

TOWN OF KILLAM

FINANCIAL STATEMENTS

DECEMBER 31, 2015

TOWN OF KILLAM

DECEMBER 31, 2015

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INDEPENDENT AUDITOR'S REPORT

To the Mayor and Council of the Town of Killam::

We have audited the accompanying consolidated financial statements of the Town Of Killam, which comprise the statement of financial position as at December 31, 2015, and the statements of operations, change in net financial assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

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.

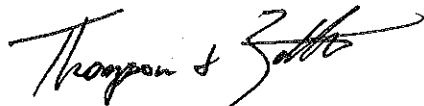
Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain 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 evaluation of the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluation 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.

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Town of Killam as at December 31, 2015 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.

Killam, Alberta
April 14, 2016


Thompson & Zettel
Professional Accountants

**TOWN OF KILLAM
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2015**

	<u>2015</u>	<u>2014</u>
FINANCIAL ASSETS		
Cash and temporary investments (Note 2)	\$ 908,615	\$ 1,321,670
Receivables		
Taxes and grants in place of taxes (Note 3)	46,549	54,792
Trade and other	201,331	267,690
Long term investments (Note 4)	909,465	327,425
Loans and notes receivable	<u>134,627</u>	<u>146,870</u>
	<u>2,200,587</u>	<u>2,118,447</u>
LIABILITIES		
Accounts payable and accrued liabilities	162,721	170,203
Deposit liabilities	33,565	32,348
Deferred revenue (Note 5)	511,751	666,097
Long term debt (Note 6)	<u>1,761,222</u>	<u>1,146,146</u>
	<u>2,469,259</u>	<u>2,014,794</u>
NET FINANCIAL ASSETS (DEBT)	<u>(268,672)</u>	<u>103,653</u>
NON-FINANCIAL ASSETS		
Land held for resale	544,018	274,777
Tangible capital assets (Schedule 1)	<u>7,654,169</u>	<u>6,999,693</u>
	<u>8,198,187</u>	<u>7,274,470</u>
ACCUMULATED SURPLUS	<u>\$ 7,929,515</u>	<u>\$ 7,378,123</u>

**TOWN OF KILLAM
CONSOLIDATED STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2015**

	Budget (unaudited)	2015	2014
REVENUE			
Net municipal taxes (Schedule 2)	\$ 1,052,968	\$ 1,055,230	\$ 1,017,111
User fees and sales of goods	1,666,619	1,431,250	1,819,226
Government transfers for operating (Schedule 3)	60,212	60,212	64,126
Investment income	18,000	18,882	18,236
Penalties & costs of taxes & utilities	22,000	15,866	21,099
Other	<u>17,500</u>	<u>20,903</u>	<u>24,068</u>
Total Revenue	<u>2,837,299</u>	<u>2,602,343</u>	<u>2,963,866</u>
EXPENSES			
Legislative	79,000	75,465	84,269
Administration	357,995	371,523	335,901
Fire, ambulance & bylaws enforcement	88,156	86,916	99,553
Roads, streets, walks lighting	342,745	325,786	323,839
Water and wastewater	239,441	274,909	233,138
Waste management	158,047	156,539	148,782
Subdivision land development and planning	20,814	20,648	8,848
Recreation and parks	393,410	412,639	418,443
Gas production and distribution	645,842	494,556	749,402
Other	99,713	115,399	93,750
Amortization	<u>501,200</u>	<u>501,826</u>	<u>502,776</u>
Total Expenses	<u>2,926,363</u>	<u>2,836,206</u>	<u>2,998,701</u>
(SHORTFALL) OF REVENUE OVER EXPENDITURES - BEFORE OTHER	<u>(89,064)</u>	<u>(233,863)</u>	<u>(34,835)</u>
OTHER			
Government transfers for capital (Schedule 3)	902,100	742,699	252,360
Recreation board transfer	<u>-</u>	<u>42,556</u>	<u>-</u>
EXCESS OF REVENUES OVER EXPENSES	813,036	551,392	217,525
ACCUMULATED SURPLUS, BEGINNING OF YEAR	<u>7,378,123</u>	<u>7,378,123</u>	<u>7,160,598</u>
ACCUMULATED SURPLUS, END OF YEAR	<u>\$ 8,191,159</u>	<u>\$ 7,929,515</u>	<u>\$ 7,378,123</u>

**TOWN OF KILLAM
CONSOLIDATED STATEMENT OF CHANGES IN NET FINANCIAL ASSETS (DEBT)
FOR THE YEAR ENDED DECEMBER 31, 2015**

	Budget (unaudited)	<u>2015</u>	<u>2014</u>
EXCESS OF REVENUES OVER EXPENSES	\$ 813,036	\$ 551,392	\$ 217,525
Acquisition of tangible capital assets	(1,252,600)	(1,156,302)	(383,009)
Amortization of tangible capital assets	501,200	501,826	502,776
Additions to land held for resale	<u>-</u>	<u>(269,241)</u>	<u>(1,600)</u>
INCREASE (DECREASE) IN NET ASSETS	61,636	(372,325)	335,692
NET FINANCIAL ASSETS (DEBT), BEGINNING OF YEAR	<u>103,653</u>	<u>103,653</u>	<u>(232,039)</u>
NET FINANCIAL ASSETS (DEBT), END OF YEAR	\$ <u>165,289</u>	\$ <u>(268,672)</u>	\$ <u>103,653</u>

**TOWN OF KILLAM
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2015**

	<u>2015</u>	<u>2014</u>
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING		
Excess of revenues over expenditures	\$ 551,392	\$ 217,525
Non-cash items included in excess (shortfall) of revenues over expenses:		
Amortization of tangible capital assets	501,826	502,776
Non-cash charges to operations (net change):		
<i>(Increase) Decrease in:</i>		
Receivables		
Taxes and grants in lieu receivable	8,243	9,812
Trade and other receivables	66,359	13,739
Land held for resale	(269,241)	(1,600)
<i>Increase (Decrease) in:</i>		
Accounts payable and accrued liabilities	(7,482)	23,652
Deposit liabilities	1,217	7,021
Deferred revenue	<u>(154,346)</u>	<u>28,777</u>
Cash provided by operating transactions	<u>697,968</u>	<u>801,702</u>
CAPITAL		
Acquisition of tangible capital assets	<u>(1,156,302)</u>	<u>(383,009)</u>
Cash (applied to) capital transactions	<u>(1,156,302)</u>	<u>(383,009)</u>
INVESTING		
Decrease (Increase) in Long term investments	(582,040)	275,847
Decrease in Loans and notes receivable	<u>12,243</u>	<u>11,604</u>
Cash provided by (applied to) investing transactions	<u>(569,797)</u>	<u>287,451</u>
FINANCING		
Long-term debt issued	775,000	33,500
Long-term debt repaid	<u>(159,924)</u>	<u>(119,320)</u>
Cash provided by (applied to) financing transactions	<u>615,076</u>	<u>(85,820)</u>
CHANGE IN CASH AND EQUIVALENTS DURING THE YEAR	(413,055)	620,324
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>1,321,670</u>	<u>701,346</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 908,615</u>	<u>\$ 1,321,670</u>

**TOWN OF KILLAM
SCHEDULE OF TANGIBLE CAPITAL ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2015
SCHEDULE 1**

	Land & Improvements	Buildings	Roads	Water & Sanitation	Gas	Machinery & Equipment	Vehicles	Office IT & Furniture	2015	2014
COST:										
BALANCE, BEGINNING OF YEAR	1,125,691	834,964	13,450,326	7,846,576	199,074	578,962	409,981	87,546	24,533,120	24,150,111
Acquisition of tangible capital assets	-	190,786	222,126	695,523	-	31,228	-	16,639	1,156,302	383,009
BALANCE, END OF YEAR	1,125,691	1,025,750	13,672,452	8,542,099	199,074	610,190	409,981	104,185	25,689,422	24,533,120
ACCUMULATED AMORTIZATION:										
BALANCE, BEGINNING OF YEAR	153,993	308,611	10,460,275	6,059,163	120,171	269,464	84,267	77,483	17,533,427	17,030,651
Annual amortization	15,182	17,183	297,973	126,963	-	29,327	10,532	4,666	501,826	502,776
BALANCE, END OF YEAR	169,175	325,794	10,758,248	6,186,126	120,171	298,791	94,799	82,149	18,035,253	17,533,427
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	956,516	699,956	2,914,204	2,355,973	78,903	311,399	315,182	22,036	7,654,169	6,999,693
2014 NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	971,698	526,353	2,990,051	1,787,413	78,903	309,498	325,714	10,063	6,999,693	

**TOWN OF KILLAM
SCHEDULE OF PROPERTY AND OTHER TAXES
FOR THE YEAR ENDED DECEMBER 31, 2015
SCHEDULE 2**

	Budget (Unaudited)	2015	2014
TAXATION			
Real property taxes	\$ 1,268,959	\$ 1,271,221	\$ 1,217,933
Linear property taxes	37,024	37,024	36,472
Government grants in place of property taxes	<u>28,912</u>	<u>28,912</u>	<u>37,709</u>
	<u>1,334,895</u>	<u>1,337,157</u>	<u>1,292,114</u>
REQUISITIONS			
Alberta School Foundation Fund	253,596	253,596	246,895
Alberta School Foundation - Opted Out	5,872	5,872	5,751
Flagstaff Foundation Fund	<u>22,459</u>	<u>22,459</u>	<u>22,357</u>
	<u>281,927</u>	<u>281,927</u>	<u>275,003</u>
NET MUNICIPAL TAXES	<u>\$ 1,052,968</u>	<u>\$ 1,055,230</u>	<u>\$ 1,017,111</u>

**TOWN OF KILLAM
SCHEDULE OF GOVERNMENT TRANSFERS
FOR THE YEAR ENDED DECEMBER 31, 2015
SCHEDULE 3**

	Budget (Unaudited)	<u>2015</u>	<u>2014</u>
TRANSFERS FOR OPERATING:			
Provincial Government	\$ 44,212	\$ 44,212	\$ 45,626
Other Local Governments	<u>16,000</u>	<u>16,000</u>	<u>18,500</u>
	<u>60,212</u>	<u>60,212</u>	<u>64,126</u>
TRANSFERS FOR CAPITAL:			
Provincial Government	892,000	734,320	252,360
Other Local Governments	<u>10,100</u>	<u>8,379</u>	<u>-</u>
	<u>902,100</u>	<u>742,699</u>	<u>252,360</u>
TOTAL GOVERNMENT TRANSFERS	<u>\$ 962,312</u>	<u>\$ 802,911</u>	<u>\$ 316,486</u>

TOWN OF KILLAM
SCHEDULE OF CONSOLIDATED EXPENSES BY OBJECT
FOR THE YEAR ENDED DECEMBER 31, 2015
SCHEDULE 4

CONSOLIDATED EXPENSES BY OBJECT	Budget (Unaudited)	<u>2015</u>	<u>2014</u>
Salaries, wages & benefits	\$ 724,818	\$ 711,830	\$ 684,172
Contracted & general services	262,480	299,361	264,280
Materials, goods & utilities	859,900	759,187	972,146
Interest on long-term debt	37,391	34,065	30,739
Transfers to local boards and agencies	485,656	485,253	491,296
Amortization of tangible capital assets	501,200	501,826	502,776
Other expenditures	54,918	44,684	53,292
	<u>\$ 2,926,363</u>	<u>\$ 2,836,206</u>	<u>\$ 2,998,701</u>

TOWN OF KILLAM
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

1. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements of the Town of Killam are the representations of management prepared in accordance with local government accounting standards established by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants. Significant aspects of the accounting policies adopted by the Town of Killam are as follows:

(a) Reporting Entity

The consolidated financial statements reflect the assets, liabilities, revenues and expenditures, changes in fund balances and change in financial position of the reporting entity. This entity is comprised of the municipal operations plus all of the organizations that are owned or controlled by the municipality and are, therefore, accountable to the Council for the administration of their financial affairs and resources. Included with the municipality are the following:

Killam Gas Distribution System
Killam Waterworks and Wastewater System

The schedule of taxes levied also includes requisitions for education, health, 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 account 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) 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 assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenditure during the period. Where measurement uncertainty exists, the financial statements have been prepared withing reasonable limits of materiality. Actual results could differ from those estimates.

(d) Cash and cash equivalents

Cash includes cash and cash equivalents. Cash equivalents are investments in guaranteed investment certificates with maturity dates of less than one year and are valued at cost. The carrying amounts approximate fair value.

**TOWN OF KILLAM
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015**

(e) 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.

(f) 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 or revenues over expenses, provides the consolidated Change in Net Financial Assets (Debt) for the year.

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:

	<u>YEARS</u>
Land Improvements	15-45
Buildings	50
Engineered structures	
Roadway system	20-30
Water and Wastewater system	20-75
Machinery and equipment	15
Vehicles	10-25
Office furniture and fixtures	5-20

One-half of the annual amortization is charged in the year of acquisition and in the year of disposal. Assets under construction are not amortized until the asset is available for productive use.

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.

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.

Inventories for Resale

Land held for resale is recorded at the lower of cost or net realizable value. Cost includes costs for land acquisition and improvements required to prepare the land for servicing such as clearing, stripping and leveling charges. Related development costs incurred to provide infrastructure such as water and wastewater services, roads, sidewalks and street lighting are recorded as physical assets under their respective function.

**TOWN OF KILLAM
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015**

(g) 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.

(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.

2. CASH AND TEMPORARY INVESTMENTS

	<u>2015</u>	<u>2014</u>
Cash	\$ 568,071	\$ 356,912
Temporary investments	<u>340,544</u>	<u>964,758</u>
	<u>\$ 908,615</u>	<u>\$ 1,321,670</u>

Temporary investments are short-term deposits with original maturities of twelve months or less.

3. RECEIVABLES

	<u>2015</u>	<u>2014</u>
Property taxes		
Current taxes and grants in place of taxes	\$ 24,388	\$ 27,113
Arrears taxes	<u>22,161</u>	<u>27,679</u>
	<u>\$ 46,549</u>	<u>\$ 54,792</u>
Other		
Trade accounts	\$ 194,886	\$ 257,362
Accrued interest	<u>6,445</u>	<u>10,328</u>
	<u>\$ 201,331</u>	<u>\$ 267,690</u>

4. LONG-TERM INVESTMENTS

	<u>2015</u>	<u>2014</u>
Share Capital	\$ 10	\$ 10
Patronage equity	24,455	24,910
Guaranteed Investment Certificates	<u>885,000</u>	<u>302,505</u>
	<u>\$ 909,465</u>	<u>\$ 327,425</u>

Guaranteed Investment Certificate matures September 14, 2017 and has an effective interest rate of 1.40%

TOWN OF KILLAM
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

5. DEFERRED REVENUE

	<u>2015</u>	<u>2014</u>
Government grants	\$ <u>511,751</u>	\$ <u>666,097</u>
Consists of grant funding received for eligible capital projects. To be allocated to income when the eligible capital expenses are incurred		

6. LONG-TERM DEBT

	<u>2015</u>	<u>2014</u>
Debenture debt - Capital	\$ 31,663	\$ 47,326
Debenture debt - Operating	746,471	-
Bank loans - Capital	848,461	951,950
Bank loans - Operating	<u>134,627</u>	<u>146,870</u>
	<u>\$ 1,761,222</u>	<u>\$ 1,146,146</u>

The current portion of the long-term debt amounts to \$189,135 (2014 - \$121,391)
Principal and interest repayments are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 189,135	\$ 42,181	\$ 231,316
2017	189,147	37,507	226,654
2018	195,182	32,739	227,921
2019	154,855	28,357	183,212
2020	151,618	24,575	176,193
Thereafter	<u>881,285</u>	<u>92,632</u>	<u>973,917</u>
	<u>\$ 1,761,222</u>	<u>\$ 257,991</u>	<u>\$ 2,019,213</u>

Debentures debt is repayable to the Alberta Capital Finance Authority and bears interest at rates ranging from 1.19% to 2.77% per annum and matures in periods 2016 through 2035. The average annual interest rate is 1.93% (2014 - 1.46%)

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

Bank loans are repayable in monthly instalments with a combined monthly total of \$12,083 including principal and interest at the Prime rate. The bank loans are secured by a general security agreement.

Interest on long-term debt amounted to \$34,065 (2014 - \$30,739)

The town's total cash payments for interest in 2015 were \$38,739 (2014 - \$35,006)

7. 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 of Killam be disclosed as follows:

	<u>2015</u>	<u>2014</u>
Total debt limit	\$ 3,903,515	\$ 4,445,799
Total debt	<u>(1,761,222)</u>	<u>(1,146,146)</u>

**TOWN OF KILLAM
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015**

Amount of debt limit unused	\$ <u>2,142,293</u>	\$ <u>3,299,653</u>
Debt servicing limit	\$ 650,586	\$ 740,967
Debt servicing	<u>(231,316)</u>	<u>(153,172)</u>
Amount of debt servicing limit unused	\$ <u>419,270</u>	\$ <u>587,795</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 limitations requires approval by the Minister of Municipal Affairs. These thresholds are guidelines used by Alberta Municipal Affairs to identify municipalities that could be at financial risk if further debt is acquired. The calculation taken alone does not represent the financial stability of the municipality. Rather, the financial statements must be interpreted as a whole.

8. EQUITY IN TANGIBLE CAPITAL ASSETS

	<u>2015</u>	<u>2014</u>
Tangible capital assets (Schedule 1)	\$ 25,689,422	\$ 24,533,120
Accumulated amortization (Schedule 1)	(18,035,253)	(17,533,427)
Long-term debt - Capital (Note 6)	<u>(880,124)</u>	<u>(999,276)</u>
	\$ <u>6,774,045</u>	\$ <u>6,000,417</u>

9. ACCUMULATED SURPLUS

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

	<u>2015</u>	<u>2014</u>
Unrestricted surplus	\$ 278,453	\$ 360,420
Restricted surplus		
General future expenditures	10,000	10,000
Cemetery	15,000	10,000
Fire	35,500	35,500
Common Services	59,500	63,000
Roads	105,000	110,000
Water	234,905	395,058
Sewer	179,271	198,556
Subdivision	90,000	90,000
Parks and recreation	109,689	57,500
Gas	38,152	47,672
Equity in tangible capital assets	<u>6,774,045</u>	<u>6,000,417</u>
	\$ <u>7,929,515</u>	\$ <u>7,378,123</u>

**TOWN OF KILLAM
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015**

10. SALARY AND BENEFITS DISCLOSURE

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

	2015			2014
	<u>Salary</u>	<u>Benefits & allowances</u>	<u>Total</u>	<u>Total</u>
Mayor James	11,000	4,500	15,500	15,725
Councillor Eskra	6,000	-	6,000	6,300
Councillor Gordon	6,000	525	6,525	6,975
Councillor Grove	6,000	625	6,625	6,525
Councillor Kinzer	6,000	-	6,000	6,600
Councillor Kryz	6,000	-	6,000	6,300
Councillor McDermott	6,000	525	6,525	7,200
Town Administrator	91,000	19,094	110,094	109,483

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

Benefits and allowances includes the employer's share of all employee benefits and contributions or payments made on behalf of employees including local authorities pension, health plans, group life insurance, accidental death insurance and long term disability insurance. For the Councillors and Mayor the benefits and allowances consists entirely of per diem allowances paid.

11. 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 Public Sector Pension Plans Act. The LAPP is financed by 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.

Total current service contributions by the Town of Killam to the Local Authorities Pension Plan in 2015 were \$70,163 (2014 - \$61,196). Total current service contributions by the employees of the Town of Killam to the Local Authorities Pension Plan in 2015 were \$64,318 (2014 - \$56,082). At December 31, 2014, the LAPP disclosed an actuarial deficiency of \$3.96 billion.

12. CONTINGENCIES

The Town of Killam is a member of the Alberta Local Authorities Reciprocal Insurance Exchange. Under the terms of the membership, the Town of Killam 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.

**TOWN OF KILLAM
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015**

13. FINANCIAL INSTRUMENTS

The Town's financial instruments consist of cash and temporary investments, accounts receivable, investments, accounts payable and accrued liabilities, deposit liabilities, deferred revenue and long term debt. It is management's opinion that the Town is not exposed to significant interest, currency or credit risk arising from these financial instruments.

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

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

14. APPROVAL OF FINANCIAL STATEMENTS

Council and Management have approved these financial statements.