

TOWN OF MAGRATH

Financial Statements

December 31, 2017

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INDEPENDENT AUDITORS' REPORT

To The Mayor and Council of the Town of Magrath

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Town of Magrath, which comprise the statement of financial position as at December 31, 2017 and the statements of operations, changes in net financial assets and cash flows for the period 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 the 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 auditors consider 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 Magrath as at December 31, 2017, the results of its operations, change in its net financial assets and its cash flows for the period then ended in accordance with Canadian public sector accounting standards.

Lethbridge, Alberta
May 8, 2018

Chartered Accountants

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

	2017	2016 (Restated)
FINANCIAL ASSETS		
Cash and temporary investments (Note 2)	\$ 819,746	\$ 1,980,802
Receivables		
Taxes and grants in place of taxes (Note 3)	189,208	220,315
Trade and other	1,390,489	1,146,994
Land held for resale	<u>315,030</u>	<u>139,997</u>
	<u>2,714,473</u>	<u>3,488,108</u>
LIABILITIES		
Accounts payable and accrued liabilities	487,335	378,246
Deferred revenue (Note 4)	2,063,664	2,522,026
Long-term debt (Note 5)	<u>610,335</u>	<u>705,164</u>
	<u>3,161,334</u>	<u>3,605,436</u>
NET FINANCIAL ASSETS (DEBT)	<u>(446,861)</u>	<u>(117,328)</u>
NON-FINANCIAL ASSETS		
Tangible capital assets	23,048,929	20,094,655
Inventory for consumption	24,614	24,614
Prepaid expenses and deposits	<u>82,176</u>	<u>78,952</u>
	<u>23,155,719</u>	<u>20,198,221</u>
ACCUMULATED SURPLUS (Schedule 1 and Note 8)	<u>\$ 22,708,858</u>	<u>\$ 20,080,893</u>

CONTINGENCIES (Note 12)



TOWN OF MAGRATH
Consolidated Statement of Operations
For the Year Ended December 31, 2017

	Budget (Unaudited)	2017	2016 (Restated)
REVENUES			
Net municipal property taxes (Schedule 3)	\$ 1,583,104	\$ 1,597,033	\$ 1,531,531
User fees and sales of goods	1,063,936	1,158,274	1,143,809
Government transfers (Schedule 4)	423,105	324,612	327,259
Franchise and concession contracts	120,000	143,854	121,364
Other	23,066	70,865	55,164
Penalties and costs of taxes	65,000	55,835	67,915
Licenses, permits and fines	78,365	47,014	93,783
Investment income	10,103	21,988	19,239
	<u>3,366,679</u>	<u>3,419,475</u>	<u>3,360,064</u>
EXPENSES			
Water, wastewater and waste management	755,054	725,493	686,839
Roads, streets, walks, lighting	643,471	618,636	600,207
Administration	657,849	585,500	620,252
Parks and recreation	543,157	525,218	500,558
Other	236,796	256,597	239,422
Legislative	129,997	129,657	105,531
Police, fire, ambulance and bylaw enforcement	119,655	124,062	121,641
Loss on disposal of tangible capital assets	-	3,265	-
Land use planning, zoning and development	-	1,057	5,035
Amortization	-	628,611	567,902
	<u>3,085,979</u>	<u>3,598,096</u>	<u>3,447,387</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES BEFORE OTHER	280,700	(178,621)	(87,323)
OTHER			
Government transfers for capital (Schedule 3)	<u>3,912,303</u>	<u>2,806,586</u>	<u>1,764,286</u>
EXCESS OF REVENUE OVER EXPENSES	4,193,003	2,627,965	1,676,963
ACCUMULATED SURPLUS, BEGINNING OF YEAR	20,080,893	20,080,893	18,093,101
Prior period adjustment (Note 14)	-	-	310,829
ACCUMULATED SURPLUS, END OF YEAR	<u>\$ 24,273,896</u>	<u>\$ 22,708,858</u>	<u>\$ 20,080,893</u>



TOWN OF MAGRATH

Consolidated Statement of Change in Net Financial Assets (Debt) For the Year Ended December 31, 2017

	Budget (Unaudited)	2017	2016 (Restated)
EXCESS OF REVENUES OVER EXPENSES	\$ <u>4,193,003</u>	\$ <u>2,627,965</u>	\$ <u>1,676,963</u>
Acquisition of tangible capital assets	(5,470,260)	(3,676,400)	(2,448,152)
Proceeds on disposal of tangible capital assets	-	90,250	-
Amortization of tangible capital assets	-	628,611	567,902
Prior period adjustment (Note 14)	-	-	310,828
Loss on disposal of tangible capital assets	<u>-</u>	<u>3,265</u>	<u>-</u>
	<u>(5,470,260)</u>	<u>(2,954,274)</u>	<u>(1,569,422)</u>
Use (acquisition) of prepaid assets	-	(3,224)	(2,207)
(Acquisition) of supplies inventory	<u>-</u>	<u>-</u>	<u>(2,163)</u>
	<u>-</u>	<u>(3,224)</u>	<u>(4,370)</u>
(INCREASE) DECREASE IN NET DEBT	(1,277,257)	(329,533)	103,171
NET FINANCIAL ASSETS (DEBT), BEGINNING OF YEAR	<u>(117,328)</u>	<u>(117,328)</u>	<u>(220,499)</u>
NET FINANCIAL ASSETS (DEBT), END OF YEAR	\$ <u><u>(1,394,585)</u></u>	\$ <u><u>(446,861)</u></u>	\$ <u><u>(117,328)</u></u>



TOWN OF MAGRATH
Consolidated Statement of Cash Flows
For the Year Ended December 31, 2017

	2017	2016 (Restated)
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING		
Excess of revenues over expenses	\$ 2,627,965	\$ 1,676,963
Non-cash items included in excess of revenues over expenses		
Amortization of tangible capital assets	628,611	567,902
Loss on disposal of tangible capital assets	3,265	-
Non-cash charges to operations (net changes)		
(Increase) in taxes and grants in lieu receivable	31,107	38,188
(Increase) in trade and other receivables	(243,494)	(544,681)
(Increase) decrease in land held for resale	(175,033)	(98,615)
Decrease in inventory for consumption	-	(2,163)
(Increase) decrease in prepaid expenses	(3,224)	(2,207)
(Decrease) increase in accounts payable and accrued liabilities	109,088	63,341
(Decrease) increase in deferred revenue	<u>(458,362)</u>	<u>1,817,806</u>
	<u>2,519,923</u>	<u>3,516,534</u>
CAPITAL		
Acquisition of tangible capital assets	(3,676,400)	(2,448,152)
Proceeds on disposal of tangible capital assets	<u>90,250</u>	<u>-</u>
	<u>(3,586,150)</u>	<u>(2,448,152)</u>
FINANCING		
Long-term debt repaid	<u>(94,829)</u>	<u>(10,300)</u>
CHANGE IN CASH AND EQUIVALENTS DURING THE YEAR	(1,161,056)	1,058,082
CASH AND EQUIVALENTS, BEGINNING OF YEAR	<u>1,980,802</u>	<u>922,720</u>
CASH AND EQUIVALENTS, END OF YEAR (Note 2)	<u><u>\$ 819,746</u></u>	<u><u>\$ 1,980,802</u></u>





TOWN OF MAGRATH
 Schedule of Changes in Accumulated Surplus
 For the Year Ended December 31, 2017

SCHEDULE 1

	Unrestricted Surplus	Restricted Surplus	Equity in Tangible Capital Assets	2017	2016
BALANCE, BEGINNING OF THE YEAR (restated)	\$ 574,511	\$ 116,891	\$ 19,389,491	\$ 20,080,893	\$ 18,093,101
Excess (deficiency) of revenues over expenses	2,627,965	-	-	2,627,965	1,676,963
Prior period adjustment (Note 14)	-	-	-	-	310,829
Net funds restricted for future use	(51,646)	51,646	-	-	-
Current year funds used for tangible capital assets	(3,676,400)	-	3,676,400	-	-
Disposal of tangible capital assets	93,515	-	(93,515)	-	-
Annual amortization expense	628,611	-	(628,611)	-	-
Long-term debt repaid	(94,829)	-	94,829	-	-
Change in accumulated surplus	(472,784)	51,646	3,049,103	2,627,965	1,987,792
BALANCE, END OF YEAR	\$ 101,727	\$ 168,537	\$ 22,438,594	\$ 22,708,858	\$ 20,080,893



TOWN OF MAGRATH
 Schedule of Tangible Capital Assets
 For the Year Ended December 31, 2017

SCHEDULE 2

	Land	Buildings	Engineered Structures	Machinery & Equipment	Vehicles	2017	2016
COST:							
BALANCE, BEGINNING OF YEAR	\$ 1,675,985	\$ 5,675,768	\$ 20,400,390	\$ 1,997,308	\$ 271,178	\$ 30,020,629	\$ 27,572,477
Acquisition of tangible capital assets	72,500	1,000,000	789,246	261,376	-	2,123,122	1,213,926
Disposal of tangible capital assets	-	-	-	(154,800)	-	(154,800)	-
Construction in progress	-	297	1,552,981	-	-	1,553,278	1,234,226
BALANCE, END OF YEAR	<u>1,748,485</u>	<u>6,676,065</u>	<u>22,742,617</u>	<u>2,103,884</u>	<u>271,178</u>	<u>33,542,229</u>	<u>30,020,629</u>
ACCUMULATED AMORTIZATION:							
BALANCE, BEGINNING OF YEAR	-	2,049,124	6,887,383	833,454	156,013	9,925,974	9,358,072
Annual amortization	-	167,083	341,555	108,572	11,401	628,611	567,902
Accumulated amortization on disposals	-	-	-	61,285	-	61,285	-
BALANCE, END OF YEAR	-	<u>2,216,207</u>	<u>7,228,938</u>	<u>880,741</u>	<u>167,414</u>	<u>10,493,300</u>	<u>9,925,974</u>
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	<u>\$ 1,748,485</u>	<u>\$ 4,459,858</u>	<u>\$ 15,513,679</u>	<u>\$ 1,223,143</u>	<u>\$ 103,764</u>	<u>\$ 23,048,929</u>	<u>\$ 20,094,655</u>
2016 NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	<u>\$ 1,675,985</u>	<u>\$ 3,626,644</u>	<u>\$ 13,513,007</u>	<u>\$ 1,163,854</u>	<u>\$ 115,165</u>	<u>\$ 20,094,655</u>	

TOWN OF MAGRATH
Schedule of Property Taxes Levied
For the Year Ended December 31, 2017

SCHEDULE 3

	Budget (Unaudited)	2017	2016
TAXATION			
Real property taxes	\$ 2,087,346	\$ 2,096,180	\$ 2,023,032
Special assessment and local improvement taxes	-	3,408	3,408
Linear property taxes	<u>35,290</u>	<u>36,977</u>	<u>40,200</u>
	<u>2,122,636</u>	<u>2,136,565</u>	<u>2,066,640</u>
REQUISITIONS			
Alberta School Foundation Fund	499,449	499,449	495,830
Seniors foundation	<u>40,083</u>	<u>40,083</u>	<u>39,279</u>
	<u>539,532</u>	<u>539,532</u>	<u>535,109</u>
NET MUNICIPAL PROPERTY TAXES	\$ <u>1,583,104</u>	\$ <u>1,597,033</u>	\$ <u>1,531,531</u>



TOWN OF MAGRATH
Schedule of Government Transfers
For the Year Ended December 31, 2017

SCHEDULE 4

	Budget (Unaudited)	2017	2016
TRANSFERS FOR OPERATIONS			
Federal Government	\$ -	\$ 26,007	\$ -
Provincial Government	252,603	252,603	281,757
Other Local Governments	<u>45,502</u>	<u>46,002</u>	<u>45,502</u>
	<u>298,105</u>	<u>324,612</u>	<u>327,259</u>
TRANSFERS FOR CAPITAL			
Federal Government	173,345	142,112	85,819
Provincial Government	3,637,958	2,519,474	1,553,467
Other Local Governments	<u>125,000</u>	<u>145,000</u>	<u>125,000</u>
	<u>3,936,303</u>	<u>2,806,586</u>	<u>1,764,286</u>
	<u>\$ 4,234,408</u>	<u>\$ 3,131,198</u>	<u>\$ 2,091,545</u>



TOWN OF MAGRATH**Schedule of Consolidated Expenditures by Object
For the Year Ended December 31, 2017****SCHEDULE 5**

	Budget (Unaudited)	2017	2016 (Restated)
EXPENDITURES			
Salaries, wages and benefits	\$ 1,405,763	\$ 1,309,427	\$ 1,237,511
Materials, goods, and utilities	1,015,160	1,094,296	1,013,416
Contracted and general services	537,852	442,561	502,881
Transfers to local boards and agencies	71,960	78,373	76,701
Interest on long-term debt	47,744	32,310	40,206
Bank charges and short-term interest	7,500	9,253	8,770
Amortization	-	628,611	567,902
Loss on disposal of tangible capital assets	-	3,265	-
TOTAL EXPENDITURES	\$ <u>3,085,979</u>	\$ <u>3,598,096</u>	\$ <u>3,447,387</u>





TOWN OF MAGRATH
 Schedule of Segmented Disclosure
 For the Year Ended December 31, 2017

SCHEDULE 6

	General Government	Protective Services	Transportation Services	Planning & Development	Recreation & Culture	Environmental Services	Total
REVENUE							
Net municipal taxes	\$ 1,593,625	\$ -	\$ 3,408	\$ -	\$ -	\$ -	\$ 1,597,033
Government transfers	-	500	1,957,593	-	1,173,105	-	3,131,198
User fees and sales of goods	-	-	-	-	125,924	1,032,350	1,158,274
Investment income	21,988	-	-	-	-	-	21,988
Contributed assets	-	-	-	-	-	-	-
Other revenue	<u>218,012</u>	<u>32,508</u>	<u>-</u>	<u>57,919</u>	<u>2,729</u>	<u>6,400</u>	<u>317,568</u>
	<u>1,833,625</u>	<u>33,008</u>	<u>1,961,001</u>	<u>57,919</u>	<u>1,301,758</u>	<u>1,038,750</u>	<u>6,226,061</u>
EXPENSES							
Contracted and general services	220,971	72,862	34,506	1,057	30,275	82,890	442,561
Salaries and wages	411,224	43,924	247,621	-	428,247	178,411	1,309,427
Goods and supplies	67,752	7,276	336,509	-	250,877	431,882	1,094,296
Transfers to local boards	5,957	-	-	-	72,416	-	78,373
Long-term debt interest	-	-	-	-	-	32,310	32,310
Other expenses	<u>9,253</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,265</u>	<u>-</u>	<u>12,518</u>
	<u>715,157</u>	<u>124,062</u>	<u>618,636</u>	<u>1,057</u>	<u>785,080</u>	<u>725,493</u>	<u>2,969,485</u>
NET REVENUE BEFORE AMORTIZATION	1,118,468	(91,054)	1,342,365	56,862	516,678	313,257	3,256,576
Amortization expense	<u>2,254</u>	<u>11,586</u>	<u>273,212</u>	<u>-</u>	<u>119,908</u>	<u>221,651</u>	<u>628,611</u>
NET REVENUE	<u>\$ 1,116,214</u>	<u>\$ (102,640)</u>	<u>\$ 1,069,153</u>	<u>\$ 56,862</u>	<u>\$ 396,770</u>	<u>\$ 91,606</u>	<u>\$ 2,627,965</u>

TOWN OF MAGRATH

Notes to Financial Statements

For the Year Ended December 31, 2017

1. Significant Accounting Policies

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

a) Reporting Entity -

The consolidated financial statements reflect the assets, liabilities, revenues and expenditures, changes in fund balances and change in financial position of the reporting entity. 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.

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.

b) Basis of Accounting -

The financial statements are prepared using the accrual basis of accounting. The accrual basis of accounting records revenue as it is earned and measurable. Expenses are recognized as they are incurred and measurable based upon receipt of goods or services and/or the legal obligation to pay.

Funds from external parties and earnings thereon restricted by agreement or legislation are accounted for as deferred revenue until used for the purpose specified.

Government transfers, contributions and other amounts are received from third parties pursuant to legislation, regulation or agreement and may only be used for certain programs, in the completion of specific work, or for the purchase of tangible capital assets. In addition, certain user charges and fees are collected for which the related services have yet to be performed. Revenue is recognized in the period when the related expenses are incurred, services performed or the tangible capital assets are acquired.

c) Use of Estimates -

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

d) 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 levelling 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.



TOWN OF MAGRATH
Notes to Financial Statements
For the Year Ended December 31, 2017

1. Significant Accounting Policies (continued)

e) 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 borrowing, the deferred revenue is amortized to revenue by an amount equal to the debt repayment.

f) 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.

g) Tax Revenues -

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.

h) Non-Financial Assets -

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

1) 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:

	<u>YEARS</u>
Land Improvements	15-20
Buildings	25-50
Engineered Structures	
Water System	35-70
Wastewater System	35-70
Other Engineered Structures	15-40
Machinery and Equipment	5-20
Vehicles	5-20

A full year of amortization is charged in the year of acquisition and no amortization is charged in the year of disposal. Assets under construction are not amortized until the asset is available for productive use.



TOWN OF MAGRATH
Notes to Financial Statements
For the Year Ended December 31, 2017

1. Significant Accounting Policies (continued)

2) 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.

3) Inventories -

Inventories held for consumption are recorded at the lower of cost or replacement cost.

2. Cash and Temporary Investments

	2017	2016
	<u> </u>	<u> </u>
Cash on hand	\$ 400	\$ 400
Cash	266,254	1,432,872
Temporary Investments	<u>553,092</u>	<u>547,530</u>
	<u>\$ 819,746</u>	<u>\$ 1,980,802</u>

The town has a demand line of credit with 1st Choice Savings & Credit Union with an authorized limit of \$450,000 which bears interest at the prime rate plus 1%. None was being used at year-end. Security pledged consists of an assignment of property taxes.

Temporary investments are short and long-term deposits with interest rates of 1.00% to 1.50% (2016 - 1.00% to 1.25%) and mature from February, 2018 to November, 2018.

3. Taxes and Grants in Place of Taxes Receivables

	2017	2016
	<u> </u>	<u> </u>
Current taxes and grants in place of taxes	\$ 130,203	\$ 149,627
Arrears taxes	<u>59,005</u>	<u>70,688</u>
	<u>\$ 189,208</u>	<u>\$ 220,315</u>

4. Deferred Revenue

	2017	2016
	<u> </u>	<u> </u>
Alberta Community Resilience Grant	\$ 1,718,664	\$ 2,142,397
Alberta Community Partnership Grants	345,000	345,000
Agrium Grant	<u>-</u>	<u>34,629</u>
	<u>\$ 2,063,664</u>	<u>\$ 2,522,026</u>



TOWN OF MAGRATH
Notes to Financial Statements
For the Year Ended December 31, 2017

5. Long-term Debt

	2017	2016 (Restated)
Bank loans	\$ 474,882	\$ 552,949
Self-supported debentures	<u>135,453</u>	<u>152,215</u>
	<u>\$ 610,335</u>	<u>\$ 705,164</u>

The current portion of long-term amounts to \$65,937, (2016 - \$116,040)

Principle and interest repayments are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
	\$	\$	\$
2018	65,937	29,764	95,701
2019	69,528	26,173	95,701
2020	73,331	22,370	95,701
2021	61,733	18,341	80,074
2022	64,642	15,432	80,074
Thereafter	<u>275,164</u>	<u>32,050</u>	<u>307,214</u>
	<u>\$ 610,335</u>	<u>\$ 144,130</u>	<u>\$ 754,465</u>

Debenture debt is repayable to the Alberta Capital Finance Authority and bears interest at rates ranging from 4.365 % to 9.875% per annum, before provincial subsidy and matures in periods 2017 to 2027. For qualifying debentures, the Province of Alberta rebates 60% of interest in excess of 8%, 9%, and 11% to a maximum annual rate of 12.5%, depending on the date borrowed. Debenture debt is issued on the credit and security of the Town of Magrath at large.

Other debenture debt is repayable to 1st Choice Savings and Credit Union, bearing interest between 4.50% per annum and matures in 2024.

Interest on long-term debt amounted to \$32,310 (2016 - \$40,206).



TOWN OF MAGRATH
Notes to Financial Statements
For the Year Ended December 31, 2017

6. 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 be disclosed as follows:

	2017	2016 (Restated)
Total debt limit	\$ 5,129,213	\$ 5,040,096
Total debt	<u>610,335</u>	<u>705,164</u>
Total unused debt limit	<u>\$ 4,518,878</u>	<u>\$ 4,334,932</u>
Service on debt limit	\$ 854,869	\$ 840,016
Service on debt	<u>95,701</u>	<u>260,494</u>
Amount of unused service on debt	<u>\$ 759,168</u>	<u>\$ 579,522</u>

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

7. Equity in Capital Assets

	2017	2016 (Restated)
Capital assets (Schedule 2)	\$ 33,542,229	\$ 30,020,629
Accumulated amortization (Schedule 2)	(10,493,300)	(9,925,974)
Long-term debt (Note 5)	<u>(610,335)</u>	<u>(705,164)</u>
	<u>\$ 22,438,594</u>	<u>\$ 19,389,491</u>

8. Accumulated Surplus

	2017	2016 (Restated)
Unrestricted surplus	\$ 101,727	\$ 574,511
Restricted surplus:		
Capital reserves		
Parks & Recreation	168,537	116,891
Equity in tangible capital assets	<u>22,438,594</u>	<u>19,389,491</u>
	<u>\$ 22,708,858</u>	<u>\$ 20,080,893</u>



TOWN OF MAGRATH

Notes to Financial Statements

For the Year Ended December 31, 2017

9. Segmented Disclosure

The Town of Magrath 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).

10. Salary and Benefits Disclosure

Disclosure of salaries and benefits for town officials, the chief administrative officer and designated officers as required by Alberta Regulation 313/2000 is as follows:

	Salary (1)	Benefits & Allowances (2)	2017 Total	2016 Total
	\$	\$	\$	\$
Mayor - Russ Barnett	11,800	-	11,800	11,800
Councilor - Brenda Beck	10,100	-	10,100	11,200
- Gerry Baril	7,342	-	7,342	10,000
- DeVar Dahl	8,700	-	8,700	9,600
- Craig Godlonton	10,100	-	10,100	11,000
- Brian Oliver	13,400	-	13,400	11,500
- Richard Van Ee	10,200	-	10,200	10,900
- Fernando Morales Llan	2,558	-	2,558	-
Designated officer - CAO	96,905	15,429	112,334	109,015

- (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, accident disability and dismemberment insurance, long and short term disability plans, professional memberships and tuition.

Benefits and allowances figures also include the employer's share of the costs of additional taxable benefits including special leave with pay, car and travel allowances, conferences, and memberships.

11. 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 Canadian Pension Plan and 15.84% on pensionable earnings above this amount.



TOWN OF MAGRATH

Notes to Financial Statements

For the Year Ended December 31, 2017

11. Local Authorities Pension Plan (continued)

Total current service contributions by the town to the LAPP in 2017 were \$77,812 (2016 - \$77,668). Total current service contributions by the employees of the town to the LAPP in 2017 were \$71,486 (2016 - \$71,317).

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

12. Contingencies

The town is a member of the Alberta Municipal Insurance Exchange (MUNIX). Under the terms of the 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.

13. Financial Instruments

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

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.

Unless otherwise noted, the carrying value of the financial instrument approximates fair value.

14. Prior Period Adjustment

The prior periods have been adjusted to reflect a loan that the Magrath & District Regional Water Service Commission was to assume from the Town related to amounts owing for the water treatment plant asset previously transferred to the Water Service Commission. The effect on the prior period balances includes an increase to "Trade and Other Receivables" of \$100,777, a decrease to "Accounts payable and accrued liabilities" of \$10,376, a decrease to "Long-Term Debt" of \$211,734, a decrease to "Interest on long-term debt" expense and an increase to "Excess (shortfall) of revenues over expenses" of \$12,059 and an increase in "Accumulated Surplus" of \$310,828.

15. Approval of Financial Statements

Council and Management have approved these financial statements.

