

Consolidated Financial Statements of

**TOWN OF HIGH LEVEL**

Year ended December 31, 2013

# **TOWN OF HIGH LEVEL**

## **Consolidated Financial Statements**

**Year ended December 31, 2013**

### **Financial Statements**

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## **Management's Responsibility for the Consolidated Financial Statements**

The accompanying consolidated financial statements of the Town of High Level (the "Town") are the responsibility of the Town's management and have been prepared in compliance with legislation, and in accordance with Canadian Public Sector Accounting Standards. A summary of the significant accounting policies are described in note 2 to the consolidated financial statements. The preparation of financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods.

The Town's management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements and reliable financial information is available on a timely basis for preparation of the consolidated financial statements. These systems are monitored and evaluated by management.

Council meets with management and the external auditors to review the consolidated financial statements and discuss any significant financial reporting or internal control matters prior to approval of the consolidated financial statements.

The consolidated financial statements have been audited by KPMG LLP, independent external auditors appointed by the Town. The accompanying Auditors' report outlines their responsibilities, the scope of their examination and their opinion on the Town's consolidated financial statements.



Tom Derreck  
Chief Administrative Officer



Jenny Tu, CMA  
Director of Finance

April 28, 2014



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## INDEPENDENT AUDITORS' REPORT

To the Mayor and Members of Council of Town of High Level

We have audited the accompanying consolidated financial statements of Town of High Level, which comprise the consolidated statement of financial position as at December 31, 2013, the consolidated statements of operations and accumulated surplus, change in net financial assets and cash flows for the year then ended, and notes, comprising 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.

### *Auditors' 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 our 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, we consider 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 consolidated financial position of Town of High Level as at December 31, 2013, and its consolidated results of operations, its consolidated changes in net financial assets and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Chartered Accountants

April 28, 2014  
Edmonton, Canada

# TOWN OF HIGH LEVEL

## Consolidated Statement of Financial Position

December 31, 2013, with comparative information for 2012

	2013	2012
<b>Financial assets:</b>		
Cash	\$ 1,069,006	\$ 769,062
Accounts receivable (note 4)	2,821,134	1,087,467
Land held for resale	879,657	879,657
<u>Investments (note 5)</u>	<u>8,415,187</u>	<u>9,094,441</u>
	<u>13,184,984</u>	<u>11,830,627</u>
<b>Liabilities:</b>		
Accounts payable and accrued liabilities	2,924,226	892,776
Deposit liabilities	49,110	38,923
Deferred revenue (note 7)	988,308	1,150,288
Wages and benefits payable	282,665	255,546
<u>Long-term debt (note 8)</u>	<u>5,140,619</u>	<u>4,326,060</u>
	<u>9,384,928</u>	<u>6,663,593</u>
Net financial assets	3,800,056	5,167,034
<b>Non-financial assets:</b>		
Tangible capital assets (note 10)	115,700,463	114,584,334
Inventories of supplies	139,982	131,318
<u>Prepaid expenses</u>	<u>433,597</u>	<u>182,924</u>
	<u>116,274,042</u>	<u>114,898,576</u>
Accumulated surplus (note 11)	\$ 120,074,098	\$ 120,065,610

Contingent liabilities (note 12)

The accompanying notes are an integral part of these consolidated financial statements

Approved by:



Mayor



Councillor

# TOWN OF HIGH LEVEL

## Consolidated Statement of Operations and Accumulated Surplus

Year ended December 31, 2013, with comparative information for 2012

	Budget	2013	2012
	(Note 22)		
<b>Revenue:</b>			
Net municipal taxes (note 14)	\$ 4,091,675	\$ 4,161,834	\$ 4,214,347
User fees and sales of goods	4,210,432	4,382,560	4,590,590
Government transfers (note 15)	2,904,725	4,140,885	2,636,583
Investment income	63,328	328,933	313,602
Penalties and costs of taxes	70,000	81,860	82,625
Licenses and permits	85,880	106,931	132,200
Other	226,450	336,408	303,475
Contributions of tangible capital assets	-	5,000	-
<b>Gain on disposal of investments</b>	<b>-</b>	<b>-</b>	<b>86,004</b>
	11,652,490	13,544,411	12,359,426
<b>Expenses (note 16):</b>			
Legislative	298,767	231,392	224,489
Administration	1,560,697	1,865,060	1,736,633
Protective services	1,190,104	1,193,486	999,436
Transportation	2,544,178	4,883,810	4,721,153
Water supply and distribution	1,343,172	1,688,505	1,638,055
Wastewater treatment and disposal	334,637	752,315	637,182
Waste management	187,124	190,240	185,546
Family and community support	152,953	146,684	128,560
Planning and development	358,696	591,968	612,186
Parks and recreation	1,311,243	1,418,202	1,413,446
Culture	557,100	507,079	423,516
Loss on disposal of investments		63,331	
Loss on disposal of tangible capital assets		3,851	
	9,838,671	13,535,923	12,720,202
Annual surplus (deficit)	1,813,819	8,488	(360,776)
Accumulated surplus, beginning of year	120,065,610	120,065,610	120,426,386
<b>Accumulated surplus, end of year</b>	<b>\$ 121,879,429</b>	<b>\$ 120,074,098</b>	<b>\$ 120,065,610</b>

The accompanying notes are an integral part of these consolidated financial statements

# TOWN OF HIGH LEVEL

## Consolidated Statement of Changes in Net Financial Assets

Year ended December 31, 2013, with comparative information for 2012

	Budget	2013	2012
	(Note 22)		
Annual surplus (deficit)	\$ 1,813,819	\$ 8,488	\$ (360,776)
Acquisition of tangible capital assets	(3,807,260)	(5,613,762)	(1,920,911)
Contributions of tangible capital assets	-	(5,000)	-
Amortization of tangible capital assets	-	4,498,782	4,402,946
Loss on disposal of tangible capital assets	-	3,851	3,882
Proceeds on disposal of tangible capital assets	-	-	20,000
	(1,993,441)	(1,107,641)	2,145,141
Acquisition of inventories of supplies	-	(11,384)	(1,116)
Acquisition of prepaid expenses	-	(433,597)	(182,925)
Consumption of inventories of supplies	-	2,720	9,146
Use of prepaid expenses	-	182,924	172,839
	-	(259,337)	(2,056)
Change in net financial assets	(1,993,441)	(1,366,978)	2,143,085
Net financial assets, beginning of year	5,167,034	5,167,034	3,023,949
<b>Net financial assets, end of year</b>	<b>\$ 3,173,593</b>	<b>\$ 3,800,056</b>	<b>\$ 5,167,034</b>

The accompanying notes are an integral part of these consolidated financial statements

# TOWN OF HIGH LEVEL

## Consolidated Statement of Cash Flows

Year ended December 31, 2013, with comparative information for 2012

	2013	2012
<b>Cash provided by (used in):</b>		
<b>Operating activities:</b>		
Annual surplus (deficit)	\$ 8,488	\$ (360,776)
Items not involving cash:		
Amortization of tangible capital assets	4,498,782	4,402,946
Amortization of discount on investments	(142,002)	(162,601)
(Gain) Loss on disposal of tangible capital assets	3,851	3,882
(Gain) Loss on sale of investments	63,331	(86,004)
Contributions of tangible capital assets	(5,000)	-
<b>Change in non-cash assets and liabilities:</b>		
Accounts receivable	(1,733,667)	549,637
Accounts payable and accrued liabilities	2,031,450	(287,348)
Deposit liabilities	10,187	(399)
Deferred revenue	(161,980)	(305,683)
Wages and benefits payable	27,119	13,407
Inventories of supplies	(8,664)	8,029
Prepaid expenses	(250,673)	(10,085)
Net change in cash from operating activities	4,341,222	3,765,005
<b>Capital activities:</b>		
Acquisition of tangible capital assets	(5,613,762)	(1,920,911)
Proceeds on disposal of tangible capital assets	-	20,000
Net change in cash from capital activities	(5,613,762)	(1,900,911)
<b>Investing activities:</b>		
Purchase of investments	(3,898,842)	(6,448,074)
Sales of investments	4,656,767	5,792,849
Net change in cash from investing activities	757,925	(655,225)
<b>Financing activities:</b>		
Long-term debt issued	1,406,300	-
Long-term debt repaid	(591,741)	(1,045,603)
Net change in cash from financing activities	814,559	(1,045,603)
Net change in cash	299,944	163,266
Cash at beginning of year	769,062	605,796
<b>Cash, at end of year</b>	<b>\$ 1,069,006</b>	<b>\$ 769,062</b>
Cash paid for interest	\$ 219,166	\$ 268,104
Cash received from interest	301,898	254,658

The accompanying notes are an integral part of these consolidated financial statements

# **TOWN OF HIGH LEVEL**

## **Notes to Consolidated Financial Statements**

Year ended December 31, 2013

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### **1. Nature of Organization:**

On June 1, 1965, the Province of Alberta passed Order in Council 967/65 incorporating the New Town of High Level. Order in Council 750/83, passed August 31, 1983, changed the name to the Town of High Level (the "Town"). The Town is governed by the Municipal Government Act of the Province of Alberta (the "MGA").

### **2. Significant accounting policies:**

The consolidated financial statements of the Town are prepared by the Town's management in accordance with Canadian Public Sector Accounting Standards ("PSAS"). Significant accounting policies adopted by the Town are as follows:

#### **(a) Basis of consolidation:**

##### **i) Consolidated entities**

The consolidated financial statements reflect the assets, liabilities, revenues and expenses of the reporting entity. The reporting entity is comprised of all organizations, communities and local boards accountable for the administration of their financial affairs and resources to the Town and which are owned or controlled by the Town. The reporting entity is comprised of the municipal operations of the Town and the High Level Municipal Library Board.

##### **ii) Accounting for housing management bodies and school board transactions**

Taxes levied include requisitions for the Alberta School Fund Foundation and the Mackenzie Housing Seniors Lodge. The taxation, other revenue, expenses, assets and liabilities with respect to the operations of the Alberta School Fund Foundation and Mackenzie Housing Seniors Lodge are not reflected in these consolidated financial statements.

##### **iii) Mackenzie Regional Waste Management Commission**

The Town is a member of the Mackenzie Regional Waste Management Commission (the "Commission"). The Province of Alberta under Alberta Regulation 264/2003 established the Commission pursuant to the Municipal Government Act. The nature of the establishment and operation is such that profits or any other income of the Commission is retained by the Commission. All financial transactions with the Commission are recognized and recorded in the consolidated financial statements of the Town.

# **TOWN OF HIGH LEVEL**

## **Notes to Consolidated Financial Statements (continued)**

Year ended December 31, 2013

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### **2. Significant accounting policies (continued):**

#### **(a) Basis of consolidation (continued):**

##### **iv) Trust funds**

Trust funds and their related operations administered by the Town are not included in these consolidated financial statements.

#### **(b) Basis of accounting:**

The Town follows the accrual basis of accounting for revenues and expenses. Revenues are recognized in the year in which they are earned and measurable. Expenses are recognized as they are incurred and measurable as a result of receipt of goods and services and/or the creation of a legal obligation to pay.

#### **(c) Government transfers:**

Government transfers are recognized as revenue in the period in which events giving rise to the transfer occur, provided the transfers are authorized, any eligibility criteria have been met and reasonable estimates of the amounts can be made. A transfer with or without eligibility criteria but stipulation is recognized in the period the transfer is authorized and all eligibility criteria have been met, except when and to the extent that the transfer gives rise to an obligation that meets the definition of a liability.

#### **(d) Tax Revenue:**

Tax revenues are recognized as assets and revenue when the taxable event occurs.

#### **(e) Requisition over-levy and under-levy:**

Over 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 or under-levies of the prior year.

# **TOWN OF HIGH LEVEL**

## Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2013

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### **2. Significant accounting policies (continued):**

#### **(f) Prepaid local improvements 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 Town.

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 as the expenses are incurred to complete the project.

#### **(g) Deferred revenue:**

Deferred revenue represents government transfers, contributions and other amounts received from third parties pursuant to legislation, regulation or agreement that 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. These amounts will be recognized as revenues in the fiscal year when the related expense is incurred, services performed or the tangible capital assets are acquired.

#### **(h) Land held for resale:**

Land held for resale is recorded at the lower of cost or net realizable value. Cost includes costs for land acquisition and improvements required to prepare the land for servicing such as clearing, stripping and levelling charges.

#### **(i) Investments:**

Investments are recorded at amortized cost. Premiums and discounts arising on the purchase of these investments are amortized over the term of the investments. When there has been a loss in value that is other than a temporary decline in value, the respective investment is written down to recognize the loss.

Investment income is reported as revenue in the period earned. When required by the funding government or by legislation, investment income earned on deferred revenue is added to the investment and forms part of the deferred revenue balance.

# **TOWN OF HIGH LEVEL**

## **Notes to Consolidated Financial Statements (continued)**

**Year ended December 31, 2013**

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### **2. Significant accounting policies (continued):**

#### **(j) 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 ordinary course of operations.**

##### **i) Tangible capital assets**

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

Asset	Useful Life-Years
Land improvements	15-30
Buildings (includes building improvements)	15-50
Engineered structures	16-75
Machinery and equipment	5-20
Vehicles	10-20

**One-half of the annual amortization is charged in the year of acquisition and in the year of disposal. Assets under construction are not amortized until the asset is available for productive use.**

# **TOWN OF HIGH LEVEL**

## Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2013

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### **2. Significant accounting policies (continued):**

#### **(j) Non-financial assets (continued):**

##### **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.

##### **iii) Works of art and cultural and historic assets**

Works of art and cultural and historic assets are not recorded as assets in these financial statements.

##### **iv) Interest capitalization**

Interest is capitalized whenever external debt is issued to finance the construction of tangible capital assets.

##### **v) Inventories of supplies**

Inventories of supplies held for consumption are recorded at the lower of cost and replacement cost, with cost determined on an average cost basis.

#### **(k) Use of estimates:**

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amount of revenues and expenses during the period. Significant estimates include assumptions used in estimating the provisions for uncollectible accounts receivable and assumptions related to recording accrued liabilities. In addition, the Town's implementation of PSAB section 3150 required management to make estimates of historical cost and useful lives of tangible capital assets. Actual results could differ from those estimates.

#### **(l) Future accounting standard pronouncements:**

The following summarizes upcoming changes to PSAS. In 2014, the Town will continue to assess the impact and prepare for the adoption of these standards. While the timing of standard adoption can vary, certain standards must be adopted concurrently.

# **TOWN OF HIGH LEVEL**

## Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2013

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### **2. Significant accounting policies (continued):**

#### **(I) Future accounting standard pronouncements (continued):**

##### **i) Liability for Contaminated Sites**

PS3260, Liability for Contaminated Sites, establishes standards on remediation, recognition, and measurement of liabilities associated with contaminated sites, and provides requirements for financial statement presentation and disclosure. The Town has begun the process of reviewing policies, procedures, and systems to ensure consistent and accurate identification and estimation of liabilities associated with contaminated sites, also see note 12. This standard is applicable for fiscal years beginning on or after April 1, 2014.

##### **ii) Financial Statement Presentation**

PS1201, Financial Statement Presentation, requires a new statement of re-measurement gains and losses separate from the statement of operations. Included in this new statement are the unrealized gains and losses arising from the re-measurement of financial instruments and items denominated in foreign currencies, as well as the government's proportionate share of other comprehensive income that arises when a government includes the results of government business enterprises and partnerships. This standard is applicable for fiscal years beginning on or after April 1, 2016.

##### **iii) Foreign Currency Translation**

PSAB issued PS2601, Foreign Currency Translation, replacing the current PS2600. This standard requires that monetary assets and liabilities denominated in a foreign currency and non-monetary items included in the fair value category, denominated in a foreign currency, be adjusted to reflect the exchange rates in effect at the financial statement date. Unrealized gains and losses are to be presented in the new statement of re-measurement gains and losses. This standard is applicable for fiscal years beginning on or after April 1, 2016.

##### **iv) Portfolio Investments**

PS3041, Portfolio Investments, has removed the distinction between temporary and portfolio investments. This standard now includes pooled investments in its scope and was amended to conform to Financial Instruments, PS3450. Upon adoption of PS3450 and PS3041, PS3030 Temporary Investments will no longer apply. This standard is applicable for fiscal years beginning on or after April 1, 2016.

# **TOWN OF HIGH LEVEL**

## Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2013

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### **2. Significant accounting policies (continued):**

#### **(l) Future accounting standard pronouncements (continued):**

##### **v) Financial Instruments**

PS3450, Financial Instruments, establishes recognition, measurement, and disclosure requirements for derivative and non-derivative financial instruments. The standard requires fair value measurement of derivatives and equity instruments; all other financial instruments can be measured at cost/amortized cost or fair value at the election of the government. Unrealized gains and losses are presented in a new statement of re-measurement gains and losses. There is the requirement to disclose the nature and extent of risks arising from financial instruments and clarification is given for the de-recognition of financial liabilities. This standard is applicable for fiscal years beginning on or after April 1, 2016.

### **3. Change in accounting policies:**

#### **Government Transfers:**

Effective January 1, 2013, the Town adopted Public Sector Accounting Board ("PSAB") Section 3410, Government Transfers. This standard was adopted on a prospective basis.

Under PS 3410, municipalities are required to assess government transfers to determine if they meet the requirements for deferral. If the transfers do not meet the deferral requirements, they are recorded as revenue when the transfers are authorized and all eligibility criteria have been met. There were no adjustments as a result of the adoption of this standard.

#### **Property Tax Revenue:**

Effective January 1, 2013, the Town adopted Public Sector Accounting Board ("PSAB") Section 3510, Tax Revenue. This standard was adopted on a prospective basis.

Under PS 3510, municipalities recognize property tax revenue using the approved mill rate and the anticipated assessment. The standard requires that property tax revenue be reported net of tax concessions. Tax transfers are reported as an expense and taxes levied on behalf of others in a flow through arrangement are not reported in the statement of operations. Local improvements, to be paid in whole or in part by a tax imposed on benefiting property owners, is recognized as revenue in the period that the project expenditures are completed. There were not adjustments as a result of the adoption of this standard.

# TOWN OF HIGH LEVEL

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2013

#### 4. Accounts receivable:

	2013	2012
Property taxes receivable		
(net of allowance \$177,551; 2012 - \$166,372)	\$ 113,259	\$ 197,268
Due from governments	1,343,961	125,750
Other receivables (net of allowance \$4,509; 2012 - \$3,802)	1,310,654	699,840
Local improvements (interest at rates ranging from 3.53% to 5.88% (2012 – 3.53% to 8.25%) due over the periods through 2020)	53,260	64,609
	<hr/> \$ 2,821,134	<hr/> \$ 1,087,467

Property taxes receivable include \$156,967 (2012 - \$194,186) of balances outstanding for greater than one year.

#### 5. Investments:

	2013	2012		
	Amortized Cost	Market value	Amortized Cost	Market value
Short-term notes and deposits	\$ 219,701	\$ 219,701	\$ 189,825	\$ 189,825
Corporate, government and government guaranteed bonds	8,195,486	8,113,944	8,904,616	8,994,337
	<hr/> \$ 8,415,187	<hr/> \$ 8,333,645	<hr/> \$ 9,094,441	<hr/> \$ 9,184,162

Short-term notes and deposits have effective interest rates ranging from 0.10% to 1.25% (2012 – 0.10% to 1.25%) and mature in less than one year. Corporate, government and government guaranteed bonds have effective interest rates ranging from 2.53% to 10.22% (2012 – 1.84% to 9.98%) with maturity dates ranging from June 30, 2014 to December 29, 2049 (2012 – November 1, 2013 to December 29, 2049). The Town intends to hold these securities until maturity.

The cost of corporate, government and government guaranteed bonds exceed market value as at December 31, 2013. Given the inherent interest rate volatility in the bond market, management is of the opinion that the loss in value is a temporary decline. No adjustment was made to reduce the carrying value in investments in the current year.

# TOWN OF HIGH LEVEL

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2013

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## 6. Bank indebtedness:

The Town has established an operating line of credit up to \$3,000,000 (2012 - \$3,000,000). The Town had not drawn against this facility as at December 31, 2013. The operating line of credit is secured by borrowing bylaws dated March 11, 2009. Outstanding amounts bear interest at the bank's prime lending rate plus 0.5%.

## 7. Deferred revenue:

The deferred revenue reported on the consolidated statement of financial position is made up of the following:

	2013	2012
<b>Provincial government transfers:</b>		
Alberta Municipal Infrastructure Program	\$ 162,180	\$ 350,838
Basic Municipal Trans Grant (BMTG/SIP)	303,420	313,288
Municipal Sustainability Initiative - Capital	173,340	232,020
Municipal Sustainability Initiative - Operating	-	64,579
Federal Gas Tax Fund	71,449	105,426
Forest Resource Improvement Grant (FRIAA)	41,124	41,124
Municipal Grant - Other	2,218	2,218
Fire Service Emergency Preparedness	-	8,000
Fire Smart Community Grant	50,000	-
Regional Collaboration Conditional Grant	146,371	-
	950,102	1,117,493
<b>Other deferred revenues:</b>		
Prepaid deposits	24,320	22,096
Prepaid property taxes	13,886	10,699
	38,206	32,795
	<hr/> \$ 988,308	<hr/> \$ 1,150,288

# TOWN OF HIGH LEVEL

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2013

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## 7. Deferred revenue (continued):

Continuity of deferred revenue is as follows:

	2013	2012
<b>Deferred government transfers:</b>		
Deferred government transfers at beginning of year	\$ 1,117,493	\$ 1,403,057
Government transfers received during the year	3,973,494	2,351,019
Government transfers recognized during the year	(4,140,885)	(2,636,583)
Deferred government transfers at end of year	950,102	1,117,493
<b>Other deferred revenues:</b>		
Other deferred revenues at beginning of year	32,795	52,914
Other received during the year	28,449	87,125
Other recognized during the year	(23,038)	(107,244)
Other deferred revenues at end of year	38,206	32,795
<b>Balance, end of year</b>	<b>\$ 998,308</b>	<b>\$ 1,150,288</b>

## 8. Long-term debt:

	2013	2012
Alberta Capital Finance Authority debentures bearing interest at rates ranging from 3.85% to 6.50% (2012 - 3.85% to 6.50%) per annum and maturing in periods from 2014 through 2033 (2012 – 2013 through 2031)	\$ 5,140,619	\$ 4,326,060

Interest on long-term debt amounted to \$220,757 (2012 - \$249,661) and the Town's total cash payments for interest were \$219,166 (2012 - \$268,104).

Long-term debt is issued on the credit and security of the Town at large.

# TOWN OF HIGH LEVEL

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2013

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## 8. Long-term debt (continued):

Principal and interest repayment requirements on long-term debt over the next five years and thereafter are as follows:

	Principal	Interest	Total
2014	\$ 671,244	\$ 241,276	\$ 912,520
2015	527,948	205,878	733,826
2016	379,623	178,272	557,895
2017	287,457	161,351	448,808
2018	301,507	147,301	448,808
Thereafter	2,972,840	746,215	3,719,055
	\$ 5,140,619	\$ 1,680,293	\$ 6,820,912

## 9. Debt and debt service limits:

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

	2013	2012
Total debt limit	\$ 15,613,305	\$ 16,161,258
Total debt	5,140,619	4,326,060
Amount by which debt limit unused	10,472,686	11,835,198
Percentage used (%)	32.93%	26.77%
Debt servicing limit	2,602,218	2,693,543
Debt servicing	912,520	810,908
Amount by which debt servicing limit unused	1,689,698	1,882,635
Percentage used (%)	35.07%	30.11%

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 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 Town. Rather, the financial statements must be interpreted as a whole.

# TOWN OF HIGH LEVEL

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2013

## 10. Tangible capital assets:

	2013							
	Land	Land improvements	Buildings	Engineered structures	Machinery and equipment	Vehicles	Assets under construction	Total
<b>Cost:</b>								
Balance, beginning of year	\$ 4,695,099	\$ 4,969,921	\$ 19,082,038	\$ 138,736,224	\$ 5,922,423	\$ 3,184,866	\$ 3,445,658	\$ 180,036,229
Additions	-	311,416	636,924	2,165,773	297,797	110,289	2,096,563	5,618,762
Disposals	(3,851)	-	-	-	-	-	-	(3,851)
Balance, end of year	4,691,248	5,281,337	19,718,962	140,901,997	6,220,220	3,295,155	5,542,221	185,651,140
<b>Accumulated amortization:</b>								
Balance, beginning of year	-	3,442,806	4,794,933	53,046,437	2,799,890	1,367,829	-	65,451,895
Disposals	-	266,596	-	-	-	-	-	-
Amortization	-	529,354	3,172,673	371,789	158,370	-	-	4,498,782
Balance, end of year	-	3,709,402	5,324,287	56,219,110	3,171,679	1,526,199	-	69,950,677
<b>Net book value, end of year</b>	<b>\$ 4,691,248</b>	<b>\$ 1,571,935</b>	<b>\$ 14,394,675</b>	<b>\$ 84,682,887</b>	<b>\$ 3,048,541</b>	<b>\$ 1,768,956</b>	<b>\$ 5,542,221</b>	<b>\$ 115,700,463</b>

# TOWN OF HIGH LEVEL

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2013

## 10. Tangible capital assets (continued):

	2012							
	Land	Land improvements	Buildings	Engineered structures	Machinery and equipment	Vehicles	Assets under construction	Total
<b>Cost:</b>								
Balance, beginning of year	\$ 4,695,099	\$ 4,969,921	\$ 19,079,538	\$ 137,598,074	\$ 5,744,895	\$ 3,335,574	\$ 2,846,608	\$ 178,269,709
Additions	-	-	2,500	1,138,150	177,528	3,683	599,050	1,920,911
Disposals	-	-	-	-	-	(154,391)	-	(154,391)
<b>Balance, end of year</b>	<b>4,695,099</b>	<b>4,969,921</b>	<b>19,082,038</b>	<b>138,736,224</b>	<b>5,922,423</b>	<b>3,184,866</b>	<b>3,445,658</b>	<b>180,036,229</b>
<b>Accumulated amortization:</b>								
Balance, beginning of year	-	3,182,800	4,294,108	49,936,295	2,429,584	1,336,671	-	61,179,458
Disposals	-	-	-	-	-	(130,509)	-	(130,509)
Amortization	-	260,006	500,825	3,110,142	370,306	161,667	-	4,402,946
<b>Balance, end of year</b>	<b>-</b>	<b>3,442,806</b>	<b>4,794,933</b>	<b>53,046,437</b>	<b>2,799,890</b>	<b>1,367,829</b>	<b>-</b>	<b>65,451,895</b>
<b>Net book value, end of year</b>	<b>\$ 4,695,099</b>	<b>\$ 1,527,115</b>	<b>\$ 14,287,105</b>	<b>\$ 85,689,787</b>	<b>\$ 3,122,533</b>	<b>\$ 1,817,037</b>	<b>\$ 3,445,658</b>	<b>\$ 114,584,334</b>

# **TOWN OF HIGH LEVEL**

## **Notes to Consolidated Financial Statements (continued)**

**Year ended December 31, 2013**

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### **10. Tangible capital assets (continued):**

#### **a) Assets under construction**

Assets under construction having a value of \$5,542,221 (2012 - \$3,445,658) have not been amortized. Amortization of these assets will commence when the asset is put into service.

#### **b) Contributed tangible capital assets**

Contributed tangible capital assets have been recognized at fair market value at the date of contribution. There were contributed assets received during the year with a fair market value of \$5,000 (2012 - \$nil).

#### **c) Tangible capital assets disclosed at nominal values**

Where an estimate of fair value could not be made, the tangible capital asset was recognized at a nominal value. Land is the only category where nominal values were assigned.

#### **d) Works of art and historical treasures**

The Town manages and controls various works of art and non-operational historical cultural assets including buildings, artifacts, paintings and sculptures located at Town sites and public display areas. These assets are not recorded as tangible capital assets and are not amortized.

# **TOWN OF HIGH LEVEL**

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2013

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## **11. Accumulated surplus:**

The Town's accumulated surplus is comprised of the following:

	<b>2013</b>	<b>2012</b>
<b>Operating reserves:</b>		
General reserve	\$ 2,704,035	\$ 3,591,348
<b>Capital reserves:</b>		
Airport	64,456	69,393
Fire equipment	188,370	298,663
Future development	869,292	2,031,631
Municipal recreation	37,295	37,295
Offsite levy	33,836	33,836
Parking lot	38,448	38,448
Tourism improvement fee	335,570	167,011
Utility distribution reserve	2,983,972	2,369,640
	<hr/> 4,551,239	<hr/> 5,045,917
<b>Total reserves</b>	<b>7,255,274</b>	<b>8,637,265</b>
<b>Invested in tangible capital assets</b>	<b>110,559,844</b>	<b>110,258,274</b>
<b>Unrestricted surplus</b>	<b>2,258,980</b>	<b>1,170,071</b>
	<hr/> <b>\$ 120,074,098</b>	<hr/> <b>\$ 120,065,610</b>

# **TOWN OF HIGH LEVEL**

## **Notes to Consolidated Financial Statements (continued)**

**Year ended December 31, 2013**

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### **12. Contingent liabilities:**

The Town is a member of the Alberta Municipal Insurance Exchange (MUNIX). Under the terms of membership, the Town could become liable for its proportionate share of any claim losses in excess of the funds held by the exchange. Any liability incurred would be accounted for as a current transaction in the year the losses are determined. There has been no change to the Town's contingent liabilities in 2013.

During 2009, the Town has been named co-defendant in a legal claim filed by a taxpayer in the amount of \$1.25 million in connection with a property assessment dispute. Management believes the Town is indemnified against this claim by a third party however they are currently unable to assess the likelihood of possible outcomes or the ultimate cost to defend or settle this claim. The claim has also been referred to the Town's insurers. The dispute went to discovery where the courts requested further information from the Plaintiff by a specific date. The Plaintiff did not submit the documents by the specified date, and therefore the dispute is considered to be settled from the Town's perspective. The amount of loss resulting from settlement of this claim, if any, will be recorded when determinable.

### **13. Environmental matters:**

During 2010, the Town had an independent study performed on two previously closed landfill sites that were operated by the province of Alberta prior to their transfer to the Town. The results of this study concluded that remediation of these sites would be required in the event that the Town developed or disposed of these sites. The estimated cost to remediate these sites is approximately \$3.1 million. In 2011, the Town received a letter from Alberta Environment stating that it did not have the funding available to reclaim these two sites to acceptable standards. However, Alberta Environment encouraged the Town to work with them to implement best practices and environmentally safe approaches to manage the former landfill sites. Accordingly, no liability has been recorded in these financial statements.

The Town will consider this in their overall assessment of the potential impact of the implementation of PS3260 Liability for Contaminated Sites.

# TOWN OF HIGH LEVEL

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2013

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## 14. Net municipal taxes:

Taxation revenue reported on the consolidated statement of operations and accumulated surplus is made up of the following:

	Budget	2013	2012
(Note 22)			
<b>Taxation</b>			
Real property taxes	\$ 4,894,331	\$ 5,013,995	\$ 4,888,906
Linear property taxes	224,750	223,964	224,749
Government grants in place of property taxes	117,673	130,918	117,673
Special assessments and local improvement taxes	122,959	118,628	251,056
	<hr/> 5,359,713	<hr/> 5,487,505	<hr/> 5,482,384
<b>Requisitions</b>			
Alberta School Foundation Fund	1,170,854	1,246,716	1,170,853
Mackenzie Housing Seniors Lodge	97,184	78,955	97,184
	<hr/> 1,268,038	<hr/> 1,325,671	<hr/> 1,268,037
<b>Net municipal taxes</b>	<b>\$ 4,091,675</b>	<b>\$ 4,161,834</b>	<b>\$ 4,214,347</b>

# TOWN OF HIGH LEVEL

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2013

## 15. Government transfers:

	Budget	2013	2012
(Note 22)			
<b>Transfers for operating</b>			
Provincial government	\$ 385,475	\$ 460,094	\$ 548,211
Federal government	40,750	40,750	2,500
Other local government	504,500	504,500	504,500
	<b>930,725</b>	<b>1,005,344</b>	<b>1,055,211</b>
<b>Transfers for capital</b>			
Provincial government	1,499,610	2,600,575	1,503,259
Federal government	-	51,714	20,921
Other local government	474,390	483,252	57,192
	<b>1,974,000</b>	<b>3,135,541</b>	<b>1,581,372</b>
<b>Total government transfers</b>	<b>\$ 2,904,725</b>	<b>\$ 4,140,885</b>	<b>\$ 2,636,583</b>

## 16. Expenses by object:

	Budget	2013	2012
(Note 22)			
<b>Salaries, wages and benefits</b>			
Contracted and general services	\$ 4,357,531	\$ 3,918,904	\$ 3,804,314
Materials, goods and utilities	3,191,886	2,684,048	2,007,606
Provision for allowances	1,987,954	2,017,458	1,974,714
Transfers to local boards and agencies	15,000	45,390	158,362
	<b>51,601</b>	<b>65,237</b>	<b>105,216</b>
<b>Bank charges and short-term interest</b>	<b>15,531</b>	<b>18,165</b>	<b>13,501</b>
<b>Interest on long-term debt</b>	<b>219,168</b>	<b>220,757</b>	<b>249,661</b>
<b>Amortization of tangible capital assets</b>	<b>-</b>	<b>4,498,782</b>	<b>4,402,946</b>
<b>Loss on disposal of tangible capital assets</b>	<b>-</b>	<b>3,851</b>	<b>3,882</b>
<b>Loss on disposal of investments</b>	<b>-</b>	<b>63,331</b>	<b>-</b>
	<b>\$ 9,838,671</b>	<b>\$ 13,535,923</b>	<b>\$ 12,720,202</b>

# TOWN OF HIGH LEVEL

## Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2013

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### 17. 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:

	Salary	Benefits	2013 Total	2012 Total
Mayor Ernst	\$ 15,638	\$ 45	\$ 15,683	\$ 18,423
Deputy Mayor - McAteer	14,763	48	14,811	12,986
Councilor - Forest	9,238	48	9,286	6,298
Councilor - Gladders	500	33	533	7,198
Councilor - Chandler	9,638	48	9,686	10,886
Councilor - Forsyth	4,200	18	4,218	13,261
Councilor - Chalifoux				3,025
Councilor - Macleod	9,613	48	9,661	3,348
Councilor - Morgan	1,425	16	1,441	-
Councilor - Milton	1,275	16	1,291	-
Councilor - Rapke	2,425	16	2,441	-
Chief Administrative Officer	123,585	20,430	144,015	172,017
Interim Chief Administrative Officer	36,308	5,411	41,719	-
Designated Officers (3 positions)	179,471	28,823	208,294	291,709
	\$ 408,079	\$ 55,000	\$ 463,079	\$ 539,151

Salary includes regular base pay, lump sum payments, gross honoraria and any other direct cash remuneration.

Employer's share of employee benefits and contributions made on behalf of the employees includes pension, health care, dental coverage, and directors' liability and life insurance.

Benefits and allowance figures also include the employer's share of the costs of additional taxable benefits including special leave with pay, travel allowances and car allowances.

# **TOWN OF HIGH LEVEL**

## **Notes to Consolidated Financial Statements (continued)**

Year ended December 31, 2013

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### **18. Transactions with Mackenzie Regional Waste Management Commission:**

	2013	2012
Included in accounts payable:		
Due to Mackenzie Regional Waste Management Commission	\$ 8,789	\$ 3,940
Revenue and expense transactions:		
Other revenue - administrative services	3,300	268
Contracted and general services expense	70,180	68,370

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### **19. Financial instruments:**

The Town's financial instruments consist of cash, accounts receivable, investments, accounts payable and accrued liabilities, deposit liabilities, wages and benefits payable 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 tax receivables, 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 financial instruments approximates their fair value.

### **20. Segmented information:**

Segmented information has been identified based upon lines of service provided by the Town. Town services are provided by departments and their activities are reported by functional area in the body of the financial statements. Certain lines of service that have been separately disclosed in the segmented information, along with the services they provide, are as follows:

#### i) Protective Services:

Protective Services include fire, law enforcement and health and safety. The Fire Department is responsible to provide fire suppression services, fire prevention programs, motor vehicle accident response training and education related to prevention. Town peace officers enforce the Town's by-laws and some provincial statutes.

# **TOWN OF HIGH LEVEL**

## Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2013

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### **20. Segmented Information (continued):**

#### **ii) Public Works and Transportation:**

The Public Works department is responsible for the delivery of municipal public works services related to transportation, including maintenance of roadway pedestrian systems, the High Level Airport and the maintenance of parks and open spaces.

#### **iii) Water and Waste Management:**

The Town is responsible for environmental programs such as the engineering and operation of water and wastewater systems and waste management, the latter of which encompasses solid waste collection disposal and recycling.

#### **iv) Planning and Development:**

The Planning and Development department manages all aspects of land use planning including long range forecasting and planning, processing development permits and compliance certificates. The department is also responsible for corporate mapping functions.

#### **(v) Community Services:**

The Community Services department provides public services that sustains and supports individuals, families and communities. This includes programs run through Family and Community Support Services, the R.E. Walter Memorial Aquatics Center, High Level Sports Complex, recreation programs and the Town's outdoor baseball diamonds, playgrounds and parks.

#### **vi) Culture and Library:**

As part of community services, the Town operates and maintains the Museum and Visitor's Centre and supports the Library.

Certain allocation methodologies are employed in the preparation of segmented financial information. Taxation and payments-in-lieu of taxes are allocated to the segments based on the segments' budgeted net expenditure. User charges and other revenue are allocated to the segments based upon the segment that generated the revenue. Government transfers are allocated to segments based upon the purpose for which the transfers were made. Development levies earned and developer contributions received are allocated to the segment for which the charge was collected.

The accounting policies used in these segments are consistent with those followed in the preparation of the consolidated financial statements as disclosed in note 2.

# TOWN OF HIGH LEVEL

## Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2013

### 20. Segmented information:

	2013							
	Protective Services	Public Works and Transportation	Water and Waste Management	Planning and Development	Community Services	Culture and Library	Other Municipal	Total
<b>Revenue:</b>								
Net municipal taxes	\$ 478,072	\$ 2,401,639	\$ -	\$ 191,722	\$ 681,068	\$ 225,634	\$ 183,699	\$ 4,161,834
User fees and sales of goods	151,806	606,030	2,099,130	65,703	277,572	72,929	1,109,390	4,382,560
Government transfers	346,000	1,210,204	1,264,592	156,261	459,825	36,684	667,319	4,140,885
Investment income	-	-	-	-	-	992	327,941	328,933
Penalties and costs of taxes	-	-	-	-	-	-	-	-
Other	3,451	37,102	-	-	72,041	18,367	229,878	81,860
Contribution of tangible capital assets	-	-	-	-	-	5,000	82,500	443,339
<b>Total revenues</b>	<b>979,329</b>	<b>4,254,975</b>	<b>3,363,722</b>	<b>485,727</b>	<b>1,441,832</b>	<b>566,117</b>	<b>2,452,709</b>	<b>13,544,411</b>
<b>Expenses:</b>								
Salaries, wages and benefits	427,282	916,565	496,033	157,215	911,647	234,374	775,788	3,918,904
Contracted and general services	463,107	424,061	431,341	363,814	96,305	103,750	801,670	2,684,048
Materials, goods and utilities	131,063	728,138	541,177	3,767	357,844	117,083	138,386	2,017,458
Provision for allowances (recovery)	-	-	-	404	-	-	44,986	45,390
Transfers to local boards and agencies	2,481	-	-	-	43,458	-	19,298	65,237
Interest	13,793	55,174	-	126,368	-	-	10,029	33,558
Amortization	155,761	2,759,873	1,035,736	23,713	199,090	22,545	302,064	238,922
Loss on disposal of tangible capital assets	-	-	-	-	-	-	-	4,498,782
Loss on disposal of investments	-	-	-	-	-	-	-	-
<b>Total expenses</b>	<b>1,193,487</b>	<b>4,883,811</b>	<b>2,631,059</b>	<b>591,967</b>	<b>1,564,886</b>	<b>507,079</b>	<b>2,163,634</b>	<b>13,535,923</b>
<b>Annual surplus (deficit)</b>	<b>\$ (214,158)</b>	<b>\$ (628,836)</b>	<b>\$ 732,663</b>	<b>\$ (106,240)</b>	<b>\$ (123,054)</b>	<b>\$ 59,038</b>	<b>\$ 289,075</b>	<b>\$ 8,488</b>

# TOWN OF HIGH LEVEL

## Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2013

### 20. Segmented information (Continued):

	Protective Services	Public Works and Transportation	Water and Waste Management	Planning and Development	Community Services	Culture and Library	Other Municipal	Total
<b>Revenue:</b>								
Net municipal taxes	\$ 236,641	\$ 2,467,391	\$ -	\$ 231,178	\$ 547,702	\$ 203,365	\$ 528,070	\$ 4,214,347
User fees and sales of goods	403,871	690,670	2,054,817	35,042	292,501	62,929	1,050,760	4,590,590
Government transfers	237,690	1,203,534	247,118	266,392	568,640	38,693	74,516	2,636,583
Investment income	-	-	-	-	-	662	312,940	313,602
Penalties and costs of taxes	-	-	-	-	-	-	82,625	82,625
Other	6,026	33,601	580	88,432	197,399	1,084	194,577	521,679
<b>Total revenues</b>	<b>884,228</b>	<b>4,395,196</b>	<b>2,302,495</b>	<b>621,044</b>	<b>1,606,242</b>	<b>306,733</b>	<b>2,243,488</b>	<b>12,359,426</b>
<b>Expenses:</b>								
Salaries, wages and benefits	399,523	846,646	473,036	149,577	918,695	213,002	803,835	3,804,314
Contracted and general services	305,817	247,616	346,871	346,701	103,460	42,237	614,904	2,007,606
Materials, goods and utilities	127,501	772,276	486,885	7,999	336,307	116,009	127,737	1,974,714
Provision for allowances	-	-	523	-	-	-	157,839	158,362
Transfers to local boards and agencies	2,614	71,816	125,487	83,167	-	19,435	-	105,216
Interest	15,183	2,781,545	1,027,981	24,742	183,544	10,362	40,314	263,162
Amortization	146,170	-	-	-	22,471	216,493	4,402,946	4,402,946
Loss on disposal of tangible capital assets	2,628	1,254	-	-	-	-	-	3,882
<b>Total expenses</b>	<b>999,436</b>	<b>4,721,153</b>	<b>2,460,783</b>	<b>612,186</b>	<b>1,542,006</b>	<b>423,516</b>	<b>1,961,122</b>	<b>12,720,202</b>
<b>Annual surplus (deficit)</b>	<b>\$ (115,208)</b>	<b>\$ (325,957)</b>	<b>\$ (158,288)</b>	<b>\$ 8,858</b>	<b>\$ 64,236</b>	<b>\$ (116,783)</b>	<b>\$ 282,366</b>	<b>\$ (360,776)</b>

# **TOWN OF HIGH LEVEL**

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2013

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**21. Comparative figures:**

Certain comparative figures have been reclassified to conform to the 2013 financial statement presentation.

**22. Budget data:**

The budget data presented in the consolidated financial statements of the Town includes, the 2013 operating budget approved by Council on December 10, 2012 and the capital budget approved by Council on December 10, 2012