

**TOWN OF KILLAM**  
**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

## AUDITOR'S REPORT

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

#### *Report on the Consolidated Financial Statements*

I have audited the accompanying consolidated financial statements of the Town of Killam, which comprise the statement of financial position as at December 31, 2016, 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'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*

My responsibility is to express an opinion on these consolidated financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

#### *Opinion*

In my opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Town of Killam as at December 31, 2016, the results of its operations, change in its net financial assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

M.D. of Wainwright

February 12, 2017

Chartered Professional Accountant

# TOWN OF KILLAM

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION DECEMBER 31, 2016

	<u>2016</u>	<u>2015</u> (restated)
<b>FINANCIAL ASSETS</b>		
Cash and term deposits (Note 2)	<b>1,755,280</b>	1,793,615
Taxes and grants in place of taxes (Note 3)	<b>67,437</b>	46,549
Trade and other receivables	<b>207,904</b>	182,641
Due from other governments	<b>112,123</b>	18,690
Inventory held for resale	<b>564,158</b>	544,018
Debt charges recoverable	<b>185,145</b>	134,627
Other financial assets	<b>27,183</b>	24,465
	<u><b>2,919,230</b></u>	<u>2,744,605</u>
<b>LIABILITIES</b>		
Accounts payable and accrued liabilities	<b>185,387</b>	162,721
Deposits held in trust	<b>400</b>	400
Deferred revenue (Note 4)	<b>754,602</b>	544,916
Long term debt (Note 5)	<b>1,635,392</b>	1,761,222
	<u><b>2,575,781</b></u>	<u>2,469,259</u>
<b>NET FINANCIAL ASSETS</b>	<u><b>343,449</b></u>	<u>275,346</u>
<b>NON-FINANCIAL ASSETS</b>		
Tangible capital assets	<u><b>7,104,587</b></u>	<u>7,432,211</u>
<b>ACCUMULATED SURPLUS (NOTE 8)</b>	<u><u><b>7,448,036</b></u></u>	<u><u>7,707,557</u></u>

# TOWN OF KILLAM

## CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES FOR THE YEAR ENDED DECEMBER 31, 2016

	Budget (unaudited)	<b>2016</b>	2015 (restated)
<b>REVENUE</b>			
Net municipal property taxes (Schedule 3)	1,076,668	<b>1,064,636</b>	1,055,230
User fees and sales of goods	1,438,361	<b>1,283,715</b>	1,426,594
Penalties and costs on taxes	19,470	<b>18,671</b>	15,866
Licenses and permits	11,300	<b>4,626</b>	4,656
Fines	5,500	<b>4,647</b>	3,413
Franchise and concession contracts	54,622	<b>56,861</b>	44,765
Investment income	18,000	<b>26,857</b>	18,882
Rentals	10,200	<b>10,091</b>	10,691
Insurance proceeds	-	<b>10,433</b>	-
Government transfers for operating	97,378	<b>114,483</b>	60,212
Other	6,000	<b>2,333</b>	4,590
Gain on disposal of assets	-	<b>3,260</b>	-
	<b>2,737,499</b>	<b>2,600,613</b>	<b>2,644,899</b>
<b>EXPENSES</b>			
Legislative	73,000	<b>69,689</b>	75,465
Administration	371,645	<b>416,070</b>	395,275
Protective services	82,195	<b>81,404</b>	86,917
Transportation	375,398	<b>376,247</b>	361,193
Water supply and distribution	162,300	<b>167,856</b>	165,802
Wastewater treatment and disposal	85,927	<b>85,118</b>	109,107
Waste management	167,481	<b>166,300</b>	159,956
Public health and welfare	26,467	<b>22,422</b>	29,217
Planning and development	80,454	<b>75,356</b>	20,648
Recreation	419,246	<b>470,740</b>	412,639
Culture	24,053	<b>33,519</b>	23,608
Gas system	506,184	<b>440,779</b>	494,553
Amortization	501,200	<b>610,136</b>	583,894
	<b>2,875,550</b>	<b>3,015,636</b>	<b>2,918,274</b>
<b>EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES BEFORE OTHER</b>	(138,051)	<b>(415,023)</b>	(273,375)
<b>OTHER</b>			
Government transfers for capital (Schedule 4)	760,326	<b>155,502</b>	742,699
<b>EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES</b>	622,275	<b>(259,521)</b>	469,324
<b>ACCUMULATED SURPLUS, BEGINNING OF YEAR</b>	7,707,557	<b>7,707,557</b>	7,238,233
<b>ACCUMULATED SURPLUS, END OF YEAR</b>	8,329,832	<b>7,448,036</b>	7,707,557

# TOWN OF KILLAM

## CONSOLIDATED STATEMENT OF CHANGES IN NET FINANCIAL ASSETS FOR THE YEAR ENDED DECEMBER 31, 2016

	Budget (unaudited)	2016	2015 (restated)
<b>EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES</b>	<u>622,275</u>	<u>(259,521)</u>	<u>469,324</u>
Acquisition of tangible capital assets	(1,201,785)	(282,512)	(1,156,302)
Proceeds on disposal of tangible capital assets	-	3,260	-
Amortization of tangible capital assets	501,200	610,136	583,894
Loss (gain) on sale of tangible capital assets	-	(3,260)	-
	<u>(700,585)</u>	<u>327,624</u>	<u>(572,408)</u>
<b>INCREASE (DECREASE) IN NET FINANCIAL ASSETS</b>	(78,310)	68,103	(103,084)
<b>NET FINANCIAL ASSETS, BEGINNING OF YEAR</b>	<u>275,346</u>	<u>275,346</u>	<u>378,430</u>
<b>NET FINANCIAL ASSETS, END OF YEAR</b>	<u><u>197,036</u></u>	<u><u>343,449</u></u>	<u><u>275,346</u></u>

# TOWN OF KILLAM

## CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2016

	<b>2016</b>	2015 (restated)
<b>NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:</b>		
<b>OPERATING</b>		
Excess (deficit) of revenues over expenses	(259,521)	469,324
Non-cash items included in excess of revenue over expenses:		
Amortization of tangible capital assets	610,136	583,894
Loss (gain) on disposal of tangible capital assets	(3,260)	-
Non-cash charges to operations (net change):		
Decrease (increase) in taxes and grants in place of taxes	(20,888)	8,243
Decrease (increase) in trade and other receivables	(25,263)	66,359
Decrease (increase) in due from other governments	(93,433)	-
Decrease (increase) in inventory held for resale	(20,140)	(269,241)
Decrease (increase) in other financial assets	(2,718)	455
Increase (decrease) in accounts payable and accrued liabilities	22,666	(7,482)
Increase (decrease) in deposits held in trust	-	1,217
Increase (decrease) in deferred revenue	209,686	(154,346)
	<b>417,265</b>	<b>698,423</b>
<b>CAPITAL</b>		
Acquisition of tangible capital assets	(282,512)	(1,156,302)
Sale of tangible capital assets	3,260	-
	<b>(279,252)</b>	<b>(1,156,302)</b>
<b>FINANCING</b>		
Debt charges recovered	(50,518)	12,243
Long-term debt issued	70,000	775,000
Long-term debt repaid	(195,830)	(159,924)
	<b>(176,348)</b>	<b>627,319</b>
<b>CHANGE IN CASH AND EQUIVALENTS DURING THE YEAR</b>	<b>(38,335)</b>	169,440
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<b>1,793,615</b>	1,624,175
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<b>1,755,280</b>	1,793,615
<b>CASH AND CASH EQUIVALENTS IS MADE UP OF:</b>		
Cash on hand	150	150
Cash in bank	522,737	567,922
Term deposits	1,232,393	1,225,543
	<b>1,755,280</b>	1,793,615

## TOWN OF KILLAM

### SCHEDULE OF CHANGES IN ACCUMULATED SURPLUS FOR THE YEAR ENDED DECEMBER 31, 2016 (Schedule 1)

	Unrestricted Surplus	Restricted Surplus	Equity in Tangible Capital Assets	<b>2016</b>	2015 (restated)
<b>BALANCE, BEGINNING OF YEAR</b>	278,453	877,017	6,552,087	<b>7,707,557</b>	7,238,233
Excess of revenues over expenses	(259,521)	-	-	<b>(259,521)</b>	469,324
Unrestricted funds designated for future use	(227,719)	227,719	-	-	-
Restricted funds used for operations	111,149	(111,149)	-	-	-
Restricted funds used for tangible capital assets	-	(44,794)	44,794	-	-
Current year funds used for tangible capital assets	(237,718)	-	237,718	-	-
Annual amortization expense	610,136	-	(610,136)	-	-
Net change in long term debt	(118,364)	-	118,364	-	-
Change in accumulated surplus	(122,037)	71,776	(209,260)	<b>(259,521)</b>	469,324
<b>BALANCE, END OF YEAR</b>	<u>156,416</u>	<u>948,793</u>	<u>6,342,827</u>	<b><u>7,448,036</u></b>	<u>7,707,557</u>

## TOWN OF KILLAM

### CONSOLIDATED SCHEDULE OF TANGIBLE CAPITAL ASSETS FOR THE YEAR ENDED DECEMBER 31, 2016 (Schedule 2)

	LAND	LAND IMPROVEMENTS	BUILDINGS	ENGINEERED STRUCTURES	MACHINERY AND EQUIPMENT	VEHICLES	2016	2015 (restated)
<b>COST:</b>								
Balance - beginning of year	681,262	444,426	1,021,456	22,413,627	718,670	409,981	<b>25,689,422</b>	24,533,120
Acquisition of tangible capital assets	-	-	-	184,419	42,568	-	<b>226,987</b>	1,156,302
Construction in progress	-	-	-	55,525	-	-	<b>55,525</b>	-
Disposal of tangible capital assets	-	-	-	-	25,252	-	<b>25,252</b>	-
Balance - end of year	<u>681,262</u>	<u>444,426</u>	<u>1,021,456</u>	<u>22,653,571</u>	<u>735,986</u>	<u>409,981</u>	<b><u>25,946,682</u></b>	<u>25,689,422</u>
<b>ACCUMULATED AMORTIZATION</b>								
Balance - beginning of year	-	241,654	328,073	17,169,347	385,465	132,672	<b>18,257,211</b>	17,673,317
Annual amortization	-	15,359	23,318	503,094	45,113	23,252	<b>610,136</b>	583,894
Accumulated amortization on disposals	-	-	-	-	25,252	-	<b>25,252</b>	-
Balance - end of year	<u>-</u>	<u>257,013</u>	<u>351,391</u>	<u>17,672,441</u>	<u>405,326</u>	<u>155,924</u>	<b><u>18,842,095</u></b>	<u>18,257,211</u>
<b>NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS</b>								
	<u><b>681,262</b></u>	<u><b>187,413</b></u>	<u><b>670,065</b></u>	<u><b>4,981,130</b></u>	<u><b>330,660</b></u>	<u><b>254,057</b></u>	<u><b>7,104,587</b></u>	<u><b>7,432,211</b></u>
OPENING NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	<u>681,262</u>	<u>202,772</u>	<u>693,383</u>	<u>5,244,280</u>	<u>333,205</u>	<u>277,309</u>	<u><b>7,432,211</b></u>	



# TOWN OF KILLAM

## CONSOLIDATED SCHEDULE OF PROPERTY TAXES LEVIED FOR THE YEAR ENDED DECEMBER 31, 2016 (Schedule 3)

	Budget (Unaudited)	2016	2015 (restated)
<b>TAXATION</b>			
Real property taxes	1,297,696	<b>1,295,948</b>	1,271,221
Linear property taxes	35,846	<b>25,562</b>	37,024
Government grants in place of property taxes	26,765	<b>26,765</b>	28,912
	<u>1,360,307</u>	<u><b>1,348,275</b></u>	<u>1,337,157</u>
<b>REQUISITIONS</b>			
Alberta School Foundation	261,194	<b>261,194</b>	259,468
Flagstaff Regional Housing Group	22,445	<b>22,445</b>	22,459
	<u>283,639</u>	<u><b>283,639</b></u>	<u>281,927</u>
<b>NET MUNICIPAL TAXES</b>	<u>1,076,668</u>	<u><b>1,064,636</b></u>	<u>1,055,230</u>

# TOWN OF KILLAM

## CONSOLIDATED SCHEDULE OF GOVERNMENT TRANSFERS FOR THE YEAR ENDED DECEMBER 31, 2016 (Schedule 4)

	Budget (Unaudited)	2016	2015 (restated)
<b>TRANSFERS FOR OPERATING</b>			
Provincial Government	58,878	<b>62,676</b>	44,212
Local Governments	38,500	<b>51,807</b>	16,000
	<u>97,378</u>	<u><b>114,483</b></u>	<u>60,212</u>
<b>TRANSFERS FOR CAPITAL</b>			
Federal Government	50,758	-	-
Provincial Government	701,818	<b>148,337</b>	734,320
Local Governments	7,750	<b>7,165</b>	8,379
	<u>760,326</u>	<u><b>155,502</b></u>	<u>742,699</u>
<b>TOTAL GOVERNMENT TRANSFERS</b>	<u>857,704</u>	<u><b>269,985</b></u>	<u>802,911</u>

# TOWN OF KILLAM

## CONSOLIDATED SCHEDULE OF EXPENDITURE BY OBJECT FOR THE YEAR ENDED DECEMBER 31, 2016 (Schedule 5)

	Budget (Unaudited)	2016	2015 (restated)
<b>Expenditures</b>			
Salaries, wages and benefits	699,714	<b>725,979</b>	711,830
Contracted and general services	605,999	<b>641,108</b>	294,733
Purchases from other governments	4,635	<b>4,985</b>	4,628
Materials, goods and utilities	627,464	<b>545,356</b>	759,187
Transfers to local boards and agencies	369,181	<b>425,963</b>	460,008
Transfers to individuals and agencies	18,000	<b>15,773</b>	25,245
Bank charges and short term interest	1,000	<b>941</b>	-
Interest on operating long term debt	16,357	<b>17,340</b>	8,788
Interest on capital long term debt	30,000	<b>22,296</b>	25,277
Other expenditures	2,000	<b>5,759</b>	44,684
Amortization of tangible capital assets	501,200	<b>610,136</b>	583,894
	<u>2,875,550</u>	<u><b>3,015,636</b></u>	<u>2,918,274</u>

**TOWN OF KILLAM**

**SCHEDULE OF SEGMENTED DISCLOSURE  
FOR THE YEAR ENDED DECEMBER 31, 2016  
(Schedule 6)**

	General Government	Protective Services	Transportation services	Environmental Services	Public Health & Welfare	Planning & Development	Recreation & Culture	Other	Total
<b>REVENUE</b>									
Net municipal property taxes (Schedule 2)	1,064,636	-	-	-	-	-	-	-	1,064,636
User fees and sales of goods	140,022	19,447	26,526	558,767	2,571	-	76,250	460,132	1,283,715
Penalties and costs on taxes	11,847	-	-	-	-	-	-	6,824	18,671
Licenses and permits	-	4,626	-	-	-	-	-	-	4,626
Fines	2,922	1,725	-	-	-	-	-	-	4,647
Franchise and concession contracts	56,861	-	-	-	-	-	-	-	56,861
Investment income	26,857	-	-	-	-	-	-	-	26,857
Rentals	-	7,200	-	-	-	2,891	-	-	10,091
Insurance proceeds	10,433	-	-	-	-	-	-	-	10,433
Government transfers	58,878	49,307	-	-	2,500	-	3,798	-	114,483
Other	-	-	-	-	2,078	-	255	-	2,333
	<u>1,372,456</u>	<u>82,305</u>	<u>26,526</u>	<u>558,767</u>	<u>7,149</u>	<u>2,891</u>	<u>80,303</u>	<u>466,956</u>	<u>2,597,353</u>
<b>EXPENSES</b>									
Salaries, wages and benefits	266,217	27,130	165,281	155,017	8,555	-	87,148	16,631	725,979
Contracted and general services	168,797	32,946	63,757	198,378	-	49,242	4,332	123,656	641,108
Purchases from other governments	-	4,985	-	-	-	-	-	-	4,985
Materials, goods and utilities	20,028	16,343	124,913	65,879	4,057	-	13,644	300,492	545,356
Transfers to local boards and agencies	9,391	-	-	-	9,810	7,627	399,135	-	425,963
Transfers to individuals and agencies	15,773	-	-	-	-	-	-	-	15,773
Bank charges and short term interest	941	-	-	-	-	-	-	-	941
Interest on operating long term debt	-	-	-	-	-	17,340	-	-	17,340
Interest on capital long term debt	-	-	22,296	-	-	-	-	-	22,296
Other expenditures	4,612	-	-	-	-	1,147	-	-	5,759
	<u>485,759</u>	<u>81,404</u>	<u>376,247</u>	<u>419,274</u>	<u>22,422</u>	<u>75,356</u>	<u>504,259</u>	<u>440,779</u>	<u>2,405,500</u>
<b>NET REVENUE, BEFORE AMORTIZATION</b>	<u>886,697</u>	<u>901</u>	<u>(349,721)</u>	<u>139,493</u>	<u>(15,273)</u>	<u>(72,465)</u>	<u>(423,956)</u>	<u>26,177</u>	<u>191,853</u>
<b>AMORTIZATION AND DISPOSAL OF ASSETS</b>									
Amortization of tangible capital assets	21,429	28,898	388,573	143,691	-	-	21,342	6,203	610,136
Loss (gain) on disposal of tangible capital asset	-	-	(3,260)	-	-	-	-	-	(3,260)
	<u>21,429</u>	<u>28,898</u>	<u>385,313</u>	<u>143,691</u>	<u>-</u>	<u>-</u>	<u>21,342</u>	<u>6,203</u>	<u>606,876</u>
<b>NET REVENUE</b>	<u>865,268</u>	<u>(27,997)</u>	<u>(735,034)</u>	<u>(4,198)</u>	<u>(15,273)</u>	<u>(72,465)</u>	<u>(445,298)</u>	<u>19,974</u>	<u>(415,023)</u>

# TOWN OF KILLAM

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

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### 1. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements of the Town of Killam are the representations of management prepared in accordance with generally accepted accounting principles for local governments established by the Public Sector Accounting Board of the Canadian Chartered Professional Accountants.

Significant aspects of the accounting policies adopted by the town 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 town are, therefore accountable to the Council for the administration of their financial affairs and resources.

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 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.

# TOWN OF KILLAM

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

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### 1. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### **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 within reasonable limits of materiality. Actual results could differ from those estimates.

#### **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) 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.

#### **f) 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 levelling 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 the respective function.

#### **g) 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.

# TOWN OF KILLAM

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

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### 1. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### **h) 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.

#### **i) 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.

#### **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:

	<b>YEARS</b>
Buildings	50
Engineered structures - other	20-50
Engineered structures - water system	30-75
Engineered structures - wastewater system	50
Land improvements	15
Machinery and equipment	7-15
Vehicles	10-25

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.

#### **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 held for consumption are recorded at the lower of cost and replacement cost.

#### **v. Cultural and Historical Tangible Capital Assets**

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

# TOWN OF KILLAM

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

### 2. CASH AND TERM DEPOSITS

	<u>2016</u>	<u>2015</u>
Included in cash and term deposits are amounts received from various grant funding programs that are held for use in accordance with the funding agreements. (Note 4)	<b>669,391</b>	511,751
Included in cash and term deposits are amounts designated by council for future expenses and tangible capital asset acquisitions.	<b>948,793</b>	877,017
Total restricted cash and term deposits	<b><u>1,618,184</u></b>	<u>1,388,768</u>
Total un-restricted cash and term deposits	<b><u>137,096</u></b>	<u>404,847</u>

### 3. TAXES AND GRANTS IN PLACE OF TAXES RECEIVABLES

	<u>2016</u>	<u>2015</u>
Current taxes and grants in place of taxes	<b>38,349</b>	24,388
Arrears taxes	<b>11,383</b>	4,456
Property held by the town as a result of tax forfeiture	<b>17,705</b>	17,705
	<b><u>67,437</u></b>	<u>46,549</u>

### 4. DEFERRED INCOME

Deferred income consists of the following:	<u>2016</u>	<u>2015</u>
Basic Municipal Transportation Grant	<b>191,197</b>	191,197
Municipal Sustainability Initiative - capital	<b>478,194</b>	320,554
Federal Gas Tax	<b>52,889</b>	-
Prepaid property taxes	<b>32,322</b>	33,165
	<b><u>754,602</u></b>	<u>544,916</u>



# TOWN OF KILLAM

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

### 5. LONG TERM DEBT

	2016	2015
Operating		
Alberta Capital Finance Authority	751,680	746,471
ATB Financial	121,952	134,627
	873,632	881,098
Capital		
Alberta Capital Finance Authority	20,443	31,663
ATB Financial	741,317	848,461
	761,760	880,124
Alberta Capital Finance Authority	1,635,392	1,761,222

Principal and interest payments are as follows:

	Principal	Interest	Total
2017	202,915	38,219	241,134
2018	207,822	33,312	241,134
2019	170,223	28,759	198,982
2020	165,875	24,798	190,673
2021	162,602	20,831	183,433
Thereafter	725,955	63,071	789,026
	1,635,392	208,990	1,844,382

Debenture debt owing to Alberta Capital Finance Authority bears interest ranging from 1.24% to 2.765% per annum and matures in periods from 2019 through 2035 and is secured by the credit and security of the town at large.

Debt repayable to ATB Financial bears interest at Prime and is secured by a general security agreement.

The town's total cash payments for interest in 2016 were \$42,726 (2015 - \$38,739).

# TOWN OF KILLAM

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

### 6. 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>2016</u>	<u>2015</u>
Total debt limit	<u>3,900,920</u>	3,903,515
Total debt	<u>1,635,392</u>	1,761,222
Surplus debt limit	<u>2,265,528</u>	<u>2,142,293</u>
Debt servicing limit	<u>650,153</u>	650,586
Debt servicing	<u>241,134</u>	231,316
Surplus debt servicing	<u>409,019</u>	<u>419,270</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, which 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.

### 7. EQUITY IN TANGIBLE CAPITAL ASSETS

	<u>2016</u>	<u>2015</u>
Tangible capital assets (Schedule 2)	<u>25,946,682</u>	25,689,422
Accumulated amortization (Schedule 2)	<u>(18,842,095)</u>	(18,257,211)
Long-term debt (Note 6)	<u>(761,760)</u>	(880,124)
	<u>6,342,827</u>	<u>6,552,087</u>

# TOWN OF KILLAM

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

### 8. ACCUMULATED SURPLUS

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

	<u>2016</u>	<u>2015</u>
<b>Unrestricted surplus</b>	<b><u>156,416</u></b>	<b><u>278,453</u></b>
<b>Restricted surplus</b>		
Dr. Recruitment	10,000	10,000
Cemetery	12,058	15,000
Fire	35,500	35,500
Common services	39,706	59,500
Roads	80,000	105,000
Water	350,888	234,905
Sewer	243,107	179,271
Subdivision	83,437	90,000
Parks and recreation	55,945	109,689
Gas system	38,152	38,152
	<b><u>948,793</u></b>	<b><u>877,017</u></b>
<b>Equity in tangible capital assets</b>	<b><u>6,342,827</u></b>	<b><u>6,552,087</u></b>
	<b><u>7,448,036</u></b>	<b><u>7,707,557</u></b>

### 9. SEGMENTED DISCLOSURE

The Town of Killam 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 6)

# TOWN OF KILLAM

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

### 10. SALARY AND BENEFITS DISCLOSURE

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

	2016			2015
	Salary	Benefits & Allowances	Total	Total
James	14,100	-	14,100	15,500
Eskra	6,100	-	6,100	6,000
Gordon	6,700	-	6,700	6,525
Grove	6,600	-	6,600	6,625
Kinzer	6,000	-	6,000	6,000
Krys	6,000	-	6,000	6,000
McDermott	6,500	-	6,500	6,525
CAO	95,000	24,720	119,720	110,094

1. Salary includes regular base pay, bonuses, overtime, lump sum payments, gross honoraria and any other direct cash remuneration.
2. 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.

### 11. CONTINGENCIES

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

The town is a member of the Flagstaff Regional Solid Waste Management Association. Under the terms of the membership, the town could become liable for its proportionate share of any landfill closure and post-closure costs in excess of the funds held by the association. Any liability incurred would be accounted for as a current transaction in the year the shortfall is determined.

# TOWN OF KILLAM

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

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### 12. FINANCIAL INSTRUMENTS

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

The town is subject to credit risk with respect to 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 fair value.

### 13. LOCAL AUTHORITIES PENSION PLAN

Employees of the town participate in the Local Authorities Pension Plan (LAPP), which is one of the plans covered by the Alberta Public Sector Pension Plans Act. The LAPP serves 244,621 people and 426 employers. 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. 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 during the year were \$56,696. Total current service contributions by the employees of the Town to the Local Authorities Pension Plan during the year were \$52,069.

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

# TOWN OF KILLAM

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

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### 14. PRIOR PERIOD ERROR

During the year it was discovered that amortization of tangible capital assets was calculated incorrectly in prior years. As a result, amortization for the year was understated by 82,068 and excess of revenue over expenditures was overstated by 82,068. Tangible capital assets, equity in tangible capital assets and accumulated surplus were overstated by 221,961.

### 15. COMPARITIVE FIGURES

Comparitive figures were reported on by another auditor.  
Certain comparative figures have been restated to conform to the current year's presentation.

### 16. APPROVAL OF FINANCIAL STATEMENTS

Council and Management have approved these financial statements.