

Financial Statements of

# **TOWN OF COALHURST**

Year ended December 31, 2016

### **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, 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. 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.

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R. K. Hauta  
*Chief Administrative Officer*



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## INDEPENDENT AUDITORS' REPORT

To the Mayor and Councilors of the Town of Coalhurst

We have audited the accompanying financial statements of the Town of Coalhurst, which comprise the statement of financial position as at December 31, 2016, the statements of operations and accumulated surplus, changes in net financial assets and cash flows for the year then ended, and notes, comprising 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.

### *Auditors' 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 our 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, we consider 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 Coalhurst as at December 31, 2016, and its results of operations, its changes in net financial assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Chartered Professional Accountants

April 3, 2017  
Lethbridge, Canada

# TOWN OF COALHURST

## Statement of Financial Position

December 31, 2016, with comparative information for 2015

	2016	2015
<b>Financial Assets:</b>		
Cash and cash equivalents (note 3)	\$ 8,302,004	\$ 7,912,310
Taxes receivable (note 4)	125,956	171,015
Trade and other receivables	259,134	205,377
	<u>8,687,094</u>	<u>8,288,702</u>
<b>Financial Liabilities:</b>		
Accounts payable and accrued liabilities	11,260	5,419
Deferred revenue (note 5)	294,548	1,284,134
Deposit liabilities	141,045	154,987
Long-term debt (note 6)	4,348,413	2,419,749
	<u>4,795,266</u>	<u>3,864,289</u>
<b>Net financial assets</b>	<u>3,891,828</u>	<u>4,424,413</u>
<b>Non-Financial Assets:</b>		
Prepaid expenses	\$ 6,455	\$ -
Tangible capital assets (Schedule 6)	22,877,888	20,030,695
Inventories	803,096	1,055,115
	<u>23,687,439</u>	<u>21,085,810</u>
Contingent liability (note 11)		
<b>Accumulated surplus (note 7 and Schedule 3)</b>	<u>\$ 27,579,267</u>	<u>\$ 25,510,223</u>

See accompanying notes to financial statements.

# TOWN OF COALHURST

## Statement of Operations and Accumulated Surplus

Year ended December 31, 2016, with comparative information for 2015

	Budget	2016	2015
Revenue:			
Net municipal property taxes (Schedule 4)	\$ 1,685,838	\$ 1,692,147	\$ 1,580,974
Sales and user fees	1,720,052	1,574,622	1,424,050
Government transfers for operating (Schedule 1)	289,252	135,343	640,016
Investment income	65,000	74,747	92,547
Penalties and cost of taxes	52,500	47,092	53,182
Rentals	57,000	56,397	76,204
Franchise and concession contracts	68,000	75,156	69,747
Licenses and permits	22,000	29,904	21,890
Other	27,125	34,566	87,561
Total revenue	3,986,767	3,719,974	4,046,171
Expenses (Schedule 5):			
Legislative	89,600	76,643	75,148
Administration	569,250	1,413,698	1,171,844
Protective services	309,801	262,283	270,215
Roads, streets, walks and street lighting	674,750	461,363	381,107
Water supply and distribution	458,933	375,040	413,846
Waste water	422,214	383,500	345,450
Waste management	200,299	187,860	169,770
Community support	30,133	21,155	21,263
Municipal planning	232,571	168,904	134,075
Recreation and parks	275,500	223,873	205,779
Culture and library	117,157	90,761	95,845
Total expenses	3,380,208	3,665,080	3,284,342
Excess of revenue over expenses before the undernoted	606,559	54,894	761,829
Other:			
Government transfers for capital (Schedule 1)	1,351,318	2,014,150	503,763
Excess of revenue over expenses	1,957,877	2,069,044	1,265,592
Accumulated surplus, beginning of year	25,510,223	25,510,223	24,244,631
Accumulated surplus, end of year	\$ 27,468,100	\$ 27,579,267	\$ 25,510,223

See accompanying notes to financial statements.

# TOWN OF COALHURST

## Statement of Changes in Net Financial Assets

Year ended December 31, 2016, with comparative information for 2015

	Budget	2016	2015
Excess of revenue over expenses	\$ 1,957,877	\$ 2,069,044	\$ 1,265,592
Acquisition of tangible capital assets	-	(3,671,027)	(1,397,623)
Acquisition of prepaid expenses	-	(6,455)	-
Amortization of tangible capital assets	-	799,340	659,382
Loss on disposal of tangible capital assets	-	24,044	7,961
Proceeds on disposal of tangible capital assets	-	450	38,651
Use (acquisition) of inventories	-	252,019	(252,019)
Change in net financial assets	1,957,877	(532,585)	321,944
Net financial assets, beginning of year	4,424,413	4,424,413	4,102,469
Net financial assets, end of year	\$ 6,382,290	\$ 3,891,828	\$ 4,424,413

See accompanying notes to financial statements.

# TOWN OF COALHURST

## Statement of Cash Flows

Year ended December 31, 2016, with comparative information for 2015

	2016	2015
Cash provided by (used in):		
<b>Operating activities:</b>		
Excess of revenue over expenses	\$ 2,069,044	\$ 1,265,592
Items not involving cash:		
Amortization of tangible capital assets	799,340	659,382
Loss on disposal of tangible capital assets	24,044	7,961
Changes in non-cash assets and liabilities:		
Taxes receivable	45,059	(25,508)
Trade and other receivables	(53,757)	92,764
Prepaid expenses	(6,455)	-
Accounts payable and accrued liabilities	5,841	(195,468)
Deferred revenue	(989,586)	(420,687)
Deposit liabilities	(13,942)	(3,565)
Inventories	252,019	(252,019)
	2,131,607	1,128,452
<b>Capital activities:</b>		
Acquisition of tangible capital assets		
- internally funded	(3,671,027)	(1,347,827)
- funded by external borrowings	-	(49,796)
Proceeds on disposal of tangible capital assets	450	38,651
	(3,670,577)	(1,358,972)
<b>Financing activities:</b>		
Proceeds from long-term debt - capital	2,000,000	-
Principal payment on long-term debt - capital	(53,511)	(69,866)
Principal payment on long-term debt - operating	(17,825)	(17,230)
	1,928,664	(87,096)
Increase (decrease) in cash and cash equivalents	389,694	(317,616)
Cash and cash equivalents, beginning of year	7,912,310	8,229,926
Cash and cash equivalents, end of year	\$ 8,302,004	\$ 7,912,310

See accompanying notes to financial statements.

# TOWN OF COALHURST

## Notes to Financial Statements

Year ended December 31, 2016

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### 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 the 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.

# TOWN OF COALHURST

Notes to Financial Statements (continued)

Year ended December 31, 2016

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## 1. Significant accounting policies (continued):

### (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.

### (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.

# TOWN OF COALHURST

## Notes to Financial Statements (continued)

Year ended December 31, 2016

### 1. Significant accounting policies (continued):

#### (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.

#### (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.

# TOWN OF COALHURST

Notes to Financial Statements (continued)

Year ended December 31, 2016

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## 1. Significant accounting policies (continued):

### (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.

## 2. Recent accounting pronouncements:

The following summarizes the upcoming changes to the Public Sector Accounting Standards by the Public Sector Accounting Standards Board (PSAB). In 2017, 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 must be adopted concurrently.

### (a) PS 1201 - Financial Statement Presentation:

The implementation of this standard requires a new statement of re-measurement gains and losses separate from the statement of operations. This new statement will include the unrealized gains and losses arising from the re-measurement of financial instruments and items denominated in foreign currency. This standard is effective for fiscal years beginning on or after April 1, 2019.

### (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 re-measurement 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, 2019.

# TOWN OF COALHURST

Notes to Financial Statements (continued)

Year ended December 31, 2016

## 2. Recent accounting pronouncements (continued):

### (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 re-measurement gains and losses. This standard is effective for fiscal years beginning on or after April 1, 2019.

### (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, 2019.

## 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 \$2,198,288 (2015 - \$198,288) of unexpended debt proceeds from Alberta Capital Finance Authority and \$250,226 (2015 - \$1,242,951) of restricted grant funding.

## 4. Taxes receivable:

	2016	2015
Current	\$ 87,093	\$ 95,434
Arrears	38,863	75,581
	<u>\$ 125,956</u>	<u>\$ 171,015</u>

# TOWN OF COALHURST

Notes to Financial Statements (continued)

Year ended December 31, 2016

## 5. Deferred revenue:

	Balance 2015	Contributions received	Contributions recognized as revenue	Balance 2016
Federal Gas Tax Fund - capital	\$ 112,631	\$ -	\$ 112,631	\$ -
Wastewater Pipeline	-	728,109	728,109	-
Summer Temporary Employment Program	-	8,226	8,226	-
Municipal Sustainability Initiative - operating	-	127,117	127,117	-
Municipal Sustainability Initiative - capital	1,130,320	293,345	1,173,410	250,255
	1,242,951	1,156,797	2,149,493	250,255
Prepaid tax revenue	41,183	44,293	41,183	44,293
Deferred revenue, end of year	\$ 1,284,134	\$ 1,201,090	\$ 2,190,676	\$ 294,548

# TOWN OF COALHURST

Notes to Financial Statements (continued)

Year ended December 31, 2016

## 6. Long-term debt:

	2016	2015
Tax supported debentures	\$ 4,190,774	\$ 2,249,774
Self supported debentures	157,639	169,975
	<u>\$ 4,348,413</u>	<u>\$ 2,419,749</u>

Principal and interest repayments are as follows:

	Principal	Interest	Total
2017	\$ 131,359	\$ 135,227	\$ 266,586
2018	135,718	130,868	266,586
2019	140,231	126,355	266,586
2020	144,903	121,683	266,586
2021	149,741	116,845	266,586
Thereafter	3,646,461	1,369,805	5,016,266
	<u>\$ 4,348,413</u>	<u>\$ 2,000,783</u>	<u>\$ 6,349,196</u>

Long-term debt is comprised of:

	2016	2015
Capital	\$ 1,415,028	\$ 1,468,539
Land acquired for future development	735,097	752,922
Unspent debt proceeds	2,198,288	198,288
	<u>\$ 4,348,413</u>	<u>\$ 2,419,749</u>

Debenture debt is repayable to Alberta Municipal Financing Corporation and bears interest at rates ranging from 2.649% to 5.353% (2015 - 1.907% 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 \$85,347 (2015 - \$88,229). The Town's total cash payments for interest in 2016 were \$85,347 (2015 - \$88,229).

# TOWN OF COALHURST

Notes to Financial Statements (continued)

Year ended December 31, 2016

## 7. Accumulated surplus

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

	2016	2015
Unrestricted net assets	\$ -	\$ 758,644
Reserves (i)	6,116,407	6,189,423
Equity in tangible capital asset (ii)	21,462,860	18,562,156
	<u>\$ 27,579,267</u>	<u>\$ 25,510,223</u>

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

	2016	2015
Operating:		
Infrastructure	\$ 550,609	\$ 546,871
Administration	79,409	65,958
Fire department	628,889	552,611
Emergency measures	8,413	8,356
Equipment	419,473	364,481
Roads	562,222	528,608
Water	533,643	495,257
Sewer	654,212	649,770
Garbage	157,753	126,886
Drainage	238,943	184,879
Recreation	55,215	54,840
Community	43,450	43,155
Community centre	105,357	95,802
Contingency	517,633	509,649
	<u>4,555,221</u>	<u>4,227,123</u>
Capital	1,561,186	1,962,300
	<u>\$ 6,116,407</u>	<u>\$ 6,189,423</u>

(ii) Equity in tangible capital assets:

	2016	2015
Tangible capital assets (Schedule 6)	\$ 33,389,966	\$ 29,762,115
Accumulated amortization (Schedule 6)	(10,512,078)	(9,731,420)
Long-term debt for capital (note 6)	(1,415,028)	(1,468,539)
	<u>\$ 21,462,860</u>	<u>\$ 18,562,156</u>

# TOWN OF COALHURST

Notes to Financial Statements (continued)

Year ended December 31, 2016

## 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 2016	Total 2015
Mayor:				
D. Cassie	\$ 17,278	\$ 3,747	\$ 21,025	\$ 22,569
Councilors:				
H. Caldwell	12,022	2,527	14,549	14,213
M. Slingerland	10,430	2,621	13,051	12,371
B. Edgecome-Green	11,027	2,406	13,433	12,789
S. Watson	10,231	2,290	12,521	12,349
	60,988	13,591	74,579	74,291
Designated Officers:				
Chief Administrative Officer	111,100	18,544	129,644	123,678
Assessor	25,473	-	25,473	24,373
	\$ 136,573	\$ 18,544	\$ 155,117	\$ 148,051

- 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 Financial Statements (continued)

Year ended December 31, 2016

## 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:

	2016	2015
Total debt limit	\$ 5,579,961	\$ 6,069,257
Total debt	(4,348,413)	(2,419,749)
Amount of debt limit unused	1,231,548	3,649,508
Debt servicing limit	929,994	1,011,543
Debt servicing	(156,684)	(156,684)
Amount of debt servicing unused	\$ 773,310	\$ 854,859

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.

# TOWN OF COALHURST

Notes to Financial Statements (continued)

Year ended December 31, 2016

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## 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 244,621 people and about 426 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 11.39% (11.39% in 2015) of pensionable earnings up to the year's maximum pensionable earnings under the Canada Pension Plan and 15.84% (15.84% in 2015) on pensionable earnings above this amount. Employees of the Town are required to make current service contributions of 10.39% (10.39% in 2015) of pensionable salary up to the year's maximum pensionable salary and 14.84% (14.84% in 2015) on pensionable salary above this amount.

Total current service contributions by the Town to the LAPP in 2016 were \$81,851 (2015 - \$75,739). Total current service contributions by the employees of the Town to the LAPP in 2015 were \$75,135 (2015 - \$69,536).

At December 31, 2015, the LAPP reported an actuarial deficiency of \$923 million.

## 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.

# TOWN OF COALHURST

Notes to Financial Statements (continued)

Year ended December 31, 2016

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## 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, 2016, no amounts were drawn on this facility. At December 31, 2016 prime rate was 2.70%.

### 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 of 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 2016 operating and capital budgets approved by Council on May 24, 2016. Amortization was not contemplated in development of the budget and, as such, has not been included.

## 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:

# TOWN OF COALHURST

Notes to Financial Statements (continued)

Year ended December 31, 2016

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## 14. Segmented disclosure: (continued):

### (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

Year ended December 31, 2016, with comparative information for 2015

	Budget	2016	2015
Transfers for operating:			
Provincial government	\$ 289,252	\$ 135,343	\$ 640,016
Transfers for capital:			
Provincial government	1,351,318	2,014,150	503,763
Total government transfers	\$ 1,640,570	\$ 2,149,493	\$ 1,143,779

# TOWN OF COALHURST

## Schedule 2 - Schedule of Segmented Disclosures

Year ended December 31, 2016, with comparative information for 2015

	Utilities	Public Works	Protective Services	Parks and culture	General Government	Total 2016	Total 2015
<b>Revenue:</b>							
Net taxes available for municipal purposes	-	-	-	-	1,692,147	1,692,147	1,580,974
Sales and user fees	1,338,513	57,821	155,614	1,235	21,439	1,574,622	1,424,050
Government transfer for operating	45,000	28,000	-	12,500	49,843	135,343	640,016
Investment income	-	-	-	-	74,747	74,747	92,547
Penalties and cost of taxes	-	-	-	-	47,092	47,092	53,182
Rentals	-	-	-	26,597	29,800	56,397	76,204
Franchise and concession contracts	-	-	-	-	75,156	75,156	69,747
Licenses and permits	-	-	8,882	-	21,022	29,904	21,890
Other	-	-	610	2,275	31,681	34,566	87,561
	1,383,513	85,821	165,106	42,607	2,042,927	3,719,974	4,046,171
<b>Expenses:</b>							
Salaries, wages and benefits	234,147	104,191	136,872	169,815	399,786	1,044,811	982,083
Contracted and general services	153,948	191,061	48,972	50,557	232,997	677,535	571,762
Materials, goods, supplies and utilities	133,400	146,574	61,536	67,006	80,075	488,591	551,148
Grants to individuals and organizations	375,409	-	7,571	27,578	31,511	442,069	416,201
Interest on long-term debt	69,000	-	8,351	-	7,996	85,347	88,229
Interest and bank charges	-	-	-	-	1,381	1,381	1,341
Other	-	-	-	-	101,962	101,962	6,235
Amortization	-	-	-	-	799,340	799,340	659,382
Loss (gain) on disposal of tangible capital assets	-	24,494	(450)	-	-	24,044	7,961
	965,904	466,320	262,852	314,956	1,655,048	3,665,080	3,284,342
<b>Excess (deficiency) of revenue over expenses before the undernoted</b>	417,609	(380,499)	(97,746)	(272,349)	387,879	54,894	761,829
Government transfers to capital	33,913	1,826,897	83,972	69,368	-	2,014,150	503,763
<b>Excess of revenue over expenses</b>	451,522	1,446,398	(13,774)	(202,981)	387,879	2,069,044	1,265,592

# TOWN OF COALHURST

## Schedule 3 - Schedule of Changes in Accumulated Surplus

Year ended December 31, 2016, with comparative information for 2015

	Unrestricted net assets	Reserves	Equity in tangible capital assets	2016	2015
Balance, beginning of year	\$ 758,644	\$ 6,189,423	\$ 18,562,156	\$ 25,510,223	\$ 24,244,631
Excess of revenues over expenses	2,069,044	-	-	2,069,044	1,265,592
Transferred from reserves	73,016	(73,016)	-	-	-
Acquisition of tangible capital assets internally funded	(3,671,027)	-	3,671,027	-	-
Net book value of tangible capital assets disposed	24,494	-	(24,494)	-	-
Amortization of capital assets	799,340	-	(799,340)	-	-
Principal payment on debenture debt - capital	(53,511)	-	53,511	-	-
Change in accumulated surplus	(758,644)	(73,016)	2,900,704	2,069,044	1,265,592
Balance, end of year	\$ -	\$ 6,116,407	\$ 21,462,860	\$ 27,579,267	\$ 25,510,223

# TOWN OF COALHURST

## Schedule 4 - Schedule of Net Municipal Property Taxes

Year ended December 31, 2016, with comparative information for 2015

	Budget	2016	2015
Taxation:			
Real property tax	\$ 2,260,334	\$ 2,265,305	\$ 2,146,072
Requisitions:			
Alberta School Foundation Fund	546,393	546,393	537,644
Green Acres Foundation	28,103	26,765	27,454
	574,496	573,158	565,098
Net municipal property tax	\$ 1,685,838	\$ 1,692,147	\$ 1,580,974

# TOWN OF COALHURST

## Schedule 5 - Schedule of Expenses by Object

Year ended December 31, 2016, with comparative information for 2015

	Budget	2016	2015
Salaries, wages and benefits	\$ 1,067,049	\$ 1,044,811	\$ 982,083
Contracted and general services	818,767	677,535	571,762
Materials, goods and utilities	904,240	488,591	551,148
Transfers to local boards and agencies	454,750	442,069	416,201
Interest on long-term debt	85,348	85,347	88,229
Interest and bank charges	2,300	1,381	1,341
Other	47,754	101,962	6,235
Loss on disposal of tangible capital assets	-	24,044	7,961
Amortization	-	799,340	659,382
Total expenses by object	\$ 3,380,208	\$ 3,665,080	\$ 3,284,342

# TOWN OF COALHURST

## Schedule 6 - Schedule of Tangible Capital Assets

Year ended December 31, 2016, with comparative information for 2015

	Land	Land improvements	Buildings	Engineered structures	Machinery and equipment	Vehicles	Construction in progress	2016	2015
<b>Cost:</b>									
Balance, beginning of year	1,321,281	71,835	3,649,177	20,492,985	1,502,938	1,643,085	1,080,814	29,762,115	28,420,810
Acquisition of tangible capital assets	674,904	-	-	2,611,178	186,281	66,656	132,008	3,671,027	1,397,623
Transfer	-	-	-	933,370	-	-	(933,370)	-	-
Disposal of tangible capital assets	-	-	-	(38,176)	-	(5,000)	-	(43,176)	(56,318)
Balance, end of year	1,996,185	71,835	3,649,177	23,999,357	1,689,219	1,704,741	279,452	33,389,966	29,762,115
<b>Accumulated amortization:</b>									
Balance, beginning of year	-	25,157	2,588,314	5,824,375	510,197	783,377	-	9,731,420	9,081,744
Accumulated amortization on disposals	-	-	-	(13,682)	-	(5,000)	-	(18,682)	(9,706)
Amortization	-	2,873	90,799	529,240	75,559	100,869	-	799,340	659,382
Balance, end of year	-	28,030	2,679,113	6,339,933	585,756	879,246	-	10,512,078	9,731,420
Net book value of tangible capital assets	1,996,185	43,805	970,064	17,659,424	1,103,463	825,495	279,452	22,877,888	20,030,695
2015 Net book value of tangible capital assets	1,321,281	46,678	1,060,863	14,668,610	992,741	859,708	1,080,814	20,030,695	