
GITZEL & COMPANY

CHARTERED PROFESSIONAL ACCOUNTANTS

*Peggy Weinzierl, CPA, CA *Scott St. Arnaud, CPA, CA *Jolene P. Kobi, CPA, CA *Justin J. Tanner, CPA, CA
*Eric A. Peterson, CPA, CA (Associate) *Robert J. Krejci, CA (Associate) *Barry D. Gitzel, CPA, CA (Associate)

TOWN OF STETTLER

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015

GITZEL & COMPANY

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INDEPENDENT AUDITORS' REPORT

TO: The Mayor and Council

We have audited the accompanying financial statements of the Town of Stettler, which comprise the statement of financial position as at December 31, 2015, and the statements of operations, changes in net financial assets/debt and cash flows for the year then ended, a summary of significant accounting policies and other explanatory information.

Managements' Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 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 financial statements present fairly, in all material respects, the financial position of the Town of Stettler as at December 31, 2015, and its financial performance and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Stettler, Alberta
April 19, 2016


CHARTERED PROFESSIONAL ACCOUNTANTS

TOWN OF STETTLER
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2015

	<u>2015</u>	<u>2014</u>
FINANCIAL ASSETS		
Cash and Temporary Investments (Note 2)	\$ 5,639,736	\$ 4,778,750
Taxes and Grants-in-lieu Receivables (Note 3)	111,404	103,639
Local Improvement Taxes Receivable	1,381,549	1,137,015
Trade and Other Receivables	1,620,778	1,049,665
Receivable from Governments	598,640	1,521,690
Land Inventory Held for Resale	428,366	428,366
Long-term Investments (Note 4)	40	40
Other Assets	<u>7,424</u>	<u>12,044</u>
TOTAL FINANCIAL ASSETS	<u>\$ 9,787,937</u>	<u>\$ 9,031,209</u>
LIABILITIES		
Accounts Payable and Accrued Liabilities	\$ 1,856,847	\$ 1,892,418
Deposit Liabilities	25,975	25,175
Deferred Revenue (Note 5)	725,906	348,182
Other Current Liabilities	-	-
Other Long-term Liabilities (Note 19)	124,711	124,711
Long-term Debt (Note 7)	<u>6,969,966</u>	<u>6,878,186</u>
TOTAL LIABILITIES	<u>\$ 9,703,405</u>	<u>\$ 9,268,672</u>
NET FINANCIAL ASSETS (DEBT)	<u>\$ 84,532</u>	<u>\$ (237,463)</u>
NON-FINANCIAL ASSETS		
Tangible Capital Assets (Note 9)	108,712,388	110,610,535
Prepaid Expenses	<u>51,227</u>	<u>24,096</u>
TOTAL NON-FINANCIAL ASSETS	<u>\$ 108,763,615</u>	<u>\$ 110,634,631</u>
ACCUMULATED SURPLUS (Note 11)	<u>\$ 108,848,147</u>	<u>\$ 110,397,168</u>
CONTINGENCIES (NOTE 15)		



 Mayor

April 19, 2016.

 Date

TOWN OF STETTLER
CONSOLIDATED STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2015

	<u>2015</u> <u>Budget</u> <u>(Unaudited)</u>	<u>2015</u> <u>Actual</u>	<u>2014</u> <u>Actual</u>
REVENUES			
Net Taxes (Schedule 3)	\$ 5,495,327	\$ 5,839,906	\$ 5,105,147
Sales and User Fees	5,172,620	5,055,569	5,173,232
Government Transfers (Schedule 4)	1,432,266	1,550,530	1,105,684
Investment Income	95,910	126,115	147,105
Penalties and Costs on Taxes	80,840	70,954	88,905
Licenses and Permits	175,550	171,141	186,270
Fines	85,700	88,444	68,289
Franchise and Concession Contracts	785,000	780,770	717,409
Rentals	732,160	801,241	744,730
Gain on Sale of Tangible Capital Assets	-	-	-
Other	278,784	308,174	176,264
Total Revenue	<u>\$ 14,334,157</u>	<u>\$ 14,792,844</u>	<u>\$ 13,513,035</u>
EXPENDITURES (Schedule 5)			
Legislative	192,490	182,127	196,928
Administration	1,020,983	1,022,733	959,617
Protective Services	2,026,537	1,582,423	1,665,555
Transportation	1,689,276	2,068,073	2,497,022
Water Supply and Distribution	2,177,595	2,154,770	2,011,142
Wastewater Treatment and Disposal	463,355	408,100	364,034
Waste Management	601,212	581,661	699,325
Public Health and Welfare	225,723	218,892	206,630
Subdivision Land Development	870,644	914,891	807,942
Recreation, Culture and Parks	2,926,731	2,900,918	2,743,374
Amortization (Note 18)	-	6,036,358	6,012,585
Total Expenditures	<u>\$ 12,194,546</u>	<u>\$ 18,070,946</u>	<u>\$ 18,164,154</u>
EXCESS (SHORTFALL) OF REVENUE OVER EXPENSE			
EXPENSES - BEFORE OTHER	\$ 2,139,611	\$ (3,278,102)	\$ (4,651,119)
OTHER			
Government Transfers for Capital (Schedule 4)	<u>3,190,000</u>	<u>1,729,081</u>	<u>2,440,043</u>
EXCESS (SHORTFALL) OF REVENUE OVER EXPENSES	5,329,611	(1,549,021)	(2,211,076)
ACCUMULATED SURPLUS, BEGINNING OF YEAR	<u>110,397,168</u>	<u>110,397,168</u>	<u>112,608,244</u>
ACCUMULATED SURPLUS, END OF YEAR	<u>\$ 115,726,779</u>	<u>\$ 108,848,147</u>	<u>\$ 110,397,168</u>

TOWN OF STETTLER
CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL ASSETS (DEBT)
FOR THE YEAR ENDED DECEMBER 31, 2015

	<u>2015</u> <u>Budget</u> <u>Unaudited</u>	<u>2015</u> <u>Actual</u>	<u>2014</u> <u>Actual</u>
EXCESS (SHORTFALL) OF REVENUE OVER EXPENSES	\$ -	\$ (1,549,021)	\$ (2,211,076)
Acquisition of Tangible Capital Assets	-	(4,359,785)	(5,722,010)
Proceeds on Disposal of Tangible Capital Assets	-	1,584	109,600
Amortization of Tangible Capital Assets	-	6,036,358	6,012,585
(Gain) Loss on Sale of Tangible Capital Assets	-	219,990	570,787
	<u>\$ -</u>	<u>\$ 1,898,147</u>	<u>\$ 970,962</u>
Acquisition of Prepaid Assets	-	(51,227)	(24,097)
Use of Prepaid Assets	-	24,096	45,633
	<u>\$ -</u>	<u>\$ (27,131)</u>	<u>\$ 21,536</u>
(INCREASE) DECREASE IN NET DEBT	\$ -	\$ 321,995	\$ (1,218,578)
NET FINANCIAL ASSETS (DEBT), BEGINNING OF YEAR	<u>\$ -</u>	<u>\$ (237,463)</u>	<u>\$ 981,115</u>
NET FINANCIAL ASSETS (DEBT), END OF YEAR	<u>\$ -</u>	<u>\$ 84,532</u>	<u>\$ (237,463)</u>

**TOWN OF STETTLER
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2015**

	<u>2015</u> <u>Actual</u>	<u>2014</u> <u>Actual</u>
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING		
Excess (Shortfall) of Revenues Over Expenditures	\$ (1,549,021)	\$ (2,211,076)
Non-cash items included in excess (shortfall) of revenues over expenditures:		
Amortization of Tangible Capital Assets (Note 18)	6,036,358	6,012,585
(Gain) Loss on Disposal of Tangible Capital Assets	219,990	570,787
Non-cash Charges to Operations (net change):		
Taxes and Grants-in-lieu Receivables	(7,765)	116,961
Local Improvement Taxes Receivables	(244,534)	181,269
Government Trade and Other Receivables	351,937	40,678
Other Financial Assets	4,620	(11,653)
Prepaid Expenses	(27,131)	21,537
Accounts Payable and Accrued Liabilities	(35,571)	(1,365,817)
Land Held for Resale	-	32,673
Deferred Revenue	377,724	(519,714)
Deposit Liabilities	800	325
Net Cash Provided by (used in) Operating Activities	<u>5,127,407</u>	<u>2,868,555</u>
CAPITAL		
Acquisition of Tangible Capital Assets	(4,359,785)	(5,722,010)
Sale of Tangible Capital Assets	1,584	109,600
Cash Applied to Capital Transactions	<u>(4,358,201)</u>	<u>(5,612,410)</u>
INVESTING		
Decrease (increase) in Restricted Cash or Cash Equivalents	<u>(426,602)</u>	<u>553,490</u>
Cash Provided by (Applied to) Investing Transactions	<u>(426,602)</u>	<u>553,490</u>
FINANCING		
Other Long-Term Debt	-	-
Long-Term Debt Issued	493,611	-
Long-Term Debt Repaid	(401,831)	(383,671)
Cash Provided by (Applied to) Financing Transactions	<u>91,780</u>	<u>(383,671)</u>
CHANGE IN CASH AND EQUIVALENTS DURING THE YEAR	\$ 434,384	\$ (2,574,036)
CASH AND EQUIVALENTS - BEGINNING OF YEAR	<u>4,604,562</u>	<u>7,178,598</u>
CASH AND EQUIVALENTS - END OF YEAR	\$ 5,038,946	\$ 4,604,562
Cash and Cash Equivalents if Made up of:		
Cash and Temporary Investments (Note 2)	\$ 5,639,736	\$ 4,778,750
Less: Restricted Portion of Cash and Temporary Investments (Note 2)	(600,790)	(174,188)
	<u>\$ 5,038,946</u>	<u>\$ 4,604,562</u>

TOWN OF STETTLER
SCHEDULE 1 - CHANGES IN ACCUMULATED SURPLUS
FOR THE YEAR ENDED DECEMBER 31, 2015

	Unrestricted Surplus	Restricted Surplus	Equity in Tangible Capital Assets	2015 Actual	2014 Actual
BALANCE, BEGINNING OF YEAR	2,294,237	4,370,582	103,732,349	110,397,168	112,608,244
Excess (deficiency) of Revenues over Expense	(1,549,021)	-	-	(1,549,021)	(2,211,076)
Unrestricted Funds Designated for Future Use	(2,931,489)	2,931,489	-	-	-
Restricted Funds Used for Operations	695,167	(695,167)	-	-	-
Restricted Funds Used for TCA	(1,107,945)	(1,107,945)	1,107,945	-	-
Current Year Funds Used for TCA	(2,758,229)	-	2,758,229	-	-
Donated and Contributed TCA	-	-	-	-	-
Disposal of TCA	221,574	-	(221,574)	-	-
Annual Amortization Expense	6,036,358	-	(6,036,358)	-	-
Long Term Debt Repaid	(401,831)	-	401,831	-	-
Long Term Debt Used for TCA	-	-	493,611	-	-
Long Term Debt Issued	-	-	(493,611)	-	-
Change in Accumulated Surplus	(687,471)	1,128,377	(1,989,927)	(1,549,021)	(2,211,076)
BALANCE, END OF YEAR	1,606,766	5,498,959	101,742,422	108,848,147	110,397,168

TOWN OF STETTLER
SCHEDULE 2 - TANGIBLE CAPITAL ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2015

	Land	Land Improvements	Buildings	Engineered Structures	Machinery and Equipment	Vehicles	2015 Actual	2014 Actual
COST:								
BALANCE, BEGINNING OF YEAR	1,477,011	5,048,387	56,639,138	107,202,737	4,098,081	3,191,565	177,656,919	174,087,897
Acquisition of Tangible Capital Assets	-	297,692	154,217	2,773,705	175,911	72,888	3,474,413	5,722,010
Construction-in-Progress	-	-	-	(1,377,736)	(10,440)	885,372	885,372	
Disposal of Tangible Capital Assets	-	-	-			(93,717)	(1,481,893)	(2,152,988)
Write Down of Tangible Capital Assets								
BALANCE, END OF YEAR	1,477,011	5,346,079	56,793,355	108,598,706	4,263,552	4,056,108	180,534,811	177,656,919
ACCUMULATED AMORTIZATION:								
BALANCE, BEGINNING OF YEAR	-	1,234,385	10,856,500	51,067,129	2,349,740	1,538,630	67,046,384	62,506,400
Annual Amortization		215,430	1,139,798	4,236,729	237,598	206,803	6,036,358	6,012,585
Accumulated Amortization on Disposals			-	(1,156,162)	(10,440)	(93,717)	(1,260,319)	(1,472,601)
BALANCE, END OF YEAR	-	1,449,815	11,996,298	54,147,696	2,576,898	1,651,716	71,822,423	67,046,384
2015 NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	1,477,011	3,896,264	44,797,057	54,451,010	1,686,654	2,404,392	108,712,388	110,610,535
2014 NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	1,477,011	3,814,002	45,782,638	56,135,611	1,748,340	1,652,933	110,610,535	

TOWN OF STETTLER
SCHEDULE 3 - PROPERTY AND OTHER TAXES
FOR THE YEAR ENDED DECEMBER 31, 2015

	<u>2015</u> <u>Budget</u> <u>(Unaudited)</u>	<u>2015</u> <u>Actual</u>	<u>2014</u> <u>Actual</u>
TAXATION			
Real Property Taxes	\$ 7,551,197	\$ 7,532,344	\$ 7,203,175
Linear Property Taxes	149,051	149,051	145,447
Government Grants-in-lieu of Property Taxes	47,980	47,980	61,618
Special Assessments and Local Improvement Taxes	151,705	504,289	-
Business Taxes	6,600	6,450	6,450
Subtotal	<u>\$ 7,906,533</u>	<u>\$ 8,240,114</u>	<u>\$ 7,416,690</u>
REQUISITIONS			
Alberta School Foundation Fund - Basic	2,164,052	2,153,054	2,090,621
Seniors Foundation	247,154	247,154	220,922
Subtotal	<u>\$ 2,411,206</u>	<u>\$ 2,400,208</u>	<u>\$ 2,311,543</u>
NET MUNICIPAL TAXES	<u>\$ 5,495,327</u>	<u>\$ 5,839,906</u>	<u>\$ 5,105,147</u>

TOWN OF STETTLER
SCHEDULE 4 - GOVERNMENT TRANSFERS
FOR THE YEAR ENDED DECEMBER 31, 2015

	<u>2015</u> <u>Budget</u> <u>(Unaudited)</u>	<u>2015</u> <u>Actual</u>	<u>2014</u> <u>Actual</u>
TRANSFERS FOR OPERATING			
Federal Government	\$ 1,500	\$ 599	\$ 1,500
Provincial Government	503,986	677,511	593,036
Other Local Government	926,780	872,420	511,148
Subtotal	<u>\$ 1,432,266</u>	<u>\$ 1,550,530</u>	<u>\$ 1,105,684</u>
TRANSFERS FOR CAPITAL:			
Provincial Government	\$ 3,190,000	\$ 1,729,081	\$ 2,430,482
Other Local Government	-	-	9,561
Subtotal	<u>\$ 3,190,000</u>	<u>\$ 1,729,081</u>	<u>\$ 2,440,043</u>
TOTAL GOVERNMENT TRANSFERS	<u>\$ 4,622,266</u>	<u>\$ 3,279,611</u>	<u>\$ 3,545,727</u>

TOWN OF STETTLER
SCHEDULE 5 - CONSOLIDATED EXPENDITURES BY OBJECT
FOR THE YEAR ENDED DECEMBER 31, 2015

	<u>2015</u> <u>Budget</u> <u>(Unaudited)</u>	<u>2015</u> <u>Actual</u>	<u>2014</u> <u>Actual</u>
CONSOLIDATED EXPENSES BY OBJECT			
Salaries, Wages and Benefits	\$ 5,157,090	\$ 4,939,838	\$ 4,738,777
Contracted and General Services	2,141,886	2,025,256	1,918,395
Materials, Goods, Supplies and Utilities	2,696,796	2,970,872	2,976,838
Provision for Allowances	11,000	11,631	6,656
Purchases and Transfers from Other Governments	1,079,214	771,032	901,666
Transfers to Local Boards and Agencies	709,696	719,469	651,270
Transfers to Individuals and Organizations	24,600	31,261	23,205
Bank Charges and Short-term Interest	12,520	11,869	11,525
Interest on Long-term Debt	312,234	297,489	314,968
Other Expenditures	49,510	35,881	37,482
Loss on Sale of Tangible Capital Assets	-	219,990	570,787
Amortization of Tangible Capital Assets	-	6,036,358	6,012,585
TOTAL EXPENSES	<u>\$12,194,546</u>	<u>\$18,070,946</u>	<u>\$18,164,154</u>

TOWN OF STETTLER									
SCHEDULE 6 - SEGMENTED DISCLOSURE									
FOR THE YEAR ENDED DECEMBER 31, 2015									
	General Government	Protective Services	Transporation	Environmental Use & Protection	Public Health & Welfare	Planning & Development	Recreation & Culture	2015 Actual	
REVENUE:									
Net Municipal Taxes	5,839,906							5,839,906	
Sales to Other Governments	30,000							30,000	
Sales and User Charges	29,327	31,878	3,884	4,416,117	15,616	264,255	264,492	5,025,569	
Penalties and Costs on Taxes	42,784			28,130		67,458	40	70,954	
Licenses and Permits		103,683						171,141	
Fines		88,444						88,444	
Franchise and Concession Contracts	780,770							780,770	
Returns on Investments	-	73,708	-	-	604	727	51,076	126,115	
Rentals			6,645			257,312	537,284	801,241	
Contributed and Donated Assets								-	
Federal Government Transfers							599	599	
Provincial Government Transfers	4,633	750,955	546,074	964,152	140,778	-	-	2,406,592	
Local Government Transfers	122	354,346	4,500		-	-	513,452	872,420	
Other Revenues	(4,500)	-			-	73,404	239,270	308,174	
Total Revenue	6,723,042	1,403,014	561,103	5,408,399	156,998	663,156	1,606,213	16,521,925	
EXPENSES:									
Salaries, Wages and Benefits	777,672	386,932	779,619	1,117,655	35,418	307,227	1,535,315	4,939,838	
Contracted and General Services	336,834	277,509	275,883	578,487	433	211,745	344,365	2,025,256	
Purchases from Other Governments		770,759						770,759	
Materials, Goods, Supplies and Utilities	47,800	146,601	816,619	855,550	9,396	374,986	719,920	2,970,872	
Provision for Allowance		622		10,882	127			11,631	
Transfer to Other Governments						273		273	
Transfer to Local Boards and Agencies				298,896	173,517		247,056	719,469	
Transfer to Individuals and Organizations				2,600	20,000	661	8,000	31,261	
Bank Charges	7,600			450			3,819	11,869	
Interest on Capital Long Term Debt	34,949		25,330	194,771			42,439	297,489	
Net Loss on Sale of TCA		-	214,658	5,332				219,990	
Other Expenditures	4	-	-	35,873			4	35,881	
Total Expense	1,204,859	1,582,423	2,112,109	3,100,496	238,891	894,892	2,900,918	12,034,588	
NET REVENUE, BEFORE AMORTIZATION	5,518,183	(179,409)	(1,551,006)	2,307,903	(81,893)	(231,736)	(1,294,705)	4,487,337	
Amortization	94,805	162,799	4,072,244	979,571	1,883	135,692	589,364	6,036,358	
NET REVENUE	5,423,378	(342,208)	(5,623,250)	1,328,332	(83,776)	(367,428)	(1,884,069)	(1,549,021)	

TOWN OF STETTLER
NOTES TO THE FINANCIAL STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2015

1. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements of the Town of Stettler 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:

(a) Reporting Entity

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

Town of Stettler Fire Department
Stettler Regional Board of Trade and Community Development

The schedule of taxes levied also includes requisitions for educational, 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.

(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 for local governments 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.

(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 STETTLER
NOTES TO THE FINANCIAL STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2015**

(e) Requisition Over-levy and Under-levy

Over-levies and under-levies arise from the difference between the actual property tax levy made to cover each requisition and the actual amount requisitioned.

If the actual levy exceeds the requisition, the over-levy is accrued as a liability and property tax revenue is reduced. Where the actual levy is less than the requisition amount, the under-levy is accrued as a receivable and as property tax revenue.

Requisition tax rates in the subsequent year are adjusted for any over-levies or under-levies of the prior year.

(f) Land Held For Resale

Land held for resale is recorded at the lower of cost or net realizable value. Cost includes costs for land acquisition and improvements required to prepare the land for servicing such as clearing, stripping and leveling 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 their respective function.

(g) Government Transfers

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

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

(h) 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, provided the consolidated Change in Net Financial Assets (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 on a straight-line basis over the estimated useful life as follows:

	YEARS
Land Improvements	15 - 45
Buildings	25 - 50
Engineered Structures	
Roadway System	5 - 60
Water System	45 - 75
Wastewater System	45 - 75
Storm System	45 - 75
Machinery and Equipment	5 - 40
Vehicles	7 - 25

**TOWN OF STETTLER
NOTES TO THE FINANCIAL STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2015**

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.

(i) Cash & Cash Equivalents

Cash and cash equivalents consist of cash on hand, accounts with banks and short-term, highly liquid investments.

(j) Pensions

Pension cost included in these statements comprise the cost of employer contributions for current service of employees during the year. The municipality participates in the multi-employer Local Authorities Pension Plan.

2. CASH AND TEMPORARY INVESTMENTS

	<u>2015</u>	<u>2014</u>
Cash	\$ 5,639,736	\$ 4,778,750
Temporary Investments	<u>-</u>	<u>-</u>
Total	<u>\$ 5,639,736</u>	<u>\$ 4,778,750</u>

Interest is earned on the General Account at Prime Rate less 1.75%. Included in Cash and Temporary Investments is a restricted amount of \$600,790 (2014 - \$174,188) received from various Provincial Programs and related to deferred grant funding (Note 5).

Included in cash is a restricted balance of \$55,919 (2014 - \$53,999) related to trust funds held at year end (Note 12).

3. TAXES AND GRANTS IN LIEU RECEIVABLES

	<u>2015</u>	<u>2014</u>
Current and Grants-in-lieu	\$ 90,876	\$ 78,342
Arrears Taxes	33,039	37,808
Less: Allowance for Doubtful Accounts	<u>(12,511)</u>	<u>(12,511)</u>
Total	<u>\$ 111,404</u>	<u>\$ 103,639</u>

**TOWN OF STETTLER
NOTES TO THE FINANCIAL STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2015**

4. LONG-TERM INVESTMENTS

	<u>2015</u>	<u>2014</u>
AMFC Shares, at Cost	\$ <u>40</u>	\$ <u>40</u>
Total	\$ <u>40</u>	\$ <u>40</u>

5. DEFERRED REVENUE

	<u>2015</u>	<u>2014</u>
Municipal Sustainability Initiative	\$ 189,558	\$ -
New Deal Communities	281,692	-
Police Assistance	86,496	
Regional Collaboration	43,044	174,188
Other	21,344	108,844
Other - P&L	19,285	14,811
Other - BOT	84,487	50,339
Total	\$ <u>725,906</u>	\$ <u>348,182</u>

Conditional grants are deferred until the prescribed expenditures are made.

6. RESTRICTED FUNDS

Reserves for operating and capital activities changed as follows:

<u>Operating Reserves</u>	<u>2014</u>	<u>Increases</u>	<u>Decreases</u>	<u>2015</u>
RCMP (Records Check)	45,209	7,429	4,915	47,723
Rescue Van	78,867	26,528	16,645	88,750
Land Farmed Site	7,650			7,650
Walking Pathway	76,335	91,647		167,982
Sewer General	151,081		151,081	-
Landfill Site Maintenance	-	3,000		3,000
Perpetual Care	53,999	1,920		55,919
West Stettler Planning	33,265		29,518	3,747
BOT Community Event	11,000			11,000
Building Maintenance	24,200	2,200		26,400
SCR Building Maintenance	15,868	97,500		113,368
Culture	75,000	15,000	8,000	82,000
Office Automation	10,545		2,720	7,825
RCMP Contract	75,000	155,000		230,000
Fire Telus Tower	-	8,900		8,900
Salt Shed	-	6,500		6,500
Street Light Replacement	19,260			19,260
Mun 2000 Beautification	13,139			13,139
Coat Exterior Reservoir	40,000			40,000
Sewer Offsite	246,682			246,682
SE Industrial Planning	50,000			50,000
Land Development	934,974			934,974
Playground Program	3,000			3,000
Tree Maintenance	2,950			2,950
Regional Squad Unit	3,692		3,692	-

TOWN OF STETTLER
NOTES TO THE FINANCIAL STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2015

Cold Lake Survey	20,000		1,200	18,800
Board of Trade	20,000		20,000	-
SRC Projection System	2,862		150	2,712
Community Orchard	2,800			2,800
ARB	6,000			6,000
WTS Operations	81,129			81,129
Parade Float	20,000		20,000	-
Memorial Park	4,864			4,864
Slurrey Seal	23,434	25,508		48,942
Water Well Building	-	25,000		25,000
General Reserve	1,693,035	1,098,244	1,454,790	1,336,489
Utilities - Other	-	491,433		491,433
Utilities - Water	-	256,519	-	256,519
Total Operating Reserves	\$ 3,845,840	\$ 2,312,328	\$ 1,712,711	\$ 4,445,457

Capital Reserves	2014	Increases	Decreases	2015
Admin Equipment/Computer	59,598	24,600	51,212	32,986
Disaster Services	6,008			6,008
Chainlink Fence	9,646			9,646
Compost Bins/Pads	10,000		7,120	2,880
Cemetery	8,006			8,006
GIS System	6,703			6,703
Fire Equipment	150,299			150,299
Common Services Equipment	-	20,000		20,000
Drainage	29,582			29,582
Community Hall	13,963	80,000	8,500	85,463
Campground Expansion	22,571	12,000		34,571
WTP	-	78,347		78,347
ML Sports Park	6,586	18,913		25,499
Cemetery Road	150,000			150,000
Water Dispensing System	3,220			3,220
Recreation Agreement	-	385,300		385,300
Downtown Park	27,474		15,156	12,318
Fishing Pier	17,193		8,413	8,780
East Industrial Loop	3,894	-	-	3,894
Total Capital Reserves	\$ 524,743	\$ 619,160	\$ 90,401	\$ 1,053,502

TOTAL RESTRICTED FUNDS **\$ 4,370,583** **\$ 2,931,488** **\$ 1,803,112** **\$ 5,498,959**

7. LONG-TERM DEBT

	2015	2014
Tax Supported Debentures	\$ 1,905,001	\$ 2,031,049
Self Supported Debentures	5,064,965	4,847,137
Total	\$ 6,969,966	\$ 6,878,186

**TOWN OF STETTLER
NOTES TO THE FINANCIAL STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2015**

Principal and interest repayments are due as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 439,409	\$ 297,392	\$ 736,801
2017	459,993	276,908	736,901
2018	481,464	255,437	736,901
2019	503,970	232,931	736,901
2020	460,022	209,338	669,360
Thereafter	<u>4,625,108</u>	<u>1,020,145</u>	<u>5,645,253</u>
Total	<u>\$ 6,969,966</u>	<u>\$ 2,292,151</u>	<u>\$ 9,262,117</u>

Debenture debt is repayable to Alberta Capital Finance Authority and bears interest at rates ranging from 2.306% to 6.500% per annum, and mature in periods 2019 through 2035. The average annual interest rate is 4.56% for 2015 (4.73% for 2014).

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

Future interest repayment annual amounts have been calculated using the accrual method. The Town's total cash payments for interest in 2015 were \$297,489 (2014 - \$314,968)

8. DEBT LIMITS

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

	<u>2015</u>	<u>2014</u>
Total Debt Limit	\$ 22,189,266	\$ 20,283,894
Total Debt	<u>6,969,966</u>	<u>6,878,186</u>
Amount of Debt Limit Unused	<u>\$ 15,219,300</u>	<u>\$ 13,405,708</u>
Service on Debt Limit	\$ 3,698,211	\$ 3,380,649
Service on Debt	<u>736,801</u>	<u>704,408</u>
Amount of Debt Servicing Limit Unused	<u>\$ 2,961,410</u>	<u>\$ 2,676,241</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 that could be at financial risk if further debt is acquired. The calculation taken alone does not represent the financial stability of the municipality. Rather, the financial statements must be interpreted as a whole.

**TOWN OF STETTLER
NOTES TO THE FINANCIAL STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2015**

9. TANGIBLE CAPITAL ASSETS

Net Book Value	<u>2015</u>	<u>2014</u>
Land	\$ 1,477,011	\$ 1,477,011
Land Improvements	3,896,264	3,814,002
Buildings	44,797,057	45,782,638
Engineered Structures		
Distribution Systems - Roads	32,147,230	34,951,061
Distribution Systems - Water	7,842,770	7,403,939
Distribution Systems - Wastewater	11,018,156	10,275,087
Distribution Systems - Storm	3,442,854	3,505,524
Machinery & Equipment & Furnishings	1,686,654	1,748,340
Vehicles	<u>2,404,392</u>	<u>1,652,933</u>
Total	<u>\$ 108,712,388</u>	<u>\$ 110,610,535</u>

10. EQUITY IN TANGIBLE CAPITAL ASSETS

	<u>2015</u>	<u>2014</u>
Tangible Capital Assets (Schedule 2)	\$ 180,534,811	\$ 177,656,918
Accumulated Amortization (Schedule 2)	(71,822,423)	(67,046,383)
Long Term Debt (Note 7)	<u>(6,969,966)</u>	<u>(6,878,186)</u>
Total	<u>\$ 101,742,422</u>	<u>\$ 103,732,349</u>

11. ACCUMULATED SURPLUS

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

	<u>2015</u>	<u>2014</u>
Unrestricted Surplus (deficit)	\$ 1,606,766	\$ 2,294,237
Restricted Funds (Note 6)	5,498,959	4,370,582
Equity in Tangible Capital Assets (Note 10)	<u>101,742,422</u>	<u>103,732,349</u>
Total	<u>\$ 108,848,147</u>	<u>\$ 110,397,168</u>

**TOWN OF STETTLER
NOTES TO THE FINANCIAL STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2015**

12. TRUST FUNDS

The Town of Stettler administers the following trust:

	<u>2015</u>	<u>2014</u>
Cemetery Perpetual Care		
Balance, Beginning of Year	\$ 53,999	\$ 50,619
Sale of Cemetery Plots	845	880
Columbarium Purchase	<u>1,075</u>	<u>2,500</u>
Balance, End of Year	<u>\$ 55,919</u>	<u>\$ 53,999</u>

13. SALARY & BENEFITS DISCLOSURE

Disclosure of salaries and benefits for elected municipal officials, the chief administrative officer and designated officers as required by provincial regulation is as follows:

	<u>2015</u>			<u>2014</u>	
	<u>#of</u>	<u>Salary (1)</u>	<u>Benefits &</u>	<u>Total</u>	
	<u>Persons</u>		<u>Allowances (2&3)</u>		<u># of</u>
					<u>Persons</u>
Councillor D. Bachman	1	17,084	1,106	18,190	1
Councillor W. Brown	1	16,954	1,175	18,129	1
Councillor A. Campbell	1	23,194	4,605	27,799	1
Councillor M. Fischer	1	20,074	4,035	24,109	1
Councillor S. Nolls	1	18,644	3,326	21,970	1
Mayor R. Richards	1	34,557	2,430	36,987	1
Councillor K. Sernecky	1	19,294	3,054	22,348	1
Town Man. R. Stoutenberg		-	-	-	1
CAO. G. Switenky	1	153,650	32,129	185,779	1
					188,093
					168,626

- (1) Salary includes regular base pay, bonuses, overtime, lump sum payments, gross honoraria and any other direct cash remuneration.
- (2) Employers share of all employee benefits and contributions or payments made on behalf of employees including pension, health care, dental 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 planning services, retirement planning services, concessionary loans and club memberships.

14. LOCAL AUTHORITIES PENSION PLAN

- Employees of the Town of Stettler participate in the Local Authorities Pension Plan (LAPP), which is covered by the Public Sector Pension Plans Act. The Plan serves about 237,612 people and 423 employers. It is financed by employer and employee contributions and investment earnings of the LAPP Fund.
- Contributions for current service are recorded as expenditures in the year in which they become due.

TOWN OF STETTTLER
NOTES TO THE FINANCIAL STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2015

- The Town of Stettler is required to make current service contributions to the Plan of 11.39% of pensionable earnings up to the Canada Pension Plan Year's Maximum Pensionable Earnings and 15.84% for the excess.
- Employees of the Town of Stettler are required to make current service contributions of 10.39% of pensionable salary up to the year's maximum pensionable earnings under the Canada Pension Plan, and 14.84% on pensionable salary above this amount.
- Total current and past service contributions by the Town of Stettler to the Local Authorities Pension Plan in 2015 were \$428,195 (2014 - \$396,103) Total current and past service contributions by the employees of the Town of Stettler to the Local Authorities Pension Plan in 2015 were \$393,790 (2014 - \$364,480)
- At December 31, 2014 the Plan disclosed an actuarial deficiency of \$2.4 billion for the Plan.

15. CONTINGENCIES

The Town of Stettler is a member of the Alberta Local Authorities Reciprocal Insurance Exchange. Under the terms of membership, the Town of Stettler 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 of Stettler, the County of Stettler, and all other incorporated municipalities within the geographical boundaries of the County of Stettler provide funds for the operation of the Stettler Waste Management Authority. The Authority is accumulating reserves to fund future estimated site cleanup obligations. The member municipalities may be liable for future costs in excess of the reserves.

The Town of Stettler and the County of Stettler through joint agreement provide funds for the operation of the Stettler Family and Community Support Services. The amounts noted in this financial statement represent only the Town of Stettler portion of contributions made to F.C.S.S.

16. FINANCIAL INSTRUMENTS

The Town's financial instruments consist of cash and temporary investments, accounts receivables, a line of credit, investments, accounts payable, 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 currency risks 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 service may experience financial difficulty and may be unable to fulfill their obligations. The large number and diversity of taxpayers and customers minimizes the credit risk.

Unless otherwise noted, the fair value of these financial instruments approximates their carrying values.

The Town is exposed to interest rate risk on temporary bank indebtedness, as the interest rate will fluctuate with change in the prime lending rate.

The fixed rate debentures are subject to interest rate risk, as the value will fluctuate as a result of changes in market rates.

TOWN OF STETTLER
NOTES TO THE FINANCIAL STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2015

17. 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).

18. AMORTIZATION

Amortization is a non-cash expense and is allocated to the different functions as follows:

	<u>2015</u>	<u>2014</u>
General Administration	\$ 94,805	\$ 93,860
Police Protective Services	-	-
Fire Protective Services	162,799	145,007
Common and Equipment Pool	217,818	242,308
Roads, Streets, Walks, Lighting	3,774,717	3,797,964
Airport	17,040	17,040
Storm Sewers and Drainage	62,669	62,669
Water Supply and Distribution	677,884	669,291
Wastewater Treatment and Disposal	301,450	280,771
Waste Management	237	-
Cemeteries	1,883	2,049
Land Use Planning	8,855	8,855
Economic Development	2,587	2,587
Public Housing Operations	85,967	85,967
Land, Housing and Building Rentals	38,283	34,966
Parks and Recreation	546,282	527,014
Culture	43,082	42,237
Total	\$ 6,036,358	\$ 6,012,585

19. OTHER LONG-TERM LIABILITIES

	<u>2015</u>	<u>2014</u>
Tax Sales In Trust	\$ 19,352	\$ 19,352
Reserve for Public Lands	105,359	105,359
Total	\$ 124,711	\$ 124,711

20. OPERATING LINE OF CREDIT

At December 31, 2015 the Town had a short-term line of credit for \$100,000 (2014 - \$100,000) of which nothing had been drawn down. The interest rate on advances would be Prime minus 1/4%.

**TOWN OF STETTLER
NOTES TO THE FINANCIAL STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2015**

21. RECENT ACCOUNTING PRONOUNCEMENTS PUBLISHED BUT NOT YET ADOPTED

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

(a) Section PSAB 3041 - Portfolio Investments

This new section establishes standards on how to account for and report portfolio investments in government financial statements. This standard is effective for the 2016 fiscal year.

(b) Section PSAB 3450 - Financial Instruments

This section establishes standards on how to account for and report all types of financial instruments including derivatives. This standard is effective for the 2016 fiscal year.

22. APPROVAL OF FINANCIAL STATEMENTS

Council and Management have approved these financial statements.

23. BUDGET AMOUNTS

Budget figures for the year ended December 31, 2015 were approved as May 19, 2015 and are for information purposes. These amounts have not been audited.