

TOWN OF SUNDRE

FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2013

Approved by Council:



per

Terry Leslie, Mayor



Wanda Watson-Neufeld, CGA
Director of Corporate Services



April 22, 2014

Independent Auditor's Report

To the Mayor and Council of the Town of Sundre

We have audited the accompanying financial statements of the Town of Sundre, which comprise the statement of financial position as at December 31, 2013 and the statement of operations and accumulated surplus, statement of change in net financial debt and statement of cash flows for the year then ended, and the related notes, which comprise 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 Sundre as at December 31, 2013 and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

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Other Matters

Without modifying our opinion, we draw attention to the budget information displayed in the financial statements and the related disclosures. We were not engaged to report on the budget information, and as such, it is marked as unaudited.

PricewaterhouseCoopers LLP

Chartered Accountants

**Town of Sundre
Financial Statements
As at December 31, 2013**

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**Town of Sundre
Statement of Financial Position
As at December 31, 2013**

	<u>2013</u>	<u>2012</u>
	\$	\$
FINANCIAL ASSETS		
Cash and temporary investments (Note 3)	4,734,928	5,672,068
Receivables (Note 4)		
Taxes and grants in place of taxes	162,639	156,175
Trade and other receivables	1,124,494	1,602,399
Investments (Note 5)	27,700	27,700
	<u>6,049,761</u>	<u>7,458,342</u>
LIABILITIES		
Accounts payable and accrued liabilities	715,990	1,235,803
Deposit liabilities	7,521	8,615
Deferred revenue (Note 6)	1,312,307	2,021,780
Long-term debt (Note 7)	4,789,156	5,126,029
Obligation under capital leases (Note 8)	155,828	193,962
	<u>6,980,802</u>	<u>8,586,189</u>
NET FINANCIAL DEBT	<u>(931,041)</u>	<u>(1,127,847)</u>
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 11)	39,418,994	38,250,916
Inventory for consumption	71,341	79,284
Prepaid Expense	23,395	51,519
	<u>39,513,730</u>	<u>38,381,719</u>
ACCUMULATED SURPLUS (Note 13)	<u>38,582,689</u>	<u>37,253,872</u>

Commitments and contingencies - See Notes 16 and 17

Approved on behalf of Council by:

Paul Isaac

Wanda Wator

Town of Sundre
Statement of Operations and Accumulated Surplus
As at December 31, 2013

	Budget \$ (Unaudited)	2013 \$	2012 \$
REVENUE			
Net municipal taxes (Schedule 3)	\$ 2,700,455	\$ 2,711,582	\$ 2,604,669
User fees and sales of goods	3,722,197	3,568,304	3,340,332
Government transfers for operating (Schedule 4)	802,208	835,389	2,819,647
Investment Income	28,840	40,159	30,288
Fines, penalties and cost of taxes	83,200	83,950	88,148
Licenses and permits	82,445	135,668	99,014
Rentals	300,519	304,861	248,138
Other	500	76,244	321,141
Total Revenue	<u>7,720,364</u>	<u>7,756,157</u>	<u>9,551,377</u>
EXPENSES			
Legislative	312,229	383,944	189,258
Administration	564,399	612,699	632,005
Protective services	536,834	644,874	516,439
Roads, streets, walks, lighting	1,266,003	1,185,561	3,166,362
Water supply and distribution	1,299,131	1,303,982	1,235,489
Wastewater treatment and disposal	776,216	670,710	538,912
Waste management	225,183	214,282	203,694
Gas distribution	1,360,666	1,260,087	1,147,110
Family and community support	83,288	83,240	83,141
Land use planning, zoning and development	664,379	544,985	420,642
Parks and recreation	1,412,404	1,420,883	1,273,264
Culture	254,856	247,210	246,676
Total Expenses	<u>8,755,588</u>	<u>8,572,457</u>	<u>9,652,992</u>
SHORTFALL OF REVENUE OVER EXPENSES - BEFORE OTHER	(1,035,224)	(816,300)	(101,615)
OTHER			
Contributed Assets	-	-	349,768
Government Transfers for capital (Schedule 4)	2,624,997	2,145,117	1,782,093
	<u>2,624,997</u>	<u>2,145,117</u>	<u>2,131,861</u>
EXCESS OF REVENUE OVER EXPENSES	1,589,773	1,328,817	2,030,246
ACCUMULATED SURPLUS, BEGINNING OF YEAR	<u>37,253,872</u>	<u>37,253,872</u>	<u>35,223,626</u>
ACCUMULATED SURPLUS, END OF YEAR (Note 13)	<u><u>38,843,645</u></u>	<u><u>38,582,689</u></u>	<u><u>37,253,872</u></u>

Town of Sundre
Statement of Change in Net Financial Debt
As at December 31, 2013

	2013 Budget \$ (Unaudited)	2013 \$	2012 \$
EXCESS OF REVENUES OVER EXPENSES	\$ 1,589,773	\$ 1,328,817	\$ 2,030,246
Change in tangible capital assets			
Acquisition of tangible capital assets	(3,410,934)	(2,493,394)	(2,254,534)
Acquisition of capital lease	-	-	(219,282)
Contributed Tangible capital assets	-	-	(349,768)
Proceeds on disposal of tangible capital assets	-	6,200	13,121
Amortization of tangible capital assets	1,317,148	1,317,148	1,211,065
Loss on sale of tangible capital assets	-	1,967	45,466
	<u>(2,093,786)</u>	<u>(1,168,079)</u>	<u>(1,553,932)</u>
Change in non-financial assets			
Use (acquisition) of inventories for consumption	-	7,943	1,605
Use (acquisition) of prepaid assets	-	28,125	(23,823)
	<u>-</u>	<u>36,068</u>	<u>(22,218)</u>
(INCREASE) DECREASE IN NET DEBT	(504,013)	196,806	454,096
NET FINANCIAL DEBT, BEGINNING OF YEAR	<u>(1,127,847)</u>	<u>(1,127,847)</u>	<u>(1,581,943)</u>
NET FINANCIAL DEBT, END OF YEAR	<u><u>(1,631,860)</u></u>	<u><u>(931,041)</u></u>	<u><u>(1,127,847)</u></u>

**Town of Sundre
Statement of Cash Flows
As at December 31, 2013**

	2013 \$	2012 \$
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING		
Excess of revenues over expenses	\$ 1,328,817	\$ 2,030,246
Non-cash items included in excess (shortfall) of revenue over expenses		
Amortization of tangible capital assets	1,317,148	1,211,065
Tangible capital assets received as contributions	-	(349,768)
Loss on disposal of tangible capital assets	1,967	45,466
Non-cash charges to operations (net change)		
Decrease (increase) in taxes and grants in lieu receivable	(6,464)	20,974
Decrease in trade and other receivables	477,906	662,958
Decrease (increase) in inventory for consumption	7,943	1,605
Increase in prepaid expenses	28,125	(23,823)
Increase (decrease) in accounts payable and accrued liabilities	(519,813)	60,588
Increase (decrease) in deposit liability	(1,094)	(15,435)
Increase (decrease) in builder deposit	-	(25,000)
Increase (decrease) in employee benefit obligations	-	-
Increase (decrease) in deferred revenue	(709,473)	(1,886,697)
Total cash provided by operations	<u>1,925,062</u>	<u>1,732,179</u>
CAPITAL		
Acquisition of tangible capital assets	(2,493,394)	(2,254,534)
Proceeds on disposal of tangible capital assets	6,200	13,121
Cash provided by capital transactions	<u>(2,487,194)</u>	<u>(2,241,413)</u>
INVESTING		
Decrease (increase) in investments	-	-
Cash provided by investing transactions	<u>-</u>	<u>-</u>
FINANCING		
Long-term debt repaid	(336,873)	(327,183)
Payments on obligation under capital leases	(38,135)	(25,320)
Cash applied to financing transactions	<u>(375,008)</u>	<u>(352,503)</u>
CHANGE IN CASH AND TEMPORARY INVESTMENTS DURING THE YEAR	(937,140)	(861,737)
CASH AND TEMPORARY INVESTMENTS, BEGINNING OF YEAR	<u>5,672,068</u>	<u>6,533,805</u>
CASH AND TEMPORARY INVESTMENTS, END OF YEAR	<u><u>4,734,928</u></u>	<u><u>5,672,068</u></u>
Cash and temporary investments is made up of:		
Cash and temporary investments (Note 3)	3,537,954	3,755,724
Designated portion of cash (Note 3)	<u>1,196,974</u>	<u>1,916,344</u>
	<u><u>4,734,928</u></u>	<u><u>5,672,068</u></u>

Town of Sundre
Schedule of Changes in Accumulated Surplus
As at December 31, 2013
Schedule 1

	Unrestricted Surplus	Restricted Surplus	Equity in Tangible Capital Assets	2013	2012
BALANCE, BEGINNING OF YEAR	1,278,258	3,044,690	32,930,924	37,253,872	35,223,626
Excess of revenues over expenses	1,328,817			1,328,817	2,030,246
Unrestricted funds designated for future use	(635,727)	635,727		-	
Restricted funds used for operations	295,193	(295,193)		-	
Restricted funds used for tangible capital assets	-	(345,476)	345,476	-	
Current year funds used for tangible capital assets	(2,147,917)		2,147,917	-	
Capital lease obligation repaid	-	(38,135)	38,135	-	
Contributed tangible capital assets	8,167		-	-	
Disposal of tangible capital assets	1,317,148		(8,167)	-	
Annual amortization expense	(336,873)		(1,317,148)	-	
Long term debt repaid			336,873	-	
Change in accumulated surplus	(171,192)	(43,077)	1,543,086	1,328,817	2,030,246
BALANCE, END OF YEAR	1,107,066	3,001,613	34,474,010	38,582,689	37,253,872

TOWN OF SUNDRE
SCHEDULE OF TANGIBLE CAPITAL ASSETS
For the Year Ended December 31, 2013
Schedule 2

	Buildings	Engineered Structures	Land Improvements	Land	Machinery & Equipment	Vehicles	2013	2012
COSTS:								
Balance, beginning of year	\$ 14,518,171	\$ 20,833,049	\$ 9,297,610	\$ 1,105,518	\$ 2,259,522	\$ 1,427,387	\$ 49,441,257	\$ 46,887,907
Acquisition of tangible capital assets	-	3,650,997	-	-	48,856	47,505	3,747,358	1,321,601
Work-in-progress	-	(1,253,965)	-	-	-	-	(1,253,965)	1,501,983
Disposal of tangible capital assets	-	-	-	-	(6,359)	(19,248)	(25,607)	(270,234)
Balance, end of year	\$ 14,518,171	\$ 23,230,081	\$ 9,297,610	\$ 1,105,518	\$ 2,302,019	\$ 1,455,644	\$ 51,909,043	49,441,257
ACCUMULATED AMORTIZATION:								
Balance, beginning of year	\$ 2,873,423	\$ 6,763,553	\$ -	\$ 221,294	\$ 916,804	\$ 415,267	\$ 11,190,341	10,190,923
Annual Amortization	436,741	621,802	-	53,082	135,938	69,585	1,317,148	1,211,065
Accumulated amortization on disposals	-	-	-	-	(3,649)	(13,791)	(17,440)	(211,647)
Balance, end of year	\$ 3,310,164	\$ 7,385,355	\$ -	\$ 274,376	\$ 1,049,093	\$ 471,061	\$ 12,490,049	\$ 11,190,341
2013 NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	\$ 11,208,007	\$ 15,844,726	\$ 9,297,610	\$ 831,142	\$ 1,252,926	\$ 984,583	\$ 39,418,994	\$ 38,250,916

2012 NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS \$ 11,644,747 \$ 14,069,495 \$ 9,297,610 \$ 884,224 \$ 1,342,718 \$ 1,012,122 \$ 38,250,916

**Town of Sundre
Schedule of Property and Other Taxes
For the Year Ended December 31, 2013
Schedule 3**

	Budget \$ (Unaudited)	2013 \$	2012 \$
TAXATION			
Real property taxes	3,500,708	3,458,222	3,340,960
Linear property taxes	117,554	159,403	152,045
Special assessments and local improvement taxes	92,906	104,670	97,424
	<u>3,711,168</u>	<u>3,722,295</u>	<u>3,590,429</u>
REQUISITIONS			
Alberta School Foundation Fund	984,463	984,463	959,251
Mountain View Senior's Housing	26,250	26,250	26,509
	<u>1,010,713</u>	<u>1,010,713</u>	<u>985,760</u>
NET MUNICIPAL TAXES	<u><u>2,700,455</u></u>	<u><u>2,711,582</u></u>	<u><u>2,604,669</u></u>

**Town of Sundre
Schedule of Government Transfers
For the Year Ended December 31, 2013
Schedule 4**

	Budget \$ (Unaudited)	2013 \$	2012 \$
TRANSFERS FOR OPERATING			
FEDERAL TRANSFERS			
Celebrate Canada	-	2,000	-
	-	2,000	-
PROVINCIAL TRANSFERS			
Disaster Recovery Program	-	128,768	-
Family & Community Services	57,417	57,417	57,417
FREC Program	-	19,610	-
Municipal Sustainability Initiative	55,964	55,964	81,992
River Bank Stabilization	132,564	13,383	2,136,886
Other	4,000	5,985	14,879
	<u>249,945</u>	<u>281,127</u>	<u>2,291,174</u>
LOCAL GOVERNMENT TRANSFERS			
Shared-cost agreements and grants	552,263	552,262	528,473
Total Operating	<u>802,208</u>	<u>835,389</u>	<u>2,819,647</u>
TRANSFERS FOR CAPITAL			
FEDERAL TRANSFERS			
Building Canada Fund	543,418	557,535	932,374
Federal Gas Tax Rebate	380,000	387,275	(5,500)
	<u>923,418</u>	<u>944,810</u>	<u>926,874</u>
PROVINCIAL TRANSFERS			
Alberta Municipal Infrastructure Program	-	-	59,172
Municipal Sustainability Initiative	1,446,579	945,307	354,344
Street Improvement Program	255,000	255,000	166,804
	<u>1,701,579</u>	<u>1,200,307</u>	<u>580,320</u>
LOCAL GOVERNMENT TRANSFERS			
Shared-cost agreements and grants	-	-	274,899
Total Capital	<u>2,624,997</u>	<u>2,145,117</u>	<u>1,782,093</u>
TOTAL GOVERNMENT TRANSFERS	<u><u>3,427,205</u></u>	<u><u>2,980,506</u></u>	<u><u>4,601,740</u></u>

Town of Sundre
Schedule of Expenses by Object
For the Year Ended December 31, 2013
Schedule 5

	Budget \$ (Unaudited)	2013 \$	2012 \$
EXPENSES BY OBJECT			
Salaries, wages and benefits	2,552,422	2,357,721	2,255,782
Contracted and general services	1,324,217	1,368,610	2,976,240
Materials, goods and utilities	2,879,532	2,855,088	2,486,973
Transfers to local boards and agencies	462,189	445,550	440,298
Interest on long-term debt and capital leases	220,080	224,617	237,168
Amortization of tangible capital assets	1,317,148	1,317,148	1,211,065
Loss on disposal of tangible capital assets	-	3,723	45,466
	<u>8,755,588</u>	<u>8,572,457</u>	<u>9,652,992</u>

Town of Sundre
Schedule of Segmented Disclosure
For the Year Ended December 31, 2013
Schedule 6

	General Government	Protective Services	Transportation Services	Planning & Development	Recreation & Culture	Utility Services	Total \$
REVENUE							
Net Municipal Taxes	2,711,582	-	-	-	-	-	2,711,582
Government transfers	-	274,082	420,765	47,549	510,237	1,727,873	2,980,506
User fees and sales of goods	129,665	131,789	209,981	176,382	329,496	3,115,470	4,092,783
Investment income	21,787	3,005	3,971	2,482	5,278	3,636	40,159
Contributed assets	-	-	-	-	-	-	-
Other revenues	72,288	2,200	643	-	1,113	-	76,244
	<u>2,935,322</u>	<u>411,076</u>	<u>635,360</u>	<u>226,413</u>	<u>846,124</u>	<u>4,846,979</u>	<u>9,901,274</u>
EXPENSES							
Contract & general services	224,194	210,678	159,404	147,083	159,424	467,827	1,368,610
Salaries & wages	353,985	178,718	205,066	302,941	610,063	706,948	2,357,721
Goods & supplies	295,326	165,042	421,160	92,211	354,519	1,526,830	2,855,088
Transfers to local boards	-	-	-	2,750	435,492	7,308	445,550
Long-term debt interest	32,298	4,717	80,238	-	11,188	96,176	224,617
Other expenses	-	-	323	-	3,400	-	3,723
	<u>905,803</u>	<u>559,155</u>	<u>866,191</u>	<u>544,985</u>	<u>1,574,086</u>	<u>2,805,089</u>	<u>7,255,309</u>
NET REVENUE, BEFORE AMORTIZATION	<u>2,029,519</u>	<u>(148,079)</u>	<u>(230,831)</u>	<u>(318,572)</u>	<u>(727,962)</u>	<u>2,041,890</u>	<u>2,645,965</u>
Amortization expense	(90,840)	(85,720)	(318,728)	-	(176,133)	(645,727)	(1,317,148)
NET REVENUE	<u>1,938,679</u>	<u>(233,799)</u>	<u>(549,559)</u>	<u>(318,572)</u>	<u>(904,095)</u>	<u>1,396,163</u>	<u>1,328,817</u>

Town of Sundre
Notes to Financial Statements
For the Year Ended December 31, 2013

1. SIGNIFICANT ACCOUNTING POLICIES

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

a) **Reporting Entity**

The financial statements reflect the assets, liabilities, revenue and expenditures, changes in fund balances and changes in financial position of the reporting entity which comprises all the organizations that are accountable for the administration of their financial affairs and resources to the Council and are controlled by the municipality.

The schedule of taxes levied also includes requisitions for education and seniors' lodges that are not part of the municipal reporting entity. 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 recognizes the effect of transactions and events in the period in which the transactions and events occur, regardless of whether there has been a receipt or payment of cash or its equivalent.

Revenues are recognized as they are earned and measurable. Funds from external parties and earnings thereon that are restricted by agreement or legislation are accounted for as deferred revenue until used for the purpose specified.

Expenses are recognized as they are incurred and measurable based upon receipt of goods or services and/or legal obligation to pay.

c) **Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles for local governments established by PSAB 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) **Government Transfers**

Government transfers are the transfers 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 revenues in the period that the events giving rise to the transfer occurred, providing the transfers are authorized, any eligibility criteria have been met by the municipality, and reasonable estimates of the amounts can be determined.

Town of Sundre
Notes to Financial Statements
For the Year Ended December 31, 2013

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

e) **Deferred Revenue**

Government transfers, contributions and other amounts are received from third parties pursuant to legislation, regulation or agreement and is restricted and may only be used in the conduct of 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.

f) **Taxes and Grants in place of Taxes Receivable**

Taxes and grants in place of taxes receivable consist of current and non-current property tax levies, which remain outstanding at December 31.

g) **Investments**

Investments are recorded at amortized cost. When there is a loss in value that is other than a temporary decline, the respective investment is written down to recognize the loss.

h) **Prepaid Local Improvement 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.

i) **Non-Financial Assets**

Non-Financial Assets are assets that are not available to discharge existing liabilities but held for use in Town operations. Such assets have useful lives extending beyond the current year and are not intended for sale in the normal course of Town operations. The change in non-financial assets during the year, together with the excess of revenues over expenses, provides the Change in Net Financial Debt for the year.

Town of Sundre
Notes to Financial Statements
For the Year Ended December 31, 2013

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

k) 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	10 - 25
Buildings	25 - 30
Engineered Structures	
Water System	30 - 40
Waste Water System	30 - 75
Gas System	30 - 50
Other engineered structures	5 - 40
Machinery, Equipment and Furnishings	3 - 50
Vehicles	10 - 20

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. Government contributions for the acquisition of capital assets are recorded as capital revenue and do not reduce the related capital asset costs.

l) Contributions of Tangible Capital Assets

Contributed tangible capital assets are recorded at fair value at the date of receipt and are recorded as revenue in the year of acquisition.

m) Inventories

Inventories of materials and supplies are valued at the lower of cost or net realizable value with cost determined by the average cost method.

n) Reserves for Future Expenditures

Reserves are established at the discretion of Council to set aside funds for future operating and capital expenditures. Transfers to and/or from reserves are reflected in accumulated surplus.

o) Leases

Leases are classified as capital or operating leases. Leases that transfer substantially all of the benefit 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.

**Town of Sundre
Notes to Financial Statements
For the Year Ended December 31, 2013**

2. FUTURE ACCOUNTING POLICIES

The Public Sector Accounting Board (PSAB) recently announced the following accounting pronouncements:

Financial Instruments

This accounting pronouncement establishes standards on how to account for and report all types of financial instruments including derivatives. Financial instruments include primary instruments and derivative instruments. It is effective for fiscal years beginning on or after April 1, 2015 for governments only, with early adoption encouraged. Management is assessing the impact of the adoption of these standards which is not known or reasonably estimable at this time.

Liability for Contaminated Sites

In 2015 municipalities will be required to account for and report liabilities associated with the remediation of contaminated sites per PSAB Section 3260. The Town will be required to adopt this standard for the year ended December 31, 2015 with early adoption encouraged. Management is assessing the impact of the adoption of these standards which is not known or reasonably estimable at this time.

Adoption of New Accounting Standards

As of January 1, 2013, The Town adopted revised Public Sector Accounting handbook Section 3410, Government Transfers. This revised standard establishes standards on how to account for and report government transfers to individuals, organizations, and other governments from both a transferring government and a recipient government perspective. The Town has elected to apply the requirements of the revised standard on a prospective basis. As such, the adoption of this revised standard did not have an impact on the Town's comparative figures. The notes to the financial statements and significant accounting policies have been adjusted to reflect the new standard.

3. CASH AND TEMPORARY INVESTMENTS

	2013	2012
	\$	\$
Cash	33,640	458,333
Temporary Investments	3,504,314	3,297,391
Designated Cash	1,196,974	1,916,344
	4,734,928	5,672,068

Temporary investments consist of short-term deposits that can be converted to cash as required. Designated cash relates to conditional grants received that are held in separate bank accounts.

Town of Sundre
Notes to Financial Statements
For the Year Ended December 31, 2013

4. TAXES AND GRANTS IN PLACE OF TAXES RECEIVABLES

	2013	2012
	\$	\$
Current taxes and grants in place of taxes	162,639	156,175
Trade and other	1,124,494	1,602,399
	1,287,133	1,758,574

5. INVESTMENTS

	2013	2012
	\$	\$
Investment in Gas Alberta Inc.		
Shares at cost	200	200
Debentures	27,500	27,500
	27,700	27,700

The investment in Gas Alberta Inc. consists of shares of \$200 and debenture of \$27,500 that is non-interest bearing and is due when the Gas Alberta Inc. contract expires. Expiry requires five years notice prior to service termination. Shares are not publically traded therefore fair market value is not readily available.

6. DEFERRED REVENUE

	2013		2013
	Beginning	Additions	End
	\$		\$
Prepaid local improvement charges	105,435	24,316	115,333
Grants			
Riverbank Stabilization	127,503	1,284	115,404
Street Improvement Program	537,222	166,456	448,678
Federal Gas Tax Fund	244,622	142,652	0
Municipal Sustainability Initiative	1,006,998	627,165	632,892
Building Canada Fund	-	557,535	-
	1,916,345	1,495,092	1,196,974
	2,021,780	1,519,408	1,312,307

Town of Sundre
Notes to Financial Statements
For the Year Ended December 31, 2013

6. DEFERRED REVENUE (Continued)

Prepaid local improvement charges

Prepaid local improvement charges are being amortized to revenue at a rate of \$14,417 per year over the next 11 years.

7. LONG-TERM DEBT

	2013	2012
	\$	\$
Tax supported debentures	1,063,716	1,182,778
Special levies supported debentures	1,533,725	1,643,369
Utility supported debentures	2,191,715	2,299,882
	4,789,156	5,126,029

The current portion of long-term debt is \$351,432 (2012 - \$336,873).

Principal and interest repayments are as follows:

	Principal	Interest	Total
	\$	\$	\$
2014	351,432	205,521	556,953
2015	366,626	190,327	556,953
2016	338,681	174,937	513,618
2017	353,321	160,297	513,618
2018	368,599	145,019	513,618
Thereafter	3,010,497	832,884	3,843,381
	4,789,156	1,708,985	6,498,141

Debenture debt is repayable to the Alberta Capital Finance Authority bearing interest rates ranging from 4.27% to 5.38% per annum, before provincial subsidy and matures in periods 2013 to 2033. For qualifying debentures, the Province of Alberta rebates interest. Debenture debt is issued on the credit and security of the Town of Sundre at large.

Interest on long-term debt amounted to \$217,780 (2012 - \$231,798).

The Town's total cash payments for interest in 2013 were \$220,080 (2012 - \$234,173).

**Town of Sundre
Notes to Financial Statements
For the Year Ended December 31, 2013**

8. OBLIGATION UNDER CAPITAL LEASES

Capital equipment leases are payable in monthly installments of \$3,758, including interest at 4.5% until May 4, 2015 at which time an option to purchase is available. This lease is secured by equipment with a book value of \$219,282 and accumulated amortization of \$32,892 (2012 – 10,964).

Future minimum lease payments under the capital lease are estimated as follows:

	Total \$
2014	45,093
2015	15,031
2015 Option to Purchase	102,928
	163,052
Amount representing interest	(7,224)
Amount representing principal	155,828

9. RESERVES

Reserves for operating and capital activities are as follows:

	Beginning of Year \$	End of Year \$
Operating		
General Reserve	198,337	215,309
Fire Donations	10,682	10,758
Fire (Operating)	48,468	50,000
	257,487	276,067
Capital		
Sundre Golf Society	147,470	100,873
Bylaw	50,466	3,247
Fire Town	156,699	182,285
Fire Mountain View County	64,982	69,145
Recreation Fields	1,762	1,780
Off-Site Levy	150,759	187,103
Municipal Reserve	0	38,652
Roads	370,695	381,024
Water and Sewer	306,591	333,111
Solid Waste	16,538	19,894
Economic Development	51,127	64,972
Infrastructure	844,947	602,202
Sundre Community Centre	65,570	78,681
Arena	146,819	168,363
Greenwood Park	33,080	58,497

Town of Sundre
Notes to Financial Statements
For the Year Ended December 31, 2013

9. RESERVES (Continued)

Baseball	5,888	5,947
Parks	161,534	183,799
Recreation and Culture	3,030	29,588
Community Services	27,071	9,889
Trails	54,548	55,096
Outdoor Rinks	11,567	11,683
Gas	116,060	139,715
	<u>2,787,203</u>	<u>2,725,546</u>
 Total Reserves	 <u>3,044,690</u>	 <u>3,001,613</u>

Capital reserves are based on a 20-year capital replacement plan that is approved by Council on an annual basis.

10. DEBT LIMITS

Section 276(2) of the Municipal Government Act requires that debt and debt limits as defined by Alberta Regulation 255/2000 for the Town of Sundre be disclosed as follows:

	2013	2012
	\$	\$
Total debt limit	<u>11,634,236</u>	<u>14,327,064</u>
Total debt	<u>4,789,156</u>	<u>5,126,029</u>
Amount of debt limit unused	<u>6,845,080</u>	<u>9,201,035</u>
	2013	2012
	\$	\$
Debt servicing limit	<u>1,939,039</u>	<u>2,387,844</u>
Debt servicing	<u>556,953</u>	<u>561,356</u>
Amount of debt servicing limit unused	<u>1,382,086</u>	<u>1,826,488</u>

The debt limit is calculated at 1.5 times revenue of the municipality (as defined in Alberta Regulation 255/2000) 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 Sundre
Notes to Financial Statements
For the Year Ended December 31, 2013**

11. TANGIBLE CAPITAL ASSETS

	Net Book Value	
	2013	2012
	\$	\$
Land	9,297,610	9,297,610
Land Improvements	831,142	884,224
Buildings	11,208,007	11,644,747
Engineered Structures	15,844,726	14,069,495
Machinery, equipment and furnishings	1,252,926	1,342,718
Vehicles	984,583	1,012,122
	39,418,994	38,250,916

There were no contributed assets in 2013; however, total contributed assets value is \$724,296.

12. EQUITY IN CAPITAL ASSETS

	2013	2012
	\$	\$
Tangible Capital Assets (Schedule 2)	51,909,043	49,441,257
Accumulated Amortization (Schedule 2)	(12,490,049)	(11,190,341)
Long-term Debt (Note 7)	(4,789,156)	(5,126,029)
Obligation Under Capital Leases (Note 8)	(155,828)	(193,962)
	34,474,010	32,930,925

13. ACCUMULATED SURPLUS

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

	2013	2012
	\$	\$
Equity in tangible capital assets (Note 12)	34,474,010	32,930,925
Unrestricted surplus (deficit)	1,107,066	1,278,257
Restricted surplus		
Operating Reserve (Note 9)	276,067	257,487
Capital Reserve (Note 9)	2,725,546	2,787,203
	38,582,689	37,253,872

Town of Sundre
Notes to Financial Statements
For the Year Ended December 31, 2013

14. LOCAL AUTHORITIES PENSION PLAN

Employees of the town participate in the Local Authorities Pension Plan (LAPP), which is one of the plans covered by the Alberta Public Sector Pension Plan Act. The LAPP serves about 214,328 people and 423 employers. It is financed by employer and employee contributions and by investment earnings of the LAPP Fund.

The Town of Sundre is required to make current service contributions to the plan of 10.43% of the pensionable earnings up to the Canada Pension Plan Year's Maximum Pensionable Earnings and 14.47% for the excess. Employees of the Town are required to make current service contributions of 9.43% of pensionable salary up to the year's maximum pensionable salary and 13.47% on pensionable salary above this amount.

Total current service contributions by the town to the LAPP in 2013 \$162,511 were \$ (2012 - \$136,294). Total current service contributions by the employees of the town to the LAPP in 2013 were \$148,058 (2012 - \$123,475).

The plan disclosed an actuarial deficiency of \$4.9 billion (2011 - \$4.6 billion) as per the latest information available as per the audited financial statements for the year ended December 31, 2012.

15. SALARY AND BENEFITS DISCLOSURE

Disclosure of salaries and benefits for municipal officials, the chief administrative officer and designated officers are required by Alberta Regulation 313/2000 is as follows:

			2013 \$	2012 \$
	Salary ¹	Benefits & Allowances ²	Total	Total
Mayor & Councillors:				
Mayor, Clews	21,943	894	22,837	25,656
Mayor, Leslie	5,055	210	5,265	0
Councillor, Baird	0	0	0	9,768
Councillor, Funke	11,275	388	11,663	2,084
Councillor, Isaac	13,866	482	14,348	15,293
Councillor, Jordan	13,516	466	13,982	13,617
Councillor, McFadden	3,991	158	4,149	0
Councillor, Orr	3,816	152	3,968	0
Councillor, Thompson	15,616	222	15,838	13,356
Councillor, Toone	12,063	425	12,488	15,841
Councillor, Vardas	14,916	531	15,447	15,117
	116,057	3,928	119,985	110,732
Chief Administrative Officer	157,391	1,051	159,442	152,507

**Town of Sundre
Notes to Financial Statements
For the Year Ended December 31, 2013**

15. SALARY AND BENEFITS DISCLOSURE (Continued)

1. Salary includes regular base pay, bonuses, overtime, lump sum payments, and per diem payments.
2. Employer's share of all employee benefits and contributions or payments made on behalf of employees including pension, health care, dental coverage, vision coverage, group life insurance, accidental disability and dismemberment insurance, long and short-term disability plans, professional memberships and tuition.

16. COMMITMENTS

The Town of Sundre has an agreement with Wild Rose Assessment Services Inc. to provide assessment services. Assessment services are required by the municipality in order to carry out the assessment of property within each municipality, primarily for taxation purposes. Under the terms of the agreements the Town of Sundre is committed to the following minimum payments until the end of March 31, 2015.

April 1, 2012 – March 31, 2013 -	\$38,100
April 1, 2013 – March 31, 2014 -	\$39,324
April 1, 2014 – March 31, 2015 -	option year to be negotiated

The Town of Sundre has an agreement with Jane Finney to provide animal control services. Under the terms of the agreements the Town of Sundre is committed to the following minimum payments until the end of December 31, 2014 with a one-year renewal option to December 31, 2015.

March 1, 2012 – December 31, 2014 -	\$24,000/year
January 1, 2015 – December 31, 2015 -	option year at \$24,000

17. CONTINGENCIES

The Town of Sundre, in the conduct of its normal activities can be named as a defendant in legal proceedings. The ultimate outcome of these proceedings can often not be determined until the proceedings are completed. Should any loss result from the resolution of these proceedings or if the amount of the loss can be determined, such amount would be expensed as they become known to the Town. The Town has been named in court file number 1201-13723 related to a vicious dog attack. Currently, there are no determinable amounts.

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

Town of Sundre
Notes to Financial Statements
For the Year Ended December 31, 2013

18. FINANCIAL INSTRUMENTS

The town's financial instruments consist of cash and temporary investments, receivables, investments, accounts payable, accrued liabilities and long-term debt. It is management's opinion that the Town is not exposed to significant interest or currency risk arising from these financial statements.

The town is subject to credit risk with respect to taxes, utilities and other accounts receivables. Credit risk arises from the possibility that some taxpayers and other customers may experience financial difficulty and be unable to fulfill their obligations. The Town's customers and taxpayers are diverse which minimizes this risk.

19. SEGMENTED INFORMATION

The Town is a diversified municipal government that provides a wide range of services to its citizens, including bylaw, fire, water, wastewater and gas management.

For management reporting purposes, the Town's operations and activities are organized and reported by functions and services provided. Certain functions that have been disclosed in the segmented information, along with services provided are as follows:

a) General Government

This category encompasses General revenue which includes taxes, government transfers, investment income, and franchise fees as well as Legislative Services which pertains to Town Council, Chief Administrative Officer and Legislative Services and also includes Corporate Services which oversees Financial Services, Taxation Administration, Utilities Administration, Accounts Payable, Accounts Receivable, Payroll, Insurance and Risk Management, Human Resources, and Information Technology.

b) Protective Services

Protective services includes Bylaw Enforcement, Animal Control, Disaster Services and Fire Services.

c) Transportation Services

This category includes Roads, sidewalk maintenance, street lighting, fleet management and Shop.

d) Planning and development

This category includes municipal planning, development and economic development.

e) Utility Services

This category includes water supply and distribution, water treatment, wastewater treatment and disposal, waste and recycling and the purchase and distribution of gas servers for the Town.

f) Recreation and Culture

Parks and recreation includes the Sundre Community Centre, Arena, Greenwood Campground, Baseball, Parks, Recreation & Culture grants, Community Services, Trails, Outdoor Rinks, Recreation Fields, funds provided to the Sundre Municipal Library, and funds provided to Greenwood Neighbourhood place to provide Family and Community Support Services (FCSS).

Town of Sundre
Notes to Financial Statements
For the Year Ended December 31, 2013

19. SEGMENTED INFORMATION (Continued)

For each reported segment, revenues and expenses represent amounts that are directly attributable to the segments and amounts that are allocated on a reasonable basis. Therefore, certain allocation methodologies are employed in the preparation of segmented financial information. The accounting policies used in these segments are consistent with those followed in the preparation of financial statements as disclosed in Note 1. For additional information see the Schedule of Segmented Disclosure (Schedule 6).

20. BUDGET AMOUNTS

The 2013 Budget of the Town of Sundre was approved by Council and has been reported in the financial statements for information purposes only. These budget amounts have not been audited.

21. STATEMENT PRESENTATION

Certain comparative figures have been restated to conform to the current year's presentation.

22. APPROVAL OF FINANCIAL STATEMENTS

The Council and Management have approved these financial statements.