

TOWN OF SYLVAN LAKE
Consolidated Financial Statements
Year Ended December 31, 2018



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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, 2018 and the consolidated statements of operations and accumulated surplus, changes in net financial assets (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, 2018, the results of its operations, changes in its net financial assets (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.

Other Matter

The consolidated financial statements of the Town of Sylvan Lake for the year ended December 31, 2017, were audited by another auditor who expressed an unqualified opinion on those statements on April 23, 2018.

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.

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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 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 any significant deficiencies in internal control that we identify during our audit.

RSM Alberta LLP

Red Deer County, Alberta
April 30, 2019

Chartered Professional Accountants



TOWN OF SYLVAN LAKE

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December 31, 2018

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TOWN OF SYLVAN LAKE
Consolidated Statement of Financial Position
As at December 31, 2018

	2018	2017
FINANCIAL ASSETS		
Cash and cash equivalents (note 2)	\$ 20,284,599	\$ 11,571,401
Receivables		
Taxes and grants in place of taxes (note 3)	1,100,142	1,020,691
Trade and other receivables	3,276,076	3,540,882
Assets held for sale	558,098	558,098
	<u>25,218,915</u>	<u>16,691,072</u>
LIABILITIES		
Accounts payable and accrued liabilities	3,418,193	4,343,499
Deposit liabilities	783,082	965,211
Deferred revenue (note 4)	537,162	509,854
Long-term debt (note 5)	26,382,330	27,794,086
	<u>31,120,767</u>	<u>33,612,650</u>
NET FINANCIAL ASSETS (DEBT)	<u>(5,901,852)</u>	<u>(16,921,578)</u>
CONTINGENT ASSETS AND LIABILITIES (note 14)		
COMMITMENTS AND CONTRACTUAL RIGHTS (note 15)		
ASSET RETIREMENT OBLIGATION (note)		
NON-FINANCIAL ASSETS		
Tangible capital assets (Schedule 2)	201,818,845	203,754,504
Inventory for consumption	392,095	342,239
Prepaid expenses	247,576	237,931
	<u>202,458,516</u>	<u>204,334,674</u>
ACCUMULATED SURPLUS (Schedule 1, Note 6)	<u>\$ 196,556,664</u>	<u>\$ 187,413,096</u>

Approved by Council:





Mayor

Chief Administrative Officer

TOWN OF SYLVAN LAKE
Consolidated Statement of Operations
For the Year Ended December 31, 2018

	Budget (Unaudited)	2018	2017
REVENUE			
Net municipal taxes <i>(Schedule 3)</i>	\$ 16,401,030	\$ 16,415,136	\$ 15,840,286
User fees and sales of goods	12,363,724	13,179,455	10,838,552
Government transfers for operating <i>(Schedule 4)</i>	1,975,961	3,030,681	3,388,629
Franchise and concession contracts	1,874,000	1,709,421	1,834,830
Development levies	-	1,278,656	868,420
Rentals and other	975,475	1,161,957	810,059
Licenses and permits	498,600	456,887	397,547
Investment income	180,000	347,123	177,546
Penalties and cost of taxes	217,070	395,747	313,730
Fines and costs	244,500	310,338	261,350
	<u>34,730,360</u>	<u>38,285,401</u>	<u>34,730,949</u>
EXPENSES			
Amortization of tangible capital assets	6,650,000	8,095,626	7,613,100
Recreation, parks and culture	6,972,407	6,756,175	5,977,521
Roads, streets, walks and lighting	3,828,133	4,875,843	4,271,079
Protective services	4,622,930	4,477,148	4,304,646
Administration	3,353,711	3,216,982	3,223,204
Wastewater treatment and disposal	4,626,768	1,814,369	3,291,483
Solid waste management	1,816,068	1,675,723	1,521,940
Family and community support services	1,597,405	1,654,711	1,675,245
Water supply and distribution	1,670,831	1,571,280	1,797,891
Planning and development	1,367,561	1,160,709	1,172,745
Legislative	464,279	386,374	343,890
	<u>36,970,093</u>	<u>35,684,940</u>	<u>35,192,744</u>
EXCESS OF REVENUES OVER EXPENSES - BEFORE OTHER	<u>(2,239,733)</u>	<u>2,600,461</u>	<u>(461,795)</u>
OTHER			
Government transfers for capital <i>(Schedule 4)</i>	-	3,236,273	4,136,222
Contributed tangible capital assets	-	3,280,240	850,000
Gain (Loss) on disposal of tangible capital assets	-	26,594	(47,776)
EXCESS OF REVENUE OVER EXPENSES	<u>(2,239,733)</u>	<u>9,143,568</u>	<u>4,476,651</u>
ACCUMULATED SURPLUS, BEGINNING OF YEAR	<u>187,413,096</u>	<u>187,413,096</u>	<u>182,936,445</u>
ACCUMULATED SURPLUS, END OF YEAR	<u>\$ 185,173,363</u>	<u>\$ 196,556,664</u>	<u>\$ 187,413,096</u>

TOWN OF SYLVAN LAKE
Consolidated Statement of Changes in Net Financial Assets
For the Year Ended December 31, 2018

	Budget (unaudited)	2018	2017
EXCESS OF REVENUE OVER EXPENSES	\$ (2,239,733)	\$ 9,143,568	\$ 4,476,651
Acquisition of tangible capital assets	(25,283,996)	(3,020,676)	(12,704,128)
Contributed assets	-	(3,280,240)	(850,000)
Assets held for sale	-	-	450,000
Proceeds on disposal of tangible capital assets	-	167,543	140,474
Amortization of tangible capital assets	6,650,000	8,095,626	7,613,100
(Gain) Loss on disposal of tangible assets	-	(26,594)	47,776
	<u>(18,633,996)</u>	<u>1,935,659</u>	<u>(5,302,778)</u>
Acquisition of supplies inventory	-	(49,856)	(88,221)
Usage of prepaid assets	-	(9,645)	5,361
	<u>-</u>	<u>(59,501)</u>	<u>(82,860)</u>
INCREASE (DECREASE) IN NET FINANCIAL ASSETS	(20,873,729)	11,019,726	(908,987)
NET FINANCIAL DEBT, BEGINNING OF YEAR	-	(16,921,578)	(16,012,591)
NET FINANCIAL DEBT, END OF YEAR	\$ (20,873,729)	\$ (5,901,852)	\$ (16,921,578)

TOWN OF SYLVAN LAKE
Consolidated Statement of Cash Flow
For the Year Ended December 31, 2018

	2018	2017
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING		
Excess of revenue over expenses	\$ 9,143,568	\$ 4,476,651
Non-cash items included in excess of revenue over expenses:		
Amortization of tangible capital assets	8,095,626	7,613,100
(Gain) Loss on disposal of tangible capital assets	(26,594)	47,776
Tangible capital assets received as contributions	(3,280,240)	(850,000)
Tangible capital assets included in accounts payable	(205,335)	(1,066,520)
Non-cash charges to operations (net change):		
Increase in taxes and accounts receivable	185,355	(620,226)
Increase in inventory for consumption	(49,856)	(88,221)
Decrease (increase) in prepaid expenses	(9,645)	5,375
Increase (decrease) in accounts payable and accrued liabilities	141,214	(2,358,593)
Increase (decrease) in deferred revenue	27,308	(2,152)
Increase (decrease) in deposit liabilities	(182,129)	71,607
Cash provided by operating transactions	<u>13,839,272</u>	<u>7,228,797</u>
CAPITAL		
Acquisition of tangible capital assets	(3,020,676)	(11,637,622)
Decrease of tangible capital assets included in accounts payable	(861,185)	(2,496,950)
Proceeds on disposal of tangible capital assets	<u>167,543</u>	<u>140,474</u>
Cash applied to capital transactions	<u>(3,714,318)</u>	<u>(13,994,098)</u>
FINANCING		
Long-term debt repaid	(1,411,756)	(1,366,944)
Proceeds from long-term financing	<u>-</u>	<u>1,080,000</u>
Cash provided by financing transactions	<u>(1,411,756)</u>	<u>(286,944)</u>
INCREASE (DECREASE) IN CASH AND EQUIVALENTS DURING THE YEAR	<u>8,713,198</u>	<u>(7,052,245)</u>
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>11,571,401</u>	<u>18,623,646</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 20,284,599</u>	<u>\$ 11,571,401</u>

Included in excess of revenue over expenses is \$347,123 (2017- \$177,546) interest received and \$928,930 (2017 - \$968,900) interest paid.

TOWN OF SYLVAN LAKE
Consolidated Statement of Changes in Accumulated Surplus
For the Year Ended December 31, 2018
(Schedule I)

	Unrestricted Surplus	Restricted Surplus	Equity in Tangible Capital Assets	2018	2017
BALANCE, BEGINNING OF YEAR	\$ 2,793,582	\$ 9,725,616	\$ 174,893,898	\$ 187,413,096	\$ 182,936,445
Excess of revenues over expenses	9,143,568	-	-	9,143,568	4,476,651
Transfer of capital funding designated for future use	-	-	-	-	-
Unrestricted funds designated for future use	(12,792,836)	12,792,836	-	-	-
Restricted funds used for operations	2,587,488	(2,587,488)	-	-	-
Restricted funds used for tangible capital assets	-	(2,851,737)	2,851,737	-	-
Current year funds used for tangible capital assets	(889,175)	-	889,175	-	-
Contributed tangible capital assets	(3,280,240)	-	3,280,240	-	-
Annual amortization expense	8,095,626	-	(8,095,626)	-	-
Long-term debt repaid	(1,411,756)	-	1,411,756	-	-
Change in accumulated surplus	1,452,675	7,353,611	337,282	9,143,568	4,476,651
BALANCE, END OF YEAR	\$ 4,246,257	\$ 17,079,227	\$ 175,231,180	\$ 196,556,664	\$ 187,413,096



TOWN OF SYLVAN LAKE
Consolidated Schedule of Tangible Capital Assets
For the Year Ended December 31, 2018
(Schedule 2)

	Land	Land Improvements	Buildings	Engineered Structures	Machinery & Equipment	Vehicles	2018	2017
COST:								
BALANCE, BEGINNING OF YEAR	\$15,971,436	\$ 16,688,266	\$72,605,623	\$158,332,078	\$ 4,406,549	\$6,215,377	\$274,219,329	\$261,723,707
Acquisition of tangible capital assets	-	212,014	1,263,994	5,017,657	548,086	421,192	7,462,943	50,154,379
Assets under construction - prior year	-	(122,477)	-	(2,493,513)	-	-	(2,615,990)	(39,666,227)
Assets under construction - current year	-	136,735	67,790	1,249,438	-	-	1,453,963	2,615,990
Disposal of tangible capital assets	-	-	-	-	(194,928)	(233,339)	(428,267)	(608,520)
BALANCE, END OF YEAR	15,971,436	16,914,538	73,937,407	162,105,660	4,759,707	6,403,230	280,091,978	274,219,329
ACCUMULATED AMORTIZATION:								
BALANCE, BEGINNING OF YEAR	-	3,783,046	5,751,397	55,239,121	2,063,083	3,628,178	70,464,825	63,271,995
Annual amortization	-	847,501	1,457,236	4,444,445	501,017	845,427	8,095,626	7,613,100
Accumulated amortization of disposals	-	-	-	-	(61,032)	(226,286)	(287,318)	(420,270)
BALANCE, END OF YEAR	-	4,630,547	7,208,633	59,683,566	2,503,068	4,247,319	78,273,133	70,464,825
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	\$201,818,845	\$203,754,504
2017 NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	\$15,971,436	\$ 12,919,206	\$66,840,242	\$103,092,955	\$ 2,343,466	\$2,587,199	\$203,754,504	

During the year, the Government transferred a portion of the land to the Town. Buildings with an estimated fair market value of \$1,357,240 have been recorded in the financial statement. The fair market value of \$3,131,930 was not recorded.



The Town has title to land which was 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, 2018

(Schedule 3)

	Budget (unaudited)	2018	2017
TAXATION			
Real property taxes	\$ 23,033,800	\$ 22,953,659	\$ 22,176,496
Linear property taxes	207,938	319,229	294,802
Government grants in place of property taxes	3,587	5,183	3,756
	<u>23,245,325</u>	<u>23,278,071</u>	<u>22,475,054</u>
REQUISITIONS			
Alberta School Foundation Fund	6,024,716	6,051,986	5,832,017
Red Deer Catholic Regional Division No. 39	574,455	565,047	557,627
Sylvan Lake Lodge	245,124	245,124	245,124
Designated Industrial Property	-	778	-
	<u>6,844,295</u>	<u>6,862,935</u>	<u>6,634,768</u>
NET MUNICIPAL TAXES	<u>\$ 16,401,030</u>	<u>\$ 16,415,136</u>	<u>\$ 15,840,286</u>

TOWN OF SYLVAN LAKE
Schedule of Government Transfers
For the Year Ended December 31, 2018

(Schedule 4)

	Budget (unaudited)	2018	2017
TRANSFERS FOR OPERATING:			
Provincial Government	\$ 1,414,767	\$ 2,579,609	\$ 1,512,226
Other Local Governments	561,194	451,072	1,876,403
	<u>1,975,961</u>	<u>3,030,681</u>	<u>3,388,629</u>
TRANSFERS FOR CAPITAL:			
Provincial Government	-	3,119,368	4,096,222
Other Local Governments	-	116,905	40,000
	<u>-</u>	<u>3,236,273</u>	<u>4,136,222</u>
TOTAL GOVERNMENT TRANSFERS	<u>\$ 1,975,961</u>	<u>\$ 6,266,954</u>	<u>\$ 7,524,851</u>

TOWN OF SYLVAN LAKE
Consolidated Schedule of Expenses by Object
For the Year Ended December 31, 2018

(Schedule 5)

	Budget (unaudited)	2018	2017
EXPENDITURES			
Salaries, wages and benefits	\$ 12,543,854	\$ 12,434,528	\$ 11,733,241
Amortization of tangible capital assets	6,650,000	8,095,626	7,613,100
Contracted and general services	10,566,272	7,605,249	8,527,694
Materials, goods, supplies and utilities	3,492,256	4,012,335	3,778,605
Purchases from other governments	2,050,000	1,855,187	1,918,950
Interest on long-term debt	915,625	898,765	945,233
Transfers to individuals and organizations	641,017	636,017	560,541
Other expenditures	80,303	117,070	91,712
Bank charges and short-term interest	30,766	30,163	23,668
	<u>\$ 36,970,093</u>	<u>\$ 35,684,940</u>	<u>\$ 35,192,744</u>

TOWN OF SYLVAN LAKE
Consolidated Schedule of Segmented Disclosures
For the Year Ended December 31, 2018
(Schedule 6)

	Family & Community						Water, Waste & Sewer	2018	2017
	General Government	Support Services	Recreation, Parks & Culture	Protective Services	Planning & Development	Public Works	Environment & Recycling		
Revenue									
Net municipal taxes	5,030,980	701,802	3,295,651	2,940,380	619,845	3,826,478	-	16,415,136	15,840,286
User fees and sales of goods	58,735	71,148	980,866	440,907	87,885	135,973	493,982	10,909,959	10,838,552
Development levies	-	-	-	-	5,988	913,393	-	359,275	868,420
Franchise and concession contracts	1,703,172	-	6,249	-	-	-	-	1,709,421	1,834,830
Government transfers for operating	178,746	873,366	1,308,397	644,649	25,523	-	-	3,030,681	3,388,629
Licenses and permits	-	-	-	48,540	408,347	-	-	456,887	397,547
Rentals and other	-	8,395	1,048,107	92,334	13,121	-	-	1,161,957	810,059
Investment income	347,123	-	-	-	-	-	-	347,123	177,546
Fines and costs	-	-	-	310,338	-	-	-	310,338	261,350
Penalties and cost of taxes	287,397	-	-	-	-	-	-	108,350	313,730
	7,606,153	1,654,711	6,639,270	4,477,148	1,160,709	4,875,844	493,982	11,377,584	34,730,949
Expenses									
Salaries, wages and benefits	2,051,755	1,258,744	3,389,909	1,617,861	918,828	1,525,704	53,715	1,618,012	11,733,241
Contracted and general services	1,246,947	167,878	971,592	362,052	190,354	1,881,990	441,683	2,342,753	8,527,694
Materials, goods, supplies and utilities	199,885	117,089	1,363,930	249,841	51,527	1,466,757	28,743	534,563	3,778,605
Purchases from other governments	-	-	-	1,855,187	-	-	-	-	1,918,950
Interest on long-term debt	-	-	504,384	347,534	-	1,393	-	45,454	945,233
Transfers to individuals and organizations	13,389	111,000	511,628	-	-	-	-	-	560,541
Bank charges and short term interest	8,855	-	14,732	6,576	-	-	-	-	23,668
Amortization	8,095,626	-	-	-	-	-	-	-	7,613,100
Other expenditures	82,525	-	-	38,097	-	-	-	(3,552)	91,712
	11,698,982	1,654,711	6,756,175	4,477,148	1,160,709	4,875,844	524,141	4,537,230	35,192,744
Excess (deficiency) of revenue over expenses	(4,092,829)	-	(116,905)	-	-	-	(30,159)	6,840,354	(461,795)



TOWN OF SYLVAN LAKE
Notes to Consolidated Financial Statements
Year Ended December 31, 2018

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. These amounts are accounted for as deferred revenue until the related services have been provided. Revenue is recognized in the period when the related services are performed.

(continued)

TOWN OF SYLVAN LAKE
Notes to Consolidated Financial Statements
Year Ended December 31, 2018

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, impairment of tangible capital assets, contributed capital assets, impairment of financial assets, inventory valuation, 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.

Requisition Over-levy and Under-levy

Over-levies and under-levies arise from the difference between the actual property tax levy made to cover each requisition and the actual amount requisitioned.

If the actual levy exceeds the requisition, the over-levy is accrued as a liability and property tax revenue is reduced. Where the actual levy is less than the requisition amount, the under-levy is accrued as a receivable and as property tax revenue.

Requisition tax rates in the subsequent year are adjusted for any over-levies or under-levies of the prior year.

Assets Held for Sale

Assets held for sale are recorded at the lower of cost or net realizable value.

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 borrowings. These levies are collectable from property owners for work performed by the municipality.

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

Government Transfers

Government transfers are the transfer of assets from other governments 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.

(continued)

TOWN OF SYLVAN LAKE
Notes to Consolidated Financial Statements
Year Ended December 31, 2018

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

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.

TOWN OF SYLVAN LAKE
Notes to Consolidated Financial Statements
Year Ended December 31, 2018

2. CASH AND CASH EQUIVALENTS

	<u>2018</u>	<u>2017</u>
Cash	\$ 1,784,568	\$ 2,986,006
Term Deposits	18,500,031	8,585,395
	<u>\$ 20,284,599</u>	<u>\$ 11,571,401</u>

Included in cash and cash equivalents are restricted amounts of \$1,320,244 (2017 - \$1,475,057). Restricted cash includes all funds received through federal and provincial grant programs and deposit liabilities. Term deposits mature in July and August, 2019 and earn interest at 2.5% and 2.61% per annum.

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 3.95%) less 0.75%, if utilized. This balance has not been drawn upon as at the year end.

The Town also has an approved revolving line of credit of \$7,000,000 which is restricted to finance the NexSource Centre. 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 3.95%) less 0.75%, if utilized. This balance has not been drawn upon as at the year end.

3. TAXES AND GRANTS IN PLACE OF TAXES RECEIVABLE

	<u>2018</u>	<u>2017</u>
Current	\$ 851,221	\$ 845,340
Arrears	248,921	175,351
	<u>\$ 1,100,142</u>	<u>\$ 1,020,691</u>

4. DEFERRED REVENUE

	<u>2018</u>	<u>2017</u>
Other deferred revenue	\$ 368,562	\$ 338,104
Business license revenue	168,600	171,750
	<u>\$ 537,162</u>	<u>\$ 509,854</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.

TOWN OF SYLVAN LAKE
Notes to Consolidated Financial Statements
Year Ended December 31, 2018

5. LONG-TERM DEBT

Alberta Capital Finance Authority \$25,842,330 (2017 - \$26,984,086) and other debt of \$540,000 (2017 - \$810,000):

	Principal	Interest	Total
2019	\$ 1,426,309	\$ 868,609	\$ 2,294,918
2020	1,404,673	821,129	2,225,802
2021	1,178,121	777,681	1,955,802
2022	1,223,480	732,323	1,955,803
2023	1,270,844	684,959	1,955,803
Thereafter	19,878,903	5,051,860	24,930,763
	<u>\$ 26,382,330</u>	<u>\$ 8,936,561</u>	<u>\$ 35,318,891</u>

Debenture debt in the amount of \$25,842,330 is repayable to the Alberta Capital Finance Authority and bears interest at rates ranging from 2.35% to 9.25% per annum and matures in periods 2019 through 2040. The average annual interest rate is 3.39% for 2018 (2017 – 3.42%). 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 2 annual payments of \$270,000 and is non-interest bearing.

Interest on long-term debt amounted to \$898,765 (2017 - \$945,233).

6. ACCUMULATED SURPLUS

	2018	2017
Unrestricted surplus	\$ 4,246,257	\$ 2,793,582
Restricted surplus		
Capital	14,949,727	7,650,513
Operating	2,129,500	2,075,103
Equity in tangible capital assets (note 7)	<u>175,231,180</u>	<u>174,893,898</u>
	<u>\$ 196,556,664</u>	<u>\$ 187,413,096</u>

7. EQUITY IN CAPITAL ASSETS

	2018	2017
Tangible capital assets (<i>Schedule 2</i>)	\$ 280,091,978	\$ 274,219,329
Accumulated amortization (<i>Schedule 2</i>)	(78,273,133)	(70,464,825)
Long-term debt (note 5)	(26,382,330)	(27,794,086)
Tangible capital assets included in accounts payable	<u>(205,335)</u>	<u>(1,066,520)</u>
	<u>\$ 175,231,180</u>	<u>\$ 174,893,898</u>

TOWN OF SYLVAN LAKE
Notes to Consolidated Financial Statements
Year Ended December 31, 2018

8. 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:

	<u>2018</u>	<u>2017</u>
Total debt limit	\$ 57,428,102	\$ 52,096,424
Long-term debt	<u>26,382,330</u>	<u>27,794,086</u>
Amount of debt limit unused	<u>\$ 31,045,772</u>	<u>\$ 24,302,338</u>
Debt servicing limit	\$ 9,571,350	\$ 8,682,737
Debt servicing	<u>2,294,918</u>	<u>2,327,379</u>
Amount of debt servicing limit unused	<u>\$ 7,276,432</u>	<u>\$ 6,355,358</u>

The debt limit is calculated at 1.5 times revenue of the municipality (as defined in Alberta Regulation 255/00) and the debt service limit is calculated at 0.25 times such revenue. Incurring debt beyond these limitations requires approval by the Minister of Municipal Affairs. These thresholds are guidelines used by Alberta Municipal Affairs to identify municipalities 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.

9. SALARY AND BENEFITS DISCLOSURE

	Salary	Benefits & Allowances	<u>2018</u>	<u>2017</u>
Mayor McIntyre	\$ 46,533	\$ 30,217	\$ 76,750	\$ 58,250
Councilor Parsons	23,202	17,449	40,651	26,409
Councilor Plante	-	-	-	20,888
Councilor Hanson	21,180	16,175	37,355	29,781
Councilor Lust	-	-	-	26,394
Councilor Payne	19,683	10,982	30,665	25,125
Councilor Prete	-	-	-	19,729
Councilor Rilling	22,636	17,051	39,687	7,909
Councilor Kloss	19,402	15,168	34,570	7,585
Councilor Mearns	19,152	15,027	34,179	6,764
Chief Administrative Officer	191,217	29,973	221,190	217,669
Designated Officers (2)	290,624	56,287	346,911	308,475
	<u>\$ 653,629</u>	<u>\$ 208,329</u>	<u>\$ 861,958</u>	<u>\$ 754,978</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, 2018

10. 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, 2018

11. EMPLOYEE BENEFIT OBLIGATION

	2018	2017
Vacation, sick time, and overtime	\$ 481,691	\$ 445,853

The vacation 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.

12. 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 259,714 members and 420 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 2018 were \$747,402 (2017 - \$764,941). Total current service contributions by the employees of the Town to the LAPP in 2018 were \$683,099 (2017 - \$703,882).

At December 31, 2017, the LAPP disclosed an actuarial surplus of \$4.84 billion (2016 - \$637 million deficiency). LAPP has not yet disclosed the actuarial surplus or deficiency as at December 31, 2018.

13. RELATED PARTY TRANSACTION

The town provided operating funding to the Sylvan Lake Municipal Library, an organization subject to influence, in the amount of \$399,000 (2017 - \$344,784).

TOWN OF SYLVAN LAKE
Notes to Consolidated Financial Statements
Year Ended December 31, 2018

14. CONTINGENT ASSETS AND LIABILITIES

CONTINGENT ASSETS

As part of the Province of Alberta's Municipal Sustainability Initiative funding, the Town is expected to receive transfers in the amount of \$2,302,205 contingent upon the submission and approval of specific proposals that outline the use of the transfers.

As part of an agreement with the Province of Alberta related to the transfer of certain land and buildings, the Town is expected to receive transfers in the amount of \$982,423 contingent upon a possible review by the Minister of Environment and Parks.

CONTINGENT LIABILITIES

Wastewater treatment plant

The Town owns, manages, and maintains a wastewater system. A component of the system is a wastewater treatment plant. Within six months of the plant permanently ceasing operation, the Town is required to submit a decommissioning and land reclamation plan to the Government of Alberta. The Government of Alberta must approve the plan before work on the decommissioning and reclamation begins. Currently, the Town is approved to operate the plant until May 1, 2020. Reasonable estimates of the cost to decommission the plant and reclaim the land cannot be made until a plan is developed in conjunction with the Government of Alberta.

Legal proceedings

The 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.

TOWN OF SYLVAN LAKE
Notes to Consolidated Financial Statements
Year Ended December 31, 2018

15. 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 \$16,060,150 for projects that will continue through 2019. These projects are to be funded by \$12,598,300 from reserves and \$3,461,850 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 agreements with three employees stating that these employees are entitled to a payout equal to fifty percent of their pre-2002 sick time accrual. The amount becomes payable upon each employee's retirement, as long as that employee is 55 years of age or older. The amount to be paid out is based upon the wage that is in effect at the time of retirement.

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.

16. FINANCIAL INSTRUMENTS

The Town's financial instruments consist of cash and cash equivalents, assets held for sale, receivables, accounts payable and accrued liabilities, deposit liabilities, and long-term debt. It is management's opinion that the Town is not exposed to significant interest 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.

17. COMPARATIVE FIGURES

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

18. APPROVAL OF FINANCIAL STATEMENTS

Council and Management have approved these financial statements.
