

Financial Statements of

TOWN OF COALHURST

December 31, 2018

Management's Responsibility for Financial Reporting

The Town of Coalhurst's 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, 2018 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. Financial statements are not precise, since they 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 maintained 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's Council is responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving the financial statements. Council fulfills 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 KPMG LLP, Chartered Professional Accountants. Their report to the Members of Council of the Town of Coalhurst, stating the scope of their examination and opinion on the financial statements, follows.



R. K. Hauta
Chief Administrative Officer



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INDEPENDENT AUDITORS' REPORT

To the Mayor and Councilors of the Town of Coalhurst

Opinion

We have audited the financial statements of the Town of Coalhurst (the Town), which comprise:

- the statement of financial position as at December 31, 2018
- the statement of operations and accumulated surplus for the year then ended
- the statement of changes in net financial assets for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies (Hereinafter referred to as the “financial statements”).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Town as at December 31, 2018, and its results of operations, changes in net financial assets, 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 “***Auditors’ Responsibilities for the Audit of the Financial Statements***” section of our auditors’ report.

We are independent of the Town in accordance with the ethical requirements that are relevant to our audit of the 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 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 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.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 the 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:

- 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 auditors' 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 auditors' report. However, future events or conditions may cause the Town 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 represents the underlying transactions and events in a manner that achieves fair presentation.
- 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.

KPMG LLP

Chartered Professional Accountants

Lethbridge, Canada

March 19, 2019

TOWN OF COALHURST

Statement of Financial Position

December 31, 2018, with comparative information for 2017

	2018	2017
Financial assets:		
Cash and cash equivalents (note 3)	\$ 9,536,284	\$ 8,881,442
Taxes receivable (note 4)	138,161	133,532
Trade and other receivables	226,283	448,784
	<u>9,900,728</u>	<u>9,463,758</u>
Financial liabilities:		
Account payable and accrued liabilities	150,883	7,081
Deferred revenue (note 5)	554,255	370,653
Deposit liabilities	660,125	662,055
Long-term debt (note 6)	4,081,335	4,217,054
Other liabilities	--	45,782
	<u>5,446,598</u>	<u>5,302,625</u>
Net financial assets	4,454,130	4,161,133
Non-financial assets:		
Prepaid expenses	9,901	7,429
Tangible capital assets (Schedule 6)	24,046,644	23,708,188
	<u>24,056,545</u>	<u>23,715,617</u>
Contingent liability (note 11)		
Accumulated surplus (note 7 and Schedule 3)	\$ 28,510,675	\$ 27,876,750

See accompanying notes to financial statements.

TOWN OF COALHURST

Statement of Operations and Accumulated Surplus

Year ended December 31, 2018, with comparative information for 2017

	Budget (note 13)	2018	2017
Revenue:			
Net municipal property taxes (Schedule 4)	\$ 1,921,987	\$ 1,919,238	\$ 1,807,312
Sales and user fees	2,315,650	1,647,074	2,547,146
Government transfers for operating (Schedule 1)	282,000	155,748	141,495
Interest income	70,000	183,810	97,910
Penalties and cost of taxes	38,000	43,779	39,406
Rental income	29,000	37,216	44,491
Franchise and concession contracts	75,000	83,631	87,468
Licenses and permits	40,000	80,166	38,982
Other revenue	18,225	17,959	17,549
Total revenue	4,789,862	4,168,621	4,821,759
Expenses (Schedule 5):			
Legislative	85,828	89,930	72,752
Administration	593,600	1,503,970	1,385,155
Protective services	357,396	355,266	307,219
Roads, streets, walks and street lighting	522,028	506,736	502,342
Water supply and distribution	468,324	446,496	528,475
Waste water	426,102	384,900	377,572
Waste management	278,950	299,045	233,138
Community support	42,050	26,101	26,982
Municipal planning	310,072	237,147	1,164,550
Recreation and parks	275,300	230,094	236,693
Culture and library	124,700	94,933	90,792
Total expenses	3,484,350	4,174,618	4,925,670
Excess (deficiency) of revenue over expenses before the undernoted	1,305,512	(5,997)	(103,911)
Other:			
Government transfers for capital (schedule 1)	3,130,571	639,922	401,394
Excess of revenue over expenses	4,436,083	633,925	297,483
Accumulated surplus, beginning of year	27,876,750	27,876,750	27,579,267
Accumulated surplus, end of year	\$ 32,312,833	\$28,510,675	\$ 27,876,750

See accompanying notes to financial statements.

TOWN OF COALHURST

Statement of Changes in Net Financial Assets

Year ended December 31, 2018, with comparative information for 2017

	Budget	2018	2017
Excess of revenue over expenses	\$ 4,436,083	\$ 633,925	\$ 297,483
Acquisition of tangible capital assets	--	(1,265,214)	(2,205,506)
Acquisition of prepaid expenses	--	(2,472)	(974)
Amortization of tangible capital assets	--	881,188	863,507
Loss on sale of tangible capital assets	--	33,214	108,364
Proceeds of disposal of tangible capital assets	--	12,356	403,335
Use of inventories	--	--	803,096
Changes in net financial assets	4,436,083	292,997	269,305
Net financial assets, beginning of year	4,161,133	4,161,133	3,891,828
Net financial assets, end of year	\$ 8,597,216	\$ 4,454,130	\$ 4,161,133

See accompanying notes to financial statements.

TOWN OF COALHURST

Statement of Cash Flows

Year ended December 31, 2018, with comparative information for 2017

	2018	2017
Cash provided by (used in):		
Operating activities:		
Excess of revenue over expenses	\$ 633,925	\$ 297,483
Items not involving cash:		
Amortization of tangible capital assets	881,188	863,507
Loss on disposal of tangible capital assets	33,205	108,364
Changes in non-cash assets and liabilities:		
Taxes receivable	(4,629)	(7,576)
Trade and other receivables	222,501	(189,650)
Prepaid expenses	(2,472)	(974)
Accounts payable and accrued liabilities	143,802	(4,179)
Deposit liabilities	(1,930)	521,010
Deferred revenue	183,602	76,105
Other liabilities	(45,782)	45,782
Inventories	--	803,096
	2,043,410	2,512,968
Capital activities:		
Acquisition of tangible capital assets		
- internally funded	(639,923)	(1,990,573)
- funded from reserves	--	(214,933)
- funded from debt	(625,291)	--
Proceeds on disposal of tangible capital assets	12,365	403,335
	(1,252,849)	(1,802,171)
Financing activities:		
Principal payment on long-term debt - capital	(76,278)	(55,654)
Principal payment on long-term debt - operating	(59,441)	(75,705)
	(135,719)	(131,359)
Increase in cash and cash equivalents	654,842	579,438
Cash and cash equivalents, beginning of year	8,881,442	8,302,004
Cash and cash equivalents, end of year	\$ 9,536,284	\$ 8,881,442

See accompanying notes to financial statements.

TOWN OF COALHURST

Notes to the Financial Statements

Year ended December 31, 2018

1 Significant accounting policies:

The financial statements of the Town of Coalhurst (the "Town") are the representations of management prepared in accordance with Canadian Public Sector Accounting Standards. Significant aspects of the accounting policies adopted by the Town are as follows:

(a) Reporting entity:

The financial statements reflect the assets, liabilities, revenues and expenses of the reporting entity. The reporting entity is comprised of the municipal operations controlled by the Town and are, therefore, accountable to Council for the administration of their financial affairs and resources.

Interdepartmental transactions and balances have been eliminated.

The schedule of taxes levied and net taxes available for Municipal purposes includes requisitions collected on behalf of and transferred to educational and other external organizations that are not part of the municipal reporting entity.

(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.

Tax revenues result from non-exchange transactions that are compulsorily paid to governments in accordance with the laws and regulations established to provide revenue to the government for public services. The revenue is recognized when the tax has been authorized and the taxable event has occurred.

(c) Pension expense

The Town participates in a defined benefit multi-employer pension plan covering substantially all of its employees. Pension contributions are accounted for using defined contribution accounting, wherein contributions for current and past service pension benefits are recorded as expenses in the year in which they become due.

TOWN OF COALHURST

Notes to the Financial Statements

Year ended December 31, 2018

1 Significant accounting policies: (continued)

(d) Investments

Investments are recorded at amortized cost. Investment premiums and discounts are amortized 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.

(e) Over-levies collections and under-levies

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.

(f) 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.

(g) Contaminated sites liability

Contaminated sites are a result of contamination being introduced into air, soil, water or sediment of a chemical, organic or radioactive 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. No contaminated sites have been identified.

TOWN OF COALHURST

Notes to the Financial Statements

Year ended December 31, 2018

1 Significant accounting policies: (continued)

(h) 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.

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:

Assets	Years
Land improvements	50
Buildings	50
Engineered structures	45 - 75
Machinery and equipment	5 - 20
Vehicles	10 - 25

Assets under construction are not amortized until the asset is available for productive use.

ii. Contribution 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. Inventories:

Inventories consisting of land and improvements not currently available for resale are recorded as non-financial assets.

Inventories held for consumption are recorded at the lower of cost and replacement cost.

(i) Use of estimates

The preparation of the financial statements in conformity with Canadian Public Sector Accounting Standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Where measurement uncertainty exists, the financial statements have been prepared within reasonable limits of materiality.

TOWN OF COALHURST

Notes to the Financial Statements

Year ended December 31, 2018

2 New and proposed accounting pronouncements:

The following summarizes the upcoming changes to the Public Sector Accounting Standards by the Public Sector Accounting Standards Board ("PSAB"). In 2019, the Town will continue to assess the impact and prepare for the adoption of these standards. While the timing of standard adoption can vary, certain standards are eligible for early adoption while others must be adopted concurrently.

(a) PS 1201 – Financial Statement Presentation:

The implementation of this standard requires a new statement of remeasurement gains and losses separate from the statement of operations. This new statement will include the unrealized gains and losses arising from the remeasurement of financial instruments and items denominated in foreign currency. This standard is effective for fiscal years beginning on or after April 1, 2021.

(b) PS 3450 – Financial Instruments

This section establishes recognition, measurement, and disclosure requirements for derivative and non-derivative instruments. The standard requires fair value measurements of derivative instruments and equity instruments; all other financial instruments can be measured at either cost or fair value depending upon elections made by the government. Unrealized gains and losses will be presented on the new statement of remeasurement gains and losses arising from the adoption of PS 1201. There will also be a requirement to disclose the nature and extent of risks arising from financial instruments and clarification is given for the de-recognition of financial liabilities. As the Town does not invest in derivatives or equity instruments based on its investment policy, it is anticipated that the adoption of this standard will have a minimal impact on the Town. This standard is effective for fiscal years beginning on or after April 1, 2021.

(c) PS 2601 – Foreign Currency Translation

This section establishes guidance on the recognition, measurement, presentation and disclosure of assets and liabilities denominated in foreign currencies. The Section requires monetary assets and liabilities, denominated in a foreign currency and non-monetary items valued at fair value, denominated in a foreign currency to be adjusted to reflect the exchange rates in effect at the financial statement date. The resulting unrealized gains and losses are to be presented in the new statement of remeasurement gains and losses. This standard is effective for fiscal years beginning on or after April 1, 2021.

(d) PS 3041 - Portfolio Investments

This section removes the distinction between temporary and portfolio investments and provides additional guidance on recognition, measurement, presentation and disclosure of these types of investments. Upon adoption of this section and PS 3450, PS 3040 - Portfolio Investments will no longer be applicable. This standard is effective for fiscal years beginning on or after April 1, 2021.

The requirements in PS 1201, PS 3450, PS 2601 and PS 3041 are required to be implemented at the same time.

TOWN OF COALHURST

Notes to the Financial Statements

Year ended December 31, 2018

2 New and proposed accounting pronouncements: (continued)

(e) PS 3430 - Restructuring transactions

This section provides guidance on the recognition, measurement and presentation on restructuring transactions by both the transferor and recipients of assets and/or liabilities, together with related program or operating responsibilities. This standard is effective for fiscal years beginning on or after April 1, 2018.

(f) PS 3280 - Asset retirement obligations

This section provides guidance on how to account for and report a liability for retirement of a tangible capital asset. This standard is effective for fiscal years beginning on or after April 1, 2021.

(g) PS 3400 - Revenue

This section provides guidance on how to account for and report on revenue, specifically addressing revenue arising from exchange transactions and unilateral transactions. This standard is effective for fiscal years beginning on or after April 1, 2022.

Adoption of new accounting standards:

The Town has prospectively adopted the following standards effective April 1, 2017:

- PS2200 - Related party disclosures, defines a related party and identifies disclosures for related parties and related party transactions, including key management personnel and close family members.
- PS 3420 - Inter-entity transactions, establishes standards on how to account for and report transactions between public sector entities that comprise a government's reporting entity from both a provider and recipient perspective.
- PS 3210 - Assets, provides guidance for applying the definition of assets set out in PS 1000 - Financial statement concepts and establishes general disclosure standards for assets.
- PS 3320 - Contingent assets, defines and establishes disclosure standards for contingent assets.
- PS 3380 - Contractual rights, defines and establishes disclosure standards on contractual rights.

TOWN OF COALHURST

Notes to the Financial Statements

Year ended December 31, 2018

3 Cash and cash equivalents:

Cash and cash equivalents include cash on hand and short term deposits with original maturities of less than three months.

Included in cash is \$1,475,263 (2017 - \$2,140,989) of unexpended debt proceeds from Alberta Capital Finance Authority and \$518,540 (2017 - \$321,084) of restricted grant funding.

4 Taxes receivable:

	2018	2017
Current	\$ 104,742	\$ 110,128
Arrears	33,419	23,404
	\$ 138,161	\$ 133,532

5 Deferred revenue:

	Balance 2017	Contributions received	Contributions recognized as revenue	Balance 2018
Gas Tax Fund	\$ --	\$ 540,158	\$ 540,158	\$ --
ACP Grant- Shared Industrial Park Area Structure	75,000	--	--	75,000
Municipal Sustainability Initiatives- operating	--	155,748	155,748	--
Municipal Sustainability Initiatives- Capital	246,084	297,220	99,764	443,540
	321,084	993,126	795,670	518,540
Prepaid tax revenue	49,569	35,715	49,569	35,715
Deferred revenue, end of year	\$ 370,653	\$ 1,028,841	\$ 845,239	\$ 554,255

TOWN OF COALHURST

Notes to the Financial Statements

Year ended December 31, 2018

6 Long-term debt:

	2018	2017
Tax supported debentures	\$ 3,950,026	\$ 4,072,295
Self-supported debentures	131,309	144,759
	\$ 4,081,335	\$ 4,217,054

Principal and interest repayments on debt are as follows:

	Principal	Interest	Total
2019	\$ 140,231	\$ 126,355	\$ 266,586
2020	144,903	121,683	266,586
2021	149,741	116,845	266,586
2022	155,136	111,552	266,688
2023	159,751	106,649	266,400
Thereafter	3,331,573	990,142	4,321,715
	\$ 4,081,335	\$ 1,573,226	\$ 5,654,561

Long-term debt is comprised of:

	2018	2017
Capital	\$ 1,908,387	\$ 1,359,374
Land acquired for future development	697,685	716,691
Unspent debt proceeds	1,475,263	2,140,989
	\$ 4,081,335	\$ 4,217,054

Debenture debt is repayable to Alberta Municipal Financing Corporation and bears interest at rates ranging from 2.649% to 5.353% (2017 - 2.649% to 5.353%) per annum, before Provincial subsidy, and matures in 2042. Debenture debt is issued on the credit and security of the Town of Coalhurst at large.

Interest on debenture debt amounted to \$160,216 (2017 - \$135,227). The Town's total cash payments for interest in 2018 were \$130,868 (2017 - \$135,227).

TOWN OF COALHURST

Notes to the Financial Statements

Year ended December 31, 2018

7 Accumulated surplus:

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

	2018	2017
Reserves (i)	\$ 5,888,871	\$ 5,527,936
Equity in tangible capital assets (ii)	22,138,257	22,348,814
Unrestricted net assets	483,547	--
	\$ 28,510,675	\$ 27,876,750

(i) Reserves are comprised of funds internally restricted as follows:

	2018	2017
Operating:		
Infrastructure	\$ 448,251	\$ 443,515
Administration	76,537	62,865
Fire department	785,029	705,000
Emergency measures	8,552	8,462
Equipment	531,947	474,381
Roads	449,649	415,215
Water	612,812	571,707
Sewer	664,995	657,969
Garbage	220,674	188,660
Drainage	156,333	95,315
Recreation	56,125	55,532
Community	44,169	43,700
Community centre	124,988	114,862
Contingency	324,028	320,605
	4,504,089	4,157,788
Capital	1,384,782	1,370,148
	\$ 5,888,871	\$ 5,527,936

(ii) Equity in tangible capital assets:

	2018	2017
Tangible capital assets (Schedule 6)	\$ 36,045,397	\$ 35,010,618
Accumulated amortization (Schedule 6)	(11,998,753)	(11,302,430)
Long-term debt for capital (note 6)	(1,908,387)	(1,359,374)
	\$ 22,138,257	\$ 22,348,814

TOWN OF COALHURST

Notes to the Financial Statements

Year ended December 31, 2018

8 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:

	Salaries (i)	Benefits and Allowances(ii)	Total 2018	Total 2017
Mayor:				
D. Cassie	\$ 15,239	\$ 3,109	\$ 18,348	\$ 18,158
Councillors:				
H. Caldwell	10,794	2,532	13,326	14,268
M. Slingerland	--	--	--	7,540
B. Edgecome-Green	10,488	1,942	12,430	13,905
S. Watson	--	--	--	8,274
R. Lagemaat	13,752	2,830	16,582	5,450
E. Christensen	10,270	1,912	12,182	--
	60,543	12,325	72,868	67,595
Designated officers:				
Chief Administrative Officer	113,894	17,926	131,820	130,950
Assessor	27,867	--	27,867	26,687
	\$ 141,761	\$ 17,926	\$ 159,687	\$ 157,637

- i) Salary includes regular base pay, bonuses, overtime, lump sum payments, gross honoraria and any other direct cash remuneration.
- ii) 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, group life insurance, accidental disability and dismemberment insurance, long-term disability plans, travel allowances and tuition, as eligible.

TOWN OF COALHURST

Notes to the Financial Statements

Year ended December 31, 2018

9 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	\$ 6,252,932	\$ 7,232,639
Total debt	(4,081,335)	(4,217,054)
Amount of debt limit unused	2,171,597	3,015,585
Debt servicing limit	1,042,155	1,205,440
Debt servicing	(266,586)	(266,586)
Amount of debt servicing unused	\$ 775,569	\$ 938,854

The debt limit is calculated at 1.5 times revenue of the Town (as defined in Alberta Regulation 255/00) and the debt service 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 that could be at financial risk if further debt is acquired. The calculation taken alone does not represent the financial stability of the Town. Rather, the financial statements must be interpreted as a whole.

10 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 Pension Plans Act. The LAPP serves about 259,714 people and about 420 employers. The LAPP is financed by employer and employee contributions and 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% (11.39% in 2017) of pensionable earnings up to the year's maximum pensionable earnings under the Canada Pension Plan and 14.84% (15.84% in 2017) on pensionable earnings above this amount. Employees of the Town are required to make current service contributions of 9.39% (10.39% in 2017) of pensionable salary up to the year's maximum pensionable salary and 13.84% (14.84% in 2017) on pensionable salary above this amount.

Total current service contributions by the Town to the LAPP in 2018 were \$78,096 (2017 - \$83,812). Total current service contributions by the employees of the Town to the LAPP in 2018 were \$71,207 (2017 - \$76,971).

At December 31, 2017, the LAPP reported an actuarial surplus of \$4.84 billion (2016 - deficit of \$637 million).

TOWN OF COALHURST

Notes to the Financial Statements

Year ended December 31, 2018

11 Contingent liability:

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 exchange. Any liability incurred would be accounted for as a current transaction in the year the losses are determined.

12 Financial instruments:

The Town as part of its operations carries a number of financial instruments, such as cash and cash equivalents, accounts receivable, investments, accounts payable and accrued 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 except as otherwise disclosed.

Unless otherwise noted, the fair value of these financial instruments approximates their carrying values.

i. Interest rate risk:

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. In seeking to minimize the risks from interest rate fluctuations, the Town manages exposure through its normal operating and financing activities. The Town has available a Municipal Revolving loan aggregating \$300,000. Amounts drawn on this facility bear interest at prime plus nil%. At December 31, 2018, no amounts were drawn on this facility. At December 31, 2018 prime rate was 3.95% (2017 - 3.2%).

ii. Credit concentration:

The Town is subject to credit risk with respect to taxes and grants in place of taxes receivable 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.

iii. Liquidity risk:

Liquidity risk is the risk that the Town will not be able to meet its financial obligations as they become due. The Town manages liquidity risk by continually monitoring actual and forecasted cash flows from operations and anticipated investing activities to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions.

13 Budget:

The budgeted information presented in these financial statements is based upon the 2018 operating and capital budgets approved by Council on May 29, 2018. Amortization was not contemplated in development of the budget and, as such, has not been included.

TOWN OF COALHURST

Notes to the Financial Statements

Year ended December 31, 2018

14 Segmented disclosure:

Segmented information has been identified based upon lines of service provided by the Town. Town services are provided by departments and their activities are reported by functional area in the body of the financial statements. Certain lines of service that have been separately disclosed in the segments information, along with the services they provide, are as follows:

(a) Utility services:

The utility department is responsible for water supply and distribution services within the Town, as well as wastewater treatment and disposal activities and waste management functions.

(b) Public works:

The public works department is responsible for the delivery of municipal public works services related to the planning, development and maintenance of roadway systems, streets, walks and lighting.

(c) Protective services:

The mandate of Protective Services is to provide for the rescue and protection of people and property within the Town through effective and efficient management and coordination of emergency service systems and resources.

(d) Parks and culture:

Parks and culture includes the operation and maintenance of parks, recreation, and community buildings within the Town.

(e) General government:

General government includes all functional activities.

Certain allocation methodologies are employed in the preparation of segmented financial information. Taxation and payments-in-lieu of taxes are allocated to the segments based on the segment's budgeted net expenditure. User charges and other revenue have been allocated to the segments based upon the segment that generated the revenue. Government transfers have been allocated to the segment based upon the purpose for which the transfer was made.

The accounting policies used in these segments are consistent with those followed in the preparation of the financial statements as disclosed in Note 1.

15 Approval of financial statements:

Council and Management approved these financial statements.

TOWN OF COALHURST

Schedule 1 - Schedule of Government Transfers

For the year ended December 31, 2018, with comparative information for 2017

	Budget	2018	2017
Transfers for operating:			
Provincial government	\$ 282,000	\$ 155,748	\$ 132,852
Federal government	--	--	8,643
	282,000	155,748	141,495
Transfers for capital:			
Provincial government	3,130,571	639,922	401,394
Total government transfers	\$ 3,412,571	\$ 795,670	\$ 542,889

TOWN OF COALHURST

Schedule 2 - Schedule of Segmented Disclosures

For the year ended December 31, 2018, with comparative information for 2017

	Utilities	Public Works	Protective Services	Parks and culture	General Government	2018	2017
Revenue:							
Net municipal property taxes	\$ --	\$ --	\$ --	\$ --	\$ 1,919,238	\$ 1,919,238	\$ 1,807,312
Sales and user fees	1,442,023	66,408	119,019	1,461	18,163	1,647,074	2,547,146
Government transfers for operating (schedule 1)	44,748	50,000	10,000	20,000	31,000	155,748	141,495
Investment income	--	--	--	--	183,810	183,810	97,910
Penalties and cost of taxes	--	--	--	--	43,779	43,779	39,406
Rentals	--	--	--	33,716	3,500	37,216	44,491
Franchise and concession contracts	--	--	--	--	83,631	83,631	87,468
Licenses and permits	--	--	11,705	--	68,461	80,166	38,982
Other	--	--	14,103	3,856	--	17,959	17,549
	1,486,771	116,408	154,827	59,033	2,351,582	4,168,621	4,821,759
Expenses:							
Salaries, wages and benefits	243,652	108,225	72,615	174,343	597,597	1,196,432	1,036,075
Contracted and general services	194,531	178,975	167,729	61,028	241,722	843,985	1,720,926
Materials, goods, supplies and utilities	191,137	168,461	65,464	63,376	83,639	572,077	603,702
Grants to individuals and organizations	406,363	--	9,306	26,280	40,135	482,084	456,117
Interest on long-term debt	64,876	51,075	36,827	--	7,438	160,216	135,227
Interest and bank charges	--	--	--	--	1,264	1,264	1,275
Other	--	--	--	--	4,167	4,167	477
Loss on disposal of tangible capital assets	29,880	--	3,325	--	--	33,205	108,364
Amortization	--	--	--	--	881,188	881,188	863,507
	1,130,439	506,736	355,266	325,027	1,857,150	4,174,618	4,925,670
Excess (deficiency) of revenue over expenses before the undernoted	356,332	(390,328)	(200,439)	(265,994)	494,432	(5,997)	(103,911)
Government transfers for capital	--	582,237	--	--	57,685	639,922	401,394
Excess (deficiency) of revenue over expenses	\$ 356,332	\$ 191,909	\$ (200,439)	\$ (265,994)	\$ 552,117	\$ 633,925	\$ 297,483

TOWN OF COALHURST

Schedule 3 - Schedule of Changes in Accumulated Surplus

For the year ended December 31, 2018, with comparative information for 2017

	Unrestricted net assets	Reserves	Equity in tangible capital assets	2018	2017
Balance, beginning of year	\$ --	\$ 5,527,936	\$ 22,348,814	\$ 27,876,750	\$ 27,579,267
Excess of revenues over expenses	633,925	--	--	633,925	297,483
Transferred to reserves	(360,935)	360,935	--	--	--
Acquisition of tangible capital assets internally funded	(639,923)	--	639,923	--	--
Acquisition of tangible capital assets funded from debt	(625,291)	--	625,291	--	--
Debt proceeds used for capital	625,291	--	(625,291)	--	--
Net book value of tangible capital assets disposed	45,570	--	(45,570)	--	--
Amortization of tangible capital assets	881,188	--	(881,188)	--	--
Principal payment on debenture debt - capital	(76,278)	--	76,278	--	--
Change in accumulated surplus	483,547	360,935	(210,557)	633,925	297,483
Balance, end of year	\$ 483,547	\$ 5,888,871	\$ 22,138,257	\$ 28,510,675	\$ 27,876,750

TOWN OF COALHURST

Schedule 4 - Schedule of Net Municipal Property Taxes

For the Year Ended December 31, 2018

	Budget	2018	2017
Taxation:			
Real property tax	\$ 2,601,483	\$ 2,600,371	\$ 2,416,291
Requisitions:			
Alberta School Foundation Fund	645,136	645,136	579,713
Green Acres Foundation	34,360	35,997	29,266
	679,496	681,133	608,979
Net municipal property tax	\$ 1,921,987	\$ 1,919,238	\$ 1,807,312

TOWN OF COALHURST

Schedule 5 - Schedule of Expenses by Object

For the year ended December 31, 2018, with comparative information for 2017

	Budget	2018	2017
Salaries, wages and benefits	\$ 1,162,577	\$ 1,196,432	\$ 1,036,075
Contracted and general services	963,810	843,985	1,720,926
Materials, goods, supplies and utilities	733,190	572,077	603,702
Transfers to local boards and agencies	480,500	482,084	456,117
Interest on long-term debt	140,123	160,216	135,227
Interest and bank charges	1,500	1,264	1,275
Other	2,650	4,167	477
Loss on disposal of tangible capital assets	--	33,205	108,364
Amortization	--	881,188	863,507
Total expenses by object	\$ 3,484,350	\$ 4,174,618	\$ 4,925,670

TOWN OF COALHURST

Schedule 6 - Schedule of Tangible Capital Assets

For the year ended December 31, 2018, with comparative information for 2017

	Land	Land	Buildings	Engineered	Machinery and	Vehicles	Construction	2018	2017
	Land	improvements		structures	equipment		in progress		
Cost:									
Balance, beginning of year	\$ 1,590,990	\$ 71,835	\$ 3,814,676	\$ 25,458,066	\$ 1,794,026	\$ 1,704,337	\$ 576,688	\$ 35,010,618	\$ 33,389,966
Acquisition of tangible capital assets	--	--	13,788	635,468	46,599	--	569,359	1,265,214	2,205,506
Transfer	--	--	--	52,114	--	--	(52,114)	--	--
Disposal of tangible capital assets	--	--	--	(102,290)	(11,347)	(116,798)	--	(230,435)	(584,854)
Balance, end of year	\$ 1,590,990	\$ 71,835	\$ 3,828,464	\$ 26,043,358	\$ 1,829,278	\$ 1,587,539	\$ 1,093,933	\$ 36,045,397	\$ 35,010,618
Accumulated amortization:									
Balance, beginning of year	--	\$ 30,903	\$ 2,781,315	\$ 6,848,534	\$ 683,736	\$ 957,942	--	\$ 11,302,430	\$ 10,512,078
Accumulated amortization of disposals	--	--	--	(102,290)	(6,654)	(75,921)	--	(184,865)	(73,155)
Amortization	--	2,875	102,754	591,058	96,902	87,599	--	881,188	863,507
Balance, end of year	--	33,778	2,884,069	7,337,302	773,984	969,620	--	11,998,753	11,302,430
Net book value of tangible capital assets	\$ 1,590,990	\$ 38,057	\$ 944,395	\$ 18,706,056	\$ 1,055,294	\$ 617,919	\$ 1,093,933	\$ 24,046,644	\$ 23,708,188
2017 Net book value of tangible capital assets	\$ 1,590,990	\$ 40,932	\$ 1,033,361	\$ 18,609,532	\$ 1,110,290	\$ 746,395	\$ 576,688	\$ 23,708,188	