



Wilde and Company

Chartered Accountants

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INDEPENDENT AUDITOR'S REPORT

To the Mayor and Council of Town of Lamont

Report on the Financial Statements

We have audited the accompanying financial statements of Town of Lamont, which comprise the statement of financial position as at December 31, 2016 and the statements of changes in net assets, operations, 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 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 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 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 financial statements.

Opinion

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

In our opinion, the financial statements present fairly, in all material respects, the financial position of Town of Lamont as at December 31, 2016 and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Vegreville, AB
March 28, 2017

Wilde • Company
Chartered Accountants

TOWN OF LAMONT
Consolidated Statement of Financial Position
As at December 31, 2016

	2016	2015
	\$	\$
ASSETS		
Financial Assets		
Cash and temporary investments <i>(Note 3)</i>	3,179,918	4,295,136
Receivables		
Taxes and grants in place of taxes receivable <i>(Note 4)</i>	133,809	154,268
Due from governments	29,724	87,325
Trade and other receivables	241,734	257,608
Land held for resale	132,000	132,000
Investments <i>(Note 5)</i>	1,242,889	10
	4,960,074	4,926,347
LIABILITIES		
Accounts payable and accrued liabilities	401,534	280,287
Deposit liabilities	20,975	19,203
Deferred revenue <i>(Note 7)</i>	444,694	443,234
Long term debt <i>(Note 9)</i>	1,508,614	1,591,915
	2,375,817	2,334,639
NET FINANCIAL ASSETS	2,584,257	2,591,708
NON-FINANCIAL ASSETS		
Tangible capital assets <i>(Schedule 2)</i>	18,143,310	18,109,319
Inventory for consumption	500	500
Deposit on capital	-	28,876
	18,143,810	18,138,695
ACCUMULATED SURPLUS <i>(Schedule 1, Note 12)</i>	20,728,067	20,730,403
Contingencies <i>(Note 16)</i>		

TOWN OF LAMONT
Consolidated Statement of Operations
Year Ended December 31, 2016

	Budget \$ (Unaudited)	2016 \$	2015 \$
Revenues			
Net municipal taxes (Schedule 3)	1,714,203	1,883,468	1,752,274
User fees and sales of goods	1,128,300	1,125,368	1,170,681
Government transfers for operating (Schedule 4)	236,541	157,891	256,689
Investment income	53,000	57,126	72,720
Penalties and costs on taxes	44,000	54,504	47,296
Fines, licenses and permits	11,500	26,167	15,168
Franchise fees	190,000	219,861	203,462
Other	184,100	172,723	173,835
Total revenue	3,561,644	3,697,108	3,692,125
Expenses			
Administration and legislative	720,729	695,280	704,224
Fire protection and safety services	183,400	295,872	182,254
Bylaw enforcement	10,400	11,254	10,933
Common services	541,405	501,968	482,495
Roads, streets, walks, lighting	681,200	741,611	661,349
Storm sewers and drainage	2,900	686	1,534
Water supply and distribution	621,500	569,057	579,560
Wastewater treatment and disposal	175,600	280,169	376,370
Waste management	284,980	335,042	323,459
Family and community support	57,334	65,102	53,058
Cemetery	4,100	3,900	3,900
Community service	46,000	22,774	24,551
Subdivision land and development	161,500	69,605	111,201
Parks and recreation	710,916	717,455	693,288
Culture	10,000	15,045	7,557
Total expenses	4,211,984	4,324,820	4,215,733
Deficiency of revenue over expenses - before other	(650,320)	(627,712)	(523,608)
Other			
Government transfers for capital (Schedule 4)	624,351	625,376	587,172
Excess of revenues over expenses	(25,969)	(2,336)	63,564
Accumulated surplus - beginning of the year	20,730,403	20,730,403	20,666,839
Accumulated surplus - end of the year	20,704,434	20,728,067	20,730,403

TOWN OF LAMONT
Consolidated Statement of Change in Net Financial Assets (Debt)
Year Ended December 31, 2016

	Budget \$ (Unaudited)	2016 \$	2015 \$
Excess of revenues over expenses	(25,969)	(2,336)	63,564
Acquisition of tangible capital assets	(1,371,650)	(1,117,348)	(1,152,483)
Proceeds on disposal of tangible capital assets	-	-	2,500
Amortization of tangible capital assets	872,800	891,904	873,402
Net loss on sale of tangible capital assets	-	191,453	143,783
	(498,850)	(33,991)	(132,798)
Use (acquisition) of prepaid assets	-	28,876	(28,876)
	-	28,876	(28,876)
Decrease in net assets	(524,819)	(7,451)	(98,110)
Net financial assets, beginning of year	2,591,708	2,591,708	2,689,818
Net financial assets, end of year	2,066,889	2,584,257	2,591,708

TOWN OF LAMONT
Consolidated Statement of Cash Flows
Year Ended December 31, 2016

	2016	2015
	\$	\$
Operating		
Excess of revenue over expenses	(2,336)	63,564
Net changes in non-cash items included in excess of revenues over expenses		
Amortization of tangible capital assets	891,904	873,402
Loss on disposal of tangible capital assets	191,453	143,783
Net changes in non-cash charges to operation		
Decrease (increase) in taxes and grants in lieu receivable	20,459	(4,297)
Decrease in government receivables	57,601	217,646
Decrease (increase) trade and other receivables	15,874	(38,929)
Decrease (increase) in prepaid expenses	28,876	(28,876)
Increase (decrease) in accounts payable and accrued liabilities	121,247	(1,047,693)
Increase in deposit liabilities	1,772	808
Increase in deferred revenues	1,460	36,734
	1,330,646	152,578
<i>Cash provided by operating transactions</i>	1,328,310	216,142
Capital		
Acquisition of tangible capital assets	(1,117,348)	(1,152,483)
Sale of tangible capital assets	-	2,500
<i>Cash applied to capital transactions</i>	(1,117,348)	(1,149,983)
Investing		
Increase in restricted cash or cash equivalents	(1,460)	(36,734)
Purchase of investments	(1,242,879)	-
<i>Cash provided by investing transactions</i>	(1,244,339)	(36,734)
Financing		
Long term debt repaid	(83,301)	(80,303)
<i>Cash used in financing transactions</i>	(83,301)	(80,303)
Change in cash and cash equivalents during the year	(1,116,678)	(1,050,878)
Cash and cash equivalents, beginning of year	3,232,232	4,283,110
Cash and cash equivalents, end of year	2,115,554	3,232,232
Cash and cash equivalents is made up of:		
Cash and temporary investments (Note 3)	3,179,918	4,295,136
Less: restricted portion of cash and temporary investments (Note 3)	(1,064,364)	(1,062,904)
	2,115,554	3,232,232

TOWN OF LAMONT

Schedule of Changes in Accumulated Surplus

Year Ended December 31, 2016

(Schedule 1)

	Unrestricted Surplus	Restricted Operating Reserves	Restricted Capital Reserves	Equity in Capital Assets	2016 \$	2015 \$
Balance, beginning of year	1,254,989	2,906,340	51,670	16,517,404	20,730,403	20,666,839
Excess of revenues over expenses	(2,336)	-	-	-	(2,336)	63,564
Long term debt repayment	(83,301)	-	-	83,301	-	-
Current year funds used for tangible capital assets	(1,117,348)	-	-	1,117,348	-	-
Disposals of tangible capital assets	191,453	-	-	(191,453)	-	-
Annual amortization expense	891,904	-	-	(891,904)	-	-
Subtotal	(119,628)	-	-	117,292	432,969	63,564
Balance, end of year	1,135,361	2,906,340	51,670	16,634,696	20,728,067	20,730,403

(Schedule 2)

TOWN OF LAMONT
Schedule of Tangible Capital Assets
Year Ended December 31, 2016

	Land	Buildings	Engineered Structures	Machinery and Equipment	Vehicles	2016 \$	2015 \$
Cost:							
Balance, beginning of year	1,172,000	5,481,936	26,368,809	671,136	778,871	34,472,752	34,783,096
Acquisition of tangible capital assets	-	-	1,043,889	43,044	30,415	1,117,348	1,152,483
Construction in progress	-	-	-	-	-	-	-
Disposal of tangible capital assets	-	-	-	(141,459)	(352,917)	(494,376)	(1,462,827)
Balance, end of year	1,172,000	5,481,936	27,412,698	572,721	456,369	35,095,724	34,472,752
Accumulated amortization:							
Balance, beginning of year	-	2,245,991	13,259,900	466,073	391,469	16,363,433	16,806,575
Annual amortization	-	111,405	709,711	30,590	40,198	891,904	873,402
Accumulated amortization on disposals	-	-	-	(108,523)	(194,400)	(302,923)	(1,316,544)
Balance, end of year	-	2,357,396	13,969,611	388,140	237,267	16,952,414	16,363,433
Net book value of tangible capital assets	1,172,000	3,124,540	13,443,087	184,581	219,102	18,143,310	18,109,319
2015 Net book value of tangible capital assets	1,172,000	3,235,945	13,108,909	205,063	387,402		18,109,319

TOWN OF LAMONT
Schedule of Property and Other Taxes
Year Ended December 31, 2016

(Schedule 3)

	Budget \$ (Unaudited)	2016 \$	2015 \$
Taxation			
Real property taxes	2,219,900	2,358,872	2,222,293
Linear property	62,000	59,978	61,831
Government grants in place of property taxes	4,200	4,369	4,287
	2,286,100	2,423,219	2,288,411
Requisitions			
Alberta School Foundation Fund	483,000	483,000	480,363
Lamont Seniors Foundation	88,897	56,751	55,774
	571,897	539,751	536,137
Net Municipal Taxes	1,714,203	1,883,468	1,752,274

TOWN OF LAMONT
Schedule of Government Transfers
Year Ended December 31, 2016

(Schedule 4)

	Budget	2016	2015
	\$	\$	\$
	(Unaudited)		
Transfers for operating			
Federal Government	-	-	2,856
Provincial Government	103,041	108,323	105,693
Other Local Governments	133,500	49,568	148,140
	236,541	157,891	256,689
Transfers for Capital			
Federal Government	60,000	59,970	10,075
Provincial Government	564,351	565,406	577,097
	624,351	625,376	587,172
Total Government Transfers	860,892	783,267	843,861

TOWN OF LAMONT*(Schedule 5)***Schedule of Consolidated Expenses by Object****Year Ended December 31, 2016**

	Budget \$ (Unaudited)	2016 \$	2015 \$
Consolidated expenses by object			
Salaries, wages and benefits	1,193,074	1,104,924	1,085,512
Contracted and general services	887,260	798,349	867,458
Materials, goods, supplies and utilities	1,161,830	1,124,412	1,125,162
Provision for allowances	20,500	136,014	12,247
Transfers to local boards and agencies	10,000	15,045	7,557
Bank charges and short term interest	2,500	1,298	36,174
Interest on long term debt	64,000	61,422	64,438
Loss on disposal of tangible capital assets	-	191,453	143,783
Amortization of tangible capital assets	872,800	891,903	873,402
	4,211,964	4,324,820	4,215,733

TOWN OF LAMONT
 Schedule of Segmented Disclosure
 Year Ended December 31, 2016

	General Government	Protective Services	Transportation Services	Environmental Services	Planning & Development	Recreation & Culture	Other	Total \$
Revenue								
Net municipal taxes	-	-	-	-	-	-	1,883,468	1,883,468
Government transfers	1,000	-	559,218	-	-	177,949	45,100	783,267
User fees and sales of goods	9,878	-	-	1,075,879	38,557	254	800	1,125,368
Investment income	5,196	-	-	-	-	-	51,930	57,126
Other revenues	9,039	2,020	25,039	4,342	20,602	132,395	279,818	473,255
	25,113	2,020	584,257	1,080,221	59,159	310,598	2,261,116	4,322,484
Expenses								
Salaries, wages and benefits	408,233	-	371,883	-	-	293,284	31,524	1,104,924
Contracted and general services	165,327	83,850	40,182	322,979	69,605	104,303	12,103	798,349
Materials, goods, supplies and utilities	67,450	13,223	342,444	405,297	-	247,849	48,149	1,124,412
Transfers to local boards and agencies	-	-	-	-	-	-	15,045	15,045
Interest on long term debt	-	-	28,397	33,025	-	-	-	61,422
Other expenses	9,298	191,453	-	107,049	-	-	20,965	328,765
	650,308	288,526	782,906	868,350	69,605	645,436	127,786	3,432,917
Net revenue before amortization	(625,195)	(286,506)	(198,649)	211,871	(10,446)	(334,838)	2,133,330	889,567
Amortization of tangible capital assets	24,007	18,600	461,359	315,918	-	-	72,019	891,903
Net revenue (cost)	(649,202)	(305,106)	(660,008)	(104,047)	(10,446)	(334,838)	2,061,311	(2,336)
Net revenue (cost) - 2015	(671,011)	(93,875)	(1,037,132)	309,263	(49,426)	(415,423)	2,021,168	63,564

TOWN OF LAMONT
Notes to Financial Statements
Year Ended December 31, 2016

1. Significant accounting policies

The financial statements of the municipality 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 Chartered Professional Accountants of Canada. Significant aspects of the accounting policies adopted by the municipality are as follows:

Reporting entity

The financial statements reflect the assets, liabilities, revenues and expenditures, changes in fund balances and change in financial position of the reporting entity. This entity is comprised of the municipal operations plus all of the organizations that are owned or controlled by the municipality and are, therefore, accountable to 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.

Basis of accounting

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

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

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

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TOWN OF LAMONT
Notes to Financial Statements
Year Ended December 31, 2016

1. Significant accounting policies *(continued)*

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 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.

Examples of significant estimates include:

- providing for amortization of capital assets;
- the estimated useful lives of assets;
- the allowance for doubtful accounts; and
- the recoverability of tangible assets.

Investments

Investments are recorded at amortized cost. Investment premiums and discounts are amortized on the net present value basis over the term of the respective investments. When there has been a loss in value that is other than a temporary decline, the respective investment is written down to recognize the loss.

Cash and cash equivalents

Cash includes cash and cash equivalents. Cash equivalents are investments in GIC's and are valued at cost plus accrued interest. The carrying amounts approximate fair value because they have maturities at the date of purchase of less than one year.

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.

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TOWN OF LAMONT
Notes to Financial Statements
Year Ended December 31, 2016

1. Significant accounting policies *(continued)*

Inventories for resale

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

Tax revenue

Tax revenues are recognized when the tax has been authorized by by-law and the taxable event has occurred.

Requisitions operate as a flow through and are excluded from municipal revenue.

Government transfers

Government transfers are the transfer of assets from senior levels of government that are not the result of an exchange transaction, are not expected to be repaid in the future, or the result of a direct financial return.

Government transfers are recognized in the 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.

Inventory

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

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TOWN OF LAMONT
Notes to Financial Statements
Year Ended December 31, 2016

1. Significant accounting policies *(continued)*

Non-financial assets

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

a) 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:

	YEARS
Land improvements	20
Buildings	50
Engineered structures	
Water system	40
Wastewater system	40
Other engineered structures	20-40
Machinery and equipment	10-15
Vehicles	10-20

Assets acquired during the year will be amortized in the following year in accordance with the useful lives stated above. Assets disposed of in the year are not amortized in the year of disposal. Assets under construction are not amortized until the asset is available for productive use.

b) Contributions of tangible capital assets

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

c) 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.

d) Inventories

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

e) Cultural and historical tangible capital assets

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

TOWN OF LAMONT
Notes to Financial Statements
Year Ended December 31, 2016

2. Recent accounting pronouncements published but not yet adopted

The following accounting standards have been issued by the Chartered Professional Accountants of Canada but are not yet effective. The municipality is currently evaluating the effect of adopting these standards on their financial statements.

Section PS 3450 - Financial Instruments

This new section establishes standards for recognizing and measuring financial assets, financial liabilities and non-financial derivatives. In conjunction with this new section, Section PS 1201 and Section PS 2601 have been amended as a consequence of the introduction of new financial instruments standards. These amendments were required to present the associated gains and losses with financial instruments recognized under the new section. The new section and the related amendments are effective for fiscal periods beginning on or after April 1, 2019.

Section PS 2200 - Related Party Disclosures

This new section establishes a related party and establishes disclosures required for related party transactions. Disclosure of information about related party transactions and the relationship underlying them is required when they have occurred at a value different from that which would have been arrived at if the parties were unrelated, and they have, or could have, a material financial effect on the financial statements. This section applies to fiscal periods beginning on or after April 1, 2017.

Section PS 3420 - Inter-entity Transactions

This new section establishes standards on how to account for and report transactions between public sector entities that comprise a government's reporting entity from both a provider and recipient perspective. The main features of this new section are:

- Under a policy of cost allocation, revenues and expenses are recognized on a gross basis
- Transactions are measured at the carrying amount, except in specific circumstances
- A recipient may choose to recognize unallocated costs for the provision of goods and services and measure them at the carrying amount, fair value, or other amount dictated by policy, accountability structure, or budget practice.
- The transfer of an asset or liability for nominal or no consideration is measured by the provider at the carrying amount and by the recipient at the carrying amount or fair value.
- Inter-entity transactions are considered in conjunction with related party disclosures, Section PS2200

This section applies to fiscal years beginning on or after April 1, 2017.

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TOWN OF LAMONT
Notes to Financial Statements
Year Ended December 31, 2016

2. Recent accounting pronouncements published but not yet adopted (*continued*)

Section PS 3210 - Assets

This new section provides guidance for applying the definition of assets set out in financial statement concepts, Section PS 1000, and establishes general disclosure standards for assets. Disclosure of information about the major categories of assets that are not recognized is required. When an asset is not recognized because a reasonable estimate of the amount involved cannot be made, the reason(s) for this should be disclosed. This section applies to fiscal years beginning on or after April 1, 2017.

Section PS 3320 - Contingent Assets

This new section defines and establishes disclosure standards on contractual rights. Disclosure of information about contractual rights is required including description about their nature and extent and the timing. This section applies to fiscal years beginning on or after April 1, 2017.

Section PS 3380 - Contractual Rights

This new Section defines and establishes disclosure standards on contractual rights. This Section applies to fiscal years beginning on or after April 1, 2017. Earlier adoption is permitted.

Section PS 3430 - Restructuring Transactions

This new section defines a restructuring transaction and establishes standards for measuring assets and liabilities transferred in a restructuring transaction. This section applies to restructuring transactions occurring in fiscal years beginning on or after April 1, 2018.

3. Cash and temporary investments

	2016	2015
Cash	\$ 1,568,186	\$ 15,943
Temporary investments	1,611,732	4,279,193
	\$ 3,179,918	\$ 4,295,136

Temporary investments are short term deposits and guaranteed investment certificates with original maturities of one year or less.

The guaranteed investment certificates mature in July 2017 and bear interest at 1.4% to 1.55%.

Included in temporary investments is a restricted amount of \$1,064,364 (2015 – \$1,062,904) consisting of deferred revenue of \$444,694, the subdivision development reserve of \$568,000, and unexpended capital funding of \$51,670.

TOWN OF LAMONT
Notes to Financial Statements
Year Ended December 31, 2016

4. Taxes and grants in place of taxes receivable

	2016	2015
Current taxes and grants in place of taxes	\$ 114,297	\$ 106,039
Arrears taxes	40,477	48,229
	154,774	154,268
Less: allowance for doubtful accounts	(20,965)	-
	\$ 133,809	\$ 154,268

5. Investments

	2016	2015
Alberta Capital Finance Authority (ACFA) shares	\$ 10	\$ 10
Guaranteed Investment Certificates	1,242,879	-
	\$ 1,242,889	\$ 10

Guaranteed investment certificates are long term with original maturities greater than one year.

The guaranteed investment certificates mature from September 2017 to December 2018 and bear interest at 1.5% to 1.9%.

6. Revolving loan

The municipality has a \$800,000 revolving line of credit of which \$nil (2015 - \$nil) was in use as at December 31, 2016. Bank advances on the credit line are payable on demand and bear interest at prime less 0.25%. The credit line is secured by a general security agreement.

7. Deferred revenue

	2016	2015
Developer - letter of credit	\$ 444,694	\$ 441,314
Other	-	1,920
	\$ 444,694	\$ 443,234

Included in deferred revenue is \$406,500 received when the Town called a letter of credit related to a development agreement plus accrued interest to date. The proceeds from this letter of credit are to be used to fund any future costs needed to complete the development project.

8. Employee benefit obligations

The municipality has accumulating non-vesting sick leave benefits.

TOWN OF LAMONT
Notes to Financial Statements
Year Ended December 31, 2016

9. Long-term debt

	2016	2015
Tax supported debentures	\$ 1,508,614	\$ 1,591,915

The current portion of the long-term debt amounts to \$86,416 (2015 - \$83,301).

Principal and interest repayments are as follows:

	Principal	Interest	Total
2017	\$ 86,416	\$ 58,686	\$ 145,102
2018	89,652	55,450	145,102
2019	93,015	52,087	145,102
2020	96,509	48,593	145,102
2021	100,140	44,962	145,102
Thereafter	<u>1,042,882</u>	<u>236,354</u>	<u>1,279,236</u>
	<u>\$ 1,508,614</u>	<u>\$ 496,132</u>	<u>\$ 2,004,746</u>

Debenture debt is repayable to the Alberta Capital Finance Authority and bears interest at rates ranging from 3.295% to 5.066% per annum and matures in periods December 2028 through March 2034. The average annual interest rate is 4.181% for 2016 (4.181% for 2015).

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

Interest on long-term debt amounted to \$61,801 (2015 - \$64,800).

The municipality's total cash payments for interest in 2016 were \$61,422 (2016 - \$64,438).

TOWN OF LAMONT
Notes to Financial Statements
Year Ended December 31, 2016

10. Debt limits

Section 276(2) of the Municipal Government Act requires that debt and debt limits as defined by Alberta Regulation 255/2000 for the municipality be disclosed as follows:

	2016	2015
Total debt limit	\$ 5,545,662	\$ 5,538,188
Total debt	1,508,614	1,591,915
Amount of debt limit unused	\$ 4,037,048	\$ 3,946,273
Debt servicing limit	\$ 924,277	\$ 923,031
Debt servicing	145,102	145,102
Amount of debt servicing limit unused	\$ 779,175	\$ 777,929

The debt limit is calculated at 1.5 times revenue of the municipality (as defined in Alberta Regulation 255/2000) 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.

11. Equity in tangible capital assets

	2016	2015
Tangible capital assets (Schedule 2)	\$ 35,095,724	\$ 34,472,752
Accumulated amortization (Schedule 2)	(16,952,414)	(16,363,433)
Long-term debt (Note 9)	(1,508,614)	(1,591,915)
	\$ 16,634,696	\$ 16,517,404

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Notes to Financial Statements
Year Ended December 31, 2016

12. Accumulated surplus

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

	2016	2015
Unrestricted surplus	\$ 1,135,361	\$ 1,254,989
Restricted surplus		
Capital	51,670	51,670
Operating	2,906,340	2,906,340
Equity in tangible capital assets (Note 11)	16,634,696	16,517,404
	\$ 20,728,067	\$ 20,730,403

13. Segmented disclosure

The municipality 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).

TOWN OF LAMONT
Notes to Financial Statements
Year Ended December 31, 2016

14. 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:

			2016	2015
	Salary	Benefits & allowances		
	(1)	(2)		
B. Skinner - Mayor	\$ 10,400	\$ 5,200	\$ 15,600	\$ 15,600
W. Field	5,600	2,800	8,400	8,400
G. Hrehorets	5,600	2,800	8,400	8,400
S. Sharun	5,600	2,800	8,400	8,400
D. Taylor	5,600	2,800	8,400	8,400
D. Dunsmore	5,600	2,800	8,400	8,400
D. Pewarchuk	5,600	2,800	8,400	8,400
Chief Administrative Officer	96,050	24,541	120,591	114,673
Deputy Chief Administrative Officer	53,399	11,347	64,746	76,366
Deputy Chief Administrative Officer	6,156	438	6,594	-

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

15. Local Authorities Pension Plan

Employees of the municipality 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 municipality is required to make current service contributions to the LAPP of 11.39% of pensionable earnings up to the year's maximum pensionable earnings under the Canada Pension Plan and 15.84% on pensionable earnings above this amount.

Total current service contributions by the municipality to the LAPP in 2016 were \$78,075 (2015 - \$72,469). Total current service contributions by the employees of the municipality to the Local Authorities Pension Plan in 2016 were \$71,586 (2015 - \$66,446).

At December 31, 2015, the LAPP disclosed an actuarial deficiency of \$923 million.

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Notes to Financial Statements
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16. Contingencies

The municipality is a member of the Alberta Municipal Insurance Exchange (MUNIX). Under the terms of the membership, the municipality 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 has entered into three separate Master Sales Agreements and three separate Development Agreements with a developer. Each is for the sale of land held by the Town for the development of three different subdivisions within the Town's municipal boundaries. The Town alleges the developer defaulted on its obligations regarding certain conditions of the Master Sales and Development Agreements. As a result, the Town has sought to terminate the agreements and has called a \$406,500 letter of credit held as security against development deficiencies. As disclosed in Note 7 of the financial statements, this amount is included as part of deferred revenue at December 31, 2015 and December 31, 2016. In 2015 and 2016, deferred revenue was updated to include interest earned on the letter of credit.

The Plaintiffs' brought an application to recover the \$406,500 security deposit posted with the Municipality. A court decision ordered the Municipality to return approximately \$300,000 of this \$406,500 to Jabneel. This was appealed and heard before Justice Neilsen in a Justice Special Chambers hearing. Justice Neilsen set aside the initial court decision, and ordered that the Town of Lamont continue to hold the full amount of the security deposits. During that time, Jabneel's former shareholder brought an application to receive intervener status in this action. This application was adjourned sine die; however, this party will likely be involved as this action moves forward. The Town's legal advisors advise that if the case is determined to be procedurally right to enter trial, that it will likely not occur until the summer of 2018.

The developer has a claim for breach of the Development and Sales Agreements for damages of \$120,000,000 and punitive damages of \$5,000,000. The Town has a counter claim of \$1,000,000 plus interest and costs. Legal counsel believes that the extent of the damages claimed by Jabneel Developments Inc. against the Town appears to be an effort to try to intimidate and pressure the Town as opposed to damages being calculated based upon potential lost project profits. Any settlement amount is indeterminable according to the Town's legal advisors.

Negotiations regarding the dispute between the Town and the developer are ongoing. The developer added some Councilors and Town staff members to the lawsuit during 2013, and this was rejected by the Court in 2015.

The caveats related to the land under the Development Agreement have been discharged and the Town was awarded costs on this matter during the 2014 year. The amount of the costs are indeterminable at this time and will be directed by the Court at a subsequent date once the various litigation with Jabneel Developments Inc. has been resolved.

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17. Financial instruments

The municipality's financial instruments consist of cash and temporary investments, accounts receivable, debt charges recoverable, bank indebtedness, accounts payable and accrued liabilities, deposit liabilities, requisition over-levy, and long term debt. It is management's opinion that the municipality is not exposed to significant interest or currency risk arising from these financial instruments.

The municipality is subject to credit risk with respect to taxes and grants in place of taxes receivable and trade and other receivables. Credit risk arises from the possibility that taxpayers and entities to which the municipality 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.

18. Approval of financial statements

Council and Management have approved these financial statements.

19. Budget amounts

Budget amounts are included for information purposes only and are not audited.