

TOWN OF NANTON

**CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2016**

TOWN OF NANTON
CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016

CONTENTS

Management's Responsibility for Financial Reporting	1
Independent Auditor's Report	2
Financial Statements	
Consolidated Statement of Financial Position	3
Consolidated Statement of Operations	4
Consolidated Statement of Changes in Net Financial Assets	5
Consolidated Statement of Cash Flows	6
Schedule 1 - Schedule of Changes in Accumulated Surplus	7
Schedule 2 - Schedule of Tangible Capital Assets	8
Schedule 3 - Schedule of Property and Other Taxes	9
Schedule 4 - Schedule of Government Transfers	10
Schedule 5 - Schedule of Consolidated Expenses by Object	11
Schedule 6 - Schedule of Consolidated Segment Disclosure	12-13
Notes to Financial Statements	14-25



Town of Nanton

1907 21 Avenue, PO Box 609, Nanton, Alberta TOL 1R0
P 403.646.2029 F 403.646.2653 nanton.ca

Management's Responsibility for Reporting

Town of Nanton's management is responsible for the preparation, accuracy, objectivity, and integrity of the accompanying consolidated financial statements and the notes thereto. Management believes that the consolidated financial statements present fairly the Town's financial position as at December 31, 2016 and the results of its operations for the year then ended.

The consolidated financial statements have been prepared in accordance with Canadian public sector accounting standards. The consolidated financial statements include certain amounts based on estimates and judgments. Such amounts have been determined on a reasonable basis in order to ensure that the consolidated financial statements are presented fairly in all material respects.

In fulfilling its responsibilities and recognizing the limits inherent in all systems, management has designed and maintains a system of internal controls to produce reliable information to meet reporting requirements. The system is designed to provide management with reasonable assurance that transactions are properly authorized, reliable financial records are maintained, and assets are properly accounted for and safeguarded.

The Town Council is responsible for overseeing management in the performance of its reporting responsibilities, and for approving the consolidated financial statements. Council fulfils these responsibilities by reviewing the financial information prepared by management and discussing relevant matters with management and external auditors. Council is also responsible for recommending the appointment of the Town's external auditors.

The consolidated financial statements have been audited by the independent firm of BDO Canada LLP. Their report to the Members of Council of the Town of Nanton, stating the scope of their examination and opinion on the financial statements, follow.

Kevin Miller - Chief Administrative Officer
April 17, 2017



Tel: 403 328 5292
Fax: 403 328 9534
www.bdo.ca

BDO Canada LLP
600 Lethbridge Centre Tower
400 - 4 Avenue South
Lethbridge AB T1J 4E1 Canada

Independent Auditor's Report

To the Mayor and Members of Council of
Town of Nanton

We have audited the accompanying consolidated financial statements of the Town of Nanton, 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 Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian generally accepted accounting principles, 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 Nanton as at December 31, 2016 and 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.

BDO Canada LLP

Chartered Professional Accountants

Lethbridge, Alberta
April 17, 2017

TOWN OF NANTON
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2016

	2016 \$	2015 \$
FINANCIAL ASSETS		
Cash and temporary investments (note 2)	4,201,136	4,581,115
Receivables		
Taxes and grants in place of taxes (note 3)	219,582	202,247
Trade and other receivables (note 3)	1,136,964	696,890
Due from other governments	268,114	428,567
Land held for resale	272,812	280,748
Investments (note 4)	658,967	643,602
	<u>6,757,575</u>	<u>6,833,169</u>
LIABILITIES		
Line of credit facility (note 2)	500,000	-
Accounts payable and accrued liabilities (note 5)	1,080,295	680,630
Deposit liabilities	124,732	177,563
Deferred revenue (note 6)	1,312,682	1,557,527
Long term debt (note 8)	714,945	1,773,348
	<u>3,732,654</u>	<u>4,189,068</u>
NET FINANCIAL ASSETS	<u>3,024,921</u>	<u>2,644,101</u>
NON - FINANCIAL ASSETS		
Tangible capital assets (schedule 2)	36,576,967	27,202,705
Prepaid expenses	82,385	116,099
Inventory for consumption	-	6,037
	<u>36,659,352</u>	<u>27,324,841</u>
ACCUMULATED SURPLUS (schedule 1, note 11)	<u>39,684,273</u>	<u>29,968,942</u>

Commitments & Contingencies - see notes 16 & 17

APPROVED BY:

The accompanying notes and supporting schedules to which the financial statements are cross-referenced are an integral part of these financial statements.

TOWN OF NANTON
CONSOLIDATED STATEMENT OF OPERATIONS
YEAR ENDED DECEMBER 31, 2016

	Budget \$ (note 12)	2016 \$	2015 \$
REVENUE			
Net municipal taxes (schedule 3)	2,676,800	2,676,896	2,518,939
User fees and sales of goods	1,088,500	1,890,045	1,786,663
Penalties and cost of taxes	47,000	54,277	44,018
Government transfers (schedule 4)	159,200	199,911	170,377
Fines	24,000	39,528	50,982
Franchise and concession contracts	150,000	183,563	148,491
Investment income	37,000	74,102	53,420
Rentals	155,200	181,375	176,331
Licenses and permits	55,000	118,127	72,711
Other	4,000	63,383	470,963
TOTAL REVENUE	4,396,700	5,481,207	5,492,895
EXPENSES			
Legislative	141,900	125,660	128,640
General administration	639,400	629,985	628,174
Fire	132,100	266,026	202,280
Municipal enforcement and disaster	80,300	88,255	157,650
Common services	245,000	297,894	290,402
Roads, streets, walks, lighting	298,200	475,011	425,565
Water supply and distribution	522,900	810,934	754,566
Waste water treatment and disposal	536,400	601,767	886,384
Waste management	149,000	143,335	142,380
Recycling	95,100	86,025	115,171
Marketing and communications	146,200	129,714	143,543
Cemetery	29,700	17,136	22,439
Land use, planning, zoning and development	227,600	245,968	230,684
Parks and recreation	662,000	827,569	768,510
Culture	69,400	72,488	68,992
FCSS and public health	73,400	79,668	91,181
TOTAL EXPENSES	4,048,600	4,897,435	5,056,561
EXCESS OF REVENUE OVER EXPENSES - BEFORE OTHER	348,100	583,772	436,334
OTHER			
Government transfers for capital (schedule 4)	10,535,000	9,131,559	2,362,301
EXCESS OF REVENUE OVER EXPENSES	10,883,100	9,715,331	2,798,635
ACCUMULATED SURPLUS, BEGINNING OF YEAR	29,968,942	29,968,942	27,170,307
ACCUMULATED SURPLUS, END OF YEAR	40,852,042	39,684,273	29,968,942

The accompanying notes and supporting schedules to which the financial statements are cross-referenced are an integral part of these financial statements.

TOWN OF NANTON
CONSOLIDATED STATEMENT OF CHANGES IN NET FINANCIAL ASSETS
YEAR ENDED DECEMBER 31, 2016

	Budget \$	2016 \$	2015 \$
EXCESS OF REVENUES OVER EXPENSES	<u>10,883,100</u>	<u>9,715,331</u>	<u>2,798,635</u>
Acquisition of tangible capital assets	(11,651,000)	(10,335,322)	(2,834,455)
Proceeds on disposal of tangible capital assets	-	104,250	46,856
Amortization of tangible capital assets	-	863,322	840,318
Gain on disposal of tangible capital assets	-	(6,692)	(10,119)
	<u>(11,651,000)</u>	<u>(9,374,442)</u>	<u>(1,957,400)</u>
Acquisition of supplies inventories	-	-	(6,037)
Acquisition of prepaid expenses	-	(82,385)	(116,099)
Use of supplies inventories	-	6,217	1,199
Use of prepaid assets	-	116,099	153,832
	<u>-</u>	<u>39,931</u>	<u>32,895</u>
INCREASE (DECREASE) IN NET FINANCIAL ASSETS	(767,900)	380,820	874,130
NET FINANCIAL ASSETS, BEGINNING OF YEAR	<u>2,644,101</u>	<u>2,644,101</u>	<u>1,769,971</u>
NET FINANCIAL ASSETS, END OF YEAR	<u><u>1,876,201</u></u>	<u><u>3,024,921</u></u>	<u><u>2,644,101</u></u>

The accompanying notes and supporting schedules to which the financial statements are cross-referenced are an integral part of these financial statements.

TOWN OF NANTON
CONSOLIDATED STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2016

	2016	2015
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING		
Excess of revenue over expenses	9,715,331	2,798,635
Non-cash items included in excess (shortfall) of revenue over expenses:		
Amortization	863,322	840,318
Gain on disposal of tangible capital assets	(6,692)	(10,119)
Non-cash charges to operations (net change):		
Decrease (increase) in taxes and grants in place receivable	(17,335)	(38,816)
Decrease (increase) in trade and other receivables	(440,074)	(227,609)
Decrease (increase) in due from other governments	160,453	(284,435)
Decrease (increase) in land for resale	7,936	7,749
Decrease (increase) in investments	(15,365)	9,054
Decrease (increase) in inventory	6,218	(4,838)
Decrease (increase) in prepaid expenses	33,714	37,733
Increase (decrease) in accounts payable and accrued liabilities	399,664	293,535
Increase (decrease) in deposit liabilities	(52,831)	108,843
Increase (decrease) in deferred revenue	(244,845)	(84,999)
	10,409,496	3,445,051
CAPITAL		
Acquisition of capital assets	(10,335,322)	(2,834,455)
Proceeds on disposal of tangible capital assets	104,250	46,859
	(10,231,072)	(2,787,596)
FINANCING		
Long-term debt repaid	(1,058,403)	(293,256)
	(1,058,403)	(293,256)
CHANGE IN CASH AND EQUIVALENTS DURING THE YEAR	(879,979)	364,199
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	4,581,115	4,216,916
CASH AND CASH EQUIVALENTS, END OF YEAR	3,701,136	4,581,115
Cash and cash equivalents is made up of:		
Cash and temporary investments (note 2)	4,201,136	4,581,115
Line of credit facility (note 2)	(500,000)	-
	3,701,136	4,581,115

The accompanying notes and supporting schedules to which the financial statements are cross-referenced are an integral part of these financial statements.

TOWN OF NANTON
SCHEDULE OF CHANGES IN ACCUMULATED SURPLUS
YEAR ENDED DECEMBER 31, 2016
SCHEDULE 1

	Unrestricted Surplus	Restricted Surplus	Equity in Tangible Capital	2016 \$	2015 \$
BALANCE, BEGINNING OF YEAR	595,504	3,944,081	25,429,357	29,968,942	27,170,307
Excess of revenues over expenses	9,715,331	-	-	9,715,331	2,798,635
Unrestricted funds designated for future use	(86,275)	86,275	-	-	-
Restricted funds used for operation	111,478	(111,478)	-	-	-
Restricted funds used for tangible capital assets	-	(1,238,634)	1,238,634	-	-
Current year funds used for tangible capital assets	(8,998,950)	-	8,998,950	-	-
Annual amortization expense	863,322	-	(863,322)	-	-
Long-term debt repaid	(1,058,403)	-	1,058,403	-	-
Change in accumulated surplus	546,503	(1,263,837)	10,432,665	9,715,331	2,798,635
BALANCE, END OF YEAR	1,142,007	2,680,244	35,862,022	39,684,273	29,968,942

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

TOWN OF NANTON
SCHEDULE OF TANGIBLE CAPITAL ASSETS
YEAR ENDED DECEMBER 31, 2016
SCHEDULE 2

	Land	Land Improvements	Buildings	Engineered Structures			Machinery and Equipment	Vehicles	2016 \$	2015 \$
				Road & Streets	Water System	Waste System				
COST										
BALANCE, BEGINNING OF YEAR	753,389	324,569	6,694,418	9,991,080	13,442,665	9,614,218	2,348,420	1,531,453	44,700,212	41,906,577
Acquisition of tangible capital assets	-	25,155	53,251	337,771	467,470	-	162,498	-	1,046,145	308,708
Additions to construction-in-progress	-	-	-	30,435	401,715	8,857,027	-	-	9,289,177	2,525,747
Disposition of tangible capital assets	-	-	-	-	-	-	(87,052)	(45,281)	(132,333)	(40,820)
BALANCE, END OF YEAR	753,389	349,724	6,747,669	10,359,286	14,311,850	18,471,245	2,423,866	1,486,172	54,903,201	44,700,212
ACCUMULATED AMORTIZATION										
BALANCE, BEGINNING OF YEAR	-	101,079	2,639,696	5,499,547	3,638,233	3,080,724	1,550,108	988,120	17,497,507	16,661,272
Annual amortization	-	22,600	113,219	203,810	246,218	114,218	93,863	69,394	863,322	840,318
Accumulated amortization on disposal	-	-	-	-	-	-	(16,388)	(18,207)	(34,595)	(4,083)
BALANCE, END OF YEAR	-	123,679	2,752,915	5,703,357	3,884,451	3,194,942	1,627,583	1,039,307	18,326,234	17,497,507
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	753,389	226,045	3,994,754	4,655,929	10,427,399	15,276,303	796,283	446,865	36,576,967	27,202,705
2015 NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	753,389	223,490	4,054,722	4,491,533	9,804,432	6,533,494	798,312	543,333	27,202,705	

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

TOWN OF NANTON
SCHEDULE OF PROPERTY AND OTHER TAXES
YEAR ENDED DECEMBER 31, 2016
SCHEDULE 3

	Budget \$	2016 \$	2015 \$
TAXATION			
Real property taxes	3,461,200	3,444,100	3,225,355
Linear property taxes	-	62,558	59,158
Government grants in place of property taxes	-	14,275	18,825
Special assessments and local improvement taxes	6,800	7,000	6,803
	<u>3,468,000</u>	<u>3,527,933</u>	<u>3,310,141</u>
REQUISITIONS			
Alberta School Foundation Fund	700,800	755,137	700,792
Seniors' Lodge	90,400	95,900	90,410
	<u>791,200</u>	<u>851,037</u>	<u>791,202</u>
NET MUNICIPAL TAXES	<u>2,676,800</u>	<u>2,676,896</u>	<u>2,518,939</u>

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

TOWN OF NANTON
SCHEDULE OF GOVERNMENT TRANSFERS
YEAR ENDED DECEMBER 31, 2016
SCHEDULE 4

	Budget \$	2016 \$	2015 \$
TRANSFERS FOR OPERATING			
Federal Government	-	1,339	-
Provincial Government	87,600	124,429	88,775
Other Local Governments	71,600	74,143	81,602
	<u>159,200</u>	<u>199,911</u>	<u>170,377</u>
TRANSFERS FOR CAPITAL			
Federal Government	3,500,000	1,794,054	-
Provincial Government	7,035,000	7,337,505	2,362,301
	<u>10,535,000</u>	<u>9,131,559</u>	<u>2,362,301</u>
TOTAL GOVERNMENT TRANSFERS	<u>10,694,200</u>	<u>9,331,470</u>	<u>2,532,678</u>

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

TOWN OF NANTON
SCHEDULE OF CONSOLIDATED EXPENSES BY OBJECT
YEAR ENDED DECEMBER 31, 2016
SCHEDULE 5

EXPENSES	Budget \$	2016 \$	2015 \$
Salaries, wages and benefits	1,671,600	1,655,815	1,726,001
Contracted and general services	1,394,500	1,479,133	1,622,831
Materials, goods and utilities	779,600	685,955	659,974
Transfers to local boards and agencies	119,600	127,481	116,363
Bank charges and short-term interest	1,500	1,945	1,551
Interest on long-term debt	78,800	77,263	88,898
Other expenses	3,000	6,521	625
Amortization of tangible capital assets	-	863,322	840,318
	4,048,600	4,897,435	5,056,561

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

TOWN OF NANTON
SCHEDULE OF CONSOLIDATED SEGMENT DISCLOSURE
YEAR ENDED DECEMBER 31, 2016
SCHEDULE 6

	General Government	Protective Services	Transportation Services	Planning and Development	Recreation and Culture	Environmental Services	Other	Total \$
REVENUE								
Net municipal taxes	2,676,896	-	-	-	-	-	-	2,676,896
Government transfers	58,705	10,143	263,353	43,871	125,834	8,826,564	3,000	9,331,470
User fees and sales of goods	3,840	475	375	686,531	22,770	1,159,394	16,660	1,890,045
Investment income	74,102	-	-	-	-	-	-	74,102
Other revenues	297,610	81,546	4,769	103,386	148,361	4,581	-	640,253
	<u>3,111,153</u>	<u>92,164</u>	<u>268,497</u>	<u>833,788</u>	<u>296,965</u>	<u>9,990,539</u>	<u>19,660</u>	<u>14,612,766</u>
EXPENSES								
Contract / general services	206,408	192,806	71,320	154,226	163,036	689,774	1,563	1,479,133
Salaries and wages	484,125	52,870	228,596	140,254	372,463	364,577	12,930	1,655,815
Goods and supplies	37,042	44,837	212,004	9,472	171,054	209,910	1,636	685,955
Transfers to local boards	80,158	-	-	3,200	44,123	-	-	127,481
Long-term debt interest	-	-	-	68,530	-	8,733	-	77,263
Other expenses	8,466	-	-	-	-	-	-	8,466
	<u>816,199</u>	<u>290,513</u>	<u>511,920</u>	<u>375,682</u>	<u>750,676</u>	<u>1,272,994</u>	<u>16,129</u>	<u>4,034,113</u>
NET REVENUE, BEFORE AMORTIZATION	<u>2,294,954</u>	<u>(198,349)</u>	<u>(243,423)</u>	<u>458,106</u>	<u>(453,711)</u>	<u>8,717,545</u>	<u>3,531</u>	<u>10,578,653</u>
Amortization expense	19,114	63,768	260,985	-	149,381	369,067	1,007	863,322
NET REVENUE	<u>2,275,840</u>	<u>(262,117)</u>	<u>(504,408)</u>	<u>458,106</u>	<u>(603,092)</u>	<u>8,348,478</u>	<u>2,524</u>	<u>9,715,331</u>

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

TOWN OF NANTON
SCHEDULE OF CONSOLIDATED SEGMENT DISCLOSURE
YEAR ENDED DECEMBER 31, 2015
SCHEDULE 6

	General Government	Protective Services	Transportation Services	Planning and Development	Recreation and Culture	Environmental Services	Other	Total \$
REVENUE								
Net municipal taxes	2,518,939	-	-	-	-	-	-	2,518,939
Government transfers	59,672	17,601	505,172	277,675	231,991	1,437,567	3,000	2,532,678
User fees and sales of goods	9,690	9,492	7,368	650,056	8,569	1,087,883	13,605	1,786,663
Investment income	53,420	-	-	-	-	-	-	53,420
Other revenues	252,205	150,964	2,954	54,339	144,258	358,776	-	963,496
	<u>2,893,926</u>	<u>178,057</u>	<u>515,494</u>	<u>982,070</u>	<u>384,818</u>	<u>2,884,226</u>	<u>16,605</u>	<u>7,855,196</u>
EXPENSES								
Contract and general services	255,657	108,996	52,372	145,725	164,017	894,539	1,525	1,622,831
Salaries and wages	475,706	139,515	200,367	141,863	333,708	415,866	18,976	1,726,001
Goods and supplies	29,037	40,820	207,632	4,110	146,574	230,868	933	659,974
Transfers to local boards	71,817	-	-	4,226	40,320	-	-	116,363
Long-term debt interest	-	-	-	77,468	-	11,430	-	88,898
Other expenses	2,176	-	-	-	-	-	-	2,176
	<u>834,393</u>	<u>289,331</u>	<u>460,371</u>	<u>373,392</u>	<u>684,619</u>	<u>1,552,703</u>	<u>21,434</u>	<u>4,216,243</u>
NET REVENUE, BEFORE AMORTIZATION	<u>2,059,533</u>	<u>(111,274)</u>	<u>55,123</u>	<u>608,678</u>	<u>(299,801)</u>	<u>1,331,523</u>	<u>(4,829)</u>	<u>3,638,953</u>
Amortization expense	13,602	70,599	255,596	835	152,883	345,798	1,005	840,318
NET REVENUE	<u>2,045,931</u>	<u>(181,873)</u>	<u>(200,473)</u>	<u>607,843</u>	<u>(452,684)</u>	<u>985,725</u>	<u>(5,834)</u>	<u>2,798,635</u>

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

TOWN OF NANTON
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

1. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements of Town of Nanton are the representations of management prepared in accordance with generally accepted accounting principals for local governments established by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada. Significant aspects of the accounting policies adopted by Town of Nanton are as follows:

a) Reporting Entity

The consolidated financial statements reflect the assets, liabilities, revenues and expenses, changes in net financial assets and cash flows of the reporting entity. This entity is comprised of the Town operations plus all of the organizations that are owned or controlled by the Town and are, therefore, accountable to Town council for the administration of their financial affairs and resources. They include the following:

Nanton Fire Department
Nanton Family & Community Support Services
Thelma Fanning Memorial Library
Nanton Health Centre Management Committee (NHCM)

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 have been 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 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) Use of Estimates

The preparation of financial statements in conformity with Canadian Public Sector Accounting Standards 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 the date of the financial statements, and the reported amounts of revenue and expenses 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.

TOWN OF NANTON
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

d) Cash and cash equivalents

Cash and cash equivalents include cash and investments that are readily convertible to known amounts of cash and that are subject to an insignificant risk of change in value. These short-term investments generally have a maturity of three months or less at acquisition, or are redeemable, and are held for the purpose of meeting short-term cash commitments rather than for investing.

e) 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 investment. 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.

f) Land Held 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) 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.

i) Government Transfers

Government transfers are the transfers 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 as revenue in the financial statements when the transfer is authorized and any eligibility criteria are met, except to the extent that transfer stipulations give rise to an obligation that meets the definition of a liability. Transfers are recognized as deferred revenue when stipulations give rise to a liability. Transfer revenue is recognized in the statement of operations as the stipulation liabilities are settled.

TOWN OF NANTON
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

j) 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 (deficiency) of revenue 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 attributed 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	15-50
Engineered structures	
Roads	15-30
Water systems	45-75
Wastewater systems	40-75
Land improvements	10-20
Machinery and equipment	3-30
Vehicles	10

Assets under construction are not amortized until the asset is available for productive use.

ii. Contributions on Tangible Capital Assets

Tangible capital assets received as contributions are recorded at fair value at the date of receipt and are also 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, with cost determined by the average cost method, except for gravel and fuel which is determined by the first-in, first-out method.

k) Financial Instruments

Unless otherwise noted, the fair value of the financial instrument approximates their carrying value and it is management's opinion that the Town is not exposed to significant interest, currency or credit risk arising from financial instruments.

TOWN OF NANTON
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

k) Financial Instruments (continued)

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 fulfill their obligations. The large number and diversity of taxpayers and customers minimizes the credit risk.

l) 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.

m) Contributed materials and Services

Contributed materials and services which are used in the normal course of the Town's operations and would otherwise have been purchased at their fair value at the date of the contribution if fair value can be reasonably estimated.

2. CASH AND TEMPORARY INVESTMENTS

	2016 \$	2015 \$
Cash	4,201,136	2,581,115
Temporary investments	-	2,000,000
	4,201,136	4,581,115

Included in cash are savings accounts which bear interest between 1.55% and 1.65%.

The Town has an available revolving line of credit facility up to \$5,000,000 with interest payable at prime minus 0.25%. As at December 31, 2016 the balance owing on these facilities is \$500,000 (2015-\$nil).

	2016 \$	2015 \$
Restricted cash, temporary and long term investments		
NHCM	47,210	30,370
Restricted reserves (note 11)	2,680,244	3,944,082
Deferred revenue	1,312,682	1,593,477
Deposits and other	124,732	141,613
	4,164,868	5,709,542

TOWN OF NANTON
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

3. RECEIVABLES	2016	2015
	<u>\$</u>	<u>\$</u>
Current taxes and grants in place of taxes	85,839	170,504
Arrears taxes	<u>133,743</u>	<u>31,743</u>
	<u>219,582</u>	<u>202,247</u>
Utilities receivable	187,476	202,850
Accrued receivables	20,954	448,944
Other receivables	39,307	45,096
Due from federal government	<u>889,227</u>	<u>-</u>
	<u>1,136,964</u>	<u>696,890</u>
GST receivable	160,387	92,310
Due from provincial government	<u>107,727</u>	<u>336,257</u>
	<u>268,114</u>	<u>428,567</u>

The Town's exposure to credit risk arises from the possibility that taxpayers may fail to meet their obligations. Taxes and grants in lieu receivable includes \$106,661 (2015- \$86,910) due from two (2015 - two) taxpayers. The Town manages this risk by following the methods of recovering taxes in arrears as prescribed in section 411 of the Municipal Government Act, which includes the right of the Town to offer up for sale at a public auction those properties with taxes in arrears.

4. INVESTMENTS	2016 - \$		2015
	<u>Market Value</u>	<u>Amortized Cost</u>	<u>\$</u>
Investment shares	92	92	90
Investments - BMO Nesbitt Burns	<u>693,411</u>	<u>658,875</u>	<u>643,512</u>
	<u>693,503</u>	<u>658,967</u>	<u>643,602</u>

The investments with BMO - Nesbitt Burns include corporate bonds with an effective interest rate of 2.59%, maturing 2022; strips and coupons with an effective interest rate between 2.66% and 3.05%, maturing between 2018 and 2024.

5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Included in accounts payable and accrued liabilities are employee benefit obligations (accrued wages and vacation) of \$119,016 (2015 - \$109,608). Employees have either earned the benefits or are entitled to these within the next budgetary year.

6. DEFERRED REVENUE

	2016	2015
	<u>\$</u>	<u>\$</u>
Municipal Sustainability Initiative - Capital	897,157	1,250,327
Municipal Sustainability Initiative - Operating	20,476	26,831
Alberta Community Resilience	-	246,048
Federal Gas Tax Fund	123,218	12,453
Nanton Physician Recruitment	31,011	19,233
Alberta Municipal Water & Wastewater Program	236,889	-
Miscellaneous	<u>3,931</u>	<u>2,635</u>
	<u>1,312,682</u>	<u>1,557,527</u>

TOWN OF NANTON
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

6. DEFERRED REVENUE (CONTINUED)

Municipal Sustainability Initiative - Capital

The Province provides conditional grant funding through this program to assist with various capital expenditures in the Town. The use of these funds is restricted to eligible expenditures as approved under the funding agreement.

Municipal Sustainability Initiative - Operating

The Province provides conditional grant funding through this program to assist with various operating expenditures in the Town. The use of these funds is restricted to eligible expenditures as approved under the funding agreement.

Alberta Community Resilience

This Provincial grant is restricted to eligible expenditures as approved under the funding agreement.

Federal Gas Tax Fund

This Government of Alberta Transportation grant is restricted to eligible expenditures as approved under the funding agreement.

Alberta Municipal Waste Water Partnership

This Provincial grant is restricted to eligible expenditures as approved under the funding agreement.

Small Communities Fund

This federal grant is restricted to eligible expenditures as approved under the funding agreement

7. CONTAMINATED SITES LIABILITY

The Town has adopted P53260 Liability for Contaminated Sites. The Town did not identify any financial liabilities in 2016 (2015-\$nil) as a result of this standard.

8. LONG-TERM DEBT

	<u>2016</u>	<u>2015</u>	
	\$	\$	
Supported by utility rates	55,957	109,385	
Debentures	<u>658,988</u>	<u>1,663,963</u>	
	<u>714,945</u>	<u>1,773,348</u>	
Current Portion	<u>235,699</u>	<u>307,357</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	235,699	31,627	267,326
2018	188,706	20,692	209,398
2019	198,116	11,281	209,397
2020	7,150	3,855	11,005
2021	7,457	3,547	11,004
Thereafter	<u>77,817</u>	<u>15,723</u>	<u>93,540</u>
	<u>714,945</u>	<u>86,725</u>	<u>801,670</u>

TOWN OF NANTON
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

8. LONG-TERM DEBT (CONTINUED)

Long-term debt is repayable to the Alberta Capital Finance Authority and bears interest at rates ranging from 4.25% to 4.95% per annum and matures in periods through 2018 to 2030.

Long-term debt is issued on the credit and security of the Town at large.

Interest on long-term debt amounted to \$77,263 (2015 - \$88,898).

The Town's total cash payments for interest in 2016 was \$91,139 (2015 - \$98,899).

9. 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 Nanton be disclosed as follows:

	<u>2016</u>	<u>2015</u>
	\$	\$
Total debt limit	8,221,811	8,239,343
Total debt	<u>(1,214,945)</u>	<u>(1,773,348)</u>
Amount total debt limit unused	<u>7,006,866</u>	<u>6,465,995</u>
Debt servicing limit	1,370,302	1,373,224
Debt servicing	<u>(267,326)</u>	<u>(386,155)</u>
Amount of debt servicing limit unused	<u>1,102,976</u>	<u>987,069</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.

10. EQUITY IN TANGIBLE CAPITAL ASSETS

	<u>2016</u>	<u>2015</u>
	\$	\$
Tangible capital assets (Schedule 2)	54,903,201	44,700,212
Accumulated amortization (Schedule 2)	<u>(18,326,234)</u>	<u>(17,497,507)</u>
Long-term debt (note 8)	<u>(714,945)</u>	<u>(1,773,348)</u>
	<u>35,862,022</u>	<u>25,429,357</u>

TOWN OF NANTON
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

11. ACCUMULATED SURPLUS

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

	<u>2016</u>	<u>2015</u>
	\$	\$
Unrestricted surplus	<u>1,142,007</u>	<u>595,504</u>
Restricted surplus		
General operating	502,500	500,000
Utility operating	38,147	87,618
Utility infrastructure	152,645	983,606
Road infrastructure	153,325	95,302
Land developments - industrial and commercial	316,259	289,356
Land developments - Westview	745,085	1,172,933
Building and land improvements	609,089	657,988
Machine and equipment - general	115,728	157,278
NHCM	<u>47,466</u>	<u>-</u>
	<u>2,680,244</u>	<u>3,944,081</u>
Equity in tangible capital assets (note 10)	<u>35,862,022</u>	<u>25,429,357</u>
	<u>39,684,273</u>	<u>29,968,942</u>

12. BUDGETED INFORMATION

Budgeted information was prepared under the modified accrual method. This note provides a reconciliation between the budget figures disclosed in the financial statements and the approved budget figures.

	<u>2016</u>
	\$
Budget surplus reported in financial statements	10,883,100
Less: Capital expenditures	(11,651,000)
Add: Debt proceeds	1,000,000
Less: Debt principal repayment	(307,300)
Add: Transfer from reserves - debt servicing	317,200
Add: Transfer from reserves	165,000
Less: Transfer to reserves	<u>(407,000)</u>
Budget approved by Council	<u>-</u>

TOWN OF NANTON
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

13. 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:

	2016		2015	
	\$		\$	
	Salary ¹	Benefits ²	Total	Total
COUNCILLORS				
Anchoris	\$11,554	\$283	11,837	12,958
Everett	\$16,419	\$2,875	19,294	18,635
Handley	\$11,554	\$603	12,157	11,918
Hensel	\$11,554	\$1,523	13,077	13,078
Labrune	\$11,554	\$363	11,917	11,758
Mitchell	\$11,554	\$1,703	13,257	12,078
West	\$11,554	\$1,163	12,717	13,438
Chief Administrative Officer	113,208	17,699	130,907	127,339
Designated Officers (3 positions)	190,642	37,938	228,580	216,761

1. Salary includes regular base pay, bonuses, overtime, lump sum payments, gross direct cash remuneration.
2. Employer's share of all employee benefits and contributions or payments made on behalf of employees include 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.
3. Benefits and allowances figures also include the employer's share of the costs of additional taxable benefits including special leave with pay, financial and retirement planning services, concessionary loans, travel allowances, car allowances and club memberships.

14. REGISTERED PENSION PLAN

Employees of the Town of Nanton participate in a private pension plan through Great West Life. The plan covers 19 permanent employees of the town.

The Town of Nanton is required to make current service contributions to the plan of 7.9% of pensionable payroll. Employees of the Town of Nanton may make voluntary contributions if desired.

Total contributions by the Town of Nanton to Sun Life Financial of Canada in 2016 were \$95,096 (2015 - \$93,317).

TOWN OF NANTON
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

15. SEGMENTED DISCLOSURE

The Town of Nanton 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).

General Government

Included in this segment are revenues and expenses associated with Legislative, General Administration, Family and Community Support Services (FCSS) and Public Health.

Protective Services

Included in this segment are revenues and expenses associated with Fire and Municipal Enforcement and Disaster.

Transportation Services

Included in this segment are revenues and expenses associated with common services and roads, streets, walks and lighting.

Planning and Development

Included in this segment are revenues and expenses associated with Marketing and Communications, land use, planning, zoning and development.

Recreation and Culture

Included in this segment are revenues and expenses associated with Parks and Recreation and Culture.

Environmental Services

Included in this segment are revenues and expenses associated with Water supply and distribution, Waste water treatment and disposal, Waste management and recycling.

Other

Included in his segment are revenues and expenses associated with the Nanton Cemetery.

TOWN OF NANTON
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

16. COMMITMENTS

The Town of Nanton has a five year agreement with Benchmark Assessment Consultants which is set to expire on June 30, 2020 for assessment services.

The Town of Nanton has a four year agreement with the MD of Willow Creek which is set to expire on December 31, 2018 for the use of their Peace Officers. The agreement contains the following agreed upon amounts:

2017: \$78,560 + Fuel

2018: \$82,500 + Fuel

The Town of Nanton has a three year agreement with ISL Engineering and Land Services for general engineering services which is set to expire December 2018.

The Town of Nanton has a five year agreement with the Access Gas Services for natural gas supply and management services set to expire December 2021.

The Town of Nanton has a three year agreement with AltaGas for electricity services set to expire January 2019.

17. 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 the defendant in a lawsuit related to a development incident amounting to \$200,000. At present, the outcome is not determinable. The amount of any future settlement would be accounted for as a current transaction in the year of the settlement.

18. FINANCIAL INSTRUMENTS

The Town's financial instruments consists of cash and temporary investments, line of credit facility, 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 or currency risks arising from these financial instruments.

The Town is subjected 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 fulfill their obligations. The large number and diversity of taxpayers and customers minimized the credit risk.

TOWN OF NANTON
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

19. NANTON HEALTH CENTRE MANAGEMENT COMMITTEE

The Town of Nanton participates in a Joint Venture with the MD of Willow Creek and the MD of Ranchland in operating the Nanton Health Centre Management Committee and the Nanton Medical Clinic. The three stakeholders share responsibilities for 1/3 of the operating revenues, operating costs and net operating revenues of the Clinic. The Town of Nanton provides management and administrative services as its commitment to the operation. The Joint Venture is proportionately consolidated with the Town of Nanton's financial statements at year-end on a line by line basis.

20. COMPARATIVE FIGURES

Certain prior year figures have been reclassified to conform to the current year's presentation.