

TOWN OF MAGRATH

Financial Statements

December 31, 2018

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MERCER WILDE GROUP
An Association of
Chartered Accountants

1210 36 St. North, Lethbridge, AB T1H 5H8 • Ph: 403-327-6100 Fax: 403-320-2026

INDEPENDENT AUDITOR'S REPORT

To the Members of Council of the Town of Magrath

Opinion

We have audited the financial statements of Town of Magrath (the Municipality), which comprise the statement of financial position as at December 31, 2018, and the statements of operations, changes in net financial assets, changes in accumulated surplus 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 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 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 those 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 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 relating 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 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:

(continues)

Independent Auditor's Report to the Members of Council of Town of Magrath *(continued)*

- 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.



Lethbridge, Alberta
April 23, 2019

Chartered Accountants

TOWN OF MAGRATH
Consolidated Statement of Financial Position
December 31, 2018

	2018	2017
FINANCIAL ASSETS		
Cash and temporary investments (Note 2)	\$ 730,439	\$ 819,746
Receivables		
Taxes and grants in place of taxes (Note 3)	216,494	189,208
Trade and other (Note 4)	1,528,672	1,390,489
Land held for resale	<u>318,935</u>	<u>315,030</u>
	<u>2,794,540</u>	<u>2,714,473</u>
LIABILITIES		
Temporary bank indebtedness (Note 2)	1,233,567	-
Accounts payable and accrued liabilities	262,837	476,421
Employee benefit obligation (Note 5)	17,197	10,914
Deferred revenue (Note 6)	469,478	2,063,664
Long-term debt (Note 7)	<u>544,137</u>	<u>610,335</u>
	<u>2,527,216</u>	<u>3,161,334</u>
NET FINANCIAL ASSETS (DEBT)	<u>267,324</u>	<u>(446,861)</u>
NON-FINANCIAL ASSETS		
Tangible capital assets	24,494,958	23,048,929
Inventory for consumption	24,000	24,614
Prepaid expenses and deposits	<u>82,168</u>	<u>82,176</u>
	<u>24,601,126</u>	<u>23,155,719</u>
ACCUMULATED SURPLUS (Schedule 1 and Note 10)	<u>\$ 24,868,450</u>	<u>\$ 22,708,858</u>

CONTINGENCIES (Note 14)





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

	Budget (Unaudited)	2018	2017
REVENUES			
Net municipal property taxes (Schedule 3)	\$ 1,626,757	\$ 1,653,328	\$ 1,597,033
User fees and sales of goods	974,910	1,159,022	1,158,274
Government transfers (Schedule 4)	368,859	382,096	324,612
Franchise and concession contracts	142,000	136,924	143,854
Other	23,182	570,742	70,865
Penalties and costs of taxes	65,325	52,072	55,835
Licenses, permits and fines	78,757	44,497	47,014
Investment income	13,103	11,333	21,988
Gain on disposal of tangible capital assets	-	29,518	-
	<u>3,292,893</u>	<u>4,039,532</u>	<u>3,419,475</u>
EXPENSES			
Water, wastewater and waste management	675,920	720,097	725,493
Roads, streets, walks, lighting	714,749	722,285	618,636
Administration	725,913	724,605	585,500
Parks and recreation	588,533	554,386	525,218
Other	246,135	247,911	256,597
Legislative	130,647	118,531	129,657
Police, fire, ambulance and bylaw enforcement	123,143	137,736	124,062
Loss on disposal of tangible capital assets	-	-	3,265
Land use planning, zoning and development	-	541,997	1,057
Amortization	-	645,419	628,611
	<u>3,205,040</u>	<u>4,412,967</u>	<u>3,598,096</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES BEFORE OTHER	87,853	(373,435)	(178,621)
OTHER			
Government transfers for capital (Schedule 3)	<u>2,892,080</u>	<u>2,533,027</u>	<u>2,806,586</u>
EXCESS OF REVENUE OVER EXPENSES	2,979,933	2,159,592	2,627,965
ACCUMULATED SURPLUS, BEGINNING OF YEAR	<u>22,708,858</u>	<u>22,708,858</u>	<u>20,080,893</u>
ACCUMULATED SURPLUS, END OF YEAR	<u>\$ 25,688,791</u>	<u>\$ 24,868,450</u>	<u>\$ 22,708,858</u>



TOWN OF MAGRATH

Consolidated Statement of Change in Net Financial Assets (Debt) For the Year Ended December 31, 2018

	Budget (Unaudited)	2018	2017
EXCESS OF REVENUES OVER EXPENSES	\$ <u>2,979,933</u>	\$ <u>2,159,592</u>	\$ <u>2,627,965</u>
Acquisition of tangible capital assets	(2,418,201)	(2,188,475)	(3,676,400)
Proceeds on disposal of tangible capital assets	-	126,545	90,250
Amortization of tangible capital assets	-	645,419	628,611
(Gain) loss on disposal of tangible capital assets	<u>-</u>	<u>(29,518)</u>	<u>3,265</u>
	<u>(2,418,201)</u>	<u>(1,446,029)</u>	<u>(2,954,274)</u>
Use (acquisition) of prepaid assets	-	8	(3,224)
Use (acquisition) of inventory for consumption	<u>-</u>	<u>614</u>	<u>-</u>
	<u>-</u>	<u>622</u>	<u>(3,224)</u>
(INCREASE) DECREASE IN NET DEBT	561,732	714,185	(329,533)
NET FINANCIAL ASSETS (DEBT), BEGINNING OF YEAR	<u>(446,861)</u>	<u>(446,861)</u>	<u>(117,328)</u>
NET FINANCIAL ASSETS (DEBT), END OF YEAR	\$ <u><u>114,871</u></u>	\$ <u><u>267,324</u></u>	\$ <u><u>(446,861)</u></u>



TOWN OF MAGRATH
Consolidated Statement of Cash Flows
For the Year Ended December 31, 2018

	2018	2017
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING		
Excess of revenues over expenses	\$ 2,159,592	\$ 2,627,965
Non-cash items included in excess of revenues over expenses		
Amortization of tangible capital assets	645,419	628,611
(Gain) loss on disposal of tangible capital assets	(29,518)	3,265
Non-cash charges to operations (net changes)		
(Increase) in taxes and grants in lieu receivable	(27,286)	31,108
(Increase) in trade and other receivables	(138,182)	(243,495)
(Increase) decrease in land held for resale	(3,905)	(175,034)
Decrease in inventory for consumption	614	-
(Increase) decrease in prepaid expenses	8	(3,225)
(Decrease) increase in accounts payable and accrued liabilities	(213,585)	119,678
(Decrease) increase in employee benefit obligation		6,283
(10,588)		
(Decrease) increase in deferred revenue	<u>(1,594,186)</u>	<u>(458,362)</u>
	<u>805,254</u>	<u>2,519,923</u>
CAPITAL		
Acquisition of tangible capital assets	(2,188,475)	(3,676,400)
Proceeds on disposal of tangible capital assets	<u>126,545</u>	<u>90,250</u>
	<u>(2,061,930)</u>	<u>(3,586,150)</u>
FINANCING		
Long-term debt repaid	<u>(66,198)</u>	<u>(94,829)</u>
CHANGE IN CASH AND EQUIVALENTS DURING THE YEAR		
	(1,322,874)	(1,161,056)
CASH AND EQUIVALENTS, Beginning of year	<u>819,746</u>	<u>1,980,802</u>
CASH AND EQUIVALENTS (INDEBTEDNESS), End of year (Note 2)	<u>\$ (503,128)</u>	<u>\$ 819,746</u>





TOWN OF MAGRATH

**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
BALANCE, BEGINNING OF THE YEAR	\$ 101,727	\$ 168,537	\$ 22,438,594	\$ 22,708,858	\$ 20,080,893
Excess of revenues over expenses	2,159,592	-	-	2,159,592	2,627,965
Net funds restricted for future use	(508,133)	508,133	-	-	-
Current year funds used for tangible capital assets	(2,188,475)	-	2,188,475	-	-
Disposal of tangible capital assets	97,027	-	(97,027)	-	-
Annual amortization expense	645,419	-	(645,419)	-	-
Long-term debt repaid	(66,198)	-	66,198	-	-
Change in accumulated surplus	<u>139,232</u>	<u>508,133</u>	<u>1,512,227</u>	<u>2,159,592</u>	<u>2,627,965</u>
BALANCE, END OF YEAR	\$ 240,959	\$ 676,670	\$ 23,950,821	\$ 24,868,450	\$ 22,708,858



TOWN OF MAGRATH
Schedule of Tangible Capital Assets
For the Year Ended December 31, 2018

SCHEDULE 2

	Land	Buildings	Engineered Structures	Machinery & Equipment	Vehicles	2018	2017
COST:							
BALANCE, BEGINNING OF YEAR	\$ 1,748,485	\$ 6,676,065	\$ 22,742,617	\$ 2,103,884	\$ 271,178	\$ 33,542,229	\$ 30,020,629
Acquisition of tangible capital assets	-	-	361,480	208,156	-	569,636	2,123,122
Disposal of tangible capital assets	-	-	-	(106,826)	-	(106,826)	(154,800)
Construction in progress	-	19,006	1,599,833	-	-	1,618,839	1,553,278
BALANCE, END OF YEAR	<u>1,748,485</u>	<u>6,695,071</u>	<u>24,703,930</u>	<u>2,205,214</u>	<u>271,178</u>	<u>35,623,878</u>	<u>33,542,229</u>
ACCUMULATED AMORTIZATION:							
BALANCE, BEGINNING OF YEAR	-	2,216,208	7,228,937	880,741	167,414	10,493,300	9,925,974
Annual amortization	-	167,083	349,498	114,425	14,413	645,419	628,611
Accumulated amortization on disposals	-	-	-	9,799	-	9,799	61,285
BALANCE, END OF YEAR	-	<u>2,383,291</u>	<u>7,578,435</u>	<u>985,367</u>	<u>181,827</u>	<u>11,128,920</u>	<u>10,493,300</u>
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	<u>\$ 1,748,485</u>	<u>\$ 4,311,780</u>	<u>\$ 17,125,495</u>	<u>\$ 1,219,847</u>	<u>\$ 89,351</u>	<u>\$ 24,494,958</u>	<u>\$ 23,048,929</u>
2017 NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	<u>\$ 1,748,485</u>	<u>\$ 4,459,858</u>	<u>\$ 15,513,679</u>	<u>\$ 1,223,143</u>	<u>\$ 103,764</u>	<u>\$ 23,048,929</u>	

TOWN OF MAGRATH
Schedule of Property Taxes Levied
For the Year Ended December 31, 2018

SCHEDULE 3

	Budget (Unaudited)	2018	2017
TAXATION			
Real property taxes	\$ 2,151,672	\$ 2,176,690	\$ 2,096,180
Special assessment and local improvement taxes	3,408	3,408	3,408
Linear property taxes	<u>37,001</u>	<u>38,631</u>	<u>36,977</u>
	<u>2,192,081</u>	<u>2,218,729</u>	<u>2,136,565</u>
REQUISITIONS			
Alberta School Foundation Fund	523,700	523,700	499,449
Seniors foundation	41,624	41,624	40,083
Designated industrial property	<u>-</u>	<u>77</u>	<u>-</u>
	<u>565,324</u>	<u>565,401</u>	<u>539,532</u>
NET MUNICIPAL PROPERTY TAXES	\$ <u>1,626,757</u>	\$ <u>1,653,328</u>	\$ <u>1,597,033</u>



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

SCHEDULE 4

	Budget (Unaudited)	2018	2017
TRANSFERS FOR OPERATIONS			
Federal Government	\$ -	\$ 5,000	\$ 26,007
Provincial Government	323,194	331,594	252,603
Other Local Governments	<u>45,665</u>	<u>45,502</u>	<u>46,002</u>
	<u>368,859</u>	<u>382,096</u>	<u>324,612</u>
TRANSFERS FOR CAPITAL			
Federal Government	100,000	68,982	-
Provincial Government	2,792,080	2,464,045	2,624,521
Other Local Governments	<u>-</u>	<u>-</u>	<u>182,065</u>
	<u>2,892,080</u>	<u>2,533,027</u>	<u>2,806,586</u>
	<u>\$ 3,260,939</u>	<u>\$ 2,915,123</u>	<u>\$ 3,131,198</u>



TOWN OF MAGRATH
Schedule of Consolidated Expenditures by Object
For the Year Ended December 31, 2018

SCHEDULE 5

	Budget (Unaudited)	2018	2017
EXPENDITURES			
Salaries, wages and benefits	\$ 1,491,107	\$ 1,446,033	\$ 1,309,427
Materials, goods, and utilities	1,079,101	1,695,543	1,097,250
Contracted and general services	514,789	502,205	439,607
Transfers to local boards and agencies	72,320	75,814	78,373
Interest on long-term debt	40,185	28,304	32,310
Bank charges and short-term interest	7,538	19,649	9,253
Amortization	-	645,419	628,611
Loss on disposal of tangible capital assets	-	-	3,265
TOTAL EXPENDITURES	\$ 3,205,040	\$ 4,412,967	\$ 3,598,096





TOWN OF MAGRATH
 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
REVENUE							
Net municipal taxes	\$ 1,649,920	\$ -	\$ 3,408	\$ -	\$ -	\$ -	\$ 1,653,328
Government transfers	270,167	-	321,826	-	361,817	1,961,313	2,915,123
User fees and sales of goods	-	-	-	-	89,371	1,069,651	1,159,022
Investment income	11,333	-	-	-	-	-	11,333
Contributed assets	-	-	-	-	-	-	-
Other revenue	<u>227,822</u>	<u>-</u>	<u>18,825</u>	<u>567,988</u>	<u>12,718</u>	<u>6,400</u>	<u>833,753</u>
	<u>2,159,242</u>	<u>-</u>	<u>344,059</u>	<u>567,988</u>	<u>463,906</u>	<u>3,037,364</u>	<u>6,572,559</u>
EXPENSES							
Contracted and general services	262,425	84,906	38,893	(556)	26,618	89,919	502,205
Salaries and wages	507,516	44,444	283,408	-	449,387	161,278	1,446,033
Goods and supplies	48,386	8,386	399,984	542,553	255,638	440,596	1,695,543
Transfers to local boards	5,160	-	-	-	70,654	-	75,814
Long-term debt interest	-	-	-	-	-	28,304	28,304
Other expenses	<u>19,649</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>19,649</u>
	<u>843,136</u>	<u>137,736</u>	<u>722,285</u>	<u>541,997</u>	<u>802,297</u>	<u>720,097</u>	<u>3,767,548</u>
NET REVENUE BEFORE AMORTIZATION	1,316,106	(137,736)	(378,226)	25,991	(338,391)	2,317,267	2,805,011
Amortization expense	<u>2,254</u>	<u>11,586</u>	<u>240,723</u>	<u>-</u>	<u>121,231</u>	<u>269,625</u>	<u>645,419</u>
NET REVENUE	<u>\$ 1,313,852</u>	<u>\$ (149,322)</u>	<u>\$ (618,949)</u>	<u>\$ 25,991</u>	<u>\$ (459,622)</u>	<u>\$ 2,047,642</u>	<u>\$ 2,159,592</u>

TOWN OF MAGRATH
Notes to Financial Statements
For the Year Ended December 31, 2018

1. Significant Accounting Policies

The consolidated financial statements of the Town of Magrath 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 Chartered Professional Accountants of Canada. Significant aspects of the accounting policies adopted by the Town of Magrath 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. The 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 Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and 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.

d) Inventories for Resale-

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



TOWN OF MAGRATH
Notes to Financial Statements
For the Year Ended December 31, 2018

1. Significant Accounting Policies (continued)

- e) **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 collectible 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 borrowing, the deferred revenue is amortized to revenue by an amount equal to the debt repayment.

- f) **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.

- g) **Tax Revenues -**
 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.

- h) **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 Asset (Debt) for the year.

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

	<u>YEARS</u>
Land Improvements	15-20
Buildings	25-50
Engineered Structures	
Water System	35-70
Wastewater System	35-70
Other Engineered Structures	15-40
Machinery and Equipment	5-20
Vehicles	5-20

A full year of amortization is charged in the year of acquisition and no amortization is charged in the year of disposal. Assets under construction are not amortized until the asset is available for productive use.



TOWN OF MAGRATH
Notes to Financial Statements
For the Year Ended December 31, 2018

1. Significant Accounting Policies (continued)

2) 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.

3) Inventories -

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

2. Cash and Temporary Investments

	2018	2017
Cash on hand	\$ 400	\$ 400
Cash	170,592	266,254
Temporary Investments	<u>559,447</u>	<u>553,092</u>
	730,439	819,746
Bank Indebtedness	<u>(1,233,567)</u>	<u>-</u>
	<u>\$ (503,128)</u>	<u>\$ 819,746</u>

Bank indebtedness consists of the town's demand line of credit with 1st Choice Savings & Credit Union with an authorized limit of \$450,000 and bears interest at the prime rate plus 1.5%. At year end, the actual draw on the line of credit is \$444,229. Security pledged consists of an assignment of property taxes.

Bank indebtedness also consists of the town's commercial line of credit with 1st Choice Savings & Credit Union with an authorized limit of \$1,000,000 and bears interest at 4.45%. At year end, the actual draw on the line of credit is \$735,233. Security pledged consists of an assignment of property taxes.

Temporary investments are short-term deposits with interest rates of 1.25% to 2.60% (2017 - 1.00% to 1.50%) and mature from February 2019 to August 2019.



TOWN OF MAGRATH
Notes to Financial Statements
For the Year Ended December 31, 2018

3. Taxes and Grants in Place of Taxes Receivables

	2018	2017
Current taxes and grants in place of taxes	\$ 154,667	\$ 130,203
Arrears	72,657	59,005
Allowance for doubtful accounts	<u>(10,830)</u>	<u>-</u>
	<u>\$ 216,494</u>	<u>\$ 189,208</u>

4. Other Receivables

	2018	2017
Grants	\$ 682,001	\$ 748,694
Trade accounts	283,612	240,688
Goods and Services Taxes recoverable	426,519	266,737
Magrath & District Regional Water Service Commission	167,962	134,370
Allowance for doubtful accounts	<u>(31,422)</u>	<u>-</u>
	<u>\$ 1,528,672</u>	<u>\$ 1,390,489</u>

5. Employee Benefit Obligation

The employee benefit obligation is composed of accrued vacation 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.

6. Deferred Revenue

	2018	2017
Alberta Community Resilience Grant	\$ 124,478	\$ 1,718,664
Alberta Community Partnership Grants	<u>345,000</u>	<u>345,000</u>
	<u>\$ 469,478</u>	<u>\$ 2,063,664</u>



TOWN OF MAGRATH
Notes to Financial Statements
For the Year Ended December 31, 2018

7. Long-term Debt

	2018	2017
Bank loans	\$ 425,720	\$ 474,882
Self-supported debentures	<u>118,417</u>	<u>135,453</u>
	<u>\$ 544,137</u>	<u>\$ 610,335</u>

The current portion of long-term amounts to \$68,653 (2017 - \$65,937)

Principle and interest repayments are as follows:

	Principal	Interest	Total
2019	\$ 68,653	\$ 27,048	\$ 95,701
2020	72,540	23,161	95,701
2021	61,036	19,038	80,074
2022	64,051	16,023	80,074
2023	67,216	12,858	80,074
Thereafter	<u>210,641</u>	<u>20,003</u>	<u>230,644</u>
	<u>\$ 544,137</u>	<u>\$ 118,131</u>	<u>\$ 662,268</u>

Debenture debt is repayable to the Alberta Capital Finance Authority and bears interest at rates ranging from 4.365 % to 8.750% per annum, before provincial subsidy and matures in periods 2017 to 2027. For qualifying debentures, the Province of Alberta rebates 60% of interest in excess of 8%, 9%, and 11% to a maximum annual rate of 12.5%, depending on the date borrowed. Debenture debt is issued on the credit and security of the Town of Magrath at large.

Other debenture debt is repayable to 1st Choice Savings and Credit Union, bearing interest at 5.45% per annum and matures in 2024.

Interest on long-term debt amounted to \$28,304 (2017 - \$32,310).

8. Debt Limits

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

	2018	2017
Total debt limit	\$ 6,059,298	\$ 5,129,213
Total debt	<u>544,137</u>	<u>610,335</u>
Total unused debt limit	<u>\$ 5,515,161</u>	<u>\$ 4,518,878</u>
Service on debt limit	\$ 1,009,883	\$ 854,869
Service on debt	<u>95,701</u>	<u>95,701</u>
Amount of unused service on debt	<u>\$ 914,182</u>	<u>\$ 759,168</u>



TOWN OF MAGRATH
Notes to Financial Statements
For the Year Ended December 31, 2018

8. Debt Limits (continued)

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

9. Equity in Capital Assets

	2018	2017
Capital assets (Schedule 2)	\$ 35,623,878	\$ 33,542,229
Accumulated amortization (Schedule 2)	(11,128,920)	(10,493,300)
Long-term debt (Note 5)	<u>(544,137)</u>	<u>(610,335)</u>
	<u>\$ 23,950,821</u>	<u>\$ 22,438,594</u>

10. Accumulated Surplus

	2018	2017
Unrestricted surplus	\$ 240,959	\$ 101,727
Restricted surplus:		
Capital reserves		
Parks & Recreation	676,670	168,537
Equity in tangible capital assets	<u>23,950,821</u>	<u>22,438,594</u>
	<u>\$ 24,868,450</u>	<u>\$ 22,708,858</u>

11. Segmented Disclosure

The Town of Magrath 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).



TOWN OF MAGRATH
Notes to Financial Statements
For the Year Ended December 31, 2018

12. Salary and Benefits Disclosure

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

	Salary (1)	Benefits & Allowances (2)	2018 Total	2017 Total
	\$	\$	\$	\$
Mayor - Russ Barnett	13,200	-	13,200	11,800
Councilor - Brenda Beck	10,600	-	10,600	10,100
- Gerry Baril	-	-	-	7,342
- DeVar Dahl	11,400	-	11,400	8,700
- Craig Godlonton	10,900	-	10,900	10,100
- Brian Oliver	15,800	-	15,800	13,400
- Richard Van Ee	12,700	-	12,700	10,200
- Fernando Morales Llan	12,500	-	12,500	2,558
Designated officer - CAO	110,219	18,300	128,519	112,334

- (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, accident disability and dismemberment insurance, long and short term disability plans, professional memberships and tuition.

Benefits and allowances figures also include the employer's share of the costs of additional taxable benefits including special leave with pay, car and travel allowances, conferences, and memberships.

13. 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 11.39% of pensionable earnings up to the year's maximum pensionable earnings under the Canadian Pension Plan and 15.84% on pensionable earnings above this amount.

Total current service contributions by the town to the LAPP in 2018 were \$84,692 (2017 - \$77,812). Total current service contributions by the employees of the town to the LAPP in 2018 were \$77,237 (2017 - \$71,486).

At December 31, 2017, the LAPP disclosed an actuarial surplus of \$4.84 billion.



TOWN OF MAGRATH
Notes to Financial Statements
For the Year Ended December 31, 2018

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.

Employees of the Town are allowed to accrue sick leave up to a maximum of 120 days. As at December 31, 2018 the amount of accumulated sick leave was \$239,066. The total amount was not recorded in the financial statements as there is no certainty the full amount will be used. The amount of accumulated sick leave is not paid out to employees of the town when they leave their position.

15. Financial Instruments

The town's financial instruments consist of cash and temporary investments, accounts receivables, bank indebtedness, accounts payable, 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.

16. Approval of Financial Statements

Council and Management have approved these financial statements.

