

**TOWN OF LAMONT**  
**Financial Statements**  
**Year Ended December 31, 2013**



**Wilde and Company**

**Chartered Accountants**

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## INDEPENDENT AUDITOR'S REPORT

To the Mayor and Council of Town of Lamont

### Report on the Financial Statements

We have audited the accompanying financial statements of Town of Lamont, which comprise the statement of financial position as at December 31, 2013 and the statements of changes in net assets, operations, 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.

### Opinion

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

In our opinion, the financial statements present fairly, in all material respects, the financial position of Town of Lamont as at December 31, 2013 and the results of its operations and its cash flows for the year then ended in accordance with Canadian Public Sector Accounting Standards.

Vegreville, AB  
March 25, 2014

*Wilde and Company*  
Chartered Accountants

**TOWN OF LAMONT**  
**Consolidated Statement of Financial Position**  
**As at December 31, 2013**

	2013	2012
	\$	\$
<b>ASSETS</b>		
<b>Financial Assets</b>		
Cash and temporary investments (Note 4)	4,731,819	3,833,304
Receivables		
Taxes and grants in place of taxes receivable (Note 5)	168,212	162,303
Due from governments	82,050	56,403
Trade and other receivables	210,237	219,917
Land held for resale	132,000	127,000
Investments (Note 6)	10	10
	<b>5,324,328</b>	<b>4,398,937</b>
<b>LIABILITIES</b>		
Accounts payable and accrued liabilities	316,845	301,012
Deposit liabilities	22,750	22,750
Deferred revenue (Note 8)	406,500	406,500
Long term debt (Note 10)	1,749,634	622,375
	<b>2,495,729</b>	<b>1,352,637</b>
<b>NET FINANCIAL ASSETS</b>	<b>2,828,599</b>	<b>3,046,300</b>
<b>NON-FINANCIAL ASSETS</b>		
Tangible capital assets (Schedule 2)	16,171,299	15,520,629
Inventory for consumption	500	500
	<b>16,171,799</b>	<b>15,521,129</b>
<b>ACCUMULATED SURPLUS (Schedule 1, Note 13)</b>	<b>19,000,398</b>	<b>18,567,429</b>

Contingencies (Note 17)

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

	Budget \$ (Unaudited)	2013 \$	2012 \$
<b>Revenues</b>			
Net municipal taxes (Schedule 3)	1,513,690	1,584,477	1,554,400
User fees and sales of goods	1,053,200	1,036,125	1,001,518
Government transfers for operating (Schedule 4)	500,194	505,905	490,352
Investment income	44,000	59,703	50,051
Penalties and costs on taxes	53,000	31,754	48,155
Fines, licenses and permits	13,810	15,017	10,376
Franchise fees	170,000	185,590	150,975
Gain on disposal of assets	-	63,651	12,150
Other	211,220	187,245	249,054
<b>Total revenue</b>	<b>3,559,114</b>	<b>3,669,467</b>	<b>3,567,031</b>
<b>Expenses</b>			
Administration and legislative	636,451	554,699	655,481
Fire protection and safety services	137,623	170,101	167,621
Bylaw enforcement	18,750	14,680	11,869
Common services	419,883	398,798	414,523
Roads, streets, walks, lighting	337,921	571,020	582,220
Storm sewers and drainage	7,000	952	686
Water supply and distribution	328,200	596,939	486,358
Wastewater treatment and disposal	21,100	129,683	136,820
Waste management	252,190	254,755	264,619
Family and community support	49,750	42,348	43,162
Cemetery	3,600	2,600	3,338
Community service	43,697	23,809	38,303
Subdivision land and development	87,100	124,341	108,844
Parks and recreation	677,084	716,374	625,053
Culture	8,200	7,357	9,462
<b>Total expenses</b>	<b>3,028,549</b>	<b>3,608,456</b>	<b>3,548,359</b>
<b>Excess (deficiency) of revenue over expenses - before other</b>	<b>530,565</b>	<b>61,011.00</b>	<b>18,672</b>
<b>Other</b>			
Contributed land held for resale	-	5,000	-
Government transfers for capital (Schedule 4)	366,958	366,958	361,588
<b>Excess of revenues over expenses</b>	<b>897,523</b>	<b>432,969</b>	<b>380,260</b>
Accumulated surplus - beginning of the year	18,567,429	18,567,429	18,187,169
Accumulated surplus - end of the year	19,464,952	19,000,398	18,567,429

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

	<b>Budget</b> <b>\$</b> <b>(Unaudited)</b>	<b>2013</b> <b>\$</b>	<b>2012</b> <b>\$</b>
<b>Excess of revenues over expenses</b>	897,523	432,969	380,260
Acquisition of tangible capital assets	(4,095,551)	(1,472,904)	(840,623)
Proceeds on disposal of tangible capital assets	-	63,651	12,150
Write down of capital assets	-	9,840	-
Amortization of tangible capital assets	-	812,394	778,050
Net loss (gain) on sale of tangible capital assets	-	(63,651)	(12,150)
	(4,095,551)	(650,670)	(62,573)
<b>(Increase) Decrease in net debt</b>	(3,198,028)	(217,701)	317,687
<b>Net Financial assets (Debt), beginning of year</b>	3,046,300	3,046,300	2,728,613
<b>Net Financial assets (Debt), end of year</b>	(151,728)	2,828,599	3,046,300

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

	2013	2012
	\$	\$
<b>Operating</b>		
Excess (deficiency) of revenue over expenses	432,969	380,260
Net changes in non-cash items included in excess of revenues over expenses		
Amortization of tangible capital assets	812,394	778,050
Gain on disposal of tangible capital assets	(63,651)	(12,150)
Write down of tangible capital assets	9,840	-
Net changes in non-cash charges to operation		
Decrease (increase) in taxes and grants in lieu receivable	(5,909)	(39,059)
Decrease (increase) in government receivables	(25,647)	914
Decrease (increase) in trade and other receivables	9,682	108,608
Increase (decrease) in land held for resale	(5,000)	-
Increase (decrease) in revolving loan	-	(67,372)
Increase (decrease) in accounts payable and accrued liabilities	15,831	(9,514)
Increase (decrease) in deposit liabilities	-	3,400
Increase (decrease) in deferred revenues	-	-
	747,540	762,877
<i>Cash provided by operating transactions</i>	1,180,509	1,143,137
<b>Capital</b>		
Acquisition of tangible capital assets	(1,472,904)	(840,623)
Sale of tangible capital assets	63,651	12,150
<i>Cash applied to capital transactions</i>	(1,409,253)	(828,473)
<b>Financing</b>		
Long term debt issued	1,143,000	-
Long term debt repaid	(15,741)	(16,548)
<i>Cash used in financing transactions</i>	1,127,259	(16,548)
<b>Change in cash and cash equivalents during the year</b>	<b>898,515</b>	<b>298,116</b>
Cash and cash equivalents, beginning of year	2,807,134	2,509,018
<b>Cash and cash equivalents, end of year</b>	<b>3,705,649</b>	<b>2,807,134</b>
Cash and cash equivalents is made up of:		
Cash and temporary investments (Note 4)	4,731,819	3,833,304
Less: restricted portion of cash and temporary investments (Note 4)	(1,026,170)	(1,026,170)
	3,705,649	2,807,134

**TOWN OF LAMONT**  
**Schedule of Changes in Accumulated Surplus**  
**Year Ended December 31, 2013**  
**Schedule 1**

	2013			2012		
	Unrestricted Surplus	Restricted Operating Reserves	Restricted Capital Reserves	Equity in Capital Assets	\$	\$
Balance, beginning of year	711,165	2,906,340	51,670	14,898,254	18,567,429	18,187,169
Excess (deficiency) of revenues over expenses	432,969	-	-	-	432,969	380,260
Long term debt issued	1,143,000	-	-	(1,143,000)	-	-
Long term debt repayment	(15,741)	-	-	15,741	-	-
Current year funds used for Tangible Capital Assets	(1,472,904)	-	-	1,472,904	-	-
Write down of tangible capital assets	9,840	-	-	(9,840)	-	-
Annual amortization expense	812,394	-	-	(812,394)	-	-
<b>Subtotal</b>	<b>909,558</b>	<b>-</b>	<b>-</b>	<b>(476,589)</b>	<b>432,969</b>	<b>380,260</b>
Balance, end of year	1,620,723	2,906,340	51,670	14,421,665	19,000,398	18,947,689

**TOWN OF LAMONT**  
**Schedule of Tangible Capital Assets**  
**Year Ended December 31, 2013**  
**Schedule 2**

	Land	Buildings	Engineered Structures	Machinery and Equipment	Vehicles	2013 \$	2012 \$
<b>Cost:</b>							
Balance, beginning of year	1,172,000	6,143,133	23,147,988	624,016	633,351	31,720,488	30,936,866
Acquisition of tangible capital assets	-	-	1,452,384	-	20,520	1,472,904	840,623
Construction in progress	-	-	-	-	-	-	-
Disposal of tangible capital assets	-	(1,038,000)	-	-	-	(1,038,000)	(57,001)
Write down of tangible capital assets	-	-	(9,840)	-	-	(9,840)	-
<b>Balance, end of year</b>	<b>1,172,000</b>	<b>5,105,133</b>	<b>24,590,532</b>	<b>624,016</b>	<b>653,871</b>	<b>32,145,552</b>	<b>31,720,488</b>
<b>Accumulated amortization:</b>							
Balance, beginning of year	-	2,966,162	12,639,153	344,726	249,818	16,199,859	15,478,810
Annual amortization	-	103,212	619,505	42,916	46,761	812,394	778,050
Accumulated amortization on disposals	-	(1,038,000)	-	-	-	(1,038,000)	(57,001)
<b>Balance, end of year</b>	<b>-</b>	<b>2,031,374</b>	<b>13,258,658</b>	<b>387,642</b>	<b>296,579</b>	<b>15,974,253</b>	<b>16,199,859</b>
<b>Net book value of tangible capital assets</b>	<b>1,172,000</b>	<b>3,073,759</b>	<b>11,331,874</b>	<b>236,374</b>	<b>357,292</b>	<b>16,171,299</b>	<b>15,520,629</b>
2012 Net book value of tangible capital assets	1,172,000	3,176,971	10,508,835	279,290	383,533		15,520,629



**TOWN OF LAMONT**  
**Schedule of Property and Other Taxes**  
**Year Ended December 31, 2013**  
**Schedule 3**

	<b>Budget</b>	<b>2013</b>	<b>2012</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
	(Unaudited)		
<b>Taxation</b>			
Real property taxes	1,999,935	2,059,711	1,998,473
Linear property	51,000	62,016	52,272
Government grants in place of property taxes	4,100	4,095	4,050
	<b>2,055,035</b>	<b>2,125,822</b>	<b>2,054,795</b>
<b>Requisitions</b>			
Alberta School Foundation Fund	467,724	467,724	436,818
Lamont Seniors Foundation	73,621	73,621	63,577
	<b>541,345</b>	<b>541,345</b>	<b>500,395</b>
<b>Net Municipal Taxes</b>	<b>1,513,690</b>	<b>1,584,477</b>	<b>1,554,400</b>

**TOWN OF LAMONT**  
**Schedule of Government Transfers**  
**Year Ended December 31, 2013**  
**Schedule 4**

	Budget \$ (Unaudited)	2013 \$	2012 \$
<b>Transfers for operating</b>			
Federal Government	6,000	-	208
Provincial Government	345,626	<b>353,166</b>	340,743
Other Local Governments	148,568	<b>152,739</b>	149,401
	500,194	<b>505,905</b>	490,352
<b>Transfers for Capital</b>			
Provincial Government	366,958	<b>366,958</b>	361,588
<b>Total Government Transfers</b>	867,152	<b>872,863</b>	851,940

**TOWN OF LAMONT**  
**Schedule of Consolidated Expenses by Object**  
**Year Ended December 31, 2013**  
**Schedule 5**

	Budget \$ (Unaudited)	2013 \$	2012 \$
<b>Consolidated Expenses by Object</b>			
Salaries, wages and benefits	1,058,334	907,008	848,214
Contracted and general services	835,670	801,753	786,956
Materials, goods, supplies and utilities	1,275,956	1,027,795	1,023,665
Provision for allowances	11,300	9,000	69,930
Transfers to local boards and agencies	31,800	8,169	9,462
Interest on long term debt	67,685	32,497	32,082
Write down of tangible capital assets	-	9,840	-
Amortization of tangible capital assets	468,700	812,394	778,050
	<b>3,749,445</b>	<b>3,608,456</b>	<b>3,548,359</b>

**TOWN OF LAMONT**  
**Schedule of Segmented Disclosure**  
**Year Ended December 31, 2013**  
**Schedule 6**

	General Government	Protective Services	Transportation Services	Environmental Services	Planning & Development	Recreation & Culture	Other	Total
								\$
<b>Revenue</b>								
Net municipal taxes	-	-	-	-	-	-	1,584,477	1,584,477
Government transfers	367,958	99,171	197,915	-	-	170,236	37,583	872,863
User fees and sales of goods	3,950	-	-	1,028,629	-	2,546	1,000	1,036,125
Investment income	5,766	-	-	-	-	-	53,937	59,703
Other revenues	12,979	1,300	70,851	6,389	7,430	169,373	219,935	489,257
	390,653	100,471	268,766	1,035,018	7,430	342,155	1,896,932	4,041,425
<b>Expenses</b>								
Salaries, wages and benefits	317,342	47,275	268,281	6,481	-	239,102	28,527	907,008
Contracted and general services	145,286	48,676	75,535	293,197	124,341	108,716	6,002	801,753
Materials, goods, supplies and utilities	58,252	45,092	202,157	381,566	-	306,500	34,228	1,027,795
Transfers to local boards and agencies	-	-	-	-	-	7,357	-	7,357
Interest on long term debt	-	-	31,117	1,380	-	-	-	32,497
Other expenses	9,812	-	-	9,840	-	-	-	19,652
	530,692	141,043	577,090	692,464	124,341	661,675	68,757	2,796,062
<b>Net revenue before amortization</b>	(140,039)	(40,572)	(308,324)	342,554	(116,911)	(319,520)	1,828,175	1,245,363
Amortization of tangible capital assets	24,007	43,738	392,728	289,865	-	62,056	-	812,394
<b>Net revenue (cost)</b>	(164,046)	(84,310)	(701,052)	52,689	(116,911)	(381,576)	1,828,175	432,969
<b>Net revenue (cost) - 2012</b>	(256,067)	(60,260)	(758,931)	108,975	(104,850)	(291,356)	1,742,749	380,260

**TOWN OF LAMONT**  
**Notes to Financial Statements**  
**Year Ended December 31, 2013**

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1. Significant accounting policies

The financial statements of the municipality 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 municipality are as follows:

Reporting entity

The financial statements reflect the assets, liabilities, revenues and expenditures, changes in fund balances 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 municipality and are, therefore, accountable to Council for the administration of their financial affairs and resources.

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.

Property tax revenue is recognized when the tax is levied.

Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles 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 LAMONT**  
**Notes to Financial Statements**  
**Year Ended December 31, 2013**

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1. Significant accounting policies (*continued*)

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.

Cash and cash equivalents

Cash includes cash and cash equivalents. Cash equivalents are investments in GIC's and are valued at cost plus accrued interest. The carrying amounts approximate fair value because they have maturities at the date of purchase of less than one year.

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.

Inventories for resale

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

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.

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**TOWN OF LAMONT**  
**Notes to Financial Statements**  
**Year Ended December 31, 2013**

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1. Significant accounting policies (*continued*)

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 Change in Net Financial Assets (Debt) for the year.

a) 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:

	<b>YEARS</b>
Land improvements	20
Buildings	50
Engineered structures	
Water system	40
Wastewater system	40
Other engineered structures	20-40
Machinery and equipment	10-15
Vehicles	10-20

Assets acquired during the year will be amortized that year in accordance with the useful lives stated above. Assets disposed of in the year are not amortized in the year of disposal. Assets under construction are not amortized until the asset is available for productive use.

b) 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.

c) 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.

d) Inventories

Inventories held for consumption are recorded at the lower of cost and replacement cost.

e) Cultural and historical tangible capital assets

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

**TOWN OF LAMONT**  
**Notes to Financial Statements**  
**Year Ended December 31, 2013**

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2. Adoption of recent accounting pronouncements

The following new accounting standards have been issued by the Canadian Institute of Chartered Accountants (CICA). These sections are effective for fiscal periods beginning on or after April 1, 2012 and have been applied prospectively.

Section PS 3410 - Government Transfers

This section establishes standards on how to account for and report government transfers to individuals, organizations, and other governments from both a transferring government and a recipient government perspective. There was no significant effect of adopting this accounting policy on the 2013 financial statements. This standard was adopted as it was issued by the Canadian Institute of Chartered Accountants (CICA).

Section PS 3510 - Tax Revenue

This new standard establishes recognition, measurement, presentation, and disclosure standards relating to tax revenue reported in financial statements. There was no significant effect of adopting this accounting policy on the 2013 financial statements. This standard was adopted as it was issued by the Canadian Institute of Chartered Accountants (CICA).

3. Recent accounting pronouncements published but not yet adopted

The following accounting standards have been issued by the Canadian Institute of Chartered Accountants (CICA) but are not yet effective. The municipality is currently evaluating the effect of adopting these standards on their financial statements.

Section PS 3260 - Liability for Contaminated Sites

This new section establishes recognition, measurement, and disclosure standards for liabilities relating to contaminated sites of governments and those organizations applying the CICA Public Sector Accounting Handbook. This section is effective for fiscal periods beginning on or after April 1, 2014.

Section PS 3450 - Financial Instruments

This new section establishes standards for recognizing and measuring financial assets, financial liabilities and non-financial derivatives. In conjunction with this new section, section PS 1201 and section PS 2601 have been amended as a consequence of the introduction of new financial instruments standards. These amendments were required to present the associated gains and losses with financial instruments recognized under the new section. The new section and the related amendments are effective for fiscal periods beginning on or after April 1, 2016.

For government organizations, as defined in Section PS 1300, the new section and related amendments are effective for fiscal periods beginning on or after April 1, 2012.



**TOWN OF LAMONT**  
**Notes to Financial Statements**  
**Year Ended December 31, 2013**

4. Cash and temporary investments

	2013	2012
Cash	\$ 416,724	\$ 561,658
Temporary investments	4,315,095	3,271,646
	<b>\$ 4,731,819</b>	<b>\$ 3,833,304</b>

Temporary investments are short term deposits and guaranteed investment certificates with original maturities of one year or less.

The guaranteed investment certificates mature from March 2014 to September 2014 and bear interest at 1.5% to 2.04%.

Included in temporary investments is a restricted amount of \$1,026,170 (2012 - \$1,026,170) consisting of deferred revenue, the subdivision development reserve of \$568,000, and unexpended capital funding of \$51,670.

5. Taxes and grants in place of taxes receivable

	2013	2012
Current taxes and grants in place of taxes	\$ 155,988	\$ 163,563
Arrears taxes	120,859	107,375
	<b>276,847</b>	<b>270,938</b>
Less: allowance for doubtful accounts	<b>(108,635)</b>	<b>(108,635)</b>
	<b>\$ 168,212</b>	<b>\$ 162,303</b>

6. Investments

	2013	2012
AMFC shares	\$ 10	\$ 10

7. Revolving loan

The municipality has a \$800,000 revolving line of credit of which \$nil (2012 - \$nil) was in use as at December 31, 2013. Bank advances on the credit line are payable on demand and bear interest at prime less 0.25%. The credit line is secured by a general security agreement.

**TOWN OF LAMONT**  
**Notes to Financial Statements**  
**Year Ended December 31, 2013**

8. Deferred revenue

	2013	2012
Developer - letter of credit	\$ 406,500	\$ 406,500

Included in deferred revenue, is \$406,500 received when the Town called a letter of credit related to a development agreement. The proceeds from this letter of credit are to be used to fund any future costs needed to complete the development project.

9. Employee benefit obligations

The municipality has accumulating non-vesting sick leave benefits.

10. Long term debt

	2013	2012
Tax supported debentures	\$ 1,749,634	\$ 622,375

Principal and interest repayments are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 77,416	\$ 67,686	\$ 145,102
2015	80,303	64,800	145,103
2016	83,301	61,801	145,102
2017	86,416	58,686	145,102
2018	89,652	55,450	145,102
Thereafter	1,332,546	381,996	1,714,542
	<u>\$ 1,749,634</u>	<u>\$ 690,419</u>	<u>\$ 2,440,053</u>

The current portion of the long term debt amounts to \$77,416 (2012 - \$16,549).

Debenture debt is repayable to the Alberta Capital Finance Authority and bears interest at a rate of 3.295% to 5.066% per annum and matures in December 2028 and March 2034. The average annual interest rate is 4.181% for 2013 (5.066% for 2012).

Debenture debt is issued on the credit and security of the municipality at large.

Interest on long term debt amounted to \$32,497 (2012 - \$32,082).

The municipality's total cash payments for interest in 2013 were \$31,363 (2012 - \$31,217).

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11. 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	\$ 5,489,441	\$ 5,350,547
Total debt	(1,749,634)	(622,375)
<b>Amount of debt limit unused</b>	<b>\$ 3,739,807</b>	<b>\$ 4,728,172</b>
Debt servicing limit	\$ 914,907	\$ 891,758
Debt servicing	(145,102)	(47,912)
<b>Amount of debt servicing limit unused</b>	<b>\$ 769,805</b>	<b>\$ 843,846</b>

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.

12. Equity in tangible capital assets

	2013	2012
Tangible capital assets (Schedule 2)	\$ 32,145,552	\$ 31,720,488
Accumulated amortization (Schedule 2)	(15,974,253)	(16,199,859)
Long term debt (Note 8)	(1,749,634)	(622,375)
	<b>\$ 14,421,665</b>	<b>\$ 14,898,254</b>

13. Accumulated surplus

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

	2013	2012
Unrestricted surplus	\$ 1,620,723	\$ 711,165
Restricted surplus		
Capital account	51,670	51,670
Operating	2,906,340	2,906,340
Equity in tangible capital assets	14,421,665	14,898,254
	<b>\$ 19,000,398</b>	<b>\$ 18,567,429</b>

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14. Segmented disclosure

The municipality 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 of Segmented Disclosure (schedule 6).

15. Salary and benefits disclosure

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

			2013	2012
	Salary	(1)	Benefits & allowances (2)	
B. Skinner - Mayor	\$	10,400	\$ -	\$ 10,400
S. McDonald		4,433	-	5,600
W. Field		5,600	-	5,600
M. Brown		4,433	-	5,600
G. Hrehorets		5,600	-	5,600
S. Sharun		5,600	-	5,400
D. Taylor		1,167	-	-
D. Dunsmore		1,167	-	-
D. Pewarchuk		1,167	-	-
D. Strong		-	-	2,800
Acting Chief Administrative Officer		109,981	21,527	131,508
				122,451

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.

**TOWN OF LAMONT**  
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16. Local authorities pension plan

Employees of the municipality participate in the Local Authorities Pension Plan (LAPP), which is one of the plans covered by the Alberta Public Sector Pension Plans Act. The LAPP serves about 224,000 people and 428 employers. The LAPP is financed by employer and employee contributions and by investment earnings of the LAPP Fund.

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

The municipality 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% on pensionable earnings above this amount. Employees of the municipality 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 municipality to the LAPP in 2013 were \$56,720 (2012 - \$27,479). Total current service contributions by the employees of the municipality to the Local Authorities Pension Plan in 2013 were \$51,480 (2012 - \$24,859).

At December 31, 2012, the LAPP disclosed an actuarial deficiency of \$4.977 billion.

**TOWN OF LAMONT**  
**Notes to Financial Statements**  
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17. Contingencies

The municipality is a member of the Alberta Municipal Insurance Exchange (MUNIX). Under the terms of the membership, the municipality 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 has entered into three separate Master Sales Agreements and three separate Development Agreements with a developer. Each is for the sale of land held by the Town for the development of three different subdivisions within the Town's municipal boundaries. The Town alleges the developer defaulted on its obligations regarding certain conditions of the Master Sales and Development Agreements. As a result, the Town has sought to terminate the agreements and has called a \$406,500 letter of credit held as security against development deficiencies. As disclosed in Note 8 of the financial statements, this amount is included as part of deferred revenue at December 31, 2012 and December 31, 2013.

Also in dispute are 2008 developer invoices totaling \$260,000 for services provided as part of the Development Agreements. The developer alleges the costs incurred were the responsibility of the Town. The Town did not approve the expenditures and therefore did not record an amount as a liability at December 31, 2008, 2009, 2010, 2011, 2012, or 2013. In the event the dispute is not resolved in favour of the Town, the Town will record an amount as an expenditure in the year the dispute is resolved.

The developer has a claim for breach of the Development and Sales Agreements for \$29,000,000. The Town has a counter claim of \$1,000,000 plus interest and costs. Legal counsel believes that the extent of the damages claimed by Jabneel against the Town appears to be an effort to try to intimidate and pressure the Town as opposed to damages being calculated based upon potential lost project profits.

Negotiations regarding the dispute between the Town and the developer are ongoing. The developer has added some Councillors and Town staff members to the lawsuit during 2013. According to the Town's legal advisors, any settlement amount is indeterminable. A court date has been set to determine if the caveats related to the land under the Development Agreement can be lifted. The results of the court decision are indeterminable.

18. Financial instruments

The municipality's financial instruments consist of cash and temporary investments, accounts receivable, investments, debt charges recoverable, bank indebtedness, accounts payable and accrued liabilities, deposit liabilities, requisition over-levy, and long-term debt. It is management's opinion that the municipality is not exposed to significant interest or currency risks arising from these financial instruments.

The municipality is subject to credit risk with respect to taxes and grants in place of taxes receivables and trade and other receivables. Credit risk arises from the possibility that taxpayers and entities to which the municipality provides services may experience financial difficulty and be unable to fulfill their obligations. The large number and diversity of taxpayers and customers minimizes the credit risk.

Unless otherwise noted, the carrying value of the financial instrument approximates fair value.

**TOWN OF LAMONT**  
**Notes to Financial Statements**  
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19. Comparative figures

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

20. Approval of financial statements

Council and Management have approved these financial statements.

21. Budget amounts

Budget amounts are included for information purposes only and are not audited. It should be noted that the budget is not PSAB compliant in that it does not include an estimate for amortization.