

TOWN OF OLDS
Consolidated Financial Statements
For the year ended December 31, 2018

TOWN OF OLDS
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For the year ended December 31, 2018

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CHARTERED PROFESSIONAL ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the consolidated financial statements of the Town of Olds which comprise the consolidated statement of financial position as at December 31, 2018, and the consolidated statements of operations, change in net financial assets (debt) and cash flow for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Town of Olds as at December 31, 2018, and its results of operations 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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Town in accordance with the ethical requirements that are relevant to our audit of the consolidated 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 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 financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated 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.

Auditor's Responsibilities for the Audit of the Financial Statements

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

INDEPENDENT AUDITOR'S REPORT, continued

- 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 auditor's 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 auditor's report. However, future events or conditions may cause the company 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 represent the underlying transactions and events in a manner that achieves fair presentation.

We 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.

Report on Other Legal and Regulatory Requirements

- **Debt Limit Regulation:**
In accordance with Alberta Regulation 255/2000, we confirm that the Town is in compliance with the Debt Limit Regulation. A detailed account of the Town's debt limit can be found in note 22.
- **Supplementary Accounting Principles and Standards Regulation:**
In accordance with Alberta Regulation 313/2000, we confirm that the Town is in compliance with the Supplementary Accounting Principles and Standards Regulation and note the information required can be found in note 19.

Lethbridge, Alberta

April 23, 2019



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

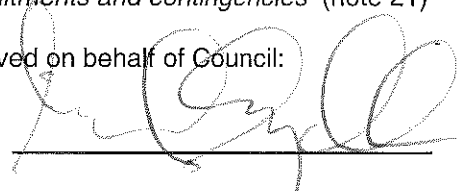
TOWN OF OLDS
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at December 31, 2018

	2018	2017
Financial assets		
Cash and temporary investments (note 2)	\$ 5,400,755	\$ 1,597,794
Taxes and grants in place of taxes receivable (note 3)	467,205	492,728
Trade and other receivables (note 4)	5,017,125	4,312,573
Loan receivable (note 5)	14,095,626	14,024,643
Investments (note 6)	2,304,374	4,810,253
Inventory held for resale	29,484	19,215
	<u>27,314,569</u>	<u>25,257,206</u>
Liabilities		
Accounts payable and accrued liabilities	4,795,906	2,598,719
Employee benefit obligations (note 8)	266,606	210,822
Deposits	1,224,655	870,455
Deferred revenue (note 9)	171,667	1,028,290
Long-term debt (note 10)	20,878,773	15,906,839
	<u>27,337,607</u>	<u>20,615,125</u>
Net financial (debt) assets	<u>(23,038)</u>	<u>4,642,081</u>
Non-financial assets		
Prepaid expenses	61,070	114,748
Tangible capital assets (schedule 2)	85,852,942	79,392,145
	<u>85,914,012</u>	<u>79,506,893</u>
Accumulated surplus (note 12 and schedule 1)	<u>\$ 85,890,974</u>	<u>\$ 84,148,974</u>

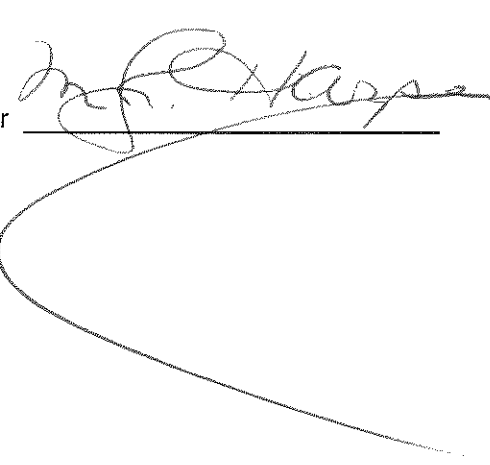
Commitments and contingencies (note 21)

Approved on behalf of Council:

Mayor



Councillor



TOWN OF OLDS
CONSOLIDATED STATEMENT OF OPERATIONS
For the year ended December 31, 2018

	Budget (Unaudited)	2018	2017
Revenue			
Net municipal taxes (note 15)	\$ 9,051,510	\$ 9,069,408	\$ 8,803,823
User fees and sales of goods	9,656,810	9,361,750	9,100,766
Government transfers for operating (note 16)	1,542,700	2,108,042	1,337,787
Investment income	197,000	257,304	185,606
Penalties and costs of taxes	336,500	243,976	250,922
Development levies	-	285,386	40,668
Licenses and permits	262,750	380,087	378,916
Franchise and concession contracts	1,290,260	1,220,281	1,279,179
Rentals and other	219,070	220,051	217,047
Sales to other governments	197,200	197,200	194,655
Gain on disposal of capital assets	-	8,044	-
	22,753,800	23,351,529	21,789,369
Expenses (note 17)			
Legislative	371,250	377,411	384,898
Administration	2,035,540	1,888,254	1,892,627
Protective services	2,583,250	2,950,573	3,082,215
Transportation services	2,131,480	3,450,246	2,985,074
Storm sewers and drainage	39,050	164,910	161,427
Other transportation	46,820	72,601	64,060
Water and waste water	2,634,920	2,966,271	2,849,469
Wastewater treatment and disposal	4,132,870	4,925,036	4,069,516
Waste management	951,040	819,388	828,173
Public health and welfare services	689,550	733,413	620,107
Planning and development	1,156,240	1,696,498	1,147,860
Recreation, parks and culture	4,393,740	4,991,866	5,139,155
	21,165,750	25,036,467	23,224,581
Excess (deficiency) of revenue over expenses before other	1,588,050	(1,684,938)	(1,435,212)
Other			
Government transfers for capital (note 16)	3,280,910	2,557,087	2,830,687
Capital donations	-	287,864	19,000
Contributed assets	270,000	581,987	3,801,879
	3,550,910	3,426,938	6,651,566
Excess of revenue over expenses	5,138,960	1,742,000	5,216,354
Accumulated surplus, beginning of year	84,148,974	84,148,974	78,932,620
Accumulated surplus, end of year	\$ 89,287,934	\$ 85,890,974	\$ 84,148,974

TOWN OF OLDS

CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL (DEBT) ASSETS
For the year ended December 31, 2018

	Budget (Unaudited)	2018	2017
Excess of revenue over expenses	\$ 5,138,960	\$ 1,742,000	\$ 5,216,354
Acquisition of tangible capital assets	(15,137,057)	(9,256,272)	(5,698,936)
Amortization of tangible capital assets	467,390	3,241,260	3,248,743
Contributed assets	-	(581,988)	(3,801,879)
(Gain) loss on disposal of tangible capital assets	-	(8,044)	70,024
Proceeds on disposal of tangible capital assets	-	144,245	14,010
	(14,669,667)	(6,460,799)	(6,168,038)
Net change in prepaid expense	-	53,680	(39,539)
Increase in net financial assets	(9,530,707)	(4,665,119)	(991,223)
Net financial assets, beginning of year	4,642,081	4,642,081	5,633,304
Net financial assets (debt), end of year	\$ (4,888,626)	\$ (23,038)	\$ 4,642,081

TOWN OF OLDS
CONSOLIDATED STATEMENT OF CASH FLOW
For the year ended December 31, 2018

	2018	2017
Operating transactions		
Excess of revenue over expenses	\$ 1,742,000	\$ 5,216,354
Adjustments for items which do not affect cash		
(Gain) loss on disposal of tangible capital assets	(8,044)	70,024
Amortization of tangible capital assets	3,241,260	3,248,743
Contributed assets	(581,988)	(3,801,879)
	4,393,228	4,733,242
Net change in non-cash working capital items		
Taxes and grants in place of taxes receivable	25,523	(19,627)
Trade and other receivables	(704,552)	(2,598,366)
Loan receivable	(70,983)	(139,742)
Inventory held for resale	(10,269)	-
Prepaid expenses	53,680	(39,539)
Accounts payable and accrued liabilities	2,197,187	919,637
Employee benefit obligations	55,784	17,871
Deposits	354,200	141,286
Deferred revenue	(856,623)	(67,337)
Cash provided by operating transactions	5,437,175	2,947,425
Capital transactions		
Proceeds on disposal of tangible capital assets	144,245	14,010
Acquisition of tangible capital assets	(9,256,272)	(5,698,936)
Cash applied to capital transactions	(9,112,027)	(5,684,926)
Investing transactions		
Purchase of investments	(13,030,032)	(7,500,000)
Proceeds on sale of investments	15,535,911	9,126,157
Cash provided by investing transactions	2,505,879	1,626,157
Financing transactions		
Proceeds of long-term debt	5,522,500	-
Repayment of long-term debt	(488,046)	(1,489,548)
Repayment of long-term debt - OICRD	(62,520)	-
Cash provided by (applied to) financing transactions	4,971,934	(1,489,548)
Increase (decrease) in cash and temporary investments	3,802,961	(2,600,892)
Cash and temporary investments, beginning of year	1,597,794	4,198,686
Cash and temporary investments, end of year	\$ 5,400,755	\$ 1,597,794

TOWN OF OLDS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2018

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, 2018

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 (Debt) Assets for the year.

TOWN OF OLDS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2018

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, 2018

2. Cash and temporary investments

	2018	2017
Cash	\$ 1,855,003	\$ 76,251
Temporary investments	3,545,752	1,521,543
	<u>\$ 5,400,755</u>	<u>\$ 1,597,794</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

	2018	2017
Taxes and grants in place of taxes receivable	\$ 326,017	\$ 337,080
Arrears taxes receivable	137,057	137,632
	463,074	474,712
Under-levies	4,131	18,016
	<u>\$ 467,205</u>	<u>\$ 492,728</u>

4. Trade and other receivables

	2018	2017
Utility accounts receivable	\$ 991,253	\$ 938,141
Goods and services tax	546,351	219,882
Trade and other receivables	3,479,521	3,154,550
	<u>\$ 5,017,125</u>	<u>\$ 4,312,573</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 debenture, maturing in March 2043.

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, 2018

6. Investments

Investments consist of guaranteed investment certificates that bear interest at rates ranging from 1.60% to 2.47% (2017 - 1.48% to 2.33%) per annum and mature in August 2019.

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 minus 0.25% per annum. At December 31, 2018 the balance outstanding was nil.

The Town has established an operating loan with a Canadian chartered bank to a maximum of \$1,750,000 which bears interest at prime minus 0.25% per annum. At December 31, 2018 the balance outstanding was nil.

8. Employee benefit obligations

	2018	2017
Vacation payable	\$ 245,616	\$ 199,777
Overtime payable	20,990	11,045
	<u>\$ 266,606</u>	<u>\$ 210,822</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.

	2018	2017
Municipal Sustainability Initiative - capital	\$ 93,588	\$ 692,093
Federal Gas Tax Fund - capital	5,562	5,562
New Police Officers Grant	25,000	25,000
Other	47,517	175,344
Athletic Park donations	-	130,291
	<u>\$ 171,667</u>	<u>\$ 1,028,290</u>

TOWN OF OLDS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2018

10. Long-term debt

	2018	2017
Debentures supported by general tax levies	\$ 9,425,232	\$ 4,199,825
Debentures supported by utility rates	1,344,736	1,535,689
Debentures supported by loan repayment agreement	10,108,805	10,171,325
	<u>\$ 20,878,773</u>	<u>\$ 15,906,839</u>
Current portion	<u>\$ 671,513</u>	<u>\$ 1,592,899</u>

Principal and interest repayments are due as follows:

	Principal	Interest	Total
2019	\$ 671,513	\$ 748,792	\$ 1,420,305
2020	703,333	716,972	1,420,305
2021	893,774	683,532	1,577,306
2022	1,051,188	640,424	1,691,612
2023	964,770	595,179	1,559,949
Thereafter	16,594,195	10,529,744	27,123,939
	<u>\$ 20,878,773</u>	<u>\$ 13,914,643</u>	<u>\$ 34,793,416</u>

Debenture debt is repayable to Alberta Capital Finance Authority and bears interest at rates ranging from 3.209% 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 \$306,218 (2017 - \$269,837).

The Town's total cash payments for interest were \$491,937 (2017 - \$281,163).

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 an engineers report has been completed on the Town's decommissioning plan. The Town started to decommission the plant in 2018 and the project is to be finished in 2019.

TOWN OF OLDS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2018

12. Accumulated surplus

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

	2018	2017
Unrestricted surplus	\$ 1,422,655	\$ 1,964,520
Internally restricted surplus (reserves) (note 13)	9,106,357	8,527,823
Equity in tangible capital assets (note 14)	75,361,962	73,656,631
	<u>\$ 85,890,974</u>	<u>\$ 84,148,974</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.

	2018	2017
Operating		
General	\$ 1,674,742	\$ 1,646,001
Perpetual care	192,838	192,838
Utilities	1,744,897	1,147,477
NU2U	61,080	54,430
Olds Fashioned Christmas	13,302	17,147
Fire reserve	68,079	68,079
RCMP DARE reserve	5,190	5,190
Snow removal	76,148	147,000
	<u>3,836,276</u>	<u>3,278,162</u>
Capital		
Utility reserve	904,421	904,421
Road and other infrastructure	335,421	383,306
South Red Deer Regional Wastewater Commission	59,580	59,580
General	67,252	306,531
Building reserve	1,243,679	1,440,668
Offsite levies - transportation	686,891	573,769
Offsite levies - water	414,197	350,713
Offsite levies - wastewater	295,477	231,993
Offsite levies - storm sewer	248,979	203,683
Equipment replacement	666,024	431,059
Parks	65,736	65,736
Municipal reserve	138,087	138,087
Restricted reserves for specific purposes	76,497	76,497
Fire - small equipment	67,840	83,618
	<u>5,270,081</u>	<u>5,249,661</u>
	<u>\$ 9,106,357</u>	<u>\$ 8,527,823</u>

TOWN OF OLDS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2018

14. Equity in tangible capital assets

	2018	2017
Tangible capital assets (schedule 2)	\$ 146,242,977	\$ 137,323,271
Accumulated amortization (schedule 2)	(60,390,035)	(57,931,126)
Long-term debt (note 10)	(20,878,773)	(15,906,839)
Unused capital debt	278,988	-
Non-capital long-term debt (note 10)	10,108,805	10,171,325
	<u>\$ 75,361,962</u>	<u>\$ 73,656,631</u>

15. Net municipal property taxes

	Budget (Unaudited)	2018	2017
Taxation			
Real property taxes	\$ 13,326,540	\$ 13,170,178	\$ 12,718,117
Linear property taxes	-	156,218	150,879
	<u>13,326,540</u>	<u>13,326,396</u>	<u>12,868,996</u>
Requisitions			
Alberta School Foundation Fund	4,015,970	4,017,125	3,856,489
Mountain View Senior Housing	259,060	239,863	208,684
	<u>4,275,030</u>	<u>4,256,988</u>	<u>4,065,173</u>
	<u>\$ 9,051,510</u>	<u>\$ 9,069,408</u>	<u>\$ 8,803,823</u>

16. Government transfers

	Budget (Unaudited)	2018	2017
Transfers for operating:			
Provincial conditional grants	\$ 715,840	\$ 1,386,287	\$ 699,604
Other local governments	826,860	721,755	638,183
	<u>1,542,700</u>	<u>2,108,042</u>	<u>1,337,787</u>
Transfers for capital:			
Provincial grants	2,771,370	2,046,052	2,238,904
Federal grants	509,540	511,035	591,783
	<u>3,280,910</u>	<u>2,557,087</u>	<u>2,830,687</u>
	<u>\$ 4,823,610</u>	<u>\$ 4,665,129</u>	<u>\$ 4,168,474</u>

TOWN OF OLDS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2018

17. Expenses by object

	Budget (Unaudited)	2018	2017
Salaries, wages and benefits	\$ 7,320,200	\$ 7,122,645	\$ 7,192,005
Contracted and general services	4,040,270	5,429,533	3,980,404
Materials, goods, supplies and utilities	1,623,350	1,820,155	1,877,085
Bank charges and short term interest	25,300	16,485	22,057
Interest on long term debt	408,040	306,218	269,837
Other expenditures	20,000	12,262	17,595
Transfers to organizations and others	996,830	1,642,216	920,573
Purchases from other governments	6,264,370	5,445,693	5,626,258
Amortization of tangible capital assets	467,390	3,241,260	3,248,743
Loss on disposal of tangible capital assets	-	-	70,024
	\$ 21,165,750	\$ 25,036,467	\$ 23,224,581

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 259,000 people and 420 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 10.39% of pensionable earnings up to the year's maximum pensionable earnings under the Canada Pension Plan and 14.84% on pensionable earnings above this amount. Employees of the Town are required to make current service contributions of 9.39% of pensionable salary up to the year's maximum pensionable salary and 13.84% on pensionable salary above this amount.

Total current service contributions by the Town to the LAPP in 2018 were \$491,956 (2017 - \$523,037). Total current service contributions by the employees of the Town to the LAPP in 2018 were \$448,702 (2017 - \$480,414).

At December 31, 2017, the LAPP disclosed an actuarial surplus of \$4.84 billion.

TOWN OF OLDS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2018

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)	(2)		
	Salary	Benefits & allowances	2018	2017
Council				
Mayor Muzychka	\$ 61,396	\$ 7,465	\$ 68,861	\$ 12,894
Mayor Dahl	-	-	-	48,126
Councillor Bennett	35,844	6,507	42,351	37,035
Councillor Durieux	-	-	-	25,576
Councillor Harper	33,869	3,492	37,361	32,405
Councillor Overwater	36,329	6,360	42,689	37,726
Councillor Walsh	-	-	-	29,834
Councillor Bearchell	25,744	5,836	31,580	30,768
Councillor Blatz	38,144	7,267	45,411	9,893
Councillor Ryan	36,969	6,396	43,365	8,206
Chief Administrative Officer	\$ 190,689	\$ 40,364	\$ 231,053	\$ 175,458

(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, 2018

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. As at December 31, 2018, the principal balance of the loan was \$3,712,950 (2017 - \$3,886,414).

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

Payments over the next five years are as follows:

2019	\$	159,296
2020		94,784
2021		11,053
	\$	265,133

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:

	2018	2017
Total debt limit	\$ 35,027,291	\$ 32,684,055
Total debt	24,591,723	19,793,253
	\$ 10,435,568	\$ 12,890,802
Debt servicing limit	\$ 5,837,882	\$ 5,447,343
Debt servicing	1,420,305	2,121,901
	\$ 4,417,577	\$ 3,325,442

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 \$24,591,723 includes the principal balance of the loan guarantee (\$3,712,950) 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, 2018

23. Budget amounts

The 2018 budget for the Town was approved by Council on April 23, 2018 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	\$ 5,138,960
Less: Capital expenditures	(15,137,057)
Capital long-term debt repayments	(620,940)
Transfers to reserves	(1,548,150)
Add: Transfers from reserves	3,062,724
Debt proceeds	9,104,463
<hr/>	
Equals: Balanced budget	\$ -
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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 2017 year have been reclassified to conform with 2018 financial statement presentation.

TOWN OF OLDS
SCHEDULES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2018

Schedule of changes in accumulated surplus

Schedule 1

	Unrestricted	Restricted	Equity in tangible capital assets	2018	2017
Balance, beginning of year	\$ 1,964,520	\$ 8,527,823	\$ 73,656,631	\$ 84,148,974	\$ 78,932,620
Excess of revenue over expenses	1,742,000	-	-	1,742,000	5,216,354
Unrestricted funds designated for future use	(1,582,835)	1,582,835	-	-	-
Restricted funds used for operations	206,367	(206,367)	-	-	-
Restricted funds used for tangible capital assets	-	(797,934)	797,934	-	-
Current year funds used for tangible capital assets	(8,458,340)	-	8,458,340	-	-
Contributed tangible capital assets	(581,988)	-	581,988	-	-
Disposal of tangible capital assets	136,203	-	(136,203)	-	-
Amortization of tangible capital assets	3,241,260	-	(3,241,260)	-	-
Capital long-term debt repaid	(488,046)	-	488,046	-	-
Capital long-term debt proceeds	5,243,514	-	(5,243,514)	-	-
Change in accumulated surplus	(541,865)	578,534	1,705,331	1,742,000	5,216,354
Balance, end of year	\$ 1,422,655	\$ 9,106,357	\$ 75,361,962	\$ 85,890,974	\$ 84,148,974

TOWN OF OLDS
SCHEDULES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2018

Schedule of tangible capital assets

Schedule 2

	Land	Land improvements	Buildings	Engineered structures	Machinery and equipment	Vehicles	Construction in progress	2018	2017
Cost:									
Balance, beginning of year\$	3,574,401	\$ 5,408,265	\$ 23,287,833	\$ 91,416,292	\$ 4,566,642	\$ 4,135,245	\$ 4,934,593	\$ 137,323,271	\$ 128,245,786
Acquisitions	-	243,742	459,173	1,775,805	494,860	506,004	6,358,676	9,838,260	9,500,815
Transfers	-	119,949	-	-	-	435,547	(555,496)	-	-
Disposals	-	-	-	(430,238)	(16,500)	(471,816)	-	(918,554)	(423,330)
Balance, end of year	3,574,401	5,771,956	23,747,006	92,761,859	5,045,002	4,604,980	10,737,773	146,242,977	137,323,271
Accumulated amortization:									
Balance, beginning of year	-	1,786,104	9,120,193	43,035,516	2,335,083	1,654,230	-	57,931,126	55,021,679
Annual amortization	-	294,584	466,125	1,940,074	290,078	250,399	-	3,241,260	3,248,743
Disposals	-	-	-	(407,747)	(16,500)	(358,104)	-	(782,351)	(339,296)
Balance, end of year	-	2,080,688	9,586,318	44,567,843	2,608,661	1,546,525	-	60,390,035	57,931,126
Net book value	\$ 3,574,401	\$ 3,691,268	\$ 14,160,688	\$ 48,194,016	\$ 2,436,341	\$ 3,058,455	\$ 10,737,773	\$ 85,852,942	\$ 79,392,145
2017 net book value	\$ 3,574,401	\$ 3,622,161	\$ 14,167,640	\$ 48,380,776	\$ 2,231,559	\$ 2,481,015	\$ 4,934,593	\$ 79,392,145	

TOWN OF OLDS
SCHEDULE TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2018

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	\$ 9,069,408	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 9,069,408
User fees and sales of goods	89,461	159,474	12,388	8,166,821	210,679	33,585	689,342	9,361,750
Government transfers for operating	-	534,912	-	-	344,231	600,000	628,899	2,108,042
Investment income	257,304	-	-	-	-	-	-	257,304
Penalties and costs of taxes	112,657	113,022	-	18,297	-	-	-	243,976
Development levies	-	-	158,418	126,968	-	-	-	285,386
Licenses and permits	-	21,695	4,017	-	-	354,375	-	380,087
Gain on disposal of capital assets	-	-	-	-	-	8,044	-	8,044
Franchise and concession contracts	1,220,281	-	-	-	-	-	-	1,220,281
Rentals and other	-	215,051	-	-	-	-	5,000	220,051
Sales to other governments	-	189,200	8,000	-	-	-	-	197,200
	10,749,111	1,233,354	182,823	8,312,086	554,910	996,004	1,323,241	23,351,529
Expenses								
Salaries, wages and benefits	1,487,286	758,751	748,690	970,446	384,411	546,930	2,226,131	7,122,645
Contracted and general services	581,830	487,388	933,547	2,259,548	98,779	199,991	868,450	5,429,533
Materials, goods, supplies and utilities	134,377	200,907	612,659	148,985	46,710	16,185	660,432	1,820,155
Bank charges and short term interest	14,882	-	-	-	-	-	1,603	16,485
Interest on long term debt	-	126,952	59,734	83,801	-	-	35,731	306,218
Other expenditures	-	-	-	(14)	-	12,276	-	12,262
Transfers to organizations and others	-	5,000	-	122,868	184,744	826,648	502,956	1,642,216
Purchases from other governments	-	1,081,619	-	4,269,606	-	94,468	-	5,445,693
Amortization of tangible capital assets	47,289	269,049	1,360,276	846,739	18,769	-	699,138	3,241,260
Loss on disposal of tangible capital assets	-	20,910	(27,150)	8,816	-	-	(2,576)	-
	2,265,664	2,950,576	3,687,756	8,710,695	733,413	1,696,498	4,991,865	25,036,467
Excess (deficiency) of revenue over expenses before other	8,483,447	(1,717,222)	(3,504,933)	(398,609)	(178,503)	(700,494)	(3,668,624)	(1,684,938)
Other								
Government transfers for capital	224,500	239,082	1,876,189	-	51,930	-	165,386	2,557,087
Capital donations	-	-	-	-	-	-	287,864	287,864
Contributed assets	-	-	513,000	-	68,987	-	-	581,987
	224,500	239,082	2,389,189	-	120,917	-	453,250	3,426,938
Excess (deficiency) of revenue over expenses	\$ 8,707,947	\$ (1,478,140)	\$ (1,115,744)	\$ (398,609)	\$ (57,586)	\$ (700,494)	\$ (3,215,374)	\$ 1,742,000