

TOWN OF COALDALE

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

TOWN OF COALDALE
FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

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Management's Responsibility for Financial Reporting

Town of Coaldale management is responsible for the preparation, accuracy, objectivity, and integrity of the accompanying financial statements and the notes thereto. Management believes that the financial statements present fairly the Town's financial position as at December 31, 2017 and the results of its operations for the year then ended.

The financial statements have been prepared in accordance with Canadian public-sector accounting standards. The financial statements include certain amounts based on estimates and judgments. Such amounts have been determined on a reasonable basis in order to ensure that the financial statements are presented fairly in all material respects.

In fulfilling its responsibilities and recognizing the limits inherent in all systems, management has designed and maintains a system of internal controls to produce reliable information to meet reporting requirements. The system is designed to provide management with reasonable assurance that transactions are properly authorized, reliable financial records are maintained, and assets are properly accounted for and safeguarded.

The Town Council is responsible for overseeing management in the performance of its reporting responsibilities, and for approving the financial statements. Council fulfils these responsibilities by reviewing the financial information prepared by management and discussing relevant matters with management and external auditors. Council is also responsible for recommending the appointment of the Town's external auditors.

The financial statements have been audited by the independent firm of BDO Canada LLP, Chartered Professional Accountants. Their report to the Members of Council of Town of Coaldale, stating the scope of their examination and opinion on the financial statements, follow.

Kalen Hastings
Chief Administrative Officer

May 14, 2018



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400 - 4 Avenue South
Lethbridge AB T1J 4E1 Canada

Independent Auditor's Report

To the Mayor and Members of Council of the Town of Coaldale

We have audited the accompanying financial statements of the Town of Coaldale, which comprise the statement of financial position as at December 31, 2017, and the statements of operations, change in net financial assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 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 financial statements present fairly, in all material respects, the financial position of the Town of Coaldale as at December 31, 2017 and the results of its operations, change in its net financial assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

BDO Canada LLP

Chartered Professional Accountants

Lethbridge, Alberta
May 14, 2018

TOWN OF COALDALE

STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31, 2017

	<u>2017</u>	<u>2016</u>
ASSETS		
Cash and temporary investments (Note 2)	\$ 15,999,010	\$ 14,623,721
Taxes and grants in lieu receivables (Note 3)	513,836	530,365
Trade and other receivables	1,277,063	955,937
Land held for resale	203,668	239,787
Investments (Note 4)	<u>1,112,347</u>	<u>2,231,920</u>
	<u>19,105,924</u>	<u>18,581,730</u>
LIABILITIES		
Accounts payable and accrued liabilities	1,542,534	1,288,048
Deposit liabilities	155,604	119,839
Accrued interest payable on long term debt	44,913	85,054
Deferred revenue (Note 5)	1,806,677	1,392,258
Employee benefit obligations (Note 6)	286,796	250,664
Long-term debt (Note 7)	<u>4,357,150</u>	<u>4,238,842</u>
	<u>8,193,674</u>	<u>7,374,705</u>
NET FINANCIAL ASSETS	<u>10,912,250</u>	<u>11,207,025</u>
NON-FINANCIAL ASSETS		
Tangible capital assets (Schedule 2)	89,904,771	90,577,629
Inventory for consumption	50,140	18,541
Prepaid expenses	4,862	4,862
Development land	<u>2,736,014</u>	<u>-</u>
	<u>92,695,787</u>	<u>90,601,032</u>
ACCUMULATED SURPLUS (Schedule 1, Note 11)	<u><u>\$ 103,608,037</u></u>	<u><u>\$ 101,808,057</u></u>

Commitments and contingencies - See Notes 15 and 16

APPROVED BY TOWN COUNCIL:


MAYOR


CHIEF ADMINISTRATIVE OFFICER

The accompanying notes and supporting schedules to which the financial statements are cross-referenced are an integral part of these financial statements.

TOWN OF COALDALE

STATEMENT OF OPERATIONS FOR THE YEAR ENDED DECEMBER 31, 2017

	Budget (Note 19)	2017	2016
REVENUES			
Net municipal taxes (Schedule 3)	\$ 7,497,631	\$ 7,503,297	\$ 7,090,326
Sales and user charges			
Water supply and distribution	1,777,012	1,831,070	1,620,033
Wastewater treatment	1,060,847	1,092,067	1,012,109
Waste management	1,022,613	1,035,898	1,010,476
Subdivision land development	177,125	1,590,605	640,009
Other	122,488	713,248	444,962
Recreation and parks	399,202	408,684	393,596
Penalties and costs on taxes	100,000	105,250	116,455
Franchise and concession contracts	530,800	639,753	649,095
Investment income	162,900	250,241	249,139
Government transfers (Schedule 4)	2,016,123	2,217,035	1,809,188
Development levies	-	160,429	103,141
Licenses and permits	90,000	94,479	91,149
Net gain of sale of tangible capital assets	-	-	16,550
Other revenues	157,680	224,699	149,227
TOTAL REVENUES	15,114,421	17,866,755	15,395,455
EXPENSES			
Legislative	561,439	473,494	437,780
Administrative	1,123,220	1,222,675	1,150,280
Protective services	3,306,512	3,091,162	2,410,663
Transportation	2,403,881	3,694,073	3,130,260
Environmental user protection	2,905,662	3,709,350	3,270,252
Public health	340,655	318,942	311,749
Planning and development	610,323	862,039	412,971
Recreation and culture	2,457,653	3,023,474	2,715,164
TOTAL EXPENSES	13,709,345	16,395,209	13,839,119
EXCESS OF REVENUE OVER EXPENSES - BEFORE OTHER	1,405,076	1,471,546	1,556,336
OTHER			
Contributed assets	-	86,387	2,994,545
Government transfers for capital (Schedule 4)	1,738,000	242,047	2,504,777
	1,738,000	328,434	5,499,322
EXCESS OF REVENUE OVER EXPENSES	3,143,076	1,799,980	7,055,658
ACCUMULATED SURPLUS, BEGINNING OF YEAR	101,808,057	101,808,057	94,752,399
ACCUMULATED SURPLUS, END OF YEAR	\$ 104,951,133	\$ 103,608,037	\$ 101,808,057

The accompanying notes and supporting schedules to which the financial statements are cross-referenced are an integral part of these financial statements.

TOWN OF COALDALE

STATEMENT OF CHANGE IN NET FINANCIAL ASSETS FOR THE YEAR ENDED DECEMBER 31, 2017

	Budget (Note 19)	2017	2016
EXCESS OF REVENUES OVER EXPENSES	\$ 3,143,076	\$ 1,799,980	\$ 7,055,658
Acquisition of tangible capital assets	(3,642,000)	(2,136,541)	(3,625,923)
Contributed tangible capital assets	-	(86,387)	(2,994,545)
Capital lease	-	8,626	11,468
Amortization of tangible capital assets	-	2,624,202	2,519,692
Loss on disposal of tangible capital assets	-	-	12,128
Proceeds on disposal of assets	-	262,958	13,139
	(3,642,000)	672,858	(4,064,041)
Acquisition of supplies inventories	-	(72,322)	(46,870)
Acquisition of prepaid assets	-	-	(5,712)
Use of supplies inventories	-	40,723	41,561
Use of prepaid assets	-	-	5,287
Acquisition of development land	-	(2,736,014)	-
	-	(2,767,613)	(5,734)
INCREASE IN NET FINANCIAL ASSETS	(498,924)	(294,775)	2,985,883
NET FINANCIAL ASSETS, BEGINNING OF YEAR	11,207,025	11,207,025	8,221,142
NET FINANCIAL ASSETS, END OF YEAR	\$ 10,708,101	\$ 10,912,250	\$ 11,207,025

The accompanying notes and supporting schedules to which the financial statements are cross-referenced are an integral part of these financial statements.

TOWN OF COALDALE

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2017

	<u>2017</u>	<u>2016</u>
NET INFLOW (OUTFLOW) OF CASH RELATED TO:		
OPERATING		
Excess of revenues over expenses	\$ 1,799,980	\$ 7,055,658
Non-cash items included in excess of revenues over expenses:		
Amortization of tangible capital assets	2,624,202	2,519,692
Loss on disposal of tangible capital assets	-	12,128
Tangible capital assets received as contributions	(86,387)	(2,994,545)
Non-cash charges to operations (net change):		
Decrease (increase) in investments	1,119,573	(2,129,000)
Decrease (increase) in taxes and grants in lieu receivable	16,529	3,685
Decrease (increase) in trade and other receivables	(321,126)	1,008,683
Decrease (increase) in land held for resale	36,119	4,879
Decrease (increase) in inventory for consumption	(31,599)	5,309
Increase (decrease) in prepaid expenses	-	425
Increase (decrease) in accounts payable and accrued liabilities	214,345	(26,284)
Increase (decrease) in deposit liabilities	35,765	15,790
Increase (decrease) in deferred revenue	414,419	(680,781)
Increase (decrease) in employee benefit obligations	36,132	64,133
	<u>5,857,952</u>	<u>4,859,772</u>
Cash provided by operating transactions		
CAPITAL		
Acquisition of tangible capital assets	(2,127,915)	(3,625,923)
Acquisition of development land	(2,736,014)	-
Proceeds on disposal of assets	262,958	13,139
	<u>(4,600,971)</u>	<u>(3,612,784)</u>
Cash provided by (applied to) capital transactions		
FINANCING		
Long-term debt issued	1,495,903	-
Long-term debt repaid	(1,377,595)	(415,471)
	<u>118,308</u>	<u>(415,471)</u>
Cash provided by (applied to) financing transactions		
CHANGE IN CASH AND CASH EQUIVALENTS DURING YEAR	1,375,289	831,517
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	14,623,721	13,792,204
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 15,999,010</u>	<u>\$ 14,623,721</u>

The accompanying notes and supporting schedules to which the financial statements are cross-referenced are an integral part of these financial statements.

TOWN OF COALDALE

SCHEDULE OF CHANGES IN ACCUMULATED SURPLUS FOR THE YEAR ENDED DECEMBER 31, 2017 SCHEDULE 1

	Unrestricted Surplus	Restricted Surplus	Equity in Tangible Capital Assets (Note 10)	2017	2016
Balance, Beginning of Year	\$ 1,121,800	\$ 14,306,395	\$ 86,379,862	\$ 101,808,057	\$ 94,752,399
Excess of revenues over expenses	1,799,980	-	-	1,799,980	7,055,658
Unrestricted funds designated for future use	(4,692,804)	4,692,804	-	-	-
Restricted funds used for operations	1,969,770	(1,969,770)	-	-	-
Restricted funds used for tangible capital assets	-	(3,482,739)	3,482,739	-	-
Current year funds used for tangible capital assets	1,354,824	-	(1,354,824)	-	-
Contributed tangible capital assets	(86,387)	-	86,387	-	-
NBV of tangible capital asset disposals	262,958	-	(262,958)	-	-
Annual amortization expense	2,624,202	-	(2,624,202)	-	-
Long term debt repaid (capital)	(1,336,520)	-	1,336,520	-	-
Change in accumulated surplus	1,896,023	(759,705)	663,662	1,799,980	7,055,658
Balance, End of Year	\$ 3,017,823	\$ 13,546,690	\$ 87,043,524	\$ 103,608,037	\$ 101,808,057

TOWN OF COALDALE

SCHEDULE OF TANGIBLE CAPITAL ASSETS FOR THE YEAR ENDED DECEMBER 31, 2017 SCHEDULE 2

	Engineering Structures	Buildings	Equipment	Municipal Land	Land Improvements	Vehicles	2017	2016
COST:								
BALANCE, BEGINNING OF YEAR	\$ 104,116,893	\$ 9,721,342	\$ 3,461,948	\$ 12,608,500	\$ 2,877,378	\$ 2,580,023	\$ 135,366,084	\$ 128,978,537
Acquisition of tangible capital assets	505,989	58,990	308,473	954,150	294,649	92,051	2,214,302	6,473,217
Construction-in-progress	-	-	-	-	-	-	-	147,251
Disposal of tangible capital assets	-	(4,693)	(472,836)	-	-	(9,615)	(487,144)	(232,921)
BALANCE, END OF YEAR	104,622,882	9,775,639	3,297,585	13,562,650	3,172,027	2,662,459	137,093,242	135,366,084
ACCUMULATED AMORTIZATION:								
BALANCE, BEGINNING OF YEAR	34,365,262	5,896,345	1,763,312	-	1,011,967	1,751,569	44,788,455	42,476,417
Annual amortization	1,897,360	235,591	221,646	-	92,588	177,017	2,624,202	2,519,692
Accumulated amortization on disposals	-	(4,632)	(209,939)	-	-	(9,615)	(224,186)	(207,654)
BALANCE, END OF YEAR	36,262,622	6,127,304	1,775,019	-	1,104,555	1,918,971	47,188,471	44,788,455
2017 NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	\$ 68,360,260	\$ 3,648,335	\$ 1,522,566	\$ 13,562,650	\$ 2,067,472	\$ 743,488	\$ 89,904,771	\$ 90,577,629
2016 NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	\$ 69,751,631	\$ 3,824,997	\$ 1,698,636	\$ 12,608,500	\$ 1,865,411	\$ 828,454	\$ 90,577,629	

TOWN OF COALDALE

SCHEDULE OF PROPERTY AND OTHER TAXES FOR THE YEAR ENDED DECEMBER 31, 2017 SCHEDULE 3

	Budget (Note 19)	2017	2016
TAXATION			
Real property taxes	\$ 9,674,563	\$ 9,692,147	\$ 9,141,880
Linear property taxes	112,873	108,678	105,117
Government grants in lieu of property taxes	35,276	35,276	33,337
	<u>9,822,712</u>	<u>9,836,101</u>	<u>9,280,334</u>
REQUISITIONS			
Alberta School Foundation Fund	1,927,356	1,951,834	1,830,622
Holy Spirit Roman Catholic Separate Regional District	287,996	271,999	254,764
Green Acres Foundation	109,729	108,971	104,622
	<u>2,325,081</u>	<u>2,332,804</u>	<u>2,190,008</u>
NET MUNICIPAL TAXES	<u>\$ 7,497,631</u>	<u>\$ 7,503,297</u>	<u>\$ 7,090,326</u>

TOWN OF COALDALE

SCHEDULE OF GOVERNMENT TRANSFERS FOR THE YEAR ENDED DECEMBER 31, 2017 SCHEDULE 4

	Budget (Note 19)	2017	2016
TRANSFERS FOR OPERATING:			
Federal Government			
Canada Day Grant	\$ 1,000	\$ 1,400	\$ 1,400
YCW Grant (CLA)	1,500	2,526	603
Young Canada Works Grant	-	1,196	1,064
	<u>2,500</u>	<u>5,122</u>	<u>3,067</u>
Provincial Government			
Community Development - Library	40,000	41,769	41,769
Regional Solid Waste Grant	-	12,151	170,702
Family Community and Support Services	204,630	204,320	194,104
Fines Distribution	623,700	633,888	377,000
ACP - CPO Regionalization	26,193	32,495	-
Flood Relief	11,000	9,842	21,218
Municipal Assistance Grant	260,208	260,208	260,208
STEP Grant	2,267	2,059	13,597
Municipal Sustainability Operating Grant	199,153	199,153	257,980
Police Officer Grant (POG)	100,000	100,000	100,000
Wastewater Grant	-	165,814	-
Emergency Management Training	2,500	4,664	-
	<u>1,469,651</u>	<u>1,666,363</u>	<u>1,436,578</u>
Other Local Governments			
Town of Picture Butte - CPO	60,570	62,084	-
Town of Coalhurst - CPO	92,615	92,615	-
Village of Barons - CPO	15,000	15,000	-
City of Lethbridge Policing	-	-	3,612
Lethbridge County - Fire Agreement	340,587	340,587	330,667
Lethbridge County - Library Contribution	35,200	35,264	35,264
	<u>543,972</u>	<u>545,550</u>	<u>369,543</u>
Total operating transfers	<u>2,016,123</u>	<u>2,217,035</u>	<u>1,809,188</u>
TRANSFERS FOR CAPITAL:			
Federal Government			
Provincial Government			
ACP - CPO Regionalization	157,000	142,600	-
Federal Gas Tax Program	500,000	-	357,676
Municipal Sustainability Capital	581,000	99,447	1,720,132
Transportation Grant	500,000	-	426,969
	<u>1,738,000</u>	<u>242,047</u>	<u>2,504,777</u>
Total capital transfers	<u>1,738,000</u>	<u>242,047</u>	<u>2,504,777</u>
TOTAL GOVERNMENT TRANSFERS	<u>\$ 3,754,123</u>	<u>\$ 2,459,082</u>	<u>\$ 4,313,965</u>

TOWN OF COALDALE

SCHEDULE OF EXPENSES BY OBJECT FOR THE YEAR ENDED DECEMBER 31, 2017 SCHEDULE 5

	Budget (Note 19)	2017	2016
CONSOLIDATED EXPENSES BY OBJECT			
Salaries, wages and benefits	\$ 5,586,199	\$ 5,342,674	\$ 4,522,944
Contracted and general services	3,347,345	3,440,186	2,654,986
Purchases from other governments	1,574,317	1,522,120	1,461,696
Materials, goods and utilities	2,278,197	2,572,453	1,879,510
Transfers to local boards and agencies	406,495	423,388	403,401
Bank charges and short term interest	2,250	6,057	2,940
Interest on long term debt	401,692	349,140	245,290
Amortization of tangible capital assets	-	2,624,202	2,519,692
Loss on disposal of tangible capital assets	-	22,201	28,678
Other expenses	112,850	92,788	119,982
	<u>\$ 13,709,345</u>	<u>\$ 16,395,209</u>	<u>\$ 13,839,119</u>

TOWN OF COALDALE

SCHEDULE OF SEGMENT DISCLOSURE FOR THE YEAR ENDED DECEMBER 31, 2017 SCHEDULE 6

	Protection	Recreation and Culture	Planning	Transportation and Environmental	General Government	Consolidated
REVENUES						
Taxation	\$ -	\$ -	\$ -	\$ -	\$ 7,503,297	\$ 7,503,297
Sales of services and regulatory fees	344,018	430,365	1,590,605	4,275,140	31,444	6,671,572
Government transfer (Schedule 4)	1,536,877	84,214	289,445	90,028	216,471	2,217,035
Other	205,302	156,691	301,911	184,252	713,082	1,561,238
	2,086,197	671,270	2,181,961	4,549,420	8,464,294	17,953,142
EXPENSES						
Salaries and benefits	1,150,255	1,510,558	154,034	1,607,247	920,580	5,342,674
Goods and services	1,717,570	490,078	559,834	2,068,486	484,775	5,320,743
Interest and bank charges	629	9,760	66,887	275,929	1,992	355,197
Other	109,258	584,148	81,284	1,410,065	567,638	2,752,393
Amortization	113,450	428,930	-	2,041,696	40,126	2,624,202
	3,091,162	3,023,474	862,039	7,403,423	2,015,111	16,395,209
OTHER						
Government transfer for capital (Schedule 4)	142,600	99,447	-	-	-	242,047
Net Surplus (Deficit)	\$ (862,365)	\$ (2,252,757)	\$ 1,319,922	\$ (2,854,003)	\$ 6,449,183	\$ 1,799,980

TOWN OF COALDALE

SCHEDULE OF SEGMENT DISCLOSURE FOR THE YEAR ENDED DECEMBER 31, 2016 SCHEDULE 6 A

	Protection	Recreation and Culture	Planning	Transportation and Environmental	General Government	Consolidated
REVENUES						
Taxation	\$ -	\$ -	\$ -	\$ -	\$ 7,090,326	\$ 7,090,326
Sales of services and regulatory fees	83,245	415,107	640,009	3,943,615	39,209	5,121,185
Government transfer (Schedule 4)	1,092,705	93,697	105,345	152,635	364,806	1,809,188
Other	171,905	124,608	134,378	2,854,437	1,083,973	4,369,301
	1,347,855	633,412	879,732	6,950,687	8,578,314	18,390,000
EXPENSES						
Salaries and benefits	668,666	1,356,354	144,404	1,421,985	931,535	4,522,944
Goods and services	1,563,659	253,517	188,818	1,509,376	601,312	4,116,682
Interest & bank charges	684	10,199	-	235,921	1,427	248,231
Other	87,606	712,406	79,749	1,227,293	324,516	2,431,570
Amortization	90,048	382,688	-	2,005,937	41,019	2,519,692
	2,410,663	2,715,164	412,971	6,400,512	1,899,809	13,839,119
OTHER						
Government transfer for capital (Schedule 4)	-	73,882	-	2,430,895	-	2,504,777
Net Surplus (Deficit)	\$ (1,062,808)	\$ (2,007,870)	\$ 466,761	\$ 2,981,070	\$ 6,678,505	\$ 7,055,658

TOWN OF COALDALE

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

1. SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Town of Coaldale are the representations of management prepared in accordance with Canadian public sector accounting standards for local governments established by the Public Sector Accounting Board of the Canadian Chartered Professional Accountants. Significant aspects of the accounting policies adopted by the Town of Coaldale are as follows:

a) Reporting Entity

The financial statements reflect the assets, liabilities, revenues, expenditures, changes in fund balances and change in financial position of the reporting entity. The entity is comprised of the Town operations plus all of the organizations that are owned or controlled by the Town and are, therefore, accountable to the Town Council for the administration of their financial affairs and resources.

The schedule of taxes levied also includes requisitions for education, health, social and other external organizations that are not part of the Town reporting entity.

The statements exclude trust assets that are administered for the benefit of external parties. Interdepartmental and organizational transactions and balances have been 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 purpose 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 public sector accounting standards 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 reported date of the financial statements, and the reported amounts of revenue and expenditure during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future.

TOWN OF COALDALE

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

d) Inventories

Inventories of materials and supplies for consumption are valued at the lower of cost or net realizable value with cost determined by the average cost method.

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

e) Investments

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

f) 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 Change in Net Financial Assets for the year.

i. Tangible Capital Assets

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

	YEARS
Engineering Structures	5-75
Buildings	25-50
Equipment	5-40
Municipal Land	N/A
Land Improvements	15-45
Vehicles	10-40

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.

TOWN OF COALDALE

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

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. Cultural and Historical Tangible Capital Assets

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

g) Measurement Uncertainty

The preparation of financial statements in conformity with Canadian public sector accounting standards, requires management to make estimates and assumptions that affect the reporting amounts of assets and liabilities, and disclosure of contingent assets and liabilities, at the date of the financial statements and the reported amounts of the revenues and expenses during the period. Items requiring the use of significant estimates include the useful life of tangible capital assets, rates for amortization and estimated employee benefits.

Estimates are based on the best information available at the time of preparation of the financial statements and are reviewed annually to reflect new information as it becomes available. Measurement uncertainty exists in these statements. Actual results could differ from these estimates.

h) Government Transfers

Government transfers are recognized as revenue in the financial statements when the transfer is authorized and any eligibility criteria are met, except to the extent that transfer stipulations give rise to an obligation that meets the definition of a liability. Transfers are recognized as deferred revenue when stipulations give rise to a liability. Transfer revenue is recognized in the statement of operations as the stipulation liabilities are settled.

i) Tax Revenue

Taxes are recorded at estimated amounts when they meet the definition of an asset, have been authorized and the taxable event occurs. For property taxes, the taxable event is the period for which the tax is levied. As taxes recorded are initially based on management's best estimate of the taxes that will be received, it is possible that changes in future conditions, such as reassessments due to audits, appeals and court decisions, could result in a change in the amount of tax revenue recognized. Taxes receivable are recognized net of an allowance for anticipated uncollectable amounts.

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

j) 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.

TOWN OF COALDALE

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

2. CASH AND TEMPORARY INVESTMENTS

	2017	2016
Petty cash	\$ 750	\$ 750
Operating account	8,888,152	7,510,568
ATB Financial 31 Day Notice 1.70%	1,837,783	1,813,852
ATB Financial 60 Day Notice 1.75%	2,036,106	2,008,674
ATB Financial 90 Day Notice 1.80%	3,224,668	3,179,770
ATB Financial Savings account prime less 1.90%	7,543	106,099
Community Centre account	4,008	4,008
	<u>\$ 15,999,010</u>	<u>\$ 14,623,721</u>

Operating account earning interest at the rate of prime less 1.75%.

3. TAXES AND GRANTS IN LIEU RECEIVABLES

	2017	2016
Current taxes and grants in lieu	\$ 60,484	\$ 46,500
Arrears taxes	453,352	483,865
	<u>\$ 513,836</u>	<u>\$ 530,365</u>

4. INVESTMENTS

	2017	2016
ATB Financial non-redeemable GIC maturing on November 21, 2019 earning interest at the rate of 2.92%	\$ 109,027	\$ 102,920
BNS non-redeemable GIC maturing Nov 29, 2019 @ 2.02%	1,003,320	-
Funds in Trust at lawyer for land purchase	-	2,129,000
	<u>\$ 1,112,347</u>	<u>\$ 2,231,920</u>

5. DEFERRED REVENUE

	2017	2016
Birds of Prey	\$ 16,785	\$ 16,785
Community Services Grants	9,297	9,297
Disaster Services Training Grant	2,993	3,108
Downtown Mural	4,000	4,000
Federal Gas Tax 2016	445,975	37,008
Prepaid Property Taxes	90,230	82,972
Regional Solid Waste Grant 2015	-	12,151
ACP Grant - CPO Regionalization	52,669	-
Natural Playground	24,040	-
Sustainability Capital Grant 2016	795,945	885,668
Wastewater Grant	17,506	-
Transportation Grant 2015	1,942	1,942
Transportation Grant 2016	343,095	339,306
Unearned Revenue Recreation (Class)	2,200	21
	<u>\$ 1,806,677</u>	<u>\$ 1,392,258</u>

TOWN OF COALDALE

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

5. DEFERRED REVENUE (continued)

Transportation Grant

Funds will be used to support local infrastructure needs as determined by the Town in accordance with the funding agreement.

Sustainability Capital Grant

Funds will be used towards various building projects plus the development of a new industrial park within the Town. These projects need to be approved before commencement.

Federal Gas Tax Fund

Funds will be used to support local infrastructure needs as determined by the Town in accordance with the funding agreement.

6. EMPLOYEE BENEFIT OBLIGATIONS

	<u>2017</u>	<u>2016</u>
Vacation, Banked and Admin Time	<u>\$ 286,796</u>	<u>\$ 250,664</u>

The vacation, banked and admin liability are for time that employees are deferring to a future year.

7. LONG-TERM DEBT

	<u>2017</u>	<u>2016</u>
Tax supported debentures	<u>\$ 2,582,237</u>	<u>\$ 3,349,243</u>
Supported by utility rates	<u>279,010</u>	<u>848,524</u>
	<u>2,861,247</u>	<u>4,197,767</u>
Operating debentures	<u>1,495,903</u>	<u>41,075</u>
	<u>\$ 4,357,150</u>	<u>\$ 4,238,842</u>

The current portion of long-term debt amounts to \$282,431 (2016 - \$438,583).

Interest on long-term debt amounted to \$349,140 (2016 - \$245,290).

The Town's total cash payments for interest in 2017 were \$389,281 (2016 - \$254,998).

TOWN OF COALDALE

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

7. LONG-TERM DEBT (continued)

Principal and interest repayments are due as follows:

	Principal	Interest	Total
2018	\$ 282,431	\$ 183,374	\$ 465,805
2019	291,871	173,934	465,805
2020	301,803	164,003	465,806
2021	305,666	153,553	459,219
2022	309,718	142,914	452,632
Thereafter	2,865,661	486,366	3,352,027
	<u>\$ 4,357,150</u>	<u>\$ 1,304,144</u>	<u>\$ 5,661,294</u>

Debenture debt is repayable to Alberta Capital Finance Authority and bears interest at rates ranging from 2.788% to 6.250% per annum, before Provincial subsidy, and matures in periods 2021 through 2033. The average annual interest rate is 5.3690% for 2017 (5.6498% for 2016). 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 Coaldale at large.

During the year, no debentures were issued by Alberta Capital Finance Authority to the Town of Coaldale.

The Town of Coaldale took out a loan at ATB purchase land for future development at prime minus 0.25%. As of December 31, 2017 the rate was 3.20%.

8. DEBT LIMITS

Section 217 of the Municipal Government Act requires that debt and debt limits as defined by regulation for the Town of Coaldale be disclosed as follows:

	2017	2016
Total debt limit	\$ 26,800,133	\$ 23,093,182
Total debt	<u>4,357,150</u>	<u>4,238,842</u>
Total Debt Under Limit	<u>\$ 22,442,983</u>	<u>\$ 18,854,340</u>
	2017	2016
Service on debt limit	\$ 4,466,689	\$ 3,848,864
Service on debt	<u>465,805</u>	<u>660,695</u>
Total Under Service on Debt Limit	<u>\$ 4,000,884</u>	<u>\$ 3,188,169</u>

The debt limit is calculated at 1.5 times revenue of the Town (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 taken alone do not represent the financial stability of the Town. Rather, the Town could be at financial risk if further debt is acquired. The calculation are guidelines used by Alberta Municipal Affairs to identify financial statements and must be calculated as a whole.

TOWN OF COALDALE

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

9. 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.

10. EQUITY IN TANGIBLE CAPITAL ASSETS

	2017	2016
Tangible capital asset cost (Schedule 2)	\$ 137,093,242	\$ 135,366,084
Accumulated amortization (Schedule 2)	(47,188,471)	(44,788,455)
Long-term debt (Note 7)	(2,861,247)	(4,197,767)
	<u>\$ 87,043,524</u>	<u>\$ 86,379,862</u>

11. ACCUMULATED SURPLUS

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

	2017	2016
Unrestricted surplus	\$ 3,017,823	\$ 1,121,800
Restricted surplus		
Tax rate stabilization	4,941,504	4,731,987
Future capital expenditures	8,605,186	9,574,408
Equity in tangible capital assets (Note 10)	87,043,524	86,379,862
	<u>\$ 103,608,037</u>	<u>\$ 101,808,057</u>

12. SEGMENTED INFORMATION

The Town of Coaldale provides numerous services to its citizens. For management reporting purposes these services are separated into departments for tracking purposes.

The main departments are as follows:

Protection

This segment includes regional policing costs as per agreement with the RCMP, plus fire and rescue services for the Town and a portion of the County. Municipal emergency acts as the agent of Council to carry out its statutory powers and obligations under the Emergency Management Act. This department prepares and coordinates the Municipal Emergency Plan and related plans and programs. Bylaw services include management, administration and operation of regulatory and safety services. The primary function of this department is to administer and operate municipal bylaws and health and safety programs.

Recreation and Culture

This segment includes all the parks, recreation services and other cultural services. All these services provide recreation and leisure services to the Town's citizens and those from the surrounding areas.

TOWN OF COALDALE

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

12. SEGMENTED INFORMATION (continued)

Planning

This segment's function is to steward effective land use and orderly growth of the Town in order to sustain and enhance the quality of life for both current and future citizens of Coaldale.

Transportation and Environmental

This segment includes transportation and environmental user protection. This department provides drinking water, collecting and treating of wastewater and collecting, disposal of solid waste, plus the management of storm water. The Town is working diligently to reduce the amount of solid waste being collected and reducing the amount of storm water leaving the Town. This department also maintains the road systems throughout the Town.

General Government

This segment includes Council expenditures and administration costs required to operate the Town of Coaldale. Included in this segment are election costs and costs that are associated with completing the census (population).

13. SALARY AND BENEFITS DISCLOSURE

Disclosure of salaries and benefits for elected Town officials, the Chief Administrative Officer and Designated Officers as required by Provincial regulation are as follows:

	2017		2016	
	Salary (1)	Benefits & Allowances (2) & (3)	Total	Total
Mayor Craig	\$ 33,464	\$ 6,693	\$ 40,157	\$ 37,933
Councillors:				
Chapman	21,579	2,357	23,936	25,282
Duda	16,232	1,837	18,069	23,679
Martens	17,032	4,438	21,470	25,748
Van Rijn	16,232	3,308	19,540	23,226
Abrey	20,479	6,287	26,766	24,911
Hohm	20,479	6,287	26,766	24,911
Pauls	4,246	734	4,980	-
Lloyd	4,246	915	5,161	-
Simpson	4,246	1,108	5,354	-
Chief Administrative Officer	146,922	44,735	191,657	151,004
Designated Officers (2)	251,544	60,568	312,112	287,200
	\$ 556,701	\$ 139,267	\$ 695,968	\$ 623,894

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

(2) Employer's share of all employee benefits and contributions or payments made on behalf of employees including retirement pension, Canada Pension Plan (CPP), employment insurance (EI), health care, dental coverage, vision coverage, group life insurance, accidental disability and dismemberment insurance, long and short term disability plans, professional memberships, and tuition.

(3) 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 COALDALE

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

14. LOCAL AUTHORITIES PENSION PLAN

Employees of the Town participate in the Local Authorities Pension Plan (LAPP), which is covered by the Alberta Public Sector Pension Plans Act. The Plan serves about 253,862 people and 417 employers. The LAPP is financed by employer and employee contributions and by investment earnings of the LAPP Fund.

The Town is required to make current service contributions to the Plan of 11.39% of pensionable earnings up to the Canada Pension Plan year's maximum pensionable earnings 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 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 Local Authorities Pension Plan in 2017 were \$371,354 (2016 - \$308,364). Total current service contributions by the employees of the Town of Coaldale to the Local Authorities Pension Plan in 2017 were \$341,474 (2016 - \$283,225).

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

15. COMMITMENTS

The Town has entered into various contracts whereby third party agencies provide services to the community on behalf of the Town of Coaldale. These fee for service contracts vary in length and terms.

a) RCMP - Municipal Police Service Agreement

On January 1, 2016, the Town entered into a Municipal Police Service agreement with the RCMP to provide policing in the Town with an expiry date of March 31, 2032. As part of the agreement, the Town will pay 100 per cent of the cost of providing the service.

b) Lethbridge Regional Water Services Commission

A contract to provide water to the Town started in 2001 and expires January 30, 2030.

c) Trans Alta

The Town entered into an energy aggregation program on January 1, 2014 and it expires December 31, 2018.

d) Lethbridge County - Fire Agreement

The Town and the County of Lethbridge have reached an agreement to provide services to the County of Lethbridge. This agreement expires December 31, 2020. Twelve months notice must be given to terminate the contract.

TOWN OF COALDALE

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

15. COMMITMENTS (continued)

e) RMW Consulting Inc.

The Town entered into a garbage and recycling agreement that started October 1, 2012. The agreement expires September 30, 2019.

16. CONTINGENCIES

The Town is a member of the Alberta Municipal Insurance Exchange (MUNIX). Under the terms of the membership, the Town could become liable for its proportionate share of any claim losses in excess of the funds held by the exchange. Any liability incurred would be accounted for as a current transaction in the year the losses are determined.

The Town is the defendant in two lawsuits arising from two separate events. Management is of opinion, based on the information presently available, that it is unlikely that any liability, to the extent not provided for through insurance or otherwise, would be material in relation to the Town's financial position.

17. FINANCIAL INSTRUMENTS

The Town's financial instruments consist of cash and temporary investments, taxes and grants in lieu receivables, trade and other receivables, investments, accounts payable and accrued liabilities, deposit liabilities, and long term debt. It is management's opinion that the Town is not exposed to significant interest or currency risks arising from these financial instruments.

The Town is subject to credit risk with respect to taxes and grants in place of taxes receivables and trade and other receivables. Credit risk arises from the possibility that taxpayers and entities to which the Town provides services may experience financial difficulty and be unable to fulfill their obligations. The large number and diversity of taxpayers and customers minimizes the credit risk.

Unless otherwise noted, the carrying value of the financial instrument approximates fair value.

18. TRUSTS UNDER ADMINISTRATION

The Town acts as a trustee for a number of third parties, holding assets which include cash and temporary investments, and administering them on their behalf. Amounts held in trust at year-end are as follows:

	2017	2016
Communities in Bloom	\$ 23,397	\$ 4,841
Friends of the Arena	11,757	37,876
Community Fest	1,430	4,191
Mural Fund	4,080	4,037
	<u>\$ 40,664</u>	<u>\$ 50,945</u>

TOWN OF COALDALE

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

19. BUDGET FIGURES

Budgeted information was prepared under the modified accrual method. This note provides a reconciliation between the approved budget figures and the budget figures disclosed in the financial statements.

	<u>2017</u>
EXCESS OF REVENUE OVER EXPENSES	\$ 3,143,076
Add: Transfer to capital projects from reserve	1,904,000
Add: Transfer from reserve to operations	1,876,719
Add: Transfer to capital projects from operations	68,000
Add: Debenture for capital projects	0
Less: Capital expenditures	(3,642,000)
Less: Debt repayment	(1,431,664)
Less: Transfer from operations to reserve	<u>(1,918,325)</u>
Budget deficit	\$ <u>(194)</u>

The budget as stated in the financial statements has been modified as required over the course of the year.

20. COMPARATIVE FIGURES

Certain prior year figures have been reclassified to conform to current year's presentation.

21. APPROVAL OF FINANCIAL STATEMENTS

Council and management have approved these financial statements.