

INDEPENDENT AUDITORS' REPORT

The Council
Rural Municipality of Mervin No. 499
Turtleford, Saskatchewan

We have audited the accompanying consolidated financial statements of the Rural Municipality of Mervin No. 499, which comprise the consolidated statement of financial position as at December 31, 2013, the consolidated statements of operations, change in net financial assets 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.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the 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 Rural Municipality of Mervin No. 499 as at December 31, 2013, and its financial performance and cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Baert Cameron Odishaw La Cock

Chartered Accountants

North Battleford, Saskatchewan
March 4, 2014

Municipality of Mervin No. 499
Schedule of Council Remuneration
For the year ended December 31, 2013

| Position | Name | Remuneration | Reimbursed Costs | Total |
|--------------------|------------------|---------------|------------------|---------------|
| Reeve | Tom Brown | 10,198 | 623 | 10,821 |
| Councillor Div. #1 | Georgina Pilling | 7,356 | 1,331 | 8,687 |
| Councillor Div. #2 | Lyle McKee | 6,114 | 781 | 6,895 |
| Councillor Div. #3 | Alex McDonald | 5,044 | 1,040 | 6,084 |
| Councillor Div. #4 | Charles Bodnar | 5,437 | 960 | 6,397 |
| Councillor Div. #5 | Evelyn Bloom | 7,209 | 1,360 | 8,569 |
| Councillor Div. #6 | Colin Davidson | 6,416 | 1,983 | 8,399 |
| Total | | 47,774 | 8,078 | 55,852 |

R.M. of Mervin No. 499

SYNOPSIS OF ANNUAL FINANCIAL STATEMENT

Municipality of Mervin No. 499
Consolidated Statement of Financial Position
As at December 31, 2013

Statement 1

| | 2013 | 2012 |
|---|-------------------|-------------------|
| ASSETS | | |
| Financial Assets | | |
| Cash and Temporary Investments (Note 2) | 4,246,606 | 5,198,813 |
| Taxes Receivable - Municipal (Note 3) | 244,506 | 207,124 |
| Other Accounts Receivable (Note 4) | 994,719 | 178,409 |
| Land for Resale (Note 5) | 41,839 | 14,474 |
| Long-Term Investments (Note 6) | 111,880 | 130,285 |
| Other (Specify) | | |
| Total Financial Assets | 5,639,550 | 5,729,105 |
| LIABILITIES | | |
| Bank Indebtedness (Note 7) | | |
| Accounts Payable | 222,545 | 186,173 |
| Accrued Liabilities Payable | | |
| Deposits | | |
| Deferred Revenue (Note 8) | | |
| Accrued Landfill Costs (Note 9) | | |
| Other Liabilities | | |
| Long-Term Debt (Note 10) | | |
| Lease Obligations (Note 11) | | |
| Total Liabilities | 222,545 | 186,173 |
| NET FINANCIAL ASSETS | 5,417,005 | 5,542,932 |
| Non-Financial Assets | | |
| Tangible Capital Assets (Schedule 6, 7) | 19,633,042 | 17,648,694 |
| Prepayments and Deferred Charges | | |
| Stock and Supplies | 668,722 | 677,378 |
| Other (Note 12) | 20 | 20 |
| Total Non-Financial Assets | 20,301,784 | 18,326,092 |
| Accumulated Surplus (Deficit) (Schedule 8) | 25,718,789 | 23,869,024 |

Municipality of Mervin No. 499
Consolidated Statement of Operations
For the year ended December 31, 2013

Statement 2

| | 2013 Budget | 2013 | 2012 |
|---|------------------|------------------|------------------|
| Revenues | | | |
| Taxes and Other Unconditional Revenue (Schedule 1) | 4,685,000 | 4,673,247 | 4,767,166 |
| Fees and Charges (Schedule 4, 5) | 361,500 | 407,461 | 233,259 |
| Conditional Grants (Schedule 4, 5) | 1,500 | 7,947 | 4,911 |
| Tangible Capital Asset Sales - Gain (Schedule 4, 5) | | (83,929) | (69,476) |
| Land Sales - Gain (Schedule 4, 5) | 1,500 | 1,500 | 1,500 |
| Investment Income and Commissions (Schedule 4, 5) | 19,000 | 44,323 | 19,693 |
| Other Revenues (Schedule 4, 5) | 486,500 | 549,314 | 605,044 |
| Total Revenues | 5,555,000 | 5,599,863 | 5,562,097 |

| | | | |
|---|------------------|------------------|------------------|
| Expenses | | | |
| General Government Services (Schedule 3) | 1,205,037 | 743,997 | 653,942 |
| Protective Services (Schedule 3) | 145,400 | 146,180 | 319,804 |
| Transportation Services (Schedule 3) | 4,803,838 | 2,780,616 | 2,253,191 |
| Environmental and Public Health Services (Schedule 3) | 566,000 | 557,734 | 542,666 |
| Planning and Development Services (Schedule 3) | 97,200 | 131,573 | 85,291 |
| Recreation and Cultural Services (Schedule 3) | 18,100 | 72,359 | 63,225 |
| Utility Services (Schedule 3) | 80,000 | 138,067 | 81,953 |
| Total Expenses | 6,915,575 | 4,570,526 | 4,000,072 |

| | | | |
|---|--------------------|------------------|------------------|
| Surplus (Deficit) of Revenues over Expenses before Other Capital Contributions | (1,360,575) | 1,029,337 | 1,562,025 |
|---|--------------------|------------------|------------------|

| | | | |
|---|---------|---------|--------|
| Provincial/Federal Capital Grants and Contributions (Schedule 4, 5) | 824,000 | 820,428 | 80,810 |
|---|---------|---------|--------|

| | | | |
|--|------------------|------------------|------------------|
| Surplus (Deficit) of Revenues over Expenses | (536,575) | 1,849,765 | 1,642,835 |
|--|------------------|------------------|------------------|

| | | | |
|--|------------|------------|------------|
| Accumulated Surplus (Deficit), Beginning of Year | 23,869,024 | 23,869,024 | 22,226,189 |
|--|------------|------------|------------|

| | | | |
|---|-------------------|-------------------|-------------------|
| Accumulated Surplus (Deficit), End of Year | 23,332,449 | 25,718,789 | 23,869,024 |
|---|-------------------|-------------------|-------------------|

Municipality of Mervin No. 499
Consolidated Statement of Change in Net Financial Assets
For the year ended December 31, 2013

Statement 3

| | 2013 Budget | 2013 | 2012 |
|--------------------------|------------------|------------------|------------------|
| Surplus (Deficit) | (536,575) | 1,849,765 | 1,642,835 |

| | | | |
|--|--|--------------------|----------------|
| (Acquisition) of tangible capital assets | | (3,313,912) | (1,205,546) |
| Amortization of tangible capital assets | | 1,117,066 | 989,102 |
| Proceeds on disposal of tangible capital assets | | 128,568 | 351,420 |
| Loss (gain) on the disposal of tangible capital assets | | 83,929 | 69,476 |
| Surplus (Deficit) of capital expenses over expenditures | | (1,984,349) | 204,452 |

| | | | |
|---|--|--------------|------------------|
| (Acquisition) of supplies inventories | | 8,657 | (104,523) |
| (Acquisition) of prepaid expense | | | |
| Consumption of supplies inventory | | | |
| Use of prepaid expense | | | |
| Surplus (Deficit) of expenses of other non-financial over expenditures | | 8,657 | (104,523) |

| | | | |
|--|------------------|------------------|------------------|
| Increase/Decrease in Net Financial Assets | (536,575) | (125,927) | 1,742,764 |
|--|------------------|------------------|------------------|

| | | | |
|--|-----------|-----------|-----------|
| Net Financial Assets - Beginning of Year | 5,542,932 | 5,542,932 | 3,800,168 |
|--|-----------|-----------|-----------|

| | | | |
|---|------------------|------------------|------------------|
| Net Financial Assets - End of Year | 5,006,357 | 5,417,005 | 5,542,932 |
|---|------------------|------------------|------------------|

Municipality of Mervin No. 499
Consolidated Statement of Cash Flow
For the year ended December 31, 2013

Statement 4

| | 2013 | 2012 |
|---|------------------|------------------|
| Cash provided by (used for) the following activities | | |
| Operating: | | |
| Surplus (Deficit) | 1,849,765 | 1,642,835 |
| Amortization | 1,117,066 | 989,102 |
| Loss (gain) on disposal of tangible capital assets | 83,929 | 69,476 |
| | 3,050,760 | 2,701,413 |

| | | |
|--|------------------|------------------|
| Change in assets/liabilities | | |
| Taxes receivable - municipal | (37,382) | (35,388) |
| Other receivables | (816,310) | 35,815 |
| Land for resale | (27,365) | (4,404) |
| Other financial assets | | |
| Accounts and accrued liabilities payable | 36,372 | (19,561) |
| Deposits | | |
| Deferred revenue | | |
| Other liabilities | | |
| Stock and supplies for use | 8,657 | (104,523) |
| Prepayments and deferred charges | | |
| Other (specify) | | |
| Net cash from (used for) operations | 2,214,732 | 2,573,352 |

| | | |
|---|--------------------|------------------|
| Capital: | | |
| Acquisition of tangible capital assets | (3,313,912) | (1,205,546) |
| Proceeds from the disposal of tangible capital assets | 128,568 | 351,420 |
| Other capital | | |
| Net cash from (used for) capital | (3,185,344) | (854,126) |

| | | |
|---|---------------|----------------|
| Investing: | | |
| Long-term investments | 18,405 | (9,577) |
| Other investments | | |
| Net cash from (used for) investing | 18,405 | (9,577) |

| | | |
|---|--|--|
| Financing: | | |
| Long-term debt issued | | |
| Long-term debt repaid | | |
| Other financing | | |
| Net cash from (used for) financing | | |

| | | |
|--|------------------|------------------|
| Increase (Decrease) in cash resources | (952,207) | 1,709,649 |
|--|------------------|------------------|

| | | |
|--|-----------|-----------|
| Cash and Temporary Investments - Beginning of Year | 5,198,813 | 3,489,164 |
|--|-----------|-----------|

| | | |
|---|------------------|------------------|
| Cash and Temporary Investments - End of Year | 4,246,606 | 5,198,813 |
|---|------------------|------------------|