

MUNICIPAL DISTRICT OF ACADIA NO. 34

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2014

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INDEPENDENT AUDITORS' REPORT

THE REEVE AND COUNCIL OF MUNICIPAL DISTRICT OF ACADIA NO. 34

Report on the Financial Statements

We have audited the accompanying financial statements of the Municipal District of Acadia No. 34, which comprise the statement of financial position as at December 31, 2014, and the statements of operations, change 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 Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making these 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 municipality as at December 31, 2014 and 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.

Johnston Morrison Hunter & Co. Professional Corporation

CHARTERED ACCOUNTANTS

BROOKS, ALBERTA
MARCH 10, 2015

MUNICIPAL DISTRICT OF ACADIA NO. 34

**Statement of Financial Position
December 31, 2014**

	2014	2013
	\$	\$
FINANCIAL ASSETS		
Cash and temporary investments (Note 3)	2,013,959	1,671,827
Taxes and grants in place of taxes (Note 4)	541,161	50,632
Trade and other receivables	111,445	133,804
Land for resale inventory	279,128	285,267
Other financial assets (Note 5)	40,000	40,000
Investments (Note 6)	6,232	6,122
TOTAL FINANCIAL ASSETS	2,991,925	2,187,652
LIABILITIES		
Accounts payable and accrued liabilities	136,576	38,662
Employee benefit obligations (Note 7)	44,658	50,015
Deferred revenue (Note 8)	398,346	923,885
Long-term debt (Note 9)	377,162	-
TOTAL LIABILITIES	956,742	1,012,562
NET FINANCIAL ASSETS (DEBT)	2,035,183	1,175,090
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 11)	9,002,857	9,000,430
Inventory for consumption	291,999	346,472
Prepaid expenses	54,903	46,497
	9,349,759	9,393,399
ACCUMULATED SURPLUS (Note 13)	11,384,942	10,568,489
CONTINGENCIES (Note 18)		

MUNICIPAL DISTRICT OF ACADIA NO. 34

**Statement of Operations
For The Year Ended December 31, 2014**

	Budget	2014	2013
	\$	\$	\$
REVENUE			
Net taxes, Schedule 3	1,928,562	1,884,267	1,053,190
Government transfers for operating, Schedule 4	299,713	304,211	402,263
Investment income	36,000	16,697	36,432
User fees	164,200	166,227	147,338
Penalties and costs on taxes	1,500	2,327	2,757
Rentals	30,300	34,013	30,077
Other	58,450	7,829	25,038
Total Revenue	2,518,725	2,415,571	1,697,095
EXPENSES			
Operating			
Legislative	60,100	55,588	60,539
Administration	539,956	517,909	447,830
Fire, ambulance and bylaws enforcement	41,500	34,223	33,265
Roads, streets, walks and lighting	763,175	721,749	682,972
Water and wastewater	288,801	305,340	2,778,658
Waste management	83,067	82,902	83,808
Agricultural services	390,962	273,220	239,737
Recreation and parks	109,911	93,093	320,667
Total Expenses	2,277,472	2,084,024	4,647,476
EXCESS OF REVENUE OVER EXPENSES BEFORE OTHER, SCHEDULE 6	241,253	331,547	(2,950,381)
OTHER			
Contributed assets	50,000	50,000	-
Government transfers for capital, Schedule 4	709,492	434,906	2,719,462
EXCESS OF REVENUE OVER EXPENSES	1,000,745	816,453	(230,919)
ACCUMULATED SURPLUS, BEGINNING OF YEAR	10,586,489	10,568,489	10,799,408
ACCUMULATED SURPLUS, END OF YEAR	11,587,234	11,384,942	10,568,489

MUNICIPAL DISTRICT OF ACADIA NO. 34

**Statement of Changes in Net Financial Assets
For The Year Ended December 31, 2014**

	Budget	2014	2013
	\$	\$	\$
EXCESS OF REVENUE OVER EXPENSES	1,000,745	816,453	(230,919)
Acquisition of tangible capital assets	(391,632)	(213,365)	(335,905)
Contributed tangible capital assets	(50,000)	(50,000)	-
Proceeds on disposal of tangible capital assets	-	-	6,000
Amortization of tangible capital assets	256,840	260,938	256,840
(Gain) loss on sale of tangible capital assets	-	-	(4,000)
	<u>(184,792)</u>	<u>(2,427)</u>	<u>(77,065)</u>
Acquisition of prepaid assets	-	(8,406)	(10,812)
Use of prepaid assets	-	-	-
Acquisition of supplies inventories	-	-	-
Use of supplies inventories	-	54,473	21,376
	<u>-</u>	<u>46,067</u>	<u>10,564</u>
INCREASE (DECREASE) IN NET ASSETS	815,953	860,093	(297,420)
NET FINANCIAL ASSETS, BEGINNING OF YEAR	<u>1,175,090</u>	<u>1,175,090</u>	<u>1,472,510</u>
NET FINANCIAL ASSETS, END OF YEAR	<u><u>1,991,043</u></u>	<u><u>2,035,183</u></u>	<u><u>1,175,090</u></u>

MUNICIPAL DISTRICT OF ACADIA NO. 34

**Statement of Cash Flows
For The Year Ended December 31, 2014**

	2014	2013
	\$	\$
OPERATING ACTIVITIES		
Excess of revenue over expenses	816,453	(230,919)
Non-cash items included in excess of revenue over expenses:		
Amortization of tangible capital assets	260,938	256,840
Gain on disposal of tangible capital assets	-	(4,000)
Non-cash charges to operations (net change):		
(Increase) in taxes and grants in place of taxes	(490,529)	(11,271)
Decrease in trade and other receivables	22,359	172,097
Decrease in land held for resale	6,139	13,631
Decrease in other financial assets	-	249,032
Increase (decrease) in accounts payable and accrued liabilities	97,914	(446,638)
(Decrease) increase in employee benefit obligations	(5,357)	6,301
(Decrease) in deferred revenue	(525,539)	(1,460,771)
Decrease in inventory for consumption	54,473	21,376
(Increase) in prepaid expenses	(8,406)	(10,812)
CASH PROVIDED BY OPERATING TRANSACTIONS	228,445	(1,445,134)
CAPITAL ACTIVITIES		
Acquisition of tangible capital assets	(263,365)	(335,905)
Sale of tangible capital assets	-	6,000
CASH APPLIED TO CAPITAL TRANSACTIONS	(263,365)	(329,905)
INVESTING ACTIVITIES		
(Increase) decrease in investments	(110)	799,889
Long-term debt issued	381,924	-
Long-term debt repaid	(4,762)	-
CASH APPLIED TO INVESTING TRANSACTIONS	377,052	799,889
CHANGE IN CASH AND CASH EQUIVALENTS	342,132	(975,150)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	1,671,827	2,646,977
CASH AND CASH EQUIVALENTS, END OF YEAR	2,013,959	1,671,827
CASH AND CASH EQUIVALENTS ARE MADE UP OF:		
Cash and temporary investments (Note 3)	2,013,959	1,671,827

MUNICIPAL DISTRICT OF ACADIA NO. 34

Schedule of Changes in Accumulated Surplus
For The Year Ended December 31, 2014
Schedule 1

	Unrestricted Surplus	Restricted Surplus	Equity in Tangible Capital Assets	2014	2013
	\$	\$	\$	\$	\$
Revenue:					
Balance, beginning of year	501,291	1,066,768	9,000,430	10,568,489	10,799,408
Excess (deficiency) of revenues over expenses	816,453	-	-	816,453	(230,919)
Restricted funds used for operations	168,971	(168,971)	-	-	-
Restricted funds used for tangible capital assets	-	(5,000)	5,000	-	-
Current year funds used for tangible capital assets	(208,365)	-	208,365	-	-
Contributed tangible capital assets	(50,000)	-	50,000	-	-
Annual amortization expense	<u>260,938</u>	<u>-</u>	<u>(260,938)</u>	<u>-</u>	<u>-</u>
Change in accumulated surplus	<u>987,997</u>	<u>(173,971)</u>	<u>2,427</u>	<u>816,453</u>	<u>(230,919)</u>
Balance, end of year	<u>1,489,288</u>	<u>892,797</u>	<u>9,002,857</u>	<u>11,384,942</u>	<u>10,568,489</u>

MUNICIPAL DISTRICT OF ACADIA NO. 34

Schedule of Tangible Capital Assets
For The Year Ended December 31, 2014
Schedule 2

	Land	Land Improvements	Buildings	Engineered Structures	Machinery & Equipment	Vehicles	2014	2013
	\$	\$	\$	\$	\$	\$	\$	\$
Cost:								
Balance, beginning of year	2,840,139	15,479	584,981	10,358,989	771,404	295,487	14,866,479	14,550,524
Acquisition of tangible capital assets	-	-	-	9,713	53,652	-	63,365	335,905
Construction-in-progress	-	-	200,000	-	-	-	200,000	-
Disposal of tangible capital assets	-	-	-	-	-	-	-	(19,950)
Balance, end of year	<u>2,840,139</u>	<u>15,479</u>	<u>784,981</u>	<u>10,368,702</u>	<u>825,056</u>	<u>295,487</u>	<u>15,129,844</u>	<u>14,866,479</u>
Accumulated Amortization:								
Balance, beginning of year	-	2,477	154,537	5,220,622	327,158	161,255	5,866,049	5,627,159
Annual amortization	-	619	11,670	176,671	59,943	12,035	260,938	256,840
Accumulated amortization on disposals	-	-	-	-	-	-	-	(17,950)
Balance, end of year	<u>-</u>	<u>3,096</u>	<u>166,207</u>	<u>5,397,293</u>	<u>387,101</u>	<u>173,290</u>	<u>6,126,987</u>	<u>5,866,049</u>
Net Book Value of Tangible Capital Assets	<u>2,840,139</u>	<u>12,383</u>	<u>618,774</u>	<u>4,971,409</u>	<u>437,955</u>	<u>122,197</u>	<u>9,002,857</u>	<u>9,000,430</u>

MUNICIPAL DISTRICT OF ACADIA NO. 34

**Schedule of Property And Other Taxes
For The Year Ended December 31, 2014
Schedule 3**

	Budget	2014	2013
	\$	\$	\$
TAXATION			
Real property taxes	939,572	939,478	882,097
Linear property taxes	482,108	482,006	470,810
Government grants in lieu of property taxes	514	514	463
Local improvement taxes	793,601	749,502	-
	<u>2,215,795</u>	<u>2,171,500</u>	<u>1,353,370</u>
REQUISITIONS			
Alberta school foundation fund	255,602	255,602	268,255
Acadia seniors program	31,631	31,631	31,925
	<u>287,233</u>	<u>287,233</u>	<u>300,180</u>
NET TAXES	<u>1,928,562</u>	<u>1,884,267</u>	<u>1,053,190</u>

MUNICIPAL DISTRICT OF ACADIA NO. 34

Schedule of Government Transfers
For The Year Ended December 31, 2014
Schedule 4

	Budget	2014	2013
	\$	\$	\$
TRANSFERS FOR OPERATING			
Provincial government	299,713	304,211	402,263
TRANSFERS FOR CAPITAL			
Provincial government	684,793	429,492	2,528,761
Other local government	24,676	5,414	190,701
	709,469	434,906	2,719,462
TOTAL GOVERNMENT TRANSFERS	1,009,182	739,117	3,121,725

MUNICIPAL DISTRICT OF ACADIA NO. 34

**Schedule of Expenses by Object
For The Year Ended December 31, 2014
Schedule 5**

	Budget	2014	2013
	\$	\$	\$
EXPENSES			
Salaries, wages and benefits	616,375	600,239	555,414
Contracted and general services	652,525	446,045	452,871
Materials, goods and utilities	455,585	349,343	369,117
Transfers to local boards, individuals and organizations	230,372	352,156	2,953,180
Interest on long-term debt	6,775	6,911	-
Amortization of tangible capital assets	256,840	260,938	256,840
Other expenditures	59,000	68,392	60,054
	<hr/>	<hr/>	<hr/>
TOTAL EXPENSES	2,277,472	2,084,024	4,647,476
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

MUNICIPAL DISTRICT OF ACADIA NO. 34

Schedule of Segmented Disclosure
For The Year Ended December 31, 2014
Schedule 6

	General Government	Protective Services	Transportation Services	Water and Waste Management	Agricultural Services	Recreation and Culture	2014
	\$	\$	\$	\$	\$	\$	\$
Revenue:							
Net municipal taxes	1,884,267	-	-	-	-	-	1,884,267
Government transfers	87,371	-	-	-	216,840	-	304,211
User fees and sales of goods	1,336	-	-	145,279	960	18,652	166,227
Investment income	16,697	-	-	-	-	-	16,697
Rentals	34,013	-	-	-	-	-	34,013
Other revenues	10,156	-	-	-	-	-	10,156
	<u>2,033,840</u>	<u>-</u>	<u>-</u>	<u>145,279</u>	<u>217,800</u>	<u>18,652</u>	<u>2,415,571</u>
Expenses:							
Contract & general services	114,616	9,795	156,822	74,095	68,623	22,094	446,045
Salaries & wages	192,461	640	219,572	-	175,339	12,227	600,239
Goods & supplies	14,023	16,155	154,470	99,455	10,834	54,406	349,343
Transfers to organization	174,100	-	-	167,216	10,840	-	352,156
Long-term debt interest	-	-	-	6,911	-	-	6,911
Other expenses	68,392	-	-	-	-	-	68,392
	<u>563,592</u>	<u>26,590</u>	<u>530,864</u>	<u>347,677</u>	<u>265,636</u>	<u>88,727</u>	<u>1,823,086</u>
Net revenue, before amortization	<u>1,470,248</u>	<u>(26,590)</u>	<u>(530,864)</u>	<u>(202,398)</u>	<u>(47,836)</u>	<u>(70,075)</u>	<u>592,485</u>
Amortization expense	<u>(9,906)</u>	<u>(7,634)</u>	<u>(190,886)</u>	<u>(40,565)</u>	<u>(7,586)</u>	<u>(4,361)</u>	<u>(260,938)</u>
Net Revenue	<u><u>1,460,342</u></u>	<u><u>(34,224)</u></u>	<u><u>(721,750)</u></u>	<u><u>(242,963)</u></u>	<u><u>(55,422)</u></u>	<u><u>(74,436)</u></u>	<u><u>331,547</u></u>

MUNICIPAL DISTRICT OF ACADIA NO. 34

Notes to the Financial Statements For The Year Ended December 31, 2014

1. Significant Accounting Policies

The financial statements of the Municipal District of Acadia No. 34 are prepared by management in accordance with Canadian generally accepted accounting principles for local governments established by the Public Sector Accounting Board ("PSAB") of the Canadian Institute of Chartered Accountants ("CICA"). Significant aspects of the accounting policies adopted by the Municipal District of Acadia No. 34 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 Municipal District of Acadia No. 34.

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 and 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.

Cash and Cash Equivalents

The Municipal District's policy is to disclose bank balances under cash and cash equivalents, including bank overdrafts with balances that fluctuate frequently from being positive to overdrawn and term deposits with a maturity period of three months or less from the date of acquisition. Term deposits that the entity cannot use for current transactions because they are pledged as security are also excluded from cash and cash equivalents.

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 revenues and expenditures 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.

MUNICIPAL DISTRICT OF ACADIA NO. 34

Notes to the Financial Statements For The Year Ended December 31, 2014

Significant Accounting Policies (Continued)

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.

Requisition Over-levy and Under-levy

Over-levies and under-levies arise from the difference between the actual 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 capital assets under their respective function.

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.

Tax Revenue

Tax revenues are recognized when the tax has been authorized by bylaw and the taxable event has occurred. Requisitions operate as a flow through and are excluded from municipal revenue.

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 revenue over expenses, provides the Change in Net Financial Assets (Debt) for the year.

MUNICIPAL DISTRICT OF ACADIA NO. 34

Notes to the Financial Statements For The Year Ended December 31, 2014

Significant Accounting Policies (Continued)

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
Buildings	50
Engineered structures	
Roadway system	25 - 60
Sidewalks, curbs and gutters	25
Water system	45 -100
Wastewater system	75
Machinery and equipment	5 - 20
Vehicles	15 - 40

Assets under construction are not amortized until the asset is available for productive 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.

2. Change in Accounting Policy

During the year, the municipality implemented Public Sectors Accounting Board (PSAB) Section 3510 Tax Revenue. Section 3510 established general reporting principles and standards for the recognition of tax revenue. Due to the implementation of this section, certain levies and taxes are now recognized at the date the bylaw is authorized. The municipality has implemented this section on a prospective basis and there was no impact on the prior year.

MUNICIPAL DISTRICT OF ACADIA NO. 34

**Notes to the Financial Statements
For The Year Ended December 31, 2014**

3. Cash and Temporary Investments

	2014	2013
	\$	\$
Cash	690,875	704,450
Temporary investments	<u>1,323,084</u>	<u>967,377</u>
	<u>2,013,959</u>	<u>1,671,827</u>

Temporary investments are short-term savings accounts bearing interest at 0.6% and cashable on demand.

Included in the above are restricted amounts of \$398,346 (2013 - \$923,885) received from external sources and held exclusively for capital projects .

4. Taxes and Grants in Place of Taxes

	2014	2013
	\$	\$
Current taxes and grants in place of taxes	46,058	49,109
Non-current taxes and grants in place of taxes	17,128	1,523
Local improvement taxes receivable	<u>477,975</u>	<u>-</u>
	<u>541,161</u>	<u>50,632</u>

The local improvement taxes receivable was established by a bylaw passed by Council in 2014. Per the bylaw, an annual assessment will be levied each year to collect on the taxes receivable plus interest. Interest is due at 3.619% and the receivable will be collected in full by December 31, 2039.

5. Other Financial Assets

	2014	2013
	\$	\$
Acadia Valley Recreation Club advance	<u>40,000</u>	<u>40,000</u>

The advance bears no interest and is due on demand.

6. Investments

	2014	2013
	\$	\$
Medicine Hat Co-op Ltd. equity account	1,451	1,400
United Farmers of Alberta Co-operative Limited equity account	<u>4,781</u>	<u>4,722</u>
	<u>6,232</u>	<u>6,122</u>

MUNICIPAL DISTRICT OF ACADIA NO. 34

Notes to the Financial Statements
For The Year Ended December 31, 2014

7. Employee Benefit Obligations

	2014	2013
	\$	\$
Post-employment benefits	<u>44,658</u>	<u>50,015</u>

Post-Employment Benefits

The municipality sponsors a sick time allowance to qualifying employees at the time of retirement. This allowance is dependent on the number of years of service the employee has provided to the municipality and the amount of unused sick time accumulated. The cost of these benefits is recognized as a program expenditure as the employees provide service and the plan is unfunded.

8. Deferred Revenue

	2014	2013
	\$	\$
Alberta conditional grants	<u>398,346</u>	<u>923,885</u>

Alberta conditional grants were received from external sources and have not been expended in the current year. The use of these funds is restricted to eligible projects which are scheduled for completion in 2015. The unspent funds are supported by cash and temporary investments of \$398,346.

MUNICIPAL DISTRICT OF ACADIA NO. 34

**Notes to the Financial Statements
For The Year Ended December 31, 2014**

9. Long-Term Debt

	2014	2013
	\$	\$
Tax supported debentures	<u>377,162</u>	<u>-</u>

The current portion of long-term debt is \$9,783.

Principal and interest repayments are as follows:

	Principal	Interest	Total
	\$	\$	\$
2015	9,783	13,562	23,345
2016	10,140	13,205	23,345
2017	10,511	12,834	23,345
2018	10,894	12,450	23,344
2019	11,292	12,053	23,345
2018 and on	<u>324,542</u>	<u>130,684</u>	<u>455,226</u>
	<u>377,162</u>	<u>194,788</u>	<u>571,950</u>

Debenture debt is repayable to Alberta Capital Finance Authority and bears interest at 3.619% per annum and matures in 2039. The average annual interest rate is 3.619 % for 2014. Debenture debt is issued on the credit and security of the municipality at large.

Interest on long-term debt amounted to \$6,911 in 2014 and total cash payments for interest in 2014 were \$6,911.

MUNICIPAL DISTRICT OF ACADIA NO. 34

Notes to the Financial Statements For The Year Ended December 31, 2014

10. 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 Municipal District of Acadia No. 34 be disclosed as follows:

	2014	2013
	\$	\$
Total debt limit	2,574,103	2,545,642
Total debt	<u>377,162</u>	<u>-</u>
Amount of debt limit unused	<u>2,196,941</u>	<u>2,545,642</u>
Debt servicing limit	429,017	424,274
Debt servicing	<u>23,345</u>	<u>-</u>
Amount of debt servicing limit unused	<u>405,672</u>	<u>424,274</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.

11. Tangible Capital Assets

	2014	2013
Net Book Value	\$	\$
Land	2,840,139	2,840,139
Land improvements	12,383	13,002
Buildings	618,774	430,444
Engineered structures		
Roadway system	2,692,631	2,822,695
Sidewalk, curb and gutter	68,434	74,477
Water system	1,142,081	1,156,865
Wastewater system	1,068,263	1,084,330
Machinery and equipment	437,955	444,246
Vehicles	<u>122,197</u>	<u>134,232</u>
	<u>9,002,857</u>	<u>9,000,430</u>

MUNICIPAL DISTRICT OF ACADIA NO. 34

Notes to the Financial Statements
For The Year Ended December 31, 2014

12. Equity in Tangible Capital Assets

	2014	2013
	\$	\$
Tangible capital assets, Schedule 2	15,129,844	14,866,479
Accumulated amortization, Schedule 2	<u>(6,126,987)</u>	<u>(5,866,049)</u>
	<u>9,002,857</u>	<u>9,000,430</u>

13. Accumulated Surplus

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

	2014	2013
	\$	\$
Unrestricted surplus	1,489,288	501,291
Restricted surplus		
Contingencies, gravel and general operations	657,105	826,076
Transportation and general capital	235,692	240,692
Equity in tangible capital assets	<u>9,002,857</u>	<u>9,000,430</u>
	<u>11,384,942</u>	<u>10,568,489</u>

14. Segmented Disclosure

The Municipal District of Acadia No. 34 provides a range of services to its ratepayers. For each reported segment, revenues and expenses represent both amounts that are directly attributable to the segment and amounts that are allocated on a reasonable basis. The accounting policies used in these segments are consistent with those followed in the preparation of the financial statements as disclosed in Note 1. Refer to the Schedule of Segmented Disclosure (Schedule 6).

MUNICIPAL DISTRICT OF ACADIA NO. 34

Notes to the Financial Statements For The Year Ended December 31, 2014

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	Benefits and allowances	Total	Total
	\$	\$	\$	\$
Reeve				
Peter Rafa	10,100	-	10,100	8,354
Councillors				
William Vandeligt	3,600	3,814	7,414	6,752
Tim Peers	6,823	-	6,823	9,466
Susan Grudecki	8,130	1,195	9,325	2,268
Brad Neilson	4,550	1,195	5,745	2,720
Municipal administrator	89,510	7,519	97,029	94,691
	122,713	13,723	136,436	124,251

- 1) Salary includes regular base pay, bonuses, overtime, lump sum payments, gross honoraria, per diems 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, healthcare, dental coverage, vision coverage, group life insurance, accidental disability and dismemberment insurance, long and short term disability plans, professional memberships and tuition.

16. Financial Instruments

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

The Municipal District is subject to credit risk with respect to taxes and grants in place of taxes and trade and other receivables. Credit risk arises from the possibility that taxpayers and entities to which the Municipal District 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 fair value of the financial instruments approximates their carrying values.

MUNICIPAL DISTRICT OF ACADIA NO. 34

Notes to the Financial Statements For The Year Ended December 31, 2014

17. Local Authorities Pension Plan

Employees of the Municipal District participate in the Local Authorities Pension Plan (LAPP), which is 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 Municipal District 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. Employees of the Town are required to make current service contributions of 10.39% of pensionable salary up to the year's maximum pensionable salary and 14.84% on pensionable salary above this amount.

Total current service contributions of the Municipal District of Acadia No. 34 to the LAPP in 2014 were \$28,313 (2013 - \$25,150).

Total current service contributions by the employees of the Municipal District of Acadia No. 34 to the LAPP in 2014 were \$26,003 (2013 - \$25,092).

At December 31, 2013, the LAPP disclosed an actuarial deficiency of \$4.86 billion.

18. Contingencies

The Municipal District of Acadia No. 34 is a member of both the Genesis Reciprocal Insurance Exchange and Jubilee Reciprocal Insurance Exchange. Under the terms of each membership, the municipality could become liable for its proportionate share of any claim losses in excess of the funds held by the exchanges. Any liability incurred would be accounted for as a current transaction in the year the losses are determined.

19. Approval of Financial Statements

These financial statements were approved by Council and Administration on March 10, 2015.

20. Budgeted Figures

The budgeted figures have not been audited and are presented for information purposes only.