

Consolidated Financial Statements of

TOWN OF HINTON

Year ended December 31, 2017

TOWN OF HINTON

Table of Contents

Year ended December 31, 2017

	Page
Management's Responsibility for the Consolidated Financial Statements	
Independent Auditors' Report	
Consolidated Statement of Financial Position	1
Consolidated Statement of Operations and Accumulated Surplus	2
Consolidated Statement of Changes in Net Financial Assets (Net Debt)	3
Consolidated Statement of Cash Flows	4
Notes to Consolidated Financial Statements	5 - 21
Consolidated Schedule 1 - Segmented Disclosure	22
Consolidated Schedule 2 - Tangible Capital Assets	23
Consolidated Schedule 3 - Net Municipal Taxes	24
Consolidated Schedule 4 - Government Transfers	25
Consolidated Schedule 5 - Expenses By Object	26

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.



Denise Parent
Interim Chief Administrative Officer
April 3, 2018



KPMG LLP
2200, 10175-101 Street
Edmonton Alberta T5J 0H3
Canada
Tel (780) 429-7300
Fax (780) 429-7379

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, 2017, 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, 2017, 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.

Chartered Professional Accountants

April 3, 2018

Edmonton, Canada

TOWN OF HINTON

Consolidated Statement of Financial Position

December 31, 2017, with comparative information for 2016


	2017	2016
Financial assets:		
Cash	\$ -	\$ 2,451,196
Receivables:		
Taxes and grants in place of taxes (note 2)	616,056	576,082
Trade and other receivables (note 3)	3,989,568	3,908,118
Loan receivable (note 4)	1,500,000	-
Land held for resale	2,960	2,960
Investments (note 5)	14,681,982	12,022,477
	<u>20,790,566</u>	<u>18,960,833</u>
Liabilities:		
Bank indebtedness	708,299	-
Accounts payable and accrued liabilities	3,041,759	2,539,099
Deposit liabilities	346,143	439,145
Deferred revenue (note 6)	3,869,534	3,806,319
Long-term debt (notes 7 and 8)	8,271,902	9,115,936
Landfill closure and post-closure liability (note 9)	79,402	51,902
	<u>16,317,039</u>	<u>15,952,401</u>
Net financial assets	4,473,527	3,008,432
Non-financial assets:		
Tangible capital assets (Schedule 2)	151,453,772	149,813,635
Inventory for consumption	315,313	362,947
Prepaid expenses and deposits	97,752	50,747
	<u>151,866,837</u>	<u>150,227,329</u>
Contingencies and guarantees (note 14)		
Accumulated surplus (note 10)	<u>\$ 156,340,364</u>	<u>\$ 153,235,761</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, 2017, with comparative information for 2016

	2017 Budget	2017	2016
Revenue:			
Net municipal taxes (Schedule 3)	\$ 11,625,540	\$ 11,624,582	\$ 11,597,445
Government transfers for operating (Schedule 4)	3,967,594	5,103,502	4,680,392
User fees and sales of goods	6,127,028	6,516,399	6,150,578
Franchise fees	1,411,000	1,448,605	1,342,483
Fines	2,030,000	768,267	1,797,763
Other	88,100	631,823	359,545
Rentals	643,283	604,129	555,300
Investment income	144,600	233,628	193,392
Penalties and costs on taxes	192,000	204,153	211,199
Licenses and permits	132,600	134,067	137,535
Development levies	100,000	13,631	195,756
Gain (loss) on disposal of tangible capital assets	-	(51,782)	17,070
	<u>26,461,745</u>	<u>27,231,004</u>	<u>27,238,458</u>
Expenses (Schedule 5):			
Transportation services	5,020,717	5,250,771	5,192,004
Parks, recreation and culture	4,833,334	5,186,851	4,894,935
Protective services	5,495,703	5,098,465	5,836,113
General government	3,580,048	3,590,010	3,466,925
Environmental services	3,322,719	3,388,528	3,645,184
Planning and development	3,349,579	3,001,567	2,197,894
Public health and welfare	1,533,012	1,697,668	1,388,929
Library	692,452	639,515	751,710
	<u>27,827,564</u>	<u>27,853,375</u>	<u>27,373,694</u>
Deficiency of revenue over expenses before other	(1,365,819)	(622,371)	(135,236)
Other:			
Government transfers for capital (Schedule 4)	5,377,910	3,726,974	2,467,107
Annual surplus	4,012,091	3,104,603	2,331,871
Accumulated surplus, beginning of year	153,235,761	153,235,761	150,903,890
Accumulated surplus, end of year	\$ 157,247,852	\$ 156,340,364	\$ 153,235,761

See accompanying notes to consolidated financial statements.

TOWN OF HINTON

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

Year ended December 31, 2017, with comparative information for 2016

	Budget	2017	2016
Annual surplus	\$ 4,012,091	\$ 3,104,603	\$ 2,331,871
Acquisition of tangible capital assets	(15,985,235)	(6,228,706)	(4,659,916)
Amortization of tangible capital assets	4,196,210	4,463,497	4,905,373
Proceeds on disposal of tangible capital assets	-	73,290	219,401
Loss (gain) on disposal of tangible capital assets	-	51,782	(17,070)
	(11,789,025)	(1,640,137)	447,788
Change in prepaid expenses and deposits	-	(47,005)	(48,701)
Change in inventory for consumption	-	47,634	34,452
	-	629	(14,249)
Change in net financial assets (net debt)	(7,776,934)	1,465,095	2,765,410
Net financial assets, beginning of year	3,008,432	3,008,432	243,022
Net financial assets (net debt), end of year	\$ (4,768,502)	\$ 4,473,527	\$ 3,008,432

See accompanying notes to consolidated financial statements.

TOWN OF HINTON

Consolidated Statement of Cash Flows

Year ended December 31, 2017, with comparative information for 2016

	2017	2016
Cash provided by (used in):		
Operations:		
Annual surplus	\$ 3,104,603	\$ 2,331,871
Items not involving cash:		
Amortization of tangible capital assets	4,463,497	4,905,373
Loss (gain) on disposal of tangible capital assets	51,782	(17,070)
Changes in non-cash operating working capital:		
Taxes and grants in place of taxes	(39,974)	(18,240)
Trade and other receivables	(81,450)	1,101,800
Loan receivable	(1,500,000)	-
Land held for resale	-	416,892
Accounts payable and accrued liabilities	502,660	(1,448,428)
Deposit liabilities	(93,002)	(105,401)
Deferred revenue	63,215	1,075,941
Landfill closure and post-closure liability	27,500	23,930
Inventory for consumption	47,634	34,452
Prepaid expenses and deposits	(47,005)	(48,701)
Cash provided by operating activities	6,499,460	8,252,419
Capital activities:		
Acquisition of tangible capital assets	(6,228,706)	(4,659,916)
Proceeds on disposal of tangible capital assets	73,290	219,401
Cash applied to capital activities	(6,155,416)	(4,440,515)
Investing activities:		
Purchase of investments	(8,716,899)	(11,666,430)
Redemption of investments	6,057,394	9,500,212
Cash applied to investing activities	(2,659,505)	(2,166,218)
Financing activities:		
Issuance of long-term debt	1,500,000	-
Repayment of long-term debt	(2,344,034)	(2,239,441)
Cash applied to financing activities	(844,034)	(2,239,441)
Decrease in cash	(3,159,495)	(593,755)
Cash, beginning of year	2,451,196	3,044,951
Bank indebtedness, end of year	\$ (708,299)	\$ 2,451,196

See accompanying notes to consolidated financial statements.

TOWN OF HINTON

Notes to Consolidated Financial Statements

Year ended December 31, 2017

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, 2017

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, 2017

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, 2017

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:

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

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, 2017

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 2018, 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.

Public Section- Accounting Standards	Effective date for fiscal periods beginning on or after
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

TOWN OF HINTON

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2017

2. Taxes and grants in place of taxes:

	2017	2016
Current taxes and grants in place of taxes	\$ 340,999	\$ 323,230
Tax arrears	275,057	252,852
	<u>\$ 616,056</u>	<u>\$ 576,082</u>

3. Trade and other receivables:

	2017	2016
Trade accounts receivable	\$ 2,368,423	\$ 2,030,438
Due from other governments	1,048,639	1,239,939
Utilities receivable	562,491	418,204
Due from members of the West Yellowhead Regional Waste Management Authority	46,029	253,051
Allowance for doubtful accounts	(36,014)	(33,514)
	<u>\$ 3,989,568</u>	<u>\$ 3,908,118</u>

4. Loan receivable:

In prior years, the Town had guaranteed a loan for the Hinton Golfing Society (the "Society") to construct a new club house and consolidate an existing loan. During the current year, the Town entered into a new long-term debt agreement for \$1,500,000 on behalf of the Society and transferred the full amount of funding to the Society. The Society then repaid the previously guaranteed loan. The Society has entered into an agreement with the Town to repay the current loan under the same terms and conditions as the Town's long-term debt arrangement (See note 7). The receivable is secured by all assets of the Society.

5. Investments:

	2017	2016
Demand notice savings deposits	\$ 12,381,081	\$ 8,669,111
Guaranteed investment certificates	2,000,000	3,053,934
Other investments	300,901	299,432
	<u>\$ 14,681,982</u>	<u>\$ 12,022,477</u>

TOWN OF HINTON

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2017

5. Investments (continued):

Demand notice savings deposits have effective interest rates ranging from 1.70% to 1.80% (2016 - 1.40% to 1.50%) and require 0 - 90 days (2016 - 31 to 91 days) notice prior to withdrawal.

Guaranteed investment certificates have an effective interest rate of 1.75% (2016 - 1.11% to 1.75%) and a maturity date of September 9, 2018 (2016 - April 18, 2018 to September 9, 2018).

6. Deferred revenue:

	2017	2016
Operating government transfers:		
Municipal policing assistance grant	\$ 91,615	\$ 94,280
Out of school grant	48,857	80,876
Parent link west network grant	35,525	25,684
Early childhood grant	20,145	22,447
Elder abuse grant	8,131	17,578
	<u>204,273</u>	<u>240,865</u>
Capital government transfers:		
Municipal Sustainability Initiative	3,649,305	2,488,508
CFEP grant for performing arts centre	-	1,055,129
	<u>3,649,305</u>	<u>3,543,637</u>
Other deferred amounts:		
Other	13,282	16,468
Prepaid local improvement charges	2,674	5,349
	<u>15,956</u>	<u>21,817</u>
	<u>\$ 3,869,534</u>	<u>\$ 3,806,319</u>

TOWN OF HINTON

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2017

7. Long-term debt:

	2017	2016
Tax supported debt	\$ 6,664,460	\$ 8,994,399
Self-supported debt	1,607,442	121,537
	\$ 8,271,902	\$ 9,115,936

Principal and interest repayments are due as follows:

	Principal	Interest	Total
2018	\$ 2,539,134	\$ 270,124	\$ 2,809,258
2019	1,387,677	179,279	1,566,956
2020	1,065,833	134,209	1,200,042
2021	962,404	95,468	1,057,872
2022	494,335	67,498	561,833
Thereafter	1,822,519	102,389	1,924,908
	\$ 8,271,902	\$ 848,967	\$ 9,120,869

Tax supported debenture debt is repayable to Alberta Capital Finance Authority and bears interest at rates ranging from 2.23% to 6.63% per annum and mature in periods 2018 through 2025.

Self-supported debt includes the amounts due to the Canada Mortgage and Housing Corporation that bear interest at rates of 8.25% and 1.43%, mature January 2022 and December 2026, and are repayable in annual instalments of \$13,203 and monthly instalments of \$502, respectively.

Self-supported debt also includes a debenture due to ATB that bears interest at prime minus 0.25% and matures October 2032. Interest is payable monthly, and principal payments of \$16,667 are payable seasonally for 6 months of each year commencing May 31, 2018.

Debt is issued on the credit and security of the Town at large. The Town's total cash payments for the interest in 2017 were \$365,305 (2016 - \$456,539).

The Town has established an operating line of credit up to \$1,336,891 (2016 - \$1,900,000) and has a letter of credit outstanding in the amount of \$663,109 (2016 - \$nil). The Town has drawn \$260,404 against this facility as at December 31, 2017, which is presented within bank indebtedness and have not advanced any funds against the letter of credit. 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, 2017

8. Debt limits:

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

	2017	2016
Total debt limit	\$ 40,846,506	\$ 40,857,689
Total debt	(8,271,902)	(9,115,936)
Total debt guaranteed for other organizations	(64,061)	(1,184,894)
Amount of debt limit unused	\$ 32,510,543	\$ 30,556,859
Debt servicing limit	\$ 6,807,751	\$ 6,809,615
Debt servicing	(2,809,258)	(2,709,258)
Amount of debt servicing limit unused	\$ 3,998,493	\$ 4,100,357

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, 2017

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 2.488 (2016 – 2.515) 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 9).

Key assumptions in determining the liability at December 31, 2017 for the landfill are as follow:

Estimated closure costs	\$2,085,900
Estimated post-closure costs	\$989,000
Inflation rate	2.13% (2016 - 2.32%)
Discount rate	3.66% (2016 - 4.52%)

	2017	2016
Estimated closure costs	\$ 1,167,368	\$ 817,712
Estimated post-closure costs	463,808	297,472
Estimated capacity remaining	80.53%	81.38%
Portion of total liability remaining to be recognized	1,313,569	907,575
Estimated capacity used	19.47%	18.62%
Closure and post closure liability	317,607	207,609
Town's 25% proportionate share	\$ 79,402	\$ 51,902

TOWN OF HINTON

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2017

10. Accumulated surplus:

	2017	2016
Unrestricted	\$ (116,622)	\$ 712,690
Restricted:		
Library	129,854	87,457
Housing	412,093	433,657
Operating - project requests	192,586	198,006
Operating - other	126,936	425,938
Automated traffic enforcement	1,133,487	1,301,823
Equipment and fleet	1,818,330	1,745,880
Facilities and components	(827,932)	(513,709)
Fire department	620,945	748,071
Information technology	122,061	166,359
Infrastructure major facility	282,242	356,349
Municipal reserve	898,832	892,318
New infrastructure	1,870,657	1,681,136
Offsite levy fund	1,700,754	1,683,147
Parks and trails infrastructure	413,289	413,289
Roads and sidewalks	412,595	567,104
Water and sewer	1,939,192	1,209,492
Other capital	199,172	151,194
West Yellowhead Regional Waste Management Authority	330,023	277,861
Equity in tangible capital assets	144,681,870	140,697,699
	\$ 156,340,364	\$ 153,235,761

TOWN OF HINTON

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2017

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:

	2017	2016
Financial Position:		
Financial assets	\$ 1,796,119	\$ 1,813,574
Liabilities	476,027	702,131
Net financial assets	1,320,092	1,111,443
Non-financial assets	3,930,495	3,923,116
Accumulated surplus	5,250,587	5,034,559
Operations:		
Revenue	1,737,862	1,574,735
Expenses	1,521,834	1,402,623
Annual surplus	216,028	172,112
Accumulated surplus, opening	5,034,559	4,862,447
Accumulated surplus, closing	\$ 5,250,587	\$ 5,034,559

TOWN OF HINTON

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2017

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)	2017 Total	2016 Total
Mayor:				
R. Mackin	\$ 46,098	\$ 1,806	\$ 47,904	\$ 60,052
M. Michaels	18,744	451	19,195	-
Councilors:				
G. Barrow	17,170	582	17,752	22,278
D. Currie	-	-	-	9,539
T. Haas	5,671	148	5,819	-
R. Maguhn	26,401	895	27,296	24,293
M. Michaels	18,468	901	19,369	32,092
D. Nelson	7,596	229	7,825	-
A. Ostashek	28,966	1,003	29,969	12,040
J. Race	7,621	230	7,851	-
S. Taylor	22,663	814	23,477	29,867
T. Waugh	7,696	223	7,919	-
M. Young	20,641	729	21,370	31,349
Chief Administrative Officer:				
L. Howarth	50,593	9,135	59,728	-
S. Labonne	44,250	11,570	55,820	-
M. Schwartz	161,364	22,141	183,505	231,142
	\$ 483,942	\$ 50,857	\$ 534,799	\$ 452,652

- 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, 2017

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% (2016 - 11.39%) of pensionable earnings up to the year's maximum pensionable earnings under the Canada Pension Plan and 15.84% (2016 - 15.84%) on pensionable earnings above this amount. Employees of the Town are required to make current service contributions of 10.39% (2016 - 10.39%) of pensionable salary up to the year's maximum pensionable salary and 14.84% (2016 - 14.84%) on pensionable salary above this amount.

Total current service contributions by the Town to the LAPP in 2017 were \$795,760 (2016 - \$801,488). Total current service contributions by the employees of the Town to the Local Authorities Pension Plan in 2017 were \$735,250 (2016 - \$741,715).

As at December 31, 2016, the LAPP disclosed an actuarial deficiency of \$637 million (2015 - \$923 million). This amount was not specifically allocated to the participating government organizations. The 2017 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 SPCA to construct a new building. At December 31, 2017, the outstanding balance was \$64,061 (2016 - \$85,901). 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, 2017

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.

TOWN OF HINTON

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2017

16. Segmented disclosure:

The Town 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 consolidated financial statements and subsequently submitted to Alberta Municipal Affairs. For additional information, see Consolidated Schedule 1 - Segemented Disclosure.

(i) Transportation services

This service includes maintenance of roads, streets, walks, and lighting, including snow and ice removal as well as public transit.

(ii) Parks, recreation and culture

This service comprises of recreation facilities and grounds, parks, trails, sports fields, playgrounds and green spaces.

(iii) Protective services

Protectives services include fire and law enforcement. Hinton Fire Rescue provides fire and rescue services. The Town's Peace Officers are responsible for enforcing the Town's bylaws and the RCMP provide law enforcement services.

(iv) General government

General government includes activities that provide for the overall operation of the Town, which are common to or affect all services provided by the Town, including Council and legislative, general administration, property assessment, taxation administration, licensing, elections, and municipal census.

(v) Environmental services

Environmental Services includes garbage and waste collection operations and water and sewer services.

(vi) Planning and development

Planning and development manages all aspects of land use planning, including long-range forecasting, planning and processing of development permits, and processing compliance certificates.

(vii) Public health and welfare

Included in this service are Family and Community Support Services (FCSS), seniors' programming, community development, youth programs, and cemeteries.

TOWN OF HINTON

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2017

16. Segmented disclosure (continued):

(viii) Library

The library provides information, entertainment, communication, literacy and learning for all members of the community.

17. 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.

18. Approval of financial statements:

Council and Management have approved these financial statements for release on April 3, 2018.

TOWN OF HINTON

Consolidated Schedule 1 - Segmented Disclosure

Year ended December 31, 2017, with comparative information for 2016

	Transportation services	Parks, recreation and culture	Protective services	General government	Environmental services	Planning and development	Public health and welfare	Library	2017	2016
Revenue:										
Net municipal taxes	\$ -	\$ -	\$ -	\$ 11,824,582	\$ -	\$ -	\$ -	\$ -	\$ 11,824,582	\$ 11,597,445
Government transfers for operating	-	412,446	1,021,441	1,863,909	157,257	530,439	1,012,690	105,320	5,103,502	4,880,392
User fees and sales of goods	72,144	653,648	453,206	19,947	5,050,586	140,643	105,091	21,134	6,516,398	6,150,578
Franchise fees	-	-	-	1,448,605	-	-	-	-	1,448,605	1,342,483
Fines	-	-	768,267	-	-	-	-	-	768,267	1,797,763
Other	1,000	495,557	13,316	65,015	700	731	52,974	2,530	631,823	359,545
Rentals	-	114,579	142,800	275,049	-	28,626	43,075	-	604,129	555,300
Investment income	-	10	-	233,572	-	-	-	46	233,828	193,392
Penalties and costs on taxes	451	-	-	173,940	29,762	-	-	-	204,153	211,189
Licenses and permits	-	-	2,323	-	-	131,744	-	-	134,067	137,535
Development levies	-	-	-	-	-	13,631	-	-	13,631	195,756
Gain (loss) on disposal of tangible capital assets	48,572	-	(100,354)	-	-	-	-	-	(51,782)	17,070
	122,167	1,876,240	2,300,999	15,704,619	5,238,305	945,814	1,213,830	129,030	27,231,004	27,238,458
Expenses:										
Salaries, wages and benefits	1,532,964	2,933,276	1,298,697	1,919,372	417,112	779,360	1,033,180	444,040	10,358,001	10,370,603
Contracted and general services	663,608	377,129	3,102,175	743,727	1,049,582	299,585	122,639	73,108	6,431,551	6,792,663
Material, goods, supplies and utilities	1,173,149	845,267	349,882	398,928	653,434	1,802,376	165,526	110,296	5,498,858	4,324,630
Amortization of tangible capital assets	1,789,355	917,164	294,345	163,946	1,232,796	53,377	1,117	11,397	4,463,487	4,905,373
Transfers to other governments and organizations	-	45,000	1,057	219,928	-	51,024	375,206	-	692,215	521,665
Interest on long-term debt	91,697	51,963	52,151	98,692	35,604	15,845	-	-	345,952	438,312
Bank charges and short-term interest	-	17,052	158	45,417	-	-	-	674	69,301	20,428
	5,250,771	5,186,851	5,098,465	3,590,010	3,388,528	3,001,567	1,697,688	639,515	27,853,375	27,373,694
Annual surplus (deficiency) before the undemoted:	(5,128,604)	(3,510,611)	(2,797,466)	12,114,609	1,849,777	(2,155,753)	(483,838)	(510,485)	(622,371)	(135,236)
Government transfers for capital	173,430	2,767,893	785,651	-	-	-	-	-	3,726,974	2,487,107
Annual surplus (deficiency)	\$ (4,955,174)	\$ (742,718)	\$ (2,011,815)	\$ 12,114,609	\$ 1,849,777	\$ (2,155,753)	\$ (483,838)	\$ (510,485)	\$ 3,104,603	\$ 2,331,871

TOWN OF HINTON

Consolidated Schedule 2 - Tangible Capital Assets

Year ended December 31, 2017, with comparative information for 2016

	Land	Land improvements	Buildings	Engineered structures	Machinery and equipment	Vehicles	Assets under construction	2017	2016
Cost:									
Balance, beginning of year	\$ 18,153,548	\$ 14,833,246	\$ 38,237,529	\$ 145,180,074	\$ 6,596,247	\$ 3,438,851	\$ 3,359,298	\$ 230,798,793	\$ 227,865,295
Construction in progress	-	58,916	4,664,602	-	241,387	1,210,488	(6,175,393)	-	-
Acquisition of tangible capital assets	-	107,172	-	258,986	831,674	977,629	4,053,245	6,228,706	4,659,916
Disposals of tangible capital assets	-	-	-	-	(112,163)	(690,932)	-	(803,095)	(1,726,418)
Balance end of year	18,153,548	14,999,334	43,902,131	145,439,060	7,557,145	4,936,036	1,237,150	236,224,404	230,798,793
Accumulated amortization:									
Balance, beginning of year	\$ -	\$ 7,651,473	\$ 14,582,476	\$ 52,000,065	\$ 4,852,677	\$ 1,898,467	\$ -	\$ 80,985,158	\$ 77,603,872
Amortization of tangible capital assets	-	584,703	1,067,243	2,269,504	299,625	242,422	-	4,463,497	4,905,373
Disposals of tangible capital assets	-	-	-	-	(87,445)	(590,578)	-	(678,023)	(1,524,087)
Balance, end of year	-	8,236,176	15,649,719	54,269,569	5,064,857	1,550,311	-	84,770,632	80,985,158
Net book value of tangible capital assets	\$ 18,153,548	\$ 6,763,158	\$ 28,252,412	\$ 91,169,491	\$ 2,492,288	\$ 3,385,725	\$ 1,237,150	\$ 151,453,772	\$ 149,813,635

TOWN OF HINTON

Consolidated Schedule 3 - Net Municipal Taxes

Year ended December 31, 2017, with comparative information for 2016

	Budget	2017	2016
Taxes			
Real property taxes	\$ 16,201,526	\$ 16,287,979	\$ 16,189,147
Linear property taxes	403,566	397,164	403,566
Government grants in place of property taxes	61,485	60,529	61,485
Special assessments and local improvement taxes	15,944	18,618	18,619
	<u>16,682,521</u>	<u>16,764,290</u>	<u>16,672,817</u>
Less: Requisitions			
Alberta School Foundation Fund	4,341,939	4,436,487	4,360,330
The Evergreens Foundation	715,042	703,221	715,042
	<u>5,056,981</u>	<u>5,139,708</u>	<u>5,075,372</u>
Net municipal taxes	<u>\$ 11,625,540</u>	<u>\$ 11,624,582</u>	<u>\$ 11,597,445</u>

TOWN OF HINTON

Consolidated Schedule 4 - Government Transfers

Year ended December 31, 2017, with comparative information for 2016

	Budget	2017	2016
Transfers for operating			
Provincial	\$ 1,552,716	\$ 2,601,201	\$ 2,152,740
Local Government	2,414,878	2,495,714	2,515,556
Federal	-	6,587	12,096
	<u>3,967,594</u>	<u>5,103,502</u>	<u>4,680,392</u>
Transfers for capital			
Provincial	3,378,547	2,133,222	1,993,879
Federal	1,000,000	1,000,000	-
Local Government	999,363	593,752	473,228
	<u>5,377,910</u>	<u>3,726,974</u>	<u>2,467,107</u>
Total government transfers	<u>\$ 9,345,504</u>	<u>\$ 8,830,476</u>	<u>\$ 7,147,499</u>

TOWN OF HINTON

Consolidated Schedule 5 - Expenses by Object

Year ended December 31, 2017, with comparative information for 2016

	Budget	2017	2016
Salaries, wages and benefits	\$ 10,433,556	\$ 10,358,001	\$ 10,370,603
Contracted and general services	6,591,382	6,431,551	6,792,683
Materials, goods, supplies and utilities	5,700,118	5,498,858	4,324,630
Amortization of tangible capital assets	4,196,210	4,463,497	4,905,373
Transfers to other governments and organizations	520,160	692,215	521,665
Interest on long-term debt	365,304	345,952	438,312
Bank charges and short-term interest	20,834	63,301	20,428
	\$ 27,827,564	\$ 27,853,375	\$ 27,373,694

