

TOWN OF MAYERTHORPE

MAYERTHORPE, ALBERTA

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2012

Hawkings Epp DumontLLP

Chartered Accountants

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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, 2012, 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, 2012, 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.



HAWKINGS EPP DUMONT LLP
Chartered Accountants

Edmonton, Alberta
April 22, 2013

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TOWN OF MAYERTHORPE
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2012

	<u>2012</u>	<u>2011</u>
FINANCIAL ASSETS		
Accounts receivable (Note 2)	\$ 535,013	\$ 1,782,827
Land held for resale	35,000	35,000
Long-term investments (Note 3)	<u>25,811</u>	<u>9,150</u>
	<u>595,824</u>	<u>1,826,977</u>
LIABILITIES		
Bank overdraft (Note 4)	238,140	258,973
Accounts payable and accrued liabilities (Note 5)	306,496	1,478,918
Deferred revenue (Note 6)	244,271	145,572
Long-term debt (Note 7)	<u>2,132,544</u>	<u>2,081,946</u>
	<u>2,921,451</u>	<u>3,965,409</u>
NET FINANCIAL ASSETS (DEBT)	<u>(2,325,627)</u>	<u>(2,138,432)</u>
NON-FINANCIAL ASSETS		
Inventory for consumption	126,708	180,060
Prepaid expenses	23,970	15,815
Tangible capital assets (Schedule 2)	<u>21,700,495</u>	<u>21,285,938</u>
	<u>21,851,173</u>	<u>21,481,813</u>
ACCUMULATED SURPLUS (Note 9)	<u>\$ 19,525,546</u>	<u>\$ 19,343,381</u>
CONTINGENCIES (Note 12)		

ON BEHALF OF TOWN COUNCIL:


 _____ Mayor


 _____ Deputy Mayor

TOWN OF MAYERTHORPE
STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2012

	<u>2012</u> (Budget) (Note 20)	<u>2012</u> (Actual)	<u>2011</u> (Actual)
Revenue			
Net taxes for general municipal purposes (Schedule 3)	\$ 1,286,991	\$ 1,252,197	\$ 1,241,773
Sales and user charges	740,594	869,306	1,017,359
Government transfers (Schedule 4)	412,133	384,090	431,866
Franchise fees and concession contracts	42,700	45,831	43,782
Penalties and costs on taxes	30,000	43,750	30,816
Fines	30,600	22,692	20,328
Licenses and permits	12,260	9,749	14,794
Return on investments	<u>9,050</u>	<u>3,083</u>	<u>38,936</u>
	<u>2,564,328</u>	<u>2,630,698</u>	<u>2,839,654</u>
Expenses			
Roads, streets, walks and lighting	591,770	806,233	779,220
Water supply and distribution	334,814	554,947	430,709
General administration	421,453	422,497	429,783
Parks and recreation	113,699	328,295	274,070
Wastewater treatment and disposal	120,644	187,112	220,448
Fire	113,593	145,910	139,121
Family and community support services	111,476	125,131	158,783
Waste management	125,024	118,900	124,897
Land use planning, zoning and development	119,492	108,370	162,320
Council and other legislative	88,225	77,417	88,261
Bylaws enforcement	76,701	75,115	69,586
Community and agricultural services	25,945	27,221	24,171
Disaster and emergency services	19,852	20,717	4,631
Culture: libraries, museums and halls	16,038	16,038	16,038
Subdivision land and development	<u>-</u>	<u>-</u>	<u>(419)</u>
	<u>2,278,726</u>	<u>3,013,903</u>	<u>2,921,619</u>
Excess (Deficiency) of Revenue over Expenses Before Other Items	<u>285,602</u>	<u>(383,205)</u>	<u>(81,965)</u>
Other Items			
Government transfers for capital (Schedule 4)	800,665	565,370	4,049,882
Gain on disposal of tangible capital assets	<u>40,000</u>	<u>-</u>	<u>505,815</u>
	<u>840,665</u>	<u>565,370</u>	<u>4,555,697</u>
Excess of Revenue over Expenses	<u>\$ 1,126,267</u>	<u>182,165</u>	4,473,732
Accumulated Surplus, Beginning of Year		<u>19,343,381</u>	<u>14,869,649</u>
Accumulated Surplus, End of Year		<u>\$ 19,525,546</u>	<u>\$ 19,343,381</u>

TOWN OF MAYERTHORPE
STATEMENT OF CHANGE IN NET FINANCIAL ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2012

	<u>2012</u>	<u>2011</u>
Excess of Revenue over Expenses	\$ <u>182,165</u>	\$ <u>4,473,732</u>
Acquisition of tangible capital assets	(1,091,195)	(8,443,170)
Proceeds on disposal of tangible capital assets	-	505,815
Amortization of tangible capital assets	676,638	565,434
Gain on sale of tangible capital assets	<u>-</u>	<u>(505,815)</u>
	<u>(414,557)</u>	<u>(7,877,736)</u>
Use (acquisition) of supplies inventories	53,352	(12,977)
Use (acquisition) of prepaid assets	<u>(8,155)</u>	<u>3,323</u>
	<u>45,197</u>	<u>(9,654)</u>
Increase (Decrease) In Net Financial Assets	(187,195)	(3,413,658)
Net Financial Assets (Debt), Beginning of Year	<u>(2,138,432)</u>	<u>1,275,226</u>
Net Financial Assets (Debt), End of Year	<u><u>\$(2,325,627)</u></u>	<u><u>\$(2,138,432)</u></u>

TOWN OF MAYERTHORPE
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2012

	<u>2012</u>	<u>2011</u>
Operating Activities		
Cash from operations		
Excess of revenue over expenses	\$ 182,165	\$ 4,473,732
Amortization	676,638	565,434
Gain on disposal of tangible capital assets	<u>-</u>	<u>(505,815)</u>
	<u>858,803</u>	<u>4,533,351</u>
Change in non-cash working capital balances related to operations:		
Accounts receivable	1,247,814	(861,266)
Inventory of supplies	53,352	(12,977)
Prepaid expenses	(8,155)	3,323
Accounts payable and accrued liabilities	(1,172,422)	255,447
Deferred revenue	<u>98,699</u>	<u>(1,059,276)</u>
	<u>219,288</u>	<u>(1,674,749)</u>
	<u>1,078,091</u>	<u>2,858,602</u>
Financing Activities		
Proceeds on long-term debt	199,925	-
Repayment of long-term debt	<u>(149,327)</u>	<u>(145,895)</u>
	<u>50,598</u>	<u>(145,895)</u>
Capital Activities		
Acquisition of tangible capital assets	(1,091,195)	(8,443,170)
Proceeds on disposal of tangible capital assets	<u>-</u>	<u>505,815</u>
	<u>(1,091,195)</u>	<u>(7,937,355)</u>
Investing Activities		
Increase in long-term investments	<u>(16,661)</u>	<u>(91)</u>
Change in Cash for the Year	20,833	(5,224,739)
Cash (Overdraft), Beginning of Year	<u>(258,973)</u>	<u>4,965,766</u>
Cash (Overdraft), End of Year	\$ <u>(238,140)</u>	\$ <u>(258,973)</u>

TOWN OF MAYERTHORPE

SCHEDULE 1

SCHEDULE OF CHANGES IN ACCUMULATED SURPLUS

FOR THE YEAR ENDED DECEMBER 31, 2012

	Equity in Tangible Capital Assets	Restricted	Unrestricted	2012 Total	2011 Total
Balance, Beginning of Year	\$ 19,203,992	\$ 122,210	\$ 17,179	\$ 19,343,381	\$ 14,869,649
Excess of Revenue over Expenses	-	-	182,165	182,165	4,473,732
Current year funds used for tangible capital assets	1,091,195	-	(1,091,195)	-	-
Annual amortization expense	(676,638)	-	676,638	-	-
Unrestricted funds designated for future use	-	64,631	(64,631)	-	-
Long-term debt repaid	149,327	-	(149,327)	-	-
Long-term debt proceeds	<u>(199,925)</u>	<u>-</u>	<u>199,925</u>	<u>-</u>	<u>-</u>
Balance, End of Year	\$ <u>19,567,951</u>	\$ <u>186,841</u>	\$ <u>(229,246)</u>	\$ <u>19,525,546</u>	\$ <u>19,343,381</u>

TOWN OF MAYERTHORPE

SCHEDULE 2

SCHEDULE OF TANGIBLE CAPITAL ASSETS

FOR THE YEAR ENDED DECEMBER 31, 2012

	Land	Land Improvements	Buildings	Roadways	Engineered Structures Water	Wastewater	Machinery and Equipment	Vehicles	2012	2011
COST:										
Balance, Beginning of Year	\$ 69,849	\$ 23,352	\$ 8,379,815	\$ 6,456,861	\$ 9,407,475	\$ 5,590,277	\$ 695,433	\$ 476,386	\$ 31,099,448	\$ 22,658,591
Acquisition of tangible capital assets	-	-	505,293	56,390	416,691	-	112,821	-	1,091,195	8,443,170
Disposal of tangible capital assets	-	-	-	(20,542)	-	-	-	-	(20,542)	(2,313)
Balance, End of Year	<u>69,849</u>	<u>23,352</u>	<u>8,885,108</u>	<u>6,492,709</u>	<u>9,824,166</u>	<u>5,590,277</u>	<u>808,254</u>	<u>476,386</u>	<u>32,170,101</u>	<u>31,099,448</u>
ACCUMULATED AMORTIZATION:										
Balance, Beginning of Year	-	2,494	371,805	5,009,082	2,565,489	1,434,840	305,874	123,926	9,813,510	9,250,389
Annual amortization	-	1,208	141,173	204,975	170,994	79,074	49,155	30,059	676,638	565,434
Accumulated amortization on disposals	-	-	-	(20,542)	-	-	-	-	(20,542)	(2,313)
Balance, End of Year	-	<u>3,702</u>	<u>512,978</u>	<u>5,193,515</u>	<u>2,736,483</u>	<u>1,513,914</u>	<u>355,029</u>	<u>153,985</u>	<u>10,469,606</u>	<u>9,813,510</u>
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	\$ 69,849	\$ 19,650	\$ 8,372,130	\$ 1,299,194	\$ 7,087,683	\$ 4,076,363	\$ 453,225	\$ 322,401	\$ 21,700,495	\$ 21,285,938

The cost of tangible capital assets included \$1,532,211 (2011 - \$2,086,540) 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, 2012

SCHEDULE 3

	<u>2012</u> (Budget) (Note 20)	2012 (Actual)	<u>2011</u> (Actual)
Revenue:			
Real property taxes	\$ 1,448,643	\$ 1,412,031	\$ 1,380,436
Power and pipeline taxes	56,553	54,373	52,645
Local improvement levies	34,028	36,729	36,729
Grants in lieu of taxes	<u>25,311</u>	<u>26,608</u>	<u>26,117</u>
	<u>1,564,535</u>	<u>1,529,741</u>	<u>1,495,927</u>
Deduct:			
Alberta School Foundation Fund	255,964	255,964	234,347
Lac Ste. Anne Foundation	<u>21,580</u>	<u>21,580</u>	<u>19,807</u>
	<u>277,544</u>	<u>277,544</u>	<u>254,154</u>
Net Taxes for General Municipal Purposes	\$ <u>1,286,991</u>	\$ <u>1,252,197</u>	\$ <u>1,241,773</u>

TOWN OF MAYERTHORPE
SCHEDULE OF GOVERNMENT TRANSFERS
FOR THE YEAR ENDED DECEMBER 31, 2012

SCHEDULE 4

	2012 (Budget) (Note 20)	2012 (Actual)	2011 (Actual)
Federal Transfers			
Operating	\$ 16,670	\$ 10,400	\$ -
Capital	<u>-</u>	<u>-</u>	<u>634,408</u>
	<u>16,670</u>	<u>10,400</u>	<u>634,408</u>
Provincial Transfers			
Operating	312,038	314,069	320,600
Capital	<u>800,665</u>	<u>565,370</u>	<u>3,069,324</u>
	<u>1,112,703</u>	<u>879,439</u>	<u>3,389,924</u>
Local Government Transfers			
Operating	83,425	59,621	111,266
Capital	<u>-</u>	<u>-</u>	<u>346,150</u>
	<u>83,425</u>	<u>59,621</u>	<u>457,416</u>
	<u>\$ 1,212,798</u>	<u>\$ 949,460</u>	<u>\$ 4,481,748</u>
Operating Government Transfers	\$ 412,133	\$ 384,090	\$ 431,866
Capital Government Transfers	<u>800,665</u>	<u>565,370</u>	<u>4,049,882</u>
Total Government Transfers	<u>\$ 1,212,798</u>	<u>\$ 949,460</u>	<u>\$ 4,481,748</u>

TOWN OF MAYERTHORPE

SCHEDULE 5

SCHEDULE OF SEGMENTED INFORMATION

FOR THE YEAR ENDED DECEMBER 31, 2012

	General Administration	Protective Services	Roads, streets walks, lighting	Utilities	Parks and Recreation	Other	Total
Revenue							
Net taxes for general municipal purposes	\$ 63,619	\$ 76,941	\$ 463,914	\$ -	\$ 204,409	\$ 443,314	\$ 1,252,197
Sales and user charges	20,069	80,114	26,390	651,462	1,535	89,736	869,306
Government transfers	272,250	23,659	60,533	197,535	343,348	52,135	949,460
Other	55,268	24,611	-	-	-	45,225	125,104
	<u>411,206</u>	<u>205,325</u>	<u>550,837</u>	<u>848,997</u>	<u>549,292</u>	<u>630,410</u>	<u>3,196,067</u>
Expenditures							
Salaries, wages and benefits	278,259	99,647	165,295	124,281	31,695	214,522	913,699
Materials, goods and supplies	50,720	96,543	173,521	166,714	142,483	90,163	720,144
Contracted and general services	62,285	2,711	74,148	180,420	-	22,995	342,559
Other	-	3,685	12,625	2,340	18,372	22,426	59,448
Utilities and telephone	15,295	2,739	99,910	65,016	13,393	4,299	200,652
Interest and bank charges	4,647	-	25,338	66,304	-	4,473	100,762
	<u>411,206</u>	<u>205,325</u>	<u>550,837</u>	<u>605,075</u>	<u>205,943</u>	<u>358,878</u>	<u>2,337,264</u>
Excess (Deficiency) of Revenue over Expenses Before Amortization	-	-	-	243,922	343,349	271,532	858,803
Amortization	12,530	36,416	238,573	255,884	133,224	11	676,638
Excess (Deficiency) of Revenue over Expenses	<u>\$ (12,530)</u>	<u>\$ (36,416)</u>	<u>\$ (238,573)</u>	<u>\$ (11,962)</u>	<u>\$ 210,125</u>	<u>\$ 271,521</u>	<u>\$ 182,165</u>

TOWN OF MAYERTHORPE

SCHEDULE 5

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	\$ 423,266	\$ -	\$ 163,304	\$ 517,553	\$ 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	109,671	2,641,308	1,289,421	157,425	4,481,748
Other	<u>92,592</u>	<u>22,367</u>	-	-	-	<u>33,697</u>	<u>148,656</u>
	<u>417,267</u>	<u>183,323</u>	<u>544,203</u>	<u>3,194,322</u>	<u>1,769,610</u>	<u>780,811</u>	<u>6,889,536</u>
Expenditures							
Salaries, wages and benefits	272,262	78,457	215,486	102,831	24,013	199,609	892,658
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
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
Other	-	3,685	-	5,241	171,372	35,506	215,804
Loss (gain) on disposal of assets	-	-	-	-	(505,815)	-	(505,815)
	<u>417,267</u>	<u>183,323</u>	<u>544,203</u>	<u>567,786</u>	<u>(300,553)</u>	<u>438,343</u>	<u>1,850,369</u>
Excess (Deficiency) of Revenue over Expenses Before Amortization	-	-	-	2,626,536	2,070,163	342,468	5,039,167
Amortization	12,531	30,014	234,963	208,267	79,680	(20)	565,435
Excess (Deficiency) of Revenue over Expenses	<u>\$ (12,531)</u>	<u>\$ (30,014)</u>	<u>\$ (234,963)</u>	<u>\$ 2,418,269</u>	<u>\$ 1,990,483</u>	<u>\$ 342,488</u>	<u>\$ 4,473,732</u>

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

TOWN OF MAYERTHORPE
SCHEDULE OF EXPENSES BY OBJECT
FOR THE YEAR ENDED DECEMBER 31, 2012

SCHEDULE 6

	<u>2012</u> (Budget) (Note 20)	2012 (Actual)	<u>2011</u> (Actual)
Salaries, wages and benefits	\$ 853,737	\$ 913,700	\$ 892,658
Materials, goods and supplies	661,067	720,144	663,035
Amortization	-	676,638	565,435
Contracted and general services	384,642	342,559	286,642
Utilities and telephone	202,135	200,652	197,869
Interest and bank charges	99,252	100,762	100,176
Other	<u>77,893</u>	<u>59,448</u>	<u>215,804</u>
	<u>\$ 2,278,726</u>	<u>\$ 3,013,903</u>	<u>\$ 2,921,619</u>

TOWN OF MAYERTHORPE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012

1. SIGNIFICANT ACCOUNTING POLICIES

The financial statements are the representations of the Town's management prepared in accordance with Canadian public sector accounting standards. Significant aspects of the accounting policies adopted by the Town are as follows:

(a) Reporting Entity

These financial statements reflect the assets, liabilities, revenues and expenses, and changes in equity balances and cash flows of the Town.

(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. Revenues are accounted for in the period in which the transactions or events occurred that gave rise to the revenue. 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.

(c) Use of Estimates

The preparation of financial statements in conformity with Canadian public sector accounting standards 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.

(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.

TOWN OF MAYERTHORPE
NOTES TO FINANCIAL STATEMENTS (CONT'D)
DECEMBER 31, 2012

1. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(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 Town.

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

In the event that the prepaid amounts are applied against the related borrowing, the deferred revenue 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 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 tax revenue.

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, 2012

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

Amortization commences in the month subsequent to acquisition and ceases in the month that the asset is disposed of. 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.

TOWN OF MAYERTHORPE

NOTES TO FINANCIAL STATEMENTS (CONT'D)

DECEMBER 31, 2012

2. ACCOUNTS RECEIVABLE

	<u>2012</u>	<u>2011</u>
Property taxes	\$ 211,682	\$ 161,750
Government grants	199,070	1,378,332
Trade	109,034	130,422
Goods and Services Tax	<u>24,334</u>	<u>121,671</u>
	544,120	1,792,175
Allowance for doubtful accounts	<u>(9,107)</u>	<u>(9,348)</u>
	<u>\$ 535,013</u>	<u>\$ 1,782,827</u>

3. LONG-TERM INVESTMENTS

	<u>2012</u>	<u>2011</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 3.00%, redeemable only on annual anniversary date, maturing December 24, 2014.	6,195	6,074
ATB Financial term deposit bearing interest at 2.50%, non-redeemable, maturing February 28, 2017.	<u>16,540</u>	-
	<u>\$ 25,811</u>	<u>\$ 9,150</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, 2012.

5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	<u>2012</u>	<u>2011</u>
Trade	\$ 236,554	\$ 1,408,372
Vacation and banked time	43,094	40,911
Accrued interest on long-term debt	14,346	16,407
Deposits	<u>12,502</u>	<u>13,228</u>
	<u>\$ 306,496</u>	<u>\$ 1,478,918</u>

TOWN OF MAYERTHORPE
NOTES TO FINANCIAL STATEMENTS (CONT'D)

DECEMBER 31, 2012

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>2012</u>	<u>2011</u>
Provincial government conditional grants	\$ 220,487	\$ 119,086
Prepaid local improvement charges	<u>23,784</u>	<u>26,486</u>
	<u>\$ 244,271</u>	<u>\$ 145,572</u>

7. LONG-TERM DEBT

	<u>2012</u>	<u>2011</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.	\$ 112,194	\$ 127,500
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.	123,547	150,352
Debenture debt held by Alberta Capital Finance Authority, repayable in annual installments of \$19,855 including interest at 5.125%; Relates to grader purchase. Repaid during the current year.	-	18,887
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.	89,576	122,843
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.	213,036	223,591
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.	43,513	49,799

TOWN OF MAYERTHORPE

NOTES TO FINANCIAL STATEMENTS (CONT'D)

DECEMBER 31, 2012

7. LONG-TERM DEBT (CONT'D)

	<u>2012</u>	<u>2011</u>
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.	39,312	40,330
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.	509,975	523,179
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.	805,181	825,465
Debenture debt held by Alberta Capital Finance Authority, repayable in semi-annual installments of \$6,635 including interest at 2.922%; due June 15, 2032; issued on the credit and security of the municipality at large. Relates to the raw water supply line.	<u>196,210</u>	<u>-</u>
	2,132,544	2,081,946
Less: Current portion	<u>(140,467)</u>	<u>(145,612)</u>
	<u>\$ 1,992,077</u>	<u>\$ 1,936,334</u>

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

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 140,467	\$ 93,770	\$ 234,237
2014	147,144	87,042	234,186
2015	135,070	79,987	215,057
2016	122,108	73,817	195,925
2017	92,664	67,753	160,417
Thereafter	<u>1,495,091</u>	<u>590,773</u>	<u>2,085,864</u>
	<u>\$ 2,132,544</u>	<u>\$ 993,142</u>	<u>\$ 3,125,686</u>

TOWN OF MAYERTHORPE

NOTES TO FINANCIAL STATEMENTS (CONT'D)

DECEMBER 31, 2012

8. EQUITY IN TANGIBLE CAPITAL ASSETS

	<u>2012</u>	<u>2011</u>
Tangible capital assets (Schedule 2)	\$ 32,170,101	\$ 31,099,448
Accumulated amortization (Schedule 2)	(10,469,606)	(9,813,510)
Long-term debt (Note 7)	<u>(2,132,544)</u>	<u>(2,081,946)</u>
	<u>\$ 19,567,951</u>	<u>\$ 19,203,992</u>

9. ACCUMULATED SURPLUS

	<u>2012</u>	<u>2011</u>
Unrestricted surplus	\$ <u>(229,246)</u>	\$ <u>17,179</u>
Restricted surplus		
Bylaw enforcement	22,500	20,000
Fire	21,332	12,000
Water	21,181	37,324
Storm sewer & drainage	17,181	-
Public works	15,372	12,872
Economic development	14,525	20,121
Administration	12,000	12,000
Contingency	11,514	(44,511)
Sewer	11,082	4,778
Cemetery	10,000	10,000
Public transit	7,557	20,000
Recreation	7,005	3,005
Mural	6,000	6,000
Emergency response centre	5,355	5,355
Planning	3,266	3,266
Disaster services	<u>971</u>	<u>-</u>
	<u>186,841</u>	<u>122,210</u>
Equity in tangible capital assets (Note 8)	<u>19,567,951</u>	<u>19,203,992</u>
	<u>\$19,525,546</u>	<u>\$19,343,381</u>

TOWN OF MAYERTHORPE

NOTES TO FINANCIAL STATEMENTS (CONT'D)

DECEMBER 31, 2012

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>2012 Total</u>	<u>2011 Total</u>
Mayor - Kim Connell	\$ 12,570	\$ 242	\$ 12,812	\$ 14,020
Councillors				
Glen Wilcox	9,300	-	9,300	9,600
Kate Patrick	8,700	-	8,700	9,360
Dave Hutchison	7,260	66	7,326	8,163
James Mason	7,230	65	7,295	7,760
Russell Claybrook	6,720	49	6,769	8,194
Dan Richard	<u>6,480</u>	<u>41</u>	<u>6,521</u>	<u>7,822</u>
	<u>\$ 58,260</u>	<u>\$ 463</u>	<u>\$ 58,723</u>	<u>\$ 64,919</u>
Chief Administrative Officer	<u>\$ 114,458</u>	<u>\$ 23,583</u>	<u>\$ 138,041</u>	<u>\$ 133,379</u>

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

(2) Benefits and allowances include the employer's share of the employee benefits and contributions or payments made on behalf of employees including pension and health care benefits.

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>2012</u>	<u>2011</u>
Total debt limit	\$ 3,946,047	\$ 4,259,481
Total debt	<u>(2,132,544)</u>	<u>(2,081,946)</u>
Amount of total debt limit unused	<u>\$ 1,813,503</u>	<u>\$ 2,177,535</u>
Debt servicing limit	\$ 657,675	\$ 709,914
Debt servicing	<u>(234,237)</u>	<u>(240,870)</u>
Amount of debt servicing limit unused	<u>\$ 423,438</u>	<u>\$ 469,044</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.

TOWN OF MAYERTHORPE
NOTES TO FINANCIAL STATEMENTS (CONT'D)

DECEMBER 31, 2012

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, 2012, 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, 2012, the Town has spent \$1,899,841 and expects to spend an additional amount of approximately \$21,000 with respect to the construction of the outdoor swimming pool facility.

As at December 31, 2012, the Town has spent \$859,266 and expects to spend an additional amount of approximately \$9,000 with respect to the construction of a raw water supply line.

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 9.91% of pensionable earnings up to the Canada Pension Plan year's maximum pensionable earnings and 13.74% for the excess. Employees of the Town are required to make current service contributions of 8.91% of pensionable earnings up to the year's maximum pensionable earnings and 12.74% on pensionable earnings above this amount.

Total current and past service contributions made by the Town to the LAPP in 2012 were \$54,466 (2011 - \$52,911). Total current and past service contributions made by the employees of the Town to the LAPP in 2012 were \$49,459 (2011 - \$47,821).

At December 31, 2011, the LAPP disclosed an actuarial deficit of \$4.6 billion (2010 - \$4.6 billion).

TOWN OF MAYERTHORPE

NOTES TO FINANCIAL STATEMENTS (CONT'D)

DECEMBER 31, 2012

15. FINANCIAL INSTRUMENTS

The Town's financial instruments consist of cash and temporary investments, accounts receivable, 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 currency risk arising from these financial instruments.

The Town is subject to credit risk with respect to taxes, trade and other accounts receivable. Credit risk arises from the possibility that taxpayers and entities to which the Town provides services may experience services may experience financial difficulty and be unable to fulfil their obligation. The large number and diversity of taxpayers and customers minimizes the credit risk.

The Town is subject to interest rate risk arising primarily from fluctuations in rates on its cash, investments and long-term debt.

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 5).

17. TRUST ASSETS

A summary of trust funds activities by the Town is as follows:

	<u>2012</u>	<u>2011</u>
Tax sale properties:		
Balance, Beginning of Year	\$ 22,582	\$ 22,310
Interest income	<u>153</u>	<u>272</u>
Balance, End of Year	<u>\$ 22,735</u>	<u>\$ 22,582</u>

18. COMPARATIVE FIGURES

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

19. APPROVAL OF FINANCIAL STATEMENTS

These financial statements were approved by Council and Management.

TOWN OF MAYERTHORPE

NOTES TO FINANCIAL STATEMENTS (CONT'D)

DECEMBER 31, 2012

20. RECONCILIATION OF OPERATING RESULTS TO BUDGETING SYSTEM

The December 31, 2012 budget, prepared by Town of Mayerthorpe, reflects all municipal activities including capital projects, debt repayments and reserves for future use. The reconciliation below is provided to encompass these items and is provided for information purposes only.

	<u>2012</u> (Budget)	<u>2012</u> (Actual)	<u>2011</u> (Actual)
Excess (Deficiency) of Revenue over Expenses, per financial statements	\$ <u>1,126,267</u>	\$ <u>182,165</u>	\$ <u>4,473,732</u>
Add back:			
Amortization expense	-	676,638	565,435
Principal debt borrowings	57,717	199,925	-
Net transfers (to) from reserves	137,681	(64,631)	308,532
Net transfers (to) from capital projects	144,257	-	-
Proceeds from sale of tangible capital assets	<u>40,000</u>	<u>-</u>	<u>505,815</u>
	<u>379,655</u>	<u>811,932</u>	<u>1,379,782</u>
Deduct:			
Principal debt repayments	(149,272)	(149,327)	(145,895)
(Gain) loss on disposal of tangible capital assets	(40,000)	-	(505,815)
Purchase of tangible capital asset	<u>(1,316,650)</u>	<u>(1,091,195)</u>	<u>(8,443,170)</u>
	<u>(1,505,922)</u>	<u>(1,240,522)</u>	<u>(9,094,880)</u>
Results of Operations as Budgeted	\$ <u>-</u>	\$ <u>(246,425)</u>	\$ <u>(3,241,366)</u>

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