

TOWN OF CANMORE

Consolidated Financial Statements

For the year ended December 31, 2018

TOWN OF CANMORE
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For the year ended December 31, 2018

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CHARTERED PROFESSIONAL ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To: The Finance Committee of
the Town of Canmore

Opinion

We have audited the consolidated financial statements of the Town of Canmore which comprise the consolidated statement of financial position as at December 31, 2018, and the consolidated statements of operations, change in net financial assets and cash flow for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Town of Canmore as at December 31, 2018, and its results of operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Town in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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 financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Town's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Town or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Town's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

INDEPENDENT AUDITOR'S REPORT, continued

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Town's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Town's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Town to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Other Legal and Regulatory Requirements

- Debt Limit Regulation:
In accordance with Alberta Regulation 255/2000, we confirm that the Town is in compliance with the Debt Limit Regulation. A detailed account of the Entity's debt limit can be found in note 10.
- Supplementary Accounting Principles and Standards Regulation:
In accordance with Alberta Regulation 313/2000, we confirm that the Town is in compliance with the Supplementary Accounting Principles and Standards Regulation and note the information required can be found in note 17.

Lethbridge, Alberta

April 23, 2019



Chartered Professional Accountants

MANAGEMENT REPORT

The consolidated financial statements are the responsibility of the management of the Town of Canmore and have been approved by Council.

These consolidated financial statements have been prepared from information provided by management. Financial statements are not precise since they include certain amounts based on estimates and judgments. Management has determined such amounts on a reasonable basis in order to ensure that the consolidated financial statements are presented fairly, in all material respects.

The Town maintains systems of internal accounting and administrative controls that are designed to provide reasonable assurance that the financial information is relevant, reliable and accurate and that the Town's assets are properly accounted for and adequately safeguarded.

The elected Council of the Town of Canmore is responsible for ensuring that management fulfils its responsibilities for financial statements. Council carries out its responsibility principally through review of financial information prepared by management and through the Finance Committee. Relevant matters are discussed with these parties as well as the external auditors.



General Manager of Corporate Services



Chief Administrative Officer

April 23, 2019

TOWN OF CANMORE
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at December 31, 2018

	2018	2017
Financial assets		
Cash and temporary investments (note 2)	\$ 25,535,974	\$ 33,828,635
Taxes and grants in place of taxes receivable (note 3)	687,302	566,538
Trade and other receivables (note 4)	5,926,803	6,505,839
Investment in future housing developments (note 5)	5,050,955	1,641,528
Investments (note 6)	59,068,241	47,721,606
	96,269,275	90,264,146
Liabilities		
Accounts payable and accrued liabilities	7,278,499	6,478,772
Employee benefit obligations (note 7)	201,981	198,024
Deferred revenue (note 8)	35,830,610	31,422,134
Long-term debt (note 9)	39,075,324	32,686,404
	82,386,414	70,785,334
Net financial assets	13,882,861	19,478,812
Non-financial assets		
Prepaid expenses	415,003	55,102
Inventory for consumption	3,998,614	88,854
Tangible capital assets (schedule 2)	314,130,515	308,451,899
	318,544,132	308,595,855
Accumulated surplus (note 13 and schedule 1)	\$ 332,426,993	\$ 328,074,667

Commitments and contingencies (note 18)

Approved on behalf of Council:

Councillor

Mayor

TOWN OF CANMORE
CONSOLIDATED STATEMENT OF OPERATIONS
For the year ended December 31, 2018

	Budget (Unaudited)	2018	2017
Revenue			
Net municipal property taxes (note 14)	\$ 23,088,639	\$ 23,202,084	\$ 22,101,184
User fees and sales of goods	17,181,815	23,891,515	16,637,090
Government transfers for operating (note 15)	1,625,715	1,726,340	1,548,575
Investment income	871,665	1,060,939	1,132,119
Penalties and costs of taxes	205,000	239,355	224,538
Development levies	480,000	1,485,593	3,000,175
Licenses and permits	958,255	1,831,815	1,953,973
Gain on disposal of tangible capital assets	-	-	39,381
Franchise and concession contracts	2,342,600	2,118,484	2,313,166
Rental	2,972,140	2,828,272	2,717,344
Other	423,541	759,876	1,450,209
	50,149,370	59,144,273	53,117,754
Expenses (note 16)			
Legislative	551,163	485,596	484,399
Administration	7,171,640	8,037,443	7,730,072
Other protective services	6,366,306	6,219,719	5,968,406
Common and equipment pool	640,153	617,291	575,633
Roads, streets, walks and lighting	3,988,462	4,211,673	3,797,679
Public transit	928,142	958,487	855,703
Waste management	3,371,642	3,736,881	3,632,977
Other environmental use and protection	-	501,034	942,392
Family and community support services	468,637	518,251	439,082
Cemeteries and crematoriums	61,118	51,857	56,651
Other public health and welfare	861,204	857,247	819,080
Land use planning, zoning and development	1,649,200	1,595,078	1,504,354
Economic and agricultural development	383,950	197,190	134,678
Public housing operations	2,302,341	8,406,507	1,770,332
Other planning and development	971,745	994,709	963,922
Parks and recreation	3,634,412	3,929,385	3,878,943
Culture - libraries, museums, halls	1,500,473	1,533,720	1,578,057
Other recreation and culture	6,412,419	6,255,070	5,969,266
Utilities	7,142,738	8,541,591	6,223,938
	48,405,745	57,648,729	47,325,564
Excess of revenue over expenses before other	1,743,625	1,495,544	5,792,190
Other			
Government transfers for capital (note 15)	10,618,500	2,741,754	7,029,005
Contributed tangible capital assets	-	115,028	1,715,784
Other capital revenue	-	-	2,388,825
	10,618,500	2,856,782	11,133,614
Excess of revenue over expenses	12,362,125	4,352,326	16,925,804
Accumulated surplus, beginning of year	328,074,667	328,074,667	311,148,863
Accumulated surplus, end of year	\$ 340,436,792	\$ 332,426,993	\$ 328,074,667

TOWN OF CANMORE
CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL ASSETS
For the year ended December 31, 2018

	Budget (Unaudited)	2018	2017
Excess of revenue over expenses	\$ 12,362,125	\$ 4,352,326	\$ 16,925,804
Acquisition of tangible capital assets	(33,333,600)	(15,179,242)	(16,029,970)
Amortization of tangible capital assets	8,576,034	8,920,358	8,452,272
Contributed tangible capital assets	-	(115,028)	(1,715,784)
Loss on disposal of tangible capital assets	-	656,444	435,485
Proceeds on disposal of tangible capital assets	-	38,848	2,799,127
	(24,757,566)	(5,678,620)	(6,058,870)
Net change in inventory for consumption	-	(3,909,756)	29,301
Net change in prepaid expense	-	(359,901)	8,588
	-	(4,269,657)	37,889
Change in net financial assets	(12,395,441)	(5,595,951)	10,904,823
Net financial assets, beginning of year	19,478,812	19,478,812	8,573,989
Net financial assets, end of year	\$ 7,083,371	\$ 13,882,861	\$ 19,478,812

TOWN OF CANMORE
CONSOLIDATED STATEMENT OF CASH FLOW
For the year ended December 31, 2018

	2018	2017
Operating transactions		
Excess of revenue over expenses	\$ 4,352,326	\$ 16,925,804
Adjustments for items which do not affect cash		
Loss on disposal of tangible capital assets	656,444	435,485
Amortization of tangible capital assets	8,920,358	8,452,272
Contributed tangible capital assets	(115,028)	(1,715,784)
	13,814,100	24,097,777
Net change in non-cash working capital items		
Taxes and grants in place of taxes receivable	(120,764)	19,263
Trade and other receivables	579,035	(1,604,406)
Inventory for consumption	(3,909,756)	29,301
Prepaid expenses	(359,901)	8,588
Accounts payable and accrued liabilities	799,727	1,437,457
Employee benefit obligations	3,957	(78,694)
Deferred revenue	4,408,476	10,601,645
	15,214,874	34,510,931
Capital transactions		
Proceeds on disposal of tangible capital assets	38,848	2,799,127
Acquisition of tangible capital assets	(15,179,242)	(16,029,970)
Investment in future housing developments	(3,409,427)	(1,641,528)
	(18,549,821)	(14,872,371)
Investing transactions		
Purchase of investments	(18,989,811)	(27,680,356)
Proceeds on sale of investments	7,643,177	8,344,976
	(11,346,634)	(19,335,380)
Financing transactions		
Proceeds of long-term debt	13,870,432	6,368,915
Repayment of long-term debt	(7,481,512)	(2,021,472)
	6,388,920	4,347,443
(Decrease) increase in cash and temporary investments	(8,292,661)	4,650,623
Cash and temporary investments, beginning of year	33,828,635	29,178,012
Cash and temporary investments, end of year	\$ 25,535,974	\$ 33,828,635

TOWN OF CANMORE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2018

1. Significant accounting policies

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

(a) 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.

(b) Reporting entity

The consolidated financial statements reflect the assets, liabilities, revenue and expenses, changes in fund balances and change in financial position of the reporting entity which comprises all of the organizations that are owned or controlled by the Town and are, therefore, accountable to the Council for the administration of their financial affairs and resources. These financial statements include the Canmore Community Housing Corporation, the Downtown Business Improvement Area, and the Canmore Public Library.

Taxes levied also includes requisitions for educational, health care, social and other external organizations that are not part of the municipal reporting entity.

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

(c) Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expense 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 CANMORE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2018

1. Significant accounting policies, continued

- (e) **Development levies**
Development levies are recorded when the amount can be reasonably estimated and collection is reasonably assured. All levies are due within 24 months of the signing date of the respective agreement.
- (f) **Inventories for resale**
Housing inventory held for resale is recorded at the lower of the purchase price of the property and its net realizable value. Other costs related to the purchase of the PAH units are recorded as resale administration costs. These administration costs include prorated property taxes, legal fees, and other administrative fees.
- (g) **Tax revenue**
Tax revenues are recognized when the tax has been authorized by bylaw and the taxable event has occurred.

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

- (h) **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.
- (i) **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.

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

Government transfers are recognized in the financial statements as revenue in the period in which events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met, and reasonable estimates of the amounts can be determined.

TOWN OF CANMORE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2018

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 normal course of operations. The change in non-financial assets during the year, together with the excess of revenues over expenses, provides the consolidated Change in Net Financial Assets for the year.

(i) Tangible capital assets

Tangible capital assets are recorded at cost which includes all amounts that are directly attributable to acquisition, construction, development or betterment of the asset. The cost, less residual value, of the tangible capital assets is amortized over the estimated useful life as follows:

	Years
Land improvements	8 - 30
Buildings	25 - 50
Engineered structures	5 - 90
Machinery and equipment	2 - 40
Vehicles	10 - 40

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. Cultural and historical tangible capital assets are comprised of buildings, bridges, sculptures and artwork.

TOWN OF CANMORE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2018

2. Cash and temporary investments

	2018	2017
Cash	\$ 9,781,362	\$ 7,034,518
Temporary investments	15,754,612	26,794,117
	\$ 25,535,974	\$ 33,828,635

Temporary investments are short-term deposits with original maturities of twelve months or less. The temporary investments are comprised of GICs and short term securities with interest rates of 1.60% to 2.20%.

In order to facilitate temporary financing for expenses, the Town has credit facilities totaling \$2,500,000 that could be utilized. An updated borrowing bylaw passed by Council would be required to access these facilities. As at December 31, 2018, there were no amounts drawn on these credit facilities (2017- nil).

3. Taxes and grants in place of taxes receivables

	2018	2017
Taxes and grants in place of taxes receivable	\$ 436,792	\$ 433,596
Arrears	250,510	132,942
	\$ 687,302	\$ 566,538

TOWN OF CANMORE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2018

4. Trade and other receivables

	2018	2017
Trades receivables	\$ 1,627,692	\$ 1,614,984
Utilities	1,539,129	1,456,737
Other receivables	620,722	662,735
Accrued receivables	614,995	1,286,520
Accrued interest	570,878	556,221
Due from related organizations	541,078	428,119
Goods and Services Tax (GST)	389,020	351,974
Local improvement tax	204,050	281,237
(Under) over collection of requisitions	(39,761)	24,312
Allowance for doubtful accounts	(141,000)	(157,000)
	\$ 5,926,803	\$ 6,505,839

5. Investment in future housing developments

The Town via Canmore Community Housing Corporation has a future commitment to complete the Old Daycare Lands construction project started in 2017. The cost to the Town is estimated to be \$16,990,000 which will be funded by long-term debt.

6. Investments

	2018		2017	
	Cost	Market value	Cost	Market value
	\$ 59,068,241	\$ 57,387,057	\$ 47,721,606	\$ 47,418,964

Guaranteed investment certificates and government guaranteed bonds have effective interest rates of 2.30% to 9.98% (2017 - 2.20% to 9.98%) with maturity dates from 2020 to 2031.

7. Employee benefit obligations

	2018	2017
Vacation	\$ 201,981	\$ 198,024

The vacation liability is comprised of the vacation 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.

TOWN OF CANMORE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2018

8. Deferred revenue

Deferred revenue consists of deposits and government transfers.

Government transfers consist of funding received from the federal and provincial governments for which stipulations have not yet been met. The use of these funds is restricted to eligible projects approved under the funding agreements.

The Canmore Community Housing Corporation (CCHC) has entered into an agreement with Mountain Haven Co-operative Home Ltd. (the "Co-op") to lease Lot 41 of Block 4 (TSMV) for an initial lease term of 45 years. The lease also includes four 25 year renewal terms that can be exercised at the option of the Co-op. The Co-op has paid CCHC \$362,000, which represents the net present value of the lease payments for the entire 45 year initial term of the lease. These lease payments will be recognized as revenue over the initial term of the lease which commenced on August 1, 2005.

	2018	2017
Flood Recovery Erosion Control Program (FRECP)	\$ 15,173,187	\$ 15,350,644
Alberta Community Resilience Program (ACRP)	10,524,944	6,376,417
Municipal Sustainability Initiative (MSI) - Capital	5,378,528	5,580,612
Deposits	2,711,744	2,483,834
Federal Gas Tax Fund (FGTF)	1,506,273	788,031
Mountain Haven Cooperative Homes Lease	254,074	262,118
Legacy Trail	189,076	293,852
Alberta Environment & Parks Wildlife Fencing	75,000	-
Friends of the Library	9,272	8,633
Municipal Affairs	8,512	30,000
Family & Community Support Services (FCSS)	-	50,258
Dyrgas Gate	-	27,531
Firesmart	-	50,467
Disaster Recovery Program (DRP)	-	119,737
	\$ 35,830,610	\$ 31,422,134

TOWN OF CANMORE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2018

9. Long-term debt

	2018	2017
Tax supported debentures - capital	\$ 25,091,745	\$ 20,557,890
Self supported debentures - capital	4,344,840	4,527,218
Bow Valley Credit Union - capital	6,004,380	6,161,756
Bank of Montreal - capital	3,634,359	1,439,540
	\$ 39,075,324	\$ 32,686,404
Current portion	\$ 6,448,741	\$ 2,381,890

Principal and interest repayments are due as follows:

	Principal	Interest	Total
2019	\$ 6,448,741	\$ 1,334,307	\$ 7,783,048
2020	6,293,602	1,218,512	7,512,114
2021	4,393,868	942,284	5,336,152
2022	2,146,196	785,028	2,931,224
2023	2,180,115	703,497	2,883,612
Thereafter	17,612,802	3,611,828	21,224,630
	\$ 39,075,324	\$ 8,595,456	\$ 47,670,780

Debenture debt is repayable to Alberta Capital Finance Authority and bears interest at rates ranging from 0.708% to 8.375% per annum and matures in periods 2019 through 2042. The average annual interest rate is 4.04% for 2018 (4.19% for 2017).

Bow Valley Credit Union debt is repayable upon completion of McArthur Place. Loan repayments includes interest at 3.90%. Loans mature in periods 2020 and 2021.

Bank of Montreal debt is repayable monthly with interest-only payments at 3.88%. Full repayment is due within 24 months of the initial construction advance and no later than September, 2019.

All debt is issued on the credit and security of the Town at large.

Interest on long-term debt amounted to \$1,232,480 (2017 - \$1,198,943).

The Town's total cash payments for interest in 2018 were \$1,467,623 (2017 - \$1,465,828).

TOWN OF CANMORE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2018

10. 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:

	2018	2017
Total debt limit	\$ 76,261,197	\$ 82,623,252
Total debt	29,436,585	25,085,108
	\$ 46,824,612	\$ 57,538,144
Debt servicing limit	\$ 12,710,200	\$ 13,770,542
Debt servicing	3,753,806	3,220,803
	\$ 8,956,394	\$ 10,549,739

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 which 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.

A municipality may choose to calculate its debt limit on a consolidated basis with its government reporting entities as per subsection 6(1) of Alberta's Debt Limit Regulation. The Town has elected not to include the government reporting entities in the debt limit calculation. The debt limit calculation includes the Town's revenue and debt only.

TOWN OF CANMORE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2018

11. Reserves

Council has set up reserves for various purposes. These reserves are either required by legislation or set up at the discretion of Council to provide funding for future expenses.

	2018	2017
Operating		
Downtown Business Improvement Area	\$ 54,758	\$ 54,758
General operating	2,849,909	2,698,570
Library	150,000	150,000
Tax stabilization	2,131,683	1,811,062
	5,186,350	4,714,390
Capital		
Art trust fund	350,764	350,441
Asset replacement	3,005,075	1,216,236
Cash in lieu - bear bins	150,262	169,896
Cash in lieu - municipal reserve	2,230,869	2,181,032
Cash in lieu - parking	493,950	482,915
Economic development	414,293	253,527
Flood mitigation maintenance	258,590	153,930
General capital	14,018,286	14,815,199
Housing development - CCHC	491,386	491,386
Offsite levies	5,662,103	5,164,112
Perpetually affordable housing (PAH)	424,269	3,962,829
Photo radar	813,667	690,398
Recreation levy	44,118	23,130
Solid waste - collection	652,337	479,551
Solid waste - recycling	498,419	441,962
Water utility	4,216,305	3,428,832
Wastewater utility	5,402,893	6,001,950
Work in progress - debt	308,665	245,026
Work in progress - taxes	284,580	376,062
	39,720,831	40,928,414
	\$ 44,907,181	\$ 45,642,804

TOWN OF CANMORE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2018

12. Equity in tangible capital assets

	2018	2017
Tangible capital assets (schedule 2)	\$ 427,885,529	\$ 413,952,327
Accumulated amortization (schedule 2)	(113,755,014)	(105,500,428)
Long-term debt (note 9)	(39,075,324)	(32,686,404)
	\$ 275,055,191	\$ 275,765,495

13. Accumulated surplus

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

	2018	2017
Unrestricted surplus	\$ 12,464,621	\$ 6,666,368
Internally restricted surplus (reserves) (note 11)	44,907,181	45,642,804
Equity in tangible capital assets (note 12)	275,055,191	275,765,495
	\$ 332,426,993	\$ 328,074,667

14. Net municipal property taxes

	Budget (Unaudited)	2018	2017
Taxation			
Real property taxes	\$ 41,986,030	\$ 42,076,778	\$ 39,994,210
Requisitions			
Alberta School Foundation Fund	17,969,335	17,944,521	16,859,135
Bow Valley Regional Housing Authority	928,056	928,557	1,033,891
Designated Industrial Property Tax	-	1,616	-
	18,897,391	18,874,694	17,893,026
	\$ 23,088,639	\$ 23,202,084	\$ 22,101,184

TOWN OF CANMORE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2018

15. Government transfers

	Budget (Unaudited)	2018	2017
Transfers for operating:			
Provincial conditional grants	\$ 1,625,715	\$ 1,726,340	\$ 1,548,575
Transfers for capital:			
Provincial government	10,618,500	2,287,088	6,998,755
Federal government	-	454,666	30,250
	10,618,500	2,741,754	7,029,005
	\$ 12,244,215	\$ 4,468,094	\$ 8,577,580

16. Expenses by object

	Budget (Unaudited)	2018	2017
Salaries, wages and benefits	\$ 18,628,560	\$ 18,554,878	\$ 17,320,110
Contracted and general services	14,879,561	15,414,325	12,945,742
Materials, goods, supplies and utilities	4,013,251	10,196,162	3,692,849
Bank charges and short term interest	16,100	79,249	12,628
Interest on long term debt	1,492,688	1,232,480	1,198,943
Other expenses	237,564	2,044,154	2,658,440
Transfers to organizations and others	561,987	550,679	569,718
Amortization of tangible capital assets	8,576,034	8,920,358	8,452,272
Loss on disposal of tangible capital assets	-	656,444	474,862
	\$ 48,405,745	\$ 57,648,729	\$ 47,325,564

TOWN OF CANMORE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2018

17. 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:

	(1) Salary	(2) Benefits & allowances	2018	2017
Council				
Borrowman, John	\$ 80,581	\$ 11,737	\$ 92,318	\$ 91,228
McCallum, Joanna	37,556	8,719	46,275	44,700
Seeley, Robert	34,956	8,719	43,675	44,550
Sandford, Vi	33,856	8,719	42,575	42,375
Comfort, Esme	32,856	6,903	39,759	38,802
Hilstad, Jeffrey	35,656	8,719	44,375	7,753
Marra, Karen	36,856	6,903	43,759	6,289
Krausert, Sean	-	-	-	35,585
Russell, Edward	-	-	-	33,435
Chief administrative officer (1)	213,836	28,575	242,411	233,712
Designated officers (13)	\$ 1,595,122	\$ 249,981	\$ 1,845,103	\$ 1,690,134

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

(2) Benefits and allowances 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 memberships, and tuition.

Benefits and allowances figures also include the employer's share of the costs of additional taxable benefits including special leave with pay, financial planning services, retirement planning services, concessionary loans, travel allowances, car allowances, and club memberships.

TOWN OF CANMORE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2018

18. Commitments and contingencies

- (a) The Town has entered into an agreement with EPCOR Water Services Inc. to take over all aspects of the upgrade, management, operation and maintenance relating to the operation of the water works system, the waste water system, the storm drainage system, and the utility metering and account management system for and on behalf of the Town. The term of the agreement is ten years from the commencement date of January 1, 2010. The annual charges for basic work was \$2,873,960 for the 2018 year not including Rehabilitation Fund Maintenance and Repairs, Biosolids Services, Out-of-Scope Work or Capital Work. Each year in June, the fee will be adjusted by CPI for the following year.
- (b) The Town has entered into a contract with A.W.B. Building Inspection Service Agency Ltd. to provide professional safety code services. The contract is from October 1, 2016 to September 30, 2019. The contractor shall be paid for services as follows, and the Town shall pay the contractor a minimum fee of \$80,000 per annum for the duration of the contract regardless of the number or value of permits used.
- (i) Safety Codes Officer fees: 30% of the building permit fees when the construction value of the permit is between \$5,000 and \$500,000; plus 10% of the building permit fees when the construction value of the permit is over \$500,000 for the duration of the Contract.
- The value which is used to establish the Building Permit Fee as part of the Building Permit application process shall be the value that determines the fees payable to the Contractor under Article 4.
- (ii) Any additional work requested of the Contractor by the Town shall be billed out by the Contractor to the Town at the rate of \$100 per hour with a minimum one hour charge. Additional work shall be any work required by the Town of the Contractor that is not outlined under Articles 2, 3, and 9 of this contract.
- (c) The Town has entered into an agreement with RCMP to provide policing services. The Town pays 70% of the actual Full-Time Equivalent utilization each quarter and actual overtime hours plus quarterly accommodation charges of \$37,512 per quarter for the 2019 - 2020 contract year.
- (d) The Town has an agreement with Equitable Assessment Group Ltd (EAG) to provide assessment services. Assessment services are required by the municipalities in order to carry out the assessment of property within each municipality, primarily for taxation purposes. Under the terms of the agreement the Town is committed to \$100,000 for 2019.
- (e) Land held by Canmore Community Housing Corporation (Palliser Lot 7) suffered flood damage in June, 2013 and its value is currently in question. Presently, the land is valued at \$1,768,000. Based on the available information, it is reasonably possible that an impairment in value has occurred. Management is currently in the process of determining how much, if any, impairment has occurred. It is not possible at this time to estimate the dollar value of potential impairment.

TOWN OF CANMORE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2018

18. Commitments and contingencies, continued

- (f) The Town via Canmore Community Housing Corporation has entered into an agreement to purchase 4 PAH units at 7th and 7th in Canmore and 3 units at Lookout Ridge in Canmore. The total cost to the organization is \$1,675,025 plus GST which will be funded by the line of credit. Deposits in the amount of \$175,879 have been paid and are included in prepaid expenses and deposits.
- (g) The Town approved the Cougar Creek Debris Flood Retention Structure capital project for an estimated cost of \$49,000,000. The construction for the capital project is expected to begin in 2020.

19. Related party transactions

During the year the Town entered into the following transactions with related parties:

	2018	2017
Bow Valley Regional Housing Association		
Included in accounts payable	\$ 510	\$ 996

The Bow Valley Regional Housing Association was established as a management body by a Provincial Ministerial Order dated June 19, 1997, and is regulated by the Alberta Housing Act and its regulations. The management body operates and maintains social housing accommodations and is administered by a Board comprised of seven members, two of which are appointed by the Town. The management body requisitions the member municipalities to fund operations.

Centennial Museum Society of Canmore		
Appropriation	\$ 155,000	\$ 145,000

The Centennial Museum Society of Canmore is a non-profit organization registered in the Province of Alberta. The Town supports the museum through funding operations. Council reviews the program plan annually and approves funding.

TOWN OF CANMORE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2018

19. Related party transactions, continued

Bow Valley Regional Transit Services Commission

Appropriation	\$ 910,771	\$ 752,314
Included in accounts receivable	463,152	399,969

The Bow Valley Regional Transit Services Commission was established as a service commission by a Provincial Ministerial Order dated April 21, 2011, and is regulated by the Municipal Government Act and its regulations. The service commission operates and maintains transit services and is administered by a Board comprised of six members, two of which are appointed by the Town. The service commission requisitions the member municipalities to fund operations.

Bow Valley Regional Waste Management Commission

Appropriation	\$ 84,500	\$ 84,520
Included in accounts payable	1,315	1,584

The Bow Valley Waste Management Commission is a regional services commission serving the Town of Canmore, Town of Banff and the Municipal District of Bighorn No 8. The commission provides solid waste management services and is administered by a Board comprised of 6 members, two of which are appointed by the Town. The Town of Canmore operates the Town of Canmore Waste Transfer Station through contract with the Commission.

Canadian Mountain Arts Foundation

Appropriation	\$ 220,000	\$ 230,000
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The Town has retained the services of Canadian Mountain Arts Foundation to create, operate and manage a community arts centre in Canmore Arts Centre Advisory Committee Report. The foundation is administered by a Board comprised of 9 members, one of which is appointed by the Town.

The above mentioned transactions occurred in the normal course of operations and were recorded at the exchange amount, which was the amount agreed to between the related parties.

20. Financial instruments

The Town's financial instruments consist of cash and temporary investments, accounts receivable, investments, debt charges recoverable, accounts payable and accrued liabilities, deposit liabilities, requisition over-levy, and long-term debt. It is management's opinion that the Town is not exposed to significant interest or credit risk 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 fulfil their obligations. The large number and diversity of taxpayers and customers minimizes the credit risk.

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

TOWN OF CANMORE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2018

21. Approval of financial statements

These financial statements were approved by Council and Management.

22. Subsequent events

In 2016, Canmore Community Housing Corporation entered into an agreement to purchase 7 PAH units at Peaks Landing in Canmore, subject to various terms and conditions. The units will have an approximate cost ranging from \$385,000 to \$412,500 each depending on the number of bedrooms in the units. There has been no change in this event as the developers are awaiting approval from the Town to allow for a re-zoning of the subject lands. Therefore, Canmore Community Housing Corporation has not moved forward with the purchases as of December 31, 2018.

Subsequent to year-end, Canmore Community Housing Corporation entered into an agreement to reacquire a PAH unit at Glacier Rock Lodge in Canmore, at the maximum resale value. The purchase price will be fully paid and vacant possession will be available on April 1, 2019.

23. Contaminated sites liability

The Town adopted PS3260 liability for contaminated sites. The Town did not identify any financial liabilities in 2018 (2017 - nil) as a result of this standard.

24. Budget amounts

The 2018 budget for the Town was approved by Council on December 19, 2017 and has been reported in the consolidated financial statements for information purposes only. These budget amounts have not been audited, reviewed, or otherwise verified.

The approved budget contained reserve transfers, capital additions and principal payments on debt as expenditures. Since these items are not included in the amounts reported in the consolidated financial statements, they have been excluded from the budget amounts presented in these financial statements.

In addition, the approved budget did not contain an amount for amortization expense. In order to enhance comparability, the actual 2017 amortization expense has been included as a budget amount.

	Budgeted surplus per financial statements	\$ 12,362,125
Less:	Capital expenditures	(33,333,600)
	Long-term debt repayments	(2,635,035)
Add:	Amortization	8,576,034
	Transfers from reserves	4,637,105
	Proceeds from long-term debt	10,432,500
Equals:	Budgeted surplus	\$ 39,129

TOWN OF CANMORE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2018

25. Comparative figures

Certain comparative figures have been reclassified to conform to the financial statement presentation adopted in the current year.

26. 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 as disclosed in Note 1.

Refer to the schedule of segmented disclosure (schedule 3).

TOWN OF CANMORE
SCHEDULES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2018

Schedule of changes in accumulated surplus	Schedule 1				
	Unrestricted	Restricted	Equity in tangible capital assets	2018	2017
Balance, beginning of year	\$ 6,666,368	\$ 45,642,804	\$ 275,765,495	\$ 328,074,667	\$ 311,148,863
Excess of revenue over expenses	4,352,326	-	-	4,352,326	16,925,804
Unrestricted funds designated for future use	(11,385,345)	11,385,345	-	-	-
Restricted funds used for operations	5,549,217	(5,549,217)	-	-	-
Restricted funds used for tangible capital assets	-	(6,571,751)	6,571,751	-	-
Current year funds used for tangible capital assets	(8,607,491)	-	8,607,491	-	-
Contributed tangible capital assets	(115,028)	-	115,028	-	-
Disposal of tangible capital assets	695,296	-	(695,296)	-	-
Amortization of tangible capital assets	8,920,358	-	(8,920,358)	-	-
Long-term debt repaid	(2,381,895)	-	2,381,895	-	-
Proceeds of long-term debt	8,770,815	-	(8,770,815)	-	-
Change in accumulated surplus	5,798,253	(735,623)	(710,304)	4,352,326	16,925,804
Balance, end of year	\$ 12,464,621	\$ 44,907,181	\$ 275,055,191	\$ 332,426,993	\$ 328,074,667

TOWN OF CANMORE
SCHEDULES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2018

Schedule of tangible capital assets

Schedule 2

	Land	Land improvements	Buildings	Engineered structures	Machinery and equipment	Vehicles	Construction in progress	2018	2017
Cost:									
Balance, beginning of year	\$ 50,307,500	\$ 20,574,415	\$ 86,084,596	\$ 227,205,380	\$ 15,893,524	\$ 5,115,535	\$ 8,771,377	\$ 413,952,327	\$ 400,436,535
Acquisitions	2,334	755,721	2,211,670	2,832,117	1,189,087	191,170	8,112,171	15,294,270	17,745,754
Transfers	-	(376,222)	459,636	1,130,424	109,586	-	(1,323,424)	-	-
Disposals	-	(142,656)	(2,780)	(188,949)	(342,667)	(186,235)	(497,781)	(1,361,068)	(4,229,962)
Balance, end of year	50,309,834	20,811,258	88,753,122	230,978,972	16,849,530	5,120,470	15,062,343	427,885,529	413,952,327
Accumulated amortization:									
Balance, beginning of year	-	9,483,879	17,058,661	68,507,787	7,829,566	2,620,535	-	105,500,428	98,043,506
Annual amortization	-	1,027,509	2,199,618	4,266,617	1,035,157	391,457	-	8,920,358	8,452,272
Disposals	-	(116,000)	(2,779)	(97,620)	(282,036)	(167,337)	-	(665,772)	(995,350)
Balance, end of year	-	10,395,388	19,255,500	72,676,784	8,582,687	2,844,655	-	113,755,014	105,500,428
Net book value	\$ 50,309,834	\$ 10,415,870	\$ 69,497,622	\$ 158,302,188	\$ 8,266,843	\$ 2,275,815	\$ 15,062,343	\$ 314,130,515	\$ 308,451,899
2017 net book value	\$ 50,307,500	\$ 11,090,537	\$ 69,025,935	\$ 158,697,592	\$ 8,063,958	\$ 2,495,000	\$ 8,771,377	\$ 308,451,899	

TOWN OF CANMORE
SCHEDULE TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2018

Schedule of segmented disclosure								Schedule 3
	General government	Protective services	Transportation services	Environmental services	Public health services	Planning and development	Recreation and culture	Total
Revenue								
Net municipal property taxes	\$ 22,471,526	\$ -	\$ -	\$ -	\$ -	\$ 730,558	\$ -	\$ 23,202,084
User fees and sales of goods	63,327	1,241,466	2,777	12,909,434	101,254	6,715,406	2,857,850	23,891,515
Government transfers for operating	169,896	411,936	-	-	888,164	43,862	212,482	1,726,340
Investment income	1,038,847	-	-	-	-	18,754	3,338	1,060,939
Penalties and costs of taxes	239,355	-	-	-	-	-	-	239,355
Development levies	833,995	-	-	651,598	-	-	-	1,485,593
Licenses and permits	-	60,420	-	-	-	1,771,395	-	1,831,815
Franchise and concession contracts	2,084,061	-	-	-	-	-	34,423	2,118,484
Rental	-	-	-	-	-	1,537,480	1,290,792	2,828,272
Other	701,600	120	-	-	10,891	5,064	42,202	759,876
	27,602,607	1,713,942	2,777	13,561,032	1,000,309	10,822,519	4,441,087	59,144,273
Expenses								
Salaries, wages and benefits	4,284,199	2,629,702	1,032,482	1,078,533	1,144,413	2,572,037	5,813,511	18,554,878
Contracted and general services	1,911,220	3,056,780	1,667,289	6,317,057	136,053	753,499	1,572,427	15,414,325
Materials, goods, supplies and utilities	148,435	171,060	1,014,455	690,279	130,618	6,804,482	1,236,833	10,196,162
Bank charges and short term interest	14,128	-	-	-	-	525	64,596	79,249
Interest on long term debt	226,865	-	-	533,748	-	471,867	-	1,232,480
Other expenditures	886,816	2,910	140,660	763,264	1,155	-	249,350	2,044,154
Transfers to organizations and others	208,670	39,500	-	84,500	-	-	218,009	550,679
Amortization of tangible capital assets	461,310	319,767	1,879,332	3,148,701	15,116	590,841	2,505,291	8,920,358
Loss on disposal of tangible capital assets	381,396	-	53,233	163,424	-	233	58,158	656,444
	8,523,039	6,219,719	5,787,451	12,779,506	1,427,355	11,193,484	11,718,175	57,648,729
Excess (deficiency) of revenue over expenses before other	19,079,568	(4,505,777)	(5,784,674)	781,526	(427,046)	(370,965)	(7,277,088)	1,495,544
Other								
Government transfers for capital	21,488	89,612	537,574	2,093,080	-	-	-	2,741,754
Contributed tangible capital assets	-	-	-	115,028	-	-	-	115,028
	21,488	89,612	537,574	2,208,108	-	-	-	2,856,782
Excess (deficiency) of revenue over expenses	\$ 19,101,056	\$ (4,416,165)	\$ (5,247,100)	\$ 2,989,634	\$ (427,046)	\$ (370,965)	\$ (7,277,088)	\$ 4,352,326