

TOWN OF CLARESHOLM

Consolidated Financial Statements

For the year ended December 31, 2017

TOWN OF CLARESHOLM
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For the year ended December 31, 2017

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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, 2017, 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, 2017 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

March 12, 2018



Chartered Professional 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 consolidated 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 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 Avail LLP Chartered Professional Accountants, the external auditors, in accordance with Canadian generally accepted auditing standards on behalf of the Council, residents and ratepayers of the Town. Avail LLP has full and free access to the Council.


Chief Administrative Officer

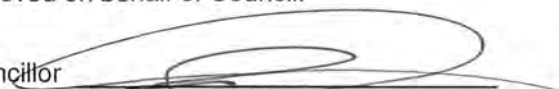
TOWN OF CLARESHOLM
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at December 31, 2017

	2017	2016
Financial assets		
Cash and temporary investments (note 2)	\$ 7,836,184	\$ 8,106,070
Taxes and grants in place of taxes receivable (note 3)	230,080	211,673
Trade and other receivables (note 4)	626,132	690,555
Land held for resale	122,820	145,486
	<u>8,815,216</u>	<u>9,153,784</u>
Liabilities		
Accounts payable and accrued liabilities	946,295	356,850
Employee benefit obligations (note 6)	278,717	241,365
Deposits	12,190	15,417
Deferred revenue (note 7)	3,904,383	4,989,802
Long-term debt (note 8)	4,244,067	4,621,314
	<u>9,385,652</u>	<u>10,224,748</u>
Net financial debt	<u>(570,436)</u>	<u>(1,070,964)</u>
Non-financial assets		
Prepaid expenses	25,285	27,586
Inventory for consumption	220,436	265,074
Tangible capital assets (schedule 2)	29,374,351	26,579,364
	<u>29,620,072</u>	<u>26,872,024</u>
Accumulated surplus (note 9 and schedule 1)	<u>\$ 29,049,636</u>	<u>\$ 25,801,060</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, 2017

	Budget (Unaudited)	2017	2016
Revenue			
Net municipal taxes (note 12)	\$ 3,113,876	\$ 3,092,636	\$ 3,084,230
User fees and sales of goods	2,111,170	2,257,297	2,173,646
Family and community support services	214,296	224,372	229,036
Government transfers for operating (note 13)	422,095	568,415	208,698
Other	22,500	71,902	71,624
Franchise and concession contracts	202,538	209,015	145,195
Rental	109,650	120,426	122,806
Penalties and costs of taxes	129,100	138,423	88,826
Investment income	58,000	42,862	73,582
Licenses and permits	47,900	53,083	62,432
Gain on disposal of capital assets	-	558	3,108
	6,431,125	6,778,989	6,263,183
Expenses (note 14)			
Legislative	113,500	120,297	85,936
Administration	1,166,789	1,234,298	1,042,171
Fire	301,612	128,714	106,505
Bylaw enforcement	131,778	126,712	133,052
Common and equipment pool	514,064	492,669	481,680
Roads, streets, walks and lighting	843,242	919,826	745,297
Airport	18,379	15,482	17,263
Storm sewers and drainage	63,545	488,695	74,187
Water supply and distribution	1,955,421	1,739,204	1,841,179
Wastewater treatment and disposal	529,856	515,588	529,774
Solid waste management	410,323	428,940	398,060
Recycling program	165,717	165,515	161,209
Family and community support services	236,905	259,019	243,981
Day care	38,202	38,202	38,202
Cemeteries and crematoriums	51,680	17,129	19,008
Other public health and welfare	27,000	28,400	32,134
Planning and development	409,056	350,012	296,549
Parks and recreation	904,162	966,931	896,387
Culture - libraries, museums and halls	408,844	374,280	360,311
	8,290,075	8,409,913	7,502,885
Deficiency of revenue over expenses before other	(1,858,950)	(1,630,924)	(1,239,702)
Other			
Government transfers for capital (note 13)	5,324,112	4,868,280	966,661
Contributed assets	-	11,220	2,794,110
	5,324,112	4,879,500	3,760,771
Excess of revenue over expenses	3,465,162	3,248,576	2,521,069
Accumulated surplus, beginning of year	25,801,060	25,801,060	23,279,991
Accumulated surplus, end of year	\$ 29,266,222	\$ 29,049,636	\$ 25,801,060

TOWN OF CLARESHOLM
CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL DEBT
For the year ended December 31, 2017

	Budget (Unaudited)	2017	2016
Excess of revenue over expenses	\$ 3,465,162	\$ 3,248,576	\$ 2,521,069
Acquisition of tangible capital assets	(5,448,345)	(5,057,920)	(1,101,103)
Amortization of tangible capital assets	2,166,952	2,189,742	2,193,070
Contributed assets	-	(11,220)	(2,794,110)
Gain on disposal of tangible capital assets	-	(558)	(3,108)
Proceeds on disposal of tangible capital assets	-	53,069	30,000
Write-downs of tangible capital assets	-	31,900	-
	(3,281,393)	(2,794,987)	(1,675,251)
Net change in inventory for consumption	-	44,638	(49,852)
Net change in prepaid expense	-	2,301	(7,073)
	-	46,939	(56,925)
Decrease in net financial debt	183,769	500,528	788,893
Net financial debt, beginning of year	(1,070,964)	(1,070,964)	(1,859,857)
Net financial debt, end of year	\$ (887,195)	\$ (570,436)	\$ (1,070,964)

TOWN OF CLARESHOLM
CONSOLIDATED STATEMENT OF CASH FLOW
For the year ended December 31, 2017

	2017	2016
Operating transactions		
Excess of revenue over expenses	\$ 3,248,576	\$ 2,521,069
Adjustments for items which do not affect cash		
Gain on disposal of tangible capital assets	(558)	(3,108)
Amortization of tangible capital assets	2,189,742	2,193,070
Write-downs of tangible capital assets	31,900	-
Contributed assets	(11,220)	(2,794,110)
	5,458,440	1,916,921
Net change in non-cash working capital items		
Taxes and grants in place of taxes receivable	(18,407)	5,217
Trade and other receivables	64,422	(44,020)
Land held for resale	22,666	5,202
Inventory for consumption	44,638	(49,852)
Prepaid expenses	2,301	(7,073)
Accounts payable and accrued liabilities	589,445	166,012
Employee benefit obligations	37,352	38,156
Deposits	(3,227)	(9,800)
Deferred revenue	(1,085,419)	4,045,358
Cash provided by operating transactions	5,112,211	6,066,121
Capital transactions		
Proceeds on disposal of tangible capital assets	53,069	30,000
Acquisition of tangible capital assets	(5,057,920)	(1,101,103)
Cash applied to capital transactions	(5,004,851)	(1,071,103)
Financing transactions		
Repayment of long-term debt	(377,246)	(365,692)
(Decrease) increase in cash and temporary investments	(269,886)	4,629,326
Cash and temporary investments, beginning of year	8,106,070	3,476,744
Cash and temporary investments, end of year	\$ 7,836,184	\$ 8,106,070

TOWN OF CLARESHOLM
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2017

1. Significant accounting policies

The consolidated financial statements of the Town of Claresholm 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 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, 2017

1. Significant accounting policies, continued

(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 and 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, 2017

1. Significant accounting policies, continued

(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
Vehicles	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, 2017

2. Cash and temporary investments

	2017	2016
Cash	\$ 435,444	\$ 338,891
Temporary investments	7,400,740	7,767,179
	<u>\$ 7,836,184</u>	<u>\$ 8,106,070</u>

Included in cash and short-term investments is \$12,190 (2016- \$15,417) of deposit liability funds which are not available for current purposes.

Temporary investments consist of one month term deposits with varying interest rates of 1.30% to 1.70% if held to maturity.

3. Taxes and grants in place of taxes receivables

	2017	2016
Current year	\$ 132,263	\$ 116,661
Arrears	97,817	95,012
	<u>\$ 230,080</u>	<u>\$ 211,673</u>

4. Trade and other receivables

	2017	2016
Trade accounts	\$ 346,163	\$ 311,856
GST receivable	104,608	49,422
Local improvement levies	91,474	115,143
Due from Provincial government	47,070	175,928
Due from local governments	36,817	38,206
	<u>\$ 626,132</u>	<u>\$ 690,555</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 less 0.50%.

Security pledged on this loan includes a general security agreement. As at December 31, 2017 there was no balance outstanding on the loan.

TOWN OF CLARESHOLM
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2017

6. Employee benefit obligations

	2017	2016
Vacation	\$ 183,217	\$ 161,986
Sick time	95,500	79,379
	<u>\$ 278,717</u>	<u>\$ 241,365</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:

	2017	2016
Alberta Community Resilience Program	\$ 1,934,602	\$ 2,179,831
MSI/FGTF capital grants	1,401,812	1,765,792
Sundry trust	172,201	142,798
Fire services study	143,575	-
Cemetery	106,478	104,457
Offsite levies	64,530	63,876
Subdivision fund	37,319	36,941
Museum operating	25,000	-
Taxi token prepayments	4,889	6,730
Family and Community Support Services	4,666	5,697
Parking fund	3,752	3,715
Parks Society	2,819	2,819
Walking path fund	2,040	2,019
Winter festival	700	-
Alberta Community Partnership	-	350,000
Disaster Recovery Program	-	282,627
Community Facility Enhancement Program	-	42,500
	<u>\$ 3,904,383</u>	<u>\$ 4,989,802</u>

TOWN OF CLARESHOLM
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2017

8. Long-term debt

	2017	2016
Utility supported debentures	\$ 3,529,203	\$ 3,708,544
Tax supported debentures	414,864	512,770
Southcal Development Inc.	300,000	400,000
	<u>\$ 4,244,067</u>	<u>\$ 4,621,314</u>
Current portion	<u>\$ 389,365</u>	<u>\$ 377,246</u>

Principal and interest repayments are due as follows:

	Principal	Interest	Total
2018	\$ 389,365	\$ 194,974	\$ 584,339
2019	402,079	182,260	584,339
2020	415,418	168,921	584,339
2021	329,417	154,922	484,339
2022	234,310	140,860	375,170
Thereafter	2,473,478	790,375	3,263,853
	<u>\$ 4,244,067</u>	<u>\$ 1,632,312</u>	<u>\$ 5,876,379</u>

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 4.47% (4.47% for 2017). 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 \$300,000 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 \$205,719 (2016 - \$217,344). The Town's total cash payments for interest in 2017 were \$207,093.19 (2016 - \$218,647).

TOWN OF CLARESHOLM
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2017

9. Accumulated surplus

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

	2017	2016
Unrestricted surplus	\$ 1,651,347	\$ 1,651,347
Internally restricted surplus (reserves) (note 11)	2,268,005	2,191,663
Equity in tangible capital assets (note 10)	25,130,284	21,958,050
	<u>\$ 29,049,636</u>	<u>\$ 25,801,060</u>

10. Equity in tangible capital assets

	2017	2016
Tangible capital assets (schedule 2)	\$ 93,126,308	\$ 88,427,661
Accumulated amortization (schedule 2)	(63,751,957)	(61,848,297)
Long-term debt (note 8)	(4,244,067)	(4,621,314)
	<u>\$ 25,130,284</u>	<u>\$ 21,958,050</u>

11. Reserves

Reserves for operating and capital activities are as follows:

	2017	2016
Operating		
General	\$ 213,667	\$ 216,063
Debt reduction	192,453	192,453
Trust accounts	51,358	51,358
Fire department equipment	30,000	-
Office	28,780	28,780
Physician recruitment fund	25,770	54,170
Fill dirt	11,427	11,427
Museum	10,000	10,000
Cemetery	723	723
Economic development	-	42,000
Family and Community Support Services	-	11,365
Ball diamonds	-	245
	<u>564,178</u>	<u>618,584</u>

TOWN OF CLARESHOLM
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2017

11. Reserves, continued

	2017	2016
Capital		
Water and sewer	401,629	334,207
General	351,112	385,588
Multi-use Community Building	199,001	199,001
Arena building	160,190	162,635
Fire truck	158,819	108,819
Parks and pathways	141,510	100,000
Land and development	81,054	81,054
Garbage and recycling equipment	65,133	44,158
Playground rehabilitation	50,000	25,000
Acreage assessment	40,721	40,721
Tamarack subdivision	25,149	25,149
Enforcement vehicle	16,500	14,500
Tax recovery land	11,854	11,854
Museum	1,155	1,155
Curling rink roof replacement	-	39,238
	1,703,827	1,573,079
	\$ 2,268,005	\$ 2,191,663

12. Net municipal property taxes

	Budget (Unaudited)	2017	2016
Taxation			
Real property taxes	\$ 4,145,079	\$ 4,136,244	\$ 4,094,726
Linear property taxes	108,569	107,735	108,223
Government grants in place of property taxes	43,052	43,052	41,558
Special assessments and local improvements	11,571	-	43,328
	4,308,271	4,287,031	4,287,835
Requisitions			
Alberta School Foundation Fund	1,087,744	1,087,744	1,092,088
Porcupine Hills Lodge	106,651	106,651	111,517
	1,194,395	1,194,395	1,203,605
	\$ 3,113,876	\$ 3,092,636	\$ 3,084,230

TOWN OF CLARESHOLM
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2017

13. Government transfers

	Budget (Unaudited)	2017	2016
Transfers for operating:			
Provincial government	\$ 262,261	\$ 448,284	\$ 144,315
Other local governments	159,834	120,131	64,383
	422,095	568,415	208,698
Transfers for capital:			
Provincial government	4,815,607	4,444,152	880,978
Federal government	508,505	424,128	85,683
	5,324,112	4,868,280	966,661
	\$ 5,746,207	\$ 5,436,695	\$ 1,175,359

14. Expenses by object

	Budget (Unaudited)	2017	2016
Salaries, wages and benefits	\$ 2,761,203	\$ 2,821,289	\$ 2,608,120
Contracted and general services	1,456,552	1,201,118	1,130,121
Materials, goods, supplies and utilities	1,311,300	1,589,236	1,028,492
Bank charges and short-term interest	1,500	659	670
Interest on long-term debt	207,093	205,718	217,344
Other expenditures	44,240	59,662	49,846
Transfers to organizations and others	317,341	318,595	275,222
Purchases from other governments	23,894	23,894	-
Amortization of tangible capital assets	2,166,952	2,189,742	2,193,070
	\$ 8,290,075	\$ 8,409,913	\$ 7,502,885

TOWN OF CLARESHOLM
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2017

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)	(2)		
	Salary	Benefits & allowances	2017	2016
Council				
Mayor MacPherson	\$ 4,049	\$ 104	\$ 4,153	\$ -
Councillor Carlson	3,059	71	3,130	-
Councillor Courage	3,737	93	3,830	-
Councillor Moore	3,300	79	3,379	-
Councillor Schlossberger	3,231	77	3,308	-
Councillor Schulze	3,007	69	3,076	-
Councillor Zimmer	2,777	67	2,844	-
Mayor Steel	11,837	358	12,195	13,959
Councillor Cutler	9,747	285	10,032	12,640
Councillor Dixon	6,628	177	6,805	8,103
Councillor Fieguth	8,381	237	8,618	10,419
Councillor Ford	12,636	395	13,031	11,622
Councillor McAlonan	10,320	304	10,624	11,752
Councillor O'Neill	9,759	285	10,044	11,569
Chief Administrative Officer	115,000	29,574	144,574	136,647
Designated Officers (2017: 6 positions, 2016: 6 positions)	\$ 334,032	\$ 83,293	\$ 417,325	\$ 384,927

(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 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, 2017

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:

	2017	2016
Total debt limit	\$ 10,168,482	\$ 9,394,773
Total debt	4,244,067	4,621,314
	<u>\$ 5,924,415</u>	<u>\$ 4,773,459</u>
Debt servicing limit	\$ 1,694,747	\$ 1,565,796
Debt servicing	584,339	584,339
	<u>\$ 1,110,408</u>	<u>\$ 981,457</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 244,000 people and 426 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 2017 were \$199,919 (2016 - \$189,553). Total current service contributions by the employees of the Town to the LAPP in 2017 were \$183,554 (2016 - \$173,708).

At December 31, 2016, the LAPP disclosed an actuarial deficiency of \$637 million.

TOWN OF CLARESHOLM
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2017

18. Financial instruments

The Town'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 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 2017 budget for the Town was approved by Council on March 13, 2017 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 surplus per financial statements	\$ 3,465,162
Less: Capital expenses	(5,448,345)
Long-term debt repayments	(377,247)
Add: Amortization	2,166,952
Transfers from reserves	193,478
Equals: Balanced budget	\$ -

TOWN OF CLARESHOLM
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2017

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 4 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.

The Town has committed to purchase a sewer flusher truck from Industrial Machine Inc. for \$288,180. This will arrive in 2018.

The Town has entered into a contract with Whissell Contracting for repair of the 8th Street ditch. The contract is expected to be completed within the next year and the remaining costs are estimated to be \$504,968.

22. Contaminated sites liability

The Town has adopted PS3260 liability for contaminated sites. The Town did not identify any financial liabilities in 2017 (2016 - nil) as a result of this standard.

23. Comparative figures

The financial statements have been reclassified, where applicable, to conform to the presentation used in the current year. The changes do not affect prior year earnings.

TOWN OF CLARESHOLM
SCHEDULES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2017

Schedule of changes in accumulated surplus

Schedule 1

	Unrestricted	Restricted	Equity in tangible capital assets	2017	2016
Balance, beginning of year	\$ 1,651,347	\$ 2,191,663	\$ 21,958,050	\$ 25,801,060	\$ 23,279,991
Excess of revenue over expenses	3,248,576	-	-	3,248,576	2,521,069
Unrestricted funds designated for future use	(282,044)	282,044	-	-	-
Restricted funds used for operations	79,041	(79,041)	-	-	-
Restricted funds used for tangible capital assets	-	(126,661)	126,661	-	-
Current year funds used for tangible capital assets	(4,931,259)	-	4,931,259	-	-
Contributed tangible capital assets	(11,220)	-	11,220	-	-
Disposal of tangible capital assets	84,411	-	(84,411)	-	-
Amortization of tangible capital assets	2,189,742	-	(2,189,742)	-	-
Long-term debt repaid	(377,247)	-	377,247	-	-
Change in accumulated surplus	-	76,342	3,172,234	3,248,576	2,521,069
Balance, end of year	\$ 1,651,347	\$ 2,268,005	\$ 25,130,284	\$ 29,049,636	\$ 25,801,060

TOWN OF CLARESHOLM
SCHEDULES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2017

Schedule of tangible capital assets

Schedule 2

	Land	Land improvements	Buildings	Engineered structures	Machinery and equipment	Vehicles	Construction in progress	2017	2016
Cost:									
Balance, beginning of year	\$ 1,173,044	\$ 1,577,638	\$ 14,509,947	\$ 66,194,414	\$ 1,956,765	\$ 1,176,274	\$ 1,839,578	\$ 88,427,661	\$ 84,829,834
Acquisitions	30,996	69,265	202,580	2,783,733	99,639	33,893	1,849,034	5,069,140	3,895,213
Transfers	-	-	-	806,071	(207,195)	207,195	(806,071)	-	-
Disposals	-	-	-	(242,748)	(71,845)	(24,000)	(31,900)	(370,493)	(297,386)
Balance, end of year	1,204,040	1,646,903	14,712,527	69,541,470	1,777,364	1,393,362	2,850,641	93,126,308	88,427,661
Accumulated amortization:									
Balance, beginning of year	-	549,037	5,823,681	53,635,541	918,269	921,769	-	61,848,297	59,925,720
Annual amortization	-	86,415	290,090	1,595,191	155,210	62,836	-	2,189,742	2,193,071
Disposals	-	-	-	(236,119)	(35,370)	(14,593)	-	(286,082)	(270,494)
Balance, end of year	-	635,452	6,113,771	54,994,613	1,038,109	970,012	-	63,751,957	61,848,297
Net book value	\$ 1,204,040	\$ 1,011,451	\$ 8,598,756	\$ 14,546,857	\$ 739,255	\$ 423,350	\$ 2,850,641	\$ 29,374,351	\$ 26,579,364
2016 net book value	\$ 1,173,044	\$ 1,028,601	\$ 8,686,266	\$ 12,558,873	\$ 1,038,496	\$ 254,505	\$ 1,839,578	\$ 26,579,364	

TOWN OF CLARESHOLM
SCHEDULE TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2017

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	\$ 3,092,636	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,092,636
User fees and sales of goods	8,915	4,586	-	2,023,293	13,604	9,389	197,510	2,257,297
Family and community support services	-	-	-	-	224,372	-	-	224,372
Government transfers for operating	436,959	23,576	-	-	3,000	28,072	76,808	568,415
Other	52,886	8,218	2,576	-	-	-	8,222	71,902
Franchise and concession contracts	209,015	-	-	-	-	-	-	209,015
Rental	23,117	-	9,500	-	-	-	87,809	120,426
Penalties and costs of taxes	65,123	73,300	-	-	-	-	-	138,423
Investment income	42,862	-	-	-	-	-	-	42,862
Licenses and permits	26,974	5,973	-	-	-	20,136	-	53,083
Gain on disposal of capital assets	558	-	-	-	-	-	-	558
	3,959,045	115,653	12,076	2,023,293	240,976	57,597	370,349	6,778,989
Expenses								
Salaries, wages and benefits	647,366	129,578	447,120	680,158	157,831	155,684	603,551	2,821,289
Contracted and general services	437,681	61,353	152,424	224,717	61,783	162,079	101,081	1,201,118
Materials, goods, supplies and utilities	74,639	44,979	856,065	398,136	20,365	4,917	190,135	1,589,236
Bank charges and short-term interest	659	-	-	-	-	-	-	659
Interest on long-term debt	-	-	-	194,555	-	-	11,164	205,718
Other expenditures	31,042	-	-	-	28,620	-	-	59,662
Transfers to organizations and others	69,703	-	-	-	74,152	-	174,740	318,595
Purchases from other governments	23,894	-	-	-	-	-	-	23,894
Amortization of tangible capital assets	69,609	19,517	461,062	1,351,681	-	27,333	260,540	2,189,742
	1,354,593	255,427	1,916,671	2,849,247	342,751	350,013	1,341,211	8,409,913
Excess (deficiency) of revenue over expenses before other	2,604,452	(139,774)	(1,904,595)	(825,954)	(101,775)	(292,416)	(970,862)	(1,630,924)
Other								
Government transfers for capital	-	424,129	499,845	3,819,137	-	-	125,169	4,868,280
Contributed assets	11,220	-	-	-	-	-	-	11,220
	11,220	424,129	499,845	3,819,137	-	-	125,169	4,879,500
Excess (deficiency) of revenue over expenses	\$ 2,615,672	\$ 284,355	\$ (1,404,750)	\$ 2,993,183	\$ (101,775)	\$ (292,416)	\$ (845,693)	\$ 3,248,576