



Gitzel Krejci Dand Peterson

CHARTERED ACCOUNTANTS

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TOWN OF STETTLER

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2014

Gitzel Krejci Dand Peterson

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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, 2014, 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

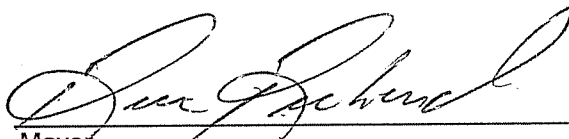
In our opinion, the financial statements present fairly, in all material respects, the financial position of the Town of Stettler as at December 31, 2014, and its financial performance and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

CHARTERED ACCOUNTANTS

Stettler, Alberta
April 21, 2015

TOWN OF STETTLER
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2014

	<u>2014</u>	<u>2013</u>
FINANCIAL ASSETS		
Cash and Temporary Investments (Note 2)	\$ 4,778,750	\$ 7,906,276
Taxes and Grants-in-lieu Receivables (Note 3)	103,639	220,600
Local Improvement Taxes Receivable	1,137,015	1,318,284
Trade and Other Receivables	1,049,665	1,460,136
Receivable from Governments	1,521,690	1,151,897
Land Inventory Held for Resale	428,366	461,039
Long-term Investments (Note 4)	40	40
Other Assets	<u>12,044</u>	<u>391</u>
TOTAL FINANCIAL ASSETS	<u>\$ 9,031,209</u>	<u>\$ 12,518,663</u>
LIABILITIES		
Accounts Payable and Accrued Liabilities	\$ 1,892,418	\$ 3,258,235
Deposit Liabilities	25,175	24,850
Deferred Revenue (Note 5)	348,182	865,943
Other Current Liabilities	-	1,953
Other Long-term Liabilities (Note 19)	124,711	124,711
Long-term Debt (Note 7)	<u>6,878,186</u>	<u>7,261,857</u>
TOTAL LIABILITIES	<u>\$ 9,268,672</u>	<u>\$ 11,537,549</u>
NET FINANCIAL ASSETS (DEBT)	<u>\$ (237,463)</u>	<u>\$ 981,114</u>
NON-FINANCIAL ASSETS		
Tangible Capital Assets (Note 9)	110,610,535	111,581,497
Prepaid Expenses	<u>24,096</u>	<u>45,633</u>
TOTAL NON-FINANCIAL ASSETS	<u>\$ 110,634,631</u>	<u>\$ 111,627,130</u>
ACCUMULATED SURPLUS (Note 11)	<u>\$ 110,397,168</u>	<u>\$ 112,608,244</u>
CONTINGENCIES (NOTE 15)		



 Mayor

150421

 Date

TOWN OF STETTLER
CONSOLIDATED STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2014

	<u>2014</u> <u>Budget</u> <u>(Unaudited)</u>	<u>2014</u> <u>Actual</u>	<u>2013</u> <u>Actual</u>
REVENUES			
Net Taxes (Schedule 3)	\$ 5,268,400	\$ 5,105,147	\$ 4,847,112
Sales and User Fees	5,090,180	5,173,232	4,810,719
Government Transfers (Schedule 4)	1,281,765	1,105,684	1,412,133
Investment Income	90,800	147,105	196,760
Penalties and Costs on Taxes	74,840	88,905	86,441
Licenses and Permits	172,300	186,270	168,860
Fines	85,700	68,289	93,147
Franchise and Concession Contracts	705,800	717,409	729,733
Rentals	743,610	744,730	766,395
Gain on Sale of Tangible Capital Assets	-	-	-
Other	26,000	176,264	2,121
Total Revenue	<u>\$ 13,539,395</u>	<u>\$ 13,513,035</u>	<u>\$ 13,113,421</u>
EXPENDITURES (Schedule 5)			
Legislative	183,540	196,928	161,927
Administration	936,385	959,617	844,827
Protective Services	1,859,545	1,665,555	1,780,737
Transportation	1,533,780	2,497,022	1,813,630
Water Supply and Distribution	2,355,860	2,011,142	1,977,373
Wastewater Treatment and Disposal	451,670	364,034	390,783
Waste Management	707,720	699,325	524,393
Public Health and Welfare	218,990	206,630	210,670
Subdivision Land Development	820,950	807,942	845,916
Recreation, Culture and Parks	2,778,375	2,743,374	2,822,339
Amortization (Note 18)	-	6,012,585	5,775,981
Total Expenditures	<u>\$ 11,846,815</u>	<u>\$ 18,164,154</u>	<u>\$ 17,148,576</u>
EXCESS (SHORTFALL) OF REVENUE OVER EXPENSE EXPENSES - BEFORE OTHER	<u>\$ 1,692,580</u>	<u>\$ (4,651,119)</u>	<u>\$ (4,035,155)</u>
OTHER			
Government Transfers for Capital (Schedule 4)	<u>2,984,600</u>	<u>2,440,043</u>	<u>3,260,961</u>
EXCESS (SHORTFALL) OF REVENUE OVER EXPENSES	<u>4,677,180</u>	<u>(2,211,076)</u>	<u>(774,194)</u>
ACCUMULATED SURPLUS, BEGINNING OF YEAR	<u>112,608,244</u>	<u>112,608,244</u>	<u>113,382,438</u>
ACCUMULATED SURPLUS, END OF YEAR	<u>\$ 117,285,424</u>	<u>\$ 110,397,168</u>	<u>\$ 112,608,244</u>

TOWN OF STETTLE
CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL ASSETS (DEBT)
FOR THE YEAR ENDED DECEMBER 31, 2014

	<u>2014</u> <u>Budget</u> <u>Unaudited</u>	<u>2014</u> <u>Actual</u>	<u>2013</u> <u>Actual</u>
EXCESS (SHORTFALL) OF REVENUE OVER EXPENSES	\$ -	\$ (2,211,076)	\$ (774,194)
Acquisition of Tangible Capital Assets	-	(5,722,010)	(5,548,827)
Proceeds on Disposal of Tangible Capital Assets	-	109,600	3,500
Amortization of Tangible Capital Assets	-	6,012,585	5,775,981
(Gain) Loss on Sale of Tangible Capital Assets	-	570,787	172,227
	<u>\$ -</u>	<u>\$ 970,962</u>	<u>\$ 402,881</u>
Acquisition of Prepaid Assets	-	(24,097)	(45,633)
Use of Prepaid Assets	-	45,633	22,858
	<u>\$ -</u>	<u>\$ 21,536</u>	<u>\$ (22,775)</u>
(INCREASE) DECREASE IN NET DEBT	<u>\$ -</u>	<u>\$ (1,218,578)</u>	<u>\$ (394,088)</u>
NET FINANCIAL ASSETS (DEBT), BEGINNING OF YEAR	<u>\$ -</u>	<u>\$ 981,115</u>	<u>\$ 1,375,203</u>
NET FINANCIAL ASSETS (DEBT), END OF YEAR	<u>\$ -</u>	<u>\$ (237,463)</u>	<u>\$ 981,115</u>

TOWN OF STETTLER
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2014

	<u>2014</u> <u>Actual</u>	<u>2013</u> <u>Actual</u>
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING		
Excess (Shortfall) of Revenues Over Expenditures	\$ (2,211,076)	\$ (774,194)
Non-cash items included in excess (shortfall) of revenues over expenditures:		
Amortization of Tangible Capital Assets (Note 18)	6,012,585	5,775,981
(Gain) Loss on Disposal of Tangible Capital Assets	570,787	172,227
Non-cash Charges to Operations (net change):		
Taxes and Grants-in-lieu Receivables	116,961	(55,355)
Local Improvement Taxes Receivables	181,269	127,687
Government Trade and Other Receivables	40,678	(316,760)
Other Financial Assets	(11,653)	98
Prepaid Expenses	21,537	(22,775)
Accounts Payable and Accrued Liabilities	(1,365,817)	1,391,347
Land Held for Resale	32,673	63,277
Deferred Revenue	(519,714)	(1,123,294)
Deposit Liabilities	325	75
Net Cash Provided by (used in) Operating Activities	<u>2,868,555</u>	<u>5,238,314</u>
CAPITAL		
Acquisition of Tangible Capital Assets	(5,722,010)	(5,548,827)
Sale of Tangible Capital Assets	<u>109,600</u>	<u>3,500</u>
Cash Applied to Capital Transactions	<u>(5,612,410)</u>	<u>(5,545,327)</u>
INVESTING		
Decrease (increase) in Restricted Cash or Cash Equivalents	<u>553,490</u>	1,153,716
Cash Provided by (Applied to) Investing Transactions	<u>553,490</u>	<u>1,153,716</u>
FINANCING		
Other Long-Term Debt	-	-
Long-Term Debt Issued	-	510,201
Long-Term Debt Repaid	<u>(383,671)</u>	<u>(357,149)</u>
Cash Provided by (Applied to) Financing Transactions	<u>(383,671)</u>	<u>153,052</u>
CHANGE IN CASH AND EQUIVALENTS DURING THE YEAR	\$ (2,574,036)	\$ 999,755
CASH AND EQUIVALENTS - BEGINNING OF YEAR	<u>7,178,598</u>	<u>6,178,843</u>
CASH AND EQUIVALENTS - END OF YEAR	<u>\$ 4,604,562</u>	<u>\$ 7,178,598</u>
Cash and Cash Equivalents if Made up of:		
Cash and Temporary Investments (Note 2)	\$ 4,778,750	\$ 7,906,276
Less: Restricted Portion of Cash and Temporary Investments (Note 2)	<u>(174,188)</u>	<u>(727,678)</u>
Cash Provided by (Applied to) Investing Transactions	<u>\$ 4,604,562</u>	<u>\$ 7,178,598</u>

TOWN OF STETTLER
SCHEDULE 1 - CHANGES IN ACCUMULATED SURPLUS
FOR THE YEAR ENDED DECEMBER 31, 2014

	Unrestricted Surplus	Restricted Surplus	Equity in Tangible Capital Assets	2014 Actual	2013 Actual
BALANCE, BEGINNING OF YEAR	2,834,691	5,453,913	104,319,640	112,608,244	113,382,438
Excess (deficiency) of Revenues over Expense	(2,211,076)	-	-	(2,211,076)	(774,194)
Unrestricted Funds Designated for Future Use	(1,420,209)	1,420,209	-	-	-
Restricted Funds Used for Operations	591,775	(591,775)	-	-	-
Restricted Funds Used for TCA	(1,911,765)	(1,911,765)	1,911,765	-	-
Current Year Funds Used for TCA	(3,810,245)	-	3,810,245	-	-
Donated and Contributed TCA	-	-	-	-	-
Disposal of TCA	680,387	-	(680,387)	-	-
Annual Amortization Expense	6,012,585	-	(6,012,585)	-	-
Long Term Debt Repaid	(383,671)	-	383,671	-	-
	-	-	-	-	-
Change in Accumulated Surplus	(540,454)	(1,083,331)	(587,291)	(2,211,076)	(774,194)
BALANCE, END OF YEAR	2,294,237	4,370,582	103,732,349	110,397,168	112,608,244

TOWN OF STETTLER
SCHEDULE 2 - TANGIBLE CAPITAL ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2014

	Land	Land Improvements	Buildings	Engineered Structures	Machinery and Equipment	Vehicles	2014 Actual	2013 Actual
COST:								
BALANCE, BEGINNING 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
Acquisition of Tangible Capital Assets	-	478,655	1,990,805	2,378,223	454,478	419,849	5,722,010	5,548,827
Construction-in-Progress	-	-	-	(1,741,613)	(102,650)	(308,725)	(2,152,988)	(669,203)
Disposal of Tangible Capital Assets	-	-	-	-	-	-	-	-
Write Down of Tangible Capital Assets	-	-	-	-	-	-	-	-
BALANCE, END 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
ACCUMULATED AMORTIZATION:								
BALANCE, BEGINNING OF YEAR	-	1,036,142	9,722,500	47,895,972	2,232,416	1,619,370	62,506,400	57,223,896
Annual Amortization		198,243	1,134,001	4,232,383	219,974	227,984	6,012,585	5,775,981
Accumulated Amortization on Disposals			(102,650)	(1,061,226)	(308,725)	-	(1,472,601)	(493,477)
BALANCE, END OF YEAR	-	1,234,385	10,753,851	51,067,129	2,143,665	1,847,354	67,046,384	62,506,400
2014 NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	1,477,011	3,814,002	45,885,287	56,135,608	1,954,416	1,344,211	110,610,535	111,581,497
2013 NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	1,477,011	3,533,590	44,925,833	58,670,155	1,513,837	1,461,071	111,581,497	

TOWN OF STETTLER
SCHEDULE 3 - PROPERTY AND OTHER TAXES
FOR THE YEAR ENDED DECEMBER 31, 2014

	<u>2014</u> <u>Budget</u> <u>(Unaudited)</u>	<u>2014</u> <u>Actual</u>	<u>2013</u> <u>Actual</u>
TAXATION			
Real Property Taxes	\$ 7,242,715	\$ 7,203,175	\$ 6,899,527
Linear Property Taxes	145,447	145,447	136,489
Government Grants-in-lieu of Property Taxes	61,618	61,618	60,929
Special Assessments and Local Improvement Taxes	123,710	-	(1,003)
Business Taxes	6,450	6,450	5,375
Subtotal	<u>\$ 7,579,940</u>	<u>\$ 7,416,690</u>	<u>\$ 7,101,317</u>
REQUISITIONS			
Alberta School Foundation Fund - Basic	2,090,620	2,090,621	2,054,692
Seniors Foundation	220,920	220,922	199,513
Subtotal	<u>\$ 2,311,540</u>	<u>\$ 2,311,543</u>	<u>\$ 2,254,205</u>
 NET MUNICIPAL TAXES	 <u>\$ 5,268,400</u>	 <u>\$ 5,105,147</u>	 <u>\$ 4,847,112</u>

TOWN OF STETTLER
SCHEDULE 4 - GOVERNMENT TRANSFERS
FOR THE YEAR ENDED DECEMBER 31, 2014

	<u>2014</u> <u>Budget</u> <u>(Unaudited)</u>	<u>2014</u> <u>Actual</u>	<u>2013</u> <u>Actual</u>
TRANSFERS FOR OPERATING			
Federal Government	\$ 1,500	\$ 1,500	\$ 1,500
Provincial Government	761,030	593,036	884,652
Other Local Government	519,235	511,148	525,981
Subtotal	<u>\$ 1,281,765</u>	<u>\$ 1,105,684</u>	<u>\$ 1,412,133</u>
TRANSFERS FOR CAPITAL:			
Provincial Government	\$ 2,834,850	\$ 2,430,482	\$ 3,039,271
Other Local Government	149,750	9,561	221,690
Subtotal	<u>\$ 2,984,600</u>	<u>\$ 2,440,043</u>	<u>\$ 3,260,961</u>
TOTAL GOVERNMENT TRANSFERS	<u>\$ 4,266,365</u>	<u>\$ 3,545,727</u>	<u>\$ 4,673,094</u>

TOWN OF STETTLER
SCHEDULE 5 - CONSOLIDATED EXPENDITURES BY OBJECT
FOR THE YEAR ENDED DECEMBER 31, 2014

	<u>2014</u> <u>Budget</u> <u>(Unaudited)</u>	<u>2014</u> <u>Actual</u>	<u>2013</u> <u>Actual</u>
CONSOLIDATED EXPENSES BY OBJECT			
Salaries, Wages and Benefits	\$ 4,902,520	\$ 4,738,777	\$ 4,434,678
Contracted and General Services	2,007,425	1,918,395	1,950,812
Materials, Goods, Supplies and Utilities	2,976,355	2,976,838	2,785,957
Provision for Allowances	11,000	6,656	12,210
Purchases and Transfers from Other Governments	975,015	901,666	970,814
Transfers to Local Boards and Agencies	651,300	651,270	623,332
Transfers to Individuals and Organizations	25,100	23,205	24,876
Bank Charges and Short-term Interest	12,000	11,525	11,780
Interest on Long-term Debt	324,650	314,968	331,219
Other Expenditures	40,050	37,482	54,690
Loss on Sale of Tangible Capital Assets	-	570,787	172,227
Amortization of Tangible Capital Assets	-	6,012,585	5,775,981
TOTAL EXPENSES	<u>\$11,925,415</u>	<u>\$18,164,154</u>	<u>\$17,148,576</u>

TOWN OF STETTLER
SCHEDULE 6 - SEGMENTED DISCLOSURE
FOR THE YEAR ENDED DECEMBER 31, 2014

	General Government	Protective Services	Transportation	Environmental Use & Protection	Public Health & Welfare	Planning & Development	Recreation & Culture	2014 Actual
REVENUE:								
Net Municipal Taxes	5,105,147							5,105,147
Sales to Other Governments	30,000							30,000
Sales and User Charges	23,330	86,815	7,681	4,160,703	14,773	346,202	503,728	5,143,232
Penalties and Costs on Taxes	63,761			25,144			-	88,905
Licenses and Permits		106,665				79,605		186,270
Fines		68,289						68,289
Franchise and Concession Contracts	717,409							717,409
Returns on Investments	75,934	533	8,957	-	633	697		86,754
Rentals			8,424			242,958	493,348	744,730
Contributed and Donated Assets							-	-
Federal Government Transfers							1,500	1,500
Provincial Government Transfers	5,124	400,082	1,806,226	680,068	130,956	-	1,062	3,023,518
Local Government Transfers	5,124	383,085	4,500		-	-	128,000	520,709
Other Revenues	74,229	-			-	191,851	(29,465)	236,615
Total Revenue	6,100,058	1,045,469	1,835,788	4,865,915	146,362	861,313	1,098,173	15,953,078
EXPENSES:								
Salaries, Wages and Benefits	750,099	400,708	756,995	1,027,933	30,680	361,963	1,410,399	4,738,777
Contracted and General Services	315,635	262,019	304,713	544,946	804	215,971	274,307	1,918,395
Purchases from Other Governments		901,291						901,291
Materials, Goods, Supplies and Utilities	47,430	115,137	893,075	914,998	11,450	208,777	785,971	2,976,838
Provision for Allowance		-	-	6,656			-	6,656
Transfer to Other Governments						375		375
Transfer to Local Boards and Agencies				264,408	163,695		223,167	651,270
Transfer to Individuals and Organizations				2,350	20,000	855	-	23,205
Bank Charges	6,825			356			4,344	11,525
Interest on Capital Long Term Debt	36,557		26,762	206,465			45,184	314,968
Net Loss on Sale of TCA		(13,600)	548,444	35,943			-	570,787
Other Expenditures	(1)	-	1,086	36,395			2	37,482
Total Expense	1,156,545	1,665,555	2,531,075	3,040,450	226,629	787,941	2,743,374	12,151,569
NET REVENUE, BEFORE AMORTIZATION	4,943,513	(620,086)	(695,287)	1,825,465	(80,267)	73,372	(1,645,201)	3,801,509
Amortization	93,860	145,007	4,119,981	950,062	2,049	132,375	569,251	6,012,585
NET REVENUE	4,849,653	(765,093)	(4,815,268)	875,403	(82,316)	(59,003)	(2,214,452)	(2,211,076)

TOWN OF STETTLER
NOTES TO THE FINANCIAL STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2014

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, 2014**

(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, 2014

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>2014</u>	<u>2013</u>
Cash	\$ 4,778,750	\$ 7,906,276
Temporary Investments	<u>-</u>	<u>-</u>
Total	<u>\$ 4,778,750</u>	<u>\$ 7,906,276</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 \$174,188 (2013 - \$727,678) received from various Provincial Programs and related to deferred grant funding (Note 5).

Included in cash is a restricted balance of \$53,999 (2013 - \$50,619) related to trust funds held at year end (Note 12).

3. TAXES AND GRANTS IN LIEU RECEIVABLES

	<u>2014</u>	<u>2013</u>
Current and Grants-in-lieu	\$ 78,342	\$ 148,664
Arrears Taxes	37,808	84,447
Less: Allowance for Doubtful Accounts	<u>(12,511)</u>	<u>(12,511)</u>
Total	<u>\$ 103,639</u>	<u>\$ 220,600</u>

TOWN OF STETTLER
NOTES TO THE FINANCIAL STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2014

4. LONG-TERM INVESTMENTS

	<u>2014</u>	<u>2013</u>
AMFC Shares, at Cost	\$ <u>40</u>	\$ <u>40</u>
Total	\$ <u>40</u>	\$ <u>40</u>

5. DEFERRED REVENUE

	<u>2014</u>	<u>2013</u>
Municipal Sustainability Initiative	\$ -	\$ 220,522
New Deal Communities	-	507,156
Regional Collaboration	174,188	-
Other	108,844	102,584
Other - P&L	14,811	13,774
Other - BOT	50,339	21,907
Total	\$ <u>348,182</u>	\$ <u>865,943</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>2013</u>	<u>Increases</u>	<u>Decreases</u>	<u>2014</u>
RCMP (Records Check)	37,957	7,581	329	45,209
Rescue Van	42,660	50,790	14,583	78,867
Land Farmed Site	7,650			7,650
Walking Pathway	-	76,335		76,335
Sewer General	232,007		80,926	151,081
Perpetual Care	50,619	3,380		53,999
West Stettler Planning	41,684		8,419	33,265
BOT Community Event	-	11,000		11,000
Building Maintenance	22,000	2,200		24,200
SCR Building Maintenance	15,868			15,868
Culture	60,000	15,000		75,000
General Reserve	1,859,499	1,162,760	1,329,225	1,693,034
Office Automation	10,545			10,545
RCMP Contract	75,000			75,000
Street Light Replacement	19,260			19,260
Mun 2000 Beautification	13,139			13,139
Coat Exterior Reservoir	40,000			40,000
Sewer Offsite	168,570	78,112		246,682
SE Industrial Planning	50,000			50,000
Land Development	1,007,783	12,096	84,905	934,974
Playground Program	3,000			3,000
Tree Maintenance	2,950			2,950
Regional Squad Unit	-	10,390	6,698	3,692
Cold Lake Survey	-	20,000		20,000
Board of Trade	20,000			20,000
SRC Projection System	6,000		3,138	2,862
Community Orchard	2,800			2,800
ARB	6,000			6,000
WTS Operations	81,129			81,129

TOWN OF STETTLER
NOTES TO THE FINANCIAL STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2014

Parade Float	-	20,000		20,000
Memorial Park	12,319		7,455	4,864
Slurrey Seal	23,434	-	-	23,434
Total Operating Reserves	\$ 3,911,873	\$ 1,469,644	\$ 1,535,678	\$ 3,845,839

Capital Reserves	2013	Increases	Decreases	2014
Admin Equipment/Computer	70,782	26,900	38,084	59,598
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	500,000		349,701	150,299
Leisure Centre	527,572		527,572	-
Drainage	29,582			29,582
Community Hall	30,863		16,900	13,963
Campground Expansion	22,571			22,571
ML Sports Park	71,000		64,414	6,586
Cemetery Road	150,000			150,000
Water Dispensing System	3,220			3,220
Skateboard Park	75,000		75,000	-
Downtown Park	-	27,474		27,474
Fishing Pier	17,193			17,193
East Industrial Loop	3,894	-	-	3,894
Total Capital Reserves	\$ 1,542,040	\$ 54,374	\$ 1,071,671	\$ 524,743
TOTAL RESTRICTED FUNDS	\$ 5,453,913	\$ 1,524,018	\$ 2,607,349	\$ 4,370,582

7. LONG-TERM DEBT

	2014	2013
Tax Supported Debentures	\$ 2,031,049	\$ 2,151,243
Self Supported Debentures	4,847,137	5,110,614
Total	\$ 6,878,186	\$ 7,261,857

Principal and interest repayments are due as follows:

	Principal	Interest	Total
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
2019	483,679	220,729	704,408
Thereafter	4,669,271	1,125,350	5,794,621
Total	\$ 6,878,186	\$ 2,438,475	\$ 9,316,661

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 4.73% for 2014 (4.75% for 2013).

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 2014 were \$314,968 (2013 - \$331,219)

TOWN OF STETTLER
NOTES TO THE FINANCIAL STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2014

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>2014</u>	<u>2013</u>
Total Debt Limit	\$ 20,283,894	\$ 19,670,132
Total Debt	<u>6,878,186</u>	<u>7,261,857</u>
Amount of Debt Limit Unused	<u>\$ 13,405,708</u>	<u>\$ 12,408,275</u>
Service on Debt Limit	\$ 3,380,649	\$ 3,278,355
Service on Debt	<u>704,408</u>	<u>704,408</u>
Amount of Debt Servicing Limit Unused	<u>\$ 2,676,241</u>	<u>\$ 2,573,947</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.

9. TANGIBLE CAPITAL ASSETS

	<u>2014</u>	<u>2013</u>
Net Book Value		
Land	\$ 1,477,011	\$ 1,477,011
Land Improvements	3,814,001	3,533,590
Buildings	45,782,638	44,925,834
Engineered Structures		
Distribution Systems - Roads	34,951,061	37,644,194
Distribution Systems - Water	7,403,939	7,429,643
Distribution Systems - Wastewater	10,275,088	10,066,781
Distribution Systems - Storm	3,505,524	3,529,539
Machinery & Equipment & Furnishings	1,748,340	1,513,837
Vehicles	<u>1,652,933</u>	<u>1,461,068</u>
Total	<u>\$ 110,610,535</u>	<u>\$ 111,581,497</u>

TOWN OF STETTLER
NOTES TO THE FINANCIAL STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2014

10. EQUITY IN TANGIBLE CAPITAL ASSETS

	<u>2014</u>	<u>2013</u>
Tangible Capital Assets (Schedule 2)	\$ 177,656,918	\$ 174,087,897
Accumulated Amortization (Schedule 2)	(67,046,383)	(62,506,400)
Long Term Debt (Note 7)	<u>(6,878,186)</u>	<u>(7,261,857)</u>
Total	<u>\$ 103,732,349</u>	<u>\$ 104,319,640</u>

11. ACCUMULATED SURPLUS

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

	<u>2014</u>	<u>2013</u>
Unrestricted Surplus (deficit)	\$ 2,294,237	\$ 2,834,691
Restricted Funds (Note 6)	4,370,582	5,453,913
Equity in Tangible Capital Assets (Note 10)	<u>103,732,349</u>	<u>104,319,640</u>
Total	<u>\$ 110,397,168</u>	<u>\$ 112,608,244</u>

12. TRUST FUNDS

The Town of Stettler administers the following trust:

	<u>2014</u>	<u>2013</u>
Cemetery Perpetual Care		
Balance, Beginning of Year	\$ 50,619	\$ 45,319
Sale of Cemetery Plots	880	\$ 2,300
Columbarium Purchase	<u>2,500</u>	<u>3,000</u>
Balance, End of Year	<u>\$ 53,999</u>	<u>\$ 50,619</u>

**TOWN OF STETTLER
NOTES TO THE FINANCIAL STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2014**

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:

2014			2013	
	<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	17,010	3,147	20,157	1	16,631
Councillor W. Brown	1	21,040	5,356	26,396		8,278
Councillor A. Campbell	1	21,690	2,083	23,773	1	23,793
Councillor M. Fischer	1	21,040	7,680	28,720	1	22,147
Councillor S. Nolls	1	18,700	2,805	21,505		3,002
Mayor R. Richards	1	37,270	9,858	47,128	1	31,993
Councillor K. Sernecky	1	19,870	4,277	24,147		6,023
Councillor P. Simons					1	14,416
Councillor L. Thorogood					1	12,925
Councillor S. Wildeboer					1	12,748
Town Man. R. Stoutenberg		158,504	29,589	188,093	1	185,227
CAO. G. Switenky	1	139,873	28,753	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 230,534 people and 418 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 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 2014 were \$396,103 (2013 - \$342,971 Total current and past service contributions by the employees of the Town of Stettler to the Local Authorities Pension Plan in 2014 were \$364,480 (2013 - \$312,861)
- At December 31, 2013 the Plan disclosed an actuarial deficiency of \$4.86 billion for the Plan.

**TOWN OF STETTLER
NOTES TO THE FINANCIAL STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2014**

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.

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).

TOWN OF STETTLER
NOTES TO THE FINANCIAL STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2014

18. AMORTIZATION

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

	<u>2014</u>	<u>2013</u>
General Administration	\$ 93,860	\$ 85,239
Police Protective Services	-	-
Fire Protective Services	145,007	126,821
Common and Equipment Pool	242,308	157,508
Roads, Streets, Walks, Lighting	3,797,964	3,755,277
Airport	17,040	17,040
Storm Sewers and Drainage	62,669	56,231
Water Supply and Distribution	669,291	659,593
Wastewater Treatment and Disposal	280,771	272,255
Waste Management	-	-
Cemeteries	2,049	2,304
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	34,966	32,477
Parks and Recreation	527,014	480,091
Culture	42,237	33,736
Total	\$ 6,012,585	\$ 5,775,981

19. OTHER LONG-TERM LIABILITIES

	<u>2014</u>	<u>2013</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, 2014 the Town had a short-term line of credit for \$100,000 (2013 - \$100,000) of which nothing had been drawn down. The interest rate on advances would be Prime minus 1/4%.

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.

Section PSAB 3260 - Liability for Contaminated Sites

This new section establishes recognition, measurement and disclosure standards for liabilities relating to contaminated sites of governments and those organizations applying the CPA Public Sector Accounting Handbook. This section is effective for fiscal periods beginning on or after April 1, 2014.

**TOWN OF STETTLER
NOTES TO THE FINANCIAL STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2014**

22. APPROVAL OF FINANCIAL STATEMENTS

Council and Management have approved these financial statements.

23. BUDGET AMOUNTS

Budget figures for the year ended December 31, 2014 were approved as May 20, 2014 and are for information purposes. These amounts have not been audited.