

TOWN OF OLDS

Consolidated Financial Statements

For the year ended December 31, 2016

TOWN OF OLDS
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For the year ended December 31, 2016

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CHARTERED PROFESSIONAL ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying consolidated financial statements of the Town of Olds which comprise the consolidated statement of financial position as at December 31, 2016, and the consolidated statements of operations, change in net financial assets and cash flow for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements present fairly, in all material respects, the financial position of the Town of Olds as at December 31, 2016 and the results of its operations, changes in its net financial assets, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Lethbridge, Alberta

April 10, 2017

Avail LLP

Chartered Professional Accountants

MANAGEMENT REPORT

The consolidated financial statements are the responsibility of the management of the Town of Olds.

These consolidated financial statements have been prepared from information provided by management. Financial statements are not precise since they include certain amounts based on estimates and judgments. Management has determined such amounts on a reasonable basis in order to ensure that the consolidated financial statements are presented fairly, in all material respects.

The Town maintains systems of internal accounting and administrative controls that are designed to provide reasonable assurance that the financial information is relevant, reliable and accurate and that the Town's assets are properly accounted for and adequately safeguarded.

The elected Council of the Town of Olds is responsible for ensuring that management fulfils its responsibilities for financial statements. Council carries out its responsibility principally through the Committee of the Whole.

The Council meets annually with management and the external auditors to discuss internal controls over the financial reporting process, auditing matters and financial reporting issues, and to satisfy itself that each party is properly discharging its responsibilities. Council also considers the engagement or re-appointment of the external auditors. Council reviews the monthly financial reports.

The consolidated financial statements have been audited by Avail LLP Chartered Professional Accountants, the external auditors, in accordance with Canadian generally accepted auditing standards on behalf of the Council, residents and ratepayers of the Town. Avail LLP has full and free access to the Council.



Municipal Manager

TOWN OF OLDS
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at December 31, 2016

	2016	2015
Financial assets		
Cash and temporary investments (note 2)	\$ 4,198,686	\$ 3,173,203
Taxes and grants in place of taxes receivable (note 3)	473,101	466,181
Trade and other receivables (note 4)	1,714,208	1,919,475
Loan receivable (note 5)	13,884,901	13,680,030
Investments (note 6)	6,436,409	6,360,377
Inventory held for resale	19,215	14,267
	<u>26,726,520</u>	<u>25,613,533</u>
Liabilities		
Line of credit (note 7)	-	380,000
Accounts payable and accrued liabilities	1,679,081	1,903,954
Employee benefit obligations (note 8)	192,951	172,065
Deposits	729,169	454,879
Deferred revenue (note 9)	1,095,627	479,763
Long-term debt (note 10)	17,396,386	18,527,381
	<u>21,093,214</u>	<u>21,918,042</u>
Net financial assets	<u>5,633,306</u>	<u>3,695,491</u>
Non-financial assets		
Prepaid expenses	75,208	116,339
Tangible capital assets (schedule 2)	73,224,107	71,369,568
	<u>73,299,315</u>	<u>71,485,907</u>
Accumulated surplus (note 12)	<u>\$ 78,932,621</u>	<u>\$ 75,181,398</u>

Commitments and contingencies (note 21)

Approved on behalf of Council:


 Mayor


 Councillor

TOWN OF OLDS
CONSOLIDATED STATEMENT OF OPERATIONS
For the year ended December 31, 2016

	Budget (Unaudited)	2016	2015
Revenue			
Net municipal taxes (note 15)	\$ 8,521,740	\$ 8,509,718	\$ 8,122,514
User fees and sales of goods	9,247,300	9,633,265	8,328,768
Government transfers for operating (note 16)	1,367,270	1,085,595	1,058,692
Investment income	178,000	205,101	225,068
Penalties and costs of taxes	310,700	296,617	297,421
Development levies	-	121,684	70,131
Licenses and permits	360,500	231,198	253,603
Franchise and concession contracts	1,209,530	1,237,264	1,120,819
Rentals and other	219,070	215,472	207,644
Sales to other governments	195,045	195,960	204,898
	21,609,155	21,731,874	19,889,558
Expenses (note 17)			
Legislative	315,950	308,486	297,348
Administration	1,457,700	1,530,294	1,655,190
Protective services	2,512,640	2,950,364	2,555,861
Transportation services	1,798,050	2,771,961	2,717,798
Storm sewers and drainage	36,050	131,669	106,397
Other transportation	53,530	47,122	48,585
Water and waste water	2,558,550	3,256,829	3,099,447
Wastewater treatment and disposal	3,767,440	3,945,121	3,376,585
Waste management	848,340	871,904	1,193,752
Public health and welfare services	528,895	538,380	512,261
Planning and development	1,299,200	1,224,149	1,146,588
Recreation, parks and culture	4,183,725	5,010,285	4,400,022
	19,360,070	22,586,564	21,109,834
Excess (deficiency) of revenue over expenses before other	2,249,085	(854,690)	(1,220,276)
Other			
Government transfers for capital (note 16)	2,779,500	1,953,482	3,051,717
Capital donations	-	10,375	566,548
Contributed assets	-	2,642,056	-
	2,779,500	4,605,913	3,618,265
Excess of revenue over expenses	5,028,585	3,751,223	2,397,989
Accumulated surplus, beginning of year	75,181,398	75,181,398	72,783,409
Accumulated surplus, end of year	\$ 80,209,983	\$ 78,932,621	\$ 75,181,398

TOWN OF OLDS

CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL ASSETS
For the year ended December 31, 2016

	Budget (Unaudited)	2016	2015
Excess of revenue over expenses	\$ 5,028,585	\$ 3,751,223	\$ 2,397,989
Acquisition of tangible capital assets	(4,941,590)	(2,388,525)	(5,141,868)
Amortization of tangible capital assets	467,370	2,968,765	2,924,837
Contributed assets	-	(2,642,056)	-
Loss on disposal of tangible capital assets	-	118,466	14,270
Proceeds on disposal of tangible capital assets	-	88,811	200,653
	(4,474,220)	(1,854,539)	(2,002,108)
Net change in prepaid expense	-	41,131	(100,852)
Increase in net financial assets	554,365	1,937,815	295,029
Net financial assets, beginning of year	3,695,491	3,695,491	3,400,462
Net financial assets, end of year	\$ 4,249,856	\$ 5,633,306	\$ 3,695,491

TOWN OF OLDS
CONSOLIDATED STATEMENT OF CASH FLOW
For the year ended December 31, 2016

	2016	2015
Operating transactions		
Excess of revenue over expenses	\$ 3,751,223	\$ 2,397,989
Adjustments for items which do not affect cash		
Loss on disposal of tangible capital assets	118,466	14,270
Amortization of tangible capital assets	2,968,765	2,924,837
Contributed assets	(2,642,056)	-
	4,196,398	5,337,096
Net change in non-cash working capital items		
Taxes and grants in place of taxes receivable	(6,920)	(101,027)
Trade and other receivables	205,267	392,319
Loan receivable	(204,871)	(2,724,794)
Inventory held for resale	(4,948)	(6,587)
Prepaid expenses	41,131	(100,852)
Accounts payable and accrued liabilities	(224,873)	(253,062)
Employee benefit obligations	20,886	(19,675)
Deposits	274,290	438,124
Deferred revenue	615,864	(282,936)
Cash provided by operating transactions	4,912,224	2,678,606
Capital transactions		
Proceeds on disposal of tangible capital assets	88,811	200,653
Acquisition of tangible capital assets	(2,388,525)	(5,141,868)
Cash applied to capital transactions	(2,299,714)	(4,941,215)
Investing transactions		
Purchase of investments	(4,127,080)	(5,387,750)
Proceeds on sale of investments	4,051,048	8,796,535
Cash applied to (provided by) investing transactions	(76,032)	3,408,785
Financing transactions		
Proceeds of long-term debt	-	1,600,000
Repayment of long-term debt	(1,130,995)	(969,418)
Cash applied to financing transactions	(1,130,995)	630,582
Increase in cash and temporary investments	1,405,483	1,776,758
Cash and temporary investments, beginning of year	2,793,203	1,016,445
Cash and temporary investments, end of year	\$ 4,198,686	\$ 2,793,203
Cash and temporary investments consists of:		
Cash and temporary investments (note 2)	\$ 4,198,686	\$ 3,173,203
Line of credit (note 7)	-	(380,000)
	\$ 4,198,686	\$ 2,793,203

TOWN OF OLDS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2016

1. Significant accounting policies

The consolidated financial statements of the Town of Olds are the representations of management prepared in accordance with public sector accounting standards for local government established by Chartered Professional Accountants of Canada. Significant aspects of the accounting policies adopted by the Town are as follows:

(a) Reporting entity

The consolidated financial statements reflect the assets, liabilities, revenue and expenses, changes in fund balances and change in financial position of the reporting entity which comprises all of the organizations that are owned or controlled by the Town and are, therefore, accountable to the Council for the administration of their financial affairs and resources.

Taxes levied also includes requisitions for educational, health care, social and other external organizations that are not part of the municipal reporting entity.

The statements exclude trust assets that are administered for the benefit of external parties. Interdepartmental and organizational transactions and balances are eliminated.

(b) Basis of accounting

The financial statements are prepared using the accrual basis of accounting. The accrual basis of accounting records revenue as it is earned and measurable. Expenses are recognized as they are incurred and measurable based upon receipt of goods or services and/or the legal obligation to pay.

Funds from external parties and earnings thereon restricted by agreement or legislation are accounted for as deferred revenue until used for the purpose specified.

Government transfers, contributions and other amounts are received from third parties pursuant to legislation, regulation or agreement and may only be used for certain programs, in the completion of specific work, or for the purchase of tangible capital assets. In addition, certain user charges and fees are collected for which the related services have yet to be performed. Revenue is recognized in the period when the related expenses are incurred, services performed or the tangible capital assets are acquired.

(c) Inventories for resale

Land held for resale is recorded at the lower of cost and net realizable value.

(d) Investments

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

(e) Debt charges recoverable

Debt charges recoverable consist of amounts that are recoverable from municipal agencies or other local governments with respect to outstanding debentures or other long-term debt pursuant to annexation orders or joint capital undertakings. These recoveries are recorded at a value that equals the offsetting portion of the unmatured long-term debt, less actuarial requirements for the retirement of any sinking fund debentures.

TOWN OF OLDS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2016

1. Significant accounting policies, continued

(f) Requisition over-levy and under-levy

Over-levies and under-levies arise from the difference between the actual property tax levy made to cover each requisition and the actual amount requisitioned.

If the actual levy exceeds the requisition, the over-levy is accrued as a liability and property tax revenue is reduced. Where the actual levy is less than the requisition amount, the under-levy is accrued as a receivable and as property tax revenue.

Requisition tax rates in the subsequent year are adjusted for any over-levies or under-levies of the prior year.

(g) 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 liabilities at the date of the financial statements, and the reported amounts of revenue and expense during the period. Where measurement uncertainty exists, the financial statements have been prepared within reasonable limits of materiality. Actual results could differ from those estimates.

(h) Tax revenue

Tax revenues are recognized when the tax has been authorized by bylaw and the taxable event has occurred.

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

(i) Contaminated sites liability

Contaminated sites are a result of contamination being introduced into air, soil, water or sediment of a chemical, organic or radioactive material or live organism that exceeds an environmental standard. The liability is recorded net of any expected recoveries. A liability for remediation of a contaminated site is recognized when a site is not in productive use and is management's estimate of the cost of post-remediation including operation, maintenance and monitoring.

(j) Government transfers

Government transfers are the transfer of assets from senior levels of government that are not the result of an exchange transaction, are not expected to be repaid in the future, or the result of a direct financial return.

Government transfers are recognized in the financial statements as revenue in the period in which events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met, and reasonable estimates of the amounts can be determined.

(k) Non-financial assets

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the normal course of operations. The change in non-financial assets during the year, together with the excess of revenues over expenses, provides the consolidated Change in Net Financial Assets for the year.

TOWN OF OLDS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2016

1. Significant accounting policies, continued

(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
Land improvements	15-25
Buildings	25-50
Engineered structures	15-75
Machinery and equipment	5-40

Assets under construction are not amortized until put into use.

(ii) Contributions of tangible capital assets

Tangible capital assets received as contributions are recorded at fair value at the date of receipt and also are recorded as revenue.

(iii) Leases

Leases are classified as capital or operating leases. Leases which transfer substantially all of the benefits and risks incidental to ownership of property are accounted for as capital leases. All other leases are accounted for as operating leases and the related lease payments are charged to expenses as incurred.

(iv) Inventories

Inventories of materials and supplies are valued at the lower of cost or net realizable value with cost determined by the first-in first-out method.

(v) Cultural and historical tangible capital assets

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

TOWN OF OLDS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2016

2. Cash and temporary investments

	2016	2015
Cash	\$ 2,149,577	\$ 114,276
Temporary investments	2,049,109	3,058,927
	<u>\$ 4,198,686</u>	<u>\$ 3,173,203</u>

Temporary investments consist of guaranteed investment certificates and term deposits with maturities of three months or less.

3. Taxes and grants in place of taxes receivables

	2016	2015
Taxes and grants in place of taxes receivable	\$ 341,464	\$ 368,511
Arrears taxes receivable	115,903	94,032
	<u>457,367</u>	<u>462,543</u>
Under-levies	15,734	3,638
	<u>\$ 473,101</u>	<u>\$ 466,181</u>

4. Trade and other receivables

	2016	2015
Utility accounts receivable	\$ 945,040	\$ 855,435
Goods and services tax	125,161	119,027
Trade and other receivables	644,007	945,013
	<u>\$ 1,714,208</u>	<u>\$ 1,919,475</u>

5. Loan receivable

Olds Institute for Community and Regional Development (OICRD) was granted a loan to fund the installation of fibre optics within the Town boundaries in order to provide high speed internet service for residents and businesses. Principal and interest are payable in installments which match the payments on the debenture the Town has taken from Alberta Capital Finance. The term of the receivable matches the term of the debentures, maturing between 2021 and 2030.

The loan receivable is secured by a collateral mortgage over land, a mortgage of rights of way, an assignment of insurance policies, an assignment of leases and rents, an assignment of contracts, construction documents, plans, and designs, an assignment of the network system, an unlimited guarantee from Olds Fibre Ltd., and general security agreements.

TOWN OF OLDS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2016

6. Investments

Investments consist of guaranteed investment certificates that bear interest at rates ranging from 1.22% to 2.35% (2015 - 1.2% to 2.35%) per annum and mature in periods from 2017 through 2020.

7. Line of credit

The Town has established a line of credit with a Canadian chartered bank to a maximum of \$500,000 which bears interest at prime plus 0.25% per annum.

8. Employee benefit obligations

	2016	2015
Vacation payable	\$ 187,776	\$ 160,718
Overtime payable	5,175	11,347
	<u>\$ 192,951</u>	<u>\$ 172,065</u>

Vacation and overtime

The vacation and overtime liability is comprised of the vacation and overtime that employees are deferring to future years. Employees have either earned the benefits (and they are vested) or are entitled to these benefits within the next budgetary year.

9. Deferred revenue

Deferred revenue consists of prepaid expenses and government transfers.

Government transfers consist of funding received from the federal and provincial governments for which stipulations have not yet been met. The use of these funds is restricted to eligible projects approved under the funding agreements.

	2016	2015
Municipal Sustainability Initiative - capital	\$ 888,870	\$ 302,153
Federal Gas Tax Fund - capital	40,562	40,562
New Police Officers Grant	25,000	25,000
Other	141,195	112,048
	<u>\$ 1,095,627</u>	<u>\$ 479,763</u>

TOWN OF OLDS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2016

10. Long-term debt

	2016	2015
Debentures supported by general tax levies	\$ 4,442,480	\$ 4,673,748
Debentures supported by utility rates	1,715,933	1,886,070
Debentures supported by loan repayment agreement	11,237,973	11,967,563
	<u>\$ 17,396,386</u>	<u>\$ 18,527,381</u>
Current portion	<u>\$ 1,489,548</u>	<u>\$ 1,130,994</u>

Principal and interest repayments are due as follows:

	Principal	Interest	Total
2017	\$ 1,489,548	\$ 579,968	\$ 2,069,516
2018	1,592,899	529,002	2,121,901
2019	1,646,540	475,361	2,121,901
2020	1,702,295	419,605	2,121,900
2021	1,760,262	361,639	2,121,901
Thereafter	9,204,842	1,815,087	11,019,929
	<u>\$ 17,396,386</u>	<u>\$ 4,180,662</u>	<u>\$ 21,577,048</u>

Debenture debt is repayable to Alberta Capital Finance Authority and bears interest at rates ranging from 2.226% to 6.25% per annum, before Provincial subsidy, and matures in periods 2021 through 2042.

Debenture debt is issued on the credit and security of the Town at large.

Interest on long-term debt amounted to \$291,961 (2015 - \$313,089).

The Town's total cash payments for interest were \$302,658 (2015 - \$323,025).

11. Contaminated sites liability

The Town adopted PS3260 Liability for Contaminated sites.

The Town's sewage treatment plant was shutdown in August, 2015. A reasonable estimate to decommission the plant cannot be made until Alberta Environment has approved the Town's decommissioning plan.

TOWN OF OLDS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2016

12. Accumulated surplus

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

	2016	2015
Unrestricted surplus	\$ 3,471,076	\$ 3,427,733
Internally restricted surplus (reserves) (note 13)	8,395,851	6,943,915
Equity in tangible capital assets (note 14)	67,065,694	64,809,750
	<u>\$ 78,932,621</u>	<u>\$ 75,181,398</u>

13. Reserves

Council has set up reserves for various purposes. These reserves are either required by legislation or set up at the discretion of Council to provide funding for future expenses.

	2016	2015
Operating		
General	\$ 1,645,050	\$ 1,398,014
Perpetual care	192,838	192,838
Utilities	641,779	6,219
NU2U	64,122	60,102
Olds Fashioned Christmas	17,147	16,476
Fire reserve	62,880	50,940
RCMP DARE reserve	5,190	5,190
Snow removal	147,000	147,000
	<u>2,776,006</u>	<u>1,876,779</u>
Capital		
Utility reserve	909,121	909,121
Road and other infrastructure	566,895	566,895
South Red Deer Regional Wastewater Commission	59,580	59,580
General	658,954	451,571
Building reserve	1,126,700	1,037,395
Offsite levies - transportation	557,857	510,242
Offsite levies - water	344,222	316,710
Offsite levies - wastewater	222,798	195,286
Offsite levies - storm sewer	194,614	175,568
Equipment replacement	649,307	461,412
Parks	65,736	65,736
Municipal reserve	138,087	138,087
Restricted reserves for specific purposes	76,497	76,497
Fire - small equipment	49,477	103,036
	<u>5,619,845</u>	<u>5,067,136</u>
	<u>\$ 8,395,851</u>	<u>\$ 6,943,915</u>

TOWN OF OLDS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2016

14. Equity in tangible capital assets

	2016	2015
Tangible capital assets (schedule 2)	\$ 128,245,786	\$ 123,778,847
Accumulated amortization (schedule 2)	(55,021,679)	(52,409,279)
Long-term debt (note 10)	(17,396,386)	(18,527,381)
Non-capital long-term debt (note 10)	11,237,973	11,967,563
	<u>\$ 67,065,694</u>	<u>\$ 64,809,750</u>

15. Net municipal property taxes

	Budget (Unaudited)	2016	2015
Taxation			
Real property taxes	\$ 12,276,150	\$ 12,124,119	\$ 11,584,597
Linear property taxes	-	140,066	150,028
Frontage taxes	8,100	8,037	8,037
Government grants in place of property taxes	-	-	41,207
	<u>12,284,250</u>	<u>12,272,222</u>	<u>11,783,869</u>
Requisitions			
Alberta School Foundation Fund	3,571,820	3,571,817	3,478,801
Mountain View Senior Housing	190,690	190,687	182,554
	<u>3,762,510</u>	<u>3,762,504</u>	<u>3,661,355</u>
	<u>\$ 8,521,740</u>	<u>\$ 8,509,718</u>	<u>\$ 8,122,514</u>

16. Government transfers

	Budget (Unaudited)	2016	2015
Transfers for operating:			
Provincial conditional grants	\$ 642,850	\$ 696,878	\$ 677,676
Other local governments	724,420	388,717	381,016
	<u>1,367,270</u>	<u>1,085,595</u>	<u>1,058,692</u>
Transfers for capital:			
Provincial grants	2,286,500	1,483,414	2,307,557
Federal grants	493,000	470,068	674,160
Other local governments	-	-	70,000
	<u>2,779,500</u>	<u>1,953,482</u>	<u>3,051,717</u>
	<u>\$ 4,146,770</u>	<u>\$ 3,039,077</u>	<u>\$ 4,110,409</u>

TOWN OF OLDS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2016

17. Expenses by object

	Budget (Unaudited)	2016	2015
Salaries, wages and benefits	\$ 6,706,600	\$ 6,808,263	\$ 6,345,487
Contracted and general services	3,585,485	3,683,096	3,559,768
Purchases from other governments	5,576,120	5,734,369	4,824,978
Materials, goods, supplies and utilities	1,752,050	1,999,628	1,927,551
Amortization of tangible capital assets	467,370	2,968,765	2,924,837
Transfers to organizations and others	987,875	940,958	1,129,064
Interest on long term debt	292,770	291,961	313,089
Bank charges and short term interest	29,300	29,195	38,217
Loss on disposal of tangible capital assets	(72,500)	118,466	14,270
Other expenditures	35,000	11,863	32,573
	\$ 19,360,070	\$ 22,586,564	\$ 21,109,834

18. Local authorities pension plan

Employees of the Town participate in the Local Authorities Pension Plan (LAPP), which is one of the plans covered by the Alberta Public Sector Pensions Plans Act. The plan serves about 244,000 people and 426 employers. The LAPP is financed by the employer and employee contributions and by investment earnings of the LAPP Fund.

Contributions for current service are recorded as expenditures in the year in which they become due.

The Town is required to make current service contributions to the LAPP of 11.39% of pensionable earnings up to the year's maximum pensionable earnings under the Canada Pension Plan 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 and 14.84% on pensionable salary above this amount.

Total current service contributions by the Town to the LAPP in 2016 were \$455,725 (2015 - \$424,932). Total current service contributions by the employees of the Town to the LAPP in 2016 were \$418,517 (2015 - \$462,670).

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

TOWN OF OLDS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2016

19. Salary and benefits disclosure

Disclosure of salaries and benefits for elected municipal officials, the chief administrative officer and designated officers as required by Alberta Regulation 313/2000 is as follows:

	(1) Salary	(2) Benefits & allowances	2016	2015
Council				
Mayor Dahl	\$ 53,154	\$ 6,604	\$ 59,758	\$ 60,239
Councillor Bearchell	23,930	5,291	29,221	27,061
Councillor Bennett	25,367	5,635	31,002	28,714
Councillor Durieux	26,961	5,444	32,405	30,641
Councillor Harper	27,467	2,965	30,432	27,469
Councillor Overwater	26,017	5,385	31,402	31,006
Councillor Walsh	27,417	5,479	32,896	37,249
Chief Administrative Officer	\$ 162,552	\$ 37,051	\$ 199,603	\$ 201,656

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

(2) Benefits and allowances include the employer's share of all employee benefits and contributions or payments made on behalf of employees including pension, health care, dental coverage, vision coverage, group life insurance, accidental disability and dismemberment insurance, long- and short-term disability plans, professional memberships, and tuition.

Benefits and allowances 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.

20. Segmented disclosure

The Town provides a range of services to its ratepayers. For each reported segment, revenues and expenses represent both amounts that are directly attributable to the segment and amounts that are allocated on a reasonable basis. The accounting policies used in these segments are consistent with those followed in the preparation of the financial statements as disclosed in note 1.

Refer to the schedule of segmented disclosure (schedule 3).

TOWN OF OLDS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2016

21. Commitments and contingencies

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

b) The Town has agreed to guarantee a line of credit for \$4,000,000 received by the Olds Institute for Community and Regional Development from a local financial institution for a period not to exceed five years beginning August 27, 2012. As at December 31, 2016, the principal balance of the loan was \$3,474,235 (2015 - \$3,883,798).

c) The Town has entered into operating leases for vehicles and equipment as follows.

Payments over the next five years are as follows:

2017	\$ 248,484
2018	240,344
2019	154,203
2020	81,770
2021	5,951
	<u>\$ 730,752</u>

22. 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	\$ 32,597,811	\$ 29,834,340
Total debt	20,870,621	22,411,179
	<u>\$ 11,727,190</u>	<u>\$ 7,423,161</u>
Debt servicing limit	\$ 5,432,969	\$ 4,972,390
Debt servicing	2,069,516	1,753,351
	<u>\$ 3,363,453</u>	<u>\$ 3,219,039</u>

The debt limit is calculated at 1.5 times revenue of the municipality (as defined in Alberta Regulation 255/00) and the debt service limit is calculated at 0.25 times such revenue. Incurring debt beyond these limits requires approval by the Minister of Municipal Affairs. These thresholds are guidelines used by Alberta Municipal Affairs to identify municipalities which could be at financial risk if further debt is acquired. The calculation alone does not represent the financial stability of the municipality. Rather, the financial statements must be interpreted as a whole.

The total debt of \$20,870,621 includes the principal balance of the loan guarantee (\$3,474,235) for the Olds Institute for Community and Regional Development, as disclosed in note 21.

TOWN OF OLDS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2016

23. Budget amounts

The 2016 budget for the Town was approved by Council on April 25, 2016 and has been reported in the consolidated financial statements for information purposes only. These budget amounts have not been audited, reviewed, or otherwise verified.

The approved budget contained reserve transfers, capital additions and principal payments on debt as expenditures. Since these items are not included in the amounts reported in the consolidated financial statements, they have been excluded from the budget amounts presented in these financial statements.

Budgeted surplus per financial statements	\$ 5,028,585
Less: Capital expenditures	(4,941,590)
Long-term debt repayments	(400,560)
Transfers to reserves	(3,173,250)
Add: Transfers from reserves	3,486,815
Equals: Balanced budget	\$ -

24. Financial instruments

The Town's financial instruments consist of cash and temporary investments, accounts receivable, investments, debt charges recoverable, bank indebtedness, accounts payable and accrued liabilities, deposit liabilities, requisition over-levy, and long-term debt. It is management's opinion that the Town is not exposed to significant interest or risk arising from these financial instruments.

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

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

25. Approval of financial statements

These financial statements were approved by Council and Management.

26. Comparative figures

Where necessary the comparative figures for the 2015 year have been reclassified to conform with 2016 financial statement presentation.

TOWN OF OLDS
SCHEDULES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2016

Schedule of changes in accumulated surplus				Schedule 1	
	Unrestricted	Restricted	Equity in tangible capital assets	2016	2015
Balance, beginning of year	\$ 3,427,733	\$ 6,943,915	\$ 64,809,750	\$ 75,181,398	\$ 72,783,409
Excess of revenue over expenses	3,751,223	-	-	3,751,223	2,397,989
Unrestricted funds designated for future use	(1,991,169)	1,991,169	-	-	-
Restricted funds used for operations	157,909	(157,909)	-	-	-
Restricted funds used for tangible capital assets	-	(381,324)	381,324	-	-
Current year funds used for tangible capital assets	(2,007,201)	-	2,007,201	-	-
Contributed tangible capital assets	(2,642,056)	-	2,642,056	-	-
Disposal of tangible capital assets	207,277	-	(207,277)	-	-
Amortization of tangible capital assets	2,968,765	-	(2,968,765)	-	-
Capital long term debt repaid	(401,405)	-	401,405	-	-
Change in accumulated surplus	43,343	1,451,936	2,255,944	3,751,223	2,397,989
Balance, end of year	\$ 3,471,076	\$ 8,395,851	\$ 67,065,694	\$ 78,932,621	\$ 75,181,398

TOWN OF OLDS
SCHEDULES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2016

Schedule of tangible capital assets

Schedule 2

	Land	Land improvements	Buildings	Engineered structures	Machinery and equipment	Vehicles	Construction in progress	2016	2015
Cost:									
Balance, beginning of year \$	3,574,401	\$ 3,236,663	\$ 23,046,163	\$ 85,897,850	\$ 4,314,264	\$ 3,584,164	\$ 125,342	\$ 123,778,847	\$ 119,921,379
Acquisitions	-	346,460	-	4,124,813	409,782	-	149,526	5,030,581	5,141,868
Transfers	-	77,194	-	-	-	-	(77,194)	-	-
Disposals	-	-	-	(447,331)	(95,970)	-	(20,341)	(563,642)	(1,284,400)
Balance, end of year	3,574,401	3,660,317	23,046,163	89,575,332	4,628,076	3,584,164	177,333	128,245,786	123,778,847
Accumulated amortization:									
Balance, beginning of year	-	663,588	8,161,243	40,505,241	1,850,932	1,228,275	-	52,409,279	50,553,921
Annual amortization	-	273,248	510,859	1,704,722	273,307	206,629	-	2,968,765	2,924,837
Disposals	-	-	-	(349,967)	(6,398)	-	-	(356,365)	(1,069,479)
Balance, end of year	-	936,836	8,672,102	41,859,996	2,117,841	1,434,904	-	55,021,679	52,409,279
Net book value	\$ 3,574,401	\$ 2,723,481	\$ 14,374,061	\$ 47,715,336	\$ 2,510,235	\$ 2,149,260	\$ 177,333	\$ 73,224,107	\$ 71,369,568
2015 net book value	\$ 3,574,401	\$ 2,573,075	\$ 14,884,920	\$ 45,392,608	\$ 2,463,332	\$ 2,355,889	\$ 125,343	\$ 71,369,568	

TOWN OF OLDS
SCHEDULE TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2016

Schedule of segmented disclosure

Schedule 3

	General government	Protective services	Transportation services	Environmental services	Public health services	Planning and development	Recreation and culture	Total
Revenue								
Net municipal taxes	\$ 8,509,718	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 8,509,718
User fees and sales of goods	98,984	468,252	17,870	8,079,075	174,970	78,349	715,765	9,633,265
Government transfers for operating	-	373,840	-	-	252,989	-	458,766	1,085,595
Investment income	205,101	-	-	-	-	-	-	205,101
Penalties and costs of taxes	110,530	165,712	-	20,375	-	-	-	296,617
Development levies	-	-	66,661	55,023	-	-	-	121,684
Licenses and permits	-	20,229	1,865	-	-	209,104	-	231,198
Franchise and concession contracts	1,237,264	-	-	-	-	-	-	1,237,264
Rentals and other	-	210,472	-	-	-	-	5,000	215,472
Sales to other governments	-	187,960	8,000	-	-	-	-	195,960
	10,161,597	1,426,465	94,396	8,154,473	427,959	287,453	1,179,531	21,731,874
Expenses								
Salaries, wages and benefits	1,026,152	766,218	617,542	1,044,190	286,615	746,022	2,321,524	6,808,263
Contracted and general services	582,116	339,386	592,572	1,077,467	67,300	202,768	821,487	3,683,096
Purchases from other governments	-	980,816	-	4,655,898	-	97,655	-	5,734,369
Materials, goods, supplies and utilities	175,836	464,752	531,994	165,697	16,743	15,654	628,952	1,999,628
Amortization of tangible capital assets	39,751	253,111	1,162,743	781,063	13,334	-	718,763	2,968,765
Transfers to organizations and others	-	4,999	-	171,697	154,157	150,000	460,105	940,958
Interest on long term debt	-	141,081	-	105,463	-	-	45,417	291,961
Bank charges and short term interest	14,928	-	-	-	231	-	14,036	29,195
Loss on disposal of tangible capital assets	-	-	45,900	72,566	-	-	-	118,466
Other expenditures	-	-	-	(187)	-	12,050	-	11,863
	1,838,783	2,950,363	2,950,751	8,073,854	538,380	1,224,149	5,010,284	22,586,564
Excess of revenue over expenses before other	8,322,814	(1,523,898)	(2,856,355)	80,619	(110,421)	(936,696)	(3,830,753)	(854,690)
Other								
Government transfers for capital	-	-	1,476,443	197,091	54,466	-	225,482	1,953,482
Capital donations	-	-	-	-	-	-	10,375	10,375
Contributed assets	-	-	1,493,766	1,148,290	-	-	-	2,642,056
	-	-	2,970,209	1,345,381	54,466	-	235,857	4,605,913
Excess of revenue over expenses	\$ 8,322,814	\$ (1,523,898)	\$ 113,854	\$ 1,426,000	\$ (55,955)	\$ (936,696)	\$ (3,594,896)	\$ 3,751,223