



TOWN OF NANTON

**CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2015**

TOWN OF NANTON
CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2015

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Town of Nanton

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Management's Responsibility for Reporting

Town of Nanton's management is responsible for the preparation, accuracy, objectivity, and integrity of the accompanying consolidated financial statements and the notes thereto. Management believes that the consolidated financial statements present fairly the Town's financial position as at December 31, 2015 and the results of its operations for the year then ended.

The consolidated financial statements have been prepared in accordance with Canadian public sector accounting standards. The consolidated financial statements include certain amounts based on estimates and judgments. Such amounts have been determined on a reasonable basis in order to ensure that the consolidated financial statements are presented fairly in all material respects.

In fulfilling its responsibilities and recognizing the limits inherent in all systems, management has designed and maintains a system of internal controls to produce reliable information to meet reporting requirements. The system is designed to provide management with reasonable assurance that transactions are properly authorized, reliable financial records are maintained, and assets are properly accounted for and safeguarded.

The Town Council is responsible for overseeing management in the performance of its reporting responsibilities, and for approving the consolidated financial statements. Council fulfils these responsibilities by reviewing the financial information prepared by management and discussing relevant matters with management and external auditors. Council is also responsible for recommending the appointment of the Town's external auditors.

The consolidated financial statements have been audited by the independent firm of BDO Canada LLP. Their report to the Members of Council of the Town of Nanton, stating the scope of their examination and opinion on the financial statements, follow.

Kevin Miller - Chief Administrative Officer
April 4, 2016



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BDO Canada LLP
600 Lethbridge Centre Tower
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Independent Auditor's Report

To the Mayor and Members of Council of Town of Nanton

We have audited the accompanying consolidated financial statements of the Town of Nanton, which comprise the statement of financial position as at December 31, 2015, and the 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 Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Town of Nanton as at December 31, 2015 and 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.

Other Matters

The consolidated financial statements of Town of Nanton for the year ended December 31, 2014 were audited by another auditor who expressed an unmodified opinion on those financial statements on April 23, 2015.

BDO Canada LLP

Chartered Professional Accountants

Lethbridge, Alberta

April 4, 2016

TOWN OF NANTON
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2015

	<u>2015</u>	<u>2014</u>
	\$	\$
FINANCIAL ASSETS		
Cash and temporary investments (note 2)	4,581,115	4,216,916
Receivables		
Taxes and grants in place of taxes (note 3)	202,247	163,431
Trade and other receivables	696,890	469,281
Due from other governments	428,567	144,132
Land held for resale	280,748	288,497
Investments (note 4)	643,602	652,656
	<u>6,833,169</u>	<u>5,934,913</u>
 LIABILITIES		
Accounts payable and accrued liabilities (note 5)	680,630	387,092
Deposit liabilities	141,613	68,720
Deferred revenue (note 6)	1,593,477	1,642,526
Long term debt (note 8)	1,773,348	2,066,604
	<u>4,189,068</u>	<u>4,164,942</u>
 NET FINANCIAL ASSETS	<u>2,644,101</u>	<u>1,769,971</u>
 NON - FINANCIAL ASSETS		
Tangible capital assets (schedule 2)	27,202,705	25,245,305
Prepaid expenses	116,099	153,832
Inventory for consumption	6,037	1,199
	<u>27,324,841</u>	<u>25,400,336</u>
 ACCUMULATED SURPLUS (schedule 1, note 11)	<u>29,968,942</u>	<u>27,170,307</u>

Commitments & Contingencies - see notes 16 & 17

APPROVED BY:

The image shows several handwritten signatures in black ink. One signature is written over the 'APPROVED BY:' text. Below it, there are several horizontal lines, some of which are crossed out with diagonal lines, suggesting a signature block or a set of initials.

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

	Budget \$ (note 12)	2015 \$	2014 \$
REVENUE			
Net municipal taxes (schedule 3)	2,523,677	2,518,939	2,483,702
User fees and sales of goods	1,083,137	1,786,663	1,128,503
Penalties and cost of taxes	46,407	44,018	41,728
Government transfers (schedule 4)	167,921	170,377	132,821
Fines	50,800	50,982	63,136
Franchise and concession contracts	130,000	148,491	141,862
Investment income	40,000	53,420	56,340
Rentals	171,025	176,331	192,788
Licenses and permits	41,250	72,711	50,532
Other	111,100	470,963	613,879
TOTAL REVENUE	4,365,317	5,492,895	4,905,291
EXPENSES			
Legislative	156,401	128,640	158,389
General administration	640,950	628,174	587,888
Fire	167,100	202,280	192,912
Municipal enforcement and disaster	262,163	157,650	277,014
Common services	229,769	290,402	430,849
Roads, streets, walks, lighting	250,000	425,565	421,511
Water supply and distribution	407,351	754,566	654,036
Waste water treatment and disposal	563,342	886,384	1,073,981
Waste management	140,500	142,380	139,021
Recycling	85,875	115,171	76,946
Marketing and communications	154,114	143,543	133,474
Cemetery	49,230	22,439	41,245
Land use, planning, zoning and development	227,050	230,684	303,449
Parks and recreation	701,221	768,510	932,006
Culture	67,270	68,992	67,509
FCSS and public health	65,661	91,181	92,304
TOTAL EXPENSES	4,167,997	5,056,561	5,582,534
EXCESS OF REVENUE OVER EXPENSES - BEFORE OTHER	197,320	436,334	(677,243)
OTHER			
Government transfers for capital (schedule 4)	11,203,000	2,362,301	807,888
EXCESS OF REVENUE OVER EXPENSES	11,400,320	2,798,635	130,645
ACCUMULATED SURPLUS, BEGINNING OF YEAR	27,170,307	27,170,307	27,039,662
ACCUMULATED SURPLUS, END OF YEAR	38,570,627	29,968,942	27,170,307

The accompanying notes and supporting schedules to which the financial statements are cross-referenced are an integral part of these financial statements.

TOWN OF NANTON
CONSOLIDATED STATEMENT OF CHANGES IN NET FINANCIAL ASSETS
YEAR ENDED DECEMBER 31, 2015

	Budget \$	2015 \$	2014 \$
EXCESS OF REVENUES OVER EXPENSES	<u>11,400,320</u>	<u>2,798,635</u>	<u>130,645</u>
Acquisition of tangible capital assets	(15,868,100)	(2,834,455)	(1,206,992)
Proceeds on disposal of tangible capital assets	-	46,856	61,461
Amortization of tangible capital assets	-	840,318	814,476
Gain on disposal of tangible capital assets	-	(10,119)	(61,461)
	<u>(15,868,100)</u>	<u>(1,957,400)</u>	<u>(392,516)</u>
Acquisition of supplies inventories	-	(6,037)	(1,199)
Acquisition of prepaid expenses	-	(116,099)	(153,832)
Use of supplies inventories	-	1,199	-
Use of prepaid assets	-	153,832	21,389
	<u>-</u>	<u>32,895</u>	<u>(133,642)</u>
INCREASE (DECREASE) IN NET FINANCIAL ASSETS	<u>(4,467,780)</u>	<u>874,130</u>	<u>(395,513)</u>
NET FINANCIAL ASSETS, BEGINNING OF YEAR	<u>1,769,971</u>	<u>1,769,971</u>	<u>2,165,484</u>
NET FINANCIAL ASSETS, END OF YEAR	<u><u>(2,697,809)</u></u>	<u><u>2,644,101</u></u>	<u><u>1,769,971</u></u>

The accompanying notes and supporting schedules to which the financial statements are cross-referenced are an integral part of these financial statements.

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

	<u>2015</u>	<u>2014</u>
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING		
Excess of revenue over expenses	2,798,635	130,645
Non-cash items included in excess (shortfall) of revenue over expenses:		
Amortization	840,318	814,476
Gain on disposal of tangible capital assets	(10,119)	(61,461)
Non-cash charges to operations (net change):		
Decrease (increase) in taxes and grants in place receivable	(38,816)	491
Decrease (increase) in trade and other receivables	(227,609)	(266,929)
Decrease (increase) in due from other governments	(284,435)	100,015
Decrease (increase) in land for resale	7,749	7,329
Decrease (increase) in investments	9,054	(66,371)
Decrease (increase) in inventory	(4,838)	(1,199)
Decrease (increase) in prepaid expenses	37,733	(132,441)
Increase (decrease) in accounts payable and accrued liabilities	293,535	181,268
Increase (decrease) in deposit liabilities	72,893	(17,553)
Increase (decrease) in deferred revenue	(49,049)	645,491
	<u>3,445,051</u>	<u>1,333,761</u>
CAPITAL		
Acquisition of capital assets	(2,834,455)	(1,206,992)
Proceeds on disposal of tangible capital assets	46,859	61,461
	<u>(2,787,596)</u>	<u>(1,145,531)</u>
FINANCING		
Long-term debt repaid	(293,256)	(279,803)
	<u>(293,256)</u>	<u>(279,803)</u>
CHANGE IN CASH AND EQUIVALENTS DURING THE YEAR	364,199	(91,573)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	4,216,916	4,308,489
CASH AND CASH EQUIVALENTS, END OF YEAR	4,581,115	4,216,916

The accompanying notes and supporting schedules to which the financial statements are cross-referenced are an integral part of these financial statements.

TOWN OF NANTON
SCHEDULE OF CHANGES IN ACCUMULATED SURPLUS
YEAR ENDED DECEMBER 31, 2015
SCHEDULE 1

	Unrestricted Surplus	Restricted Surplus	Equity in Tangible Capital	2015 \$	2014 \$
BALANCE, BEGINNING OF YEAR	554,308	3,437,302	23,178,697	27,170,307	27,039,662
Excess of revenues over expenses	2,798,635	-	-	2,798,635	130,645
Unrestricted funds designated for future use	(932,217)	932,217	-	-	-
Restricted funds used for operation	2,095	(2,095)	-	-	-
Restricted funds used for tangible capital assets	-	(423,343)	423,343	-	-
Current year funds used for tangible capital assets	(2,374,379)	-	2,374,379	-	-
Annual amortization expense	840,318	-	(840,318)	-	-
Long-term debt repaid	(293,256)	-	293,256	-	-
Change in accumulated surplus	41,196	506,779	2,250,660	2,798,635	130,645
BALANCE, END OF YEAR	595,504	3,944,081	25,429,357	29,968,942	27,170,307

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

TOWN OF NANTON
SCHEDULE OF TANGIBLE CAPITAL ASSETS
YEAR ENDED DECEMBER 31, 2015
SCHEDULE 2

	Land	Land Improvements	Buildings	Road & Streets	Engineered Structures		Machinery and Equipment	Vehicles	2015	2014
					Water System	Waste System			\$	\$
COST										
BALANCE, BEGINNING OF YEAR	753,389	307,173	6,488,945	9,214,233	12,158,503	9,149,480	2,303,399	1,531,455	41,906,577	40,737,617
Acquisition of tangible capital assets	-	17,396	205,473	-	-	-	85,839	-	308,708	1,206,992
Construction-in-progress	-	-	-	776,847	1,284,162	464,738	-	-	2,525,747	-
Disposition of tangible capital assets	-	-	-	-	-	-	(40,818)	(2)	(40,820)	(38,032)
BALANCE, END OF YEAR	753,389	324,569	6,694,418	9,991,080	13,442,665	9,614,218	2,348,420	1,531,453	44,700,212	41,906,577
ACCUMULATED AMORTIZATION										
BALANCE, BEGINNING OF YEAR	-	81,432	2,518,564	5,298,374	3,419,802	2,963,957	1,470,159	908,984	16,661,272	15,884,832
Annual amortization	-	19,647	121,132	201,173	218,431	116,767	84,030	79,138	840,318	814,476
Accumulated amortization on disposal	-	-	-	-	-	-	(4,081)	(2)	(4,083)	(36,036)
BALANCE, END OF YEAR	-	101,079	2,639,696	5,499,547	3,638,233	3,080,724	1,550,108	988,120	17,497,507	16,661,272
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	753,389	223,490	4,054,722	4,491,533	9,804,432	6,533,494	798,312	543,333	27,202,705	25,245,305
2014 NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	753,389	225,741	3,970,381	3,915,859	8,738,701	6,185,523	833,240	622,471	25,245,305	

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

TOWN OF NANTON
SCHEDULE OF PROPERTY AND OTHER TAXES
YEAR ENDED DECEMBER 31, 2015
SCHEDULE 3

	Budget	2015	2014
	\$	\$	\$
TAXATION			
Real property taxes	3,229,189	3,225,355	3,181,208
Linear property taxes	59,159	59,158	58,023
Government grants in place of property taxes	19,731	18,825	18,525
Special assessments and local improvement taxes	6,800	6,803	6,803
	<u>3,314,879</u>	<u>3,310,141</u>	<u>3,264,559</u>
REQUISITIONS			
Alberta School Foundation Fund	700,792	700,792	713,847
Seniors' Lodge	90,410	90,410	67,010
	<u>791,202</u>	<u>791,202</u>	<u>780,857</u>
NET MUNICIPAL TAXES	<u>2,523,677</u>	<u>2,518,939</u>	<u>2,483,702</u>

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

TOWN OF NANTON
SCHEDULE OF GOVERNMENT TRANSFERS
YEAR ENDED DECEMBER 31, 2015
SCHEDULE 4

	Budget \$	2015 \$	2014 \$
TRANSFERS FOR OPERATING			
Provincial Government	85,421	88,775	55,471
Other Local Governments	82,500	81,602	77,350
	<u>167,921</u>	<u>170,377</u>	<u>132,821</u>
TRANSFERS FOR CAPITAL			
Provincial Government	11,203,000	2,362,301	702,888
Other Local Governments	-	-	105,000
	<u>11,203,000</u>	<u>2,362,301</u>	<u>807,888</u>
TOTAL GOVERNMENT TRANSFERS	<u>11,370,921</u>	<u>2,532,678</u>	<u>940,709</u>

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

TOWN OF NANTON
SCHEDULE OF CONSOLIDATED EXPENSES BY OBJECT
YEAR ENDED DECEMBER 31, 2015
SCHEDULE 5

EXPENSES	Budget \$	2015 \$	2014 \$
Salaries, wages and benefits	1,863,617	1,726,001	1,903,151
Contracted and general services	1,361,874	1,622,831	1,954,942
Materials, goods and utilities	707,950	659,974	685,344
Transfers to local boards and agencies	115,671	116,363	119,417
Bank charges and short-term interest	1,500	1,551	1,851
Interest on long-term debt	92,483	88,898	102,361
Other expenses	24,902	625	992
Amortization of tangible capital assets	-	840,318	814,476
	4,167,997	5,056,561	5,582,534

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

TOWN OF NANTON
SCHEDULE OF CONSOLIDATED SEGMENT DISCLOSURE
YEAR ENDED DECEMBER 31, 2015
SCHEDULE 6

	General Government	Protective Services	Transportation Services	Planning and Development	Recreation and Culture	Environmental Services	Other	Total \$
REVENUE								
Net municipal taxes	2,518,939	-	-	-	-	-	-	2,518,939
Government transfers	59,672	17,601	505,172	277,675	231,991	1,437,567	3,000	2,532,678
User fees and sales of goods	9,690	9,492	7,368	650,056	8,569	1,087,883	13,605	1,786,663
Investment income	53,420	-	-	-	-	-	-	53,420
Other revenues	252,205	150,964	2,954	54,339	144,258	358,776	-	963,496
	2,893,926	178,057	515,494	982,070	384,818	2,884,226	16,605	7,855,196
EXPENSES								
Contract / general services	255,659	108,996	52,372	145,725	164,017	894,539	1,525	1,622,833
Salaries and wages	475,706	139,515	200,367	141,863	333,708	415,866	18,976	1,726,001
Goods and supplies	29,035	40,820	207,632	4,110	146,574	230,868	933	659,972
Transfers to local boards	71,817	-	-	4,226	40,320	-	-	116,363
Long-term debt interest	-	-	-	77,468	-	11,430	-	88,898
Other expenses	2,179	-	-	-	-	-	-	2,179
	834,396	289,331	460,371	373,392	684,619	1,552,703	21,434	4,216,246
NET REVENUE, BEFORE AMORTIZATION	2,059,530	(111,274)	55,123	608,678	(299,801)	1,331,523	(4,829)	3,638,950
Amortization expense	13,599	70,599	255,596	835	152,883	345,798	1,005	840,315
NET REVENUE	2,045,931	(181,873)	(200,473)	607,843	(452,684)	985,725	(5,834)	2,798,635

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

TOWN OF NANTON
SCHEDULE OF CONSOLIDATED SEGMENT DISCLOSURE
YEAR ENDED DECEMBER 31, 2014
SCHEDULE 6

	General Government	Protective Services	Transportation Services	Planning and Development	Recreation and Culture	Environmental Services	Other	Total \$
REVENUE								
Net municipal taxes	2,483,702	-	-	-	-	-	-	2,483,702
Government transfers	14,675	213,350	210,427	21,401	318,201	159,655	3,000	940,709
User fees and sales of goods	3,539	9,954	150	147,826	27,235	925,269	14,530	1,128,503
Investment income	56,340	-	-	-	-	-	-	56,340
Other revenues	410,181	208,473	5,270	96,902	193,441	189,146	512	1,103,925
	2,968,437	431,777	215,847	266,129	538,877	1,274,070	18,042	5,713,179
EXPENSES								
Contract and general services	279,370	104,527	60,112	200,243	228,717	1,081,224	749	1,954,942
Salaries and wages	431,969	246,514	358,587	146,220	396,708	284,594	38,559	1,903,151
Goods and supplies	32,655	71,179	180,000	1,217	179,870	219,492	931	685,344
Transfers to local boards	79,947	-	-	-	39,470	-	-	119,417
Long-term debt interest	-	-	-	88,408	-	13,953	-	102,361
Other expenses	2,843	-	-	-	-	-	-	2,843
	826,784	422,220	598,699	436,088	844,765	1,599,263	40,239	4,768,058
NET REVENUE, BEFORE AMORTIZATION	2,141,653	9,557	(382,852)	(169,959)	(305,888)	(325,193)	(22,197)	945,121
Amortization expense	11,797	47,706	253,661	835	154,750	344,721	1,006	814,476
NET REVENUE	2,129,856	(38,149)	(636,513)	(170,794)	(460,638)	(669,914)	(23,203)	130,645

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

TOWN OF NANTON
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

1. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements of Town of Nanton are the representations of management prepared in accordance with generally accepted accounting principals 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 Town of Nanton are as follows:

a) Reporting Entity

The consolidated financial statements reflect the assets, liabilities, revenues and expenses, changes in net financial assets and cash flows of the reporting entity. This entity is comprised of the Town operations plus all of the organizations that are owned or controlled by the Town and are, therefore, accountable to Town council for the administration of their financial affairs and resources. They include the following:

Nanton Fire Department
Nanton Family & Community Support Services
Thelma Fanning Memorial Library
Nanton Health Centre Management Committee

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 have been 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 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 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 the date of the financial statements, and the reported amounts of revenue and expenses 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.

TOWN OF NANTON
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

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

d) Cash and cash equivalents

Cash and cash equivalents include cash and investments that are readily convertible to known amounts of cash and that are subject to an insignificant risk of change in value. These short-term investments generally have a maturity of three months or less at acquisition, or are redeemable, and are held for the purpose of meeting short-term cash commitments rather than for investing.

e) 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 investment. 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.

f) Land Held for Resale

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

g) Requisition Over-levy and Under-levy

Over-levies and under-levies arise from the difference between the actual property tax levy made to cover each requisition and the actual amount requisitioned.

If the actual levy exceeds the requisition, the over-levy is accrued as a liability and property tax revenue is reduced. Where the actual levy is less than the requisition amount, the under-levy is accrued as a receivable and as property tax revenue.

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

h) 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.

i) Government Transfers

Government transfers are the transfers 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 as revenue in the financial statements when the transfer is authorized and any eligibility criteria are met, except to the extent that transfer stipulations give rise to an obligation that meets the definition of a liability. Transfers are recognized as deferred revenue when stipulations give rise to a liability. Transfer revenue is recognized in the statement of operations as the stipulation liabilities are settled.

TOWN OF NANTON
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

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

j) 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 (deficiency) of revenue over expenses, provides the consolidated Change in Net Financial Assets for the year.

i. **Tangible Capital Assets**

Tangible capital assets are recorded at cost which includes all amounts that are directly attributed to acquisition, construction, development or betterment of the asset. The cost, less residual value, of the tangible capital assets is amortized on a straight-line basis over the estimated useful life as follows:

	Years
Buildings	15-50
Engineered structures	
Roads	15-30
Water systems	45-75
Wastewater systems	40-75
Land improvements	10-20
Machinery and equipment	3-30
Vehicles	10

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

ii. **Contributions on Tangible Capital Assets**

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

iii. **Leases**

Leases are classified as capital or operating leases. Leases which transfer substantially all of the benefits and risks incidental to ownership of property are accounted for as capital leases. All other leases are accounted for as operating leases and the related lease payments are charged to expenses as incurred.

iv. **Inventories**

Inventories held for consumption are recorded at the lower of cost and replacement cost, with cost determined by the average cost method, except for gravel and fuel which is determined by the first-in, first-out method.

k) Financial Instruments

Unless otherwise noted, the fair value of the financial instrument approximates their carrying value and it is management's opinion that the Town is not exposed to significant interest, currency or credit risk arising from financial instruments.

TOWN OF NANTON
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

k) Financial Instruments (continued)

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.

l) 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.

2. CASH AND TEMPORARY INVESTMENTS

	2015 \$	2014 \$
Cash	2,581,115	516,916
Temporary investments	2,000,000	3,700,000
	4,581,115	4,216,916

Included in cash are savings accounts which bear interest between 1.55% and 1.65%.

Temporary investments consist of term deposits with maturities of one year or less or are redeemable. The term deposits bear interest between 0.35% and 1.20% with maturity dates of January 2016.

	2015 \$	2014 \$
Restricted cash, temporary and long term investments		
NHCMC	30,370	32,165
Restricted reserves	3,944,082	3,437,302
Deferred revenue	1,593,477	1,642,526
Deposits and other	141,613	68,720
	5,709,542	5,180,713

TOWN OF NANTON
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

3. RECEIVABLES	2015	2014
	\$	\$
Current taxes and grants in place of taxes	170,504	83,644
Arrears taxes	31,743	79,787
	<u>202,247</u>	<u>163,431</u>

The Town's exposure to credit risk arises from the possibility that taxpayers may fail to meet their obligations. Taxes and grants in lieu receivable includes \$86,910 due from two taxpayers. The Town manages this risk by following the methods of recovering taxes in arrears as prescribed in section 411 of the Municipal Government Act, which includes the right of the Town to offer up for sale at a public auction those properties with taxes in arrears.

4. INVESTMENTS	2015 - \$		2014
	Market Value	Amortized Cost	\$
Investment shares	89	90	83
Investments - BMO Nesbitt Burns	681,335	643,512	652,573
	<u>681,424</u>	<u>643,602</u>	<u>652,656</u>

The investments with BMO - Nesbitt Burns include corporate bonds with an effective interest rate of 2.59%, maturing 2022; strips and coupons with an effective interest rate between 2.66% and 3.05%, maturing between 2018 and 2024.

5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Included in accounts payable and accrued liabilities are employee benefit obligations (accrued wages and vacation) of \$109,608 (2014 - \$103,566). Employees have either earned the benefits or are entitled to these within the next budgetary year.

6. DEFERRED REVENUE

	2015	2014
	\$	\$
Municipal Sustainability Initiative - Capital	1,250,327	1,176,970
Municipal Sustainability Initiative - Operating	26,831	25,095
Alberta Community Resilience	246,048	-
Federal Gas Tax Fund	12,453	351,864
Nanton Physician Recruitment	19,233	9,494
RCP	-	90,194
DRP	-	(22,086)
Miscellaneous	2,635	9,995
Lot sales deposits	35,950	1,000
	<u>1,593,477</u>	<u>1,642,526</u>

TOWN OF NANTON
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

6. DEFERRED REVENUE (CONTINUED)

Municipal Sustainability Initiative - Capital

The Province provides conditional grant funding through this program to assist with various capital expenditures in the Town. The use of these funds is restricted to eligible expenditures as approved under the funding agreement.

Municipal Sustainability Initiative - Operating

The Province provides conditional grant funding through this program to assist with various operating expenditures in the Town. The use of these funds is restricted to eligible expenditures as approved under the funding agreement.

Alberta Community Resilience

This Provincial grant is restricted to eligible expenditures as approved under the funding agreement.

Federal Gas Tax Fund

This Government of Alberta Transportation grant is restricted to eligible expenditures as approved under the funding agreement.

7. CONTAMINATED SITES LIABILITY

On January 1, 2015, the town adopted PS3260 Liability for Contaminated Sites. The standard was applied on a retroactive basis and did not result in any adjustments to the financial liabilities, tangible capital assets or accumulated surplus of the town. The town has identified contaminated sites, however no liability has been recognized in these consolidated financial statements based on a lack of responsibility for remediation of the part of the town.

8. LONG-TERM DEBT

	2015 \$	2014 \$	
Supported by utility rates	109,385	160,398	
Debentures	1,663,963	1,906,206	
	1,773,348	2,066,604	
Current Portion	307,357	293,256	
	Principal	Interest	Total
2016	307,357	78,798	386,155
2017	322,138	64,017	386,155
2018	279,024	49,202	328,226
2019	292,489	35,737	328,226
2020	105,758	24,076	129,834
Thereafter	466,582	53,866	520,448
19.	1,773,348	305,696	2,079,044

TOWN OF NANTON
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

8. LONG-TERM DEBT (CONTINUED)

Long-term debt is repayable to the Alberta Capital Finance Authority and bears interest at rates ranging from 4.25% to 4.95% per annum and matures in periods through 2017 to 2030.

Long-term debt is issued on the credit and security of the Town at large.

Interest on long-term debt amounted to \$88,898 (2014 - \$102,361).

The Town's total cash payments for interest in 2015 was \$98,899.

9. 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 Nanton be disclosed as follows:

	2015 \$	2014 \$
Total debt limit	8,239,343	7,357,937
Total debt	(1,773,348)	(2,066,604)
Amount total debt limit unused	6,465,995	5,291,333
Debt servicing limit	1,373,224	1,226,323
Debt servicing	(386,155)	(386,155)
Amount of debt servicing limit unused	987,069	840,168

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.

10. EQUITY IN TANGIBLE CAPITAL ASSETS

	2015 \$	2014 \$
Tangible capital assets (Schedule 2)	44,700,212	41,906,573
Accumulated amortization (Schedule 2)	(17,497,507)	(16,661,272)
Long-term debt (note 8)	(1,773,348)	(2,066,604)
	<u>25,429,357</u>	<u>23,178,697</u>

TOWN OF NANTON
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

11. ACCUMULATED SURPLUS

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

	<u>2015</u>	<u>2014</u>
	\$	\$
Unrestricted surplus	<u>595,504</u>	<u>554,308</u>
Restricted surplus		
General operating	500,000	-
Utility operating	87,618	11,940
Utility infrastructure	983,606	42,911
Road infrastructure	95,302	94,293
Land developments - industrial and commercial	289,356	286,293
Land developments - Westview	1,172,933	841,679
Building and land improvements	657,988	534,757
Machine and equipment - general	157,278	97,766
Machine and equipment - utility	-	930,282
Land improvements - general	-	179,013
Vehicles - general	-	90,593
Contingency	-	192,939
Roads - snow removal operating	-	99,559
Library - operating	-	33,180
EMS - Christmas toy drive	-	1,228
Bylaw - humane treatment of animals	-	869
	-	-
	<u>3,944,081</u>	<u>3,437,302</u>
Equity in tangible capital assets (note 10)	<u>25,429,357</u>	<u>23,178,697</u>
	<u>29,968,942</u>	<u>27,170,307</u>

12. BUDGETED INFORMATION

Budgeted information was prepared under the modified accrual method. This note provides a reconciliation between the budget figures disclosed in the financial statements and the approved budget figures.

	<u>2015</u>
	\$
Budget surplus reported in financial statements	11,400,320
Less: Capital expenditures	(15,868,100)
Add: Debt proceeds	4,590,000
Less: Debt principal repayment	(293,244)
Add: Transfer from reserves - debt servicing	316,924
Add: Transfer from reserves	104,100
Less: Transfer to reserves	(250,000)
Budget approved by Council	<u>-</u>

TOWN OF NANTON
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

13. 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:

	2015		2014	
	\$		\$	
	Salary ¹	Benefits ²	Total	Total
COUNCILLORS				
Anchoris	11,400	1,558.00	12,958	11,810
Everett	16,200	2,435	18,635	20,827
Handley	11,400	518	11,918	13,967
Hensel	11,400	1,678	13,078	12,585
Labrune	11,400	358	11,758	7,787
Mitchell	11,400	678	12,078	10,177
West	11,400	2,038	13,438	10,183
Chief Administrative Officer	111,223	16,117	127,339	60,066
Designated Officers (3 positions)	183,679	33,082	216,761	301,700

1. Salary includes regular base pay, bonuses, overtime, lump sum payments, gross direct cash remuneration.
2. Employer's share of all employee benefits and contributions or payments made on behalf of employees include 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.

14. REGISTERED PENSION PLAN

Employees of the Town of Nanton participate in a private pension plan through Sun Life Financial of Canada. The plan covers 16 permanent employees of the town.

The Town of Nanton is required to make current service contributions to the plan of 7.9% of pensionable payroll. Employees of the Town of Nanton may make voluntary contributions if desired.

Total contributions by the Town of Nanton to Sun Life Financial of Canada in 2015 were \$93,317 (2014 - \$98,213).

TOWN OF NANTON
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

15. SEGMENTED DISCLOSURE

The Town of Nanton 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).

General Government

Included in this segment are revenues and expenses associated with Legislative, General Administration, Family and Community Support Services (FCSS) and Public Health.

Protective Services

Included in this segment are revenues and expenses associated with Fire and Municipal Enforcement and Disaster.

Transportation Services

Included in this segment are revenues and expenses associated with common services and roads, streets, walks and lighting.

Planning and Development

Included in this segment are revenues and expenses associated with Marketing and Communications, land use, planning, zoning and development.

Recreation and Culture

Included in this segment are revenues and expenses associated with Parks and Recreation and Culture.

Environmental Services

Included in this segment are revenues and expenses associated with Water supply and distribution, Waste water treatment and disposal, Waste management and recycling.

Other

Included in his segment are revenues and expenses associated with the Nanton Cemetery.

TOWN OF NANTON
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

16. COMMITMENTS

The Town of Nanton entered into a five year agreement with Benchmark Assessment Consultants commencing on July 1, 2015 and ending on June 30, 2020 for the provision of assessment services.

The Town of Nanton entered into a four year agreement with the MD of Willow Creek for the period of September 9, 2015 to December 31, 2018 for the use of their Peace Officers. The agreement contains the following agreed upon amounts:

2016: \$76,120 + Fuel

2017: \$78,560 + Fuel

2018: \$82,500 + Fuel

The Town of Nanton entered into a three year agreement with ISL Engineering and Land Services for general engineering services.

17. 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.

The Town is the defendant in a lawsuit related to a development incident amounting to \$200,000. At present, the outcome is not determinable. The amount of any future settlement would be accounted for as a current transaction in the year of the settlement.

18. FINANCIAL INSTRUMENTS

The Town's financial instruments consists of cash and temporary investments, accounts receivable, investments, accounts payable and accrued liabilities, deposit liabilities, deferred revenue and long-term debt. It is management's opinion that the Town is not exposed to significant interest or currency risks arising from these financial instruments.

The Town is subjected 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 minimized the credit risk.

TOWN OF NANTON
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

19. NANTON HEALTH CENTRE MANAGEMENT COMMITTEE

The Town of Nanton participates in a Joint Venture with the MD of Willow Creek and the MD of Ranchland in operating the Nanton Health Centre Management Committee and the Nanton Medical Clinic. The three stakeholders share responsibilities for 1/3 of the operating revenues, operating costs and net operating revenues of the Clinic. The Town of Nanton provides management and administrative services as its commitment to the operation. The Joint Venture is proportionately consolidated with the Town of Nanton's financial statements at year-end on a line by line basis.

20. COMPARATIVE FIGURES

Certain prior year figures have been reclassified to conform to the current year's presentation.