

TOWN OF CLARESHOLM

Consolidated Financial Statements

For the year ended December 31, 2013

TOWN OF CLARESHOLM
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For the year ended December 31, 2013

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INDEPENDENT AUDITORS' REPORT

To: The Mayor and Members of Council of
the Town of Claresholm

We have audited the accompanying consolidated financial statements of the Town of Claresholm which comprise the consolidated statement of financial position as at December 31, 2013, and the consolidated statements of operations, change in net financial debt and cash flow 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.

Auditor's 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 auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, 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 Claresholm as at December 31, 2013 and the results of its operations, changes in its net financial assets (debt), and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Lethbridge, Alberta

Young Parkyn McNab LLP

March 24, 2014

Chartered Accountants

MANAGEMENT REPORT

The consolidated financial statements are the responsibility of the management of the Town of Claresholm.

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 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 Claresholm is responsible for ensuring that management fulfils its responsibilities for financial statements. Council carries out its responsibility principally through the Finance and Administration and General Services committees.

The Council meets annually with management and the external auditors to discuss internal controls over the financial reporting process, auditing matters and financial reporting issues, and to satisfy itself that each party is properly discharging its responsibilities. Council also considers the engagement or re-appointment of the external auditors. Council reviews the monthly financial reports.

The consolidated financial statements have been audited by Young Parkyn McNab LLP, Chartered Accountants, the external auditors, in accordance with Canadian generally accepted auditing standards on behalf of the Council, residents and ratepayers of the Town. Young Parkyn McNab LLP has full and free access to the Council.



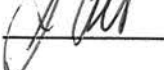
Chief Administrative Officer

TOWN OF CLARESHOLM
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at December 31, 2013

	2013	2012
Financial assets		
Cash and temporary investments (note 2)	\$ 2,850,544	\$ 3,298,570
Taxes and grants in place of taxes receivable (note 3)	414,670	368,746
Trade and other receivables	735,563	409,775
Land held for resale	150,688	150,688
	4,151,465	4,227,779
Liabilities		
Accounts payable and accrued liabilities	435,777	439,720
Employee benefit obligations (note 5)	212,072	215,966
Deposits	53,687	61,822
Deferred revenue (note 6)	933,503	918,346
Long-term debt (note 7)	4,985,852	5,245,928
	6,620,891	6,881,782
Net financial debt	(2,469,426)	(2,654,003)
Non-financial assets		
Prepaid expenses	18,861	19,376
Inventory for consumption	203,647	211,271
Tangible capital assets (schedule 2)	27,276,011	27,673,040
	27,498,519	27,903,687
Accumulated surplus (note 8)	\$ 25,029,093	\$ 25,249,684

Commitments and contingencies (note 19)

Approved on behalf of Council:

Councillor  _____

Councillor  _____

TOWN OF CLARESHOLM
CONSOLIDATED STATEMENT OF OPERATIONS
For the year ended December 31, 2013

	Budget (Unaudited)	2013	2012
Revenue			
Net municipal taxes (note 11)	\$ 3,102,269	\$ 3,079,104	\$ 2,982,363
User fees and sales of goods	1,946,450	1,933,647	1,796,075
Government transfers for operating (note 12)	197,239	138,593	268,266
Investment income	35,000	31,979	35,747
Penalties and costs of taxes	131,000	188,360	107,735
Licenses and permits	52,800	46,574	56,500
Franchise and concession contracts	110,000	122,233	110,843
Rental	114,500	129,706	128,316
Other	95,850	144,496	102,604
Family and community support services	205,546	238,687	243,204
	5,990,654	6,053,379	5,831,653
Expenses (note 13)			
Legislative	73,000	75,586	60,524
Administration	977,152	920,249	998,775
Fire	193,055	192,296	206,399
Bylaw enforcement	115,000	106,170	90,450
Common and equipment pool	578,250	561,976	628,699
Roads, streets, walks and lighting	1,039,550	1,035,270	955,478
Airport	18,500	16,046	13,879
Storm sewers and drainage	187,500	134,869	221,464
Water supply and distribution	2,603,700	2,599,450	2,585,075
Wastewater treatment and disposal	450,750	412,199	365,633
Solid waste management	413,300	447,416	370,142
Family and community support services	202,246	232,107	247,305
Day care	48,126	48,126	48,126
Cemeteries and crematoriums	38,100	28,721	15,475
Other public health and welfare	54,500	12,736	35,614
Planning and development	273,050	257,605	232,732
Parks and recreation	819,000	920,318	844,686
Culture - libraries, museums and halls	384,575	380,826	339,594
	8,469,354	8,381,966	8,260,050
Deficiency of revenue over expenses before other	(2,478,700)	(2,328,587)	(2,428,397)
Other			
Government transfers for capital (note 12)	2,475,000	2,107,996	1,345,577
Deficiency of revenue over expenses	(3,700)	(220,591)	(1,082,820)
Accumulated surplus, beginning of year	25,249,684	25,249,684	26,332,504
Accumulated surplus, end of year	\$ 25,245,984	\$ 25,029,093	\$ 25,249,684

TOWN OF CLARESHOLM
CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL DEBT
For the year ended December 31, 2013

	Budget (Unaudited)	2013	2012
Deficiency of revenue over expenses	\$ (3,700)	\$ (220,591)	\$ (1,082,820)
Acquisition of tangible capital assets	(3,090,000)	(2,506,808)	(1,895,093)
Amortization	2,734,800	2,871,172	2,745,809
Loss (gain) on disposal of tangible capital assets	-	1,206	(34,002)
Proceeds on disposal of tangible capital assets	-	31,459	87,061
	(355,200)	397,029	903,775
Net change in inventory for consumption	-	7,624	28,449
Net change in prepaid expense	-	515	(15,624)
	-	8,139	12,825
Increase in net financial debt	(358,900)	184,577	(166,220)
Net financial debt, beginning of year	(2,654,003)	(2,654,003)	(2,487,783)
Net financial debt, end of year	\$ (3,012,903)	\$ (2,469,426)	\$ (2,654,003)

TOWN OF CLARESHOLM
CONSOLIDATED STATEMENT OF CASH FLOW
For the year ended December 31, 2013

	2013	2012
Operating transactions		
Deficiency of revenue over expenses	\$ (220,591)	\$ (1,082,820)
Adjustments for items which do not affect cash		
Loss (gain) on disposal of tangible capital assets	1,206	(34,002)
Amortization	2,871,172	2,745,809
	2,651,787	1,628,987
Net change in non-cash working capital items		
Taxes and grants in place of taxes receivable	(45,924)	(56,402)
Trade and other receivables	(325,787)	(50,427)
Land held for resale	-	23,464
Inventory for consumption	7,624	28,449
Prepaid expenses	515	(15,624)
Accounts payable and accrued liabilities	(3,943)	286,965
Employee benefit obligations	(3,894)	38,454
Deposits	(8,135)	(1,525)
Deferred revenue	15,157	(149,494)
Cash provided by operating transactions	2,287,400	1,732,847
Capital transactions		
Proceeds on disposal of tangible capital assets	31,459	87,061
Acquisition of tangible capital assets	(2,506,808)	(1,895,093)
Cash applied to capital transactions	(2,475,349)	(1,808,032)
Financing transactions		
Repayment of long-term debt	(260,077)	(248,404)
Decrease in cash and temporary investments	(448,026)	(323,589)
Cash and temporary investments, beginning of year	3,298,570	3,622,159
Cash and temporary investments, end of year	\$ 2,850,544	\$ 3,298,570

TOWN OF CLARESHOLM
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2013

1. Significant accounting policies

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

(a) 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.

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.

(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 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 CLARESHOLM
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2013

(e) Debt charges recoverable

Debt charges recoverable consist of amounts that are recoverable from municipal agencies or other local governments with respect to outstanding debentures or other long-term debt pursuant to annexation orders or joint capital undertakings. These recoveries are recorded at a value that equals the offsetting portion of the unmatured long-term debt, less actuarial requirements for the retirement of any sinking fund debentures.

(f) 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.

(g) Inventories for resale

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

(h) Prepaid local improvements charges

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

Where a taxpayer has elected to prepay the outstanding local improvement charge, such amounts are recorded as deferred revenue. Deferred revenue is amortized to revenue on a straight-line basis over the remaining term of the related borrowings.

In the event that the prepaid amounts are applied against the related borrowing, the deferred revenue is amortized to the revenue by an amount equal to the debt repayment.

(i) 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 CLARESHOLM
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2013

(j) 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 Debt 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	10-25 straight line
Buildings	25-50 straight line
Engineered structures	5-75 declining balance
Machinery and equipment	5-40 declining balance
Vehicles	10-25 declining balance

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 or net realizable value with cost determined by the average cost method.

(v) Cultural and historical tangible capital assets

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

TOWN OF CLARESHOLM
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2013

2. Cash and temporary investments

	2013	2012
Cash	\$ 260,460	\$ 464,959
Temporary investments	2,590,084	2,833,611
	<u>\$ 2,850,544</u>	<u>\$ 3,298,570</u>

Included in cash and short-term investments is \$53,687 (2012 - \$61,822) of deposit liability funds which are not available for current purposes.

Temporary investments consists of one to eight month term deposits with varying interest rates of 0.05% to 1.85% if held to maturity.

3. Taxes and grants in place of taxes receivables

	2013	2012
Current year	\$ 240,702	\$ 214,918
Arrears	173,968	153,828
	<u>\$ 414,670</u>	<u>\$ 368,746</u>

4. Temporary Loans

A temporary loan has been authorized by Alberta Treasury Branches to a maximum of \$450,000 which bears interest at prime minus 0.5%.

A term loan has been authorized by Alberta Treasury Branches to a maximum of \$1,300,000 which bears interest at prime minus 0.5%.

Security pledged on these loans includes a general security agreement. As at December 31, 2013 there was no balance outstanding on either loan.

5. Employee benefit obligations

	2013	2012
Vacation	\$ 132,357	\$ 135,055
Sick time	79,715	80,911
	<u>\$ 212,072</u>	<u>\$ 215,966</u>

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 they are vested) or are entitled to these benefits within the next budgetary year.

TOWN OF CLARESHOLM
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2013

6. Deferred revenue

The deferred revenue balance represents funds received for specific purposes that have not been spent by year end. Deferred revenue consists of the following:

	2013	2012
Taxi token prepayments	\$ 5,355	\$ 4,830
Parking fund	3,612	3,588
Subdivision fund	36,025	35,846
Walking path fund	1,971	1,963
Sundry trust	321,770	312,950
Offsite levies	62,299	61,988
MSI capital grant	293,485	456,916
Federal gas tax capital grant	171,847	-
Basic municipal transportation capital grant	3,053	2,303
Alberta municipal water/wastewater partnership	12,949	-
FCSS	15,646	32,183
Local improvement taxes	5,491	5,779
	\$ 933,503	\$ 918,346

7. Long-term debt

	2013	2012
Debentures supported by general tax levies	\$ 793,372	\$ 908,626
Debentures supported by utility rates	4,192,480	4,337,302
	\$ 4,985,852	\$ 5,245,928
Current portion	\$ 244,169	\$ 260,077

Principal and interest repayments are due as follows:

	Principal	Interest	Total
2014	\$ 244,169	\$ 240,169	\$ 484,338
2015	254,675	229,663	484,338
2016	265,692	218,646	484,338
2017	277,246	207,092	484,338
2018	289,364	194,974	484,338
Thereafter	3,654,706	1,437,340	5,092,046
	\$ 4,985,852	\$ 2,527,884	\$ 7,513,736

TOWN OF CLARESHOLM
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2013

7. Long-term debt, continued

Debenture debt is repayable to Alberta Capital Finance Authority and bears interest at rates ranging from 2.306% to 5.875% per annum, before Provincial subsidy, and matures in periods 2021 through 2033. The average annual interest rate is 4.85% (4.46% for 2012). For qualifying debentures, the Province of Alberta rebates 60% of interest in excess of 8%, 9%, and 11% to a maximum annual rate of 12.5%, depending on the date borrowed. Debenture debt is issued on the credit and security of the Town of Claresholm at large.

Interest on long-term debt amounted to \$249,741 (2012 - \$261,607). The Town's total cash payments for interest in 2013 were \$252,491 (2012 - \$264,164).

8. Accumulated surplus

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

	2013	2012
Unrestricted surplus	\$ 1,443,445	\$ 1,437,162
Internally restricted surplus (reserves) (note 10)	1,295,489	1,385,410
Equity in tangible capital assets (note 9)	22,290,159	22,427,112
	<u>\$ 25,029,093</u>	<u>\$ 25,249,684</u>

9. Equity in tangible capital assets

	2013	2012
Tangible capital assets (schedule 2)	\$ 83,271,777	\$ 80,859,661
Accumulated amortization (schedule 2)	(55,995,766)	(53,186,621)
Long-term debt (note 7)	(4,985,852)	(5,245,928)
	<u>\$ 22,290,159</u>	<u>\$ 22,427,112</u>

TOWN OF CLARESHOLM
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2013

10. Reserves

Reserves for operating and capital activities are as follows:

	2013	2012
Operating		
Waterline replacement	\$ 1,910	\$ 1,910
Cemetery	723	723
Office	28,780	28,780
Arena renovation	8,500	8,500
Waterworks	15,000	15,000
Garbage equipment	25,739	25,739
Debt reduction	292,453	292,453
Sewer main replacement	35,000	35,000
Fire truck	8,819	8,819
Fill dirt	11,427	11,427
Water pumps	2,500	2,500
Ball diamonds	245	245
General	281,752	118,425
Trust accounts	51,358	56,558
Physician recruitment fund	18,911	31,647
Tipping fees	5,449	5,449
	788,566	643,175
Capital		
General administration	12,537	14,707
Water supply	44,663	78,867
Sewer	(1,295)	(5,258)
Subdivision	8,510	8,510
Acreage assessment	40,721	100,368
Airport land sales	20,677	43,844
Residential land sales	26,584	19,681
Industrial land sales	120	71,240
Town land	25,163	25,163
Tax recovery land	11,854	11,854
Tamarack subdivision	25,149	25,149
Enforcement vehicle	14,500	52,000
Arena ice slab/boards	160,000	160,000
Garbage	(370)	18,000
Parks replacement	18,110	18,110
Fire truck	100,000	100,000
	506,923	742,235
	\$ 1,295,489	\$ 1,385,410

TOWN OF CLARESHOLM
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2013

11. Net municipal property taxes

	Budget (Unaudited)	2013	2012
Taxation			
Real property taxes	\$ 4,130,800	\$ 4,118,035	\$ 4,013,639
Linear property taxes	120,500	109,634	102,629
Government grants in place of property taxes	90,300	90,407	92,820
Special assessments and local improvements	78,100	78,459	77,853
	4,419,700	4,396,535	4,286,941
Requisitions			
Alberta School Foundation Fund	1,205,361	1,205,361	1,194,748
Porcupine Hills Lodge	112,070	112,070	109,830
	1,317,431	1,317,431	1,304,578
	\$ 3,102,269	\$ 3,079,104	\$ 2,982,363

12. Government transfers

	Budget (Unaudited)	2013	2012
Transfers for operating:			
Government transfers for operating	\$ 197,239	\$ 138,593	\$ 268,266
Transfers for capital			
Shared-cost agreements and grants	2,475,000	2,107,996	1,345,577
	\$ 2,672,239	\$ 2,246,589	\$ 1,613,843

TOWN OF CLARESHOLM
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2013

13. Expenditures by object

	Budget (Unaudited)	2013	2012
Salaries, wages and benefits	\$ 2,575,600	\$ 2,553,341	\$ 2,382,542
Contracted and general services	1,113,560	1,107,160	1,080,348
Materials, goods, supplies and utilities	1,385,851	1,221,191	1,361,033
Bank charges and short-term interest	3,845	3,785	3,404
Interest on long-term debt	252,550	249,741	261,607
Other expenditures	107,850	110,828	125,155
(Gain) loss on disposal of tangible capital assets	-	1,206	(34,002)
Transfers to organizations and others	25,400	25,367	24,087
Purchases from other governments	269,898	238,175	310,067
Amortization	2,734,800	2,871,172	2,745,809
	\$ 8,469,354	\$ 8,381,966	\$ 8,260,050

14. 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	2013	2012
Council				
Mayor Moore	\$ 9,113	\$ 364	\$ 9,477	\$ 11,342
Mayor Steel	2,205	-	2,205	-
Councillor Fieguth	7,265	83	7,348	7,052
Councillor Hubka	6,977	-	6,977	7,380
Councillor MacPherson	7,287	298	7,585	6,980
Councillor Quayle	5,147	-	5,147	6,150
Councillor Sutter	5,947	-	5,947	8,274
Councillor Van Amerongen	7,487	71	7,558	10,206
Councillor McAlonan	1,945	82	2,027	-
Councillor Cutler	1,955	-	1,955	-
Councillor Dixon	1,165	-	1,165	-
Councillor Ford	1,935	325	2,260	-
Councillor O'Neill	1,975	-	1,975	-
Chief Administrative Officer	94,286	18,289	112,575	108,243
Designated Officers (5 positions)				
(2012: 5 positions)	\$ 289,612	\$ 59,558	\$ 349,170	\$ 336,311

TOWN OF CLARESHOLM
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2013

14. Salary and benefits disclosure, continued

(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.

15. 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:

	2013	2012
Total debt limit	\$ 9,080,068	\$ 8,747,480
Total debt	4,985,852	5,245,928
	<u>\$ 4,094,216</u>	<u>\$ 3,501,552</u>
Debt servicing limit	\$ 1,513,345	\$ 1,457,913
Debt servicing	484,338	512,568
	<u>\$ 1,029,007</u>	<u>\$ 945,345</u>

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.

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 Alberta Public Sector Pensions Plans Act. The plan serves about 223,000 people and 428 employers. The LAPP is financed by the 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 10.43% of pensionable earnings up to the year's maximum pensionable earnings under the Canada Pension Plan and 14.47% on pensionable earnings above this amount. Employees of the Town are required to make current service contributions of 9.43% of pensionable salary up to the year's maximum pensionable salary and 13.47% on pensionable salary above this amount.

Total current service contributions by the Town to the LAPP in 2013 were \$172,825 (2012 - \$147,732). Total current service contributions by the employees of the Town to the LAPP in 2013 were \$157,219 (2012 - \$133,715).

At December 31, 2012, the LAPP disclosed an actuarial deficiency of \$4.98 billion.

17. Financial instruments

The Town of Claresholm's financial instruments consist of cash and temporary investments, accounts receivable, accounts payable and accrued liabilities, employee benefit obligations, deposit 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 of Claresholm 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.

18. Approval of financial statements

These financial statements were approved by Council and Management.

TOWN OF CLARESHOLM
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2013

19. Contingency and commitments

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

The Town has made a commitment to the Municipal District of Willow Creek to pay for one half of the costs for monitoring and maintenance of the Municipal District of Willow Creek's landfill for the next 8 years.

The Town of Claresholm has entered an agreement with the Town of Granum for the conveyance and supply of potable water. This agreement is in effect until December 31, 2034.

The Town has future commitments for a sanitary sewer main project in 2014. The cost to the Town is estimated to be \$820,000 which will be funded by long-term debt over 7 years.

20. Budget amounts

The 2013 budget for the Town was approved by Council on May 13, 2013 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.

Budgeted deficit per financial statements	\$ (3,700)
Less: Capital expenditures	(3,090,000)
Long-term debt repayments	(261,300)
Add: Amortization	2,734,800
Transfers from reserves	620,200
Equals: Balanced budget	\$ -

21. Comparative figures

Where necessary the comparative figures for the 2012 year have been reclassified to conform with 2013 financial statement presentation.

TOWN OF CLARESHOLM
SCHEDULES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2013

Schedule of changes in accumulated surplus

Schedule 1

	Unrestricted	Restricted	Equity in tangible capital assets	2013	2012
Balance, beginning of year	\$ 1,437,162	\$ 1,385,410	\$ 22,427,112	\$ 25,249,684	\$ 26,332,504
Deficiency of revenue over expenses	(220,591)	-	-	(220,591)	(1,082,820)
Unrestricted funds designated for future use	(168,991)	168,991	-	-	-
Restricted funds used for operations	12,735	(12,735)	-	-	-
Restricted funds used for tangible capital assets	-	(246,177)	246,177	-	-
Current year funds used for tangible capital assets	(2,260,630)	-	2,260,630	-	-
Disposal of tangible capital assets	32,665	-	(32,665)	-	-
Annual amortization expense	2,871,172	-	(2,871,172)	-	-
Long term debt repaid	(260,077)	-	260,077	-	-
Change in accumulated surplus	6,283	(89,921)	(136,953)	(220,591)	(1,082,820)
Balance, end of year	\$ 1,443,445	\$ 1,295,489	\$ 22,290,159	\$ 25,029,093	\$ 25,249,684

TOWN OF CLARESHOLM
SCHEDULES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2013

Schedule of tangible capital assets

Schedule 2

	Land	Land improvements	Buildings	Engineered structures	Machinery and equipment	Vehicles	Vehicles	2013	2012
Cost:									
Balance, beginning of year\$	990,764	\$ 1,541,639	\$ 11,340,939	\$ 64,337,333	\$ 1,191,805	\$ 1,337,294	\$ 119,888	\$ 80,859,661	\$ 79,529,219
Acquisitions	-	7,605	288,803	-	182,034	76,249	1,952,117	2,506,808	1,895,092
Construction-in-progress	-	-	14,742	-	-	-	(14,742)	-	-
Disposals	-	-	(42,686)	-	(52,006)	-	-	(94,692)	(564,650)
Balance, end of year	990,764	1,549,244	11,601,798	64,337,333	1,321,833	1,413,543	2,057,263	83,271,777	80,859,661
Accumulated amortization:									
Balance, beginning of year	-	209,653	4,890,419	46,533,957	694,241	858,351	-	53,186,621	50,952,403
Annual amortization	-	85,022	227,971	2,369,237	114,731	74,211	-	2,871,172	2,745,809
Disposals	-	-	(28,021)	-	(34,006)	-	-	(62,027)	(511,591)
Balance, end of year	-	294,675	5,090,369	48,903,194	774,966	932,562	-	55,995,766	53,186,621
Net book value	\$ 990,764	\$ 1,254,569	\$ 6,511,429	\$ 15,434,139	\$ 546,867	\$ 480,981	\$ 2,057,263	\$ 27,276,011	\$ 27,673,040
2012 net book value	\$ 990,764	\$ 1,331,985	\$ 6,450,520	\$ 17,803,376	\$ 497,564	\$ 478,943	\$ 119,888	\$ 27,673,041	