

Town of Grimshaw
FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2016

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TOWN OF GRIMSHAW

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Management's Responsibility

To the Members of Council:

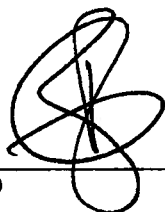
Management is responsible for the preparation and presentation of the accompanying consolidated financial statements, including responsibility for significant accounting judgments and estimates in accordance with Canadian generally accepted accounting principles. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibilities for the integrity and fairness of the consolidated financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of financial statements.

The Town Council is composed entirely of Councilors who are neither management nor employees of the Town. The Council is responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving the financial information included in the financial statements. The Council fulfils these responsibilities by reviewing the financial information prepared by management and discussing relevant matters with management, and external auditors. The Council is also responsible for the appointment of the Town's external auditors.

MNP LLP, an independent firm of Chartered Professional Accountants, is appointed by the Council to audit the consolidated financial statements and report directly to them; their report follows. The external auditors have full and free access to, and meet periodically and separately with, both the Town Council and management to discuss their audit findings.

March 22, 2017



CAO



Director of Finance

Mission Statement

Making Grimshaw the greatest place to live by providing a quality service to our community in a courteous, timely, efficient and cost effective manner.

Independent Auditors' Report

To the Mayor and Council of
The Town of Grimshaw

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of the Town of Grimshaw, which comprise the statement of financial position as at December 31, 2016, and the statements of operations, change in net financial assets and cash flows for the year then ended, and 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 the auditors' judgement, 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 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 financial position of the Town of Grimshaw as at December 31, 2016, and the results of its operations, change in net financial assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Peace River, Alberta
March 22, 2017

MNP LLP

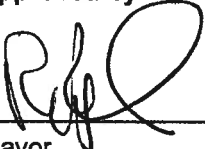
Chartered Professional Accountants

**TOWN OF GRIMSHAW
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED DECEMBER 31, 2016**

	2016 \$	2015 \$
FINANCIAL ASSETS		
Cash and cash equivalents (Note 2)	<u>4,525,064</u>	<u>4,150,247</u>
Receivables		
Taxes and grants in lieu of taxes (Note 3)	179,889	243,564
Trade and other receivables	631,554	490,419
Land held for resale	54,081	-
Other financial assets	<u>4,232</u>	<u>4,232</u>
	<u>5,394,820</u>	<u>4,888,462</u>
LIABILITIES		
Accounts payable and accrued liabilities (Note 4)	297,106	323,087
Deposit liabilities	3,803	3,803
Deferred revenue (Note 5)	-	-
Long term debt (Note 6)	-	-
	<u>300,909</u>	<u>326,890</u>
NET FINANCIAL ASSETS	<u>5,093,911</u>	<u>4,561,572</u>
NON-FINANCIAL ASSETS		
Tangible capital assets (Schedule 2)	23,104,804	23,604,511
Prepaid expenses	111,389	103,504
	<u>23,216,193</u>	<u>23,708,015</u>
ACCUMULATED SURPLUS (Note 9)	<u>28,310,104</u>	<u>28,269,587</u>

Commitments and contingencies - See Note 13

Approved by



Mayor



Chief Administrative Officer

See accompanying notes to the financial statements

**TOWN OF GRIMSHAW
CONSOLIDATED STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2016**

	Budget \$	2016 \$	2015 \$
REVENUE			
Net municipal property taxes (Schedule 3)	2,230,793	2,256,240	2,243,593
User fees and sale of goods	1,914,870	1,907,716	1,920,817
Government transfers for operating (Schedule 4)	70,000	157,361	155,925
Investment income	70,000	73,368	76,768
Penalties and costs on taxes	84,400	79,583	91,089
Gain on disposal of capital assets	-	-	37,256
Other revenues	524,280	454,828	585,360
Total revenues	4,894,343	4,929,096	5,110,808
EXPENSES			
Operating			
Legislative	82,212	73,418	67,696
Administration	840,545	868,811	796,245
Fire and bylaws enforcement	218,050	242,040	229,581
Roads, streets, walks and lighting	819,700	1,114,022	1,196,422
Water and wastewater	325,450	637,766	663,382
Waste management	304,183	304,608	277,770
Subdivision land development	328,062	294,825	270,729
Recreation, parks and culture	1,391,540	1,802,192	1,755,594
Land held for resale	-	-	-
Total Expenses	4,309,742	5,337,682	5,257,419
(DEFICIENCY) EXCESS OF REVENUE OVER EXPENSES - BEFORE OTHER	584,601	(408,586)	(146,611)
OTHER			
Government transfers for capital (Schedule 4)	-	449,103	784,638
EXCESS OF REVENUE OVER EXPENSES	584,601	40,517	638,027
ACCUMULATED SURPLUS, BEGINNING OF YEAR	28,269,587	28,269,587	27,631,560
ACCUMULATED SURPLUS, END OF YEAR	28,854,188	28,310,104	28,269,587

See accompanying notes to the financial statements

**TOWN OF GRIMSHAW
CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2016**

	Budget \$	2016 \$	2015 \$
EXCESS OF REVENUES OVER EXPENSES	<u>584,601</u>	<u>40,517</u>	<u>638,027</u>
Acquisition of tangible capital assets	(1,150,636)	(655,327)	(1,566,056)
Proceeds on disposal of tangible capital assets	-	-	51,605
Amortization of tangible capital assets	-	1,155,034	1,130,372
(Gain) on sale of tangible capital assets	-	-	(37,256)
	<u>(1,150,636)</u>	<u>499,707</u>	<u>(421,335)</u>
Acquisition of prepaid assets	-	(111,389)	(103,504)
Use of prepaid assets	-	103,504	108,748
	<u>-</u>	<u>(7,885)</u>	<u>5,244</u>
INCREASE IN NET FINANCIAL ASSETS	(566,035)	532,339	221,936
NET FINANCIAL ASSETS, BEGINNING OF YEAR	<u>4,561,572</u>	<u>4,561,572</u>	<u>4,339,636</u>
NET FINANCIAL ASSETS, END OF YEAR	<u>3,995,537</u>	<u>5,093,911</u>	<u>4,561,572</u>

**TOWN OF GRIMSHAW
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2016**

	2016	2015
	\$	\$
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING		
Excess of revenues over expenses	40,517	638,027
Gain on sale of capital assets	-	(37,256)
Non-cash items included in excess (shortfall) of revenues over expenses:		
Amortization of tangible capital assets	1,155,034	1,130,372
Non-cash charges to operations (net change):		
Decrease (increase) in taxes and grants in lieu receivable	63,676	(117,098)
Decrease (increase) in trade and other receivables	(141,135)	(82,694)
Decrease (increase) in prepaid expenses	(7,885)	5,244
Decrease (increase) in land held for resale	(54,079)	-
Decrease (increase) in other financial assets	-	2,304
Increase (decrease) in accounts payable and accrued liabilities	(25,983)	(13,011)
Increase (decrease) in deposit liabilities	-	-
Increase (decrease) in deferred revenue	-	-
Cash provided by operating transactions	1,030,145	1,525,888
CAPITAL		
Acquisition of tangible capital assets	(655,327)	(1,566,056)
Sale of tangible capital assets	-	51,605
Cash applied to capital transactions	(655,327)	(1,514,451)
INVESTING		
Decrease (increase) in investments	(503,664)	(200,630)
FINANCING		
Long-term debt repaid	-	-
CHANGE IN CASH AND EQUIVALENTS DURING THE YEAR	(128,846)	(189,193)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	117,754	306,947
CASH AND CASH EQUIVALENTS, END OF YEAR	(11,092)	117,754
See accompanying notes to the financial statements		

	2016	2015
	\$	\$
Cash and cash equivalents is made up of:		
Cash and temporary investments (Note 2)	4,525,064	4,150,247
Less: short-term and long-term investments (Note 2)	(4,536,156)	(4,032,493)
Temporary bank indebtedness	-	-
	(11,092)	117,754

**TOWN OF GRIMSHAW
CONSOLIDATED SCHEDULE OF CHANGES IN ACCUMULATED SURPLUS
FOR THE YEAR ENDED DECEMBER 31, 2016
SCHEDULE 1**

	2016	2015
	\$	\$
BALANCE, BEGINNING OF YEAR	28,269,587	27,631,560
Excess of revenues over expenses	40,517	638,027
Unrestricted funds designated for future use	(672,635)	-
Restricted funds used for operations	341,585	-
Current year funds used for tangible capital assets	(655,327)	-
Disposal of assets (at nbv)	-	-
Annual amortization expense	1,155,034	-
Long term debt repaid	-	-
Change in accumulated surplus	40,517	638,027
	331,050	(499,707)
BALANCE, END OF YEAR	28,310,104	28,269,587
	2,937,537	23,604,511
	23,604,511	23,604,511
	209,174	209,174
	1,936,713	1,936,713
	3,268,587	3,268,587
	23,104,804	23,104,804
	40,517	638,027
	28,310,104	28,269,587

**TOWN OF GRIMSHAW
CONSOLIDATED SCHEDULE OF TANGIBLE CAPITAL ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2016
SCHEDULE 2**

	Land	Land Improvements	Buildings	Engineered Structures	Machinery and Equipment	Vehicles	2016 \$	2015 \$
COST:								
BALANCE, BEGINNING OF YEAR	619,551	356,548	16,708,058	43,726,033	1,217,041	949,146	63,576,377	62,180,992
Acquisition of tangible capital assets	5,000	-	-	587,238	27,380	35,709	655,327	1,566,056
Disposal of tangible capital assets	-	-	-	-	-	-	-	(170,671)
BALANCE, END OF YEAR	624,551	356,548	16,708,058	44,313,271	1,244,421	984,855	64,231,704	63,576,377
ACCUMULATED AMORTIZATION:								
BALANCE, BEGINNING OF YEAR	-	86,430	2,918,564	35,487,060	975,410	504,402	39,971,866	38,997,816
Annual amortization	-	14,832	331,823	710,096	47,801	50,482	1,155,034	1,130,372
Accumulated amortization on disposals	-	-	-	-	-	-	-	(156,322)
BALANCE, END OF YEAR	-	101,262	3,250,387	36,197,156	1,023,211	554,884	41,126,900	39,971,866
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	624,551	255,286	13,457,671	8,116,115	221,210	429,971	23,104,804	23,604,511
2015 NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	619,551	270,118	13,789,494	8,238,973	241,631	444,744	23,604,511	

**TOWN OF GRIMSHAW
CONSOLIDATED SCHEDULE OF PROPERTY TAXES LEVIED
FOR THE YEAR ENDED DECEMBER 31, 2016
SCHEDULE 3**

	Budget \$	2016 \$	2015 \$
TAXATION			
Real property taxes	3,032,586	2,937,798	2,889,400
Linear property taxes	-	56,670	62,486
Government grants in place of property taxes	-	74,741	74,711
Local Improvements	-	1,643	5,594
	<u>3,032,586</u>	<u>3,070,852</u>	<u>3,032,191</u>
REQUISITIONS			
Alberta School Foundation Fund	712,000	723,646	705,743
Seniors Foundation	89,793	90,966	82,855
	<u>801,793</u>	<u>814,612</u>	<u>788,598</u>
NET MUNICIPAL TAXES	<u>2,230,793</u>	<u>2,256,240</u>	<u>2,243,593</u>

See accompanying notes to the financial statements

**TOWN OF GRIMSHAW
CONSOLIDATED SCHEDULE OF GOVERNMENT TRANSFERS
FOR THE YEAR ENDED DECEMBER 31, 2016
SCHEDULE 4**

	Budget \$	2016 \$	2015 \$
	<u> </u>	<u> </u>	<u> </u>
TRANSFERS FOR OPERATING:			
Provincial Government	70,000	157,361	155,925
Federal Government	-	-	-
	<u>70,000</u>	<u>157,361</u>	<u>155,925</u>
TRANSFERS FOR CAPITAL:			
Provincial Government	-	449,103	784,638
Federal Government	-	-	-
	<u>-</u>	<u>449,103</u>	<u>784,638</u>
TOTAL GOVERNMENT TRANSFERS	<u>70,000</u>	<u>606,464</u>	<u>940,563</u>

See accompanying notes to the financial statements

**TOWN OF GRIMSHAW
CONSOLIDATED SCHEDULE OF EXPENSES BY OBJECT
FOR THE YEAR ENDED DECEMBER 31, 2016
SCHEDULE 5**

	Budget \$	2016 \$	2015 \$
CONSOLIDATED EXPENSES BY OBJECT			
Salaries, wages and benefits	1,907,350	1,808,940	1,733,557
Contracted and general services	1,727,577	1,661,484	1,687,616
Materials, goods, supplies and utilities	519,745	576,476	533,668
Bank charges and short term interest	3,800	5,194	4,604
Interest on capital long-term debt	-	-	-
Amortization of tangible capital assets	-	1,155,034	1,130,372
Other expenses	151,270	130,554	167,602
	<u>4,309,742</u>	<u>5,337,682</u>	<u>5,257,419</u>

See accompanying notes to the financial statements

**TOWN OF GRIMSHAW
CONSOLIDATED SCHEDULE OF SEGMENTED DISCLOSURE
FOR THE YEAR ENDED DECEMBER 31, 2016
SCHEDULE 6**

	General Government	Protective Services	Transportation Services	Planning & Development	Recreation & Culture	Environmental Services	Other	Total \$
REVENUE								
Net municipal taxes	2,256,240	-	-	-	-	-	-	2,256,240
Government transfers	-	-	528,187	78,277	-	-	-	606,464
User fees and sales of goods	470,779	38,359	-	3,695	276,966	1,117,917	-	1,907,716
Gain on sale of capital assets	-	-	-	-	-	-	-	-
Investment income	73,368	-	-	-	-	-	-	73,368
Penalties and costs on taxes	46,726	10,999	-	-	-	21,858	-	79,583
Other revenues	4,125	19,510	4,150	111,500	305,422	10,121	-	454,828
	<u>2,851,238</u>	<u>68,868</u>	<u>532,337</u>	<u>193,472</u>	<u>582,388</u>	<u>1,149,896</u>	<u>-</u>	<u>5,378,199</u>
EXPENSES								
Contract & general services	352,247	106,409	237,348	253,676	349,739	362,065	-	1,661,484
Salaries & wages	508,230	68,098	393,135	-	659,891	179,586	-	1,808,940
Goods & supplies	43,596	43,677	109,183	4,715	331,643	43,662	-	576,476
Bank charges and interest	5,194	-	-	-	-	-	-	5,194
Long term debt interest	-	-	-	-	-	-	-	-
Other expenses	12,526	588	-	4,756	112,312	372	-	130,554
	<u>921,793</u>	<u>218,772</u>	<u>739,666</u>	<u>263,147</u>	<u>1,453,585</u>	<u>585,685</u>	<u>-</u>	<u>4,182,648</u>
NET REVENUE BEFORE AMORTIZATION	1,929,445	(149,904)	(207,329)	(69,675)	(871,197)	564,211	-	1,195,551
Amortization expense	(19,965)	(27,977)	(362,187)	-	(379,009)	(365,896)	-	(1,155,034)
NET REVENUE	<u>1,909,480</u>	<u>(177,881)</u>	<u>(569,516)</u>	<u>(69,675)</u>	<u>(1,250,206)</u>	<u>198,315</u>	<u>-</u>	<u>40,517</u>

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements of the Town of Grimshaw are the representations of management prepared in accordance with generally accepted accounting principles for local governments established by the Public Sector Accounting Board of the Canadian Institute of Chartered Professional Accountants. Significant aspects of the accounting policies adopted by the Town of Grimshaw are as follows:

a) Reporting entity

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

The schedule of taxes levied also includes requisitions for education, health, social and other external organizations that are 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 revenue as it is earned and measurable. Expenses are recognized as they are incurred and measurable based upon receipt of goods or services and/or the legal obligation to pay.

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

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

c) Use of Estimates

The preparation of financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and 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.

**TOWN OF GRIMSHAW
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

e) Employee Future Benefits

Certain employees of the Town are members of the Local Authorities Pension Plan (LAPP), a multi-employer defined benefit pension plan. The trustee of the plan is the Alberta Treasurer and the plan is administered by a Board of Trustees. Since the plan is a multi-employer plan, it is accounted for as a defined contribution plan and, accordingly, the Town does not recognize its share of any plan surplus or deficit.

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 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.

g) 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.

h) Requisition Over-levies and Under-Levies

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.

i) 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.

**TOWN OF GRIMSHAW
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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	10-45
Buildings	25-50
Engineered structures	
Water distribution system	30-75
Wastewater treatment system	35-75
Roadway system	5-40
Machinery, equipment and furnishings	5-20
Vehicles	10-25

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.

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 but are disclosed. The Town of Grimshaw owns 2 antique trucks. They were purchased in 2008 for a combined cost of \$28,500. The trucks are not recorded as tangible capital assets in the financial statements and are not amortized.

j) 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.

TOWN OF GRIMSHAW
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

2. CASH AND INVESTMENTS

	2016	2015
	\$	\$
Cash	(11,092)	117,754
Savings account	-	-
GIC's and investment savings account	4,536,156	4,032,493
	4,525,064	4,150,247

GIC's and investment savings account consist of mutual fund investments and GIC investments bearing interest between 1.65 - 1.85% with maturity dates ranging from July 13, 2017 - July 18, 2019.

A portion of the cash balances above are restricted for reserves and deferred revenue. The total restricted capital is \$3,258,202 (\$2,937,537 in 2015).

3. TAXES AND GRANTS IN LIEU OF TAXES RECEIVABLES

	2016	2015
	\$	\$
Current taxes and grants in lieu of taxes	122,994	177,644
Arrears taxes	56,895	65,920
	179,889	243,564
Less: allowance for doubtful accounts	-	-
	179,889	243,564

4. ACCOUNTS PAYABLE & ACCRUED LIABILITIES

	2016	2015
	\$	\$
Vacation and overtime	111,103	98,606
Project holdbacks	-	-
General payables	168,432	201,576
Government payables (source deductions and GST)	17,571	22,905
	297,106	323,087

Vacation and overtime

The vacation and overtime liability is comprised of the vacation and overtime that employees are deferring to future years. Employees have either earned the benefits (and are vested) or are entitled to these benefits within the next budgetary year.

5. DEFERRED REVENUE

	2016	2015
	\$	\$
Prepaid local improvement charges	-	-
Deferred grants	-	-
	-	-

Municipal Sustainability Initiative

Funding in the amount of \$392,596 was received in the current year from the Municipal Sustainability Initiative. Of the \$392,596 received, \$313,510 is from the capital component of the program and is restricted to eligible capital project, as approved under the funding agreement, which were completed in 2016. The remaining \$79,086 is from the operating component of the program and is restricted to eligible operating projects, as approved under the funding agreement, which were also completed in 2016.

**TOWN OF GRIMSHAW
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016**

6. LONG-TERM DEBT

	2016	2015
	\$	\$
Self supported debentures	-	-

The current portion of the long-term debt amounts to nil (2015 - nil).

There are no principal and interest repayments.

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

Interest on long-term debt amounted to nil (2015 - nil).

7. DEBT LIMITS

Section 276(2) of the Municipal Government Act requires that debt and debt limits as defined by Alberta be disclosed as follows:

	2016	2015
	\$	\$
Total debt limit	7,393,644	7,666,212
Total debt	-	-
Amount of debt limit unused	7,393,644	7,666,212
Debt servicing limit	1,232,274	1,277,702
Debt servicing	-	-
Amount of debt servicing limit unused	1,232,274	1,277,702

The debt limit is calculated at 1.5 times revenue of the municipality (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 municipality. Rather, the financial statements must be interpreted as a whole.

8. EQUITY IN TANGIBLE CAPITAL ASSETS

	2016	2015
	\$	\$
Tangible capital assets (Schedule 2)	64,231,704	63,576,377
Accumulated amortization (Schedule 2)	(41,126,900)	(39,971,866)
Long-term debt (Note 6)	-	-
	23,104,804	23,604,511

9. ACCUMULATED SURPLUS

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

	2016	2015
	\$	\$
Unrestricted surplus	1,936,713	1,727,539
Reserves (Note 10)	3,268,587	2,937,537
Equity in tangible capital assets (Note 8)	23,104,804	23,604,511
	28,310,104	28,269,587

TOWN OF GRIMSHAW
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FOR THE YEAR ENDED DECEMBER 31, 2016

10. Reserves

Reserves consists of operating and capital amounts as follows:

	2016	2015
	\$	\$
Operating reserves		
General Administration	286,037	286,037
RCMP	24,000	24,000
Fire	28,810	28,810
Transportation	709,886	709,886
Water	(1,020)	(1,020)
Sewer	7,000	7,000
FCSS	12	12
Economic Development	108,715	98,330
Community Development	22,000	-
Recreation	3,500	3,500
Contingency	1,460	1,460
	1,190,400	1,158,015
Capital reserves		
General Administration	150,720	93,100
RCMP	10,000	8,000
Fire	121,069	87,569
Transportation	204,184	64,062
Water	(60,039)	37,538
Sewer	129,272	89,272
Recreation	1,029,716	994,716
Pool	(9,687)	(36,687)
Fitness Centre	79,530	66,530
Parks	90,544	65,544
Field House	60,000	45,000
Elks Hall	14,503	6,503
Capital replacement	258,375	258,375
	2,078,187	1,779,522
Total reserves	3,268,587	2,937,537

TOWN OF GRIMSHAW
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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11. SALARY AND BENEFITS DISCLOSURE

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

	2016			Total	2015
	Salary ¹	Benefits & allowances ²	Expense reimbursement ³		Total
Councillors					
Mayor Regal	11,235	-	813	12,048	10,835
Councillor Allan	7,089	-	164	7,253	6,573
Councillor Jonk	4,306	-	-	4,306	4,446
Councillor Konowalyk	3,133	-	-	3,133	4,145
Councillor Nelson	5,136	-	1,707	6,843	5,123
Councillor Thompson	7,057	-	344	7,401	7,655
Councillor Wearden	5,187	-	611	5,798	4,509
Chief Administrative Officer	115,309	20,546	744	136,599	123,981
	158,452	20,546	4,383	183,381	167,267

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

2 Employer's share of all employee benefits and contributions or payments made on behalf of employees including pension, health care, dental coverage, vision coverage, group life insurance, accidental disability and dismemberment insurance, and long and short-term disability plans.

3 Direct reimbursement of expenses.

12. 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. The LAPP is financed by employer and employee contributions and by investment earnings of the LAPP Fund.

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

The Town 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 Town 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 Town to the LAPP in 2016 were \$140,671 (2015 - \$135,123).

Total current service contributions by the employees of the Town to the LAPP in 2016 were \$129,278 (2015 - \$124,147).

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

13. COMMITMENTS

The Town has a 5 year contract with KCL Consulting Inc to provide assessment services, at a cost of \$29,000 annually.

The Town has a 3 year agreement with the Lac Cardinal Economic Development Board, at a cost of \$61,600 annually.

**TOWN OF GRIMSHAW
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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14. CONTINGENCIES

The Town is a member of the Alberta Municipal Insurance Exchange (MUNIX). Under the terms of the 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.

15. FINANCIAL INSTRUMENTS

The Town's financial instruments consist of cash and temporary investments, accounts receivable, 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.

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

16. SEGMENTED DISCLOSURE

The Town of Grimshaw provides a range of services to its ratepayers. For each reported segment, revenues and expenses represent both amounts that are directly attributable to the segment and amounts that are allocated on a reasonable basis. The accounting policies used in these segments are consistent with those followed in the preparation of the financial statements as disclosed in Note 1.

Refer to the Schedule of Segmented Disclosure (Schedule 6).

17 APPROVAL OF FINANCIAL STATEMENTS

Council and Management have approved these financial statements.