

**TOWN OF CLARESHOLM**

**Consolidated Financial Statements**

**For the year ended December 31, 2012**

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**TOWN OF CLARESHOLM**  
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For the year ended December 31, 2012

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# Young Parkyn McNab LLP

CHARTERED ACCOUNTANTS

## INDEPENDENT AUDITORS' REPORT

To: The Mayor and Members of Council of  
the Town of Claresholm

We have audited the accompanying consolidated financial statements of the Town of Claresholm which comprise the consolidated statement of financial position as at December 31, 2012, and the consolidated statements of operations, change in net financial debt and cash flow for the year then ended, and a summary of significant accounting policies and other explanatory information.

### *Management's Responsibility for the Consolidated Financial Statements*

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

### *Auditor's Responsibility*

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

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

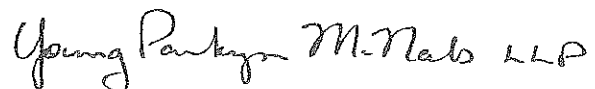
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Opinion*

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Town of Claresholm as at December 31, 2012 and the results of its operations, changes in its net financial assets (debt), and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Lethbridge, Alberta

April 08, 2013



Chartered Accountants

## MANAGEMENT REPORT

The consolidated financial statements are the responsibility of the management of the Town of Claresholm.

These consolidated financial statements have been prepared from information provided by management. Financial statements are not precise since they include certain amounts based on estimates and judgments. Management has determined such amounts on a reasonable basis in order to ensure that the financial statements are presented fairly, in all material respects.

The Town maintains systems of internal accounting and administrative controls that are designed to provide reasonable assurance that the financial information is relevant, reliable and accurate and that the Town's assets are properly accounted for and adequately safeguarded.

The elected Council of the Town of Claresholm is responsible for ensuring that management fulfils its responsibilities for financial statements. Council carries out its responsibility principally through the Finance and Administration and General Services committees.

The Council meets annually with management and the external auditors to discuss internal controls over the financial reporting process, auditing matters and financial reporting issues, and to satisfy itself that each party is properly discharging its responsibilities. Council also considers the engagement or re-appointment of the external auditors. Council reviews the monthly financial reports.

The consolidated financial statements have been audited by Young Parkyn McNab LLP, Chartered Accountants, the external auditors, in accordance with Canadian generally accepted auditing standards on behalf of the Council, residents and ratepayers of the Town. Young Parkyn McNab LLP has full and free access to the Council.




Chief Administrative Officer

**TOWN OF CLARESHOLM**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
As at December 31, 2012

	2012	2011
<b>Financial assets</b>		
Cash and temporary investments (note 2)	\$ 3,298,570	\$ 3,622,159
Taxes and grants in place of taxes receivable (note 3)	368,746	312,344
Trade and other receivables	409,775	359,349
Land held for resale	150,688	174,152
	4,227,779	4,468,004
<b>Liabilities</b>		
Accounts payable and accrued liabilities	439,721	152,755
Employee benefit obligations (note 5)	215,965	177,513
Deposits	61,822	63,347
Deferred revenue (note 6)	918,346	1,067,840
Long-term debt (note 7)	5,245,928	5,494,332
	6,881,782	6,955,787
<b>Net financial debt</b>	(2,654,003)	(2,487,783)
<b>Non-financial assets</b>		
Prepaid expenses	19,376	3,752
Inventory for consumption	211,271	239,718
Tangible capital assets (schedule 2)	27,673,040	28,576,817
	27,903,687	28,820,287
<b>Accumulated surplus (note 8)</b>	\$ 25,249,684	\$ 26,332,504

*Commitments and contingencies* (note 19)

Approved on behalf of Council:

Councillor 

Councillor 

**TOWN OF CLARESHOLM**  
**CONSOLIDATED STATEMENT OF OPERATIONS**  
For the year ended December 31, 2012

	Budget (Unaudited)	2012	2011
<b>Revenue</b>			
Net municipal taxes (note 11)	\$ 2,982,665	\$ 2,982,363	\$ 2,844,283
User fees and sales of goods	1,699,500	1,796,075	1,588,973
Government transfers for operating (note 12)	258,752	268,266	344,391
Investment income	19,700	35,747	27,504
Penalties and costs of taxes	131,000	107,735	89,679
Licenses and permits	68,200	56,500	85,683
Franchise and concession contracts	120,000	110,843	118,295
Rental	102,200	128,316	120,810
Other	89,923	102,604	105,350
Family and community support services	205,546	243,204	218,110
	<b>5,677,486</b>	<b>5,831,653</b>	<b>5,543,078</b>
<b>Expenses (note 13)</b>			
Legislative	65,800	60,524	62,767
Administration	963,025	998,775	1,003,414
Fire	220,650	206,399	140,449
Bylaw enforcement	126,600	90,450	112,026
Common and equipment pool	670,000	628,699	606,419
Roads, streets, walks and lighting	771,000	955,478	763,685
Airport	19,000	13,879	21,344
Storm sewers and drainage	214,000	221,464	131,209
Water supply and distribution	2,847,000	2,585,075	2,924,358
Wastewater treatment and disposal	433,400	365,633	519,452
Solid waste management	365,606	370,142	343,697
Family and community support services	205,546	247,305	218,575
Day care	48,126	48,126	48,126
Cemeteries and crematoriums	18,000	15,475	15,342
Other public health and welfare	54,500	35,614	67,624
Planning and development	273,200	232,732	243,992
Parks and recreation	805,970	844,686	801,696
Culture - libraries, museums and halls	343,059	339,594	291,248
	<b>8,444,482</b>	<b>8,260,050</b>	<b>8,315,423</b>
<b>Deficiency of revenue over expenses before other</b>	<b>(2,766,996)</b>	<b>(2,428,397)</b>	<b>(2,772,345)</b>
<b>Other</b>			
Government transfers for capital (note 12)	1,389,952	1,345,577	1,591,656
Assets contributed by developers	-	-	1,439,489
	<b>1,389,952</b>	<b>1,345,577</b>	<b>3,031,145</b>
<b>(Deficiency) excess of revenue over expenses</b>	<b>(1,377,044)</b>	<b>(1,082,820)</b>	<b>258,800</b>
<b>Accumulated surplus, beginning of year</b>	<b>26,332,504</b>	<b>26,332,504</b>	<b>26,073,704</b>
<b>Accumulated surplus, end of year</b>	<b>\$ 24,955,460</b>	<b>\$ 25,249,684</b>	<b>\$ 26,332,504</b>

**TOWN OF CLARESHOLM**  
**CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL DEBT**  
For the year ended December 31, 2012

	Budget (Unaudited)	2012	2011
<b>(Deficiency) excess of revenue over expenses</b>	\$ (1,377,044)	\$ (1,082,820)	\$ 258,800
Acquisition of tangible capital assets	(1,891,852)	(1,895,093)	(2,331,134)
Amortization	2,990,400	2,745,809	2,991,016
Assets contributed by developers	-	-	(1,439,489)
(Gain) loss on disposal of tangible capital assets	-	(34,002)	71,949
Proceeds on disposal of tangible capital assets	-	87,061	67,100
	1,098,548	903,775	(640,558)
Net change in inventory for consumption	-	28,449	(48,536)
Net change in prepaid expense	-	(15,624)	224
	-	12,825	(48,312)
<b>Increase in net financial debt</b>	(278,496)	(166,220)	(430,070)
<b>Net financial debt, beginning of year</b>	(2,487,783)	(2,487,783)	(2,057,713)
<b>Net financial debt, end of year</b>	\$ (2,766,279)	\$ (2,654,003)	\$ (2,487,783)

**TOWN OF CLARESHOLM**  
**CONSOLIDATED STATEMENT OF CASH FLOW**  
For the year ended December 31, 2012

	2012	2011
<b>Operating transactions</b>		
(Deficiency) excess of revenue over expenses	\$ (1,082,820)	\$ 258,800
Adjustments for items which do not affect cash		
(Gain) loss on disposal of tangible capital assets	(34,002)	71,949
Amortization	2,745,809	2,991,016
Assets contributed by developers	-	(1,439,489)
	1,628,987	1,882,276
Net change in non-cash working capital items		
Taxes and grants in place of taxes receivable	(56,402)	(41,830)
Trade and other receivables	(50,426)	246,282
Land held for resale	23,464	1,210
Inventory for consumption	28,449	(48,536)
Prepaid expenses	(15,624)	224
Accounts payable and accrued liabilities	286,966	(196,250)
Employee benefit obligations	38,452	43,429
Deposits	(1,525)	24,030
Deferred revenue	(149,494)	442,580
	1,732,847	2,353,415
<b>Capital transactions</b>		
Proceeds on disposal of tangible capital assets	87,061	67,100
Acquisition of tangible capital assets	(1,895,093)	(2,331,134)
	(1,808,032)	(2,264,034)
<b>Financing transactions</b>		
Proceeds of long-term debt	-	970,000
Repayment of long-term debt	(248,404)	(152,020)
	(248,404)	817,980
<b>(Decrease) increase in cash and temporary investments</b>	<b>(323,589)</b>	<b>907,361</b>
<b>Cash and temporary investments, beginning of year</b>	<b>3,622,159</b>	<b>2,714,798</b>
<b>Cash and temporary investments, end of year</b>	<b>\$ 3,298,570</b>	<b>\$ 3,622,159</b>



1. **Significant accounting policies**

The consolidated financial statements of the Town of Claresholm are the representations of management prepared in accordance with generally accepted accounting principles for local government established by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants. Significant aspects of the accounting policies adopted by the Town are as follows:

(a) Reporting entity

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

Taxes levied also includes requisitions for educational, health care, 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 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.

(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 expense 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) 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.

1. Significant accounting policies, continued

(e) Debt charges recoverable

Debt charges recoverable consist of amounts that are recoverable from municipal agencies or other local governments with respect to outstanding debentures or other long-term debt pursuant to annexation orders or joint capital undertakings. These recoveries are recorded at a value that equals the offsetting portion of the unmatured long-term debt, less actuarial requirements for the retirement of any sinking fund debentures.

(f) 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.

(g) Inventories 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 leveling charges. Related development costs incurred to provide infrastructure such as water and waste water services, roads, sidewalks, and street lighting are recorded as physical assets under their respective function.

(h) Prepaid local improvements charges

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

Where a taxpayer has elected to prepay the outstanding local improvement charge, 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 the revenue by an amount equal to the debt repayment.

(i) 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 CLARESHOLM**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
For the year ended December 31, 2012

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(j) 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 Debt for the year.

(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 over the estimated useful life as follows:

	Years
Land improvements	10-25 straight line
Buildings	25-50 straight line
Engineered structures	5-75 declining balance
Machinery and equipment	5-40 declining balance
Construction in progress	10-25 declining balance

One-half of the annual amortization is charged in the year of acquisition and in the year of disposal. 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) 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.

(iv) Inventories

Inventories held for consumption are recorded at the lower of cost or net realizable value with cost determined by the average cost method.

(v) Cultural and historical tangible capital assets

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

**TOWN OF CLARESHOLM**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
For the year ended December 31, 2012

**2. Cash and temporary investments**

	2012	2011
Cash	\$ 464,959	\$ 122,697
Temporary investments	2,833,611	3,499,462
	<b>\$ 3,298,570</b>	<b>\$ 3,622,159</b>

Included in cash and short-term investments is \$61,822 (2011 - \$63,347) of deposit liability funds which are not available for current purposes.

Temporary investments consists of one to three month term deposits with varying interest rates of 0.05% to 1.42% if held to maturity.

**3. Taxes and grants in place of taxes receivables**

	2012	2011
Current year	\$ 214,918	\$ 224,042
Arrears	153,828	88,302
	<b>\$ 368,746</b>	<b>\$ 312,344</b>

**4. Temporary Loan**

A temporary loan has been authorized by Alberta Treasury Branches to a maximum of \$450,000 which bears interest at prime. Security pledged includes a general security agreement. As at December 31, 2012 there was no balance outstanding.

**5. Employee benefit obligations**

	2012	2011
Vacation	\$ 135,054	\$ 104,358
Sick time	80,911	73,155
	<b>\$ 215,965</b>	<b>\$ 177,513</b>

**Vacation and overtime**

The vacation and overtime liability is comprised of the vacation and overtime that employees are deferring to future years. Employees have either earned the benefits (and they are vested) or are entitled to these benefits within the next budgetary year.

**TOWN OF CLARESHOLM**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
For the year ended December 31, 2012

**6. Deferred revenue**

The deferred revenue balance represents funds received for specific purposes that have not been spent by year end. Deferred revenue consists of the following:

	2012	2011
Taxi token prepayments	\$ 4,830	\$ 4,850
Parking fund	3,588	3,569
Subdivision fund	35,846	35,666
Walking path fund	1,963	1,951
Sundry trust	312,950	309,799
Offsite levies	61,988	58,880
MSI capital grant	456,916	367,112
Federal gas tax capital grant	-	199,823
Basic municipal transportation capital grant	2,303	71,536
FCSS	32,183	14,654
Local improvement taxes	5,779	-
	<b>\$ 918,346</b>	<b>\$ 1,067,840</b>

**7. Long-term debt**

	2012	2011
Debentures supported by general tax levies	\$ 908,626	\$ 1,019,742
Debentures supported by utility rates	4,337,302	4,474,590
	<b>\$ 5,245,928</b>	<b>\$ 5,494,332</b>
Current portion	<b>\$ 260,077</b>	<b>\$ 248,404</b>

Principal and interest repayments are due as follows:

	Principal	Interest	Total
2013	\$ 260,077	\$ 252,491	\$ 512,568
2014	244,169	240,169	484,338
2015	254,675	229,663	484,338
2016	265,692	218,646	484,338
2017	277,246	207,092	484,338
Thereafter	3,944,069	1,804,403	5,748,472
	<b>\$ 5,245,928</b>	<b>\$ 2,952,464</b>	<b>\$ 8,198,392</b>

**TOWN OF CLARESHOLM**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
For the year ended December 31, 2012

**7. Long-term debt, continued**

Debenture debt is repayable to Alberta Capital Finance Authority and bears interest at rates ranging from 2.306% to 8.875% per annum, before Provincial subsidy, and matures in periods 2013 through 2033. The average annual interest rate is 4.46% (7.75% for 2011). 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 Claresholm at large.

Interest on long-term debt amounted to \$261,607 (2011 - \$250,065). The Town's total cash payments for interest in 2012 were \$264,164 (2011 - \$251,379).

**8. Accumulated surplus**

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

	2012	2011
Unrestricted surplus	\$ 1,437,162	\$ 1,465,569
Internally restricted surplus (reserves) (note 10)	1,385,410	1,784,450
Equity in tangible capital assets (note 9)	22,427,112	23,082,485
	\$ 25,249,684	\$ 26,332,504

**9. Equity in tangible capital assets**

	2012	2011
Tangible capital assets (schedule 2)	\$ 80,859,661	\$ 79,529,219
Accumulated amortization (schedule 2)	(53,186,621)	(50,952,402)
Long-term debt (note 7)	(5,245,928)	(5,494,332)
	\$ 22,427,112	\$ 23,082,485

**TOWN OF CLARESHOLM**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
For the year ended December 31, 2012

10. Reserves

Reserves for operating and capital activities are as follows:

	2012	2011
<b>Operating</b>		
Waterline replacement	\$ 1,910	\$ 20,000
Cemetery	723	723
Office	28,780	28,780
Arena renovation	8,500	8,500
Waterworks	15,000	15,000
Garbage equipment	25,739	25,739
Debt reduction	292,453	292,453
Sewer main replacement	35,000	35,000
Fire truck	8,819	8,819
Fill dirt	11,427	11,427
Water pumps	2,500	2,500
Ball diamonds	245	245
General	118,425	159,206
Trust accounts	56,558	56,558
Physician recruitment fund	31,647	12,761
Tipping fees	5,449	5,449
	643,175	683,160
<b>Capital</b>		
General administration	14,707	14,707
Water supply	78,867	78,867
Sewer	(5,258)	74,003
Subdivision	8,510	8,510
Acreage assessment	100,368	100,368
Airport land sales	43,844	43,844
Residential land sales	19,681	12,779
Industrial land sales	71,240	71,240
Town land	25,163	25,163
Tax recovery land	11,854	11,854
Tamarack subdivision	25,149	25,149
Enforcement vehicle	52,000	52,000
Backhoe	-	160,000
Arena ice slab/boards	160,000	160,000
Garbage	18,000	18,000
Parks replacement	18,110	75,806
Fire command unit	-	26,000
Fire truck	100,000	100,000
8th street sanitary sewer	-	43,000
	742,235	1,101,290
	\$ 1,385,410	\$ 1,784,450

**TOWN OF CLARESHOLM**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
For the year ended December 31, 2012

**11. Net municipal property taxes**

	Budget (Unaudited)	2012	2011
<b>Taxation</b>			
Real property taxes	\$ 4,013,795	\$ 4,013,639	\$ 3,752,931
Linear property taxes	102,629	102,629	96,271
Government grants in place of property taxes	92,819	92,820	87,278
Special assessments and local improvements	78,000	77,853	82,564
	4,287,243	4,286,941	4,019,044
<b>Requisitions</b>			
Alberta School Foundation Fund	1,194,748	1,194,748	1,072,938
Porcupine Hills Lodge	109,830	109,830	101,823
	1,304,578	1,304,578	1,174,761
	\$ 2,982,665	\$ 2,982,363	\$ 2,844,283

**12. Government transfers**

	Budget (Unaudited)	2012	2011
<b>Transfers for operating:</b>			
Government transfers for operating	\$ 258,752	\$ 268,266	\$ 344,391
<b>Transfers for capital</b>			
Shared-cost agreements and grants	1,389,952	1,345,577	1,591,656
	\$ 1,648,704	\$ 1,613,843	\$ 1,936,047



**TOWN OF CLARESHOLM**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
For the year ended December 31, 2012

**13. Expenditures by object**

	Budget (Unaudited)	2012	2011
Salaries, wages and benefits	\$ 2,303,306	\$ 2,382,542	\$ 2,021,347
Contracted and general services	1,173,591	1,099,482	1,194,931
Materials, goods, supplies and utilities	1,288,550	1,341,899	1,289,301
Bank charges and short-term interest	3,500	3,404	2,653
Interest on long-term debt	264,220	261,607	250,065
Other expenditures	115,750	125,155	105,185
(Gain) loss on disposal of tangible capital assets	-	(34,002)	71,950
Transfers to organizations and others	24,087	24,087	101,796
Purchases from other governments	279,078	310,067	285,454
Provision for allowances	2,000	-	1,725
Amortization	2,990,400	2,745,809	2,991,016
	<b>\$ 8,444,482</b>	<b>\$ 8,260,050</b>	<b>\$ 8,315,423</b>

**14. Salary and 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:

	(1) Salary	(2) Benefits & allowances	2012	2011
<b>Council</b>				
Mayor Moore	\$ 11,020	\$ 322	\$ 11,342	\$ 11,136
Councillor Fieguth	7,000	52	7,052	6,332
Councillor Hubka	7,380	-	7,380	6,540
Councillor MacPherson	6,980	-	6,980	7,459
Councillor Quayle	6,150	-	6,150	6,269
Councillor Sutter	7,670	604	8,274	10,149
Councillor Van Amerongen	10,070	136	10,206	10,715
Chief Administrative Officer	90,659	17,584	108,243	104,860
Designated Officers (5 positions) (2011: 5 positions)	\$ 274,940	\$ 61,371	\$ 336,311	\$ 307,991

(1) Salary includes regular base pay, bonuses, overtime, lump sum payments, gross honoraria and any other direct cash remuneration.

(2) Benefits and allowances include the employer's share of all employee benefits and contributions or payments made on behalf of employees including pension, health care, dental coverage, vision coverage, group life insurance, accidental disability and dismemberment insurance, long- and short-term disability plans, professional memberships, and tuition.

**TOWN OF CLARESHOLM**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
For the year ended December 31, 2012

**14. Salary and benefits disclosure, continued**

Benefits and allowances figures also include the employer's share of the costs of additional taxable benefits including special leave with pay, financial planning services, retirement planning services, concessionary loans, travel allowances, car allowances, and club memberships.

**15. 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:

	2012	2011
Total debt limit	\$ 8,747,480	\$ 8,314,614
Total debt	5,245,928	5,494,332
	\$ 3,501,552	\$ 2,820,282
Debt servicing limit	\$ 1,457,913	\$ 1,385,769
Debt servicing	512,568	512,568
	\$ 945,345	\$ 873,201

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 which could be at financial risk if further debt is acquired. The calculation taken alone does not represent the financial stability of the municipality. Rather, the financial statements must be interpreted as a whole.

**16. 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 Pensions Plans Act. The plan serves about 214,000 people and 423 employers. The LAPP is financed by the 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 to the LAPP of 9.91% of pensionable earnings up to the year's maximum pensionable earnings under the Canada Pension Plan and 13.74% on pensionable earnings above this amount. Employees of the Town are required to make current service contributions of 8.91% of pensionable salary up to the year's maximum pensionable salary and 12.74% on pensionable salary above this amount.

Total current service contributions by the Town to the LAPP in 2012 were \$147,732 (2011 - \$121,802). Total current service contributions by the employees of the Town to the LAPP in 2012 were \$133,715 (2011 - \$109,611).

At December 31, 2011, the LAPP disclosed an actuarial deficiency of \$4.639 billion.

**17. Financial instruments**

The Town of Claresholm's financial instruments consist of cash and temporary investments, accounts receivable, accounts payable and accrued liabilities, employee benefit obligations, deposit and long-term debt. It is management's opinion that the Town is not exposed to significant interest or currency risk arising from these financial instruments.

The Town of Claresholm 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 fulfil 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.

**18. Approval of financial statements**

These financial statements were approved by Council and Management.

**TOWN OF CLARESHOLM**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
For the year ended December 31, 2012

**19. Contingency and commitments**

The Town is a member of the Alberta Municipal Insurance Exchange (MUNIX) which provides liability insurance. Under the terms of 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.

The Town has made a commitment to the Municipal District of Willow Creek to pay for one half of the costs for monitoring and maintenance of the Municipal District of Willow Creek's landfill for the next 9 years.

The Town of Claresholm has entered an agreement with the Town of Granum for the conveyance and supply of potable water. This agreement is in effect until December 31, 2034.

The Town has future commitments for a sanitary sewer main project in 2013. The cost to the Town will be \$430,000 which will be funded by long-term debt over 10 years.

**20. Budget amounts**

The 2012 budget for the Town was approved by Council on May 14, 2012 and has been reported in the consolidated financial statements for information purposes only. These budget amounts have not been audited, reviewed, or otherwise verified.

The approved budget contained reserve transfers, capital additions and principal payments on debt as expenditures. Since these items are not included in the amounts reported in the consolidated financial statements, they have been excluded from the budget amounts presented in these financial statements.

	Budgeted deficit per financial statements	\$ (1,377,044)
Less:	Capital expenditures	(1,891,952)
	Long-term debt repayments	(248,404)
Add:	Amortization	2,990,400
	Transfers from reserves	527,000
Equals: balanced budget		\$ -

**21. Change in accounting policy**

On a prospective basis management has decided to value inventory held for consumption using the average cost method rather than the lower of cost and replacement cost. The purpose for changing the inventory costing policy is to increase administrative efficiencies. The change in accounting policy on the financial statements is not material.

**22. Comparative figures**

Where necessary the comparative figures for the 2011 year have been reclassified to conform with 2012 financial statement presentation.

**TOWN OF CLARESHOLM**  
**SCHEDULES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
For the year ended December 31, 2012

	Schedule of changes in accumulated surplus			Schedule 1	
	Unrestricted	Restricted	Equity in tangible capital assets	2012	2011
Balance, beginning of year	\$ 1,465,569	\$ 1,784,450	\$ 23,082,485	\$ 26,332,504	\$ 26,073,704
(Deficiency) excess of					
revenue over expenses	(1,082,820)	-	-	(1,082,820)	258,800
Unrestricted funds					
designated for future use	(25,788)	25,788	-	-	-
Restricted funds used for					
operations	5,200	(5,200)	-	-	-
Restricted funds used for					
tangible capital assets	-	(419,628)	419,628	-	-
Current year funds used for					
tangible capital assets	(1,475,464)	-	1,475,464	-	-
Disposal of tangible capital					
assets	53,060	-	(53,060)	-	-
Annual amortization expense	2,745,809	-	(2,745,809)	-	-
Long term debt repaid	(248,404)	-	248,404	-	-
Change in accumulated surplus	(28,407)	(399,040)	(655,373)	(1,082,820)	258,800
<b>Balance, end of year</b>	<b>\$ 1,437,162</b>	<b>\$ 1,385,410</b>	<b>\$ 22,427,112</b>	<b>\$ 25,249,684</b>	<b>\$ 26,332,504</b>

**TOWN OF CLARESHOLM**  
**SCHEDULES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
For the year ended December 31, 2012

**Schedule of tangible capital assets**

Schedule 2

	Land	Land improvements	Buildings	Engineered structures	Machinery and equipment	Vehicles	Construction in progress	2012	2011
<b>Cost:</b>									
Balance, beginning of year	\$ 972,674	\$ 1,521,137	\$ 11,528,085	\$ 63,044,729	\$ 1,102,448	\$ 1,308,614	\$ 51,533	\$ 79,529,219	\$ 76,887,280
Acquisitions	18,090	98,534	16,784	1,501,258	192,357	68,069	-	1,895,092	3,770,623
Construction-in-progress	-	-	-	(68,355)	-	-	68,355	-	-
Disposals	-	(78,032)	-	(344,229)	(103,000)	(39,389)	-	(564,650)	(1,128,684)
Transfer	-	-	(203,930)	203,930	-	-	-	-	-
<b>Balance, end of year</b>	<b>990,764</b>	<b>1,541,639</b>	<b>11,340,939</b>	<b>64,337,333</b>	<b>1,191,805</b>	<b>1,337,294</b>	<b>119,888</b>	<b>80,859,661</b>	<b>79,529,219</b>
<b>Accumulated amortization:</b>									
Balance, beginning of year	-	190,260	4,987,264	44,286,172	666,632	822,075	-	50,952,403	48,951,022
Annual amortization	-	96,848	(96,845)	2,583,810	92,990	69,006	-	2,745,809	2,991,015
Disposals	-	(77,455)	-	(336,025)	(65,381)	(32,730)	-	(511,591)	(989,635)
<b>Balance, end of year</b>	<b>-</b>	<b>209,653</b>	<b>4,890,419</b>	<b>46,533,957</b>	<b>694,241</b>	<b>858,351</b>	<b>-</b>	<b>53,186,621</b>	<b>50,952,402</b>
<b>Net book value</b>	<b>\$ 990,764</b>	<b>\$ 1,331,986</b>	<b>\$ 6,450,520</b>	<b>\$ 17,803,376</b>	<b>\$ 497,564</b>	<b>\$ 478,943</b>	<b>\$ 119,888</b>	<b>\$ 27,673,040</b>	<b>\$ 28,576,817</b>
<b>2011 net book value</b>	<b>\$ 972,674</b>	<b>\$ 1,330,877</b>	<b>\$ 6,540,821</b>	<b>\$ 18,758,557</b>	<b>\$ 435,816</b>	<b>\$ 486,539</b>	<b>\$ 51,533</b>	<b>\$ 28,576,816</b>	

**TOWN OF CLARESHOLM**  
**SCHEDULE TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
For the year ended December 31, 2012

Schedule of segmented disclosure

Schedule 3

	General government	Protective services	Transportation services	Environmental services	Public health services	Planning and development	Recreation and culture	Total
<b>Revenue</b>								
Net municipal taxes	\$ 2,904,510	\$ -	\$ 77,853	\$ -	\$ -	\$ -	\$ -	\$ 2,982,363
User fees and sales of goods	19,575	16,604	-	1,658,800	15,025	9,633	76,438	1,796,075
Government transfers for operating	91,395	34,343	800	-	56,500	-	85,228	268,266
Investment income	35,747	-	-	-	-	-	-	35,747
Penalties and costs of taxes	71,626	35,859	-	-	-	-	-	107,485
Licenses and permits	28,260	-	-	-	-	28,240	-	56,500
Franchise and concession contracts	110,843	-	-	-	-	-	-	110,843
Rental	32,832	-	10,000	-	-	-	85,464	128,316
Other	17,621	-	-	31,225	-	-	53,758	102,604
Family and community support services	-	-	-	-	243,204	-	-	243,204
	3,312,409	86,806	88,653	1,690,025	314,729	38,123	300,908	5,831,653
<b>Expenses</b>								
Salaries, wages and benefits	445,117	117,936	365,970	550,755	200,158	147,296	555,309	2,382,542
Contracted and general services	333,582	77,641	305,902	198,360	87,379	37,040	59,579	1,099,482
Materials, goods, supplies and utilities	76,450	72,476	531,967	446,187	10,855	6,794	197,170	1,341,899
Bank charges and short-term interest	3,404	-	-	-	-	-	-	3,404
Interest on long-term debt	-	-	-	236,918	-	-	24,689	261,607
Other expenditures	86,402	-	-	-	-	38,753	-	125,155
Transfers to organizations and others	-	-	-	-	-	-	24,087	24,087
Purchases from other governments	108,989	-	-	-	48,126	-	152,952	310,067
Loss (gain) on disposal of tangible capital assets	-	712	(38,914)	4,200	-	-	-	(34,002)
Amortization of tangible capital assets	5,352	28,085	654,596	1,884,430	3	2,849	170,494	2,745,809
	1,059,296	296,850	1,819,521	3,320,850	346,521	232,732	1,184,280	6,260,050
<b>Deficiency of revenue over expenses before other</b>	2,253,113	(210,044)	(1,730,868)	(1,630,825)	(31,792)	(194,609)	(883,372)	(2,428,397)
<b>Other</b>								
Government transfers for capital	-	-	628,320	697,257	-	-	20,000	1,345,577
<b>(Deficiency) excess of revenue over expenses</b>	\$ 2,253,113	\$ (210,044)	\$ (1,102,548)	\$ (933,568)	\$ (31,792)	\$ (194,609)	\$ (863,372)	\$ (1,032,820)