

Mergaert, Barford, Williams & Joly
Chartered Accountants

TOWN OF HINTON
Consolidated Financial Statements
Year Ended December 31, 2013

TOWN OF HINTON
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Year Ended December 31, 2013

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INDEPENDENT AUDITOR'S REPORT

To the Councillors of Town of Hinton

We have audited the accompanying consolidated financial statements of Town of Hinton, which comprise the consolidated statement of financial position as at December 31, 2013 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 Hinton as at December 31, 2013, 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
April 8, 2014

CHARTERED ACCOUNTANTS



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TOWN OF HINTON
Consolidated Statement of Financial Position
December 31, 2013

	2013	2012
FINANCIAL ASSETS		
Cash and temporary investments <i>(Note 2)</i>	\$ 13,319,387	\$ 13,559,948
Receivables		
Taxes and grants in place of taxes <i>(Note 3)</i>	800,044	823,096
Trade and other receivables	2,574,933	2,333,866
Land held for resale	1,982,595	1,726,423
Due from West Yellowhead Regional Waste Management Authority <i>(Note 7)</i>	-	40,750
	18,676,959	18,484,083
LIABILITIES		
Accounts payable and accrued liabilities	3,300,410	2,948,373
Deposit liabilities	1,165,642	1,037,304
Deferred revenue <i>(Note 5)</i>	5,287,916	5,483,091
Landfill closure and post-closure liability <i>(Note 6)</i>	317,557	286,135
Due to West Yellowhead Regional Waste Management Authority <i>(Note 7)</i>	185,650	-
Long term debt <i>(Note 8)</i>	15,602,045	17,683,811
	25,859,220	27,438,714
NET FINANCIAL DEBT	(7,182,261)	(8,954,631)
NON-FINANCIAL ASSETS		
Prepaid expenses	4,870	1,946
Inventory for consumption	482,912	467,757
Long term investments <i>(Note 10)</i>	1,874,293	1,874,293
Tangible capital assets	143,153,418	141,826,756
	145,515,493	144,170,752
ACCUMULATED SURPLUS <i>(Note 12)</i>	\$138,333,232	\$135,216,121

APPROVED BY

_____ *Member of Council*

_____ *Authorized Signing Officer*

See notes to financial statements

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

TOWN OF HINTON
Consolidated Statement of Operations
Year Ended December 31, 2013

	(Unaudited) Budget	2013	2012
REVENUE			
Net municipal taxes <i>(Schedule 2)</i>	\$ 11,021,205	\$ 11,050,799	\$ 10,286,236
Government transfers for operating <i>(Schedule 3)</i>	2,931,458	2,722,898	3,150,111
User fees and sales of goods	5,382,406	5,525,214	5,940,127
Fines	1,565,000	1,599,824	1,561,270
Rentals	508,305	524,462	538,891
Franchise fees	1,019,734	1,099,955	977,242
Investment income	101,000	120,018	98,159
Licenses and permits	142,000	126,474	130,411
Development levies	-	111,710	127,958
Penalties and costs on taxes	180,000	220,737	171,136
Insurance proceeds	70,000	-	243,116
Other	7,000	35,335	25,486
West Yellowhead Regional Waste Management Authority	376,380	446,580	465,706
Gain (loss) on disposal of tangible capital assets	-	94,322	19,795
	<u>23,304,488</u>	<u>23,678,328</u>	<u>23,735,644</u>
EXPENSES			
Legislative	456,165	419,990	408,692
Administration	2,921,749	2,833,646	2,538,709
Protective services	4,463,132	4,414,796	4,174,267
Roads, streets, and equipment	5,102,400	4,973,273	4,839,494
Water, wastewater and waste management	2,810,839	3,080,609	2,754,840
Family and community support	1,208,323	1,351,006	1,184,751
Planning and development	1,481,889	1,464,819	1,410,100
Recreation and parks	4,665,233	4,619,299	4,605,114
Culture	901,069	910,096	915,840
West Yellowhead Regional Waste Management Authority	473,790	493,702	551,774
	<u>24,484,589</u>	<u>24,561,236</u>	<u>23,383,581</u>
EXCESS (SHORTFALL) OF REVENUE OVER EXPENSES FROM OPERATIONS	<u>(1,180,101)</u>	<u>(882,908)</u>	<u>352,063</u>
OTHER INCOME			
Government transfers for capital <i>(Schedule 3)</i>	4,101,437	2,745,905	4,537,078
Contributed tangible capital assets	-	1,254,114	-
	<u>4,101,437</u>	<u>4,000,019</u>	<u>4,537,078</u>
EXCESS OF REVENUE OVER EXPENSES	2,921,336	3,117,111	4,889,141
ACCUMULATED SURPLUS, BEGINNING OF YEAR	<u>135,216,121</u>	<u>135,216,121</u>	<u>130,326,980</u>
ACCUMULATED SURPLUS, END OF YEAR <i>(Note 12)</i>	<u>\$138,137,457</u>	<u>\$138,333,232</u>	<u>\$135,216,121</u>

See notes to financial statements

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

TOWN OF HINTON
Consolidated Statement of Changes in Accumulated Surplus
Year Ended December 31, 2013

	Unrestricted Surplus	Restricted Surplus	Equity in TCA	2013	2012
BALANCE - BEGINNING OF PERIOD	\$ 1,026,902	\$ 10,046,274	\$124,142,945	\$135,216,121	\$130,326,980
Excess of revenue over expenses	3,117,111	-	-	3,117,111	4,889,141
Unrestricted funds designated for future use	(4,459,544)	4,459,544	-	-	-
Restricted funds used for tangible capital assets	-	(4,986,039)	4,986,039	-	-
Contributed tangible capital assets	(1,254,114)	-	1,254,114	-	-
Disposal of tangible capital assets	384,671	-	(384,671)	-	-
Annual amortization expense	4,528,820	-	(4,528,820)	-	-
Long term debt repaid	(2,081,766)	-	2,081,766	-	-
BALANCE - END OF PERIOD	\$ 1,262,080	\$ 9,519,779	\$127,551,373	\$138,333,232	\$135,216,121

See notes to financial statements

TOWN OF HINTON
Consolidated Statement of Change in Net Financial Assets (Debt)
Year Ended December 31, 2013

	2013	2012
NET EXCESS OF REVENUE OVER EXPENSES	\$ 3,117,111	\$ 4,889,141
Acquisition of tangible capital assets	(4,986,040)	(3,804,691)
Contributed tangible capital assets	(1,254,114)	-
Amortization of tangible capital assets	4,528,820	4,492,452
Proceeds on disposal of tangible capital assets	478,993	26,500
(Gain) loss on disposal of tangible capital assets	(94,322)	(19,795)
	<u>(1,326,663)</u>	<u>694,466</u>
Change in prepaid assets	(2,924)	582
Change in inventory for consumption	(15,154)	(42,730)
Change in long term investments	-	-
	<u>(18,078)</u>	<u>(42,148)</u>
DECREASE IN NET DEBT	1,772,370	5,541,459
NET FINANCIAL ASSETS (DEBT) - BEGINNING OF YEAR	(8,954,631)	(14,496,090)
NET FINANCIAL ASSETS (DEBT) - END OF YEAR	\$ (7,182,261)	\$ (8,954,631)

See notes to financial statements

TOWN OF HINTON
Consolidated Statement of Cash Flows
Year Ended December 31, 2013

	2013	2012
OPERATING ACTIVITIES		
Excess of revenue over expenses	\$ 3,117,111	\$ 4,889,141
Items not affecting cash:		
Amortization of tangible capital assets	4,528,820	4,492,452
(Gain) loss on disposal of tangible capital assets	(94,322)	(19,795)
Contributed tangible capital assets	(1,254,114)	-
	<u>6,297,495</u>	<u>9,361,798</u>
Changes in non-cash working capital:		
Taxes and grants in place of taxes	23,052	(232,352)
Trade and other receivables	(241,067)	227,431
Land held for resale	(256,172)	116,612
Prepaid expenses	(2,924)	582
Inventory for consumption	(15,155)	(42,730)
Accounts payable and accrued liabilities	352,038	(932,613)
Due to West Yellowhead Regional Waste Management Authority	226,400	89,251
Deposit liabilities	128,338	(41,015)
Deferred revenue	(195,175)	(1,262,469)
Landfill closure and post-closure liability	31,422	29,078
	<u>50,757</u>	<u>(2,048,225)</u>
Cash flow from operating activities	<u>6,348,252</u>	<u>7,313,573</u>
INVESTING ACTIVITIES		
Acquisition of tangible capital assets	(4,986,040)	(3,804,691)
Proceeds on disposal of tangible capital assets	478,993	26,500
Cash flow used by investing activities	<u>(4,507,047)</u>	<u>(3,778,191)</u>
FINANCING ACTIVITIES		
Proceeds from long term financing	-	1,427,000
Repayment of long term debt	(2,081,766)	(1,869,648)
Cash flow used by financing activities	<u>(2,081,766)</u>	<u>(442,648)</u>
INCREASE (DECREASE) IN CASH FLOW	(240,561)	3,092,734
Cash - beginning of year	<u>13,559,948</u>	<u>10,467,214</u>
CASH - END OF YEAR (Note 2)	<u>\$ 13,319,387</u>	<u>\$ 13,559,948</u>

See notes to financial statements

Consolidated Schedule of Tangible Capital Assets
Year Ended December 31, 2013

(Schedule 1)

	Land	Land Improvements	Buildings	Engineered Structures	Machinery and Equipment	Vehicles	2013	2012
COST								
BALANCE, BEGINNING OF YEAR	\$ 18,439,355	\$ 14,060,226	\$ 38,817,946	\$ 124,570,018	\$ 7,982,267	\$ 3,073,051	\$ 206,942,863	\$ 203,191,313
Acquisition of tangible capital assets	-	515,867	282,476	1,164,483	328,558	45,628	2,337,012	2,406,356
Construction in progress	-	110,180	1,102	3,791,863	-	-	3,903,145	1,398,335
Disposal of tangible capital assets	(285,807)	-	-	-	(38,393)	(87,899)	(412,099)	(53,141)
BALANCE, END OF YEAR	\$ 18,153,548	\$ 14,686,273	\$ 39,101,524	\$ 129,526,364	\$ 8,272,432	\$ 3,030,780	\$ 212,770,921	\$ 206,942,863
ACCUMULATED AMORTIZATION								
BALANCE, BEGINNING OF YEAR	\$ -	\$ 5,681,451	\$ 10,274,258	\$ 43,203,051	\$ 4,551,126	\$ 1,406,221	\$ 65,116,107	\$ 60,670,091
Annual amortization	-	596,814	1,084,734	2,127,615	550,291	169,366	4,528,820	4,492,452
Accumulated amortization on disposals	-	-	-	-	(18,895)	(8,529)	(27,424)	(46,436)
BALANCE, END OF YEAR	\$ -	\$ 6,278,265	\$ 11,358,992	\$ 45,330,666	\$ 5,082,522	\$ 1,567,058	\$ 69,617,503	\$ 65,116,107
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	\$ 18,153,548	\$ 8,408,008	\$ 27,742,532	\$ 84,195,698	\$ 3,189,910	\$ 1,463,722	\$ 143,153,418	\$ 141,826,756
2012 NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	\$ 18,439,355	\$ 8,378,775	\$ 28,543,688	\$ 81,366,967	\$ 3,431,141	\$ 1,666,830		\$ 141,826,756

See notes to financial statements

TOWN OF HINTON
Consolidated Schedule of Property and Other Taxes *(Schedule 2)*
Year Ended December 31, 2013

	<u>2013</u>	<u>2012</u>
TAXATION		
Real property taxes	\$ 15,067,443	\$ 13,963,709
Linear property taxes	298,350	280,682
Government grants in place of property taxes	77,806	75,312
Special assessments and local improvement taxes	<u>49,188</u>	<u>49,188</u>
	<u>15,492,787</u>	14,368,891
REQUISITIONS		
Education requisition	4,207,635	3,857,663
Evergreens Seniors Foundation	<u>234,353</u>	<u>224,992</u>
	<u>4,441,988</u>	4,082,655
NET MUNICIPAL TAXES	<u>\$ 11,050,799</u>	<u>\$ 10,286,236</u>

TOWN OF HINTON
Consolidated Schedule of Government Transfers **(Schedule 3)**
Year Ended December 31, 2013

	2013	2012
TRANSFERS FOR OPERATING		
Federal government conditional transfers	\$ 2,190	\$ -
Provincial government conditional transfers	1,284,635	1,485,807
Local government transfers	1,436,073	1,664,304
	2,722,898	3,150,111
TRANSFERS FOR CAPITAL		
Federal government conditional transfers	87,618	39,923
Provincial government conditional transfer	2,549,670	4,461,541
Local government transfers	108,617	35,614
	2,745,905	4,537,078
TOTAL GOVERNMENT TRANSFERS	\$ 5,468,803	\$ 7,687,189

TOWN OF HINTON
Consolidated Schedule of Expenses by Object **(Schedule 4)**
Year Ended December 31, 2013

	Budget (Unaudited)	2013	2012
EXPENSES			
Salaries, wages and benefits	\$ 9,789,601	\$ 9,786,258	\$ 9,183,627
Contracted and general services	5,300,623	5,310,127	4,979,324
Materials, goods, supplies and utilities	3,439,313	3,496,308	3,122,968
Provision for (recovery of) allowances	1,500	246	468
Transfers to local boards and agencies	281,100	303,824	343,409
Transfers to individuals and organizations	49,800	58,907	53,693
Bank charges and short-term interest	4,700	4,205	4,893
Interest on capital long-term debt	746,572	698,688	762,178
West Yellowhead Regional Waste Management Authority	361,590	373,853	440,569
Amortization of tangible capital assets	4,509,790	4,528,820	4,492,452
	<u>\$ 24,484,589</u>	<u>\$ 24,561,236</u>	<u>\$ 23,383,581</u>

TOWN OF HINTON
Notes to Consolidated Financial Statements
Year Ended December 31, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements of the Town of Hinton 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 policies 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 Hinton Municipal Library

Town of Hinton Family and Community Support Services

Proportionate consolidation of the West Yellowhead Waste Management Authority (51%)

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. 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 HINTON
Notes to Consolidated Financial Statements
Year Ended December 31, 2013

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 three months 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.

Prepaid Local Improvement Charges

Construction and borrowing costs associated with local improvement projects are recovered through annual special assessments during the period of the related borrowings. These levies are collectable from property owners for work performed by the municipality.

Where a taxpayer has elected to prepay the outstanding local improvement charges, such amounts are recorded as deferred revenue. Deferred revenue is amortized to revenue on a straight line basis over the remaining term of the related borrowings.

In the event that the prepaid amounts are applied against the related borrowings, the deferred revenue is amortized to revenue by an amount equal to the debt repayment.

(continues)

TOWN OF HINTON
Notes to Consolidated Financial Statements
Year Ended December 31, 2013

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

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.

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 first-in, first-out 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 HINTON
Notes to Consolidated Financial Statements
Year Ended December 31, 2013

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	50 years	straight-line method
Engineered structures:		
Roadway system	10 - 70 years	straight-line method
Water distribution system	45 - 100 years	straight-line method
Wastewater treatment system	45 - 100 years	straight-line method
Storm system	75 - 100 years	straight-line method
Machinery and equipment	5 - 25 years	straight-line method
Vehicles	5 - 25 years	straight-line method

2. CASH AND TEMPORARY INVESTMENTS

	<u>2013</u>	<u>2012</u>
Cash	\$ 1,123,639	\$ 3,117,981
Temporary investments	12,195,748	10,441,967
	<u>\$ 13,319,387</u>	<u>\$ 13,559,948</u>

Included in cash and temporary investments is a restricted amount of \$5,274,544 (2012 - \$5,467,045) received from various government grants and held exclusively for the completion of approved projects (Note 5).

3. TAXES AND GRANTS IN PLACE OF TAXES RECEIVABLE

	<u>2013</u>	<u>2012</u>
Current taxes and grants in place of taxes	\$ 433,845	\$ 433,162
Tax arrears	366,199	389,934
	<u>\$ 800,044</u>	<u>\$ 823,096</u>

4. BANK INDEBTEDNESS

The Alberta Treasury Branches revolving loan is authorized to a limit of \$1,900,000 of which \$ nil was used at December 31, 2013 (2012 - \$ nil). The account bears interest at prime, is due on demand and secured by a general security agreement.

TOWN OF HINTON
Notes to Consolidated Financial Statements
Year Ended December 31, 2013

5. DEFERRED REVENUE

	<u>2013</u>	<u>2012</u>
Prepaid local improvement charges	\$ 13,372	\$ 16,046
Parent Link West network grant	24,794	35,219
Municipal Policing Assistance grant	69,280	69,650
New Police Officer grant	25,000	-
Early childhood grant	16,556	44,299
Other operating	-	35,529
Subtotal operating	149,002	200,743
Green Municipal Fund	836,340	926,148
Government of Alberta Municipal Housing and Capital Enhancement	407,488	401,229
Municipal Sustainability Initiative	1,864,103	1,147,076
Street Improvements Program	1,013,540	1,801,544
CFEP grant for performing arts centre	1,017,443	1,000,000
Other capital	-	6,351
	\$ 5,287,916	\$ 5,483,091

TOWN OF HINTON
Notes to Consolidated Financial Statements
Year Ended December 31, 2013

6. 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 estimated total liability is based on the cost required in today's dollars for closure and post-closure activities for 25 years after closure.

The accrued liability portion is based on the cumulative capacity used at year end compared to the estimated total landfill capacity. The total capacity of the site is estimated at 2.223 million cubic metres. The estimated remaining capacity of the landfill site is 1.733 (2012 – 1.762) million cubic metres. The existing landfill site is expected to reach capacity in approximately the year 2072.

The authority has not designated assets for settling closure and post-closure liabilities.

	2013	2012
Estimated closure costs	\$ 2,572,974	\$ 2,572,974
Estimated post-closure costs	2,025,000	2,025,000
	<u>\$ 4,597,974</u>	<u>\$ 4,597,974</u>
Estimated capacity remaining	77.94 %	79.28 %
Portion of total liability remaining to be recognized	<u>\$ 3,583,661</u>	<u>\$ 3,645,274</u>
Estimated capacity used	22.06 %	20.72 %
Accrued liability portion	\$ 1,014,313	\$ 952,700
Less: closure disbursements	<u>\$ (391,652)</u>	<u>\$ (391,652)</u>
Closure and post-closure liability	<u>\$ 622,661</u>	<u>\$ 561,048</u>
Town of Hinton's 51% proportionate share	<u>\$ 317,557</u>	<u>\$ 286,135</u>

TOWN OF HINTON
Notes to Consolidated Financial Statements
Year Ended December 31, 2013

7. DUE FROM (TO) WEST YELLOWHEAD REGIONAL WASTE MANAGEMENT AUTHORITY

The Town of Hinton, Yellowhead County and the Town of Edson established the West Yellowhead Regional Waste Management Authority to construct, maintain, control and manage a regional solid waste disposal system. The proportionate share of ownership, management and liability of the Authority held by each member as follows:

The Town of Hinton	51.0%
Yellowhead County	24.5%
The Town of Edson	24.5%

The parties have agreed to proportionately share costs associated with expenditures arising from the operation of the Authority. The proportions are based on each member's volume of municipal solid waste hauled and deposited to the system for disposal, relative to the total tonnage of solid waste hauled and deposited by all members.

The Town's proportionate share of the West Yellowhead Regional Waste Management Authority is included in these consolidated financial statements.

The amounts due to the West Yellowhead Regional Waste Management Authority are non-interest bearing with no set terms of repayment.

During the year, the town of Hinton paid \$210,000 (2012 - \$198,840) to the Authority for landfill use and charged the Authority \$74,500 (2012 - \$66,500) in management fees. The transactions were measured at the exchange amount.

TOWN OF HINTON
Notes to Consolidated Financial Statements
Year Ended December 31, 2013

8. LONG-TERM DEBT

	2013	2012
Tax supported debt	\$ 15,456,149	\$ 17,525,333
Self supported debt	145,896	158,478
	\$ 15,602,045	\$ 17,683,811

Principal and interest payments are due as follows:

	Principal	Interest	Total
2014	\$ 2,081,409	\$ 627,850	\$ 2,709,259
2015	2,165,259	543,999	2,709,258
2016	2,252,719	456,539	2,709,258
2017	2,343,953	365,305	2,709,258
2018	2,439,134	270,124	2,709,258
Thereafter	4,319,571	577,843	4,897,414
	\$ 15,602,045	\$ 2,841,660	\$ 18,443,705

Debenture debt is repayable to the Alberta Capital Financing Authority and bears interest at rates ranging from 2.226% to 6.625% per annum and matures in periods 2019 through 2025. Long term debt is issued on the credit and security of the Town at large.

Self supported debt includes the amounts due to the Canada Mortgage and Housing Corporation that bear interest at rates of 4.31% and 8.25%, mature February 2027 and January 2021, and are repayable in blended monthly installments of \$607 and blended annual installments of \$13,203 respectively. Long term debt is issued on the credit and security of the Town at large.

TOWN OF HINTON
Notes to Consolidated Financial Statements
Year Ended December 31, 2013

9. 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 Hinton be disclosed as follows:

	<u>2013</u>	<u>2012</u>
Total debt limit	\$ 35,680,416	\$ 34,958,325
Total debt	(15,602,045)	(17,683,811)
Total debt guaranteed for other organizations	(1,318,991)	(1,412,455)
Amount of debt limit unused	\$ 18,759,380	\$ 15,862,059
Debt servicing limit	\$ 5,946,736	\$ 5,826,387
Debt servicing	(2,709,259)	(2,799,311)
Amount of debt servicing limit unused	\$ 3,237,477	\$ 3,027,076

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.

10. LONG TERM INVESTMENTS

	<u>2013</u>	<u>2012</u>
Investment in GP Highway Maintenance storage facility	\$ 671,429	\$ 671,429
Investment in Happy Creek Estates	1,202,864	1,202,864
	\$ 1,874,293	\$ 1,874,293

11. EQUITY IN TANGIBLE CAPITAL ASSETS

	<u>2013</u>	<u>2012</u>
Tangible capital assets (Schedule 1)	\$212,770,921	\$206,942,863
Accumulated amortization (Schedule 1)	(69,617,503)	(65,116,107)
Long-term debt	(15,602,045)	(17,683,811)
	\$127,551,373	\$124,142,945

TOWN OF HINTON
Notes to Consolidated Financial Statements
Year Ended December 31, 2013

12. ACCUMULATED SURPLUS

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

	<u>2013</u>	<u>2012</u>
Unrestricted	\$ 1,262,080	\$ 1,026,902
Family and community support services	18,408	18,408
Library	43,516	43,516
Other operating	187,714	156,552
Cemetery perpetual care	50,509	50,509
Equipment	1,092,168	922,483
Facilities and components	450,548	175,269
Fire department	501,755	313,607
Future land development	3,208	207,651
Future infrastructure	550,055	400,000
Garbage bin replacement	-	8,005
General capital	-	35,789
Information technology	81,675	-
Infrastructure major facility	666,800	839,520
Land sales	1,168,495	994,871
ME first project	-	269,144
Municipal reserve	603,737	806,353
Offsite levy fund	1,373,240	1,538,142
Parks and trails infrastructure	461,358	461,358
Performing arts theatre	148,138	-
Photo radar	765,905	845,861
Roads and sidewalks	907,459	847,627
Water and sewer reserve	96,769	816,460
Other capital	142,524	269,177
West Yellowhead Regional Waste Management Authority	205,798	25,972
Subtotal restricted and unrestricted surpluses	10,781,859	11,073,176
Equity in tangible capital assets	127,551,373	124,142,945
	<u>\$138,333,232</u>	<u>\$135,216,121</u>

TOWN OF HINTON
Notes to Consolidated Financial Statements
Year Ended December 31, 2013

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	2013	2012
Mayor I. Duncan	\$ 39,558	\$ 1,921	\$ 41,479	\$ 44,032
Mayor R. Mackin	10,872	539	11,411	-
Mayor G. Taylor	-	-	-	555
Councillor G. Barrow	5,124	239	5,363	-
Councillor B. Bulger	22,792	438	23,230	28,988
Councillor J. Callihoo	6,902	303	7,205	31,546
Councillor D. Currie	31,567	1,475	33,042	29,775
Councillor L. Johnston-MacKay	29,138	1,377	30,515	28,045
Councillor J. Macridis	25,534	1,189	26,723	32,538
Councillor R. Maguhn	22,811	1,018	23,829	18,865
Councillor M. Michaels	8,364	408	8,772	-
Councillor S. Mitchell	-	-	-	1,285
Councillor S. Taylor	7,176	346	7,522	-
Councilor M. Young	6,420	306	6,726	-
Chief Administrative Officer	160,592	35,105	195,697	191,324

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.

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 223,000 members and 428 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 10.43% of pensionable earnings up to the year's maximum pensionable earnings under the Canada Pension Plan, and 14.47% of pensionable earnings above this amount. Employees of the town are required to make current service contributions of 9.43% of pensionable salary up to the year's maximum pensionable salary and 13.47% on pensionable salary above this amount.

Total current service contributions by the Town of Hinton to the LAPP in 2013 were \$734,811 (2012 - \$640,339). Total current service contributions by the employees of the Town of Hinton to the LAPP in 2013 were \$670,518 (2012 - \$581,173).

As at December 31, 2012, the Plan disclosed an actuarial deficiency of \$4.98 billion.

TOWN OF HINTON
Notes to Consolidated Financial Statements
Year Ended December 31, 2013

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, and deposit liabilities approximates its fair value due to the immediate or short term maturity of these instruments.

The fair value of the amount due from (to) West Yellowhead Regional Waste Management Authority is less than carrying value because the amounts are non-interest bearing. However, because the amounts due to West Yellowhead Regional Waste Management Authority have no fixed repayment terms, the fair value and the exposure to related risk cannot be determined with any degree of certainty, and the amounts are therefore reported at their carrying value.

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.

The fair value of the landfill closure and post-closure liability and long term investments are not readily determinable because there are no active markets for these items.

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 bank balances.

16. CONTINGENT LIABILITY

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

The Town of Hinton has guaranteed a loan for the Hinton Golfing Society to construct a new Club House and consolidate an existing loan. At December 31, 2013, the outstanding balance was \$1,453,393 (2012 - \$1,492,383). The loan is guaranteed to a maximum of \$1,136,000 with a maximum amortization of 20 years and subject to interest at prime plus 0.75%.

The Town of Hinton has guaranteed a loan for the SPCA to construct a new building. At December 31, 2013 the outstanding balance was \$182,991 (2012 - \$276,631). The loan is guaranteed to a maximum of \$350,000 with a maximum amortization of 20 years and subject to interest at prime plus 2.00%.

TOWN OF HINTON
Notes to Consolidated Financial Statements
Year Ended December 31, 2013

17. RECONCILIATION OF OPERATING RESULTS TO CASH BASED BUDGETING

The 2013 budget was prepared based on the previous accounting standards which tracked all municipal activities including capital projects, debenture repayments and proceeds, and reserve transfers for future use. The reconciliation below to encompass these items is provided for information purposes only to provide users with supplementary comparative information. It should not be used as a replacement for the consolidated statement of financial activities and accumulated surplus and users should note that this information may not be appropriate for their purposes.

	Unaudited Budget	2013	2012
Excess of revenue over expenditures, per financial statements	\$ 2,921,336	\$ 3,117,111	\$ 4,889,141
<u>Add back:</u>			
Amortization expense (non-consolidated)	4,397,590	4,408,971	4,381,246
<u>Deduct:</u>			
Government transfers for capital	(4,101,437)	(2,745,905)	(4,537,078)
Contributed tangible capital assets	-	(1,254,114)	-
Development levies for capital	-	(111,710)	(127,958)
Other capital revenues	(69,000)	(62,919)	(734,132)
Gain/loss on disposal of tangible capital assets	-	(94,322)	(19,795)
Net effect of 51% consolidation of the West Yellowhead Regional Waste Management Authority	(9,690)	(59,978)	(15,341)
Principal payments of capital debt	(2,150,744)	(2,081,766)	(1,869,648)
Net transfers (to) from reserves	(988,055)	(1,020,623)	(1,142,917)
	<u>\$ -</u>	<u>\$ 94,745</u>	<u>\$ 823,518</u>

18. APPROVAL OF FINANCIAL STATEMENTS

Council and Management have approved these financial statements.

19. COMPARATIVE FIGURES

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