Property and Other Taxes
For the Year Ended December 31, 2019

(Schedule 3)

| | Budget (unaudited) | 2019 | 2018 |
|--|-----------------------|----------------------|----------------------|
| TAXATION | | | |
| Real property taxes | \$ 23,810,851 | \$ 23,545,880 | \$ 22,953,659 |
| Linear property taxes | 225,103 | 333,881 | 319,229 |
| Government grants in place of property taxes | 3,719 | 5,364 | 5,183 |
| | <u>24,039,673</u> | <u>23,885,125</u> | <u>23,278,071</u> |
| REQUISITIONS | | | |
| Alberta School Foundation Fund | 6,269,991 | 6,115,247 | 6,051,986 |
| Red Deer Catholic Regional Division No. 39 | 555,001 | 541,012 | 565,047 |
| Sylvan Lake Lodge | 300,000 | 300,000 | 245,124 |
| Designated Industrial Property | - | 1,861 | 778 |
| | <u>7,124,992</u> | <u>6,958,120</u> | <u>6,862,935</u> |
| NET MUNICIPAL TAXES | <u>\$ 16,914,681</u> | <u>\$ 16,927,005</u> | <u>\$ 16,415,136</u> |

TOWN OF SYLVAN LAKE
Schedule of Government Transfers
December 31, 2019

(Schedule 4)

| | Budget (unaudited) | 2019 | 2018 |
|-----------------------------------|-----------------------|---------------------|---------------------|
| TRANSFERS FOR OPERATING: | | | |
| Provincial Government | \$ 1,282,307 | \$ 2,440,957 | \$ 2,579,609 |
| Other Local Governments | 609,297 | 498,766 | 451,072 |
| | <u>1,891,604</u> | <u>2,939,723</u> | <u>3,030,681</u> |
| TRANSFERS FOR CAPITAL: | | | |
| Provincial Government | - | 5,617,723 | 3,119,368 |
| Other Local Governments | - | 116,542 | 116,905 |
| | <u>-</u> | <u>5,734,265</u> | <u>3,236,273</u> |
| TOTAL GOVERNMENT TRANSFERS | <u>\$ 1,891,604</u> | <u>\$ 8,673,988</u> | <u>\$ 6,266,954</u> |

TOWN OF SYLVAN LAKE
Consolidated Schedule of Expenses by Object
December 31, 2019

(Schedule 5)

| | Budget (unaudited) | 2019 | 2018 |
|--|-----------------------|-----------------------------|----------------------|
| EXPENDITURES | | | |
| Salaries, wages and benefits | \$ 13,551,624 | \$ 13,703,787 | \$ 12,434,528 |
| Contracted and general services | 11,349,656 | 12,894,344 | 7,605,249 |
| Amortization of tangible capital assets | 7,602,000 | 8,097,722 | 8,095,626 |
| Materials, goods, supplies and utilities | 4,053,380 | 3,966,131 | 4,012,335 |
| Purchases from other governments | 2,101,250 | 2,066,477 | 1,855,187 |
| Interest on long-term debt | 864,300 | 858,922 | 898,765 |
| Transfers to individuals and organizations | 654,367 | 646,716 | 636,017 |
| Other expenditures | 63,940 | 185,196 | 117,070 |
| Bank charges and short-term interest | 30,766 | 33,034 | 30,163 |
| | <u>\$ 40,271,283</u> | <u>\$ 42,452,329</u> | <u>\$ 35,684,940</u> |

TOWN OF SYLVAN LAKE
Consolidated Schedule of Segmented Disclosures
For the Year Ended December 31, 2019

(Schedule 6)

| | General Government | Family & Community Support Services | Recreation, Parks & Culture | Protective Services | Planning & Development | Public Works | Environment & Recycling | Water, Waste & Sewer | 2019 | 2018 |
|---|-----------------------|--|-----------------------------------|------------------------|---------------------------|-----------------|----------------------------|----------------------------|--------------------|------------------|
| <u>Revenue</u> | | | | | | | | | | |
| Net municipal taxes | 3,841,999 | 737,327 | 3,725,632 | 3,295,935 | 612,844 | 4,713,266 | - | - | 16,927,003 | 16,415,136 |
| User fees and sales of goods | 95,971 | 84,017 | 1,024,553 | 429,739 | 95,204 | 43,472 | 490,825 | 10,954,374 | 13,218,155 | 13,179,455 |
| Development levies | - | - | - | - | - | 53,566 | - | 4,057 | 57,623 | 1,278,656 |
| Franchise and concession contracts | 2,369,332 | - | 9,736 | - | - | - | - | - | 2,379,068 | 1,709,421 |
| Government transfers for operating | 85,467 | 895,491 | 1,333,808 | 623,204 | 1,753 | - | - | - | 2,939,723 | 3,030,681 |
| Licenses and permits | - | - | - | 51,655 | 508,931 | - | - | - | 560,586 | 456,887 |
| Rentals and other | - | 14,051 | 1,198,764 | 92,588 | 3,500 | - | - | - | 1,308,903 | 1,161,957 |
| Investment income | 553,493 | - | - | - | - | - | - | - | 553,493 | 347,123 |
| Fines and costs | - | - | - | 352,522 | - | - | - | - | 352,522 | 310,338 |
| Penalties and cost of taxes | 253,204 | - | - | - | - | - | - | 89,046 | 342,250 | 395,747 |
| | 7,199,466 | 1,730,886 | 7,292,493 | 4,845,643 | 1,222,232 | 4,810,304 | 490,825 | 11,047,477 | 38,639,326 | 38,285,401 |
| <u>Expenses</u> | | | | | | | | | | |
| Salaries, wages and benefits | 2,377,473 | 1,351,619 | 3,727,250 | 1,778,107 | 923,616 | 1,730,783 | 62,720 | 1,752,221 | 13,703,789 | 12,434,528 |
| Contracted and general services | 1,122,912 | 186,978 | 1,137,767 | 408,048 | 245,660 | 1,591,026 | 126,773 | 8,075,178 | 12,894,342 | 7,605,249 |
| Materials, goods, supplies and utilities | 229,298 | 85,289 | 1,402,173 | 258,475 | 52,956 | 1,488,495 | 345 | 449,100 | 3,966,131 | 4,012,335 |
| Purchases from other governments | - | - | - | 2,066,477 | - | - | - | - | 2,066,477 | 1,855,187 |
| Interest on long-term debt | - | - | 481,805 | 333,657 | - | - | - | 43,460 | 858,922 | 898,765 |
| Transfers to individuals and organizations | 13,903 | 107,000 | 525,813 | - | - | - | 300,987 | (300,987) | 646,716 | 636,017 |
| Bank charges and short term interest | 8,185 | - | 17,685 | 7,164 | - | - | - | - | 33,034 | 30,163 |
| Amortization | 8,097,722 | - | - | - | - | - | - | - | 8,097,722 | 8,095,626 |
| Other expenditures | 190,396 | - | - | (6,285) | - | - | - | 1,085 | 185,196 | 117,070 |
| | 12,039,889 | 1,730,886 | 7,292,493 | 4,845,643 | 1,222,232 | 4,810,304 | 490,825 | 10,020,057 | 42,452,329 | 35,684,940 |
| Excess (deficiency) of revenue over expenses | (4,840,423) | - | - | - | - | - | - | 1,027,420 | (3,813,003) | 2,600,461 |

TOWN OF SYLVAN LAKE
Notes to Consolidated Financial Statements
Year Ended December 31, 2019

1. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements of the Town of Sylvan Lake are the representations of management prepared in accordance with Public Sector Accounting Standards established by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada. Significant aspects of the accounting policies adopted by the Town of Sylvan Lake are as follows:

Reporting Entity

The consolidated financial statements reflect the assets, liabilities, revenues and expenditures and changes in fund balances and in financial position of the reporting entity. This entity is comprised of the municipal operations plus all 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. Included with the municipality are the following:

Family and Community Support Services
Town of Sylvan Lake Fire Department

Town of Sylvan Lake Recreational Department
Town of Sylvan Lake Waterworks System

The schedule of taxes levied also includes operating requisitions for educational, 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.

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.

Property tax revenue is based on market value assessments determined in accordance with the Municipal Government Act (MGA). Tax mill rates are established annually. Taxation revenues are recorded at the time the tax billings are issued. Assessments are subject to appeal. Losses on assessment appeals are recorded as adjustments to tax revenues and receivables when a written decision is received from the authorized board. Requisitions operate as a flow through and are excluded from municipal revenue.

Funds from external parties and earnings thereon restricted by agreement or legislation are accounted for as deferred revenue until used for the purpose specified.

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.

(continued)

TOWN OF SYLVAN LAKE
Notes to Consolidated Financial Statements
Year Ended December 31, 2019

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

Use of Estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles for local governments established by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada 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. Significant areas requiring the use of estimates include: allowance for doubtful accounts, useful lives of tangible capital assets, contributed capital assets, contingencies, and asset retirement obligation. Actual results could differ from those estimates.

Cash and cash equivalents

Cash and cash equivalents include bank balances and term deposits. Term deposits are considered to be cash equivalents when they are readily convertible to cash, and it is management's intention to use them as such.

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 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.

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.

Prepaid Expenses

Expenses paid in advance where services have not been performed or materials have not been received.

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 or declining balance basis over the estimated useful life as follows:

| | | |
|-----------------------------|-------|--------------------------|
| Land improvements | 10-45 | years |
| Buildings | 25-50 | years |
| Engineered Structures: | | |
| Water System | 45-75 | years |
| Wastewater System | 45-75 | years |
| Other Engineered Structures | 5-75 | years |
| Machinery and equipment | 20% | declining balance method |
| Vehicles | 30% | declining balance method |

The Town regularly reviews its tangible capital assets to eliminate obsolete items.

(continued)

TOWN OF SYLVAN LAKE
Notes to Consolidated Financial Statements
Year Ended December 31, 2019

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

Tangible capital assets acquired during the year but not placed into use are not amortized until they are placed into use.

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.

Contribution of Tangible Capital Assets

Tangible capital assets received as contributions are recorded at fair value at the date of receipt and are also recorded as revenue. Land that is transferred from other Governments is not recorded in the financial statements.

Leases

Leases are classified as capital or operating leases. Leases which transfer substantially the entire 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.

Inventories

Inventories of materials and supplies for consumption are valued at the lower of cost or net realizable value with cost determined by the first in, first out cost method.

Cultural and Historical Capital Assets

Cultural and historical assets are not recorded in these financial statements.

2. CASH AND CASH EQUIVALENTS

| | <u>2019</u> | <u>2018</u> |
|---------------|----------------------|----------------------|
| Cash | \$ 29,010,845 | \$ 1,784,568 |
| Term Deposits | - | 18,500,031 |
| | <u>\$ 29,010,845</u> | <u>\$ 20,284,599</u> |

Included in cash and cash equivalents are restricted amounts of \$1,287,451 (2018 - \$1,320,244). Restricted cash includes all funds received through federal and provincial grant programs and deposit liabilities.

The Town has an approved operating line of credit of \$1,000,000. This line of credit is issued on the credit and security of the Town of Sylvan Lake at large and bears an interest rate of prime (currently 2.45%) less 0.75%, if utilized. This balance has not been drawn upon as at year-end.

3. TAXES AND GRANTS IN PLACE OF TAXES RECEIVABLE

| | <u>2019</u> | <u>2018</u> |
|---------|-------------------|---------------------|
| Current | \$ 653,132 | \$ 851,221 |
| Arrears | 189,255 | 248,921 |
| | <u>\$ 842,387</u> | <u>\$ 1,100,142</u> |

TOWN OF SYLVAN LAKE
Notes to Consolidated Financial Statements
Year Ended December 31, 2019

4. DEFERRED REVENUE

| | 2019 | 2018 |
|--------------------------|-------------------|-------------------|
| Other deferred revenue | \$ 322,211 | \$ 368,562 |
| Business license revenue | 156,025 | 168,600 |
| | <u>\$ 478,236</u> | <u>\$ 537,162</u> |

Other deferred revenue includes funds received locally and Provincial grants from different programs.

Business license revenue relates to the fact that the bylaw now requires businesses to have paid for their new business license by December 31st of the preceding year. Therefore, invoices for the subsequent year's business licenses are entered at the beginning of December of the preceding year.

5. ASSET RETIREMENT OBLIGATION

The Town's wastewater treatment plant ceased being used on July 12, 2019. The Town has an obligation to reclaim the plant and the wastewater storage lagoons. Currently, the cost to decommission the plant and reclaim the land is estimated to be between \$4,298,000 and \$7,128,000 based on an independent engineering study. However, total final estimated costs cannot be determined until a reclamation plan is developed and approval is obtained from the Government of Alberta. The estimated cost to complete the decommissioning and reclamation will be adjusted annually as new information becomes available. The Town has received extensions from the Government of Alberta, currently to October 1, 2020, to submit a decommissioning and land reclamation plan. The Government of Alberta must approve the plan before work on the decommissioning and reclamation begins.

6. LONG-TERM DEBT

Alberta Capital Finance Authority \$31,668,021 (2018 - \$25,842,330) and other debt \$270,000 (2018 - \$540,000):

| | Principal | Interest | Total |
|------------|----------------------|----------------------|----------------------|
| 2020 | \$ 1,603,601 | \$ 1,007,685 | \$ 2,611,286 |
| 2021 | 1,382,437 | 958,848 | 2,341,285 |
| 2022 | 1,433,331 | 907,955 | 2,341,286 |
| 2023 | 1,486,380 | 854,906 | 2,341,286 |
| 2024 | 1,541,690 | 799,596 | 2,341,286 |
| Thereafter | 24,490,582 | 6,194,049 | 30,684,631 |
| | <u>\$ 31,938,021</u> | <u>\$ 10,723,039</u> | <u>\$ 42,661,060</u> |

Debenture debt in the amount of \$31,668,021 is repayable to the Alberta Capital Finance Authority and bears interest at rates ranging from 2.35% to 6.875% per annum and matures in periods 2020 through 2044. The average annual interest rate is 3.21% for 2019 (2018- 3.39%). Debenture debt is issued on the credit and security of the Town of Sylvan Lake at large. Other debt due on Pogadl Park purchase is payable in one annual payment of \$270,000 due March 2020 and is non-interest bearing.

Interest on long-term debt amounted to \$858,922 (2018 - \$898,765).

TOWN OF SYLVAN LAKE
Notes to Consolidated Financial Statements
Year Ended December 31, 2019

7. ACCUMULATED SURPLUS

| | 2019 | 2018 |
|--|-----------------------|-----------------------|
| Unrestricted surplus | \$ 12,506,416 | \$ 4,246,257 |
| Restricted surplus | | |
| Capital | 10,100,962 | 14,949,727 |
| Operating | 2,294,511 | 2,129,500 |
| Equity in tangible capital assets (Note 8) | 175,711,291 | 175,231,180 |
| | \$ 200,613,180 | \$ 196,556,664 |

8. EQUITY IN TANGIBLE CAPITAL ASSETS

| | 2019 | 2018 |
|--|-----------------------|-----------------------|
| Tangible capital assets (Schedule 2) | \$ 295,640,574 | \$ 281,337,980 |
| Accumulated amortization (Schedule 2) | (86,729,617) | (78,961,039) |
| Long-term debt (Note 6) | (31,938,021) | (26,382,330) |
| Tangible capital assets included in accounts payable | (1,261,645) | (205,335) |
| Assets held for sale | - | (558,096) |
| | \$ 175,711,291 | \$ 175,231,180 |

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 Sylvan Lake be disclosed as follows:

| | 2019 | 2018 |
|---------------------------------------|----------------------|----------------------|
| Total debt limit | \$ 57,958,989 | \$ 57,428,102 |
| Long-term debt | 31,938,021 | 26,382,330 |
| Amount of debt limit unused | \$ 26,020,968 | \$ 31,045,772 |
| Debt servicing limit | \$ 9,659,832 | \$ 9,571,350 |
| Debt servicing | 2,611,286 | 2,294,918 |
| Amount of debt servicing limit unused | \$ 7,048,546 | \$ 7,276,432 |

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 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 SYLVAN LAKE
Notes to Consolidated Financial Statements
Year Ended December 31, 2019

10. SALARY AND BENEFITS DISCLOSURE

| | Salary | Benefits & Allowances | 2019 | 2018 |
|------------------------------|-------------------|--------------------------|-------------------|-------------------|
| Mayor McIntyre | \$ 74,553 | \$ 7,515 | \$ 82,068 | \$ 76,750 |
| Councilor Parsons | 33,336 | 6,206 | 39,542 | 40,651 |
| Councilor Hanson | 35,782 | 6,243 | 42,025 | 37,355 |
| Councilor Payne | 31,042 | 1,281 | 32,323 | 30,665 |
| Councilor Rilling | 32,888 | 6,109 | 38,997 | 39,687 |
| Councilor Kloss | 31,637 | 6,104 | 37,741 | 34,570 |
| Councilor Mearns | 37,164 | 6,329 | 43,493 | 34,179 |
| Chief Administrative Officer | 194,840 | 38,358 | 233,198 | 221,190 |
| Designated Officers (2) | 310,943 | 57,533 | 368,476 | 346,911 |
| | <u>\$ 782,185</u> | <u>\$ 135,678</u> | <u>\$ 917,863</u> | <u>\$ 861,958</u> |

Salary includes regular base pay. Benefits and allowances includes employer's share of all 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 and long and short-term disability plans.

TOWN OF SYLVAN LAKE
Notes to Consolidated Financial Statements
Year Ended December 31, 2019

11. SEGMENTED INFORMATION

The municipality is a diversified municipal government institution that provides a wide range of services to its citizens such as police, fire, and water and recreational programs. Distinguishable functional segments have been separately disclosed in the segmented information. The nature of the segments and the activities they encompass are as follows:

General Government

This item relates to the revenues and expenses that relate to the operations of the Municipality itself and cannot be directly attributed to a specific segment.

Family and Community Support Services

This service area provides services meant to improve the health and development of the Municipality's citizens.

Recreation, Parks and Culture

This department is comprised of recreational programs and cultural programs which are provided at the aquatic centre, multi-purpose facility, arena and community centre. This department is also responsible for the maintenance of parks and open spaces. The Municipality also provides funding to the Sylvan Lake Library to assist with its citizens' informational needs.

Protective Services

Protection is comprised of police services, fire protection, and disaster services. The police services work to ensure the safety and protection of the citizens and their property. The fire department is responsible to provide fire suppression service, fire prevention programs, training and education. Disaster services are measures which if invoked mitigate the negative results of any disaster which may occur in the community.

Planning and Development

Planning and development department is responsible for administering the land use bylaw, issuing development permits, and producing both short-term and long-term planning documents to assist Council with managing growth of the Town.

Public Works

The public works department is responsible for the delivery of municipal public works services related to the planning, development and maintenance of roadway systems. This service area also provides services to the streets of the Town such as snow clearing.

Environment and Recycling

Environmental services consist of recycling services.

Water, Waste and Sewage

The water and waste department consists of three distinct utilities – water, wastewater and solid waste disposal. The department provides drinking water to the Town's citizens, collects and treats wastewater, and provides waste collection and disposal. The Municipality processes and cleans sewage and ensures the water system meets all Provincial standards.

The accounting policies of the segments are the same as those described in the summary of significant accounting policies. For each reported segment, revenues and expenses represent amounts that are directly attributable to the segment, except for taxation revenue. Taxation revenue has been allocated to those segments that are funded by taxation revenue, based on the segments' net surpluses for the year.

TOWN OF SYLVAN LAKE
Notes to Consolidated Financial Statements
Year Ended December 31, 2019

12. EMPLOYEE BENEFIT OBLIGATION

| | 2019 | 2018 |
|-----------------------------|------------|------------|
| Vacation, sick and overtime | \$ 542,676 | \$ 481,691 |

The vacation, sick and overtime liability is comprised of the vacation and overtime that employees have and is deferred to future years. Employees have either earned the benefits or are entitled to these benefits within the next budgetary year. The obligation is included in accounts payable and accrued liabilities.

13. LOCAL AUTHORITIES PENSION PLAN

Employees of the Town of Sylvan Lake participate in the Local Authorities Pension Plan (LAPP), which is covered by the Public Sector Pension Plans Act. The LAPP serves about 265,813 members and 421 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 of Sylvan Lake is required to make current service contributions to the LAPP of 9.39% of pensionable earnings up to the year's maximum pensionable earnings under the Canada Pension Plan and 13.84% on pensionable earnings above this amount. Employees of the Town are required to make current service contributions of 8.39% of pensionable salary up to the year's maximum pensionable salary and 12.84% on pensionable salary above this amount.

Total current service contributions by the Town of Sylvan Lake to the LAPP in 2019 were \$786,052 (2018 - \$747,402). Total current service contributions by the employees of the Town to the LAPP in 2019 were \$712,321 (2018 - \$683,099).

At December 31, 2018, the LAPP disclosed an actuarial surplus of \$3.47 billion (2017 - \$4.84 billion). The 2019 annual report is not yet available.

14. RELATED PARTY TRANSACTION

The Town of Sylvan Lake provided operating funding to the Sylvan Lake Municipal Library, an organization subject to influence, in the amount of \$411,000 (2018 - \$399,000).

TOWN OF SYLVAN LAKE
Notes to Consolidated Financial Statements
Year Ended December 31, 2019

15. CONTINGENT LIABILITIES

Legal Proceedings

Town of Sylvan Lake, in the conduct of its normal activities, can be named as a defendant in legal proceedings. The ultimate outcome of these proceedings can often not be determined until the proceedings are completed. Should any loss result from the resolution of these proceedings or if the amount of the loss can be determined, such amounts would be expensed as they become known to the Town.

Local Authorities Reciprocal Insurance Exchange

The Town of Sylvan Lake is a member of the Alberta Local Authorities Reciprocal Insurance Exchange. Under the terms of the membership, the Town of Sylvan Lake 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.

Sylvan Lake Regional Wastewater Commission

The Town of Sylvan Lake is a member of the Sylvan Lake Regional Wastewater Commission. Under the terms of this membership, the Town is liable for its proportionate share of any losses incurred by the Commission. Any liability would be accounted for in the year the losses are determined.

Sylvan Lake Regional Water Commission

The Town of Sylvan Lake is a member of the Sylvan Lake Regional Water Commission. Under the terms of this membership, the Town is liable for its proportionate share of any losses incurred by the Commission. Any liability would be accounted for in the year the losses are determined.

16. COMMITMENTS AND CONTRACTUAL RIGHTS

COMMITMENTS

The Town of Sylvan Lake has ongoing capital projects that were not completed during the year. The estimated costs to the Town are \$21,116,714 for projects that will continue through 2020. These projects are to be funded by \$9,676,530 from reserves and \$11,440,184 from other income sources.

The Town has agreements to obtain electricity and natural gas services expiring December 2022 at fixed rates of \$0.04583 / kWh and \$2.31 / GJ. Total commitments are based on usage and therefore are not determinable.

The Town has agreed to contribute a maximum of \$500,000 in funding to Hard 4 Baseball to assist in the development of a baseball stadium on Town owned land that will be the home of the Sylvan Lake Gulls competing in the Western Canadian Baseball League.

CONTRACTUAL RIGHTS

Under the terms of agreements with certain suppliers, the Town of Sylvan Lake collects fees determined as 27% and 15% of the gross usage charged for gas and electricity respectively. The fees are remitted monthly.

TOWN OF SYLVAN LAKE
Notes to Consolidated Financial Statements
Year Ended December 31, 2019

17. FINANCIAL INSTRUMENTS

The Town's financial instruments consist of cash and term deposits, receivables, accounts payable and accrued liabilities long-term debt and deposit liabilities. It is management's opinion that the Town is not exposed to significant interest rate, currency, market, liquidity, or credit risks arising from these financial instruments except as follows:

Interest rate risk

The Town is exposed to interest rate price risk as the cash, term deposits, and long-term debt bear interest at fixed interest rates.

Credit risk

The Town is exposed 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 certain rights granted to the Town under the Municipal Government Act minimizes the credit risk.

18. SUBSEQUENT EVENTS

On March 11, 2020, the World Health Organization assessed the coronavirus outbreak (COVID-19) as a pandemic. In Canada, the Government of Alberta declared a provincial state of public health emergency as per the Province of Alberta's Public Health Act on March 17, 2020 with respect to COVID-19. As of the date of these financial statements, the extent to which COVID-19 impacts the Town's operations will depend on future developments, which are highly uncertain and cannot be predicted. The facilities the Town operates have been closed to the public since April 2020 and all programs are canceled. The Municipal Government Building, Municipal Operations Building, and the Family & Community Centre are scheduled to reopen to the public on June 22. The pandemic is ongoing and an increase in active infections may require the Town to reinstate closures or take other actions to further contain the virus.

19. COMPARATIVE FIGURES

The presentation of certain accounts of the previous year has been changed to conform to the presentation adopted in the current year.

20. APPROVAL OF FINANCIAL STATEMENTS

Council and Management have approved these financial statements.



RSM Alberta LLP
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June 23, 2020

Town Council
of Town of Sylvan Lake

We have been engaged to audit the consolidated financial statements of Town of Sylvan Lake (the "Town") for the year ending December 31, 2019.

We are advising the Town Council of all relationships between the Town and our firm that, in our professional judgment, may reasonably be thought to bear on our independence.

In determining which relationships to report, these standards require our firm to consider relevant rules and related interpretations prescribed by the appropriate provincial institute and applicable legislation, covering such matters as:

- (a) holding a financial interest, either directly or indirectly, in a client;
- (b) holding a position, either directly or indirectly, that gives the right or responsibility to exert significant influence over the financial or accounting policies of a client;
- (c) personal or business relationships of immediate family, close relatives, partners or retired partners, either directly or indirectly, with a client;
- (d) economic dependence on a client;
- (e) provision of services in addition to the audit engagement;
- (f) loan or loan guarantees to or from a client or a related entity;
- (g) provision of legal services to a client;
- (h) provision of corporate finance services to a client involving securities of the client;
- (i) performance of management functions for a client; and
- (j) gifts and hospitality provided by a client.

We are not aware of any relationships between the Town and our firm that, in our professional judgment, may reasonably be thought to bear on our independence.

We hereby confirm that we are independent with respect to the Town within the meaning of the CPA Code of Professional Conduct of the Chartered Professional Accountants of Alberta as of June 23, 2020.

This report is intended solely for the use of the Town Council and should not be used for any other purposes.

THE POWER OF BEING UNDERSTOOD
AUDIT | TAX | CONSULTING

Town of Sylvan Lake
June 23, 2020
Page 2

If you have any questions regarding this letter, please do not hesitate to contact us.

Yours very truly,

RSM ALBERTA LLP

RSM Alberta LLP

Grant Stange, CPA, CA
Partner