

TOWN OF CASTOR
FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

Contents:

Independent Auditor's Report
Consolidated Statement of Financial Position
Consolidated Statement of Operations
Consolidated Statement of Change in Net Financial Assets (Debt)
Consolidated Statement of Cash Flows
Schedule of Changes in Accumulated Surplus
Schedule of Tangible Capital Assets
Schedule of Property and Other Taxes
Schedule of Government Transfers
Schedule of Consolidated Expenses by Object
Notes to Financial Statements

* Kendra Walgenbach, CPA, CA
* Chris Annand, CPA, CA
* Naomi Roth, CPA, CGA

* Guy Chapman, CPA, CA, CFP
Krystal Stoutenberg, CPA, CA
Kamron Kossowan, CPA

Telephone 403-742-3438
Fax 403-742-0560
P.O. Box 1328
4702 - 51 Avenue
Stettler, Alberta T0C 2L0
www.chapmanandco.ca

INDEPENDENT AUDITOR'S REPORT

To the Members of Council:

Report on the Consolidated Financial Statements

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

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including 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 purposes 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 Castor as at December 31, 2017, the results of its operations, change in its net financial assets (debt) and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Stettler, Alberta
April 23, 2018

Chapman and Co.
Professional Accountants LLP

**TOWN OF CASTOR
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2017**

	2017	2016
	\$	\$
FINANCIAL ASSETS		
Cash and temporary investments (note 2)	-	337,769
Receivables		
Taxes and grants in place of taxes (note 3)	206,826	150,229
Trade and other receivables (note 5)	1,296,599	714,274
Land for resale inventory (note 1f)	310,785	310,785
Investments (notes 1d & 4)	<u>26,064</u>	<u>26,047</u>
	<u>1,840,274</u>	<u>1,539,104</u>
LIABILITIES		
Temporary bank indebtedness (note 2)	801,773	-
Accounts payable and accrued liabilities	169,825	284,423
Deposit liabilities	-	231
Deferred revenue (notes 1b & 6)	-	66,831
Administered trust funds (note 12)	95,399	91,676
Tax trust liabilities	763	438
Long-term debt (note 7)	<u>1,415,746</u>	<u>1,347,781</u>
	<u>2,483,506</u>	<u>1,791,380</u>
NET FINANCIAL ASSETS (DEBT)	<u>(643,232)</u>	<u>(252,276)</u>
NON-FINANCIAL ASSETS		
Tangible capital assets (note 9)	10,690,308	7,519,266
Prepaid expenses	<u>5,404</u>	<u>4,290</u>
	<u>10,695,712</u>	<u>7,523,556</u>
ACCUMULATED SURPLUS (note 11)	<u>10,052,480</u>	<u>7,271,280</u>

Commitments - See note 15

**TOWN OF CASTOR
CONSOLIDATED STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2017**

	Budget \$ (Unaudited)	2017 \$	2016 \$
REVENUE			
Net municipal taxes (Schedule 3)	902,583	905,301	905,029
User fees and sales of goods	2,030,236	2,053,891	1,815,364
Government transfers for operating (Schedule 4)	279,357	311,958	229,303
Investment income	1,250	1,124	5,649
Penalties and cost on taxes and utilities	47,500	50,020	35,634
Concession and franchises	48,000	50,006	48,330
Fines	5,000	7,887	6,995
Licenses and permits	4,700	5,085	4,735
Other revenue	<u>37,750</u>	<u>75,015</u>	<u>8,184</u>
Total Revenue	<u>3,356,376</u>	<u>3,460,287</u>	<u>3,059,223</u>
EXPENSES			
Operating			
Legislative	52,825	46,697	50,369
Administration	315,663	294,445	243,826
Protection Services	204,065	176,489	102,669
Airport services	22,500	18,016	4,764
Roads, streets, walks, lighting	434,529	421,297	388,136
Water supply and distribution	491,574	529,186	467,727
Wastewater treatment and disposal	171,620	152,066	165,213
Waste management	157,958	128,051	110,691
Family and community support	70,000	66,842	69,004
Subdivision land development	15,725	18,355	22,668
Municipal planning and development	85,900	154,234	100,120
Parks and recreation	510,152	574,909	481,913
Cemeteries	38,595	26,455	31,935
Culture	66,157	62,843	60,516
Natural gas operations	561,720	520,957	469,922
Amortization of tangible capital assets	<u>-</u>	<u>482,995</u>	<u>397,651</u>
Total Expenses	<u>3,198,983</u>	<u>3,673,837</u>	<u>3,167,124</u>
EXCESS (SHORTFALL) OF REVENUE OVER EXPENSES - BEFORE OTHER	<u>157,393</u>	<u>(213,550)</u>	<u>(107,901)</u>
OTHER			
Capital transfers from local organizations	85,000	85,000	-
Contributed capital assets	-	1,251,117	-
Loss on disposal of tangible capital assets	-	(191,710)	(8,028)
Government transfers for capital (Schedule 4)	<u>2,070,588</u>	<u>1,850,343</u>	<u>1,326,883</u>
	<u>2,155,588</u>	<u>2,994,750</u>	<u>1,318,855</u>
EXCESS OF REVENUE OVER EXPENSES	2,312,981	2,781,200	1,210,954
ACCUMULATED SURPLUS, BEGINNING OF YEAR	<u>7,271,280</u>	<u>7,271,280</u>	<u>6,060,326</u>
ACCUMULATED SURPLUS, END OF YEAR	<u><u>9,584,261</u></u>	<u><u>10,052,480</u></u>	<u><u>7,271,280</u></u>

TOWN OF CASTOR
CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL ASSETS (DEBT)
FOR THE YEAR ENDED DECEMBER 31, 2017

	Budget \$	2017 \$	2016 \$
EXCESS OF REVENUES OVER EXPENSES	<u>2,312,981</u>	<u>2,781,200</u>	<u>1,210,954</u>
Acquisition of tangible capital assets	(2,776,897)	(2,733,296)	(1,475,492)
Contributed tangible capital assets	-	(1,251,117)	-
Proceeds on disposal of tangible capital assets	-	138,666	8,000
Amortization of tangible capital assets	-	482,995	397,651
Loss on disposal of tangible capital assets	<u>-</u>	<u>191,710</u>	<u>8,028</u>
	<u>(2,776,897)</u>	<u>(3,171,042)</u>	<u>(1,061,813)</u>
Acquisition of prepaid expenses	-	(5,404)	(4,290)
Use of prepaid expenses	<u>-</u>	<u>4,290</u>	<u>5,271</u>
	<u>-</u>	<u>(1,114)</u>	<u>981</u>
INCREASE (DECREASE) IN NET ASSETS (DEBT)	(463,916)	(390,956)	150,122
NET FINANCIAL ASSETS (DEBT), BEGINNING OF YEAR	<u>(252,276)</u>	<u>(252,276)</u>	<u>(402,398)</u>
NET FINANCIAL ASSETS (DEBT), END OF YEAR	<u>(716,192)</u>	<u>(643,232)</u>	<u>(252,276)</u>

**TOWN OF CASTOR
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2017**

	2017 \$	2016 \$
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING		
Excess of revenues over expenses	2,781,200	1,210,954
Non-cash items included in excess of revenues over expenses:		
Amortization of tangible capital assets	482,995	397,651
Tangible capital assets received as contributions	(1,251,117)	-
Loss on disposal of tangible capital assets	191,710	8,028
Non-cash changes to operations (net change):		
Increase in taxes and grants in place of taxes	(56,597)	(28,116)
Increase in trade and other receivables	(582,325)	(307,167)
Decrease (increase) in prepaid expenses	(1,114)	981
Increase (decrease) in accounts payable and accrued liabilities	(114,598)	124,207
Increase (decrease) in deposit liabilities	(231)	231
Decrease in deferred revenue	(66,831)	(168,697)
Increase in trust liabilities	<u>4,048</u>	<u>54,591</u>
 Cash provided by operating transactions	 <u>1,387,140</u>	 <u>1,292,663</u>
CAPITAL		
Acquisition of tangible capital assets	(2,733,296)	(1,475,492)
Proceeds on disposal of tangible capital assets	<u>138,666</u>	<u>8,000</u>
 Cash applied to capital transactions	 <u>(2,594,630)</u>	 <u>(1,467,492)</u>
INVESTING		
Decrease in restricted cash and temporary investments	233,354	75,106
Increase in investments	<u>(17)</u>	<u>(22,617)</u>
 Cash applied to investing transactions	 <u>233,337</u>	 <u>52,489</u>
FINANCING		
Long-term debt repaid	(132,035)	(128,055)
Long-term debt issued	<u>200,000</u>	<u>-</u>
 Cash provided by (applied to) financing transactions	 <u>67,965</u>	 <u>(128,055)</u>
CHANGE IN CASH AND EQUIVALENTS DURING THE YEAR	(906,188)	(250,395)
CASH AND CASH EQUIVALENT, BEGINNING OF YEAR	(164,176)	86,219
CASH AND CASH EQUIVALENT (SHORTFALL), END OF YEAR (note 2)	<u>(1,070,364)</u>	<u>(164,176)</u>
Cash and cash equivalents is made up of:		
Cash and temporary investments (note 2)	(801,773)	337,769
Less: restricted portion of cash and temporary investments (note 2)	<u>(268,591)</u>	<u>(501,945)</u>
	<u>(1,070,364)</u>	<u>(164,176)</u>

TOWN OF CASTOR
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 YEAR	<u>756,795</u>	<u>343,000</u>	<u>6,171,485</u>	<u>7,271,280</u>	<u>6,060,326</u>
Excess of revenues over expenses	2,781,200	-	-	2,781,200	1,210,954
Unrestricted funds designated for future use	(52,429)	52,429	-	-	-
Restricted funds used for tangible capital assets	-	(223,000)	223,000	-	-
Current year funds used for tangible capital assets	(2,510,296)	-	2,510,296	-	-
Contributed tangible capital assets	(1,251,117)	-	1,251,117	-	-
Disposal of tangible capital assets	330,376	-	(330,376)	-	-
Annual amortization expense	482,995	-	(482,995)	-	-
Long-term debt issued	200,000	-	(200,000)	-	-
Long-term debt repaid	(132,035)	-	132,035	-	-
Change in accumulated surplus	<u>(151,306)</u>	<u>(170,571)</u>	<u>3,103,077</u>	<u>2,781,200</u>	<u>1,210,954</u>
BALANCE, END OF YEAR	<u>605,489</u>	<u>172,429</u>	<u>9,274,562</u>	<u>10,052,480</u>	<u>7,271,280</u>



TOWN OF CASTOR
SCHEDULE OF TANGIBLE CAPITAL ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2017
(Schedule 2)

	Land	Land Improvements	Buildings	Engineered Structures	Machinery and Equipment	Vehicles	2017 \$	2016 \$
COST:								
BALANCE, BEGINNING OF YEAR	716,130	389,244	4,827,553	9,080,307	1,181,850	586,668	16,781,752	15,355,269
Acquisition of assets	208,441	5,166	1,487,510	2,256,713	26,583	-	3,984,413	1,475,492
Disposal of assets	<u>(98,261)</u>	-	<u>(234,409)</u>	-	<u>(42,137)</u>	-	<u>(374,807)</u>	<u>(49,009)</u>
BALANCE, END OF YEAR	<u>826,310</u>	<u>394,410</u>	<u>6,080,654</u>	<u>11,337,020</u>	<u>1,166,296</u>	<u>586,668</u>	<u>20,391,358</u>	<u>16,781,752</u>
ACCUMULATED AMORTIZATION:								
BALANCE, BEGINNING OF YEAR	-	273,134	2,660,018	5,135,906	777,173	416,255	9,262,486	8,897,816
Annual amortization	-	8,051	165,435	209,583	65,569	34,357	482,995	397,651
Accumulated amortization on disposals	-	-	<u>(14,949)</u>	-	<u>(29,482)</u>	-	<u>(44,431)</u>	<u>(32,981)</u>
BALANCE, END OF YEAR	-	<u>281,185</u>	<u>2,810,504</u>	<u>5,345,489</u>	<u>813,260</u>	<u>450,612</u>	<u>9,701,050</u>	<u>9,262,486</u>
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	<u>826,310</u>	<u>113,225</u>	<u>3,270,150</u>	<u>5,991,531</u>	<u>353,036</u>	<u>136,056</u>	<u>10,690,308</u>	<u>7,519,266</u>
2016 NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	<u>716,130</u>	<u>116,110</u>	<u>2,167,535</u>	<u>3,944,401</u>	<u>404,677</u>	<u>170,413</u>	<u>7,519,266</u>	



**TOWN OF CASTOR
SCHEDULE OF PROPERTY AND OTHER TAXES
FOR THE YEAR ENDED DECEMBER 31, 2017
(Schedule 3)**

	Budget (Unaudited)	2017 \$	2016 \$
TAXATION			
Real property taxes	1,099,795	1,102,531	1,097,868
Linear property taxes	36,915	36,915	37,591
Government grants in place of property taxes	<u>5,773</u>	<u>5,773</u>	<u>5,929</u>
	<u>1,142,483</u>	<u>1,145,219</u>	<u>1,141,388</u>
REQUISITIONS			
Alberta School Foundation Fund	205,580	205,598	202,920
Paintearth Seniors Foundation	<u>34,320</u>	<u>34,320</u>	<u>33,439</u>
	<u>239,900</u>	<u>239,918</u>	<u>236,359</u>
NET MUNICIPAL TAXES	<u>902,583</u>	<u>905,301</u>	<u>905,029</u>

**TOWN OF CASTOR
SCHEDULE OF GOVERNMENT TRANSFERS
FOR THE YEAR ENDED DECEMBER 31, 2017
(Schedule 4)**

	Budget (Unaudited)	2017 \$	2016 \$
TRANSFERS FOR OPERATING:			
Federal Government	-	50,000	-
Provincial Government	137,357	117,775	100,804
Other Local Governments	<u>142,000</u>	<u>144,183</u>	<u>128,499</u>
	<u>279,357</u>	<u>311,958</u>	<u>229,303</u>
TRANSFERS FOR CAPITAL:			
Federal Government	837,493	727,404	407,357
Provincial Government	<u>1,233,095</u>	<u>1,122,939</u>	<u>919,526</u>
	<u>2,070,588</u>	<u>1,850,343</u>	<u>1,326,883</u>
TOTAL GOVERNMENT TRANSFERS	<u>2,349,945</u>	<u>2,162,301</u>	<u>1,556,186</u>

TOWN OF CASTOR
SCHEDULE OF CONSOLIDATED EXPENSES BY OBJECT
FOR THE YEAR ENDED DECEMBER 31, 2017
(Schedule 5)

CONSOLIDATED EXPENSES BY OBJECT	Budget (Unaudited)	2017 \$	2016 \$
Salaries, wages and benefits	1,217,969	1,247,132	1,092,362
Contracted and general services	956,550	939,549	817,012
Materials, goods, and utilities	882,300	854,510	708,842
Provisions for allowances	-	-	2,634
Transfers to local boards and agencies	74,089	76,799	77,954
Bank charges and short-term interest	1,100	4,521	986
Interest on long-term debt	65,975	66,766	68,210
Amortization of tangible capital assets	-	482,995	397,651
Other expenses	<u>1,000</u>	<u>1,565</u>	<u>1,473</u>
	<u><u>3,198,983</u></u>	<u><u>3,673,837</u></u>	<u><u>3,167,124</u></u>

**TOWN OF CASTOR
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

1. Significant Accounting Policies

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

a) Reporting Entity

The consolidated financial statements reflect the assets, liabilities, revenue and expenditures, 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 are owned or controlled by the Town of Castor and are, therefore, accountable to the Town of Castor Council for the administration of their financial affairs and resources.

The schedule of taxes levied also includes operating requisitions for external organizations that are not a 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 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 disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenditures 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) Investments

Investments are recorded at cost. 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.

e) 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.

**TOWN OF CASTOR
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

1. Significant Accounting Policies - continued

f) Inventories for Resale

Land held for resale is recorded at the lower of cost or net realizable value. Cost includes costs for land acquisition and improvements required to prepare the land for servicing such as clearing, stripping and leveling charges. Related development costs incurred to provide infrastructure such as water and wastewater services, roads, sidewalks and street lighting are recorded as physical assets under their respective function.

g) 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.

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) 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 Assets (Debt) for the year.

i) 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	10-60
Buildings	50
Engineered structures	
Water system	15-75
Wastewater system	75
Other engineered structures	20-30
Machinery and equipment	10-25
Vehicles	10

The full amount of annual 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.

ii) Contributions of Tangible Capital Assets

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

**TOWN OF CASTOR
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

2. Cash and temporary investments (bank indebtedness)	2017	2016
	\$	\$
Cash (bank indebtedness)	(165,843)	337,769
Line of credit	<u>(635,930)</u>	<u>-</u>
Total cash and temporary investments (bank indebtedness)	<u>(801,773)</u>	<u>337,769</u>

Council has designated funds of \$172,429 (2016 - \$343,000) included in the above amounts for future projects.

Included in cash and temporary investments is a restricted amount of \$0 (2016 - \$66,831) for deferred revenue (note 6).

Included in cash and temporary investments is a restricted amount of \$96,162 (2016 - \$92,114) in trust for tax trust liabilities and administered trust funds.

The Town has an authorized line of credit in the amount of \$1,500,000 at prime rate less 0.25%. Prime rate at December 31, 2017 was 3.20%.

3. Taxes and Grants in Place of Taxes Receivables	2017	2016
	\$	\$
Current taxes and grants in place of taxes	125,215	113,254
Arrears tax	<u>81,611</u>	<u>36,975</u>
	<u>206,826</u>	<u>150,229</u>

4. Investments	2017	2016
	\$	\$
Alberta Municipal Finance Corporation - shares	10	10
Equity in United Farmers of Alberta	3,454	3,437
Gas Alberta Inc. - debentures	22,500	22,500
Gas Alberta Inc. - shares	<u>100</u>	<u>100</u>
	<u>26,064</u>	<u>26,047</u>

5. Trade and Other Receivables	2017	2016
	\$	\$
Trade and other receivables are comprised of the following:		
GST receivable	37,586	32,224
Utility accounts receivable	250,370	233,778
Grants receivable	893,497	368,813
General	115,357	79,670
Allowance for doubtful accounts	<u>(211)</u>	<u>(211)</u>
	<u>1,296,599</u>	<u>714,274</u>

**TOWN OF CASTOR
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

6. Deferred Revenue	2017	2016
	\$	\$
Deferred revenue is comprised of the following:		
Municipal Sustainability Initiative Capital	-	60,196
County fitness grant	-	5,000
Restricted cemetery donations	-	1,635
	<u>-</u>	<u>66,831</u>

7. Long-Term Debt	2017	2016
	\$	\$
Tax supported debentures	1,215,746	1,297,781
Bank loans	<u>200,000</u>	<u>50,000</u>
	<u>1,415,746</u>	<u>1,347,781</u>

The current portion of long-term debt amounts to \$136,225 (2016 - \$132,035).

Principal and interest payments are due as follows:

Year	Principal \$	Interest \$	Total \$
2018	136,225	63,332	199,557
2019	140,637	57,446	198,083
2020	134,485	51,416	185,901
2021	139,011	45,415	184,426
2022	93,783	40,519	134,302
2023 and subsequent	<u>771,605</u>	<u>224,867</u>	<u>996,472</u>
	<u>1,415,746</u>	<u>482,995</u>	<u>1,898,741</u>

Debenture debt is repayable to Alberta Municipal Financing Corporation and bears interest at rates ranging from 3.34% to 6.25% per annum and matures in periods 2019 through 2034. The average annual interest rate is 4.88% for 2017 (4.89% for 2016). Debenture debt is issued on the credit and security of the Town of Castor at large.

Bank loans are repayable in annual instalments of \$50,000 plus interest payable monthly at prime rate less 0.25% (2.95% at December 31, 2017). The bank loans are due on demand.

Interest on long-term debt amounted to \$66,766 (2016 - \$68,210). The Town's total cash payments for interest in 2017 were \$68,295 (2016 - \$69,655).

**TOWN OF CASTOR
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

8. 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 Castor be disclosed as follows:

	2017 \$	2016 \$
Total debt limit	5,190,431	4,588,835
Total debt	<u>1,415,746</u>	<u>1,347,781</u>
Amount under total debt limit	<u>3,774,685</u>	<u>3,241,054</u>
Service on debt limit	865,072	764,806
Service on debt	<u>199,557</u>	<u>196,377</u>
Amount under service on debt limit	<u>665,515</u>	<u>568,429</u>

The debt limit is calculated at 1.5 times revenue of the municipality 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 future 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.

9. Tangible Capital Assets

	2017 \$	2016 \$
Net Book Value		
Land	826,310	716,130
Land improvements	113,225	116,110
Buildings	3,270,150	2,167,535
Engineering structures		
Roadway system	747,134	797,700
Water distribution system	4,580,081	2,465,770
Wastewater treatment system	399,320	417,445
Gas system	264,996	263,486
Machinery, equipment and furnishings	353,036	404,677
Vehicles	<u>136,056</u>	<u>170,413</u>
	<u>10,690,308</u>	<u>7,519,266</u>

10. Equity in Tangible Capital Fund

	2017 \$	2016 \$
Tangible capital assets (Schedule 2)	20,391,358	16,781,752
Accumulated amortization (Schedule 2)	(9,701,050)	(9,262,486)
Long-term debt (Note 7)	<u>(1,415,746)</u>	<u>(1,347,781)</u>
	<u>9,274,562</u>	<u>6,171,485</u>

**TOWN OF CASTOR
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

11. Accumulated Surplus	2017	2016
	\$	\$
Unrestricted surplus	605,489	756,795
Restricted surplus		
Fire	37,033	55,000
Airport	8,000	12,000
Water	12,000	186,000
Sewer	14,000	7,000
Garbage	30,000	25,000
Doctor recruitment	45,000	45,000
Cemetery	3,000	5,000
Culture	16,000	8,000
Gas	7,396	-
Equity in tangible capital assets	<u>9,274,562</u>	<u>6,171,485</u>
	<u>10,052,480</u>	<u>7,271,280</u>
 12. Trust Funds	 2017	 2016
	\$	\$
The Town of Castor administers the following trust funds:		
Arena	30,428	185
Basketball	396	654
Care for kids	3,751	4,463
Choosewell fund	1,463	1,975
Community garden	710	300
Community hall	500	500
FCSS cancer program	21,558	49,578
Minor hockey	7,165	7,489
Minor sports programs	6,887	4,267
Parks	6,972	6,821
Recreation	8,730	7,780
Skating club	4,254	5,079
Tree program	<u>2,585</u>	<u>2,585</u>
	<u>95,399</u>	<u>91,676</u>

**TOWN OF CASTOR
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

13. Salary and Benefits Disclosure

Disclosure of salary and benefits for elected municipal officials, the chief administrative officer and designated officers as required by Alberta regulation 313/2000 is as follows:

	Salaries \$	Benefits & Allowances \$	2017 \$	2016 \$
Mayor (part year)	6,175	-	6,175	8,513
Mayor (part year)	6,375	-	6,375	6,000
Deputy mayor	5,525	330	5,855	5,950
Councilor 1	5,400	5	5,405	6,440
Councilor 2	5,400	888	6,288	6,699
Councilor 3	5,400	5	5,405	5,405
Councilor 4	5,400	5	5,405	5,695
Councilor 5 (part year)	1,123	4	1,127	-
Chief Administrative Officer	102,920	9,735	112,655	105,238

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

2. Employer's share of all employee benefits and contributions or payments made on behalf of employees including pension, health care, dental coverage, vision coverage, group life insurance, accidental disability and dismemberment insurance, long and short-term disability plans, professional memberships and tuition.

14. Local Authorities Pension Plan

Employees of the Town of Castor participate in the Local Authorities Pension Plan (LAPP), which is one of the plans covered by the Alberta Public Sector Pension Plans Act. The LAPP serves about 254,000 people and 417 employers. 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 became due.

The Town of Castor is required to make current service contributions to the LAPP of 11.39% of pensionable earnings up to the year's maximum pensionable earnings under the Canada Pension Plan and 15.84% on pensionable earnings above this amount. Employees on the Town of Castor are required to make current service contributions of 10.39% of pensionable salary up to the year's maximum pensionable salary and 14.84% on pensionable salary above this amount.

Total current service contributions by the Town to the LAPP in 2017 were \$61,987 (2016 - \$50,775). Total current service contributions by the employees of the Town to the Local Authorities Pension Plan in 2017 were \$56,835 (2016 - \$46,495).

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

15. Commitments

The Town is a member of the Shirley McClellan Regional Water Services Commission. The commission has obtained debenture funding and repayment of this debenture will be funded by its member communities. The Town's total payments on this debenture during 2017 were \$22,900 (2016 - \$23,198). At December 31, 2017, the Town's share of the remaining principal balance is estimated at \$399,562. Payments for 2018 are expected to total \$22,729 for the year including interest at 3.0757%. The amount outstanding can fluctuate based on the other members of the commission and the Town's share of water usage.

**TOWN OF CASTOR
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

16. Commitments - continued

The Town was approved for a Small Communities Fund grant in 2015 for water and sewer infrastructure upgrades. The total project is expected to cost \$3.945 million over the next four years, with the grant covering 2/3 of this amount for a total of \$2.630 million. The remaining cost of the project is to be covered by Town sources, including other provincial grants. Total costs on this project to the year-end date are \$3,499,480 and Small Communities Fund grant funding to date is \$2,323,404, including accounts receivable of \$843,497.

The Town of Castor guaranteed a loan for the Paintearth Economic Partnership Society in the amount of \$54,125.

16. Financial Instruments

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

The Town of Castor 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 of Castor provides services may experience financial difficulty and be unable to fulfil 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.

17. Approval of Financial Statements

Council and management have approved these financial statements.