

TOWN OF CLARESHOLM

Consolidated Financial Statements

For the year ended December 31, 2018

TOWN OF CLARESHOLM
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For the year ended December 31, 2018

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INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the consolidated financial statements of the Town of Claresholm which comprise the consolidated statement of financial position as at December 31, 2018, and the consolidated statements of operations, change in net financial debt and cash flow for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Town of Claresholm as at December 31, 2018, and its results of 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 Town in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these 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:

INDEPENDENT AUDITOR'S REPORT, 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 Town's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Town's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the 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 company 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

March 25, 2019



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.



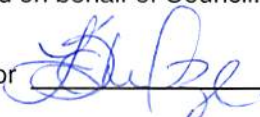
Chief Administrative Officer

TOWN OF CLARESHOLM
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at December 31, 2018

	2018	2017
Financial assets		
Cash and temporary investments (note 2)	\$ 4,255,801	\$ 7,836,184
Taxes and grants in place of taxes receivable (note 3)	157,651	230,080
Trade and other receivables (note 4)	1,212,867	626,132
Land held for resale	122,820	122,820
	5,749,139	8,815,216
Liabilities		
Accounts payable and accrued liabilities	548,181	946,296
Employee benefit obligations (note 6)	332,472	278,717
Deposits	17,590	12,190
Deferred revenue (note 7)	1,817,229	3,904,383
Long-term debt (note 8)	4,254,702	4,244,067
	6,970,174	9,385,653
Net financial debt	(1,221,035)	(570,437)
Non-financial assets		
Prepaid expenses	24,891	25,285
Inventory for consumption	133,395	220,436
Tangible capital assets (schedule 2)	32,725,626	29,374,352
	32,883,912	29,620,073
Accumulated surplus (note 9 and schedule 1)	\$ 31,662,877	\$ 29,049,636

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, 2018

	Budget (Unaudited)	2018	2017
Revenue			
Net municipal taxes (note 12)	\$ 3,162,061	\$ 3,150,673	\$ 3,092,636
User fees and sales of goods	2,567,665	2,254,179	2,257,297
Government transfers for operating (note 13)	691,487	585,242	568,415
Family and community support services	233,446	220,624	224,372
Franchise and concession contracts	204,563	207,637	209,015
Other	164,900	141,303	71,902
Penalties and costs of taxes	161,500	120,393	138,423
Rental	105,700	119,867	120,426
Licenses and permits	51,800	105,290	53,083
Investment income	60,000	86,794	42,862
Gain on disposal of capital assets	40,000	46,743	558
	7,443,122	7,038,745	6,778,989
Expenses (note 14)			
Legislative	108,750	113,341	120,295
Administration	1,303,084	1,321,079	1,234,300
Fire	326,979	250,322	128,714
Bylaw enforcement	157,847	116,905	126,712
Common and equipment pool	545,112	628,296	492,669
Roads, streets, walks and lighting	813,029	838,854	919,826
Airport	18,174	12,163	15,482
Storm sewers and drainage	252,705	246,112	488,695
Water supply and distribution	1,639,567	1,287,594	1,739,204
Wastewater treatment and disposal	523,995	453,720	515,588
Solid waste management	387,653	427,600	428,940
Recycling program	168,845	176,132	165,515
Family and community support services	254,665	245,475	259,019
Day care	38,202	38,202	38,202
Cemeteries and crematoriums	30,302	18,520	17,129
Other public health and welfare	10,000	9,969	28,400
Planning and development	576,375	481,181	350,012
Parks and recreation	991,753	1,084,397	966,931
Culture - libraries, museums and halls	388,417	368,602	374,280
	8,535,454	8,118,464	8,409,913
Deficiency of revenue over expenses before other	(1,092,332)	(1,079,719)	(1,630,924)
Other			
Government transfers for capital (note 13)	6,429,023	3,692,960	4,868,280
Contributed assets	-	-	11,220
	6,429,023	3,692,960	4,879,500
Excess of revenue over expenses	5,336,691	2,613,241	3,248,576
Accumulated surplus, beginning of year	29,049,636	29,049,636	25,801,060
Accumulated surplus, end of year	\$ 34,386,327	\$ 31,662,877	\$ 29,049,636

TOWN OF CLARESHOLM
CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL DEBT
For the year ended December 31, 2018

	Budget (Unaudited)	2018	2017
Excess of revenue over expenses	\$ 5,336,691	\$ 2,613,241	\$ 3,248,576
Acquisition of tangible capital assets	(7,687,308)	(5,289,241)	(5,057,920)
Amortization of tangible capital assets	2,122,723	1,726,563	2,189,742
Contributed assets	-	-	(11,220)
Gain on disposal of tangible capital assets	-	(46,743)	(558)
Proceeds on disposal of tangible capital assets	-	258,147	53,069
Write-downs of tangible capital assets	-	-	31,900
	(5,564,585)	(3,351,274)	(2,794,987)
Net change in inventory for consumption	-	87,041	44,637
Net change in prepaid expense	-	394	2,301
	-	87,435	46,938
Decrease in net financial debt	(227,894)	(650,598)	500,527
Net financial debt, beginning of year	(570,437)	(570,437)	(1,070,964)
Net financial debt, end of year	\$ (798,331)	\$ (1,221,035)	\$ (570,437)

TOWN OF CLARESHOLM
CONSOLIDATED STATEMENT OF CASH FLOW
For the year ended December 31, 2018

	2018	2017
Operating transactions		
Excess of revenue over expenses	\$ 2,613,241	\$ 3,248,576
Adjustments for items which do not affect cash		
Gain on disposal of tangible capital assets	(46,743)	(558)
Amortization of tangible capital assets	1,726,563	2,189,742
Write-downs of tangible capital assets	-	31,900
Contributed assets	-	(11,220)
	4,293,061	5,458,440
Net change in non-cash working capital items		
Taxes and grants in place of taxes receivable	72,429	(18,407)
Trade and other receivables	(586,735)	64,423
Land held for resale	-	22,666
Inventory for consumption	87,041	44,637
Prepaid expenses	394	2,301
Accounts payable and accrued liabilities	(398,115)	589,445
Employee benefit obligations	53,755	37,352
Deposits	5,400	(3,227)
Deferred revenue	(2,087,154)	(1,085,419)
Cash provided by operating transactions	1,440,076	5,112,211
Capital transactions		
Proceeds on disposal of tangible capital assets	258,147	53,069
Acquisition of tangible capital assets	(5,289,241)	(5,057,920)
Cash applied to capital transactions	(5,031,094)	(5,004,851)
Financing transactions		
Proceeds of long-term debt	400,000	-
Repayment of long-term debt	(389,365)	(377,246)
Cash provided by (applied to) financing transactions	10,635	(377,246)
Decrease in cash and temporary investments	(3,580,383)	(269,886)
Cash and temporary investments, beginning of year	7,836,184	8,106,070
Cash and temporary investments, end of year	\$ 4,255,801	\$ 7,836,184

TOWN OF CLARESHOLM
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2018

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.

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, 2018

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, 2018

2. Cash and temporary investments

	2018	2017
Cash	\$ 439,875	\$ 435,444
Temporary investments	3,815,926	7,400,740
	<u>\$ 4,255,801</u>	<u>\$ 7,836,184</u>

Included in cash and short-term investments is \$17,590 (2017- \$12,190) of deposit liability funds which are not available for current purposes.

Temporary investments consist of one month term deposits with varying interest rates of 2.05% to 2.30% if held to maturity.

3. Taxes and grants in place of taxes receivables

	2018	2017
Current year	\$ 104,570	\$ 132,263
Arrears	53,081	97,817
	<u>\$ 157,651</u>	<u>\$ 230,080</u>

4. Trade and other receivables

	2018	2017
Due from Provincial government	\$ 518,354	\$ 47,070
Trade accounts	320,923	346,163
GST receivable	271,634	104,608
Local improvement levies	75,442	91,474
Due from local governments	26,514	36,817
	<u>\$ 1,212,867</u>	<u>\$ 626,132</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, 2018 there was no balance outstanding on the loan.

TOWN OF CLARESHOLM
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2018

6. Employee benefit obligations

	2018	2017
Vacation	\$ 203,137	\$ 183,217
Sick time	129,335	95,500
	\$ 332,472	\$ 278,717

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:

	2018	2017
MSI/FGTF capital grants	\$ 721,686	\$ 1,401,812
Alberta Community Resilience Program	576,745	1,934,602
Sundry trust	180,550	172,201
Cemetery	106,620	106,478
Offsite levies	65,808	64,530
Fire services study	65,069	143,575
Subdivision fund	38,058	37,319
Alberta Economic Development and Trade	32,878	-
Family and Community Support Services	11,739	4,666
Taxi token prepayments	5,016	4,889
Winter festival	4,350	700
Parking fund	3,816	3,752
Parks Society	2,819	2,819
Walking path fund	2,075	2,040
Museum operating	-	25,000
	\$ 1,817,229	\$ 3,904,383

TOWN OF CLARESHOLM
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2018

8. Long-term debt

	2018	2017
Utility supported debentures	\$ 3,740,015	\$ 3,529,203
Tax supported debentures	314,687	414,864
Southcal Development Inc.	200,000	300,000
	<u>\$ 4,254,702</u>	<u>\$ 4,244,067</u>
Current portion	<u>\$ 436,924</u>	<u>\$ 389,365</u>

Principal and interest repayments are due as follows:

	Principal	Interest	Total
2019	\$ 436,924	\$ 194,028	\$ 630,952
2020	451,319	179,633	630,952
2021	366,405	164,547	530,952
2022	272,418	149,364	421,782
2023	286,448	135,335	421,783
Thereafter	2,441,188	680,557	3,121,745
	<u>\$ 4,254,702</u>	<u>\$ 1,503,464</u>	<u>\$ 5,758,166</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 4.11% (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 \$200,000 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 \$193,571 (2017 - \$205,719). The Town's total cash payments for interest in 2018 were \$194,974 (2017 - \$207,093).

TOWN OF CLARESHOLM
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2018

9. Accumulated surplus

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

	2018	2017
Unrestricted surplus	\$ 1,554,854	\$ 1,651,346
Internally restricted surplus (reserves) (note 11)	1,637,099	2,268,005
Equity in tangible capital assets (note 10)	28,470,924	25,130,285
	<u>\$ 31,662,877</u>	<u>\$ 29,049,636</u>

10. Equity in tangible capital assets

	2018	2017
Tangible capital assets (schedule 2)	\$ 96,074,302	\$ 93,126,308
Accumulated amortization (schedule 2)	(63,348,676)	(63,751,956)
Long-term debt (note 8)	(4,254,702)	(4,244,067)
	<u>\$ 28,470,924</u>	<u>\$ 25,130,285</u>

11. Reserves

Reserves for operating and capital activities are as follows:

	2018	2017
Operating		
General	\$ 192,611	\$ 213,667
Debt reduction	145,383	192,453
Trust accounts	52,140	51,358
Office	29,218	28,780
Economic development	29,000	-
Physician recruitment fund	15,801	25,770
Fill dirt	11,601	11,427
Planning and development	10,000	-
Museum	6,152	10,000
Cemetery	734	723
Fire department equipment	-	30,000
	<u>492,640</u>	<u>564,178</u>

TOWN OF CLARESHOLM
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2018

11. Reserves, continued

	2018	2017
Capital		
Land and development	282,290	81,054
Water and sewer	238,256	401,629
Fire truck	171,238	158,819
General	134,442	351,112
Garbage and recycling equipment	86,901	65,133
Parks and pathways	53,664	141,510
Playground rehabilitation	50,761	50,000
Acreage assessment	41,341	40,721
Tamarack subdivision	25,532	25,149
Arena	20,045	160,190
Enforcement vehicle	18,752	16,500
Tax recovery land	12,034	11,854
Cemetery	5,000	-
Multi-use Community Building	3,030	199,001
Museum	1,173	1,155
	1,144,459	1,703,827
	\$ 1,637,099	\$ 2,268,005

12. Net municipal property taxes

	Budget (Unaudited)	2018	2017
Taxation			
Real property taxes	\$ 4,213,859	\$ 4,218,057	\$ 4,136,244
Linear property taxes	104,595	104,832	107,735
Government grants in place of property taxes	40,225	40,228	43,052
Special assessments and local improvements	15,827	-	-
	4,374,506	4,363,117	4,287,031
Requisitions			
Alberta School Foundation Fund	1,102,791	1,102,791	1,087,744
Porcupine Hills Lodge	109,654	109,653	106,651
	1,212,445	1,212,444	1,194,395
	\$ 3,162,061	\$ 3,150,673	\$ 3,092,636

TOWN OF CLARESHOLM
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2018

13. Government transfers

	Budget (Unaudited)	2018	2017
Transfers for operating:			
Provincial government	\$ 460,972	\$ 332,164	\$ 448,284
Other local governments	230,515	253,078	120,131
	691,487	585,242	568,415
Transfers for capital:			
Provincial government	6,086,523	3,358,144	4,444,152
Federal government	342,500	334,816	424,128
	6,429,023	3,692,960	4,868,280
	\$ 7,120,510	\$ 4,278,202	\$ 5,436,695

14. Expenses by object

	Budget (Unaudited)	2018	2017
Salaries, wages and benefits	\$ 2,849,086	\$ 2,869,215	\$ 2,821,290
Contracted and general services	1,672,578	1,446,055	1,201,118
Materials, goods, supplies and utilities	1,335,951	1,487,179	1,589,234
Bank charges and short-term interest	800	3	659
Interest on long-term debt	194,974	193,571	205,719
Other expenditures	28,440	56,165	59,662
Transfers to organizations and others	330,902	339,713	318,595
Purchases from other governments	-	-	23,894
Amortization of tangible capital assets	2,122,723	1,726,563	2,189,742
	\$ 8,535,454	\$ 8,118,464	\$ 8,409,913

TOWN OF CLARESHOLM
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2018

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	2018	2017
Council				
Mayor MacPherson	\$ 16,832	\$ 485	\$ 17,317	\$ 4,153
Councillor Carlson	12,852	353	13,205	3,130
Councillor Courage	8,135	237	8,372	3,831
Councillor Cutler, M	2,388	-	2,388	-
Councillor Moore	12,927	355	13,282	3,379
Councillor Schlossberger	15,110	428	15,538	3,308
Councillor Schulze	12,851	353	13,204	3,076
Councillor Zimmer	12,427	339	12,766	2,844
Mayor Steel	-	-	-	12,195
Councillor Cutler, J	-	-	-	10,032
Councillor Dixon	-	-	-	6,805
Councillor Fieguth	-	-	-	8,618
Councillor Ford	-	-	-	13,031
Councillor McAlonan	-	-	-	10,624
Councillor O'Neill	-	-	-	10,044
Chief Administrative Officer	126,865	11,064	137,929	144,574
Designated Officers (2018: 5 positions, 2017: 5 positions)	\$ 367,331	\$ 101,600	\$ 468,931	\$ 417,325

(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, 2018

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:

	2018	2017
Total debt limit	\$ 10,558,119	\$ 10,168,482
Total debt	4,254,702	4,244,067
	<u>\$ 6,303,417</u>	<u>\$ 5,924,415</u>
Debt servicing limit	\$ 1,759,687	\$ 1,694,747
Debt servicing	630,952	584,339
	<u>\$ 1,128,735</u>	<u>\$ 1,110,408</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 259,000 people and 420 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 10.39% of pensionable earnings up to the year's maximum pensionable earnings under the Canada Pension Plan and 14.84% on pensionable earnings above this amount. Employees of the Town are required to make current service contributions of 9.39% of pensionable salary up to the year's maximum pensionable salary and 13.84% on pensionable salary above this amount.

Total current service contributions by the Town to the LAPP in 2018 were \$191,139 (2017 - \$199,919). Total current service contributions by the employees of the Town to the LAPP in 2018 were \$174,013 (2017 - \$183,554).

At December 31, 2017, the LAPP disclosed an actuarial surplus of \$4.835 million.

TOWN OF CLARESHOLM
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2018

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 2018 budget for the Town was approved by Council on April 9, 2018 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		\$ 5,336,691
Less:	Capital expenses	(7,687,308)
	Long-term debt repayments	(389,366)
	Transfers to reserves	(425,975)
Add:	Amortization	2,122,723
	Transfers from reserves	643,235
	Proceeds from long-term debt	400,000
<u>Equals: Balanced budget</u>		<u>\$ -</u>

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 3 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 entered into a contract with Bos Scapes Inc. and Associated Engineering for continuation on stormwater management projects. The contract is expected to be completed within the next year and the remaining costs are estimated to be \$303,579.

22. Contaminated sites liability

The Town has adopted PS3260 liability for contaminated sites. The Town did not identify any financial liabilities in 2018 (2017 - nil) as a result of this standard.

TOWN OF CLARESHOLM
SCHEDULES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2018

Schedule of changes in accumulated surplus

Schedule 1

	Unrestricted	Restricted	Equity in tangible capital assets	2018	2017
Balance, beginning of year	\$ 1,651,346	\$ 2,268,005	\$ 25,130,285	\$ 29,049,636	\$ 25,801,060
Excess of revenue over expenses	2,613,241	-	-	2,613,241	3,248,576
Unrestricted funds designated for future use	(392,474)	392,474	-	-	-
Restricted funds used for operations	119,127	(119,127)	-	-	-
Restricted funds used for tangible capital assets	-	(904,253)	904,253	-	-
Current year funds used for tangible capital assets	(4,384,988)	-	4,384,988	-	-
Disposal of tangible capital assets	211,404	-	(211,404)	-	-
Amortization of tangible capital assets	1,726,563	-	(1,726,563)	-	-
Long-term debt repaid	(389,365)	-	389,365	-	-
Proceeds of long-term debt	400,000	-	(400,000)	-	-
Change in accumulated surplus	(96,492)	(630,906)	3,340,639	2,613,241	3,248,576
Balance, end of year	\$ 1,554,854	\$ 1,637,099	\$ 28,470,924	\$ 31,662,877	\$ 29,049,636

TOWN OF CLARESHOLM
SCHEDULES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2018

Schedule of tangible capital assets

Schedule 2

	Land	Land improvements	Buildings	Engineered structures	Machinery and equipment	Vehicles	Construction in progress	2018	2017
Cost:									
Balance, beginning 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
Acquisitions	-	223,206	946,606	3,211,650	129,216	363,080	415,483	5,289,241	5,069,140
Transfers	-	2,211	-	2,665,383	-	-	(2,667,594)	-	-
Disposals	-	-	(87,193)	(2,071,923)	(41,617)	(140,514)	-	(2,341,247)	(370,493)
Balance, end of year	1,204,040	1,872,320	15,571,940	73,346,580	1,864,963	1,615,928	598,530	96,074,302	93,126,308
Accumulated amortization:									
Balance, beginning of year	-	635,451	6,113,771	54,994,613	1,038,109	970,012	-	63,751,956	61,848,297
Annual amortization	-	110,459	306,399	973,974	178,142	157,589	-	1,726,563	2,189,742
Disposals	-	-	(86,193)	(1,917,514)	(5,618)	(120,518)	-	(2,129,843)	(286,083)
Balance, end of year	-	745,910	6,333,977	54,051,073	1,210,633	1,007,083	-	63,348,676	63,751,956
Net book value	\$ 1,204,040	\$ 1,126,410	\$ 9,237,963	\$ 19,295,507	\$ 654,330	\$ 608,845	\$ 598,530	\$ 32,725,626	\$ 29,374,352
2017 net book value	\$ 1,204,040	\$ 1,011,452	\$ 8,598,756	\$ 14,546,857	\$ 739,255	\$ 423,350	\$ 2,850,641	\$ 29,374,352	

TOWN OF CLARESHOLM
SCHEDULE TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2018

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	\$ 3,150,673	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,150,673
User fees and sales of goods	9,347	12,723	3,770	2,046,294	15,086	6,010	160,949	2,254,179
Government transfers for operating	190,598	89,117	-	-	3,000	63,458	239,069	585,242
Family and community support services	-	-	-	-	220,624	-	-	220,624
Franchise and concession contracts	207,637	-	-	-	-	-	-	207,637
Other	30,735	2,682	-	-	-	-	107,886	141,303
Penalties and costs of taxes	63,020	57,373	-	-	-	-	-	120,393
Rental	23,817	-	2,500	-	-	-	93,550	119,867
Licenses and permits	29,980	5,978	-	-	-	69,332	-	105,290
Investment income	86,794	-	-	-	-	-	-	86,794
Gain on disposal of capital assets	46,743	-	-	-	-	-	-	46,743
	3,839,344	167,873	6,270	2,046,294	238,710	138,800	601,454	7,038,745
Expenses								
Salaries, wages and benefits	689,750	125,791	443,193	668,216	178,317	156,829	607,119	2,869,215
Contracted and general services	446,103	122,228	208,475	202,788	43,728	294,726	128,007	1,446,055
Materials, goods, supplies and utilities	92,864	88,613	570,258	509,095	12,201	2,243	211,905	1,487,179
Bank charges and short-term interest	3	-	-	-	-	-	-	3
Interest on long-term debt	-	-	-	184,700	-	-	8,871	193,571
Other expenditures	45,703	294	-	-	10,168	-	-	56,165
Transfers to organizations and others	86,976	-	-	-	67,702	-	185,035	339,713
Amortization of tangible capital assets	73,022	30,301	503,500	780,247	49	27,383	312,061	1,726,563
	1,434,421	367,227	1,725,426	2,345,046	312,165	481,181	1,452,998	8,118,464
Excess (deficiency) of revenue over expenses before other	2,404,923	(199,354)	(1,719,156)	(298,752)	(73,455)	(342,381)	(851,544)	(1,079,719)
Other								
Government transfers for capital	-	58,081	110,858	2,928,920	-	-	595,101	3,692,960
Excess (deficiency) of revenue over expenses	\$ 2,404,923	\$ (141,273)	\$ (1,608,298)	\$ 2,630,168	\$ (73,455)	\$ (342,381)	\$ (256,443)	\$ 2,613,241