

Town of Beaverlodge
Consolidated Financial Statements
December 31, 2018

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 public sector accounting standards. 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.

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

MNP LLP, an independent firm of Chartered Professional Accountants, is appointed by 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 Council and management to discuss their audit findings.

April 29, 2019


Chief Administrative Officer

Independent Auditors' Report

To the Members of Council:

Opinion

We have audited the consolidated financial statements of the Town of Beaverlodge (the "Town"), which comprise the consolidated statement of financial position as at December 31, 2018, and the consolidated statements of operations and accumulated surplus, change in net debt, cash flows and related schedules for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements presented fairly, in all material respects, the consolidated financial position of the Town as at December 31, 2018, and the results of its consolidated operations and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Town in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management for the Consolidated Financial Statements

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

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

Those charged with governance are responsible for overseeing the Town's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that 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.

Grande Prairie, Alberta
April 29, 2019

MNP LLP

Chartered Professional Accountants

Town of Beaverlodge
Consolidated Statement of Financial Position
For the year ended December 31, 2018

	2018	2017
Financial Assets		
Cash (Note 2)	304,385	156,140
Portfolio investments (Note 2)	301,062	290,015
Deposit assets	25,813	27,782
Receivables (Note 3)		
Taxes and grants in lieu of taxes	313,285	284,439
Trade and other accounts receivable	1,328,463	2,413,059
Investments (Note 4)	6,346	6,346
Due from County of Grande Prairie No.1	92,965	30,844
Total financial assets	2,372,319	3,208,625
Financial Liabilities		
Temporary loan payable (Note 5)	-	1,099,993
Accounts payable and accrued liabilities (Note 6)	832,941	919,846
Landfill closure and post closure liability (Note 17)	7,255	8,308
Deposit liabilities	10,420	7,257
Deferred revenue (Note 7)	344,054	519,292
Long-term debt (Note 8)	6,119,110	5,698,451
Capital lease obligation (Note 9)	-	188,574
Total financial liabilities	7,313,780	8,441,721
Net debt	(4,941,461)	(5,233,096)
 Commitments and contingencies - See Note 18 and 19		
 Non-financial assets		
Tangible capital assets (Schedule II)	31,692,338	30,120,104
Prepaid expenses	2,773	2,773
Total non-financial assets	31,695,111	30,122,877
Accumulated Surplus (Note 12, Schedule I)	26,753,650	24,889,781

Approved by



Mayor



Deputy Mayor

The accompanying notes are an integral part of these financial statements.

Town of Beaverlodge
Consolidated Statement of Operations and Accumulated Surplus
For the year ended December 31, 2018

	<i>2018</i> <i>Budget</i>	<i>2018</i>	<i>2017</i>
Revenue			
Net municipal property taxes (Schedule III)	2,943,814	2,976,668	2,703,078
User fees and sales of goods	2,002,728	2,149,650	2,011,628
Government transfers for operating (Schedule IV)	564,821	724,651	705,870
Investment income	6,650	5,140	7,627
Penalties and costs on taxes	58,000	61,986	61,134
Franchise and concession contracts	216,615	211,328	216,882
Other revenue	178,975	165,242	199,290
Total revenue	5,971,603	6,294,665	5,905,509
Expenses			
Legislative	132,450	152,528	124,946
Administrative	505,411	609,665	464,400
Bylaw enforcement	377,909	333,177	371,418
Roads, streets, walk and lighting	839,789	1,368,527	1,038,508
Water supply and distribution	1,380,936	1,881,091	1,647,320
Family and community services	193,363	200,939	202,212
Parks and recreation	1,935,997	2,149,023	2,082,801
Planning and development	184,697	92,695	111,293
Total expenses	5,550,552	6,787,645	6,042,898
Deficiency of revenue over expenses before other items	421,051	(492,980)	(137,389)
Other items			
Government transfers for capital (Schedule IV)	2,201,997	2,356,849	2,810,260
Excess of revenue over expenses	2,623,048	1,863,869	2,672,871
Accumulated surplus, beginning of year	24,889,781	24,889,781	22,216,910
Accumulated surplus, end of year	27,512,829	26,753,650	24,889,781

The accompanying notes are an integral part of these financial statements.

Town of Beaverlodge
Consolidated Statement of Changes in Net Debt
For the year ended December 31, 2018

	<i>2018 Budget</i>	2018	2017
Excess of revenue over expenses	2,623,048	1,863,869	2,672,871
Acquisition of tangible capital assets	(2,891,263)	(2,531,541)	(4,227,847)
Amortization of tangible capital assets	-	959,307	901,464
	(2,891,263)	(1,572,234)	(3,326,383)
Reduction (increase) in prepaid assets	-	-	8,348
Decrease (Increase) in net debt	(268,215)	291,635	(645,164)
Net debt, beginning of year	(5,233,096)	(5,233,096)	(4,587,932)
Net debt, end of year	(5,501,311)	(4,941,461)	(5,233,096)

The accompanying notes are an integral part of these financial statements.

Town of Beaverlodge

Consolidated Statement of Cashflows

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	1,863,869	2,672,871
Non-cash items included in excess of revenue over expenses:		
Amortization of tangible capital assets	959,307	901,464
Non-cash changes to operations (net change):		
Decrease (increase) in deposit assets	1,969	(472)
Decrease (increase) in taxes and grants in lieu receivable	(28,846)	(40,083)
Decrease (increase) in trade and other accounts receivable	1,084,596	(964,242)
Decrease (increase) in due from County of Grande Prairie No.1	(62,121)	(12,914)
Decrease (increase) in prepaid expenses	-	8,348
Increase (decrease) in accounts payable and accrued liabilities, and deposit liabilities	(83,742)	(178,671)
Increase (decrease) in landfill closure liability	(1,053)	(9,411)
Increase (decrease) in deferred revenue	(175,238)	(142,345)
Cash provided by operating transactions	3,558,741	2,234,545
Capital activities		
Acquisition of tangible capital assets	(2,531,541)	(4,227,847)
Cash applied to capital transactions	(2,531,541)	(4,227,847)
Financing activities		
Increase value of long term investments	-	(25)
Advances of long term debt	650,000	-
Long-term debt repaid	(229,341)	(201,504)
Capital lease obligation repaid	(188,574)	(45,530)
Cash applied to financing transactions	232,085	(247,059)
Increase (decrease) in cash and cash equivalents	1,259,285	(2,240,361)
Cash and cash equivalents, (deficiency) beginning of year	(653,838)	1,586,523
Cash and cash equivalents, (deficiency) end of year	605,447	(653,838)
Balance comprised of:		
Cash	304,385	156,140
Portfolio investments	301,062	290,015
Temporary loan payable	-	(1,099,993)
	605,447	(653,838)

The accompanying notes are an integral part of these financial statements.

Town of Beaverlodge
Schedule I - Schedule of Changes in Accumulated Surplus
For the year ended December 31, 2018

				2018	2017
	Unrestricted Surplus (Deficit)	Restricted Surplus	Equity in Tangible Capital Assets		
Accumulated surplus, beginning of year	(1,360,905)	2,017,607	24,233,079	24,889,781	22,216,910
Excess of revenue over expenses	1,863,869	-	-	1,863,869	2,672,871
Transfers from (to) reserves	(293,190)	293,190	-	-	-
Current year funds used for tangible capital assets	(2,183,953)	(347,588)	2,531,541	-	-
Annual amortization expense	959,307	-	(959,307)	-	-
Term debt advanced	650,000	-	(650,000)	-	-
Term debt repaid	(229,341)	-	229,341	-	-
Capital lease obligation repaid	(188,574)	-	188,574	-	-
Change in accumulated surplus	578,118	(54,398)	1,340,149	1,863,869	2,672,871
Accumulated surplus, end of year	(782,787)	1,963,209	25,573,228	26,753,650	24,889,781

The accompanying notes are an integral part of these financial statements.

Town of Beaverlodge
Schedule II - Schedule of Tangible Capital Assets

For the year ended December 31, 2018

	Land	Land Improvements	Buildings	Engineered Structures	Machinery and Equipment	Vehicles	2018	2017
Cost:								
Balance, beginning of year	1,756,444	1,163,542	8,379,351	29,615,490	1,926,164	1,226,143	44,067,134	39,839,287
Acquisition of tangible capital assets	-	3,932	475,007	1,977,767	74,835	-	2,531,541	4,227,847
Disposal of tangible capital assets	-	-	-	-	-	-	-	-
Balance, end of year	1,756,444	1,167,474	8,854,358	31,593,257	2,000,999	1,226,143	46,598,675	44,067,134
Accumulated amortization:								
Balance, end of year	-	143,781	1,663,778	10,365,342	1,166,746	607,383	13,947,030	13,045,566
Annual amortization	-	25,616	79,117	690,213	124,250	40,111	959,307	901,464
Accumulated amortization on disposals	-	-	-	-	-	-	-	-
Balance, end of year	-	169,397	1,742,895	11,055,555	1,290,996	647,494	14,906,337	13,947,030
Net book value of tangible capital assets	1,756,444	998,077	7,111,463	20,537,702	710,003	578,649	31,692,338	30,120,104
2017 Net book value of tangible capital assets	1,756,444	1,019,761	6,715,573	19,250,148	759,418	618,760	30,120,104	

*Included in buildings above are assets under construction with a total cost of \$361,219 (2017 - \$146,478) not amortized in the year.

The accompanying notes are an integral part of these financial statements.

Town of Beaverlodge
Schedule III - Schedule of Property and Other Taxes
For the year ended December 31, 2018

	<i>2018</i>	<i>2018</i>	<i>2017</i>
	<i>Budget</i>		
Taxation			
Real property taxes	3,699,292	3,700,198	3,456,506
Linear property taxes	62,314	90,874	59,279
Government grants in lieu of property taxes	9,114	12,504	11,964
	3,770,720	3,803,576	3,527,749
Requisitions			
Alberta School Foundation Fund	813,949	813,949	812,417
Seniors foundation	12,957	12,959	12,254
	826,906	826,908	824,671
Net municipal property taxes	2,943,814	2,976,668	2,703,078

The accompanying notes are an integral part of these financial statements.

Town of Beaverlodge
Schedule IV - Schedule of Government Transfers

For the year ended December 31, 2018

	<i>2018</i>	<i>2018</i>	<i>2017</i>
	<i>Budget</i>		
Transfers for operating:			
Provincial Government	416,911	177,900	149,436
Federal Government	-	-	39,875
Other Local Governments	147,910	546,751	516,559
	564,821	724,651	705,870
Transfers for capital:			
Provincial Government	2,201,997	2,356,849	2,810,260
Other Local Governments	-	-	-
	2,201,997	2,356,849	2,810,260
Total government transfers	2,766,818	3,081,500	3,516,130

The accompanying notes are an integral part of these financial statements.

Town of Beaverlodge
Schedule V - Consolidated Schedule of Expenses by Object
For the year ended December 31, 2018

	<i>2018</i> <i>Budget</i>	<i>2018</i>	<i>2017</i>
Consolidated expenses by object			
Salaries, wages and benefits	2,344,543	2,254,027	2,087,124
Contracted and general services	2,025,954	2,294,214	2,094,534
Materials, goods and utilities	584,309	911,561	635,400
Transfers to local boards and agencies	30,065	30,702	29,014
Interest on long-term debt	533,382	265,443	243,543
Other	32,299	72,391	51,819
Amortization of tangible capital assets	-	959,307	901,464
	5,550,552	6,787,645	6,042,898

The accompanying notes are an integral part of these financial statements.

Town of Beaverlodge
Schedule VI - Schedule of Segmented Disclosure
For the year ended December 31, 2018

	General Government	Protective Services	Transportation Services	Planning and Development	Recreation & Culture	Environmental Services	Family and Community	Total
Revenue								
Net municipal taxes	2,976,668	-	-	-	-	-	-	2,976,668
Government transfers	1,570,403	46,313	4,896	891,136	504,951	-	63,801	3,081,500
User fees and sales of goods	-	-	-	-	484,663	1,639,461	25,526	2,149,650
Investment income	5,140	-	-	-	-	-	-	5,140
Other revenue	107,446	65,164	-	3,685	7,179	16,494	238,588	438,556
	4,659,657	111,477	4,896	894,821	996,793	1,655,955	327,915	8,651,514
Expenses								
Contracted and general services	286,948	74,000	143,842	8,525	715,095	881,347	184,457	2,294,214
Salaries, wages and benefits	399,482	181,432	369,492	57,575	955,779	290,267	-	2,254,027
Materials, goods and utilities	15,627	47,296	570,617	26,595	54,221	180,723	16,482	911,561
Transfers to local boards and agencies	-	-	15,000	-	15,702	-	-	30,702
Interest on long-term debt	-	513	-	-	131,823	133,107	-	265,443
Other expenses	52,543	624	-	-	20,277	(1,053)	-	72,391
	754,600	303,865	1,098,951	92,695	1,892,897	1,484,391	200,939	5,828,338
Excess (deficiency) of revenue over expenses, before amortization	3,905,057	(192,388)	(1,094,055)	802,126	(896,104)	171,564	126,976	2,823,176
Amortization of tangible capital assets	7,595	29,312	269,576	-	256,125	396,699	-	959,307
Excess (deficiency) of revenue over expenses	3,897,462	(221,700)	(1,363,631)	802,126	(1,152,229)	(225,135)	126,976	1,863,869

The accompanying notes are an integral part of these financial statements.

1. Summary of significant accounting policies

The consolidated financial statements of the Town of Beaverlodge (the "Town") are the representations of management prepared in accordance with Canadian public sector accounting standards as 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 Beaverlodge are as follows:

Reporting entity

The consolidated financial statements reflect the assets, liabilities, revenue and expenses, 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 Council for administration of their financial affairs and resources. They include the following:

West Grande Prairie County Solid Waste Management Authority 15% (2017 - 15%)
Beaverlodge Public Library 100% (2017 - 100%)

The schedule of taxes levied also includes requisitions for education, health, social and seniors foundations that are not part of the Town's reporting entity.

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

Government Partnership

The Town of Beaverlodge has entered into an agreement with the Towns of Wembley and Sexsmith, Village of Hythe and the County of Grande Prairie No. 1 to construct, operate and maintain a regional collection, transfer and disposal of garbage facilities for the benefit of all participating municipalities under the name of West Grande Prairie County Solid Waste Management Authority. The government partnership is accounted for using proportionate consolidation. Under proportionate consolidation, only the Town of Beaverlodge's interest of 15% (2017 - 15%) in the government partnership is included in the consolidated financial statements.

Basis of Accounting

The consolidated 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.

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.

Measurement uncertainty (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.

Accounts receivable are stated after evaluation as to their collectability and an appropriate allowance for doubtful accounts is provided where necessary. Amortization is based on the estimated useful lives of tangible capital assets.

1. Summary of significant accounting policies (continued)

Expenses that relate to on-going environmental and reclamation programs are charged against earnings as incurred. Future site restoration costs are recognized based upon assumptions and estimates related to the amount and timing of costs for future removal and site restoration. Annual provisions for these costs are amortized on a straight-line basis over 25 years.

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.

Employee future benefits

Selected employees of the Town are members of the Local Authority 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.

Requisition Over-levy and Under-levy

Over-levies and under-levies arise from the difference between the actual 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.

Tax Revenue

Tax revenue is 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.

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 vision inspection. The requirement is being provided for over the estimated remaining life of the landfill site based on usage.

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.

1. Summary of 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 revenue over expenses, provides the consolidated change in net 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>
Buildings	25 - 50
Land Improvements	15 - 20
Engineered structures	
Water and wastewater system	45 - 75
Other engineered structures	15 - 30
Machinery and equipment	5 - 15
Vehicles	10 - 25

One-half of the annual amortization is charged in the year of acquisition and none 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.

Financial Instruments

The Town recognizes its financial instruments when the Town becomes party to the contractual provisions of the financial instrument. All financial instruments are initially recorded at their fair value, including financial assets and liabilities originated and issued in a related party transaction with management.

At initial recognition, the Town may irrevocably elect to subsequently measure any financial instrument at fair value. The Town has not made such an election during the year ended.

Town of Beaverlodge
Notes to the Consolidated Financial Statements

For the year ended December 31, 2018

1. Summary of significant accounting policies (continued)

Financial Instruments (continued)

The Town subsequently measures investments in equity instruments quoted in an active market and all derivative instruments, except those designated in a qualifying hedging relationship or that are linked to, and must be settled by delivery of, unquoted equity instruments of another entity, at fair value. Fair value is determined by published price quotations. Investments in equity instruments not quoted in an active market and derivatives that are linked to, and must be settled by delivery of, unquoted equity instruments of another entity, are subsequently measured at cost less impairment. All other financial assets and liabilities are subsequently measured at amortized cost.

Transaction costs and financing fees directly attributable to the origination, acquisition, issuance or assumption of financial instruments subsequently measured at fair value are immediately recognized in net income/loss. Conversely, transaction costs and financing fees are added to the carrying amount for those financial instruments subsequently measured at cost or amortized cost.

2. Cash and portfolio investments

	2018	2017
Cash	295,766	147,521
Cash on hand	8,619	8,619
Portfolio investments	301,062	290,015
	605,447	446,155

Portfolio investments are short-term deposits with original maturities of three months or less.

Council has designated funds of \$1,963,209 (2017 - \$2,017,607) to reserves and \$157,865 (2017 - \$260,653) for deferred revenue; the remaining balance of deferred revenue is included in trade and other accounts receivable.

Term deposits are held in trust by the County of Grande Prairie No. 1 on behalf of West Grande Prairie County Solid Waste Management Authority. Included in temporary investments are restricted amounts totaling \$7,254 (2017 - \$8,308), which includes a restricted cash fund for closure and post-closure of \$7,254 (2017- \$8,308).

3. Receivables

	2018	2017
Taxes and grants in lieu of taxes		
Current taxes and grants in lieu of taxes	188,638	172,568
Arrears taxes	124,647	111,871
	313,285	284,439
Trade and other accounts receivable		
Trade and other accounts receivable	294,137	345,777
Goods and services tax receivable	55,213	139,984
Receivable from government agencies	985,299	1,989,195
	1,334,649	2,474,956
Less: allowance for doubtful accounts	(6,186)	(61,897)
	1,328,463	2,413,059

Town of Beaverlodge
Notes to the Consolidated Financial Statements

For the year ended December 31, 2018

4. Investments

	2018	2017
Alberta Capital Finance Authority shares	10	10
Alberta Association of Municipal Districts & Counties Member's Equity	235	235
United Farmers of Alberta patronage account	6,101	6,101
	6,346	6,346

5. Temporary loan payable

The Town is approved for a revolving loan up to \$1,200,000 (2017 - \$1,200,000), bearing interest at prime rate (2017 - prime rate) per annum. It is available by multiple draws and is to be used to supplement cash flow. The balance is due on demand. Total withdrawal as at December 31, 2018 is \$nil (2017 - \$1,099,993).

Covenants related to this loan are as follows:

The Town cannot sell, lease or otherwise dispose of any assets except (i) inventory sold, leased or disposed of in the ordinary course of business, (ii) obsolete equipment which is being replaced with equipment of equivalent value, and (iii) assets sold, leased, or disposed of during a fiscal year having an aggregate fair market value not exceeding \$25,000, for such fiscal year.

6. Accounts payable and accrued liabilities

	2018	2017
Accounts payable	687,038	506,206
Holdbacks payable	31,383	312,968
Vacation and overtime payable	86,086	73,923
Salaries and wages payable	28,434	26,749
	832,941	919,846

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

Salaries and wages payable is comprised of source deductions payable to the Canada Revenue Agency in the amount of \$755 (2017 - \$451) and accrued wages payable to employees in the amount of \$27,679 (2017 - \$26,298) as at year-end.

7. Deferred revenue

	2018	2017
Municipal Sustainability Initiative		
Balance beginning of year	233,628	403,555
Funding received	798,584	605,915
Funding recognized as spent	(891,136)	(775,842)
Amount deferred	141,076	233,628
 Alberta Community Grant		
Balance beginning of year	150,000	-
Funding received	-	150,000
Funding recognized as spent	(107,973)	-
Amount deferred	42,027	150,000

Town of Beaverlodge
Notes to the Consolidated Financial Statements

For the year ended December 31, 2018

7. Deferred revenue (Continued)

	2018	2017
County of Grande Prairie		
Balance beginning of year	19,890	-
Funding received	-	50,000
Funding recognized as spent	-	(30,110)
Amount deferred	19,890	19,890
Canada 150 Fund		
Balance beginning of year	-	-
Funding received	76,658	39,875
Funding recognized as spent	(72,088)	(39,875)
Amount deferred	4,570	-
Health Complex - Dedicated Reserve		
Balance beginning of year	90,763	84,043
Funding received	615	6,720
Funding recognized as spent	-	-
Amount deferred	91,378	90,763
Landfill		
Balance beginning of year	3,289	-
Funding received	-	3,289
Funding recognized as spent	(3,289)	-
Amount deferred	-	3,289
Prepaid property taxes and utilities	45,113	21,722
Total deferred revenue	344,054	519,292

8. Long-term debt

	2018	2017
Self-supported debentures	6,119,110	5,698,451

Principal and interest repayments are as follows:

	Principal	Interest	Total
2019	222,955	221,581	444,536
2020	232,627	231,244	463,871
2021	242,759	221,112	463,871
2022	232,767	210,494	443,261
2023	242,247	176,282	418,529
2024 and thereafter	4,945,755	1,702,702	6,648,457
	6,119,110	2,763,415	8,882,525

Debenture debt is repayable to the Alberta Capital Finance Authority and bears interest at rates ranging from 3.33% to 9.38% per annum, before Provincial subsidy, and matures in periods 2019 through 2042. Debenture debt is issued on the credit and security of the Town of Beaverlodge at large. Interest on debt amounts to \$244,992 (2017 - \$243,545). Total cash payments for interest during the year are \$273,364 (2017 - \$250,196).

Town of Beaverlodge

Notes to the Consolidated Financial Statements

For the year ended December 31, 2018

9. Capital lease obligation

	2018	2017
Capital lease obligation repaid during the year	-	188,574

10. 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 Beaverlodge be disclosed as follows:

	2018	2017
Total debt limit	9,441,998	8,858,264
Total debt	6,119,110	5,887,025
Amount of debt limit unused	3,322,888	2,971,239
Debt servicing limit	1,573,666	1,476,377
Debt servicing	444,536	635,653
Amount of debt servicing limit unused	1,129,130	840,724

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.

11. Equity in tangible capital assets

	2018	2017
Tangible capital assets (Schedule II)	46,598,675	44,067,134
Accumulated amortization (Schedule II)	(14,906,337)	(13,947,030)
Long-term debt (Note 8)	(6,119,110)	(5,698,451)
Capital lease obligation (Note 9)	-	(188,574)
	25,573,228	24,233,079

12. Accumulated surplus

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

	2018	2017
Unrestricted surplus (deficit)	(782,787)	(1,360,905)
Reserves (Note 13)	1,963,209	2,017,607
Equity in tangible capital assets (Note 11)	25,573,228	24,233,079
	26,753,650	24,889,781

Town of Beaverlodge
Notes to the Consolidated Financial Statements

For the year ended December 31, 2018

13. Reserves

	2018	2017
Capital	615,663	723,646
Landfill	368,959	297,122
Fire department	165,831	133,631
Recreation and parks	90,888	68,962
Tax stabilization	135,036	135,036
Water/sewer reserve	327,159	463,874
Waste Management	20,000	10,000
Equipment reserve	223,986	169,649
Insurance deductible	15,687	15,687
	1,963,209	2,017,607

14. Salary and Benefits Disclosure

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

	Salary ¹	Benefits & allowances ²	2018	2017
Mayor:				
Rycroft, Gary	13,002	-	13,002	1,426
Councillors:				
Kokotilo-Bekkerus, Judy	11,727	-	11,727	8,582
Corbett, Cynthia	13,028	-	13,028	1,657
Graw, Hugh	6,939	-	6,939	1,506
Jones, Gena	11,129	-	11,129	1,807
Dueck, Terry	7,789	-	7,789	978
Mosher, Cal	8,314	-	8,314	1,431
Chief Administrative Officer	150,000	-	150,000	153,505
Previous Mayor (prior to October 2017 election):				
Leona Hanson	12,482	-	-	12,482
Previous Councillors:				
Olson-Lepchuk, Wendy	6,324	-	-	6,324
Sherk, Lloyd	3,384	-	-	3,384
Loberg, Roger	8,427	-	-	8,427

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, short and long-term disability plans, professional memberships and tuition.

Town of Beaverlodge

Notes to the Consolidated Financial Statements

For the year ended December 31, 2018

15. Government partnership

The consolidated financial statements include the accounts of the Town and its proportionate share of its government partnerships. The Town entered into a government partnership to provide landfill disposal services to the Town and surrounding area. The Town holds a 15% interest in the West Grande Prairie County Solid Waste Management Authority, which is accounted for using the proportionate consolidation method.

The following is a summary of condensed supplementary information related to the Town's proportionate share in West Grande Prairie County Solid Waste Management Authority for the year ended December 31, 2018:

	2018	2017
Financial Position:		
Financial assets	388,341	313,668
Physical assets	350,880	373,146
Total assets	739,221	686,814
Financial liabilities	13,908	15,797
Accumulated surplus	725,313	671,017
Results of Operations:		
Total revenue	135,670	117,833
Total expenses	80,792	89,251
Excess of revenue over expenses	54,878	28,582

16. Local Authorities Pension Plan

Employees of the Town participate in the Local Authorities Pension Plan (LAPP), which is covered by the Alberta Public Sector Pension Plans Act. The LAPP serves approximately 253,862 people and 417 employers. The LAPP is financed by employer and employee contributions and by investment earnings of the LAPP Fund. Contributions for current service contributions are recorded as expenditures in the year in which they become due.

Contributions for current service contributions to the LAPP of 11.39% of pensionable earnings up to the year's maximum pensionable earnings under the Canada Pension Plan of 15.84% on pensionable earnings above this amount. Employees of the Town are required to make current service contributions of 10.39% of pensionable salary up to the year's maximum pensionable salary and 14.84% on pensionable salary above this amount.

Total current service contributions by the Town to the LAPP in 2018 were \$131,506 (2017 - \$150,326). Total current service contributions by the employees of the Town to the Local Authorities Pension Plan in 2018 were \$118,271 (2017 - \$138,186).

At December 31, 2018, the LAPP disclosed a surplus of \$4.8 billion (2017 - deficiency \$637 million).

Town of Beaverlodge
Notes to the Consolidated Financial Statements

For the year ended December 31, 2018

17. Landfill closure and post-closure liability

Alberta environment law requires closure and post closure care of landfill sites, which also includes final covering and landscaping, pumping of the ground water and leachates from the site and ongoing environmental monitoring, site inspections and maintenance.

The accrued liability for closure and post-closure of the West Grande Prairie County Solid Waste Management Authority landfill is estimated based on the sum of future cash flows for closure and post-closure activities for 25 years (2017 - 25 years) after closure using a discount rate of 3.37% (2017 - 3.16%) and assuming annual inflation of 2.00%.

The accrued liability portion is based on the cumulative capacity used at year-end compared to the estimated total landfill capacity. The total capacity of the site is estimated at 952,000 cubic meters. The estimated remaining capacity of the landfill site is 762,974 (2017 - 770,174) cubic meters. The existing landfill is expected to reach capacity in approximately the year 2092.

The following summarizes the Town's portion of the total net present value for the estimated costs of closure and post-closure care:

	2018	2017
Estimated closure costs	32,356	38,426
Estimated post-closure costs	4,176	5,067
Estimated total liability	36,532	43,493
Estimated capacity remaining	80.1%	80.9%
Portion of total liability remaining to be recognized	36,531	43,493
Estimated capacity used	19.9%	19.1%
Accrued liability portion	7,254	8,308

18. Commitments

The Town is committed to make annual payments for multiple operating leases for which they have entered for various equipment over the next 5 years as follows:

2019	8,314
2020	12,475
2021	12,475
2022	8,562
2023	1,528
43,354	43,354

19. 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.

20. Segmented disclosure

The Town of Beaverlodge provides a range of services to its ratepayers. For each reported segment, revenue 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 VI).

21. Financial instruments

The Town's financial instruments consist of cash and portfolio 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 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 accounts 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 fulfil their obligations. The large number and diversity of taxpayers and customers minimizes the credit risk.

The Town is subject to interest rate risk with respect to temporary loans payable which bear interest on the basis of the prime lending rate. Interest rate risk arises from the possibility that interest rates applied on outstanding loans of the Town will rise, leaving the Town unable to settle its obligations. The entities cash on hand and reserve balance minimize the interest rate risk. The current prime lending rate is 3.95% (2017 - 3.00%).

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

22. Approval of financial statements

Council and Management have approved these financial statements.

23. Approval of budget

The budget prepared by management and disclosed in these financial statements was approved by Council.

24. Comparative figures

Certain comparative figures have been reclassified to conform with current year presentation.