

TOWN OF MAYERTHORPE

MAYERTHORPE, ALBERTA

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2011

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INDEPENDENT AUDITORS' REPORT

To the Mayor and Council of the Town of Mayerthorpe
Mayerthorpe, Alberta

We have audited the accompanying financial statements of the Town of Mayerthorpe (the "Town"), which comprise the statement of financial position as at December 31, 2011, 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 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 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 financial statements present fairly, in all material respects, the financial position of the Town of Mayerthorpe as at December 31, 2011, and the results of its operations, change in its net financial assets (debt) and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Edmonton, Alberta
April 23, 2012



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TOWN OF MAYERTHORPE
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2011

	<u>2011</u>	<u>2010</u>
FINANCIAL ASSETS		
Cash and temporary investments	\$ -	\$ 4,965,766
Accounts receivable (Note 2)	1,782,827	921,561
Land held for resale	35,000	35,000
Long-term investments (Note 3)	<u>9,150</u>	<u>9,060</u>
	<u>1,826,977</u>	<u>5,931,387</u>
LIABILITIES		
Bank overdraft (Note 4)	258,973	-
Accounts payable and accrued liabilities (Note 5)	1,478,918	1,223,471
Deferred revenue (Note 6)	145,572	1,204,848
Long-term debt (Note 7)	<u>2,081,946</u>	<u>2,227,842</u>
	<u>3,965,409</u>	<u>4,656,161</u>
NET FINANCIAL ASSETS	<u>(2,138,432)</u>	<u>1,275,226</u>
NON-FINANCIAL ASSETS		
Inventory for consumption	180,060	167,083
Prepaid expenses and deposits	15,815	19,138
Tangible Capital Assets (Schedule 1)	<u>21,285,938</u>	<u>13,408,202</u>
	<u>21,481,813</u>	<u>13,594,423</u>
ACCUMULATED SURPLUS (Note 9)	\$ <u>19,343,381</u>	\$ <u>14,869,649</u>
CONTINGENCIES (Note 12)		

ON BEHALF OF TOWN COUNCIL:


 _____ Mayor


 _____ Deputy Mayor

TOWN OF MAYERTHORPE
CONSOLIDATED STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2011

	<u>2011</u> (Budget) (Note 19)	<u>2011</u> (Actual)	<u>2010</u> (Actual)
Revenue			
Net taxes for general municipal purposes (Schedule 2)	\$ 1,250,681	\$ 1,241,773	\$ 1,187,494
Sales and user charges	748,467	1,017,359	638,902
Government transfers (Schedule 3)	451,190	431,866	397,598
Franchise fees and concession contracts	42,697	43,782	40,203
Return on investments	42,000	38,936	86,182
Penalties and costs on taxes	30,000	30,816	27,847
Fines	30,200	20,328	25,812
Licenses and permits	<u>11,750</u>	<u>14,794</u>	<u>11,802</u>
	<u>2,606,985</u>	<u>2,839,654</u>	<u>2,415,840</u>
Expenses			
Roads, streets, walks and lighting	633,819	544,258	547,146
General administration	408,894	417,273	410,559
Water supply and distribution	317,288	303,739	220,228
Parks and recreation	92,164	194,390	147,515
Land use planning, zoning and development	171,835	162,320	92,039
Family and community support services	155,906	158,783	150,690
Wastewater treatment and disposal	168,894	139,151	39,994
Waste management	120,330	124,897	146,438
Fire	100,218	116,145	120,199
Council and other legislative	95,805	88,261	80,445
Bylaws enforcement	75,432	63,304	55,175
Community and agricultural services	20,831	24,171	19,913
Culture: libraries, museums and halls	16,038	16,038	16,038
Disaster and emergency services	3,685	3,874	5,151
Seniors housing	-	-	250,000
Subdivision land and development	112,250	(419)	14,238
Amortization	<u>-</u>	<u>565,434</u>	<u>421,369</u>
	<u>2,493,389</u>	<u>2,921,619</u>	<u>2,737,137</u>
Excess (Deficiency) of Revenue over Expenses			
Before Other Items	<u>113,596</u>	<u>(81,965)</u>	<u>(321,297)</u>
Other Items			
Government transfers for capital (Schedule 3)	4,340,277	4,049,882	3,573,617
Gain (loss) on disposal of capital assets	<u>-</u>	<u>505,815</u>	<u>2,110,906</u>
	<u>4,340,277</u>	<u>4,555,697</u>	<u>5,684,523</u>
Excess of Revenue over Expenses	<u>\$ 4,453,873</u>	4,473,732	5,363,226
Accumulated Surplus, Beginning of Year		<u>14,869,649</u>	<u>9,506,423</u>
Accumulated Surplus, End of Year		<u>\$ 19,343,381</u>	<u>\$ 14,869,649</u>

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

TOWN OF MAYERTHORPE
CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2011

	<u>2011</u>	<u>2010</u>
Excess of Revenue over Expenses	\$ <u>4,473,732</u>	\$ <u>5,363,226</u>
Acquisition of tangible capital assets	(8,443,170)	(6,283,978)
Proceeds on disposal of tangible capital assets	505,815	2,126,495
Amortization of tangible capital assets	565,434	421,368
(Gain) loss on sale of tangible capital assets	<u>(505,815)</u>	<u>(2,110,906)</u>
	<u>(7,877,736)</u>	<u>(5,847,021)</u>
Use (acquisition) of supplies inventories	(12,977)	(80,082)
Use (acquisition) of prepaid assets	<u>3,323</u>	<u>(17,042)</u>
	<u>(9,654)</u>	<u>(97,124)</u>
Increase (Decrease) In Net Financial Assets	(3,413,658)	(580,919)
Net Financial Assets (Debt), Beginning of Year	<u>1,275,226</u>	<u>1,856,145</u>
Net Financial Assets, End of Year	\$ <u>(2,138,432)</u>	\$ <u>1,275,226</u>

TOWN OF MAYERTHORPE
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2011

	<u>2011</u>	<u>2010</u>
Operating Activities		
Cash from operations		
Excess of revenue over expenditures	\$ 4,473,732	\$ 5,363,226
Amortization	565,434	421,369
Gain on disposal of capital assets	<u>(505,815)</u>	<u>(2,110,906)</u>
	<u>4,533,351</u>	<u>3,673,689</u>
Change in non-cash working capital balances related to operations:		
Accounts receivable	(861,266)	(513,128)
Inventory of supplies	(12,977)	(80,085)
Prepaid expenses and deposits	3,323	(17,041)
Accounts payable and accrued liabilities	255,447	676,935
Deferred revenue	<u>(1,059,276)</u>	<u>(834,155)</u>
	<u>(1,674,749)</u>	<u>(767,474)</u>
	<u>2,858,602</u>	<u>2,906,215</u>
Financing Activities		
Proceeds on long-term debt	-	844,911
Repayment of long-term debt	<u>(145,895)</u>	<u>(120,793)</u>
	<u>(145,895)</u>	<u>724,118</u>
Capital Activities		
Acquisition of tangible capital assets	(8,443,170)	(6,283,978)
Proceeds on disposal of tangible capital assets	<u>505,815</u>	<u>2,126,495</u>
	<u>(7,937,355)</u>	<u>(4,157,483)</u>
Investing Activities		
Decrease (increase) in long-term investments	<u>(91)</u>	<u>608,817</u>
Change in Cash and Temporary Investments for the Year	(5,224,739)	81,667
Cash and Temporary Investments, Beginning of Year	<u>4,965,766</u>	<u>4,884,099</u>
Cash and Temporary Investments, End of Year	<u>\$ (258,973)</u>	<u>\$ 4,965,766</u>

TOWN OF MAYERTHORPE

SCHEDULE 1

SCHEDULE OF TANGIBLE CAPITAL ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2011

	Land	Land Improvements	Buildings	Roadways	Engineered Structures Water	Wastewater	Machinery and Equipment	Vehicles	2011	2010
COST:										
Balance, Beginning of Year	\$ 69,849	\$ 16,357	\$ 3,990,652	\$ 6,337,605	\$ 7,354,748	\$ 3,717,561	\$ 695,433	\$ 476,386	\$ 22,658,591	\$ 16,444,561
Acquisition of tangible capital assets	-	6,995	4,389,163	139,811	2,034,485	1,872,716	-	-	8,443,170	6,283,978
Disposal of tangible capital assets	-	-	-	(2,313)	-	-	-	-	(2,313)	(69,948)
Balance, End of Year	<u>69,849</u>	<u>23,352</u>	<u>8,379,815</u>	<u>6,475,103</u>	<u>9,389,233</u>	<u>5,590,277</u>	<u>695,433</u>	<u>476,386</u>	<u>31,099,448</u>	<u>22,658,591</u>
ACCUMULATED AMORTIZATION:										
Balance, Beginning of Year	-	1,286	284,179	4,811,098	2,440,743	1,355,766	259,934	97,383	9,250,389	8,883,379
Annual amortization	-	1,208	87,626	200,297	124,746	79,074	45,940	26,543	565,434	421,368
Accumulated amortization on disposals	-	-	-	(2,313)	-	-	-	-	(2,313)	(54,358)
Balance, End of Year	-	<u>2,494</u>	<u>371,805</u>	<u>5,009,082</u>	<u>2,565,489</u>	<u>1,434,840</u>	<u>305,874</u>	<u>123,926</u>	<u>9,813,510</u>	<u>9,250,389</u>
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	\$ <u>69,849</u>	\$ <u>20,858</u>	\$ <u>8,008,010</u>	\$ <u>1,466,021</u>	\$ <u>6,823,744</u>	\$ <u>4,155,437</u>	\$ <u>389,559</u>	\$ <u>352,460</u>	\$ <u>21,285,938</u>	\$ <u>13,408,202</u>

The cost of tangible capital assets included \$2,086,540 (2010 - \$5,353,349) of work in progress for which no amortization has been provided.

TOWN OF MAYERTHORPE
SCHEDULE OF PROPERTY TAXES LEVIED
FOR THE YEAR ENDED DECEMBER 31, 2011

SCHEDULE 2

	<u>2011</u> (Budget) (Note 19)	<u>2011</u> (Actual)	<u>2010</u> (Actual)
Revenue:			
Real property taxes	\$ 1,386,243	\$ 1,380,436	\$ 1,340,729
Power and pipeline taxes	56,553	52,645	51,850
Local improvement levies	36,728	36,729	36,729
Grants in lieu of taxes	<u>25,311</u>	<u>26,117</u>	<u>22,407</u>
	<u>1,504,835</u>	<u>1,495,927</u>	<u>1,451,715</u>
Deduct:			
Alberta School Foundation Fund	234,347	234,347	244,313
Lac Ste. Anne Foundation	<u>19,807</u>	<u>19,807</u>	<u>19,908</u>
	<u>254,154</u>	<u>254,154</u>	<u>264,221</u>
Net Taxes for General Municipal Purposes	<u>\$ 1,250,681</u>	<u>\$ 1,241,773</u>	<u>\$ 1,187,494</u>

TOWN OF MAYERTHORPE
SCHEDULE OF GOVERNMENT TRANSFERS
FOR THE YEAR ENDED DECEMBER 31, 2011

SCHEDULE 3

	<u>2011</u> (Budget) (Note 19)	<u>2011</u> (Actual)	<u>2010</u> (Actual)
Federal Transfers			
Capital	\$ <u>1,283,286</u>	\$ <u>634,408</u>	\$ <u>626,107</u>
Provincial Transfers			
Operating	327,666	320,600	269,933
Capital	<u>2,710,841</u>	<u>3,069,324</u>	<u>2,872,510</u>
	<u>3,038,507</u>	<u>3,389,924</u>	<u>3,142,443</u>
Local Government Transfers			
Operating	123,524	111,266	127,665
Capital	<u>346,150</u>	<u>346,150</u>	<u>75,000</u>
	<u>469,674</u>	<u>457,416</u>	<u>202,665</u>
	\$ <u>4,791,467</u>	\$ <u>4,481,748</u>	\$ <u>3,971,215</u>
Operating Government Transfers	\$ 451,190	\$ 431,866	\$ 397,598
Capital Government Transfers	<u>4,340,277</u>	<u>4,049,882</u>	<u>3,573,617</u>
Total Government Transfers	\$ <u>4,791,467</u>	\$ <u>4,481,748</u>	\$ <u>3,971,215</u>

TOWN OF MAYERTHORPE

SCHEDULE 4

CONSOLIDATED SCHEDULE OF SEGMENTED INFORMATION

FOR THE YEAR ENDED DECEMBER 31, 2011

	General Administration	Protective Services	Roads, streets walks, lighting	Utilities	Parks and Recreation	Other	Total
Revenue							
Net taxes for general municipal purposes	\$ 49,546	\$ 88,104	\$ 525,761	\$ -	\$ 132,775	\$ 445,587	\$ 1,241,773
Sales and user charges	11,446	52,612	11,266	553,014	316,885	72,136	1,017,359
Government transfers	263,683	20,240	7,176	5,481	34,962	100,324	431,866
Other	92,592	22,367	-	-	-	33,697	148,656
	<u>417,267</u>	<u>183,323</u>	<u>544,203</u>	<u>558,495</u>	<u>484,622</u>	<u>651,744</u>	<u>2,839,654</u>
Expenditures							
Salaries, wages and benefits	272,262	78,457	215,486	102,831	24,013	199,610	892,659
Materials, goods and supplies	67,177	94,502	138,738	194,660	9,708	158,250	663,035
Contracted and general services	59,908	4,013	57,219	134,263	-	31,239	286,642
Other	-	3,685	-	5,241	171,372	35,506	215,804
Utilities and telephone	17,634	2,666	107,989	61,539	169	7,872	197,869
Interest and bank charges	286	-	24,771	69,252	-	5,867	100,176
	<u>417,267</u>	<u>183,323</u>	<u>544,203</u>	<u>567,786</u>	<u>205,262</u>	<u>438,344</u>	<u>2,356,185</u>
Excess (Deficiency) of Revenue over Expenses Before Amortization	-	-	-	(9,291)	279,360	213,400	483,469
Amortization	12,531	29,994	234,962	208,267	79,680	-	565,434
Excess (Deficiency) of Revenue over Expenses	<u>\$ (12,531)</u>	<u>\$ (29,994)</u>	<u>\$ (234,962)</u>	<u>\$ (217,558)</u>	<u>\$ 199,680</u>	<u>\$ 213,400</u>	<u>\$ (81,965)</u>

TOWN OF MAYERTHORPE

SCHEDULE 5

CONSOLIDATED SCHEDULE OF SEGMENTED INFORMATION

FOR THE YEAR ENDED DECEMBER 31, 2010

	General Administration	Protective Services	Roads, streets walks, lighting	Utilities	Parks and Recreation	Other	Total
Revenue							
Net taxes for general municipal purposes	\$ 38,062	\$ 93,663	\$ 523,616	\$ -	\$ 95,264	\$ 436,889	\$ 1,187,494
Sales and user charges	16,677	34,248	5,317	483,334	24,531	74,794	638,901
Government transfers	221,344	25,366	11,286	13,886	27,720	97,996	397,598
Other	134,477	27,249	-	-	-	30,121	191,847
	<u>410,560</u>	<u>180,526</u>	<u>540,219</u>	<u>497,220</u>	<u>147,515</u>	<u>639,800</u>	<u>2,415,840</u>
Expenditures							
Salaries, wages and benefits	256,570	58,058	207,414	86,986	19,847	223,682	852,557
Materials, goods and supplies	55,978	112,889	166,093	88,326	102,459	89,751	615,496
Contracted and general services	67,812	2,710	51,331	142,799	-	22,870	287,522
Seniors housing	-	-	-	-	-	250,000	250,000
Utilities and telephone	18,059	3,184	87,976	51,652	209	5,693	166,773
Interest and bank charges	1,269	-	27,405	36,485	-	7,576	72,735
Other	10,872	3,685	-	413	25,000	30,715	70,685
	<u>410,560</u>	<u>180,526</u>	<u>540,219</u>	<u>406,661</u>	<u>147,515</u>	<u>630,287</u>	<u>2,315,768</u>
Excess (Deficiency) of Revenue over Expenses Before Amortization	-	-	-	90,559	-	9,513	100,072
Amortization	11,314	28,970	230,796	145,690	4,599	-	421,369
Excess (Deficiency) of Revenue over Expenses	<u>\$ (11,314)</u>	<u>\$ (28,970)</u>	<u>\$ (230,796)</u>	<u>\$ (55,131)</u>	<u>\$ (4,599)</u>	<u>\$ 9,513</u>	<u>\$ (321,297)</u>

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

TOWN OF MAYERTHORPE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011

1. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements of the Town are the representations of management prepared in accordance with Canadian generally accepted accounting principles. Significant aspects of the accounting policies adopted by the Town are as follows:

(a) Reporting Entity

The consolidated financial statements reflect the assets, liabilities, revenues, and expenditures, and changes in equity balances and cash flows of the Town.

The schedule of taxes levied includes requisitions for education and housing that are not part of the municipal reporting entity.

(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 and 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 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 service 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 management 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 a 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.

TOWN OF MAYERTHORPE
NOTES TO FINANCIAL STATEMENTS (CONT'D)
DECEMBER 31, 2011

1. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

(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 borrowing. These levies are collectible from property owners for work performed by the municipality.

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

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

(g) Government Transfers

Government transfers are recognized in the financial statements as revenue in the period that the events giving rise to the transfer occurred, providing the transfers are authorized, any eligibility criteria have been met by the Town, and reasonable estimates of the amounts can be made.

(h) Requisition of Over-Levies and Under-Levies

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 as property taxes.

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

TOWN OF MAYERTHORPE

NOTES TO FINANCIAL STATEMENTS (CONT'D)

DECEMBER 31, 2011

1. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(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 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 assets is amortized on a straight-line basis over the estimated useful life as follows:

Land improvements	15 years
Buildings	25-50 years
Engineered structures	
Roadways	5-40 years
Water system	45-75 years
Wastewater and storm system	45-75 years
Machinery and equipment	5-25 years
Vehicles	10-25 years

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.

2. ACCOUNTS RECEIVABLE

	<u>2011</u>	<u>2010</u>
Government	\$ 1,500,003	\$ 704,430
Property taxes	161,750	115,811
Trade	<u>121,074</u>	<u>101,320</u>
	<u>\$ 1,782,827</u>	<u>\$ 921,561</u>

TOWN OF MAYERTHORPE
NOTES TO FINANCIAL STATEMENTS (CONT'D)
DECEMBER 31, 2011

3. LONG-TERM INVESTMENTS

	<u>2011</u>	<u>2010</u>
United Farmers of Alberta Co-operative Limited, patronage equity.	\$ 2,650	\$ 2,650
Alberta Association of Municipal Districts and Counties, held in reserve.	426	426
Servus Credit Union Ltd. term deposit bearing interest at 2.00%, redeemable only on annual anniversary date, maturing December 24, 2014.	<u>6,074</u>	<u>5,984</u>
	<u>\$ 9,150</u>	<u>\$ 9,060</u>

4. BANK OVERDRAFT

The bank overdraft is payable on demand with interest payable monthly at prime minus 0.25%. The Town has an authorized credit limit of \$800,000 at December 31, 2011.

5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	<u>2011</u>	<u>2010</u>
Trade	\$ 1,408,372	\$ 1,158,244
Vacation and banked time	40,911	32,506
Accrued interest on long-term debt	16,407	19,074
Deposits	<u>13,228</u>	<u>13,647</u>
	<u>\$ 1,478,918</u>	<u>\$ 1,223,471</u>

6. DEFERRED REVENUE

Deferred revenue consists of the following amounts, which have been restricted by third parties for a specified purpose. These amounts are recognized as revenue in the period in which the related expenditures are incurred.

	<u>2011</u>	<u>2010</u>
Provincial government conditional grants	\$ 119,086	\$ 908,599
Prepaid local improvement charges	26,486	29,187
Restricted donations	<u>-</u>	<u>267,062</u>
	<u>\$ 145,572</u>	<u>\$ 1,204,848</u>

TOWN OF MAYERTHORPE
NOTES TO FINANCIAL STATEMENTS (CONT'D)
DECEMBER 31, 2011

7. LONG-TERM DEBT

	<u>2011</u>	<u>2010</u>
Debenture debt held by Alberta Capital Finance Authority, repayable in annual installments of \$22,637 including interest at 5.75%; due October 1, 2018; issued on the credit and security of the municipality at large. Relates to 46th Avenue and Agriculture Resource Road (52nd Avenue) paving project.	\$ 127,500	\$ 141,974
Debenture debt held by Alberta Capital Finance Authority, repayable in annual installments of \$35,451 including interest at 5.75%; due April 2, 2016; issued on the credit and security of the municipality at large. Relates to west water line project.	150,352	175,700
Debenture debt held by Alberta Capital Finance Authority, repayable in annual installments of \$19,855 including interest at 5.125%; due October 1, 2012; issued on the credit and security of the municipality at large. Relates to grader purchase.	18,887	36,853
Debenture debt held by Alberta Capital Finance Authority, repayable in semi-annual installments of \$19,077 including interest at 4.264%; due March 16, 2015; issued on the credit and security of the municipality at large. Relates to extension of utilities across Highway 43.	122,843	154,735
Debenture debt held by Alberta Capital Finance Authority, repayable in semi-annual installments of \$10,469 including interest at 4.699%; due September 15, 2026; issued on the credit and security of the municipality at large. Relates to 2006 paving project.	223,591	233,667
Debenture debt held by Alberta Capital Finance Authority, repayable in semi-annual installments of \$4,900 including interest at 4.057%; due September 15, 2018; issued on the credit and security of the municipality at large. Relates to 2008 paving project.	49,799	55,838
Mayerthorpe Fire Department loan retired during the year.	-	7,065
Debenture debt held by Alberta Capital Finance Authority, repayable in semi-annual installments of \$1,428 including interest at 4.589%; due December 15, 2034; issued on the credit and security of the municipality at large. Relates to 2009 paving project.	40,330	41,303

TOWN OF MAYERTHORPE

NOTES TO FINANCIAL STATEMENTS (CONT'D)

DECEMBER 31, 2011

7. LONG-TERM DEBT (CONT'D)

	<u>2011</u>	<u>2010</u>
Debenture debt held by Alberta Capital Finance Authority, repayable in semi-annual installments of \$18,531 including interest at 4.589%; due December 15, 2034; issued on the credit and security of the municipality at large. Relates to water treatment plant upgrade.	523,179	535,796
Debenture debt held by Alberta Capital Finance Authority, repayable in semi-annual installments of \$27,651 including interest at 4.2681%; due December 15, 2035; issued on the credit and security of the municipality at large. Relates to wastewater lagoon.	<u>825,465</u>	<u>844,911</u>
	2,081,946	2,227,842
Less: Current portion	<u>(145,612)</u>	<u>(145,895)</u>
	<u>\$ 1,936,334</u>	<u>\$ 2,081,947</u>

Repayments of principal and interest over the next five years are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 145,612	\$ 95,258	\$ 240,870
2013	132,875	88,092	220,967
2014	139,328	81,588	220,916
2015	127,023	74,762	201,785
2016	113,825	68,829	182,654
Thereafter	<u>1,423,283</u>	<u>617,300</u>	<u>2,040,583</u>
	<u>\$ 2,081,946</u>	<u>\$ 1,025,829</u>	<u>\$ 3,107,775</u>

TOWN OF MAYERTHORPE
NOTES TO FINANCIAL STATEMENTS (CONT'D)
DECEMBER 31, 2011

8. EQUITY IN TANGIBLE CAPITAL ASSETS

	<u>2011</u>	<u>2010</u>
Tangible capital assets (Schedule 1)	\$ 31,099,448	\$ 22,658,591
Accumulated amortization (Schedule 1)	(9,813,510)	(9,250,389)
Long-term debt (Note 7)	<u>(2,081,946)</u>	<u>(2,227,842)</u>
	<u>\$ 19,203,992</u>	<u>\$ 11,180,360</u>

9. ACCUMULATED SURPLUS

	<u>2011</u>	<u>2010</u>
Unrestricted surplus	\$ <u>17,179</u>	\$ <u>3,258,547</u>
Restricted surplus		
Water capital	34,158	34,158
Economic Development	20,121	2,825
West end bus	20,000	17,500
Bylaws enforcement	20,000	17,500
Fire	12,000	9,500
Administrative equipment	12,000	12,000
Cemetery	10,000	10,000
Street construction and improvement	9,520	9,520
Mural	6,000	6,000
ERC building maintenance	5,355	12,705
Sewer infrastructure	4,778	-
Subdivision land development	3,266	3,266
Water infrastructure	3,166	-
Parks and recreation development	3,005	29,445
Public works equipment	2,250	2,500
Infrastructure program	1,102	6,102
Land sales	-	112,250
Operating contingency	<u>(44,511)</u>	<u>145,471</u>
	<u>122,210</u>	<u>430,742</u>
Equity in tangible capital assets	<u>19,203,992</u>	<u>11,180,360</u>
	<u>\$19,343,381</u>	<u>\$14,869,649</u>

TOWN OF MAYERTHORPE
NOTES TO FINANCIAL STATEMENTS (CONT'D)
DECEMBER 31, 2011

10. SALARIES 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 is as follows:

	<u>Salary (1)</u>	<u>Benefits (2)</u>	<u>2011 Total</u>	<u>2010 Total</u>
Mayor - Kim Connell	\$ 13,740	\$ 280	\$ 14,020	\$ 3,520
Mayor - Douglas McDermid	-	-	-	9,590
Councillors				
Glen Wilcox	9,600	-	9,600	10,700
Kate Patrick	9,360	-	9,360	9,740
Russell Claybrook	8,100	94	8,194	2,290
Dave Hutchison	8,070	93	8,163	2,110
Dan Richard	7,740	82	7,822	7,200
James Mason	7,680	80	7,760	2,020
Patricia Oliver	-	-	-	5,950
Kim Connell	-	-	-	6,810
Jack Evarts	-	-	-	5,630
	<u>\$ 64,290</u>	<u>\$ 629</u>	<u>\$ 64,919</u>	<u>\$ 65,560</u>
Chief Administrative Officer	<u>\$ 111,232</u>	<u>\$ 22,147</u>	<u>\$ 133,379</u>	<u>\$ 122,478</u>

(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 the employee benefits and contributions 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 MAYERTHORPE
NOTES TO FINANCIAL STATEMENTS (CONT'D)
DECEMBER 31, 2011

11. DEBT LIMITS

Section 276(2) of the *Municipal Government Act* requires that debt and debt limits as defined by Alberta Regulation 255/2000 for the Town be disclosed as follows:

	<u>2011</u>	<u>2010</u>
Total debt limit	\$ 4,259,481	\$ 3,623,760
Total debt	<u>(2,081,946)</u>	<u>(2,227,842)</u>
Amount of total debt limit unused	<u>\$ 2,177,535</u>	<u>\$ 1,395,918</u>
Debt servicing limit	\$ 709,914	\$ 603,960
Debt servicing	<u>(240,870)</u>	<u>(247,980)</u>
Amount of debt servicing limit unused	<u>\$ 469,044</u>	<u>\$ 355,980</u>

The debt limit is calculated at 1.50 times revenue of the Town (as defined in the Alberta Regulation 255/2000) and the debt service limit is calculated as 0.25 times such revenue. Incurring debt beyond these limitations requires approval by the Minister of Municipal Affairs. These thresholds are a conservative guideline used by Alberta Municipal Affairs to identify municipalities that could be at a financial risk if further debt is acquired. The calculation taken alone does not represent the financial stability of the Town. Rather, the financial statements must be interpreted as a whole.

12. CONTINGENCIES

(a) Insurance Agreement

The Town 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.

(b) Legal Claims

As at December 31, 2011, the Town was involved with various legal disputes. These disputes include a Statement of Claim against the Town based upon a claim of breach of contract. While it is not possible to estimate the outcome of these disputes it is believed that there will be no adverse effect on the financial position of the Town.

13. COMMITMENTS

As at December 31, 2011, the Town has spent \$1,366,225 and expects to spend an additional amount of approximately \$435,000 with respect to the construction of the outdoor swimming pool facility.

As at December 31, 2011, the Town has spent \$2,825,352 and expects to spend an additional amount of approximately \$227,000 with respect to the construction of a water treatment facility.

As at December 31, 2011, the Town has spent \$691,766 and expects to spend an additional amount of approximately \$121,000 with respect to the construction of a raw water supply line.

TOWN OF MAYERTHORPE

NOTES TO FINANCIAL STATEMENTS (CONT'D)

DECEMBER 31, 2011

14. LOCAL AUTHORITIES PENSION PLAN

Employees of the Town participate in the Local Authorities Pension Plan (LAPP), which is covered by the *Public Sector Pension Plans Act*. LAPP is financed by employer and employee contributions and investment earnings of the LAPP Fund.

The Town is required to make current service contributions to the Plan of 9.49% of pensionable earnings up to the Canada Pension Plan year's maximum pensionable earnings and 13.13% for the excess. Employees of the Town are required to make current service contributions of 8.49% of pensionable earnings up to the year's maximum pensionable earnings and 12.13% on pensionable earnings above this amount.

Total current and past service contributions made by the Town to the LAPP in 2011 were \$52,911 (2010 - \$46,803). Total current and past service contributions made by the employees of the Town to the LAPP in 2011 were \$47,821 (2010 - \$42,004).

At December 31, 2010, the LAPP disclosed an actuarial deficit of \$4.6 billion (2009 - \$4.0 billion).

15. FINANCIAL INSTRUMENTS

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

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

16. SEGMENTED INFORMATION

The Town provides a range of services to its residents. 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 consolidated financial statements as disclosed in Note 1. For additional information see the Consolidated Schedule of Segment Disclosure (Schedule 4).

17. COMPARATIVE FIGURES

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

18. APPROVAL OF FINANCIAL STATEMENTS

These financial statements were approved by Council and Management.

19. BUDGET

The budget figures are provided for information purposes only, and have not been audited.