

TOWN OF MAYERTHORPE
Consolidated Financial Statements
Year Ended December 31, 2014

TOWN OF MAYERTHORPE
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Year Ended December 31, 2014

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INDEPENDENT AUDITOR'S REPORT

To the Members of Council of Town of Mayerthorpe

We have audited the accompanying consolidated financial statements of Town of Mayerthorpe, which comprise the consolidated statement of financial position as at December 31, 2014 and the consolidated statements of operations, changes in net financial assets 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 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 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 Town of Mayerthorpe as at December 31, 2014 and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Edmonton, Alberta
April 27, 2015

Seniuk & Company
Seniuk and Company
Chartered Accountants

TOWN OF MAYERTHORPE
Consolidated Statement of Financial Position
December 31, 2014

	2014	2013
FINANCIAL ASSETS		
Cash and temporary investments (Note 2)	\$ 416,395	\$ 98,656
Taxes and grants in place of taxes (Note 4)	163,190	278,651
Grants and receivables from other governments (Note 5)	42,434	138,162
Trade and other receivables	164,189	118,897
Land held for resale	35,000	35,000
Long term Investments (Note 6)	23,401	22,925
	\$ 844,609	\$ 692,291
LIABILITIES		
Accounts payable	\$ 444,179	\$ 256,865
Deposits liabilities	1,575	19,172
Long term debt (Note 10)	2,145,743	2,146,487
Deferred revenue (Note 9)	142,393	304,436
	2,733,890	2,726,960
NET FINANCIAL ASSET (DEBT)	(1,889,281)	(2,034,669)
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 7)	22,288,955	21,772,963
Inventory for consumption	110,398	99,946
Prepaid expenses	24,742	28,439
	22,424,095	21,901,348
ACCUMULATED SURPLUS	\$ 20,534,814	\$ 19,866,679

On behalf of Council

 _____ Councilor

 _____ Councilor

The accompanying notes form an integral part of these financial statements

TOWN OF MAYERTHORPE
Consolidated Statement of Operations
Year Ended December 31, 2014

	Budget 2014	2014	2013
REVENUE			
Net municipal taxes (Schedule 1)	\$ 1,360,388	\$ 1,388,409	\$ 1,340,478
User fees and sale of goods	1,231,640	1,212,333	1,055,293
Government transfers for operating (Schedule 2)	355,151	259,227	361,864
Investment income	5,100	9,613	6,080
Penalties and costs of taxes	44,500	38,669	56,678
Licenses and permits	16,980	15,834	12,211
Rentals	950	950	1,100
Other	16,650	53,534	36,132
Fines	30,600	16,211	13,955
Franchise fees & concession contracts	53,098	75,574	53,283
Total revenue	3,115,057	3,070,354	2,937,074
EXPENSES			
Administration and legislative	687,457	562,134	542,165
Fire service	182,040	132,142	147,069
Bylaw enforcement	82,544	95,983	52,328
Disaster and emergency measures	19,897	19,105	18,017
Roads, streets, walks and lighting	747,601	680,750	662,592
Storm sewers and drainage	38,347	28,552	30,383
Water supply and distribution	440,698	294,786	330,430
Wastewater treatment and disposal	176,611	79,001	116,307
Waste management	147,770	118,515	122,086
Family and community support	114,773	122,914	129,687
Cemeteries and crematoriums	23,265	23,479	32,567
Land use planning, zoning and development	270,109	132,542	104,530
Parks and recreation	207,180	234,368	189,332
Libraries, museums and halls	18,011	18,011	15,711
Total operating expenses	3,156,303	2,542,282	2,493,204
Excess (deficiency) of revenue over expenses before other	(41,246)	528,072	443,870
OTHER			
Government transfers for capital (Schedule 2)	41,246	672,491	617,174
Loss on disposal of assets	-	(5,149)	-
Amortization	-	(845,416)	(719,911)
Recovery of amortization due to change in accounting policy (Note 8)	-	318,137	-
	41,246	140,063	(102,737)
EXCESS OF REVENUE OVER EXPENSES	-	668,135	341,133
ACCUMULATED SURPLUS, BEGINNING OF YEAR	19,866,679	19,866,679	19,525,546
ACCUMULATED SURPLUS, END OF YEAR	\$ 19,866,679	\$ 20,534,814	\$ 19,866,679

The accompanying notes form an integral part of these financial statements

TOWN OF MAYERTHORPE
Consolidated Statement of Changes in Net Financial Assets
Year Ended December 31, 2014

	2014	2013
Excess (Shortfall) of Revenues Over Expenses	\$ 668,135	\$ 341,133
Acquisition of tangible capital assets	(1,053,703)	(792,379)
Proceeds on disposal of tangible capital assets	5,283	-
Amortization of tangible capital assets	845,416	719,911
Recovery of amortization due to change in accounting policy (<i>Note 8</i>)	(318,137)	-
(Gain) loss on disposal of assets	5,149	-
	(515,992)	(72,468)
Use of prepaids	3,697	\$ (4,469)
Use of inventory	(10,451)	26,762
	(6,754)	22,293
(INCREASE) DECREASE IN NET DEBT	145,389	290,958
Net financial assets (debt), beginning of year	(2,034,670)	(2,325,628)
NET ASSETS - END OF YEAR	\$ (1,889,281)	\$ (2,034,670)

The accompanying notes form an integral part of these financial statements

TOWN OF MAYERTHORPE
Consolidated Statement of Cash Flows
Year Ended December 31, 2014

	2014	2013
OPERATING ACTIVITIES		
Excess of revenue over expenses	\$ 668,135	\$ 341,133
Items not affecting cash:		
Loss on disposal of assets	5,149	-
Amortization	845,416	719,911
Recovery of amortization due to change in accounting policy (Note 8)	(318,137)	-
	1,200,563	1,061,044
Changes in non-cash working capital:		
Current taxes and grants in place of taxes	115,461	(76,076)
Trade and other receivables	(45,292)	(9,863)
Grants and receivables from other governments	95,728	85,242
Inventory	(10,452)	26,762
Prepaid expenses	3,697	(4,469)
Accounts payable	187,315	(59,864)
Deferred income	(162,043)	60,164
Deposits received	(17,597)	6,670
	166,817	28,566
Cash flow from operating activities	1,367,380	1,089,610
INVESTING ACTIVITIES		
Additions to capital assets	(1,053,703)	(792,379)
Proceeds on disposal of property, plant and equipment	5,283	-
Long term Investments	(476)	2,886
Cash flow used by investing activities	(1,048,896)	(789,493)
FINANCING ACTIVITIES		
Proceeds from long term financing	168,101	154,411
Repayment of long term debt	(168,846)	(140,467)
Cash flow from (used by) financing activities	(745)	13,944
INCREASE IN CASH FLOW	317,739	314,061
Cash (deficiency) - beginning of year	98,656	(215,405)
CASH - END OF YEAR (Note 2)	\$ 416,395	\$ 98,656

The accompanying notes form an integral part of these financial statements

TOWN OF MAYERTHORPE
Consolidated Schedule of Property and Other Taxes
Year Ended December 31, 2014

(Schedule 1)

	Budget (Unaudited) 2014	2014	2013
TAXATION			
Real property tax	\$ 1,527,370	\$ 1,551,060	\$ 1,525,693
Linear property taxes	46,835	49,214	45,696
Special assessments	49,999	53,141	36,241
Grants in lieu of property taxes	24,698	23,498	22,459
	1,648,902	1,676,913	1,630,089
REQUISITIONS			
Alberta School Foundation	266,203	266,203	267,350
Seniors' housing requisition	22,311	22,301	22,261
	288,514	288,504	289,611
NET MUNICIPAL TAXES	\$ 1,360,388	\$ 1,388,409	\$ 1,340,478

Consolidated Schedule of Government Transfers
Year Ended December 31, 2014

(Schedule 2)

	Budget (Unaudited) 2014	2014	2013
TRANSFERS FOR OPERATING			
Provincial Government	\$ 270,932	\$ 248,862	\$ 366,915
Other Local Governments	84,219	10,365	(5,050)
	355,151	259,227	361,865
	355,151	259,227	361,865
TRANSFERS FOR CAPITAL			
Provincial Government	41,246	672,491	617,174
TOTAL GOVERNMENT TRANSFERS	\$ 396,397	\$ 931,718	\$ 979,039

The accompanying notes form an integral part of these financial statements

TOWN OF MAYERTHORPE

Consolidated Schedule of Consolidated Expenditures by Object

(Schedule 3)

Year Ended December 31, 2014

	Budget (Unaudited) 2014	2014	2013
EXPENSES			
Salaries, wages & benefits	\$ 1,069,677	\$ 1,135,195	\$ 1,024,023
Contracted and general services	611,744	528,979	546,965
Materials, goods and utilities	821,214	732,992	746,155
Transfer to local boards and agencies	136,589	59,265	45,651
Interest on long term	176,053	74,228	105,781
Other expenditures	341,026	11,618	24,628
Total Consolidated Expenditures by Object	\$ 3,156,303	\$ 2,542,277	\$ 2,493,203

The accompanying notes form an integral part of these financial statements

TOWN OF MAYERTHORPE

**Consolidated Schedule of Segmented Disclosure
Year Ended December 31, 2014**

	General Government	Protective Services	Transportation Services	Planning & Development	Recreation & Culture	Environmental Services	Other	2014
REVENUE								
Net municipal taxes	\$ 1,388,409	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,388,409
Government transfers	145,214	4,440	574,856	5,442	9,522	96,229	96,015	931,718
User fees and sales of goods	7,632	127,890	80,099	98,690	80,766	777,727	39,529	1,212,333
Investment income	9,613	-	-	-	-	-	-	9,613
Other revenues	128,257	22,856	28,161	5,340	7,217	5,224	3,715	200,770
	1,679,125	155,186	683,116	109,472	97,505	879,180	139,259	3,742,843
EXPENSES								
Contract & general services	120,552	56,814	47,402	45,085	49,162	190,291	19,674	528,980
Salaries & wages	379,910	125,730	261,258	39,693	125,221	112,314	91,073	1,135,199
Materials, goods & utilities	60,471	57,130	374,259	29,774	47,202	135,310	28,846	732,992
Transfers to local boards	-	5,747	2,541	15,500	30,477	-	5,000	59,265
Long term debt interest	-	-	19,022	2,189	-	53,017	-	74,228
Other expenses	1,199	1,809	4,821	300	317	1,371	1,800	11,617
	562,132	247,230	709,303	132,541	252,379	492,303	146,393	2,542,281
Excess (deficiency) of revenue over expenses before other	1,116,993	(92,044)	(26,187)	(23,069)	(154,874)	386,877	(7,134)	1,200,562
OTHER EXPENSE								
Amortization	6,949	38,988	318,002	-	218,320	263,157	-	845,416
Loss on sale of assets	-	4,777	(158)	-	-	530	-	5,149
Recovery of amortization due to change in accounting policy	-	-	(238,129)	-	-	(80,008)	-	(318,137)
	6,949	43,765	79,715	-	218,320	183,679	-	532,428
EXCESS OF REVENUE OVER EXPENSES	\$ 1,110,044	\$ (135,809)	\$ (105,902)	\$ (23,069)	\$ (373,194)	\$ 203,198	\$ (7,134)	\$ 668,134

The accompanying notes form an integral part of these financial statements

TOWN OF MAYERTHORPE

Consolidated Schedule of Changes in Accumulated Surplus

(Schedule 5)

Year Ended December 31, 2014

	Unrestricted Surplus	Restricted Reserves	Equity in Tangible Capital Assets	Total 2014	Total 2013
	\$ (305,306)	\$ 545,510	\$ 19,626,475	\$ 19,866,679	\$ 19,525,546
Excess (deficiency) of revenues over expenses	668,135	-	-	668,135	341,133
Current year funds used for tangible capital assets	(1,053,703)	-	1,053,703	-	-
Annual amortization expense	845,416	-	(845,416)	-	-
Net reductions on tangible capital assets	10,431	-	(10,431)	-	-
Recovery of amortization due to change in accounting policy	(318,137)	-	318,137	-	-
Principle repayments on long term debt	(168,846)	-	168,846	-	-
Long term debt additions used for tangible capital assets	168,101	-	(168,101)	-	-
Net transfers to/from reserves	(10,253)	10,253	-	-	-
	141,144	10,253	516,738	668,135	341,133
BALANCE, END OF YEAR	\$ (164,162)	\$ 555,763	\$ 20,143,213	\$ 20,534,814	\$ 19,866,679

Note: The net book value of the tangible capital assets at year end, less related debt, represents the amount of equity in tangible capital assets. Please see Note 12 for details.

The accompanying notes form an integral part of these financial statements

TOWN OF MAYERTHORPE
Notes to Consolidated Financial Statements
Year Ended December 31, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Town of Mayerthorpe 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:

Reporting Entity

The financial statements reflect the assets, liabilities, revenues and expenditures, changes in fund balances and change in financial position of the Town of Mayerthorpe (the "Town"). The 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, 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.

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.

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TOWN OF MAYERTHORPE
Notes to Consolidated Financial Statements
Year Ended December 31, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

Tax Revenue

Annually, the Town bills and collects property tax revenues for municipal purposes. Tax revenues are based on market value assessments determined in accordance with the Municipal Government Act (MGA) and annually established tax rates. Municipal tax rates are set each year by Town Council in accordance with legislation and Town Council approved policies to raise the tax revenue required to meet the Town's budget requirements. Tax revenues are recorded at the time tax billings are issued. Property assessments are subject to tax appeal. Expenses related to tax appeals and allowances are separately disclosed in the Consolidated Schedule of Property and Other Taxes.

The Town also bills and collects education tax on behalf of the Province of Alberta (the Province). Education tax rates are established by the Province each year in order to fund the cost of education on a province-wide basis. Education taxes collected are remitted to the Province and are excluded from revenues and expenses in the Consolidated Schedule of Property and Other Taxes (Schedule 1).

Use of Estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenditure during the period. Where measurement uncertainty exists, the financial statements have been prepared within reasonable limits of materiality. Actual results could differ from those estimates.

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.

Debt Charges Recoverable

Debt charges recoverable consist of amounts that are recoverable from municipal agencies or other local governments with respect to outstanding debentures or other long-term debt pursuant to annexation orders or joint capital undertakings. These recoveries are recorded at a value that equals the offsetting portion of the unmatured long term debt less actuarial requirements for the retirement of any sinking fund debentures.

(*continues*)

TOWN OF MAYERTHORPE
Notes to Consolidated Financial Statements
Year Ended December 31, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

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.

Inventories 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 the respective function.

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.

Landfill Closure and Post-Closure Liability

Pursuant to the Alberta Environmental Protection and Enhancement Act, the Town is required to fund the closure of its landfill site and provide for post-closure care of the facility. Closure and post-closure activities include the final clay cover, landscaping as well as surface and ground water monitoring, leachate control, and visual inspection. The requirement is being provided for over the estimated remaining life of the landfill site based on usage. The Town of Mayerthorpe uses the Regional Landfill Authority in Lac Ste. Anne County and as such, is not directly responsible for landfill closure and post-closure liabilities but is assessed by the Highway 43 East Waste Commission for its proportionate share of all landfill costs including any closure or post-closure costs incurred. At present, no landfill or post-closure liabilities have been assessed.

(*continues*)

TOWN OF MAYERTHORPE
Notes to Consolidated Financial Statements
Year Ended December 31, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

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.

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.

Tangible Capital Assets

Tangible capital assets are stated at cost or deemed cost less accumulated amortization. Tangible capital assets are amortized over their estimated useful lives on a straight-line basis at the following rates and methods:

Land improvements	15 -20 years
Buildings	50 years
Machinery and equipment	5 - 20 years
Motor vehicles	10 - 20 years
Engineered structures - Roadways	5 - 40 years
Engineered structures - Water system	45 - 75 years
Engineered structures - Wastewater system	45 - 75 years

Amortization commences in the month subsequent to acquisition and ceases in the month that the asset is disposed of.

Tangible capital assets acquired during the year but not placed into use are not amortized until they are placed into use.

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.

Inventories

Inventories held for consumption are recorded at the lower of cost and replacement cost.

Cultural and Historical Tangible Capital Assets

Works of art for display are not recorded as tangible capital assets but are disclosed.

(*continues*)

TOWN OF MAYERTHORPE
Notes to Consolidated Financial Statements
Year Ended December 31, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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.

2. CASH AND TEMPORARY INVESTMENTS

	2014	2013
Temporary investments	\$ 388,269	\$ -
Bank indebtedness	(255,227)	(86,333)
Restricted cash	283,353	184,989
	\$ 416,395	\$ 98,656

Temporary investments are short-term deposits with original maturities of three months or less.

Included in cash are restricted amounts received from government grants and are held exclusively for future approved projects. (Note 9)

3. BANK OVERDRAFT

The bank overdraft is payable on demand with interest payable monthly at prime minus 0.25%. The Town has an authorized credit limit of \$800,000.

4. TAXES RECEIVABLES

Taxes receivable are comprised of:

	2014	2013
Current taxes and grants in place of taxes	\$ 109,748	\$ 192,958
Arrears taxes and grants in place of taxes	53,767	86,193
Sub-total	163,515	279,151
Allowance for doubtful accounts	(325)	(500)
	\$ 163,190	\$ 278,651

TOWN OF MAYERTHORPE
Notes to Consolidated Financial Statements
Year Ended December 31, 2014

5. GRANTS AND RECEIVABLES FROM OTHER GOVERNMENTS

Grants receivable are comprised of:

	2014	2013
Government grants	\$ 4,723	\$ 98,364
Goods and Services Tax refundable	37,711	39,798
	\$ 42,434	\$ 138,162

6. LONG TERM INVESTMENTS

	2014	2013
ATB Financial term deposit bearing interest at 2.50%, non-redeemable, maturing February 28, 2017	\$ 17,378	\$ 16,954
Alberta Association of Municipal Districts and Counties, held in reserve	426	426
United Farmers of Alberta Co-operative Limited, patronage equity.	1,405	1,405
Servus Credit Union Ltd. term deposit bearing interest at 1.25%, redeemable only on annual anniversary date, maturing June 26, 2018	4,192	4,140
	\$ 23,401	\$ 22,925

7. TANGIBLE CAPITAL ASSETS

	Cost	Accumulated amortization	2014 Net book value	2013 Net book value
Land	\$ 69,849	\$ -	\$ 69,849	\$ 69,849
Land improvements	16,323	4,432	11,891	18,094
Engineered structures	23,937,462	9,965,025	13,972,437	13,357,474
Buildings	8,359,567	825,448	7,534,119	7,650,493
Machinery and equipment	791,725	441,119	350,606	377,407
Motor vehicles	514,614	164,561	350,053	299,646
	\$ 33,689,540	\$ 11,400,585	\$ 22,288,955	\$ 21,772,963

The net book value of the tangible capital assets at year end also represents the amount of equity in tangible capital assets.

Equity in tangible capital assets equals the tangible capital assets balance.

TOWN OF MAYERTHORPE
Notes to Consolidated Financial Statements
Year Ended December 31, 2014

8. CHANGE IN ACCOUNTING POLICY - AMORTIZATION OF TANGIBLE CAPITAL ASSETS

During the current year, the town changed its accounting policy for the amortization of tangible capital assets to amortize assets based on individual segments of road, water line or sewer line. In previous periods, the Town pooled major infrastructure (water lines, sewer lines, roads) and amortized them at one rate. Management judges that the new policy is preferable because providing individual costs for each segment of road, water line or sewer line will assist with budgeting for infrastructure replacement and more accurate amortization of each asset based on the actual life for each asset segment.

In the current period, this resulted in a net increase in the tangible capital assets and equity in tangible assets of \$ 318,137.

As retrospective application of this policy was impracticable to apply to the prior period, it was applied only on the current period.

9. DEFERRED REVENUE

Deferred revenue is comprised of:

	2014	2013
Basic Municipal Transportation Grant	\$ 15,273	\$ 73,618
Federal Gas Tax Fund	24,250	79,186
Municipal Sustainability Initiative - Capital	2,060	-
Regional Collaboration Grant	28,830	123,691
Other miscellaneous grants	10,930	3,141
Prepaid property taxes	10,357	-
Prepaid local improvement charges	33,717	21,083
Prepaid utilities	3,499	-
Prepaid user fees and licences	13,477	3,717
	\$ 142,393	\$ 304,436

Basic Municipal Transportation Grant

Funding from the Basic Municipal Transportation Grant is restricted to eligible capital transportation projects, as approved under the funding agreement. Funds from this grant are being deferred for a future road projects. Unexpended funds related to the advance are supported by restricted cash of \$15,273 held exclusively for this project (refer to Note 2).

Federal Gas Tax Fund

Additional funding in the amount of \$75,975 was received in the current year from the Federal Gas Tax Fund and is restricted to eligible capital projects, as approved under the funding agreement. Funds from this grant are being deferred for a future road projects. Unexpended funds related to the advance are supported by restricted cash of \$24,250 held exclusively for this project (refer to Note 2).

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TOWN OF MAYERTHORPE
Notes to Consolidated Financial Statements
Year Ended December 31, 2014

9. DEFERRED REVENUE *(continued)*

2014 2013

Municipal Sustainability Initiative - Capital

Funding in the amount of \$390,434 was received in the current year from the Municipal Sustainability Initiative - Capital and is restricted to eligible capital projects, as approved under the funding agreement, which are scheduled for completion in the next year. Unexpended funds related to the advance are supported by restricted cash of \$2,060 held exclusively for these projects (refer to Note 2).

Regional Collaboration Grant

Funding from the Regional Collaboration Grant was restricted to the Waterline Feasibility Study Project, as approved under the funding agreement. Since the Waterline Feasibility Study Project has been completed, a request to amend the funding agreement has been approved. The remaining funds are now restricted to the Infrastructure Study Update Project. Unexpended funds related to the advance are supported by restricted cash of \$28,830 held exclusively for this new project (refer to Note 2).

10. LONG TERM DEBT

2014 2013

Alberta Capital Finance Authority - 400046 loan bearing interest at prime plus 1.8% per annum (effective rate at year end 4.8%), repayable in semi-annual blended payments of \$10,469. The loan matures on September 15, 2026 and is secured by the credit and security of the Town at large. Utilized to cover the costs of the 2006 paving project. \$ **190,397** \$ 201,979

Alberta Capital Finance Authority - 400503 loan bearing interest at prime plus 1.5% per annum (effective rate at year end 4.8%), repayable in semi-annual blended payments of \$4,122. The loan matures on September 15, 2018 and is secured by the credit and security of the Town at large. Utilized to cover the costs of the 2008 paving project. **30,157** 36,969

Alberta Capital Finance Authority - 3100176 loan bearing interest at 4.264% per annum, repayable in semi-annual blended payments of \$19,077. The loan matures on March 16, 2015 and is secured by the credit and security of the Town at large. Utilized to cover the costs for the extension of utilities across Highway 43. **18,679** 54,875

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TOWN OF MAYERTHORPE
Notes to Consolidated Financial Statements
Year Ended December 31, 2014

10. LONG TERM DEBT *(continued)*

	2014	2013
Alberta Capital Finance Authority - 4000810 loan bearing interest at 4.589% per annum, repayable in semi-annual blended payments of \$1,428. The loan matures on December 15, 2034 and is secured by the credit and security of the Town at large. Utilized to cover the costs of the 2009 paving project.	37,133	38,247
Alberta Capital Finance Authority - 4000811 loan bearing interest at 4.589% per annum, repayable in semi-annual blended payments of \$18,531. The loan matures on December 15, 2034 and is secured by the credit and security of the Town at large. Utilized to cover the costs of the water treatment plant upgrade.	481,702	496,159
Alberta Capital Finance Authority - 4001057 loan bearing interest at 4.268% per annum, repayable in annual blended payments of \$27,651. The loan matures on December 15, 2035 and is secured by the credit and security of the Town at large. Utilized to cover the costs of the lift station and sewer line rehabilitation.	761,949	784,021
Alberta Capital Finance Authority - 4001328 loan bearing interest at 2.922% per annum, repayable in monthly blended payments of \$6,635. The loan matures on June 15, 2032 and is secured by the credit and security of the Town at large. Utilized to cover the costs of the water supply line.	180,802	188,618
Alberta Capital Finance Authority - 1180579 loan bearing interest at 5.75% per annum, repayable in annual blended payments of \$22,637. The loan matures on October 1, 2018 and is secured by the credit and security of the Town at large. Utilized to cover the costs of the 46th Avenue and Agriculture Resource Road (52nd Avenue) paving project.	78,891	96,008
Alberta Capital Finance Authority - 4001608 loan bearing interest at 2.756% per annum, repayable in semi-annual blended payments of \$6,789. The loan matures on December 16, 2023 and is secured by the credit and security of the Town at large. Utilized to cover the costs of the 2013 paving project (46th Ave).	99,185	117,977
Alberta Capital Finance Authority - 4001609 loan bearing interest at 2.756% per annum, repayable in semi-annual blended payments of \$1,610. The loan matures on December 16, 2023 and is secured by the credit and security of the Town at large. Utilized to cover the costs of the 2013 paving project (49/50 Ave).	25,515	27,981

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TOWN OF MAYERTHORPE
Notes to Consolidated Financial Statements
Year Ended December 31, 2014

10. LONG TERM DEBT *(continued)*

	2014	2013
Alberta Capital Finance Authority - 4001610 loan bearing interest at 3.295% per annum, repayable in monthly blended payments of \$359. The loan matures on December 16, 2028 and is secured by the credit and security of the Town at large. Utilized to cover the costs of the 2013 hospital sidewalk project.	8,009	8,453
Alberta Capital Finance Authority - 1184670 loan bearing interest at 5.75% per annum, repayable in annual blended payments of \$35,451. The loan matures on April 2, 2016 and is secured by the credit and security of the Town at large. Utilized to cover the costs of the west water line project.	65,223	95,200
Alberta Capital Finance Authority - 4001796 loan bearing interest at 2.314% per annum, repayable in monthly blended payments of \$9,463. The loan matures on December 15, 2024 and is secured by the credit and security of the Town at large.	168,101	-
	\$ 2,145,743	\$ 2,146,487

Principal reductions over the next 5 years are approximately:

2015	\$ 163,873
2016	151,646
2017	122,954
2018	127,999
2019	102,301
Thereafter	1,476,970
	<u>\$ 2,145,743</u>

Interest on long-term debt amounted to \$ 74,228 (2013 - \$ 105,781)

TOWN OF MAYERTHORPE
Notes to Consolidated Financial Statements
Year Ended December 31, 2014

11. 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 Mayerthorpe be disclosed as follows:

	2014	2013
Total debt limit	\$ 4,605,531	\$ 3,800,220
Total debt	(2,145,742)	(2,146,488)
Amount of debt limit unused	2,459,789	1,653,732
Debt servicing limit	767,589	633,370
Debt servicing	(168,846)	(246,248)
Amount of debt servicing limit unused	\$ 598,743	\$ 387,122

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.

12. EQUITY IN TANGIBLE CAPITAL ASSETS

Equity in tangible capital assets is comprised of:

	2014	2013
Tangible capital assets (Note 7)	\$ 33,689,539	\$ 32,960,982
Accumulated amortization (Note 7)	(11,400,584)	(11,188,019)
Long term debt (Note 10)	(2,145,742)	(2,146,488)
	\$ 20,143,213	\$ 19,626,475

13. 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 Public Sector Pension Plans Act. The LAPP is financed by employer and employee contributions and by investment earnings of the LAPP Fund.

Contributions for current service are recorded as expenditures in the year in which they become due. The Town is required to make current service contributions to the LAPP of 11.39% of pensionable earnings up to the year's maximum pensionable earnings under the Canada Pension Plan and 15.84% on pensionable earnings above this amount.

Total current service contributions by the town to the LAPP in 2014 were \$73,096 (2013 - \$59,241). Total current service contributions by the employees of the town to the Local Authorities Pension Plan in 2014 were \$67,303 (2013 - \$54,077).

At December 31, 2013, the LAPP disclosed an actuarial deficiency of \$ 4.862 billion.

TOWN OF MAYERTHORPE
Notes to Consolidated Financial Statements
Year Ended December 31, 2014

14. SEGMENTED DISCLOSURE

The Town of Mayerthorpe 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 4).

15. SALARY AND BENEFITS DISCLOSURE

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

			2014	2013
	Salary (1)	Benefits & allowances (2)	Total	Total
Kate Patrick - Mayor	\$ 13,800	\$ -	\$ 13,800	\$ 9,023
Sherry Shaw - Deputy Mayor	7,830	-	7,830	1,613
Glen Wilcox - Councilor	9,150	-	9,150	7,920
Russell Claybrook - Councilor	7,380	-	7,380	7,760
Pat Hagman - Councilor	7,980	-	7,980	2,153
Bernie Jogola - Councilor	7,800	-	7,800	2,243
Pat Burns - Councilor	9,330	-	9,330	2,213
Kim Connell - Former Mayor	-	-	-	11,278
Dan Richard- Councilor	-	-	-	4,868
Dave Hutchison - Councilor	-	-	-	5,909
James Mason - Councilor	-	-	-	5,878
Karen St. Martin - CAO	119,199	27,020	146,219	141,694
Dwight Dawn - Regional CPO	57,888	19,711	77,599	-
	\$ 240,357	\$ 46,731	\$ 287,088	\$ 202,552

1. Salary includes regular base pay, per diems, and any other direct cash remuneration.
2. Benefits and allowances figures include the employer's share of the employee benefits and contributions or payments made on behalf of the employees including pension and health care benefits.

TOWN OF MAYERTHORPE
Notes to Consolidated Financial Statements
Year Ended December 31, 2014

16. FINANCIAL INSTRUMENTS

The Town's financial instruments consist of cash and temporary investments, accounts receivable, investments, debt charges recoverable, bank indebtedness, accounts payable and 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.

Credit risk

Credit risk arises from the possibility that taxpayers and entities to which the municipality provides services may experience financial difficulty and be unable to fulfil their obligations. The municipality is subject to credit risk with respect to taxes and grants in place of taxes receivable and trade and other receivables. The large number and diversity of taxpayers and customers minimizes the credit risk.

Fair value

The Town's carrying value of cash and cash equivalents, accounts receivable, and accounts payable approximates its fair value due to the immediate or short term maturity of these instruments.

The carrying value of the long term debt approximates the fair value as the interest rates are consistent with the current rates offered to the Town for debt with similar terms.

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. In seeking to minimize the risks from interest rate fluctuations, the Town manages exposure through its normal operating and financing activities. The Town is exposed to interest rate risk primarily through its floating interest rate bank indebtedness and credit facilities.

17. CONTINGENT LIABILITY

The municipality is a member of the MUNIX Reciprocal Insurance Exchange. Under the terms of the membership, the municipality 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.

18. APPROVAL OF FINANCIAL STATEMENTS

Council and management have approved these financial statements.

19. COMPARATIVE FIGURES

Some of the comparative figures have been reclassified to conform to the current year's presentation.

20. BUDGET AMOUNTS

Budget amounts are included for information purposes only and are not audited. It should be noted that the budget is not PSAB compliant in that it does not include an estimate for amortization.