

TOWN OF MUNDARE

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED

DECEMBER 31, 2011



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 consolidated statement of financial position as at December 31, 2011, and the consolidated 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, 2011, 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 21, 2012

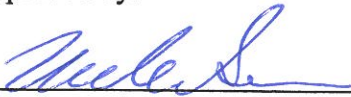
Joly, M^cCarthy & Dion
CHARTERED ACCOUNTANTS

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

	<u>2011</u>	<u>2010</u>
Financial assets		
Cash	\$ 312,617	\$ 374,843
Taxes receivable (note 3)	148,626	118,262
Receivable from other governments	38,365	42,441
Trade and other receivables	57,409	115,306
Long-term investment (note 4)	10	10
Inventory of land held for resale	<u>9,164</u>	<u>13,203</u>
	<u>566,191</u>	<u>664,065</u>
Liabilities		
Accounts payable and accrued liabilities (note 5)	92,291	142,776
Deposit liabilities	8,906	31,406
Deferred revenue (note 6)	276,683	328,937
Long-term debt (note 7)	<u>1,614,004</u>	<u>1,660,609</u>
	<u>1,991,884</u>	<u>2,163,728</u>
Net financial assets (debt)	<u>(1,425,693)</u>	<u>(1,499,663)</u>
Non-financial assets		
Tangible capital assets	13,320,987	13,328,352
Prepaid expenses	<u>12,138</u>	<u>9,881</u>
	<u>13,333,125</u>	<u>13,338,233</u>
Accumulated surplus (note 10)	\$ <u>11,907,432</u>	\$ <u>11,838,570</u>

Contingency (note 14)

Approved by:



Mayor



Chief Administrative Officer

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

	<u>Budget</u> (unaudited)	<u>2011</u>	<u>2010</u>
Revenue			
Net municipal taxes (schedule 3)	\$ 822,800	\$ 823,331	\$ 803,943
Sales and user fees	409,250	432,030	475,212
Government transfers for operating (schedule 4)	118,000	103,559	88,615
Investment income	1,000	2,848	1,715
Penalties and costs of taxes	29,500	33,447	29,879
Licenses and permits	3,700	8,038	10,211
Fines issued	6,000	10,404	10,324
Franchise and concession contracts	53,500	53,280	47,627
Rentals and leases	25,000	25,133	26,838
Fundraising/donations	6,650	5,954	2,925
Local improvement charges	5,150	5,183	5,183
Insurance proceeds	--	5,132	--
	<u>1,480,550</u>	<u>1,508,339</u>	<u>1,502,472</u>
Expenses			
Legislative	48,700	42,092	44,314
Administration	292,077	269,644	318,664
Protective services	142,004	129,346	125,351
Roads, streets, walks, lighting	685,329	687,900	597,997
Water and wastewater	356,542	355,207	405,084
Waste management	106,250	118,360	103,945
Municipal planning, community and economic development	2,000	5,379	16,795
Recreation and culture	235,915	263,951	242,429
	<u>1,868,817</u>	<u>1,871,879</u>	<u>1,854,579</u>
Shortfall of revenues over expenses before other	(388,267)	(363,540)	(352,107)
Other			
Fundraising/donations for capital	--	43,924	--
Government transfers for capital (schedule 4)	334,000	388,478	984,590
Excess (deficiency) of revenues over expenses	(54,267)	68,862	632,483
Accumulated surplus, beginning of year	<u>11,838,570</u>	<u>11,838,570</u>	<u>11,206,087</u>
Accumulated surplus, end of year	<u>\$ 11,784,303</u>	<u>\$ 11,907,432</u>	<u>\$ 11,838,570</u>

TOWN OF MUNDARE
CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL ASSETS (DEBT)
FOR THE YEAR ENDED DECEMBER 31, 2011

	<u>Budget</u> (unaudited)	<u>2011</u>	<u>2010</u>
Excess (deficiency) of revenues over expenses	\$ <u>(54,267)</u>	\$ <u>68,862</u>	\$ <u>632,483</u>
Acquisition of tangible capital assets	(338,500)	(441,402)	(1,503,210)
Amortization of tangible capital assets	<u>448,767</u>	<u>448,767</u>	<u>401,852</u>
	<u>110,267</u>	<u>7,365</u>	<u>(1,101,358)</u>
Acquisition of prepaid assets	--	(12,138)	(9,881)
Use of prepaid assets	<u>--</u>	<u>9,881</u>	<u>12,143</u>
	<u>--</u>	<u>(2,257)</u>	<u>2,262</u>
Decrease in net financial assets (debt)	56,000	73,970	(466,613)
Net financial assets (debt), beginning of year	(1,499,663)	(1,499,663)	(1,033,050)
Net financial assets (debt), end of year	\$ <u>(1,443,663)</u>	\$ <u>(1,425,693)</u>	\$ <u>(1,499,663)</u>

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

	<u>2011</u>	<u>2010</u>
Net inflow (outflow) of cash related to the following activities:		
Operating		
Excess of revenues over expenses	\$ 68,862	\$ 632,483
Non-cash items included		
Amortization of tangible capital assets	448,767	401,852
Non-cash charges to operations (net change):		
Decrease (increase) in		
Taxes and grants in place receivable	(30,364)	1,746
Receivables from other governments	4,076	3,414,108
Trade and other receivables	57,897	172,092
Prepaid expenses	(2,257)	2,262
Inventory of land held for resale	4,039	--
Increase (decrease) in		
Accounts payable and accrued liabilities	(50,485)	(980,190)
Deposit liabilities	(22,500)	30,000
Deferred revenue	<u>(52,254)</u>	<u>(133,919)</u>
	<u>425,781</u>	<u>3,540,434</u>
Capital		
Acquisition of tangible capital assets	<u>(441,402)</u>	<u>(1,503,210)</u>
Financing		
Long-term debt issued	--	77,000
Long-term debt repaid	(46,605)	(42,746)
Long-term investments	--	10
	<u>(46,605)</u>	<u>34,264</u>
Change in cash and cash equivalents during the year	(62,226)	2,071,488
Cash and cash equivalents, beginning of year	<u>374,843</u>	<u>(1,696,645)</u>
Cash, end of year	\$ <u>312,617</u>	\$ <u>374,843</u>

TOWN OF MUNDARE
SCHEDULE 1 – CHANGES IN ACCUMULATED SURPLUS
FOR THE YEAR ENDED DECEMBER 31, 2011

	<u>Unrestricted Surplus</u>	<u>Restricted Surplus</u>	<u>Equity in Tangible Capital Assets</u>	<u>2011</u>	<u>2010</u>
Balance, beginning of year	\$ 718	\$ 170,109	\$ 11,667,743	\$ 11,838,570	\$ 11,206,087
Excess (deficiency) of revenues over expenses	68,862	--	--	68,862	632,483
Funds designated for future use	(30,000)	30,000	--	--	--
Current year funds used for tangible capital assets	(441,402)	--	441,402	--	--
Annual amortization expense	448,767	--	(448,767)	--	--
Long-term debt repaid	(46,605)	--	46,605	--	--
Change in accumulated surplus	<u>(378)</u>	<u>30,000</u>	<u>39,240</u>	<u>68,862</u>	<u>632,483</u>
Balance, end of year	<u>\$ 340</u>	<u>\$ 200,109</u>	<u>\$ 11,706,983</u>	<u>\$ 11,907,432</u>	<u>\$ 11,838,570</u>

TOWN OF MUNDARE
SCHEDULE 2 – TANGIBLE CAPITAL ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2011

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>2011</u>	<u>2010</u>
Balance, beginning of year	\$ 52,577	\$ 460,357	\$ 1,197,547	\$ 13,983,975	\$ 196,838	\$ 232,364	\$ 16,123,658	\$ 14,620,448	
Acquisition of tangible capital assets	--	--	--	381,478	52,924	7,000	441,402	1,264,710	
Construction-in-progress	--	--	--	--	--	--	--	238,500	
Disposal of tangible capital assets	--	--	--	--	--	--	--	--	
Balance, end of year	<u>52,577</u>	<u>460,357</u>	<u>1,197,547</u>	<u>14,365,453</u>	<u>249,762</u>	<u>239,364</u>	<u>16,565,060</u>	<u>16,123,658</u>	
Accumulated amortization									
Balance, beginning of year	--	41,013	436,390	2,128,598	110,203	79,102	2,795,306	2,393,454	
Annual amortization	--	19,476	24,574	377,967	12,870	13,880	448,767	401,852	
Accumulated amortization on disposals	--	--	--	--	--	--	--	--	
Balance, end of year	--	<u>60,489</u>	<u>460,964</u>	<u>2,506,565</u>	<u>123,073</u>	<u>92,982</u>	<u>3,244,073</u>	<u>2,795,306</u>	
Net book value of tangible capital assets	<u>\$ 52,577</u>	<u>\$ 399,868</u>	<u>\$ 736,583</u>	<u>\$ 11,858,888</u>	<u>\$ 126,689</u>	<u>\$ 146,382</u>	<u>\$ 13,320,987</u>	<u>\$ 13,328,352</u>	
2010 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>		

**TOWN OF MUNDARE
SCHEDULE 3 – PROPERTY TAXES LEVIED
FOR THE YEAR ENDED DECEMBER 31, 2011**

	<u>Budget</u> (unaudited)	<u>2011</u> Actual	<u>2010</u> Actual
Taxation			
Residential land and improvements	\$ 872,000	\$ 871,377	\$ 839,041
Commercial property	<u>140,000</u>	<u>141,138</u>	<u>133,929</u>
	<u>1,012,000</u>	<u>1,012,515</u>	<u>972,970</u>
Requisitions			
Alberta School Foundation	160,600	160,599	143,391
County of Lamont Foundation	<u>28,600</u>	<u>28,585</u>	<u>25,636</u>
	<u>189,200</u>	<u>189,184</u>	<u>169,027</u>
Net taxes for general municipal operations	<u>\$ 822,800</u>	<u>\$ 823,331</u>	<u>\$ 803,943</u>

SCHEDULE 4 – GOVERNMENT TRANSFERS

Transfers for operations			
Federal	\$ 3,600	\$ 3,600	\$ 2,816
Provincial	28,900	31,707	57,211
Other local governments	<u>85,500</u>	<u>68,252</u>	<u>28,588</u>
	<u>118,000</u>	<u>103,559</u>	<u>88,615</u>
Transfers for capital			
Federal	--	--	348,355
Provincial	<u>334,000</u>	<u>388,478</u>	<u>636,235</u>
	<u>334,000</u>	<u>388,478</u>	<u>984,590</u>
Total government transfers	<u>\$ 452,000</u>	<u>\$ 492,037</u>	<u>\$ 1,073,205</u>

SCHEDULE 5 – CONSOLIDATED EXPENSES BY OBJECT

Expenses			
Salaries, wages and benefits	\$ 457,600	\$ 433,091	\$ 423,333
Contracted and general services	388,750	417,371	424,000
Purchases from other governments	127,500	116,441	120,123
Materials, goods, supplies and utilities	241,200	252,555	246,141
Provision for allowances and bad debts	--	--	25,061
Transfers to local boards and organizations	83,700	81,908	85,763
Bank charges & short-term interest	2,000	1,692	15,140
Interest on long-term debt	79,500	78,505	77,494
Shared cost agreement	30,000	29,607	23,150
Other expenses	9,800	11,942	12,522
Amortization of tangible capital assets	<u>448,767</u>	<u>448,767</u>	<u>401,852</u>
Total expenses	<u>\$ 1,868,817</u>	<u>\$ 1,871,879</u>	<u>\$ 1,854,579</u>

TOWN OF MUNDARE
SCHEDULE 6 – SEGMENTED DISCLOSURE
FOR THE YEAR ENDED DECEMBER 31, 2011

	<u>General Government</u>	<u>Protective Services</u>	<u>Transportation Services</u>	<u>Environmental Services</u>	<u>Planning and Development</u>	<u>Recreation and Culture</u>	<u>Total</u>
Revenue							
Net municipal taxes	\$ 823,331	\$ --	\$ --	\$ --	\$ --	\$ --	\$ 823,331
Government transfers	--	44,459	261,584	132,401	--	53,593	492,037
User fees and sales of goods	6,304	15,400	3,668	393,588	--	13,070	432,030
Investment income	2,848	--	--	--	--	--	2,848
Other revenues	<u>93,644</u>	<u>57,317</u>	<u>--</u>	<u>5,184</u>	<u>5,049</u>	<u>29,301</u>	<u>190,495</u>
	<u>926,127</u>	<u>117,176</u>	<u>265,252</u>	<u>531,173</u>	<u>5,049</u>	<u>95,964</u>	<u>1,940,741</u>
Expenses							
Salaries, wages and benefits	173,409	20,532	90,962	79,783	--	68,405	433,091
Contracted and general services	80,424	56,487	120,064	92,930	1,339	66,127	417,371
Materials, goods, supplies and utilities	22,147	37,003	102,815	168,396	4,040	34,595	368,996
Transfers to others	4,349	--	--	29,607	--	77,559	111,515
Interest on long-term debt	--	--	63,250	15,255	--	--	78,505
Other expenses	<u>11,580</u>	<u>--</u>	<u>--</u>	<u>2,054</u>	<u>--</u>	<u>--</u>	<u>13,634</u>
	<u>291,909</u>	<u>114,022</u>	<u>377,091</u>	<u>388,025</u>	<u>5,379</u>	<u>246,686</u>	<u>1,423,112</u>
Net Revenue Before Amortization	634,218	3,154	(111,839)	143,148	(330)	(150,722)	517,629
Amortization expense	<u>(19,827)</u>	<u>(15,324)</u>	<u>(310,809)</u>	<u>(85,542)</u>	<u>--</u>	<u>(17,265)</u>	<u>(448,767)</u>
Net Revenue	<u>\$ 614,391</u>	<u>\$ (12,170)</u>	<u>\$ (422,648)</u>	<u>\$ 57,606</u>	<u>\$ (330)</u>	<u>\$ (167,987)</u>	<u>\$ 68,862</u>

TOWN OF MUNDARE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011

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 expenses, changes in fund balances, and change in financial position of the reporting entity. This entity is comprised of the municipal operations plus all of the organizations that are owned or controlled by the town and are, therefore, accountable to the town Council for the administration of their financial affairs and resources.

The 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 expenses 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, 2011

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, 2011

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 recorded 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, 2011.

	<u>2011</u>	<u>2010</u>
3. Taxes Receivable		
Taxes receivable		
Current	\$ 103,395	\$ 73,567
Arrears	<u>63,762</u>	<u>63,226</u>
	167,157	136,793
Less: allowance for doubtful accounts	<u>(18,531)</u>	<u>(18,531)</u>
	<u>\$ 148,626</u>	<u>\$ 118,262</u>

TOWN OF MUNDARE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011

4. Long-Term Investments	<u>2011</u>	<u>2010</u>
AMFC share	\$ <u>10</u>	\$ <u>10</u>

5. Employee Benefit Obligation

Included in accounts payable and accrued liabilities is a vacation and overtime liability of \$10,865 (2010 - \$6,363). 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>2011</u>	<u>2010</u>
Offsite levies	\$ 257,000	\$ 251,000
Waterpark	1,457	--
Communities in bloom	11,725	10,502
Municipal sustainability initiative	<u>6,501</u>	<u>67,435</u>
	<u>\$ 276,683</u>	<u>\$ 328,937</u>

Funding from various grant programs, organizations and individuals, in the amount of \$276,683 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 2012.

7. Long-Term Debt	<u>2011</u>	<u>2010</u>
Tax supported debentures	\$ 1,541,786	\$ 1,586,686
Self-supported debentures	<u>72,218</u>	<u>73,923</u>
	<u>\$ 1,614,004</u>	<u>\$ 1,660,609</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>
2012	\$ 48,869	\$ 76,741	\$ 125,610
2013	51,246	74,364	125,610
2014	53,739	71,871	125,610
2015	49,480	69,328	118,808
2016	51,930	66,878	118,808
Thereafter	<u>1,358,740</u>	<u>661,355</u>	<u>2,020,095</u>
	<u>\$ 1,614,004</u>	<u>\$ 1,020,537</u>	<u>\$ 2,634,541</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 4.79% for 2011 (4.72% for 2010).

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

Interest on long-term debt amounted to \$78,505 (2010 - \$77,494).

The town's cash payments for interest in 2011 were \$79,006 (2010 - \$77,824).

TOWN OF MUNDARE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011

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>2011</u>	<u>2010</u>
Total debt limit	\$ 2,328,394	\$ 2,253,708
Total debt	<u>1,614,004</u>	<u>1,660,609</u>
Debt limit remaining	\$ <u>714,390</u>	\$ <u>593,099</u>
Debt servicing limit	\$ 388,066	\$ 375,618
Debt servicing	<u>125,610</u>	<u>125,610</u>
Debt servicing limit remaining	\$ <u>262,456</u>	\$ <u>250,008</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.

9. Equity in Tangible Capital Assets

	<u>2011</u>	<u>2010</u>
Tangible capital assets (schedule 2)	\$ 16,565,060	\$ 16,123,658
Accumulated amortization (schedule 2)	(3,244,073)	(2,795,306)
Long-term debt (note 7)	<u>(1,614,004)</u>	<u>(1,660,609)</u>
	\$ <u>11,706,983</u>	\$ <u>11,667,743</u>

10. Accumulated Surplus

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

	<u>2011</u>	<u>2010</u>
Unrestricted surplus	\$ 340	\$ 718
Restricted surplus		
General capital	73,209	43,209
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>11,706,983</u>	<u>11,667,743</u>
	\$ <u>11,907,432</u>	\$ <u>11,838,570</u>

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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.

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:

		2011			2010
		Salary ⁽¹⁾	Benefits & Allowances ⁽²⁾	Total	Total
Mayor -	Saric	\$ 8,610	\$ 267	\$ 8,877	\$ 9,136
Councillors -	Rosypal	8,435	49	8,484	8,800
	Sprague	980	20	1,000	7,751
	Greening	6,330	140	6,470	6,963
	Gargus	6,595	40	6,635	5,494
	Burghardt	4,460	105	4,565	--
Chief Administrative Officer					
	Colin Zyla	58,762	6,166	64,928	63,687

⁽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 and monthly payments of \$871 until April 2014 under a skid steer lease.

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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.

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.