

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

**TOWN OF CROSSFIELD
FINANCIAL STATEMENTS
DECEMBER 31, 2018**

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INDEPENDENT AUDITOR'S REPORT

To the Members of Council:

Opinion

We have audited the consolidated financial statements of the Town of Crossfield, which comprise of the statement of financial position as at, December 31, 2018 and the results of its operations and changes in its net financial assets and cash flows for the year then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Town of Crossfield as at December 31, 2018, the results of its operations, changes in net financial assets and its cash flows for the year 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 of Crossfield 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 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 the 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 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 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 Responsibility 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 the 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:



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- 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 controls.
- Obtain an understanding of internal controls 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 controls.
- 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 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 the auditor's report. However future events or conditions may cause the Town to cease to continue to be 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the Entities or business activities within the Group to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other things, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal controls that we identify during the audit.

Report on Other Legal and Regulatory Requirements

- **Debt Limit Regulation:** In accordance with Alberta Regulation 255/2000, we confirm that the municipality is in compliance with the Debt Limit Regulation. A detailed account of the Town's debt limit can be found in Note 9.
- **Supplementary Accounting Principles and Standards Regulation:** In accordance with Alberta Regulation 313/2000, we confirm that the municipality is in compliance with the Supplementary Accounting Principles and Standards Regulation and note the information required can be found in Note 1.

**HANNA, ALBERTA
MARCH 27, 2019**


CHARTERED PROFESSIONAL ACCOUNTANTS

TOWN OF CROSSFIELD
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2018

	2018	2017
FINANCIAL ASSETS		
Cash and temporary investments (Note 2)	\$ 6,071,777	\$ 4,687,368
Receivables		
Taxes and grants in place of taxes (Note 3)	294,224	324,889
Trade and other receivables	788,845	876,912
Receivables from other governments	768,560	541,766
Land inventory held for resale		23,439
Investments (Note 4)	10	10
Loans receivable (Note 5)	<u>1,884,000</u>	
	<u>9,807,416</u>	<u>6,454,384</u>
LIABILITIES		
Accounts payable and accrued liabilities	990,849	557,942
Payable to other governments	91,330	116,951
Deposit liabilities (Note 6)	467,101	549,832
Deferred revenue (Note 7)	533,482	430,719
Long-term debt (Note 8)	<u>4,325,950</u>	<u>4,614,218</u>
	<u>6,408,712</u>	<u>6,269,662</u>
NET FINANCIAL ASSETS	<u>3,398,704</u>	<u>184,722</u>
NON-FINANCIAL ASSETS		
Tangible capital assets	37,628,384	36,169,984
Prepaid expenses	<u>180,150</u>	<u>66,940</u>
	<u>37,808,534</u>	<u>36,236,924</u>
ACCUMULATED SURPLUS	<u>\$ 41,207,238</u>	<u>\$ 36,421,646</u>
	COMMITMENTS (SEE NOTE 17)	
	CONTINGENCIES (SEE NOTE 18)	
	SUBSEQUENT EVENTS (SEE NOTE 20)	

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

	Budget (Unaudited)	2018	2017
REVENUE			
Net municipal taxes (Schedule 2)	\$ 3,296,812	\$ 3,279,599	\$ 3,081,076
User fees and sale of goods	3,052,194	5,906,722	2,912,775
Government transfers for operating (Schedule 3)	291,952	379,734	289,808
Investment income	67,680	113,443	61,632
Penalties and costs on taxes	119,094	142,173	130,691
Transfers from local boards and agencies	7,344	6,236	7,235
Licenses and permits	196,031	144,886	246,031
Franchise and concession contracts	152,514	130,212	152,514
Gain on disposal of tangible capital assets			2,857
Other	<u>11,318</u>	<u>136,876</u>	<u>23,424</u>
Total Revenue	<u>7,194,939</u>	<u>10,239,881</u>	<u>6,908,043</u>
EXPENSES			
Legislative	103,690	88,577	91,719
Administration	955,780	943,077	829,997
Protective services	988,807	915,925	852,255
Transportation	1,418,246	1,402,267	1,383,798
Water supply and distribution	1,374,205	1,419,366	1,277,304
Wastewater treatment and disposal	374,562	343,931	386,529
Public health and welfare	91,206	93,539	98,823
Land use planning, zoning and development	94,000	133,259	91,788
Economic/agricultural development	323,166	356,161	137,450
Subdivision land and development	47,480	40,781	66,473
Waste management	385,740	397,996	385,717
Parks and recreation	725,169	761,368	754,929
Culture	<u>263,437</u>	<u>232,372</u>	<u>207,973</u>
Total Expenses	<u>7,145,488</u>	<u>7,128,619</u>	<u>6,564,755</u>
EXCESS (SHORTFALL) OF REVENUE OVER EXPENSES - BEFORE OTHER			
	49,451	3,111,262	343,288
Government transfers for capital (Schedule 3)	1,250,935	1,082,439	2,921,762
Contributed and donated assets			1,647,677
Other capital revenues	26,000	34,763	260,000
Developers' agreements and levies	<u></u>	<u>557,128</u>	<u>465,614</u>
EXCESS OF REVENUE OVER EXPENSES	1,326,386	4,785,592	5,638,341
ACCUMULATED SURPLUS, BEGINNING OF YEAR	<u>36,421,646</u>	<u>36,421,646</u>	<u>30,783,305</u>
ACCUMULATED SURPLUS, END OF YEAR	<u>\$ 37,748,032</u>	<u>\$ 41,207,238</u>	<u>\$ 36,421,646</u>

TOWN OF CROSSFIELD
CONSOLIDATED STATEMENT OF CHANGES IN NET FINANCIAL ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2018

	Budget (Unaudited)	2018	2017
EXCESS (SHORTFALL) OF REVENUE OVER EXPENSES			
	\$ <u>1,326,386</u>	\$ <u>4,785,592</u>	\$ <u>5,638,341</u>
Acquisition of tangible capital assets	(2,069,029)	(2,660,052)	(2,717,594)
Contributed and donated assets			(1,647,677)
Proceeds on sale of tangible capital assets		976	43,983
Amortization of tangible capital assets	1,160,249	1,198,493	1,119,330
(Gain) loss on sale of tangible capital assets	<u> </u>	<u>2,183</u>	<u>(318)</u>
	<u>(908,780)</u>	<u>(1,458,400)</u>	<u>(3,202,276)</u>
Change in prepaid expenses	<u> </u>	<u>(113,210)</u>	<u>(66,940)</u>
DECREASE IN NET DEBT	417,606	3,213,982	2,369,125
NET FINANCIAL ASSETS (DEBT), BEGINNING OF YEAR	<u>184,722</u>	<u>184,722</u>	<u>(2,184,403)</u>
NET FINANCIAL ASSETS, END OF YEAR	<u>\$ <u>602,328</u></u>	<u>\$ <u>3,398,704</u></u>	<u>\$ <u>184,722</u></u>

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

	2018	2017
NET INFLOW(OUTFLOWS) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING		
Excess (shortfall) of revenues over expenses	\$ 4,785,592	\$ 5,638,341
Non-cash items included in excess(shortfall) of revenues over expenses:		
Amortization on tangible capital assets	1,198,493	1,119,330
Loss on sale of tangible capital assets	2,183	(318)
Tangible capital assets received as contributions	<u>5,986,268</u>	<u>(1,647,677)</u>
		5,109,676
Changes in net financial asset(debt) items:		
Decrease(increase) in taxes and grants in place of taxes receivable	30,665	(35,507)
Decrease(increase) in trade and other receivables	88,067	(77,140)
Decrease(increase) in receivables from other governments	(226,794)	297,348
Decrease(increase) in land held for resale	23,439	
Decrease(increase) in prepaid expenses	(113,210)	(66,940)
Decrease(increase) in loan receivable	(1,884,000)	
Increase(decrease) in accounts payable and accrued liabilities	407,286	(148,322)
Increase(decrease) in deposit liabilities	(82,731)	112,415
Increase(decrease) in deferred revenue	<u>102,763</u>	<u>(1,638,983)</u>
		(1,638,983)
Cash provided by (applied to) operating transactions	<u>4,331,753</u>	<u>3,552,547</u>
CAPITAL		
Acquisition of tangible capital assets	(2,660,052)	(2,717,594)
Proceeds on sale of tangible capital assets	<u>976</u>	<u>43,983</u>
		(2,673,611)
Cash provided by (applied to) capital transactions	<u>(2,659,076)</u>	<u>(2,673,611)</u>
FINANCING		
Long term debt issued		33,578
Long term debt repaid	<u>(288,268)</u>	<u>(345,204)</u>
		(311,626)
Cash provided by (applied to) financing transactions	<u>(288,268)</u>	<u>(311,626)</u>
CHANGE IN CASH AND EQUIVALENTS DURING THE YEAR	1,384,409	567,310
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>4,687,368</u>	<u>4,120,058</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 6,071,777</u>	<u>\$ 4,687,368</u>
Cash and cash equivalents is made up of:		
Cash and temporary investments (Note 2)	<u>\$ 6,071,777</u>	<u>\$ 4,687,368</u>

TOWN OF CROSSFIELD
SCHEDULE OF TANGIBLE CAPITAL ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2018

Schedule 1

	Construction in Progress	Land	Land Improvements	Buildings	Engineered Structures	Machinery & Equipment	Vehicles	2018	2017
COST:									
BALANCE, BEGINNING OF YEAR	\$ 2,012,851	\$ 3,035,592	\$ 2,199,547	\$ 5,236,968	\$ 36,173,059	\$ 5,308,250	\$ 1,589,532	\$ 55,555,799	\$ 51,244,784
Acquisition of tangible capital assets	(1,692,468)			2,152,560	1,641,052	388,677	92,026	2,581,847	3,374,995
Construction-in-progress	78,205				(74,392)	(11,467)		78,205	990,276
Disposal of tangible capital assets								(85,859)	(54,256)
BALANCE, END OF YEAR	<u>398,588</u>	<u>3,035,592</u>	<u>2,199,547</u>	<u>7,389,528</u>	<u>37,739,719</u>	<u>5,685,460</u>	<u>1,681,558</u>	<u>58,129,992</u>	<u>55,555,799</u>
ACCUMULATED AMORTIZATION:									
BALANCE, BEGINNING OF YEAR			1,051,739	1,488,726	14,189,357	1,906,446	749,547	19,385,815	18,277,076
Annual amortization			99,870	142,689	604,138	277,831	73,965	1,198,493	1,119,330
Accumulated amortization on disposal					(74,392)	(8,308)		(82,700)	(10,591)
BALANCE, END OF YEAR			<u>1,151,609</u>	<u>1,631,415</u>	<u>14,719,103</u>	<u>2,175,969</u>	<u>823,512</u>	<u>20,501,608</u>	<u>19,385,815</u>
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	<u>\$ 398,588</u>	<u>\$ 3,035,592</u>	<u>\$ 1,047,938</u>	<u>\$ 5,758,113</u>	<u>\$ 23,020,616</u>	<u>\$ 3,509,491</u>	<u>\$ 858,046</u>	<u>\$ 37,628,384</u>	<u>\$ 36,169,984</u>
2017 NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	<u>\$ 2,012,851</u>	<u>\$ 3,035,592</u>	<u>\$ 1,147,808</u>	<u>\$ 3,748,242</u>	<u>\$ 21,983,702</u>	<u>\$ 3,401,804</u>	<u>\$ 839,985</u>	<u>\$ 36,169,984</u>	

TOWN OF CROSSFIELD
SCHEDULE OF PROPERTY AND OTHER TAXES
FOR THE YEAR ENDED DECEMBER 31, 2018

Schedule 2

	Budget (Unaudited)	2018	2017
TAXATION			
Real property taxes	\$ 4,918,393	\$ 4,901,181	\$ 4,542,927
Linear property taxes	65,905	65,905	64,584
Government grants in place of property taxes	<u>5,822</u>	<u>5,822</u>	<u>5,597</u>
	<u>4,990,120</u>	<u>4,972,908</u>	<u>4,613,108</u>
REQUISITIONS			
Alberta School Foundation Fund	1,673,166	1,673,167	1,512,412
Rocky View Foundation	<u>20,142</u>	<u>20,142</u>	<u>19,620</u>
	<u>1,693,308</u>	<u>1,693,309</u>	<u>1,532,032</u>
NET MUNICIPAL TAXES	<u>\$ 3,296,812</u>	<u>\$ 3,279,599</u>	<u>\$ 3,081,076</u>

SCHEDULE OF GOVERNMENT TRANSFERS
FOR THE YEAR ENDED DECEMBER 31, 2018

Schedule 3

	Budget (Unaudited)	2018	2017
TRANSFERS FOR OPERATING			
Provincial government	\$ 118,512	\$ 205,633	\$ 116,368
Federal government	6,588	4,896	6,588
Local governments	<u>166,852</u>	<u>169,205</u>	<u>166,852</u>
	<u>291,952</u>	<u>379,734</u>	<u>289,808</u>
TRANSFERS FOR CAPITAL			
Provincial government	183,300	1,082,439	2,563,480
Federal government	<u>1,067,635</u>	<u>358,282</u>	<u>358,282</u>
	<u>1,250,935</u>	<u>1,082,439</u>	<u>2,921,762</u>
TOTAL GOVERNMENT TRANSFERS	<u>\$ 1,542,887</u>	<u>\$ 1,462,173</u>	<u>\$ 3,211,570</u>

TOWN OF CROSSFIELD
SCHEDULE OF CONSOLIDATED EXPENSES BY OBJECT
FOR THE YEAR ENDED DECEMBER 31, 2018

Schedule 4

	Budget (Unaudited)	2018	2017
<hr/>			
CONSOLIDATED EXPENSES BY OBJECT			
Salaries, wages and benefits	\$ 2,142,280	\$ 2,066,048	\$ 1,932,358
Contracted and general services	1,560,415	1,708,232	1,470,131
Materials, goods, supplies and utilities	1,953,387	1,772,589	1,615,439
Provision for allowances	90	14,892	62,352
Transfers to local boards and agencies	188,380	216,089	199,233
Bank charges and short term interest	9,850	17,565	22,169
Interest on capital long term debt	130,837	132,528	141,204
Amortization of tangible capital assets	1,160,249	1,198,493	1,119,330
Loss on disposal of tangible capital assets		2,183	2,539
	<u>\$ 7,145,488</u>	<u>\$ 7,128,619</u>	<u>\$ 6,564,755</u>

TOWN OF CROSSFIELD
SCHEDULE OF CHANGES IN ACCUMULATED SURPLUS
FOR THE YEAR ENDED DECEMBER 31, 2018

Schedule 5

	Unrestricted Surplus	Restricted Surplus	Equity in Tangible Capital Assets	2018	2017
BALANCE, BEGINNING OF YEAR	\$ 1,375,799	\$ 3,490,081	\$ 31,555,766	\$ 36,421,646	\$ 30,783,305
Excess of revenues over expenses	4,785,592			4,785,592	5,638,341
Unrestricted funds designated for future use	(6,437,641)	6,437,641			
Restricted funds used for tangible capital assets	(561,973)	(2,088,080)	2,098,080		
Current year funds used for tangible capital assets	3,159		561,973		
Disposal of tangible capital assets	1,198,493		(3,159)		
Annual amortization expense	(288,267)		(1,198,493)		
Long term debt repaid			288,267		
Change in accumulated surplus	(1,300,637)	4,339,561	1,746,668	4,785,592	5,638,341
BALANCE, END OF YEAR	\$ 75,162	\$ 7,829,642	\$ 33,302,434	\$ 41,207,238	\$ 36,421,646

TOWN OF CROSSFIELD
SCHEDULE OF SEGMENTED DISCLOSURE
FOR THE YEAR ENDED DECEMBER 31, 2018

Schedule 6

	General Government	Protective Services	Transportation Services	Water / Wastewater	Waste Management	Public Health & Welfare	Development & Planning	Recreation & Culture	Total
REVENUE									
Net municipal taxes	\$ 3,279,599	\$	\$	\$	\$	\$	\$	\$	\$ 3,279,599
User fees and sales of goods	21,500	187,414		1,985,940	389,316	15,129	3,055,344	252,079	5,906,722
Government transfers		159,938		1,082,439	48,716	72,284	98,796		1,462,173
Investment income	113,339					104			113,443
Penalties	112,691			29,482					142,173
Franchise fees	130,212								130,212
Transfers from local boards		144,886						6,236	6,236
Licenses and permits		2,911	2,073	144		484	557,128	35,863	144,886
Other revenues	130,164								728,767
	<u>3,787,505</u>	<u>495,149</u>	<u>2,073</u>	<u>3,098,005</u>	<u>438,032</u>	<u>88,001</u>	<u>3,711,268</u>	<u>294,178</u>	<u>11,914,211</u>
EXPENSES									
Salaries & wages	549,710	401,065	404,082	181,911		20,650	197,852	310,778	2,066,048
Contract & general services	304,447	279,345	107,120	215,277	389,155	5,351	275,111	132,426	1,708,232
Goods & supplies	60,909	130,456	411,472	870,754		2,523	24,862	271,613	1,772,589
Provision for allowance	14,892								14,892
Transfers to local boards						64,093	21,996	130,000	216,089
Bank charges and interest	7,185						10,380		17,565
Loss on sale of TCA								2,183	2,183
Long-term debt interest			1,401	130,509				618	132,528
	<u>937,143</u>	<u>810,866</u>	<u>924,075</u>	<u>1,398,451</u>	<u>389,155</u>	<u>92,617</u>	<u>530,201</u>	<u>847,618</u>	<u>5,930,126</u>
NET REVENUE, BEFORE AMORTIZATION	<u>2,850,362</u>	<u>(315,717)</u>	<u>(922,002)</u>	<u>1,699,554</u>	<u>48,877</u>	<u>(4,616)</u>	<u>3,181,067</u>	<u>(553,440)</u>	<u>5,984,085</u>
Amortization expense	94,511	105,059	478,192	364,846	8,841	922		146,122	1,198,493
NET REVENUE	<u>\$ 2,755,851</u>	<u>\$ (420,776)</u>	<u>\$ (1,400,194)</u>	<u>\$ 1,334,708</u>	<u>\$ 40,036</u>	<u>\$ (5,538)</u>	<u>\$ 3,181,067</u>	<u>\$ (699,562)</u>	<u>\$ 4,786,592</u>

TOWN OF CROSSFIELD
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

1. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements of the Town of Crossfield are the representations of management prepared in accordance with Canadian public sector accounting standards. Significant aspects of the accounting policies adopted by the Town 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 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 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 Public Sector Accounting Standards 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 expenditure 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.

Significant financial statement areas requiring the use of management estimates include:

- Useful life of tangible capital assets;
- Accrued liabilities;
- Fair value of contributed tangible capital assets

TOWN OF CROSSFIELD
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

1.. SIGNIFICANT ACCOUNTING POLICIES (continued)

d) Cash and Cash Equivalents

Cash and cash equivalents are comprised of cash on deposits with financial institutions and highly liquid investments.

e) 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.

f) 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 un-matured long-term debt, less actuarial requirements for the retirement of any sinking fund debentures.

g) 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.

h) 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 tangible capital assets under the respective function.

i) 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.

TOWN OF CROSSFIELD
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

1.. SIGNIFICANT ACCOUNTING POLICIES (continued)

j) Net Municipal Taxes

Property tax revenue is based on market value assessments determined in accordance with the Municipal Government Act (MGA) and tax rates established annually by Town Council. Taxation revenues are recorded at the time the tax billings are issued. Assessments may change due to appeal or as a result of adjustments made by assessors to correct errors or omissions. Gain or losses on assessment changes or appeals are recorded as adjustments to tax revenue and receivables when a written decision is received from the authorized board or a change is generated by the authorized assessor.

k) 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.

l) Contributions

Developer contributions received from third parties are recognized as revenue when the related expenditures have been incurred.

m) 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 (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:

	YEARS
Land improvements	10-25
Buildings	25-50
Engineering structures	
Water system	45-75
Wastewater system	45-75
Other engineered structures	10-75
Machinery and equipment	5-20
Vehicles	10-25

In the year of acquisition of a tangible capital asset, annual amortization is charged based on the number of months owned and in the year of disposal no amortization is charged. Assets under construction are not amortized until the asset is available for productive use.

TOWN OF CROSSFIELD
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

ii. Contributions of Tangible Capital Assets

Tangible capital assets received as contributions such as privately developed subdivisions including water systems, sanitary systems, storm systems, and roads are recorded at fair value at the date of receipt. Equivalent amounts are recorded as revenue for the year on the Consolidated Statement of Operations.

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.

2. CASH AND TEMPORARY INVESTMENTS

	<u>2018</u>	<u>2017</u>
Cash	\$ <u>6,071,777</u>	\$ <u>4,687,368</u>

The Town earns interest on its account deposits at rates between prime rate less 1.9% and prime rate less 1.55% as well as at rates between 2% and 2.3%. All deposits are highly liquid and redeemable within 90 days or less.

The Town received certain Alberta Government grants, local municipal grants and donations that are restricted in their use and are to be utilized as funding for certain projects. Since certain projects have not been completed for which this restricted funding has been received, \$9,267 (2017 - \$75,000) of the cash and temporary investments are not available for general use by the Town.

Of the cash and temporary investments \$467,101 (2017 - \$549,832) is considered restricted cash and not available for general use as it relates to deposits received.

3. TAXES AND GRANTS IN PLACE OF TAXES RECEIVABLE

	<u>2018</u>	<u>2017</u>
Current taxes and grants in place taxes	\$ 185,705	\$ 230,782
Arrears taxes	<u>182,296</u>	<u>155,860</u>
	368,001	386,642
Less: allowance for doubtful accounts	<u>(73,777)</u>	<u>(61,753)</u>
	\$ <u>294,224</u>	\$ <u>324,889</u>

TOWN OF CROSSFIELD
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

4. INVESTMENTS

	<u>2018</u>		<u>2017</u>	
	<u>Cost</u>	<u>Market Value</u>	<u>Cost</u>	<u>Market Value</u>
Other institutional and private corporation bonds	\$ <u>10</u>	\$ <u>10</u>	\$ <u>10</u>	\$ <u>10</u>

5. LOANS RECEIVABLE

	<u>2018</u>	<u>2017</u>
Private corporation mortgage receivable	\$ <u>1,884,000</u>	\$ <u> </u>

During the year the Town sold property to a private corporation in exchange for cash and a vendor takeback mortgage. The corporation will repay the Town instalments of \$628,000 on April 1, 2019, September 1, 2019 and February 1, 2020.

6. DEPOSIT LIABILITIES

In addition to utility deposits of \$25,635 (\$26,450 - 2017) and damage deposits of \$16,490 (\$18,595 - 2017), the Town receives water servicing deposits, grade slip deposits and other deposits from developers which are refunded once the water service and/or the development has been inspected and approved. The amount of the developer deposits on hand at the end of the year is \$424,976 (\$504,787 - 2017).

7. DEFERRED REVENUE

	<u>2018</u>	<u>2017</u>
Federal Gas Tax Fund	\$ 524,215	\$ 355,719
Alberta Road Safety Program	9,267	
Alberta Economic Development and Trade Grant		75,000
	<u>\$ 533,482</u>	<u>\$ 430,719</u>

Federal Gas Tax Fund

Federal and provincial government funding was considered receivable in the current year to undertake certain eligible environmentally sustainable projects within the Town that have not yet been expended.

Alberta Road Safety Program

Provincial government funding was received in the current year to undertake a road safety program for which the amounts have not yet been expended.

TOWN OF CROSSFIELD
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

8. LONG TERM DEBT

	<u>2018</u>	<u>2017</u>
Tax supported debentures	\$ 4,285,476	\$ 4,541,083
Obligations under capital leases	<u>40,474</u>	<u>73,135</u>
	<u>\$ 4,325,950</u>	<u>\$ 4,614,218</u>

The current portion of the long-term debt amounts to \$296,034 (2017 - \$288,267)

Principal and interest repayments are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 296,034	\$ 124,179	\$ 420,213
2020	278,443	115,623	394,066
2021	278,847	107,596	386,443
2022	287,055	99,388	386,443
2023	295,504	90,939	386,443
Thereafter	<u>2,890,067</u>	<u>394,698</u>	<u>3,284,765</u>
	<u>\$ 4,325,950</u>	<u>\$ 932,423</u>	<u>\$ 5,258,373</u>

Debenture debt is repayable to the Alberta Capital Finance Authority and bears interest at 2.922% per annum and matures in 2032.

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

Obligations under capital lease is repayable in monthly blended instalments of \$1,881 and \$1,009 interest at 3.47% and 3.58% and matures between May 2019 in May 2020. The obligations under capital lease are secured by certain capital equipment.

Interest on long-term debt amounted to \$132,528 (2017 - \$141,204).

The Town's total cash payments for interest in 2018 were \$132,201 (2017 - \$141,870).

TOWN OF CROSSFIELD
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

9. DEBT LIMITS

Section 276(2) of the Municipal Government Act requires that debt and debt limits as defined by Alberta Regulation 255/00 for the Town be disclosed as follows:

	<u>2018</u>	<u>2017</u>
Total debt limit	\$ 15,359,822	\$ 10,357,779
Total debt	<u>4,325,950</u>	<u>4,614,218</u>
Amount of debt limit unused	\$ <u>11,033,872</u>	\$ <u>5,743,561</u>
Debt servicing limit	\$ 2,559,970	\$ 1,726,297
Debt servicing	<u>420,213</u>	<u>421,122</u>
Amount of debt servicing limit unused	\$ <u>2,139,757</u>	\$ <u>1,305,175</u>

The debt limit is calculated at 1.5 times revenue of the municipality (as defined in Alberta Regulation 255/00) and the debt service limit is calculated at 0.25 times such revenue. Incurring debt beyond these limitations requires approval by the Minister of Municipal Affairs. These thresholds are guidelines used by Alberta Municipal Affairs to identify municipalities that could be at financial risk if further debt is acquired. The calculation taken alone does not represent the financial stability of the municipality. Rather, the financial statements must be interpreted as a whole.

10. EQUITY IN TANGIBLE CAPITAL ASSETS

	<u>2018</u>	<u>2017</u>
Tangible capital assets	\$ 58,129,992	\$ 55,555,799
Accumulated amortization	(20,501,608)	(19,385,815)
Long-term debt (Note 8)	<u>(4,325,950)</u>	<u>(4,614,218)</u>
	\$ <u>33,302,434</u>	\$ <u>31,555,766</u>

TOWN OF CROSSFIELD
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

11. ACCUMULATED SURPLUS

	<u>2018</u>	<u>2017</u>
Accumulated surplus	\$ 75,162	\$ 1,375,799
Restricted surplus:		
Operating		
Administration		195,484
Fire fighting & preventative services		197,727
Ambulance		38,006
Common services	60,000	
Family and community support services	27,300	27,300
Planning and economic development		174,658
Subdivision		10,000
Operating contingencies		28,838
Capital:		
Administration		112,400
Protective services	12,476	29,200
Fire fighting & preventative services		394,362
Common services	60,000	76,893
Roadways	1,206,345	169,100
Water	140,226	54,000
Wastewater treatment and disposal	1,127,100	423,432
Cemetery	25,299	44,314
Subdivision	1,858,057	1,300,928
Parks and recreation	288,439	203,439
Highway 2A beautification	10,000	10,000
Railway street revitalization	3,014,400	
Equity in tangible capital assets	<u>33,302,434</u>	<u>31,555,766</u>
	<u>\$ 41,207,238</u>	<u>\$ 36,421,646</u>

12. TRUST FUNDS

The Town of Crossfield administers the following trust:

	<u>2018</u>	<u>2017</u>
Tax sale surplus trust account	\$ <u> </u>	\$ <u>122,199</u>

13. SEGMENTED DISCLOSURE

The Town of Crossfield provides a range of services to its ratepayers. For each reported segment, revenues and expenses represents 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 the followed in the preparation of the financial statements as disclosed in Note 1.

Refer to Schedule of Segmented Disclosure (Schedule 6)

TOWN OF CROSSFIELD
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

14. BUDGET DATA

The unaudited budget data presented in these financial statements is based upon the 2018 operating and capital budgets approved by Council. The chart below reconciles the approved budget to the budget figures reported in these consolidated financial statements.

	<u>Budget Amount</u>
Revenue	
Operating budget	\$ 7,194,939
Capital budget	2,437,184
Less	
Transfer to other funds	<u>(1,160,249)</u>
Total revenues	<u>8,471,874</u>
Expenses	
Operating budget	7,431,094
Capital budget	2,069,029
Less:	
Transfer to other funds	(30,000)
Capital expenses	(2,069,029)
Debt principal payments	<u>(255,606)</u>
Total expenses	<u>7,145,488</u>
Excess of revenue over expenses	\$ <u>1,326,386</u>

TOWN OF CROSSFIELD
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

15. SALARY AND BENEFITS

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
	<u>Salary</u>	<u>Benefits & allowances</u>	<u>Total</u>	<u>Total</u>
Councillors:				
Mayor Tennant	\$ 14,799	\$ 298	\$ 15,097	\$ 13,025
Councillor Gabriel	11,704	193	11,897	3,300
Councillor Grace	12,534	226	12,760	2,473
Councillor Helfrich	16,011	329	16,340	14,726
Councillor Price	11,052	182	11,234	2,022
Mayor Anderson				8,799
Councillor Ginter				10,573
Councillor Feltham				9,634
Chief Administrative Officer	155,107	26,248	181,355	174,738

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

16. 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 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.

Total current service contributions by the Town to the LAPP in 2018 were \$123,754 (2017 - \$72,620). Total current service contributions by the employees of the Town to the Local Authorities Pension Plan in 2018 were \$112,801 (2017 - \$66,715).

At December 31, 2017, the LAPP disclosed an actuarial surplus of \$4.84 billion. This amount is not specifically allocated to the participating government organizations. The 2018 actuarial balance was not available at the date these financial statements were released.

TOWN OF CROSSFIELD
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

17.COMMITMENTS

The Town has entered into an agreement with the RCMP to provide enhanced policing services. The Town pays an annual charge for hours policed.

In 2017 the Town extended the lease agreement with the Crossfield United Church to lease certain property which is owned by the church and where the Town Administration office and Council Chambers are situated for an additional 2 years. The lease can be terminated by either party with 6 months notice.

The Town is a member of the The Mountain View Regional Water Services Commission which was constituted under the Municipal Government Act in 1992.

In 2014 the Town entered into a regional fire services agreement with the Municipal District of Rocky View No. 44 to provide such services in a certain specified area. The agreement will remain in force until December 31, 2019 or may be terminated by either party with six months notice. The Municipal District of Rocky View No. 44 will pay the town a semi-annual flat fee as outlined in the agreement.

The Town entered into a one season lease agreement with the Collicutt Siding Golf Club to lease certain lands that the Town owns and where the golf club is situated. The annual required payment for 2019 is \$20,000 and the lease will expire on November 15, 2019.

In 2010 certain property was annexed by the Town of Crossfield from The Municipal District of Rocky View No. 44. Under the annexation agreement the Town is required to pay annual payments of \$36,000 over a period of 10 years. The amount has been included as a payable to other governments in the financial statements.

The Town has entered into lease agreements with Kubota Canada Ltd. to rent certain equipment assets in use at the Town. The aggregate future minimum lease payments are \$53,361 (2017 - \$16,835). The minimum lease payments for each of the three succeeding years are as follows:

	<u>2018</u>	<u>2017</u>
Gross payments required in the first year subsequent	\$ 23,374	\$ 11,268
Gross payments required in the second year subsequent	21,669	3,411
Gross payments required in the third year subsequent	<u>8,318</u>	<u>1,706</u>
	<u>\$ 53,361</u>	<u>\$ 16,385</u>

18.CONTINGENCIES

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

TOWN OF CROSSFIELD
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

19.FINANCIAL INSTRUMENTS

The Town's financial instruments consist of cash and temporary investments, accounts receivable, investments, accounts payable and accrued 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.

20.SUBSEQUENT EVENTS

Subsequent to year end the Town received debenture proceeds in the amount of \$5,000,000. These funds will be utilized to partially fund a major infrastructure project planned for 2020.

21.BUDGET AMOUNTS

The 2018 budget for the Town was approved by council and has been reported in the consolidated financial statement for information purposes only. These budget amounts have not been audited, reviewed, or otherwise verified.

22.COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the financial statement presentation adopted for the current year.

23.APPROVAL OF FINANCIAL STATEMENTS

Council and management have approved these financial statements.
