

TOWN OF MUNDARE

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED

DECEMBER 31, 2010

INDEPENDENT AUDITOR'S REPORT

To the Members of Council:

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of the Town of Mundare, which comprise the statement of financial position as at December 31, 2010, 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 misstatement, 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 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 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 Town of Mundare as at December 31, 2010, 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.

ST. PAUL, ALBERTA
February 15, 2011



Members of
The Institute of Chartered Accountants of Alberta

Joly, M^cCarthy & Dion
CHARTERED ACCOUNTANTS

**TOWN OF MUNDARE
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2010**

	<u>2010</u>	<u>2009</u>
Financial assets		
Cash	\$ 374,843	\$ 51,592
Taxes receivable (note 3)	118,262	120,008
Receivable from other governments	42,441	3,456,549
Trade and other receivables	115,306	287,398
Long-term investments (note 4)	10	20
Inventory of land held for resale	<u>13,203</u>	<u>13,203</u>
	<u>664,065</u>	<u>3,928,770</u>
Liabilities		
Temporary loans payable	--	1,748,237
Accounts payable and accrued liabilities (note 5)	142,776	1,122,966
Deposit liabilities	31,406	1,406
Deferred revenue (note 6)	328,937	462,856
Long-term debt (note 7)	<u>1,660,609</u>	<u>1,626,355</u>
	<u>2,163,728</u>	<u>4,961,820</u>
Net financial assets (debt)	<u>(1,499,663)</u>	<u>(1,033,050)</u>
Non-financial assets		
Tangible capital assets	13,328,352	12,226,994
Prepaid expenses	<u>9,881</u>	<u>12,143</u>
	<u>13,338,233</u>	<u>12,239,137</u>
Accumulated surplus (note 10)	\$ <u>11,838,570</u>	\$ <u>11,206,087</u>
Contingency (note 14)		

Approved by:



Mayor



Chief Administrative Officer

**TOWN OF MUNDARE
CONSOLIDATED STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>Budget</u> (unaudited)	<u>2010</u>	<u>2009</u>
Revenue			
Net municipal taxes (schedule 3)	\$ 802,900	\$ 803,943	\$ 737,296
Sales and user fees	393,400	475,212	382,917
Government transfers for operating (schedule 4)	171,803	88,615	121,808
Investment income	1,000	1,715	2,522
Penalties and costs of taxes	20,000	29,879	25,018
Licenses and permits	5,300	10,211	7,924
Fines issued	4,000	10,324	4,263
Franchise and concession contracts	44,000	47,627	40,336
Rentals and leases	29,400	26,838	29,598
Fundraising/donations	500	2,925	--
Local improvement charges	<u>5,150</u>	<u>5,183</u>	<u>--</u>
	<u>1,477,453</u>	<u>1,502,472</u>	<u>1,351,682</u>
Expenses			
Legislative	51,800	44,314	50,996
Administration	297,100	318,664	310,203
Protective services	97,050	125,351	129,855
Roads, streets, walks, lighting	305,200	597,997	443,842
Water and wastewater	321,900	405,084	363,946
Waste management	91,650	103,945	108,676
Municipal planning, community and economic development	24,000	16,795	20,220
Recreation and culture	<u>230,300</u>	<u>242,429</u>	<u>232,136</u>
	<u>1,419,000</u>	<u>1,854,579</u>	<u>1,659,874</u>
Excess (shortfall) of revenues over expenses before other	58,453	(352,107)	(308,192)
Other			
Fundraising/donations for capital	--	--	17,161
Government transfers for capital (schedule 4)	<u>1,007,800</u>	<u>984,590</u>	<u>3,843,567</u>
Excess of revenues over expenses	1,066,253	632,483	3,552,536
Accumulated surplus, beginning of year	<u>11,206,087</u>	<u>11,206,087</u>	<u>7,653,551</u>
Accumulated surplus, end of year	\$ <u>12,272,340</u>	\$ <u>11,838,570</u>	\$ <u>11,206,087</u>

**TOWN OF MUNDARE
CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL ASSETS (DEBT)
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>Budget</u> (unaudited)	<u>2010</u>	<u>2009</u>
Excess of revenues over expenses	\$ <u>1,066,253</u>	\$ <u>632,483</u>	\$ <u>3,552,536</u>
Acquisition of tangible capital assets	(1,771,000)	(1,503,210)	(5,017,372)
Amortization of tangible capital assets	<u> --</u>	<u> 401,852</u>	<u> 273,236</u>
	(1,771,000)	(1,101,358)	(4,744,136)
Acquisition of prepaid assets	--	(9,881)	(12,143)
Use of prepaid assets	<u> --</u>	<u> 12,143</u>	<u> 7,350</u>
	<u> --</u>	<u> 2,262</u>	<u> (4,793)</u>
Decrease in net financial assets (debt)	(704,747)	(466,613)	(1,196,393)
Net financial assets (debt), beginning of year	(1,033,050)	(1,033,050)	163,343
Net financial assets (debt), end of year	\$ <u>(1,737,797)</u>	\$ <u>(1,499,663)</u>	\$ <u>(1,033,050)</u>

**TOWN OF MUNDARE
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>2010</u>	<u>2009</u>
Net inflow (outflow) of cash related to the following activities:		
Operating		
Excess of revenues over expenses	\$ 632,483	\$ 3,552,536
Non-cash items included		
Amortization of tangible capital assets	401,852	273,236
Non-cash charges to operations (net change):		
Decrease (increase) in		
Taxes and grants in place receivable	1,746	(64,752)
Receivables from other governments	3,414,108	(3,390,567)
Trade and other receivables	172,092	(56,774)
Prepaid expenses	2,262	(4,793)
Increase (decrease) in		
Accounts payable and accrued liabilities	(980,190)	1,072,166
Deposit liabilities	30,000	--
Deferred revenue	<u>(133,919)</u>	<u>(209,286)</u>
	<u>3,540,434</u>	<u>1,171,766</u>
Capital		
Acquisition of tangible capital assets	<u>(1,503,210)</u>	<u>(5,017,372)</u>
Financing		
Long-term debt issued	77,000	1,505,550
Long-term debt repaid	(42,746)	(9,824)
Long-term investments	<u>10</u>	<u>--</u>
	<u>34,264</u>	<u>1,495,726</u>
Change in cash and cash equivalents during the year	2,071,488	(2,349,880)
Cash and cash equivalents, beginning of year	<u>(1,696,645)</u>	<u>653,235</u>
Cash and cash equivalents, end of year	\$ <u>374,843</u>	\$ <u>(1,696,645)</u>
Cash and cash equivalents consist of:		
Cash	\$ 374,843	\$ 51,592
Temporary loans payable	<u>--</u>	<u>(1,748,237)</u>
	\$ <u>374,843</u>	\$ <u>(1,696,645)</u>

TOWN OF MUNDARE
SCHEDULE 1 – CHANGES IN ACCUMULATED SURPLUS
FOR THE YEAR ENDED DECEMBER 31, 2010

	Unrestricted Surplus	Restricted	Equity in Tangible Capital Assets	<u>2010</u>	<u>2009</u>
Balance, beginning of year	\$ <u>422,339</u>	\$ <u>183,109</u>	\$ <u>10,600,639</u>	\$ <u>11,206,087</u>	\$ <u>7,653,551</u>
Excess (deficiency) of revenues over expenses	632,483	--	--	632,483	3,552,536
Restricted funds used for operations	13,000	(13,000)	--	--	--
Current year funds used for tangible capital assets	(1,426,210)	--	1,426,210	--	--
Annual amortization expense	401,852	--	(401,852)	--	--
Long-term debt repaid	(42,746)	--	42,746	--	--
Change in accumulated surplus	<u>(421,621)</u>	<u>(13,000)</u>	<u>1,067,104</u>	<u>632,483</u>	<u>3,552,536</u>
Balance, end of year	\$ <u>718</u>	\$ <u>170,109</u>	\$ <u>11,667,743</u>	\$ <u>11,838,570</u>	\$ <u>11,206,087</u>

TOWN OF MUNDARE
SCHEDULE 2 – TANGIBLE CAPITAL ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2010

Cost	<u>Land</u>	<u>Land Improvements</u>	<u>Buildings</u>	<u>Engineered Structures</u>	<u>Machinery & Equipment</u>	<u>Vehicles</u>	<u>2010</u>	<u>2009</u>
Balance, beginning of year	\$ 52,577	\$ 322,500	\$ 1,197,547	\$ 12,618,622	\$ 196,838	\$ 232,364	\$ 14,620,448	\$ 9,603,076
Acquisition of tangible capital assets	--	137,857	--	1,126,853	--	--	1,264,710	96,270
Construction-in-progress	--	--	--	238,500	--	--	238,500	4,921,102
Disposal of tangible capital assets	--	--	--	--	--	--	--	--
Balance, end of year	<u>52,577</u>	<u>460,357</u>	<u>1,197,547</u>	<u>13,983,975</u>	<u>196,838</u>	<u>232,364</u>	<u>16,123,658</u>	<u>14,620,448</u>
Accumulated amortization								
Balance, beginning of year	--	26,391	411,816	1,791,941	98,084	65,222	2,393,454	2,120,218
Annual amortization	--	14,622	24,574	336,657	12,119	13,880	401,852	273,236
Accumulated amortization on disposals	--	--	--	--	--	--	--	--
Balance, end of year	<u>--</u>	<u>41,013</u>	<u>436,390</u>	<u>2,128,598</u>	<u>110,203</u>	<u>79,102</u>	<u>2,795,306</u>	<u>2,393,454</u>
Net book value of tangible capital assets	<u>\$ 52,577</u>	<u>\$ 419,344</u>	<u>\$ 761,157</u>	<u>\$ 11,855,377</u>	<u>\$ 86,635</u>	<u>\$ 153,262</u>	<u>\$ 13,328,352</u>	<u>\$ 12,226,994</u>
2009 Net book value of tangible capital assets	<u>\$ 52,577</u>	<u>\$ 296,109</u>	<u>\$ 785,731</u>	<u>\$ 10,826,681</u>	<u>\$ 98,754</u>	<u>\$ 167,142</u>	<u>\$ 12,226,994</u>	

**TOWN OF MUNDARE
SCHEDULE 3 – PROPERTY TAXES LEVIED
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>Budget</u> (unaudited)	<u>2010</u> Actual	<u>2009</u> Actual
Taxation			
Residential land and improvements	\$ 839,000	\$ 839,041	\$ 761,466
Commercial property	<u>133,000</u>	<u>133,929</u>	<u>128,174</u>
	<u>972,000</u>	<u>972,970</u>	<u>889,640</u>
Requisitions			
Alberta School Foundation	143,400	143,391	128,207
County of Lamont Foundation	<u>25,700</u>	<u>25,636</u>	<u>24,137</u>
	<u>169,100</u>	<u>169,027</u>	<u>152,344</u>
Net taxes for general municipal operations	<u>\$ 802,900</u>	<u>\$ 803,943</u>	<u>\$ 737,296</u>

SCHEDULE 4 – GOVERNMENT TRANSFERS

Transfers for operations			
Federal	\$ 4,500	\$ 2,816	\$ --
Provincial	53,903	57,211	55,220
Other local governments	<u>113,400</u>	<u>28,588</u>	<u>66,588</u>
	<u>171,803</u>	<u>88,615</u>	<u>121,808</u>
Transfers for capital			
Federal	350,000	348,355	1,651,645
Provincial	<u>657,800</u>	<u>636,235</u>	<u>2,191,922</u>
	<u>1,007,800</u>	<u>984,590</u>	<u>3,843,567</u>
Total government transfers	<u>\$ 1,179,603</u>	<u>\$ 1,073,205</u>	<u>\$ 3,965,375</u>

SCHEDULE 5 – CONSOLIDATED EXPENDITURES BY OBJECT

Expenditures			
Salaries, wages and benefits	\$ 452,850	\$ 423,333	\$ 417,793
Contracted and general services	398,800	424,000	407,144
Purchases from other governments	128,000	120,123	144,705
Materials, goods, supplies and utilities	221,550	246,141	204,092
Provision for allowances and bad debts	--	25,061	--
Transfers to local boards and organizations	85,500	85,763	88,480
Bank charges & short-term interest	1,500	15,140	15,126
Interest on long-term debt	77,850	77,494	28,189
Shared cost agreement	23,200	23,150	27,215
Other expenditures	29,750	12,522	53,894
Amortization of tangible capital assets	<u>--</u>	<u>401,852</u>	<u>273,236</u>
Total expenditures	<u>\$ 1,419,000</u>	<u>\$ 1,854,579</u>	<u>\$ 1,659,874</u>

TOWN OF MUNDARE
SCHEDULE 6 -- SEGMENTED DISCLOSURE
FOR THE YEAR ENDED DECEMBER 31, 2010

Revenue	<u>General Government</u>	<u>Protective Services</u>	<u>Transportation Services</u>	<u>Planning and Development</u>	<u>Recreation and Culture</u>	<u>Environmental Services</u>	<u>Total</u>
Net municipal taxes	\$ 803,943	\$ --	\$ --	\$ --	\$ --	\$ --	\$ 803,943
Government transfers	6,045	7,899	687,305	12,701	49,505	309,750	1,073,205
User fees and sales of goods	19,221	65,996	6,588	--	24,633	358,774	475,212
Investment income	1,715	--	--	--	--	--	1,715
Other revenues	<u>85,074</u>	<u>17,081</u>	<u>--</u>	<u>3,454</u>	<u>22,194</u>	<u>5,184</u>	<u>132,987</u>
	<u>915,998</u>	<u>90,976</u>	<u>693,893</u>	<u>16,155</u>	<u>96,332</u>	<u>673,708</u>	<u>2,487,062</u>
Expenses							
Contract and general services	108,337	50,799	74,211	16,795	48,066	125,792	424,000
Salaries and wages	168,526	23,137	89,024	--	66,857	75,789	423,333
Goods and supplies	23,948	36,092	87,305	--	31,609	187,310	366,264
Transfers to local boards	9,351	--	--	--	76,412	--	85,763
Long-term debt interest	--	--	61,718	--	--	15,776	77,494
Other expenses	<u>37,438</u>	<u>--</u>	<u>13,230</u>	<u>--</u>	<u>--</u>	<u>25,205</u>	<u>75,873</u>
	<u>347,600</u>	<u>110,028</u>	<u>325,488</u>	<u>16,795</u>	<u>222,944</u>	<u>429,872</u>	<u>1,452,727</u>
Net Revenue Before Amortization	568,398	(19,052)	368,405	(640)	(126,612)	243,836	1,034,335
Amortization expense	<u>(15,378)</u>	<u>(15,323)</u>	<u>(272,509)</u>	<u>--</u>	<u>(19,485)</u>	<u>(79,157)</u>	<u>(401,852)</u>
Net Revenue	<u>\$ 553,020</u>	<u>\$ (34,375)</u>	<u>\$ 95,896</u>	<u>\$ (640)</u>	<u>\$ (146,097)</u>	<u>\$ 164,679</u>	<u>\$ 632,483</u>

TOWN OF MUNDARE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010

1. Significant Accounting Policies

The consolidated financial statements of the Town of Mundare are the representations of management prepared in accordance with Canadian generally accepted accounting principles for local governments established by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants. Significant aspects of 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 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 schedule of taxes levied also includes requisitions for education 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 receipt of goods or services and/or the legal obligation to pay.

Funds from external parties and earnings thereon restricted by agreement or legislation are accounted for as deferred revenue until used for the purpose specified.

Government transfers, contributions and other amounts are received from third parties pursuant to legislation, regulation or agreement and may only be used for certain programs, in the completion of specific work, or for the purchase of tangible capital assets. In addition, certain user charges and fees are collected for which the related services have yet to be performed. Revenue is recognized in the period when the related expenses are incurred, services performed or the tangible capital assets are acquired.

(c) Use of Estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and 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 MUNDARE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010

1. Significant Accounting Policies - continued

(d) Investments

Investments are recorded at amortized cost. 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) Inventory of 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) Requisition Over-levy and Under-levy

Over-levies and under-levies arise from the difference between the actual property tax 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. 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.

(g) 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.

(h) 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.

**TOWN OF MUNDARE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010**

1. Significant Accounting Policies – continued

(h) Non-Financial Assets (continued)

(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 costs, less residual value, of the tangible capital assets are amortized on a straight-line basis over their estimated useful lives as follows:

	<u>Years</u>
Buildings	50
Engineered structures	
Roadway system	20-30
Wastewater system	45-75
Water system	25-75
Lighting	50
Machinery and equipment	10-30
Vehicles	5-15
Land improvements	20-30

No amortization is charged in the year of acquisition. 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 recoded as revenue.

2. Temporary Loans Payable

The town has a prime plus 1% authorized revolving loan limit of \$100,000 with the Servus Credit Union. No balance was outstanding as at December 31, 2010.

3. Taxes Receivable

	<u>2010</u>	<u>2009</u>
Taxes receivable		
Current	\$ 73,567	\$ 98,020
Arrears	<u>63,226</u>	<u>40,519</u>
	136,793	138,539
Less: allowance for doubtful accounts	<u>(18,531)</u>	<u>(18,531)</u>
	<u>\$ 118,262</u>	<u>\$ 120,008</u>

TOWN OF MUNDARE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010

4. Long-Term Investments	<u>2010</u>	<u>2009</u>
Investment in Mundare Housing Development Corp.	\$ --	\$ 10
AMFC share	<u>10</u>	<u>10</u>
	<u>\$ 10</u>	<u>\$ 20</u>

5. Employee Benefit Obligation

Included in accounts payable and accrued liabilities is a vacation and overtime liability of \$6,363 (2009 - \$10,224). The vacation and overtime liability is comprised of the vacation and overtime that employees have earned and are entitled to within the next budgetary year.

6. Deferred Revenue	<u>2010</u>	<u>2009</u>
Offsite levies	\$ 251,000	\$ 416,000
New deal for cities and communities	--	37,906
Communities in bloom	10,502	8,950
Municipal sustainability initiative	<u>67,435</u>	<u>--</u>
	<u>\$ 328,937</u>	<u>\$ 462,856</u>

Funding from various grant programs, organizations and individuals, in the amount of \$328,937 remained unspent at the end of the current year. The use of these funds is restricted to eligible operating and capital projects as approved under the funding agreements or as indicated by the donors. Most of the projects are scheduled for completion in 2011.

TOWN OF MUNDARE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010

7. Long-Term Debt	<u>2010</u>	<u>2009</u>
Tax supported debentures	\$ 1,586,686	\$ 1,550,805
Self supported debentures	<u>73,923</u>	<u>75,550</u>
	<u>\$ 1,660,609</u>	<u>\$ 1,626,355</u>

Principal and interest repayments for each of the next five years and to maturity are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 46,604	\$ 79,006	\$ 125,610
2012	48,870	76,740	125,610
2013	51,246	74,364	125,610
2014	53,739	71,871	125,610
2015	49,480	69,328	118,808
Thereafter	<u>1,410,670</u>	<u>728,233</u>	<u>2,138,903</u>
	<u>\$ 1,660,609</u>	<u>\$ 1,099,542</u>	<u>\$ 2,760,151</u>

Debenture debt is repayable to Alberta Capital Finance Authority and bears interest at rates ranging from 4.23% to 6.125% per annum and matures in periods 2014 through 2034. The average annual interest rate is 4.72% for 2010 (4.95% for 2009).

Debenture debt is issued on the credit and security of the town at large.

Interest on long-term debt amounted to \$77,494 (2009 - \$28,189).

The town's cash payments for interest in 2010 were \$77,824 (2009 -\$7,268).

8. Debt Limits

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

	<u>2010</u>	<u>2009</u>
Total debt limit	\$ 2,253,708	\$ 2,053,265
Total debt	<u>1,660,609</u>	<u>3,374,592</u>
Debt limit remaining (exceeded)	\$ <u>593,099</u>	\$ <u>(1,321,327)</u>
Debt servicing limit	\$ 375,618	\$ 342,211
Debt servicing	<u>125,610</u>	<u>1,882,494</u>
Debt servicing limit remaining (exceeded)	\$ <u>250,008</u>	\$ <u>(1,540,283)</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.

TOWN OF MUNDARE
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9. Equity in Tangible Capital Assets	<u>2010</u>	<u>2009</u>
Tangible capital assets (schedule 1)	\$ 16,123,658	\$ 14,620,448
Accumulated amortization (schedule 1)	(2,795,306)	(2,393,454)
Long-term debt (note 7)	<u>(1,660,609)</u>	<u>(1,626,355)</u>
	<u>\$ 11,667,743</u>	<u>\$ 10,600,639</u>

10. Accumulated Surplus

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

	<u>2010</u>	<u>2009</u>
Unrestricted surplus	\$ 718	\$ 422,339
Restricted surplus		
General capital	43,209	56,209
Fire	21,000	21,000
Common services	17,400	17,400
Streets	9,500	9,500
Water	28,000	28,000
Sewer	23,000	23,000
Garbage	9,500	9,500
Development	11,000	11,000
Parks and recreation	4,500	4,500
Ukraina Park	3,000	3,000
Equity in tangible capital assets (note 9)	<u>11,667,743</u>	<u>10,600,639</u>
	<u>\$ 11,838,570</u>	<u>\$ 11,206,087</u>

11. Segmented Disclosure

The Town of Mundare 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 Schedule 6 – Segmented Disclosure.

**TOWN OF MUNDARE
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12. Salary and Benefits Disclosure

Disclosure of salaries and benefits for municipal officials and the chief administrative officer as required by Alberta Regulation 313/2000 is as follows:

		2010			2009
		Salary ⁽¹⁾	Benefits & Allowances ⁽²⁾	Total	Total
Mayor -	Saric	\$ 8,870	\$ 266	\$ 9,136	\$ 9,766
Councillors -	Rosypal	8,550	250	8,800	9,319
	Sprague	7,550	201	7,751	6,596
	Greening	6,800	163	6,963	6,927
	Gargus	5,370	124	5,494	4,862
	Yaremko	--	--	--	847
Chief Administrative Officer					
	Colin Zyla	57,620	6,067	63,687	61,782

⁽¹⁾ Salary includes regular base pay, bonuses, overtime, lump sum payments, gross honoraria and any other direct cash remuneration.

⁽²⁾ Employer's share of all employee benefits and contributions or payments made on behalf of employees including pension, health care, dental coverage, group life insurance, accidental disability and dismemberment insurance, long and short-term disability plans, professional memberships and tuition.

13. Commitment

The town is committed to making quarterly payments of \$1,220 until January 2012 under a photocopier lease, monthly payments of \$594 until May 2011 under a tractor lease and monthly payments of \$871 until April 2014 under a skid steer lease.

14. Contingency

The Town of Mundare 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.

TOWN OF MUNDARE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010

15. Financial Instruments

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

The town is subject to credit risk with respect to taxes and grants in place of taxes receivable and trade and other receivables. Credit risk arises from the possibility that taxpayers and entities to which the town provides services may experience financial difficulty and be unable to fulfill their obligations. The large number and diversity of taxpayers and customers minimizes the credit risk.

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

16. Approval of Financial Statements

Council and Management have approved these financial statements.