

TOWN OF STETTLER
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2012

	<u>2012</u>	<u>2011</u>
FINANCIAL ASSETS		
Cash and Temporary Investments (Note 2)	\$ 8,060,237	\$ 6,902,335
Taxes and Grants-in-lieu Receivables (Note 3)	165,245	148,727
Trade and Other Receivables	1,332,236	1,374,333
Receivable from Governments	963,037	1,061,979
Land Inventory Held for Resale	524,316	627,066
Long-term Investments (Note 4)	40	40
Other Assets	<u>489</u>	<u>68,936</u>
TOTAL FINANCIAL ASSETS	<u>\$ 11,045,600</u>	<u>\$ 10,183,416</u>
LIABILITIES		
Accounts Payable and Accrued Liabilities	\$ 1,868,089	\$ 1,637,888
Deposit Liabilities	24,775	28,475
Deferred Revenue (Note 5)	2,083,155	1,693,665
Other Current Liabilities	752	-
Other Long-term Liabilities (Note 19)	124,711	124,711
Long-term Debt (Note 7)	<u>7,108,805</u>	<u>7,440,630</u>
TOTAL LIABILITIES	<u>\$ 11,210,287</u>	<u>\$ 10,925,369</u>
NET FINANCIAL ASSETS (DEBT)	<u>\$ (164,687)</u>	<u>\$ (741,953)</u>
NON-FINANCIAL ASSETS		
Tangible Capital Assets (Note 9)	111,984,377	115,609,743
Prepaid Expenses	<u>22,858</u>	<u>19,841</u>
TOTAL NON-FINANCIAL ASSETS	<u>\$ 112,007,235</u>	<u>\$ 115,629,584</u>
ACCUMULATED SURPLUS (Note 11)	<u>\$ 111,842,548</u>	<u>\$ 114,887,631</u>

Mayor

Date

**TOWN OF STETTLER
CONSOLIDATED STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<u>2012</u> <u>Budget</u> <u>(Unaudited)</u>	<u>2012</u> <u>Actual</u>	<u>2011</u> <u>Actual</u>
REVENUES			
Net Taxes (Schedule 3)	\$ 4,427,325	\$ 4,604,133	\$ 4,311,549
Sales and User Fees	5,044,075	4,873,470	4,352,776
Government Transfers (Schedule 4)	1,049,285	1,229,288	1,021,944
Investment Income	90,300	110,572	102,193
Penalties and Costs on Taxes	71,840	75,460	88,773
Licenses and Permits	142,700	178,678	172,866
Fines	70,700	107,324	72,757
Franchise and Concession Contracts	564,000	591,893	574,992
Rentals	751,055	789,701	740,036
Gain on Sale of Tangible Capital Assets	-	-	-
Other	29,500	(45,708)	12,590
Total Revenue	<u>\$ 12,240,780</u>	<u>\$ 12,514,811</u>	<u>\$ 11,450,476</u>
EXPENDITURES			
Legislative	149,850	157,179	152,950
Administration	857,540	851,866	823,643
Protective Services	1,733,135	1,676,098	1,554,282
Transportation	1,409,870	1,860,939	2,249,714
Water Supply and Distribution	1,922,570	1,855,827	1,630,719
Wastewater Treatment and Disposal	444,280	444,265	321,263
Waste Management	522,220	509,056	514,419
Public Health and Welfare	230,780	223,163	210,053
Subdivision Land Development	850,055	760,767	745,959
Recreation, Culture and Parks	2,573,135	2,710,656	2,425,550
Amortization (Note 18)	-	5,751,924	5,738,397
Total Expenditures	<u>\$ 10,693,435</u>	<u>\$ 16,801,740</u>	<u>\$ 16,366,949</u>
EXCESS (SHORTFALL) OF REVENUE OVER EXPENSE EXPENSES - BEFORE OTHER	<u>\$ 1,547,345</u>	<u>\$ (4,286,929)</u>	<u>\$ (4,916,473)</u>
OTHER			
Government Transfers for Capital (Schedule 4)	<u>2,585,935</u>	<u>1,241,846</u>	<u>3,336,441</u>
EXCESS (SHORTFALL) OF REVENUE OVER EXPENSES	<u>4,133,280</u>	<u>(3,045,083)</u>	<u>(1,580,032)</u>
ACCUMULATED SURPLUS, BEGINNING OF YEAR	<u>114,887,631</u>	<u>114,887,631</u>	<u>116,467,663</u>
ACCUMULATED SURPLUS, END OF YEAR	<u>\$ 119,020,911</u>	<u>\$ 111,842,548</u>	<u>\$ 114,887,631</u>

TOWN OF STETTLER
CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL ASSETS (DEBT)
FOR THE YEAR ENDED DECEMBER 31, 2012

	<u>2012</u> <u>Budget</u> <u>Unaudited</u>	<u>2012</u> <u>Actual</u>	<u>2011</u> <u>Actual</u>
EXCESS (SHORTFALL) OF REVENUE OVER EXPENSES	<u>\$ -</u>	<u>\$ (3,045,083)</u>	<u>\$ (1,580,032)</u>
Acquisition of Tangible Capital Assets	-	(2,424,203)	(5,146,411)
Proceeds on Disposal of Tangible Capital Assets	-	5,026	28,001
Amortization of Tangible Capital Assets	-	5,751,924	5,738,397
(Gain) Loss on Sale of Tangible Capital Assets	-	292,619	769,956
	<u>\$ -</u>	<u>\$ 3,625,366</u>	<u>\$ 1,389,943</u>
Acquisition of Prepaid Assets	-	(22,858)	(19,841)
Land Held for Resale	-	-	-
Use of Prepaid Assets	-	19,841	14,946
	<u>\$ -</u>	<u>\$ (3,017)</u>	<u>\$ (4,895)</u>
(INCREASE) DECREASE IN NET DEBT	<u>\$ -</u>	<u>\$ 577,266</u>	<u>\$ (194,984)</u>
NET FINANCIAL ASSETS (DEBT), BEGINNING OF YEAR	<u>\$ -</u>	<u>\$ (741,953)</u>	<u>\$ (546,969)</u>
NET FINANCIAL ASSETS (DEBT), END OF YEAR	<u><u>\$ -</u></u>	<u><u>\$ (164,687)</u></u>	<u><u>\$ (741,953)</u></u>

**TOWN OF STETTLER
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<u>2012</u> <u>Actual</u>	<u>2011</u> <u>Actual</u>
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING		
Excess (Shortfall) of Revenues Over Expenditures	\$ (3,045,083)	\$ (1,580,032)
Non-cash items included in excess (shortfall) of revenues over expenditures:		
Amortization of Tangible Capital Assets (Note 18)	5,751,924	5,738,397
(Gain) Loss on Disposal of Tangible Capital Assets	292,619	769,956
Non-cash Charges to Operations (net change):		
Taxes and Grants-in-lieu Receivables	(16,518)	57,477
Trade and Other Receivables	141,039	4,782,899
Other Financial Assets	68,447	(68,316)
Prepaid Expenses	(3,017)	(4,895)
Accounts Payable and Accrued Liabilities	230,201	(372,510)
Land Held for Resale	102,750	62,110
Deferred Revenue	390,242	454,229
Deposit Liabilities	(3,700)	2,525
Net Cash Provided by (used in) Operating Activities	<u>3,908,904</u>	<u>9,841,840</u>
CAPITAL		
Acquisition of Tangible Capital Assets	(2,424,203)	(5,146,411)
Sale of Tangible Capital Assets	5,026	28,001
Cash Applied to Capital Transactions	<u>(2,419,177)</u>	<u>(5,118,410)</u>
INVESTING		
Decrease (increase) in Restricted Cash or Cash Equivalents	<u>(500,479)</u>	<u>(438,504)</u>
Cash Provided by (Applied to) Investing Transactions	<u>(500,479)</u>	<u>(438,504)</u>
FINANCING		
Other Long-Term Debt	-	(2,919,209)
Long-Term Debt Issued	-	3,758,350
Long-Term Debt Repaid	<u>(331,825)</u>	<u>(255,482)</u>
Cash Provided by (Applied to) Financing Transactions	<u>(331,825)</u>	<u>583,659</u>
CHANGE IN CASH AND EQUIVALENTS DURING THE YEAR	\$ 657,423	\$ 4,868,585
CASH AND EQUIVALENTS - BEGINNING OF YEAR	<u>5,521,420</u>	<u>652,835</u>
CASH AND EQUIVALENTS - END OF YEAR	<u>\$ 6,178,843</u>	<u>\$ 5,521,420</u>
Cash and Cash Equivalents if Made up of:		
Cash and Temporary Investments (Note 2)	\$ 8,060,237	\$ 6,902,335
Less: Restricted Portion of Cash and Temporary Investments (Note 2)	<u>(1,881,394)</u>	<u>(1,380,915)</u>
Cash Provided by (Applied to) Financing Transactions	<u>\$ 6,178,843</u>	<u>\$ 5,521,420</u>

TOWN OF STETTLER					
SCHEDULE 1 - CHANGES IN ACCUMULATED SURPLUS					
FOR THE YEAR ENDED DECEMBER 31, 2012					
	Unrestricted Surplus	Restricted Surplus	Equity in Tangible Capital Assets	2012 Actual	2011 Actual
BALANCE, BEGINNING OF YEAR	1,155,792	5,562,726	108,169,113	114,887,631	116,467,663
Excess (deficiency) of Revenues over Expense	(3,045,083)	-	-	(3,045,083)	(1,580,032)
Unrestricted Funds Designated for Future Use	(2,071,021)	2,071,021		-	-
Restricted Funds Used for Operations	220,774	(220,774)		-	-
Restricted Funds Used for TCA		(1,070,728)	1,070,728	-	-
Current Year Funds Used for TCA	(1,353,475)		1,353,475	-	-
Donated and Contributed TCA	-		-	-	-
Disposal of TCA	297,645		(297,645)	-	-
Annual Amortization Expense	5,751,924		(5,751,924)	-	-
Long Term Debt Repaid	(331,825)		331,825	-	-
Change in Accumulated Surplus	(531,061)	779,519	(3,293,541)	(3,045,083)	(1,580,032)
BALANCE, END OF YEAR	624,731	6,342,245	104,875,572	111,842,548	114,887,631

TOWN OF STETTLER
SCHEDULE 2 - TANGIBLE CAPITAL ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2012

	Land	Land Improvements	Buildings	Engineered Structures	Machinery and Equipment	Vehicles	2012 Actual	2011 Actual
COST:								
BALANCE, BEGINNING OF YEAR	1,477,011	3,561,251	52,512,103	103,762,663	3,281,409	2,996,911	167,591,348	164,279,875
Acquistition of Tangible Capital Assets	-	176,308	472,304	1,617,090	103,360	55,141	2,424,203	5,146,411
Construction-in-Progress							-	
Disposal of Tangible Capital Assets	-	-	-	(774,890)	(32,388)	-	(807,278)	(1,834,938)
Write Down of Tangible Capital Assets								
BALANCE, END 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
ACCUMULATED AMORTIZATION:								
BALANCE, BEGINNING OF YEAR	-	711,143	7,582,628	40,537,925	1,902,351	1,247,558	51,981,605	47,280,189
Annual Amortization		151,938	1,059,186	4,135,931	196,397	208,472	5,751,924	5,738,397
Accumulated Amortization on Disposals			-	(477,245)	(32,388)	-	(509,633)	(1,036,981)
BALANCE, END OF YEAR	-	863,081	8,641,814	44,196,611	2,066,360	1,456,030	57,223,896	51,981,605
2012 NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	1,477,011	2,874,478	44,342,593	60,408,252	1,286,021	1,596,022	111,984,377	115,609,743
2011 NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	1,477,011	2,850,108	44,929,475	63,224,738	1,379,058	1,749,353	115,609,743	

TOWN OF STETTLER
SCHEDULE 3 - PROPERTY AND OTHER TAXES
FOR THE YEAR ENDED DECEMBER 31, 2012

	<u>2012</u> <u>Budget</u> <u>(Unaudited)</u>	<u>2012</u> <u>Actual</u>	<u>2011</u> <u>Actual</u>
TAXATION			
Real Property Taxes	\$ 6,248,878	\$ 6,374,303	\$ 5,867,850
Linear Property Taxes	137,529	137,529	129,657
Government Grants-in-lieu of Property Taxes	60,518	60,518	57,505
Special Assessments and Local Improvement Taxes	108,660	91,704	104,068
Business Taxes	<u>5,125</u>	<u>5,125</u>	<u>5,125</u>
Subtotal	<u>\$ 6,560,710</u>	<u>\$ 6,669,179</u>	<u>\$ 6,164,205</u>
REQUISITIONS			
Alberta School Foundation Fund - Basic	1,943,410	1,886,490	1,698,919
Seniors Foundation	<u>189,975</u>	<u>178,556</u>	<u>153,737</u>
Subtotal	<u>\$ 2,133,385</u>	<u>\$ 2,065,046</u>	<u>\$ 1,852,656</u>
NET MUNICIPAL TAXES	<u>\$ 4,427,325</u>	<u>\$ 4,604,133</u>	<u>\$ 4,311,549</u>

TOWN OF STETTLER
SCHEDULE 4 - GOVERNMENT TRANSFERS
FOR THE YEAR ENDED DECEMBER 31, 2012

	<u>2012</u> <u>Budget</u> <u>(Unaudited)</u>	<u>2012</u> <u>Actual</u>	<u>2011</u> <u>Actual</u>
TRANSFERS FOR OPERATING			
Federal Government	\$ 700	\$ 1,000	\$ 1,000
Provincial Government	580,980	781,857	585,147
Other Local Government	467,605	446,431	435,797
Subtotal	<u>\$ 1,049,285</u>	<u>\$ 1,229,288</u>	<u>\$ 1,021,944</u>
TRANSFERS FOR CAPITAL:			
Provincial Government	\$ 2,440,000	\$ 1,241,846	\$ 3,336,441
Other Local Government	145,935	-	-
Subtotal	<u>\$ 2,585,935</u>	<u>\$ 1,241,846</u>	<u>\$ 3,336,441</u>
TOTAL GOVERNMENT TRANSFERS	<u>\$ 3,635,220</u>	<u>\$ 2,471,134</u>	<u>\$ 4,358,385</u>

TOWN OF STETTLER
SCHEDULE 5 - CONSOLIDATED EXPENDITURES BY OBJECT
FOR THE YEAR ENDED DECEMBER 31, 2012

	<u>2012</u> <u>Budget</u> <u>(Unaudited)</u>	<u>2012</u> <u>Actual</u>	<u>2011</u> <u>Actual</u>
CONSOLIDATED EXPENSES BY OBJECT			
Salaries, Wages and Benefits	\$ 4,324,280	\$ 4,331,740	\$ 3,886,244
Contracted and General Services	1,884,225	2,005,456	1,772,437
Materials, Goods, Supplies and Utilities	2,571,740	2,481,964	2,450,635
Provision for Allowances	9,000	5,560	14,292
Purchases and Transfers from Other Governments	896,885	913,248	808,581
Transfers to Local Boards and Agencies	619,550	628,095	578,038
Transfers to Individuals and Organizations	23,290	44,802	22,482
Bank Charges and Short-term Interest	9,520	11,144	11,178
Interest on Long-term Debt	340,130	312,095	314,709
Other Expenditures	14,815	23,093	-
Loss on Sale of Tangible Capital Assets	-	292,619	769,956
Amortization of Tangible Capital Assets	-	5,751,924	5,738,397
TOTAL EXPENSES	<u>\$10,693,435</u>	<u>\$16,801,740</u>	<u>\$16,366,949</u>

TOWN OF STETTLER
SCHEDULE 6 - SEGMENTED DISCLOSURE
FOR THE YEAR ENDED DECEMBER 31, 2012

	General Government	Protective Services	Transporation	Environmental Use & Protection	Public Health & Welfare	Planning & Development	Recreation & Culture	2012 Actual
REVENUE:								
Net Municipal Taxes	4,604,133							4,604,133
Sales to Other Governments	30,000							30,000
Sales and User Charges	16,929	36,394	17,878	3,871,287	23,469	561,529	315,984	4,843,470
Penalties and Costs on Taxes	47,578			27,732			150	75,460
Licenses and Permits		90,465				88,213		178,678
Fines		107,324						107,324
Franchise and Concession Contracts	591,893							591,893
Returns on Investments	83,643	628	25,207	-	508	586		110,572
Rentals			6,330			224,691	558,680	789,701
Contributed and Donated Assets							-	-
Federal Government Transfers							1,000	1,000
Provincial Government Transfers	51,301	524,862	886,574	405,196	130,956	18,414	6,400	2,023,703
Local Government Transfers		313,931	4,500		-		128,000	446,431
Other Revenues	(69,087)				-	22,563	816	(45,708)
Total Revenue	5,356,390	1,073,604	940,489	4,304,215	154,933	915,996	1,011,030	13,756,657
EXPENSES:								
Salaries , Wages and Benefits	611,151	398,630	630,028	1,025,012	32,715	313,548	1,320,656	4,331,740
Contracted and General Services	325,530	243,846	277,853	597,826	728	266,881	292,792	2,005,456
Purchases from Other Governments		912,814						912,814
Materials, Goods, Supplies and Utilities	47,792	120,809	585,074	751,442	11,024	163,403	802,420	2,481,964
Provision for Allowance		-	5,560				-	5,560
Transfer to Other Governments						434		434
Transfer to Local Boards and Agencies				229,920	178,695		219,480	628,095
Transfer to Individuals and Organizations				4,300	15,790	712	24,000	44,802
Bank Charges	4,942			186			6,016	11,144
Interest on Capital Long Term Debt	19,596		31,255	210,926			50,318	312,095
Net Loss on Sale of TCA			296,773	872			(5,026)	292,619
Other Expenditures	34	-	-	23,058			1	23,093
Total Expense	1,009,045	1,676,099	1,826,543	2,843,542	238,952	744,978	2,710,657	11,049,816
NET REVENUE, BEFORE AMORTIZATION	4,347,345	(602,495)	(886,054)	1,460,673	(84,019)	171,018	(1,699,627)	2,706,841
Amortization	81,008	145,274	3,953,603	953,344	89,630	42,103	486,962	5,751,924
NET REVENUE	4,266,337	(747,769)	(4,839,657)	507,329	(173,649)	128,915	(2,186,589)	(3,045,083)

TOWN OF STETTLER
NOTES TO THE FINANCIAL STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2012

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 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, 2012

(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) Prepaid Local Improvements Charges

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

Where a taxpayer has elected to prepay the outstanding local improvement charges, 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 borrowings, the deferred revenue is amortized to revenue by an amount equal to the debt repayment.

(h) 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.

(i) 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

TOWN OF STETTLER
NOTES TO THE FINANCIAL STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2012

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

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.

(j) Cash & Cash Equivalents

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

(k) 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>2012</u>	<u>2011</u>
Cash	\$ 8,060,237	\$ 6,902,335
Temporary Investments	-	-
Total	\$ 8,060,237	\$ 6,902,335

Interest is earned on the General Account at Prime Rate less 1.75%. Included in Cash and Temporary Investments is a restricted amount of \$1,881,394 (2011 - \$1,380,915) received from various Provincial Programs and related to deferred grant funding (Note 5).

**TOWN OF STETTLER
NOTES TO THE FINANCIAL STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2012**

3. TAXES AND GRANTS IN LIEU RECEIVABLES

	<u>2012</u>	<u>2011</u>
Current and Grants-in-lieu	\$ 121,236	\$ 128,643
Arrears Taxes	56,520	32,595
Less: Allowance for Doubtful Accounts	<u>(12,511)</u>	<u>(12,511)</u>
Total	<u>\$ 165,245</u>	<u>\$ 148,727</u>

4. LONG-TERM INVESTMENTS

	<u>2012</u>	<u>2011</u>
AMFC Shares, at Cost	<u>\$ 40</u>	<u>\$ 40</u>
Total	<u>\$ 40</u>	<u>\$ 40</u>

5. DEFERRED REVENUE

	<u>2012</u>	<u>2011</u>
Municipal Sustainability Initiative	\$ 1,317,333	\$ 912,784
New Deal Communities	564,061	494,950
Other	69,218	120,159
Other - P&L	12,168	14,071
Other - BOT	26,457	35,593
Prepaid Local Improvement Charges	<u>93,918</u>	<u>116,108</u>
Total	<u>\$ 2,083,155</u>	<u>\$ 1,693,665</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>2011</u>	<u>Increases</u>	<u>Decreases</u>	<u>2012</u>
RCMP (Records Check)	31,164	5,333	3,326	33,171
Rescue Van	50,259	18,928	34,822	34,365
Land Farmed Site	-	7,650		7,650
Walking Path	26,827		26,827	-
Water Master Plan	4,456		4,456	-
Sewer General	232,007			232,007
Perpetual Care	40,669	4,650		45,319
West Stettler Planning	44,000			44,000
Building Maintenance	17,600	2,200		19,800
SCR Building Maintenance	10,000			10,000
Culture	45,000			45,000
General Reserve	1,916,662	879,060	804,036	1,991,686
Office Automation	16,085		8,043	8,042

TOWN OF STETTLER
NOTES TO THE FINANCIAL STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2012

RCMP Contract	75,000			75,000
Street Light Replacement	52,560	16,510		69,070
Mun 2000 Beautification	13,139			13,139
Coat Exterior Reservoir	40,000			40,000
Sewer Offsite	47,120	121,450		168,570
Land Development	960,023	143,945		1,103,968
Playground Program	3,000			3,000
Tree Maintenance	4,800			4,800
Board of Trade	20,000			20,000
ARB	2,000	2,000		4,000
WTS Operations	120,000		23,058	96,942
Slurry Seal	45,000		21,566	23,434
Water Risk Assessment	15,000	-	15,000	-
Total Operating Reserves	\$ 3,832,371	\$ 1,201,726	\$ 941,134	\$ 4,092,963

Capital Reserves	2011	Increases	Decreases	2012
Admin Equipment/Computer	66,177	26,900	23,411	69,666
Fire Hall Parking Lot	-	87,253		87,253
AEK Roof	60,000		60,000	-
Disaster Services	1,008	5,000		6,008
Chainlink Fence	9,646			9,646
51 Street Sidewalk LI	40,955		40,955	-
Compost Bins/Pads	10,000			10,000
GIS System	6,703			6,703
Fire Equipment	300,000	100,000		400,000
Leisure Centre	517,949	289,537		807,486
Streets Improvement	92,116		92,116	-
Drainage	31,842		17,260	14,582
Sewer General Reserve	35,000		35,000	-
Meadowlands	37,852	22,563	2,467	57,948
Community Hall	8,964			8,964
Campground Expansion	22,571			22,571
Library Expansion	130,000	65,000		195,000
Senior Center	100,000	50,000		150,000
ML Sports Park	57,989	77,201	72,230	62,960
Cemetery Road	150,000			150,000
Water Dispensing System	3,220			3,220
Skateboard Park	-	50,000		50,000
Entrance Sign	25,000	15,082		40,082
Reservoir	6,170		6,170	-
Fishing Pier	17,193		-	17,193
East Industrial Loop	-	80,000	-	80,000
Total Capital Reserves	\$ 1,730,355	\$ 868,536	\$ 349,609	\$ 2,249,282

TOTAL RESTRICTED FUNDS	\$ 5,562,726	\$ 2,070,262	\$ 1,290,743	\$ 6,342,245
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TOWN OF STETTLER
NOTES TO THE FINANCIAL STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2012

7. LONG-TERM DEBT

	<u>2012</u>	<u>2011</u>
Tax Supported Debentures	\$ 2,265,857	\$ 2,375,155
Self Supported Debentures	<u>4,842,948</u>	<u>5,065,475</u>
Total	<u>\$ 7,108,805</u>	<u>\$ 7,440,630</u>

Principal and interest repayments are due as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 347,781	\$ 322,415	\$ 670,196
2013	364,519	305,677	670,196
2014	382,080	288,116	670,196
2015	400,503	269,693	670,196
2016	419,834	250,362	670,196
Thereafter	<u>5,194,088</u>	<u>1,479,050</u>	<u>6,673,138</u>
Total	<u>\$ 7,108,805</u>	<u>\$ 2,915,313</u>	<u>\$ 10,024,118</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 2031. The average annual interest rate is 4.97% for 2012 (4.97% for 2011).

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 2012 were \$312,095 (2011 - \$314,709)

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>2012</u>	<u>2011</u>
Total Debt Limit	\$ 18,772,217	\$ 17,175,714
Total Debt	<u>7,108,805</u>	<u>7,440,630</u>
Amount of Debt Limit Unused	<u>\$ 11,663,412</u>	<u>\$ 9,735,084</u>
Service on Debt Limit	\$ 3,128,703	\$ 2,862,619
Service on Debt	<u>670,196</u>	<u>670,196</u>
Amount of Debt Servicing Limit Unused	<u>\$ 2,458,507</u>	<u>\$ 2,192,423</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, 2012**

9. TANGIBLE CAPITAL ASSETS

Net Book Value	<u>2012</u>	<u>2011</u>
Land	\$ 1,477,011	\$ 1,477,011
Land Improvements	2,874,477	2,850,107
Buildings	44,342,594	44,929,475
Engineered Structures		
Distribution Systems - Roads	40,557,635	43,610,455
Distribution Systems - Water	7,224,722	7,016,058
Distribution Systems - Wastewater	10,038,586	9,974,089
Distribution Systems - Storm	2,587,311	2,624,139
Machinery & Equipment & Furnishings	1,286,021	1,379,058
Vehicles	<u>1,596,020</u>	<u>1,749,351</u>
Total	<u>\$ 111,984,377</u>	<u>\$ 115,609,743</u>

10. EQUITY IN TANGIBLE CAPITAL ASSETS

	<u>2012</u>	<u>2011</u>
Tangible Capital Assets (Schedule 2)	\$ 169,208,273	\$ 167,591,348
Accumulated Amortization (Schedule 2)	(57,223,896)	(51,981,605)
Long Term Debt (Note 7)	<u>(7,108,805)</u>	<u>(7,440,630)</u>
Total	<u>\$ 104,875,572</u>	<u>\$ 108,169,113</u>

11. ACCUMULATED SURPLUS

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

	<u>2012</u>	<u>2011</u>
Unrestricted Surplus (deficit)	\$ 624,731	\$ 1,155,792
Restricted Funds (Note 6)	6,342,245	5,562,726
Equity in Tangible Capital Assets (Note 10)	<u>104,875,572</u>	<u>108,169,113</u>
Total	<u>\$ 111,842,548</u>	<u>\$ 114,887,631</u>

**TOWN OF STETTLER
NOTES TO THE FINANCIAL STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2012**

12. TRUST FUNDS

The Town of Stettler administers the following trust:

	<u>2012</u>	<u>2011</u>
Cemetery Perpetual Care		
Balance, Beginning of Year	\$ 40,669	\$ 37,519
Sale of Cemetery Plots	4,650	3,150
Columbarium Purchase	-	-
	\$ 45,319	\$ 40,669
Balance, End of Year	\$ 45,319	\$ 40,669

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:

	2012			2011		
	<u>#of</u> <u>Persons</u>	<u>Salary (1)</u>	<u>Benefits &</u> <u>Allowances (2&3)</u>	<u>Total</u>	<u># of</u> <u>Persons</u>	<u>Total</u>
Councillor D. Bachman	1	14,893	368	15,261	1	15,210
Councillor A.Campbell	1	24,253	4,870	29,123	1	25,632
Councillor M. Fischer	1	19,703	3,704	23,407	1	20,428
Mayor R. Richards	1	25,200	4,695	29,895	1	26,966
Councillor P. Simons	1	16,843	1,291	18,134	1	17,745
Councillor L. Thorogood	1	15,283	1,222	16,505	1	19,388
Councillor S. Wildeboer	1	13,983	498	14,481		15,247
Town Man. R.Stoutenberg	1	148,500	25,186	173,686	1	168,033

- (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 214,328 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 9.91% of pensionable earnings up to the Canada Pension Plan Year's Maximum Pensionable Earnings and 13.74% for the excess.

TOWN OF STETTLER
NOTES TO THE FINANCIAL STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2012

- Employees of the Town of Stettler are required to make current service contributions of 8.91% of pensionable salary up to the year's maximum pensionable earnings under the Canada Pension Plan, and 12.74% on pensionable salary above this amount.
- Total current and past service contributions by the Town of Stettler to the Local Authorities Pension Plan in 2012 were \$312,875.25 (2011 - \$259,380). Total current and past service contributions by the employees of the Town of Stettler to the Local Authorities Pension Plan in 2012 were \$283,770.92 (2011 - \$234,197).
- At December 31, 2011 the Plan disclosed an actuarial deficiency of \$4.60 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, 2012

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>2012</u>	<u>2011</u>
General Administration	\$ 81,008	\$ 78,156
Police Protective Services	4,010	2,005
Fire Protective Services	141,264	136,189
Common and Equipment Pool	192,371	211,297
Roads, Streets, Walks, Lighting	3,744,259	3,755,473
Airport	16,973	9,043
Storm Sewers and Drainage	49,264	53,510
Water Supply and Distribution	655,876	642,910
Wastewater Treatment and Disposal	248,204	245,453
Waste Management	-	-
Cemeteries	3,663	3,573
Land Use Planning	8,855	8,174
Economic Development	2,587	2,587
Public Housing Operations	85,967	85,967
Land, Housing and Building Rentals	30,661	29,416
Parks and Recreation	460,882	448,668
Culture	26,080	25,976
Total	<u>\$ 5,751,924</u>	<u>\$ 5,738,397</u>

19. OTHER LONG-TERM LIABILITIES

	<u>2012</u>	<u>2011</u>
Tax Sales In Trust	\$ 19,352	\$ 19,352
Reserve for Public Lands	105,359	105,359
Total	<u>\$ 124,711</u>	<u>\$ 124,711</u>

20. OPERATING LINE OF CREDIT

At December 31, 2012 the Town had a short-term line of credit for \$100,000 (2011 - \$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

**TOWN OF STETTLER
NOTES TO THE FINANCIAL STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2012**

Council and Management have approved these financial statements.

22. BUDGET AMOUNTS

Budget figures for the year ended December 31, 2012 were approved as May 1, 2012 and are for information purposes. These amounts have not been audited.