

TOWN OF CLARESHOLM

Consolidated Financial Statements

For the year ended December 31, 2015

TOWN OF CLARESHOLM
TABLE OF CONTENTS
For the year ended December 31, 2015

INDEPENDENT AUDITOR'S REPORT	1
MANAGEMENT REPORT	2
FINANCIAL STATEMENTS	
CONSOLIDATED STATEMENT OF FINANCIAL POSITION	3
CONSOLIDATED STATEMENT OF OPERATIONS	4
CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL DEBT	5
CONSOLIDATED STATEMENT OF CASH FLOW	6
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS	7 - 18
SCHEDULES TO THE CONSOLIDATED FINANCIAL STATEMENTS	19 - 21

Young Parkyn McNab LLP

CHARTERED ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To: The Mayor and Members of Council of
the Town of Claresholm

We have audited the accompanying consolidated financial statements of the Town of Claresholm which comprise the consolidated statement of financial position as at December 31, 2015, and the consolidated statements of operations, change in net financial debt and cash flow for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Town of Claresholm as at December 31, 2015 and the results of its operations, changes in its net financial debt, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Lethbridge, Alberta

Young Parkyn McNab LLP

April 11, 2016

Chartered Accountants

MANAGEMENT REPORT

The consolidated financial statements are the responsibility of the management of the Town of Claresholm.

These consolidated financial statements have been prepared from information provided by management. Financial statements are not precise since they include certain amounts based on estimates and judgments. Management has determined such amounts on a reasonable basis in order to ensure that the financial statements are presented fairly, in all material respects.

The Town maintains systems of internal accounting and administrative controls that are designed to provide reasonable assurance that the financial information is relevant, reliable and accurate and that the Town's assets are properly accounted for and adequately safeguarded.

The elected Council of the Town of Claresholm is responsible for ensuring that management fulfils its responsibilities for financial statements. Council carries out its responsibility principally through the Finance and Administration and General Services committees.

The Council meets annually with management and the external auditors to discuss internal controls over the financial reporting process, auditing matters and financial reporting issues, and to satisfy itself that each party is properly discharging its responsibilities. Council also considers the engagement or re-appointment of the external auditors. Council reviews the monthly financial reports.

The consolidated financial statements have been audited by Young Parkyn McNab LLP, Chartered Accountants, the external auditors, in accordance with Canadian generally accepted auditing standards on behalf of the Council, residents and ratepayers of the Town. Young Parkyn McNab LLP has full and free access to the Council.

Chief Administrative Officer



TOWN OF CLARESHOLM
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at December 31, 2015

	2015	2014
Financial assets		
Cash and temporary investments (note 2)	\$ 3,476,744	\$ 2,864,306
Taxes and grants in place of taxes receivable (note 3)	216,890	332,132
Trade and other receivables (note 4)	753,604	751,725
Land held for resale	150,688	150,688
	<u>4,597,926</u>	<u>4,098,851</u>
Liabilities		
Accounts payable and accrued liabilities	190,840	184,428
Employee benefit obligations (note 6)	203,209	216,072
Deposits	25,217	37,402
Deferred revenue (note 7)	1,051,513	879,202
Long-term debt (note 8)	4,987,006	5,341,682
	<u>6,457,785</u>	<u>6,658,786</u>
Net financial debt	<u>(1,859,859)</u>	<u>(2,559,935)</u>
Non-financial assets		
Prepaid expenses	20,513	17,770
Inventory for consumption	215,222	228,337
Tangible capital assets (schedule 2)	24,904,115	26,454,946
	<u>25,139,850</u>	<u>26,701,053</u>
Accumulated surplus (note 9)	<u>\$ 23,279,991</u>	<u>\$ 24,141,118</u>

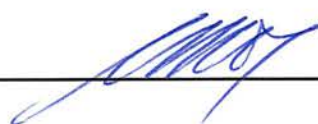
Commitments and contingencies (note 21)

Approved on behalf of Council:

Councillor



Councillor



TOWN OF CLARESHOLM
CONSOLIDATED STATEMENT OF OPERATIONS
For the year ended December 31, 2015

	Budget (Unaudited)	2015	2014
Revenue			
Net municipal taxes (note 12)	\$ 3,073,988	\$ 3,033,872	\$ 3,063,513
User fees and sales of goods	1,972,810	2,059,875	2,084,282
Government transfers for operating (note 13)	423,163	220,592	220,407
Investment income	32,000	49,134	46,294
Penalties and costs of taxes	82,500	84,182	147,160
Licenses and permits	44,500	39,594	41,051
Gain on disposal of capital assets	-	4,335	-
Franchise and concession contracts	142,705	142,027	140,124
Rental	121,700	127,654	125,772
Other	78,944	193,436	102,502
Family and community support services	220,699	230,835	240,440
	6,193,009	6,185,536	6,211,545
Expenses (note 14)			
Legislative	111,500	104,377	269,401
Administration	1,140,412	945,874	866,706
Fire	197,479	163,773	193,347
Bylaw enforcement	148,232	142,592	185,033
Common and equipment pool	550,295	500,627	533,801
Roads, streets, walks and lighting	907,665	768,876	922,993
Airport	23,019	24,509	16,930
Storm sewers and drainage	311,620	129,948	210,635
Water supply and distribution	2,242,310	1,963,321	2,241,161
Wastewater treatment and disposal	624,369	542,536	466,266
Solid waste management	528,703	547,945	493,810
Family and community support services	217,214	223,512	219,861
Day care	69,777	62,151	69,126
Cemeteries and crematoriums	38,099	24,783	21,812
Other public health and welfare	30,000	14,104	12,907
Planning and development	204,524	202,650	299,932
Parks and recreation	867,612	859,441	846,473
Culture - libraries, museums and halls	341,233	336,872	356,686
	8,554,063	7,557,891	8,226,880
Deficiency of revenue over expenses before other	(2,361,054)	(1,372,355)	(2,015,335)
Other			
Government transfers for capital (note 13)	1,696,125	511,228	925,085
Deficiency of revenue over expenses	(664,929)	(861,127)	(1,090,250)
Accumulated surplus, beginning of year	24,141,118	24,141,118	25,231,368
Accumulated surplus, end of year	\$ 23,476,189	\$ 23,279,991	\$ 24,141,118

TOWN OF CLARESHOLM
CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL DEBT
For the year ended December 31, 2015

	Budget (Unaudited)	2015	2014
Deficiency of revenue over expenses	\$ (664,929)	\$ (861,127)	\$ (1,090,250)
Acquisition of tangible capital assets	(2,297,900)	(868,763)	(1,817,384)
Amortization of tangible capital assets	2,674,736	2,385,830	2,584,670
(Gain) loss on disposal of tangible capital assets	-	(4,336)	17,456
Proceeds on disposal of tangible capital assets	-	38,100	36,325
	376,836	1,550,831	821,067
Net change in inventory for consumption	-	13,115	(24,690)
Net change in prepaid expense	-	(2,743)	1,091
	-	10,372	(23,599)
Increase in net financial debt	(288,093)	700,076	(292,782)
Net financial debt, beginning of year	(2,559,935)	(2,559,935)	(2,267,153)
Net financial debt, end of year	\$ (2,848,028)	\$ (1,859,859)	\$ (2,559,935)

TOWN OF CLARESHOLM
CONSOLIDATED STATEMENT OF CASH FLOW
For the year ended December 31, 2015

	2015	2014
Operating transactions		
Deficiency of revenue over expenses	\$ (861,127)	\$ (1,090,250)
Adjustments for items which do not affect cash		
(Gain) loss on disposal of tangible capital assets	(4,336)	17,456
Amortization of tangible capital assets	2,385,830	2,584,670
	1,520,367	1,511,876
Net change in non-cash working capital items		
Taxes and grants in place of taxes receivable	115,242	82,538
Trade and other receivables	(1,879)	180,622
Inventory for consumption	13,115	(24,690)
Prepaid expenses	(2,743)	1,091
Accounts payable and accrued liabilities	6,412	(251,351)
Employee benefit obligations	(12,863)	4,000
Deposits	(12,185)	(16,285)
Deferred revenue	172,311	(48,810)
Cash provided by operating transactions	1,797,777	1,438,991
Capital transactions		
Proceeds on disposal of tangible capital assets	38,100	36,325
Acquisition of tangible capital assets	(868,763)	(1,817,384)
Cash applied to capital transactions	(830,663)	(1,781,059)
Financing transactions		
Proceeds of long-term debt	-	600,000
Repayment of long-term debt	(354,676)	(244,170)
Cash applied to financing transactions	(354,676)	355,830
Increase in cash and temporary investments	612,438	13,762
Cash and temporary investments, beginning of year	2,864,306	2,850,544
Cash and temporary investments, end of year	\$ 3,476,744	\$ 2,864,306

TOWN OF CLARESHOLM
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2015

1. Significant accounting policies

The consolidated financial statements of the Town of Claresholm are the representations of management prepared in accordance with public sector accounting standards for local government established by the Chartered Professional Accountants of Canada. Significant aspects of the accounting policies adopted by the Town are as follows:

(a) Reporting entity

The consolidated financial statements reflect the assets, liabilities, revenue and expenses, changes in fund balances and change in financial position of the reporting entity which comprises all of the organizations that are owned or controlled by the Town and are, therefore, accountable to the Council for the administration of their financial affairs and resources.

Taxes levied also includes requisitions for educational, health care, 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 expense during the period. Where measurement uncertainty exists, the financial statements have been prepared within reasonable limits of materiality. Actual results could differ from those estimates.

(d) Investments

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

TOWN OF CLARESHOLM
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2015

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

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

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

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

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

- (h) Tax Revenue
Tax revenues are recognized when the tax has been authorized by bylaw and the taxable event has occurred.

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

- (i) Contaminated sites liability
Contaminated sites are a result of contamination being introduced into air, soil, water or sediment of a chemical, organic or radioactive material or live organism that exceeds an environmental standard. The liability is recorded net of any expected recoveries. A liability for remediation of a contaminated site is recognized when a site is not in productive use and is management's estimate of the cost of post-remediation including operation, maintenance and monitoring.

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

Government transfers are recognized in the financial statements as 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.

TOWN OF CLARESHOLM
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2015

(k) Non-financial assets

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the normal course of operations. The change in non-financial assets during the year, together with the excess of revenues over expenses, provides the consolidated Change in Net Financial 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 over the estimated useful life as follows:

	Years
Land improvements	10-25 straight line
Buildings	25-50 straight line
Engineered structures	5-75 declining balance
Machinery and equipment	5-40 declining balance
Construction in progress	10-25 declining balance

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

(ii) Contributions of tangible capital assets

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

(iii) Leases

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

(iv) Inventories

Inventories held for consumption are recorded at the lower of cost or net realizable value with cost determined by the average cost method.

(v) Cultural and historical tangible capital assets

Works of art for display are not recorded as tangible capital assets but are disclosed.

TOWN OF CLARESHOLM
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2015

2. Cash and temporary investments

	2015	2014
Cash	\$ 283,541	\$ 176,784
Temporary investments	3,193,203	2,687,522
	<u>\$ 3,476,744</u>	<u>\$ 2,864,306</u>

Included in cash and short-term investments is \$25,217 (2014 - \$37,402) of deposit liability funds which are not available for current purposes.

Temporary investments consists of one to eight month term deposits with varying interest rates of 0.40% to 1.90% if held to maturity.

3. Taxes and grants in place of taxes receivables

	2015	2014
Current year	\$ 139,468	\$ 206,101
Arrears	77,422	126,031
	<u>\$ 216,890</u>	<u>\$ 332,132</u>

4. Trade and other receivables

	2015	2014
Trade accounts	\$ 323,952	\$ 329,988
Due from Federal government	197,005	-
Local improvement levies	143,846	167,970
Due from Provincial governments	-	149,831
Due from local governments	39,955	56,549
GST receivable	48,846	47,387
	<u>\$ 753,604</u>	<u>\$ 751,725</u>

5. Temporary Loans

A temporary loan has been authorized by Alberta Treasury Branches to a maximum of \$450,000 which bears interest at prime.

Security pledged on this loan includes a general security agreement. As at December 31, 2015 there was no balance outstanding on the loan.

TOWN OF CLARESHOLM
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2015

6. Employee benefit obligations

	2015	2014
Vacation	\$ 123,986	\$ 134,671
Sick time	79,223	81,401
	<u>\$ 203,209</u>	<u>\$ 216,072</u>

Vacation and sick time

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

7. Deferred revenue

The deferred revenue balance represents funds received for specific purposes that have not been spent by year end. Deferred revenue consists of the following:

	2015	2014
MSI/BMTG capital grants	\$ 494,508	\$ 390,697
Sundry trust	343,404	344,007
Federal gas tax capital grant	96,763	25,397
Offsite levies	63,384	62,839
Subdivision fund	36,667	36,337
FCSS	5,697	8,908
Taxi token prepayments	5,403	5,380
Parking fund	3,684	3,652
Walking path fund	2,003	1,985
	<u>\$ 1,051,513</u>	<u>\$ 879,202</u>

8. Long-term debt

	2015	2014
Debentures supported by utility rates	\$ 3,878,549	\$ 4,039,708
Debentures supported by general tax levies	1,108,457	1,301,974
	<u>\$ 4,987,006</u>	<u>\$ 5,341,682</u>
Current portion	<u>\$ 365,692</u>	<u>\$ 354,676</u>

TOWN OF CLARESHOLM
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2015

8. Long-term debt, continued

Principal and interest repayments are due as follows:

	Principal	Interest	Total
2016	\$ 365,692	\$ 218,647	\$ 584,339
2017	377,246	207,093	584,339
2018	389,365	194,974	584,339
2019	402,079	182,260	584,339
2020	415,418	172,543	587,961
Thereafter	3,037,206	1,082,536	4,119,742
	\$ 4,987,006	\$ 2,058,053	\$ 7,045,059

Debenture debt is repayable to Alberta Capital Finance Authority and bears interest at rates ranging from 2.306% to 5.875% per annum, before Provincial subsidy, and matures in periods 2021 through 2033. The average annual interest rate is 4.92% (4.88% for 2014). 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 Claresholm at large.

The promissory note payable to Southcal Development Inc. in the amount of \$500,000 is payable at \$100,000 per year at 0% interest and is due in 2020. Upon completion of the project \$120,000 is due within 30 days.

Interest on long-term debt amounted to \$228,428 (2014 - \$238,999). The Town's total cash payments for interest in 2015 were \$229,664 (2014 - \$240,170).

9. Accumulated surplus

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

	2015	2014
Unrestricted surplus	\$ 1,651,347	\$ 1,649,522
Internally restricted surplus (reserves) (note 10)	1,711,535	1,378,332
Equity in tangible capital assets (note 11)	19,917,109	21,113,264
	\$ 23,279,991	\$ 24,141,118

TOWN OF CLARESHOLM
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2015

10. Reserves

Reserves for operating and capital activities are as follows:

	2015	2014
Operating		
General	\$ 216,063	\$ 200,163
Debt reduction	192,453	192,453
Physician recruitment fund	51,804	36,004
Trust accounts	51,358	51,358
Sewer main replacement	35,000	35,000
Economic development	30,000	-
Office	28,780	28,780
Garbage equipment	25,739	25,739
Waterworks	15,000	15,000
Fill dirt	11,427	11,427
Fire truck	8,819	8,819
Arena renovation	8,500	8,500
Tipping fees	5,449	5,449
Water pumps	2,500	2,500
Waterline replacement	1,910	1,910
Cemetery	723	723
Ball diamonds	245	245
Landfill closure	-	38,598
Airport general	-	8,000
	685,770	670,668
Capital		
General	392,988	235,588
Arena ice slab/boards	154,135	154,135
Multi-use Community Building	150,000	-
Fire truck	100,000	100,000
Water supply	44,663	44,663
Acreage assessment	40,721	40,721
Residential land sales	26,584	26,584
Town land	25,163	25,163
Tamarack subdivision	25,149	25,149
Airport land sales	20,677	20,677
Enforcement vehicle	14,500	14,500
Tax recovery land	11,854	11,854
Museum	10,701	-
Subdivision	8,510	8,510
Industrial land sales	120	120
	1,025,765	707,664
	\$ 1,711,535	\$ 1,378,332

TOWN OF CLARESHOLM
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2015

11. Equity in tangible capital assets

	2015	2014
Tangible capital assets (schedule 2)	\$ 84,829,834	\$ 83,998,588
Accumulated amortization (schedule 2)	(59,925,719)	(57,543,642)
Long-term debt (note 8)	(4,987,006)	(5,341,682)
	<u>\$ 19,917,109</u>	<u>\$ 21,113,264</u>

12. Net municipal property taxes

	Budget (Unaudited)	2015	2014
Taxation			
Real property taxes	\$ 4,037,208	\$ 4,017,767	\$ 4,076,492
Linear property taxes	112,591	112,591	113,050
Government grants in place of property taxes	48,113	48,113	83,571
Special assessments and local improvements	70,813	50,138	28,088
	<u>4,268,725</u>	<u>4,228,609</u>	<u>4,301,201</u>
Requisitions			
Alberta School Foundation Fund	1,086,911	1,086,911	1,128,338
Porcupine Hills Lodge	107,826	107,826	109,350
	<u>1,194,737</u>	<u>1,194,737</u>	<u>1,237,688</u>
	<u>\$ 3,073,988</u>	<u>\$ 3,033,872</u>	<u>\$ 3,063,513</u>

13. Government transfers

	Budget (Unaudited)	2015	2014
Transfers for operating:			
Government transfers for operating	\$ 423,163	\$ 220,592	\$ 220,407
Transfers for capital:			
Shared-cost agreements and grants	1,696,125	511,228	925,085
	<u>\$ 2,119,288</u>	<u>\$ 731,820</u>	<u>\$ 1,145,492</u>

TOWN OF CLARESHOLM
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2015

14. Expenditures by object

	Budget (Unaudited)	2015	2014
Salaries, wages and benefits	\$ 2,548,724	\$ 2,450,073	\$ 2,523,719
Contracted and general services	1,172,705	1,104,937	1,068,577
Materials, goods, supplies and utilities	1,445,116	1,008,136	1,243,041
Bank charges and short-term interest	1,500	858	844
Interest on long-term debt	229,664	228,428	238,999
Other expenditures	141,600	90,852	84,473
Loss on disposal of tangible capital assets	-	-	17,456
Transfers to organizations and others	27,058	27,058	26,268
Purchases from other governments	316,474	258,848	268,124
Provision for allowances	(3,514)	2,871	170,709
Amortization of tangible capital assets	2,674,736	2,385,830	2,584,670
	\$ 8,554,063	\$ 7,557,891	\$ 8,226,880

15. 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:

	(1) Salary	(2) Benefits & allowances	2015	2014
Council				
Mayor Steel	\$ 13,381	\$ 549	\$ 13,930	\$ 13,742
Councillor Cutler	12,668	882	13,550	11,325
Councillor Dixon	9,661	-	9,661	10,401
Councillor Fieguth	10,177	185	10,362	11,531
Councillor Ford	11,771	530	12,301	14,720
Councillor McAlonan	12,024	-	12,024	11,703
Councillor O'Neill	12,114	219	12,333	12,942
Chief Administrative Officer	100,018	22,160	122,178	90,444
Designated Officers (2015: 7 positions, 2014: 5 positions)	\$ 292,796	\$ 70,862	\$ 363,658	\$ 411,457

(1) Salary includes regular base pay, bonuses, overtime, lump sum payments, gross honoraria and any other direct cash remuneration.

(2) Benefits and allowances include the 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.

Benefits and allowances figures also include the employer's share of the costs of additional taxable benefits including special leave with pay, financial planning services, retirement planning services, concessionary loans, travel allowances, car allowances, and club memberships.

TOWN OF CLARESHOLM
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2015

16. Debt limits, continued

16. 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:

	2015	2014
Total debt limit	\$ 9,278,304	\$ 9,317,319
Total debt	4,987,006	5,341,682
	<u>\$ 4,291,298</u>	<u>\$ 3,975,637</u>
Debt servicing limit	\$ 1,546,384	\$ 1,552,887
Debt servicing	584,339	584,339
	<u>\$ 962,045</u>	<u>\$ 968,548</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 which 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.

17. Local authorities pension plan

Employees of the Town participate in the Local Authorities Pension Plan (LAPP), which is one of the plans covered by the Alberta Public Sector Pensions Plans Act. The plan serves about 237,000 people and 423 employers. The LAPP is financed by the 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 Canada Pension Plan and 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 2015 were \$186,272 (2014 - \$188,188). Total current service contributions by the employees of the Town to the LAPP in 2014 were \$170,875 (2014 - \$172,536).

At December 31, 2014, the LAPP disclosed an actuarial deficiency of \$2.45 billion.

TOWN OF CLARESHOLM
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2015

18. Financial instruments

The Town of Claresholm's financial instruments consist of cash and temporary investments, accounts receivable, accounts payable and accrued liabilities, employee benefit obligations, deposit and long-term debt. It is management's opinion that the Town is not exposed to significant interest or currency risk arising from these financial instruments.

The Town of Claresholm 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 fulfil 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.

19. Approval of financial statements

These financial statements were approved by Council and Management.

20. Budget amounts

The 2015 budget for the Town was approved by Council on April 27, 2015 and has been reported in the consolidated financial statements for information purposes only. These budget amounts have not been audited, reviewed, or otherwise verified.

The approved budget contained reserve transfers, capital additions and principal payments on debt as expenditures. Since these items are not included in the amounts reported in the consolidated financial statements, they have been excluded from the budget amounts presented in these financial statements.

Budgeted deficit per financial statements		\$ (664,929)
Less:	Capital expenditures	(2,297,900)
	Transfers to reserves	(153,426)
	Transfer from sundry trust	133,594
Add:	Amortization	2,674,736
	Transfers from reserves	307,925
Equals:	Balanced budget	\$ -

TOWN OF CLARESHOLM
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2015

21. Commitments and contingencies

The Town is a member of the Alberta Municipal Insurance Exchange (MUNIX) which provides liability insurance. 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.

The Town has made a commitment to the Municipal District of Willow Creek to pay for one half of the costs for monitoring and maintenance of the Municipal District of Willow Creek's landfill for the next 6 years.

The Town of Claresholm has entered an agreement with the Town of Granum for the conveyance and supply of potable water. This agreement is in effect until December 31, 2034.

22. Contaminated sites liability

On January 1, 2015, the Town adopted PS3260 liability for contaminated sites. The standard was applied on a retroactive basis and did not result in any adjustments to the financial liabilities, tangible capital assets or accumulated surplus of the Town.

23. Comparative figures

The prior year figures have been restated to reflect a loan payable to Southcal Development Inc. and construction in progress in the amount of \$600,000 that was not previously recorded. This change does not affect prior year accumulated surplus.

TOWN OF CLARESHOLM
SCHEDULES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2015

Schedule of changes in accumulated surplus

Schedule 1

	Unrestricted	Restricted	Equity in tangible capital assets	2015	2014
Balance, beginning of year	\$ 1,649,522	\$ 1,378,332	\$ 21,113,264	\$ 24,141,118	\$ 25,231,368
Deficiency of revenue over expenses	(861,127)	-	-	(861,127)	(1,090,250)
Unrestricted funds designated for future use	(379,801)	379,801	-	-	-
Restricted funds used for operations	46,598	(46,598)	-	-	-
Current year funds used for tangible capital assets	(868,762)	-	868,762	-	-
Disposal of tangible capital assets	33,763	-	(33,763)	-	-
Amortization of tangible capital assets	2,385,830	-	(2,385,830)	-	-
Long term debt repaid	(354,676)	-	354,676	-	-
Change in accumulated surplus	1,825	333,203	(1,196,155)	(861,127)	(1,090,250)
Balance, end of year	\$ 1,651,347	\$ 1,711,535	\$ 19,917,109	\$ 23,279,991	\$ 24,141,118

TOWN OF CLARESHOLM
SCHEDULES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2015

Schedule of tangible capital assets

Schedule 2

	Land	Land improvements	Buildings	Engineered structures	Machinery and equipment	Vehicles	Construction in progress	2015	2014
Cost:									
Balance, beginning of year	\$ 990,764	\$ 1,577,638	\$ 11,826,798	\$ 65,912,174	\$ 1,407,321	\$ 1,298,560	\$ 985,332	\$ 83,998,588	\$ 83,271,778
Acquisitions	-	-	10,856	101,206	249,111	-	507,589	868,762	1,817,385
Disposals	-	-	-	-	(37,516)	-	-	(37,516)	(1,090,575)
Balance, end of year	990,764	1,577,638	11,837,654	66,013,380	1,618,916	1,298,560	1,492,921	84,829,834	83,998,588
Accumulated amortization:									
Balance, beginning of year	-	379,797	5,324,090	50,076,082	865,978	897,695	-	57,543,642	55,995,766
Annual amortization	-	85,216	236,146	1,904,833	89,113	70,520	-	2,385,828	2,584,670
Disposals	-	-	-	-	(3,751)	-	-	(3,751)	(1,036,794)
Balance, end of year	-	465,013	5,560,236	51,980,915	951,340	968,215	-	59,925,719	57,543,642
Net book value	\$ 990,764	\$ 1,112,625	\$ 6,277,418	\$ 14,032,465	\$ 667,576	\$ 330,345	\$ 1,492,921	\$ 24,904,115	\$ 26,454,946
2014 net book value	\$ 990,764	\$ 1,197,841	\$ 6,502,708	\$ 15,836,092	\$ 541,343	\$ 400,865	\$ 985,332	\$ 26,454,946	

TOWN OF CLARESHOLM
SCHEDULE TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2015

Schedule of segmented disclosure

Schedule 3

	General government	Protective services	Transportation services	Environmental services	Public health services	Planning and development	Recreation and culture	Total
Revenue								
Net municipal taxes	\$ 2,983,734	\$ -	\$ 50,138	\$ -	\$ -	\$ -	\$ -	\$ 3,033,872
User fees and sales of goods	-	9,526	11,884	1,909,993	13,317	9,503	105,652	2,059,875
Government transfers for operating	120,277	6,803	4,625	-	7,500	31,387	50,000	220,592
Investment income	49,134	-	-	-	-	-	-	49,134
Penalties and costs of taxes	45,817	38,215	-	-	-	150	-	84,182
Licenses and permits	28,290	-	-	-	-	11,304	-	39,594
Gain on disposal of capital assets	-	-	4,335	-	-	-	-	4,335
Franchise and concession contracts	142,027	-	-	-	-	-	-	142,027
Rental	32,418	-	13,000	-	-	-	82,236	127,654
Other	14,711	-	-	111,143	-	-	67,582	193,436
Family and community support services	-	-	-	-	230,835	-	-	230,835
	3,416,408	54,544	83,982	2,021,136	251,652	52,344	305,470	6,185,536
Expenses								
Salaries, wages and benefits	527,096	146,450	368,051	596,693	176,976	111,951	522,856	2,450,073
Contracted and general services	397,278	79,665	301,974	217,481	41,274	9,754	57,511	1,104,937
Materials, goods, supplies and utilities	63,932	53,892	344,711	360,275	44,150	2,205	138,971	1,008,136
Bank charges and short-term interest	858	-	-	-	-	-	-	858
Interest on long-term debt	-	-	-	212,871	-	-	15,557	228,428
Other expenditures	24,707	-	-	-	-	51,408	14,737	90,852
Transfers to organizations and others	-	-	-	-	-	-	27,058	27,058
Purchases from other governments	32,000	-	-	-	62,151	-	164,697	258,848
Provision for allowances	-	-	-	2,871	-	-	-	2,871
Amortization of tangible capital assets	4,377	26,358	409,224	1,663,611	-	27,333	254,927	2,385,830
	1,050,248	306,365	1,423,960	3,053,802	324,551	202,651	1,196,314	7,557,891
Deficiency of revenue over expenses before other	2,366,160	(251,821)	(1,339,978)	(1,032,666)	(72,899)	(150,307)	(890,844)	(1,372,355)
Other								
Government transfers for capital	-	125,639	-	385,589	-	-	-	511,228
Deficiency of revenue over expenses	\$ 2,366,160	\$ (126,182)	\$ (1,339,978)	\$ (647,077)	\$ (72,899)	\$ (150,307)	\$ (890,844)	\$ (861,127)