

TOWN OF MUNDARE
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED
DECEMBER 31, 2013

INDEPENDENT AUDITOR'S REPORT

To the Members of Council:

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of the Town of Mundare, which comprise the consolidated statement of financial position as at December 31, 2013, and the consolidated statements of operations, changes in net financial assets (debt) and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements present fairly, in all material respects, the financial position of the Town of Mundare as at December 31, 2013, the results of its operations, change in its net financial assets (debt) and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

ST. PAUL, ALBERTA
FEBRUARY 18, 2014

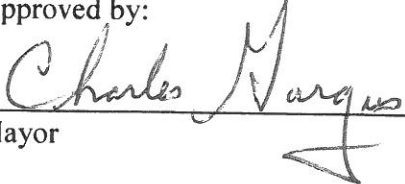

CHARTERED ACCOUNTANTS

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


| | <u>2013</u> | <u>2012</u> |
|---|-----------------------------|-----------------------------|
| Financial assets | | |
| Cash | \$ 237,194 | \$ 613,930 |
| Taxes receivable (note 3) | 155,681 | 206,931 |
| Receivable from other governments | 117,711 | 5,448 |
| Trade and other receivables | 138,133 | 61,277 |
| Long-term investment (note 4) | 10 | 10 |
| Inventory of land held for resale | <u>22,079</u> | <u>9,164</u> |
| | <u>670,808</u> | <u>896,760</u> |
| Liabilities | | |
| Accounts payable and accrued liabilities (note 5) | 238,166 | 109,347 |
| Deposit liabilities | 9,000 | 9,406 |
| Deferred revenue (note 6) | 269,465 | 493,098 |
| Long-term debt (note 7) | <u>1,513,889</u> | <u>1,565,135</u> |
| | <u>2,030,520</u> | <u>2,176,986</u> |
| Net financial assets (debt) | <u>(1,359,712)</u> | <u>(1,280,226)</u> |
| Non-financial assets | | |
| Tangible capital assets | 13,224,135 | 12,957,998 |
| Prepaid expenses | <u>8,263</u> | <u>8,060</u> |
| | <u>13,232,398</u> | <u>12,966,058</u> |
| Accumulated surplus (note 10) | \$ <u>11,872,686</u> | \$ <u>11,685,832</u> |

Contingency (note 14)

Approved by:



Mayor



Chief Administrative Officer

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

| | <u>Budget</u> (unaudited) | <u>2013</u> | <u>2012</u> |
|---|------------------------------|-----------------------------|-----------------------------|
| Revenue | | | |
| Net municipal taxes (schedule 3) | \$ 889,500 | \$ 885,109 | \$ 838,999 |
| Sales and user fees | 440,300 | 483,323 | 445,361 |
| Government transfers for operating (schedule 4) | 155,100 | 155,644 | 215,366 |
| Investment income | 2,000 | 2,638 | 2,133 |
| Penalties and costs of taxes | 46,000 | 47,597 | 46,040 |
| Licenses and permits | 5,900 | 9,839 | 28,407 |
| Police fines issued | 5,000 | 4,977 | 5,194 |
| Franchise and concession contracts | 74,500 | 76,017 | 51,105 |
| Rentals and leases | 29,200 | 65,499 | 29,355 |
| Fundraising/donations | 2,500 | 3,696 | 3,737 |
| Local improvement charges | 5,150 | 5,183 | 5,183 |
| Insurance proceeds | -- | 24,760 | -- |
| | <u>1,655,150</u> | <u>1,764,282</u> | <u>1,670,880</u> |
| Expenses | | | |
| Legislative | 52,400 | 45,180 | 50,013 |
| Administration | 369,427 | 360,923 | 291,488 |
| Protective services | 148,790 | 163,811 | 141,231 |
| Roads, streets, walks, lighting | 775,150 | 811,079 | 740,885 |
| Water and wastewater | 411,751 | 466,157 | 320,342 |
| Waste management | 137,200 | 121,626 | 122,017 |
| Municipal planning, community and economic development | 10,000 | 17,871 | 20,597 |
| Recreation and culture | 239,465 | 232,213 | 247,669 |
| | <u>2,144,183</u> | <u>2,218,860</u> | <u>1,934,242</u> |
| Shortfall of revenues over expenses before other | (489,033) | (454,578) | (263,362) |
| Other | | | |
| Government transfers for capital (schedule 4) | 499,500 | 641,432 | 41,762 |
| Excess (deficiency) of revenues over expenses | 10,467 | 186,854 | (221,600) |
| Accumulated surplus, beginning of year | <u>11,685,832</u> | <u>11,685,832</u> | <u>11,907,432</u> |
| Accumulated surplus, end of year | <u>\$ 11,696,299</u> | <u>\$ 11,872,686</u> | <u>\$ 11,685,832</u> |

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

| | <u>Budget</u> (unaudited) | <u>2013</u> | <u>2012</u> |
|---|------------------------------|-----------------------|-----------------------|
| Excess (deficiency) of revenues over expenses | \$ <u>10,467</u> | \$ 186,854 | \$ (221,600) |
| Acquisition of tangible capital assets | (508,500) | (744,685) | (112,912) |
| Amortization of tangible capital assets | <u>478,583</u> | <u>478,548</u> | <u>475,901</u> |
| | <u>(29,917)</u> | <u>(266,137)</u> | <u>362,989</u> |
| Acquisition of prepaid assets | -- | (8,263) | (8,060) |
| Use of prepaid assets | <u>--</u> | <u>8,060</u> | <u>12,138</u> |
| | <u>--</u> | <u>(203)</u> | <u>4,078</u> |
| Increase in net financial assets (debt) | (19,450) | (79,486) | 145,467 |
| Net financial assets (debt), beginning of year | (1,280,226) | (1,280,226) | (1,425,693) |
| Net financial assets (debt), end of year | \$ <u>(1,299,676)</u> | \$ <u>(1,359,712)</u> | \$ <u>(1,280,226)</u> |

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

| | <u>2013</u> | <u>2012</u> |
|--|--------------------------|--------------------------|
| Net inflow (outflow) of cash related to the following activities: | | |
| Operating | | |
| Excess (deficiency) of revenues over expenses | \$ 186,854 | \$ (221,600) |
| Non-cash items included | | |
| Amortization of tangible capital assets | 478,548 | 475,901 |
| Non-cash charges to operations (net change): | | |
| Decrease (increase) in | | |
| Taxes and grants in place receivable | 51,250 | (58,305) |
| Receivables from other governments | (112,263) | 32,917 |
| Trade and other receivables | (76,856) | (3,868) |
| Prepaid expenses | (203) | 4,078 |
| Inventory of land held for resale | (12,915) | -- |
| Increase (decrease) in | | |
| Accounts payable and accrued liabilities | 128,819 | 17,056 |
| Deposit liabilities | (406) | 500 |
| Deferred revenue | (223,633) | 216,415 |
| | 419,195 | 463,094 |
| Capital | | |
| Acquisition of tangible capital assets | (744,685) | (112,912) |
| Financing | | |
| Long-term debt repaid | (51,246) | (48,869) |
| Change in cash and cash equivalents during the year | (376,736) | 301,313 |
| Cash and cash equivalents, beginning of year | <u>613,930</u> | <u>312,617</u> |
| Cash, end of year | \$ <u>237,194</u> | \$ <u>613,930</u> |

TOWN OF MUNDARE
SCHEDULE 1 – CHANGES IN ACCUMULATED SURPLUS
FOR THE YEAR ENDED DECEMBER 31, 2013

| | Unrestricted Surplus | Restricted Surplus | Equity in Tangible Capital Assets | 2013 | 2012 |
|---|-------------------------|--------------------------|--------------------------------------|-----------------------------|-----------------------------|
| Balance, beginning of year | \$ <u>2,860</u> | \$ <u>290,109</u> | \$ <u>11,392,863</u> | \$ <u>11,685,832</u> | \$ <u>11,907,432</u> |
| Excess (deficiency) of revenues over expenses | 186,854 | -- | -- | 186,854 | (221,600) |
| Funds designated for future use | (3,000) | 3,000 | -- | -- | -- |
| Current year funds used for tangible capital assets | (613,185) | (131,500) | 744,685 | -- | -- |
| Annual amortization expense | 478,548 | -- | (478,548) | -- | -- |
| Long-term debt repaid | <u>(51,246)</u> | <u>--</u> | <u>51,246</u> | <u>--</u> | <u>--</u> |
| Change in accumulated surplus | <u>(2,029)</u> | <u>(128,500)</u> | <u>317,383</u> | <u>186,854</u> | <u>(221,600)</u> |
| Balance, end of year | \$ <u><u>831</u></u> | \$ <u><u>161,609</u></u> | \$ <u><u>11,710,246</u></u> | \$ <u><u>11,872,686</u></u> | \$ <u><u>11,685,832</u></u> |

TOWN OF MUNDARE
SCHEDULE 2 – TANGIBLE CAPITAL ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2013

| Cost | <u>Land</u> | <u>Land Improvements</u> | <u>Buildings</u> | <u>Engineered Structures</u> | <u>Machinery & Equipment</u> | <u>Vehicles</u> | <u>2013</u> | <u>2012</u> |
|--|------------------|--------------------------|-------------------|------------------------------|----------------------------------|-------------------|----------------------|----------------------|
| Balance, beginning of year | \$ 52,577 | \$ 460,357 | \$ 1,197,547 | \$ 14,472,865 | \$ 249,762 | \$ 244,864 | \$ 16,677,972 | \$ 16,565,060 |
| Acquisition of tangible capital assets | -- | 31,019 | 26,810 | 496,630 | 190,226 | -- | 744,685 | 47,262 |
| Construction-in-progress | -- | -- | -- | -- | -- | -- | -- | 65,650 |
| Disposal of tangible capital assets | -- | -- | -- | -- | -- | -- | -- | -- |
| Balance, end of year | <u>52,577</u> | <u>491,376</u> | <u>1,224,357</u> | <u>14,969,495</u> | <u>439,988</u> | <u>244,864</u> | <u>17,422,657</u> | <u>16,677,972</u> |
| Accumulated amortization | | | | | | | | |
| Balance, beginning of year | -- | 79,965 | 485,538 | 2,904,279 | 141,929 | 108,263 | 3,719,974 | 3,244,073 |
| Annual amortization | -- | 19,475 | 24,576 | 399,811 | 18,856 | 15,830 | 478,548 | 475,901 |
| Accumulated amortization on disposals | -- | -- | -- | -- | -- | -- | -- | -- |
| Balance, end of year | <u>--</u> | <u>99,440</u> | <u>510,114</u> | <u>3,304,090</u> | <u>160,785</u> | <u>124,093</u> | <u>4,198,522</u> | <u>3,719,974</u> |
| Net book value of tangible capital assets | <u>\$ 52,577</u> | <u>\$ 391,936</u> | <u>\$ 714,243</u> | <u>\$ 11,665,405</u> | <u>\$ 279,203</u> | <u>\$ 120,771</u> | <u>\$ 13,224,135</u> | <u>\$ 12,957,998</u> |
| 2012 Net book value of tangible capital assets | <u>\$ 52,577</u> | <u>\$ 380,392</u> | <u>\$ 712,009</u> | <u>\$ 11,568,586</u> | <u>\$ 107,833</u> | <u>\$ 136,601</u> | <u>\$ 12,957,998</u> | |

**TOWN OF MUNDARE
SCHEDULE 3 – PROPERTY TAXES LEVIED
FOR THE YEAR ENDED DECEMBER 31, 2013**

| | <u>Budget</u> (unaudited) | <u>2013</u> Actual | <u>2012</u> Actual |
|---|------------------------------|--------------------------|--------------------------|
| Taxation | | | |
| Residential land and improvements | \$ 976,600 | \$ 975,349 | \$ 911,390 |
| Commercial property | <u>166,900</u> | <u>163,233</u> | <u>143,875</u> |
| | <u>1,143,500</u> | <u>1,138,582</u> | <u>1,055,265</u> |
| Requisitions | | | |
| Alberta School Foundation | 219,000 | 218,546 | 179,871 |
| County of Lamont Foundation | <u>35,000</u> | <u>34,927</u> | <u>36,395</u> |
| | <u>254,000</u> | <u>253,473</u> | <u>216,266</u> |
| Net taxes for general municipal operations | \$ <u>889,500</u> | \$ <u>885,109</u> | \$ <u>838,999</u> |

SCHEDULE 4 – GOVERNMENT TRANSFERS

| | | | |
|-----------------------------------|--------------------------|--------------------------|--------------------------|
| Transfers for operations | | | |
| Provincial | \$ 63,900 | \$ 67,997 | \$ 133,541 |
| Other local governments | <u>91,200</u> | <u>87,647</u> | <u>81,825</u> |
| | 155,100 | 155,644 | 215,366 |
| Transfers for capital | | | |
| Provincial | <u>499,500</u> | <u>641,432</u> | <u>41,762</u> |
| Total government transfers | \$ <u>654,600</u> | \$ <u>797,076</u> | \$ <u>257,128</u> |

SCHEDULE 5 – CONSOLIDATED EXPENSES BY OBJECT

| | | | |
|---|----------------------------|----------------------------|----------------------------|
| Expenses | | | |
| Salaries, wages and benefits | \$ 509,450 | \$ 456,037 | \$ 436,810 |
| Contracted and general services | 564,300 | 684,060 | 433,835 |
| Purchases from other governments | 132,000 | 131,329 | 110,832 |
| Materials, goods, supplies and utilities | 266,850 | 278,600 | 261,743 |
| Provision for allowances and bad debts | -- | 2,834 | 1,500 |
| Transfers to local boards and organizations | 65,600 | 62,185 | 82,910 |
| Bank charges & short-term interest | 1,700 | 1,507 | 1,633 |
| Interest on long-term debt | 74,500 | 73,814 | 76,216 |
| Shared cost agreement | 32,300 | 32,308 | 29,607 |
| Other expenses | 18,900 | 17,638 | 23,255 |
| Amortization of tangible capital assets | <u>478,583</u> | <u>478,548</u> | <u>475,901</u> |
| Total expenses | \$ <u>2,144,183</u> | \$ <u>2,218,860</u> | \$ <u>1,934,242</u> |

TOWN OF MUNDARE
SCHEDULE 6 – SEGMENTED DISCLOSURE
FOR THE YEAR ENDED DECEMBER 31, 2013

| Revenue | <u>General Government</u> | <u>Protective Services</u> | <u>Transportation Services</u> | <u>Environmental Services</u> | <u>Planning and Development</u> | <u>Recreation and Culture</u> | <u>Total</u> |
|--|-------------------------------|--------------------------------|------------------------------------|-----------------------------------|-------------------------------------|-----------------------------------|-------------------|
| Net municipal taxes | \$ 885,109 | \$ -- | \$ -- | \$ -- | \$ -- | \$ -- | \$ 885,109 |
| Government transfers | -- | 63,855 | 691,350 | -- | -- | 41,871 | 797,076 |
| User fees and sales of goods | 10,036 | 27,105 | 4,710 | 421,411 | -- | 20,061 | 483,323 |
| Investment income | 2,638 | -- | -- | -- | -- | -- | 2,638 |
| Other revenues | <u>131,282</u> | <u>11,169</u> | <u>---</u> | <u>5,184</u> | <u>6,383</u> | <u>83,550</u> | <u>237,568</u> |
| Expenses | <u>1,029,065</u> | <u>102,129</u> | <u>696,060</u> | <u>426,595</u> | <u>6,383</u> | <u>145,482</u> | <u>2,405,714</u> |
| Salaries, wages and benefits | 189,966 | 24,385 | 144,559 | 60,757 | -- | 36,370 | 456,037 |
| Contracted and general services | 138,358 | 85,525 | 144,424 | 209,782 | 17,871 | 88,100 | 684,060 |
| Materials, goods, supplies and utilities | 31,186 | 35,161 | 130,042 | 180,695 | -- | 32,845 | 409,929 |
| Transfers to others | 6,352 | -- | -- | 32,308 | -- | 55,833 | 94,493 |
| Interest on long-term debt | -- | -- | 59,689 | 14,125 | -- | -- | 73,814 |
| Other expenses | <u>20,414</u> | <u>---</u> | <u>---</u> | <u>1,565</u> | <u>---</u> | <u>---</u> | <u>21,979</u> |
| Net revenue before amortization | <u>386,276</u> | <u>145,071</u> | <u>478,714</u> | <u>499,232</u> | <u>17,871</u> | <u>213,148</u> | <u>1,740,312</u> |
| Amortization expense | 642,789 | (42,942) | 217,346 | (72,637) | (11,488) | (67,666) | 665,402 |
| | <u>(19,827)</u> | <u>(18,740)</u> | <u>(332,365)</u> | <u>(88,551)</u> | <u>---</u> | <u>(19,065)</u> | <u>(478,548)</u> |
| Net revenue | <u>\$ 622,962</u> | <u>\$ (61,682)</u> | <u>\$ (115,019)</u> | <u>\$ (161,188)</u> | <u>\$ (11,488)</u> | <u>\$ (86,731)</u> | <u>\$ 186,854</u> |

TOWN OF MUNDARE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

1. Significant Accounting Policies

The consolidated financial statements of the Town of Mundare are the representations of management prepared in accordance with Canadian 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 expenses, changes in fund balances, and change in financial position of the reporting entity. This entity is comprised 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.

The schedule of taxes levied also includes requisitions for education 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 public sector accounting standards 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 expenses 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.

TOWN OF MUNDARE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

1. Significant Accounting Policies - continued

(d) Cash

Cash is defined as petty cash, and cash in chequing and savings accounts.

(e) Investments

Investments are recorded at amortized cost. 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.

(f) Inventory of 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) 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.

(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, provides the consolidated change in net financial assets (debt) for the year.

**TOWN OF MUNDARE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013**

1. Significant Accounting Policies – continued

(i) Non-Financial Assets (continued)

(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 costs, less residual value, of the tangible capital assets are amortized on a straight-line basis over their estimated useful lives as follows:

| | <u>Years</u> |
|-------------------------|--------------|
| Buildings | 50 |
| Engineered structures | |
| Roadway system | 20-30 |
| Wastewater system | 45-75 |
| Water system | 25-75 |
| Lighting | 50 |
| Machinery and equipment | 10-30 |
| Vehicles | 5-15 |
| Land improvements | 20-30 |

No amortization is charged in the year of acquisition. 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 recoded as revenue.

(iii) Leases

Leases are classified as capital or operating leases. Leases which transfer substantially all of the benefits and risks of ownership 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.

2. Temporary Loans Payable

The town has a prime plus 1% authorized revolving loan limit of \$100,000 with the Servus Credit Union. No balance was outstanding as at December 31, 2013.

3. Taxes Receivable

| | <u>2013</u> | <u>2012</u> |
|---------------------------------------|-------------|-------------|
| Taxes receivable | | |
| Current | \$ 111,601 | \$ 133,705 |
| Arrears | 66,945 | 93,256 |
| | 178,546 | 226,961 |
| Less: allowance for doubtful accounts | (22,865) | (20,030) |
| | \$ 155,681 | \$ 206,931 |

**TOWN OF MUNDARE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013**

| | | |
|---------------------------------|--------------|--------------|
| 4. Long-Term Investments | <u>2013</u> | <u>2012</u> |
| AMFC share | \$ <u>10</u> | \$ <u>10</u> |

5. Employee Benefit Obligation

Included in accounts payable and accrued liabilities is a vacation and overtime liability of \$18,577 (2012 - \$14,869). The vacation and overtime liability is comprised of the vacation and overtime that employees have earned and are entitled to within the next budgetary year.

| | | |
|---|---------------------|-------------------|
| 6. Deferred Revenue | <u>2013</u> | <u>2012</u> |
| Offsite levies | \$ 260,000 | \$ 257,000 |
| Communities in bloom | 9,465 | 10,458 |
| Transportation grant | -- | 34,131 |
| Municipal Sustainability Initiative - Capital | <u> --</u> | <u>191,509</u> |
| | <u>\$ 269,465</u> | <u>\$ 493,098</u> |

Funding from offsite levies and various grant programs, organizations and individuals, in the amount of \$269,465 remained unspent at the end of the current year. The use of these funds is restricted to eligible operating and capital projects as approved under the funding agreements or as indicated by the donors.

| | | |
|---------------------------|---------------------|---------------------|
| 7. Long-Term Debt | <u>2013</u> | <u>2012</u> |
| Tax supported debentures | \$ 1,445,330 | \$ 1,494,704 |
| Self-supported debentures | <u>68,559</u> | <u>70,431</u> |
| | <u>\$ 1,513,889</u> | <u>\$ 1,565,135</u> |

Principal and interest repayments for each of the next five years and to maturity are as follows:

| | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|------------|---------------------|-------------------|---------------------|
| 2014 | \$ 53,739 | \$ 71,871 | \$ 125,610 |
| 2015 | 49,480 | 69,328 | 118,808 |
| 2016 | 51,930 | 66,878 | 118,808 |
| 2017 | 54,503 | 64,305 | 118,808 |
| 2018 | 57,204 | 61,604 | 118,808 |
| Thereafter | <u>1,247,033</u> | <u>535,446</u> | <u>1,782,479</u> |
| | <u>\$ 1,513,889</u> | <u>\$ 869,432</u> | <u>\$ 2,383,321</u> |

Debenture debt is repayable to Alberta Capital Finance Authority and bears interest at rates ranging from 4.23% to 6.125% per annum and matures in periods 2014 through 2035. The average annual interest rate is 4.79% (4.79% for 2012).

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

Interest on long-term debt amounted to \$73,814 (2012 - \$76,216).

The town's cash payments for interest in 2013 were \$74,364 (2012 - \$76,741).

TOWN OF MUNDARE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

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 Mundare be disclosed as follows:

| | <u>2013</u> | <u>2012</u> |
|--------------------------------|---------------------|-------------------|
| Total debt limit | \$ 2,646,423 | \$ 2,506,320 |
| Total debt | (1,513,889) | (1,565,135) |
| Debt limit remaining | \$ <u>1,132,534</u> | \$ <u>941,185</u> |
| Debt servicing limit | \$ 441,070 | \$ 417,720 |
| Debt servicing | (125,610) | (125,610) |
| Debt servicing limit remaining | \$ <u>315,460</u> | \$ <u>292,110</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. Equity in Tangible Capital Assets

| | <u>2013</u> | <u>2012</u> |
|---------------------------------------|----------------------|----------------------|
| Tangible capital assets (schedule 2) | \$ 17,422,657 | \$ 16,677,972 |
| Accumulated amortization (schedule 2) | (4,198,522) | (3,719,974) |
| Long-term debt (note 7) | (1,513,889) | (1,565,135) |
| | \$ <u>11,710,246</u> | \$ <u>11,392,863</u> |

10. Accumulated Surplus

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

| | <u>2013</u> | <u>2012</u> |
|--|----------------------|----------------------|
| Unrestricted surplus | \$ 831 | \$ 2,860 |
| Restricted surplus | | |
| General capital | 10,709 | 118,209 |
| Fire | 29,000 | 26,000 |
| Common services | 12,900 | 22,400 |
| Streets | -- | 14,500 |
| Water | 33,000 | 33,000 |
| Sewer | 28,000 | 28,000 |
| Garbage | 14,500 | 14,500 |
| Development | 16,000 | 16,000 |
| Parks and recreation | 9,500 | 9,500 |
| Ukraina Park | 8,000 | 8,000 |
| Equity in tangible capital assets (note 9) | <u>11,710,246</u> | <u>11,392,863</u> |
| | \$ <u>11,872,686</u> | \$ <u>11,685,832</u> |

TOWN OF MUNDARE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

11. Segmented Disclosure

The Town of Mundare 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 Schedule 6 – Segmented Disclosure.

12. Salary and Benefits Disclosure

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

| | | 2013 | | | 2012 |
|------------------------------|------------|-----------------------|---|----------|----------|
| | | Salary ⁽¹⁾ | Benefits & Allowances ⁽²⁾ | Total | Total |
| Mayor - | Saric | \$ 7,055 | \$ 219 | \$ 7,274 | \$ 9,898 |
| | Gargus | 6,765 | 80 | 6,845 | 7,285 |
| Councillors - | Rosypal | 8,430 | -- | 8,430 | 8,665 |
| | Greening | 7,040 | 175 | 7,215 | 6,925 |
| | Burghardt | 7,110 | 179 | 7,289 | 7,409 |
| | Talaga | 1,100 | 26 | 1,126 | -- |
| Chief Administrative Officer | | | | | |
| | Colin Zyla | 60,571 | 6,897 | 67,468 | 65,597 |

⁽¹⁾ Salary includes regular base pay, bonuses, overtime, lump sum payments, gross honoraria and any other direct cash remuneration.

⁽²⁾ Employer's 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.

13. Commitment

The town is committed to making quarterly payments of \$893 until March 2017 under a photocopier lease and monthly payments of \$871 until April 2014 under a skid steer lease.

**TOWN OF MUNDARE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013**

14. Contingency

The Town of Mundare is a member of the Alberta Municipal Insurance Exchange (MUNIX). Under the terms of 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.

15. Financial Instruments

The town's financial instruments consist of cash and temporary investments, receivables, long-term investments, accounts payable and accrued liabilities, deposit liabilities 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 services may experience financial difficulty and be unable to fulfill their obligations. The large number and diversity of taxpayers and customers minimizes the credit risk.

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

16. Approval of Financial Statements

Council and Management have approved these financial statements.

