

TOWN OF KILLAM
FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

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, 2017, 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, 2017, 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

March 15, 2018

A handwritten signature in black ink, appearing to read "Brian King", written over a horizontal line.

Brian King Professional Corporation

Chartered Professional Accountant

TOWN OF KILLAM

CONSOLIDATED STATEMENT OF FINANCIAL POSITION DECEMBER 31, 2017

	<u>2017</u>	<u>2016</u>
FINANCIAL ASSETS		
Cash and term deposits (Note 2)	863,751	1,755,280
Taxes and grants in place of taxes (Note 3)	82,097	67,437
Trade and other receivables	259,125	207,904
Due from other governments	346,655	112,123
Inventory held for resale	769,388	564,158
Debt charges recoverable	158,537	185,145
Other financial assets	29,525	27,183
	<u>2,509,078</u>	<u>2,919,230</u>
LIABILITIES		
Accounts payable and accrued liabilities	393,325	185,387
Deposits held in trust	300	400
Deferred revenue (Note 4)	365,753	754,602
Long term debt (Note 5)	1,433,984	1,635,392
	<u>2,193,362</u>	<u>2,575,781</u>
NET FINANCIAL ASSETS	<u>315,716</u>	<u>343,449</u>
NON-FINANCIAL ASSETS		
Tangible capital assets	<u>7,766,113</u>	<u>7,104,587</u>
ACCUMULATED SURPLUS (NOTE 8)	<u>8,081,829</u>	<u>7,448,036</u>

TOWN OF KILLAM

CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES FOR THE YEAR ENDED DECEMBER 31, 2017

	Budget (unaudited)	2017	2016
REVENUE			
Net municipal property taxes (Schedule 3)	1,099,125	1,091,786	1,064,636
User fees and sales of goods	1,511,051	1,368,224	1,283,715
Penalties and costs on taxes	18,000	21,139	18,671
Licenses and permits	7,500	6,612	4,626
Fines	5,000	3,132	4,647
Franchise and concession contracts	62,574	62,328	56,861
Investment income	24,700	25,513	26,857
Rentals	10,200	10,162	10,091
Insurance proceeds	-	67,005	10,433
Government transfers for operating	101,921	93,155	114,483
Other	-	20,944	2,333
Gain on disposal of assets	-	9,393	3,260
	<u>2,840,071</u>	<u>2,779,393</u>	<u>2,600,613</u>
EXPENSES			
Legislative	81,000	86,900	69,689
Administration	363,676	331,004	416,070
Protective services	102,469	91,233	81,404
Transportation	362,558	402,893	376,247
Water supply and distribution	175,646	187,881	167,856
Wastewater treatment and disposal	88,091	81,830	85,118
Waste management	171,702	172,048	166,300
Public health and welfare	31,269	27,746	22,422
Planning and development	64,888	73,845	75,356
Recreation	372,608	410,159	470,740
Culture	38,056	36,961	33,519
Gas system	581,032	511,755	440,779
Amortization	590,800	505,983	610,136
	<u>3,023,795</u>	<u>2,920,238</u>	<u>3,015,636</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES BEFORE OTHER	(183,724)	(140,845)	(415,023)
OTHER			
Government transfers for capital (Schedule 4)	780,408	774,638	155,502
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	596,684	633,793	(259,521)
ACCUMULATED SURPLUS, BEGINNING OF YEAR	<u>7,448,036</u>	<u>7,448,036</u>	<u>7,707,557</u>
ACCUMULATED SURPLUS, END OF YEAR	<u><u>8,044,720</u></u>	<u><u>8,081,829</u></u>	<u><u>7,448,036</u></u>

TOWN OF KILLAM

CONSOLIDATED STATEMENT OF CHANGES IN NET FINANCIAL ASSETS FOR THE YEAR ENDED DECEMBER 31, 2017

	Budget (unaudited)	2017	2016
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	<u>596,684</u>	<u>633,793</u>	<u>(259,521)</u>
Acquisition of tangible capital assets	(1,222,168)	(1,189,959)	(282,512)
Proceeds on disposal of tangible capital assets	-	31,843	3,260
Amortization of tangible capital assets	590,800	505,983	610,136
Loss (gain) on sale of tangible capital assets	-	(9,393)	(3,260)
	<u>(631,368)</u>	<u>(661,526)</u>	<u>327,624</u>
INCREASE (DECREASE) IN NET FINANCIAL ASSETS	(34,684)	(27,733)	68,103
NET FINANCIAL ASSETS, BEGINNING OF YEAR	<u>343,449</u>	<u>343,449</u>	<u>275,346</u>
NET FINANCIAL ASSETS, END OF YEAR	<u><u>308,765</u></u>	<u><u>315,716</u></u>	<u><u>343,449</u></u>

TOWN OF KILLAM

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2017

	2017	2016
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING		
Excess (deficit) of revenues over expenses	633,793	(259,521)
Non-cash items included in excess of revenue over expenses:		
Amortization of tangible capital assets	505,983	610,136
Loss (gain) on disposal of tangible capital assets	(9,393)	(3,260)
Non-cash charges to operations (net change):		
Decrease (increase) in taxes and grants in place of taxes	(14,660)	(20,888)
Decrease (increase) in trade and other receivables	(51,221)	(25,263)
Decrease (increase) in due from other governments	(234,532)	(93,433)
Decrease (increase) in inventory held for resale	(205,230)	(20,140)
Decrease (increase) in other financial assets	(2,342)	(2,718)
Increase (decrease) in accounts payable and accrued liabilities	207,938	22,666
Increase (decrease) in deposits held in trust	(100)	-
Increase (decrease) in deferred revenue	(388,849)	209,686
	441,387	417,265
CAPITAL		
Acquisition of tangible capital assets	(1,189,959)	(282,512)
Sale of tangible capital assets	31,843	3,260
	(1,158,116)	(279,252)
FINANCING		
Debt charges recovered	26,608	(50,518)
Long-term debt issued	-	70,000
Long-term debt repaid	(201,408)	(195,830)
	(174,800)	(176,348)
CHANGE IN CASH AND EQUIVALENTS DURING THE YEAR	(891,529)	(38,335)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	1,755,280	1,793,615
CASH AND CASH EQUIVALENTS, END OF YEAR	863,751	1,755,280
CASH AND CASH EQUIVALENTS IS MADE UP OF:		
Cash on hand	150	150
Cash in bank	58,905	522,737
Term deposits	804,696	1,232,393
	863,751	1,755,280

TOWN OF KILLAM

**SCHEDULE OF CHANGES IN ACCUMULATED SURPLUS
FOR THE YEAR ENDED DECEMBER 31, 2017
(Schedule 1)**

	Unrestricted Surplus	Restricted Surplus	Equity in Tangible Capital Assets	2017	2016
BALANCE, BEGINNING OF YEAR	156,416	948,793	6,342,827	7,448,036	7,707,557
Excess of revenues over expenses	633,793	-	-	633,793	(259,521)
Unrestricted funds designated for future use	(281,166)	281,166	-	-	-
Restricted funds used for operations	182,898	(182,898)	-	-	-
Restricted funds used for tangible capital assets	-	(70,263)	70,263	-	-
Current year funds used for tangible capital assets	(1,119,696)	-	1,119,696	-	-
Disposal of tangible capital assets	22,450	-	(22,450)	-	-
Annual amortization expense	505,983	-	(505,983)	-	-
Net change in long term debt	106,375	-	(106,375)	-	-
Change in accumulated surplus	50,637	28,005	555,151	633,793	(259,521)
BALANCE, END OF YEAR	207,053	976,798	6,897,978	8,081,829	7,448,036

TOWN OF KILLAM

**CONSOLIDATED SCHEDULE OF TANGIBLE CAPITAL ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2017
(Schedule 2)**

	LAND	LAND IMPROVEMENTS	BUILDINGS	ENGINEERED STRUCTURES	MACHINERY AND EQUIPMENT	VEHICLES	2017	2016
COST:								
Balance - beginning of year	681,262	444,426	1,021,456	22,653,571	735,986	409,981	25,946,682	25,689,422
Acquisition of tangible capital assets	25,000	24,316	-	738,537	83,065	-	870,918	226,987
Construction in progress	-	-	-	319,041	-	-	319,041	55,525
Disposal of tangible capital assets	-	-	-	-	44,900	-	44,900	25,252
Balance - end of year	706,262	468,742	1,021,456	23,711,149	774,151	409,981	27,091,741	25,946,682
ACCUMULATED AMORTIZATION								
Balance - beginning of year	-	257,013	351,391	17,672,441	405,326	155,924	18,842,095	18,257,211
Annual amortization	-	14,522	23,318	402,451	43,878	21,814	505,983	610,136
Accumulated amortization on disposals	-	-	-	-	22,450	-	22,450	25,252
Balance - end of year	-	271,535	374,709	18,074,892	426,754	177,738	19,325,628	18,842,095
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	706,262	197,207	646,747	5,636,257	347,397	232,243	7,766,113	7,104,587
OPENING NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	681,262	187,413	670,065	4,981,130	330,660	254,057	7,104,587	

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CONSOLIDATED SCHEDULE OF PROPERTY TAXES LEVIED FOR THE YEAR ENDED DECEMBER 31, 2017 (Schedule 3)

	Budget (Unaudited)	2017	2016
TAXATION			
Real property taxes	1,323,456	1,325,241	1,295,948
Linear property taxes	33,321	24,197	25,562
Government grants in place of property taxes	24,174	24,174	26,765
	<u>1,380,951</u>	<u>1,373,612</u>	<u>1,348,275</u>
REQUISITIONS			
Alberta School Foundation	266,857	266,857	261,194
Flagstaff Regional Housing Group	14,969	14,969	22,445
	<u>281,826</u>	<u>281,826</u>	<u>283,639</u>
NET MUNICIPAL TAXES	<u>1,099,125</u>	<u>1,091,786</u>	<u>1,064,636</u>

TOWN OF KILLAM

CONSOLIDATED SCHEDULE OF GOVERNMENT TRANSFERS FOR THE YEAR ENDED DECEMBER 31, 2017 (Schedule 4)

	Budget (Unaudited)	2017	2016
TRANSFERS FOR OPERATING			
Provincial Government	60,921	57,121	62,676
Local Governments	41,000	36,034	51,807
	<u>101,921</u>	<u>93,155</u>	<u>114,483</u>
TRANSFERS FOR CAPITAL			
Federal Government	112,110	105,950	-
Provincial Government	668,298	668,688	148,337
Local Governments	-	-	7,165
	<u>780,408</u>	<u>774,638</u>	<u>155,502</u>
TOTAL GOVERNMENT TRANSFERS	<u>882,329</u>	<u>867,793</u>	<u>269,985</u>

TOWN OF KILLAM

CONSOLIDATED SCHEDULE OF EXPENDITURE BY OBJECT FOR THE YEAR ENDED DECEMBER 31, 2017 (Schedule 5)

	Budget (Unaudited)	2017	2016
Expenditures			
Salaries, wages and benefits	714,675	727,691	725,979
Contracted and general services	641,742	680,981	641,108
Purchases from other governments	5,219	4,956	4,985
Materials, goods and utilities	659,100	582,446	545,356
Provision for allowances	-	219	-
Transfers to local boards and agencies	334,863	369,184	425,963
Transfers to individuals and agencies	12,000	12,133	15,773
Bank charges and short term interest	1,000	1,119	941
Interest on operating long term debt	-	10,623	17,340
Interest on capital long term debt	40,396	24,903	22,296
Other expenditures	24,000	-	5,759
Amortization of tangible capital assets	590,800	505,983	610,136
	<u>3,023,795</u>	<u>2,920,238</u>	<u>3,015,636</u>

TOWN OF KILLAM

**SCHEDULE OF SEGMENTED DISCLOSURE
FOR THE YEAR ENDED DECEMBER 31, 2017
(Schedule 6)**

	General Government	Protective Services	Transportation services	Environmental Services	Public Health & Welfare	Planning & Development	Recreation & Culture	Other	Total
REVENUE									
Net municipal property taxes (Schedule 2)	1,091,786	-	-	-	-	-	-	-	1,091,786
User fees and sales of goods	5,069	17,424	28,972	576,692	2,150	13,380	76,876	647,661	1,368,224
Penalties and costs on taxes	15,201	-	-	-	-	-	-	5,938	21,139
Licenses and permits	-	4,700	-	-	-	1,912	-	-	6,612
Fines	2,232	900	-	-	-	-	-	-	3,132
Franchise and concession contracts	62,328	-	-	-	-	-	-	-	62,328
Investment income	25,513	-	-	-	-	-	-	-	25,513
Rentals	-	7,200	-	-	-	2,962	-	-	10,162
Insurance proceeds	2,310	-	-	64,695	-	-	-	-	67,005
Government transfers	57,121	33,589	-	-	2,445	-	-	-	93,155
Other	20,942	-	-	-	-	-	2	-	20,944
	<u>1,282,502</u>	<u>63,813</u>	<u>28,972</u>	<u>641,387</u>	<u>4,595</u>	<u>18,254</u>	<u>76,878</u>	<u>653,599</u>	<u>2,770,000</u>
EXPENSES									
Salaries, wages and benefits	234,368	39,469	166,517	169,730	13,268	-	87,357	16,982	727,691
Contracted and general services	152,590	38,311	89,881	209,681	-	44,174	4,296	142,048	680,981
Purchases from other governments	-	4,966	-	-	-	-	-	-	4,966
Materials, goods and utilities	15,900	8,497	126,308	62,348	9	5,400	11,259	352,725	582,446
Provision for allowances	219	-	-	-	-	-	-	-	219
Transfers to local boards and agencies	1,575	-	-	-	14,469	8,932	344,208	-	369,184
Transfers to individuals and agencies	12,133	-	-	-	-	-	-	-	12,133
Bank charges and short term interest	1,119	-	-	-	-	-	-	-	1,119
Interest on operating long term debt	-	-	-	-	-	10,623	-	-	10,623
Interest on capital long term debt	-	-	20,187	-	-	4,716	-	-	24,903
	<u>417,904</u>	<u>91,233</u>	<u>402,893</u>	<u>441,759</u>	<u>27,746</u>	<u>73,845</u>	<u>447,120</u>	<u>511,755</u>	<u>2,414,255</u>
NET REVENUE, BEFORE AMORTIZATION	<u>864,598</u>	<u>(27,420)</u>	<u>(373,921)</u>	<u>199,628</u>	<u>(23,151)</u>	<u>(55,591)</u>	<u>(370,242)</u>	<u>141,844</u>	<u>355,745</u>
AMORTIZATION AND DISPOSAL OF ASSETS									
Amortization of tangible capital assets	19,688	29,036	315,858	114,913	-	-	19,939	6,549	505,983
Loss (gain) on disposal of tangible capital asse	-	-	-	-	-	-	(9,393)	-	(9,393)
	<u>19,688</u>	<u>29,036</u>	<u>315,858</u>	<u>114,913</u>	<u>-</u>	<u>-</u>	<u>10,546</u>	<u>6,549</u>	<u>496,590</u>
NET REVENUE	<u>844,910</u>	<u>(56,456)</u>	<u>(689,779)</u>	<u>84,715</u>	<u>(23,151)</u>	<u>(55,591)</u>	<u>(380,788)</u>	<u>135,295</u>	<u>(140,845)</u>

TOWN OF KILLAM

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

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, 2017

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, 2017

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:

	YEARS
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, 2017

2. CASH AND TERM DEPOSITS

	<u>2017</u>	<u>2016</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)	22,503	669,391
Included in cash and term deposits are amounts designated by council for future expenses and tangible capital asset acquisitions.	841,248	948,793
Total restricted cash and term deposits	863,751	1,618,184
Total un-restricted cash and term deposits	-	137,096

3. TAXES AND GRANTS IN PLACE OF TAXES RECEIVABLES

	<u>2017</u>	<u>2016</u>
Current taxes and grants in place of taxes	47,400	38,349
Arrears taxes	16,992	11,383
Property held by the town as a result of tax forfeiture	17,705	17,705
	82,097	67,437

4. DEFERRED INCOME

Deferred income consists of the following:	<u>2017</u>	<u>2016</u>
Basic Municipal Transportation Grant	-	191,197
Municipal Sustainability Initiative - capital	303,116	478,194
Federal Gas Tax	-	52,889
CARES Funding	21,800	-
Prepaid property taxes	40,837	32,322
	365,753	754,602

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

5. LONG TERM DEBT

	2017	2016
Operating		
Alberta Capital Finance Authority	456,763	751,680
ATB Financial	109,086	121,952
	565,849	873,632
Capital		
Alberta Capital Finance Authority	235,682	20,443
ATB Financial	632,453	741,317
	868,135	761,760
Alberta Capital Finance Authority	1,433,984	1,635,392

Principal and interest payments are as follows:

	Principal	Interest	Total
2018	204,309	36,825	241,134
2019	167,378	31,824	199,202
2020	163,153	27,520	190,673
2021	160,246	23,186	183,432
2022	157,322	18,871	176,193
Thereafter	581,576	49,228	630,804
	1,433,984	187,454	1,621,438

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 2017 were \$39,726 (2016 - \$42,726).

TOWN OF KILLAM

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

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>2017</u>	<u>2016</u>
Total debt limit	4,169,090	3,900,920
Total debt	1,433,984	1,635,392
Surplus debt limit	<u>2,735,106</u>	<u>2,265,528</u>
Debt servicing limit	694,848	650,153
Debt servicing	241,134	241,134
Surplus debt servicing	<u>453,714</u>	<u>409,019</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>2017</u>	<u>2016</u>
Tangible capital assets (Schedule 2)	27,091,741	25,946,682
Accumulated amortization (Schedule 2)	(19,325,628)	(18,842,095)
Long-term debt (Note 6)	(868,135)	(761,760)
	<u>6,897,978</u>	<u>6,342,827</u>

TOWN OF KILLAM

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

8. ACCUMULATED SURPLUS

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

	<u>2017</u>	<u>2016</u>
Unrestricted surplus	<u>207,053</u>	<u>156,416</u>
Restricted surplus		
Dr. Recruitment	10,000	10,000
Cemetery	12,058	12,058
Fire	50,500	35,500
Common services	39,706	39,706
Roads	80,000	80,000
Water	443,660	350,888
Sewer	283,631	243,107
Subdivision	-	83,437
Parks and recreation	31,391	55,945
Gas system	<u>25,852</u>	<u>38,152</u>
	<u>976,798</u>	<u>948,793</u>
Equity in tangible capital assets	<u>6,897,978</u>	<u>6,342,827</u>
	<u>8,081,829</u>	<u>7,448,036</u>

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, 2017

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:

	2017			2016
	Salary	Benefits & Allowances	Total	Total
Eskra	8,000	-	8,000	6,100
Gordon	8,200	-	8,200	6,700
Grove	8,600	-	8,600	6,600
James	15,600	-	15,600	14,100
Kellert	1,200	-	1,200	-
Kinzer	8,000	-	8,000	6,000
Krys	8,400	-	8,400	6,000
McDermott	8,700	-	8,700	6,000
CAO	102,500	25,618	128,118	119,720

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, 2017

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 253,862 people and 417 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 \$58,334. Total current service contributions by the employees of the Town to the Local Authorities Pension Plan during the year were \$53,591.

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

14. APPROVAL OF FINANCIAL STATEMENTS

Council and Management have approved these financial statements.