



Wilde and Company
Chartered Professional Accountants

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INDEPENDENT AUDITOR'S REPORT

To the Mayor and Council of Town of Lamont

Opinion

We have audited the consolidated financial statements of Town of Lamont (the Town), which comprise the consolidated financial position as at December 31, 2018, the statements of changes in net financial assets (debt), operations, and cash flows for the year then ended, and notes to the consolidated 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 as at December 31, 2018, and the results of its 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 Consolidated 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 those 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 Consolidated 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 consolidated 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 relating 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.

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Independent Auditor's Report to the Mayor and Council of Town of Lamont *(continued)*

Auditor's Responsibilities for the Audit of the Consolidated 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 consolidated 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:

- Identify and assess the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements, including the disclosures, and whether the consolidated 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.

Vegreville, AB
April 23, 2019

Wilde & Company

Chartered Professional Accountants

TOWN OF LAMONT
Consolidated Statement of Financial Position
As at December 31, 2018

	2018	2017
	\$	\$
ASSETS		
Financial Assets		
Cash and temporary investments (Note 4)	4,415,845	3,667,028
Receivables		
Taxes and grants in place of taxes receivable (Note 5)	232,140	248,266
Due from governments	489,668	267,711
Trade and other receivables	255,665	264,827
Land held for resale	118,000	127,000
Investments (Note 6)	223,210	1,220,312
Investment in Co-operatives	6,071	6,226
	5,740,599	5,801,370
LIABILITIES		
Accounts payable and accrued liabilities	346,662	334,756
Deposit liabilities	17,400	19,775
Deferred revenue (Note 8)	483,207	474,205
Long term debt (Note 9)	1,332,546	1,422,198
	2,179,815	2,250,934
NET FINANCIAL ASSETS	3,560,784	3,550,436
NON-FINANCIAL ASSETS		
Tangible capital assets (Schedule 2)	18,304,254	17,903,357
Inventory for consumption	500	500
	18,304,754	17,903,857
ACCUMULATED SURPLUS (Schedule 1, Note 13)	21,865,538	21,454,293

Contingencies (Note 17)

TOWN OF LAMONT
Consolidated Statement of Operations
Year Ended December 31, 2018

	Budget \$ (Unaudited)	2018 \$	2017 \$
Revenues			
Net municipal taxes (Schedule 3)	1,878,837	1,889,437	1,889,905
User fees and sales of goods	1,264,400	1,072,871	1,289,364
Government transfers for operating (Schedule 4)	107,500	140,038	248,013
Investment income	64,000	102,129	71,225
Penalties and costs on taxes	53,000	86,014	55,138
Fines, licenses and permits	6,400	6,998	8,402
Franchise fees	220,000	249,173	228,279
Other	124,200	99,590	129,240
Total revenue	3,718,337	3,646,250	3,919,566
Expenses			
Administration and legislative	810,150	749,177	681,663
Fire protection and safety services	82,950	43,834	48,260
Bylaw enforcement	20,900	9,543	12,066
Common services	540,100	528,206	515,211
Roads, streets, walks, lighting	647,876	639,987	629,895
Storm sewers and drainage	2,400	433	686
Water supply and distribution	591,000	629,769	555,259
Wastewater treatment and disposal	177,100	214,569	178,019
Waste management	315,200	373,951	367,428
Family and community support	13,000	10,738	60,047
Cemetery	4,600	4,200	5,600
Community service	42,000	41,955	41,874
Subdivision land and development	101,500	43,508	52,107
Parks and recreation	715,641	755,995	789,663
Culture	23,460	15,276	22,245
Total expenses	4,087,877	4,061,141	3,960,023
Deficiency of revenue over expenses - before other	(369,540)	(414,891)	(40,457)
Other			
Government transfers for capital (Schedule 4)	553,000	826,136	766,683
Excess of revenues over expenses	183,460	411,245	726,226
Accumulated surplus - beginning of the year	20,730,403	21,454,293	20,728,067
Accumulated surplus - end of the year	20,913,863	21,865,538	21,454,293

TOWN OF LAMONT**Consolidated Statement of Change in Net Financial Assets (Debt)****Year Ended December 31, 2018**

	Budget \$ (Unaudited)	2018 \$	2017 \$
Excess of revenues over expenses	183,460	411,245	726,226
Acquisition of tangible capital assets	(1,207,457)	(1,354,615)	(708,262)
Amortization of tangible capital assets	872,800	953,718	948,215
	(334,657)	(400,897)	239,953
Decrease in net assets	(151,197)	10,348	966,179
Net financial assets, beginning of year	3,550,436	3,550,436	2,584,257
Net financial assets, end of year	3,399,239	3,560,784	3,550,436

TOWN OF LAMONT
Consolidated Statement of Cash Flows
Year Ended December 31, 2018

	2018	2017
	\$	\$
Operating		
Excess of revenue over expenses	411,245	726,226
Net changes in non-cash items included in excess of revenues over expenses		
Amortization of tangible capital assets	953,718	948,215
Net changes in non-cash charges to operation		
Decrease (increase) in taxes and grants in lieu receivable	16,126	(114,457)
Increase in government receivables	(221,957)	(237,987)
Decrease (increase) trade and other receivables	9,162	(23,093)
Decrease in inventory	9,000	5,000
Increase (decrease) in accounts payable and accrued liabilities	11,906	(66,778)
Decrease in deposit liabilities	(2,375)	(1,200)
Increase in deferred revenues	9,002	29,511
	784,582	539,211
<i>Cash provided by operating transactions</i>	1,195,827	1,265,437
Capital		
Acquisition of tangible capital assets	(1,354,615)	(708,262)
<i>Cash applied to capital transactions</i>	(1,354,615)	(708,262)
Investing		
Increase in restricted cash or cash equivalents	(9,002)	(29,511)
Purchase of investments	997,102	22,577
Purchase of investment in cooperatives	155	(6,226)
<i>Cash provided by investing transactions</i>	988,255	(13,160)
Financing		
Long term debt repaid	(89,652)	(86,416)
<i>Cash used in financing transactions</i>	(89,652)	(86,416)
Change in cash and cash equivalents during the year	739,815	457,599
Cash and cash equivalents, beginning of year	2,573,153	2,115,554
Cash and cash equivalents, end of year	3,312,968	2,573,153
Cash and cash equivalents is made up of:		
Cash and temporary investments (Note 4)	4,415,845	3,667,028
Less: restricted portion of cash and temporary investments (Note 4)	(1,102,877)	(1,093,875)
	3,312,968	2,573,153

TOWN OF LAMONT
Schedule of Changes in Accumulated Surplus
Year Ended December 31, 2018

(Schedule 1)

	Unrestricted Surplus	Restricted Operating Reserves	Restricted Capital Reserves	Equity in Capital Assets	2018 \$	2017 \$
Balance, beginning of year	2,015,124	2,906,340	51,670	16,481,159	21,454,293	20,728,067
Excess of revenues over expenses	411,245	-	-	-	411,245	726,226
Long term debt repayment	(89,652)	-	-	89,652	-	-
Reserves	(100,000)	100,000	-	-	-	-
Current year funds used for tangible capital assets	(1,345,615)	-	-	1,345,615	-	-
Inventory transferred to capital assets	(9,000)	-	-	9,000	-	-
Disposals of tangible capital assets	-	-	-	-	-	-
Annual amortization expense	953,718	-	-	(953,718)	-	-
Subtotal	(179,304)	100,000	-	490,549	411,245	726,226
Balance, end of year	1,835,820	3,006,340	51,670	16,971,708	21,865,538	21,454,293

TOWN OF LAMONT
Schedule of Tangible Capital Assets
Year Ended December 31, 2018

(Schedule 2)

	Land	Buildings	Engineered Structures	Machinery and Equipment	Vehicles	2018 \$	2017 \$
Cost:							
Balance, beginning of year	1,172,000	5,481,936	27,755,983	892,762	501,305	35,803,986	35,095,724
Acquisition of tangible capital assets	9,000	19,627	905,794	370,382	49,812	1,354,615	708,262
Disposal of tangible capital assets	-	-	-	-	-	-	-
Balance, end of year	1,181,000	5,501,563	28,661,777	1,263,144	551,117	37,158,601	35,803,986
Accumulated amortization:							
Balance, beginning of year	-	2,468,801	14,731,516	419,806	280,506	17,900,629	16,952,414
Annual amortization	-	111,403	766,429	28,153	47,733	953,718	948,215
Accumulated amortization on disposals	-	-	-	-	-	-	-
Balance, end of year	-	2,580,204	15,497,945	447,959	328,239	18,854,347	17,900,629
Net book value of tangible capital assets	1,181,000	2,921,359	13,163,832	815,185	222,878	18,304,254	17,903,357
2017 Net book value of tangible capital assets	1,172,000	3,013,135	13,024,467	472,956	220,799		17,903,357

TOWN OF LAMONT
Schedule of Property and Other Taxes
Year Ended December 31, 2018

(Schedule 3)

	Budget	2018	2017
	\$	\$	\$
	(Unaudited)		
Taxation			
Real property taxes	2,381,500	2,405,456	2,390,532
Linear property	60,000	53,992	53,921
Government grants in place of property taxes	4,500	4,639	4,526
	2,446,000	2,464,087	2,448,979
Requisitions			
Alberta School Foundation Fund	500,000	510,440	498,730
Lamont Seniors Foundation	67,163	64,210	60,344
	567,163	574,650	559,074
Net Municipal Taxes	1,878,837	1,889,437	1,889,905

TOWN OF LAMONT
Schedule of Government Transfers
Year Ended December 31, 2018

(Schedule 4)

	Budget \$ (Unaudited)	2018 \$	2017 \$
Transfers for operating			
Federal Government	-	700	-
Provincial Government	58,000	71,965	178,640
Other Local Governments	49,500	67,373	69,373
	107,500	140,038	248,013
Transfers for Capital			
Federal Government	-	147,208	60,016
Provincial Government	553,000	678,928	706,667
	553,000	826,136	766,683
Total Government Transfers	660,500	966,174	1,014,696

TOWN OF LAMONT**(Schedule 5)****Schedule of Consolidated Expenses by Object
Year Ended December 31, 2018**

	Budget	2018	2017
	\$	\$	\$
	(Unaudited)		
Consolidated expenses by object			
Salaries, wages and benefits	1,273,241	1,231,160	1,146,897
Contracted and general services	804,960	830,196	785,043
Materials, goods, supplies and utilities	1,039,576	975,040	999,619
Provision for allowances (recovery)	-	-	(7,208)
Transfers to local boards and agencies	23,000	14,858	22,245
Bank charges and short term interest	1,800	1,134	1,526
Interest on long term debt	62,000	55,035	58,686
Other transactions, discounts and adjustments	10,500		
Loss on disposal of tangible assets	-	-	5,000
Amortization of tangible capital assets	872,800	953,718	948,215
	4,087,877	4,061,141	3,960,023

TOWN OF LAMONT
Schedule of Segmented Disclosure
Year Ended December 31, 2018

(Schedule 6)

	General Government	Protective Services	Transportation Services	Environmental Services	Planning & Development	Recreation & Culture	Other	Total \$
Revenue								
Net municipal taxes	-	-	-	-	-	-	1,889,437	1,889,437
Government transfers	3,445	-	678,928	147,208	-	136,593	-	966,174
User fees and sales of goods	4,415	-	-	1,049,297	-	17,960	1,200	1,072,872
Investment income	9,972	-	-	-	-	-	92,157	102,129
Other revenues	7,142	2,548	3,995	7,595	2,246	87,599	330,651	441,776
	24,974	2,548	682,923	1,204,100	2,246	242,152	2,313,445	4,472,388
Expenses								
Salaries, wages and benefits	504,776	-	391,915	-	-	334,468	-	1,231,159
Contracted and general services	160,715	22,936	42,952	465,484	43,508	90,400	4,200	830,195
Materials, goods, supplies and utilities	57,706	11,841	207,267	411,218	-	287,009	-	975,041
Transfers to local boards and agencies	-	-	-	-	-	14,858	-	14,858
Interest on long term debt	-	-	26,343	28,691	-	-	-	55,034
Other expenses	1,138	-	-	-	-	-	-	1,138
	724,335	34,777	668,477	905,393	43,508	726,735	4,200	3,107,425
Net revenue before amortization	(699,361)	(32,229)	14,446	298,707	(41,262)	(484,583)	2,309,245	1,364,963
Amortization of tangible capital assets	24,844	18,600	499,716	313,329	-	97,229	-	953,718
Net revenue (cost)	(724,205)	(50,829)	(485,270)	(14,622)	(41,262)	(581,812)	2,309,245	411,245
Net revenue (cost) - 2017	(671,549)	(46,605)	(593,686)	176,428	180,194	(404,026)	2,085,470	726,226

TOWN OF LAMONT
Notes to Consolidated Financial Statements
Year Ended December 31, 2018

1. Significant accounting policies

Basis of presentation

The consolidated financial statements of the Town 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 Chartered Professional Accountants of Canada. Significant aspects of the accounting policies adopted by the Town are as follows:

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, therefore, accountable to Council for the administration of their financial affairs and resources. Included with the corporation are the following:

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

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

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.

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TOWN OF LAMONT
Notes to Consolidated Financial Statements
Year Ended December 31, 2018

1. Significant accounting policies (*continued*)

Use of estimates

The preparation of the 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 expenditure 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.

Significant estimates include:

- Amortization of tangible capital assets;
- Estimated useful life of tangible capital assets;
- Allowance for doubtful accounts; and
- Recovery of tangible capital assets.

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.

Cash and cash equivalents

Cash includes cash and cash equivalents. Cash equivalents are investments in guaranteed income certificates and are valued at cost plus accrued interest. The carrying amounts approximate fair value because they have maturities of less than one year.

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.

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TOWN OF LAMONT
Notes to Consolidated Financial Statements
Year Ended December 31, 2018

1. Significant accounting policies *(continued)*

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.

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.

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.

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TOWN OF LAMONT
Notes to Consolidated Financial Statements
Year Ended December 31, 2018

1. Significant accounting policies *(continued)*

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 (Debt) for the year.

a) 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	20
Buildings	50
Engineered structures	
Water system	40
Wastewater system	40
Other engineered structures	20-40
Machinery and equipment	10-15
Vehicles	10-20

Assets acquired during the year will be amortized in the following year in accordance with the useful lives stated above. Assets disposed of in the year are not amortized in the year of disposal. Assets under construction are not amortized until the asset is available for productive use.

b) 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.

c) 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.

d) Inventories

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

e) Cultural and historical tangible capital assets

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

TOWN OF LAMONT
Notes to Consolidated Financial Statements
Year Ended December 31, 2018

2. Adoption of recent accounting pronouncements

The following accounting standards have been issued by the Chartered Professional Accountants of Canada (CPAC). These Sections are effective for fiscal periods beginning on or after April 1, 2017 and have been applied retrospectively.

Section PS 2200 - Related Party Disclosures

This new Section defines a related party and establishes disclosures required for related party transactions.

Section PS 3210 - Assets

This new Section provides guidance for applying the definition of assets set out in Financial Statement Concepts, Section PS 1000, and establishes general disclosure standards for assets.

Section PS 3320 - Contingent Assets

This new Section defines and establishes disclosure standards on contingent assets.

Section PS 3380 - Contractual Rights

This new Section defines and establishes disclosure standards on contractual rights.

Section PS 3420 - Inter-entity Transactions

This new Section establishes standards on how to account for and report transactions between public sector entities that comprise a government's reporting entity from both a provider and recipient perspective.

TOWN OF LAMONT
Notes to Consolidated Financial Statements
Year Ended December 31, 2018

3. Recent accounting pronouncements published but not yet adopted

The following accounting standards have been issued by the Chartered Professional Accountants of Canada (CPAC) but are not yet effective. The municipality is currently evaluating the effect of adopting these standards on their financial statements.

Section PS 3450 - Financial Instruments

The new Section establishes standards for recognizing and measuring financial assets, financial liabilities and non-financial derivatives. In conjunction with this new Section, Section PS1201, Section PS 2601 and Section 3041 have been amended as a consequence of the introduction of new financial instruments standards. These amendments were required to present the associated gains and losses with financial instruments recognized under the new Section. The new Section and the related amendments are effective for fiscal periods beginning on or after April 1, 2021.

Section PS 3280 - Asset Retirement Obligations

This new Section establishes standards on how to account for and report a liability for asset retirement obligations. This Section applies to fiscal years beginning on or after April 1, 2021. Earlier adoption is permitted. As a consequence of the issuance of Section PS3280, Solid Waste Landfill Closure and Post-Closure Liability, Section PS3270, has been withdrawn. Section PS3270 will remain in effect until the adoption of Section PS3280.

Section PS 3430 - Restructuring Transactions

This new Section defines a restructuring transaction and establishes standards for recognizing and measuring assets and liabilities transferred in a restructuring transaction. This Section applies to restructuring transactions occurring in fiscal years beginning on or after April 1, 2018. Earlier adoption is permitted.

Section 3400 - Revenue

This new Section establishes standards on how to account for and report on revenue. Specifically, it differentiates between revenue arising from transactions that include performance obligations and transactions that do not have performance obligations. This Section applies for fiscal years beginning on or after April 1, 2022.

4. Cash and temporary investments

	2018	2017
Cash	\$ 76,854	\$ 535,488
Temporary investments	4,338,991	3,131,540
	\$ 4,415,845	\$ 3,667,028

Temporary investments are short term deposits with maturities of one year or less.

The guaranteed investment certificates mature from July 2019 to December 2019 and bear interest at 2.39% to 2.6%.

Included in temporary investments is a restricted amount of \$1,102,877 (2017 - \$1,098,875) consisting of deferred revenue of \$483,207, subdivision development reserve of \$568,000, and unexpended capital funding of \$51,670.

TOWN OF LAMONT
Notes to Consolidated Financial Statements
Year Ended December 31, 2018

5. Taxes and grants in place of taxes receivable

	2018	2017
Current taxes and grants in place of taxes	\$ 171,506	\$ 197,346
Arrears taxes	60,634	50,920
	\$ 232,140	\$ 248,266

6. Investments

	2018	2017
Alberta Capital Finance Authority (ACFA) shares	\$ 10	\$ 10
Guaranteed Investment Certificates	223,200	1,220,302
	\$ 223,210	\$ 1,220,312

Guaranteed investment certificates are long term with maturities greater than one year.

The guaranteed investment certificates mature in October 2020 and bear interest at 2.15%.

7. Revolving loan

The Town has a \$800,000 revolving line of credit of which \$nil (2017 - \$nil) was in use as at December 31, 2018. Bank advances on the credit line are payable on demand and bear interest at prime less 0.25%. The credit line is secured by a general security agreement.

8. Deferred revenue

	2018	2017
Developer - letter of credit	\$ 461,172	\$ 452,170
Jabneel - tax sale	22,035	22,035
	\$ 483,207	\$ 474,205

Included in deferred revenue is \$406,500 received when the Town called a letter of credit related to a development agreement plus accrued interest to date. The proceeds from this letter of credit are to be used to fund any future costs needed to complete this development project.

TOWN OF LAMONT
Notes to Consolidated Financial Statements
Year Ended December 31, 2018

9. Long-term debt

	2018	2017
Tax supported debentures	\$ 1,332,546	\$ 1,422,198

The current portion of the long-term debt amounts to \$93,015 (2017 - \$89,652).

Principal and interest repayments are as follows:

	Principal	Interest	Total
2019	\$ 93,015	\$ 52,087	\$ 145,102
2020	96,509	48,593	145,102
2021	100,140	44,962	145,102
2022	103,913	41,189	145,102
2023	107,835	37,267	145,102
Thereafter	<u>831,134</u>	<u>157,898</u>	<u>989,032</u>
	<u>\$ 1,332,546</u>	<u>\$ 381,996</u>	<u>\$ 1,714,542</u>

Debenture debt is repayable to the Alberta Capital Finance Authority and bears interest at rates ranging from 3.295% to 5.066% per annum and matures in periods December 2028 through March 2034. The average annual interest rate is 4.181% for 2018 (2017 - 4.181%).

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

Interest on long-term debt amounted to \$55,450 (2017 - \$58,686).

The Town's total cash payments for interest in 2018 were \$55,450 (\$58,686).

TOWN OF LAMONT
Notes to Consolidated Financial Statements
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 255/2000 for the Town be disclosed as follows:

	2018	2017
Total debt limit	\$ 5,474,927	\$ 5,879,351
Total debt	1,332,546	1,422,199
Amount of debt limit unused	\$ 4,142,381	\$ 4,457,152
Debt servicing limit	\$ 912,488	\$ 979,892
Debt servicing	145,102	145,102
Amount of debt servicing limit unused	\$ 767,386	\$ 834,790

The debt limit is calculated at 1.5 times revenue of the Town (as defined in Alberta Regulation 255/2000) 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.

11. Equity in tangible capital assets

	2018	2017
Tangible capital assets (Schedule 2)	\$ 37,158,601	\$ 35,803,986
Accumulated amortization (Schedule 2)	(18,854,347)	(17,900,629)
Long-term debt (Note 9)	(1,332,546)	(1,422,198)
	\$ 16,971,708	\$ 16,481,159

12. Reserves

	Opening	Transfers Into Reserves	2018	2017
Restricted operating reserves	\$ 2,906,340	\$ 100,000	\$ 3,006,340	\$ 2,906,340
Restricted capital reserves	51,670	-	51,670	51,670
	\$ 2,958,010	\$ 100,000	\$ 3,058,010	\$ 2,958,010

TOWN OF LAMONT
Notes to Consolidated Financial Statements
Year Ended December 31, 2018

13. Accumulated surplus

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

	2018	2017
Unrestricted surplus	\$ 1,835,820	\$ 2,015,124
Restricted surplus		
Capital	51,670	51,670
Operating	3,006,340	2,906,340
Equity in tangible capital assets (Note 11)	16,971,708	16,481,159
	\$ 21,865,538	\$ 21,454,293

14. 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 financial statements as disclosed in Note 1.

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

TOWN OF LAMONT
Notes to Consolidated Financial Statements
Year Ended December 31, 2018

15. 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:

			2018	2017
	Salary (1)	Benefits & allowances (2)	Total	Total
B. Skinner - Mayor	\$ 10,400	\$ 5,200	\$ 15,600	\$ 15,600
D. Pewarchuck	5,600	2,800	8,400	8,400
D. Taylor	5,600	2,800	8,400	8,400
A. Harvey	5,600	2,800	8,400	1,750
P. Koroluk	5,600	2,800	8,400	1,750
P. Kirk	5,600	2,800	8,400	1,750
J. Foulds	5,600	2,800	8,400	1,750
W. Field	-	-	-	6,650
G. Hrehorets	-	-	-	6,650
S. Sharun	-	-	-	6,650
D. Dunsmore	-	-	-	4,200
Chief Administrative Officer	106,067	22,980	129,047	125,778
Deputy Chief Administrative Officer	51,726	4,910	56,636	53,720

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

TOWN OF LAMONT
Notes to Consolidated Financial Statements
Year Ended December 31, 2018

16. 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 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 10.39% of pensionable earnings up to the year's maximum pensionable earnings under the Canada Pension Plan and 14.84% on pensionable earnings above this amount.

Total current service contributions by the Town to the LAPP in 2018 were \$73,721 (2017 - \$80,006). Total current service contributions by the employees of the Town to the Local Authorities Pension Plan in 2018 were \$67,130 (2017 - \$73,406).

At December 31, 2017, the LAPP disclosed an actuarial surplus of \$4.8 billion.

TOWN OF LAMONT
Notes to Consolidated Financial Statements
Year Ended December 31, 2018

17. 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 exchange. Any liability incurred would be accounted for as a current transaction in the year the losses are determined.

The Town has entered into three separate Master Sales Agreements and three separate Development Agreements with a developer. Each is for the sale of land held by the Town for the development of three different subdivisions within the Town's municipal boundaries. The Town alleges the developer defaulted on its obligations regarding certain conditions of the Master Sales and Development Agreements. As a result, the Town has sought to terminate the agreements and has called a \$406,500 letter of credit held as security against development deficiencies. As disclosed in Note 8 of the financial statements, this amount and the proceeds on the tax recovery and sale of property previously held by Jabneel is included as part of deferred revenue at December 31, 2017 and December 31, 2018. In 2017 and 2018, deferred revenue was updated to include interest earned on the letter of credit.

The Plaintiff's brought an application to recover the \$406,500 security deposit posted with the Town. A court decision ordered the Town to return approximately \$300,000 of this \$406,500 to Jabneel. This was appealed and heard before Justice Neilsen in a Justice Special Chambers hearing. Justice Neilsen set aside the initial court decision, and ordered that the Town of Lamont continue to hold the full amount of the security deposits. During that time, Jabneel's former shareholder brought an application to receive intervener status in this action. This application was adjourned sine die; however, this party will likely be involved as this action moves forward. The Town's legal advisors advise that if the case is determined to be procedurally right to enter trial, that it should be resolved in the upcoming year.

The developer has a claim for breach of the Development and Sales Agreements for damages of \$120,000,000 and punitive damages of \$5,000,000. The Town has a counter claim of \$1,000,000 plus interest and costs. Legal counsel believes the extend of the damages claimed by Jabneel Developments Inc. against the Town appears to be an effort to try and intimidate and pressure the Town as opposed to damages being calculated upon potential lost project profits. Any settlement amount is indeterminable according to the Town's legal advisors.

Negotiations regarding the dispute between the Town and the developer are ongoing. The developer added some Councilors and Town staff members to the lawsuit during 2013, and this was rejected by the Court in 2015.

The caveats related to the land under the Development Agreement have been discharged and the Town was awarded costs on this matter during the 2014 year. The amount of the costs are indeterminable at this time and will be directed by the Court at a subsequent date once the various litigation with Jabneel Developments Inc. has been resolved.

TOWN OF LAMONT
Notes to Consolidated Financial Statements
Year Ended December 31, 2018

18. Financial instruments

The Town's financial instruments consist of cash and temporary investments, accounts receivable, debt charges recoverable, 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 risk arising from these financial instruments.

The Town is subject to credit risk with respect to taxes and grants in place of taxes receivable 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.

19. Approval of financial statements

Council and Management have approved these financial statements.

20. Budget amounts

Budget amounts are included for information purposes only and are not audited.