



**GREGORY,  
HARRIMAN  
& ASSOCIATES LLP**

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**Town of Chestermere**  
**Consolidated Financial Statements**  
**For the Year Ended December 31, 2014**

**TOWN OF CHESTERMERE**

**DECEMBER 31, 2014**

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## **INDEPENDENT AUDITORS' REPORT**

To the Mayor and Council of the  
City of Chestermere

We have audited the accompanying consolidated financial statements of the Town of Chestermere, which comprise the statement of financial position as at December 31, 2014, and the statements of operations, change in net financial assets (debt) and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

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

Management is responsible for the preparation and fair presentation of these 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 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 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 of 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 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 significant accounting estimates made by management, as well as evaluating the overall consolidated financial statement presentation.

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 Chestermere as at December 31, 2014 and the results of its operations, change in net financial assets (debt) and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

## Emphasis of Matter

Without modifying our opinion, we draw attention to Note 25, which describes the change in status from 'Town of Chestermere' to 'City of Chestermere' on January 1, 2015.

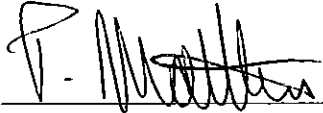

Strathmore, Alberta  
April 20, 2015

*Gregory, Harriman & Assoc. LLP*  
Gregory, Harriman & Associates LLP

**Town of Chestermere**  
**Consolidated Statement of Financial Position**  
**As at December 31, 2014**

	2014	2013
<b>FINANCIAL ASSETS</b>		
Cash (Note 2)	\$ 4,624,819	\$ 10,837,615
Taxes and grants in place receivables (Note 3)	1,701,589	1,505,428
Trade accounts receivables (Note 4)	3,766,215	5,023,519
Property tax under-levy	9,472	20,927
Goods and Services Tax receivable	202,593	161,445
Land held for resale	51,119	51,119
Agreements receivable (Note 5, 22)	8,943,269	9,283,702
Investments (Note 6)	81,052,704	72,528,326
	100,351,780	99,412,081
 <b>LIABILITIES</b>		
Accounts payable and accrued liabilities (Note 7)	5,187,309	3,704,081
Due to Chestermere Utilities Incorporated (Note 8, 22)	1,274,587	379,976
Deposit liabilities	3,494,362	3,044,252
Deferred revenue (Note 9)	2,432,018	6,186,694
Long term debt (Note 10)	18,306,561	19,567,023
	30,694,837	32,882,026
 <b>NET FINANCIAL ASSETS</b>	69,656,943	66,530,055
 <b>NON-FINANCIAL ASSETS</b>		
Tangible capital assets (Note 12) (Schedule 2)	108,724,959	98,451,459
Prepaid expenses	68,093	35,483
Other assets (Note 14)	77,767	654,677
	108,870,819	99,141,619
 <b>ACCUMULATED SURPLUS (Note 15) (Schedule 1)</b>	\$ 178,527,762	\$ 165,671,674

*Commitments (Note 19)*  
*Contingencies (Note 20)*  
*Subsequent events (Note 25)*

Approved by:  Mayor  Officer

**Town of Chestermere**  
**Consolidated Statement of Operations**  
**For the Year Ended December 31, 2014**

	<i>Budget</i> <i>(Unaudited)</i>	<b>2014</b>	<b>2013</b>
<b>REVENUE</b>			
Net municipal property taxes (Schedule 3)	\$ 15,728,628	\$ 15,905,945	\$ 14,493,980
Sale of goods and user charges	2,797,212	3,684,146	3,025,362
Penalties and costs on taxes	289,000	269,325	266,061
Licenses and permits	1,428,995	2,333,234	1,861,066
Investment income	257,000	288,748	331,636
Development levies	-	1,508,659	740,094
Government transfers for operating (Schedule 4)	1,386,062	1,643,075	4,429,860
Gain on disposal of assets	-	-	109,270
<b>TOTAL REVENUE</b>	<u>21,886,897</u>	<u>25,633,132</u>	<u>25,257,329</u>
<b>EXPENSES (Schedule 5)</b>			
Legislative	357,083	353,505	258,384
Administration	3,400,489	3,429,338	3,083,782
Protective services	6,062,143	6,096,499	5,345,483
Roads, streets, walks and lighting	5,815,931	7,478,244	6,682,111
Family and community support	1,457,781	1,404,211	1,305,871
Planning and development	2,820,435	2,814,508	2,798,446
Parks and recreation	2,841,468	2,587,281	2,573,909
Culture	905,216	932,813	867,037
Loss on disposal of assets	-	34,089	-
<b>TOTAL EXPENSES</b>	<u>23,660,546</u>	<u>25,130,488</u>	<u>22,915,023</u>
<b>EXCESS (SHORTFALL) OF REVENUE OVER EXPENSES - BEFORE OTHER</b>	<i>(1,773,649)</i>	<b>502,644</b>	<b>2,342,306</b>
<b>OTHER</b>			
Contributed assets	-	5,524,389	23,845,501
Government transfers for capital (Schedule 4)	8,940,000	8,051,642	3,519,939
Contribution of tangible capital assets to related party (Note 22)	-	(2,433,536)	(2,863,402)
Subsidiary operations (Note 21)	-	1,210,949	(25,939)
<b>EXCESS OF REVENUE OVER EXPENSES</b>	<u>7,166,351</u>	<u>12,856,088</u>	<u>26,818,405</u>
<b>ACCUMULATED SURPLUS, BEGINNING OF YEAR (Note 15)</b>	<u>165,671,674</u>	<u>165,671,674</u>	<u>138,853,269</u>
<b>ACCUMULATED SURPLUS, END OF YEAR</b>	<u>\$ 172,838,025</u>	<u>\$ 178,527,762</u>	<u>\$ 165,671,674</u>

The accompanying notes form an integral part of these financial statements.

Gregory, Harriman & Associates LLP

**Town of Chestermere**  
**Consolidated Statement of Change in Net Financial Assets (Debt)**  
**For the Year Ended December 31, 2014**

	<i>Budget (Unaudited)</i>	<b>2014</b>	<b>2013</b>
<b>EXCESS OF REVENUE OVER EXPENSES</b>	<u>\$ 7,166,351</u>	<u>\$ 12,856,088</u>	<u>\$ 26,818,405</u>
Acquisition of tangible capital assets	(15,135,000)	(12,880,132)	(6,929,029)
Contributed tangible capital assets	-	(5,524,389)	(23,845,501)
Proceeds on disposal of tangible capital assets	-	359,000	192,350
Amortization of tangible capital assets	-	5,304,395	4,566,587
(Gain) loss on disposal of assets	-	34,089	(109,270)
Contribution of tangible capital assets to related party (Note 22)	-	2,433,536	2,863,402
	<u>(15,135,000)</u>	<u>(10,273,501)</u>	<u>(23,261,461)</u>
(Increase) decrease in inventory for consumption	-	-	-
(Increase) decrease in prepaid expenses	-	(32,610)	6,954
(Increase) decrease in other assets	-	576,911	(611,495)
	<u>-</u>	<u>544,301</u>	<u>(604,541)</u>
<b>(INCREASE) DECREASE IN NET DEBT</b>	<b>(7,968,649)</b>	<b>3,126,888</b>	<b>2,952,403</b>
<b>NET FINANCIAL ASSETS, BEGINNING OF YEAR</b>	<u>66,530,055</u>	<u>66,530,055</u>	<u>63,577,652</u>
<b>NET FINANCIAL ASSETS, END OF YEAR</b>	<u>\$ 58,561,406</u>	<u>\$ 69,656,943</u>	<u>\$ 66,530,055</u>

**Town of Chestermere**  
**Consolidated Statement of Cash Flows**  
**For the Year Ended December 31, 2014**

	2014	2013
<b>NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:</b>		
<b>OPERATING</b>		
Excess of revenue over expenses	\$ 12,856,088	\$ 26,818,405
Non-cash items included in excess of revenues over expenses:		
Amortization of tangible capital assets	5,304,395	4,566,587
(Gain) loss on disposal of tangible capital assets	34,089	(109,270)
Tangible capital assets received as contributions	(5,524,389)	(23,845,501)
Contribution of tangible capital assets to related party <i>(Note 22)</i>	2,433,536	2,863,402
Non-cash charges to operations (net change):		
Decrease (increase) in taxes and grants in place receivables	(196,161)	(211,738)
Decrease (increase) in trade and other receivables	1,257,304	207,413
Decrease (increase) in property tax under-levy	11,455	23,175
Decrease (increase) in prepaid expenses	(32,610)	6,954
Decrease (increase) in Goods and Services Tax	(41,148)	312,616
Decrease (increase) in other assets	576,910	(611,495)
Increase (decrease) in accounts payable and accrued liabilities	1,483,228	(5,125,557)
Increase (decrease) in deposit liabilities	450,110	887,002
Increase (decrease) in deferred revenue	(3,754,676)	811,155
Cash provided by operating transactions	14,858,131	6,593,148
<b>CAPITAL</b>		
Acquisition of tangible capital assets	(12,880,132)	(6,929,029)
Proceeds on disposal of tangible capital assets	359,000	192,350
Cash applied to capital transactions	(12,521,132)	(6,736,679)
<b>INVESTING</b>		
Decrease (increase) in investments	(8,524,377)	3,060,563
Cash provided by (applied to) investing transactions	(8,524,377)	3,060,563
<b>FINANCING</b>		
Due from Chestermere Utilities Incorporated	894,611	(1,089,399)
Agreements receivable <i>(Note 5)</i>	340,433	(2,350,980)
Long term debt issued	-	8,904,000
Long term debt repaid	(1,260,462)	(657,225)
Cash provided by (applied to) financing transactions	(25,418)	4,806,396
<b>CHANGE IN CASH DURING THE YEAR</b>	(6,212,796)	7,723,428
<b>CASH, BEGINNING OF YEAR</b>	10,837,615	3,114,187
<b>CASH, END OF YEAR</b>	\$ 4,624,819	\$ 10,837,615
Cash is made up of:		
Cash <i>(Note 2)</i>	4,624,819	10,837,615
Less: restricted portion of cash <i>(Notes 2, 7)</i>	-	-
	\$ 4,624,819	\$ 10,837,615

The accompanying notes form an integral part of these financial statements.

Gregory, Harriman & Associates LLP



**Town of Chestermere**  
**Schedule of Changes in Accumulated Surplus**  
**For the Year Ended December 31, 2014**  
**Schedule 1**

	2014	2013
	Unrestricted Surplus	Equity in Tangible Capital Assets
	Restricted Surplus	
<b>BALANCE, BEGINNING OF YEAR</b>	<b>\$ 59,386,709</b>	<b>\$ 92,430,980</b>
Excess of revenue over expenses	12,856,088	-
Unrestricted funds designated for future use	(3,141,243)	-
Current year funds used for tangible capital assets	(12,245,981)	12,880,132
Contributed tangible capital assets	(5,524,389)	5,524,389
Disposal of tangible capital assets	393,089	(393,089)
Annual amortization expense	5,304,395	(5,304,395)
Capital long term debt issued	3,606,716	(3,606,716)
Capital long term debt repaid	(893,889)	893,889
Contribution of tangible capital assets to related party ( <i>Note 22</i> )	2,433,536	(2,433,536)
Change in accumulated surplus	<b>2,788,322</b>	<b>7,560,674</b>
<b>BALANCE, END OF YEAR</b>	<b>\$ 62,175,031</b>	<b>\$ 99,991,654</b>
	<b>13,853,985</b>	<b>165,671,674</b>
	<b>12,856,088</b>	<b>26,818,405</b>
	<b>178,527,762</b>	<b>165,671,674</b>

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**Town of Chestermere**  
**Schedule of Tangible Capital Assets**  
**For the Year Ended December 31, 2014**  
**Schedule 2**

	Land	Land Improvements	Buildings	Engineered Structures	Machinery and Equipment	Vehicles	2014	2013
<b>COST:</b>								
BALANCE, BEGINNING OF YEAR	\$ 21,786,666	\$ 5,268,724	\$ 18,450,356	\$ 74,559,159	\$ 5,804,401	\$ 4,586,855	\$ 130,456,161	\$ 102,903,065
Acquisition of tangible capital assets	1,591,050	187,685	116,937	4,011,086	942,300	620,624	7,469,682	26,026,427
Construction-in-progress	-	3,885,245	4,372,458	2,625,970	51,166	-	10,934,839	4,748,103
Disposal of tangible capital assets	(163,980)	(5,000)	-	-	(347,900)	-	(516,880)	(358,032)
Contribution of tangible capital assets to related party (Note 22)	(170,900)	-	-	(2,262,636)	-	-	(2,433,536)	(2,863,402)
BALANCE, END OF YEAR	23,042,836	9,336,654	22,939,751	78,933,579	6,449,967	5,207,479	145,910,266	130,456,161
<b>ACCUMULATED AMORTIZATION:</b>								
BALANCE, BEGINNING OF YEAR	-	1,078,716	2,642,260	24,290,203	2,152,026	1,841,497	32,004,702	27,713,068
Annual amortization	-	193,603	356,509	3,887,215	482,174	384,894	5,304,395	4,566,587
Accumulated amortization on disposals	-	(1,250)	-	-	(122,540)	-	(123,790)	(274,953)
BALANCE, END OF YEAR	-	1,271,069	2,998,769	28,177,418	2,511,660	2,226,391	37,185,307	32,004,702
<b>NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS</b>	\$ 23,042,836	\$ 8,065,585	\$ 19,940,982	\$ 50,756,161	\$ 3,938,307	\$ 2,981,088	\$ 108,724,959	\$ 98,451,459
<b>2013 NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS</b>	\$ 21,786,666	\$ 4,190,008	\$ 15,808,096	\$ 50,268,956	\$ 3,652,375	\$ 2,745,358	\$ 98,451,459	

The accompanying notes form an integral part of these financial statements.  
 Gregory, Harriman & Associates LLP

**Town of Chestermere**  
**Schedule of Property and Other Taxes**  
**For the Year Ended December 31, 2014**  
**Schedule 3**

	<i>Budget (Unaudited)</i>	<b>2014</b>	<b>2013</b>
	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>TAXATION</b>			
Real property taxes	\$ 22,735,590	\$ 22,984,522	\$ 20,366,585
Linear property taxes	184,586	184,587	162,648
Local improvement taxes	-	-	470,050
	<u>22,920,176</u>	<u>23,169,109</u>	<u>20,999,283</u>
 <b>REQUISITIONS</b>			
Alberta School Foundation Fund	<u>7,191,548</u>	<u>7,263,164</u>	<u>6,505,303</u>
 <b>NET MUNICIPAL TAXES</b>	<u>\$ 15,728,628</u>	<u>\$ 15,905,945</u>	<u>\$ 14,493,980</u>

**Town of Chestermere**  
**Schedule of Government Transfers**  
**For the Year Ended December 31, 2014**  
**Schedule 4**

	<i>Budget</i> <i>(Unaudited)</i>	<b>2014</b>	<b>2013</b>
<b>TRANSFERS FOR OPERATING</b>			
Provincial Government	\$ 1,311,062	\$ 1,386,779	\$ 4,307,968
Other Local Governments	75,000	256,296	121,892
	<u>1,386,062</u>	<u>1,643,075</u>	<u>4,429,860</u>
<b>TRANSFERS FOR CAPITAL</b>			
Provincial Government	8,940,000	8,051,642	3,519,939
Federal Government	-	-	-
	<u>8,940,000</u>	<u>8,051,642</u>	<u>3,519,939</u>
<b>TOTAL GOVERNMENT TRANSFERS</b>	<u>\$ 10,326,062</u>	<u>\$ 9,694,717</u>	<u>\$ 7,949,799</u>

**Town of Chestermere**  
**Schedule of Consolidated Expenses by Object**  
**For the Year Ended December 31, 2014**  
**Schedule 5**

	<i>Budget</i> <i>(Unaudited)</i>	<b>2014</b>	<b>2013</b>
<b>CONSOLIDATED EXPENSES BY OBJECT</b>			
Salaries, wages and benefits	\$ 11,589,852	\$ 10,684,691	\$ 9,777,427
Contracted and general services	3,446,013	3,557,031	3,268,643
Materials, goods, supplies and utilities	4,313,665	4,726,086	4,510,293
Transfers to individuals and organizations	398,110	391,245	471,088
Bank charges and short-term interest	17,000	18,938	15,435
Interest on long term debt	424,754	414,012	305,550
Amortization of tangible capital assets	3,471,152	5,304,396	4,566,587
Loss on disposal of tangible capital assets	-	34,089	-
	<u>\$ 23,660,546</u>	<u>\$ 25,130,488</u>	<u>\$ 22,915,023</u>

**Town of Chestermere**  
**Notes to Consolidated Financial Statements**  
**December 31, 2014**

**1) Significant Accounting Policies**

The Town of Chestermere (the "Municipality") is a Municipality in the Province of Alberta. The consolidated financial statements are the representation of management and have been prepared in accordance with Canadian generally accepted accounting principles for local governments established by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants. Significant aspects of these accounting policies are as follows:

**A. Reporting Entity**

The consolidated financial statements reflect the assets, liabilities, revenue 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 the organizations that are owned or controlled by the municipality and are, therefore, accountable to the Town Council for the administration of their financial resources.

Chestermere Utilities Incorporated, a subsidiary corporation controlled by the Town of Chestermere, is accounted for on a modified equity basis, consistent with the Canadian generally accepted accounting treatment for government business enterprises. Under the modified equity basis, the business enterprise is not consolidated, its accounting policies are not adjusted to conform with those of the Town, and inter-organizational transactions and balances are not eliminated.

The schedule of taxes levied also includes operating requisitions for educational, and other external organizations that are not controlled by the municipal council.

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 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. 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.

**E. Requisition Over-levy and Under-levy**

Over-levies and under-levies arise from the difference between the actual levy made to cover each requisition and the actual amount requisitioned. If the actual levy exceeds the requisition, the over-levy is accrued as a liability and property tax revenue is reduced. In situations where the actual levy is less than the requisition amount, the under-levy is accrued as a receivable and reflected as property tax revenue.

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

**Town of Chestermere**  
**Notes to Consolidated Financial Statements**  
**December 31, 2014**

**I) Significant Accounting Policies (continued)**

**F. Land Held For Resale**

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

**G. Tax Revenue**

Tax revenues are recognized when the tax has been authorized by the bylaw and the taxable event has occurred.

Requisitions operate as a flow through and are excluded from municipal revenue.

**H. 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 occurred, providing the transfers are authorized, any eligibility criteria have been met by the municipality, and reasonable estimates of the amounts can be determined.

**I. Equity in Investments**

Equity in investments includes the Town's net accumulated investment in a subsidiary corporation, Chestermere Utilities Incorporated. The amount consists of the original investment in common shares, plus the proportionate share of earnings of the subsidiary.

**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 revenue over expenses, provides the consolidated Change in Net Financial Assets (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 asset is amortized on a straight-line basis over the estimated useful life as follows:

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

There is an amortization charge in the year of acquisition and no amortization charge 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 and replacement cost.

**Town of Chestermere**  
**Notes to Consolidated Financial Statements**  
**December 31, 2014**

<b>2) Cash</b>		<b>2014</b>	<b>2013</b>
Petty cash	\$	1,000	\$ 800
Cash		4,623,819	10,836,815
		\$ 4,624,819	\$ 10,837,615

The Town of Chestermere has a line of credit of \$2,500,000, bearing interest at prime with an effective rate of 3%, of which \$2,500,000 remains unused at December 31, 2014.

<b>3) Taxes and Grants in Place Receivables</b>		<b>2014</b>	<b>2013</b>
Current taxes and grants in place of taxes	\$	1,402,909	\$ 1,197,756
Tax arrears		298,680	307,672
		\$ 1,701,589	\$ 1,505,428

<b>4) Trade Accounts Receivables</b>		<b>2014</b>	<b>2013</b>
Accounts receivable - other	\$	1,753,023	\$ 3,493,011
Offsite levies receivable		1,640,194	1,132,019
Mortgages receivable		372,998	398,489
		\$ 3,766,215	\$ 5,023,519

Mortgages receivable are amounts outstanding from individuals who have agreed to purchase property adjacent to their existing lot surrounding Chestermere Lake which was purchased by the Town from Western Irrigation District. These mortgages receivable mature between 2018 and 2025 and bear interest at varying rates.

<b>5) Agreements Receivable</b>		<b>2014</b>	<b>2013</b>
Epcor Amortization Fund ( <i>Note 10</i> )	\$	5,883,789	\$ 6,126,813
Alberta Capital Finance Authority - Great Plains Debenture ( <i>Note 10</i> )		2,505,053	2,602,462
Chestermere Utilities Incorporated - Promissory Note		554,427	554,427
		8,943,269	9,283,702
Less: Current portion		(333,986)	(340,505)
		\$ 8,609,283	\$ 8,943,197

Principal and interest repayments are due as follows:

	Principal	Interest	Total
2015	\$ 333,986	\$ 580,944	\$ 914,930
2016	882,453	561,493	1,443,946
2017	322,544	542,034	864,578
2018	317,525	522,527	840,052
2019	312,960	502,935	815,895
Thereafter	6,773,801	3,810,612	10,584,413
	\$ 8,943,269	\$ 6,520,545	\$ 15,463,814

The Chestermere Utilities Incorporated (CUI) agreement receivable relates to the EPCOR Amortization Fund that was assigned to CUI on January 1, 2012 as well as an outstanding debenture with Alberta Capital Finance Authority which was assigned to CUI on December 16, 2013. The EPCOR Amortization Fund consists of a long term financing arrangement between the Town and EPCOR for the water reservoir and water line tie-in projects. The term of this financing is over 20 years with payments to include principal and interest. The Alberta Capital Finance Authority debenture consists of a long term financing arrangement between the Town and Alberta Capital Finance Authority for construction of the Great Plains Sanitary Sewer Line. The term of this financing is over 20 years with payments to include principal and interest.

Also included in this amount is a five year unsecured, non-interest bearing promissory note receivable of \$554,427 due in 2016.



**Town of Chestermere**  
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6) Investments	2014	2013
Vancity Savings Guaranteed Investment Certificate maturing 2015 with interest rate of 1.625%. (Market Value \$5,000,000)	5,000,000	-
Toronto Dominion Bank Flat Rate Deposit Note maturing 2017 with interest rate of 5.76%. (Market Value \$2,804,481)	2,744,241	2,841,071
Bank of Montreal Stripped Bond maturing 2016 with interest rate of 5.10%. (Market Value \$2,114,590)	2,111,209	2,065,763
Bank of Montreal Fixed Flat Rate Deposit Note maturing 2018 with interest rate of 10.22%. (Market Value \$1,992,843)	1,965,960	1,160,577
Canadian Imperial Bank of Commerce Flat Rate Deposit Note maturing 2019 with interest rate of 9.98%. (Market Value \$1,849,259)	1,803,923	1,885,041
Canadian Imperial Bank of Commerce Strip Bond maturing 2015 with interest rate of 4.11%. (Market Value \$1,232,302)	1,208,692	2,071,416
Bank of Nova Scotia Fixed Flat Rate Deposit Note maturing 2024 with interest rate of 3.04%. (Market Value \$1,088,540)	1,072,254	1,073,096
Bank of Montreal Deposit Note maturing 2021 with a rate of return indexed on S&P/TSX 60 (Market Value \$1,000,000)	1,000,000	-
Toronto Dominion Bank Flat Rate Deposit Note maturing 2019 with interest rate of 9.52%. (Market Value \$970,006)	971,639	-
Canadian Imperial Bank of Commerce Strip Bond maturing 2015 with interest rate of 3.15%. (Market Value \$898,419)	908,678	-
Bank of Montreal Stripped Bond maturing 2015 with interest rate of 4.87%. (Market Value \$686,562)	685,750	671,902
Bank of Nova Scotia Deposit Note maturing 2020 with a rate of return indexed on S&P/TSX 60. (Market Value \$511,300)	500,000	-
Bank of Montreal Fixed Flat Rate Deposit Note maturing 2016 with interest rate of 3.90%. (Market Value \$489,550)	489,112	497,615
Canadian Imperial Bank of Commerce Strip Bond maturing 2015 with interest rate of 3.15%. This investment was sold during the year.	-	881,548
Chestermere Utilities Incorporated - 100% ownership		
Common voting shares (100)	100	100
Preferred, non-cumulative, redeemable, retractable, non-voting shares (56,050,023)	56,050,023	56,050,023
Cumulative share of earnings	4,541,123	3,330,174
<b>Total Investments</b>	<b><u>\$ 81,052,704</u></b>	<b><u>\$ 72,528,326</u></b>

The total of Class "G" Preferred shares of \$56,050,023 were issued to the Town of Chestermere in 2012 as compensation for assets transferred to the corporation, are redeemable and retractable on demand. A Council motion has been passed by the Town of Chestermere waiving the right to retract the shares until December 31, 2016.

The Town of Chestermere holds funds that are restricted in their use and are to be utilized as funding for capital projects and to meet trust obligations. Since the projects have not been completed for which the funding has been received, \$5,926,380 (2013 - \$9,230,946) of the investment funds are not available for general use by the Town.

**Town of Chestermere**  
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<b>7) Accounts Payable and Accrued Liabilities</b>	<u>2014</u>	<u>2013</u>
Trade accounts payable	\$ 3,369,086	\$ 2,052,016
Accrued liabilities	1,249,289	1,167,085
Accrued vacation pay payable	465,281	370,463
Accrued interest payable	103,653	114,517
	<u>\$ 5,187,309</u>	<u>\$ 3,704,081</u>

The vacation liability represents the vacation that employees have earned and are entitled to within the next budgetary year.

**8) Due To Chestermere Utilities Incorporated**

Amounts due to Chestermere Utilities Incorporated includes an amount payable of \$1,274,587 (2013 - \$379,976) which is unsecured, non-interest bearing and repayable on demand.

<b>9) Deferred Revenue</b>	<u>2014</u>	<u>2013</u>
Municipal Sustainability Initiative	\$ 1,791,673	\$ 3,873,887
Deferred operating grants	327,829	374,587
Other deferred revenue	284,195	116,740
Basic Municipal Transportation Grant	28,321	1,058,687
Federal Gas Tax Fund	-	762,793
	<u>\$ 2,432,018</u>	<u>\$ 6,186,694</u>

**Municipal Sustainability Initiative**

The Municipal Sustainability Initiative ("MSI") is a funding program aimed at providing financial support for critical core and community infrastructure projects and includes incentives to encourage collaboration and cooperation between neighbouring municipalities. This population-based funding program includes operating, capital and affordable housing components. The balance represents funds brought forward from 2013 of \$3,873,887, plus accrued interest of \$152,799, plus funds received by the Town in 2014 of \$4,089,991, less \$6,325,004 recognized as revenue in 2014.

**Basic Municipal Transportation Grant**

The Basic Municipal Transportation Grant ("BMTG") provides cost-shared grants to municipalities to assist with the provision of lasting street improvements, to enhance life in rural centers and to serve to attract the decentralization of industry. Approved projects are eligible for 75 percent provincial funding for construction and engineering costs. The balance represents funds brought forward from 2013 of \$1,058,687, plus accrued interest of \$41,903, less \$1,072,269 recognized as revenue in 2014.

**Federal Gas Tax Fund**

The Federal Gas Tax Fund is a per capita grant to assist municipalities in addressing their sustainable municipal capital infrastructure needs. The program is supported through the allocation to Alberta Municipalities of a portion of the federal gasoline tax. Funding under this program is subject to the province receiving the funding from the federal government. The program provides conditional grants for capital-related projects which meet the program eligibility criteria. There is no requirement for a municipal funding contribution to projects accepted under this program. The balance represents funds brought forward from 2013 of \$762,793, plus accrued interest of \$30,191, less \$792,984 recognized as revenue in 2014.

**Town of Chestermere**  
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<b>10) Long Term Debt</b>	<b>2014</b>	<b>2013</b>
Tax supported debentures	\$ 9,909,719	\$ 10,828,748
EPCOR amortization fund <i>(Note 5)</i>	5,883,789	6,126,813
Self supported debentures <i>(Note 5)</i>	2,505,053	2,602,462
Western Irrigation District Scholarship	8,000	9,000
	18,306,561	19,567,023
Less: Current portion	(1,290,729)	(1,260,535)
	<b>\$ 17,015,832</b>	<b>\$ 18,306,488</b>

Principal and interest repayments are due as follows:

	Principal	Interest	Total
2015	\$ 1,290,729	\$ 968,984	\$ 2,259,713
2016	1,309,558	911,237	2,220,795
2017	1,295,320	852,739	2,148,059
2018	1,264,879	796,035	2,060,914
2019	1,296,920	739,837	2,036,757
Thereafter	11,849,155	4,431,085	16,280,240
	<b>\$ 18,306,561</b>	<b>\$ 8,699,917</b>	<b>\$ 27,006,478</b>

Debenture debt is repayable to Alberta Capital Finance Authority and bears interest at a rates ranging from 3.08% to 6.75% per annum, before provincial subsidy, and matures from 2015 to 2033. The weighted average interest rate is 3.85% (5.26% for 2013). Debenture debt is issued on the credit and security of the Town of Chestermere at large.

The EPCOR Amortization Fund consists of a long term financing arrangement between the Town and EPCOR for the water reservoir and water line tie-in projects. The term of this financing is over 20 years with payments to include principal and interest.

Western Irrigation District scholarship obligation is payable to Olds College Foundation, bears no interest, and matures in 2022, repayable in the amount of \$1,000 per year.

Interest on long term debt amounted to \$414,012 (2013 - \$305,550).

The Town's total cash payments for interest in 2014 were \$424,876 (2013 - \$251,956).

**Town of Chestermere**  
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**11) Debt Limit**

Section 276(2) of the Municipal Government Act requires that debt and debt limits as defined by Alberta Regulation 255/00 for the Town of Chestermere be disclosed as follows:

	<u>2014</u>	<u>2013</u>
Total debt limit (1.5 * total eligible revenues)	\$ 38,449,698	\$ 37,885,994
Total long term debt (Note 10)	(18,306,561)	(19,567,023)
Unused total debt limit capacity	<u>\$ 20,143,137</u>	<u>\$ 18,318,971</u>
Service on debt limit (0.25 * total eligible revenues)	\$ 6,408,283	\$ 6,314,332
Service on debt (next years principal and interest due) (Note 10)	(2,259,713)	(2,285,713)
Unused service on debt limit capacity	<u>\$ 4,148,570</u>	<u>\$ 4,028,619</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 consolidated financial statements must be interpreted as a whole.

**12) Tangible Capital Assets**

	<u>2014</u>	<u>2013</u>
Land	\$ 23,042,836	\$ 21,786,666
Land improvements	8,065,585	4,190,008
Buildings	19,940,982	15,808,096
Engineered structures - Roadway system	50,756,161	50,268,956
Machinery, equipment and furnishings	3,938,307	3,652,375
Vehicles	2,981,088	2,745,358
	<u>\$ 108,724,959</u>	<u>\$ 98,451,459</u>

**13) Equity in Tangible Capital Assets**

	<u>2014</u>	<u>2013</u>
Tangible capital assets (Schedule 2)	\$ 145,910,266	\$ 130,456,161
Accumulated amortization (Schedule 2)	(37,185,307)	(32,004,702)
Long term debt (Note 10)	(18,306,561)	(19,567,023)
Operating portion of long term debt	9,573,256	13,546,544
	<u>\$ 99,991,654</u>	<u>\$ 92,430,980</u>

**14) Other Assets**

	<u>2014</u>	<u>2013</u>
Other deposits	\$ 61,250	\$ 112,636
Deposits on tangible capital asset acquisitions	16,517	542,041
	<u>\$ 77,767</u>	<u>\$ 654,677</u>

**Town of Chestermere**  
**Notes to Consolidated Financial Statements**  
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**15) Accumulated Surplus**

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

	2014	2013
Unrestricted surplus (deficit)	<b>\$ 62,175,031</b>	<b>\$ 59,386,709</b>
Restricted surplus (reserves)		
Capital:		
Roads	5,332,938	5,046,809
Equipment replacement	36,781	36,781
Recreation	970,650	1,026,100
General capital	3,997,628	2,700,326
Operating:		
FCSS	131,238	199,004
Silt removal	3,695	3,695
Development services	2,557,890	1,528,352
General operating	3,330,257	3,312,918
	<b>16,361,077</b>	<b>13,853,985</b>
Equity in tangible capital assets (Note 13)	<b>99,991,654</b>	<b>92,430,980</b>
	<b>\$ 178,527,762</b>	<b>\$ 165,671,674</b>

**16) Trust Funds**

The Town of Chestermere administers the following trust:

	2014	2013
Roots of Empathy	<b>\$ 11,768</b>	<b>\$ 14,567</b>

The amount disclosed as a liability for the trust is offset by cash held in a separate bank account that is equal to the trust liability. Neither the asset nor the liability are recorded on the Statement of Financial Position.

**17) 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:

	2014			2013
	Salary <sup>(1)</sup>	Benefits and Allowances <sup>(2)</sup>	Total	Total
Mayor Matthews	\$ 60,000	\$ 10,052	\$ 70,052	\$ 55,334
Councillor Bergen	-	-	-	7,911
Councillor Davies	30,667	1,743	32,410	28,560
Councillor Hutchison	29,000	1,629	30,629	24,954
Councillor Johnson	-	-	-	24,316
Councillor Massig	29,000	5,101	34,101	6,594
Councillor Smith	29,000	6,485	35,485	6,594
Councillor Steeves	33,315	6,146	39,461	27,040
Councillor Watson	29,000	1,044	30,044	5,553
Chief Administrative Officer	172,598	39,162	211,760	173,510
	<b>\$ 412,580</b>	<b>\$ 71,362</b>	<b>\$ 483,942</b>	<b>\$ 360,366</b>

(1) Salary includes regular base pay and any other direct cash remuneration.

(2) Employer's share of all employee benefits and contributions or payments made on behalf of employees including retirement pension, Canada pension plan (CPP), employment insurance (EI), 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 Chestermere**  
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**18) Local Authorities Pension Plan**

Employees of the Town participate in the Local Authorities Pension Plan ("LAPP"), which is covered by the Alberta Public Sector Pension Plan Act. The Plan services around 230,000 people and about 418 employers. The LAPP is financed by employer and employee contributions and investment earnings of the LAPP Fund.

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

The Town is required to make current service contributions to the LAPP of 11.39% of pensionable earnings up to the year's maximum pensionable earnings under the Canada Pension Plan and 15.84% on pensionable earnings above this amount. Employees of the Town are required to make current service contributions of 10.39% of pensionable salary up to the year's maximum pensionable salary and 14.84% on pensionable salary above this amount.

Total current service contributions by the Town to the LAPP in 2014 were \$787,488 (2013 - \$669,716). Total current service contributions by the employees of the Town to the LAPP in 2014 were \$724,780 (2013 - \$611,202).

At December 31, 2013, the LAPP disclosed an actuarial deficiency of \$4.86 billion.

**19) Commitments**

During 2005, the existing Storm Water Discharge Agreement, Lake Management Agreement, and Western Irrigation District Offsite Levies Agreement, were replaced with the Use of Works Agreement between the Town and Western Irrigation District. Under this agreement, which is to be managed on a permanent and cooperative basis, the Town must remit to the Western Irrigation District annual payments as follows:

2015	\$ 455,051
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The above payments are subject to change dependent on the Consumer Price Index realized in each respective year.

During 2009, the Town entered into an agreement with the Rocky View County for the annexation of land from the County. Under this agreement, the Town is required to remit \$265,795 per year to the County until 2019.

The Town has operating leases for vehicles. The leases require monthly payments and expire by June 1, 2018.

Future minimum lease payments as at December 31, 2014, are as follows:

2015	\$ 115,335
2016	70,194
2017	24,801
2018	1,762
	<u>\$ 212,092</u>

**20) Contingencies**

The Town of Chestermere is a member of the Alberta Municipal Insurance Exchange ("MUNIX"). 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 been named as a defendant in a claim by several Town residents regarding West Chestermere Drive curbs and sidewalk issues. At present, the outcome is not determinable. The amount of any future settlement would be accounted for as a current transaction in the year of settlement.

**Town of Chestermere**  
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**21) Subsidiary Operations**

Chestermere Utilities Incorporated was established in 2011 by the Town of Chestermere to provide water, wastewater, stormwater, garbage collection and recycling services to the Town. Chestermere Utilities Incorporated is a wholly owned subsidiary of the Town.

The following is condensed financial information for Chestermere Utilities Incorporated for the year ended December 31, 2014:

	2014	2013
<b>Financial position:</b>		
Current assets	\$ 8,129,845	\$ 7,861,155
Property and equipment	<u>68,541,329</u>	<u>64,518,045</u>
Total assets	<u>76,671,174</u>	<u>72,379,200</u>
Current liabilities	2,758,392	2,057,564
Deferred revenue	1,117,753	53,472
Long term debt	8,943,269	9,283,702
Preferred shares	<u>52,573,929</u>	<u>50,917,580</u>
Total liabilities	<u>65,393,343</u>	<u>62,312,318</u>
Net assets	<u>\$ 11,277,831</u>	<u>\$ 10,066,882</u>
<b>Results of operations:</b>		
Revenue	\$ 13,695,745	\$ 11,314,936
Amortization	1,287,152	1,219,806
Financing costs	2,256,657	2,183,500
Operating expenses	8,951,881	7,937,569
Unrealized gains on investments	<u>10,894</u>	<u>-</u>
Net income (loss)	<u>\$ 1,210,949</u>	<u>\$ (25,939)</u>

**Town of Chestermere**  
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**22) Related Party Transactions**

The following summarizes the related party transactions between the Town of Chestermere and Chestermere Utilities Incorporated. All transactions and balances are in the normal course of business and are measured at the exchange amount, which is the amount of consideration established and agreed by the related parties.

	<u>2014</u>	<u>2013</u>
Statement of Financial Position:		
Due to Chestermere Utilities Incorporated	1,274,587	379,976
Agreements receivable	8,943,269	9,283,702
Statement of Operations:		
Sales of goods and user charges - office space rental revenue	6,000	14,000
Contracted and general services - utilities expense	223,459	241,136
Contribution of tangible capital assets (Schedule 2)	2,433,536	2,863,402

The summary of specific transactions with Chestermere Utilities Incorporated is not intended to be representative of all transactions undertaken with the corporation, but is intended to identify only specific transactions that management has identified to the users of these consolidated financial statements.

**23) Financial Instruments**

The Town's financial instruments consist of cash, taxes and grants in place receivables, trade accounts receivables, property tax under-levy, agreements receivable, investments, accounts payable and accrued liabilities, due to Chestermere Utilities Incorporated, deposit liabilities and long term debt. Unless otherwise noted, the fair values of these financial instruments approximates their carrying values.

Interest Rate Risk

The Town of Chestermere has fixed interest rates through the debenture financing with Alberta Capital Finance Authority.

Credit Risk

The Town of Chestermere is subject to credit risk with respect to taxes receivables and trade and other receivables. Credit risk arises from the possibility that taxpayers and entities to which the Town of Chestermere 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.

**24) Comparative Figures**

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

**25) Subsequent Events**

On January 1, 2015, Town of Chestermere officially changed its municipal status to City of Chestermere. Future operations will not be impacted by this change.

**26) Approval of Financial Statements**

Council and Management have approved these consolidated financial statements on April 20, 2015.