



*Peggy Weinzierl, CPA, CA *Scott St. Arnaud, CPA, CA *Jolene P. Kobi, CPA, CA *Justin J. Tanner, CPA, CA
*Eric A. Peterson, CPA, CA (Associate) *Robert J. Krejci, CA (Associate) *Barry D. Gitzel, CPA, CA (Associate)

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

INDEPENDENT AUDITORS' REPORT

TO: The Mayor and Council

We have audited the accompanying financial statements of the Town of Stettler, which comprise the statement of financial position as at December 31, 2016, and the statements of operations, changes in net financial assets/debt and cash flows for the year then ended, a summary of significant accounting policies and other explanatory information.

Managements' Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 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 financial statements present fairly, in all material respects, the financial position of the Town of Stettler as at December 31, 2016, and its financial performance and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Stettler, Alberta
April 18, 2017

CHARTERED PROFESSIONAL ACCOUNTANTS

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

	<u>2016</u>	<u>2015</u>
FINANCIAL ASSETS		
Cash and Temporary Investments (Note 2)	\$ 7,894,189	\$ 5,639,736
Taxes and Grants-in-lieu Receivables (Note 3)	237,435	111,404
Local Improvement Taxes Receivable	1,250,177	1,381,549
Trade and Other Receivables	1,627,757	1,620,778
Receivable from Governments	463,925	598,640
Land Inventory Held for Resale	410,218	428,366
Long-term Investments (Note 4)	40	40
Other Assets	<u>1,691</u>	<u>7,424</u>
TOTAL FINANCIAL ASSETS	<u>\$ 11,885,432</u>	<u>\$ 9,787,937</u>
LIABILITIES		
Accounts Payable and Accrued Liabilities	\$ 1,669,060	\$ 1,856,847
Deposit Liabilities	21,425	25,975
Deferred Revenue (Note 5)	1,460,382	725,906
Other Current Liabilities	-	-
Other Long-term Liabilities (Note 19)	124,711	124,711
Long-term Debt (Note 7)	<u>6,979,181</u>	<u>6,969,966</u>
TOTAL LIABILITIES	<u>\$ 10,254,759</u>	<u>\$ 9,703,405</u>
NET FINANCIAL ASSETS (DEBT)	<u>\$ 1,630,673</u>	<u>\$ 84,532</u>
NON-FINANCIAL ASSETS		
Tangible Capital Assets (Note 9)	104,418,426	108,712,388
Prepaid Expenses	<u>46,483</u>	<u>51,227</u>
TOTAL NON-FINANCIAL ASSETS	<u>\$ 104,464,909</u>	<u>\$ 108,763,615</u>
ACCUMULATED SURPLUS (Note 11)	<u>\$ 106,095,582</u>	<u>\$ 108,848,147</u>
CONTINGENCIES (NOTE 15)		

Mayor

Date

**TOWN OF STETTLER
CONSOLIDATED STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2016**

	<u>2016</u> <u>Budget</u> <u>(Unaudited)</u>	<u>2016</u> <u>Actual</u>	<u>2015</u> <u>Actual</u>
REVENUES			
Net Taxes (Schedule 3)	\$ 5,734,184	\$ 5,530,558	\$ 5,839,906
Sales and User Fees	5,164,422	5,247,452	5,055,569
Government Transfers (Schedule 4)	1,483,472	1,575,285	1,550,530
Investment Income	75,910	64,928	126,115
Penalties and Costs on Taxes	80,950	79,675	70,954
Licenses and Permits	168,250	134,071	171,141
Fines	85,700	61,162	88,444
Franchise and Concession Contracts	1,167,000	1,093,583	780,770
Rentals	778,583	731,662	801,241
Gain on Sale of Tangible Capital Assets	-	-	-
Other	25,000	(4,818)	308,174
Total Revenue	<u>\$ 14,763,471</u>	<u>\$ 14,513,558</u>	<u>\$ 14,792,844</u>
EXPENDITURES (Schedule 5)			
Legislative	196,650	180,229	182,127
Administration	1,027,903	1,026,529	1,022,733
Protective Services	2,100,906	1,881,504	1,582,423
Transportation	1,726,935	1,708,739	2,068,073
Water Supply and Distribution	2,237,890	1,982,089	2,154,770
Wastewater Treatment and Disposal	475,071	449,073	408,100
Waste Management	648,214	647,103	581,661
Public Health and Welfare	260,450	238,123	218,892
Subdivision Land Development	1,057,925	868,576	914,891
Recreation, Culture and Parks	2,990,799	3,097,513	2,900,918
Amortization (Note 18)	-	6,052,400	6,036,358
Total Expenditures	<u>\$ 12,722,743</u>	<u>\$ 18,131,878</u>	<u>\$ 18,070,946</u>
EXCESS (SHORTFALL) OF REVENUE OVER EXPENSE EXPENSES - BEFORE OTHER	<u>\$ 2,040,728</u>	<u>\$ (3,618,320)</u>	<u>\$ (3,278,102)</u>
OTHER			
Government Transfers for Capital (Schedule 4)	<u>1,840,750</u>	<u>865,755</u>	<u>1,729,081</u>
EXCESS (SHORTFALL) OF REVENUE OVER EXPENSES	<u>3,881,478</u>	<u>(2,752,565)</u>	<u>(1,549,021)</u>
ACCUMULATED SURPLUS, BEGINNING OF YEAR	<u>108,848,147</u>	<u>108,848,147</u>	<u>110,397,168</u>
ACCUMULATED SURPLUS, END OF YEAR	<u>\$ 112,729,625</u>	<u>\$ 106,095,582</u>	<u>\$ 108,848,147</u>

TOWN OF STETTLER
CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL ASSETS (DEBT)
FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>2016</u> <u>Budget</u> <u>Unaudited</u>	<u>2016</u> <u>Actual</u>	<u>2015</u> <u>Actual</u>
EXCESS (SHORTFALL) OF REVENUE OVER EXPENSES	<u>\$ -</u>	<u>\$ (2,752,565)</u>	<u>\$ (1,549,021)</u>
Acquisition of Tangible Capital Assets	-	(1,924,033)	(4,359,785)
Proceeds on Disposal of Tangible Capital Assets	-	10,715	1,584
Amortization of Tangible Capital Assets	-	6,052,400	6,036,358
(Gain) Loss on Sale of Tangible Capital Assets	-	<u>154,880</u>	<u>219,990</u>
	<u>\$ -</u>	<u>\$ 4,293,962</u>	<u>\$ 1,898,147</u>
Acquisition of Prepaid Assets	-	(46,483)	(51,227)
Use of Prepaid Assets	-	<u>51,227</u>	<u>24,096</u>
	<u>\$ -</u>	<u>\$ 4,744</u>	<u>\$ (27,131)</u>
(INCREASE) DECREASE IN NET DEBT	<u>\$ -</u>	<u>\$ 1,546,141</u>	<u>\$ 321,995</u>
NET FINANCIAL ASSETS (DEBT), BEGINNING OF YEAR	<u>\$ -</u>	<u>\$ 84,532</u>	<u>\$ (237,463)</u>
NET FINANCIAL ASSETS (DEBT), END OF YEAR	<u>\$ -</u>	<u>\$ 1,630,673</u>	<u>\$ 84,532</u>

**TOWN OF STETTLER
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2016**

	<u>2016</u> <u>Actual</u>	<u>2015</u> <u>Actual</u>
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING		
Excess (Shortfall) of Revenues Over Expenditures	\$ (2,752,565)	\$ (1,549,021)
Non-cash items included in excess (shortfall) of revenues over expenditures:		
Amortization of Tangible Capital Assets (Note 18)	6,052,400	6,036,358
(Gain) Loss on Disposal of Tangible Capital Assets	154,881	219,990
Non-cash Charges to Operations (net change):		
Taxes and Grants-in-lieu Receivables	(126,031)	(7,765)
Local Improvement Taxes Receivables	131,372	(244,534)
Government Trade and Other Receivables	127,735	351,937
Other Financial Assets	5,733	4,620
Prepaid Expenses	4,744	(27,131)
Accounts Payable and Accrued Liabilities	(187,787)	(35,571)
Land Held for Resale	18,148	-
Deferred Revenue	734,476	377,724
Deposit Liabilities	(4,550)	800
Net Cash Provided by (used in) Operating Activities	<u>4,158,556</u>	<u>5,127,407</u>
CAPITAL		
Acquisition of Tangible Capital Assets	(1,924,033)	(4,359,785)
Sale of Tangible Capital Assets	10,715	1,584
Cash Applied to Capital Transactions	<u>(1,913,318)</u>	<u>(4,358,201)</u>
INVESTING		
Decrease (increase) in Restricted Cash or Cash Equivalents	<u>(735,837)</u>	(426,602)
Cash Provided by (Applied to) Investing Transactions	<u>(735,837)</u>	<u>(426,602)</u>
FINANCING		
Other Long-Term Debt	-	-
Long-Term Debt Issued	448,724	493,611
Long-Term Debt Repaid	(439,509)	(401,831)
Cash Provided by (Applied to) Financing Transactions	<u>9,215</u>	<u>91,780</u>
CHANGE IN CASH AND EQUIVALENTS DURING THE YEAR	\$ 1,518,616	\$ 434,384
CASH AND EQUIVALENTS - BEGINNING OF YEAR	<u>5,038,946</u>	<u>4,604,562</u>
CASH AND EQUIVALENTS - END OF YEAR	\$ 6,557,562	\$ 5,038,946
Cash and Cash Equivalents if Made up of:		
Cash and Temporary Investments (Note 2)	\$ 7,894,189	\$ 5,639,736
Less: Restricted Portion of Cash and Temporary Investments (Note 2)	<u>(1,336,627)</u>	<u>(600,790)</u>
	\$ 6,557,562	\$ 5,038,946

TOWN OF STETTLE						
SCHEDULE 1 - CHANGES IN ACCUMULATED SURPLUS						
FOR THE YEAR ENDED DECEMBER 31, 2016						
	Unrestricted Surplus	Restricted Surplus	Equity in Tangible Capital Assets	2016 Actual	2015 Actual	
BALANCE, BEGINNING OF YEAR	1,606,766	5,498,959	101,742,422	108,848,147	110,397,168	
Excess (deficiency) of Revenues over Expense	(2,752,565)	-	-	(2,752,565)	(1,549,021)	
Unrestricted Funds Designated for Future Use	(2,293,947)	2,293,947		-	-	
Restricted Funds Used for Operations	152,776	(152,776)		-	-	
Restricted Funds Used for TCA		(1,034,902)	1,034,902	-	-	
Current Year Funds Used for TCA	(440,408)		440,408	-	-	
Donated and Contributed TCA	-		-	-	-	
Disposal of TCA	165,596		(165,596)	-	-	
Annual Amortization Expense	6,052,400		(6,052,400)	-	-	
Long Term Debt Repaid	(439,509)		439,509	-	-	
Long Term Debt Used for TCA			448,724			
Long Term Debt Issued			(448,724)			
Change in Accumulated Surplus	444,343	1,106,269	(4,303,177)	(2,752,565)	(1,549,021)	
BALANCE, END OF YEAR	2,051,109	6,605,228	97,439,245	106,095,582	108,848,147	

TOWN OF STETTTLER
SCHEDULE 2 - TANGIBLE CAPITAL ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2016

	Land	Land Improvements	Buildings	Engineered Structures	Machinery and Equipment	Vehicles	2016 Actual	2015 Actual
COST:								
BALANCE, BEGINNING OF YEAR	1,477,011	5,346,079	56,793,355	108,598,706	4,263,552	4,056,108	180,534,811	177,656,919
Acquisition of Tangible Capital Assets								
Construction-in-Progress	-	337,111	196,964	692,997	602,796	94,165	1,924,033	3,474,413
Disposal of Tangible Capital Assets	(16,270)	-	(349,268)	(155,231)	(273,418)	(40,155)	(834,342)	885,372
Write Down of Tangible Capital Assets								(1,481,893)
BALANCE, END OF YEAR	1,460,741	5,683,190	56,641,051	109,136,472	4,592,930	4,110,118	181,624,502	180,534,811
ACCUMULATED AMORTIZATION:								
BALANCE, BEGINNING OF YEAR	-	1,449,815	11,996,298	54,147,696	2,576,898	1,651,716	71,822,423	67,046,384
Annual Amortization		232,654	1,139,409	4,197,692	251,695	230,950	6,052,400	6,036,358
Accumulated Amortization on Disposals			(254,966)	(100,207)	(273,419)	(40,155)	(668,747)	(1,260,319)
BALANCE, END OF YEAR	-	1,682,469	12,880,741	58,245,181	2,555,174	1,842,511	77,206,076	71,822,423
2016 NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	1,460,741	4,000,721	43,760,310	50,891,291	2,037,756	2,267,607	104,418,426	108,712,388
2015 NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	1,477,011	3,896,264	44,797,057	54,451,010	1,686,654	2,404,392	108,712,388	

TOWN OF STETTLER
SCHEDULE 3 - PROPERTY AND OTHER TAXES
FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>2016</u> <u>Budget</u> <u>(Unaudited)</u>	<u>2016</u> <u>Actual</u>	<u>2015</u> <u>Actual</u>
TAXATION			
Real Property Taxes	\$ 7,791,291	\$ 7,793,822	\$ 7,532,344
Linear Property Taxes	148,083	148,083	149,051
Government Grants-in-lieu of Property Taxes	36,359	36,359	47,980
Special Assessments and Local Improvement Taxes	206,107	-	504,289
Business Taxes	<u>6,500</u>	<u>6,450</u>	<u>6,450</u>
Subtotal	<u>\$ 8,188,340</u>	<u>\$ 7,984,714</u>	<u>\$ 8,240,114</u>
REQUISITIONS			
Alberta School Foundation Fund - Basic	2,181,629	2,181,629	2,153,054
Seniors Foundation	<u>272,527</u>	<u>272,527</u>	<u>247,154</u>
Subtotal	<u>\$ 2,454,156</u>	<u>\$ 2,454,156</u>	<u>\$ 2,400,208</u>
NET MUNICIPAL TAXES	<u>\$ 5,734,184</u>	<u>\$ 5,530,558</u>	<u>\$ 5,839,906</u>

TOWN OF STETTLER
SCHEDULE 4 - GOVERNMENT TRANSFERS
FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>2016</u> <u>Budget</u> <u>(Unaudited)</u>	<u>2016</u> <u>Actual</u>	<u>2015</u> <u>Actual</u>
TRANSFERS FOR OPERATING			
Federal Government	\$ 1,500	\$ 5,028	\$ 599
Provincial Government	557,573	735,360	677,511
Other Local Government	924,399	834,897	872,420
Subtotal	<u>\$ 1,483,472</u>	<u>\$ 1,575,285</u>	<u>\$ 1,550,530</u>
TRANSFERS FOR CAPITAL:			
Provincial Government	\$ 1,825,000	\$ 865,755	\$ 1,729,081
Other Local Government	15,750	-	-
Subtotal	<u>\$ 1,840,750</u>	<u>\$ 865,755</u>	<u>\$ 1,729,081</u>
TOTAL GOVERNMENT TRANSFERS	<u>\$ 3,324,222</u>	<u>\$ 2,441,040</u>	<u>\$ 3,279,611</u>

TOWN OF STETTLER
SCHEDULE 5 - CONSOLIDATED EXPENDITURES BY OBJECT
FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>2016</u> <u>Budget</u> <u>(Unaudited)</u>	<u>2016</u> <u>Actual</u>	<u>2015</u> <u>Actual</u>
CONSOLIDATED EXPENSES BY OBJECT			
Salaries, Wages and Benefits	\$ 5,351,470	\$ 5,265,839	\$ 4,939,838
Contracted and General Services	2,289,700	2,001,191	2,025,256
Materials, Goods, Supplies and Utilities	2,802,852	2,503,469	2,970,872
Provision for Allowances	11,000	17,371	11,631
Purchases and Transfers from Other Governments	1,091,480	972,416	771,032
Transfers to Local Boards and Agencies	792,781	792,781	719,469
Transfers to Individuals and Organizations	24,000	24,327	31,261
Bank Charges and Short-term Interest	13,300	12,093	11,869
Interest on Long-term Debt	296,650	291,432	297,489
Other Expenditures	49,510	43,678	35,881
Loss on Sale of Tangible Capital Assets	-	154,881	219,990
Amortization of Tangible Capital Assets	-	6,052,400	6,036,358
TOTAL EXPENSES	<u>\$12,722,743</u>	<u>\$18,131,878</u>	<u>\$18,070,946</u>

TOWN OF STETTTLER

SCHEDULE 6 - SEGMENTED DISCLOSURE
FOR THE YEAR ENDED DECEMBER 31, 2016

	General Government	Protective Services	Transporation	Environmental Use & Protection	Public Health & Welfare	Planning & Development	Recreation & Culture	2016 Actual
REVENUE:								
Net Municipal Taxes	5,530,558							5,530,558
Sales to Other Governments	30,000							30,000
Sales and User Charges	30,169	80,730	3,570	4,414,857	24,929	345,384	317,812	5,217,451
Penalties and Costs on Taxes	53,582			26,133			(40)	79,675
Licenses and Permits		107,008				27,063		134,071
Fines		61,162						61,162
Franchise and Concession Contracts	1,093,583							1,093,583
Returns on Investments	62,645	888	253	-	559	583	-	64,928
Rentals			7,384			253,426	470,852	731,662
Contributed and Donated Assets		-						-
Federal Government Transfers						3,528	1,500	5,028
Provincial Government Transfers	-	399,268	809,601	144,147	157,148	43,044	47,908	1,601,116
Local Government Transfers	-	334,785	4,500				495,612	834,897
Other Revenues	(5,733)	-					915	(4,818)
Total Revenue	6,794,804	983,841	825,308	4,585,137	182,636	673,028	1,334,559	15,379,313
EXPENSES:								
Salaries , Wages and Benefits	790,185	485,204	755,295	1,136,772	34,388	393,654	1,670,341	5,265,839
Contracted and General Services	328,145	292,229	252,302	612,600	130	216,540	299,245	2,001,191
Purchases from Other Governments		972,137						972,137
Materials, Goods, Supplies and Utilities	48,538	131,933	646,520	729,595	7,171	230,529	709,183	2,503,469
Provision for Allowance		-		16,793			578	17,371
Transfer to Other Governments						279		279
Transfer to Local Boards and Agencies				333,384	196,435		262,962	792,781
Transfer to Individuals and Organizations			3,255	1,050	20,000	22	-	24,327
Bank Charges	6,642			433			5,018	12,093
Interest on Capital Long Term Debt	33,273		32,623	185,971			39,565	291,432
Net Loss on Sale of TCA		-	44,309				110,572	154,881
Other Expenditures	(25)	-		36,102		7,551	50	43,678
Total Expense	1,206,758	1,881,503	1,734,304	3,052,700	258,124	848,575	3,097,514	12,079,478
NET REVENUE, BEFORE AMORTIZATION	5,588,046	(897,662)	(908,996)	1,532,437	(75,488)	(175,547)	(1,762,955)	3,299,835
Amortization	102,295	176,490	4,053,830	986,523	2,052	135,792	595,418	6,052,400
NET REVENUE	5,485,751	(1,074,152)	(4,962,826)	545,914	(77,540)	(311,339)	(2,358,373)	(2,752,565)

TOWN OF STETTTLER
NOTES TO THE FINANCIAL STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2016

1. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements of the Town of Stettler 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 Chartered Professional Accountants of Canada. Significant aspects of the accounting policies adopted by the Town are as follows:

(a) Reporting Entity

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

Town of Stettler Fire Department
Stettler Regional Board of Trade and Community Development

The schedule of taxes levied also includes requisitions for educational, 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.

(c) Use of Estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles for local governments 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.

TOWN OF STETTLER
NOTES TO THE FINANCIAL STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2016

(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) 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 leveling charges. Related development costs incurred to provide infrastructure such as water and wastewater services, roads, sidewalks and street lighting are recorded as physical assets under their respective function.

(g) 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.

(h) 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, provided the consolidated Change in Net Financial Assets (Debt) 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
Land Improvements	15 - 45
Buildings	25 - 50
Engineered Structures	
Roadway System	5 - 60
Water System	45 - 75
Wastewater System	45 - 75
Storm System	45 - 75
Machinery and Equipment	5 - 40
Vehicles	7 - 25

TOWN OF STETTLER
NOTES TO THE FINANCIAL STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2016

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.

(i) Cash & Cash Equivalents

Cash and cash equivalents consist of cash on hand, accounts with banks and short-term, highly liquid investments.

(j) Pensions

Pension cost included in these statements comprise the cost of employer contributions for current service of employees during the year. The municipality participates in the multi-employer Local Authorities Pension Plan.

2. CASH AND TEMPORARY INVESTMENTS

	<u>2016</u>	<u>2015</u>
Cash	\$ 7,894,189	\$ 5,639,736
Temporary Investments	<u>-</u>	<u>-</u>
Total	<u>\$ 7,894,189</u>	<u>\$ 5,639,736</u>

Interest is earned on the General Account at Prime Rate less 1.75%. Included in Cash and Temporary Investments is a restricted amount of \$1,336,627 (2015 - \$600,790) received from various Provincial Programs and related to deferred grant funding (Note 5).

Included in cash is a restricted balance of \$60,584 (2015 - \$55,919) related to trust funds held at year end (Note 12).

3. TAXES AND GRANTS IN LIEU RECEIVABLES

	<u>2016</u>	<u>2015</u>
Current and Grants-in-lieu	\$ 190,655	\$ 90,876
Arrears Taxes	59,291	33,039
Less: Allowance for Doubtful Accounts	<u>(12,511)</u>	<u>(12,511)</u>
Total	<u>\$ 237,435</u>	<u>\$ 111,404</u>

TOWN OF STETTLER
NOTES TO THE FINANCIAL STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2016

4. LONG-TERM INVESTMENTS

	<u>2016</u>	<u>2015</u>
AMFC Shares, at Cost	\$ 40	\$ 40
Total	\$ 40	\$ 40

5. DEFERRED REVENUE

	<u>2016</u>	<u>2015</u>
Municipal Sustainability Initiative	\$ 624,166	\$ 189,558
New Deal Communities	595,965	281,692
Police Assistance	86,496	86,496
ACP	30,000	43,044
Other	14,235	21,344
Other - P&L	14,599	19,285
Other - BOT	94,921	84,487
Total	\$ 1,460,382	\$ 725,906

Conditional grants are deferred until the prescribed expenditures are made.

6. RESTRICTED FUNDS

Reserves for operating and capital activities changed as follows:

<u>Operating Reserves</u>	<u>2015</u>	<u>Increases</u>	<u>Decreases</u>	<u>2016</u>
RCMP (Records Check)	47,723	6,209	1,229	52,703
Rescue Van	88,750	50,851	16,351	123,250
Land Farmed Site	7,650			7,650
Walking Pathway	167,982			167,982
Landfill Site Maintenance	3,000			3,000
Perpetual Care	55,919	4,665		60,584
West Stettler Planning	3,747			3,747
BOT Community Event	11,000			11,000
Building Maintenance	26,400	2,200		28,600
SCR Building Maintenance	113,368		63,678	49,690
Culture	82,000	15,000		97,000
Office Automation	7,825			7,825
RCMP Contract	230,000			230,000
Fire Telus Tower	8,900			8,900
Salt Shed	6,500			6,500
Street Light Replacement	19,260	16,510		35,770
Mun 2000 Beautification	13,139			13,139
Coat Exterior Reservoir	40,000			40,000
Sewer Offsite	246,682	25,884		272,566
SE Insustrial Planning	50,000			50,000
Land Development	934,974	146,179		1,081,153
Playground Program	3,000			3,000
Tree Maintenance	2,950			2,950
Gravel	-	35,300		35,300
Cold Lake Survey	18,800		5,550	13,250

TOWN OF STETTLER
NOTES TO THE FINANCIAL STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2016

SRC Projection System	2,712			2,712
Community Orchard	2,800			2,800
ARB	6,000			6,000
WTS Operations	81,129			81,129
Memorial Park	4,864			4,864
Slurrey Seal	48,942			48,942
Water Well Building	25,000	25,000		50,000
General Reserve	1,336,489	265,000	28,981	1,572,508
Available for Capital	-	711,854	471,375	240,479
Utilities - Other	491,433	407,006	430,821	467,618
Utilities - Water	256,519	269,237	84,723	441,033
Total Operating Reserves	\$ 4,445,457	\$ 1,980,895	\$ 1,102,708	\$ 5,323,644

Capital Reserves	2015	Increases	Decreases	2016
Admin Equipment/Computer	32,986	26,900	15,921	43,965
Disaster Services	6,008			6,008
Chainlink Fence	9,646			9,646
Compost Bins/Pads	2,880			2,880
Cemetery	8,006			8,006
GIS System	6,703			6,703
Fire Equipment	150,299			150,299
Common Services Equipment	20,000			20,000
Drainage	29,582			29,582
Community Hall	85,463			85,463
Campground Expansion	34,571			34,571
WTP	78,347		47,649	30,698
Senior Centre	-	19,250		19,250
ML Sports Park	25,499		9,080	16,419
Cemetery Road	150,000			150,000
Water Dispensing System	3,220			3,220
Recreation Agreement	385,300	266,900		652,200
Downtown Park	12,318		12,318	-
Fishing Pier	8,780			8,780
East Industrial Loop	3,894	-	-	3,894
Total Capital Reserves	\$ 1,053,502	\$ 313,050	\$ 84,968	\$ 1,281,584

TOTAL RESTRICTED FUNDS	\$ 5,498,959	\$ 2,293,945	\$ 1,187,676	\$ 6,605,228
-------------------------------	---------------------	---------------------	---------------------	---------------------

7. LONG-TERM DEBT

	2016	2015
Tax Supported Debentures	\$ 1,772,809	\$ 1,905,001
Self Supported Debentures	<u>5,206,372</u>	<u>5,064,965</u>
Total	\$ 6,979,181	\$ 6,969,966

**TOWN OF STETTLER
NOTES TO THE FINANCIAL STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2016**

Principal and interest repayments are due as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 476,555	\$ 290,504	\$ 767,059
2018	498,536	268,523	767,059
2019	521,568	245,491	767,059
2020	478,163	221,356	699,519
2021	499,514	200,004	699,518
Thereafter	<u>4,504,845</u>	<u>923,319</u>	<u>5,428,164</u>
Total	<u>\$ 6,979,181</u>	<u>\$ 2,149,197</u>	<u>\$ 9,128,378</u>

Debenture debt is repayable to Alberta Capital Finance Authority and bears interest at rates ranging from 2.306% to 6.500% per annum, and mature in periods 2019 through 2036. The average annual interest rate is 4.49% for 2016 (4.56% for 2015).

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

Future interest repayment annual amounts have been calculated using the accrual method. The Town's total cash payments for interest in 2016 were \$291,432 (2015 - \$297,489)

8. 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 Stettler be disclosed as follows:

	<u>2016</u>	<u>2015</u>
Total Debt Limit	\$ 21,770,337	\$ 22,189,266
Total Debt	<u>6,979,181</u>	<u>6,969,966</u>
Amount of Debt Limit Unused	<u>\$ 14,791,156</u>	<u>\$ 15,219,300</u>
Service on Debt Limit	\$ 3,628,390	\$ 3,698,211
Service on Debt	<u>767,059</u>	<u>736,801</u>
Amount of Debt Servicing Limit Unused	<u>\$ 2,861,331</u>	<u>\$ 2,961,410</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.

TOWN OF STETTLER
NOTES TO THE FINANCIAL STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2016

9. TANGIBLE CAPITAL ASSETS

Net Book Value	<u>2016</u>	<u>2015</u>
Land	\$ 1,460,741	\$ 1,477,011
Land Improvements	4,000,720	3,896,264
Buildings	43,760,308	44,797,057
Engineered Structures		
Distribution Systems - Roads	28,580,620	32,147,230
Distribution Systems - Water	7,654,584	7,842,770
Distribution Systems - Wastewater	11,022,082	11,018,156
Distribution Systems - Storm	3,634,008	3,442,854
Machinery & Equipment & Furnishings	2,037,756	1,686,654
Vehicles	<u>2,267,607</u>	<u>2,404,392</u>
Total	<u>\$ 104,418,426</u>	<u>\$ 108,712,388</u>

10. EQUITY IN TANGIBLE CAPITAL ASSETS

	<u>2016</u>	<u>2015</u>
Tangible Capital Assets (Schedule 2)	\$ 181,624,502	\$ 180,534,811
Accumulated Amortization (Schedule 2)	(77,206,076)	(71,822,423)
Long Term Debt (Note 7)	<u>(6,979,181)</u>	<u>(6,969,966)</u>
Total	<u>\$ 97,439,245</u>	<u>\$ 101,742,422</u>

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 (deficit)	\$ 2,051,109	\$ 1,606,766
Restricted Funds (Note 6)	6,605,228	5,498,959
Equity in Tangible Capital Assets (Note 10)	<u>97,439,245</u>	<u>101,742,422</u>
Total	<u>\$ 106,095,582</u>	<u>\$ 108,848,147</u>

**TOWN OF STETTLER
NOTES TO THE FINANCIAL STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2016**

12. TRUST FUNDS

The Town of Stettler administers the following trust:

	<u>2016</u>	<u>2015</u>
Cemetery Perpetual Care		
Balance, Beginning of Year	\$ 55,919	\$ 53,999
Sale of Cemetery Plots	2,665	845
Columbarium Purchase	<u>2,000</u>	<u>1,075</u>
Balance, End of Year	<u>\$ 60,584</u>	<u>\$ 55,919</u>

13. SALARY & BENEFITS DISCLOSURE

Disclosure of salaries and benefits for elected municipal officials, the chief administrative officer and designated officers as required by provincial regulation is as follows:

	<u>2015</u>			<u>2015</u>		
	<u>#of Persons</u>	<u>Salary (1)</u>	<u>Benefits & Allowances (2&3)</u>	<u>Total</u>	<u># of Persons</u>	<u>Total</u>
Councillor D. Bachman	1	17,041	1,082	18,123	1	18,190
Councillor W. Brown	1	18,991	1,922	20,913	1	18,129
Councillor A. Campbell	1	21,461	2,030	23,491	1	27,799
Councillor M. Fischer	1	21,721	3,826	25,547	1	24,109
Councillor S. Nolls	1	17,171	1,253	18,424	1	21,970
Mayor R. Richards	1	40,322	9,410	49,732	1	36,987
Councillor K. Sernecky	1	11,387	1,329	12,716	1	22,348
CAO. G. Switenky	1	165,656	34,206	199,862	1	185,779

- (1) Salary includes regular base pay, bonuses, overtime, lump sum payments, gross honoraria and any other direct cash remuneration.
- (2) Employers share of all employee benefits and contributions or payments made on behalf of employees including pension, health care, dental 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 planning services, retirement planning services, concessionary loans and club memberships.

14. LOCAL AUTHORITIES PENSION PLAN

- Employees of the Town of Stettler participate in the Local Authorities Pension Plan (LAPP), which is covered by the Public Sector Pension Plans Act. The Plan serves about 244,621 people and 426 employers. It is financed by employer and employee contributions and investment earnings of the LAPP Fund.
- Contributions for current service are recorded as expenditures in the year in which they become due.

TOWN OF STETTTLER
NOTES TO THE FINANCIAL STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2016

- The Town of Stettler is required to make current service contributions to the Plan of 11.39% of pensionable earnings up to the Canada Pension Plan Year's Maximum Pensionable Earnings and 15.84% for the excess.
- Employees of the Town of Stettler are required to make current service contributions of 10.39% of pensionable salary up to the year's maximum pensionable earnings under the Canada Pension Plan, and 14.84% on pensionable salary above this amount.
- Total current and past service contributions by the Town of Stettler to the Local Authorities Pension Plan in 2016 were \$463,994 (2015 - \$428,195) Total current and past service contributions by the employees of the Town of Stettler to the Local Authorities Pension Plan in 2016 were \$426,792 (2015 - \$393,790)
- At December 31, 2015 the Plan disclosed an actuarial deficiency of \$923 million for the Plan.

15. CONTINGENCIES

The Town of Stettler is a member of the Alberta Local Authorities Reciprocal Insurance Exchange. Under the terms of membership, the Town of Stettler 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 of Stettler, the County of Stettler, and all other incorporated municipalities within the geographical boundaries of the County of Stettler provide funds for the operation of the Stettler Waste Management Authority. The Authority is accumulating reserves to fund future estimated site cleanup obligations. The member municipalities may be liable for future costs in excess of the reserves.

The Town of Stettler and the County of Stettler through joint agreement provide funds for the operation of the Stettler Family and Community Support Services. The amounts noted in this financial statement represent only the Town of Stettler portion of contributions made to F.C.S.S.

16. FINANCIAL INSTRUMENTS

The Town's financial instruments consist of cash and temporary investments, accounts receivables, a line of credit, investments, accounts payable, accrued liabilities, deposit liabilities, requisition over-levy and long-term debt. It is management's opinion that the Town is not exposed to significant interest or currency risks arising from these financial instruments.

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

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

The Town is exposed to interest rate risk on temporary bank indebtedness, as the interest rate will fluctuate with change in the prime lending rate.

The fixed rate debentures are subject to interest rate risk, as the value will fluctuate as a result of changes in market rates.

TOWN OF STETTLER
NOTES TO THE FINANCIAL STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2016

17. SEGMENTED DISCLOSURE

The Town provides a range of services to its ratepayers. For each reported segment, revenues and expenses represent both amounts that are directly attributable to the segment and amounts that are allocated on a reasonable basis. The accounting policies used in these segments are consistent with those followed in the preparation of the financial statements as disclosed in Note 1.

Refer to the Schedule of Segmented Disclosure (Schedule 6).

18. AMORTIZATION

Amortization is a non-cash expense and is allocated to the different functions as follows:

	<u>2016</u>	<u>2015</u>
General Administration	\$ 102,295	\$ 94,805
Police Protective Services	-	-
Fire Protective Services	176,491	162,799
Common and Equipment Pool	235,960	217,818
Roads, Streets, Walks, Lighting	3,736,512	3,774,717
Airport	17,040	17,040
Storm Sewers and Drainage	64,318	62,669
Water Supply and Distribution	677,891	677,884
Wastewater Treatment and Disposal	307,900	301,450
Waste Management	732	237
Cemeteries	2,052	1,883
Land Use Planning	8,855	8,855
Economic Development	2,587	2,587
Public Housing Operations	85,967	85,967
Land, Housing and Building Rentals	38,383	38,283
Parks and Recreation	555,759	546,282
Culture	39,658	43,082
Total	\$ 6,052,400	\$ 6,036,358

19. OTHER LONG-TERM LIABILITIES

	<u>2016</u>	<u>2015</u>
Tax Sales In Trust	\$ 19,352	\$ 19,352
Reserve for Public Lands	105,359	105,359
Total	\$ 124,711	\$ 124,711

20. OPERATING LINE OF CREDIT

At December 31, 2016 the Town had a short-term line of credit for \$100,000 (2015 - \$100,000) of which nothing had been drawn down. The interest rate on advances would be Prime minus 1/4%.

TOWN OF STETTLER
NOTES TO THE FINANCIAL STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2016

21. RECENT ACCOUNTING PRONOUNCEMENTS PUBLISHED BUT NOT YET ADOPTED

The following standards have been issued by the Chartered Professional Accountants of Canada but are not yet effective. The municipality is currently evaluating the effect of these standards on their financial statements.

(a) Section PSAB 3041 - Portfolio Investments

This new section establishes standards on how to account for and report portfolio investments in government financial statements. This standard is effective for the 2019 fiscal year.

(b) Section PSAB 3450 - Financial Instruments

This section establishes standards on how to account for and report all types of financial instruments including derivatives. This standard is effective for the 2019 fiscal year.

(c) Section PSAB 2601 - Foreign Currency Translation

This section establishes standards on how to account for and report transactions that are denominated in foreign currency in government financial statements and is effective in the 2019 fiscal year.

(d) Section PSAB 1201 - Financial Statement Presentation

Revised standard related to financial statement presentation and becomes effective in 2019 when sections 2601 and 3450 are adopted.

22. APPROVAL OF FINANCIAL STATEMENTS

Council and Management have approved these financial statements.

23. BUDGET AMOUNTS

Budget figures for the year ended December 31, 2016 were approved as May 17, 2016 and are for information purposes. These amounts have not been audited.