

# Gitzel Krejci Dand Peterson

CHARTERED ACCOUNTANTS



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## TOWN OF STETTLER

## FINANCIAL STATEMENTS

**FOR THE YEAR ENDED DECEMBER 31, 2013**

## INDEPENDENT AUDITORS' REPORT

TO: The Mayor and Council

We have audited the accompanying financial statements of the Town of Stettler, which comprise the consolidated statement of financial position as at December 31, 2013, and the consolidated 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.

### Management's 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.

### Auditor's 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, 2013, and its financial performance and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Stettler, Alberta  
April 15, 2014

*Gitzel Krejci Dand Peterson*  
CHARTERED ACCOUNTANTS

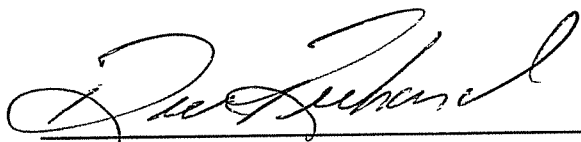


Gitzel Krejci Dand Peterson  
CHARTERED ACCOUNTANTS

**TOWN OF STETTLER**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT DECEMBER 31, 2013**

	<u>2013</u>	<u>Restated</u> <u>2012</u>
<b>FINANCIAL ASSETS</b>		
Cash and Temporary Investments (Note 2)	\$ 7,906,276	\$ 8,060,237
Taxes and Grants-in-lieu Receivables (Note 3)	220,600	165,245
Local Improvement Taxes Receivable	1,318,284	1,445,972
Trade and Other Receivables	1,460,136	1,332,236
Receivable from Governments	1,151,897	963,037
Land Inventory Held for Resale	461,039	524,316
Long-term Investments (Note 4)	40	40
Other Assets	<u>391</u>	<u>489</u>
<b>TOTAL FINANCIAL ASSETS</b>	<b>\$ <u>12,518,663</u></b>	<b>\$ <u>12,491,572</u></b>
<b>LIABILITIES</b>		
Accounts Payable and Accrued Liabilities	\$ 3,258,235	\$ 1,868,089
Deposit Liabilities	24,850	24,775
Deferred Revenue (Note 5)	865,943	1,989,237
Other Current Liabilities	1,953	752
Other Long-term Liabilities (Note 19)	124,711	124,711
Long-term Debt (Note 7)	<u>7,261,857</u>	<u>7,108,805</u>
<b>TOTAL LIABILITIES</b>	<b>\$ <u>11,537,549</u></b>	<b>\$ <u>11,116,369</u></b>
<b>NET FINANCIAL ASSETS (DEBT)</b>	<b>\$ <u>981,114</u></b>	<b>\$ <u>1,375,203</u></b>
<b>NON-FINANCIAL ASSETS</b>		
Tangible Capital Assets (Note 9)	111,581,497	111,984,377
Prepaid Expenses	<u>45,633</u>	<u>22,858</u>
<b>TOTAL NON-FINANCIAL ASSETS</b>	<b>\$ <u>111,627,130</u></b>	<b>\$ <u>112,007,235</u></b>
<b>ACCUMULATED SURPLUS (Note 11)</b>	<b>\$ <u>112,608,244</u></b>	<b>\$ <u>113,382,438</u></b>

**CONTINGENCIES (NOTE 15)**

  
 \_\_\_\_\_  
 Mayor

APRIL 15/14  
 \_\_\_\_\_  
 Date

**TOWN OF STETTLER  
CONSOLIDATED STATEMENT OF OPERATIONS  
FOR THE YEAR ENDED DECEMBER 31, 2013**

	<u>2013</u> <u>Budget</u> <u>(Unaudited)</u>	<u>2013</u> <u>Actual</u>	<u>Restated</u> <u>2012</u> <u>Actual</u>
<b>REVENUES</b>			
Net Taxes (Schedule 3)	\$ 4,935,850	\$ 4,847,112	\$ 5,149,948
Sales and User Fees	5,143,850	4,810,719	4,873,470
Government Transfers (Schedule 4)	1,078,530	1,412,133	1,229,288
Investment Income	90,300	196,760	110,572
Penalties and Costs on Taxes	74,840	86,441	75,460
Licenses and Permits	151,500	168,860	178,678
Fines	85,500	93,147	107,324
Franchise and Concession Contracts	648,270	729,733	591,893
Rentals	725,490	766,395	789,701
Gain on Sale of Tangible Capital Assets	-	-	-
Other	-	2,121	(45,708)
<b>Total Revenue</b>	<u>\$ 12,934,130</u>	<u>\$ 13,113,421</u>	<u>\$ 13,060,626</u>
<b>EXPENDITURES (Schedule 5)</b>			
Legislative	158,390	161,927	157,179
Administration	911,260	844,827	851,866
Protective Services	1,838,860	1,780,737	1,676,098
Transportation	1,536,985	1,813,630	1,860,939
Water Supply and Distribution	2,084,065	1,977,373	1,855,827
Wastewater Treatment and Disposal	454,850	390,783	444,265
Waste Management	544,985	524,393	509,056
Public Health and Welfare	214,750	210,670	223,163
Subdivision Land Development	832,485	845,916	760,767
Recreation, Culture and Parks	2,748,880	2,822,339	2,710,656
Amortization (Note 18)	-	5,775,981	5,751,924
<b>Total Expenditures</b>	<u>\$ 11,325,510</u>	<u>\$ 17,148,576</u>	<u>\$ 16,801,740</u>
<b>EXCESS (SHORTFALL) OF REVENUE OVER EXPENSE EXPENSES - BEFORE OTHER</b>	<b>\$ 1,608,620</b>	<b>\$ (4,035,155)</b>	<b>\$ (3,741,114)</b>
<b>OTHER</b>			
Government Transfers for Capital (Schedule 4)	<u>2,915,000</u>	<u>3,260,961</u>	<u>1,241,846</u>
<b>EXCESS (SHORTFALL) OF REVENUE OVER EXPENSES</b>	<b>4,523,620</b>	<b>(774,194)</b>	<b>(2,499,268)</b>
<b>ACCUMULATED SURPLUS, BEGINNING OF YEAR</b>	<u>113,382,438</u>	<u>113,382,438</u>	<u>115,881,706</u>
<b>ACCUMULATED SURPLUS, END OF YEAR</b>	<u>\$ 117,906,058</u>	<u>\$ 112,608,244</u>	<u>\$ 113,382,438</u>

**TOWN OF STETTLER**  
**CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL ASSETS (DEBT)**  
**FOR THE YEAR ENDED DECEMBER 31, 2013**

	<u>2013</u> <u>Budget</u> <u>Unaudited</u>	<u>2013</u> <u>Actual</u>	<u>Restated</u> <u>2012</u> <u>Actual</u>
<b>EXCESS (SHORTFALL) OF REVENUE OVER EXPENSES</b>	\$ -	\$ (774,194)	\$ (2,499,268)
Acquisition of Tangible Capital Assets	-	(5,548,827)	(2,424,203)
Proceeds on Disposal of Tangible Capital Assets	-	3,500	5,026
Amortization of Tangible Capital Assets	-	5,775,981	5,751,924
(Gain) Loss on Sale of Tangible Capital Assets	-	172,227	292,619
	<u>\$ -</u>	<u>\$ 402,881</u>	<u>\$ 3,625,366</u>
Acquisition of Prepaid Assets	-	(45,633)	(22,858)
Use of Prepaid Assets	-	22,858	19,841
	<u>\$ -</u>	<u>\$ (22,775)</u>	<u>\$ (3,017)</u>
<b>(INCREASE) DECREASE IN NET DEBT</b>	<u>\$ -</u>	<u>\$ (394,088)</u>	<u>\$ 1,123,081</u>
<b>NET FINANCIAL ASSETS (DEBT), BEGINNING OF YEAR</b>	<u>\$ -</u>	<u>\$ 1,375,203</u>	<u>\$ 252,122</u>
<b>NET FINANCIAL ASSETS (DEBT), END OF YEAR</b>	<u>\$ -</u>	<u>\$ 981,115</u>	<u>\$ 1,375,203</u>

**TOWN OF STETTLER  
CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2013**

	<u>2013</u> <u>Actual</u>	<u>Restated</u> <u>2012</u> <u>Actual</u>
<b>NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:</b>		
<b>OPERATING</b>		
Excess (Shortfall) of Revenues Over Expenditures	\$ (774,194)	\$ (2,499,268)
Non-cash items included in excess (shortfall) of revenues over expenditures:		
Amortization of Tangible Capital Assets (Note 18)	5,775,981	5,751,924
(Gain) Loss on Disposal of Tangible Capital Assets	172,227	292,619
Non-cash Charges to Operations (net change):		
Taxes and Grants-in-lieu Receivables	(55,355)	(16,518)
Local Improvement Taxes Receivables	127,687	(545,815)
Government Trade and Other Receivables	(316,760)	141,039
Other Financial Assets	98	68,447
Prepaid Expenses	(22,775)	(3,017)
Accounts Payable and Accrued Liabilities	1,391,347	230,201
Land Held for Resale	63,277	102,750
Deferred Revenue	(1,123,294)	390,242
Deposit Liabilities	75	(3,700)
Net Cash Provided by (used in) Operating Activities	<u>5,238,314</u>	<u>3,908,904</u>
<b>CAPITAL</b>		
Acquisition of Tangible Capital Assets	(5,548,827)	(2,424,203)
Sale of Tangible Capital Assets	3,500	5,026
Cash Applied to Capital Transactions	<u>(5,545,327)</u>	<u>(2,419,177)</u>
<b>INVESTING</b>		
Decrease (increase) in Restricted Cash or Cash Equivalents	<u>1,153,716</u>	<u>(500,479)</u>
Cash Provided by (Applied to) Investing Transactions	<u>1,153,716</u>	<u>(500,479)</u>
<b>FINANCING</b>		
Other Long-Term Debt	-	-
Long-Term Debt Issued	510,201	-
Long-Term Debt Repaid	(357,149)	(331,825)
Cash Provided by (Applied to) Financing Transactions	<u>153,052</u>	<u>(331,825)</u>
<b>CHANGE IN CASH AND EQUIVALENTS DURING THE YEAR</b>	<b>\$ 999,755</b>	<b>\$ 657,423</b>
<b>CASH AND EQUIVALENTS - BEGINNING OF YEAR</b>	<u>6,178,843</u>	<u>5,521,420</u>
<b>CASH AND EQUIVALENTS - END OF YEAR</b>	<u>\$ 7,178,598</u>	<u>\$ 6,178,843</u>
<b>Cash and Cash Equivalents if Made up of:</b>		
Cash and Temporary Investments (Note 2)	\$ 7,906,276	\$ 8,060,237
Less: Restricted Portion of Cash and Temporary Investments (Note 2)	<u>(727,678)</u>	<u>(1,881,394)</u>
Cash Provided by (Applied to) Investing Transactions	<u>\$ 7,178,598</u>	<u>\$ 6,178,843</u>

**TOWN OF STETTLER**  
**SCHEDULE 1 - CHANGES IN ACCUMULATED SURPLUS**  
**FOR THE YEAR ENDED DECEMBER 31, 2013**

	Unrestricted Surplus	Restricted Surplus	Equity in Tangible Capital Assets	2013 Actual	Restated 2012 Actual
<b>BALANCE, BEGINNING OF YEAR</b>	<b>2,164,621</b>	<b>6,342,245</b>	<b>104,875,572</b>	<b>113,382,438</b>	<b>115,881,706</b>
Excess (deficiency) of Revenues over Expense	(774,194)	-	-	(774,194)	(2,499,268)
Unrestricted Funds Designated for Future Use	(1,693,233)	1,693,233	-	-	-
Restricted Funds Used for Operations	383,211	(383,211)	-	-	-
Restricted Funds Used for TCA	(2,840,273)	(2,198,354)	2,198,354	-	-
Current Year Funds Used for TCA	(2,840,273)	-	2,840,273	-	-
Donated and Contributed TCA	-	-	-	-	-
Disposal of TCA	175,727	-	(175,727)	-	-
Annual Amortization Expense	5,775,981	-	(5,775,981)	-	-
Long Term Debt Repaid	(357,149)	-	357,149	-	-
Change in Accumulated Surplus	670,070	(888,332)	(555,932)	(774,194)	(2,499,268)
<b>BALANCE, END OF YEAR</b>	<b>2,834,691</b>	<b>5,453,913</b>	<b>104,319,640</b>	<b>112,608,244</b>	<b>113,382,438</b>

**TOWN OF SETTLER**  
**SCHEDULE 2 - TANGIBLE CAPITAL ASSETS**  
**FOR THE YEAR ENDED DECEMBER 31, 2013**

	Land	Land Improvements	Buildings	Engineered Structures	Machinery and Equipment	Vehicles	2013 Actual	2012 Actual
<b>COST:</b>								
BALANCE, BEGINNING OF YEAR	1,477,011	3,737,559	52,984,407	104,604,863	3,352,381	3,052,052	169,208,273	167,591,348
Acquisition of Tangible Capital Assets	-	832,173	1,663,926	2,612,254	412,085	28,389	5,548,827	2,424,203
Construction-in-Progress	-	-	-	(650,990)	(18,213)	-	(669,203)	(807,278)
Disposal of Tangible Capital Assets	-	-	-	-	-	-	-	-
Write Down of Tangible Capital Assets	-	-	-	-	-	-	-	-
BALANCE, END OF YEAR	1,477,011	4,569,732	54,648,333	106,566,127	3,746,253	3,080,441	174,087,897	169,208,273
<b>ACCUMULATED AMORTIZATION:</b>								
BALANCE, BEGINNING OF YEAR	-	863,081	8,641,814	44,196,611	2,066,360	1,456,030	57,223,896	51,981,605
Annual Amortization	-	173,061	1,080,686	4,174,625	184,269	163,340	5,775,981	5,751,924
Accumulated Amortization on Disposals	-	-	-	(475,264)	(18,213)	-	(493,477)	(509,633)
BALANCE, END OF YEAR	-	1,036,142	9,722,500	47,895,972	2,232,416	1,619,370	62,506,400	57,223,896
<b>2013 NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS</b>	<b>1,477,011</b>	<b>3,533,590</b>	<b>44,925,833</b>	<b>58,670,155</b>	<b>1,513,837</b>	<b>1,461,071</b>	<b>111,581,497</b>	<b>111,984,377</b>
<b>2012 NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS</b>	<b>1,477,011</b>	<b>2,874,478</b>	<b>44,342,593</b>	<b>60,408,252</b>	<b>1,286,021</b>	<b>1,596,022</b>	<b>111,984,377</b>	



**TOWN OF STETTLER**  
**SCHEDULE 3 - PROPERTY AND OTHER TAXES**  
**FOR THE YEAR ENDED DECEMBER 31, 2013**

	<u>2013</u> <u>Budget</u> <u>(Unaudited)</u>	<u>2013</u> <u>Actual</u>	Restated <u>2012</u> <u>Actual</u>
<b>TAXATION</b>			
Real Property Taxes	\$ 6,897,797	\$ 6,899,527	\$ 6,374,303
Linear Property Taxes	136,489	136,489	137,529
Government Grants-in-lieu of Property Taxes	60,929	60,929	60,518
Special Assessments and Local Improvement Taxes	89,600	(1,003)	637,519
Business Taxes	5,250	5,375	5,125
Subtotal	<u>\$ 7,190,065</u>	<u>\$ 7,101,317</u>	<u>\$ 7,214,994</u>
<b>REQUISITIONS</b>			
Alberta School Foundation Fund - Basic	2,054,700	2,054,692	1,886,490
Seniors Foundation	199,515	199,513	178,556
Subtotal	<u>\$ 2,254,215</u>	<u>\$ 2,254,205</u>	<u>\$ 2,065,046</u>
<b>NET MUNICIPAL TAXES</b>	<u>\$ 4,935,850</u>	<u>\$ 4,847,112</u>	<u>\$ 5,149,948</u>

**TOWN OF STETTLER**  
**SCHEDULE 4 - GOVERNMENT TRANSFERS**  
**FOR THE YEAR ENDED DECEMBER 31, 2013**

	<u>2013</u> <u>Budget</u> <u>(Unaudited)</u>	<u>2013</u> <u>Actual</u>	<u>2012</u> <u>Actual</u>
<b>TRANSFERS FOR OPERATING</b>			
Federal Government	\$ 700	\$ 1,500	\$ 1,000
Provincial Government	569,720	884,652	781,857
Other Local Government	508,110	525,981	446,431
Subtotal	<u>\$ 1,078,530</u>	<u>\$ 1,412,133</u>	<u>\$ 1,229,288</u>
<b>TRANSFERS FOR CAPITAL:</b>			
Provincial Government	\$ 2,775,000	\$ 3,039,271	\$ 1,241,846
Other Local Government	140,000	221,690	-
Subtotal	<u>\$ 2,915,000</u>	<u>\$ 3,260,961</u>	<u>\$ 1,241,846</u>
<b>TOTAL GOVERNMENT TRANSFERS</b>	<u>\$ 3,993,530</u>	<u>\$ 4,673,094</u>	<u>\$ 2,471,134</u>

**TOWN OF STETTLER**  
**SCHEDULE 5 - CONSOLIDATED EXPENDITURES BY OBJECT**  
**FOR THE YEAR ENDED DECEMBER 31, 2013**

	<u>2013</u> <u>Budget</u> <u>(Unaudited)</u>	<u>2013</u> <u>Actual</u>	<u>2012</u> <u>Actual</u>
<b>CONSOLIDATED EXPENSES BY OBJECT</b>			
Salaries, Wages and Benefits	\$ 4,644,860	\$ 4,434,678	\$ 4,331,740
Contracted and General Services	1,999,155	1,950,812	2,005,456
Materials, Goods, Supplies and Utilities	2,692,090	2,785,957	2,481,964
Provision for Allowances	12,000	12,210	5,560
Purchases and Transfers from Other Governments	955,990	970,814	913,248
Transfers to Local Boards and Agencies	623,355	623,332	628,095
Transfers to Individuals and Organizations	27,500	24,876	44,802
Bank Charges and Short-term Interest	12,000	11,780	11,144
Interest on Long-term Debt	318,510	331,219	312,095
Other Expenditures	40,050	54,690	23,093
Loss on Sale of Tangible Capital Assets	-	172,227	292,619
Amortization of Tangible Capital Assets	-	5,775,981	5,751,924
<b>TOTAL EXPENSES</b>	<u>\$11,325,510</u>	<u>\$17,148,576</u>	<u>\$16,801,740</u>

**TOWN OF STETTLER**  
**SCHEDULE 6 - SEGMENTED DISCLOSURE**  
**FOR THE YEAR ENDED DECEMBER 31, 2013**

	General Government	Protective Services	Transportation	Environmental Use & Protection	Public Health & Welfare	Planning & Development	Recreation & Culture	2013 Actual
<b>REVENUE:</b>								
Net Municipal Taxes	4,847,112							4,847,112
Sales to Other Governments	30,000							30,000
Sales and User Charges	37,004	43,825	6,777	4,134,004	26,890	253,364	278,855	4,780,719
Penalties and Costs on Taxes	56,111			30,031			299	86,441
Licenses and Permits		95,972				72,888		168,860
Fines		93,147						93,147
Franchise and Concession Contracts	729,733							729,733
Returns on Investments	167,722	437	27,305	-	566	730		196,760
Rentals			6,734			239,703	519,958	766,395
Contributed and Donated Assets								-
Federal Government Transfers							1,500	1,500
Provincial Government Transfers	-	411,369	2,434,960	685,161	130,956	11,477	250,000	3,923,923
Local Government Transfers		472,271	4,500		-	17,900	253,000	747,671
Other Revenues	(1,202)	2,504			-	-	819	2,121
Total Revenue	5,866,480	1,119,525	2,480,276	4,849,196	158,412	596,062	1,304,431	16,374,382
<b>EXPENSES:</b>								
Salaries, Wages and Benefits	616,274	380,280	628,304	1,083,735	34,350	336,123	1,355,612	4,434,678
Contracted and General Services	289,828	275,219	321,695	482,387	945	259,281	321,457	1,950,812
Purchases from Other Governments		970,518						970,518
Materials, Goods, Supplies and Utilities	55,468	154,720	657,308	793,814	11,679	229,291	883,677	2,785,957
Provision for Allowance		-	12,210					12,210
Transfer to Other Governments						296		296
Transfer to Local Boards and Agencies				247,164	163,695		212,473	623,332
Transfer to Individuals and Organizations				3,950	20,000	926		24,876
Bank Charges	7,022			224			4,534	11,780
Interest on Capital Long Term Debt	38,202		29,646	215,301			48,070	331,219
Net Loss on Sale of TCA			137,231	38,496			(3,500)	172,227
Other Expenditures	(40)	-		54,714			16	54,690
Total Expense	1,006,754	1,780,737	1,786,394	2,919,785	230,669	825,917	2,822,339	11,372,595
<b>NET REVENUE, BEFORE AMORTIZATION</b>	4,859,726	(661,212)	693,882	1,929,411	(72,257)	(229,855)	(1,517,908)	5,001,787
Amortization	85,239	126,821	3,986,056	931,848	2,304	129,886	513,827	5,775,981
<b>NET REVENUE</b>	4,774,487	(788,033)	(3,292,174)	997,563	(74,561)	(359,741)	(2,031,735)	(774,194)

**TOWN OF STETTLER**  
**NOTES TO THE FINANCIAL STATEMENT**  
**FOR THE YEAR ENDED DECEMBER 31, 2013**

**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 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, 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**  
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**(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  
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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>2013</u>	<u>2012</u>
Cash	\$ 7,906,276	\$ 8,060,237
Temporary Investments	<u>-</u>	<u>-</u>
<b>Total</b>	<b><u>\$ 7,906,276</u></b>	<b><u>\$ 8,060,237</u></b>

Interest is earned on the General Account at Prime Rate less 1.75%. Included in Cash and Temporary Investments is a restricted amount of \$727,678 (2012 - \$1,881,394) received from various Provincial Programs and related to deferred grant funding (Note 5).

Included in cash is a restricted balance of \$50,169 (2012 - \$45,319) related to trust funds held at year end (Note 12).

**3. TAXES AND GRANTS IN LIEU RECEIVABLES**

	<u>2013</u>	<u>2012</u>
Current and Grants-in-lieu	\$ 148,664	\$ 121,236
Arrears Taxes	84,447	56,520
Less: Allowance for Doubtful Accounts	<u>(12,511)</u>	<u>(12,511)</u>
<b>Total</b>	<b><u>\$ 220,600</u></b>	<b><u>\$ 165,245</u></b>

**TOWN OF STETTLER  
NOTES TO THE FINANCIAL STATEMENT  
FOR THE YEAR ENDED DECEMBER 31, 2013**

**4. LONG-TERM INVESTMENTS**

	<u>2013</u>	<u>2012</u>
AMFC Shares, at Cost	\$ 40	\$ 40
<b>Total</b>	<b>\$ 40</b>	<b>\$ 40</b>

**5. DEFERRED REVENUE**

	<u>2013</u>	<u>2012</u>
Municipal Sustainability Initiative	\$ 220,522	\$ 1,317,333
New Deal Communities	507,156	564,061
Other	102,584	69,218
Other - P&L	13,774	12,168
Other - BOT	21,907	26,457
<b>Total</b>	<b>\$ 865,943</b>	<b>\$ 1,989,237</b>

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>2012</u>	<u>Increases</u>	<u>Decreases</u>	<u>2013</u>
RCMP (Records Check)	33,171	6,666	1,880	37,957
Rescue Van	34,964	22,663	14,967	42,660
Land Farmed Site	7,650			7,650
Sewer General	232,007			232,007
Perpetual Care	45,319	5,300		50,619
West Stettler Planning	44,000		2,316	41,684
Building Maintenance	19,800	2,200		22,000
SCR Building Maintenance	10,000	12,000	6,132	15,868
Culture	45,000	15,000		60,000
General Reserve	1,991,686	1,094,160	1,226,347	1,859,499
Office Automation	8,042	6,680	4,177	10,545
RCMP Contract	75,000			75,000
Street Light Replacement	69,070		49,810	19,260
Mun 2000 Beautification	13,139			13,139
Coat Exterior Reservoir	40,000			40,000
Sewer Offsite	168,570			168,570
SE Industrial Planning	-	50,000		50,000
Land Development	1,103,968		96,185	1,007,783
Playground Program	3,000			3,000
Tree Maintenance	4,800		1,850	2,950
Board of Trade	20,000			20,000
SRC Projection System	-	6,000		6,000
Community Orchard	-	2,800		2,800
ARB	4,000	2,000		6,000
WTS Operations	96,942		15,813	81,129
Memorial Park	-	12,319		12,319
Slurrey Seal	23,434	-	-	23,434
<b>Total Operating Reserves</b>	<b>\$ 4,093,562</b>	<b>\$ 1,237,788</b>	<b>\$ 1,419,477</b>	<b>\$ 3,911,873</b>

**TOWN OF STETTLER**  
**NOTES TO THE FINANCIAL STATEMENT**  
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<b>Capital Reserves</b>	<b>2012</b>	<b>Increases</b>	<b>Decreases</b>	<b>2013</b>
Admin Equipment/Computer	69,666	26,900	25,784	70,782
Fire Hall Parking Lot	87,253		87,253	-
Disaster Services	6,008			6,008
Chainlink Fence	9,646			9,646
Compost Bins/Pads	10,000			10,000
Cemetery	-	8,006		8,006
GIS System	6,703			6,703
Fire Equipment	400,000	100,000		500,000
Leisure Centre	807,486	250,000	529,914	527,572
Drainage	14,582	15,000		29,582
Meadowlands	57,948		57,948	-
Community Hall	8,964	21,899		30,863
Campground Expansion	22,571			22,571
Library Expansion	195,000		195,000	-
Senior Center	150,000		150,000	-
ML Sports Park	62,960	10,100	2,060	71,000
Cemetery Road	150,000			150,000
Water Dispensing System	3,220			3,220
Skateboard Park	50,000	25,000		75,000
Entrance Sign	40,082		40,082	-
Fishing Pier	17,193			17,193
East Industrial Loop	80,000	-	76,106	3,894
<b>Total Capital Reserves</b>	<b>\$ 2,249,282</b>	<b>\$ 456,905</b>	<b>\$ 1,164,147</b>	<b>\$ 1,542,040</b>
<b>TOTAL RESTRICTED FUNDS</b>	<b>\$ 6,342,844</b>	<b>\$ 1,694,693</b>	<b>\$ 2,583,624</b>	<b>\$ 5,453,913</b>



**TOWN OF STETTLER**  
**NOTES TO THE FINANCIAL STATEMENT**  
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**7. LONG-TERM DEBT**

	<u>2013</u>	<u>2012</u>
Tax Supported Debentures	\$ 2,151,243	\$ 2,265,857
Self Supported Debentures	<u>5,110,614</u>	<u>4,842,948</u>
<b>Total</b>	<b><u>\$ 7,261,857</u></b>	<b><u>\$ 7,108,805</u></b>

Principal and interest repayments are due as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 383,685	\$ 320,723	\$ 704,408
2015	401,831	302,577	704,408
2016	420,859	283,549	704,408
2017	440,811	263,597	704,408
2018	461,735	242,673	704,408
Thereafter	<u>5,152,936</u>	<u>1,346,079</u>	<u>6,499,015</u>
<b>Total</b>	<b><u>\$ 7,261,857</u></b>	<b><u>\$ 2,759,198</u></b>	<b><u>\$ 10,021,055</u></b>

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 2033. The average annual interest rate is 4.75% for 2013 (4.97% for 2012).

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 2013 were \$331,219 (2012 - \$312,095)

**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>2013</u>	<u>2012</u>
Total Debt Limit	\$ 19,670,132	\$ 18,772,217
Total Debt	<u>7,261,857</u>	<u>7,108,805</u>
<b>Amount of Debt Limit Unused</b>	<b><u>\$ 12,408,275</u></b>	<b><u>\$ 11,663,412</u></b>
Service on Debt Limit	\$ 3,278,355	\$ 3,128,703
Service on Debt	<u>704,408</u>	<u>670,196</u>
<b>Amount of Debt Servicing Limit Unused</b>	<b><u>\$ 2,573,947</u></b>	<b><u>\$ 2,458,507</u></b>

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  
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**9. TANGIBLE CAPITAL ASSETS**

<b>Net Book Value</b>	<b><u>2013</u></b>	<b><u>2012</u></b>
Land	\$ 1,477,011	\$ 1,477,011
Land Improvements	3,533,590	2,874,477
Buildings	44,925,834	44,342,594
Engineered Structures		
Distribution Systems - Roads	37,644,194	40,557,635
Distribution Systems - Water	7,429,643	7,224,722
Distribution Systems - Wastewater	10,066,781	10,038,586
Distribution Systems - Storm	3,529,539	2,587,311
Machinery & Equipment & Furnishings	1,513,837	1,286,021
Vehicles	<u>1,461,068</u>	<u>1,596,020</u>
<b>Total</b>	<b><u>\$ 111,581,497</u></b>	<b><u>\$ 111,984,377</u></b>

**10. EQUITY IN TANGIBLE CAPITAL ASSETS**

	<b><u>2013</u></b>	<b><u>2012</u></b>
Tangible Capital Assets (Schedule 2)	\$ 174,087,897	\$ 169,208,273
Accumulated Amortization (Schedule 2)	(62,506,400)	(57,223,896)
Long Term Debt (Note 7)	<u>(7,261,857)</u>	<u>(7,108,805)</u>
<b>Total</b>	<b><u>\$ 104,319,640</u></b>	<b><u>\$ 104,875,572</u></b>

**11. ACCUMULATED SURPLUS**

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

	<b><u>2013</u></b>	<b>Restated <u>2012</u></b>
Unrestricted Surplus (deficit)	\$ 2,834,691	\$ 2,164,621
Restricted Funds (Note 6)	5,453,913	6,342,245
Equity in Tangible Capital Assets (Note 10)	<u>104,319,640</u>	<u>104,875,572</u>
<b>Total</b>	<b><u>\$ 112,608,244</u></b>	<b><u>\$ 113,382,438</u></b>

**TOWN OF STETTLER  
NOTES TO THE FINANCIAL STATEMENT  
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**12. TRUST FUNDS**

The Town of Stettler administers the following trust:

	<u>2013</u>	<u>2012</u>
Cemetery Perpetual Care		
Balance, Beginning of Year	\$ 45,319	\$ 40,669
Sale of Cemetery Plots	2,300	\$ 4,650
Columbarium Purchase	<u>3,000</u>	<u>-</u>
Balance, End of Year	<u>\$ 50,619</u>	<u>\$ 45,319</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>2013</u>				<u>2012</u>	
	<u>#of</u>	<u>Salary (1)</u>	<u>Benefits &amp;</u>	<u>Total</u>	<u># of</u>	<u>Total</u>
	<u>Persons</u>		<u>Allowances (2&amp;3)</u>		<u>Persons</u>	
Councillor D. Bachman	1	15,280	1,351	16,631	1	15,261
Councillor W. Brown	1	4,258	4,020	8,278		
Councillor A. Campbell	1	21,780	2,013	23,793	1	29,123
Councillor M. Fischer	1	17,100	5,047	22,147	1	23,407
Councillor S. Nolls	1	2,827	175	3,002		
Mayor R. Richards	1	27,128	4,865	31,993	1	29,895
Councillor K. Sernecky	1	4,388	1,635	6,023		
Councillor P. Simons	1	13,232	1,184	14,416	1	18,134
Councillor L. Thorogood	1	12,062	863	12,925	1	16,505
Councillor S. Wildeboer	1	12,062	686	12,748	1	14,481
Town Man. R. Stoutenberg	1	158,501	26,726	185,227	1	173,686

- (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.

**TOWN OF STETTLER  
NOTES TO THE FINANCIAL STATEMENT  
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**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 223,643 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.
- The Town of Stettler is required to make current service contributions to the Plan of 10.43% of pensionable earnings up to the Canada Pension Plan Year's Maximum Pensionable Earnings and 14.47% for the excess.
- Employees of the Town of Stettler are required to make current service contributions of 9.43% of pensionable salary up to the year's maximum pensionable earnings under the Canada Pension Plan, and 13.47% on pensionable salary above this amount.
- Total current and past service contributions by the Town of Stettler to the Local Authorities Pension Plan in 2013 were \$342,971 (2012 - \$312,875). Total current and past service contributions by the employees of the Town of Stettler to the Local Authorities Pension Plan in 2013 were \$312,861 (2012 - \$283,771)
- At December 31, 2012 the Plan disclosed an actuarial deficiency of \$4.98 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  
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**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>2013</u>	<u>2012</u>
General Administration	\$ 85,239	\$ 81,008
Police Protective Services	-	4,010
Fire Protective Services	126,821	141,264
Common and Equipment Pool	157,508	192,371
Roads, Streets, Walks, Lighting	3,755,277	3,744,259
Airport	17,040	16,973
Storm Sewers and Drainage	56,231	49,264
Water Supply and Distribution	659,593	655,876
Wastewater Treatment and Disposal	272,255	248,204
Waste Management	-	-
Cemeteries	2,304	3,663
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	32,477	30,661
Parks and Recreation	480,091	460,882
Culture	33,736	26,080
<b>Total</b>	<u>\$ 5,775,981</u>	<u>\$ 5,751,924</u>

**19. OTHER LONG-TERM LIABILITIES**

	<u>2013</u>	<u>2012</u>
Tax Sales In Trust	\$ 19,352	\$ 19,352
Reserve for Public Lands	105,359	105,359
<b>Total</b>	<u>\$ 124,711</u>	<u>\$ 124,711</u>

**20. OPERATING LINE OF CREDIT**

At December 31, 2013 the Town had a short-term line of credit for \$100,000 (2012 - \$100,000) of which nothing had been drawn down. The interest rate on advances would be Prime minus 1/4%.

**21. APPROVAL OF FINANCIAL STATEMENTS**

Council and Management have approved these financial statements.

**TOWN OF STETTLER  
NOTES TO THE FINANCIAL STATEMENT  
FOR THE YEAR ENDED DECEMBER 31, 2013**

**22. BUDGET AMOUNTS**

Budget figures for the year ended December 31, 2013 were approved as May 7, 2013 and are for information purposes. These amounts have not been audited.

**23. PRIOR PERIOD ADJUSTMENT AND CHANGE IN ACCOUNTING POLICY**

The Town has restated its' financial statements to comply with the provisions of Section 3510 of the Public Sector Accounting Board Handbook, which requires governments to record their local improvement taxes as revenue and accounts receivable in the year they are levied. This also creates a liability for these taxes owed to another government entity.

<b>Adjustments to opening accumulated surplus:</b>	<b><u>2012</u></b>
As previously reported	\$ 114,887,631
Adjustment to local improvement taxes	<u>994,075</u>
<b>As restated</b>	<b><u>\$ 115,881,706</u></b>
 <b>Adjustments to excess (shortfall) of revenues over expenses:</b>	
As previously reported	\$ (3,045,083)
Local improvement tax collections previously reported as revenue	(91,704)
Local improvement taxes levied and reported as revenues	682,325
Local improvement taxes written off by council motion	<u>(44,806)</u>
<b>As restated</b>	<b><u>\$ (2,499,268)</u></b>
 <b>Adjustments to Statement of Financial Position:</b>	
Record historical local improvement levies receivable	\$ 1,445,972
Change in prepaid Local Improvement Charges	(93,918)