



Gitzel Krejci Dand Peterson

CHARTERED ACCOUNTANTS

*BARRY D. GITZEL, B. COMM., CA *PEGGY WEINZIERL, B. COMM., CA *SCOTT A. ST. ARNAUD, B. COMM., CA *JOLENE KOBI, B. COMM., CA
*JUSTIN TANNER, B. MGT., CA *ERIC A. PETERSON, BA., CA (Associate) *ROBERT J. KREJCI, CA (Associate)

4912 - 51 St.
P.O. Box 460
STETTLE, AB T0C 2L0
PHONE: 403-742-4431
TOLL FREE: 1-877-742-4431
FAX: 403-742-1266
E-mail: gkdpca@gkdpca.com
Web Site: www.gkdpca.com

VILLAGE OF DELBURNE

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2013

VILLAGE OF DELBURNE
FINANCIAL STATEMENTS
AS AT DECEMBER 31, 2013

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INDEPENDENT AUDITORS' REPORT

TO: The Mayor and Council

Village of Delburne

We have audited the accompanying financial statements of the Village of Delburne, which comprise the consolidated statement of financial position as at December 31, 2013, and the consolidated statements of operations, 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 Financial Statements

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

Auditor's Responsibility

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

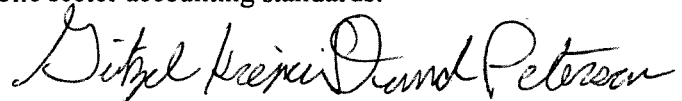
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Village of Delburne as at December 31, 2013, and its financial performance and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Stettler, Alberta
June 27, 2014



CHARTERED ACCOUNTANTS

VILLAGE OF DELBURNE
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2013

	2013 \$	Restated 2012 \$
FINANCIAL ASSETS		
Cash and cash equivalents (Note 2)	682,511	193,948
Taxes and grants in place of taxes receivable (Note 3)	92,795	94,201
Trade and other receivables	68,970	70,146
Local improvement taxes receivable	50,464	55,511
Grants receivable	13,086	233,796
Land held for resale	134,849	139,149
Long-term investments (Note 4)	<u>1,661</u>	<u>452,831</u>
	<u>1,044,336</u>	<u>1,239,582</u>
LIABILITIES		
Accounts payable and accrued liabilities	92,938	78,158
Deferred revenue (Note 5)	110,435	315,535
Deposit on land sale	-	39,000
Long term debt (Note 6)	118,546	175,304
Capital lease obligation (Note 7)	<u>28,922</u>	<u>86,035</u>
	<u>350,841</u>	<u>694,032</u>
NET FINANCIAL ASSETS (DEBT)	<u>693,495</u>	<u>545,550</u>
NON-FINANCIAL ASSETS		
Tangible capital assets (Schedule 2)	7,059,743	6,796,567
Inventory for consumption	3,528	3,410
Prepaid expenses	<u>17,054</u>	<u>69,349</u>
	<u>7,080,325</u>	<u>6,869,326</u>
ACCUMULATED SURPLUS (Schedule 1)	<u>7,773,820</u>	<u>7,414,876</u>
CONTINGENCIES – NOTE 12		

VILLAGE OF DELBURN
CONSOLIDATED STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2013

	Budget \$ (Unaudited)	2013 \$	Restated 2012 \$
REVENUES			
Net taxes (Schedule 3)	671,770	671,081	661,602
Sales and user fees	413,356	498,782	367,125
Government transfers for operating (Schedule 4)	169,458	262,660	254,823
Investment income	5,714	12,598	15,225
Penalties and costs of taxes	20,000	19,301	16,682
Fines and costs	5,825	5,142	5,528
Licenses and permits	6,655	7,560	6,400
Franchise agreement	32,000	41,522	35,081
Other	76,326	84,176	159,067
Gain on disposal of tangible capital assets	49,100	575	60
Total Revenue	<u>1,450,204</u>	<u>1,603,397</u>	<u>1,521,593</u>
EXPENSES (Schedule 5)			
Legislative	98,851	87,866	72,910
Administration	313,284	316,987	336,314
Protective services	119,488	119,874	117,581
Transportation services	362,239	460,877	395,867
Water and wastewater	187,779	238,211	195,043
Waste management and recycling	84,477	105,943	96,035
Recreation and parks	119,441	126,985	141,868
Family and community support	111,010	114,903	106,130
Land use planning, zoning and development	58,269	135,663	159,098
Total Expenses	<u>1,454,838</u>	<u>1,707,309</u>	<u>1,620,846</u>
EXCESS (SHORTFALL) OF REVENUE OVER EXPENSES – BEFORE OTHER	<u>(4,634)</u>	<u>(103,912)</u>	<u>(99,253)</u>
OTHER			
Government transfers for capital (Schedule 4)	368,900	462,856	715,805
	<u>368,900</u>	<u>462,856</u>	<u>715,805</u>
EXCESS (SHORTFALL) OF REVENUE OVER EXPENSES	364,266	358,944	616,552
ACCUMULATED SURPLUS – BEGINNING OF YEAR	<u>7,414,876</u>	<u>7,414,876</u>	<u>6,798,324</u>
ACCUMULATED SURPLUS – END OF YEAR	<u>7,779,142</u>	<u>7,773,820</u>	<u>7,414,876</u>

VILLAGE OF DELBURN

CONSOLIDATED STATEMENT OF CHANGES IN NET FINANCIAL ASSETS (DEBT)

FOR THE YEAR ENDED DECEMBER 31, 2013

	2013 \$	Restated 2012 \$
EXCESS (SHORTFALL) OF REVENUES OVER EXPENSES	<u>358,944</u>	<u>616,552</u>
Acquisition of tangible capital assets	(587,934)	(850,978)
Proceeds on disposal of tangible capital assets	30,500	36,126
Amortization of tangible capital assets	294,833	275,874
(Gain) loss on disposal of tangible capital assets	<u>(575)</u>	<u>19,743</u>
	<u>(263,176)</u>	<u>(519,235)</u>
Net use (acquisition) of supplies inventories	(118)	422
Net use (acquisition) of prepaid assets	<u>52,295</u>	<u>64,655</u>
	<u>52,177</u>	<u>65,077</u>
INCREASE (DECREASE) IN NET DEBT	147,945	162,394
NET FINANCIAL ASSETS (DEBT)		
- BEGINNING OF YEAR	<u>545,550</u>	<u>383,156</u>
NET FINANCIAL ASSETS (DEBT)		
- END OF YEAR	<u>693,495</u>	<u>545,550</u>

VILLAGE OF DELBURNE
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2013

	2013 \$	Restated 2012 \$
OPERATING ACTIVITIES		
Excess (shortfall) of revenues over expenses	358,944	616,552
Non-cash items included in excess (shortfall) of revenues over expenses:		
Amortization of tangible capital assets	294,833	275,874
(Gain) loss on disposal of tangible capital assets	(575)	19,743
Non-cash changes to operations (net change)		
Taxes and grants in place of taxes receivables	1,406	3,522
Trade and other receivables	1,176	14,831
Local improvement taxes receivable	5,047	5,046
Grants receivable	220,710	(178,600)
Decrease (Increase) in inventory for consumption	(118)	422
Prepaid expenses	52,295	64,655
Land held for resale	4,300	-
Accounts payable and accrued liabilities	(24,220)	21,657
Deferred revenue	(205,100)	(460,874)
Net cash provided by (used in) operating activities	<u>708,698</u>	<u>382,828</u>
CAPITAL ACTIVITIES		
Acquisition of tangible capital assets	(587,934)	(832,266)
Proceeds from disposal of tangible capital assets	<u>30,500</u>	<u>36,126</u>
Net cash provided by (used in) capital activities	<u>(557,434)</u>	<u>(796,140)</u>
INVESTING ACTIVITIES		
Long term investments disposed	451,170	-
Long term investments purchased	<u>-</u>	<u>(452,821)</u>
Net cash provided by (used in) financing activities	<u>451,170</u>	<u>(452,821)</u>
FINANCING ACTIVITIES		
Repayment of long term debt and capital leases	<u>(113,871)</u>	<u>(115,604)</u>
Net cash provided by (used in) financing activities	<u>(113,871)</u>	<u>(115,604)</u>
CHANGE IN CASH AND EQUIVALENTS DURING THE YEAR	488,563	(981,737)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>193,948</u>	<u>1,175,685</u>
CASH AND CASH EQUIVALENTS - END OF YEAR (Note 2)	<u><u>682,511</u></u>	<u><u>193,948</u></u>

VILLAGE OF DELBURN
SCHEDULE 1 - CHANGES IN ACCUMULATED SURPLUS
FOR THE YEAR ENDED DECEMBER 31, 2013

	Unrestricted Surplus \$	Restricted Surplus \$	Equity in Tangible Capital Assets \$	2013 \$	Restated 2012 \$
BALANCE, BEGINNING OF YEAR	<u>68,899</u>	<u>810,749</u>	<u>6,535,228</u>	<u>7,414,876</u>	<u>6,798,324</u>
Excess (deficiency) of revenues over expenses	358,944	-	-	358,944	616,552
Unrestricted funds designated for future use	(75,595)	75,595	-	-	-
Restricted funds used for operations	72,540	(72,540)	-	-	-
Restricted funds used for tangible capital assets	-	(92,562)	92,562	-	-
Current year funds used for tangible capital assets	(495,369)	-	495,369	-	-
Disposal of tangible capital assets	29,925	-	(29,925)	-	-
Annual amortization expense	294,833	-	(294,833)	-	-
Long term debt repaid	(113,874)	-	113,874	-	-
Change in accumulated surplus	<u>71,404</u>	<u>(89,507)</u>	<u>377,047</u>	<u>358,944</u>	<u>616,552</u>
BALANCE, END OF YEAR	<u>140,303</u>	<u>721,242</u>	<u>6,912,275</u>	<u>7,773,820</u>	<u>7,414,876</u>



VILLAGE OF DELBURNE

SCHEDULE 2 – SCHEDULE OF TANGIBLE CAPITAL ASSETS

FOR THE YEAR ENDED DECEMBER 31, 2013

	Land \$	Land Improvements \$	Buildings \$	Engineered Structures \$	Machinery and Equipment \$	Vehicles \$	2012 \$	2013 \$
COST:								
BALANCE – BEGINNING OF YEAR	251,528	802,813	1,045,340	7,561,175	732,648	139,906	9,790,797	10,533,410
Acquisition of tangible capital assets	-	-	-	270,009	225,363	29,643	849,696	525,015
Construction in progress	-	62,919	-	-	-	-	1,282	62,919
Disposal of tangible capital assets	-	-	-	-	(31,500)	-	(108,365)	(31,500)
BALANCE - END OF YEAR	251,528	865,732	1,045,340	7,831,184	926,511	169,549	10,533,410	11,089,844
ACCUMULATED AMORTIZATION:								
BALANCE - BEGINNING OF YEAR	-	199,827	349,582	2,883,265	237,241	66,928	3,513,465	3,736,843
Annual amortization	-	47,710	20,907	161,775	54,591	9,850	275,874	294,833
Accumulated amortization on disposals	-	-	-	-	(1,575)	-	(52,496)	(1,575)
BALANCE - END OF YEAR	-	247,537	370,489	3,045,040	290,257	76,778	3,736,843	4,030,101
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	<u>251,528</u>	<u>618,195</u>	<u>674,851</u>	<u>4,786,144</u>	<u>636,254</u>	<u>92,771</u>	<u>6,796,567</u>	<u>7,059,743</u>
2012 NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	<u>251,528</u>	<u>602,986</u>	<u>695,758</u>	<u>4,677,910</u>	<u>495,407</u>	<u>72,978</u>		



NET BOOK VALUE OF

TANGIBLE CAPITAL ASSETS

2012 NET BOOK VALUE OF

TANGIBLE CAPITAL ASSETS

VILLAGE OF DELBURN
SCHEDULE 3 – PROPERTY AND OTHER TAXES
FOR THE YEAR ENDED DECEMBER 31, 2013

	Budget \$ (Unaudited)	2013 \$	Restated 2012 \$
TAXATION			
Real property taxes	826,942	826,233	849,020
Linear property taxes	27,174	27,174	28,597
Government grants in place of property taxes	1,747	1,747	1,789
Special assessments	<u>38,000</u>	<u>38,002</u>	<u>439</u>
	<u>893,863</u>	<u>893,156</u>	<u>879,845</u>
REQUISITIONS			
Alberta School Foundation Fund	220,469	220,451	216,805
Autumn Glen Lodge	<u>1,624</u>	<u>1,624</u>	<u>1,438</u>
	<u>222,093</u>	<u>222,075</u>	<u>218,243</u>
NET MUNICIPAL TAXES	<u>671,770</u>	<u>671,081</u>	<u>661,602</u>

SCHEDULE 4 – GOVERNMENT TRANSFERS
FOR THE YEAR ENDED DECEMBER 31, 2013

	Budget \$ (Unaudited)	2013 \$	2012 \$
TRANSFER FOR OPERATING:			
Federal government	4,200	6,180	5,210
Provincial government	76,458	167,238	153,374
Other local government	<u>88,800</u>	<u>89,242</u>	<u>96,239</u>
	<u>169,458</u>	<u>262,660</u>	<u>254,823</u>
TRANSFERS FOR CAPITAL			
Federal government	80,000	128,785	88,020
Provincial government	<u>288,900</u>	<u>334,071</u>	<u>627,785</u>
	<u>368,900</u>	<u>462,856</u>	<u>715,805</u>
TOTAL GOVERNMENT TRANSFERS	<u>538,358</u>	<u>725,516</u>	<u>970,628</u>

VILLAGE OF DELBURN

SCHEDULE 5 – CONSOLIDATED EXPENSES BY OBJECT

FOR THE YEAR ENDED DECEMBER 31, 2013

	Budget \$ (Unaudited)	2013 \$	2012 \$
CONSOLIDATED EXPENSES BY OBJECT			
Salaries, wages, and benefits	492,743	502,207	455,037
Contracted and general services	375,334	498,137	422,690
Materials, goods, supplies and utilities	202,672	211,947	230,585
Transfer to local agencies	79,759	144,863	150,025
Transfer to other governments	34,773	36,189	43,577
Bank charges and short-term interest	560	644	238
Interest on long term debt	8,856	6,931	10,869
Amortization of tangible capital assets	248,575	294,833	275,874
Other expenses	11,566	11,558	12,148
Loss on disposal of capital assets	-	-	19,803
	<u>1,454,838</u>	<u>1,707,309</u>	<u>1,620,846</u>

VILLAGE OF DELBURNE

SCHEDULE 6 - SEGMENTED DISCLOSURE FOR THE YEAR ENDED DECEMBER 31, 2013

	General Government \$	Protective Services \$	Transportation Services \$	Planning & Development \$	Recreation & Culture \$	Environmental Services \$	Total \$
REVENUE							
Government transfers	21,665	-	361,135	-	204,812	137,904	725,516
Net municipal taxes	671,081	-	-	-	-	-	671,081
User fees and sales of goods	2,646	52,938	-	115,476	6,566	321,156	498,782
Franchise agreements	41,522	-	-	-	-	-	41,522
Penalties and costs	19,301	-	-	-	-	-	19,301
Investment income	12,598	-	-	-	-	-	12,598
License and permits	4,712	2,848	-	-	-	-	7,560
Fines and costs	242	-	-	-	-	4,900	5,142
Gain on disposal of tangible capital assets	-	-	575	-	-	-	575
Other revenues	26,619	150	3,875	-	52,895	637	84,176
	<u>800,386</u>	<u>55,936</u>	<u>365,585</u>	<u>115,476</u>	<u>264,273</u>	<u>464,597</u>	<u>2,066,253</u>
EXPENSES							
Salaries and wages	205,599	29,062	137,709	-	55,627	74,210	502,207
Contract and general services	121,570	31,890	94,985	7,723	80,592	161,377	498,137
Materials, goods and supplies	27,541	31,792	99,074	1,545	29,255	22,740	211,947
Transfers to local agencies	23,171	-	-	-	121,692	-	144,863
Transfer to other governments	-	10,787	-	-	23,887	1,515	36,189
Long term debt interest	984	-	5,126	821	-	-	6,931
Bank charges and short term interest	644	-	-	-	-	-	644
Other expenses	11,393	-	-	-	165	-	11,558
	<u>390,902</u>	<u>103,531</u>	<u>336,894</u>	<u>10,089</u>	<u>311,218</u>	<u>259,842</u>	<u>1,412,476</u>
NET REVENUE, BEFORE AMORTIZATION	<u>409,484</u>	<u>(47,595)</u>	<u>28,691</u>	<u>105,387</u>	<u>(46,945)</u>	<u>204,755</u>	<u>653,777</u>
Amortization expense	13,951	16,344	123,982	-	56,246	84,310	294,833
NET REVENUE (Note 16)	<u>395,533</u>	<u>(63,939)</u>	<u>(95,291)</u>	<u>105,387</u>	<u>(103,191)</u>	<u>120,445</u>	<u>358,944</u>

VILLAGE OF DELBURN
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

1. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements are the representations of management prepared in accordance with local government accounting standards established by the Public Sector Accounting and Auditing Board of the Canadian Institute of Chartered Accountants. Because a precise determination of many assets and liabilities is dependent upon future events, the preparation of financial statements for a period necessarily involves the use of estimates which have been made using careful judgment. Actual results could differ from those estimates. The financial statements have, in management's opinion, been properly prepared within reasonable limits of materiality and within the framework of significant accounting policies adopted as follows:

a. Reporting Entity

The consolidated financial statements reflect the assets, liabilities, revenues and expenditures, and changes in financial position of the reporting entity which comprises all the organizations that are owned or controlled by the municipality and are, therefore, accountable to the Council for the administration of their financial affairs and resources.

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

b. Basis of Accounting

The basis of accounting followed in the financial statement presentation includes revenues in the period in which the transactions or events occurred that gave rise to the revenues and expenditures in the period the goods and services are acquired and a liability is incurred or transfers are due.

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

Realized and unrealized gains and losses are reported in the statement of operations.

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.

c. Government Transfers

Government transfers are recognized in the financial statements as revenues in the period that the events giving rise to the transfer occurred, providing the transfers are authorized, any eligibility criteria have been met by the municipality, and reasonable estimates of the amounts can be made.

VILLAGE OF DELBURNE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

1. SIGNIFICANT ACCOUNTING POLICIES - Continued

d. Taxes and Grants in Place of Taxes Receivable

Current and arrears taxes and grants in place of taxes receivable consist of current tax levies and tax levies of prior years which remain outstanding at December 31st.

e. Held-to-Maturity Financial assets

Held-to-maturity financial assets are non-derivative financial assets with fixed or determinable payments and fixed maturity that an entity has the positive intention and ability to hold to maturity. They are measured at amortized cost using the effective interest rate method less any impairment loss. A gain or loss is recognized in net income when the financial asset or financial liability is derecognized or impaired, and through the amortization process.

f. Land Held For Resale

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

g. Interest on Long-Term Debt

Interest on long-term debt is recorded as an expenditure as payment is made and is accrued for as long-term debt interest payable at the end of the year.

h. Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one party and a financial liability or equity instrument of another party. The Village's financial instruments consist of cash, receivables, long-term investments, accounts payable and accrued liabilities, deferred revenue, long-term debt and capital lease obligations. It is management's opinion that the Village is not exposed to significant interest or currency risks arising from these financial statements. Unless otherwise noted, the fair value of these financial instruments approximates their carrying values. Cash, short-term investments and long-term investments have been classified as held-to-maturity.

VILLAGE OF DELBURN
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

1. SIGNIFICANT ACCOUNTING POLICIES - Continued

i. Allowances for Operating Assets

Allowances for asset valuations are netted against the related asset. Increases in allowances are recorded as an expenditure while decreases in allowances are recorded as a revenue in the operating fund.

j. Over-levies and Under- levies

Over-levies and under-levies arise from the difference between the actual 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. When the actual levy is less than the requisition amount, the under-levy is accrued as a receivable and as property taxes.

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

k. Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand, accounts with banks and short-term liquid investments.

l. 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.

VILLAGE OF DELBURN
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

1. SIGNIFICANT ACCOUNTING POLICIES - Continued

m. (i) Tangible Capital Assets

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

	YEARS
Land improvements	15 - 45
Buildings	25 - 50
Engineered structures	
Roadway system	5 - 40
Water system	45 - 60
Wastewater system	45 - 60
Storm system	45 - 75
Machinery and equipment	5 - 40
Vehicles	10 - 25

The annual amortization charge in the year of acquisition and in the year of disposal is prorated based on the number of days that the asset was owned during the year. Assets under construction are not amortized until the asset is available for productive use.

(ii) Contributions of Tangible Capital Assets

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

(iii) Inventories

Inventories held for consumption are recorded at the lower of cost and replacement cost. Cost is determined by using the FIFO inventory costing method.

(iv) 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.

VILLAGE OF DELBURNE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

2. CASH AND CASH EQUIVALENTS

	2013	2012
	\$	\$
Cash	225,718	193,948
Guaranteed investment certificates	<u>456,793</u>	<u>-</u>
	<u><u>682,511</u></u>	<u><u>193,948</u></u>

Council has designated funds of \$721,242 (2012 - \$810,749) included in the above amounts as restricted surplus.

Included in cash is a restricted balance of \$22,039 (2012 - \$99,956) related to various deferred revenues (Note 5).

Guaranteed investment certificates mature at dates between February and May 2014 and earn interest at rates between 1.50% and 2.15% per annum.

Non-cash transactions

The Village purchased tangible capital assets at a cost of \$NIL (2012 - \$18,712) and entered into a capital lease obligation to finance the acquisition. These amounts have been excluded from the Statement of Cash Flows.

3. TAXES AND GRANTS IN PLACE OF TAXES RECEIVABLE

	2013	2012
	\$	\$
Current taxes and grants in place of taxes	50,373	47,707
Arrears taxes	<u>42,422</u>	<u>46,494</u>
	92,795	94,201
Less: Allowance for uncollectible taxes	<u>-</u>	<u>-</u>
	<u><u>92,795</u></u>	<u><u>94,201</u></u>

4. LONG TERM INVESTMENTS

	2013	2012
	\$	\$
UFA patronage account	1,651	1,651
Guaranteed Investment Certificates	-	451,170
A.M.F.C. shares, at cost	<u>10</u>	<u>10</u>
	<u><u>1,661</u></u>	<u><u>452,831</u></u>

VILLAGE OF DELBURNE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

5. DEFERRED REVENUE

	2013 \$	2012 \$
FCSS programs	53,413	58,474
Municipal Sustainability Initiatives	22,039	99,956
Prepaid property taxes	17,553	20,097
Land deposits	12,870	78,190
Prepaid utilities	2,756	2,130
Prepaid licenses	335	575
Regional Collaboration Program	-	56,093
Other grants and programs	<u>1,469</u>	<u>20</u>
	<u><u>110,435</u></u>	<u><u>315,535</u></u>

6. LONG TERM DEBT

	2013 \$	2012 \$
Credit Union paving loan, due \$1,605 monthly including interest at prime, maturing May 2020, secured by a general security agreement	118,546	134,006
Tax supported debenture debt, repaid in full during the year	<u>-</u>	<u>41,298</u>
	<u><u>118,546</u></u>	<u><u>175,304</u></u>

Principal and interest payments are as follows:

	Principal \$	Interest \$	Total \$
2014	15,927	3,333	19,260
2015	16,412	2,848	19,260
2016	16,911	2,349	19,260
2017	17,425	1,835	19,260
2018	17,955	1,305	19,260
Thereafter	<u>33,916</u>	<u>972</u>	<u>34,888</u>
	<u><u>118,546</u></u>	<u><u>12,642</u></u>	<u><u>131,188</u></u>

VILLAGE OF DELBURNE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

7. CAPITAL LEASE OBLIGATIONS

	2013 \$	2012 \$
Capital lease due \$4,517 monthly including interest at 3.10%, maturing April 2014. Secured by assets with a carrying value of \$129,583	17,943	70,715
Capital lease due \$1,331 quarterly including interest at 8.90% maturing March 2016. Secured by assets with a carrying value of \$13,098	<u>10,979</u>	<u>15,320</u>
	<u><u>28,922</u></u>	<u><u>86,035</u></u>

Principal and interest payments are as follows:

	Principal \$	Interest \$	Total \$
2014	22,606	783	23,389
2015	5,006	325	5,331
2016	<u>1,310</u>	<u>27</u>	<u>1,337</u>
	<u><u>28,922</u></u>	<u><u>1,135</u></u>	<u><u>30,057</u></u>

VILLAGE OF DELBURN
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

8. 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 municipality be disclosed as follows:

	2013 \$	2012 \$
Total debt limit	2,405,096	2,289,959
Total debt	<u>147,466</u>	<u>261,339</u>
Amount of debt limit (exceeded) available	<u>2,257,630</u>	<u>2,028,620</u>
Debt servicing limit	400,849	381,660
Debt servicing	<u>42,649</u>	<u>122,317</u>
Amount of debt servicing limit (exceeded) available	<u>358,200</u>	<u>259,343</u>

The debt limit is calculated at 1.5 times revenue of the municipality (as defined in Alberta Regulation 255/00) and the debt service limit is calculated at 0.25 times such revenue. Incurring debt beyond these limitations requires approval by the Minister of Municipal Affairs. These thresholds are guidelines used by Alberta Municipal Affairs to identify municipalities that could be at financial risk if further debt is acquired. The calculation taken alone does not represent the financial stability of the municipality. Rather, the financial statements must be interpreted as a whole.

9. EQUITY IN TANGIBLE CAPITAL ASSETS

	2013 \$	2012 \$
Tangible capital assets (Schedule 2)	11,089,844	10,533,410
Accumulated amortization (Schedule 2)	(4,030,101)	(3,736,843)
Long term debt (Note 6)	(118,546)	(175,304)
Capital lease obligation (Note 7)	<u>(28,922)</u>	<u>(86,035)</u>
	<u>6,912,275</u>	<u>6,535,228</u>

VILLAGE OF DELBURNE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

10. RESTRICTED SURPLUS

	2012	Increases	Decreases	2013
	\$	\$	\$	\$
Administration	12,952	1,076	-	14,028
Bunker gear	5,800	-	-	5,800
Citizen's Watch	4,917	-	-	4,917
Council golf tournament	4,628	-	(224)	4,404
Disaster	380	-	-	380
Economic development	7,492	-	-	7,492
Family and community support	10,320	-	(3,390)	6,930
Fire department	131,493	-	-	131,493
General contingency	126,582	-	(39,788)	86,794
Healthy communities	1,556	-	-	1,556
Lifeline	2,768	-	(50)	2,718
Public works	35,069	5,235	(29,643)	10,661
Recreation	50,052	38,002	(62,919)	25,135
Subdivision	50,561	-	(19,500)	31,061
Transportation	29,945	6,282	-	36,227
Water	195,451	25,000	(9,588)	210,863
Waste water	<u>140,783</u>	<u>-</u>	<u>-</u>	<u>140,783</u>
Total	<u>810,749</u>	<u>75,595</u>	<u>(165,102)</u>	<u>721,242</u>

VILLAGE OF DELBURNE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

11. SALARY & BENEFITS DISCLOSURE

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

	2013			2012
	Salary(1)	Benefits & Allowances(2)	Total	Total
	\$	\$	\$	\$
Mayor Reckseidler	11,750	-	11,750	11,005
Councillor McKenzie	4,830	102	4,932	7,820
Councillor Paradon	5,425	49	5,474	7,649
Councillor Dushanek	8,465	121	8,586	8,429
Councillor Brett	4,205	38	4,243	5,796
Councillor Wilson	2,520	40	2,560	-
Councillor Hogan	3,500	72	3,572	-
Councillor Faulk	1,855	47	1,902	-
Karen Fegan, CAO	68,237	6,748	74,985	69,740

- (1) Salary includes regular base pay, bonuses, overtime, lump sum payments, gross honoraria and any other direct cash remuneration.
- (2) Employer's share of all employee benefits and contributions or payments made on behalf of employees including 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.

12. CONTINGENCIES

The Village of Delburne is a member of the Alberta Municipal Insurance Exchange (MUNIX). Under the terms of the membership, the Village of Delburne 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 Village of Delburne is a member municipality of the Central Alberta Waste Management Authority and provides funds for operations on an annual basis. The Authority is accumulating reserves to fund any future site cleanup obligations. The member municipalities may be liable for future costs in excess of the restricted surplus.

VILLAGE OF DELBURNE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

12. CONINGENCIES - Continued

The Village of Delburne and the City of Red Deer through a joint agreement provide funds for the operation of the Delburne Family and Community Support Services. The amounts presented in this financial statement represent only the Village of Delburne portion of contributions made to F.C.S.S.

13. FINANCIAL INSTRUMENTS

The Village is exposed to various risks through its financial instruments. The following analysis provides a measure of the Village's risk exposure and concentrations at the balance sheet date.

Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

Interest Rate Risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Village is exposed to interest rate risk on bank indebtedness and fixed rate investments as the interest rates vary with changes in the prime lending rate.

Operating Lines of Credit

At December 31, 2013, the Village had short-term bank lines of credit aggregating \$50,000 (2012 - \$50,000) of which \$NIL (2012 - \$NIL) had been drawn down. Lines of credit are revolving operating and term facilities that bear interest at prime. They are reviewed annually and secured by a general security agreement.

Credit Risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

The Village is subject to credit risk with respect to taxes and grants in place of taxes receivable and trade and other receivables. Credit risk arises from the possibility that taxpayers and entities to which the Village provides services may experience financial difficulty and be unable to fulfill their obligations. The large number and diversity of taxpayers and customers minimizes the credit risk. The carrying value of accounts receivable reflects management's assessment of credit risk.

VILLAGE OF DELBURNE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

14. COMPARATIVE AMOUNTS

Certain 2012 comparative figures have been reclassified in order to conform with the financial statement presentation for 2013.

15. PRIOR PERIOD ADJUSTMENTS AND CHANGE IN ACCOUNTING POLICY

The Village has restated its' financial statements to comply with the provisions of Section 3510 of the Public Sector Accounting Board Handbook, which requires governments to record their local improvement taxes as revenue and accounts receivable in the year they are levied. This also creates a liability for any taxes owed to another government entity.

	2012 \$
Adjustments to opening accumulated surplus:	
As previously reported	6,733,792
Adjustment to local improvement taxes receivable	60,557
Adjustment to prepaid local improvement taxes	<u>3,975</u>
As restated	<u><u>6,798,324</u></u>
Adjustments to excess (shortfall) of revenues over expenses:	
As previously reported	621,598
Local improvement tax collections previously reported as revenue	<u>(5,046)</u>
As restated	<u><u>616,552</u></u>
Adjustments to Statement of Financial Position:	
Record historical local improvement taxes receivable	55,511
Adjust deferred revenue for prepaid local improvement taxes	(3,975)

16. SEGMENTED DISCLOSURE

The Village of Delburne provides a range of services to its ratepayers. For each reported segment, revenues and expenses represent both amounts that are directly attributable to the segment and amounts that are allocated on a reasonable basis. The accounting policies used in these segments are consistent with those followed in the preparation of the financial statements as disclosed in Note 1.

Refer to the Schedule 6 – Segmented Disclosure.

17. APPROVAL OF FINANCIAL STATEMENTS

Council and Management have approved these financial statements.