

**TOWN OF SWAN HILLS**  
**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

## **TABLE OF CONTENTS**

**FOR THE YEAR ENDED DECEMBER 31, 2018**

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	<b>Page</b>
<b>INDEPENDENT AUDITORS' REPORT</b>	<b>1</b>
Consolidated Statement of Financial Position	2
Consolidated Statement of Operations	3
Consolidated Statement of Change in Net Financial Assets (Debt)	4
Consolidated Statement of Cash Flows	5
Schedule 1 - Schedule of Changes in Accumulated Surplus	6
Schedule 2 - Schedule of Tangible Capital Assets	7
Schedule 3 - Schedule of Property and Other Taxes	8
Schedule 4 - Schedule of Government Transfers	9
Schedule 5 - Schedule of Consolidated Expenses by Object	10
Schedule 6 - Schedule of Segmented Disclosure	11
Schedule 7 - Schedule of Salary and Benefits Disclosure	12
Schedule 8 - Schedule of Local Authorities Pension Plan	13
Schedule 9 - Schedule of Accumulated Surplus	14
Schedule 10 - Schedule of Debt Limits	15
Notes to Financial Statements	16 - 20

# INDEPENDENT AUDITOR'S REPORT

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**To the Members of Council  
Town of Swan Hills**

## **Report on the Consolidated Financial Statements**

We have audited the accompanying consolidated financial statements of Town of Swan Hills, which comprise the statement of financial position as at December 31, 2018 and the statements of operations, change in net financial assets (debt) and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

## **Management's Responsibility for the Consolidated Financial Statements**

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

## **Auditor's Responsibility**

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. These standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## **Opinion**

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Town of Swan Hills as at December 31, 2018, the results of its operations, change in its net financial assets (debt) and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

**Town of Swan Hills**  
March 25, 2019

**CHARTERED PROFESSIONAL ACCOUNTANTS**

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**As At December 31, 2018**

	2018	2017
<b>FINANCIAL ASSETS</b>		
Cash and Temporary Investments (Note 2)	<b>\$4,818,565</b>	\$ 4,897,749
Receivables		
Taxes and Grants in Lieu of Taxes (Note 3)	<b>389,455</b>	402,613
Trade and Other Receivables	<u><b>180,900</b></u>	<u>121,787</u>
	<u><b>5,388,920</b></u>	<u>5,422,149</u>
<b>LIABILITIES</b>		
Accounts Payable and Accrued Liabilities	<b>298,903</b>	206,950
Landfill Reclamation Liability	<b>426,024</b>	401,024
Deferred Revenue (Note 4)	<b>1,135,483</b>	986,995
Long Term Debt (Note 6)	<u><b>1,110,679</b></u>	<u>1,268,804</u>
	<u><b>2,971,089</b></u>	<u>2,863,773</u>
<b>NET FINANCIAL ASSETS (DEBT)</b>	<u><b>2,417,831</b></u>	<u>2,558,376</u>
<b>NON-FINANCIAL ASSETS</b>		
Tangible Capital Assets	<b>19,786,268</b>	19,008,751
Inventory for Consumption	<b>214,500</b>	214,500
Prepaid Expenses	<u>-</u>	<u>-</u>
	<u><b>20,000,768</b></u>	<u>19,223,251</u>
<b>ACCUMULATED SURPLUS (Schedule 1)</b>	<u><b>\$22,418,599</b></u>	<u>\$21,781,627</u>

Contingencies - See Note 10

**CONSOLIDATED STATEMENT OF OPERATIONS**  
**For the Year Ended December 31, 2018**

	Budget (Unaudited)	2018	2017
<b>REVENUE</b>			
Net Municipal Taxes (Schedule 3)	\$ 1,876,279	<b>\$1,880,027</b>	\$ 1,930,935
Sales, User Charges, Franchise & Rentals	1,000,541	<b>1,194,335</b>	978,529
Government Transfers for Operating (Sch 4)	1,036,213	<b>1,040,423</b>	1,028,262
Investment Income	68,000	<b>135,999</b>	93,131
Penalties and Costs on Taxes	75,000	<b>99,754</b>	99,044
Franchise and Concession Contracts	<u>120,670</u>	<u><b>108,436</b></u>	<u>115,322</u>
<b>TOTAL REVENUE</b>	<u><b>4,176,703</b></u>	<u><b>4,458,974</b></u>	<u><b>4,245,223</b></u>
<b>EXPENSES</b>			
Council and Other Legislative	171,038	<b>145,410</b>	149,366
General Administration	970,334	<b>1,059,024</b>	833,494
Protective Services	155,860	<b>112,043</b>	151,566
Bylaw Enforcement	84,133	<b>76,368</b>	69,405
Common Services	684,525	<b>680,096</b>	566,536
Roads, Streets, Walks, Lighting	179,250	<b>174,912</b>	177,052
Storm Sewers and Drainage	57,250	<b>30,580</b>	32,216
Water Supply and Distribution	524,577	<b>475,303</b>	590,403
Wastewater Treatment and Disposal	74,100	<b>34,455</b>	33,362
Waste Management	134,483	<b>123,965</b>	196,022
Family and Community Support	58,388	<b>14,783</b>	29,413
Cemeteries	4,500	-	-
Land Use, Planning, Zoning and Development	12,500	<b>4,640</b>	7,448
Economic Development	60,500	<b>55,769</b>	26,815
Parks and Recreation	663,070	<b>557,301</b>	590,352
Culture: Libraries, Museums, Halls	219,070	<b>186,421</b>	189,003
Amortization Expense	<u>1,100,000</u>	<u><b>1,118,758</b></u>	<u>1,070,200</u>
<b>TOTAL EXPENSES</b>	<u><b>5,153,578</b></u>	<u><b>4,849,828</b></u>	<u><b>4,712,653</b></u>
<b>EXCESS (SHORTFALL) OF REVENUE OVER EXPENSES - BEFORE OTHER</b>	<u><b>(976,875)</b></u>	<u><b>(390,854)</b></u>	<u><b>(467,430)</b></u>
<b>OTHER</b>			
Government Transfers for Capital	<u>2,390,512</u>	<u><b>1,027,826</b></u>	<u>1,244,329</u>
<b>EXCESS (SHORTFALL) OF REVENUE OVER EXPENSES</b>	1,413,637	<b>636,972</b>	776,899
<b>ACCUMULATED SURPLUS,</b>			
<b>BEGINNING OF YEAR</b>	<u>21,781,627</u>	<u><b>21,781,627</b></u>	<u>21,004,728</u>
<b>ACCUMULATED SURPLUS, END OF YEAR</b>	<u><b>\$23,195,264</b></u>	<u><b>\$22,418,599</b></u>	<u><b>\$21,781,627</b></u>

## CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL ASSETS (DEBT)

For the Year Ended December 31, 2018

	Budget (Unaudited)	2018	2017
<hr/>			
<b>EXCESS (SHORTFALL) OF REVENUES OVER EXPENSES</b>	<u>\$ 1,413,637</u>	<u>\$ 636,972</u>	<u>\$ 776,899</u>
Acquisition of Tangible Capital Assets	(2,695,878)	<b>1,945,155</b>	(1,514,749)
Proceeds on Disposition of Tangible Capital Assets	-	<b>48,880</b>	-
Amortization of Tangible Capital Assets	<u>1,100,000</u>	<u><b>1,118,758</b></u>	<u>1,070,200</u>
	(1,595,878)	<b>(777,517)</b>	(444,549)
<b>INCREASE (DECREASE) IN NET DEBT</b>	<u>(182,241)</u>	<u><b>(140,545)</b></u>	<u>332,350</u>
<b>NET FINANCIAL ASSETS (DEBT), BEGINNING OF YEAR</b>	<u>2,558,376</u>	<u><b>2,558,376</b></u>	<u>2,226,026</u>
<b>NET FINANCIAL ASSETS, END OF YEAR</b>	<u><b>\$ 2,376,135</b></u>	<u><b>\$2,417,831</b></u>	<u><b>\$ 2,558,376</b></u>

## CONSOLIDATED STATEMENT OF CASH FLOWS

For the Year Ended December 31, 2018

	2018	2017
<b>OPERATING</b>		
Excess (shortfall) of Revenues over Expenses	<b>\$ 636,972</b>	\$ 776,899
Non-Cash Items Included in Excess (Shortfall) of revenues over Expenses:		
Amortization of Tangible Capital Assets	<b>1,118,758</b>	1,070,200
Loss (Gain) on Sale of Tangible Capital Assets	<b>(24,020)</b>	-
Non-Cash Charges to Operations (Net Change)		
Decrease (Increase) in Taxes and Grants-in-Lieu Receivable	<b>13,158</b>	34,426
Decrease (Increase) in Trade and Other Receivables	<b>(59,113)</b>	(11,789)
Decrease (Increase) in Prepaid Expenses	-	-
Decrease (Increase) in Land for Resale Inventory	-	-
Increase (Decrease) in Accounts Payable and Accrued Liabilities	<b>91,953</b>	76,641
Increase (Decrease) in Deposit Liabilities	-	-
Increase (Decrease) in Landfill Reclamation Liability	<b>25,000</b>	25,000
Increase (Decrease) in Deferred Revenue	<b>148,488</b>	(100,366)
Increase (Decrease) in Other Current Liabilities	-	-
Cash Provided by Operating Transactions	<b><u>1,951,196</u></b>	<u>1,871,011</u>
<b>CAPITAL</b>		
Acquisition of Tangible Capital Assets	<b>1,945,155</b>	(1,514,749)
Sale of Tangible Capital Assets	<b><u>72,900</u></b>	<u>-</u>
Cash Provided by (Applied to) Capital Transactions	<b><u>1,872,255</u></b>	<u>(1,514,749)</u>
<b>FINANCING</b>		
Long-Term Debt Repaid	<b><u>(158,125)</u></b>	<u>(154,919)</u>
Cash Provided by (Applied to) Financing Transactions	<b><u>(158,125)</u></b>	<u>(154,919)</u>
<b>CHANGE IN CASH AND TEMPORARY INVESTMENTS DURING THE YEAR</b>	<b>(79,184)</b>	201,343
<b>CASH AND TEMPORARY INVESTMENTS, BEGINNING OF YEAR</b>	<b><u>4,897,749</u></b>	<u>4,696,406</u>
<b>CASH AND TEMPORARY INVESTMENTS, END OF YEAR</b>	<b><u>\$4,818,565</u></b>	<b><u>\$ 4,897,749</u></b>

**SCHEDULE OF CHANGES IN ACCUMULATED SURPLUS Schedule 1**  
**For the Year Ended December 31, 2018**

				2018	2017
	Unrestricted Surplus	Restricted Surplus	Equity in Tangible Capital assets		
<b>BALANCE, BEGINNING OF YEAR</b>	<u>\$ 327,054</u>	<u>\$ 3,714,626</u>	<u>\$17,739,947</u>	<u>\$21,781,627</u>	<u>\$21,004,728</u>
Excess of revenue over expenses	636,972	-	-	<b>636,972</b>	776,899
Unrestricted Funds used for tangible capital asset	(1,945,155)	-	1,945,155	-	-
Disposal of tangible capital assets	48,879	-	(48,879)	-	-
Annual amortization expense	1,118,758	-	(1,118,758)	-	-
Long-term debt repaid	<u>(158,124)</u>	<u>-</u>	<u>158,124</u>	<u>-</u>	<u>-</u>
Change in Accumulated Surplus	<u>(298,670)</u>	<u>-</u>	<u>935,642</u>	<b>636,972</b>	<u>776,899</u>
<b>BALANCE END OF YEAR</b>	<u>\$ 28,384</u>	<u>\$ 3,714,626</u>	<u>\$18,675,589</u>	<u>\$22,418,599</u>	<u>\$21,781,627</u>



**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
							\$	\$
<b>COST</b>								
BALANCE, BEGINNING OF YEAR	320,477	302,856	1,019,753	28,025,198	1,960,109	1,041,344	44,269,737	42,754,988
Acquisition of tangible capital assets	-	435,736	(239,603)	1,005,131	171,924	92,761	1,945,155	1,514,749
Disposal of tangible capital assets	-	-	-	-	-	(75,200)	(75,200)	-
Write down of tangible Capital assets	-	-	-	-	-	-	-	-
BALANCE, END OF YEAR	<u>320,477</u>	<u>1,038,592</u>	<u>1,259,356</u>	<u>29,030,329</u>	<u>1,132,033</u>	<u>1,058,905</u>	<u>46,139,692</u>	<u>44,269,737</u>
<b>ACCUMULATED AMORTIZATION</b>								
BALANCE, BEGINNING OF YEAR	-	137,740	5,619,861	17,326,862	912,194	1,264,329	25,260,986	24,190,786
Annual amortization	-	52,432	212,412	629,962	84,233	139,719	1,118,758	1,070,200
Accumulated amortization on disposals	-	-	-	-	-	(26,320)	(26,320)	-
BALANCE, END OF YEAR	<u>-</u>	<u>190,172</u>	<u>5,832,273</u>	<u>17,956,824</u>	<u>996,427</u>	<u>1,377,728</u>	<u>26,353,424</u>	<u>25,260,986</u>
<b>NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS</b>	<u>320,477</u>	<u>348,420</u>	<u>5,427,083</u>	<u>11,073,505</u>	<u>1,135,606</u>	<u>681,177</u>	<u>19,786,268</u>	<u>19,008,751</u>
<b>2017 NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS</b>								
	<u>320,477</u>	<u>465,116</u>	<u>5,399,892</u>	<u>10,698,336</u>	<u>1,047,915</u>	<u>777,015</u>	<u>19,008,751</u>	

**SCHEDULE OF PROPERTY AND OTHER TAXES****Schedule 3**

For the Year Ended December 31, 2018

	Budget (Unaudited)	2018	2017
<b>TAXATION</b>			
Real Property Taxes	\$ 2,025,563	<b>\$2,029,208</b>	\$ 2,110,398
Linear Property Taxes	202,074	<b>202,177</b>	201,051
Government Grants in Lieu of Property Taxes	<u>25,866</u>	<u><b>25,866</b></u>	<u>27,663</u>
<b>TOTAL TAXATION</b>	<b>\$ 2,253,503</b>	<b>\$2,257,251</b>	<b>\$ 2,339,112</b>
<b>REQUISITIONS</b>			
Alberta School Foundation	\$ 362,475	<b>\$ 362,475</b>	\$ 393,048
Barrhead & District Social Housing	14,345	<b>14,345</b>	15,129
DIP	<u>404</u>	<u><b>404</b></u>	<u>-</u>
<b>TOTAL REQUISITIONS</b>	<b><u>377,224</u></b>	<b><u>377,224</u></b>	<b><u>408,177</u></b>
<b>NET MUNICIPAL TAXES</b>	<b>\$ 1,876,279</b>	<b>\$1,880,027</b>	<b>\$ 1,930,935</b>

**SCHEDULE OF GOVERNMENT TRANSFERS**

For the Year Ended December 31, 2018

**Schedule 4**

	Budget (Unaudited)	2018	2017
<b>TRANSFERS FOR OPERATING</b>			
Provincial Government	\$ 86,213	\$ 90,423	\$ 78,262
Federal Government	-	-	-
Other Local Government	<u>950,000</u>	<u>950,000</u>	<u>950,000</u>
	<u>\$ 1,036,213</u>	<u>\$1,040,423</u>	<u>\$ 1,028,262</u>
<b>TRANSFERS FOR CAPITAL</b>			
Provincial Government	\$ 622,149	\$1,027,826	\$ 1,244,329
Other Local Government	<u>732,150</u>	<u>802,445</u>	<u>732,150</u>
	<u>1,354,299</u>	<u>1,830,271</u>	<u>1,976,479</u>
<b>TOTAL GOVERNMENT TRANSFERS</b>	<u>\$ 2,390,512</u>	<u>\$2,870,694</u>	<u>\$ 3,004,741</u>

**SCHEDULE OF CONSOLIDATED EXPENSES BY OBJECT** Schedule 5  
**For the Year Ended December 31, 2018**

	Budget (Unaudited)	2018	2017
<b>CONSOLIDATED EXPENSES BY OBJECT</b>			
Salaries, Wages and Benefits	\$ 1,856,798	<b>\$1,636,540</b>	\$ 1,568,988
Contracted and General Services	882,465	<b>757,859</b>	777,660
Purchases from Other Governments	-	-	-
Materials, Goods, Supplies and Utilities	1,011,520	<b>930,759</b>	934,059
Provision For Allowances	-	-	-
Transfers to Other Governments	86,800	<b>86,094</b>	76,800
Transfers to Local Boards and Agencies	-	-	-
Transfers to Individuals and Organizations	37,000	<b>41,475</b>	41,500
Bank Charges and Short Term Interest	11,500	<b>10,475</b>	10,357
Interest on Long Term Debt	25,314	<b>25,315</b>	28,521
Other Expenditures	142,181	<b>242,553</b>	204,568
Amortization of Tangible Capital Assets	1,100,000	<b>1,118,758</b>	1,070,200
Loss on Disposal of Tangible Capital Assets	-	-	-
<b>TOTAL EXPENSES</b>	<b>\$ 5,153,578</b>	<b>\$4,849,828</b>	<b>\$ 4,712,653</b>

**SCHEDULE OF SEGMENTED DISCLOSURE**  
For the Year Ended December 31, 2018

**Schedule 6**

	General Government	Protective Services	Transportation Services	Planning & Development & Culture	Recreation & Services	Environmental Services	Other	Total \$
<b>REVENUE</b>								
Net municipal taxes	1,880,027	-	-	-	-	-	-	1,880,027
Government transfers	1,040,423	-	285,736	-	23,900	718,190	-	2,068,249
User fees & sale of goods	15,250	38,936	-	5,346	81,742	1,014,694	38,367	1,194,335
Investment income	135,999	-	-	-	-	-	-	135,999
Contributed assets	-	-	-	-	-	-	-	-
Other revenues	208,190	-	-	-	-	-	-	208,190
	<u>3,279,889</u>	<u>38,936</u>	<u>285,736</u>	<u>5,346</u>	<u>105,642</u>	<u>1,732,884</u>	<u>38,367</u>	<u>5,486,800</u>
<b>EXPENSES</b>								
Contract & general	299,058	20,784	135,268	4,640	69,166	171,473	57,470	757,859
Salaries & wages	577,882	46,545	387,296	-	329,767	231,878	63,172	1,636,540
Goods & supplies	49,151	44,714	363,024	-	217,220	230,372	26,278	930,759
Transfers to local boards	-	-	-	-	127,569	-	-	127,569
Long-term debt interest	25,315	-	-	-	-	-	-	25,315
Other expenses	253,028	-	-	-	-	-	-	253,028
	<u>1,204,434</u>	<u>112,043</u>	<u>885,588</u>	<u>4,640</u>	<u>743,722</u>	<u>633,723</u>	<u>146,920</u>	<u>3,731,070</u>
<b>NET REVENUE, BEFORE</b>								
<b>AMORTIZATION</b>	<u>2,075,455</u>	<u>(73,107)</u>	<u>(599,852)</u>	<u>706</u>	<u>(638,080)</u>	<u>1,099,161</u>	<u>(108,553)</u>	<u>1,755,730</u>
Amortization expense	75,376	60,484	340,977	-	182,951	458,970	-	1,118,758
<b>NET REVENUE</b>	<u>2,000,079</u>	<u>(133,591)</u>	<u>(940,829)</u>	<u>706</u>	<u>(821,031)</u>	<u>640,191</u>	<u>(108,553)</u>	<u>636,972</u>

**SCHEDULE OF SALARY & BENEFIT DISCLOSURE**      **Schedule 7**  
**For the Year Ended December 31, 2018**

**2018**

	<b>Salary</b>	<b>Benefits &amp; Allowances</b>	<b>Total</b>
<b>MAYOR</b>			
Craig Wilson	\$ 24,960	\$ 6,574	\$ 31,534
<b>COUNCILLORS</b>			
Jell Goebel	12,960	9,986	<b>22,946</b>
Dan Gosselin	12,960	1,273	<b>14,233</b>
Elizabeth Krawiec	12,960	1,359	<b>14,319</b>
Terry Kuyek	12,960	1,475	<b>14,435</b>
Daryn Watson	12,960	2,705	<b>15,665</b>
Carol Webster	<u>12,960</u>	<u>8,497</u>	<u><b>21,457</b></u>
<b>TOTAL MAYORS &amp; COUNCILLORS</b>	<b>\$ <u>102,720</u></b>	<b>\$ <u>31,869</u></b>	<b>\$ <u>134,589</u></b>
<b>APPOINTED AND DESIGNATED OFFICERS</b>			
Municipal Manager	\$ 122,456	\$ 12,757	\$ 135,213
	<u>-</u>	<u>-</u>	<u>-</u>
	<b>\$ <u>122,456</u></b>	<b>\$ <u>12,757</u></b>	<b>\$ <u>135,213</u></b>

**SCHEDULE OF LOCAL AUTHORITIES PENSION PLANSchedule 8**  
**For the Year Ended December 31, 2018**

**LOCAL AUTHORITIES PENSION PLAN**

Employees of the Town of Swan Hills do not participate in the Local Authorities Pension Plan (LAPP).

**SCHEDULE OF ACCUMULATED SURPLUS**  
**For the Year Ended December 31, 2018**

**Schedule 9**

Accumulated surplus consists of restricted and unrestricted amounts and equity in tangible capital assets.

	2018	2017
Unrestricted Surplus	\$ <u>28,384</u>	\$ <u>327,054</u>
Restricted Surplus		
Future Subdivision	300,000	300,000
Public Works Equipment	420,129	420,129
Infrastructure	650,000	650,000
Facilities	200,000	200,000
Protective Services Equipment	400,000	400,000
Land Fill Reclamation	75,000	75,000
Viability Agreement	649,214	600,867
Contingency Operating	350,000	350,000
General Capital	<u>670,283</u>	<u>718,630</u>
	<u>3,714,626</u>	<u>3,714,626</u>
Equity in Tangible Capital Assets	<u>18,675,589</u>	<u>17,739,947</u>
<b>TOTAL ACCUMULATED SURPLUS</b>	<b><u>\$22,418,599</u></b>	<b><u>\$21,781,627</u></b>



**SCHEDULE OF DEBT LIMITS**  
For the Year Ended December 31, 2018

**Schedule 10**

**DEBT LIMITS**

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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 Swan Hills be disclosed as follows:

Total Debt Limit	<b>\$6,688,461</b>
Total Debt	<b><u>1,110,679</u></b>
Amount of Debt Limit Unused	<b><u>\$5,577,782</u></b>
Debt Servicing Limit	<b>\$1,114,744</b>
Debt Servicing	<b><u>183,440</u></b>
Amount of Debt Servicing Limit Unused	<b><u>\$ 931,304</u></b>

The debt limit is calculated at 1.5 times revenue of the municipality (as defined by Alberta Regulation 255/00) and the debt service limit is calculated at .25 times such revenue. Incurring debt beyond these limitations requires approval by the Minister of 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 represented as a whole.

# NOTES TO FINANCIAL STATEMENTS

For the Year Ended December 31, 2018

## 1. SIGNIFICANT ACCOUNTING POLICIES

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The consolidated financial statements of the Town of Swan Hills are the representations of management prepared in accordance with Canadian generally accepted accounting principles for local government accounting standards established by the Public Sector Accounting Board ("PSAB") of the Canadian Institute of Chartered Accountants ("CICA"). Significant aspects of the accounting policies adopted by the Town of Swan Hills are as follows:

### a) Reporting Entity

The consolidated financial statements reflect the assets, liabilities, revenues and expenses, changes in fund balances and changes in financial position of the reporting entity. This entity is comprised of the municipal operations plus all of the organizations that are owned or controlled by the Town and are, therefore, accountable to the Town Council for the administration of their financial affairs and resources.

The schedule of taxes levied also includes requisitions for education, health, social and other external organizations that are not part of the municipal reporting entity.

The statements exclude trust assets that are administered for the benefit of external parties. Interdepartmental and organizational transactions and balances are eliminated.

### b) Basis of Accounting

The financial statements are prepared using the accrual basis of accounting. The accrual basis of accounting records revenue as it is earned and measurable. Expenses are recognized as they are incurred and measurable based upon receipt of goods or services and/or the legal obligation to pay.

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

Government transfers, contributions and other amounts are received from third parties pursuant to legislation, regulation or agreement and may only be used for certain programs, in the completion of specific work, or for the purchase of tangible capital assets. In addition, certain user charges and fees are collected for which the related services have yet to be performed. Revenue is recognized in the period when the related expenses are incurred, services performed or the tangible capital assets are acquired.

### c) Use of Estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenditures during the period. Where measurement uncertainty exists the financial statements have been prepared within reasonable limits of materiality. Actual results could differ from those estimates.

### d) Investments

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

## 1. SIGNIFICANT ACCOUNTING POLICIES

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### e) Debt Charges Recoverable

Debt charges recoverable consist of amounts that are recoverable from municipal agencies or other local governments with respect to outstanding debentures or other long-term debt pursuant to annexation orders or joint capital undertakings. These recoveries are recorded at a value that equals the offsetting portion of the unmatured long-term debt, less actuarial requirements for the retirement of any sinking fund debentures.

### f) 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.

### g) Inventories for Resale

Land held for resale is recorded at the lower of cost or net realizable value. Cost includes costs for land acquisition and improvements required to prepare the land for servicing such as clearing, stripping and levelling charges. Related development costs incurred to provide infrastructure such as water and wastewater services, roads, sidewalks and street lighting are recorded as physical assets under their respective function.

### h) 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.

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

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

### i) Landfill Closure and Post-Closure Liability

Pursuant to the Alberta Environmental Protection and Enhancement Act, the Town is required to fund the closure of its landfill site and provide for post-closure care of the facility. Closure and post-closure activities include the final clay cover, landscaping, as well as surface and ground water monitoring, leachate control and visual inspection. The requirement is being provided for over the estimated life of the landfill based on usage.

### j) Government Transfers

Government transfers are the transfer of assets from senior levels of government that are not the result of an exchange transaction, are not expected to be repaid in the future, or the result of a direct financial return. Government transfers are recognized in the financial statements as revenues 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.

## 1. SIGNIFICANT ACCOUNTING POLICIES

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### k) 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, provide the consolidated Change in Net Financial Assets (Debt) for the year.

#### i. Tangible Capital Assets

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

	<u>Years</u>
Land Improvements	15
Buildings	50
Engineering Structures	
Water System	45 - 75
Wastewater System	45 - 75
Other Engineering Systems	20 - 30
Machinery, Equipment and Furnishings	5 - 25
Vehicles	10 - 25

One-half of the annual amortization is charged in the year of acquisition and in the year of disposal. Assets under construction are not amortized until the asset is available for productive use.

#### ii. Contribution of Tangible Capital Assets

Tangible capital assets received as contributions are recorded at fair market value at the date of receipt and are also recorded as revenue.

#### iii. Leases

Leases are classified as capital or operating leases. Leases which transfer substantially all of the benefits and risk incidental to ownership of property are accounted for as capital leases. All other leases are accounted for as operating leases and the related lease payments are charged to expenses as incurred.

#### iv. Inventories

Inventories held for consumption are recorded at the lower of cost and replacement cost.

## 2. CASH AND TEMPORARY INVESTMENTS

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	2018	2017
Cash	\$3,747,132	\$ 3,845,571
Temporary Investments	<u>1,071,433</u>	<u>1,052,178</u>
	<u>\$4,818,565</u>	<u>\$ 4,897,749</u>

Temporary investments are short-term deposits with original maturities of 1 year or less.

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

	2018	2017
Current Taxes and Grants in Place of Taxes	\$ 284,261	\$ 258,567
Arrears Taxes	<u>312,624</u>	<u>239,369</u>
	596,885	497,936
Less: Allowance for Doubtful Accounts	<u>(207,430)</u>	<u>(95,323)</u>
	<u>\$ 389,455</u>	<u>\$ 402,613</u>

### 4. DEFERRED REVENUE

	2018	2017
Government Capital Grants	<u>\$1,135,483</u>	<u>\$ 986,995</u>

### 5. CONTAMINATED SITE LIABILITY

On January 1, 2015, The Town adopted PS 3260 Liability for Contaminated Sites. The standard was applied on a retroactive basis and did not result in any adjustments to the financial liabilities, tangible capital assets or accumulated surplus of the Town.

### 6. LONG-TERM DEBT

	2018	2017
Tax Supported Debenture bearing interest at 2.059 per cent per annum, repayable in blended semi-annual installments of \$91,720 to June 2025.	<u>\$1,110,679</u>	<u>\$ 1,268,804</u>

Principal and Interest Repayments are as Follows:

	Principal	Interest	Total
2019	\$ 161,398	\$ 22,042	\$ 183,440
2020	164,738	18,702	183,440
2021	168,147	15,293	183,440
2022	171,627	11,813	183,440
2023	175,179	8,261	183,440
Thereafter	<u>269,590</u>	<u>5,570</u>	<u>275,160</u>
	<u>\$1,110,679</u>	<u>\$ 81,681</u>	<u>\$1,192,360</u>

## 7. EQUITY IN TANGIBLE CAPITAL ASSETS

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	2018	2017
Tangible Capital Assets (Schedule 2)	<b>\$46,139,692</b>	\$44,269,737
Accumulated Amortization (Schedule 2)	<b><u>26,353,424</u></b>	<u>25,260,986</u>
	<b>19,786,268</b>	19,008,751
Long-Term Debt (Note 6)	<b><u>1,110,679</u></b>	<u>1,268,804</u>
	<b><u>\$18,675,589</u></b>	<u>\$17,739,947</u>

## 8. SEGMENTED DISCLOSURE

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The Town of Swan Hills provides a range of services to its ratepayers. For each reported segment, revenues and expenses represent both amounts that are directly attributable to the segment and amounts that are allocated on a reasonable basis. The accounting policies used in these segments are consistent with those followed in the preparation of the financial states as disclosed in Note 1.

## 9. TRUST FUNDS

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	2018	2017
Community Senior Housing Donation	<b><u>\$ 531,164</u></b>	<u>\$ 517,043</u>

The Town holds funds in trust for a private donation made for the purpose of community senior housing. The donation is held in a separate investment account bearing interest at 1.20 per cent per annum with the interest being accumulated on the donation.

## 10. CONTINGENCIES

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The Town is a member of the Alberta Municipal Insurance Exchange (MUNIX). Under the terms of the membership, the Town could become liable for its proportionate share of any claim losses in excess of the funds held by the exchange. Any liability incurred would be accounted for as a current transaction in the year the losses are determined.

## 11. FINANCIAL INSTRUMENTS

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The Town's financial instruments consist of cash and temporary investments, accounts receivable, investments, debt charges recoverable, bank indebtedness, accounts payable and accrued liabilities, deposit liabilities, requisition over-levy and long-term debt. It is management's opinion that the Town is not exposed to significant interest or current risks arising from these financial instruments.

The Town is subject to credit risk with respect to taxes and grants in place of taxes receivable and trade and other receivables. Credit risk arises from the possibility that taxpayers and entities to which the Town provides services may experience financial difficulty and be unable to fulfill their obligations. The large number and diversity of taxpayers and customers minimizes the credit risk.

Unless otherwise noted, the carrying value of the financial instrument approximates fair value.

## **12. APPROVAL OF FINANCIAL STATEMENTS**

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Council and Management have approved these financial statements.