

**TOWN OF OLDS**  
**Consolidated Financial Statements**  
**For the year ended December 31, 2017**

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**TOWN OF OLDS**  
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For the year ended December 31, 2017

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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, 2017, and the consolidated statements of operations, change in net financial assets (debt) 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, 2017 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 9, 2018

A handwritten signature in dark ink that reads "Avail LLP". The signature is written in a cursive, flowing style.

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 fulfills 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

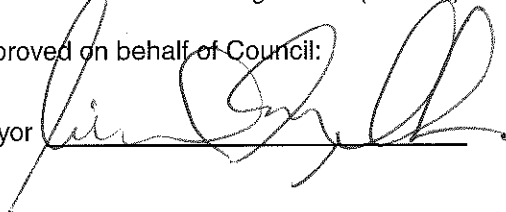
**TOWN OF OLDS**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**As at December 31, 2017**

	2017	2016
<b>Financial assets</b>		
Cash and temporary investments (note 2)	\$ 1,597,794	\$ 4,198,686
Taxes and grants in place of taxes receivable (note 3)	492,728	473,101
Trade and other receivables (note 4)	4,312,573	1,714,208
Loan receivable (note 5)	14,024,643	13,884,901
Investments (note 6)	4,810,253	6,436,409
Inventory held for resale	19,215	19,215
	<u>25,257,206</u>	<u>26,726,520</u>
<b>Liabilities</b>		
Accounts payable and accrued liabilities	2,598,719	1,679,082
Employee benefit obligations (note 8)	210,822	192,951
Deposits	870,455	729,169
Deferred revenue (note 9)	1,028,290	1,095,627
Long-term debt (note 10)	15,906,839	17,396,386
	<u>20,615,125</u>	<u>21,093,215</u>
<b>Net financial assets</b>	<u>4,642,081</u>	<u>5,633,305</u>
<b>Non-financial assets</b>		
Prepaid expenses	114,748	75,208
Tangible capital assets (schedule 2)	79,392,145	73,224,107
	<u>79,506,893</u>	<u>73,299,315</u>
<b>Accumulated surplus</b> (note 12 and schedule 1)	<u>\$ 84,148,974</u>	<u>\$ 78,932,620</u>

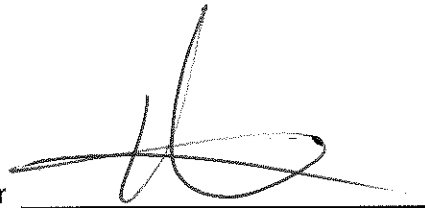
*Commitments and contingencies* (note 21)

Approved on behalf of Council:

Mayor



Councillor



**TOWN OF OLDS**  
**CONSOLIDATED STATEMENT OF OPERATIONS**  
For the year ended December 31, 2017

	Budget (Unaudited)	2017	2016
<b>Revenue</b>			
Net municipal taxes (note 15)	\$ 8,765,932	\$ 8,803,823	\$ 8,509,718
User fees and sales of goods	9,919,180	9,100,766	9,633,265
Government transfers for operating (note 16)	1,432,443	1,337,787	1,085,595
Investment income	197,000	185,606	205,101
Penalties and costs of taxes	317,900	250,922	296,617
Development levies	-	40,668	121,684
Licenses and permits	261,000	378,916	231,198
Franchise and concession contracts	1,220,500	1,279,179	1,237,264
Rentals and other	219,070	217,047	215,472
Sales to other governments	197,110	194,655	195,960
	22,530,135	21,789,369	21,731,874
<b>Expenses (note 17)</b>			
Legislative	349,360	384,898	308,486
Administration	1,602,670	1,892,627	1,530,294
Protective services	2,658,560	3,082,215	2,950,364
Transportation services	1,883,750	2,985,074	2,771,961
Storm sewers and drainage	39,050	161,427	131,669
Other transportation	56,630	64,060	47,122
Water and waste water	2,862,845	2,849,469	3,256,829
Wastewater treatment and disposal	4,153,020	4,069,516	3,945,121
Waste management	838,770	828,173	871,904
Public health and welfare services	540,540	620,107	538,380
Planning and development	1,353,010	1,147,860	1,224,149
Recreation, parks and culture	4,409,360	5,139,155	5,010,285
	20,747,565	23,224,581	22,586,564
<b>Excess (deficiency) of revenue over expenses before other</b>	1,782,570	(1,435,212)	(854,690)
<b>Other</b>			
Government transfers for capital (note 16)	3,466,710	2,830,687	1,953,482
Capital donations	-	19,000	10,375
Contributed assets	71,000	3,801,879	2,642,056
	3,537,710	6,651,566	4,605,913
<b>Excess of revenue over expenses</b>	5,320,280	5,216,354	3,751,223
<b>Accumulated surplus, beginning of year</b>	78,932,620	78,932,620	75,181,397
<b>Accumulated surplus, end of year</b>	\$ 84,252,900	\$ 84,148,974	\$ 78,932,620

**TOWN OF OLDS**

**CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL ASSETS**  
**For the year ended December 31, 2017**

	Budget (Unaudited)	2017	2016
<b>Excess of revenue over expenses</b>	\$ 5,320,280	\$ 5,216,354	\$ 3,751,223
Acquisition of tangible capital assets	(12,114,735)	(5,698,936)	(2,388,526)
Amortization of tangible capital assets	467,370	3,248,743	2,968,765
Contributed assets	-	(3,801,879)	(2,642,056)
Loss on disposal of tangible capital assets	-	70,024	118,467
Proceeds on disposal of tangible capital assets	-	14,010	88,811
	(11,647,365)	(6,168,038)	(1,854,539)
Net change in prepaid expense	-	(39,540)	41,131
<b>Increase in net financial assets</b>	(6,327,085)	(991,224)	1,937,815
<b>Net financial assets, beginning of year</b>	5,633,305	5,633,305	3,695,490
<b>Net financial assets (debt), end of year</b>	\$ (693,780)	\$ 4,642,081	\$ 5,633,305

**TOWN OF OLDS**  
**CONSOLIDATED STATEMENT OF CASH FLOW**  
For the year ended December 31, 2017

	2017	2016
<b>Operating transactions</b>		
Excess of revenue over expenses	\$ 5,216,354	\$ 3,751,223
Adjustments for items which do not affect cash		
Loss on disposal of tangible capital assets	70,024	118,467
Amortization of tangible capital assets	3,248,743	2,968,765
Contributed assets	(3,801,879)	(2,642,056)
	4,733,242	4,196,399
Net change in non-cash working capital items		
Taxes and grants in place of taxes receivable	(19,627)	(6,920)
Trade and other receivables	(2,598,365)	205,267
Loan receivable	(139,742)	(204,871)
Inventory held for resale	-	(4,948)
Prepaid expenses	(39,540)	41,131
Accounts payable and accrued liabilities	919,637	(224,872)
Employee benefit obligations	17,871	20,884
Deposits	141,286	274,290
Deferred revenue	(67,337)	615,864
Cash provided by operating transactions	2,947,425	4,912,224
<b>Capital transactions</b>		
Proceeds on disposal of tangible capital assets	14,010	88,811
Acquisition of tangible capital assets	(5,698,936)	(2,388,526)
Cash applied to capital transactions	(5,684,926)	(2,299,715)
<b>Investing transactions</b>		
Purchase of investments	(7,500,000)	(4,127,080)
Proceeds on sale of investments	9,126,157	4,051,048
Cash provided by (applied to) investing transactions	1,626,157	(76,032)
<b>Financing transactions</b>		
Repayment of long-term debt	(1,489,548)	(1,130,994)
(Decrease) increase in cash and temporary investments	(2,600,892)	1,405,483
Cash and temporary investments, beginning of year	4,198,686	2,793,203
Cash and temporary investments, end of year	\$ 1,597,794	\$ 4,198,686



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**TOWN OF OLDS**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
For the year ended December 31, 2017

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**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.

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**TOWN OF OLDS**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**For the year ended December 31, 2017**

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**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.

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**TOWN OF OLDS**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
For the year ended December 31, 2017

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**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, 2017

**2. Cash and temporary investments**

	2017	2016
Cash	\$ 76,251	\$ 2,149,577
Temporary investments	1,521,543	2,049,109
	<u>\$ 1,597,794</u>	<u>\$ 4,198,686</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**

	2017	2016
Taxes and grants in place of taxes receivable	\$ 337,080	\$ 341,464
Arrears taxes receivable	137,632	115,903
	474,712	457,367
Under-levies	18,016	15,734
	<u>\$ 492,728</u>	<u>\$ 473,101</u>

**4. Trade and other receivables**

	2017	2016
Utility accounts receivable	\$ 938,141	\$ 945,040
Goods and services tax	219,882	125,161
Trade and other receivables	3,154,550	644,007
	<u>\$ 4,312,573</u>	<u>\$ 1,714,208</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, 2017

**6. Investments**

Investments consist of guaranteed investment certificates that bear interest at rates ranging from 1.48% to 2.33% (2016 - 1.22% to 2.35%) per annum and mature in periods from 2018 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**

	2017	2016
Vacation payable	\$ 199,777	\$ 187,776
Overtime payable	11,045	5,175
	<u>\$ 210,822</u>	<u>\$ 192,951</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.

	2017	2016
Municipal Sustainability Initiative - capital	\$ 692,093	\$ 888,870
Federal Gas Tax Fund - capital	5,562	40,562
New Police Officers Grant	25,000	25,000
Other	175,344	141,195
Athletic Park donations	130,291	-
	<u>\$ 1,028,290</u>	<u>\$ 1,095,627</u>

**TOWN OF OLDS**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
For the year ended December 31, 2017

**10. Long-term debt**

	2017	2016
Debentures supported by general tax levies	\$ 4,199,825	\$ 4,442,480
Debentures supported by utility rates	1,535,689	1,715,933
Debentures supported by loan repayment agreement	10,171,325	11,237,973
	<u>\$ 15,906,839</u>	<u>\$ 17,396,386</u>
Current portion	<u>\$ 1,592,899</u>	<u>\$ 1,489,548</u>

Principal and interest repayments are due as follows:

	Principal	Interest	Total
2018	\$ 1,592,899	\$ 529,002	\$ 2,121,901
2019	1,646,540	475,361	2,121,901
2020	1,702,295	419,606	2,121,901
2021	1,760,262	361,639	2,121,901
2022	1,340,396	302,981	1,643,377
Thereafter	7,864,447	1,512,105	9,376,552
	<u>\$ 15,906,839</u>	<u>\$ 3,600,694</u>	<u>\$ 19,507,533</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 \$269,837 (2016 - \$291,961).

The Town's total cash payments for interest were \$281,163 (2016 - \$302,658).

**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.

**TOWN OF OLDS**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
For the year ended December 31, 2017

**12. Accumulated surplus**

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

	2017	2016
Unrestricted surplus	\$ 1,964,520	\$ 3,471,075
Internally restricted surplus (reserves) (note 13)	8,527,823	8,395,851
Equity in tangible capital assets (note 14)	73,656,631	67,065,694
	<b>\$ 84,148,974</b>	<b>\$ 78,932,620</b>

**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.

	2017	2016
<b>Operating</b>		
General	\$ 1,646,001	\$ 1,645,050
Perpetual care	192,838	192,838
Utilities	1,147,477	641,779
NU2U	54,430	64,122
Olds Fashioned Christmas	17,147	17,147
Fire reserve	68,079	62,880
RCMP DARE reserve	5,190	5,190
Snow removal	147,000	147,000
	<b>3,278,162</b>	<b>2,776,006</b>
<b>Capital</b>		
Utility reserve	904,421	909,121
Road and other infrastructure	383,306	566,895
South Red Deer Regional Wastewater Commission	59,580	59,580
General	306,531	658,954
Building reserve	1,440,668	1,126,700
Offsite levies - transportation	573,769	557,857
Offsite levies - water	350,713	344,222
Offsite levies - wastewater	231,993	222,798
Offsite levies - storm sewer	203,683	194,614
Equipment replacement	431,059	649,307
Parks	65,736	65,736
Municipal reserve	138,087	138,087
Restricted reserves for specific purposes	76,497	76,497
Fire - small equipment	83,618	49,477
	<b>5,249,661</b>	<b>5,619,845</b>
	<b>\$ 8,527,823</b>	<b>\$ 8,395,851</b>

**TOWN OF OLDS**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
For the year ended December 31, 2017

**14. Equity in tangible capital assets**

	2017	2016
Tangible capital assets (schedule 2)	\$ 137,323,271	\$ 128,245,786
Accumulated amortization (schedule 2)	(57,931,126)	(55,021,679)
Long-term debt (note 10)	(15,906,839)	(17,396,386)
Non-capital long-term debt (note 10)	10,171,325	11,237,973
	<u>\$ 73,656,631</u>	<u>\$ 67,065,694</u>

**15. Net municipal property taxes**

	Budget (Unaudited)	2017	2016
<b>Taxation</b>			
Real property taxes	\$ 12,814,542	\$ 12,718,117	\$ 12,124,119
Linear property taxes	-	150,879	140,066
Frontage taxes	8,100	-	8,037
	<u>12,822,642</u>	<u>12,868,996</u>	<u>12,272,222</u>
<b>Requisitions</b>			
Alberta School Foundation Fund	3,856,490	3,856,489	3,571,817
Mountain View Senior Housing	200,220	208,684	190,687
	<u>4,056,710</u>	<u>4,065,173</u>	<u>3,762,504</u>
	<u>\$ 8,765,932</u>	<u>\$ 8,803,823</u>	<u>\$ 8,509,718</u>

**16. Government transfers**

	Budget (Unaudited)	2017	2016
<b>Transfers for operating:</b>			
Provincial conditional grants	\$ 671,440	\$ 699,604	\$ 696,878
Other local governments	761,003	638,183	388,717
	<u>1,432,443</u>	<u>1,337,787</u>	<u>1,085,595</u>
<b>Transfers for capital:</b>			
Provincial grants	2,889,958	2,238,904	1,483,414
Federal grants	576,752	591,783	470,068
	<u>3,466,710</u>	<u>2,830,687</u>	<u>1,953,482</u>
	<u>\$ 4,899,153</u>	<u>\$ 4,168,474</u>	<u>\$ 3,039,077</u>



**TOWN OF OLDS**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
For the year ended December 31, 2017

**17. Expenses by object**

	Budget (Unaudited)	2017	2016
Salaries, wages and benefits	\$ 7,009,055	\$ 7,192,231	\$ 6,808,263
Contracted and general services	4,115,450	3,980,178	3,683,096
Materials, goods, supplies and utilities	1,737,150	1,877,085	1,999,628
Bank charges and short term interest	27,000	22,057	29,195
Interest on long term debt	302,650	269,837	291,961
Other expenditures	30,500	17,595	11,862
Transfers to organizations and others	953,810	920,573	940,958
Purchases from other governments	6,104,580	5,626,258	5,734,369
Amortization of tangible capital assets	467,370	3,248,743	2,968,765
Loss on disposal of tangible capital assets	-	70,024	118,467
	<b>\$ 20,747,565</b>	<b>\$ 23,224,581</b>	<b>\$ 22,586,564</b>

**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 254,000 people and 417 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 2017 were \$523,037 (2016 - \$455,725). Total current service contributions by the employees of the Town to the LAPP in 2017 were \$480,414 (2016 - \$418,517).

At December 31, 2016, the LAPP disclosed an actuarial deficiency of \$637 million.

**TOWN OF OLDS**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
For the year ended December 31, 2017

**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	2017	2016
Council				
Mayor Muzychka	\$ 11,641	\$ 1,253	\$ 12,894	\$ -
Mayor Dahl	42,471	5,655	48,126	59,758
Councillor Bennett	30,828	6,207	37,035	31,002
Councillor Durieux	20,869	4,707	25,576	32,405
Councillor Harper	29,201	3,204	32,405	30,432
Councillor Overwater	31,743	5,983	37,726	31,402
Councillor Walsh	24,934	4,900	29,834	32,896
Councillor Bearchell	25,113	5,655	30,768	29,221
Councillor Blatz	8,738	1,155	9,893	-
Councillor Ryan	8,087	119	8,206	-
Chief Administrative Officer	\$ 147,790	\$ 27,668	\$ 175,458	\$ 199,603

(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, 2017

**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, 2017, the principal balance of the loan was \$3,886,414 (2016 - \$3,474,235).

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

Payments over the next five years are as follows:

2018	\$	256,897
2019		170,756
2020		89,496
2021		8,850
	\$	525,999

**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:

	2017	2016
Total debt limit	\$ 32,684,055	\$ 32,597,811
Total debt	19,793,253	20,870,621
	\$ 12,890,802	\$ 11,727,190
Debt servicing limit	\$ 5,447,343	\$ 5,432,969
Debt servicing	2,121,901	2,069,516
	\$ 3,325,442	\$ 3,363,453

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 \$19,793,253 includes the principal balance of the loan guarantee (\$3,886,414) for the Olds Institute for Community and Regional Development, as disclosed in note 21.

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**TOWN OF OLDS**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**For the year ended December 31, 2017**

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**23. Budget amounts**

The 2017 budget for the Town was approved by Council on April 24, 2017 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	\$ 5,320,280
Less: Capital expenditures	(12,114,735)
Capital long-term debt repayments	(448,040)
Transfers to reserves	(3,418,482)
Add: Transfers from reserves	5,138,477
Debt proceeds	5,522,500
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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 2016 year have been reclassified to conform with 2017 financial statement presentation.

**TOWN OF OLDS**  
**SCHEDULES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
For the year ended December 31, 2017

**Schedule of changes in accumulated surplus**

**Schedule 1**

	Unrestricted	Restricted	Equity in tangible capital assets	2017	2016
Balance, beginning of year	\$ 3,471,075	\$ 8,395,851	\$ 67,065,694	\$ 78,932,620	\$ 75,181,397
Excess of revenue over expenses	5,216,354	-	-	5,216,354	3,751,223
Unrestricted funds designated for future use	(1,308,810)	1,308,810	-	-	-
Restricted funds used for operations	144,409	(144,409)	-	-	-
Restricted funds used for tangible capital assets	-	(1,032,429)	1,032,429	-	-
Current year funds used for tangible capital assets	(4,666,507)	-	4,666,507	-	-
Contributed tangible capital assets	(3,801,879)	-	3,801,879	-	-
Disposal of tangible capital assets	84,034	-	(84,034)	-	-
Amortization of tangible capital assets	3,248,743	-	(3,248,743)	-	-
Capital long-term debt repaid	(422,899)	-	422,899	-	-
Change in accumulated surplus	(1,506,555)	131,972	6,590,937	5,216,354	3,751,223
<b>Balance, end of year</b>	<b>\$ 1,964,520</b>	<b>\$ 8,527,823</b>	<b>\$ 73,656,631</b>	<b>\$ 84,148,974</b>	<b>\$ 78,932,620</b>

**TOWN OF OLDS**  
**SCHEDULES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
For the year ended December 31, 2017

Schedule of tangible capital assets										Schedule 2
	Land	Land improvements	Buildings	Engineered structures	Machinery and equipment	Vehicles	Construction in progress	2017	2016	
<b>Cost:</b>										
Balance, beginning 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	
Acquisitions	-	134,986	241,670	3,811,576	163,879	386,544	4,762,160	9,500,815	5,030,581	
Transfers	-	1,612,962	-	(1,625,595)	(171,163)	188,696	(4,900)	-	-	
Disposals	-	-	-	(345,021)	(54,150)	(24,159)	-	(423,330)	(563,642)	
Balance, end 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	
<b>Accumulated amortization:</b>										
Balance, beginning of year	-	936,836	8,672,102	41,859,996	2,117,841	1,434,904	-	55,021,679	52,409,279	
Annual amortization	-	849,268	448,091	1,453,710	254,189	243,485	-	3,248,743	2,968,765	
Disposals	-	-	-	(278,190)	(36,947)	(24,159)	-	(339,296)	(356,365)	
Balance, end of year	-	1,786,104	9,120,193	43,035,516	2,335,083	1,654,230	-	57,931,126	55,021,679	
<b>Net book value</b>	<b>\$ 3,574,401</b>	<b>\$ 3,622,161</b>	<b>\$ 14,167,640</b>	<b>\$ 48,380,776</b>	<b>\$ 2,231,559</b>	<b>\$ 2,481,015</b>	<b>\$ 4,934,593</b>	<b>\$ 79,392,145</b>	<b>\$ 73,224,107</b>	
<b>2016 net book value</b>	<b>\$ 3,574,401</b>	<b>\$ 2,723,481</b>	<b>\$ 14,374,061</b>	<b>\$ 47,715,336</b>	<b>\$ 2,510,236</b>	<b>\$ 2,149,260</b>	<b>\$ 177,333</b>	<b>\$ 73,224,107</b>		

**TOWN OF OLDS**  
**SCHEDULE TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
For the year ended December 31, 2017

**Schedule of segmented disclosure**

**Schedule 3**

	General government	Protective services	Transportation services	Environmental services	Public health services	Planning and development	Recreation and culture	Total
<b>Revenue</b>								
Net municipal taxes	\$ 8,803,823	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 8,803,823
User fees and sales of goods	89,317	122,966	11,668	7,955,029	185,728	47,392	688,666	9,100,766
Government transfers for operating	-	588,855	-	-	270,758	-	478,174	1,337,787
Investment income	185,606	-	-	-	-	-	-	185,606
Penalties and costs of taxes	113,359	117,841	-	19,722	-	-	-	250,922
Development levies	-	-	24,981	15,687	-	-	-	40,668
Licenses and permits	-	25,750	2,226	-	-	350,940	-	378,916
Franchise and concession contracts	1,279,179	-	-	-	-	-	-	1,279,179
Rentals and other	-	212,047	-	-	-	-	5,000	217,047
Sales to other governments	-	187,155	7,500	-	-	-	-	194,655
	10,471,284	1,254,614	46,375	7,990,438	456,486	398,332	1,171,840	21,789,369
<b>Expenses</b>								
Salaries, wages and benefits	1,173,880	885,958	626,227	1,075,879	342,660	680,404	2,407,223	7,192,231
Contracted and general services	761,790	372,977	673,728	977,339	82,012	215,516	896,816	3,980,178
Materials, goods, supplies and utilities	129,159	355,232	564,485	147,722	23,269	12,454	644,764	1,877,085
Bank charges and short term interest	13,138	-	-	-	-	-	8,919	22,057
Interest on long term debt	-	134,182	-	94,945	-	-	40,710	269,837
Other expenditures	-	-	-	1,687	-	15,908	-	17,595
Transfers to organizations and others	-	5,000	-	142,801	157,913	150,000	464,859	920,573
Purchases from other governments	-	1,077,302	-	4,475,379	-	73,577	-	5,626,258
Amortization of tangible capital assets	199,560	251,564	1,276,486	831,405	14,252	-	675,476	3,248,743
Loss on disposal of tangible capital assets	-	-	69,636	-	-	-	388	70,024
	2,277,527	3,082,215	3,210,562	7,747,157	620,106	1,147,859	5,139,155	23,224,581
<b>Excess (deficiency) of revenue over expenses before other</b>	8,193,757	(1,827,601)	(3,164,187)	243,281	(163,620)	(749,527)	(3,967,315)	(1,435,212)
<b>Other</b>								
Government transfers for capital	35,000	219,128	2,205,335	-	8,600	-	362,624	2,830,687
Capital donations	-	-	-	-	-	-	19,000	19,000
Contributed assets	-	-	2,983,629	767,514	-	-	50,736	3,801,879
	35,000	219,128	5,188,964	767,514	8,600	-	432,360	6,651,566
<b>Excess (deficiency) of revenue over expenses</b>	\$ 8,228,757	\$ (1,608,473)	\$ 2,024,777	\$ 1,010,795	\$ (155,020)	\$ (749,527)	\$ (3,534,955)	\$ 5,216,354