

TOWN OF PENHOLD
CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2015

TOWN OF PENHOLD
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INDEPENDENT AUDITORS' REPORT

To the Members of Council of:
Town of Penhold

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Town of Penhold, which comprise the consolidated statement of financial position as at December 31, 2015, and the consolidated statements of operations, change in net financial assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the 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.

Auditors' 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 auditors' 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 consolidated financial position of Town of Penhold as at December 31, 2015, the results of its operations, change in its net financial assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.





TOWN OF PENHOLD
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2015

ASSETS	2015	2014
FINANCIAL ASSETS		
Cash and temporary investments (Note 2)	\$ 5,933,631	\$ 4,431,150
Accounts receivable:		
Taxes and grants in place of taxes (Note 3)	312,422	211,376
Trade and other receivables (Note 4)	<u>600,585</u>	<u>567,933</u>
	<u>6,846,638</u>	<u>5,210,459</u>
FINANCIAL LIABILITIES		
Accounts payable and accrued liabilities	698,759	358,913
Employee benefit obligations (Note 6).....	156,164	135,718
Deferred revenue (Note 7).....	2,458,649	1,796,502
Long term debt (Note 8).....	<u>2,051,588</u>	<u>2,148,737</u>
	<u>5,365,160</u>	<u>4,439,870</u>
NET FINANCIAL ASSETS	<u>1,481,478</u>	<u>770,589</u>
NON-FINANCIAL ASSETS		
Tangible capital assets (Schedule 2)	41,888,638	36,333,383
Prepaid expenses	811	730
	<u>41,889,449</u>	<u>36,334,113</u>
ACCUMULATED SURPLUS (Schedule 1, Note 11).....	<u>\$ 43,370,927</u>	<u>\$ 37,104,702</u>

CONTINGENCIES (Note 14)

On Behalf of the Council:


 _____ Mayor


 _____ Town CAO

See accompanying notes to financial statements

TOWN OF PENHOLD
CONSOLIDATED STATEMENT OF OPERATIONS
YEAR ENDED DECEMBER 31, 2015

	Budget (Unaudited)	2015	2014
REVENUE			
Net municipal taxes (Schedule 3).....	\$ 3,247,305	\$ 3,252,611	\$ 2,803,522
User fees and sales of goods	3,496,331	3,731,563	2,782,311
Government transfers for operating (Schedule 4)	410,604	513,835	464,891
Investment income	40,000	64,438	49,907
Penalties and costs of taxes	50,000	59,525	51,092
Penalties and fines	104,880	80,261	81,297
Franchise fees	275,000	298,613	283,612
	<u>7,624,120</u>	<u>8,000,846</u>	<u>6,516,632</u>
EXPENSES			
Administration	638,035	656,565	535,826
Amortization of tangible capital assets	-	1,373,043	949,449
Family and community support	581,200	595,082	532,564
Fire Department and Bylaw enforcement	482,750	477,894	503,130
Land use planning, zoning and development	1,028,686	477,297	455,262
Legislative	354,549	331,046	268,116
Parks and recreation	1,867,078	1,710,656	1,535,126
Roads, streets, walks, lighting	579,354	586,720	801,702
Water supply and distribution	266,779	278,066	240,001
Waste management	201,749	196,695	190,758
Wastewater treatment and disposal	666,418	654,814	546,100
Loss on disposal of tangible capital assets	-	14,516	18,592
	<u>6,666,598</u>	<u>7,352,394</u>	<u>6,576,626</u>
EXCESS (SHORTFALL) OF REVENUES OVER EXPENSES BEFORE THE FOLLOWING	957,522	648,452	(59,994)
CONTRIBUTED ASSETS	-	1,581,693	1,222,573
GOVERNMENT TRANSFERS FOR TANGIBLE CAPITAL ASSETS (Schedule 4)	4,523,964	4,036,080	1,028,133
EXCESS OF REVENUES OVER EXPENSES	\$ 5,481,486	6,266,225	2,190,712
ACCUMULATED SURPLUS, BEGINNING OF YEAR		37,104,702	34,913,990
ACCUMULATED SURPLUS, END OF YEAR		\$ 43,370,927	\$ 37,104,702

See accompanying notes to financial statements

TOWN OF PENHOLD
CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL ASSETS
YEAR ENDED DECEMBER 31, 2015

	Budget (Unaudited)	2015	2014
EXCESS OF REVENUES OVER EXPENSES	\$ 5,481,486	\$ 6,266,225	\$ 2,190,712
Acquisition of tangible capital assets	(2,239,775)	(5,386,943)	(1,192,948)
Contributed tangible capital assets	-	(1,581,693)	(1,222,573)
Proceeds on sale of tangible capital assets	-	25,822	5,775
Loss on disposal of tangible capital assets	-	14,516	18,592
Amortization of tangible capital assets	-	1,373,043	949,449
	(2,239,775)	(5,555,255)	(1,441,705)
Use of prepaid assets	-	(81)	925
Increase in net assets	3,241,711	710,889	749,932
NET FINANCIAL ASSETS, BEGINNING OF YEAR	770,589	770,589	20,657
NET FINANCIAL ASSETS, END OF YEAR	\$ 4,012,300	\$ 1,481,478	\$ 770,589

See accompanying notes to financial statements

TOWN OF PENHOLD
CONSOLIDATED STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2015

	2015	2014
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING		
Excess of revenues over expenses	\$ 6,266,225	\$ 2,190,712
Non-cash items included in excess of revenues over expenses:		
Amortization of tangible capital assets	1,373,043	949,449
Loss on disposal of tangible capital assets	14,516	18,592
Contributed tangible capital assets	<u>(1,581,693)</u>	<u>(1,222,573)</u>
	6,072,091	1,936,180
Non-cash charges to operations (net change):		
Increase in taxes and grants in place of taxes receivable	(101,046)	(18,608)
Increase in trade and other receivables	(32,652)	(385,411)
Decrease (increase) in prepaid expenses	(79)	925
Increase (decrease) in accounts payable and accrued liabilities	339,845	(494,489)
Increase in employee benefit obligations	20,445	4,840
Increase in deferred revenue	<u>662,147</u>	<u>771,612</u>
Cash provided by operating activities	<u>6,960,751</u>	<u>1,815,049</u>
CAPITAL		
Acquisition of tangible capital assets	(5,386,943)	(1,192,948)
Sale of tangible capital assets	<u>25,822</u>	<u>5,775</u>
Cash applied to capital transactions	<u>(5,361,121)</u>	<u>(1,187,173)</u>
FINANCING		
Repayment of long term debt	<u>(97,149)</u>	<u>(93,264)</u>
Cash applied to financing transactions	<u>(97,149)</u>	<u>(93,264)</u>
CHANGE IN CASH AND TEMPORARY INVESTMENTS DURING THE YEAR	1,502,481	534,612
CASH AND TEMPORARY INVESTMENTS, BEGINNING OF YEAR	<u>4,431,150</u>	<u>3,896,538</u>
CASH AND TEMPORARY INVESTMENTS, END OF YEAR	\$ <u>5,933,631</u>	\$ <u>4,431,150</u>

See accompanying notes to financial statements

TOWN OF PENHOLD

SCHEDULE OF CHANGES IN ACCUMULATED SURPLUS
YEAR ENDED DECEMBER 31, 2015

	Unrestricted Surplus	Designated Surplus	Equity in Tangible Capital Assets	2015	2014
BALANCE, BEGINNING OF YEAR	\$ <u>1,656,861</u>	\$ <u>1,263,195</u>	\$ <u>34,184,646</u>	\$ <u>37,104,702</u>	\$ <u>34,913,990</u>
Excess of revenues over expenses	6,266,225	-	-	6,266,225	2,190,712
Unrestricted funds designated for future use	(464,507)	464,507	-	-	-
Current year funds used for tangible capital assets	(5,386,943)	-	5,386,943	-	-
Contributed tangible capital assets	(1,581,693)	-	1,581,693	-	-
Disposal of tangible capital assets	40,338	-	(40,338)	-	-
Amortization of tangible capital assets	1,373,043	-	(1,373,043)	-	-
Repayment of long term debt	(97,149)	-	97,149	-	-
Change in accumulated surplus	<u>149,314</u>	<u>464,507</u>	<u>5,652,404</u>	<u>6,266,225</u>	<u>2,190,712</u>
BALANCE, END OF YEAR	\$ <u>1,806,175</u>	\$ <u>1,727,702</u>	\$ <u>39,837,050</u>	\$ <u>43,370,927</u>	\$ <u>37,104,702</u>

See accompanying notes to financial statements

TOWN OF PENHOLD
SCHEDULE OF TANGIBLE CAPITAL ASSETS
YEAR ENDED DECEMBER 31, 2015

	Land	Land Improvements	Buildings	Engineered Structures	Machinery and Equipment	Vehicles	2015	2014
COST								
BALANCE, BEGINNING OF YEAR	\$ 1,730,765	\$ 1,547,534	\$ 18,396,805	\$ 21,047,503	\$ 2,260,922	\$ 648,946	\$ 45,632,475	\$ 43,259,954
Acquisition of tangible capital assets	-	987,042	-	5,464,937	435,086	81,571	6,968,636	2,415,521
Disposal of tangible capital assets	-	-	-	-	-	(52,206)	(52,206)	(43,000)
BALANCE, END OF YEAR	<u>1,730,765</u>	<u>2,534,576</u>	<u>18,396,805</u>	<u>26,512,440</u>	<u>2,696,008</u>	<u>678,311</u>	<u>52,548,905</u>	<u>45,632,475</u>
ACCUMULATED AMORTIZATION								
BALANCE, BEGINNING OF YEAR	-	331,684	2,291,785	5,382,157	1,000,694	292,772	9,299,092	8,368,276
Amortization of tangible capital assets	-	106,379	367,936	631,992	214,352	52,384	1,373,043	949,449
Accumulated amortization on disposals	-	-	-	-	-	(11,868)	(11,868)	(18,633)
BALANCE, END OF YEAR	-	<u>438,063</u>	<u>2,659,721</u>	<u>6,014,149</u>	<u>1,215,046</u>	<u>333,288</u>	<u>10,660,267</u>	<u>9,299,092</u>
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	<u>\$ 1,730,765</u>	<u>\$ 2,096,513</u>	<u>\$ 15,737,084</u>	<u>\$ 20,498,291</u>	<u>\$ 1,480,962</u>	<u>\$ 345,023</u>	<u>\$ 41,888,638</u>	<u>\$ 36,333,383</u>
2014 NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	<u>\$ 1,730,765</u>	<u>\$ 1,215,850</u>	<u>\$ 16,105,020</u>	<u>\$ 15,665,346</u>	<u>\$ 1,260,228</u>	<u>\$ 356,174</u>	<u>\$ 36,333,383</u>	

See accompanying notes to financial statements

TOWN OF PENHOLD
SCHEDULE OF PROPERTY AND OTHER TAXES
YEAR ENDED DECEMBER 31, 2015

	Budget (Unaudited)	2015	2014
TAXATION			
Real property taxes	\$ 3,958,502	\$ 3,963,941	\$ 3,412,601
Linear property taxes	<u>62,810</u>	<u>62,822</u>	<u>59,213</u>
	<u>4,021,312</u>	<u>4,026,763</u>	<u>3,471,814</u>
REQUISITIONS			
Alberta School Foundation Fund	768,031	768,033	662,859
Autumn Glen Seniors Lodge.....	<u>5,976</u>	<u>6,119</u>	<u>5,433</u>
	<u>774,007</u>	<u>774,152</u>	<u>668,292</u>
NET MUNICIPAL TAXES	\$ <u>3,247,305</u>	\$ <u>3,252,611</u>	\$ <u>2,803,522</u>

See accompanying notes to financial statements

TOWN OF PENHOLD
SCHEDULE OF GOVERNMENT TRANSFERS
YEAR ENDED DECEMBER 31, 2015

	Budget (Unaudited)	2015	2014
TRANSFERS FOR OPERATING			
Provincial government.....	\$ 243,324	\$ 351,435	\$ 323,429
Other local governments.....	<u>167,280</u>	<u>162,400</u>	<u>141,462</u>
	<u>410,604</u>	<u>513,835</u>	<u>464,891</u>
TRANSFERS FOR CAPITAL			
Provincial government.....	<u>4,523,964</u>	<u>4,036,080</u>	<u>1,028,133</u>
TOTAL GOVERNMENT TRANSFERS	<u>\$ 4,934,568</u>	<u>\$ 4,549,915</u>	<u>\$ 1,493,024</u>

See accompanying notes to financial statements

TOWN OF PENHOLD
SCHEDULE OF CONSOLIDATED EXPENSES BY OBJECT
YEAR ENDED DECEMBER 31, 2015

CONSOLIDATED EXPENSES BY OBJECT	Budget (Unaudited)	2015	2014
Salaries, wages and benefits	\$ 3,233,053	\$ 3,112,225	\$ 2,707,132
Contracted and general services	1,228,260	1,268,970	1,505,686
Materials, goods and utilities	1,478,827	854,615	775,981
Transfers to local boards and agencies	138,140	135,646	128,365
Bank charges and short-term interest.....	35,720	25,731	22,022
Interest on long term debt.....	91,508	87,623	91,508
Purchases from other governments.....	461,090	480,025	377,891
Amortization of tangible capital assets.....	-	1,373,043	949,449
Loss on disposal of tangible capital assets.....	-	14,516	18,592
	<u>\$ 6,666,598</u>	<u>\$ 7,352,394</u>	<u>\$ 6,576,626</u>

See accompanying notes to financial statements

TOWN OF PENHOLD

SCHEDULE OF SEGMENTED DISCLOSURE
YEAR ENDED DECEMBER 31, 2015

	General Government	Protective Services	Transportation Services	Planning and Development	Recreation and Culture	Environmental Services	Other	Total
REVENUE								
Net municipal taxes	\$ 3,252,611	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,252,611
Government transfers	93,913	-	2,900,440	-	547,020	862,960	145,582	4,549,915
User fees and sales of goods	42,478	76,940	5,547	469,673	825,285	2,232,398	79,244	3,731,565
Investment income	64,438	-	-	-	-	-	-	64,438
Contributed assets	-	-	578,667	-	75,440	927,586	-	1,581,693
Other revenues	358,137	80,261	-	-	-	-	-	438,398
	<u>3,811,577</u>	<u>157,201</u>	<u>3,484,654</u>	<u>469,673</u>	<u>1,447,745</u>	<u>4,022,944</u>	<u>224,826</u>	<u>13,618,620</u>
EXPENSES								
Salaries, wages and benefits	658,017	273,325	326,755	219,928	958,257	291,314	384,630	3,112,226
Contract and general services	236,332	164,528	123,349	165,921	159,690	310,879	104,570	1,265,269
Materials, goods and utilities	54,883	39,708	136,108	90,926	384,384	69,325	79,281	854,615
Transfers to local boards	-	-	-	-	129,139	6,507	-	135,646
Interest on long term debt	9,639	-	-	-	77,984	-	-	87,623
Other expenses	26,064	-	508	522	1,202	451,551	29,610	509,457
Loss on disposal of tangible capital assets	-	-	-	-	-	14,516	-	14,516
	<u>984,935</u>	<u>477,561</u>	<u>586,720</u>	<u>477,297</u>	<u>1,710,656</u>	<u>1,144,092</u>	<u>598,091</u>	<u>5,979,352</u>
EXCESS (SHORTFALL) OF REVENUE OVER EXPENSES, BEFORE AMORTIZATION	<u>2,826,642</u>	<u>(320,360)</u>	<u>2,897,934</u>	<u>(7,624)</u>	<u>(262,911)</u>	<u>2,878,852</u>	<u>(373,265)</u>	<u>7,639,268</u>
Amortization on tangible capital assets	27,851	43,054	514,052	-	606,113	181,973	-	1,373,043
EXCESS (SHORTFALL) OF REVENUE OVER EXPENSES	<u>\$ 2,798,791</u>	<u>\$ (363,414)</u>	<u>\$ 2,383,882</u>	<u>\$ (7,624)</u>	<u>\$ (869,024)</u>	<u>\$ 2,696,879</u>	<u>\$ (373,265)</u>	<u>\$ 6,266,225</u>

See accompanying notes to financial statements

TOWN OF PENHOLD
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2015

1. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements of the Town of Penhold are the representations of management in accordance with generally accepted accounting principles for local governments established by the Public Sector Accounting Board. Significant aspects of the accounting policies adopted by the Town are as follows:

Reporting Entity

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

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 any trust assets that may be administered for the benefit of external parties.

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 on 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.

Use of Estimates

The preparation of the financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the 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. Estimates are used when accounting for items and matters such as valuation of accounts receivable, useful life of tangible capital assets, employee benefits, contributed assets and contingencies.

TOWN OF PENHOLD
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2015

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 the 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.

Tax Revenue

Tax revenues are recognized when the tax has been authorized by bylaw and the taxable event has occurred. Requisitions operate as a flow through and are excluded from municipal revenue.

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 consolidated financial statements as revenue in the period in which events giving rise to the transfer occur, providing transfers are authorized, any eligibility criteria have been met, and reasonable estimates of the amounts can be determined.

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, together with the excess of revenues over expenses, provides the consolidated Change in Net Financial Assets for the year.

TOWN OF PENHOLD
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2015

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Tangible Capital Assets

Tangible capital assets are recorded at cost which includes all amounts that are directly attributable to the 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 to 45 years
Buildings	- 25 to 50 years
Engineered structures:	
Roadway system	- 5 to 65 years
Water distribution system	- 45 to 75 years
Wastewater treatment system	- 45 to 75 years
Other engineered structures	- 5 to 25 years
Machinery and equipment	- 5 to 40 years
Vehicles	- 10 to 20 years

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

Contributions of Tangible Capital Assets

Tangible capital assets received as contributions are recorded at their fair value at the date of receipt and also are recorded as revenue.

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.

Cultural and Historical Tangible Assets

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

Donated Materials

Donated materials are recorded in the consolidated financial statements at fair market value when fair market value can be reasonably estimated and when the Town would otherwise have purchased these items. During the current year, a truck was donated to the fire department with a fair value of \$7,500.

TOWN OF PENHOLD
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2015

2. CASH AND TEMPORARY INVESTMENTS

	2015	2014
Cash	\$ 276,665	\$ 899,040
Less outstanding withdrawals	<u>(305,829)</u>	<u>(378,768)</u>
	(29,164)	520,272
Temporary investments	<u>5,962,795</u>	<u>3,910,878</u>
	<u>\$ 5,933,631</u>	<u>\$ 4,431,150</u>

Temporary investments are short-term deposits with original maturities of three months or less.

Of the total cash and temporary investments, \$1,727,701 (2014 - \$1,263,195) is designated to fund reserves for future expenditures and \$2,458,649 (2014 - \$1,343,974) is comprised of amounts received in the current year that will fund expenditures in relation to the revenue deferred.

3. TAXES AND GRANTS IN PLACE OF TAXES RECEIVABLE

	2015	2014
Current taxes and grants in place of taxes	\$ 235,723	\$ 168,384
Arrears taxes	<u>76,699</u>	<u>42,992</u>
	<u>\$ 312,422</u>	<u>\$ 211,376</u>

4. TRADES AND OTHER RECEIVABLES

	2015	2014
Utility accounts receivable	\$ 107,447	\$ 114,658
Goods and services tax recoverable	169,361	38,999
Trade and other receivables	<u>323,777</u>	<u>414,276</u>
	<u>\$ 600,585</u>	<u>\$ 567,933</u>

5. LINE OF CREDIT

The Town has a line of credit of \$2,000,000 to assist with cash flow requirements. The line of credit is currently inactive, but if used, would require monthly interest payments at ATB Financial's prime lending rate per annum. The effective interest rate at December 31, 2015 is 2.70% (2014 - 3.00%). The line of credit is issued on the credit and security of the Town of Penhold at large and is reviewed annually.

TOWN OF PENHOLD
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2015

6. EMPLOYEE BENEFIT OBLIGATIONS

Employee benefit obligations represent vacation and overtime employees deferred to future years. Employees have either earned the benefits (and are vested) or are entitled to these benefits within the next budgetary year.

7. DEFERRED REVENUE

Deferred revenue represents amounts received during the year and deferred to match with the anticipated expenses to be incurred in a future reporting period. Deferred revenue is made up of the following:

	2015	2014
Offsite levies	\$ 1,221,829	\$ 1,129,644
Municipal Sustainability Initiative - Capital	300,000	-
Other deferred revenue	<u>936,820</u>	<u>666,858</u>
	<u>\$ 2,458,649</u>	<u>\$ 1,796,502</u>

Municipal Sustainability Initiative

Funding in the amount of \$797,535 (2014 - \$403,419) was received and \$nil (2014 - \$319,409) was receivable in the current year from the Municipal Sustainability Initiative. Of the total amount received and receivable, \$703,622 (2014 - \$638,818) is from the capital component of the program and is restricted to eligible capital projects, as approved under the funding agreement. The remaining \$93,913 (2014 - \$84,010) is from the operating component of the program and is also restricted to eligible operating projects, as approved under the funding agreement. At the end of the year, the total unexpended amount pertaining to the capital component is \$300,000 (2014 - \$nil). The entire operating component has been recognized in revenue during the year.

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8. LONG TERM DEBT

	2015	2014
Tax supported debenture	\$ 2,051,588	\$ 2,148,737
Less: Current portion	<u>(101,197)</u>	<u>(97,149)</u>
	<u>\$ 1,950,391</u>	<u>\$ 2,051,588</u>

Principal and interest repayments are as follows:

	Principal	Interest	Total
2016	\$ 101,197	\$ 83,575	\$ 184,772
2017	105,414	79,358	184,772
2018	109,806	74,966	184,772
2019	114,381	70,391	184,772
2020	119,146	65,626	184,772
Thereafter	<u>1,501,644</u>	<u>351,782</u>	<u>1,853,426</u>
	<u>\$ 2,051,588</u>	<u>\$ 725,698</u>	<u>\$ 2,777,286</u>

Debenture debt is repayable to the Alberta Capital Finance Authority and bears interest at 4.124% (2014 - 4.124%) per annum and matures in 2030.

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

Interest on long-term debt amounted to \$87,623 (2014 - \$91,508).

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9. DEBT LIMITS

Section 276(2) of the Municipal Government Act requires that debt and debt servicing limits as defined by Alberta Regulation 255/00 for the Town of Penhold be disclosed as follows:

	2015	2014
Total debt limit	\$ 12,000,209	\$ 9,774,948
Total debt (Note 8)	<u>2,051,588</u>	<u>2,148,737</u>
Amount of debt limit unused	<u>\$ 9,948,621</u>	<u>\$ 7,626,211</u>
Debt servicing limit	\$ 2,000,212	\$ 1,629,258
Debt servicing (Note 8)	<u>184,772</u>	<u>184,772</u>
Amount of debt servicing limit unused	<u>\$ 1,815,440</u>	<u>\$ 1,444,486</u>

The debt limit is calculated at 1.50 times the revenue of the municipality (as defined in Alberta Regulations 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 consolidated financial statements must be interpreted as a whole.

10. EQUITY IN TANGIBLE CAPITAL ASSETS

	2015	2014
Tangible capital assets (Schedule 2)	\$ 52,548,905	\$ 45,632,475
Accumulated amortization (Schedule 2)	<u>(10,660,267)</u>	<u>(9,299,092)</u>
Long term debt (Note 8)	<u>(2,051,588)</u>	<u>(2,148,737)</u>
	<u>\$ 39,837,050</u>	<u>\$ 34,184,646</u>

The Town of Penhold owns an antique caboose that is on permanent display at the southern entrance to the Town. The caboose was donated to the Town and has significant cultural and historical value in perpetuity. The caboose is not recorded as a tangible capital asset in the consolidated financial statements and is not amortized.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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11. ACCUMULATED SURPLUS

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

	2015	2014
Unrestricted surplus	\$ 1,806,175	\$ 1,656,861
Designated surplus		
Fire, ambulance and bylaw	292,000	213,000
Administration	130,000	130,000
Multiplex - Complex	306,010	95,934
Multiplex - Fitness Centre	133,024	66,512
Public Works	108,918	-
Recreation	164,950	164,949
Transportation	397,500	397,500
Water and sewer	195,300	195,300
Equity in tangible capital assets (Note 10)	<u>39,837,050</u>	<u>34,184,646</u>
	<u>\$ 43,370,927</u>	<u>\$ 37,104,702</u>

12. SALARY AND BENEFITS DISCLOSURE

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

	Salary ¹	Benefits ²	2015 Total	2014 Total
Mayor Cooper	\$ 15,560	\$ 7,828	\$ 23,388	\$ 25,488
Councillor King	11,729	5,912	17,641	13,139
Councillor Kingsfield	11,669	5,882	17,551	12,537
Councillor Sanchez	18,017	9,056	27,073	16,464
Councillor Sitter	15,157	7,626	22,783	15,487
Councillor Walsh	12,865	6,480	19,345	13,695
Councillor Yargeau	14,505	7,300	21,805	15,326
Chief Administrative Officer	<u>143,415</u>	<u>30,056</u>	<u>173,471</u>	<u>161,392</u>
	<u>\$ 242,917</u>	<u>\$ 80,140</u>	<u>\$ 323,057</u>	<u>\$ 273,528</u>

- Salaries include regular base pay, overtime, lump sum payments, gross honoraria, and any other direct cash remuneration.
- Employer's share of all employee benefits and contributions or payments made on behalf of employees and CAO including pension, health care, dental coverage, group life insurance, accidental disability and dismemberment insurance, long and short term disability plans, professional memberships and municipal officers expense allowance. Elected officers receive CPP and life insurance.

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13. LOCAL AUTHORITIES PENSION PLAN

Employees of the Town of Penhold 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 investment earnings of the LAPP fund.

Contributions for current service are recorded as expenditures in the year in which they become due.

The Town of Penhold is required to make current service contributions to the Plan 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 and past service contributions by the Town of Penhold to the LAPP in 2015 were \$221,446 (2014 - \$171,656). Total current and past service contributions by the employees of Town of Penhold to the LAPP in 2015 were \$203,394 (2014 - \$157,727).

At December 31, 2014, the LAPP disclosed an actuarial deficiency of \$2.45 billion (2013 - \$4.86 billion).

14. CONTINGENCIES

The Town is a member of the Alberta Municipal 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 of Penhold is a stakeholder in the Central Alberta Regional Waste Management Commission. The Commission's continuance as a going concern is contingent on its ability to fund post-closure costs and disbursements of the Riverview solid waste management site. In order to fund post-closure and debenture costs, the Commission expects to rely on requisitions from its member municipalities.

The Town of Penhold is one of six municipal stakeholders in the South Red Deer Regional Waste Water Commission. The Commission's continuance as a going concern is contingent on its ability to fund post-closure costs and disbursements of the regional waste water pipeline. In order to fund post-closure and debenture costs, the Commission expects to rely on requisitions from its member municipalities.

The Town has not accrued any liability for its stake in either Commission. If a liability is created, it will be recorded in the year the liability is confirmed.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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15. SEGMENTED DISCLOSURE

The Town of Penhold 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).

16. FINANCIAL INSTRUMENTS

Carrying Values

The Town's financial instruments consist of cash and temporary investments, accounts receivable, accounts payable and accrued liabilities. Unless otherwise noted, there are no significant differences between the carrying values, cost or amortized cost of these amounts and their estimated fair value due to the short term maturities of these instruments.

Credit Risk

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

Interest Rate Risk

The Town is exposed to interest rate risk on debt instruments to the extent of changes in the prime interest rate.

It is management's opinion that the Town is not exposed to significant interest or credit risks arising from these financial instruments.

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17. BUDGETED FIGURES AND COMPARATIVE INFORMATION

The unaudited budget figures are provided to present a comparison of the results for the accounting period with those originally planned. The Town did not budget for amortization and contributed assets. The reconciliation below is provided for information purposes to provide users with supplementary comparative information. It should not be used as a replacement for the consolidated statement of financial activities and accumulated surplus and users should note that this information may not be appropriate for their purposes.

	Budget (Unaudited)	2015	2014
Excess of revenue over expenses			
- Per consolidated financial statements	\$ 5,481,486	\$ 6,266,225	\$ 2,190,712
Add amortization of tangible capital assets	-	1,373,043	949,449
Add loss on disposal of tangible capital assets	-	14,516	18,592
Less contributed tangible capital assets	-	(1,581,693)	(1,222,573)
Results of operations, adjusted for non-budgeted items	\$ <u>5,481,486</u>	\$ <u>6,072,091</u>	\$ <u>1,936,180</u>

Certain prior year numbers have been reclassified to conform with the current year method of accounting for administrative allocations of revenue and expense items between programs. This reclassification does not affect net income or net assets of the prior year.

18. APPROVAL OF FINANCIAL STATEMENTS

Council and Management have approved these financial statements.