

**Town of Grimshaw**

**CONSOLIDATED FINANCIAL STATEMENTS**

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

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# TOWN OF GRIMSHAW

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## Management's Responsibility

To the Members of Council:

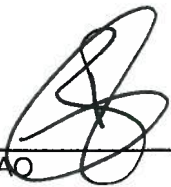
Management is responsible for the preparation and presentation of the accompanying consolidated financial statements, including responsibility for significant accounting judgments and estimates in accordance with Canadian generally accepted accounting principles. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibilities for the integrity and fairness of the consolidated financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of financial statements.

The Town Council is composed entirely of Councilors who are neither management nor employees of the Town. The Council is responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving the financial information included in the financial statements. The Council fulfils these responsibilities by reviewing the financial information prepared by management and discussing relevant matters with management, and external auditors. The Council is also responsible for the appointment of the Town's external auditors.

MNP LLP, an independent firm of Chartered Professional Accountants, is appointed by the Council to audit the consolidated financial statements and report directly to them; their report follows. The external auditors have full and free access to, and meet periodically and separately with, both the Town Council and management to discuss their audit findings.

April 10, 2019

  
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CAO

  
\_\_\_\_\_  
Director of Finance

### ***Mission Statement***

*Making Grimshaw the greatest place to live by providing a quality service to our community in a courteous, timely, efficient and cost effective manner.*

# Independent Auditor's Report

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To the Council of Town Of Grimshaw:

## Opinion

We have audited the financial statements of Town Of Grimshaw (the "Municipality"), which comprise the statement of financial position as at December 31, 2018, and the statements of operations, accumulated operating surplus, changes in net assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Municipality as at December 31, 2018, and the results of its operations, its remeasurement gains and losses 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 Municipality in accordance with the ethical requirements that are relevant to our audit of the 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 the 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 financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance are responsible for overseeing the Municipality'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 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 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 financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Municipality's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Municipality's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Municipality to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the 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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Peace River, Alberta

April 10, 2019

*MNP LLP*

Chartered Professional Accountants

**TOWN OF GRIMSHAW  
CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
FOR THE YEAR ENDED DECEMBER 31, 2018**

	2018 \$	2017 \$
<b>FINANCIAL ASSETS</b>		
Cash and cash equivalents (Note 2)	<u>4,138,336</u>	<u>4,857,244</u>
Receivables		
Taxes and grants in lieu of taxes (Note 3)	259,974	222,033
Trade and other receivables	1,515,827	690,753
Land held for resale	69,669	74,511
Other financial assets	<u>4,232</u>	<u>4,232</u>
	<u><b>5,988,038</b></u>	<u><b>5,848,773</b></u>
<b>LIABILITIES</b>		
Accounts payable and accrued liabilities (Note 4)	395,963	290,754
Deposit liabilities	3,803	3,803
Deferred revenue (Note 5)	263,166	347,613
Long term debt (Note 6)	-	-
	<u><b>662,932</b></u>	<u><b>642,170</b></u>
<b>NET FINANCIAL ASSETS</b>	<u><b>5,325,106</b></u>	<u><b>5,206,603</b></u>
<b>NON-FINANCIAL ASSETS</b>		
Tangible capital assets (Schedule 2)	24,017,349	23,666,185
Prepaid expenses	<u>150,201</u>	<u>87,244</u>
	<u><b>24,167,550</b></u>	<u><b>23,753,429</b></u>
<b>ACCUMULATED SURPLUS</b> (Note 9)	<u><b>29,492,656</b></u>	<u><b>28,960,032</b></u>

Commitments and contingencies - See Note 13

Approved by



\_\_\_\_\_  
Mayor



\_\_\_\_\_  
Chief Administrative Officer

See accompanying notes to the financial statements

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

	Budget \$	2018 \$	2017 \$
<b>REVENUE</b>			
Net municipal property taxes (Schedule 3)	2,298,671	<b>2,288,918</b>	2,283,408
User fees and sale of goods	2,074,725	<b>2,010,147</b>	2,074,910
Government transfers for operating (Schedule 4)	155,000	<b>174,900</b>	170,030
Investment income	61,000	<b>98,588</b>	62,351
Penalties and costs on taxes	120,800	<b>95,008</b>	122,368
Gain on disposal of capital assets	-	-	9,295
Other revenues	602,400	<b>677,890</b>	602,690
<b>Total revenues</b>	<u>5,312,596</u>	<u><b>5,345,451</b></u>	<u>5,325,052</u>
<b>EXPENSES</b>			
<b>Operating</b>			
Legislative	94,549	<b>91,023</b>	75,681
Administration	868,470	<b>840,931</b>	777,930
Fire and bylaws enforcement	258,355	<b>251,746</b>	225,409
Roads, streets, walks and lighting	1,266,780	<b>1,377,093</b>	1,205,140
Water and wastewater	722,117	<b>720,196</b>	681,929
Waste management	312,250	<b>311,555</b>	310,055
Subdivision land development	299,400	<b>262,415</b>	163,276
Recreation, parks and culture	1,896,526	<b>2,007,505</b>	1,995,063
<b>Total Expenses</b>	<u>5,718,447</u>	<u><b>5,862,464</b></u>	<u>5,434,483</u>
<b>(DEFICIENCY) EXCESS OF REVENUE OVER EXPENSES - BEFORE OTHER</b>	(405,851)	<b>(517,013)</b>	(109,431)
<b>OTHER</b>			
Government transfers for capital (Schedule 4)	-	<b>1,049,637</b>	759,359
<b>EXCESS OF REVENUE OVER EXPENSES</b>	(405,851)	<b>532,624</b>	649,928
<b>ACCUMULATED SURPLUS, BEGINNING OF YEAR</b>	28,960,032	<b>28,960,032</b>	28,310,104
<b>ACCUMULATED SURPLUS, END OF YEAR</b>	<u>28,554,181</u>	<u><b>29,492,656</b></u>	<u>28,960,032</u>

See accompanying notes to the financial statements

**TOWN OF GRIMSHAW  
CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL ASSETS  
FOR THE YEAR ENDED DECEMBER 31, 2018**

	Budget \$	2018 \$	2017 \$
	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>EXCESS OF REVENUES OVER EXPENSES</b>	(405,851)	<b>532,624</b>	649,928
Acquisition of tangible capital assets	(2,023,923)	<b>(1,665,644)</b>	(1,785,355)
Proceeds on disposal of tangible capital assets	-	-	26,845
Amortization of tangible capital assets	1,220,550	<b>1,314,480</b>	1,206,424
(Gain) on sale of tangible capital assets	-	-	(9,295)
	<u>(803,373)</u>	<u><b>(351,164)</b></u>	<u>(561,381)</u>
Acquisition of prepaid assets	-	<b>(150,201)</b>	(87,244)
Use of prepaid assets	-	<b>87,244</b>	111,389
	<u>-</u>	<u><b>(62,957)</b></u>	<u>24,145</u>
<b>INCREASE IN NET FINANCIAL ASSETS</b>	(1,209,224)	<b>118,503</b>	112,692
<b>NET FINANCIAL ASSETS, BEGINNING OF YEAR</b>	<u>5,206,603</u>	<u><b>5,206,603</b></u>	<u>5,093,911</u>
<b>NET FINANCIAL ASSETS, END OF YEAR</b>	<u><u>3,997,379</u></u>	<u><u><b>5,325,106</b></u></u>	<u><u>5,206,603</u></u>



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

	2018 \$	2017 \$
<b>NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:</b>		
<b>OPERATING</b>		
Excess of revenues over expenses	532,624	649,928
Gain on sale of capital assets	-	(9,295)
Non-cash items included in excess (shortfall) of revenues over expenses:		
Amortization of tangible capital assets	1,314,480	1,206,424
Non-cash charges to operations (net change):		
Decrease (increase) in taxes and grants in lieu receivable	(37,940)	(42,143)
Decrease (increase) in trade and other receivables	(825,074)	254,310
Decrease (increase) in prepaid expenses	(62,957)	24,145
Decrease (increase) in land held for resale	4,844	(20,428)
Decrease (increase) in other financial assets	-	-
Increase (decrease) in accounts payable and accrued liabilities	105,207	(6,354)
Increase (decrease) in deposit liabilities	-	-
Increase (decrease) in deferred revenue	(84,447)	34,104
Cash provided by operating transactions	<u>946,737</u>	<u>2,090,691</u>
<b>CAPITAL</b>		
Acquisition of tangible capital assets	(1,665,644)	(1,785,355)
Sale of tangible capital assets	-	26,845
Cash applied to capital transactions	<u>(1,665,644)</u>	<u>(1,758,510)</u>
<b>INVESTING</b>		
Decrease (increase) in investments	<u>780,800</u>	<u>46,536</u>
<b>FINANCING</b>		
Long-term debt repaid	<u>-</u>	<u>-</u>
<b>CHANGE IN CASH AND EQUIVALENTS DURING THE YEAR</b>	<b>61,893</b>	<b>378,717</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<u>367,625</u>	<u>(11,092)</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u><u>429,518</u></u>	<u><u>367,625</u></u>

See accompanying notes to the financial statements

	2018 \$	2017 \$
<b>Cash and cash equivalents is made up of:</b>		
Cash and temporary investments (Note 2)	4,138,336	4,857,244
Less: short-term and long-term investments (Note 2)	(3,708,818)	(4,489,619)
Temporary bank indebtedness	-	-
	<u><u>429,518</u></u>	<u><u>367,625</u></u>

**TOWN OF GRIMSHAW  
CONSOLIDATED SCHEDULE OF CHANGES IN ACCUMULATED SURPLUS  
FOR THE YEAR ENDED DECEMBER 31, 2018  
SCHEDULE 1**

	Unrestricted Surplus	Restricted Surplus	Equity in Tangible Capital Assets	2018 \$	2017 \$
<b>BALANCE, BEGINNING OF YEAR</b>	2,070,847	3,223,000	23,666,185	<b>28,960,032</b>	28,310,104
Excess of revenues over expenses	532,624	-	-	<b>532,624</b>	649,928
Unrestricted funds designated for future use	(747,138)	747,138	-	-	-
Restricted funds used for operations	985,728	(985,728)	-	-	-
Current year funds used for tangible capital assets	(1,665,644)	-	1,665,644	-	-
Disposal of assets (at nbv)	-	-	-	-	-
Annual amortization expense	1,314,480	-	(1,314,480)	-	-
Long term debt repaid	-	-	-	-	-
Change in accumulated surplus	420,050	(238,590)	351,164	<b>532,624</b>	649,928
<b>BALANCE, END OF YEAR</b>	2,490,897	2,984,410	24,017,349	<b>29,492,656</b>	28,960,032

See accompanying notes to the financial statements

**TOWN OF GRIMSHAW  
CONSOLIDATED SCHEDULE OF TANGIBLE CAPITAL ASSETS  
FOR THE YEAR ENDED DECEMBER 31, 2018  
SCHEDULE 2**

	Land	Land Improvements	Buildings	Engineered Structures	Machinery and Equipment	Vehicles	2018 \$	2017 \$
<b>COST:</b>								
<b>BALANCE, BEGINNING OF YEAR</b>	624,551	356,548	16,718,521	45,548,380	1,385,204	1,198,026	<b>65,831,230</b>	64,231,704
Acquisition of tangible capital assets	-	-	24,679	974,390	613,770	52,805	<b>1,665,644</b>	1,785,355
Disposal of tangible capital assets	-	-	-	-	-	-	-	(185,829)
<b>BALANCE, END OF YEAR</b>	<b>624,551</b>	<b>356,548</b>	<b>16,743,200</b>	<b>46,522,770</b>	<b>1,998,974</b>	<b>1,250,831</b>	<b>67,496,874</b>	65,831,230
<b>ACCUMULATED AMORTIZATION:</b>								
<b>BALANCE, BEGINNING OF YEAR</b>	-	116,093	3,582,315	36,950,078	1,078,555	438,004	<b>42,165,045</b>	41,126,900
Annual amortization	-	14,832	332,491	804,931	89,822	72,404	<b>1,314,480</b>	1,206,424
Accumulated amortization on disposals	-	-	-	-	-	-	-	(168,279)
<b>BALANCE, END OF YEAR</b>	<b>-</b>	<b>130,925</b>	<b>3,914,806</b>	<b>37,755,009</b>	<b>1,168,377</b>	<b>510,408</b>	<b>43,479,525</b>	42,165,045
<b>NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS</b>	<b>624,551</b>	<b>225,623</b>	<b>12,828,394</b>	<b>8,767,761</b>	<b>830,597</b>	<b>740,423</b>	<b>24,017,349</b>	<b>23,666,185</b>
2017 NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	624,551	240,455	13,136,206	8,598,302	306,649	760,022	<b>23,666,185</b>	

See accompanying notes to the financial statements

**TOWN OF GRIMSHAW  
CONSOLIDATED SCHEDULE OF PROPERTY TAXES LEVIED  
FOR THE YEAR ENDED DECEMBER 31, 2018  
SCHEDULE 3**

	Budget \$	<b>2018 \$</b>	2017 \$
<b>TAXATION</b>			
Real property taxes	3,269,081	<b>3,118,016</b>	3,144,325
Linear property taxes	-	<b>61,806</b>	61,406
Government grants in place of property taxes	-	<b>4,034</b>	4,245
Local Improvements	-	<b>1,643</b>	1,643
	<u>3,269,081</u>	<u><b>3,185,499</b></u>	<u>3,211,619</u>
<b>REQUISITIONS</b>			
Alberta School Foundation Fund	704,707	<b>663,617</b>	818,667
Seniors Foundation	265,703	<b>232,964</b>	109,544
	<u>970,410</u>	<u><b>896,581</b></u>	<u>928,211</u>
<b>NET MUNICIPAL TAXES</b>	<u>2,298,671</u>	<u><b>2,288,918</b></u>	<u>2,283,408</u>

See accompanying notes to the financial statements

**TOWN OF GRIMSHAW  
CONSOLIDATED SCHEDULE OF GOVERNMENT TRANSFERS  
FOR THE YEAR ENDED DECEMBER 31, 2018  
SCHEDULE 4**

	Budget \$	2018 \$	2017 \$
	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>TRANSFERS FOR OPERATING:</b>			
Provincial Government	155,000	<b>174,900</b>	170,030
Federal Government	-	-	-
	<u>155,000</u>	<u><b>174,900</b></u>	<u>170,030</u>
<b>TRANSFERS FOR CAPITAL:</b>			
Provincial Government	-	<b>1,049,637</b>	759,359
Federal Government	-	-	-
	<u>-</u>	<u><b>1,049,637</b></u>	<u>759,359</u>
<b>TOTAL GOVERNMENT TRANSFERS</b>	<u>155,000</u>	<u><b>1,224,537</b></u>	<u>929,389</u>

See accompanying notes to the financial statements

**TOWN OF GRIMSHAW  
CONSOLIDATED SCHEDULE OF EXPENSES BY OBJECT  
FOR THE YEAR ENDED DECEMBER 31, 2018  
SCHEDULE 5**

	Budget \$	2018 \$	2017 \$
<b>CONSOLIDATED EXPENSES BY OBJECT</b>			
Salaries, wages and benefits	1,952,515	<b>1,912,516</b>	1,772,481
Contracted and general services	1,849,856	<b>1,877,378</b>	1,766,282
Materials, goods, supplies and utilities	544,165	<b>624,317</b>	540,236
Bank charges and short term interest	5,000	<b>5,194</b>	5,084
Interest on capital long-term debt	-	-	-
Amortization of tangible capital assets	1,220,550	<b>1,314,480</b>	1,206,424
Other expenses	146,361	<b>128,579</b>	143,976
	<u>5,718,447</u>	<u><b>5,862,464</b></u>	<u>5,434,483</u>

See accompanying notes to the financial statements

**TOWN OF GRIMSHAW  
CONSOLIDATED SCHEDULE OF SEGMENTED DISCLOSURE  
FOR THE YEAR ENDED DECEMBER 31, 2018  
SCHEDULE 6**

	General Government	Protective Services	Transportation Services	Planning & Development	Recreation & Culture	Environmental Services	Total \$
<b>REVENUE</b>							
Net municipal taxes	2,288,918	-	-	-	-	-	<b>2,288,918</b>
Government transfers	-	-	1,146,262	78,275	-	-	<b>1,224,537</b>
User fees and sales of goods	433,811	31,521	-	23,140	239,660	1,282,015	<b>2,010,147</b>
Gain on sale of capital assets	-	-	-	-	-	-	<b>-</b>
Investment income	98,588	-	-	-	-	-	<b>98,588</b>
Penalties and costs on taxes	62,536	6,377	-	-	-	26,095	<b>95,008</b>
Other revenues	5,280	33,079	-	79,518	550,730	9,283	<b>677,890</b>
	<b>2,889,133</b>	<b>70,977</b>	<b>1,146,262</b>	<b>180,933</b>	<b>790,390</b>	<b>1,317,393</b>	<b>6,395,088</b>
<b>EXPENSES</b>							
Contract & general services	298,995	108,207	311,734	256,971	507,905	393,566	<b>1,877,378</b>
Salaries & wages	548,146	72,030	436,820	900	638,357	216,263	<b>1,912,516</b>
Goods & supplies	52,903	39,041	129,059	1,253	357,034	45,027	<b>624,317</b>
Bank charges and interest	5,194	-	-	-	-	-	<b>5,194</b>
Long term debt interest	-	-	-	-	-	-	<b>-</b>
Other expenses	6,610	1,006	49	3,291	117,480	143	<b>128,579</b>
	<b>911,848</b>	<b>220,284</b>	<b>877,662</b>	<b>262,415</b>	<b>1,620,776</b>	<b>654,999</b>	<b>4,547,984</b>
<b>NET REVENUE BEFORE AMORTIZATION</b>	<b>1,977,285</b>	<b>(149,307)</b>	<b>268,600</b>	<b>(81,482)</b>	<b>(830,386)</b>	<b>662,394</b>	<b>1,847,104</b>
Amortization expense	(19,985)	(34,608)	(496,404)	-	(386,726)	(376,757)	<b>(1,314,480)</b>
<b>NET REVENUE</b>	<b>1,957,300</b>	<b>(183,915)</b>	<b>(227,804)</b>	<b>(81,482)</b>	<b>(1,217,112)</b>	<b>285,637</b>	<b>532,624</b>

**TOWN OF GRIMSHAW  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2018**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The consolidated financial statements of the Town of Grimshaw are the representations of management prepared in accordance with generally accepted accounting principles for local governments established by the Public Sector Accounting Board of the Canadian Institute of Chartered Professional Accountants. Significant aspects of the accounting policies adopted by the Town of Grimshaw are as follows:

**a) Reporting entity**

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

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

**c) Use of Estimates**

The preparation of financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported 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 expenses 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.



**TOWN OF GRIMSHAW  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2018**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**e) Employee Future Benefits**

Certain employees of the Town are members of the Local Authorities Pension Plan (LAPP), a multi-employer defined benefit pension plan. The trustee of the plan is the Alberta Treasurer and the plan is administered by a Board of Trustees. Since the plan is a multi-employer plan, it is accounted for as a defined contribution plan and, accordingly, the Town does not recognize its share of any plan surplus or deficit.

**f) 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 the respective function.

**g) Government Transfers**

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

Government transfers are recognized in the financial statements as revenue in the period in which events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met, and reasonable estimates of the amounts can be determined.

**h) Requisition Over-levies and Under-Levies**

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

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

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

**i) 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.

**TOWN OF GRIMSHAW  
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED DECEMBER 31, 2018**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**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:

	<b>YEARS</b>
Land Improvements	10-45
Buildings	25-50
Engineered structures	
Water distribution system	30-75
Wastewater treatment system	35-75
Roadway system	5-40
Machinery, equipment and furnishings	5-20
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. Contributions of Tangible Capital Assets**

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

**iii. Leases**

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

**iv. Inventories**

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

**v. Cultural and Historical Tangible Capital Assets**

Works of art for display are not recorded as tangible capital assets but are disclosed. The Town of Grimshaw owns 2 antique trucks. They were purchased in 2008 for a combined cost of \$28,500. The trucks are not recorded as tangible capital assets in the financial statements and are not amortized.

**j) Tax Revenue**

Tax revenues are recognized when the tax has been authorized by bylaw and the taxable event has occurred.

Requisitions operate as a flow through and are excluded from municipal revenue.

**TOWN OF GRIMSHAW  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2018**

**2. CASH AND INVESTMENTS**

	2018	2017
	\$	\$
Cash	429,518	367,625
Savings account	-	-
GIC's and investment savings account	3,708,818	4,489,619
	<u>4,138,336</u>	<u>4,857,244</u>

GIC's and investment savings account consist of mutual fund investments and GIC investments bearing interest between 1.70 - 2.81% with maturity dates ranging from July 18, 2019 - August 17, 2020.

A portion of the cash balances above are restricted for reserves and deferred revenue. The total restricted capital is \$3,247,575 (\$3,570,613 in 2017).

**3. TAXES AND GRANTS IN LIEU OF TAXES RECEIVABLES**

	2018	2017
	\$	\$
Current taxes and grants in lieu of taxes	163,229	170,323
Arrears taxes	96,745	51,710
	<u>259,974</u>	<u>222,033</u>
Less: allowance for doubtful accounts	-	-
	<u>259,974</u>	<u>222,033</u>

**4. ACCOUNTS PAYABLE & ACCRUED LIABILITIES**

	2018	2017
	\$	\$
Vacation and overtime	107,853	85,811
Project holdbacks	-	-
General payables	268,536	191,870
Government payables (source deductions and GST)	19,574	13,073
	<u>395,963</u>	<u>290,754</u>

**Vacation and overtime**

The vacation and overtime liability is comprised of the vacation and overtime that employees are deferring to future years. Employees have either earned the benefits (and are vested) or are entitled to these benefits within the next budgetary year.

**5. DEFERRED REVENUE**

	2018	2017
	\$	\$
Prepaid local improvement charges	-	-
Deferred grants	263,166	309,816
Deferred other	-	37,797
	<u>263,166</u>	<u>347,613</u>

**Municipal Sustainability Initiative**

Funding in the amount of \$96,625 was received in the current year from the Municipal Sustainability Initiative. Of the \$96,625 received, nil is from the capital component of the program and is restricted to eligible capital project, as approved under the funding agreement, which were completed in 2018. \$96,625 is from the operating component of the program and is restricted to eligible operating projects, as approved under the funding agreement, which were also completed in 2018.

**TOWN OF GRIMSHAW  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2018**

**6. LONG-TERM DEBT**

	2018	2017
	\$	\$
Self supported debentures	-	-

The current portion of the long-term debt amounts to nil (2017 - nil).

There are no principal and interest repayments.

Debenture debt is issued on the credit and security of the town at large.

Interest on long-term debt amounted to nil (2017 - nil).

**7. DEBT LIMITS**

Section 276(2) of the Municipal Government Act requires that debt and debt limits as defined by Alberta be disclosed as follows:

	2018	2017
	\$	\$
Total debt limit	<b>8,018,177</b>	7,987,578
Total debt	-	-
Amount of debt limit unused	<b>8,018,177</b>	7,987,578
Debt servicing limit	<b>1,336,363</b>	1,331,263
Debt servicing	-	-
Amount of debt servicing limit unused	<b>1,336,363</b>	1,331,263

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.

**8. EQUITY IN TANGIBLE CAPITAL ASSETS**

	2018	2017
	\$	\$
Tangible capital assets (Schedule 2)	<b>67,496,874</b>	65,831,230
Accumulated amortization (Schedule 2)	<b>(43,479,525)</b>	(42,165,045)
Long-term debt (Note 6)	-	-
	<b>24,017,349</b>	23,666,185

**9. ACCUMULATED SURPLUS**

Accumulated surplus consists of restricted and unrestricted amounts and equity in tangible capital assets as follows:

	2018	2017
	\$	\$
Unrestricted surplus	<b>2,490,897</b>	2,070,847
Reserves (Note 10)	<b>2,984,410</b>	3,223,000
Equity in tangible capital assets (Note 8)	<b>24,017,349</b>	23,666,185
	<b>29,492,656</b>	28,960,032

**TOWN OF GRIMSHAW  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2018**

**10. Reserves**

Reserves consists of operating and capital amounts as follows:

	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
Operating reserves		
General Administration	<b>286,037</b>	286,037
RCMP	<b>24,000</b>	24,000
Fire	<b>28,810</b>	28,810
Transportation	-	709,886
Water	-	(1,020)
Sewer	<b>7,000</b>	7,000
FCSS	<b>12</b>	12
Economic Development	<b>70,684</b>	30,115
Community Development	<b>34,000</b>	22,000
Recreation	<b>3,500</b>	3,500
Contingency	<b>1,460</b>	1,460
	<b>455,503</b>	1,111,800
Capital reserves		
General Administration	<b>264,645</b>	250,720
RCMP	<b>10,000</b>	10,000
Fire	<b>138,440</b>	151,243
Transportation	<b>210,303</b>	(39,682)
Water	<b>(7,809)</b>	18,911
Sewer	<b>189,272</b>	159,272
Shared Spaces	<b>(28,783)</b>	(82,783)
Recreation	<b>1,089,253</b>	1,054,254
Pool	<b>40,634</b>	20,313
Fitness Centre	<b>106,530</b>	97,530
Parks	<b>140,544</b>	115,544
Field House	<b>90,000</b>	75,000
Elks Hall	<b>27,503</b>	22,503
Capital replacement	<b>258,375</b>	258,375
	<b>2,528,907</b>	2,111,200
Total reserves	<b>2,984,410</b>	3,223,000

**TOWN OF GRIMSHAW  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2018**

**11. SALARY AND BENEFITS DISCLOSURE**

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

	2018			2017
	Salary <sup>1</sup>	Benefits & allowances <sup>2</sup>	Expense reimbursement <sup>3</sup>	Total
	\$			\$
<b>Councillors</b>				
Mayor Regal	10,481	-	1,575	12,056
Councillor Allan	-	-	-	-
Councillor Jonk	-	-	-	-
Councillor Konowalyk	-	-	-	-
Councillor Nelson	-	-	-	-
Councillor Thompson	6,829	-	76	6,905
Councillor Wearden	-	-	-	-
Councillor Hennings	4,992	-	1,095	6,087
Councillor Messner	4,234	-	119	4,353
Councillor Sklapsky	5,591	-	269	5,860
Councillor Sukeroff	5,123	-	1,152	6,275
Councillor Wald	7,703	-	2,481	10,184
<b>Chief Administrative Officer</b>	118,819	20,152	2,844	141,815
	<b>163,772</b>	<b>20,152</b>	<b>9,611</b>	<b>193,535</b>
				138,878
				180,474

- 1 Salary includes regular base pay, bonuses, overtime, lump sum payments, gross honoraria and any other direct cash remuneration.
- 2 Employer's share of all employee benefits and contributions or payments made on behalf of employees including pension, health care, dental coverage, vision coverage, group life insurance, accidental disability and dismemberment insurance, and long and short-term disability plans.
- 3 Direct reimbursement of expenses.

**12. LOCAL AUTHORITIES PENSION PLAN**

Employees of the Town participate in the Local Authorities Pension Plan (LAPP), which is one of the plans covered by the Alberta Public Sector Pension Plans Act. The LAPP is financed by employer and employee contributions and by investment earnings of the LAPP Fund.

Contributions for current service are recorded as expenditures in the year in which they become due.

The Town is required to make current service contributions to the LAPP of 10.39% of pensionable earnings up to the year's maximum pensionable earnings under the Canada Pension Plan and 14.84% on pensionable earnings above this amount. Employees of the Town are required to make current service contributions of 9.39% of pensionable salary up to the year's maximum pensionable salary and 13.84% on pensionable salary above this amount.

Total current service contributions by the Town to the LAPP in 2018 were \$133,684 (2017 - \$137,864). Total current service contributions by the employees of the Town to the LAPP in 2018 were \$121,932 (2017 - \$126,694).

At December 31, 2017, the LAPP disclosed a surplus of \$4.835 billion.

**TOWN OF GRIMSHAW  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2018**

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**13. COMMITMENTS**

The Town has a 5 year contract with KCL Consulting Inc to provide assessment services, at a cost of \$29,000 annually.

The Town has a 3 year agreement with the Lac Cardinal Economic Development Board, at a cost of \$61,600 annually.

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**14. CONTINGENCIES**

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.

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**15. FINANCIAL INSTRUMENTS**

The Town's financial instruments consist of cash and temporary investments, accounts receivable, investments, 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 or currency risks arising from these financial instruments.

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

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**16. SEGMENTED DISCLOSURE**

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

Refer to the Schedule of Segmented Disclosure (Schedule 6).

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**17. APPROVAL OF FINANCIAL STATEMENTS**

Council and Management have approved these financial statements.

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**18. COMPARATIVE FIGURES**

The comparative figures have been reclassified where necessary.