



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

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

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, 2017, 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, 2017, and its financial performance and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Stettler, Alberta
April 17, 2018


CHARTERED PROFESSIONAL ACCOUNTANTS

**TOWN OF STETTLER
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2017**

	<u>2017</u>	<u>2016</u>
FINANCIAL ASSETS		
Cash and Temporary Investments (Note 2)	\$ 6,979,759	\$ 7,894,189
Taxes and Grants-in-lieu Receivables (Note 3)	248,231	237,435
Local Improvement Taxes Receivable	1,575,400	1,250,177
Trade and Other Receivables	1,394,547	1,627,757
Receivable from Governments	588,688	463,925
Land Inventory Held for Resale	393,881	410,218
Long-term Investments (Note 4)	40	40
Other Assets	<u>681</u>	<u>1,691</u>
TOTAL FINANCIAL ASSETS	\$ 11,181,227	\$ 11,885,432
 LIABILITIES		
Accounts Payable and Accrued Liabilities	\$ 1,689,595	\$ 1,669,060
Deposit Liabilities	22,025	21,425
Deferred Revenue (Note 5)	451,674	1,460,382
Other Current Liabilities	-	-
Other Long-term Liabilities (Note 19)	105,359	124,711
Long-term Debt (Note 7)	<u>6,502,626</u>	<u>6,979,181</u>
TOTAL LIABILITIES	\$ 8,771,279	\$ 10,254,759
 NET FINANCIAL ASSETS (DEBT)	 \$ 2,409,948	 \$ 1,630,673
 NON-FINANCIAL ASSETS		
Tangible Capital Assets (Note 9)	102,714,924	104,418,426
Prepaid Expenses	<u>53,514</u>	<u>46,483</u>
TOTAL NON-FINANCIAL ASSETS	\$ 102,768,438	\$ 104,464,909
 ACCUMULATED SURPLUS (Note 11)	 \$ 105,178,386	 \$ 106,095,582

CONTINGENCIES (NOTE 15)

Mayor

Date

Apr 20/2018

**TOWN OF STETTLER
CONSOLIDATED STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2017**

	<u>2017</u> <u>Budget</u> <u>(Unaudited)</u>	<u>2017</u> <u>Actual</u>	<u>2016</u> <u>Actual</u>
REVENUES			
Net Taxes (Schedule 3)	\$ 6,103,895	\$ 6,101,253	\$ 5,530,558
Sales and User Fees	5,208,991	5,408,754	5,247,452
Government Transfers (Schedule 4)	1,485,065	1,469,092	1,575,285
Investment Income	67,910	127,709	64,928
Penalties and Costs on Taxes	80,950	84,411	79,675
Licenses and Permits	174,250	150,329	134,071
Fines	85,700	65,266	61,162
Franchise and Concession Contracts	1,223,000	1,156,040	1,093,583
Rentals	806,469	798,372	731,662
Gain on Sale of Tangible Capital Assets	-	-	-
Other	-	(38)	(4,818)
Total Revenue	<u>\$ 15,236,230</u>	<u>\$ 15,361,188</u>	<u>\$ 14,513,558</u>
EXPENDITURES (Schedule 5)			
Legislative	202,250	185,901	180,229
Administration	1,069,664	1,067,367	1,026,529
Protective Services	2,247,802	2,055,751	1,881,504
Transportation	1,846,582	1,810,364	1,708,739
Water Supply and Distribution	2,231,685	2,113,102	1,982,089
Wastewater Treatment and Disposal	490,482	619,278	449,073
Waste Management	827,283	816,065	647,103
Public Health and Welfare	263,921	250,394	238,123
Subdivision Land Development	979,131	808,018	868,576
Recreation, Culture and Parks	3,124,286	3,063,128	3,097,513
Amortization (Note 18)	-	6,090,573	6,052,400
Total Expenditures	<u>\$ 13,283,086</u>	<u>\$ 18,879,941</u>	<u>\$ 18,131,878</u>
EXCESS (SHORTFALL) OF REVENUE OVER EXPENSE EXPENSES - BEFORE OTHER	<u>\$ 1,953,144</u>	<u>\$ (3,518,753)</u>	<u>\$ (3,618,320)</u>
OTHER			
Government Transfers for Capital (Schedule 4)	<u>2,623,259</u>	<u>2,601,557</u>	<u>865,755</u>
EXCESS (SHORTFALL) OF REVENUE OVER EXPENSES	4,576,403	(917,196)	(2,752,565)
ACCUMULATED SURPLUS, BEGINNING OF YEAR	<u>106,095,582</u>	<u>106,095,582</u>	<u>108,848,147</u>
ACCUMULATED SURPLUS, END OF YEAR	<u>\$ 110,671,985</u>	<u>\$ 105,178,386</u>	<u>\$ 106,095,582</u>

TOWN OF STETTLER
CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL ASSETS (DEBT)
FOR THE YEAR ENDED DECEMBER 31, 2017

	<u>2017</u> <u>Budget</u> <u>Unaudited</u>	<u>2017</u> <u>Actual</u>	<u>2016</u> <u>Actual</u>
EXCESS (SHORTFALL) OF REVENUE OVER EXPENSES	<u>\$ -</u>	<u>\$ (917,196)</u>	<u>\$ (2,752,565)</u>
Acquisition of Tangible Capital Assets	-	(4,567,459)	(1,924,033)
Proceeds on Disposal of Tangible Capital Assets	-	-	10,715
Amortization of Tangible Capital Assets	-	6,090,573	6,052,400
(Gain) Loss on Sale of Tangible Capital Assets	-	180,388	154,880
	<u>\$ -</u>	<u>\$ 1,703,502</u>	<u>\$ 4,293,962</u>
Acquisition of Prepaid Assets	-	(53,514)	(46,483)
Use of Prepaid Assets	-	46,483	51,227
	<u>\$ -</u>	<u>\$ (7,031)</u>	<u>\$ 4,744</u>
(INCREASE) DECREASE IN NET DEBT	<u>\$ -</u>	<u>\$ 779,275</u>	<u>\$ 1,546,141</u>
NET FINANCIAL ASSETS (DEBT), BEGINNING OF YEAR	<u>\$ -</u>	<u>\$ 1,630,673</u>	<u>\$ 84,532</u>
NET FINANCIAL ASSETS (DEBT), END OF YEAR	<u>\$ -</u>	<u>\$ 2,409,948</u>	<u>\$ 1,630,673</u>

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

	<u>2017</u> <u>Actual</u>	<u>2016</u> <u>Actual</u>
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING		
Excess (Shortfall) of Revenues Over Expenditures	\$ (917,196)	\$ (2,752,565)
Non-cash items included in excess (shortfall) of revenues over expenditures:		
Amortization of Tangible Capital Assets (Note 18)	6,090,573	6,052,400
(Gain) Loss on Disposal of Tangible Capital Assets	180,388	154,881
Non-cash Charges to Operations (net change):		
Taxes and Grants-in-lieu Receivables	(10,796)	(126,031)
Local Improvement Taxes Receivables	(325,223)	131,372
Government Trade and Other Receivables	108,447	127,735
Other Financial Assets	1,010	5,733
Prepaid Expenses	(7,031)	4,744
Accounts Payable and Accrued Liabilities	20,535	(187,787)
Land Held for Resale	16,337	18,148
Deferred Revenue	(1,008,708)	734,476
Long Term Liability	(19,352)	-
Deposit Liabilities	600	(4,550)
Net Cash Provided by (used in) Operating Activities	<u>4,129,584</u>	<u>4,158,556</u>
CAPITAL		
Acquisition of Tangible Capital Assets	(4,567,459)	(1,924,033)
Sale of Tangible Capital Assets	-	10,715
Cash Applied to Capital Transactions	<u>(4,567,459)</u>	<u>(1,913,318)</u>
INVESTING		
Decrease (increase) in Restricted Cash or Cash Equivalents	<u>884,953</u>	<u>(735,837)</u>
Cash Provided by (Applied to) Investing Transactions	<u>884,953</u>	<u>(735,837)</u>
FINANCING		
Other Long-Term Debt	-	-
Long-Term Debt Issued	-	448,724
Long-Term Debt Repaid	(476,555)	(439,509)
Cash Provided by (Applied to) Financing Transactions	<u>(476,555)</u>	<u>9,215</u>
CHANGE IN CASH AND EQUIVALENTS DURING THE YEAR	\$ (29,477)	\$ 1,518,616
CASH AND EQUIVALENTS - BEGINNING OF YEAR	<u>6,557,562</u>	<u>5,038,946</u>
CASH AND EQUIVALENTS - END OF YEAR	<u>\$ 6,528,085</u>	<u>\$ 6,557,562</u>
Cash and Cash Equivalents is Made up of:		
Cash and Temporary Investments (Note 2)	\$ 6,979,759	\$ 7,894,189
Less: Restricted Portion of Cash and Temporary Investments (Note 2)	(451,674)	(1,336,627)
	<u>\$ 6,528,085</u>	<u>\$ 6,557,562</u>

TOWN OF STETTLER						
SCHEDULE 1 - CHANGES IN ACCUMULATED SURPLUS						
FOR THE YEAR ENDED DECEMBER 31, 2017						
	Unrestricted Surplus	Restricted Surplus	Equity in Tangible Capital Assets	2017 Actual	2016 Actual	
BALANCE, BEGINNING OF YEAR	2,051,109	6,605,228	97,439,245	106,095,582	108,848,147	
Excess (deficiency) of Revenues over Expense	(917,196)	-	-	(917,196)	(2,752,565)	
Unrestricted Funds Designated for Future Use	(2,272,991)	2,272,991		-	-	
Restricted Funds Used for Operations	370,635	(370,635)		-	-	
Restricted Funds Used for TCA		(2,057,945)	2,057,945	-	-	
Current Year Funds Used for TCA	(2,509,514)		2,509,514	-	-	
Donated and Contributed TCA	-		-	-	-	
Disposal of TCA	180,388		(180,388)	-	-	
Annual Amortization Expense	6,090,573		(6,090,573)	-	-	
Long Term Debt Repaid	(476,555)		476,555	-	-	
Long Term Debt Used for TCA			-	-	-	
Long Term Debt Issued			-	-	-	
Change in Accumulated Surplus	465,340	(155,589)	(1,226,947)	(917,196)	(2,752,565)	
BALANCE, END OF YEAR	2,516,449	6,449,639	96,212,298	105,178,386	106,095,582	

TOWN OF STETTTLER
SCHEDULE 2 - TANGIBLE CAPITAL ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2017

	Land	Land Improvements	Buildings	Engineered Structures	Machinery and Equipment	Vehicles	2017 Actual	2016 Actual
COST:								
BALANCE, BEGINNING 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
Acquisition of Tangible Capital Assets	-	166,525	179,338	2,239,988	1,981,608	-	4,567,459	1,924,033
Construction-in-Progress	-	-	-	(1,247,890)	(8,000)	-	-	-
Disposal of Tangible Capital Assets	-	-	-	-	-	(17,857)	(1,273,747)	(834,342)
Write Down of Tangible Capital Assets								
BALANCE, END OF YEAR	1,460,741	5,849,715	56,820,389	110,128,570	6,566,538	4,092,261	184,918,214	181,624,502
ACCUMULATED AMORTIZATION:								
BALANCE, BEGINNING OF YEAR	-	1,682,469	12,880,741	58,245,181	2,555,174	1,842,511	77,206,076	71,822,423
Annual Amortization		243,860	1,141,323	4,196,944	304,213	204,233	6,090,573	6,052,400
Accumulated Amortization on Disposals			-	(1,067,502)	(8,000)	(17,857)	(1,093,359)	(668,747)
BALANCE, END OF YEAR	-	1,926,329	14,022,064	61,374,623	2,851,387	2,028,887	82,203,290	77,206,076
2017 NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	1,460,741	3,923,386	42,798,325	48,753,947	3,715,151	2,063,374	102,714,924	104,418,426
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	

TOWN OF STETTLER
SCHEDULE 3 - PROPERTY AND OTHER TAXES
FOR THE YEAR ENDED DECEMBER 31, 2017

	<u>2017</u> <u>Budget</u> <u>(Unaudited)</u>	<u>2017</u> <u>Actual</u>	<u>2016</u> <u>Actual</u>
TAXATION			
Real Property Taxes	\$ 7,974,250	\$ 7,971,808	\$ 7,793,822
Linear Property Taxes	149,037	149,037	148,083
Government Grants-in-lieu of Property Taxes	37,139	37,139	36,359
Special Assessments and Local Improvement Taxes	448,724	448,724	-
Business Taxes	6,500	6,300	6,450
Subtotal	<u>\$ 8,615,650</u>	<u>\$ 8,613,008</u>	<u>\$ 7,984,714</u>
REQUISITIONS			
Alberta School Foundation Fund - Basic	2,221,393	2,221,393	2,181,629
Seniors Foundation	290,362	290,362	272,527
Subtotal	<u>\$ 2,511,755</u>	<u>\$ 2,511,755</u>	<u>\$ 2,454,156</u>
NET MUNICIPAL TAXES	<u>\$ 6,103,895</u>	<u>\$ 6,101,253</u>	<u>\$ 5,530,558</u>

TOWN OF STETTLER
SCHEDULE 4 - GOVERNMENT TRANSFERS
FOR THE YEAR ENDED DECEMBER 31, 2017

	<u>2017</u> <u>Budget</u> <u>(Unaudited)</u>	<u>2017</u> <u>Actual</u>	<u>2016</u> <u>Actual</u>
TRANSFERS FOR OPERATING			
Federal Government	\$ 1,500	\$ 3,532	\$ 5,028
Provincial Government	556,412	580,122	735,360
Other Local Government	927,153	885,438	834,897
Subtotal	<u>\$ 1,485,065</u>	<u>\$ 1,469,092</u>	<u>\$ 1,575,285</u>
TRANSFERS FOR CAPITAL:			
Provincial Government	\$ 2,623,259	\$ 2,601,557	\$ 865,755
Other Local Government	-	-	-
Subtotal	<u>\$ 2,623,259</u>	<u>\$ 2,601,557</u>	<u>\$ 865,755</u>
TOTAL GOVERNMENT TRANSFERS	<u>\$ 4,108,324</u>	<u>\$ 4,070,649</u>	<u>\$ 2,441,040</u>

TOWN OF STETTLER
SCHEDULE 5 - CONSOLIDATED EXPENDITURES BY OBJECT
FOR THE YEAR ENDED DECEMBER 31, 2017

	<u>2017</u> <u>Budget</u> <u>(Unaudited)</u>	<u>2017</u> <u>Actual</u>	<u>2016</u> <u>Actual</u>
CONSOLIDATED EXPENSES BY OBJECT			
Salaries, Wages and Benefits	\$ 5,718,670	\$ 5,551,404	\$ 5,265,839
Contracted and General Services	2,312,523	2,084,784	2,001,191
Materials, Goods, Supplies and Utilities	2,939,035	2,716,908	2,503,469
Provision for Allowances	11,000	12,499	17,371
Purchases and Transfers from Other Governments	1,115,426	1,059,857	972,416
Transfers to Local Boards and Agencies	811,212	827,795	792,781
Transfers to Individuals and Organizations	24,000	23,905	24,327
Bank Charges and Short-term Interest	13,300	13,832	12,093
Interest on Long-term Debt	289,120	284,785	291,432
Other Expenditures	48,800	33,211	43,678
Loss on Sale of Tangible Capital Assets	-	180,388	154,881
Amortization of Tangible Capital Assets	-	6,090,573	6,052,400
TOTAL EXPENSES	<u>\$13,283,086</u>	<u>\$18,879,941</u>	<u>\$18,131,878</u>

TOWN OF STETTTLER
SCHEDULE 6 - SEGMENTED DISCLOSURE
FOR THE YEAR ENDED DECEMBER 31, 2017

	General Government	Protective Services	Transportation	Environmental Use & Protection	Public Health & Welfare	Planning & Development	Recreation & Culture	2017 Actual
REVENUE:								
Net Municipal Taxes	6,101,253							6,101,253
Sales to Other Governments	32,000							32,000
Sales and User Charges	29,396	39,389	8,582	4,639,324	29,662	289,345	341,056	5,376,754
Penalties and Costs on Taxes	58,783			25,628				84,411
Licenses and Permits		108,583				41,746		150,329
Fines		65,266						65,266
Franchise and Concession Contracts	1,156,040							1,156,040
Returns on Investments	105,795	1,540	10,993	7,958	757	666		127,709
Rentals			6,266			270,976	521,130	798,372
Contributed and Donated Assets		-						-
Federal Government Transfers							3,532	3,532
Provincial Government Transfers	-	398,497	515,580	2,055,977	157,148	7,433	47,044	3,181,679
Local Government Transfers	-	409,930	4,500		-		471,008	885,438
Other Revenues	(1,009)						971	(38)
Total Revenue	7,482,258	1,023,205	545,921	6,728,887	187,567	610,166	1,384,741	17,962,745
EXPENSES:								
Salaries, Wages and Benefits	825,057	526,829	899,641	1,178,917	44,008	375,919	1,701,033	5,551,404
Contracted and General Services	338,010	340,936	268,960	665,141	1,048	156,590	314,099	2,084,784
Purchases from Other Governments		1,059,577						1,059,577
Materials, Goods, Supplies and Utilities	50,068	128,411	611,817	923,990	8,088	255,229	739,305	2,716,908
Provision for Allowance				12,499				12,499
Transfer to Other Governments						280		280
Transfer to Local Boards and Agencies				363,072	197,251		267,472	827,795
Transfer to Individuals and Organizations			3,255	650	20,000			23,905
Bank Charges	8,805			357			4,670	13,832
Interest on Capital Long Term Debt	31,525		43,893	172,814			36,563	284,785
Net Loss on Sale of TCA			7,498	172,890				180,388
Other Expenditures	(198)			33,413			(4)	33,211
Total Expense	1,253,267	2,055,753	1,835,064	3,523,743	270,395	788,018	3,063,128	12,789,368
NET REVENUE, BEFORE AMORTIZATION	6,228,991	(1,032,548)	(1,289,143)	3,205,144	(82,828)	(177,852)	(1,678,387)	5,173,377
Amortization	91,134	149,147	4,088,219	996,946	2,276	130,182	632,669	6,090,573
NET REVENUE	6,137,857	(1,181,695)	(5,377,362)	2,208,198	(85,104)	(308,034)	(2,311,056)	(917,196)

TOWN OF STETTLER
NOTES TO THE FINANCIAL STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2017

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, 2017**

(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, 2017**

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>2017</u>	<u>2016</u>
Cash	\$ 6,979,759	\$ 7,894,189
Temporary Investments	<u>-</u>	<u>-</u>
Total	<u>\$ 6,979,759</u>	<u>\$ 7,894,189</u>

Interest is earned on the General Account at Prime Rate less 1.65%. Included in Cash and Temporary Investments is a restricted amount of \$451,674 (2016 - \$1,336,627) received from various Provincial Programs and related to deferred grant funding (Note 5).

Included in cash is a restricted balance of \$66,064 (2016 - \$60,584) related to trust funds held at year end (Note 12).

3. TAXES AND GRANTS IN LIEU RECEIVABLES

	<u>2017</u>	<u>2016</u>
Current and Grants-in-lieu	\$ 146,307	\$ 190,655
Arrears Taxes	114,435	59,291
Less: Allowance for Doubtful Accounts	<u>(12,511)</u>	<u>(12,511)</u>
Total	<u>\$ 248,231</u>	<u>\$ 237,435</u>

**TOWN OF STETTLER
NOTES TO THE FINANCIAL STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2017**

4. LONG-TERM INVESTMENTS

	<u>2017</u>	<u>2016</u>
AMFC Shares, at Cost	\$ <u>40</u>	\$ <u>40</u>
Total	\$ <u>40</u>	\$ <u>40</u>

5. DEFERRED REVENUE

	<u>2017</u>	<u>2016</u>
Municipal Sustainability Initiative	\$ 252,452	\$ 624,166
New Deal Communities	-	595,965
Police Assistance	86,496	86,496
ACP	-	30,000
Other	11,595	14,235
Other - P&L	18,868	14,599
Other - BOT	82,263	94,921
Total	\$ <u>451,674</u>	\$ <u>1,460,382</u>

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>2016</u>	<u>Increases</u>	<u>Decreases</u>	<u>2017</u>
RCMP (Records Check)	52,703	6,628	1,914	57,417
Rescue Van	123,250	26,942	24,190	126,002
Land Farmed Site	7,650			7,650
Walking Pathway	167,982		100,000	67,982
Landfill Site Maintenance	3,000			3,000
Perpetual Care	60,584	5,480		66,064
West Stettler Planning	3,747			3,747
BOT Community Event	11,000			11,000
Building Maintenance	28,600	2,200		30,800
SCR Building Maintenance	49,690		8,129	41,561
Culture	97,000		1,000	96,000
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	35,770	16,510		52,280
Mun 2000 Beautification	13,139			13,139
Coat Exterior Reservoir	40,000			40,000
Sewer Offsite	272,566			272,566
SE Industrial Planning	50,000			50,000
Land Development	1,081,153	64,316		1,145,469
Health Unit	-	12,500		12,500
Playground Program	3,000			3,000
Tree Maintenance	2,950			2,950
Senior HUB	-	6,000	5,689	311

TOWN OF STETTLER
NOTES TO THE FINANCIAL STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2017

Gravel	35,300			35,300
Cold Lake Survey	13,250			13,250
SRC Projection System	2,712			2,712
Community Orchard	2,800	5,760		8,560
ARB	6,000			6,000
WTS Operations	81,129			81,129
Memorial Park	4,864			4,864
Slurry Seal	48,942			48,942
Trade Show	-	45,628		45,628
In Memorium	-	23,818		23,818
Water Well Building	50,000			50,000
General Reserve	1,572,508	390,000	342,085	1,620,423
Available for Capital	240,479	460,128	305,146	395,461
Utilities - Other	467,618	383,493	431,460	419,651
Utilities - Water	441,034	415,887	179,777	677,144
Total Operating Reserves	\$ 5,323,645	\$ 1,865,290	\$ 1,414,790	\$ 5,774,145

Capital Reserves	<u>2016</u>	<u>Increases</u>	<u>Decreases</u>	<u>2017</u>
Admin Equipment/Computer	43,964	26,901	14,196	56,669
Disaster Services	6,008			6,008
Chainlink Fence	9,646			9,646
Compost Bins/Pads	2,880			2,880
Cemetery	8,006		5,509	2,497
GIS System	6,703			6,703
Fire Equipment	150,299	100,000		250,299
Common Services Equipment	20,000			20,000
Drainage	29,582			29,582
Sewer	-	13,900		13,900
Community Hall	85,463		61,400	24,063
Campground Expansion	34,571		13,585	20,986
WTP	30,698			30,698
Senior Centre	19,250			19,250
ML Sports Park	16,419			16,419
Cemetery Road	150,000			150,000
Water Dispensing System	3,220			3,220
Recreation Agreement	652,200	266,900	919,100	-
Fishing Pier	8,780			8,780
East Industrial Loop	3,894	-	-	3,894
Total Capital Reserves	\$ 1,281,583	\$ 407,701	\$ 1,013,790	\$ 675,494

TOTAL RESTRICTED FUNDS	\$ 6,605,228	\$ 2,272,991	\$ 2,428,580	\$ 6,449,639
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7. LONG-TERM DEBT

	<u>2017</u>	<u>2016</u>
Tax Supported Debentures	\$ 1,634,169	\$ 1,772,809
Self Supported Debentures	<u>4,868,457</u>	<u>5,206,372</u>
Total	\$ 6,502,626	\$ 6,979,181

**TOWN OF STETTLER
NOTES TO THE FINANCIAL STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2017**

Principal and interest repayments are due as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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
2022	488,528	177,683	666,211
Thereafter	<u>4,016,317</u>	<u>745,636</u>	<u>4,761,953</u>
Total	<u>\$ 6,502,626</u>	<u>\$ 1,858,693</u>	<u>\$ 8,361,319</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 2017 (4.49% for 2016).

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 2017 were \$284,785 (2016 - \$291,432)

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>2017</u>	<u>2016</u>
Total Debt Limit	\$ 23,041,782	\$ 21,770,337
Total Debt	<u>6,502,626</u>	<u>6,979,181</u>
Amount of Debt Limit Unused	<u>\$ 16,539,156</u>	<u>\$ 14,791,156</u>
Service on Debt Limit	\$ 3,840,297	\$ 3,628,390
Service on Debt	<u>767,059</u>	<u>767,059</u>
Amount of Debt Servicing Limit Unused	<u>\$ 3,073,238</u>	<u>\$ 2,861,331</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, 2017

9. TANGIBLE CAPITAL ASSETS

Net Book Value	<u>2017</u>	<u>2016</u>
Land	\$ 1,460,741	\$ 1,460,741
Land Improvements	3,923,385	4,000,720
Buildings	42,798,323	43,760,308
Engineered Structures		
Distribution Systems - Roads	24,988,025	28,580,620
Distribution Systems - Water	8,002,838	7,654,584
Distribution Systems - Wastewater	12,195,048	11,022,082
Distribution Systems - Storm	3,568,040	3,634,008
Machinery & Equipment & Furnishings	3,715,150	2,037,756
Vehicles	<u>2,063,374</u>	<u>2,267,607</u>
Total	<u>\$ 102,714,924</u>	<u>\$ 104,418,426</u>

10. EQUITY IN TANGIBLE CAPITAL ASSETS

	<u>2017</u>	<u>2016</u>
Tangible Capital Assets (Schedule 2)	\$ 184,918,213	\$ 181,624,502
Accumulated Amortization (Schedule 2)	(82,203,289)	(77,206,076)
Long Term Debt (Note 7)	<u>(6,502,626)</u>	<u>(6,979,181)</u>
Total	<u>\$ 96,212,298</u>	<u>\$ 97,439,245</u>

11. 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 (deficit)	\$ 2,516,449	\$ 2,051,109
Restricted Funds (Note 6)	6,449,639	6,605,228
Equity in Tangible Capital Assets (Note 10)	<u>96,212,298</u>	<u>97,439,245</u>
Total	<u>\$ 105,178,386</u>	<u>\$ 106,095,582</u>

TOWN OF STETTLER
NOTES TO THE FINANCIAL STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2017

12. TRUST FUNDS

The Town of Stettler administers the following trust:

	<u>2017</u>	<u>2016</u>
Cemetery Perpetual Care		
Balance, Beginning of Year	\$ 60,584	\$ 55,919
Sale of Cemetery Plots	1,980	2,665
Columbarium Purchase	<u>3,500</u>	<u>2,000</u>
Balance, End of Year	<u>\$ 66,064</u>	<u>\$ 60,584</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:

2017		2016		
	<u>#of</u>	<u>Salary (1)</u>	<u>Benefits &</u>	<u>Total</u>	<u># of</u>	<u>Total</u>
	<u>Persons</u>		<u>Allowances (2&3)</u>		<u>Persons</u>	
Councillor D. Bachman		15,455	892	16,347	1	18,123
Councillor C. Barros	1	3,898	204	4,102		
Councillor W. Brown		14,935	857	15,792	1	20,913
Councillor A. Campbell	1	22,343	165	22,508	1	23,491
Councillor M. Fischer	1	21,303	1,224	22,527	1	25,547
Councillor G. Lawlor	1	4,027	212	4,239		
Councillor S. Pfeiffer	1	3,637	187	3,824		
Councillor S. Nolls	1	21,430	1,233	22,663	1	18,424
Mayor R. Richards		32,341	2,006	34,347	1	49,732
Councillor K. Sernecky		-	-	-	1	12,716
Councillor W. Smith	1	3,117	152	3,269		
CAO. G. Switenky	1	175,962	34,818	210,780	1	199,862

- (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 253,862 people and 417 employers. It is financed by employer and employee contributions and investment earnings of the LAPP Fund.

**TOWN OF STETTLER
NOTES TO THE FINANCIAL STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2017**

- Contributions for current service are recorded as expenditures in the year in which they become due.
- 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 2017 were \$481,526 (2016 - \$463,994) Total current and past service contributions by the employees of the Town of Stettler to the Local Authorities Pension Plan in 2017 were \$443,100 (2016 - \$426,792)
- At December 31, 2016 the Plan disclosed an actuarial deficiency of \$637 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, 2017**

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>2017</u>	<u>2016</u>
General Administration	\$ 91,134	\$ 102,295
Police Protective Services	-	-
Fire Protective Services	149,147	176,491
Common and Equipment Pool	266,221	235,960
Roads, Streets, Walks, Lighting	3,738,990	3,736,512
Airport	17,040	17,040
Storm Sewers and Drainage	65,967	64,318
Water Supply and Distribution	672,616	677,891
Wastewater Treatment and Disposal	323,341	307,900
Waste Management	989	732
Cemeteries	2,276	2,052
Land Use Planning	3,245	8,855
Economic Development	2,587	2,587
Public Housing Operations	85,967	85,967
Land, Housing and Building Rentals	38,383	38,383
Parks and Recreation	595,745	555,759
Culture	36,925	39,658
Total	\$ 6,090,573	\$ 6,052,400

19. OTHER LONG-TERM LIABILITIES

	<u>2017</u>	<u>2016</u>
Tax Sales In Trust	\$ -	\$ 19,352
Reserve for Public Lands	105,359	105,359
Total	\$ 105,359	\$ 124,711

20. OPERATING LINE OF CREDIT

At December 31, 2017 the Town had a short-term line of credit for \$100,000 (2016 - \$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, 2017

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, 2017 were approved as May 2, 2017 and are for information purposes. These amounts have not been audited.