

Consolidated Financial Statements of

**TOWN OF HINTON**

Year ended December 31, 2016

# TOWN OF HINTON

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Year ended December 31, 2016

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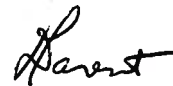
## **MANAGEMENT'S RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS**

The accompanying consolidated financial statements of the Town of Hinton (the "Town") are the responsibility of the Town's management and have been prepared in compliance with legislation, and in accordance with Canadian public sector accounting standards. The preparation of financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods. The Town's management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and reliable financial information is available on a timely basis for preparation of the consolidated financial statements. These systems are monitored and evaluated by management.

Council met with management and the external auditors to review the consolidated financial statements and discuss any significant financial reporting or internal control matters prior to their receipt of the consolidated financial statements. The consolidated financial statements have been audited by KPMG LLP, independent external auditors appointed by the Town. The accompanying Auditors' Report outlines their responsibilities, the scope of their examination and their opinion on the Town's consolidated financial statements.



Mike Schwartz  
Chief Administrative Officer  
April 4, 2017



Denise Parent  
Director of Corporate Services  
April 4, 2017



KPMG LLP  
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Edmonton Alberta T5J 0H3  
Canada  
Tel (780) 429-7300  
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## INDEPENDENT AUDITORS' REPORT

To the Mayor and members of Council of the Town of Hinton

We have audited the accompanying consolidated financial statements of the Town of Hinton, which comprise the consolidated statement of financial position as at December 31, 2016, the consolidated statements of operations and accumulated surplus, changes in net financial assets (net debt) and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

### *Management's Responsibility for the Consolidated Financial Statements*

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

### *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 our 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, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.



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

*Opinion*

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

*KPMG LLP*

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Chartered Professional Accountants

April 4, 2017

Edmonton, Canada

# TOWN OF HINTON

## Consolidated Statement of Financial Position

December 31, 2016, with comparative information for 2015

	2016	2015
<b>Financial assets:</b>		
Cash	\$ 2,451,196	\$ 3,044,951
Receivables:		
Taxes and grants in place of taxes (note 2)	576,082	557,842
Trade and other receivables (note 3)	3,908,118	5,009,918
Land held for resale	2,960	419,852
Investments (note 4)	12,022,477	9,856,259
	<u>18,960,833</u>	<u>18,888,822</u>
<b>Liabilities:</b>		
Accounts payable and accrued liabilities (note 5)	2,539,099	3,987,527
Deposit liabilities	439,145	544,546
Deferred revenue (note 6)	3,806,319	2,730,378
Long-term debt (notes 7 and 8)	9,115,936	11,355,377
Landfill closure and post-closure liability (note 9)	51,902	27,972
	<u>15,952,401</u>	<u>18,645,800</u>
Net financial assets	3,008,432	243,022
<b>Non-financial assets:</b>		
Tangible capital assets (Schedule 1)	149,813,635	150,261,423
Inventory for consumption	362,947	397,399
Prepaid expenses and deposits	50,747	2,046
	<u>150,227,329</u>	<u>\$ 150,660,868</u>
Contingencies and guarantees (note 14)		
Accumulated surplus (note 10)	<u>\$ 153,235,761</u>	<u>\$ 150,903,890</u>

See accompanying notes to consolidated financial statements.

Approved by:

  
\_\_\_\_\_  
Mayor

  
\_\_\_\_\_  
Councilor

# TOWN OF HINTON

## Consolidated Statement of Operations and Accumulated Surplus

Year ended December 31, 2016, with comparative information for 2015

	2016 Budget	2016	2015
<b>Revenue:</b>			
Net municipal taxes (Schedule 2)	\$ 11,607,018	\$ 11,597,445	\$ 11,479,852
Government transfers for operating (Schedule 3)	3,959,130	4,680,392	3,906,468
User fees and sales of goods	6,267,726	6,150,578	7,508,401
Fines	2,210,000	1,797,763	2,440,905
Franchise fees	1,384,766	1,342,483	1,302,923
Rentals	655,016	555,300	625,421
Other	95,433	359,545	418,570
Penalties and costs on taxes	198,000	211,199	221,927
Development levies	-	195,756	514,700
Investment income	114,096	193,392	171,356
Licenses and permits	133,700	137,535	192,255
Gain (loss) on disposal of tangible capital assets	-	17,070	(6,491)
	<u>26,624,885</u>	<u>27,238,458</u>	<u>28,776,287</u>
<b>Expenses (Schedule 4):</b>			
Protective services	5,267,707	5,743,313	5,268,785
Transportation services	5,574,348	5,284,804	5,553,958
Recreation and parks	4,543,797	4,649,426	4,635,626
Water, wastewater and waste management	3,298,482	3,645,184	3,535,435
Administration	2,943,070	2,978,484	2,975,951
Planning and development	2,978,284	2,197,894	2,891,337
Family and community support	1,486,577	1,388,929	1,356,893
Library and culture	985,936	997,219	919,704
Legislative	596,135	488,441	593,225
	<u>27,674,336</u>	<u>27,373,694</u>	<u>27,730,914</u>
Excess (deficiency) of revenue over expenses before other	(1,049,451)	(135,236)	1,045,373
<b>Other:</b>			
Government transfers for capital (Schedule 3)	3,008,681	2,467,107	6,152,474
Annual surplus	1,959,230	2,331,871	7,197,847
Accumulated surplus, beginning of year	150,903,890	150,903,890	143,706,043
Accumulated surplus, end of year	<u>\$ 152,863,120</u>	<u>\$ 153,235,761</u>	<u>\$ 150,903,890</u>

See accompanying notes to consolidated financial statements.

# TOWN OF HINTON

## Consolidated Statement of Changes in Net Financial Assets (Net Debt)

Year ended December 31, 2016, with comparative information for 2015

	Budget	2016	2015
Annual surplus	\$ 1,959,230	\$ 2,331,871	\$ 7,197,847
Acquisition of tangible capital assets	(13,024,251)	(4,659,916)	(6,310,008)
Amortization of tangible capital assets	4,600,000	4,905,373	4,425,272
Proceeds on disposal of tangible capital assets	-	219,401	48,664
Loss (gain) on disposal of tangible capital assets	-	(17,070)	6,491
	(8,424,251)	447,788	(1,829,581)
Change in prepaid expenses and deposits	-	(48,701)	1,632
Change in inventory for consumption	-	34,452	162,466
	-	(14,249)	164,098
Change in net financial assets (net debt)	(6,465,021)	2,765,410	5,532,364
Net debt, beginning of year	243,022	243,022	(5,289,342)
<b>Net financial assets (debt), end of year</b>	<b>\$ (6,221,999)</b>	<b>\$ 3,008,432</b>	<b>\$ 243,022</b>

See accompanying notes to consolidated financial statements.



# TOWN OF HINTON

## Consolidated Statement of Cash Flows

Year ended December 31, 2016, with comparative information for 2015

	2016	2015
Cash provided by (used in):		
Operations:		
Annual surplus	\$ 2,331,871	\$ 7,197,847
Items not involving cash:		
Amortization of tangible capital assets	4,905,373	4,425,272
Loss (gain) on disposal of tangible capital assets	(17,070)	6,491
Changes in non-cash operating working capital:		
Taxes and grants in place of taxes	(18,240)	207,935
Trade and other receivables	1,101,800	(505,707)
Land held for resale	416,892	1,125,672
Accounts payable and accrued liabilities	(1,448,428)	(187,381)
Deposit liabilities	(105,401)	(486,852)
Deferred revenue	1,075,941	(18,784)
Landfill closure and post-closure liability	23,930	2,570
Inventory for consumption	34,452	162,466
Prepaid expenses and deposits	(48,701)	1,632
Cash provided by operating activities	8,252,419	11,931,161
Capital activities:		
Acquisition of tangible capital assets	(4,659,916)	(6,310,008)
Proceeds on disposal of tangible capital assets	219,401	48,664
Cash applied to capital activities	(4,440,515)	(6,261,344)
Investing activities:		
Purchase of investments	(11,666,430)	(9,856,259)
Redemption of investments	9,500,212	8,820,790
Cash applied to investing activities	(2,166,218)	(1,035,469)
Financing activities:		
Repayment of long-term debt	(2,239,441)	(2,165,259)
Cash applied to financing activities	(2,239,441)	(2,165,259)
(Decrease) increase in cash	(593,755)	2,469,089
Cash, beginning of year	3,044,951	575,862
Cash, end of year	\$ 2,451,196	\$ 3,044,951

See accompanying notes to consolidated financial statements.

# TOWN OF HINTON

## Notes to Consolidated Financial Statements

Year ended December 31, 2016

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### 1. Significant accounting policies:

The consolidated financial statements of the Town of Hinton (the "Town") are the representations of management prepared in accordance with Canadian public sector accounting standards (PSAS). Significant aspects of the accounting policies adopted by the Town are as follows:

(a) Reporting entity:

(i) Consolidated entities:

The consolidated financial statements reflect the assets, liabilities, revenues and expenses of the reporting entity. The reporting entity is comprised of the municipal operations plus all of the organizations that are owned or controlled by the Town and are, therefore, accountable to the Town for the administration of their financial affairs and resources. The reporting entity is comprised of the municipal operations of the Town and the Town of Hinton Municipal Library. Interdepartmental and organizational transactions and balances are eliminated.

(ii) West Yellowhead Regional Waste Management Authority:

The Town is a member of the West Yellowhead Regional Waste Management Authority (the "Authority"). The Town accounts for the Authority as a government partnership using the proportionate consolidation method. Under this method, the Town's proportionate share of assets, liabilities, revenue and expenses are included in the consolidated financial statements.

(iii) Accounting for school board and housing management body transactions:

Taxes levied include requisitions for the Alberta School Fund Foundation and The Evergreens Foundation. The taxation, other revenue, expenses, assets and liabilities with respect to the operations of the Alberta School Fund Foundation and Evergreens Seniors Foundation are not reflected in these consolidated financial statements.

(iv) Trust funds:

The consolidated financial statements exclude trust assets that are administered for the benefit of external parties.

(b) Basis of accounting:

The Town follows the accrual basis of accounting for revenues and expenses. Revenues are accounted for in the year in which they are earned and measurable. Expenses are recognized as they are incurred and measurable as a result of receipts of goods and services and/or the creation of a legal obligation to pay.

# TOWN OF HINTON

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2016

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## 1. Significant accounting policies (continued):

### (b) Basis of accounting (continued):

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

Investment income is reported as revenue in the year earned. When required by the funding government or by legislation, investment income earned on deferred revenue is added to the investment and forms part of the deferred revenue balance.

### (c) Government transfers:

Government transfers are recognized as revenue in the year in which events giving rise to the transfer occur, provided the transfers are authorized, any eligibility criteria have been met and reasonable estimates of the amounts can be made. A transfer with or without eligibility criteria but stipulation is recognized in the period the transfer is authorized and all eligibility criteria have been met, except when and to the extent that the transfer gives rise to an obligation that meets the definition of a liability.

### (d) 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.

### (e) Requisition over levy and under levy:

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

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

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

# TOWN OF HINTON

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2016

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## 1. Significant accounting policies (continued):

### (f) Prepaid local improvement charges:

Construction and borrowing costs associated with local improvement projects are recovered through annual special assessments during the period of the related borrowings. These levies are collectible from property owners for work performed by the Town.

Where a property owner has elected to prepay the outstanding local improvement charges, such amounts are recorded as deferred revenue. Deferred revenue is amortized to revenue as the expenses are incurred to complete the project.

### (g) Land held for resale:

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

### (h) Investments:

Investments are recorded at amortized cost. Premiums and discounts arising on the purchase of these investments are amortized 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.

### (i) Landfill closure and post-closure liability:

Pursuant to the Alberta Environmental Protection and Enhancement Act, the Town 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.

### (j) Contaminated sites liability:

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

# TOWN OF HINTON

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2016

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## 1. Significant accounting policies (continued):

### (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 ordinary course of operations.

#### 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 costs, less residual value, of tangible capital assets are amortized on a straight-line basis over their estimated useful lives as follows:

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	Years
Land improvements	15 - 50
Buildings	50
Engineered structures	10 - 100
Machinery and structures	5 - 25
Vehicles	5 - 25

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Amortization is charged in the year of acquisition and no amortization is charged in the year of disposal. Assets under construction are not amortized until the asset is available for productive use.

#### ii) Contributions of tangible capital assets:

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

#### iii) Works of art and cultural and historic assets:

Works of art and cultural and historic assets are not recorded as assets in these consolidated financial statements.

#### iv) 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.

# TOWN OF HINTON

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2016

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## 1. Significant accounting policies (continued):

### (k) Non-financial assets (continued):

#### v) Inventory for consumption:

Inventory for consumption is recorded at the lower of cost and replacement cost. Cost is determined by the first-in, first-out method.

### (l) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amount of revenues and expenses during the period. Significant estimates include assumptions used in estimating the provisions for uncollectible accounts receivable, assumptions related to recording accrued liabilities, useful lives of tangible capital assets and fair value of contributed tangible capital assets. Actual results could differ from those estimates.

### (m) Future accounting standard pronouncements:

The following summarizes upcoming changes to PSAS. In 2017, the Town will continue to assess the impact and prepare for the adoption of these standards. While the timing of standard adoption may vary, certain standards must be adopted concurrently. The requirements in Financial Statement Presentation (PS1201), Financial Instruments (PS3450), Foreign Currency Translation (PS2601) and Portfolio Investments (PS3041) must be implemented at the same time.

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<b>Public Section- Accounting Standards</b>	<b>Effective date for fiscal periods beginning on or after</b>
PS2200 Related Party Transactions	April 1, 2017
PS3420 Inter-Entity Transactions	April 1, 2017
PS3210 Assets	April 1, 2017
PS3320 Contingent Assets	April 1, 2017
PS3380 Contractual Rights	April 1, 2017
PS3430 Restructuring Transactions	April 1, 2018
PS1201 Financial Statement Presentation	April 1, 2019
PS3450 Financial Instruments	April 1, 2019
PS2601 Foreign Currency Transaction	April 1, 2019
PS3041 Portfolio Investments	April 1, 2019

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# TOWN OF HINTON

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2016

## 2. Taxes and grants in place of taxes:

	2016	2015
Current taxes and grants in place of taxes	\$ 323,230	\$ 310,216
Tax arrears	252,852	247,626
	<u>\$ 576,082</u>	<u>\$ 557,842</u>

## 3. Trade and other receivables:

	2016	2015
Trade accounts receivable	\$ 2,030,438	\$ 3,289,425
Due from other governments	1,239,939	1,255,357
Utilities receivable	418,204	498,650
Due from members of the West Yellowhead Regional Waste Management Authority	253,051	-
Allowance for doubtful accounts	(33,514)	(33,514)
	<u>\$ 3,908,118</u>	<u>\$ 5,009,918</u>

## 4. Investments:

	2016	2015
Demand notice savings deposits	\$ 8,669,111	\$ 8,519,928
Guaranteed investment certificates	3,053,934	1,041,155
Other investments	299,432	295,176
	<u>\$ 12,022,477</u>	<u>\$ 9,856,259</u>

Demand notice savings deposits have effective interest rates ranging from 1.40% to 1.50% and require 31 - 90 days notice prior to withdrawal.

Guaranteed investment certificates have effective interest rates ranging from 1.11% to 1.75% (2015 - 1.25% to 1.50%) and maturity dates ranging from April 18, 2018 to September 9, 2018 (2015 - October 16, 2016).

# TOWN OF HINTON

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2016

## 5. Accounts payable and accrued liabilities:

	2016	2015
Trade accounts payable and accrued liabilities	\$ 2,539,099	\$ 2,617,626
Due to members of West Yellowhead Regional Waste Management Authority	-	1,369,901
	\$ 2,539,099	\$ 3,987,527

## 6. Deferred revenue:

	2016	2015
Operating government transfers:		
Municipal policing assistance grant	\$ 94,280	\$ 94,280
Out of school grant	80,876	33,094
Parent link west network grant	25,684	2,969
Early childhood grant	22,447	60,122
Elder abuse grant	17,578	54,087
Fire smart grant	-	6,809
	240,865	251,361
Capital government transfers:		
Municipal Sustainability Initiative	2,488,508	1,422,536
CFEP grant for performing arts centre	1,055,129	1,042,491
	3,543,637	2,465,027
Other deferred amounts:		
Other	16,468	5,967
Prepaid local improvement charges	5,349	8,023
	21,817	13,990
	\$ 3,806,319	\$ 2,730,378



# TOWN OF HINTON

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2016

## 7. Long-term debt:

	2016	2015
Tax supported debt	\$ 8,994,399	\$ 11,233,874
Self-supported debt	121,537	121,503
	<u>\$ 9,115,936</u>	<u>\$ 11,355,377</u>

Principal and interest repayments are due as follows:

	Principal	Interest	Total
2017	\$ 2,343,183	\$ 365,305	\$ 2,708,488
2018	2,438,305	270,124	2,708,429
2019	1,286,784	178,279	1,465,063
2020	964,871	134,209	1,099,080
2021	861,366	95,468	956,834
Thereafter	1,221,427	169,886	1,391,313
	<u>\$ 9,115,936</u>	<u>\$ 1,213,271</u>	<u>\$ 10,329,207</u>

Tax supported debenture debt is repayable to Alberta Capital Finance Authority and bears interest at rates ranging from 2.26% to 6.63% per annum and mature in periods 2018 through 2025. Debenture debt is issued on the credit and security of the Town at large.

Self-supported debt includes the amounts due to the Canada Mortgage and Housing Corporation that bear interest at rates of 8.25% and 1.67%, mature January 2022 and December 2026, and are repayable in annual instalments of \$13,203 and monthly instalments of \$508, respectively. Long-term debt is issued on the credit and security of the Town at large. The Town's total cash payments for the interest in 2016 were \$456,539 (2015 – \$543,999).

The Town has established an operating line of credit up to \$1,900,000 (2015 - \$1,900,000). The Town had not drawn against this facility as at December 31, 2016. The operating line of credit is secured by borrowing bylaws. Outstanding amounts bear interest at prime.

# TOWN OF HINTON

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2016

## 8. Debt limits:

Section 276(2) of the Municipal Government Act requires that debt and debt limits as defined by Alberta Regulation 255/00 for the Town be disclosed as follows:

	2016	2015
Total debt limit	\$ 40,857,689	\$ 43,164,431
Total debt	(9,115,936)	(11,355,377)
Total debt guaranteed for other organizations	(1,184,894)	(1,252,630)
Amount of debt limit unused	\$ 30,556,859	\$ 30,556,424
Debt servicing limit	\$ 6,809,615	\$ 7,194,072
Debt servicing	(2,709,258)	(2,709,258)
Amount of debt servicing limit unused	\$ 4,100,357	\$ 4,484,814

The debt limit is calculated at 1.5 times revenue of the Town (as defined in Alberta Regulation 255/00) and the debt service limit is calculated at 0.25 times such revenue. Incurring debt beyond these limitations requires approval by the Minister of Municipal Affairs. These thresholds are guidelines used by Alberta Municipal Affairs to identify municipalities that could be at financial risk if further debt is acquired. The calculation taken alone does not represent the financial stability of the Town. Rather, the financial statements must be interpreted as a whole.

# TOWN OF HINTON

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2016

## 9. Landfill closure and post closure liability:

Alberta environmental law requires closure and post-closure care of landfill sites, which includes final covering and landscaping, pumping of ground water and leachates from the site, and ongoing environmental monitoring, site inspections and maintenance.

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.

The accrued 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 3.089 million cubic metres. The estimated remaining capacity of the landfill site is 2.515 (2015 – 2.539) million cubic metres. The existing landfill site is expected to reach capacity in approximately the year 2060.

Assets have been designated for settling closure and post-closure liabilities (note 10).

Key assumptions in determining the liability at December 31, 2016 for the landfill are as follow:

Estimated closure costs as at fiscal 2016	\$2,085,900
Estimated post-closure costs as at fiscal 2016	\$989,000
Inflation rate	2.32%
Discount rate	4.52%

	2016	2015
Estimated closure costs	\$ 817,712	\$ 461,260
Estimated post-closure costs	297,472	167,286
Estimated capacity remaining	81.38%	82.20%
Portion of total liability remaining to be recognized	907,575	516,658
Estimated capacity used	18.62%	17.80%
Closure and post closure liability	207,609	111,888
Town's 25% proportionate share	\$ 51,902	\$ 27,972

# TOWN OF HINTON

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2016

## 10. Accumulated surplus:

	2016	2015
Unrestricted	\$ 712,690	\$ 506,435
Restricted:		
Family and community support services	-	18,408
Library	87,457	116,560
Housing	433,657	426,769
Operating - project requests	198,006	177,480
Operating - other	425,938	325,211
Automated traffic enforcement	1,301,823	1,286,360
Equipment and fleet	1,745,880	1,427,445
Facilities and components	(513,709)	(191,763)
Fire department	748,071	630,484
Future land development	-	159,758
Information technology	166,359	141,636
Infrastructure major facility	356,349	216,800
Municipal reserve	892,318	885,236
New infrastructure	1,681,136	1,944,428
Offsite levy fund	1,683,147	1,474,809
Parks and trails infrastructure	413,289	413,289
Performing arts theatre	-	76,873
Roads and sidewalks	567,104	681,437
Water and sewer	1,209,492	684,604
Other capital	151,194	159,930
West Yellowhead Regional Waste Management Authority	277,861	435,655
Equity in tangible capital assets	140,697,699	138,906,046
	<u>\$ 153,235,761</u>	<u>\$ 150,903,890</u>

# TOWN OF HINTON

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2016

## 11. West Yellowhead Regional Waste Management Authority:

The Town of Hinton, Yellowhead County, Town of Edson, and Municipality of Jasper (the "members") jointly own and operate the West Yellowhead Regional Waste Management Authority (the "Authority") to construct, maintain, control and manage a regional solid waste disposal system.

The members have agreed to proportionately share costs associated with expenditures arising from the operation of the Authority. The proportions are based on each member's volume of municipal solid waste hauled and deposited to the system for disposal, relative to the total tonnage of solid waste hauled and deposited by all members.

The following is 100% of the financial position and results of operations the Authority partnership of which 25% has been proportionately consolidated in the financial statements of the Town:

	2016	2015
Financial Position:		
Financial assets	\$ 1,807,390	\$ 1,975,113
Liabilities	695,947	232,491
Net financial assets	1,111,443	1,742,622
Non-financial assets	3,923,116	3,119,825
Accumulated surplus	5,034,559	4,862,447
Operations:		
Revenue	1,574,735	1,476,046
Expenses	1,402,623	1,000,095
Annual surplus	172,112	475,951
Accumulated surplus, opening	4,862,447	4,386,496
Accumulated surplus, closing	\$ 5,034,559	\$ 4,862,447

# TOWN OF HINTON

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2016

## 12. Salary and benefits disclosure:

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

	Salary(1)	Benefits(2)	2016 Total	2015 Total
<b>Mayor:</b>				
R. Mackin	\$ 57,632	\$ 2,420	\$ 60,052	\$ 55,933
<b>Councilors:</b>				
G. Barrow	21,484	794	22,278	27,204
D. Currie	9,197	342	9,539	28,977
R. Maguhn	23,413	880	24,293	20,449
M. Michaels	30,876	1,216	32,092	32,738
A. Ostashek	11,591	449	12,040	-
S. Taylor	28,747	1,120	29,867	26,576
M. Young	30,165	1,184	31,349	26,006
	\$ 213,105	\$ 8,405	\$ 221,510	\$ 217,883

Chief Administrative Officer	\$ 191,940	\$ 39,202	\$ 231,142	\$ 229,599
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- 1) Salary includes regular base pay, bonuses, overtime, lump sum payments, gross honoraria and any other direct cash remuneration.
- 2) Benefits include the 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 membership and tuition.

# TOWN OF HINTON

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2016

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## **13. Local authorities pension plan:**

Employees of the Town participate in the Local Authorities Pension Plan (LAPP), which is one of the plans covered by the Alberta Public Sector Pension Plans Act.

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

The Town is required to make current service contributions to the LAPP of 11.39% (2015 - 11.39%) of pensionable earnings up to the year's maximum pensionable earnings under the Canada Pension Plan and 15.84% (2015 - 15.84%) on pensionable earnings above this amount. Employees of the Town are required to make current service contributions of 10.39% (2015 - 10.39%) of pensionable salary up to the year's maximum pensionable salary and 14.84% (2015 - 14.84%) on pensionable salary above this amount.

Total current service contributions by the Town to the LAPP in 2016 were \$801,488 (2015 - \$825,885). Total current service contributions by the employees of the Town to the Local Authorities Pension Plan in 2016 were \$741,715 (2015 - \$760,350).

As at December 31, 2015, the LAPP disclosed an actuarial deficiency of \$923 million (2014 - \$2.45 billion). This amount was not specifically allocated to the participating government organizations. The 2016 actuarial balance was not available at the date these financial statements were released.

## **14. Contingencies and guarantees:**

The Town is a member of the Alberta Local Authorities Reciprocal Insurance Exchange and MUNIX. Under the terms of membership, the Town could become liable for its proportionate share of any claim losses in excess of the funds held by the exchange. Any liability incurred would be accounted for as a current transaction in the year the losses are determined.

The Town has guaranteed a loan for the Hinton Golfing Society to construct a new club house and consolidate an existing loan. At December 31, 2016, the outstanding balance was \$1,098,993 (2015 - \$1,188,073). The loan is guaranteed to a maximum of \$1,136,000 with amortization of 20 years and subject to interest at prime plus 0.75%.

The Town has guaranteed a loan for the SPCA to construct a new building. At December 31, 2016, the outstanding balance was \$85,901 (2015 - \$116,630). The loan is guaranteed to a maximum of \$350,000 with amortization of 20 years and subject to interest at prime plus 1.50%.

# TOWN OF HINTON

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2016

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## **14. Contingencies and guarantees (continued):**

The Town has been named as a co-defendant in a legal action claiming damages. At this time, the final outcome with respect to the claim is indeterminable. Town management is of the opinion that there is a strong defence against the claim. Accordingly, no provision for losses has been reflected in the financial statements for this matter.

In prior years, the Town provided a refundable grant to a developer for the construction of an affordable housing development, Happy Creek Estates Ltd ("Happy Creek"). The developer agreed to operate Happy Creek for a period of 20 years (2009 to 2029). At the end of the 20 year period, if the Town determines that Happy Creek is no longer required as an affordable housing development, the Town will be entitled to a refund of the original grant (\$1,619,646) or 19.6% of Happy Creek's fair value, whichever is greater.

## **15. Financial instruments:**

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

The Town is subject to credit risk with respect to taxes and grants in place of taxes receivables and trade and other receivables. Credit risk arises from the possibility that taxpayers and entities to which the Town provides services may experience financial difficulty and be unable to fulfill their obligations. The large number and diversity of taxpayers and customers minimizes the credit risk.

The Town is subject to additional risk regarding guaranteed loans as described in note 14.

Unless otherwise noted, the carrying value of the financial instruments approximates fair value.

## **16. Comparative information:**

The financial statements have been reclassified, where applicable, to conform to the presentation used in the current year. The changes do not affect prior year surplus.

## **17. Approval of financial statements:**

Council and Management have approved these financial statements for release on April 4, 2017.



# TOWN OF HINTON

## Consolidated Schedule 1 - Tangible Capital Assets

Year ended December 31, 2016, with comparative information for 2015

	Land	Land improvements	Buildings	Engineered structures	Machinery and structures	Vehicles	Assets under construction	2016	2015
<b>Cost:</b>									
Balance, beginning of year	\$ 18,153,548	\$ 14,148,812	\$ 38,974,697	\$ 144,911,528	\$ 8,299,115	\$ 2,974,793	\$ 402,802	\$ 227,865,295	\$ 221,929,754
Construction in progress	-	220,969	-	-	-	-	(220,969)	-	-
Acquisition of tangible capital assets	-	463,465	262,832	268,546	-	487,608	3,177,465	4,659,916	6,310,008
Disposals of tangible capital assets	-	-	-	-	(1,702,868)	(23,550)	-	(1,726,418)	(374,467)
<b>Balance end of year</b>	<b>18,153,548</b>	<b>14,833,246</b>	<b>39,237,529</b>	<b>145,180,074</b>	<b>6,596,247</b>	<b>3,438,851</b>	<b>3,359,298</b>	<b>230,798,793</b>	<b>227,865,295</b>
<b>Accumulated amortization:</b>									
Balance, beginning of year	\$ -	\$ 7,076,826	\$ 13,499,255	\$ 49,356,395	\$ 5,965,607	\$ 1,705,789	\$ -	\$ 77,603,872	\$ 73,497,912
Amortization of tangible capital assets	-	574,647	1,083,221	2,643,670	387,609	216,226	-	4,905,373	4,425,272
Disposals of tangible capital assets	-	-	-	-	(1,500,539)	(23,548)	-	(1,524,087)	(319,312)
<b>Balance, end of year</b>	<b>-</b>	<b>7,651,473</b>	<b>14,582,476</b>	<b>52,000,065</b>	<b>4,852,677</b>	<b>1,898,467</b>	<b>-</b>	<b>80,985,158</b>	<b>77,603,872</b>
<b>Net book value of tangible capital assets</b>	<b>\$ 18,153,548</b>	<b>\$ 7,181,773</b>	<b>\$ 24,655,053</b>	<b>\$ 93,180,009</b>	<b>\$ 1,743,570</b>	<b>\$ 1,540,384</b>	<b>\$ 3,359,298</b>	<b>\$ 149,813,635</b>	<b>\$ 150,261,423</b>

# TOWN OF HINTON

## Consolidated Schedule 2 - Net Municipal Taxes

Year ended December 31, 2016, with comparative information for 2015

	Budget	2016	2015
<b>Taxes</b>			
Real property taxes	\$ 15,967,011	\$ 16,189,147	\$ 15,916,086
Linear property taxes	297,984	403,566	297,986
Government grants in place of property taxes	70,000	61,485	89,819
Special assessments and local improvement taxes	18,612	18,619	23,424
	<u>16,353,607</u>	<u>16,672,817</u>	<u>16,327,315</u>
<b>Less: Requisitions</b>			
Alberta School Foundation Fund	4,407,648	4,360,330	4,409,521
The Evergreens Foundation	338,941	715,042	437,942
	<u>4,746,589</u>	<u>5,075,372</u>	<u>4,847,463</u>
<b>Net municipal taxes</b>	<u>\$ 11,607,018</u>	<u>\$ 11,597,445</u>	<u>\$ 11,479,852</u>

# TOWN OF HINTON

## Consolidated Schedule 3 - Government Transfers

Year ended December 31, 2016, with comparative information for 2015

	Budget	2016	2015
<b>Transfers for operating</b>			
Local Government	\$ 2,463,286	\$ 2,515,556	\$ 2,394,666
Provincial	1,495,844	2,152,740	1,511,802
Federal	-	12,096	-
	<u>3,959,130</u>	<u>4,680,392</u>	<u>3,906,468</u>
<b>Transfers for capital</b>			
Provincial	1,795,000	1,993,879	6,084,294
Local Government	1,213,681	473,228	68,180
	<u>3,008,681</u>	<u>2,467,107</u>	<u>6,152,474</u>
<b>Total government transfers</b>	<u>\$ 6,967,811</u>	<u>\$ 7,147,499</u>	<u>\$ 10,058,942</u>

# TOWN OF HINTON

## Consolidated Schedule 4 - Expenses by Object

Year ended December 31, 2016, with comparative information for 2015

	Budget	2016	2015
Salaries, wages and benefits	\$ 10,119,435	\$ 10,370,603	\$ 10,295,272
Contracted and general services	6,683,379	6,792,683	6,936,496
Amortization of tangible capital assets	4,600,000	4,905,373	4,425,272
Materials, goods, supplies and utilities	5,267,305	4,324,630	4,983,216
Interest on long-term debt	458,195	438,312	524,981
Transfers to other governments	200,660	236,061	230,149
Transfers to local boards and agencies	260,000	222,192	256,437
Transfers to individuals and organizations	64,036	63,412	58,631
Bank charges and short-term interest	21,326	20,428	20,460
	<u>\$ 27,674,336</u>	<u>\$ 27,373,694</u>	<u>\$ 27,730,914</u>