

Mergaert, Barford, Williams & Joly
Chartered Accountants

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

TOWN OF BLACKFALDS
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Year Ended December 31, 2014

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INDEPENDENT AUDITOR'S REPORT

To the Councillors of Town of Blackfalds

We have audited the accompanying consolidated financial statements of Town of Blackfalds, which comprise the consolidated statement of financial position as at December 31, 2014 and the consolidated statements of operations, changes in accumulated surplus, changes in net financial assets (debt) and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

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

Mergaert, Barford, Williams & Joly

Edson, Alberta
June 23, 2015


CHARTERED ACCOUNTANTS



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

	2014	2013
FINANCIAL ASSETS		
Cash and temporary investments (Note 2)	\$ 19,901,761	\$ 12,395,862
Receivables		
Taxes and grants in place of taxes (Note 3)	406,978	405,122
Trade and other receivables	2,458,655	1,457,478
Investments (Note 4)	190,776	181,696
	22,958,170	14,440,158
LIABILITIES		
Accounts payable and accrued liabilities	1,598,259	3,644,070
Employee benefit obligations (Note 6)	254,575	205,145
Prepaid taxes	59,691	88,847
Deposit liabilities	1,011,349	1,548,374
Deferred revenue (Note 7)	18,758	-
Long term debt and capital lease obligations (Note 9)	18,628,004	9,717,680
	21,570,636	15,204,116
NET FINANCIAL ASSETS (DEBT)	1,387,534	(763,958)
NON-FINANCIAL ASSETS		
Prepaid expenses	23,394	42,499
Inventory for consumption	152,900	120,540
Tangible capital assets	134,306,053	116,066,843
	134,482,347	116,229,882
ACCUMULATED SURPLUS (Note 12)	\$135,869,881	\$115,465,924
CONTINGENT LIABILITY (Note 16)		

APPROVED BY


 _____ Member of Council

 X _____ Authorized Signing Officer
MYRON THOMPSON
 CHIEF ADMINISTRATIVE OFFICER
 TOWN OF BLACKFALDS

See notes to financial statements

**Mergaert, Barford,
 Williams & Joly**
 Chartered Accountants

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

	(Unaudited) Budget	2014	2013
REVENUE			
Net municipal taxes (<i>Schedule 2</i>)	\$ 7,917,700	\$ 7,808,198	\$ 7,011,598
Government transfers for operating (<i>Schedule 3</i>)	641,200	638,989	734,873
User fees and sales of goods	5,308,800	6,895,142	4,732,755
Fines	142,900	99,377	145,070
Rentals	766,100	876,778	796,182
Franchise fees	906,900	1,167,960	935,549
Investment income	130,000	177,767	180,601
Licenses and permits	383,800	953,443	756,020
Development levies	-	2,527,563	1,041,164
Penalties and costs on taxes	101,300	141,246	139,209
Other	48,500	-	-
Gain (loss) on disposal of tangible capital assets	-	(57,596)	163,000
	<u>16,347,200</u>	<u>21,228,867</u>	<u>16,636,021</u>
EXPENSES			
Legislative	235,900	212,701	182,833
Administration	1,786,400	1,891,176	1,532,462
Protective services	1,646,100	1,505,827	1,248,643
Roads, streets, and equipment	2,010,500	1,555,699	1,921,382
Water, wastewater and waste management	4,120,300	3,370,324	3,166,568
Family and community support	265,000	330,422	229,003
Planning and development	788,100	840,305	628,728
Recreation and parks	3,215,800	3,930,074	2,023,156
Culture	370,600	366,624	336,646
Amortization	-	3,204,596	3,151,953
	<u>14,438,700</u>	<u>17,207,748</u>	<u>14,421,374</u>
EXCESS (SHORTFALL) OF REVENUE OVER EXPENSES FROM OPERATIONS	<u>1,908,500</u>	<u>4,021,119</u>	<u>2,214,647</u>
OTHER INCOME			
Government transfers for capital (<i>Schedule 3</i>)	612,600	3,034,957	4,554,019
Contributed tangible capital assets	-	13,347,881	-
	<u>612,600</u>	<u>16,382,838</u>	<u>4,554,019</u>
EXCESS OF REVENUE OVER EXPENSES	2,521,100	20,403,957	6,768,666
ACCUMULATED SURPLUS, BEGINNING OF YEAR	115,465,924	115,465,924	108,697,258
ACCUMULATED SURPLUS, END OF YEAR (<i>Note 12</i>)	<u>\$117,987,024</u>	<u>\$135,869,881</u>	<u>\$115,465,924</u>

See notes to financial statements

**Mergaert, Barford,
Williams & Joly**
Chartered Accountants

TOWN OF BLACKFALDS
Consolidated Statement of Changes in Accumulated Surplus
Year Ended December 31, 2014

	Unrestricted Surplus	Restricted Surplus	Equity in TCA	2014	2013
BALANCE - BEGINNING OF PERIOD	\$ 218,016	\$ 8,898,745	\$106,349,163	\$115,465,924	\$108,697,258
Excess of revenue over expenses	20,403,957	-	-	20,403,957	6,768,666
Unrestricted funds designated for future use	(18,703,578)	18,703,578	-	-	-
Restricted funds used for tangible capital assets	-	(8,200,865)	8,200,865	-	-
Contributed tangible capital assets	(13,347,881)	-	13,347,881	-	-
Disposal of tangible capital assets	104,941	-	(104,941)	-	-
Annual amortization expense	3,204,596	-	(3,204,596)	-	-
Long term debt issued	10,000,000	-	(10,000,000)	-	-
Long term debt repaid	(1,089,677)	-	1,089,677	-	-
BALANCE - END OF PERIOD	\$ 790,374	\$ 19,401,458	\$115,678,049	\$135,869,881	\$115,465,924

See notes to financial statements

TOWN OF BLACKFALDS
Consolidated Statement of Change in Net Financial Assets (Debt)
Year Ended December 31, 2014

	2014	2013
EXCESS OF REVENUE OVER EXPENSES	\$ 20,403,957	\$ 6,768,666
Acquisition of tangible capital assets	(8,200,865)	(13,049,026)
Contributed tangible capital assets	(13,347,881)	-
Amortization of tangible capital assets	3,204,596	3,151,953
Proceeds on disposal of tangible capital assets	47,346	252,999
(Gain) loss on disposal of tangible capital assets	57,596	(163,000)
	<u>(18,239,208)</u>	<u>(9,807,074)</u>
Change in prepaid assets	19,103	(40,043)
Change in inventory for consumption	(32,360)	(8,144)
	<u>(13,257)</u>	<u>(48,187)</u>
INCREASE (DECREASE) IN NET ASSETS	2,151,492	(3,086,595)
NET FINANCIAL ASSETS (DEBT) - BEGINNING OF YEAR	(763,958)	2,322,637
NET FINANCIAL ASSETS (DEBT) - END OF YEAR	\$ 1,387,534	\$ (763,958)

See notes to financial statements

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

	2014	2013
OPERATING ACTIVITIES		
Excess of revenue over expenses	\$ 20,403,957	\$ 6,768,666
Items not affecting cash:		
Amortization of tangible capital assets	3,204,596	3,151,953
(Gain) loss on disposal of tangible capital assets	57,596	(163,000)
Contributed tangible capital assets	<u>(13,347,881)</u>	<u>-</u>
	<u>10,318,268</u>	<u>9,757,619</u>
Changes in non-cash working capital:		
Taxes and grants in place of taxes	(1,856)	(108,133)
Trade and other receivables	(1,001,177)	(352,920)
Prepaid expenses	19,105	(40,044)
Inventory for consumption	(32,360)	(8,144)
Accounts payable and accrued liabilities	(2,025,538)	1,726,450
Deposit liabilities	(537,025)	256,780
Deferred revenue	<u>18,758</u>	<u>(536,316)</u>
	<u>(3,560,093)</u>	<u>937,673</u>
Cash flow from operating activities	<u>6,758,175</u>	<u>10,695,292</u>
INVESTING ACTIVITIES		
Acquisition of tangible capital assets	(8,200,865)	(13,049,026)
Proceeds on disposal of tangible capital assets	47,346	252,999
Dividends reinvested on investments	<u>(9,080)</u>	<u>-</u>
Cash flow used by investing activities	<u>(8,162,599)</u>	<u>(12,796,027)</u>
FINANCING ACTIVITIES		
Proceeds from long term financing	10,000,000	-
Repayment of long term debt	<u>(1,089,677)</u>	<u>(913,600)</u>
Cash flow from (used by) financing activities	<u>8,910,323</u>	<u>(913,600)</u>
INCREASE (DECREASE) IN CASH FLOW	7,505,899	(3,014,335)
Cash - beginning of year	<u>12,395,862</u>	<u>15,410,197</u>
CASH - END OF YEAR (Note 2)	<u>\$ 19,901,761</u>	<u>\$ 12,395,862</u>

See notes to financial statements

Consolidated Schedule of Tangible Capital Assets
Year Ended December 31, 2014

(Schedule 1)

	Land and Land Improvements	Buildings	Engineered Structures	Machinery and Equipment	Vehicles	2014	2013
COST							
BALANCE, BEGINNING OF YEAR	\$ 5,906,808	\$ 44,173,270	\$ 92,727,115	\$ 5,107,594	\$ 1,369,173	\$149,283,960	\$136,453,087
Acquisition of tangible capital assets	2,176,552	18,327,780	16,536,521	2,378,076	190,084	39,609,013	1,369,327
Construction in progress	18,584	(17,320,893)	(757,958)	-	-	(18,060,267)	11,679,699
Disposal of tangible capital assets	-	-	-	(291,145)	(51,068)	(342,213)	(218,153)
BALANCE, END OF YEAR	\$ 8,101,944	\$ 45,180,157	\$108,505,678	\$ 7,194,525	\$ 1,508,189	\$170,490,493	\$149,283,960
ACCUMULATED AMORTIZATION							
BALANCE, BEGINNING OF YEAR	\$ 548,336	\$ 4,422,999	\$ 25,122,639	\$ 2,429,109	\$ 694,034	\$ 33,217,117	\$ 30,193,317
Annual amortization	154,627	505,438	2,258,530	193,801	92,200	3,204,596	3,151,953
Accumulated amortization on disposals	-	-	-	(186,203)	(51,070)	(237,273)	(128,153)
BALANCE, END OF YEAR	\$ 702,963	\$ 4,928,437	\$ 27,381,169	\$ 2,436,707	\$ 735,164	\$ 36,184,440	\$ 33,217,117
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	\$ 7,398,981	\$ 40,251,720	\$ 81,124,509	\$ 4,757,818	\$ 773,025	\$134,306,053	\$116,066,843
2013 NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	\$ 5,358,472	\$ 39,750,271	\$ 67,604,476	\$ 2,678,485	\$ 675,139		\$116,066,843

Included in assets above is a building under capital lease with original cost of \$3,814,424 and accumulated amortization of \$508,295 for net book value of \$3,306,129 (2013 - \$3,369,703).

Included in land are various municipal reserves, environmental reserves, public utility lots, parks, land under roadways, road right-of-ways and general land for which historical costs were not available and were therefore valued at the nominal amount of \$1.

See notes to financial statements

**Mergaert, Barford,
Williams & Joly**
Chartered Accountants

TOWN OF BLACKFALDS
Consolidated Schedule of Property and Other Taxes *(Schedule 2)*
Year Ended December 31, 2014

	2014	2013
TAXATION		
Real property taxes	\$ 9,271,043	\$ 8,264,526
Non-residential and linear property taxes	1,015,276	1,036,212
	<u>10,286,319</u>	<u>9,300,738</u>
REQUISITIONS		
Alberta School Foundation Fund	2,420,658	2,231,677
Lacombe Seniors Foundation	57,463	57,463
	<u>2,478,121</u>	<u>2,289,140</u>
NET MUNICIPAL TAXES	<u>\$ 7,808,198</u>	<u>\$ 7,011,598</u>

TOWN OF BLACKFALDS
Consolidated Schedule of Government Transfers **(Schedule 3)**
Year Ended December 31, 2014

	2014	2013
TRANSFERS FOR OPERATING		
Federal government unconditional transfers	\$ 2,625	\$ 2,625
Provincial government unconditional transfers	480,832	447,188
Local government transfers	<u>155,532</u>	<u>285,060</u>
	<u>638,989</u>	<u>734,873</u>
TRANSFERS FOR CAPITAL		
Federal government conditional transfers	395,363	625,292
Provincial government conditional transfer	1,743,268	1,660,416
Local government transfers	<u>896,326</u>	<u>2,268,311</u>
	<u>3,034,957</u>	<u>4,554,019</u>
TOTAL GOVERNMENT TRANSFERS	<u>\$ 3,673,946</u>	<u>\$ 5,288,892</u>

TOWN OF BLACKFALDS
Consolidated Schedule of Expenses by Object **(Schedule 4)**
Year Ended December 31, 2014

	Budget (Unaudited)	2014	2013
EXPENSES			
Salaries, wages and benefits	\$ 5,422,300	\$ 5,427,302	\$ 3,558,752
Contracted and general services	3,705,000	3,396,452	2,818,619
Materials, goods, supplies and utilities	2,621,100	2,378,376	2,563,616
Transfers to local boards and agencies	2,137,900	2,113,348	1,809,845
Bank charges and short-term interest	19,200	20,948	18,027
Interest on capital long-term debt	533,200	666,726	500,562
Amortization of tangible capital assets	-	3,204,596	3,151,953
	\$ 14,438,700	\$ 17,207,748	\$ 14,421,374

See notes to financial statements

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements of the Town of Blackfalds 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 Institute of Chartered Accountants. Significant aspects of the accounting polices adopted by the town are as follows:

Reporting Entity

The consolidated financial statements reflect the assets, liabilities, revenues and expenditures, changes in accumulated surplus and change in financial position of the reporting entity. This entity is comprised of the municipal operations plus all of the organizations that are owned or controlled by the town and are, therefore, accountable to the town council for the administration of their financial affairs and resources. Included with the municipality are the following:

Town of Blackfalds Family and Community Support Services

The schedule of taxes levied also includes requisitions for education, health, social and other external organizations that are not part of the municipal reporting entity.

The statements exclude trust assets that are administered for the benefit of external parties. Interdepartmental and organizational transactions and balances are eliminated.

Basis of Accounting

The financial statements are prepared using the accrual basis of accounting. The accrual basis of accounting records revenue as it is earned and measurable. Expenses are recognized as they are incurred and measurable based upon receipt of goods or services and/or the legal obligation to pay.

Funds from external parties and earnings thereon restricted by agreement or legislation are accounted for as deferred revenue until used for the purpose specified.

Government transfers, contributions and other amounts are received from third parties pursuant to legislation, regulation or agreement and may only be used for certain programs, in the completion of specific work, or for the purchase of tangible capital assets. In addition, certain user charges and fees are collected for which the related services have yet to be performed. Revenue is recognized in the period when the related expenses are incurred, services performed or the tangible capital assets are acquired.

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 reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenditure during the period. Accounts receivable are stated after evaluation as to their collectability and an appropriate allowance for doubtful accounts is provided where necessary. Amortization is based on the estimated useful lives of tangible capital assets. Where measurement uncertainty exists, the financial statements have been prepared within reasonable limits of materiality. Actual results could differ from those estimates.

(continues)

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

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

Cash and temporary investments

Cash includes balances with banks and temporary investments are short-term deposits with original maturities of one year or less.

Investments

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

Requisition Over-levy and Under-levy

Over-levies and under-levies arise from the difference between the actual property tax levy made to cover each requisition and the actual amount requisitioned.

If the actual levy exceeds the requisition, the over-levy is accrued as a liability and property tax revenue is reduced. Where the actual levy is less than the requisition amount, the under-levy is accrued as a receivable and as property tax revenue.

Requisition tax rates in the subsequent year are adjusted for any over-levies or under-levies of the prior year.

Land held for Resale

Land held for resale is recorded at the lower of cost or net realizable value. Cost includes costs for land acquisition and improvements required to prepare the land for servicing such as clearing, stripping and leveling charges. Related development costs incurred to provide infrastructure such as water and wastewater services, roads, sidewalks and street lighting are recorded as physical assets under the respective function.

Tax Revenue

Tax revenues are recognized when the tax has been authorized by bylaw and the taxable event has occurred.

Requisitions operate as a flow through and are excluded from municipal revenue.

Landfill Closure and Post-Closure Liability

Pursuant to the Alberta Environmental Protection and Enhancement Act, the town is required to fund the closure of its landfill site and provide for post-closure care of the facility. Closure and post-closure activities include the final clay cover, landscaping, as well as surface and ground water monitoring, leachate control, and visual inspection. The requirement is being provided for over the estimated remaining life of the landfill site based on usage.

(continues)

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

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

Government Transfers

Government transfers are the transfer of assets from senior levels of government that are not the result of an exchange transaction, are not expected to be repaid in the future, or the result of a direct financial return.

Government transfers are recognized in the financial statements as revenue in the period in which events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met, and reasonable estimates of the amounts can be determined.

Non-Financial Assets

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the normal course of operations. The change in non-financial assets during the year, together with the excess of revenues over expenses, provides the consolidated Change in Net Financial Assets (Debt) for the year.

1. 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.

2. 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.

3. Inventory for consumption

Inventories held for consumption are recorded at the lower of cost and replacement cost. Cost is determined by the average cost method.

4. Cultural and Historical Tangible Capital Assets

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

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

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

Tangible capital assets

Tangible capital assets are stated at cost less accumulated amortization. Tangible capital assets are amortized over their estimated useful lives at the following rates and methods:

Land		non-amortizable
Land improvements	15 - 50 years	straight-line method
Buildings	15 - 70 years	straight-line method
Engineered structures:		
Roadway system	15 - 60 years	straight-line method
Water distribution system	40 - 60 years	straight-line method
Wastewater treatment system	40 - 60 years	straight-line method
Storm system	40 - 60 years	straight-line method
Machinery and equipment	5 - 40 years	straight-line method
Vehicles	5 - 20 years	straight-line method

Amortization begins in the year following acquisition. Assets under construction are not amortized until the asset is available for use.

2. CASH AND TEMPORARY INVESTMENTS

	<u>2014</u>	<u>2013</u>
Cash	\$ 17,794,910	\$ 10,316,312
Temporary investments	2,106,851	2,079,550
	<u>\$ 19,901,761</u>	<u>\$ 12,395,862</u>

Temporary investments are short-term deposits with original maturities of one year or less.

3. TAXES AND GRANTS IN PLACE OF TAXES RECEIVABLE

	<u>2014</u>	<u>2013</u>
Current taxes and grants in place of taxes	\$ 316,020	\$ 283,600
Arrears	90,958	121,522
	<u>\$ 406,978</u>	<u>\$ 405,122</u>

It is management's opinion that all amounts in arrears are recoverable, therefore no allowance has been recorded for arrears taxes.

4. LONG TERM INVESTMENTS

	<u>2014</u>	<u>2013</u>
Servus Credit Union shares and bonds	\$ 190,776	\$ 181,696

Servus Credit Union investment shares are preferred shares which give a preferential right to the distribution of the Credit Union's assets. The return on the shares was 5.0% in 2014 (2013 - 5.0%).

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

5. BANK INDEBTEDNESS

The Servus Credit Union line of credit is authorized to a limit of \$40,000 for the purpose of establishing a corporate VISA. The line of credit bears interest at 17.9% and \$0 was used at December 31, 2014 (2013 - \$0).

6. EMPLOYEE BENEFIT OBLIGATIONS

	<u>2014</u>	<u>2013</u>
Vacation and overtime	<u>\$ 254,575</u>	<u>\$ 205,145</u>

The vacation and overtime liability is comprised of the vacation and overtime that employees are deferring to future years. Employees have either earned the benefits (and are vested) or are entitled to these benefits within the next budgetary year.

7. DEFERRED REVENUE

	<u>2014</u>	<u>2013</u>
Other operating	<u>\$ 18,758</u>	<u>\$ -</u>

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

8. LANDFILL CLOSURE AND POST-CLOSURE LIABILITY

Alberta environmental law requires closure and post-closure care of landfill sites, which includes final covering and landscaping, pumping of ground water and leachates from the site, and ongoing environmental monitoring, site inspections and maintenance.

The two landfills owned by the town are closed and are being monitored. The town operates a transfer site with some landfill components which is also under review. Although no liability has been determined at this time, funds have been set aside in a restricted surplus for waste disposal and are available in the event of immediate need.

9. LONG-TERM DEBT AND CAPITAL LEASE OBLIGATIONS

	2014	2013
Tax supported debt	<u>\$ 18,628,004</u>	<u>\$ 9,717,680</u>

Principal and interest payments are due as follows:

	Principal	Interest	Total
2015	\$ 1,277,419	\$ 728,130	\$ 2,005,549
2016	1,311,760	667,032	1,978,792
2017	1,374,214	604,580	1,978,794
2018	1,440,156	538,636	1,978,792
2019	1,471,642	469,013	1,940,655
Thereafter	11,752,813	3,259,768	15,012,581
	<u>\$ 18,628,004</u>	<u>\$ 6,267,159</u>	<u>\$ 24,895,163</u>

Debenture debt is repayable to the Alberta Capital Financing Authority in the amount of \$3,064,073 (2013 - \$3,398,287) and bears interest at rates ranging from 4.61% to 6.25% per annum and matures in periods 2015 through 2025. Long term debt is issued on the credit and security of the town at large.

Debenture debt is repayable to the Servus Credit Union in the amount of \$13,860,526 (2013 - \$4,420,185) and bears interest at prime plus 0.21% per annum and matures in periods 2019 through 2039. Long term debt is issued on the credit and security of the town at large.

Included above is a capital lease repayable to Sunreal Blackfalds Ltd. in the amount of \$1,703,405 (2013 \$1,899,208) and bears interest at 8.08% per annum and matures in 2020. The capital lease is issued on the credit and security of the town at large.

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

10. DEBT LIMITS

Section 276(2) of the Municipal Government Act requires that debt and debt limits as defined by Alberta Regulation 255/00 for the Town of Blackfalds be disclosed as follows:

	<u>2014</u>	<u>2013</u>
Total debt limit	\$ 31,843,299	\$ 24,954,028
Total debt	(18,628,004)	(9,717,680)
Amount of debt limit unused	\$ 13,215,295	\$ 15,236,348
Debt servicing limit	\$ 5,307,217	\$ 4,159,005
Debt servicing	(2,005,549)	(1,420,770)
Amount of debt servicing limit unused	\$ 3,301,668	\$ 2,738,235

The debt limit is calculated at 1.5 times revenue of the municipality (as defined in Alberta Regulations 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 which could be at financial risk if further debt is acquired. The calculation taken alone does not represent the financial stability of the municipality. Rather, the financial statements must be interpreted as a whole.

11. EQUITY IN TANGIBLE CAPITAL ASSETS

	<u>2014</u>	<u>2013</u>
Tangible capital assets (Schedule 1)	\$170,490,493	\$149,283,960
Accumulated amortization (Schedule 1)	(36,184,440)	(33,217,117)
Long-term debt	(18,628,004)	(9,717,680)
	\$115,678,049	\$106,349,163

TOWN OF BLACKFALDS
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12. ACCUMULATED SURPLUS

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

	2014	2013
Unrestricted	\$ 790,374	\$ 218,016
Restricted surplus:		
Tax rate stabilization	3,805,270	4,318,234
General equipment repairs	12,057,505	1,953,403
Roads	1,137,388	1,161,067
Water	2,401,295	1,466,041
Subtotal restricted and unrestricted surpluses	20,191,832	9,116,761
Equity in tangible capital assets	115,678,049	106,349,163
	\$135,869,881	\$115,465,924

13. SALARY AND BENEFITS DISCLOSURE

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

	Salary	Benefits	2014	2013
Mayor Stol	\$ 33,273	\$ 1,235	\$ 34,508	\$ 29,991
Councillor Poole	19,663	673	20,336	14,864
Councillor Taylor	19,883	682	20,565	16,491
Councillor Simpson	-	-	-	11,556
Councillor Wigmore	15,703	507	16,210	14,768
Councillor Hartigh	-	-	-	10,886
Councillor Olfert	16,693	549	17,242	15,438
Councillor Blauel	17,683	568	18,251	3,879
Councillor Wyndham	17,133	545	17,678	3,783
Chief Administrative Officer 1	24,327	2,655	26,982	177,257
Chief Administrative Officer 2	142,450	31,097	173,547	-

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

Benefits include the employer's share of all employee benefits and contributions or payments made on behalf of employees including pension, health care, dental coverage, vision coverage, group life insurance, accidental disability and dismemberment insurance, long and short-term disability plans, professional memberships and tuition.

Benefits 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, car and travel allowances, conferences, and club memberships.

TOWN OF BLACKFALDS
Notes to Consolidated Financial Statements
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14. LOCAL AUTHORITIES PENSION PLAN

Employees of the town participate in the Local Authorities Pension Plan (LAPP), which is one of the plans covered by the Alberta Public Sector Pension Plans Act. The Plan serves about 231,000 members and 418 employers. The LAPP is financed by employer and employee contributions and investment earnings of the LAPP Fund.

Contributions for current service are recorded as expenditures in the year in which they become due.

The town is required to make current service contributions to the LAPP of 11.39% of pensionable earnings up to the year's maximum pensionable earnings under the Canada Pension Plan, and 15.84% of pensionable earnings above this amount. Employees of the town are required to make current service contributions of 10.39% of pensionable salary up to the year's maximum pensionable salary and 14.84% on pensionable salary above this amount.

Total current service contributions by the Town of Blackfalds to the LAPP in 2014 were \$357,676 (2013 - \$232,871). Total current service contributions by the employees of the Town of Blackfalds to the LAPP in 2014 were \$329,192 (2013 - \$212,510).

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

15. FINANCIAL INSTRUMENTS

Credit Risk

Credit risk arises from the potential that a counter party will fail to perform its obligations. The municipality is exposed to credit risk from customers. An allowance for doubtful accounts is established based upon factors surrounding the credit risk of specific accounts, historical trends and other information. The municipality has a significant number of customers which minimizes concentration of credit risk.

Fair Value

The municipality's carrying value of cash and temporary investments, receivables, accounts payable and accrued liabilities, employee benefit obligations and deposit liabilities approximate their fair value due to the immediate or short term maturity of these instruments.

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

Interest Rate

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

16. CONTINGENT LIABILITY

The Town of Blackfalds is a member of the Alberta Local Authorities Reciprocal Insurance Exchange and MUNIX. Under the terms of membership, the Town of Blackfalds 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.

TOWN OF BLACKFALDS
Notes to Consolidated Financial Statements
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17. APPROVAL OF FINANCIAL STATEMENTS

Council and Management have approved these financial statements.

18. COMPARATIVE FIGURES

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