

TOWN OF COALDALE

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014**

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Management's Responsibility for Financial Reporting

Town of Coaldale management is responsible for the preparation, accuracy, objectivity, and integrity of the accompanying financial statements and the notes thereto. Management believes that the financial statements present fairly the Town's financial position as at December 31, 2014 and the results of its operations for the year then ended.

The financial statements have been prepared in accordance with Canadian public sector accounting standards. The financial statements include certain amounts based on estimates and judgments. Such amounts have been determined on a reasonable basis in order to ensure that the financial statements are presented fairly in all material respects.

In fulfilling its responsibilities and recognizing the limits inherent in all systems, management has designed and maintains a system of internal controls to produce reliable information to meet reporting requirements. The system is designed to provide management with reasonable assurance that transactions are properly authorized, reliable financial records are maintained, and assets are properly accounted for and safeguarded.

The Town Council is responsible for overseeing management in the performance of its reporting responsibilities, and for approving the financial statements. Council fulfils these responsibilities by reviewing the financial information prepared by management and discussing relevant matters with management and external auditors. Council is also responsible for recommending the appointment of the Town's external auditors.

The financial statements have been audited by the independent firm of BDO Canada LLP, Chartered Accountants. Their report to the Members of Council of Town of Coaldale, stating the scope of their examination and opinion on the financial statements, follow.



Chief Administrative Officer

April 27, 2015



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BDO Canada LLP
200 Commerce Court
220 - 3rd Avenue S
Lethbridge AB T1J 0G9 Canada

Independent Auditor's Report

To the Mayor and Members of Council of the Town of Coaldale

We have audited the accompanying financial statements of the Town of Coaldale, which comprise the statement of financial position as at December 31, 2014, and the statements of operations, change 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 Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

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

BDO Canada LLP

Chartered Accountants

Lethbridge, Alberta
April 27, 2015

TOWN OF COALDALE

STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31, 2014


	2014	2013
ASSETS		
Cash and temporary investments (Note 2)	\$ 13,104,263	\$ 11,966,330
Taxes and grants in lieu receivables (Note 3)	541,763	465,848
Trade and other receivables	764,070	722,284
Land held for resale	248,275	251,252
Investments (Note 4)	100,000	100,000
	14,758,371	13,505,714
LIABILITIES		
Accounts payable and accrued liabilities	1,089,359	657,450
Deposit liabilities	92,320	87,280
Accrued interest payable on long term debt	104,258	130,915
Deferred revenue (Note 5)	1,750,050	1,191,222
Employee benefit obligations (Note 6)	364,586	429,038
Long-term debt (Note 7)	5,087,836	5,561,097
	8,488,409	8,057,002
NET FINANCIAL ASSETS	6,269,962	5,448,712
NON-FINANCIAL ASSETS		
Tangible capital assets (Schedule 2)	85,106,097	84,215,454
Inventory for consumption	17,305	26,215
Prepaid expenses	15,273	5,773
	85,138,675	84,247,442
ACCUMULATED SURPLUS (Schedule 1, Note 10)	\$ 91,408,637	\$ 89,696,154

Commitments and contingencies - See Notes 14 and 15

APPROVED BY TOWN COUNCIL:



MAYOR



CHIEF ADMINISTRATIVE OFFICER

The accompanying notes and supporting schedules to which the financial statements are cross-referenced are an integral part of these financial statements.

TOWN OF COALDALE

STATEMENT OF OPERATIONS FOR THE YEAR ENDED DECEMBER 31, 2014

	Budget (Note 17)	2014	2013
REVENUE			
Net municipal taxes (Schedule 3)	\$ 6,318,215	\$ 6,308,102	\$ 5,930,827
Sales and user charges			
Water supply and distribution	1,569,117	1,427,749	1,440,385
Wastewater treatment	973,652	914,274	929,497
Waste management	886,983	884,863	856,890
Subdivision land development	30,000	112,036	1,586,292
Other	308,192	395,295	361,319
Recreation and parks	332,560	325,406	310,810
Penalties and costs on taxes	90,000	100,176	108,833
Franchise and concession contracts	335,800	472,251	369,420
Investment income	99,000	174,918	107,953
Government transfers (Schedule 4)	1,281,740	1,567,566	2,078,448
Development levies	-	202,290	701,528
Licenses and permits	100,000	114,525	102,048
Net gain of sale of tangible capital assets	-	37,895	23,671
Other revenues	57,130	231,284	507,752
TOTAL REVENUE	12,382,389	13,268,630	15,415,673
EXPENSES			
Legislative	453,370	412,493	335,463
Administrative	1,016,361	1,058,115	1,062,162
Protective services	2,928,817	3,069,949	2,806,586
Transportation	1,736,946	2,889,205	3,259,902
Environmental user protection	2,249,007	2,941,547	3,088,498
Public health	273,927	245,238	268,580
Planning and development	375,470	198,864	365,095
Recreation and culture	2,191,769	2,499,700	2,293,008
TOTAL EXPENSES	11,225,667	13,315,111	13,479,294
EXCESS (SHORTFALL) OF REVENUE OVER EXPENSES - BEFORE OTHER	1,156,722	(46,481)	1,936,379
OTHER			
Contributed assets	-	250,400	2,174,887
Government transfers for capital (Schedule 4)	2,732,000	1,508,564	1,407,811
	2,732,000	1,758,964	3,582,698
EXCESS OF REVENUE OVER EXPENSES	3,888,722	1,712,483	5,519,077
ACCUMULATED SURPLUS, BEGINNING OF YEAR	89,696,154	89,696,154	84,177,077
ACCUMULATED SURPLUS, END OF YEAR	\$ 93,584,876	\$ 91,408,637	\$ 89,696,154

The accompanying notes and supporting schedules to which the financial statements are cross-referenced are an integral part of these financial statements.

TOWN OF COALDALE

STATEMENT OF CHANGE IN NET FINANCIAL ASSETS FOR THE YEAR ENDED DECEMBER 31, 2014

	Budget (Note 17)	2014	2013
EXCESS OF REVENUES OVER EXPENSES	\$ 3,888,722	\$ 1,712,483	\$ 5,519,077
Acquisition of tangible capital assets	(3,446,000)	(3,108,858)	(2,693,727)
Contributed tangible capital assets	-	(250,400)	(2,174,887)
Amortization of tangible capital assets	-	2,403,090	2,323,854
Loss on disposal of tangible capital assets	-	475	0
Proceeds on disposal of assets	-	65,050	141,893
	<u>(3,446,000)</u>	<u>(890,643)</u>	<u>(2,402,867)</u>
Acquisition of supplies inventories	-	(26,872)	(42,087)
Acquisition of prepaid assets	-	(15,273)	(5,773)
Use of supplies inventories	-	35,782	39,135
Use of prepaid assets	-	5,773	4,049
	<u>-</u>	<u>(590)</u>	<u>(4,676)</u>
INCREASE IN NET FINANCIAL ASSETS	442,722	821,250	3,111,534
NET FINANCIAL ASSETS, BEGINNING OF YEAR	<u>5,448,712</u>	<u>5,448,712</u>	<u>2,337,178</u>
NET FINANCIAL ASSETS, END OF YEAR	<u>\$ 5,891,434</u>	<u>\$ 6,269,962</u>	<u>\$ 5,448,712</u>

The accompanying notes and supporting schedules to which the financial statements are cross-referenced are an integral part of these financial statements.

TOWN OF COALDALE

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

	2014	2013
NET INFLOW (OUTFLOW) OF CASH RELATED TO:		
OPERATING		
Excess of revenue over expenses	\$ 1,712,483	\$ 5,519,077
Non-cash items included in excess of revenue over expenses:		
Amortization of tangible capital assets	2,403,090	2,323,854
Loss on disposal of tangible capital assets	475	-
Tangible capital assets received as contributions	(250,400)	(2,174,887)
Non-cash charges to operations (net change):		
Decrease (increase) in taxes and grants in lieu receivable	(75,915)	195,488
Decrease (increase) in trade and other receivables	(41,786)	165,112
Decrease in land held for resale	2,977	29,252
Decrease (increase) in inventory for consumption	8,910	(2,952)
Increase in prepaid expenses	(9,500)	(1,724)
Increase in accounts payable and accrued liabilities	405,252	152,623
Increase in deposit liabilities	5,040	2,805
Increase in deferred revenue	558,828	455,641
Increase (decrease) in employee benefit obligations	(64,452)	63,254
	4,655,002	6,727,543
Cash provided by operating transactions		
CAPITAL		
Acquisition of tangible capital assets	(3,108,858)	(2,693,727)
Proceeds on disposal of assets	65,050	141,893
	(3,043,808)	(2,551,834)
Cash applied to capital transactions		
FINANCING		
Long-term debt issued	-	311,000
Long-term debt repaid	(473,261)	(451,100)
	(473,261)	(140,100)
Cash provided by (applied to) financing transactions		
CHANGE IN CASH AND CASH EQUIVALENTS DURING YEAR	1,137,933	4,035,609
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	11,966,330	7,930,721
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 13,104,263	\$ 11,966,330

The accompanying notes and supporting schedules to which the financial statements are cross-referenced are an integral part of these financial statements.

TOWN OF COALDALE

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
Balance, Beginning of Year	\$ 687,093	\$ 10,274,522	\$ 78,734,539	\$ 89,696,154	\$ 84,177,077
Excess of revenues over expenses	1,712,483.00	-	-	1,712,483	5,519,077
Unrestricted funds designated for future use	(1,823,331.00)	1,823,331.00	-	-	-
Restricted funds used for operations	52,493.00	(52,493.00)	-	-	-
Restricted funds used for tangible capital assets	-	(1,451,180.00)	1,451,180.00	-	-
Current year funds used for tangible capital assets	(1,655,277.00)	-	1,655,277.00	-	-
Contributed tangible capital assets	(250,400)	-	250,400.00	-	-
Proceeds on disposal of tangible capital assets	65,050.00	-	(65,050.00)	-	-
Annual amortization expense	2,403,090.00	-	(2,403,090.00)	-	-
Long term debt repaid (capital)	(461,280.00)	-	461,280.00	-	-
Change in accumulated surplus	42,828	319,658	1,349,997	1,712,483	5,519,077
Balance, End of Year	\$ 729,921	\$ 10,594,180	\$ 80,084,536	\$ 91,408,637	\$ 89,696,154

TOWN OF COALDALE

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

	Engineering Structures	Buildings	Equipment	Municipal Land	Land Improvements	Vehicles	2014	2013
COST:								
BALANCE, BEGINNING OF YEAR	\$ 93,194,287	\$ 9,699,250	\$ 2,811,774	\$ 11,535,159	\$ 2,374,756	\$ 2,294,827	\$ 121,910,053	\$ 117,548,092
Acquisition of tangible capital assets	750,677	19,797	144,791	1,217,494	72,927	27,954	2,233,640	4,627,785
Construction-in-progress	1,114,949	-	-	-	10,191	-	1,125,140	240,829
Disposal of tangible capital assets	(35,420)	(4,500)	(33,800)	(35,000)	-	-	(108,720)	(506,656)
BALANCE, END OF YEAR	95,024,493	9,714,547	2,922,765	12,717,653	2,457,874	2,322,781	125,160,113	121,910,050
ACCUMULATED AMORTIZATION:								
BALANCE, BEGINNING OF YEAR	29,190,996	5,156,357	1,196,930	-	761,049	1,389,264	37,694,596	35,735,505
Annual amortization	1,715,258	248,937	206,984	-	83,363	148,548	2,403,090	2,323,854
Accumulated amortization on disposals	(34,945)	(4,500)	(4,225)	-	-	-	(43,670)	(364,763)
BALANCE, END OF YEAR	30,871,309	5,400,794	1,399,689	-	844,412	1,537,812	40,054,016	37,694,596
2014 NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	<u>\$ 64,153,184</u>	<u>\$ 4,313,753</u>	<u>\$ 1,523,076</u>	<u>\$ 12,717,653</u>	<u>\$ 1,613,462</u>	<u>\$ 784,969</u>	<u>\$ 85,106,097</u>	<u>\$ 84,215,454</u>
2013 NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	<u>\$ 64,003,288</u>	<u>\$ 4,542,893</u>	<u>\$ 1,614,844</u>	<u>\$ 11,535,159</u>	<u>\$ 1,613,707</u>	<u>\$ 905,563</u>	<u>\$ 84,215,454</u>	

TOWN OF COALDALE

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

	Budget (Note 17)	2014	2013
TAXATION			
Real property taxes	\$ 8,219,964	\$ 8,226,133	\$ 7,902,609
Linear property taxes	108,101	104,462	100,374
Government grants in lieu of property taxes	24,230	24,230	24,299
	8,352,295	8,354,825	8,027,282
REQUISITIONS			
Alberta School Foundation Fund	1,687,453	1,724,266	1,749,218
Holy Spirit Roman Catholic Separate Regional District	252,148	227,383	255,935
Green Acres Foundation	94,479	95,074	91,302
	2,034,080	2,046,723	2,096,455
NET MUNICIPAL TAXES	\$ 6,318,215	\$ 6,308,102	\$ 5,930,827

The accompanying notes and supporting schedules to which the financial statements are cross-referenced are an integral part of these financial statements.

TOWN OF COALDALE

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

	Budget (Note 17)	2014	2013
TRANSFERS FOR OPERATING:			
Federal Government			
Summer Career Program	\$ 2,267	\$ 2,135	\$ -
	<u>2,267</u>	<u>2,135</u>	<u>-</u>
Provincial Government			
Regional Wastewater Feasibility Study	-	-	28,939
Community Development - Library	37,492	37,839	37,839
CIP - Library	-	-	7,868
Regional Solid Waste Grant	-	94,362	139,338
Family Community and Support Services	148,200	148,197	148,197
Fines Distribution	260,000	277,328	209,708
Fire Service Training Initiative	-	39,402	17,232
Flood Relief	-	93,038	-
Municipal Assistance Grant	260,208	260,208	263,944
Internship	-	-	44,070
Municipal Sustainability Operating Grant	210,148	240,390	442,404
Municipal Sustainability Capital Grant	-	-	374,567
Emergency Management Training	1,000	1,622	-
	<u>917,048</u>	<u>1,192,386</u>	<u>1,714,106</u>
Other Local Governments			
Sale of Fire Suppression High River	-	9,933	-
Recreation Grant	34,000	34,061	34,061
Bleachers Quads	-	-	17,000
Fire Agreement & SCBA Bottle Replacement	292,325	293,270	277,500
Library Contribution	36,100	35,781	35,781
	<u>362,425</u>	<u>373,045</u>	<u>364,342</u>
Total operating transfers	<u>1,281,740</u>	<u>1,567,566</u>	<u>2,078,448</u>
TRANSFERS FOR CAPITAL:			
Federal Government			
Community Infrastructure Improvement Fund	-	-	96,547
Provincial Government			
Federal Gas Tax Program	773,868	799,978	-
Municipal Sustainability Capital	1,208,972	273,615	1,186,627
Transportation Grant	749,160	434,971	124,637
Total capital transfers	<u>2,732,000</u>	<u>1,508,564</u>	<u>1,407,811</u>
TOTAL GOVERNMENT TRANSFERS	<u>\$ 4,013,740</u>	<u>\$ 3,076,130</u>	<u>\$ 3,486,259</u>

The accompanying notes and supporting schedules to which the financial statements are cross-referenced are an integral part of these financial statements.

TOWN OF COALDALE

SCHEDULE OF EXPENSES BY OBJECT FOR THE YEAR ENDED DECEMBER 31, 2014 SCHEDULE 5

	Budget (Note 17)	2014	2013
CONSOLIDATED EXPENSE BY OBJECT			
Salaries, wages and benefits	\$ 4,465,091	\$ 4,024,675	\$ 3,977,294
Contracted and general services	2,112,507	2,179,798	2,548,546
Purchases from other governments	2,320,057	2,359,970	2,114,596
Materials, goods and utilities	1,696,085	1,683,293	1,808,910
Transfers to local boards and agencies	310,455	348,027	369,326
Bank charges and short term interest	1,560	3,302	2,309
Interest on long term debt	293,812	292,146	304,264
Amortization of tangible capital assets	-	2,403,090	2,323,854
Loss on disposal of tangible capital assets	-	475	-
Other expenses	26,100	20,335	30,195
	\$ 11,225,667	\$ 13,315,111	\$ 13,479,294

The accompanying notes and supporting schedules to which the financial statements are cross-referenced are an integral part of these financial statements.

TOWN OF COALDALE

SCHEDULE OF SEGMENT DISCLOSURE FOR THE YEAR ENDED DECEMBER 31, 2014 SCHEDULE 6

	Protection	Recreation and Culture	Planning	Transportation and Environmental	General Government	Consolidated
REVENUES						
Taxation	\$ -	\$ -	\$ -	\$ -	\$ 6,308,102	\$ 6,308,102
Sales of services & regulatory fees	64,132	328,406	167,561	3,426,697	72,827	4,059,623
Government transfer (Schedule 4)	974,801	144,816	53,592	212,144	182,213	1,567,566
Other	6,984	183,892	242,648	234,279	915,936	1,583,739
	<u>1,045,917</u>	<u>657,114</u>	<u>463,801</u>	<u>3,873,120</u>	<u>7,479,078</u>	<u>13,519,030</u>
EXPENSES						
Salaries and benefits	467,863	1,226,286	56,350	1,272,363	1,001,811	4,024,673
Goods and services	2,387,968	298,454	77,012	1,210,183	566,151	4,539,768
Interest & bank charges	389	13,405	-	280,434	1,220	295,448
Other	131,997	591,135	65,502	1,148,003	115,496	2,052,133
Amortization	81,732	370,420	-	1,919,769	31,168	2,403,089
	<u>3,069,949</u>	<u>2,499,700</u>	<u>198,864</u>	<u>5,830,752</u>	<u>1,715,846</u>	<u>13,315,111</u>
OTHER						
Government Transfer for capital (Schedule 4)	-	90,000	-	1,418,564	-	1,508,564
Net Surplus (Deficit)	<u>\$ (2,024,032)</u>	<u>\$ (1,752,586)</u>	<u>\$ 264,937</u>	<u>\$ (539,068)</u>	<u>\$ 5,763,232</u>	<u>\$ 1,712,483</u>

TOWN OF COALDALE

SCHEDULE OF SEGMENT DISCLOSURE FOR THE YEAR ENDED DECEMBER 31, 2013 SCHEDULE 6 A

	Protection	Recreation and Culture	Planning	Transportation and Environmental	General Government	Consolidated
REVENUES						
Taxation	\$ -	\$ -	\$ -	\$ -	\$ 5,930,827	\$ 5,930,827
Sales of services & regulatory fees	49,696	310,810	1,586,292	3,478,672	59,723	5,485,193
Government transfer (Schedule 4)	760,384	174,549	49,465	742,844	351,206	2,078,448
Other	36,546	433,027	726,203	2,052,197	848,119	4,096,092
	<u>846,626</u>	<u>918,386</u>	<u>2,361,960</u>	<u>6,273,713</u>	<u>7,189,875</u>	<u>17,590,560</u>
EXPENSES						
Salaries and benefits	411,367	1,187,579	184,849	1,253,798	939,701	3,977,294
Goods and services	2,318,205	580,558	180,246	2,900,240	492,804	6,472,053
Interest & bank charges	848	13,591	-	290,813	1,321	306,573
Other	-	158,597	-	41,910	199,013	399,520
Amortization	76,166	352,683	-	1,861,639	33,366	2,323,854
	<u>2,806,586</u>	<u>2,293,008</u>	<u>365,095</u>	<u>6,348,400</u>	<u>1,666,205</u>	<u>13,479,294</u>
OTHER						
Government Transfer for capital (Schedule 4)	-	426,367	-	981,444	-	1,407,811
Net Surplus (Deficit)	<u>\$ (1,959,960)</u>	<u>\$ (948,255)</u>	<u>\$ 1,996,865</u>	<u>\$ 906,757</u>	<u>\$ 5,523,670</u>	<u>\$ 5,519,077</u>

TOWN OF COALDALE

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2014

1. SIGNIFICANT ACCOUNTING POLICIES

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

a) Reporting Entity

The financial statements reflect the assets, liabilities, revenues, expenditures, and changes in fund balances and in change in financial position of the reporting entity. The entity is comprised of the Town 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 Town reporting entity.

The statements exclude trust assets that are administered for the benefit of external parties. Interdepartmental and organizational transactions and balances have been 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 purpose of tangible capital assets. In addition, certain user charges and fees are collected for which the related services have yet to be performed. Revenue is recognized in the period when the related expenses are incurred, services performed or the tangible capital assets are acquired.

c) Use of Estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles 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 reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future.

TOWN OF COALDALE

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2014

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

d) Inventories

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

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.

e) Investments

Investments are recorded at amortized costs. 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.

f) 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 charge in non-financial assets during the year, together with the excess of revenues over expenses, provides the Change in Net Financial Assets for the year.

i. Tangible Capital Assets

Tangible capital assets are recorded at cost, which includes all amounts that are directly attributable to acquisition, construction, development or betterment of the asset. The cost, less residual value, of the tangible capital assets is amortized on a straight-line basis over the estimated useful life as follows:

	YEARS
Engineering Structures	5-75
Buildings	25-50
Equipment	5-40
Municipal Land	N/A
Land Improvements	15-45
Vehicles	10-40

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

ii. Contributions of Tangible Capital Assets

Tangible capital assets received as contributions are recorded at fair value at the date of receipt and also are recorded as revenue.

TOWN OF COALDALE

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2014

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

iii. Leases

Leases are classified as capital or operating leases. Leases which transfer substantially all of the benefits and risks incidental to ownership of property are accounted for as capital leases. All other leases are accounted for as operating leases and the related lease payments are charged to expenses as incurred.

iv. Cultural and Historical Tangible Capital Assets

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

g) Measurement Uncertainty

The preparation of financial statements in conformity with Canadian public sector accounting standards, requires management to make estimates and assumptions that affect the reporting amounts of assets and liabilities, and disclosure of contingent assets and liabilities, at the date of the financial statements and the reported amounts of the revenues and expenses during the period. Items requiring the use of significant estimates include the useful life of tangible capital assets, rates for amortization and estimated employee benefits.

The cost of non-vesting sick time benefits should be actuarially determined using management's best estimates of salary escalation, accumulated sick days, long-term inflation rates and discount rates. Currently there has not been any actuarial valuations used in the determination of the sick time that has been accrued. Management has estimated the accrual of sick time based on historical use over the annual sick time allotment, and recorded a portion of the time estimated.

Estimates are based on the best information available at the time of preparation of the financial statements and are reviewed annually to reflect new information as it becomes available. Measurement uncertainty exists in these statements. Actual results could differ from these estimates.

h) Government Transfers

Government transfers are recognized as revenue in the financial statements when the transfer is authorized and any eligibility criteria are met, except to the extent that transfer stipulations give rise to an obligation that meets the definition of a liability. Transfers are recognized as deferred revenue when stipulations give rise to a liability. Transfer revenue is recognized in the statement of operations as the stipulation liabilities are settled.

TOWN OF COALDALE

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2014

2. CASH AND TEMPORARY INVESTMENTS

	2014	2013
Petty cash	\$ 700	\$ 700
Operating account	6,083,001	11,961,622
ATB GIC 90 day 1.62%	5,013,809	-
ATB GIC 120 Day 1.60%	2,002,745	-
Community Centre account	4,008	4,008
	\$ 13,104,263	\$ 11,966,330

Operating account earning interest at the rate of prime less 1.75%.

3. TAXES AND GRANTS IN LIEU RECEIVABLES

	2014	2013
Current taxes and grants in lieu	\$ 52,453	\$ 31,322
Arrears taxes	489,310	434,526
	\$ 541,763	\$ 465,848

4. INVESTMENTS

	2014	2013
ATB Financial non-redeemable GIC maturing on November 21, 2019 earning interest at the rate of 2.92%	\$ 100,000	\$ 100,000

5. DEFERRED REVENUE

	2014	2013
Unearned Revenue Recreation (Class)	\$ 18,125	\$ 6,703
Regional Solid Waste Grant 2013	-	94,362
Fire Protection Training Grant	9,070	48,472
Disaster Services Training Grant	578	2,200
Sustainability Operating Grant 2013	22,607	36,591
Sustainability Capital Grant 2014	1,230,205	-
Paving for Local Business	10,000	-
Community Services Grants	20,330	-
Sustainability Capital Grant 2013	-	202,657
Gas Tax Grant 2013	-	387,289
Transportation Grant 2014	344,139	324,943
Downtown Mural	4,000	4,000
Prepaid Property Taxes	90,996	84,005
	\$ 1,750,050	\$ 1,191,222

TOWN OF COALDALE

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2014

5. DEFERRED REVENUE (continued)

Sustainability Operating Grant

Funds will be used towards Community group utilities, handi-ride, bussing, professional fees, Infrastructure Master Plan and road patching.

Sustainability Capital Grant

Funds will be used towards various building projects plus the development of a new industrial park within the Town. These projects need to be approved before commencement.

6. EMPLOYEE BENEFIT OBLIGATIONS

	2014	2013
Vacation, Banked Time and Sick Time	\$ 364,586	\$ 429,038

The vacation, bank, and sick liability are for vacation, bank and sick time that employees are deferring to a future year. Sick time is earned every pay and accumulates to a maximum of 24 weeks. The accumulated amount is reduced when sick time is taken. When an employee leaves their sick time is not paid out. As of December 31, 2014, management has accrued \$225,000 for estimated sick time benefits. Refer to significant accounting policies section g) for more details. As of January 1, 2016 the Town will be changing to a new Short Term Disability plan to be administered by a third party.

7. LONG-TERM DEBT

	2014	2013
Tax supported debentures	\$ 4,014,169	\$ 4,358,445
Supported by utility rates	1,007,392	1,122,470
	5,021,561	5,480,915
Capital debt received asset not yet acquired	-	1,920
Operating debentures	66,275	78,262
	\$ 5,087,836	\$ 5,561,097

The current portion of long-term debt amounts to \$433,522 (2013 - \$473,261)

TOWN OF COALDALE

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2014

7. LONG-TERM DEBT (continued)

Principal and interest repayments are due as follows:

	Principal	Interest	Total
2015	\$ 433,522	\$ 268,100	\$ 701,622
2016	415,472	245,223	660,695
2017	438,583	222,112	660,695
2018	453,216	197,654	650,870
2019	447,570	172,288	619,858
Thereafter	2,899,473	650,688	3,550,161
	\$ 5,087,836	\$ 1,756,065	\$ 6,843,901

Debenture debt is repayable to Alberta Capital Finance Authority and bears interest at rates ranging from 2.788% to 9.500% per annum, before Provincial subsidy, and matures in periods 2014 through 2033. The average annual interest rate is 5.6345% for 2014 (5.5436% for 2013). For qualifying debentures, the Province of Alberta rebates 60% of interest in excess of 8%, 9% and 11% to a maximum annual rate of 12.5%, depending on the date borrowed. Debenture debt is issued on the credit and security of the Town of Coaldale at large.

During the year, no debentures were issued by Alberta Capital Finance Authority to the Town of Coaldale.

8. DEBT LIMITS

Section 217 of the Municipal Government Act requires that debt and debt limits as defined by regulation for the Town of Coaldale be disclosed as follows:

	2014	2013
Total debt limit	\$ 19,902,944	\$ 23,123,510
Total debt	5,087,836	5,561,097
Total Debt Under Limit	\$ 14,815,108	\$ 17,562,413
	2014	2013
Service on debt limit	\$ 3,317,157	\$ 3,853,918
Service on debt	701,622	765,408
Total Under Service on Debt Limit	\$ 2,615,535	\$ 3,088,510

The debt limit is calculated at 1.5 times revenue of the Town (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 taken alone does not represent the financial stability of the municipality. Rather, the municipalities that could be at financial risk if further debt is acquired. The calculation are guidelines used by Alberta Municipal Affairs to identify financial statements must be interpreted as a whole.

TOWN OF COALDALE

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2014

9. EQUITY IN TANGIBLE CAPITAL ASSETS

	2014	2013
Tangible capital asset cost (Schedule 2)	\$ 125,160,113	\$ 121,910,050
Accumulated amortization (Schedule 2)	(40,054,016)	(37,694,596)
Long-term debt (Note 7)	(5,021,561)	(5,480,915)
	\$ 80,084,536	\$ 78,734,539

10. ACCUMULATED SURPLUS

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

	2014	2013
Unrestricted surplus	\$ 729,921	\$ 687,093
Restricted surplus		
Tax rate stabilization	3,451,026	4,228,073
Future capital expenditures	7,143,154	6,046,449
Equity in tangible capital assets (Note 9)	80,084,536	78,734,539
	\$ 91,408,637	\$ 89,696,154

11. SEGMENTED INFORMATION

The Town of Coaldale provide numerous services to its citizens. For management reporting purposes these services are separated into department for tracking purposes.

The main departments are as follows:

Protection

This segment includes regional policing costs as per agreement with the City of Lethbridge. Fire and rescue services for the Town and a portion of the County. Municipal emergency acts as the agent of Council to carry out its statutory powers and obligations under the Emergency Management Act. This department prepares and coordinates the Municipal Emergency Plan and related plans and programs. Management, administration and operation of regulatory and safety services. The primary function of this department is to administer and operate municipal bylaws and health and safety programs.

Recreation and Culture

This segment includes all the parks, recreation services and other cultural services. All these services provide recreation and leisure services to the citizens and those from the surrounding areas.

Planning

This segment's function is to steward effective land use and orderly growth of the community in order to sustain and enhance the quality of life for both current and future citizens of Coaldale.

TOWN OF COALDALE

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2014

11. SEGMENTED INFORMATION (continued)

Transportation and Environmental

This segment includes transportation and environmental user protection. This department provides drinking water, collecting and treating of wastewater and collecting, disposal of solid waste, plus the management of storm water. The Town is working diligently to reduce the amount of solid waste being collected and reducing the amount of storm water leaving Coaldale. This department also maintains the road systems throughout Coaldale.

General Government

This segment includes Council expenditures and administration costs required to operate the Town of Coaldale. Included in this segment are election costs and costs that are associated with completing the census (population).

12. SALARY AND BENEFITS DISCLOSURE

Disclosure of salaries and benefits for elected Town officials, the Chief Administrative Officer and Designated Officers as required by provincial regulation are as follows:

	2014		2013	
	Salary (1)	Benefits & Allowances (2) & (3)	Total	Total
Mayors:				
Craig	\$ 32,500	\$ 4,603	\$ 37,103	\$ 29,746
Councillors:				
Chapman	24,500	1,043	25,543	17,413
Duda	24,650	1,052	25,702	16,613
Langstraat	-	-	-	15,907
Martens	21,700	3,472	25,172	18,893
Pauls	-	-	-	14,694
Wentz	-	-	-	14,648
Van Rijn	21,100	2,410	23,510	4,155
Abrey	19,200	4,294	23,494	3,987
Hohm	20,600	4,134	24,734	4,305
Town Manager	191,545	22,856	214,401	157,007
Designated Officers (2)	247,133	38,886	286,019	246,968
	\$ 602,928	\$ 82,750	\$ 685,678	\$ 544,336

(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 retirement pension, Canada Pension Plan (CPP), employment insurance (EI), health care, dental coverage, vision coverage, group life insurance, accidental disability and dismemberment insurance, long and short term disability plans, professional memberships, and tuition.

(3) Benefits and allowances figures also include the employer's share of the costs of additional taxable benefits including special leave with pay, financial planning services, retirement planning services, concessionary loans, travel allowances, car allowances and club memberships.

TOWN OF COALDALE

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2014

13. LOCAL AUTHORITIES PENSION PLAN

Employees of the Town of Coaldale participate in the Local Authorities Pension Plan (LAPP), which is covered by the Alberta Public Sector Pension Plans Act. The Plan serves about 230,534 people and 418 employers. The LAPP is financed by employer and employee contributions and by investment earnings of the LAPP Fund.

The Town of Coaldale is required to make current service contributions to the Plan of 11.39% of pensionable earnings up to the Canada Pension Plan year's maximum pensionable earnings and 15.84% 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 up to the year's maximum pensionable salary and 14.84% on pensionable salary above this amount.

Total current service contributions by the Town of Coaldale to the Local Authorities Pension Plan in 2014 were \$270,878 (2013 - \$270,255). Total current service contributions by the employees of the Town of Coaldale to the Local Authorities Pension Plan in 2014 were \$248,909 (2013 - \$246,056).

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

14. COMMITMENTS

The Town has entered into various contracts whereby third party agencies provide services to the community on behalf of the Town of Coaldale. These fee for service contracts vary in length and terms.

a) Lethbridge Regional Police

In February 2004, the Town entered into a contract with the Lethbridge Regional Police to provide policing in the Town of Coaldale. The monthly installments are based on a modified per capita calculation based on the Lethbridge Regional Police budget. This agreement dissolves December 31, 2015.

b) Lethbridge Regional Water Services Commission

A contract to provide water to the Town of Coaldale started in 2001 and expires January 30, 2030.

c) Trans Alta

The Town entered into an energy aggregation program on January 1, 2014 and it expires December 31, 2018.

d) County of Lethbridge - Fire Agreement

The Town and the County of Lethbridge have reached an agreement to provide services to the County of Lethbridge. This agreement expires December 31, 2015. Twelve months notice must be given to terminate the contract.

TOWN OF COALDALE

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2014

14. COMMITMENTS (continued)

e) RMW Consulting Inc

The Town entered into a garbage and recycling agreement that started October 1, 2012. The agreement expires September 30, 2017.

15. CONTINGENCIES

- a) The Town of Coaldale is a member of the Alberta Municipal Insurance Exchange (MUNIX). under the terms of the membership, the Town of Coaldale 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.

16. FINANCIAL INSTRUMENTS

The Town's financial instruments consist of cash and temporary investments, taxes and grants in lieu receivables, trade and other receivables, 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 receivables 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 instrument approximates fair value.

TOWN OF COALDALE

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2014

17. BUDGET FIGURES

Budgeted information was prepared under the modified accrual method. This note provides a reconciliation between the approved budget figures and the budget figures disclosed in the financial statements.

	<u>2014</u>
EXCESS OF REVENUE OVER EXPENSES	\$ 3,888,722
Add: Transfer to capital projects from reserve	478,218
Add: Transfer from reserve to operations	330,400
Add: Transfer to capital projects from operations	177,000
Add: Debenture for capital projects	0
Less: Capital expenditures	(3,446,000)
Less: Debt repayment	(472,874)
Less: Transfer from operations to reserve	<u>(954,899)</u>
Budget surplus	\$ <u><u>567</u></u>

The budget as stated in the financial statements has been modified as required over the course of the year.

18. APPROVAL OF FINANCIAL STATEMENTS

Council and Management have approved these financial statements.