



Wilde and Company
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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, 2017 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, 2017 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
April 25, 2018


Chartered Professional Accountants

TOWN OF LAMONT
Consolidated Statement of Financial Position
As at December 31, 2017

	2017	2016
	\$	\$
ASSETS		
Financial Assets		
Cash and temporary investments (Note 3)	3,667,028	3,179,918
Receivables		
Taxes and grants in place of taxes receivable (Note 4)	248,266	133,809
Due from governments	267,711	29,724
Trade and other receivables	264,827	241,734
Land held for resale	127,000	132,000
Investments (Note 5)	1,220,312	1,242,889
Investment in cooperatives	6,226	-
	5,801,370	4,960,074
LIABILITIES		
Accounts payable and accrued liabilities	334,756	401,534
Deposit liabilities	19,775	20,975
Deferred revenue (Note 7)	474,205	444,694
Long term debt (Note 9)	1,422,198	1,508,614
	2,250,934	2,375,817
NET FINANCIAL ASSETS	3,550,436	2,584,257
NON-FINANCIAL ASSETS		
Tangible capital assets (Schedule 2)	17,903,357	18,143,310
Inventory for consumption	500	500
	17,903,857	18,143,810
ACCUMULATED SURPLUS (Schedule 1, Note 12)	21,454,293	20,728,067
Contingencies (Note 16)		

TOWN OF LAMONT
Consolidated Statement of Operations
Year Ended December 31, 2017

	Budget \$ (Unaudited)	2017 \$	2016 \$
Revenues			
Net municipal taxes (Schedule 3)	1,843,700	1,889,905	1,883,468
User fees and sales of goods	1,230,945	1,289,364	1,125,368
Government transfers for operating (Schedule 4)	151,541	248,013	157,891
Investment income	64,000	71,225	57,126
Penalties and costs on taxes	51,000	55,138	54,504
Fines, licenses and permits	11,500	8,402	26,167
Franchise fees	190,000	228,279	219,861
Other	152,200	129,240	172,723
Total revenue	3,694,886	3,919,566	3,697,108
Expenses			
Administration and legislative	739,050	681,663	695,280
Fire protection and safety services	79,700	48,260	295,872
Bylaw enforcement	9,900	12,066	11,254
Common services	502,600	515,211	501,968
Roads, streets, walks, lighting	670,750	629,895	741,611
Storm sewers and drainage	2,900	686	686
Water supply and distribution	600,600	555,259	569,057
Wastewater treatment and disposal	181,100	178,019	280,169
Waste management	312,200	367,428	335,042
Family and community support	57,941	60,047	65,102
Cemetery	4,600	5,600	3,900
Community service	42,000	41,874	22,774
Subdivision land and development	133,500	52,107	69,605
Parks and recreation	745,025	789,663	717,455
Culture	23,000	22,245	15,045
Total expenses	4,104,866	3,960,023	4,324,820
Deficiency of revenue over expenses - before other	(409,980)	(40,457)	(627,712)
Other			
Government transfers for capital (Schedule 4)	611,468	766,683	625,376
Excess of revenues over expenses	201,488	726,226	(2,336)
Accumulated surplus - beginning of the year	20,730,403	20,728,067	20,730,403
Accumulated surplus - end of the year	20,931,891	21,454,293	20,728,067

TOWN OF LAMONT**Consolidated Statement of Change in Net Financial Assets (Debt)****Year Ended December 31, 2017**

	Budget \$ (Unaudited)	2017 \$	2016 \$
Excess of revenues over expenses	201,488	726,226	(2,336)
Acquisition of tangible capital assets	(1,151,500)	(708,262)	(1,117,348)
Amortization of tangible capital assets	872,800	948,215	891,904
Net loss on sale of tangible capital assets	-	-	191,453
	(278,700)	239,953	(33,991)
Use (acquisition) of prepaid assets	-	-	28,876
	-	-	28,876
Decrease in net assets	(77,212)	966,179	(7,451)
Net financial assets, beginning of year	2,584,257	2,584,257	2,591,708
Net financial assets, end of year	2,507,045	3,550,436	2,584,257

TOWN OF LAMONT
Consolidated Statement of Cash Flows
Year Ended December 31, 2017

	2017	2017
	\$	\$
Operating		
Excess of revenue over expenses	726,226	(2,336)
Net changes in non-cash items included in excess of revenues over expenses		
Amortization of tangible capital assets	948,215	891,904
Loss on disposal of tangible capital assets	-	191,453
Net changes in non-cash charges to operation		
Decrease (increase) in taxes and grants in lieu receivable	(114,457)	20,459
Decrease (increase) in government receivables	(237,987)	57,601
Decrease (increase) trade and other receivables	(23,093)	15,874
Decrease in inventory	5,000	-
Decrease in prepaid expenses	-	28,876
Increase (decrease) in accounts payable and accrued liabilities	(66,778)	121,247
Increase (decrease) in deposit liabilities	(1,200)	1,772
Increase in deferred revenues	29,511	1,460
	539,211	1,330,646
Cash provided by operating transactions	1,265,437	1,328,310
Capital		
Acquisition of tangible capital assets	(708,262)	(1,117,348)
Cash applied to capital transactions	(708,262)	(1,117,348)
Investing		
Increase in restricted cash or cash equivalents	(29,511)	(1,460)
Purchase of investments	22,577	(1,242,879)
Purchase of investment in cooperatives	(6,226)	-
Cash provided by investing transactions	(13,160)	(1,244,339)
Financing		
Long term debt repaid	(86,416)	(83,301)
Cash used in financing transactions	(86,416)	(83,301)
Change in cash and cash equivalents during the year	457,599	(1,116,678)
Cash and cash equivalents, beginning of year	2,115,554	3,232,232
Cash and cash equivalents, end of year	2,573,153	2,115,554
Cash and cash equivalents is made up of:		
Cash and temporary investments (Note 3)	3,667,028	3,179,918
Less: restricted portion of cash and temporary investments (Note 3)	(1,093,875)	(1,064,364)
	2,573,153	2,115,554

TOWN OF LAMONT
Schedule of Changes In Accumulated Surplus
Year Ended December 31, 2017

(Schedule 1)

	Unrestricted Surplus	Restricted Operating Reserves	Restricted Capital Reserves	Equity in Capital Assets	2017 \$	2016 \$
Balance, beginning of year	1,135,361	2,906,340	51,670	16,634,696	20,728,067	20,730,403
Excess of revenues over expenses	726,226	-	-	-	726,226	(2,336)
Long term debt repayment	(86,416)	-	-	86,416	-	-
Current year funds used for tangible capital assets	(708,262)	-	-	708,262	-	-
Disposals of tangible capital assets	-	-	-	-	-	-
Annual amortization expense	948,215	-	-	(948,215)	-	-
Subtotal	879,763	-	-	(153,537)	726,226	(2,336)
Balance, end of year	2,015,124	2,906,340	51,670	16,481,159	21,454,293	20,728,067

TOWN OF LAMONT
Schedule of Tangible Capital Assets
Year Ended December 31, 2017

(Schedule 2)

	Land	Buildings	Engineered Structures	Machinery and Equipment	Vehicles	2017 \$	2016 \$
Cost:							
Balance, beginning of year	1,172,000	5,481,936	27,412,699	572,720	456,369	35,095,724	34,472,752
Acquisition of tangible capital assets	-	-	343,284	320,042	44,936	708,262	1,117,348
Disposal of tangible capital assets	-	-	-	-	-	-	(494,376)
Balance, end of year	1,172,000	5,481,936	27,755,983	892,762	501,305	35,803,986	35,095,724
Accumulated amortization:							
Balance, beginning of year	-	2,357,396	13,969,611	388,140	237,267	16,952,414	16,363,433
Annual amortization	-	111,405	761,905	31,666	43,239	948,215	891,904
Accumulated amortization on disposals	-	-	-	-	-	-	(302,923)
Balance, end of year	-	2,468,801	14,731,516	419,806	280,506	17,900,629	16,952,414
Net book value of tangible capital assets	1,172,000	3,013,135	13,024,467	472,956	220,799	17,903,357	18,143,310
2016 Net book value of tangible capital assets	1,172,000	3,124,540	13,443,087	184,581	219,102		18,143,310

TOWN OF LAMONT
Schedule of Property and Other Taxes
Year Ended December 31, 2017

(Schedule 3)

	Budget \$ (Unaudited)	2017 \$	2016 \$
Taxation			
Real property taxes	2,359,500	2,390,532	2,358,872
Linear property	60,000	53,921	59,978
Government grants in place of property taxes	4,200	4,526	4,369
	2,423,700	2,448,979	2,423,219
Requisitions			
Alberta School Foundation Fund	490,000	498,730	483,000
Lamont Seniors Foundation	90,000	60,344	56,751
	580,000	559,074	539,751
Net Municipal Taxes	1,843,700	1,889,905	1,883,468

TOWN OF LAMONT
Schedule of Government Transfers
Year Ended December 31, 2017

(Schedule 4)

	Budget	2017	2016
	\$	\$	\$
	(Unaudited)		
Transfers for operating			
Provincial Government	103,041	178,640	108,323
Other Local Governments	48,500	69,373	49,568
	151,541	248,013	157,891
Transfers for Capital			
Federal Government	60,000	60,016	59,970
Provincial Government	551,468	706,667	565,406
	611,468	766,683	625,376
Total Government Transfers	763,009	1,014,696	783,267

TOWN OF LAMONT*(Schedule 5)***Schedule of Consolidated Expenses by Object****Year Ended December 31, 2017**

	Budget	2017	2016
	\$	\$	\$
	(Unaudited)		
Consolidated expenses by object			
Salaries, wages and benefits	1,184,306	1,146,897	1,104,924
Contracted and general services	820,760	785,043	798,349
Materials, goods, supplies and utilities	1,117,000	999,619	1,124,412
Provision for allowances (recovery)	20,500	(7,208)	136,014
Transfers to local boards and agencies	23,000	22,245	15,045
Bank charges and short term interest	2,500	1,526	1,298
Interest on long term debt	64,000	58,686	61,422
Loss on disposal of tangible assets	-	5,000	191,453
Amortization of tangible capital assets	872,800	948,215	891,903
	4,104,866	3,960,023	4,324,820

TOWN OF LAMONT
Schedule of Segmented Disclosure
Year Ended December 31, 2017

(Schedule 6)

	General Government	Protective Services	Transportation Services	Environmental Services	Planning & Development	Recreation & Culture	Other	Total \$
Revenue								
Net municipal taxes	-	-	-	-	-	-	1,889,905	1,889,905
Government transfers	2,000	-	552,928	223,000	-	191,502	45,266	1,014,696
User fees and sales of goods	6,513	-	-	1,053,018	223,973	3,462	2,400	1,289,364
Investment Income	7,501	-	-	-	-	-	63,724	71,225
Other revenues	8,189	1,655	10,558	6,804	3,328	110,609	279,916	421,059
	24,203	1,655	563,486	1,282,820	227,301	305,573	2,281,211	4,686,249
Expenses								
Salaries, wages and benefits	415,898	-	377,132	-	-	321,426	32,441	1,146,897
Contracted and general services	187,165	14,278	70,476	336,133	48,289	114,679	16,023	785,043
Materials, goods, supplies and utilities	80,275	15,382	174,003	416,590	818	273,494	59,057	999,619
Transfers to local boards and agencies	-	-	-	-	-	-	22,245	22,245
Interest on long term debt	-	-	27,697	30,989	-	-	-	58,686
Other expenses	8,407	-	-	5,000	-	-	(14,089)	(682)
	671,745	29,660	649,308	788,712	47,107	709,599	115,677	3,011,808
Net revenue before amortization	(647,542)	(28,005)	(85,822)	494,108	180,194	(404,026)	2,165,534	1,674,441
Amortization of tangible capital assets	24,007	18,600	507,864	317,680	-	-	80,064	848,215
Net revenue (cost)	(671,549)	(46,605)	(593,866)	176,428	180,194	(404,026)	2,085,470	726,226
Net revenue (cost) - 2016	(649,202)	(305,106)	(660,008)	(104,047)	(10,446)	(334,838)	2,061,311	(2,336)

TOWN OF LAMONT
Notes to Financial Statements
Year Ended December 31, 2017

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, 2017

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, 2017

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 bylaw and the taxable event has occurred.

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

Government transfers

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

Government transfers are recognized in the 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, 2017

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, 2017

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, 2017

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

	2017	2016
Cash	\$ 535,488	\$ 1,568,186
Temporary investments	3,131,540	1,611,732
	\$ 3,667,028	\$ 3,179,918

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

The guaranteed investment certificates mature from January 2018 to December 2018 and bear interest at 1.62% to 1.9%.

Included in temporary investments is a restricted amount of \$1,093,875 (2016 – \$1,064,364) consisting of deferred revenue of \$474,205, 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, 2017

4. Taxes and grants in place of taxes receivable

	2017	2016
Current taxes and grants in place of taxes	\$ 197,346	\$ 114,297
Arrears taxes	50,920	40,477
	248,266	154,774
Less: allowance for doubtful accounts	-	(20,965)
	\$ 248,266	\$ 133,809

5. Investments

	2017	2016
Alberta Capital Finance Authority (ACFA) shares	\$ 10	\$ 10
Guaranteed Investment Certificates	1,220,302	1,242,879
	\$ 1,220,312	\$ 1,242,889

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

The guaranteed investment certificates mature from July 2019 to October 2020 and bear interest at 1.95% to 2.15%.

6. Revolving loan

The municipality has a \$800,000 revolving line of credit of which \$nil (2016 - \$nil) was in use as at December 31, 2017. 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

	2017	2016
Developer - letter of credit	\$ 452,170	\$ 444,694
Jabneel - tax sale	22,035	-
	\$ 474,205	\$ 444,694

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, 2017

9. Long-term debt

	2017	2016
Tax supported debentures	\$ 1,422,198	\$ 1,508,614

The current portion of the long-term debt amounts to \$89,652 (2016 - \$86,416).

Principal and interest repayments are as follows:

	Principal	Interest	Total
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
2022	103,913	41,189	145,102
Thereafter	<u>938,969</u>	<u>195,165</u>	<u>1,134,134</u>
	<u>\$ 1,422,198</u>	<u>\$ 437,446</u>	<u>\$ 1,859,644</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 2017 (4.181% for 2016).

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

Interest on long-term debt amounted to \$58,686 (2016 - \$61,801).

The municipality's total cash payments for interest in 2017 were \$58,686 (2016 - \$61,422).

TOWN OF LAMONT
Notes to Financial Statements
Year Ended December 31, 2017

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:

	2017	2016
Total debt limit	\$ 5,879,351	\$ 5,545,662
Total debt	1,422,199	1,508,614
Amount of debt limit unused	\$ 4,457,152	\$ 4,037,048
Debt servicing limit	\$ 979,892	\$ 924,277
Debt servicing	145,102	145,102
Amount of debt servicing limit unused	\$ 834,790	\$ 779,175

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

	2017	2016
Tangible capital assets (Schedule 2)	\$ 35,803,986	\$ 35,095,724
Accumulated amortization (Schedule 2)	(17,900,629)	(16,952,414)
Long-term debt (Note 9)	(1,422,198)	(1,508,614)
	\$ 16,481,159	\$ 16,634,696

TOWN OF LAMONT
Notes to Financial Statements
Year Ended December 31, 2017

12. Accumulated surplus

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

	2017	2016
Unrestricted surplus	\$ 2,015,124	\$ 1,135,361
Restricted surplus		
Capital	51,670	51,670
Operating	2,906,340	2,906,340
Equity in tangible capital assets (Note 11)	16,481,159	16,634,696
	\$ 21,454,293	\$ 20,728,067

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, 2017

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:

			2017	2016
	Salary	Benefits & allowances		
	(1)	(2)		
B. Skinner - Mayor	\$ 10,400	\$ 5,200	\$ 15,600	\$ 15,600
D. Pewarchuk	5,600	2,800	8,400	8,400
D. Taylor	5,600	2,800	8,400	8,400
W. Field	4,433	2,217	6,650	8,400
G. Hrehorets	4,433	2,217	6,650	8,400
S. Sharun	4,433	2,217	6,650	8,400
D. Dunsmore	2,800	1,400	4,200	8,400
J. Foulds	1,167	583	1,750	-
A. Harvey	1,167	583	1,750	-
P. Koroluk	1,167	583	1,750	-
P. Kirk	1,167	583	1,750	-
Chief Administrative Officer	102,485	23,293	125,778	120,591
Deputy Chief Administrative Officer	49,735	3,985	53,720	6,594
Deputy Chief Administrative Officer	-	-	-	64,796

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.

TOWN OF LAMONT
Notes to Financial Statements
Year Ended December 31, 2017

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 2017 were \$80,006 (2016 - \$78,075). Total current service contributions by the employees of the municipality to the Local Authorities Pension Plan in 2017 were \$73,406 (2016 - \$71,586).

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

TOWN OF LAMONT
Notes to Financial Statements
Year Ended December 31, 2017

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 and the proceeds on the tax recovery and sale of property previously held by Jabneel is included as part of deferred revenue at December 31, 2016 and December 31, 2017. In 2016 and 2017, 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.

TOWN OF LAMONT
Notes to Financial Statements
Year Ended December 31, 2017

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.