

TOWN OF TOFIELD

FINANCIAL STATEMENTS

DECEMBER 31, 2014

INDEPENDENT AUDITORS' REPORT

To the Mayor and Council of the Town of Tofield

Report on the Consolidated Financial Statements

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

Management's Responsibility for the 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 misstatements, 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 misstatements 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 of our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Town of Tofield as at December 31, 2014, 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.

Sherwood Park, Alberta

April 13, 2015


Chartered Accountants

TOWN OF TOFIELD

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2014

	2014 TOTAL	2013 TOTAL
FINANCIAL ASSETS		
Cash and Temporary Investments - note 2	\$ 1,945,807	\$ 1,744,255
Taxes and Grants in Place of Taxes Receivable		
- Current	216,016	330,933
- Arrears	17,689	5,824
Receivable from Other Governments	241,371	245,471
Trade and Other Receivables	325,588	330,501
	<u>2,746,471</u>	<u>2,656,984</u>
LIABILITIES		
Short Term Loans Payable	-	1,760,000
Accounts Payable and Accrued Liabilities	140,139	366,440
Deposit Liabilities	24,171	15,200
Prepaid local improvements	8,426	8,974
Bulk water deferred revenue	27,131	-
Long Term Debt - note 4	3,211,811	1,279,793
	<u>3,411,678</u>	<u>3,430,407</u>
NET FINANCIAL ASSETS (DEBT)	<u>(665,207)</u>	<u>(773,423)</u>
NON-FINANCIAL ASSETS		
Tangible Capital Assets - schedule 2	16,070,848	15,722,111
Prepaid expense	23,146	11,813
	<u>16,093,994</u>	<u>15,733,924</u>
ACCUMULATED SURPLUS - schedule 1, note 7	<u>\$ 15,428,787</u>	<u>\$ 14,960,501</u>

Commitments and contingencies - See Notes 10 and 13

TOWN OF TOFIELD
CONSOLIDATED STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2014

	Budget (unaudited)	2014	2013
REVENUES			
Taxation and Grants in Place of Taxes - Schedule 3	\$ 2,191,926	\$ 2,175,161	\$ 1,995,771
Sales and User Charges	1,290,390	1,594,425	1,319,589
Penalties and Costs on Taxes	106,000	96,109	76,806
Licenses and Permits	19,500	14,983	21,656
Fines	-	1,158	656
Franchise and Concession Contracts	106,000	117,366	103,897
Interest Income	40,000	33,731	40,392
Rentals	38,055	41,373	38,505
Federal Government Conditional Transfer	26,980	25,000	-
Provincial Government Conditional Transfers	212,573	209,338	180,235
Local Government Transfers	290,391	242,118	238,945
Other Revenues	114,800	18,909	13,725
Total Revenue	<u>4,436,615</u>	<u>4,569,671</u>	<u>4,030,177</u>
EXPENSES			
Council and Other Legislative	58,300	63,283	65,832
General Administration	880,203	866,030	784,415
Fire	151,540	128,190	114,411
By-laws Enforcement	9,600	7,244	7,092
Roads, Streets, Walks, Lighting	820,275	660,742	790,835
Airport	24,700	33,826	23,606
Water Supply and Distribution	924,420	943,369	1,084,612
Wastewater Treatment and Disposal	130,459	118,178	113,289
Waste Management	99,588	99,931	98,626
Family and Community Support (FCSS)	310,122	281,910	235,834
Cemeteries and Crematoriums	29,730	32,477	15,436
Community Development	773,609	733,063	675,243
Loss on sale of capital assets	-	8,816	(1,627)
Amortization	-	873,358	814,904
Total Expenses	<u>4,212,546</u>	<u>4,850,417</u>	<u>4,822,508</u>
Shortfall of Revenues over Expenses - Before Other	<u>224,069</u>	<u>(280,746)</u>	<u>(792,331)</u>
OTHER			
Government transfers for capital	996,000	749,032	235,470
	<u>996,000</u>	<u>749,032</u>	<u>235,470</u>
EXCESS (SHORTFALL) OF REVENUE OVER EXPENSES	1,220,069	468,286	(556,861)
ACCUMULATED SURPLUS, BEGINNING OF YEAR	14,960,501	14,960,501	15,517,362
ACCUMULATED SURPLUS, END OF YEAR	<u>\$ 16,180,570</u>	<u>\$ 15,428,787</u>	<u>\$ 14,960,501</u>

TOWN OF TOFIELD

CONSOLIDATED STATEMENT OF CHANGES IN NET FINANCIAL ASSETS (DEBT)
FOR THE YEAR ENDED DECEMBER 31, 2014

	Budget (unaudited)	2014	2013
(SHORTFALL) EXCESS OF REVENUE OVER EXPENSES	\$ 1,220,069	\$ 468,286	\$ (556,861)
Acquisition of tangible capital assets	(1,479,500)	(1,256,512)	(3,091,127)
Proceeds on disposal of tangible capital assets	-	25,602	6,425
Amortization of tangible capital assets	-	873,358	814,904
(Gain) Loss on sale of tangible capital assets	-	8,816	(1,627)
	<u>(1,479,500)</u>	<u>(348,736)</u>	<u>(2,271,425)</u>
Acquisition of inventory	-	(35,514)	-
Use of inventory	-	24,180	8,185
	<u>-</u>	<u>(11,334)</u>	<u>8,185</u>
(DECREASE) INCREASE IN NET FINANCIAL ASSETS	(259,431)	108,216	(2,820,101)
NET FINANCIAL ASSETS (DEBT), BEGINNING OF YEAR	(773,423)	(773,423)	2,046,678
NET FINANCIAL ASSETS (DEBT), END OF YEAR	\$ (1,032,854)	\$ (665,207)	\$ (773,423)

TOWN OF TOFIELD

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2014

	2014	2013
Cash provided by (used for):		
Operating		
(Shortfall) excess of revenues over expenses	\$ 468,286	\$ (556,861)
Non-cash items included in (shortfall) excess of revenues over expenses:		
Amortization of tangible capital assets	873,358	814,904
(Gain) Loss on sale of tangible capital assets	8,816	(1,627)
	<u>1,350,460</u>	<u>256,416</u>
Non-cash charges to operations (net change):		
Decrease in taxes and grants in place of taxes receivable	103,052	(165,483)
Decrease (increase) in receivables from other governments	4,100	(86,433)
(Increase) decrease in trade and other receivables	4,913	91,054
Decrease (increase) in inventory	(11,333)	8,185
(Decrease) increase in accounts payable and accrued liabilities	(226,301)	86,475
Increase (decrease) increase in deposit liabilities	8,971	2,000
Increase (decrease) in prepaid local improvements	(548)	(3,700)
Increase (decrease) in bulk water deferred revenue	27,131	-
	<u>(90,015)</u>	<u>(67,902)</u>
Cash flow provided by operating activities	<u>1,260,445</u>	<u>188,514</u>
Capital		
Acquisition of tangible capital assets		
- Land	-	(212,000)
- Land improvements	(44,028)	-
- Building	-	(179,316)
- Engineering structures	(680,821)	(2,631,560)
- Machinery and Equipment	(504,929)	(41,440)
- Vehicle	(26,734)	(26,811)
Proceeds on sale of tangible capital assets	25,602	6,425
Cash flow used for capital activities	<u>(1,230,910)</u>	<u>(3,084,702)</u>
Financing		
Short term debt repaid	(1,760,000)	-
Short term debt issued	-	1,760,000.00
Long term debt repaid	(91,983)	(82,145)
Long term debt issued	2,024,000	-
Cash flow provided by (used for) provided by financing activities	<u>172,017</u>	<u>1,677,855</u>
Increase (Decrease) in Cash and Temporary Investments	201,552	(1,218,333)
Cash and Temporary Investments, beginning of year	1,744,255	2,962,588
Cash and Temporary Investments, end of year	<u><u>\$ 1,945,807</u></u>	<u><u>\$ 1,744,255</u></u>
Represented by:		
Cash	\$ 497,207	\$ 393,143
Temporary Investments	1,448,600	1,351,112
Total Cash and Temporary Investments	<u><u>\$ 1,945,807</u></u>	<u><u>\$ 1,744,255</u></u>
NOTE:		
Interest Received	<u><u>\$ 33,731</u></u>	<u><u>\$ 40,392</u></u>
Interest Paid	<u><u>\$ 137,565</u></u>	<u><u>\$ 101,576</u></u>

TOWN OF TOFIELD

SCHEDULE 3

SCHEDULE OF TAXES LEVIED AND GRANTS IN PLACE OF TAXES
FOR THE YEAR ENDED DECEMBER 31, 2014

	Budget (unaudited)	2014	2013
Taxation			
Real Property			
- Residential Taxes	\$ 1,936,138	\$ 1,936,384	\$ 1,867,493
- Commercial Taxes	453,267	443,645	432,047
- Industrial Taxes	362,348	362,348	290,032
- Farmland Taxes	4,710	4,711	4,581
Total Real Property	<u>2,756,463</u>	<u>2,747,088</u>	<u>2,594,153</u>
Linear Property Taxes	84,889	84,889	81,928
Federal Grants in Place of Taxes	8,119	8,119	8,044
Provincial Grants in Place of Taxes	11,529	11,529	10,430
Local Improvement	19,557	20,106	23,257
	<u>2,880,557</u>	<u>2,871,731</u>	<u>2,717,812</u>
Less: Requisitions			
Alberta School Foundation	628,997	630,597	654,974
Beaver Foundation	59,634	65,973	67,067
	<u>688,631</u>	<u>696,570</u>	<u>722,041</u>
Net Taxes Available for Municipal Purposes	<u>\$ 2,191,926</u>	<u>\$ 2,175,161</u>	<u>\$ 1,995,771</u>

TOWN OF TOFIELD

SCHEDULE 4

SCHEDULE OF CONSOLIDATED EXPENSES BY OBJECT
FOR THE YEAR ENDED DECEMBER 31, 2014

	Budget (unaudited)	2014	2013
Consolidated Expenses by Object			
Salaries, Wages, and Benefits	\$ 1,366,788	\$ 1,371,906	\$ 1,275,200
Contracted and General Services	857,259	741,238	669,193
Materials, Goods, Supplies and Utilities	1,449,428	1,312,500	1,597,162
Transfers to Local Boards and Agencies	277,236	255,886	243,405
Transfers to Individuals and Organizations	51,283	80,600	67,438
Bank Charges	47,400	48,892	41,708
Interest on Capital Long Term Debt	89,876	88,673	59,868
Gross Recoveries	67,776	64,074	44,130
Other Expenditures	5,500	4,474	11,127
Loss on sale of capital assets	-	8,816	(1,627)
Amortization	-	873,358	814,904
Total Expenses	\$ 4,212,546	\$ 4,850,417	\$ 4,822,508

TOWN OF TOFIELD
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

1. SIGNIFICANT ACCOUNTING POLICIES

The Consolidated Financial Statements of the Town of Tofield are the representations of management prepared in accordance with Canadian generally accepted accounting principles for local governments established by the Public Sector Accounting Board (“PSAB”) of the Chartered Professional Accountants Canada (“CPA”). Significant aspects of the accounting policies adopted by the Town of Tofield are as follows:

(a) Reporting Entity

The financial statements reflect the assets, liabilities, revenues and expenditures, changes in fund balances and change in financial position of the reporting entity. This entity is comprised of the municipal operations plus all of the organizations that are owned or controlled by the town and are, therefore, accountable to the town Council for the administration of their financial affairs and resources. The town contributes to, but does not control, the Tofield Volunteer Fire Department and the Tofield Municipal Library. Reporting for these entities is limited to the town’s contribution to them.

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 measurable. Expenses are recognized as they are incurred and measurable based upon the receipt of goods or services and/or the legal obligation to pay.

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 preformed. Revenue is recognized in the period when the related expenses are incurred, services performed or the tangible capital assets are acquired.

Interest on long term debt and pension expenditures are recorded as an expenditure as payment is made.

(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 expenditures 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.

TOWN OF TOFIELD
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Cash and Cash Equivalents

Cash and cash equivalents consist of temporary investments and cash, being cash on hand and in a chartered bank less cheques issued and outstanding.

(e) Temporary Investments

Temporary investments are recorded at amortized cost. Where there has been a loss in value that is other than a temporary decline, the respective investment is written down to recognize the loss.

(f) Prepaid Local Improvement Charges

Construction and borrowing costs associated with local improvement projects are recovered through annual special property assessments during the period of the related borrowings. These levies are collectable 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. The deferred revenue is amortized to revenue on a straight-line basis over the remaining term of the related borrowings.

Included in local improvements revenue is \$548 which represents the annual amortization of prepaid local improvement charges.

(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) 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.

**TOWN OF TOFIELD
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014**

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Non-Financial Assets

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the normal course of operations. The change in non-financial assets during the year, together with the excess of revenues over expenses, provides the Change in Net Financial Assets (Debt) for the year.

i) Tangible Capital Assets

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

Land Improvements	10 – 20 years
Buildings	50 years
Engineered structures	
Roadway system	5 – 40 years
Airport	20 years
Water system	45 – 75 years
Wastewater/storm sewer system	45 – 75 years
Machinery and equipment	5 – 15 years
Vehicles	10 – 25 years

The full annual 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.

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.

**TOWN OF TOFIELD
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014**

2. CASH AND TEMPORARY INVESTMENTS

	2014	2013
Cash	\$ 497,207	\$ 393,143
Temporary Investments – note 3	<u>1,448,600</u>	<u>1,351,112</u>
Cash and Temporary Investments	<u>\$ 1,945,807</u>	<u>\$ 1,744,255</u>

3. TEMPORARY INVESTMENTS

	2014	2013
Guaranteed Investment Certificates		
- 1.05% maturing May 3, 2013	\$ -	\$ 422,972
- 1.25% 1.3%, 1.35% rate riser maturing April 10, 2016	133,661	132,109
- 1.25% 1.3%, 1.35% rate riser redeemed May 15, 2014	-	118,471
- 1.25% 1.3%, 1.35% rate riser maturing January 30, 2017	101,598	-
Nesbitt Burns Investment account (Market value \$1,213,341, 2013 - \$677,560)	<u>1,213,341</u>	<u>677,560</u>
Cost	<u>\$ 1,448,600</u>	<u>\$ 1,351,112</u>
Market Value	<u>\$ 1,448,600</u>	<u>\$ 1,351,112</u>

4. LONG TERM DEBT

	2014	2013
Long Term Debt Support		
Supported by General Tax Levies	\$ 2,977,875	\$ 1,035,252
Supported by Special Levies	<u>233,936</u>	<u>244,541</u>
	<u>\$ 3,211,811</u>	<u>\$ 1,279,793</u>

Principal and interest repayments are due as follows:

	Principal	Interest	Total
2015	\$ 132,615	\$ 117,183	\$ 249,798
2016	137,655	112,143	249,798
2017	142,894	106,904	249,798
2018	148,341	101,457	249,798
2019	154,005	95,793	249,798
Thereafter	<u>2,496,301</u>	<u>641,366</u>	<u>3,137,667</u>
	<u>\$ 3,211,811</u>	<u>\$ 1,174,846</u>	<u>\$ 4,386,657</u>

Debenture debt of \$3,211,811, repayable to Alberta Capital Finance Authority bears interest at rates ranging from 2.922% to 4.915% per annum, before provincial subsidy, and matures in periods 2029 through 2034.

Debenture debt is issued on the credit and security of the Town of Tofield.

Interest on long term debt amounts to \$88,673 (2013 - \$59,868)

**TOWN OF TOFIELD
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014**

5. DEBT LIMITS

Section 271 of the Municipal Government Act requires that debt and debt limits for the Town of Tofield, be disclosed as follows:

	2014	2013
Total debt limit	\$ 6,854,507	\$ 6,045,267
Total debt	<u>3,211,811</u>	<u>3,039,793</u>
Amount of Total Debt Limit Available	<u>\$ 3,642,696</u>	<u>\$ 3,005,474</u>
Service on Debt Limit	\$ 1,142,418	\$ 1,007,544
Service on Debt	<u>249,798</u>	<u>111,515</u>
Amount of Service on Debt Limit Available	<u>\$ 892,620</u>	<u>\$ 896,029</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.

6. EQUITY IN TANGIBLE CAPITAL ASSETS

	2014	2013
Tangible capital assets - Schedule 2	\$ 27,267,004	\$ 26,117,082
Accumulated amortization - Schedule 2	(11,196,156)	(10,394,971)
Short term debt	-	(1,760,000)
Long-term debt - note 4	<u>(3,211,811)</u>	<u>(1,279,793)</u>
	<u>\$ 12,859,037</u>	<u>\$ 12,682,318</u>

7. ACCUMULATED SURPLUS

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

	2014	2013
Unrestricted surplus (deficit)	\$ 395,896	\$ 91,654
Restricted surplus		
Family and Community Support Services (FCSS)	22,394	-
Water	57,500	-
Sanitary sewage	26,500	26,500
General operations	747,699	641,349
General equipment replacement	1,208,460	1,407,379
Developer's offsite levies	111,301	111,301
Equity in tangible capital assets - note 6	<u>12,859,037</u>	<u>12,682,318</u>
	<u>\$ 15,428,787</u>	<u>\$ 14,960,501</u>

**TOWN OF TOFIELD
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014**

8. SEGMENTED DISCLOSURE

The Town of Tofield 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 5).

9. SALARY AND BENEFITS DISCLOSURE

Disclosure of salaries and benefits for municipal officials, the Chief Administrative Officer and designated officers as required by Alberta Regulation 313/2000 as follows:

Position	# of	Salaries/ Fees (1)	Benefits (2)	Total
Mayor				
Harold Conquest	1	<u>19,963</u>	-	<u>19,963</u>
		<u>19,963</u>		<u>19,963</u>
Councillors				
	5			
Barry Robinson		9,358	-	9,358
James Brodie		2,200	-	2,200
Debora Dueck		9,566	-	9,566
Catherine Brown		8,171	-	8,171
Bernice Perrot		<u>3,526</u>	-	<u>3,526</u>
		<u>32,821</u>	-	<u>32,821</u>
Designated Officer	1	<u>123,243</u>	<u>17,174</u>	<u>140,417</u>
Total	7	<u>\$ 176,027</u>	<u>\$17,174</u>	<u>\$ 193,201</u>

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

(2) Benefits 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, short term disability plans, professional memberships and tuition.

**TOWN OF TOFIELD
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014**

10. COMMITMENTS

The Town of Tofield has entered into operating lease agreements for certain office equipment expiring in November 2015, January 2017 and October 2019. Quarterly and annual lease payments total \$10,915 annually. The annual lease amounts due until the expiration of these leases are as follows:

2015	\$ 9,711
2016	6,098
2017	2,607
2018	2,607
2019	1,955
	<u>\$ 22,978</u>

11. LOCAL AUTHORITIES PENSION PLAN

Employees of the Town of Tofield participate in the Local Authorities Pension Plan (LAPP), which is one of the plans covered by the Alberta Public Sector Pensions Plans Act. The LAPP serves about 230,500 people and about 418 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 of Tofield is required to make current service contributions to the LAPP of 11.39% of pensionable earnings up to the Canada Pension Plan Year's Maximum Pensionable Earnings 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 of Tofield to the Local Authorities Pension Plan was \$121,255 (2013 - \$102,910). Total current service contributions by the employees of the Town of Tofield to the Local Authorities Pension Plan was \$111,409 (2013 - \$93,841).

At December 31, 2013, the LAPP disclosed an actuarial deficiency of \$4.861 billion.

12. FINANCIAL INSTRUMENTS

The Town's financial instruments consist of cash and temporary investments, accounts receivable, accounts payable, and long term debt. It is management's opinion that the Town is not exposed to significant interest rate, liquidity or currency risk arising from these financial instruments.

TOWN OF TOFIELD
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

12. FINANCIAL INSTRUMENTS (continued)

Credit risk arises from the potential that a counter party to a contract fails to perform according to the terms and conditions of that contract. The maximum exposure to credit risk is the carrying value of cash and temporary investments and accounts receivable on the balance sheet. Cash and temporary investments are subject to credit risk in that cash and guaranteed investment certificates are deposited with a single financial institution. The risk is mitigated by being deposited with a federally regulated, credit worthy financial institution. Risk is mitigated on the remaining temporary investments by being invested in guaranteed investment certificates issued by a range of businesses. The town has a geographical concentration of credit risk for accounts receivable due to its operations being primarily in a municipality in Alberta. Risk is mitigated by the large number and diversity of taxpayers and customers. There has been no change in credit risk from the prior year.

Unless otherwise noted, the carrying value of these financial instruments approximates fair values.

13. CONTINGENCIES

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

14. COMPARATIVE FIGURES

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

15. APPROVAL OF FINANCIAL STATEMENTS

Council and Management have approved these financial statements.