

TOWN OF COALDALE

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016**



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, 2016 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
Town of Coaldale

April 24, 2017



Tel: 403 328 5292
Fax: 403 328 9534
www.bdo.ca

BDO Canada LLP
600 Lethbridge Centre Tower
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, 2016, 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, 2016 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
April 24, 2017

TOWN OF COALDALE
FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

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TOWN OF COALDALE

STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31, 2016

	2016	2015
ASSETS		
Cash and temporary investments (Note 2)	\$ 14,623,721	\$ 13,792,204
Taxes and grants in lieu receivables (Note 3)	530,365	534,050
Trade and other receivables	955,937	1,964,620
Land held for resale	239,787	244,666
Investments (Note 4)	2,231,920	102,920
	18,581,730	16,638,460
LIABILITIES		
Accounts payable and accrued liabilities	1,351,292	1,304,624
Deposit liabilities	119,839	104,049
Accrued interest payable on long term debt	85,054	94,762
Deferred revenue (Note 5)	1,392,258	2,073,039
Employee benefit obligations (Note 6)	187,420	186,531
Long-term debt (Note 7)	4,238,842	4,654,313
	7,374,705	8,417,318
NET FINANCIAL ASSETS	11,207,025	8,221,142
NON-FINANCIAL ASSETS		
Tangible capital assets (Schedule 2)	90,577,629	86,502,120
Inventory for consumption	18,541	23,850
Prepaid expenses	4,862	5,287
	90,601,032	86,531,257
ACCUMULATED SURPLUS (Schedule 1, Note 11)	\$ 101,808,057	\$ 94,752,399

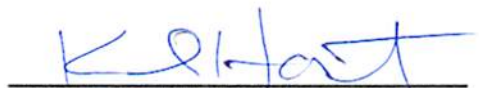
Commitments and contingencies - See Notes 15 and 16

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, 2016

	Budget (Note 19)	2016	2015
REVENUES			
Net municipal taxes (Schedule 3)	\$ 7,094,692	\$ 7,090,326	\$ 6,671,419
Sales and user charges			
Water supply and distribution	1,688,797	1,620,033	1,642,346
Wastewater treatment	1,016,890	1,012,109	1,011,880
Waste management	973,964	1,010,476	954,911
Subdivision land development	168,345	640,009	409,580
Other	179,414	444,962	486,344
Recreation and parks	370,417	393,596	365,730
Penalties and costs on taxes	100,000	116,455	122,128
Franchise and concession contracts	520,800	649,095	658,355
Investment income	131,160	249,139	127,256
Government transfers (Schedule 4)	1,618,577	1,809,188	1,835,002
Development levies	-	103,141	153,881
Licenses and permits	91,000	91,149	101,003
Net gain of sale of tangible capital assets	-	16,550	-
Other revenues	70,340	149,227	194,487
TOTAL REVENUES	14,024,396	15,395,455	14,734,322
EXPENSES			
Legislative	485,718	437,780	363,274
Administrative	1,250,770	1,150,280	834,910
Protective services	2,800,733	2,410,663	3,258,336
Transportation	2,191,444	3,130,260	2,865,825
Environmental user protection	2,551,257	3,270,252	3,286,550
Public health	308,893	311,749	283,410
Planning and development	400,146	412,971	345,295
Recreation and culture	2,287,341	2,715,164	2,491,346
TOTAL EXPENSES	12,276,302	13,839,119	13,728,946
EXCESS OF REVENUE OVER EXPENSES - BEFORE OTHER	1,748,094	1,556,336	1,005,376
OTHER			
Contributed assets	-	2,994,545	745,378
Government transfers for capital (Schedule 4)	3,651,293	2,504,777	1,593,008
	3,651,293	5,499,322	2,338,386
EXCESS OF REVENUE OVER EXPENSES	5,399,387	7,055,658	3,343,762
ACCUMULATED SURPLUS, BEGINNING OF YEAR	94,752,399	94,752,399	91,408,637
ACCUMULATED SURPLUS, END OF YEAR	\$ 100,151,786	\$ 101,808,057	\$ 94,752,399

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, 2016

	Budget (Note 19)	2016	2015
EXCESS OF REVENUES OVER EXPENSES	\$ 5,399,387	\$ 7,055,658	\$ 3,343,762
Acquisition of tangible capital assets	(7,996,972)	(3,625,923)	(3,426,111)
Contributed tangible capital assets	-	(2,994,545)	(745,378)
Capital lease	-	11,468	-
Amortization of tangible capital assets	-	2,519,692	2,425,466
Loss on disposal of tangible capital assets	-	12,128	3,610
Proceeds on disposal of assets	-	13,139	346,390
	(7,996,972)	(4,064,041)	(1,396,023)
Acquisition of supplies inventories	-	(46,870)	(90,098)
Acquisition of prepaid assets	-	(5,712)	(5,287)
Use of supplies inventories	-	41,561	3,441
Use of prepaid assets	-	5,287	95,385
	-	(5,734)	3,441
INCREASE IN NET FINANCIAL ASSETS	(2,597,585)	2,985,883	1,951,180
NET FINANCIAL ASSETS, BEGINNING OF YEAR	8,221,142	8,221,142	6,269,962
NET FINANCIAL ASSETS, END OF YEAR	\$ 5,623,557	\$ 11,207,025	\$ 8,221,142

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, 2016

	2016	2015
NET INFLOW (OUTFLOW) OF CASH RELATED TO:		
OPERATING		
Excess of revenues over expenses	\$ 7,055,658	\$ 3,343,762
Non-cash items included in excess of revenues over expenses:		
Amortization of tangible capital assets	2,519,692	2,425,466
Loss on disposal of tangible capital assets	12,128	3,610
Tangible capital assets received as contributions	(2,994,545)	(745,378)
Non-cash charges to operations (net change):		
Decrease (increase) in investments	(2,129,000)	(2,920)
Decrease (increase) in taxes and grants in lieu receivable	3,685	7,713
Decrease (increase) in trade and other receivables	1,008,683	(1,200,550)
Decrease (increase) in land held for resale	4,879	3,609
Decrease (increase) in inventory for consumption	5,309	(6,545)
Increase (decrease) in prepaid expenses	425	9,986
Increase (decrease) in accounts payable and accrued liabilities	36,960	205,769
Increase (decrease) in deposit liabilities	15,790	11,729
Increase (decrease) in deferred revenue	(680,781)	322,989
Increase (decrease) in employee benefit obligations	889	(178,055)
	4,859,772	4,201,185
CAPITAL		
Acquisition of tangible capital assets	(3,625,923)	(3,426,111)
Proceeds on disposal of assets	13,139	346,390
	(3,612,784)	(3,079,721)
FINANCING		
Long-term debt issued	-	-
Long-term debt repaid	(415,471)	(433,523)
	(415,471)	(433,523)
CASH PROVIDED BY (APPLIED TO) FINANCING TRANSACTIONS	(415,471)	(433,523)
CHANGE IN CASH AND CASH EQUIVALENTS DURING YEAR	831,517	687,941
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	13,792,204	13,104,263
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 14,623,721	\$ 13,792,204

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, 2016 SCHEDULE 1

	Unrestricted Surplus	Restricted Surplus	Equity in Tangible Capital Assets	2016	2015
Balance, Beginning of Year	\$ 1,092,950	\$ 11,757,758	\$ 81,901,691	\$ 94,752,399	\$ 91,408,637
Excess of revenues over expenses	7,055,658	-	-	7,055,658	3,343,762
Unrestricted funds designated for future use	(3,613,117)	3,613,117	-	-	-
Restricted funds used for operations	3	(3)	-	-	-
Restricted funds used for tangible capital assets	-	(1,064,477)	1,064,477	-	-
Current year funds used for tangible capital assets	(2,561,446)	-	2,561,446	-	-
Contributed tangible capital assets	(2,994,545)	-	2,994,545	-	-
NBV of tangible capital asset disposals	25,267	-	(25,267)	-	-
Annual amortization expense	2,519,692	-	(2,519,692)	-	-
Long term debt repaid (capital)	(402,662)	-	402,662	-	-
Change in accumulated surplus	28,850	2,548,637	4,478,171	7,055,658	3,343,762
Balance, End of Year	\$ 1,121,800	\$ 14,306,395	\$ 86,379,862	\$ 101,808,057	\$ 94,752,399

TOWN OF COALDALE

SCHEDULE OF TANGIBLE CAPITAL ASSETS FOR THE YEAR ENDED DECEMBER 31, 2016 SCHEDULE 2

	Engineering Structures	Buildings	Equipment	Municipal Land	Land Improvements	Vehicles	2016	2015
COST:								
BALANCE, BEGINNING OF YEAR	\$ 98,715,774	\$ 9,720,832	\$ 3,130,154	\$ 12,426,553	\$ 2,547,798	\$ 2,437,426	\$ 128,978,537	\$ 125,160,113
Acquisition of tangible capital assets	5,338,108	-	391,438	181,947	329,580	232,144	6,473,217	4,171,489
Construction-in-progress	111,237	510	35,504	-	-	-	147,251	-
Disposal of tangible capital assets	(48,226)	-	(95,148)	-	-	(89,547)	(232,921)	(353,065)
BALANCE, END 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
ACCUMULATED AMORTIZATION:								
BALANCE, BEGINNING OF YEAR	32,606,050	5,646,984	1,614,468	-	926,464	1,682,451	42,476,417	40,054,016
Annual amortization	1,789,496	249,361	238,687	-	85,503	156,645	2,519,692	2,425,466
Accumulated amortization on disposals	(30,284)	-	(89,843)	-	-	(87,527)	(207,654)	(3,065)
BALANCE, END OF YEAR	34,365,262	5,896,345	1,763,312	-	1,011,967	1,751,569	44,788,455	42,476,417
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	\$ 86,502,120
2015 NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	\$ 66,109,724	\$ 4,073,848	\$ 1,515,686	\$ 12,426,553	\$ 1,621,334	\$ 754,975	\$ 86,502,120	

TOWN OF COALDALE

SCHEDULE OF PROPERTY AND OTHER TAXES FOR THE YEAR ENDED DECEMBER 31, 2016 SCHEDULE 3

	Budget (Note 19)	2016	2015
TAXATION			
Real property taxes	\$ 9,135,997	\$ 9,141,880	\$ 8,631,381
Linear property taxes	105,117	105,117	108,708
Government grants in lieu of property taxes	33,337	33,337	24,766
	<u>9,274,451</u>	<u>9,280,334</u>	<u>8,764,855</u>
REQUISITIONS			
Alberta School Foundation Fund	1,805,368	1,830,622	1,754,130
Holy Spirit Roman Catholic Separate Regional District	269,769	254,764	239,876
Green Acres Foundation	104,622	104,622	99,430
	<u>2,179,759</u>	<u>2,190,008</u>	<u>2,093,436</u>
NET MUNICIPAL TAXES	<u>\$ 7,094,692</u>	<u>\$ 7,090,326</u>	<u>\$ 6,671,419</u>

TOWN OF COALDALE

SCHEDULE OF GOVERNMENT TRANSFERS FOR THE YEAR ENDED DECEMBER 31, 2016 SCHEDULE 4

	Budget (Note 19)	2016	2015
TRANSFERS FOR OPERATING:			
Federal Government			
Canada Day Grant	\$ 1,000	\$ 1,400	\$ 1,314
YCW Grant (CLA)	-	603	-
Young Canada Works Grant	2,500	1,064	1,808
	<u>3,500</u>	<u>3,067</u>	<u>3,122</u>
Provincial Government			
Community Development - Library	40,000	41,769	41,768
Regional Solid Waste Grant	-	170,702	167,938
Family Community and Support Services	187,755	194,104	160,331
Fines Distribution	400,000	377,000	403,359
Fire Service Training Initiative	-	-	9,070
Flood Relief	-	21,218	-
Municipal Assistance Grant	260,208	260,208	260,208
STEP Grant	2,267	13,597	-
Municipal Sustainability Operating Grant	257,980	257,980	191,526
Police Officer Grant (POG)	100,000	100,000	-
Emergency Management Training	1,000	-	-
	<u>1,249,210</u>	<u>1,436,578</u>	<u>1,234,200</u>
Other Local Governments			
Town of Vauxhall Training Grant	-	-	3,976
City of Lethbridge Policing	-	3,612	240,980
Lethbridge County Portion of Chief Vehicle	-	-	23,060
Lethbridge County - Fire Agreement	330,667	330,667	294,400
Lethbridge County - Library Contribution	35,200	35,264	35,264
	<u>365,867</u>	<u>369,543</u>	<u>597,680</u>
Total operating transfers	<u>1,618,577</u>	<u>1,809,188</u>	<u>1,835,002</u>
TRANSFERS FOR CAPITAL:			
Federal Government			
Building Canada Grant	-	-	-
Provincial Government			
Federal Gas Tax Program	500,000	357,676	-
Municipal Sustainability Capital	2,465,000	1,720,132	1,104,289
Transportation Grant	686,293	426,969	488,719
	<u>3,651,293</u>	<u>2,504,777</u>	<u>1,593,008</u>
Total capital transfers	<u>3,651,293</u>	<u>2,504,777</u>	<u>1,593,008</u>
TOTAL GOVERNMENT TRANSFERS	<u>\$ 5,269,870</u>	<u>\$ 4,313,965</u>	<u>\$ 3,428,010</u>

TOWN OF COALDALE

SCHEDULE OF EXPENSES BY OBJECT FOR THE YEAR ENDED DECEMBER 31, 2016 SCHEDULE 5

	Budget (Note 19)	2016	2015
CONSOLIDATED EXPENSES BY OBJECT			
Salaries, wages and benefits	\$ 4,896,290	\$ 4,522,944	\$ 3,729,085
Contracted and general services	2,915,073	2,654,986	2,592,547
Purchases from other governments	1,914,570	1,461,696	2,354,168
Materials, goods and utilities	1,769,412	1,879,510	1,920,659
Transfers to local boards and agencies	395,476	403,401	356,644
Bank charges and short term interest	2,250	2,940	3,050
Interest on long term debt	279,431	245,290	268,471
Amortization of tangible capital assets	-	2,519,692	2,425,466
Loss on disposal of tangible capital assets	-	28,678	3,611
Other expenses	103,800	119,982	75,245
	<u>\$ 12,276,302</u>	<u>\$ 13,839,119</u>	<u>\$ 13,728,946</u>

TOWN OF COALDALE

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

	Protection	Recreation and Culture	Planning	Transportation and Environmental	General Government	Consolidated
REVENUES						
Taxation	\$ -	\$ -	\$ -	\$ -	\$ 7,090,326	\$ 7,090,326
Sales of services & 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
	<u>1,347,855</u>	<u>633,412</u>	<u>879,732</u>	<u>6,950,687</u>	<u>8,578,314</u>	<u>18,390,000</u>
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
	<u>2,410,663</u>	<u>2,715,164</u>	<u>412,971</u>	<u>6,400,512</u>	<u>1,899,809</u>	<u>13,839,119</u>
OTHER						
Government transfer for capital (Schedule 4)	-	73,882	-	2,430,895	-	2,504,777
Net Surplus (Deficit)	<u>\$ (1,062,808)</u>	<u>\$ (2,007,870)</u>	<u>\$ 466,761</u>	<u>\$ 2,981,070</u>	<u>\$ 6,678,505</u>	<u>\$ 7,055,658</u>

TOWN OF COALDALE

SCHEDULE OF SEGMENT DISCLOSURE FOR THE YEAR ENDED DECEMBER 31, 2015 SCHEDULE 6 A

	Protection	Recreation and Culture	Planning	Transportation and Environmental	General Government	Consolidated
REVENUES						
Taxation	\$ -	\$ -	\$ -	\$ -	\$ 6,671,419	\$ 6,671,419
Sales of services & regulatory fees	71,854	390,661	461,874	3,874,099	72,302	4,870,790
Government transfer (Schedule 4)	1,235,054	80,154	60,000	278,010	181,785	1,835,003
Other	905	175,719	196,865	596,671	1,132,328	2,102,488
	<u>1,307,813</u>	<u>646,534</u>	<u>718,739</u>	<u>4,748,780</u>	<u>8,057,834</u>	<u>15,479,700</u>
EXPENSES						
Salaries and benefits	516,711	1,236,269	54,719	1,189,741	731,645	3,729,085
Goods and services	2,563,698	231,013	212,579	1,343,402	596,024	4,946,716
Interest & bank charges	738	11,231	-	257,931	1,621	271,521
Other	96,510	640,252	77,997	1,425,432	115,967	2,356,158
Amortization	80,679	372,581	-	1,935,869	36,337	2,425,466
	<u>3,258,336</u>	<u>2,491,346</u>	<u>345,295</u>	<u>6,152,375</u>	<u>1,481,594</u>	<u>13,728,946</u>
OTHER						
Government transfer for capital (Schedule 4)	-	-	-	1,593,008	-	1,593,008
Net Surplus (Deficit)	<u>\$ (1,950,523)</u>	<u>\$ (1,844,812)</u>	<u>\$ 373,444</u>	<u>\$ 189,413</u>	<u>\$ 6,576,240</u>	<u>\$ 3,343,762</u>

TOWN OF COALDALE

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

1. SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Town of Coaldale 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 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 generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenditure during the 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, 2016

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, 2016

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

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.

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, 2016

2. CASH AND TEMPORARY INVESTMENTS

	2016	2015
Petty cash	\$ 750	\$ 750
Operating account	7,510,568	6,698,991
ATB Financial GIC 180 day 1.60%	-	2,022,347
ATB Financial GIC 180 day 1.20%	-	5,066,108
ATB Financial 31 Day Notice 1.40%	1,813,852	-
ATB Financial 60 Day Notice 1.45%	2,008,674	-
ATB Financial 90 Day Notice 1.50%	3,179,770	-
ATB Financial Savings account prime less 1.90%	106,099	-
Community Centre account	4,008	4,008
	\$ 14,623,721	\$ 13,792,204

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

3. TAXES AND GRANTS IN LIEU RECEIVABLES

	2016	2015
Current taxes and grants in lieu	\$ 46,500	\$ 64,688
Arrears taxes	483,865	469,362
	\$ 530,365	\$ 534,050

4. INVESTMENTS

	2016	2015
Funds in Trust at lawyer for land purchase	\$ 2,129,000	\$ -
ATB Financial non-redeemable GIC maturing on November 21, 2019 earning interest at the rate of 2.92%	102,920	102,920
	\$ 2,231,920	\$ 102,920

5. DEFERRED REVENUE

	2016	2015
Birds of Prey	\$ 16,785	\$ 16,785
Community Services Grants	9,297	7,297
Disaster Services Training Grant	3,108	3,078
Downtown Mural	4,000	4,000
Federal Gas Tax 2016	37,008	-
Prepaid Property Taxes	82,972	81,944
Regional Solid Waste Grant 2015	12,151	182,062
Sustainability Capital Grant 2014	-	138,370
Sustainability Capital Grant 2015	-	1,277,409
Sustainability Capital Grant 2016	885,668	-
Sustainability Operating Grant 2015	-	52,135
Transportation Grant 2015	1,942	306,564
Transportation Grant 2016	339,306	-
Unearned Revenue Recreation (Class)	21	3,395
	\$ 1,392,258	\$ 2,073,039

TOWN OF COALDALE

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

5. DEFERRED REVENUE (continued)

Sustainability Operating Grant

Funds will be used towards community group utilities, handi-ride, bussing, professional fees, Infrastructure Master Plan initiatives and road patching.

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

	2016	2015
Vacation, Banked and Admin Time	<u>\$ 187,420</u>	<u>\$ 156,509</u>

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

7. LONG-TERM DEBT

	2016	2015
Tax supported debentures	\$ 3,349,243	\$ 3,670,122
Supported by utility rates	848,524	930,307
	4,197,767	4,600,429
Operating debentures	<u>41,075</u>	<u>53,884</u>
	<u>\$ 4,238,842</u>	<u>\$ 4,654,313</u>

The current portion of long-term debt amounts to \$438,583 (2015 - \$415,472).

Interest on long-term debt amounted to \$245,290 (2015 - \$268,472).

The Town's total cash payments for interest in 2016 were \$254,998 (2015 - \$277,968).

TOWN OF COALDALE

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

7. LONG-TERM DEBT (continued)

Principal and interest repayments are due as follows:

	Principal	Interest	Total
2017	\$ 438,583	\$ 222,112	\$ 660,695
2018	453,216	197,654	650,870
2019	447,570	172,288	619,858
2020	441,081	146,501	587,582
2021	391,514	119,826	511,340
Thereafter	2,066,878	384,361	2,451,239
	\$ 4,238,842	\$ 1,242,742	\$ 5,481,584

Debenture debt is repayable to Alberta Capital Finance Authority and bears interest at rates ranging from 2.788% to 9.500% per annum, before Provincial subsidy, and matures in periods 2017 through 2033. The average annual interest rate is 5.6498% for 2016 (5.6536% for 2015). 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.

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:

	2016	2015
Total debt limit	\$ 23,093,182	\$ 22,101,487
Total debt	4,238,842	4,654,313
Total Debt Under Limit	\$ 18,854,340	\$ 17,447,174
	2016	2015
Service on debt limit	\$ 3,848,864	\$ 3,683,581
Service on debt	660,695	660,695
Total Under Service on Debt Limit	\$ 3,188,169	\$ 3,022,886

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 does 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, 2016

9. CONTAMINATED SITES LIABILITY

On January 1, 2015, the Town adopted PS3260 Liability for Contaminated Sites. The Town did not identify any financial liabilities in 2016 (2015 - nil) as a result of this standard.

10. EQUITY IN TANGIBLE CAPITAL ASSETS

	2016	2015
Tangible capital asset cost (Schedule 2)	\$ 135,366,084	\$ 128,978,537
Accumulated amortization (Schedule 2)	(44,788,455)	(42,476,417)
Long-term debt (Note 7)	(4,197,767)	(4,600,429)
	\$ 86,379,862	\$ 81,901,691

11. ACCUMULATED SURPLUS

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

	2016	2015
Unrestricted surplus	\$ 1,121,800	\$ 1,092,950
Restricted surplus		
Tax rate stabilization	4,731,987	3,676,146
Future capital expenditures	9,574,408	8,081,612
Equity in tangible capital assets (Note 10)	86,379,862	81,901,691
	\$ 101,808,057	\$ 94,752,399

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, 2016

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 Coaldale. This department also maintains the road systems throughout Coaldale.

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:

			2016			2015
	Salary (1)	Benefits & Allowances (2) & (3)	Total		Total	
Craig	\$ 31,673	\$ 6,260	\$ 37,933	\$	36,756	
Councillors:						
Chapman	22,903	2,379	25,282		24,171	
Duda	21,404	2,275	23,679		22,258	
Martens	20,704	5,044	25,748		24,506	
Van Rijn	19,404	3,822	23,226		22,418	
Abrey	19,004	5,907	24,911		24,161	
Hohm	19,004	5,907	24,911		24,480	
Town Manager	139,349	11,655	151,004		147,779	
Designated Officers (2)	234,041	53,159	287,200		280,677	
	\$ 527,486	\$ 96,408	\$ 623,894	\$	607,206	

(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, 2016

14. LOCAL AUTHORITIES PENSION PLAN

Employees of the Town of Coaldale participate in the Local Authorities Pension Plan (LAPP), which is covered by the Alberta Public Sector Pension Plans Act. The Plan serves about 244,621 people and 426 employers. The LAPP is financed by employer and employee contributions and by investment earnings of the LAPP Fund.

The Town of Coaldale 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 of Coaldale to the Local Authorities Pension Plan in 2016 were \$308,364 (2015 - \$281,791). Total current service contributions by the employees of the Town of Coaldale to the Local Authorities Pension Plan in 2016 were \$283,225 (2015 - \$259,071).

At December 31, 2015, the Plan disclosed an actuarial deficiency of \$923 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 of Coaldale 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, 2016

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, 2017.

16. CONTINGENCIES

The Town of Coaldale is a member of the Alberta Municipal Insurance Exchange (MUNIX). Under the terms of the membership, the Town of Coaldale 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.

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:

	<u>2016</u>	<u>2015</u>
Communities in Bloom	\$ 4,841	\$ 4,800
Friends of the Arena	37,876	30,686
Community Fest	4,191	3,438
Mural Fund	<u>4,037</u>	<u>3,999</u>
	<u>\$ 50,945</u>	<u>\$ 42,923</u>

TOWN OF COALDALE

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

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>2016</u>
EXCESS OF REVENUE OVER EXPENSES	\$ 5,399,387
Add: Transfer to capital projects from reserve	2,699,808
Add: Transfer from reserve to operations	382,543
Add: Transfer to capital projects from operations	115,600
Add: Debenture for capital projects	1,500,000
Less: Capital expenditures	(7,996,972)
Less: Debt repayment	(443,843)
Less: Transfer from operations to reserve	<u>(1,656,650)</u>
Budget surplus	\$ <u>(127)</u>

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

20. APPROVAL OF FINANCIAL STATEMENTS

Council and management have approved these financial statements.