

TOWN OF RIMBEY
Consolidated Financial Statements
Year Ended December 31, 2017

TOWN OF RIMBEY
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Year Ended December 31, 2017

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INDEPENDENT AUDITOR'S REPORT

To the Members of Councils of Town of Rimbey

We have audited the accompanying consolidated financial statements of Town of Rimbey, which comprise the consolidated statement of financial position as at December 31, 2017 and the consolidated statements of operations, changes in net financial assets and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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 Town of Rimbey as at December 31, 2017 and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Edmonton, Alberta
April 24, 2018

Seniuk & Company

Seniuk and Company
Chartered Accountants

TOWN OF RIMBEY
Consolidated Statement of Financial Position
December 31, 2017

| | 2017 | 2016 |
|--|----------------------|----------------------|
| FINANCIAL ASSETS | | |
| Cash and temporary investments (Note 2) | \$ 3,926,695 | \$ 3,344,595 |
| Taxes and grants in place of taxes (Note 3) | 164,122 | 217,390 |
| Grants and receivables from other governments (Note 4) | 14,097 | 54,712 |
| Trade and other receivables | 218,322 | 265,609 |
| Long term Investments | 2,326 | 2,315 |
| | \$ 4,325,562 | \$ 3,884,621 |
| LIABILITIES | | |
| Accounts payable | \$ 282,019 | \$ 443,816 |
| Deposits received | 63,750 | 64,600 |
| Long term debt (Note 10) | 2,357,979 | 2,711,157 |
| Deferred income (Note 7) | 1,130,083 | 906,852 |
| Designated donations (Note 9) | 37,302 | 57,641 |
| | 3,871,133 | 4,184,066 |
| NET FINANCIAL ASSET (DEBT) | 454,429 | (299,445) |
| NON-FINANCIAL ASSETS | | |
| Tangible capital assets (Note 6) | 28,937,059 | 29,150,937 |
| Fire services agreement (Note 5.) | 320,315 | 346,286 |
| Prepaid expenses | 84,171 | 82,528 |
| | 29,341,545 | 29,579,751 |
| ACCUMULATED SURPLUS | \$ 29,795,974 | \$ 29,280,306 |

On behalf of Council


 _____ Councilor
 _____ Councilor

The accompanying notes form an integral part of these financial statements

TOWN OF RIMBEY
Consolidated Statement of Operations
Year Ended December 31, 2017

| | Budget (Unaudited) 2017 | 2017 | 2016 |
|--|-------------------------------|------------------|------------------|
| REVENUE | | | |
| Net municipal taxes (Schedule 1) | \$ 2,499,983 | \$ 2,513,732 | \$ 2,506,121 |
| User fees and sale of goods | 1,268,171 | 1,199,209 | 1,184,269 |
| Government transfers for operating (Schedule 2) | 429,817 | 442,985 | 457,858 |
| Investment income | 24,400 | 37,276 | 32,253 |
| Penalties and costs of taxes | 110,400 | 140,100 | 91,048 |
| Licenses and permits | 43,200 | 32,117 | 90,849 |
| Rentals | 179,347 | 193,274 | 220,960 |
| Franchise fees & concession contracts | 454,895 | 437,393 | 442,322 |
| Other | 102,936 | 187,836 | 185,354 |
| Total revenue | 5,113,149 | 5,183,922 | 5,211,034 |
| EXPENSES | | | |
| Administration and legislative | 945,407 | 940,422 | 898,887 |
| Police services | 50,488 | 53,525 | 74,766 |
| Fire service | - | 25,971 | 25,971 |
| Bylaw enforcement | 203,168 | 107,758 | 159,495 |
| Disaster and emergency measures | 3,125 | 1,935 | 796 |
| Roads, streets, walks and lighting | 777,184 | 578,086 | 622,166 |
| Airport | 13,103 | 11,989 | 15,925 |
| Storm sewers and drainage | 10,800 | 13,823 | 8,110 |
| Water supply and distribution | 341,877 | 299,392 | 276,894 |
| Wastewater treatment and disposal | 282,814 | 231,117 | 266,773 |
| Waste management | 238,165 | 196,756 | 187,970 |
| Family and community support | 264,432 | 264,432 | 238,582 |
| Cemeteries and crematoriums | 39,071 | 24,769 | 36,306 |
| Land use planning, zoning and development | 139,724 | 162,437 | 273,323 |
| Parks and recreation | 800,579 | 720,558 | 814,874 |
| Libraries, museums and halls | 530,796 | 486,336 | 487,636 |
| Total operating expenses | 4,640,733 | 4,119,306 | 4,388,474 |
| Excess (deficiency) of revenue over expenses before other | 472,416 | 1,064,616 | 822,560 |

(continues)

The accompanying notes form an integral part of these financial statements

TOWN OF RIMBEY**Consolidated Statement of Operations** *(continued)*

Year Ended December 31, 2017

| | Budget (Unaudited) 2017 | 2017 | 2016 |
|---|-------------------------------|----------------------|---------------|
| OTHER INCOME (EXPENSES) | | | |
| Government transfers for capital (Schedule 2) | - | 731,900 | 1,203,441 |
| Gain on disposal of assets | - | - | 10,399 |
| Amortization of tangible capital assets | - | (1,280,848) | (1,224,587) |
| | - | (548,948) | (10,747) |
| EXCESS OF REVENUE OVER EXPENSES | 472,416 | 515,668 | 811,813 |
| ACCUMULATED SURPLUS, BEGINNING OF YEAR | 29,280,306 | 29,280,306 | 28,468,493 |
| ACCUMULATED SURPLUS, END OF YEAR | \$ 29,752,722 | \$ 29,795,974 | \$ 29,280,306 |

The accompanying notes form an integral part of these financial statements

TOWN OF RIMBEY
Consolidated Statement of Changes in Net Financial Assets
Year Ended December 31, 2017

| | 2017 | 2016 |
|---|-------------------|---------------------|
| Excess of revenue over expenses | \$ 515,668 | \$ 811,813 |
| Acquisition of tangible capital assets | (1,066,971) | (1,437,383) |
| Proceeds on disposal of tangible capital assets | - | 18,382 |
| Amortization of tangible capital assets | 1,280,848 | 1,224,587 |
| (Gain) loss on disposal of assets | - | (10,399) |
| | 213,877 | (204,813) |
| Use of deferred charges | 25,971 | \$ 25,971 |
| Use of prepaids | (1,643) | \$ 7,337 |
| (INCREASE) DECREASE IN NET DEBT | 753,873 | 640,308 |
| Net financial assets (debt), beginning of year | (299,445) | (939,753) |
| NET ASSETS - END OF YEAR | \$ 454,428 | \$ (299,445) |

The accompanying notes form an integral part of these financial statements

TOWN OF RIMBEY
Consolidated Statement of Cash Flows
Year Ended December 31, 2017

| | 2017 | 2016 |
|---|---------------------|---------------------|
| OPERATING ACTIVITIES | | |
| Excess of revenue over expenses | \$ 515,668 | \$ 811,813 |
| Items not affecting cash: | | |
| Gain on disposal of assets | - | (10,399) |
| Amortization of tangible capital assets | 1,280,848 | 1,224,587 |
| | 1,796,516 | 2,026,001 |
| Changes in non-cash working capital: | | |
| Trade and other receivables | 47,287 | 333,292 |
| Current taxes and grants in place of taxes | 53,268 | (79,183) |
| Grants and receivables from other governments | 40,615 | (24,484) |
| Accounts payable | (161,795) | 133,355 |
| Deferred income | 223,231 | (458,607) |
| Prepaid expenses | (1,643) | 7,337 |
| Amortization of deferred charges | 25,971 | 25,972 |
| Deposits received | (850) | (116,375) |
| | 226,084 | (178,693) |
| Cash flow from operating activities | 2,022,600 | 1,847,308 |
| INVESTING ACTIVITIES | | |
| Purchase of capital assets | (1,066,971) | (1,437,383) |
| Proceeds on disposal of capital assets | - | 18,382 |
| Long term Investments | (11) | (11) |
| Designated donations | (20,339) | (36,947) |
| Cash flow used by investing activities | (1,087,321) | (1,455,959) |
| FINANCING ACTIVITY | | |
| Repayment of long term debt | (353,179) | (338,831) |
| INCREASE IN CASH FLOW | 582,100 | 52,518 |
| Cash - beginning of year | 3,344,595 | 3,292,077 |
| CASH - END OF YEAR (Note 2) | \$ 3,926,695 | \$ 3,344,595 |

The accompanying notes form an integral part of these financial statements

TOWN OF RIMBEY

Consolidated Schedule of Property and Other Taxes

(Schedule 1)

Year Ended December 31, 2017

| | Budget (Unaudited) 2017 | 2017 | 2016 |
|----------------------------------|-------------------------------|---------------------|---------------------|
| TAXATION | | | |
| Real property tax | \$ 3,227,098 | \$ 3,222,414 | \$ 3,184,450 |
| Linear property taxes | 57,209 | 57,209 | 60,298 |
| Special assessments | 107,460 | 114,311 | 114,311 |
| Grants in lieu of property taxes | - | 27,720 | 39,249 |
| | 3,391,767 | 3,421,654 | 3,398,308 |
| REQUISITIONS | | | |
| Alberta School Foundation | 859,086 | 875,596 | 859,474 |
| Seniors' housing requisition | 32,697 | 32,326 | 32,713 |
| | 891,783 | 907,922 | 892,187 |
| NET MUNICIPAL TAXES | \$ 2,499,984 | \$ 2,513,732 | \$ 2,506,121 |

Consolidated Schedule of Government Transfers

(Schedule 2)

Year Ended December 31, 2017

| | Budget (Unaudited) 2017 | 2017 | 2016 |
|-----------------------------------|-------------------------------|---------------------|---------------------|
| TRANSFERS FOR OPERATING | | | |
| Provincial Government | \$ 226,817 | \$ 229,255 | \$ 254,163 |
| Federal Government | 3,000 | 3,000 | 3,000 |
| Other Local Governments | 200,000 | 210,730 | 200,695 |
| | 429,817 | 442,985 | 457,858 |
| | 429,817 | 442,985 | 457,858 |
| TRANSFERS FOR CAPITAL | | | |
| Provincial Government | - | 731,900 | 966,130 |
| Federal Government | - | - | 237,311 |
| | - | 731,900 | 1,203,441 |
| TOTAL GOVERNMENT TRANSFERS | \$ 429,817 | \$ 1,174,885 | \$ 1,661,299 |

The accompanying notes form an integral part of these financial statements

TOWN OF RIMBEY**Consolidated Schedule of Expenditures by Object****(Schedule 3)****Year Ended December 31, 2017**

| | Budget (Unaudited) 2017 | 2017 | 2016 |
|--|-------------------------------|---------------------|---------------------|
| EXPENSES | | | |
| Salaries, wages & benefits | \$ 1,935,474 | \$ 1,750,892 | \$ 1,675,063 |
| Contracted and general services | 1,327,451 | 1,058,835 | 1,335,659 |
| Materials, goods and utilities | 791,530 | 728,126 | 738,093 |
| Transfer to local boards and agencies | 441,232 | 435,725 | 480,189 |
| Interest on long term | 108,806 | 103,444 | 117,718 |
| Other expenditures | 36,240 | 42,115 | 41,582 |
| Allowances and bad debts | - | 169 | 170 |
| Total Consolidated Expenditures by Object | \$ 4,640,733 | \$ 4,119,306 | \$ 4,388,474 |

The accompanying notes form an integral part of these financial statements

TOWN OF RIMBEY

Consolidated Schedule of Segmented Disclosure

Year Ended December 31, 2017

(Schedule 4)

| | General Government | Protective Services | Transportation Services | Planning & Development | Recreation & Culture | Environmental Services | Other | 2017 |
|--|--------------------|---------------------|-------------------------|------------------------|----------------------|------------------------|-------|--------------|
| REVENUE | | | | | | | | |
| Net municipal taxes | \$ 2,513,728 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 2,513,728 |
| Government transfers | - | - | - | 4,531 | 408,340 | 30,114 | - | 442,985 |
| User fees and sales of goods | 4,035 | 516 | 3,090 | 7,002 | 122,047 | 1,062,519 | - | 1,199,209 |
| Investment income | 36,992 | - | - | - | 285 | - | - | 37,277 |
| Other revenues | 579,147 | 85,320 | 5,265 | 29,547 | 201,085 | 90,358 | - | 990,722 |
| | 3,133,902 | 85,836 | 8,355 | 41,080 | 731,757 | 1,182,991 | - | 5,183,921 |
| EXPENSES | | | | | | | | |
| Contract & general services | 296,996 | 88,989 | 127,820 | 120,022 | 150,835 | 273,742 | - | 1,058,404 |
| Salaries & wages | 562,071 | 81,073 | 264,143 | 24,844 | 570,876 | 248,011 | - | 1,751,018 |
| Materials, goods & utilities | 60,944 | 18,832 | 190,644 | 6,223 | 307,678 | 144,110 | - | 728,431 |
| Transfers to local boards | 17,174 | - | - | 4,000 | 414,551 | - | - | 435,725 |
| Long term debt interest | - | - | 20,193 | - | 21,848 | 61,402 | - | 103,443 |
| Other expenses | 3,068 | 297 | 1,097 | 7,347 | 30,306 | - | - | 42,115 |
| Allowances for bad debt | 169 | - | - | - | - | - | - | 169 |
| | 940,422 | 189,191 | 603,897 | 162,436 | 1,496,094 | 727,265 | - | 4,119,305 |
| Excess (deficiency) of revenue over expenses before other | 2,193,480 | (103,355) | (595,542) | (121,356) | (764,337) | 455,726 | - | 1,064,616 |
| OTHER | | | | | | | | |
| Amortization | (28,289) | (19,960) | (659,226) | (8,231) | (206,239) | (358,903) | - | (1,280,848) |
| Government transfers for capital | - | - | 522,832 | - | - | 209,068 | - | 731,900 |
| | (28,289) | (19,960) | (136,394) | (8,231) | (206,239) | (149,835) | - | (548,948) |
| EXCESS OF REVENUE OVER EXPENSES | \$ 2,165,191 | \$ (123,315) | \$ (731,936) | \$ (129,587) | \$ (970,576) | \$ 305,891 | \$ - | \$ 515,668 |

The accompanying notes form an integral part of these financial statements

TOWN OF RIMBEY

(Schedule 5)

**Consolidated Schedule of Changes in Accumulated Surplus
Year Ended December 31, 2017**

| | Unrestricted Surplus | Special Projects Operating Reserve | Capital Reserves | Equity in Tangible Capital Assets | Total 2017 | Total 2016 |
|--|-------------------------|---|---------------------|---|----------------------|----------------------|
| BALANCE, BEGINNING OF YEAR | \$ 1,397,851 | \$ 166,127 | \$ 1,276,546 | \$ 26,439,782 | \$ 29,280,306 | \$ 28,468,493 |
| Excess (deficiency) of revenues over expenses | 515,668 | | - | - | 515,668 | 811,813 |
| Current year funds used for tangible capital assets | (1,066,971) | | - | 1,066,971 | - | - |
| Annual amortization expense | 1,280,848 | | - | (1,280,848) | - | - |
| Principle repayments on long term debt | (353,179) | | - | 353,179 | - | - |
| Net transfers to/from capital reserves | 236,418 | | (236,418) | - | - | - |
| | 612,784 | - | (236,418) | 139,302 | 515,668 | 811,813 |
| BALANCE, END OF YEAR | \$ 2,010,635 | \$ 166,127 | \$ 1,040,128 | \$ 26,579,084 | \$ 29,795,974 | \$ 29,280,306 |

Note: The net book value of the tangible capital assets at year end, less related debt, represents the amount of equity in tangible capital assets.

The accompanying notes form an integral part of these financial statements

TOWN OF RIMBEY
Notes to Consolidated Financial Statements
Year Ended December 31, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Town of Rimbey are the representations of management prepared in accordance with Canadian 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:

Reporting Entity

The financial statements reflect the assets, liabilities, revenues and expenditures, changes in fund balances and change in financial position of the Town of Rimbey (the "Town"). The entity is comprised 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 Rimbey Fire Department (Until April 2015. See Note 5 for further details)

Town of Rimbey Water Park

Town of Rimbey Arena

Town of Rimbey Community Centre

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

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

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.

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TOWN OF RIMBEY
Notes to Consolidated Financial Statements
Year Ended December 31, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

Tax Revenue

Annually, the Town bills and collects property tax revenues for municipal purposes. Tax revenues are based on market value assessments determined in accordance with the Municipal Government Act (MGA) and annually established tax rates. Municipal tax rates are set each year by Town Council in accordance with legislation and Town Council approved policies to raise the tax revenue required to meet the Town's budget requirements. Tax revenues are recorded at the time tax billings are issued. Property assessments are subject to tax appeal. Expenses related to tax appeals and allowances are separately disclosed in the Consolidated Schedule of Property and Other Taxes.

The Town also bills and collects education tax on behalf of the Province of Alberta (the Province). Education tax rates are established by the Province each year in order to fund the cost of education on a province-wide basis. Education taxes collected are remitted to the Province and are excluded from revenues and expenses in the Consolidated Schedule of Property and Other Taxes (Schedule 1).

Use of Estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenditure during the period. Where measurement uncertainty exists, the financial statements have been prepared within reasonable limits of materiality. Actual results could differ from those estimates.

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.

Debt Charges Recoverable

Debt charges recoverable consist of amounts that are recoverable from municipal agencies or other local governments with respect to outstanding debentures or other long term debt pursuant to annexation orders or joint capital undertakings. These recoveries are recorded at a value that equals the offsetting portion of the unmatured long term debt less actuarial requirements for the retirement of any sinking fund debentures.

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.

(*continues*)

TOWN OF RIMBEY
Notes to Consolidated Financial Statements
Year Ended December 31, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Requisition tax rates in the subsequent year are adjusted for any over-levies or under-levies of the prior year.

Inventories for Resale

Land held for resale is recorded at the lower of cost or net realizable value. Cost includes costs for land acquisition and improvements required to prepare the land for servicing such as clearing, stripping and 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 the respective function.

Deferred Charges

Deferred charges are assets in which a contractual agreement is in place to provide long term services. The asset is recorded when the transaction is initially incurred and the costs are amortized over the life of the contract.

Prepaid Local Improvement Charges

Construction and borrowing costs associated with local improvement projects are recovered through annual special assessments during the period of the related borrowings. These levies are collectible from property owners for work performed by the municipality.

Where a taxpayer has elected to prepay the outstanding local improvement charges, such amounts are recorded as deferred revenue. Deferred revenue is amortized to revenue on a straight line basis over the remaining term of the related borrowings.

In the event that the prepaid amounts are applied against the related borrowings, the deferred revenue is amortized to revenue by an amount equal to the debt repayment.

Contaminated Sites Liability

Contaminated sites are a result of contamination being introduced into air, soil, water or sediment of a chemical, organic or radioactive material or live organism that exceeds an environmental standard. The liability is recorded net of any expected recoveries. A liability for remediation of a contaminated site is recognized when a site is not in productive use and is management's estimate of the cost of post-remediation including operation, maintenance and monitoring.

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.

(continues)

TOWN OF RIMBEY
Notes to Consolidated Financial Statements
Year Ended December 31, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Non-Financial Assets

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the normal course of operations. The change in non-financial assets during the year, together with the excess of revenues over expenses, provides the consolidated Changes in Net Financial Assets (Debt) for the year.

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:

| | |
|---|---------------|
| Land improvements | 15 - 20 years |
| Buildings | 25 - 50 years |
| Machinery and equipment | 5 - 40 years |
| Engineered structures - Aquatic Centre | 50 years |
| Engineered structures - Roadways | 10 - 30 years |
| Engineered structures - Water system | 35 - 75 years |
| Engineered structures - Wastewater system | 35 - 75 years |

No amortization is charged in the year of acquisition and 100% of the annual amortization is charged in the year of disposal. Assets under construction are not amortized until the asset is available for productive use.

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.

Cultural and Historical Tangible Capital Assets

Works of art for display are not recorded as tangible capital assets but are disclosed.

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.

TOWN OF RIMBEY
Notes to Consolidated Financial Statements
Year Ended December 31, 2017

2. CASH AND TEMPORARY INVESTMENTS

| | 2017 | 2016 |
|-----------------------|---------------------|---------------------|
| Cash | \$ 1,668,916 | \$ 2,053,356 |
| Restricted cash | 1,057,779 | 1,291,239 |
| Temporary investments | 1,200,000 | - |
| | \$ 3,926,695 | \$ 3,344,595 |

Temporary investments are short term deposits with original maturities of one year or less.

Included in cash are restricted amounts received from the municipal grants and are held exclusively for future approved projects (Note 7) as well as designated donations (Note 9).

Cash held in term deposits maturing beyond one year are classified as long term investments.

3. TAXES AND GRANTS IN PLACE OF TAXES

Taxes and grants in place of taxes are comprised of:

| | 2017 | 2016 |
|--|-------------------|-------------------|
| Current taxes and grants in place of taxes | \$ 146,255 | \$ 164,747 |
| Arrears taxes and grants in place of taxes | 17,867 | 52,643 |
| | \$ 164,122 | \$ 217,390 |

4. GRANTS AND RECEIVABLES FROM OTHER GOVERNMENTS

Grants and receivables from other governments are comprised of:

| | 2017 | 2016 |
|-------------------------------------|------------------|------------------|
| Municipal Sustainability Initiative | \$ - | \$ 30,158 |
| GST receivable | 14,097 | 24,554 |
| | \$ 14,097 | \$ 54,712 |

5. DEFERRED CHARGES

In 2015 the Town entered into a long term agreement with Ponoka County. In exchange for providing fire services to the Town until 2030, Ponoka County received title to the firehall, related equipment and related vehicles with a net book value of \$389,582. The net book value of the assets transferred have been set up a deferred charge asset and will be amortized over the life of the agreement.

| | 2017 | 2016 |
|---|-------------------|-------------------|
| Fire services agreement | \$ 389,572 | \$ 389,572 |
| Accumulated amortization of Fire Services Agreement | (69,257) | (43,286) |
| | \$ 320,315 | \$ 346,286 |

TOWN OF RIMBEY
Notes to Consolidated Financial Statements
Year Ended December 31, 2017

6. TANGIBLE CAPITAL ASSETS

| | Cost | Accumulated amortization | 2017 Net book value | 2016 Net book value |
|-------------------------|----------------------|--------------------------|------------------------|------------------------|
| Land | \$ 2,596,627 | \$ - | \$ 2,596,627 | \$ 2,596,627 |
| Land improvements | 1,134,562 | 591,683 | 542,879 | 565,441 |
| Engineered structures | 36,457,218 | 14,893,364 | 21,563,854 | 21,502,017 |
| Buildings | 5,598,794 | 2,733,785 | 2,865,009 | 3,002,337 |
| Machinery and equipment | 1,905,613 | 733,779 | 1,171,834 | 1,306,181 |
| Motor vehicles | 405,723 | 208,867 | 196,856 | 178,334 |
| | \$ 48,098,537 | \$ 19,161,478 | \$ 28,937,059 | \$ 29,150,937 |

7. DEFERRED REVENUE

Deferred revenue is comprised of:

| | 2017 | 2016 |
|---|---------------------|-------------------|
| Municipal Sustainability Initiative - Capital | \$ 1,057,779 | \$ 857,997 |
| Other deferred revenue | 14,745 | 999 |
| Prepaid property taxes | 21,117 | 5,620 |
| Prepaid local improvement charges | 32,102 | 38,953 |
| Prepaid Utilities | 4,340 | 3,283 |
| | \$ 1,130,083 | \$ 906,852 |

Municipal Sustainability Initiative - Capital

The Municipal Sustainability Initiative - Capital is restricted to eligible capital projects as approved under the funding agreement which are scheduled for completion in the next 5 years. Unexpended funds related to the advance are supported by restricted cash held exclusively for these projects (refer to Note 2).

Prepaid Local Improvement Charges

Prepaid local improvements charges are being amortized to revenue at the various amounts over the next 4 - 10 years.

8. EMPLOYEE BENEFIT OBLIGATIONS

Included in accounts payable are employee benefit obligations of:

| | 2017 | 2016 |
|-----------------------|-----------|-----------|
| Vacation and overtime | \$ 68,983 | \$ 70,686 |

The vacation and overtime liability is comprised of the vacation and overtime that employees are deferring to future years. Employees have either earned the benefits (and are vested) or are entitled to these benefits within the next budgetary year.

TOWN OF RIMBEY
Notes to Consolidated Financial Statements
Year Ended December 31, 2017

9. DESIGNATED DONATIONS

The municipality has received donations designated for specific purposes as follows:

| | 2017 | 2016 |
|----------------------------|------------------|------------------|
| Cemetery Perpetual Care | \$ 24,984 | \$ 32,965 |
| Community Centre donations | 6,586 | 6,586 |
| Pool Equipment Fund | 1,459 | 11,519 |
| Trail System benches | 2,000 | 2,000 |
| Historical Society | - | 1,500 |
| Other | 2,273 | 3,071 |
| | \$ 37,302 | \$ 57,641 |

As the Town has committed itself to expending these funds according to the donees wishes, designated donations are reflected as restricted cash.

10. LONG TERM DEBT

| | 2017 | 2016 |
|--|-----------|-----------|
| Alberta Capital Finance Authority debenture loan bearing interest at 5.625% per annum, repayable in annual blended payments of \$31,342. The loan matures on September 15, 2018 and is secured by the credit and security of the Town at large. | \$ 29,673 | \$ 57,765 |
| Alberta Capital Finance Authority debenture loan bearing interest at 4.04% per annum, repayable in semi-annual blended payments of \$26,838. The loan matures on September 17, 2018 and is secured by the credit and security of the Town at large. | 26,307 | 77,369 |
| Alberta Capital Finance Authority debenture loan bearing interest at 4.481% per annum, repayable in semi-annual blended payments of \$28,145. The loan matures on December 31, 2024 and is secured by the credit and security of the Town at large. | 314,399 | 355,224 |
| Alberta Capital Finance Authority debenture loan bearing interest at 4.34% per annum, repayable in semi-annual blended payments of \$48,397. The loan matures on September 17, 2023 and is secured by the credit and security of the Town at large. | 469,103 | 543,120 |
| Alberta Capital Finance Authority debenture loan bearing interest at 3.488% per annum, repayable in semi-annual blended payments of \$43,094. The loan matures on September 15, 2025 and is secured by the credit and security of the Town at large. | 597,155 | 660,842 |

(continues)

TOWN OF RIMBEY
Notes to Consolidated Financial Statements
Year Ended December 31, 2017

10. LONG TERM DEBT *(continued)*

| | 2017 | 2016 |
|--|---------------------|---------------------|
| CMHC loan bearing interest at 4.15% per annum, repayable in semi-annual blended payments of \$137,694. The loan matures on May 1, 2025 and is secured by the credit and security of the Town at large. | 921,342 | 1,016,837 |
| | \$ 2,357,979 | \$ 2,711,157 |

Principal reductions over the next 5 years are approximately:

| | |
|------------|---------------------|
| 2018 | \$ 341,305 |
| 2019 | 297,096 |
| 2020 | 309,356 |
| 2021 | 322,125 |
| 2022 | 335,425 |
| Thereafter | 752,672 |
| | <u>\$ 2,357,979</u> |

Interest on long term debt amounted to \$103,444 (2016 - \$117,718)

11. 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 Rimbey be disclosed as follows:

| | 2017 | 2016 |
|---------------------------------------|--------------------|--------------------|
| Total debt limit | \$ 7,775,883 | \$ 7,816,551 |
| Total debt | (2,357,978) | (2,711,157) |
| Amount of debt limit unused | 5,417,905 | 5,105,394 |
| Debt servicing limit | 1,295,981 | 1,302,759 |
| Debt servicing | (435,146) | (463,490) |
| Amount of debt servicing limit unused | \$ 860,835 | \$ 839,269 |

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 RIMBEY
Notes to Consolidated Financial Statements
Year Ended December 31, 2017

12. LOCAL AUTHORITIES PENSION PLAN

Employees of the Town participate in the Local Authorities Pension Plan (LAPP) which is one of the plans covered by the Public Sector Pension Plans Act. The LAPP is financed by employer and employee contributions and by investment earnings of the LAPP Fund.

Contributions for current service are recorded as expenditures in the year in which they become due. The Town is required to make current service contributions to the LAPP of 11.39% of pensionable earnings up to the year's maximum pensionable earnings under the Canada Pension Plan and 15.84% on pensionable earnings above this amount.

Total current service contributions by the Town to the LAPP in 2017 were \$151,572 (2016 - \$161,909). Total current service contributions by the employees of the Town to the Local Authorities Pension Plan in 2017 were \$139,070 (2016 - \$148,567).

At December 31, 2016 the LAPP disclosed an actuarial deficiency of \$637,357.

13. SEGMENTED DISCLOSURE

The Town of Rimbey 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 4).

14. FINANCIAL INSTRUMENTS

The Town's financial instruments consist of cash and temporary investments, accounts receivable, investments, debt charges recoverable, bank indebtedness, accounts payable and 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.

Credit risk

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

Fair value

The Town's carrying value of cash and cash equivalents, accounts receivable and accounts payable approximates its fair value due to the immediate or short term maturity of these instruments.

The carrying value of the long term debt approximates the fair value as the interest rates are consistent with the current rates offered to the Town for debt with similar terms.

TOWN OF RIMBEY
Notes to Consolidated Financial Statements
Year Ended December 31, 2017

15. SALARY AND BENEFITS DISCLOSURE

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

| | | | 2017 | 2016 |
|--|-------------------|---------------------------|-------------------|-------------------|
| | Salary (1) | Benefits & allowances (2) | Total | Total |
| Rick Pankiw - Mayor | \$ 30,871 | \$ 4,548 | \$ 35,419 | \$ 34,677 |
| Brian Godlonton - Councilor | 22,827 | 3,741 | 26,568 | 24,056 |
| Mathew Jaycox - Councilor | 19,575 | 3,578 | 23,153 | 23,000 |
| Paul Payson - Councilor | 17,650 | 4,128 | 21,778 | 21,349 |
| Jack Webb - Councilor | 22,964 | 3,693 | 26,657 | 27,900 |
| Bill Coulthard - Councilor | 5,060 | 843 | 5,903 | - |
| Lana Curle - Councilor | 3,961 | 807 | 4,768 | - |
| Gayle Rondeel - Councilor | 4,434 | 822 | 5,256 | - |
| Donna Tona - Chief Administrative Officer | - | - | - | 47,709 |
| Lori Hillis - Chief Administrative Officer | 134,006 | 29,167 | 163,173 | 65,327 |
| Designated Officers | 38,922 | - | 38,922 | 130,311 |
| | \$ 300,270 | \$ 51,327 | \$ 351,597 | \$ 374,329 |

1. Salary includes regular base pay, bonuses, overtime, lump sum payments, gross honoraria and any other direct cash remuneration.
2. Employer's share of all employee benefits and contributions or payments made on behalf of employees including pension, health care, dental coverage, vision coverage, group life insurance, accidental disability and dismemberment insurance, long and short term disability plans, professional memberships and tuition.
3. Benefits and allowances figures also include the employer's share of the costs of additional taxable benefits including special leave with pay, financial and retirement planning services, concessionary loans, travel allowances, car allowances and club memberships.

16. APPROVAL OF FINANCIAL STATEMENTS

Council and management have approved these financial statements.

17. COMPARATIVE FIGURES

Some of the comparative figures have been reclassified to conform to the current year's presentation.

18. BUDGET AMOUNTS

Budget amounts are included for information purposes only and are not audited. It should be noted that the budget is not PSAB compliant in that it does not include an estimate for amortization.