

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

**TOWN OF HINTON**  
**Consolidated Financial Statements**  
**Year Ended December 31, 2014**

**TOWN OF HINTON**  
**Index to Consolidated Financial Statements**  
**Year Ended December 31, 2014**

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**INDEPENDENT AUDITOR'S REPORT**

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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, 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 Hinton 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  
April 21, 2015

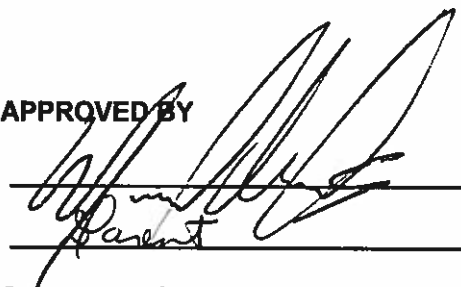
CHARTERED ACCOUNTANTS



**TOWN OF HINTON**  
**Consolidated Statement of Financial Position**  
**December 31, 2014**

	2014	2013
<b>FINANCIAL ASSETS</b>		
Cash and temporary investments (Note 2)	\$ 9,140,256	\$ 13,319,387
Receivables		
Taxes and grants in place of taxes (Note 3)	765,777	800,044
Trade and other receivables (Note 4)	4,572,667	2,574,933
Land held for resale	1,545,524	1,982,595
	<u>16,024,224</u>	<u>18,676,959</u>
<b>LIABILITIES</b>		
Accounts payable and accrued liabilities	3,531,795	3,300,410
Deposit liabilities	1,025,431	1,165,642
Deferred revenue (Note 6)	3,161,255	5,287,916
Landfill closure and post-closure liability	-	317,557
Due to West Yellowhead Regional Waste Management Authority (Note 7)	949,428	185,650
Long term debt (Note 8)	13,520,636	15,602,045
	<u>22,188,545</u>	<u>25,859,220</u>
<b>NET FINANCIAL DEBT</b>	<u>(6,164,321)</u>	<u>(7,182,261)</u>
<b>NON-FINANCIAL ASSETS</b>		
Prepaid expenses	3,947	4,870
Inventory for consumption	559,865	482,912
Long term investments (Note 10)	2,824,446	1,874,293
Tangible capital assets	147,797,837	143,153,418
	<u>151,186,095</u>	<u>145,515,493</u>
<b>ACCUMULATED SURPLUS (Note 12)</b>	<u>\$145,021,774</u>	<u>\$138,333,232</u>
<b>CONTINGENT LIABILITY (Note 16)</b>		

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, 2014**

	(Unaudited) Budget	2014	2013
<b>REVENUE</b>			
Net municipal taxes <i>(Schedule 2)</i>	\$ 11,413,096	\$ 11,360,221	\$ 11,050,799
Government transfers for operating <i>(Schedule 3)</i>	3,318,858	3,523,834	2,722,898
User fees and sales of goods	5,717,010	5,852,933	5,525,214
Fines	1,535,000	1,880,362	1,599,824
Rentals	514,950	724,985	524,462
Franchise fees	1,087,119	1,246,497	1,099,955
Investment income	95,000	197,231	120,018
Licenses and permits	128,000	131,682	126,474
Development levies	-	499,744	111,710
Penalties and costs on taxes	180,000	236,013	220,737
Other	2,500	87,249	35,335
West Yellowhead Regional Waste Management Authority	-	-	446,580
Gain (loss) on disposal of tangible capital assets	43,982	(68,220)	94,322
	<u>24,035,515</u>	<u>25,672,531</u>	<u>23,678,328</u>
<b>EXPENSES</b>			
Legislative	566,060	472,885	420,790
Administration	2,826,208	2,775,622	2,832,846
Protective services	4,547,954	4,658,004	4,414,796
Roads, streets, and equipment	4,771,325	4,902,183	4,973,273
Water, wastewater and waste management	3,208,678	3,210,696	3,080,609
Family and community support	1,353,027	1,310,826	1,351,006
Planning and development	1,650,836	1,733,630	1,464,819
Recreation and parks	4,644,211	4,535,799	4,619,299
Library and culture	935,102	993,688	910,096
West Yellowhead Regional Waste Management Authority	-	-	493,702
	<u>24,503,401</u>	<u>24,593,333</u>	<u>24,561,236</u>
<b>EXCESS (SHORTFALL) OF REVENUE OVER EXPENSES FROM OPERATIONS</b>	<u>(467,886)</u>	<u>1,079,198</u>	<u>(882,908)</u>
<b>OTHER INCOME</b>			
Government transfers for capital <i>(Schedule 3)</i>	-	5,852,986	2,745,905
Contributed tangible capital assets	-	388,452	1,254,114
Equity income from investment in WYRWMA	-	174,542	-
	<u>-</u>	<u>6,415,980</u>	<u>4,000,019</u>
<b>EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES</b>	<u>(467,886)</u>	<u>7,495,178</u>	<u>3,117,111</u>
<b>ACCUMULATED SURPLUS, BEGINNING OF YEAR</b>	138,333,232	138,333,232	135,216,121
Adjustment for change in accounting treatment for the Authority <i>(Note 17)</i>	-	(806,636)	-
<b>ACCUMULATED SURPLUS, END OF YEAR</b> <i>(Note 12)</i>	<u>\$137,865,346</u>	<u>\$145,021,774</u>	<u>\$138,333,232</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, 2014**

	Unrestricted Surplus	Restricted Surplus	Equity in TCA	2014	2013
<b>BALANCE - BEGINNING OF PERIOD</b>	\$ 1,262,080	\$ 9,519,779	\$127,551,373	<b>\$138,333,232</b>	\$135,216,121
Excess of revenue over expenses	7,495,178	-	-	<b>7,495,178</b>	3,117,111
Adjustment for change in accounting treatment for the Authority (Note 17)	-	569,813	(1,376,449)	<b>(806,636)</b>	-
Unrestricted funds designated for future use	(2,348,490)	2,348,490	-	-	-
Transfer unrestricted funds to equity in investments	(1,874,293)	1,874,293	-	-	-
Restricted funds used for tangible capital assets	-	(3,809,803)	3,809,803	-	-
Contributed tangible capital assets	(388,452)	-	388,452	-	-
Current year funds used for tangible capital assets	(6,293,798)	-	6,293,798	-	-
Disposal of tangible capital assets	115,220	-	(115,220)	-	-
Annual amortization expense	4,355,965	-	(4,355,965)	-	-
Long term debt repaid	(2,081,409)	-	2,081,409	-	-
<b>BALANCE - END OF PERIOD</b>	<b>\$ 242,001</b>	<b>\$ 10,502,572</b>	<b>\$134,277,201</b>	<b>\$145,021,774</b>	<b>\$138,333,232</b>

See notes to financial statements

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

	2014	2013
<b>NET EXCESS OF REVENUE OVER EXPENSES</b>	<b>\$ 7,495,178</b>	<b>\$ 3,117,111</b>
Acquisition of tangible capital assets	(10,103,602)	(4,986,040)
Contributed tangible capital assets	(388,452)	(1,254,114)
Amortization of tangible capital assets	4,355,965	4,528,820
Proceeds on disposal of tangible capital assets	47,000	478,993
(Gain) loss on disposal of tangible capital assets	68,220	(94,322)
Equity income from investment in WYRWMA	(174,542)	-
Adjustment to remove the 51% consolidated current assets and liabilities of the Authority	(205,798)	-
	<u>(6,401,209)</u>	<u>(1,326,663)</u>
Change in prepaid assets	924	(2,924)
Change in inventory for consumption	(76,953)	(15,154)
	<u>(76,029)</u>	<u>(18,078)</u>
<b>DECREASE IN NET DEBT</b>	<b>1,017,940</b>	<b>1,772,370</b>
<b>NET FINANCIAL ASSETS (DEBT) - BEGINNING OF YEAR</b>	<b>(7,182,261)</b>	<b>(8,954,631)</b>
<b>NET FINANCIAL ASSETS (DEBT) - END OF YEAR</b>	<b>\$ (6,164,321)</b>	<b>\$ (7,182,261)</b>

See notes to financial statements

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

	2014	2013
<b>OPERATING ACTIVITIES</b>		
Excess of revenue over expenses	\$ 7,495,178	\$ 3,117,111
Items not affecting cash:		
Amortization of tangible capital assets	4,355,965	4,528,820
(Gain) loss on disposal of tangible capital assets	68,220	(94,322)
Contributed tangible capital assets	(388,452)	(1,254,114)
Equity income from investment in WYRWMA	(174,542)	-
Adjustment to remove the 51% consolidated current assets and liabilities of the Authority (Note 17)	(205,798)	-
	<u>11,150,571</u>	<u>6,297,495</u>
Changes in non-cash working capital:		
Taxes and grants in place of taxes	34,267	23,052
Trade and other receivables	(1,997,734)	(241,067)
Land held for resale	437,071	(256,172)
Prepaid expenses	923	(2,924)
Inventory for consumption	(76,953)	(15,155)
Accounts payable and accrued liabilities	231,386	352,038
Due to West Yellowhead Regional Waste Management Authority	763,778	226,400
Deposit liabilities	(140,211)	128,338
Deferred revenue	(2,126,661)	(195,175)
Landfill closure and post-closure liability	(317,557)	31,422
	<u>(3,191,691)</u>	<u>50,757</u>
Cash flow from operating activities	<u>7,958,880</u>	<u>6,348,252</u>
<b>INVESTING ACTIVITIES</b>		
Acquisition of tangible capital assets	(10,103,602)	(4,986,040)
Proceeds on disposal of tangible capital assets	47,000	478,993
Cash flow used by investing activities	<u>(10,056,602)</u>	<u>(4,507,047)</u>
<b>FINANCING ACTIVITY</b>		
Repayment of long term debt	(2,081,409)	(2,081,766)
<b>DECREASE IN CASH FLOW</b>	<u>(4,179,131)</u>	<u>(240,561)</u>
Cash - beginning of year	<u>13,319,387</u>	<u>13,559,948</u>
<b>CASH - END OF YEAR (Note 2)</b>	<u>\$ 9,140,256</u>	<u>\$ 13,319,387</u>

See notes to financial statements



**Consolidated Schedule of Tangible Capital Assets**  
**Year Ended December 31, 2014**  
*(Schedule 1)*

	Land	Land Improvements	Buildings	Engineered Structures	Machinery and Equipment	Vehicles	2014	2013
<b>COST</b>								
BALANCE, BEGINNING 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
Acquisition of tangible capital assets	-	388,616	134,791	4,219,717	117,241	160,853	5,021,218	2,337,012
Construction in progress	-	(174,469)	(4,960)	5,650,264	-	-	5,470,835	3,903,145
Disposal of tangible capital assets	-	-	-	-	-	(214,609)	(214,609)	(412,099)
Adjustment to remove the 51% consolidated assets of the Authority (Note 17)	-	(1,476,198)	(62,795)	(545,722)	(144,936)	-	(2,229,651)	-
<b>BALANCE, END OF YEAR</b>	<b>\$ 18,153,548</b>	<b>\$ 13,424,222</b>	<b>\$ 39,168,560</b>	<b>\$ 138,850,623</b>	<b>\$ 8,244,737</b>	<b>\$ 2,977,024</b>	<b>\$ 220,818,714</b>	<b>\$ 212,770,921</b>
<b>ACCUMULATED AMORTIZATION</b>								
BALANCE, BEGINNING OF YEAR	\$ -	\$ 6,278,265	\$ 11,358,992	\$ 45,330,666	\$ 5,082,522	\$ 1,567,058	\$ 69,617,503	\$ 65,116,107
Annual amortization	-	526,682	1,075,513	2,136,758	495,383	121,629	4,355,965	4,528,820
Accumulated amortization on disposals	-	-	-	-	-	(99,388)	(99,388)	(27,424)
Adjustment to remove the 51% consolidated assets of the Authority (Note 17)	-	(693,059)	(36,185)	(62,264)	(61,695)	-	(853,203)	-
<b>BALANCE, END OF YEAR</b>	<b>\$ -</b>	<b>\$ 6,111,888</b>	<b>\$ 12,398,320</b>	<b>\$ 47,405,160</b>	<b>\$ 5,516,210</b>	<b>\$ 1,589,299</b>	<b>\$ 73,020,877</b>	<b>\$ 69,617,503</b>
<b>NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS</b>	<b>\$ 18,153,548</b>	<b>\$ 7,312,334</b>	<b>\$ 26,770,240</b>	<b>\$ 91,445,463</b>	<b>\$ 2,728,527</b>	<b>\$ 1,387,725</b>	<b>\$ 147,797,837</b>	<b>\$ 143,153,418</b>
<b>2013 NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS</b>	<b>\$ 18,153,548</b>	<b>\$ 8,408,008</b>	<b>\$ 27,742,532</b>	<b>\$ 84,195,698</b>	<b>\$ 3,189,910</b>	<b>\$ 1,463,722</b>	<b>\$ 143,153,418</b>	

See notes to financial statements

Mergaert, Barford,  
Williams & Joly  
Chartered Accountants

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

	<u>2014</u>	<u>2013</u>
<b>TAXATION</b>		
Real property taxes	\$ 15,443,439	\$ 15,067,443
Linear property taxes	295,235	298,350
Government grants in place of property taxes	85,196	77,806
Special assessments and local improvement taxes	19,820	49,188
	<u>15,843,690</u>	<u>15,492,787</u>
<b>REQUISITIONS</b>		
Education requisition	4,256,695	4,207,635
Evergreens Seniors Foundation	226,774	234,353
	<u>4,483,469</u>	<u>4,441,988</u>
<b>NET MUNICIPAL TAXES</b>	<u>\$ 11,360,221</u>	<u>\$ 11,050,799</u>

See notes to financial statements

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

	2014	2013
<b>TRANSFERS FOR OPERATING</b>		
Federal government conditional transfers	\$ -	\$ 2,190
Provincial government conditional transfers	1,263,011	1,284,635
Local government transfers	2,260,823	1,436,073
	<b>3,523,834</b>	<b>2,722,898</b>
<b>TRANSFERS FOR CAPITAL</b>		
Federal government conditional transfers	836,340	87,618
Provincial government conditional transfer	5,002,041	2,549,670
Local government transfers	14,605	108,617
	<b>5,852,986</b>	<b>2,745,905</b>
<b>TOTAL GOVERNMENT TRANSFERS</b>	<b>\$ 9,376,820</b>	<b>\$ 5,468,803</b>

See notes to financial statements

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

	Budget (Unaudited)	2014	2013
<b>EXPENSES</b>			
Salaries, wages and benefits	\$ 10,130,657	\$ 9,859,292	\$ 9,786,258
Contracted and general services	5,571,603	6,109,687	5,310,127
Materials, goods, supplies and utilities	3,337,808	3,189,110	3,496,308
Provision for (recovery of) allowances	1,500	7,774	246
Transfers to other governments	277,462	299,640	213,204
Transfers to local boards and agencies	87,100	94,374	90,620
Transfers to individuals and organizations	62,200	62,547	58,907
Bank charges and short-term interest	4,700	4,412	4,205
Interest on capital long-term debt	630,371	610,532	698,688
West Yellowhead Regional Waste Management Authority	-	-	373,853
Amortization of tangible capital assets	4,400,000	4,355,965	4,528,820
	<b>\$ 24,503,401</b>	<b>\$ 24,593,333</b>	<b>\$ 24,561,236</b>

See notes to financial statements

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

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**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

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.

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

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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. The Town's waste disposal site is provided by the West Yellowhead Waste Management Authority which records this liability.

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

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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 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, 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	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>2014</u>	<u>2013</u>
Cash	\$ 319,466	\$ 1,123,639
Temporary investments	8,820,790	12,195,748
	<u>\$ 9,140,256</u>	<u>\$ 13,319,387</u>

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

Included in cash and temporary investments is a restricted amount of \$3,150,557 (2013 - \$5,274,544) received from various government grants and held exclusively for the completion of approved projects (Note 6).

**3. TAXES AND GRANTS IN PLACE OF TAXES RECEIVABLE**

	<u>2014</u>	<u>2013</u>
Current taxes and grants in place of taxes	\$ 337,910	\$ 433,845
Tax arrears	427,867	366,199
	<u>\$ 765,777</u>	<u>\$ 800,044</u>

**4. TRADE AND OTHER RECEIVABLES**

	<u>2014</u>	<u>2013</u>
Trade accounts receivable	\$ 4,606,181	\$ 2,609,780
Allowance for doubtful accounts	(33,514)	(34,847)
	<u>\$ 4,572,667</u>	<u>\$ 2,574,933</u>



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

**5. 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, 2014 (2013 - \$ nil). The account bears interest at prime, is due on demand and secured by a general security agreement.

**6. DEFERRED REVENUE**

	2014	2013
Prepaid local improvement charges	\$ 10,698	\$ 13,372
Parent Link West network grant	21,356	24,794
Municipal Policing Assistance grant	69,280	69,280
New Police Officer grant	25,000	25,000
Early childhood grant	46,813	16,556
Subtotal operating	173,147	149,002
Green Municipal Fund	-	836,340
Government of Alberta Municipal Housing and Capital Enhancement	412,093	407,488
Municipal Sustainability Initiative	1,544,229	1,864,103
Basic Municipal Transportation Grant	-	1,013,540
CFEP grant for performing arts centre	1,031,786	1,017,443
	<b>\$ 3,161,255</b>	<b>\$ 5,287,916</b>

**7. DUE TO WEST YELLOWHEAD REGIONAL WASTE MANAGEMENT AUTHORITY**

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

During the year, the town of Hinton paid \$240,517 (2013 - \$210,000) to the Authority for landfill use and charged the Authority \$72,500 (2013 - \$74,500) in management fees. The transactions were measured at the exchange amount.

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

8. LONG-TERM DEBT

	2014	2013
Tax supported debt	\$ 13,386,604	\$ 15,456,149
Self supported debt	134,032	145,896
	\$ 13,520,636	\$ 15,602,045

Principal and interest payments are due as follows:

	Principal	Interest	Total
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
2019	1,287,677	178,279	1,465,956
Thereafter	3,031,894	399,563	3,431,457
	\$ 13,520,636	\$ 2,213,809	\$ 15,734,445

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 8.25% and 1.67%, mature January 2022 and December 2026, and are repayable in blended annual instalments of \$13,203 and blended monthly instalments of \$508 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, 2014**

**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:

	2014	2013
Total debt limit	<b>\$ 38,792,515</b>	\$ 35,680,416
Total debt	<b>(13,520,636)</b>	(15,602,045)
Total debt guaranteed for other organizations	<b>(1,292,292)</b>	(1,318,991)
Amount of debt limit unused	<b>\$ 23,979,587</b>	\$ 18,759,380
Debt servicing limit	<b>\$ 6,465,419</b>	\$ 5,946,736
Debt servicing	<b>(2,709,258)</b>	(2,709,259)
Amount of debt servicing limit unused	<b>\$ 3,756,161</b>	\$ 3,237,477

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 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**

	2014	2013
Investment in GP Highway Maintenance storage facility	<b>\$ 671,429</b>	\$ 671,429
Investment in Happy Creek Estates low income housing	<b>1,202,864</b>	1,202,864
Equity investment in West Yellowhead Regional Waste Management Authority	<b>950,153</b>	-
	<b>\$ 2,824,446</b>	\$ 1,874,293

The Town's share of the GP Highway Maintenance storage facility and the Happy Creek Estates low income housing investments are recorded at cost.

The Town of Hinton, Yellowhead County, Town of Edson, and Municipality of Jasper are all members of the West Yellowhead Regional Waste Management Authority which was established to construct, maintain, control and manage a regional solid waste disposal system. The members share in joint ownership, management, and liability for the waste management system. The voting structure assigns 25% of the vote to each member of the authority. The parties have agreed to share any annual net operating deficits according to the ratio of tonnes hauled and deposited by the members to the authority.

The Town's share of the West Yellowhead Regional Waste Management Authority investment is recorded by the modified equity method.

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

**11. EQUITY IN TANGIBLE CAPITAL ASSETS**

	<u>2014</u>	<u>2013</u>
Tangible capital assets (Schedule 1)	<b>\$220,818,714</b>	\$212,770,921
Accumulated amortization (Schedule 1)	<b>(73,020,877)</b>	(69,617,503)
Long-term debt	<b>(13,520,636)</b>	(15,602,045)
	<b><u>\$134,277,201</u></b>	<b><u>\$127,551,373</u></b>

**12. ACCUMULATED SURPLUS**

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

	<u>2014</u>	<u>2013</u>
Unrestricted	<b>\$ 242,001</b>	\$ 1,262,080
Family and community support services	<b>18,408</b>	18,408
Library	<b>43,516</b>	43,516
Operating - periodic project requests	<b>207,000</b>	-
Other operating	<b>208,053</b>	187,714
Automated traffic enforcement	<b>1,108,061</b>	765,905
Cemetery perpetual care	<b>50,509</b>	50,509
Equipment and fleet	<b>1,169,162</b>	1,092,168
Facilities and components	<b>63,672</b>	450,548
Fire department	<b>523,828</b>	501,755
Future land development	<b>(345,599)</b>	3,208
Information technology	<b>101,636</b>	81,675
Infrastructure major facility	<b>386,800</b>	666,800
Land sales	<b>-</b>	1,168,495
Municipal reserve	<b>719,954</b>	603,737
New infrastructure	<b>1,036,570</b>	550,055
Offsite levy fund	<b>1,891,456</b>	1,373,240
Parks and trails infrastructure	<b>438,148</b>	461,358
Performing arts theatre	<b>148,138</b>	148,138
Roads and sidewalks	<b>(607,589)</b>	907,459
Water and sewer	<b>359,219</b>	96,769
Other capital	<b>157,184</b>	142,524
West Yellowhead Regional Waste Management Authority (51% consolidated)	<b>-</b>	205,798
Subtotal restricted and unrestricted surpluses	<b><u>7,920,127</u></b>	<b><u>10,781,859</u></b>
Equity in investments	<b>2,824,446</b>	-
Equity in tangible capital assets	<b><u>134,277,201</u></b>	<b><u>127,551,373</u></b>
	<b><u>\$145,021,774</u></b>	<b><u>\$138,333,232</u></b>

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

**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 I. Duncan	\$ -	\$ -	\$ -	\$ 41,479
Mayor R. Mackin	53,249	2,292	<b>55,541</b>	11,411
Councillor G. Barrow	28,822	1,161	<b>29,983</b>	5,363
Councillor B. Bulger	-	-	-	23,230
Councillor J. Callihoo	-	-	-	7,205
Councillor D. Currie	28,661	1,155	<b>29,816</b>	33,042
Councillor L. Johnston-MacKay	-	-	-	30,515
Councillor J. Macridis	-	-	-	26,723
Councillor R. Maguhn	25,255	994	<b>26,249</b>	23,829
Councillor M. Michaels	31,667	1,291	<b>32,958</b>	8,772
Councillor S. Taylor	27,969	1,120	<b>29,089</b>	7,522
Councillor M. Young	27,417	109	<b>27,526</b>	6,726
Chief Administrative Officer 1	111,041	26,839	<b>137,880</b>	195,697
Chief Administrative Officer 2	52,057	8,705	<b>60,762</b>	-

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 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 Hinton to the LAPP in 2014 were \$732,194 (2013 - \$734,811). Total current service contributions by the employees of the Town of Hinton to the LAPP in 2013 were \$673,432 (2013 - \$670,518).

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

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

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**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.

**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.

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**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 is a member of the West Yellowhead Regional Waste Management Authority and has agreed to share joint liability for the system. No liability exists currently and any liability incurred would be accounted for as a current transaction in the year they 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, 2014, the outstanding balance was \$1,281,444 (2013 - \$1,453,393). 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, 2014 the outstanding balance was \$156,292 (2013 - \$182,991). The loan is guaranteed to a maximum of \$350,000 with a maximum amortization of 20 years and subject to interest at prime plus 1.50%.

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

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**17. ADJUSTMENT TO ACCUMULATED SURPLUS**

As of January 31, 2014, the Town of Hinton's voting structure for the West Yellowhead Regional Waste Management Authority changed from 51% to 25%. This change means the Town of Hinton no longer controls its investment in the Authority. For accounting purposes, this investment has changed from a controlled government unit proportionately consolidated in these financial statements for 2013, to a government business enterprise accounted for by the modified equity method in 2014. According to PSAB 2510, the change in accounting treatment occurs from the date the status changes with any net investment increases or decreases accounted for as an adjustment to accumulated surplus.

The adjustments to the financial statements at January 1, 2014 are as follows:

	<b>2014</b>
<b>Adjustments to opening accumulated surplus</b>	
Adjustment to remove the 51% consolidated surplus of the Authority	\$ (205,798)
Adjustment to remove the 51% consolidated equity in tangible capital assets of the Authority	(1,376,449)
To record the surplus adjustment for the equity investment in the Authority at January 1, 2014	<u>775,611</u>
	<b><u>\$ (806,636)</u></b>
 <b>Adjustments to assets</b>	
Adjustment to remove the 51% consolidated current assets of the Authority	\$ (573,140)
Adjustment to remove the 51% consolidated tangible capital assets of the Authority	(1,376,448)
To record the equity investment in the Authority at January 1, 2014	<u>775,611</u>
	<b><u>\$ (1,173,977)</u></b>
 <b>Adjustments to liabilities</b>	
Adjustment to remove the 51% consolidated liabilities of the Authority	<b><u>\$ (367,341)</u></b>

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

**18. RECONCILIATION OF OPERATING RESULTS TO CASH BASED BUDGETING**

The 2014 budget was prepared based on a cash basis 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	2014	2013
Excess of revenue over expenditures, per financial statements	\$ (467,886)	\$ 7,495,178	\$ 3,117,111
<u>Add back:</u>			
Amortization expense (non-consolidated)	4,400,000	4,355,965	4,408,971
<u>Deduct:</u>			
Government transfers for capital	-	(5,852,986)	(2,745,905)
Contributed tangible capital assets	-	(388,452)	(1,254,114)
Development levies for capital	-	(499,744)	(111,710)
Other capital revenues	(10,000)	(9,288)	(62,919)
Gain/loss on disposal of tangible capital assets	(43,982)	68,220	(94,322)
Net effect of 51% consolidation of the West Yellowhead Regional Waste Management Authority	-	-	(59,978)
Principal payments of capital debt	(2,081,539)	(2,081,409)	(2,081,766)
Net transfers (to) from reserves	(1,796,593)	(2,348,490)	(1,020,623)
	<u>\$ -</u>	<u>\$ 738,994</u>	<u>\$ 94,745</u>

**19. APPROVAL OF FINANCIAL STATEMENTS**

Council and Management have approved these financial statements.

**20. COMPARATIVE FIGURES**

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