

# TOWN OF MAGRATH

## Financial Statements

December 31, 2015

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## **INDEPENDENT AUDITORS' REPORT**

### **To The Mayor and Council of the Town of Magrath**

#### **Report on the Consolidated Financial Statements**

We have audited the accompanying consolidated financial statements of Town of Magrath, which comprise the statement of financial position as at December 31, 2015 and the statements of operations, changes in net financial assets and cash flows for the period 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 the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

#### **Auditors' 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 auditors' 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 auditors consider 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 the Town of Magrath as at December 31, 2015, the results of its operations, change in its net financial assets and its cash flows for the period then ended in accordance with Canadian public sector accounting standards.

Lethbridge, Alberta  
April 26, 2016



Chartered Accountants

**TOWN OF MAGRATH**  
**Consolidated Statement of Financial Position**  
**December 31, 2015**

	2015 \$	2014 \$
<b>FINANCIAL ASSETS</b>		
Cash and temporary investments (Note 2)	922,720	226,797
Receivables		
Taxes and grants in place of taxes (Note 3)	258,503	225,579
Trade and other	602,313	910,660
Land and property held for resale	<u>41,381</u>	<u>39,436</u>
	<u>1,824,917</u>	<u>1,402,472</u>
<b>LIABILITIES</b>		
Accounts payable and accrued liabilities	314,903	255,267
Deferred revenue (Note 4)	704,220	-
Long-term debt (Note 5)	<u>1,026,293</u>	<u>1,128,762</u>
	<u>2,045,416</u>	<u>1,384,029</u>
<b>NET FINANCIAL ASSETS (DEBT)</b>	<u>(220,499)</u>	<u>18,443</u>
<b>NON-FINANCIAL ASSETS</b>		
Tangible capital assets	18,214,405	18,094,206
Inventory for consumption	22,450	21,220
Prepaid expenses and deposits	<u>76,745</u>	<u>81,042</u>
	<u>18,313,600</u>	<u>18,196,468</u>
<b>ACCUMULATED SURPLUS (Schedule 1 and Note 8)</b>	<u><u>18,093,101</u></u>	<u><u>18,214,911</u></u>
<b>CONTINGENCIES (Note 12)</b>		



**TOWN OF MAGRATH**  
**Consolidated Statement of Operations**  
**For the Year Ended December 31, 2015**

	Budget (Unaudited) \$	2015 \$	2014 \$
<b>REVENUE</b>			
Net municipal property taxes (Schedule 3)	1,474,216	1,495,586	1,405,585
User fees and sales of goods	995,000	1,098,797	1,024,000
Government transfers (Schedule 4)	291,160	299,175	288,239
Investment income	6,100	10,947	6,972
Penalties and costs of taxes	50,000	68,301	55,675
Franchise and concession contracts	110,000	116,674	109,071
Land and property sales	-	156,938	320,000
Licenses, permits and fines	34,800	63,584	38,357
Other	18,400	27,973	155,322
	<u>2,979,676</u>	<u>3,337,975</u>	<u>3,403,221</u>
<b>EXPENSES</b>			
Legislative	123,489	127,859	109,697
Administration	579,140	585,974	530,423
Police, fire, ambulance and bylaw enforcement	99,995	98,668	99,506
Roads, streets, walks, lighting	676,930	568,568	618,831
Water, wastewater and waste management	604,424	839,616	781,712
Land use planning, zoning and development	-	12,877	4,320
Cost on land and property sales	-	157,934	304,901
Parks and recreation	462,520	451,580	472,594
Loss on disposal of tangible capital assets	-	25,661	14,175
Other	212,187	215,087	218,008
Amortization	-	526,832	529,773
	<u>2,758,685</u>	<u>3,610,656</u>	<u>3,683,940</u>
<b>DEFICIENCY OF REVENUE OVER EXPENSES BEFORE OTHER</b>	220,991	(272,681)	(280,719)
<b>OTHER</b>			
Government transfers for capital (Schedule 4)	960,810	150,871	873,371
<b>(DEFICIENCY) EXCESS OF REVENUE OVER EXPENSES</b>	1,181,801	(121,810)	592,652
<b>ACCUMULATED SURPLUS, BEGINNING OF YEAR</b>	<u>18,214,911</u>	<u>18,214,911</u>	<u>17,622,259</u>
<b>ACCUMULATED SURPLUS, END OF YEAR</b>	<u>19,396,712</u>	<u>18,093,101</u>	<u>18,214,911</u>



# TOWN OF MAGRATH

## Consolidated Statement of Change in Net Financial Assets (Debt)

For the Year Ended December 31, 2015

	Budget (Unaudited) \$	2015 \$	2014 \$
<b>(DEFICIENCY) EXCESS OF REVENUES OVER EXPENSES</b>	<u>1,181,801</u>	<u>(121,810)</u>	<u>592,652</u>
Acquisition of tangible capital assets	(642,350)	(688,521)	(1,018,753)
Proceeds on disposal of tangible capital assets	-	15,829	5,000
Amortization of tangible capital assets	-	526,832	529,773
Loss on disposal of tangible capital assets	<u>-</u>	<u>25,661</u>	<u>14,175</u>
	<u>(642,350)</u>	<u>(120,199)</u>	<u>(469,805)</u>
Use (acquisition) of prepaid assets	-	4,297	(20,735)
(Acquisition) of supplies inventory	<u>-</u>	<u>(1,230)</u>	<u>(8,930)</u>
	<u>-</u>	<u>3,067</u>	<u>(29,665)</u>
<b>(INCREASE) DECREASE IN NET DEBT</b>	539,451	(238,942)	93,182
<b>NET FINANCIAL ASSETS (DEBT), BEGINNING OF YEAR</b>	<u>18,443</u>	<u>18,443</u>	<u>(74,739)</u>
<b>NET FINANCIAL ASSETS (DEBT), END OF YEAR</b>	<u><u>557,894</u></u>	<u><u>(220,499)</u></u>	<u><u>18,443</u></u>



**TOWN OF MAGRATH**  
**Consolidated Statement of Cash Flows**  
**For the Year Ended December 31, 2015**

	2015 \$	2014 \$
<b>NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:</b>		
<b>OPERATING</b>		
(Deficiency) excess of revenues over expenses	(121,810)	592,652
Non-cash items included in excess of revenues over expenses		
Amortization of tangible capital assets	526,832	529,773
Loss on disposal of tangible capital assets	25,661	14,175
Non-cash charges to operations (net changes)		
(Increase) in taxes and grants in lieu receivable	(32,924)	(50,213)
Decrease (increase) in trade and other receivables	308,347	(263,699)
(Increase) decrease in land and property held for resale	(1,945)	152,798
(Increase) in inventory for consumption	(1,230)	(8,930)
Decrease (increase) in prepaid expenses and deposits	4,297	(20,735)
Increase (decrease) in accounts payable and accrued liabilities	59,636	(163,574)
Increase in deferred revenue	704,220	-
	<u>1,471,084</u>	<u>782,247</u>
<b>CAPITAL</b>		
Acquisition of tangible capital assets	(688,521)	(1,018,753)
Proceeds on disposal of tangible capital assets	15,829	5,000
	<u>(672,692)</u>	<u>(1,013,753)</u>
<b>FINANCING</b>		
Long-term debt repaid	(102,469)	(96,321)
<b>CHANGE IN CASH AND EQUIVALENTS DURING THE YEAR</b>		
	695,923	(327,827)
<b>CASH AND EQUIVALENTS, BEGINNING OF YEAR</b>	<u>226,797</u>	<u>554,624</u>
<b>CASH AND EQUIVALENTS, END OF YEAR (Note 2)</b>	<u><u>922,720</u></u>	<u><u>226,797</u></u>





**TOWN OF MAGRATH**  
Schedule of Changes in Accumulated Surplus  
For the Year Ended December 31, 2015

**SCHEDULE 1**

	Unrestricted Surplus \$	Restricted Surplus \$	Equity in Tangible Capital Assets \$	2015 \$	2014 \$
<b>BALANCE, BEGINNING OF THE YEAR</b>	1,132,576	116,891	16,965,444	18,214,911	17,622,259
(Deficiency) excess of revenues over expenses	(121,810)	-	-	(121,810)	592,652
Current year funds used for tangible capital assets	(688,521)	-	688,521	-	-
Disposal of tangible capital assets	41,490	-	(41,490)	-	-
Annual amortization expense	526,832	-	(526,832)	-	-
Long-term debt repaid	(102,469)	-	102,469	-	-
Change in accumulated surplus	(344,478)	-	222,668	(121,810)	592,652
<b>BALANCE, END OF YEAR</b>	<u>788,098</u>	<u>116,891</u>	<u>17,188,112</u>	<u>18,093,101</u>	<u>18,214,911</u>



**TOWN OF MAGRATH**  
 Schedule of Tangible Capital Assets  
 For the Year Ended December 31, 2015

**SCHEDULE 2**

	Land \$	Buildings \$	Engineered Structures \$	Machinery & Equipment \$	Vehicles \$	2015 \$	2014 \$
<b>COST:</b>							
BALANCE, BEGINNING OF YEAR	1,675,985	4,453,383	18,776,377	1,887,633	163,878	26,957,256	25,968,003
Acquisition of tangible capital assets	-	15,716	548,951	89,375	34,479	688,521	987,691
Disposal of tangible capital assets	-	-	-	(73,300)	-	(73,300)	(29,500)
Construction in progress	-	-	-	-	-	-	31,062
BALANCE, END OF YEAR	<u>1,675,985</u>	<u>4,469,099</u>	<u>19,325,328</u>	<u>1,903,708</u>	<u>198,357</u>	<u>27,572,477</u>	<u>26,957,256</u>
<b>ACCUMULATED AMORTIZATION:</b>							
BALANCE, BEGINNING OF YEAR	-	1,820,000	6,253,165	661,438	128,447	8,863,050	8,343,602
Annual amortization	-	112,041	305,813	98,836	10,142	526,832	529,773
Accumulated amortization on disposals	-	-	-	(31,810)	-	(31,810)	(10,325)
BALANCE, END OF YEAR	-	<u>1,932,041</u>	<u>6,558,978</u>	<u>728,464</u>	<u>138,589</u>	<u>9,358,072</u>	<u>8,863,050</u>
<b>NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS</b>	<u>1,675,985</u>	<u>2,537,058</u>	<u>12,766,350</u>	<u>1,175,244</u>	<u>59,768</u>	<u>18,214,405</u>	<u>18,094,206</u>
2014 NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	<u>1,675,985</u>	<u>2,633,383</u>	<u>12,523,212</u>	<u>1,226,195</u>	<u>35,431</u>	<u>18,094,206</u>	

**TOWN OF MAGRATH**  
**Schedule of Property Taxes Levied**  
**For the Year Ended December 31, 2015**

**SCHEDULE 3**

	Budget (Unaudited) \$	2015 \$	2014 \$
<b>TAXATION</b>			
Real property taxes	1,945,552	1,967,596	1,886,656
Linear property taxes	<u>42,511</u>	<u>41,837</u>	<u>42,149</u>
	<u>1,988,063</u>	<u>2,009,433</u>	<u>1,928,805</u>
<b>REQUISITIONS</b>			
Alberta School Foundation Fund	474,952	474,952	484,893
Seniors foundation	<u>38,895</u>	<u>38,895</u>	<u>38,327</u>
	<u>513,847</u>	<u>513,847</u>	<u>523,220</u>
<b>NET MUNICIPAL PROPERTY TAXES</b>	<u><u>1,474,216</u></u>	<u><u>1,495,586</u></u>	<u><u>1,405,585</u></u>



**TOWN OF MAGRATH**  
**Schedule of Government Transfers**  
**For the Year Ended December 31, 2015**

**SCHEDULE 4**

	Budget (Unaudited) \$	2015 \$	2014 \$
<b>TRANSFERS FOR OPERATIONS</b>			
Provincial Government	247,798	255,011	250,579
Other Local Governments	<u>43,362</u>	<u>44,164</u>	<u>37,660</u>
	<u>291,160</u>	<u>299,175</u>	<u>288,239</u>
<b>TRANSFERS FOR CAPITAL</b>			
Provincial Government	960,810	133,300	526,672
Other Local Governments	<u>-</u>	<u>17,571</u>	<u>346,699</u>
	<u>960,810</u>	<u>150,871</u>	<u>873,371</u>
	<u><b>1,251,970</b></u>	<u><b>450,046</b></u>	<u><b>1,161,610</b></u>



**TOWN OF MAGRATH**  
**Schedule of Consolidated Expenditures by Object**  
**For the Year Ended December 31, 2015**

**SCHEDULE 5**

	Budget (Unaudited) \$	2015 \$	2014 \$
<b>EXPENDITURES</b>			
Salaries, wages and benefits	1,203,405	1,198,388	1,206,000
Contracted and general services	453,283	498,414	459,948
Materials, goods, and utilities	968,475	1,229,328	1,334,863
Transfers to local boards and agencies	67,200	71,173	69,636
Bank charges and short-term interest	5,000	3,068	4,981
Interest on long-term debt	61,321	57,792	64,564
Amortization	-	526,832	529,773
Loss on disposal of tangible capital assets	-	25,661	14,175
<b>TOTAL EXPENDITURES</b>	<b><u>2,758,684</u></b>	<b><u>3,610,656</u></b>	<b><u>3,683,940</u></b>





**TOWN OF MAGRATH**  
 Schedule of Segmented Disclosure  
 For the Year Ended December 31, 2015

**SCHEDULE 6**

	General Government \$	Protective Services \$	Transportation Services \$	Planning & Development \$	Recreation & Culture \$	Environmental Services \$	Total \$
<b>REVENUE</b>							
Net municipal taxes	1,495,586	-	-	-	-	-	1,495,586
Government transfers	25,000	-	-	-	291,991	133,055	450,046
User fees and sales of goods	-	-	-	-	123,113	975,684	1,098,797
Investment income	10,947	-	-	-	-	-	10,947
Other revenue	<u>202,336</u>	<u>41,162</u>	-	<u>184,919</u>	<u>2,583</u>	<u>2,470</u>	<u>433,470</u>
	<u>1,733,869</u>	<u>41,162</u>	-	<u>184,919</u>	<u>417,687</u>	<u>1,111,209</u>	<u>3,488,846</u>
<b>EXPENSES</b>							
Contracted and general services	272,297	57,703	32,595	12,877	31,224	91,718	498,414
Salaries, wages and benefits	384,836	38,924	235,802	-	367,711	171,115	1,198,388
Materials, goods, and utilities	49,566	2,041	300,171	157,934	200,625	518,991	1,229,328
Transfers to local boards and agencies	4,066	-	-	-	67,107	-	71,173
Interest on long-term debt	-	-	-	-	-	57,792	57,792
Other expenses	<u>3,068</u>	-	<u>25,661</u>	-	-	-	<u>28,729</u>
	<u>713,833</u>	<u>98,668</u>	<u>594,229</u>	<u>170,811</u>	<u>666,667</u>	<u>839,616</u>	<u>3,083,824</u>
<b>NET REVENUE BEFORE AMORTIZATION</b>	<b>1,020,036</b>	<b>(57,506)</b>	<b>(594,229)</b>	<b>14,108</b>	<b>(248,980)</b>	<b>271,593</b>	<b>405,022</b>
Amortization expense	<u>2,325</u>	<u>11,587</u>	<u>204,294</u>	-	<u>65,134</u>	<u>243,492</u>	<u>526,832</u>
<b>NET REVENUE</b>	<u><b>1,017,711</b></u>	<u><b>(69,093)</b></u>	<u><b>(798,523)</b></u>	<u><b>14,108</b></u>	<u><b>(314,114)</b></u>	<u><b>28,101</b></u>	<u><b>(121,810)</b></u>

**TOWN OF MAGRATH**  
**Notes to Financial Statements**  
**For the Year Ended December 31, 2015**

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**1. Significant Accounting Policies**

The consolidated financial statements of the Town of Magrath 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 of Magrath are as follows:

a) Reporting Entity -

The consolidated financial statements reflect the assets, liabilities, revenues and expenditures, changes in fund balances and change in financial position of the reporting entity. The 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.

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.

b) 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 measureable. Expenses are recognized as they are incurred and measureable 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.

c) 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.

d) 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 their respective function.



**TOWN OF MAGRATH**  
**Notes to Financial Statements**  
**For the Year Ended December 31, 2015**

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**1. Significant Accounting Policies (continued)**

- e) Prepaid Local Improvement Charges -  
 Construction and borrowing costs associated with local improvement projects are recovered through annual special assessments during the period of the related borrowings. These levies are collectible from property owners for work performed by the municipality.

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

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

- f) 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.

- g) 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.

- h) 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 Asset (Debt) for the year.

- 1) 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:

	<u>YEARS</u>
Land Improvements	15-20
Buildings	25-50
Engineered Structures	
Water System	35-75
Wastewater System	35-75
Other Engineered Structures	15-40
Machinery and Equipment	5-20
Vehicles	5-20

A full year of amortization is charged in the year of acquisition and no amortization is charged in the year of disposal. Assets under construction are not amortized until the asset is available for productive use.



**TOWN OF MAGRATH**  
**Notes to Financial Statements**  
**For the Year Ended December 31, 2015**

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**1. Significant Accounting Policies (continued)**

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) Inventories -

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

**2. Cash and Temporary Investments**

	2015 \$	2014 \$
Cash on hand	400	400
Cash	732,237	38,040
Temporary Investments	<u>190,083</u>	<u>188,357</u>
	<u>922,720</u>	<u>226,797</u>

The town has a demand line of credit with 1st Choice Savings & Credit Union with an authorized limit of \$450,000 which bears interest at the prime rate plus 1%. None was being used at year end. Security pledged consists of an assignment of property taxes.

Temporary investments are short and long-term deposits with interest rates of 0.70% to 1.30% (2014 - 0.60% to 1.15%) and mature from February, 2016 to November, 2016.

**3. Taxes and Grants in Place of Taxes Receivables**

	2015 \$	2014 \$
Current taxes and grants in place of taxes	181,068	170,677
Arrears taxes	<u>77,435</u>	<u>54,902</u>
	<u>258,503</u>	<u>225,579</u>



**TOWN OF MAGRATH**  
**Notes to Financial Statements**  
**For the Year Ended December 31, 2015**

**4. Deferred Revenue**

	2015 \$	2014 \$
Alberta Community Partnership Grants	691,257	-
Agrium Grant	<u>12,963</u>	<u>-</u>
	<u><u>704,220</u></u>	<u><u>-</u></u>

**5. Long-term Debt**

	2015 \$	2014 \$
Bank loans	858,112	945,656
Self-supported debentures	<u>168,181</u>	<u>183,106</u>
	<u><u>1,026,293</u></u>	<u><u>1,128,762</u></u>

The current portion of long-term amounts to \$109,005, (2014 - \$102,448)

Principal and interest repayments are as follows:

	<u>Principal</u> \$	<u>Interest</u> \$	<u>Total</u> \$
2016	109,005	54,764	163,769
2017	116,025	47,744	163,769
2018	89,073	40,224	129,297
2019	93,930	35,367	129,297
2020	99,068	30,229	129,297
Thereafter	<u>519,192</u>	<u>82,373</u>	<u>601,565</u>
	<u><u>1,026,293</u></u>	<u><u>290,701</u></u>	<u><u>1,316,994</u></u>

Debenture debt is repayable to the Alberta Capital Finance Authority and bears interest at rates ranging from 4.365% to 9.875% per annum, before provincial subsidy and matures in periods 2017 to 2027. For qualifying debentures, the Province of Alberta rebates 60% of interest in excess of 8%, 9%, and 11% to a maximum annual rate of 12.5%, depending on the date borrowed. Debenture debt is issued on the credit and security of the Town of Magrath at large.

Other debenture debt is repayable to 1st Choice Savings and Credit Union, bearing interest at 4.50% per annum and matures in 2024.

Interest on long-term debt amounted to \$57,792 (2014 - \$64,564).



**TOWN OF MAGRATH**  
**Notes to Financial Statements**  
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**6. 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 be disclosed as follows:

	2015 \$	2014 \$
Total debt limit	5,006,963	5,104,832
Total debt	<u>1,026,293</u>	<u>1,128,762</u>
Total unused debt limit	<u>3,980,670</u>	<u>3,976,070</u>
Service on debt limit	834,494	850,805
Service on debt	<u>163,769</u>	<u>163,769</u>
Amount of unused service on debt	<u>670,725</u>	<u>687,036</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.

**7. Equity in Tangible Capital Assets**

	2015 \$	2014 \$
Capital assets (Schedule 2)	27,572,477	26,957,256
Accumulated amortization (Schedule 2)	(9,358,072)	(8,863,050)
Long-term debt (Note 5)	<u>(1,026,293)</u>	<u>(1,128,762)</u>
	<u>17,188,112</u>	<u>16,965,444</u>

**8. Accumulated Surplus**

	2015 \$	2014 \$
Unrestricted surplus	788,098	1,132,576
Restricted surplus:		
Capital reserves		
Parks and Recreation	116,891	116,891
Equity in tangible capital assets	<u>17,188,112</u>	<u>16,965,444</u>
	<u>18,093,101</u>	<u>18,214,911</u>



**TOWN OF MAGRATH**  
**Notes to Financial Statements**  
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**9. Segmented Disclosure**

The Town of Magrath 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).

**10. Salary and Benefits Disclosure**

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

	Salary (1)	Benefits & Allowances (2)	2015 Total	2014 Total
	\$	\$	\$	\$
Mayor - Russ Barnett	12,500	-	12,500	11,900
Councilor - Gerry Baril	12,400	-	12,400	9,600
- Brenda Beck	13,600	-	13,600	10,700
- DeVar Dahl	10,800	-	10,800	10,400
- Craig Godlonton	11,300	-	11,300	10,200
- Brian Oliver	13,700	-	13,700	12,100
- Richard Van Ee	11,200	-	11,200	10,100
Designated officer - CAO	88,165	15,972	104,137	102,512

- (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, accident disability and dismemberment insurance, long and short term disability plans, professional memberships and tuition.

Benefits and allowances figures also include the employer's share of the costs of additional taxable benefits including special leave with pay, car and travel allowances, conferences, and memberships.



**TOWN OF MAGRATH**  
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**11. 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 LAPP serves about 133,000 people and 389 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 town is required to make current service contributions of 5.525% of pensionable earnings up to the year's maximum pensionable earnings under the Canadian Pension Plan and 7.4% on pensionable earnings above this amount. Employees of the town are required to make current service contributions of 4.525% of pensionable salary up to the year's maximum pensionable salary and 6.4% on pensionable salary above this amount.

The total current service contributions by the town to the LAPP in 2015 were \$83,142 (2014 - \$83,964). Total current year service contributions by the employees of the town to the LAPP were \$76,274 (2014 - \$77,051)

At December 31, 2014, the LAPP disclosed an actuarial deficiency of \$2.455 billion.

**12. Contingencies**

The town is a member of the Alberta Municipal Insurance Exchange (MUNIX). Under the terms of the membership, the town 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.

**13. Financial Instruments**

The town's financial instruments consist of cash and temporary investments, accounts receivables, bank indebtedness, accounts payable, accrued liabilities and long-term debt. It is management's opinion that the town is not exposed to significant interest, currency or credit risks arising from these financial instruments.

The town 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 town 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.

**14. Approval of Financial Statements**

Council and Management have approved these financial statements.

