

Town of Didsbury
Consolidated Financial Statements
For the year ended December 31, 2016

Town of Didsbury
Consolidated Financial Statements
For the year ended December 31, 2016

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Independent Auditor's Report

To the Mayor and Council of the Town of Didsbury

Report on the Consolidated Financial Statements

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

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 Didsbury as at December 31, 2016 and the results of its operations, change in net debt and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Red Deer, Alberta
April 11, 2017

Chartered Professional Accountants

Town of Didsbury
Consolidated Statement of Financial Position

December 31	2016	2015
Financial assets		
Cash and cash equivalents (Note 1)	\$ 4,109,578	\$ 2,310,639
Short-term investment (Note 2)	11,661	11,376
Taxes receivable (Note 3)	472,407	375,390
Accounts receivable	1,738,861	3,311,614
Inventory held for resale (Note 4)	1,616,669	1,830,220
	<u>7,949,176</u>	<u>7,839,239</u>
Liabilities		
Accounts payable and accrued liabilities	809,089	903,686
Employee benefit obligation (Note 5)	161,186	122,078
Deposit liabilities	44,799	35,318
Deferred revenue (Note 6)	2,836,528	2,804,090
Long-term debt (Note 7)	6,451,122	8,139,635
Obligations under capital lease (Note 8)	6,609	15,272
	<u>10,309,333</u>	<u>12,020,079</u>
Net debt	<u>(2,360,157)</u>	<u>(4,180,840)</u>
Non-financial assets		
Tangible capital assets (Note 9)	58,144,323	54,021,301
Inventory for consumption	77,266	79,313
Prepaid expenses	44,583	21,346
	<u>58,266,172</u>	<u>54,121,960</u>
Accumulated surplus (Note 11)	<u>\$ 55,906,015</u>	<u>\$ 49,941,120</u>
Debenture debt limits (Note 18)		
Contingencies (Note 19)		
Funds held in trust (Note 20)		

Chief Administrative Officer

Mayor

Town of Didsbury
Consolidated Statement of Operations

For the year ended December 31	Budget 2016	2016	2015
Revenue			
Net municipal taxes (Note 13)	\$ 4,727,429	\$ 4,761,649	\$ 4,639,186
Government transfers for operating (Note 14)	730,984	367,514	423,248
Sales and user fees	4,576,512	6,064,971	4,406,934
Franchises and concessions	639,000	681,547	549,768
Investment income	10,000	25,180	14,895
Penalties and fines	63,800	204,017	181,308
Licenses and permits	112,300	124,519	106,285
	<u>10,860,025</u>	<u>12,229,397</u>	<u>10,321,624</u>
Expenditures (Note 15)			
Legislative	246,100	205,724	312,322
Administration	689,991	639,268	584,466
Protective services	1,008,814	1,161,753	941,970
Transportation services	1,720,861	1,729,929	1,698,949
Water and wastewater	2,020,325	1,978,298	1,926,129
Waste management	596,869	582,821	638,951
Planning and development	775,840	808,897	467,777
Recreation, parks and culture	2,907,211	2,729,480	2,580,945
Community services	946,745	572,562	582,767
	<u>10,912,756</u>	<u>10,408,732</u>	<u>9,734,276</u>
Excess (deficiency) of revenue over expenditures before other	(52,731)	1,820,665	587,348
Other			
Government transfers for capital (Note 14)	2,664,000	3,991,238	4,188,174
Gain (loss) on disposal of capital assets	-	152,992	(4,873)
Excess of revenue over expenditures	<u>2,611,269</u>	<u>5,964,895</u>	<u>4,770,649</u>
Accumulated surplus, beginning of the year as previously stated	<u>49,941,120</u>	<u>49,941,120</u>	<u>45,170,471</u>
Accumulated surplus, beginning of year as restated	<u>49,941,120</u>	<u>49,941,120</u>	<u>45,170,471</u>
Accumulated surplus, end of year	<u>\$ 52,552,389</u>	<u>\$ 55,906,015</u>	<u>\$ 49,941,120</u>

Town of Didsbury
Consolidated Statement of Change in Net Debt

For the year ended December 31	Budget 2016	2016	2015
Excess of revenue over expenditures	\$ 2,611,269	\$ 5,964,895	\$ 4,770,649
Acquisition of tangible capital assets	(3,258,400)	(5,871,286)	(4,247,155)
Amortization of tangible capital assets	1,687,075	1,687,077	1,557,486
Net (gain) loss on sale of tangible capital assets	-	(152,992)	4,873
Proceeds on sale of tangible capital assets	-	214,179	47,930
	1,039,944	1,841,873	2,133,783
Change in prepaid expenses	-	(23,237)	(7,887)
Use/consumption of prepaid expenses and inventory of supplies	-	2,047	(11,289)
Net change in net debt	1,039,944	1,820,683	2,114,607
Net debt, beginning of year	(4,180,840)	(4,180,840)	(6,295,447)
Net debt, end of year	\$ (3,140,896)	\$ (2,360,157)	\$ (4,180,840)

Town of Didsbury
Consolidated Statement of Cash Flows

For the year ended December 31	2016	2015
Operating transactions		
Excess of revenue over expenditures	\$ 5,964,895	\$ 4,770,649
Items not involving cash		
Amortization	1,687,077	1,557,486
Net loss (gain) on disposal of tangible capital assets	(152,992)	4,873
Changes in non-cash operating balances		
Taxes receivable	(97,017)	(75,522)
Accounts receivable	1,572,753	(1,662,898)
Inventory held for resale	213,551	-
Prepaid expenses	(23,237)	(7,887)
Accounts payable and accrued liabilities	(94,597)	(1,324,206)
Inventory for consumption	2,047	(11,289)
Employee benefit obligation	39,108	15,951
Deposit liabilities	9,481	(1,744)
Deferred revenue	32,438	(1,083,304)
	<u>9,153,507</u>	<u>2,182,109</u>
Capital transactions		
Acquisition of tangible capital assets	(5,871,286)	(4,247,155)
Proceeds on sale of tangible capital assets	214,179	47,930
	<u>(5,657,107)</u>	<u>(4,199,225)</u>
Investing transactions		
Change of investments	(285)	(303)
Restricted cash balances	(23,032)	1,073,896
	<u>(23,317)</u>	<u>1,073,593</u>
Financing transactions		
Repayment of debt	(1,688,513)	(921,839)
Repayment of obligations under capital lease	(8,663)	(8,138)
	<u>(1,697,176)</u>	<u>(929,977)</u>
Net change in cash and cash equivalents	1,775,907	(1,873,500)
Cash and cash equivalents, beginning of year	(502,857)	1,370,643
Cash and cash equivalents, end of year	\$ 1,273,050	\$ (502,857)
Cash and cash equivalents is comprised of:		
Cash and cash equivalents	\$ 4,109,578	\$ 2,310,639
Less: restricted (Note 1)	(2,836,528)	(2,813,496)
	<u>\$ 1,273,050</u>	<u>\$ (502,857)</u>

Town of Didsbury
Summary of Significant Accounting Policies

December 31, 2016

**Management's
Responsibility for the
Financial Statements**

The consolidated financial statements of the Town are the responsibility of management. They have been prepared in accordance with Canadian generally accepted accounting principles established by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada.

Basis of Consolidation

The financial statement reflect the assets, liabilities, revenue and expenses of all municipal organizations, committees and Boards which 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:

Didsbury Municipal Library

The schedule of taxes levied also includes operational requisitions for educational, health, social and other external organizations that are not part of the municipal reporting entity.

The statement excludes trust assets that are administered for the benefit of external parties. Interdepartmental and organizational transactions and balances are eliminated.

**Cash and Cash
Equivalents**

Management considers all highly liquid investments with maturity of three months or less at acquisition to be cash equivalents.

Investments

Investments are recorded at cost unless there has been a decline in the market value which is other than temporary in nature in which case the investments are written down to market value.

Land held for Resale

Land held for resale is recorded at 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.

Inventory of Supplies

Inventories of materials and supplies for consumption are valued at the lower of cost or replacement cost.

**Excess Collections and
Under-levies**

Excess collections arise from the difference between the actual levy made to cover each requisition and the actual amount requisitioned. If the actual levy exceeds the requisition, the excess collection is accrued as a liability and as a reduction in property tax revenue. Requisition tax rates in the subsequent year are adjusted for any excess collections.

Town of Didsbury
Summary of Significant Accounting Policies

December 31, 2016

**Tangible Capital
Assets**

Tangible capital assets are recorded at cost less accumulated amortization. Cost includes all costs directly attributable to acquisition or construction of the tangible capital asset including transportation costs, installation costs, design and engineering fees, legal fees and site preparation costs. Contributed tangible capital assets are recorded at fair value at the time of the donation, with a corresponding amount recorded as revenue. Amortization is recorded on a straight-line basis over the estimated life of the tangible capital asset commencing once the asset is available for productive use as follows:

Land improvements	15 to 45 years
Buildings	10 to 50 years
Engineered Structures	
Water system	45 to 75 years
Wastewater system	45 to 75 years
Other engineered structures	15 to 30 years
Machinery, equipment and furnishings	5 to 20 years
Vehicles	10 to 20 years

Leased Assets

Leases entered into that transfer substantially all the benefits and risks associated with ownership are recorded as the acquisition of a tangible capital asset and the incurrence of an obligation. The asset is amortized in a manner consistent with tangible capital assets owned by the Town, and the obligation, including interest thereon, is liquidated over the term of the lease. All other leases are accounted for as operating leases, and the rental costs are expensed as incurred.

Deferred Revenue

Funds received for specific purposes which are externally restricted by legislation, regulation or agreement and are not available for general municipal purposes are accounted for as deferred revenue on the consolidated statement of financial position. The revenue is recognized in the consolidated statement of operations in the year in which it is used for the specified purpose.

Government Transfers

Government transfers, which include legislative grants, are recognized in the financial statements in the period in which events giving rise to the transfers occur, providing the transfers are authorized, any eligibility criteria have been met, and reasonable estimates of the amount can be made.

Town of Didsbury
Summary of Significant Accounting Policies

December 31, 2016

Revenue Recognition	<p>Taxes are recognized as revenue in the year they are levied.</p> <p>Charges for sewer and water usage are recorded as user fees. Connection fee revenues are recognized when the connection has been established.</p> <p>Conditional grant revenue is recognized to the extent the conditions imposed on it have been fulfilled. Unconditional grant revenue is recognized when monies are receivable.</p> <p>Grants for the acquisition of tangible capital assets are recognized in the period in which eligible expenditures are made.</p> <p>Sales of service and other revenue is recognized on an accrual basis.</p>
Use of Estimates	<p>The preparation of consolidated financial statements in accordance with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future.</p>
Liability for Contaminated Sites	<p>A contaminated site is a site at which substances occur in concentrations that exceed the maximum acceptable amounts under an environmental standard. Sites that are currently in productive use are only considered a contaminated site if an unexpected event results in contamination. A liability for remediation of contaminated sites is recognized when the organization is directly responsible or accepts responsibility; it is expected that future economic benefits will be given up; and a reasonable estimate of the amount can be made. The liability includes all costs directly attributable to remediation activities including post remediation operations, maintenance and monitoring.</p>

Town of Didsbury
Notes to Consolidated Financial Statements

December 31, 2016

1. Cash and Cash Equivalents

	2016	2015
Current account	\$ 900,356	\$ (438,501)
Redeemable guaranteed investment certificates, bearing interest at a rate of 1.5%	3,209,222	2,749,140
	<u>\$ 4,109,578</u>	<u>\$ 2,310,639</u>

The Town has a line of credit with a limit of \$1 million with Mountain View Credit Union Limited, which bears interest at prime rate less 0.5% per annum. The Bank's prime rate at year end was 2.70% (2015 - 2.70%). The line of credit is secured by a General Security Agreement.

Included in the above amounts are the following amounts received from the Government of Canada and the Province of Alberta as conditional grants held exclusively for future projects.

	2016	2015
MSI grant	\$ 1,433,008	\$ 2,000,227
Federal Gas Tax Fund grant	644,770	272,867
BMTG grant	490,907	476,046
Other	267,843	64,356
	<u>\$ 2,836,528</u>	<u>\$ 2,813,496</u>

2. Short-term Investments

	2016	2015
Shares of Mountain View Credit Union	\$ 11,661	\$ 11,376

3. Taxes Receivable

	2016	2015
Current taxes and grants in place	\$ 358,614	\$ 251,336
Non-current taxes and grants in place	113,793	124,054
	<u>\$ 472,407</u>	<u>\$ 375,390</u>

Town of Didsbury
Notes to Consolidated Financial Statements

December 31, 2016

4. Inventories for Resale

	2016	2015
DHS Land	\$ 800,000	\$ 800,000
Shantz Crossing	816,669	1,030,220
	<u>1,616,669</u>	<u>1,830,220</u>

The Shantz Crossing development has incurred the following development costs the Town plans to recover upon sale of the remaining individual lots.

Land held for resale as above	\$ 1,030,220	\$ 1,030,220
Infrastructure to be retained by the Town	4,147,817	4,147,817
Land to be retained by the Town	114,350	114,350
Utility adjustments	(47,506)	(47,506)
Subdivision servicing - 2007	429,250	429,250
Off-site levies per bylaw	942,204	942,204
Interest on loans related to items above	454,027	354,473
	<u>7,070,362</u>	<u>6,970,808</u>
Total investment in Shantz Crossing	\$ 7,070,362	\$ 6,970,808

5. Employee Benefit Obligation

	2016	2015
Accrued vacation pay	\$ 161,186	\$ 122,078

Accrued vacation pay is comprised of the vacation that employees are deferring to future years.

Town of Didsbury
Notes to Consolidated Financial Statements

December 31, 2016

6. Deferred Revenue

	Opening balance	Contributions received	Revenue recognized	Ending balance
MSI Capital grant	\$ 2,000,227	848,390	(1,415,610)	\$ 1,433,007
MSI Operating grant	-	141,345	(141,345)	-
Mountview County grant	-	1,750,000	(1,750,000)	-
F.C.S.S grant	-	128,486	(128,486)	-
Federal Gas Tax	272,867	534,077	(162,174)	644,770
BMTG Grant	476,046	305,052	(290,191)	490,907
AMWWP Grant	-	306,918	(306,918)	-
Other deferred revenue	54,950	376,922	(164,028)	267,844
	<u>\$ 2,804,090</u>	<u>4,391,190</u>	<u>(4,358,752)</u>	<u>\$ 2,836,528</u>

Grants

Under various grant agreements with the Government of Canada and the Province of Alberta, the Town is required to account for grants provided and to complete the projects or program in accordance with standards detailed in the various agreements. If these requirements are not adhered to, grants provided will become repayable to the source government. Unexpended funds are repayable to the source government upon final accounting. Funds are deferred until related expenditures under the specific grant agreement have been incurred.

Town of Didsbury
Notes to Consolidated Financial Statements

December 31, 2016

7. Long-Term Debt

Net long-term debt reported on the statement of financial position is comprised of the following:

	<u>2016</u>	<u>2015</u>
Loan with interest at 6.6250% per annum, with annual blended payments of \$91,225, maturing in 2025.	\$ 603,951	\$ 651,983
Loan with interest at 4.5840% per annum, with annual blended payments of \$74,340, maturing in 2021.	328,839	386,128
Loan with interest at 4.8935% per annum, with annual blended payments of \$50,139, maturing in 2027.	422,608	451,020
Loan with interest at 4.0570% per annum, with annual blended payments of \$226,289, maturing in 2018.	430,527	633,163
Loan with interest at 3.5690% per year, with annual blended payments of \$148,995, maturing in 2026.	1,191,560	1,295,245
Loan with interest at 2.6760% per year, with annual blended payments of \$138,343, maturing in 2029.	1,510,537	1,606,527
Canadian Minerals Inc. mortgage payable with interest at 3.00% per year, with annual blended payments of \$91,599, maturing in 2029.	769,649	1,034,706
Mortgage payable, interest at prime rate per annum, with semi-annual blended payments of \$41,866, maturing in 2036. Loan repaid during the year	\$ 1,193,451	\$ 1,237,874
Loans paid out in the year.	-	842,989
	<u>\$ 6,451,122</u>	<u>\$ 8,139,635</u>

Town of Didsbury
Notes to Consolidated Financial Statements

December 31, 2016

7. Long-Term Debt (Continued)

The bank's prime rate at year end was 2.70% (2015 - 2.70%).

Principal and interest payments relating to net debt of \$6,451,122 outstanding are due as follows:

	Principal Repayments	Interest Payments	Total
2017	\$ 662,487	\$ 242,177	\$ 904,664
2018	688,656	215,998	904,654
2019	487,361	191,014	678,375
2020	506,422	171,952	678,374
2021	533,135	145,240	678,375
Thereafter	3,573,051	604,537	4,177,588
	<u>\$ 6,451,112</u>	<u>\$ 1,570,918</u>	<u>\$ 8,022,030</u>

8. Obligations under Capital Lease

	2016	2015
Capital equipment lease, payable in monthly instalments of \$780 including interest at 6.25% per annum until May 2017, secured by equipment with a book value of \$41,461.	<u>\$ 6,609</u>	<u>\$ 15,272</u>

The future minimum lease payments for the next five years and thereafter are:

2016	<u>\$ 7,505</u>
Less imputed interest:	<u>\$ 7,505</u> <u>(896)</u>
	<u>6,609</u>

Town of Didsbury
Notes to Consolidated Financial Statements

December 31, 2016

9. Tangible Capital Assets

	2016							
	Land	Land Improvements	Buildings	Engineered Structures	Machinery and Equipment	Vehicles	Work in Progress	Total
Cost, beginning of year	\$ 3,244,799	\$ 2,334,216	\$ 9,386,581	\$ 46,633,579	\$ 2,589,350	\$ 1,485,425	\$ 17,357,209	\$ 83,031,159
Additions	149,250	24,888	557,861	4,928,545	185,742	25,000	-	5,871,286
Change in Work in Progress	-	-	-	8,093,023	-	-	(8,093,023)	-
	-	-	-	-	-	-	-	-
Write-downs & disposals	-	-	(24,903)	-	(269,500)	(16,480)	-	(310,883)
Cost, end of year	\$ 3,394,049	\$ 2,359,104	\$ 9,919,539	\$ 59,655,147	\$ 2,505,592	\$ 1,493,945	\$ 9,264,186	\$ 88,591,562
Accumulated amortization, beginning of year	\$ -	\$ 676,125	\$ 3,589,415	\$ 22,103,329	\$ 1,762,750	\$ 878,239	\$ -	\$ 29,009,858
Amortization	-	68,487	259,352	1,117,674	156,699	84,865	-	1,687,077
Write-downs & disposals	-	-	(7,222)	-	(225,994)	(16,480)	-	(249,696)
Accumulated amortization, end of year	\$ -	\$ 744,612	\$ 3,841,545	\$ 23,221,003	\$ 1,693,455	\$ 946,624	\$ -	\$ 30,447,239
Net carrying amount, end of year	\$ 3,394,049	\$ 1,614,492	\$ 6,077,994	\$ 36,434,144	\$ 812,137	\$ 547,321	\$ 9,264,186	\$ 58,144,323

Town of Didsbury
Notes to Consolidated Financial Statements

December 31, 2016

9. Tangible Capital Assets (continued)

	2015							
	Land	Land Improvements	Buildings	Engineered Structures	Machinery and Equipment	Vehicles	Work in Progress	Total
Cost, beginning of year	\$ 3,244,797	\$ 2,330,246	\$ 9,128,705	\$ 46,532,116	\$ 2,570,951	\$ 1,481,481	\$ 13,557,940	\$ 78,846,236
Additions	2	3,970	257,876	101,463	59,575	25,000	3,799,269	4,247,155
Disposals	-	-	-	-	(41,176)	(21,056)	-	(62,232)
Cost, end of year	\$ 3,244,799	\$ 2,334,216	\$ 9,386,581	\$ 46,633,579	\$ 2,589,350	\$ 1,485,425	\$ 17,357,209	\$ 83,031,159
Accumulated amortization, beginning of year, restated	\$ -	\$ 605,610	\$ 3,347,848	\$ 21,095,756	\$ 1,609,619	\$ 802,968	\$ -	\$ 27,461,801
Amortization		70,515	241,567	1,007,573	155,190	82,641	-	1,557,486
Write-downs & disposals		-	-	-	(2,059)	(7,370)	-	(9,429)
Accumulated amortization, end of year	\$ -	\$ 676,125	\$ 3,589,415	\$ 22,103,329	\$ 1,762,750	\$ 878,239	\$ -	\$ 29,009,858
Net carrying amount, end of year	\$ 3,244,799	\$ 1,658,091	\$ 5,797,166	\$ 24,530,250	\$ 826,600	\$ 607,186	\$ 17,357,209	\$ 54,021,301

Town of Didsbury
Notes to Consolidated Financial Statements

December 31, 2016

10. Equity in Tangible Capital Assets

	2016	2015
Tangible capital assets	\$ 88,591,562	\$ 83,031,159
Accumulated amortization	(30,447,239)	(29,009,858)
Debenture debt	(4,488,021)	(5,024,066)
Long-term debt	(1,963,099)	(2,080,863)
Capital lease	(6,609)	(15,272)
	<u>\$ 51,686,594</u>	<u>\$ 46,901,100</u>

11. Accumulated Surplus

	2016	2015
Equity in tangible capital assets	\$ 51,686,594	\$ 46,901,100
Unrestricted surplus (deficit)	751,200	(939,325)
	<u>52,437,794</u>	<u>45,961,775</u>
Restricted surplus		
Operating		
General operating	989,476	674,709
Utilities	938,335	1,317,053
DOSCA	-	17,743
Cemetery	14,050	14,008
Culture	146,509	161,025
Capital		
Land Development	60,719	60,356
Protective Services	494,875	711,143
Utilities	289,078	489,943
Recreation facilities	464,978	463,583
Roads, streets, walks and lighting	70,201	69,782
	<u>3,468,221</u>	<u>3,979,345</u>
	<u>\$ 55,906,015</u>	<u>\$ 49,941,120</u>

The equity in tangible capital assets represents amounts already spent and invested in infrastructure. Restricted surplus represents funds set aside by bylaw or council resolution for specific purposes.

Town of Didsbury
Notes to Consolidated Financial Statements

December 31, 2016

12. Change in Accumulated Surplus

	Unrestricted surplus	Restricted surplus	Equity in tangible capital assets	2016	2015
Balance, beginning of year	\$ (939,324)	\$ 3,979,344	\$ 46,901,100	\$ 49,941,120	\$ 45,170,471
Excess of revenue over expenses	5,964,895	-	-	5,964,895	4,770,649
Net operating transfers to restricted surplus	511,123	(511,123)	-	-	-
Debenture and capital lease principal payments on capital	(662,472)	-	662,472	-	-
Transfer of land held for resale	-	-	-	-	-
Acquisition of capital	(5,871,286)	-	5,871,286	-	-
Disposals and write-down of assets	61,187	-	(61,187)	-	-
Amortization	1,687,077	-	(1,687,077)	-	-
Debenture proceeds	-	-	-	-	-
Change in accumulated surplus	\$ 1,690,524	\$ (511,123)	\$ 4,785,494	\$ 5,964,895	\$ 4,770,649
Balance, end of year	\$ 751,200	\$ 3,468,221	\$ 51,686,594	\$ 55,906,015	\$ 49,941,120

Town of Didsbury
Notes to Consolidated Financial Statements

December 31, 2016

13. Taxation - Net

	Budget 2016	2016	2015
Real property	\$ 6,208,343	\$ 6,237,020	\$ 6,032,010
Linear property	64,270	73,144	69,105
Government grants in place of property taxes	2,868	2,868	19,062
Special assessments and local improvement taxes	-	909	909
	<u>6,275,481</u>	<u>6,313,941</u>	<u>6,121,086</u>
Requisitions			
Alberta School Foundation Fund	1,441,915	1,446,155	1,380,354
Senior Housing Requisition	80,452	80,452	75,861
MVC Annexation	25,685	25,685	25,685
	<u>1,548,052</u>	<u>1,552,292</u>	<u>1,481,900</u>
Available for general municipal purposes	<u>\$ 4,727,429</u>	<u>\$ 4,761,649</u>	<u>\$ 4,639,186</u>

14. Government Transfers

	Budget 2016	2016	2015
Operating			
Federal government	\$ 5,500	\$ 5,034	\$ 9,347
Provincial government	692,484	329,636	381,057
Other local government	33,000	32,844	32,844
	<u>\$ 730,984</u>	<u>\$ 367,514</u>	<u>\$ 423,248</u>
Capital			
Provincial government	2,664,000	2,241,238	4,188,174
General government	-	1,750,000	-
	<u>\$ 2,664,000</u>	<u>\$ 3,991,238</u>	<u>\$ 4,188,174</u>
Total government transfers	<u>\$ 3,394,984</u>	<u>\$ 4,358,752</u>	<u>\$ 4,611,422</u>

Town of Didsbury
Notes to Consolidated Financial Statements

December 31, 2016

15. Expenditures by Object

	Budget 2016	2016	2015
Salaries and wages	\$ 4,179,454	\$ 3,705,785	\$ 3,669,551
Contracted and general services	2,624,198	2,596,192	2,610,171
Materials, goods and utilities	1,777,464	1,816,379	1,225,180
Transfer to local agencies	72,000	233,461	218,318
Transfer to individuals and organizations	267,809	100,672	104,122
Bank charges and short term interest	13,234	7,834	9,794
Interest on long-term debt	291,521	261,332	339,654
Amortization	1,687,076	1,687,077	1,557,486
	<u>\$ 10,912,756</u>	<u>\$ 10,408,732</u>	<u>\$ 9,734,276</u>

16. Municipal Employees Pension Plans

Local Authorities Pension Plan

Certain employees of the Town are eligible to be members of the Local Authorities Pension Plan (LAPP), a multi-employer pension plan which is covered by the Public Sector Pension Plans Act. The Plan serves about 200,000 people and over 400 employers. It is financed by employer and employee contributions and investment earnings of the LAPP Fund. The plan provides defined pension benefits to employees based on their length of service and rates of pay.

The Town contributes to the Plan at a rate of 11.39% of pensionable earnings up to the Canada Pension Plan Maximum Pensionable Earnings and 15.84% for the excess. Employees contribute to the Plan at a rate of 10.39% of pensionable earnings up to the Canada Pension Plan Maximum Pensionable Earnings and 14.84% for the excess.

Contributions for the year were:

	2016	2015
Employer contributions	\$ 273,533	\$ 232,079
Employee contributions	251,224	212,967
	<u>\$ 524,757</u>	<u>\$ 445,046</u>

As this is a multi-employer pension plan, these contributions are the Town's pension benefit expense. No pension liability for this type of plan is included in the Town's financial statements. The most recent valuation as at December 31, 2015 indicates a deficit of \$923 million (2014 - \$2.45 billion) for basic pension benefits. The actuary does not attribute portions of the unfunded liability to individual employers.

Town of Didsbury
Notes to Consolidated Financial Statements

December 31, 2016

17. Salary and Benefits Disclosure

Disclosure of salaries and benefits for municipal officials and designated officers as required by Alberta Regulation 313/2000 is as follows:

	<u>Salary</u>	<u>Benefits & Allowances</u>	<u>Total 2016</u>	<u>Total 2015</u>
	-	-	-	-
Mayor Rick Mousseau	31,011	1,750	32,761	26,723
Councilor Gail Nowlan	18,972	587	19,559	16,012
Councilor Kimberley Moore	18,973	465	19,438	15,108
Councilor Joyce McCoy	26,654	601	27,255	14,825
Councilor Sheila Schulz	20,879	470	21,349	15,278
Councilor Garth Hollinger	17,251	314	17,565	18,439
Councilor Donald Adams	20,102	365	20,467	15,279
Chief Administration Officer	152,554	27,842	180,396	151,976

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

Benefits and allowances includes the employer's 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, dental coverage, vision coverage, and long and short term disability plans.

18. Debt Limits

Section 276(2) of the Municipal Government Act requires that debt and debt limits as defined by Alberta Regulation for the Town be disclosed as follows:

	<u>2016</u>	<u>2015</u>
Total debt limit	\$18,777,963	\$ 15,482,436
Total debt	6,451,120	8,139,635
Total debt limit available	<u>12,326,843</u>	<u>7,342,801</u>
Debt servicing limit	3,129,662	2,580,406
Debt servicing	904,664	1,955,033
Total debt servicing limit available	<u>2,224,998</u>	<u>625,373</u>

The debt limit is calculated at 1.5 times revenue of the Town (as defined in Alberta Regulation 255/00) and the debt service limit is calculated at 0.25 times such revenue. Incurring debt beyond these limitations requires approval by the Minister of Municipal Affairs. These thresholds are guidelines used by Alberta Municipal Affairs to identify municipalities which could be at financial risk if further debt is acquired. The calculation taken alone does not represent the financial stability of the municipality. Rather, the financial statements must be interpreted as a whole.

Town of Didsbury
Notes to Consolidated Financial Statements

December 31, 2016

19. Contingencies

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

The Town is a member of the Mountain View Regional Water Services Commission and the Mountain View Regional Waste Management Commission. Under the terms of the membership, the town is liable for its proportionate share of any losses incurred by the commissions. Any liability would be accounted for in the year the losses are determined.

20. Funds Held in Trust

The Town administers the Arts & Craft Guild, Mountain View Disaster Services Association and the Didsbury Cemetery Committee trust funds. The following amounts were held in trust as at year end

	2016	2015
Arts & Craft Guild	\$ 505	\$ 505
Mountain View Disaster Services Association	312	1,247
Didsbury Cemetery Committee	2,524	2,124
Charitable Donations	1,460	1,460
Didsbury Firefighters	13,018	-
Other	25	25
	<hr/>	<hr/>
	\$ 17,844	\$ 5,361

Town of Didsbury
Notes to Consolidated Financial Statements

December 31, 2016

21. Budget

The budget adopted by Council on December 22, 2015, was not prepared on a basis consistent with that used to report actual results (Public Sector Accounting Standards). The budget was prepared on a modified accrual basis while Public Sector Accounting Standards now require a full accrual basis. The budget figures anticipated use of surpluses accumulated in previous years to fund current year operation and capital activities. In addition, the budget expensed all tangible capital asset expenditures rather than including amortization expense. As a result, the budget figures presented in the statements of operations and change in net debt represent the budget adopted by Council on December 22, 2015 with adjustments as follows:

	<u>2016</u>
Operating budget surplus	\$ -
Adjust for:	
Debenture principal payments	828,029
Net operating transfers to reserves	1,161,256
Unbudgeted amortization expense	<u>(1,132,016)</u>
Excess of revenue over expenditures before other	<u>\$ 857,269</u>
 Capital budget surplus (deficit)	 \$ (11,000)
Adjust for:	
Capital expenditures	3,258,400
Budgeted net transfers from accumulated surplus	<u>(1,493,400)</u>
Budgeted capital surplus	<u>\$ 1,754,000</u>
Budgeted combined surplus per statement of operations	<u><u>\$ 2,611,269</u></u>

December 31, 2016

22. Segmented Information

The Town is a diversified municipal government institution that provides a wide range of services to its citizens. Distinguishable functional segments have been separately disclosed in the segmented information. The nature of the segments and the activities they encompass are as follows:

Protective Services

Protective services is comprised of police, bylaw enforcement and fire protection. This service area is responsible for the overall safety of the public through various prevention and enforcement activities.

Transportation Services

Transportation services is responsible for the delivery of municipal public works services related to the planning, development and maintenance of roadway systems, the maintenance of park and open space, and street lighting.

Water and Wastewater Services

Water and wastewater provides drinking water to the Town's citizens and collects and treats wastewater. The Town processes and cleans sewage and ensures the water system meets all Provincial standards.

Waste Management Services

Waste management provides collection disposal and recycling programs.

Planning and Development

The planning department provides a number of services including town planning and enforcement of building and construction codes and review of all property development plans through its application process.

Recreation, Parks and Culture

This service area maintains recreation infrastructure such as parks, arenas, aquatic centres and community centres as well as provides recreational programs and cultural programs at those locations.

Community Services

This service area provides and administers community support programs.

General Government

This service area includes legislative and administrative support to all other service areas and also relates to the revenues and expenses that relate to the operations of the Town itself and cannot be directly attributed to a specific segment.

Town of Didsbury
Notes to Consolidated Financial Statements

December 31, 2016

22. Segmented Information (continued)

The accounting policies of the segments are the same as those described in the summary of significant accounting policies. In measuring and reporting segment revenue from transactions with other segments, inter-segment transfers have been eliminated. The revenues and expenses that are directly attributable to a particular segment are allocated to that segment. Taxation revenue has been allocated to general government except where specific tax revenues can be directly allocated to a service area.

Town of Didsbury
Notes to Consolidated Financial Statements

December 31, 2016

22. Segmented Information (continued)

For the year ended December 31	Protective Services	Transportation Services	Water and Wastewater	Waste Management	Planning and Development	Recreation, Parks, Culture	Community Services	General Government	2016 Total
Revenue									
Taxation	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	4,761,649	\$ 4,761,649
Government transfers for operating	-	-	-	-	-	76,450	291,064	-	367,514
Government transfers for capital	2,607,749	290,191	469,093	-	-	624,205	-	-	3,991,238
Sales and user fees	487,007	61,268	2,181,291	661,331	1,495,325	977,550	143,938	57,261	6,064,971
Franchises and concessions	-	-	-	-	-	-	-	681,547	681,547
Investment income	-	-	-	-	-	-	-	25,180	25,180
Penalties and fines	68,864	-	8,747	-	-	-	-	126,406	204,017
Licences and permits	17,452	-	-	-	106,352	-	-	715	124,519
Gain (loss) on disposal of assets	-	7,550	-	-	-	-	-	145,442	152,992
	<u>3,181,072</u>	<u>359,009</u>	<u>2,659,131</u>	<u>661,331</u>	<u>1,601,677</u>	<u>1,678,205</u>	<u>435,002</u>	<u>5,798,200</u>	<u>16,373,627</u>
Expenses									
Salaries and wages	540,270	282,156	471,366	52,053	206,076	1,307,721	368,328	477,823	3,705,793
Contracted and general services	169,658	219,209	810,141	394,475	209,018	420,026	83,098	290,567	2,596,192
Materials, goods and utilities	325,064	325,270	206,408	122,790	305,485	469,140	26,966	35,248	1,816,371
Transfer to local agencies	-	-	-	-	-	233,461	-	-	233,461
Transfers to individuals and organizations	-	-	-	-	-	-	94,172	6,500	100,672
Bank charges and short- term interests	-	-	-	-	-	-	-	7,834	7,834
Interest on long-term debt	41,328	86,666	50,255	-	80,319	2,764	-	-	261,332
Amortization	85,433	816,628	440,129	13,503	7,999	296,365	-	27,020	1,687,077
	<u>1,161,753</u>	<u>1,729,929</u>	<u>1,978,299</u>	<u>582,821</u>	<u>808,897</u>	<u>2,729,477</u>	<u>572,564</u>	<u>844,992</u>	<u>10,408,732</u>
Net surplus (deficit)	<u>\$ 2,019,319</u>	<u>\$ (1,370,920)</u>	<u>\$ 680,832</u>	<u>\$ 78,510</u>	<u>\$ 792,780</u>	<u>\$ (1,051,272)</u>	<u>\$ (137,562)</u>	<u>\$ 4,953,208</u>	<u>\$ 5,964,895</u>

Town of Didsbury
Notes to Consolidated Financial Statements

December 31, 2016

22. Segmented Information (continued)

For the year ended December 31	Protective Services	Transportation Services	Water and Wastewater	Waste Management	Planning and Development	Recreation, Parks, Culture	Community Services	General Government	2015 Total
Revenue									
Taxation	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,639,186	\$ 4,639,186
Government transfers for operating	5,000	-	-	-	-	155,825	262,423	-	423,248
Government transfers for capital	570,512	49,900	3,567,763	-	-	-	-	-	4,188,175
Sales and user fees	442,122	62,171	2,088,605	656,026	6,184	927,304	181,847	42,677	4,406,936
Franchises and concessions	-	-	-	-	-	-	-	549,768	549,768
Investment income	-	-	-	-	-	-	-	14,895	14,895
Penalties and fines	45,789	-	9,985	-	-	-	-	125,535	181,309
Licences and permits	17,498	-	-	-	88,708	-	-	75	106,281
Gain (loss) on disposal of assets	-	(2,988)	-	-	-	-	-	(1,885)	(4,873)
	<u>1,080,921</u>	<u>109,083</u>	<u>5,666,353</u>	<u>656,026</u>	<u>94,892</u>	<u>1,083,129</u>	<u>444,270</u>	<u>5,370,251</u>	<u>14,504,925</u>
Expenses									
Salaries and wages	481,222	294,363	468,632	62,191	186,083	1,331,811	379,519	465,730	3,669,551
Contracted and general services	144,472	111,271	915,763	540,870	117,324	353,297	78,619	348,555	2,610,171
Materials, goods and utilities	184,361	358,968	168,136	22,387	30,609	394,794	25,507	40,418	1,225,180
Transfer to local agencies	-	-	-	-	-	218,318	-	-	218,318
Transfers to individuals and organizations	-	-	-	-	-	-	99,122	5,000	104,122
Bank charges and short- term interest	-	-	-	-	-	-	-	9,794	9,794
Interest on long-term debt	44,428	102,792	62,857	-	125,763	3,814	-	-	339,654
Amortization	87,487	831,555	310,741	13,503	7,999	278,910	-	27,291	1,557,486
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>941,970</u>	<u>1,698,949</u>	<u>1,926,129</u>	<u>638,951</u>	<u>467,778</u>	<u>2,580,944</u>	<u>582,767</u>	<u>896,788</u>	<u>9,734,276</u>
Net surplus (deficit)	<u>\$ 138,951</u>	<u>\$ (1,589,866)</u>	<u>\$ 3,740,224</u>	<u>\$ 17,075</u>	<u>\$ (372,886)</u>	<u>\$ (1,497,815)</u>	<u>\$ (138,497)</u>	<u>\$ 4,473,463</u>	<u>\$ 4,770,649</u>

Town of Didsbury
Notes to Consolidated Financial Statements

December 31, 2016

23. Comparative Figures

Wherever necessary, comparative figures have been reclassified to conform with current year financial statement presentation.
