

**Consolidated Financial Statements**

City of Camrose

**December 31, 2017**

# City of Camrose

December 31, 2017

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# Management's responsibility for financial reporting

The accompanying consolidated financial statements of the City of Camrose are the responsibility of management and have been approved by the Mayor and Council.

The consolidated financial statements have been prepared by management in accordance with Canadian public sector accounting standards. Consolidated financial statements are not precise since they include certain amounts based on estimates and judgments. When alternative accounting methods exist, management has chosen those it deems most appropriate in the circumstances, in order to ensure that the consolidated financial statements are presented fairly, in all material respects.

The City maintains systems of internal accounting and administrative controls of high quality, consistent with reasonable cost. Such systems are designed to provide reasonable assurance that the financial information is relevant, reliable, and accurate, and the City's assets are appropriately accounted for and adequately safeguarded.

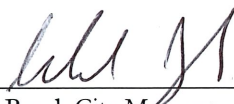
City Council is responsible for ensuring that management fulfils its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the consolidated financial statements.

Council meets periodically with management, as well as the external auditors, to discuss internal controls over the financial reporting process, auditing matters and financial reporting issues, to satisfy themselves that each party is properly discharging their responsibilities, and to review the annual report, the consolidated financial statements and the external auditor's report.

The consolidated financial statements have been audited by Grant Thornton LLP in accordance with Canadian generally accepted auditing standards on behalf of Council. Grant Thornton LLP has full and free access to Council.



Travis Bouck, General Manager of Financial Services



Malcolm Boyd, City Manager



## Independent Auditor's Report

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To the Mayor and Council of the City of Camrose:

We have audited the accompanying consolidated statements of the City of Camrose which comprise the statement of financial position as at December 31, 2017, and consolidated statements of operations, change in net financial assets, cash flows, schedules 1 through 6 for the year then ended, and a summary of significant accounting policies and other explanatory information.

### **Management's responsibility for the Consolidated 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.

### **Auditors' responsibility**

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparations and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the 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 City of Camrose as at December 31, 2017 and the results of its operations, change in net financial assets, cash flows and schedules 1 through 6 in accordance with Canadian public sector accounting standards.

### **Emphasis of Matters**

Without modifying our opinion we draw attention to Note 23 to the consolidated financial statements, which indicates that the comparative information presented as at and for the year ended December 31, 2016 has been restated.



Camrose, Canada  
April 16, 2018

Chartered Professional Accountant

**City of Camrose**  
**Consolidated Statement of Financial Position**  
**As at December 31, 2017**

	2017	2016 Restated (Note 23)
<b>FINANCIAL ASSETS</b>		
Cash and temporary investments (Note 2)	\$ 76,269,557	\$ 68,290,402
Receivables:		
Taxes and grants in place of taxes (Note 3)	2,970,101	3,250,167
Trade and other (Note 3)	2,932,251	3,064,726
Land for resale inventory	7,172,456	7,167,172
	89,344,365	81,772,467
<b>LIABILITIES</b>		
Temporary loans payable (Note 4)	219,673	352,439
Accounts payable and accrued liabilities	2,315,935	2,144,593
Deposit liabilities	1,534,735	1,415,720
Deferred revenue (Note 5)	22,170,132	19,588,981
Employee benefit obligations (Note 6)	4,259,852	4,306,881
Provision for landfill closure and post-closure costs (Note 8)	1,242,063	1,212,073
Contaminated sites liability (Note 9)	250,000	-
Long-term debt (Note 10)	18,764,788	20,241,656
	50,757,178	49,262,343
<b>NET FINANCIAL ASSETS</b>	38,587,187	32,510,124
<b>NON-FINANCIAL ASSETS</b>		
Tangible capital assets (Schedule 2)	217,643,315	217,826,213
Inventory for consumption	1,491,475	1,531,082
Prepaid expenses	208,459	144,906
	219,343,249	219,502,201
<b>ACCUMULATED SURPLUS (Schedule 1) (Note 13)</b>	\$ 257,930,436	\$ 252,012,325

**APPROVED ON BEHALF OF THE CITY:**

  
**Mayor**

  
**City Manager**

The accompanying notes are an integral part of these financial statements.

# City of Camrose

## Consolidated Statement of Operations

For the year ended December 31, 2017

	Budget (See Note 24)	2017	2016 Restated (Note 23)
<b>REVENUES</b>			
Net municipal taxes (Schedule 3)	\$ 24,669,309	\$ 24,773,265	\$ 24,313,484
User fees and sales of goods	14,773,409	15,032,148	15,716,571
Government transfers for operating (Schedule 4)	1,418,800	1,588,273	1,677,072
Sales to other governments	216,000	214,472	269,346
Penalties and costs of taxes	275,500	303,869	308,118
Licences and permits	686,400	828,415	597,226
Development levies	275,000	-	345
Fines	900,000	787,314	857,489
Franchise and concession contracts	2,652,858	2,848,451	2,458,158
Investment income	521,185	961,598	800,058
Rentals	2,105,414	2,111,083	2,155,738
Other revenues	121,299	259,484	472,610
	48,615,174	49,708,372	49,626,215
<b>EXPENSES</b>			
Legislative	438,501	438,933	348,480
Administration	6,100,520	5,688,711	5,251,081
Protective Services	9,306,405	9,457,452	8,911,278
Roads, Streets, Walks & Lighting	10,115,308	9,694,078	9,553,004
Water, Wastewater and Waste Management	10,392,844	9,097,372	9,105,402
Public Health & Welfare	341,836	324,834	508,858
Planning & Development	1,216,358	1,291,972	1,503,976
Recreation & Culture	10,559,407	10,403,144	10,290,005
	48,471,179	46,396,496	45,472,084
<b>EXCESS OF REVENUES OVER EXPENSES BEFORE OTHER</b>	143,995	3,311,876	4,154,131
<b>OTHER:</b>			
Contributed tangible capital assets (Note 19)	-	-	93,500
Government transfers for capital (Schedule 4)	5,814,000	2,606,235	5,560,119
<b>EXCESS (SHORTFALL) OF REVENUES OVER EXPENSES</b>	5,957,995	5,918,111	9,807,750
<b>ACCUMULATED SURPLUS, BEGINNING OF YEAR</b>			
As previously reported	260,389,122	260,389,122	250,060,601
Prior period adjustments (Note 23)	-	(8,376,797)	(7,856,026)
<b>ACCUMULATED SURPLUS, BEGINNING OF YEAR</b>	260,389,122	252,012,325	242,204,575
<b>ACCUMULATED SURPLUS, END OF YEAR</b>	\$ 266,347,117	\$ 257,930,436	\$ 252,012,325

The accompanying notes are an integral part of these financial statements.



# City of Camrose

## Consolidated Statement of Change in Net Financial Assets

For the year ended December 31, 2017

	Budget (See Note 24)	2017	2016 Restated (Note 23)
<b>EXCESS (SHORTFALL) OF REVENUES OVER EXPENSES</b>	\$ 5,957,995	\$ 5,918,111	\$ 9,807,750
Prior period adjustment	-	-	(7,856,026)
Acquisition of tangible capital assets	(21,061,400)	(9,168,546)	(11,033,844)
Contributed tangible capital assets	-	-	(93,500)
Proceeds on disposal of tangible capital assets	458,000	763,119	382,515
Amortization of tangible capital assets	8,626,237	8,626,237	8,066,655
Loss (gain) on disposal of tangible capital assets	-	(37,912)	(7,167)
	(11,977,163)	182,898	(10,541,367)
Acquisition of supplies inventories	-	-	(3,900)
Acquisition of prepaid assets	-	(63,553)	(33,384)
Use of supplies inventories	-	39,607	-
	-	(23,946)	(37,284)
<b>INCREASE IN NET FINANCIAL ASSETS</b>	(6,019,168)	6,077,063	(770,901)
<b>NET FINANCIAL ASSETS, BEGINNING OF YEAR</b>	32,510,124	32,510,124	33,281,025
<b>NET FINANCIAL ASSETS, END OF YEAR</b>	\$ 26,490,956	\$ 38,587,187	\$ 32,510,124

The accompanying notes are an integral part of these financial statements.



**City of Camrose**  
**Consolidated Statement of Cash Flows**  
**For the year ended December 31, 2017**

	2017	2016 Restated (Note 23)
<b>NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:</b>		
<b>OPERATING</b>		
Excess (shortfall) of revenues over expenses	\$ 5,918,111	\$ 9,807,750
Non-cash items included in excess (shortfall) of revenues over expenses:		
Amortization of tangible capital assets	8,626,237	8,066,655
Loss (gain) on disposal of capital assets	(37,912)	(7,167)
Contributed tangible capital assets	-	(93,500)
	14,506,436	17,773,738
Non-cash contributions (charges) to operations - net change:		
Decrease in taxes and grants in place of taxes receivable	280,066	225,987
Decrease in trade and other receivables	132,475	745,708
Decrease (increase) in inventory for consumption	39,607	(3,900)
Increase in land for resale inventory	(5,284)	(394)
Increase in prepaid expenses	(63,553)	(33,384)
Decrease in temporary loans payable	(132,766)	(1,782,610)
Increase (decrease) in accounts payable and accrued liabilities	171,342	(1,342,003)
Increase (decrease) in deposit liabilities	119,015	(7,076)
Increase in deferred revenue	2,581,151	1,939,097
Increase (decrease) in employee benefit obligations	(47,029)	300,650
Increase in provision for landfill closure and post-closure costs	29,990	406,834
Increase in contaminated sites liability	250,000	-
Cash provided by operating transactions	17,861,450	18,222,647
<b>CAPITAL</b>		
Proceeds from disposal of tangible capital assets	763,119	382,515
Acquisition of tangible capital assets	(9,168,546)	(11,033,844)
Cash applied to capital transactions	(8,405,427)	(10,651,329)
<b>FINANCING</b>		
Long-term debt issued	373,533	2,857,400
Long-term debt repaid	(1,850,401)	(1,648,749)
Cash provided by (applied to) financing transactions	(1,476,868)	1,208,651
<b>INCREASE IN CASH AND TEMPORARY INVESTMENTS DURING YEAR</b>	7,979,155	8,779,969
<b>CASH AND TEMPORARY INVESTMENTS, BEGINNING OF YEAR</b>	68,290,402	59,510,433
<b>CASH AND TEMPORARY INVESTMENTS, END OF YEAR</b>	\$ 76,269,557	\$ 68,290,402

The accompanying notes are an integral part of these financial statements.

# City of Camrose

## Schedule of Changes in Accumulated Surplus

For the year ended December 31, 2017

	Unrestricted surplus	Restricted surplus	Equity in Tangible Capital Assets	2017	2016 Restated (Note 23)
<b>BALANCE, BEGINNING OF THE YEAR (Restated) (Note 23)</b>	\$ 5,676,796	\$ 41,913,403	\$ 204,422,126	\$ 252,012,325	\$ 242,204,575
Excess (shortfall) of revenues over expenses for the year	5,918,111	-	-	5,918,111	9,807,750
Unrestricted funds designated for future use	(9,872,167)	9,872,167	-	-	-
Restricted funds used for operations	470,288	(470,288)	-	-	-
Restricted funds used for tangible capital assets	-	(4,421,965)	4,421,965	-	-
Current year funds used for tangible capital assets	(4,746,581)	-	4,746,581	-	-
Disposal of tangible capital assets (at net book value)	725,207	-	(725,207)	-	-
Annual amortization expense	8,626,237	-	(8,626,237)	-	-
Long term debt repaid	(1,339,062)	-	1,339,062	-	-
<b>Change in accumulated surplus</b>	<b>(217,967)</b>	<b>4,979,914</b>	<b>1,156,164</b>	<b>5,918,111</b>	<b>9,807,750</b>
<b>BALANCE, END OF THE YEAR</b>	<b>\$ 5,458,829</b>	<b>\$ 46,893,317</b>	<b>\$ 205,578,290</b>	<b>\$ 257,930,436</b>	<b>\$ 252,012,325</b>

The accompanying notes are an integral part of these financial statements.

# City of Camrose

## Schedule of Tangible Capital Assets

For the year ended December 31, 2017

	Land	Land Improvements	Buildings	Engineered Structures	Machinery and Equipment	Vehicles	Construction in Progress	2017	2016
<b>COST:</b>									
BALANCE, BEGINNING OF YEAR	\$ 7,113,386	\$ 10,363,828	\$ 76,184,317	\$ 226,809,308	\$ 9,516,101	\$ 6,340,770	\$ 3,684,545	\$ 340,012,255	\$ 331,051,200
Acquisition of tangible capital assets	-	913,478	143,398	3,776,501	2,127,735	578,515	1,628,919	9,168,546	11,127,344
Disposal of tangible capital assets	-	-	-	(683,186)	(1,240,932)	(535,895)	(960)	(2,460,973)	(2,166,289)
BALANCE, END OF YEAR	7,113,386	11,277,306	76,327,715	229,902,623	10,402,904	6,383,390	5,312,504	346,719,828	340,012,255
<b>ACCUMULATED AMORTIZATION:</b>									
BALANCE, BEGINNING OF YEAR	-	5,820,936	16,889,653	93,226,463	3,448,966	2,800,024	-	122,186,042	115,910,328
Annual amortization	-	469,888	1,710,930	5,015,659	968,905	460,855	-	8,626,237	8,066,655
Accumulated amortization on disposals	-	-	-	(659,861)	(678,270)	(397,635)	-	(1,735,766)	(1,790,941)
BALANCE, END OF YEAR	-	6,290,824	18,600,583	97,582,261	3,739,601	2,863,244	-	129,076,513	122,186,042
<b>NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS, December 31, 2017</b>									
	7,113,386	4,986,482	57,727,132	132,320,362	6,663,303	3,520,146	5,312,504	217,643,315	
<b>NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS, December 31, 2016</b>									
	\$ 7,113,386	\$ 4,542,892	\$ 59,294,664	\$ 133,582,845	\$ 6,067,135	\$ 3,540,746	\$ 3,684,545		\$ 217,826,213

Included in buildings are leased equipment affixed to the building of \$381,854 with accumulated amortization of \$38,185 (2016 – \$12,728). The leased assets are amortized on a straight line basis over the estimated useful life of 15 years.

The accompanying notes are an integral part of these financial statements.

# City of Camrose

## Schedule of Property and Other Taxes

For the year ended December 31, 2017

	Budget (See Note 24)	2017	2016
<b>TAXATION</b>			
Real property taxes	\$ 32,080,999	\$ 31,538,537	\$ 30,795,218
Linear property taxes	-	412,393	412,813
Business taxes	84,000	79,884	82,324
Government grants in lieu of property taxes	-	85,410	83,635
Special assessments and local improvement taxes	-	152,731	138,379
	32,164,999	32,268,955	31,512,369
<b>REQUISITIONS</b>			
Alberta School Foundation Fund	6,535,962	6,535,962	6,274,234
Elk Island CSRD No. 41	959,728	959,728	924,651
	7,495,690	7,495,690	7,198,885
<b>NET MUNICIPAL TAXES</b>	\$ 24,669,309	\$ 24,773,265	\$ 24,313,484

The accompanying notes are an integral part of these financial statements.

# City of Camrose

## Schedule of Government Transfers

For the year ended December 31, 2017

	Budget (See Note 24)	2017	2016
<b>TRANSFERS FOR OPERATING</b>			
Provincial grants	\$ 850,100	\$ 1,071,937	\$ 1,193,160
Local government transfers	568,700	516,336	483,912
	1,418,800	1,588,273	1,677,072
<b>TRANSFERS FOR CAPITAL</b>			
Provincial government	5,814,000	2,606,235	5,560,119
<b>TOTAL GOVERNMENT TRANSFERS</b>	\$ 7,232,800	\$ 4,194,508	\$ 7,237,191

The accompanying notes are an integral part of these financial statements.

# City of Camrose

## Schedule of Consolidated Expenses by Object

For the year ended December 31, 2017

	Budget (See Note 24)	2017	2016
<b>CONSOLIDATED EXPENSES BY OBJECT</b>			
Salaries, wages and benefits	\$ 21,102,178	\$ 20,509,682	\$ 20,168,505
Contracted and general services	7,713,572	6,668,022	6,266,011
Materials, goods and utilities	8,217,007	7,414,800	7,301,113
Provisions for allowances	55,000	357,311	101,861
Transfers to other governments	133,349	133,527	118,110
Transfers to local boards and agencies	1,244,802	1,428,223	1,728,340
Transfers to individuals and organizations	404,196	338,493	364,174
Bank charges and short-term interest	74,250	69,634	69,545
Interest on long-term debt	778,588	785,976	841,737
Amortization of tangible capital assets	8,626,237	8,626,237	8,066,655
Loss (gain) on disposal of tangible capital assets	-	(37,912)	(7,167)
Other expenses	122,000	102,503	453,200
	\$ 48,471,179	\$ 46,396,496	\$ 45,472,084

The accompanying notes are an integral part of these financial statements.

**City of Camrose**  
**Schedule of Segmented Disclosure**  
**For the year ended December 31, 2017**

	Legislative	Administration	Protective Services	Roads, Streets, Walks & Lighting	Water, Wastewater & Waste Management	Public Health & Welfare	Planning and Development	Recreation & Culture	Total
<b>REVENUES</b>									
Net municipal taxes	\$ -	\$ 24,773,265	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$24,773,265
User fees and sales of goods	-	53,907	713,146	268,630	12,970,248	139,428	8,515	878,274	15,032,148
Government transfers	-	156,090	720,787	2,463,006	106,000	-	226,949	521,676	4,194,508
Sales to other governments	-	-	113,882	100,590	-	-	-	-	214,472
Penalties and costs of taxes	-	270,646	-	-	33,223	-	-	-	303,869
Licences and permits	-	-	569,467	-	-	-	258,948	-	828,415
Fines	-	-	787,314	-	-	-	-	-	787,314
Franchise and concession contracts	-	2,848,451	-	-	-	-	-	-	2,848,451
Investment income	-	917,957	-	-	43,641	-	-	-	961,598
Rentals	-	-	-	33,673	438,589	-	67,280	1,571,541	2,111,083
Other revenues	18	26,815	33,270	46,651	-	-	-	152,730	259,484
	18	29,047,131	2,937,866	2,912,550	13,591,701	139,428	561,692	3,124,221	52,314,607
<b>EXPENSES</b>									
Salaries, wages and benefits	242,398	2,862,378	7,115,168	2,542,279	2,419,813	116,035	712,647	4,498,964	20,509,682
Contracted and general services	167,648	1,476,986	1,046,099	734,107	2,236,744	7,803	189,645	808,990	6,668,022
Materials, goods and utilities	28,887	415,548	726,406	2,153,591	2,057,273	21,799	38,600	1,972,696	7,414,800
Transfers to other governments	-	-	18,178	-	-	115,349	-	-	133,527
Transfers to local boards and agencies	-	-	-	118,812	-	28,612	278,969	1,001,830	1,428,223
Transfers to individuals and organizations	-	1,592	-	-	242,196	-	48,000	46,705	338,493
Interest on long-term debt	-	-	55,547	174,862	94,528	-	-	461,039	785,976
Loss (gain) on disposal of tangible capital assets	-	(26,774)	(10,694)	22,437	(2,529)	-	-	(20,352)	(37,912)
Other expenses	-	367,510	9,001	75,069	54,651	-	1,362	21,855	529,448
	438,933	5,097,240	8,959,705	5,821,157	7,102,676	289,598	1,269,223	8,791,727	37,770,259
<b>NET REVENUES (EXPENSES) BEFORE AMORTIZATION</b>	(438,915)	23,949,891	(6,021,839)	(2,908,607)	6,489,025	(150,170)	(707,531)	(5,667,506)	14,544,348
Amortization of tangible capital assets	-	591,471	497,747	3,872,921	1,994,696	35,236	22,749	1,611,417	8,626,237
<b>NET REVENUES (EXPENSES)</b>	\$ (438,915)	\$ 23,358,420	\$ (6,519,586)	\$ (6,781,528)	\$ 4,494,329	\$ (185,406)	\$ (730,280)	\$ (7,278,923)	\$ 5,918,111

The accompanying notes are an integral part of these financial statements.



# City of Camrose

## Notes to the Consolidated Financial Statements

For the year ended December 31, 2017

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### 1. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements of the City of Camrose are the representations of management prepared in accordance with generally accepted accounting principles for local governments established by the Public Sector Accounting Board. Significant aspects of the accounting policies adopted by the City of Camrose are as follows.

#### (a) Reporting Entity

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

The Regional Solid Waste Authority is owned and controlled by the City as the City maintains 60% representation on the Board.

The schedule of taxes levied also includes requisitions for education, health, social and other external organizations that are not part of the municipal reporting entity.

The statements exclude trust assets that are administered for the benefit of external parties. Interdepartmental and organizational transactions and balances are eliminated.

#### (b) Basis of Accounting

The financial statements are prepared using the accrual basis of accounting. The accrual basis of accounting records revenues as they are 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. Revenues are recognized in the period when the related expenses are incurred, services performed or the tangible capital assets are acquired.

#### (c) Use of Estimates

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

#### (d) 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.

# City of Camrose

## Notes to the Consolidated Financial Statements

For the year ended December 31, 2017

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### 1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (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.

#### (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 the respective function.

#### (g) 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.

#### (h) Landfill Closure and Post-Closure Liability

Pursuant to the Alberta Environmental Protection and Enhancement act, the City is required to fund the closure of its landfill site and provide for post-closure care of the facility. Closure and post-closure activities include the final clay cover, landscaping, as well as surface and ground water monitoring, leachate control, and visual inspection. The requirement is being provided for over the estimated remaining life of the landfill site based on usage.

#### (i) Contaminated Sites

Contaminated sites are a result of contamination being introduced into air, soil, water or sediment of a chemical, organic or radioactive material or live organism that exceeds an environmental standard. The liability is recorded net of any expected recoveries. A liability for remediation of a contaminated site is recognized when a site is not in productive use and is management's estimate of the cost of post-remediation including operation, maintenance and monitoring.

# City of Camrose

## Notes to the Consolidated Financial Statements

For the year ended December 31, 2017

### 1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (j) 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.

#### (k) 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 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:

	Years
Land improvements	2 - 45
Buildings	50
Engineered structures	
Water system	45 - 75
Wastewater system	45 - 75
Other engineered structures	20 - 75
Machinery and equipment	5 - 20
Vehicles	4 - 20

One-half of the annual amortization is charged in the year of acquisition and 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 fair value at the date of receipt and also are recorded as revenue.

Tangible capital assets contributed to other organizations are recorded at cost at the date of contribution and also are recorded as an expense.

# City of Camrose

## Notes to the Consolidated Financial Statements

For the year ended December 31, 2017

### 1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (k) Non-Financial Assets (Continued)

##### iii. Leases

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

##### iv. Inventories

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

##### v. Cultural and Historical Tangible Capital Assets

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

### 2. CASH AND TEMPORARY INVESTMENTS

	2017	2016
Cash	\$ 1,501,250	\$ 1,525,254
Temporary investments	74,768,307	66,765,148
	<u>\$ 76,269,557</u>	<u>\$ 68,290,402</u>

Temporary investments are deposits with original maturities of three months or less.

Included in temporary investments is a restricted amount of \$13,177,702 (2016 - \$10,764,944) received from various grant programs and held exclusively for approved projects.

### 3. RECEIVABLES

	2017	2016
<b>Taxes and grants in place of taxes</b>		
Current taxes and grants in place of taxes	\$ 640,199	\$ 617,478
Arrears	612,041	525,673
Less: Allowance for doubtful accounts	(414,617)	(228,790)
Total current taxes and grants in place of taxes	837,623	914,361
Long term taxes and grants in place of taxes - local improvement levies	2,132,478	2,335,806
Total taxes and grants in place of taxes	<u>\$ 2,970,101</u>	<u>\$ 3,250,167</u>

# City of Camrose

## Notes to the Consolidated Financial Statements

For the year ended December 31, 2017

### 3. RECEIVABLES (CONTINUED)

	2017	2016
<b>Trade and other</b>		
Due from Government	\$ 220,255	\$ 179,050
Trade accounts	3,096,925	3,137,828
Allowance for doubtful accounts	(384,929)	(252,152)
<b>Total trade and other receivables</b>	<b>\$ 2,932,251</b>	<b>\$ 3,064,726</b>

### 4. TEMPORARY LOANS PAYABLE

Jeanne & Peter Loughheed Performing Arts Centre - In 2015, the City arranged a short term financing facility to fund the shortfall in fundraising activities as well as finance the short term needs resulting from the timing of receiving future pledges. The total financing taken out in 2015 was \$2,135,049. In 2016, the City refinanced \$1,477,935 using Alberta Capital Finance Authority. The remaining line of credit balance of \$219,673 will be repaid with scheduled principal and interest payments as well as reduced by future pledges receivable as they are collected.

### 5. DEFERRED REVENUE

	2017	2016 Restated (Note 23)
Prepaid property taxes	\$ 110,939	\$ 59,810
Developer contributions	8,476,873	8,376,797
Conditional grants	13,177,702	10,764,944
Other deferred revenue	404,618	387,430
	<b>\$ 22,170,132</b>	<b>\$ 19,588,981</b>

### 6. EMPLOYEE BENEFIT OBLIGATIONS

	2017	2016
Vacation accrual	\$ 1,019,156	\$ 933,749
Sick leave	3,240,696	3,373,132
	<b>\$ 4,259,852</b>	<b>\$ 4,306,881</b>

#### Vacation accrual

The vacation accrual is comprised of the vacation that employees are deferring to future years. Employees have earned the benefits (and are vested) and are entitled to the benefits in the next budgetary year.

#### Sick leave

The City of Camrose provides benefits for sick leave under the following conditions:

a) All employees receive one day of sick leave per month. Sick leave can only be used for paid time off for illness of the employee and is paid at the employee's normal rate of pay.

# City of Camrose

## Notes to the Consolidated Financial Statements

For the year ended December 31, 2017

### 6. EMPLOYEE BENEFIT OBLIGATIONS (CONTINUED)

b) Unused sick days are accumulated in a bank. If an employee terminates, payment of accumulated sick days will be made to the employee at the rate of 5% of the accumulated sick days for each full year of continuous service with the City. If an employee terminates with at least 20 years of service, they will be paid in cash for 100% of the days accumulated to a maximum of 120 days. Payment is made at the final pay rate.

In accordance with accounting standard PS 3255 - Post-employment Benefits, Compensated Absences and Termination Benefits, benefits are accrued in the year of the service of the employee that generated the benefit, similar to a pension plan liability where an organization incurs an obligation to make payment in the future for services rendered today.

The City engaged an actuary to determine the sick leave benefit obligation for the year ended December 31, 2017. Significant assumptions used in the valuation are highlighted in Note 7.

### 7. BENEFIT OBLIGATIONS - SICK LEAVE

Change in Benefit Obligation	2017	2016
Benefit obligation, beginning of year	\$ 3,373,132	\$ 3,135,005
Expected service cost	307,693	293,886
Interest cost	78,199	77,564
Actuarial loss (gain)	(221,270)	62,049
Expected benefits paid	(297,058)	(195,372)
Benefit obligation, end of year	\$ 3,240,696	\$ 3,373,132
Change in Plan Assets	2017	2016
Fair value of plan assets, beginning of year	\$ -	\$ -
City contribution	222,795	164,808
Actual benefits paid	(222,795)	(164,808)
Fair value of plan assets, end of year	\$ -	\$ -
Significant Assumptions	2017	2016
Discount rate per annum, beginning of year	2.32%	2.47%
Discount rate per annum, end of year	2.88%	2.32%
Rate of compensation increases per annum	3.75%	3.75%
Estimated Average Remaining Services Life (EARSL) in years	16.28	16.46
Net Periodic Benefit Cost	2017	2016
Service Cost	\$ 307,693	\$ 293,886
Interest Cost	78,199	77,564
Recognized net actuarial gain	(16,881)	(20,650)
Net periodic benefit cost	\$ 369,011	\$ 350,800

# City of Camrose

## Notes to the Consolidated Financial Statements

For the year ended December 31, 2017

### 8. LANDFILL CLOSURE AND POST-CLOSURE LIABILITY

Alberta environment law requires closure and post-closure care of landfill sites, which includes final covering and landscaping, pumping ground water and leachates from the site, and ongoing environmental monitoring, site inspections and maintenance. In 2017, the City reviewed and updated its closure and post-closure estimates through a review of the external engineering consulting firm report provided in 2016.

The estimated total liability is based on the sum of discounted future cash flows for closure and post-closure activities for 25 years after closure using a discount rate of 3.0% and assuming annual inflation of 2.0%.

The estimated liability portion is based on the cumulative capacity used at year end compared to the estimated total landfill capacity. The total capacity of the site is estimated at 3.0 million cubic metres. The estimated remaining capacity of the landfill site is 1.43 (2016 – 1.45) million cubic metres. The existing landfill site is expected to reach capacity in approximately the year 2048.

The City has not designated assets for settling closure and post-closure costs.

	2017	2016
Estimated closure costs	\$ 1,126,288	\$ 1,116,442
Estimated post-closure costs	1,241,801	1,229,506
Estimated total liability	2,368,089	2,345,948
Estimated capacity remaining	47.6 %	48.3 %
Portion of total liability remaining to be recognized	1,126,026	1,133,875
Estimated capacity used	52.4 %	51.7 %
Estimated liability portion	\$ 1,242,063	\$ 1,212,073

### 9. CONTAMINATED SITES LIABILITY

On January 1, 2015, the City adopted PS3260 Liability for Contaminated Sites. The standard was applied on a retroactive basis and did not result in any adjustments to the financial liabilities, tangible capital assets or accumulated surplus of the City. In 2017, the City has recorded a \$250,000 contaminated site liability for a City owned vacant downtown lot. The extent of the contamination was reviewed and remediation efforts will be undertaken in 2018.

### 10. LONG-TERM DEBT

	2017	2016
Supported by general tax levies	\$ 14,390,422	\$ 15,593,958
Supported by special levies	2,009,460	1,925,739
Supported by utility rates	2,364,906	2,721,959
	\$ 18,764,788	\$ 20,241,656

The current portion of the long-term debt amounts to \$1,903,527 (2016 - \$1,835,217).



# City of Camrose

## Notes to the Consolidated Financial Statements

For the year ended December 31, 2017

### 10. LONG-TERM DEBT (CONTINUED)

Of the \$18,764,788 total long-term debt, \$12,065,025 is secured against equity in tangible capital assets, with the remaining \$6,699,763 unsecured. The unsecured debt includes \$4,690,303 of debentures taken out for the Jeanne & Peter Loughheed Performing Arts Centre and \$2,009,460 associated with local improvements receivable.

Principal and interest repayments are due as follows:

	Principal	Interest	Total
2018	\$ 1,903,527	\$ 721,359	\$ 2,624,886
2019	1,931,543	644,901	2,576,444
2020	1,912,986	567,983	2,480,969
2021	1,941,619	491,148	2,432,767
2022	1,740,982	414,265	2,155,247
Thereafter	9,334,131	1,320,526	10,654,657
	<b>\$ 18,764,788</b>	<b>\$ 4,160,182</b>	<b>\$ 22,924,970</b>

Debenture debt is repayable to Alberta Capital Finance Authority and bears interest rates ranging from 1.597% to 6.375% per annum, before Provincial subsidy, and mature in periods 2018 through 2037. The average annual interest rate is 3.59% for 2017 (3.81% for 2016). Debenture debt is issued on the credit and security of the City of Camrose at large.

Interest on long-term debt amounted to \$785,976 (2016 - \$841,737). The City's total cash payments for interest in 2017 were \$793,526 (2016 - \$819,864).

Included in the above debt amounts is a capital lease obligation of \$358,784 relating to the purchase of building equipment. This lease bears interest at 1.53625%, expires October, 2031 and includes a lease buyout of \$76,371.

### 11. 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 City of Camrose, be disclosed as follows:

	2017	2016 Restated
Total debt limit	\$ 74,562,558	\$ 74,439,323
Total debt	(18,764,788)	(20,241,656)
Amount of debt limit unused	55,797,770	54,197,667
Debt servicing limit	12,427,093	12,406,554
Debt servicing	(2,624,885)	(2,624,757)
Amount of debt servicing limit unused	\$ 9,802,208	\$ 9,781,797

The debt limit is calculated as 1.5 times revenue of the municipality (as defined in Alberta Regulation 255/00) and the

# City of Camrose

## Notes to the Consolidated Financial Statements

For the year ended December 31, 2017

### 11. DEBT LIMITS (CONTINUED)

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 consolidated financial statements must be interpreted as a whole.

### 12. EQUITY IN TANGIBLE CAPITAL ASSETS

	2017	2016
Tangible capital assets (Schedule 2)	\$ 346,719,828	\$ 340,012,255
Accumulated amortization (Schedule 2)	(129,076,513)	(122,186,042)
Long-term debt (Note 10)	(18,764,788)	(20,241,656)
Long-term debt not secured against tangible capital assets	6,699,763	6,837,569
	<b>\$ 205,578,290</b>	<b>\$ 204,422,126</b>

### 13. ACCUMULATED SURPLUS

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

	2017	2016 Restated (Note 23)
Unrestricted surplus	\$ 5,458,829	\$ 5,676,796
<b>Restricted surplus:</b>		
General administration	14,961,855	13,090,862
Protective services	924,778	749,778
Roads, streets, walks and lighting	3,724,774	3,619,068
Water, sewer, and waste management	26,770,332	23,909,959
Recreation and culture	406,596	436,850
Public health and welfare	104,982	106,886
Total restricted surplus	46,893,317	41,913,403
Equity in tangible capital assets	205,578,290	204,422,126
	<b>\$ 257,930,436</b>	<b>\$ 252,012,325</b>

### 14. SEGMENTED DISCLOSURE

The City of Camrose provides a range of services to its taxpayers. 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).

# City of Camrose

## Notes to the Consolidated Financial Statements

For the year ended December 31, 2017

### 15. SALARY AND BENEFITS DISCLOSURE

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

	2017			2016
	Salary	Benefits & Allowances	Total	Total
Mayor - Mayer	\$ 61,866	\$ 1,295	\$ 63,161	\$ 62,189
<b>Councillors:</b>				
M. Lindstrand	19,441	4,207	23,648	23,349
G. Wood	19,441	4,219	23,660	23,361
W. Thronson	19,441	1,371	20,812	20,509
A. Hoveland	19,441	3,666	23,107	22,811
B. Sears	15,887	893	16,780	20,494
K. Hycha	19,441	4,219	23,660	23,343
PJ Stasko	19,441	4,219	23,660	23,359
D. Ofrim	19,441	4,230	23,671	23,357
C. Johnson	3,554	1,153	4,707	-
<b>City Manager</b>	<b>\$ 218,013</b>	<b>\$ 37,722</b>	<b>\$ 255,735</b>	<b>\$ 243,725</b>

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

Benefits and allowances figures include the employer's share of all employee benefits and contributions or payments made on behalf of employees including pension, extended health and dental coverage, vision coverage, group life insurance, long-term disability insurance, professional memberships and tuition.

### 16. LOCAL AUTHORITIES PENSION PLAN

Employees of the City of Camrose participate in the Local Authorities Pension Plan (LAPP), which is one of the plans covered by the Alberta Public Sector Pensions Plan Act. The LAPP is financed by employer and employee contributions and by investments earnings of the LAPP Fund.

Contributions for current service are recorded as expenditures in the year in which they become due.

The City of Camrose 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 of the City 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 City to the plan in 2017 were \$1,269,480 (2016 - \$1,211,690). The current

# City of Camrose

## Notes to the Consolidated Financial Statements

For the year ended December 31, 2017

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### 16. LOCAL AUTHORITIES PENSION PLAN (CONTINUED)

service contributions by the employees of the City to the plan in 2017 were \$1,167,683 (2016 - \$1,113,820).

At December 31, 2016, the LAPP disclosed an actuarial deficiency of \$637,357,000.

### 17. SPECIAL FORCES PENSION PLAN

Municipal Police Officers of the City of Camrose participate in the Special Forces Pension Plan (SFPP), which is covered by the Alberta Public Sector Pensions Plan Act. The Plan serves about 7,000 officers from seven municipalities. It is financed by employer and employee contributions and investment earnings of the SFPP Fund.

Contributions for current service are recorded as expenditures in the year in which they become due.

The City of Camrose was required to make current service contributions to SFPP of 14.55% of pensionable salary for 2017.

Police officers of the City were required to make current service contributions of 13.45% of pensionable salary for 2017.

Total current service contributions by the City to the plan in 2017 were \$408,029 (2016 - \$374,939). Total current service contributions by employees to the plan in 2017 were \$377,182 (2016 - \$346,592).

At December 31, 2016, the plan disclosed an actuarial deficiency of \$108,525,000.

### 18. APEX SUPPLEMENTARY PENSION PLAN

The APEX supplementary pension plan, an Alberta Urban Municipality Association (AUMA) sponsored defined benefit pension plan covered under the provisions of the Alberta Employment Pension Plans Act, commenced on January 1, 2004 and provides supplementary pension benefits to a prescribed class of employees (approximately 6 beneficiaries). The plan supplements the Local Authorities Pension Plan.

Contributions are made by the prescribed class of employees and the City. Employees and the City are required to make current service contributions to APEX of 2.84% and 3.78% respectively of pensionable earnings up to \$145,722 in 2017 (\$144,500 in 2016).

Total current service contributions by the City to APEX in 2017 were \$18,746 (2016 - \$12,946). Total current service contributions by the employees of the City in 2017 were \$14,084 (2016 - \$10,788).

The cost of post retirement benefits earned by employees is actuarially determined using the projected benefit method prorated on service and management's best estimate of salary and benefit escalation and retirement ages of employees. The costs of post retirement benefits are fully funded.

At December 31, 2016, the plan disclosed an actuarial deficiency of \$2,300,000.

# City of Camrose

## Notes to the Consolidated Financial Statements

For the year ended December 31, 2017

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### 19. CONTRIBUTED ASSET

No contributed assets were received in 2017. In 2016, the City recorded as a contributed asset the amount of \$93,500. A bus was donated to the City in support of the City's public transit initiatives.

### 20. COMMITMENTS

As at December 31, 2017, the City had no significant commitments to report.

### 21. CONTINGENCIES

As at December 31, 2017 the City is involved in various legal disputes. While it is not possible to estimate the outcome of these disputes, it is Management's opinion that there will be no adverse effect on the financial position of the City. If any liability is incurred it would be accounted for as a current transaction in the year it is determined.

### 22. FINANCIAL INSTRUMENTS

The City's financial instruments consist of cash and temporary investments, accounts receivable, accounts payable and accrued liabilities. It is management's opinion that the City is not exposed to significant interest or currency risk arising from these financial instruments.

The City 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 City 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 instruments approximates fair value.

# City of Camrose

## Notes to the Consolidated Financial Statements

For the year ended December 31, 2017

### 23. PRIOR PERIOD ADJUSTMENT

Prior to 2017 the City recorded developer contributions as revenue in the year the levies were received with unspent amounts being reported as reserves. During 2017 the City changed its manner in which it accounts for developer contributions as it believes this results in a more appropriate presentation of the transactions. The City now recognizes developer contributions as revenue in the period in which the intended expenditures are incurred. Any amounts received prior to costs being incurred for the specified purposes are now reported as deferred revenue.

The above changes have been applied retroactively and the 2016 comparative figures have been restated as follows:

	As Previously Stated	Restatements	As Restated
<b>STATEMENT OF OPERATIONS</b>			
<b>REVENUE</b>			
Development levies	\$ 433,712	\$ (433,367)	\$ 345
Investment income	887,462	(87,404)	800,058
Other Revenue	48,825,812	-	48,825,812
	50,146,986	(520,771)	49,626,215
ANNUAL SURPLUS	10,328,521	(520,771)	9,807,750
<b>STATEMENT OF FINANCIAL POSITION</b>			
FINANCIAL ASSETS	81,772,467	-	81,772,467
<b>LIABILITIES</b>			
Deferred revenue	11,212,184	8,376,797	19,588,981
Other liabilities	29,673,362	-	29,673,362
	40,885,546	8,376,797	49,262,343
NET FINANCIAL ASSETS	40,886,921	(8,376,797)	32,510,124
<b>ACCUMULATED SURPLUS</b>			
Unrestricted surplus	5,676,796	-	5,676,796
Restricted surplus	50,290,200	(8,376,797)	41,913,403
Equity in tangible capital assets	204,422,126	-	204,422,126
	\$ 260,389,122	\$ (8,376,797)	\$ 252,012,325

# City of Camrose

## Notes to the Consolidated Financial Statements

For the year ended December 31, 2017

### 24. BUDGET DATA

The budget data presented in these consolidated financial statements is based upon the 2017 operating and capital budgets approved by Council. Amortization was not contemplated on development of the budget, however, has been included in the budget presented in the financial statements. The amortization expense included is based on the 2017 actual amortization expense. The chart below reconciles the approved budget to the budget figures reported in these consolidated financial statements.

#### REVENUES

Operating budget	\$ 53,258,439
Capital budget	21,061,400

#### Less:

Transfers from other funds:	
Operating	(4,918,265)
Capital	(13,499,400)
Proceeds on sale of tangible capital assets	(458,000)
Proceeds on debt issue	(1,015,000)

54,429,174

#### EXPENSES

Operating budget	53,258,439
Capital budget	21,061,400

#### Less:

Transfers to other funds/internal transactions	(11,874,671)
Capital expenditures	(21,061,400)
Debt principal payments	(1,538,826)
Amortization	8,626,237

48,471,179

#### EXCESS OF REVENUES OVER EXPENSES

\$ 5,957,995

### 25. Comparative Figures

Prior year figures have been reclassified where necessary to conform with current year presentation.