

**TOWN OF MUNDARE**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED**  
**DECEMBER 31, 2012**

**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, 2012, 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 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, 2012, 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 19, 2013

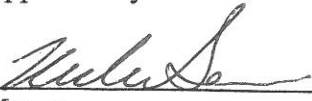
*Joly, M<sup>c</sup>Carthy + Dion*  
CHARTERED ACCOUNTANTS

**TOWN OF MUNDARE  
CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS AT DECEMBER 31, 2012**

	<u>2012</u>	<u>2011</u>
<b>Financial assets</b>		
Cash	\$ 613,930	\$ 312,617
Taxes receivable (note 3)	206,931	148,626
Receivable from other governments	5,448	38,365
Trade and other receivables	61,277	57,409
Long-term investment (note 4)	10	10
Inventory of land held for resale	<u>9,164</u>	<u>9,164</u>
	<u>896,760</u>	<u>566,191</u>
<b>Liabilities</b>		
Accounts payable and accrued liabilities (note 5)	109,347	92,291
Deposit liabilities	9,406	8,906
Deferred revenue (note 6)	493,098	276,683
Long-term debt (note 7)	<u>1,565,135</u>	<u>1,614,004</u>
	<u>2,176,986</u>	<u>1,991,884</u>
<b>Net financial assets (debt)</b>	<u>(1,280,226)</u>	<u>(1,425,693)</u>
<b>Non-financial assets</b>		
Tangible capital assets	12,957,998	13,320,987
Prepaid expenses	<u>8,060</u>	<u>12,138</u>
	<u>12,966,058</u>	<u>13,333,125</u>
<b>Accumulated surplus (note 10)</b>	\$ <u><u>11,685,832</u></u>	\$ <u><u>11,907,432</u></u>

**Contingency (note 14)**

Approved by:

  
\_\_\_\_\_  
Mayor

  
\_\_\_\_\_  
Chief Administrative Officer

**TOWN OF MUNDARE  
CONSOLIDATED STATEMENT OF OPERATIONS  
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<u>Budget</u> (unaudited)	<u>2012</u>	<u>2011</u>
<b>Revenue</b>			
Net municipal taxes (schedule 3)	\$ 832,500	\$ 838,999	\$ 823,331
Sales and user fees	428,800	445,361	432,030
Government transfers for operating (schedule 4)	265,900	215,366	103,559
Investment income	2,500	2,133	2,848
Penalties and costs of taxes	33,000	46,040	33,447
Licenses and permits	5,500	28,407	8,038
Fines issued	9,000	5,194	10,404
Franchise and concession contracts	53,000	51,105	53,280
Rentals and leases	25,500	29,355	25,133
Fundraising/donations	3,600	3,737	5,954
Local improvement charges	5,150	5,183	5,183
Insurance proceeds	--	--	5,132
	<u>1,664,450</u>	<u>1,670,880</u>	<u>1,508,339</u>
<b>Expenses</b>			
Legislative	51,900	50,013	42,092
Administration	305,927	291,488	269,644
Protective services	132,740	141,231	129,346
Roads, streets, walks, lighting	748,669	740,885	687,900
Water and wastewater	351,451	320,342	355,207
Waste management	114,700	122,017	118,360
Municipal planning, community and economic development	10,000	20,597	5,379
Recreation and culture	273,965	247,669	263,951
	<u>1,989,352</u>	<u>1,934,242</u>	<u>1,871,879</u>
<b>Shortfall of revenues over expenses before other</b>	<b>(324,902)</b>	<b>(263,362)</b>	<b>(363,540)</b>
<b>Other</b>			
Fundraising/donations for capital	--	--	43,924
Government transfers for capital (schedule 4)	231,000	41,762	388,478
<b>Excess (deficiency) of revenues over expenses</b>	<b>(93,902)</b>	<b>(221,600)</b>	<b>68,862</b>
<b>Accumulated surplus, beginning of year</b>	<b><u>11,907,432</u></b>	<b><u>11,907,432</u></b>	<b><u>11,838,570</u></b>
<b>Accumulated surplus, end of year</b>	<b>\$ <u>11,813,530</u></b>	<b>\$ <u>11,685,832</u></b>	<b>\$ <u>11,907,432</u></b>

**TOWN OF MUNDARE  
CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL ASSETS (DEBT)  
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<u>Budget</u> (unaudited)	<u>2012</u>	<u>2011</u>
<b>Excess (deficiency) of revenues over expenses</b>	\$ <u>(93,902)</u>	\$ <u>(221,600)</u>	\$ <u>68,862</u>
Acquisition of tangible capital assets	(347,000)	(112,912)	(441,402)
Amortization of tangible capital assets	<u>475,902</u>	<u>475,901</u>	<u>448,767</u>
	<u>128,902</u>	<u>362,989</u>	<u>7,365</u>
Acquisition of prepaid assets	--	(8,060)	(12,138)
Use of prepaid assets	<u>--</u>	<u>12,138</u>	<u>9,881</u>
	<u>--</u>	<u>4,078</u>	<u>(2,257)</u>
<b>Decrease in net financial assets (debt)</b>	<b>35,000</b>	145,467	73,970
<b>Net financial assets (debt), beginning of year</b>	<b>(1,425,693)</b>	(1,425,693)	(1,499,663)
<b>Net financial assets (debt), end of year</b>	<b>\$ (1,390,693)</b>	\$ (1,280,226)	\$ (1,425,693)

**TOWN OF MUNDARE  
CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<u>2012</u>	<u>2011</u>
<b>Net inflow (outflow) of cash related to the following activities:</b>		
<b>Operating</b>		
Excess (deficiency) of revenues over expenses	\$ (221,600)	\$ 68,862
Non-cash items included		
Amortization of tangible capital assets	475,901	448,767
Non-cash charges to operations (net change):		
Decrease (increase) in		
Taxes and grants in place receivable	(58,305)	(30,364)
Receivables from other governments	32,917	4,076
Trade and other receivables	(3,868)	57,897
Prepaid expenses	4,078	(2,257)
Inventory of land held for resale	--	4,039
Increase (decrease) in		
Accounts payable and accrued liabilities	17,056	(50,485)
Deposit liabilities	500	(22,500)
Deferred revenue	<u>216,415</u>	<u>(52,254)</u>
	463,094	425,781
<b>Capital</b>		
Acquisition of tangible capital assets	(112,912)	(441,402)
<b>Financing</b>		
Long-term debt repaid	<u>(48,869)</u>	<u>(46,605)</u>
<b>Change in cash and cash equivalents during the year</b>	301,313	(62,226)
<b>Cash and cash equivalents, beginning of year</b>	<u>312,617</u>	<u>374,843</u>
<b>Cash, end of year</b>	\$ <u>613,930</u>	\$ <u>312,617</u>

**TOWN OF MUNDARE**  
**SCHEDULE 1 – CHANGES IN ACCUMULATED SURPLUS**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**

	<u>Unrestricted Surplus</u>	<u>Restricted Surplus</u>	<u>Equity in Tangible Capital Assets</u>	<u>2012</u>	<u>2011</u>
<b>Balance, beginning of year</b>	\$ <u>340</u>	\$ <u>200,109</u>	\$ <u>11,706,983</u>	\$ <u>11,907,432</u>	\$ <u>11,838,570</u>
Excess (deficiency) of revenues over expenses	(221,600)	--	--	(221,600)	68,862
Funds designated for future use	(90,000)	90,000	--	--	--
Current year funds used for tangible capital assets	(112,912)	--	112,912	--	--
Annual amortization expense	475,901	--	(475,901)	--	--
Long-term debt repaid	(48,869)	--	48,869	--	--
<b>Change in accumulated surplus</b>	<u>2,520</u>	<u>90,000</u>	<u>(314,120)</u>	<u>(221,600)</u>	<u>68,862</u>
<b>Balance, end of year</b>	\$ <u>2,860</u>	\$ <u>290,109</u>	\$ <u>11,392,863</u>	\$ <u>11,685,832</u>	\$ <u>11,907,432</u>

**TOWN OF MUNDARE**  
**SCHEDULE 2 – TANGIBLE CAPITAL ASSETS**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**

Cost	Land	Land Improvements	Buildings	Engineered Structures	Machinery & Equipment	Vehicles	2011
Balance, beginning of year	\$ 52,577	\$ 460,357	\$ 1,197,547	\$ 14,365,453	\$ 249,762	\$ 239,364	\$ 16,123,658
Acquisition of tangible capital assets	--	--	--	41,762	--	5,500	441,402
Construction-in-progress	--	--	--	65,650	--	--	65,650
Disposal of tangible capital assets	--	--	--	--	--	--	--
Balance, end of year	<u>52,577</u>	<u>460,357</u>	<u>1,197,547</u>	<u>14,472,865</u>	<u>249,762</u>	<u>244,864</u>	<u>16,677,972</u>
<b>Accumulated amortization</b>							
Balance, beginning of year	--	60,489	460,964	2,506,565	123,073	92,982	2,795,306
Annual amortization	--	19,476	24,574	397,714	18,856	15,281	448,767
Accumulated amortization on disposals	--	--	--	--	--	--	--
Balance, end of year	--	<u>79,965</u>	<u>485,538</u>	<u>2,904,279</u>	<u>141,929</u>	<u>108,263</u>	<u>3,719,974</u>
<b>Net book value of tangible capital assets</b>	<u>\$ 52,577</u>	<u>\$ 380,392</u>	<u>\$ 712,009</u>	<u>\$ 11,568,586</u>	<u>\$ 107,833</u>	<u>\$ 136,601</u>	<u>\$ 12,957,998</u>
2011 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>



**TOWN OF MUNDARE  
SCHEDULE 3 – PROPERTY TAXES LEVIED  
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<u>Budget</u> (unaudited)	<u>2012</u> <u>Actual</u>	<u>2011</u> <u>Actual</u>
<b>Taxation</b>			
Residential land and improvements	\$ 907,000	\$ 911,390	\$ 871,377
Commercial property	<u>142,500</u>	<u>143,875</u>	<u>141,138</u>
	<u>1,049,500</u>	<u>1,055,265</u>	<u>1,012,515</u>
<b>Requisitions</b>			
Alberta School Foundation	180,000	179,871	160,599
County of Lamont Foundation	<u>37,000</u>	<u>36,395</u>	<u>28,585</u>
	<u>217,000</u>	<u>216,266</u>	<u>189,184</u>
<b>Net taxes for general municipal operations</b>	<u>\$ 832,500</u>	<u>\$ 838,999</u>	<u>\$ 823,331</u>

**SCHEDULE 4 – GOVERNMENT TRANSFERS**

<b>Transfers for operations</b>			
Federal	\$ --	\$ --	\$ 3,600
Provincial	167,400	133,541	31,707
Other local governments	<u>98,500</u>	<u>81,825</u>	<u>68,252</u>
	265,900	215,366	103,559
<b>Transfers for capital</b>			
Provincial	<u>231,000</u>	<u>41,762</u>	<u>388,478</u>
<b>Total government transfers</b>	<u>\$ 496,900</u>	<u>\$ 257,128</u>	<u>\$ 492,037</u>

**SCHEDULE 5 – CONSOLIDATED EXPENSES BY OBJECT**

<b>Expenses</b>			
Salaries, wages and benefits	\$ 468,700	\$ 436,810	\$ 433,091
Contracted and general services	433,200	433,835	417,371
Purchases from other governments	121,000	110,832	116,441
Materials, goods, supplies and utilities	265,750	261,743	252,555
Provision for allowances and bad debts	--	1,500	--
Transfers to local boards and organizations	106,000	82,910	81,908
Bank charges & short-term interest	1,700	1,633	1,692
Interest on long-term debt	75,900	76,216	78,505
Shared cost agreement	29,700	29,607	29,607
Other expenses	11,500	23,255	11,942
Amortization of tangible capital assets	<u>475,902</u>	<u>475,901</u>	<u>448,767</u>
<b>Total expenses</b>	<u>\$ 1,989,352</u>	<u>\$ 1,934,242</u>	<u>\$ 1,871,879</u>

**TOWN OF MUNDARE**  
**SCHEDULE 6 – SEGMENTED DISCLOSURE**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**

	General Government	Protective Services	Transportation Services	Environmental Services	Planning and Development	Recreation and Culture	Total
<b>Revenue</b>							
Net municipal taxes	\$ 838,999	\$ --	\$ --	\$ --	\$ --	\$ --	\$ 838,999
Government transfers	--	56,783	145,663	--	--	54,682	257,128
User fees and sales of goods	7,300	2,400	1,220	396,919	20,000	17,522	445,361
Investment income	2,133	--	--	--	--	--	2,133
Other revenues	<u>104,938</u>	<u>24,314</u>	<u>--</u>	<u>5,183</u>	<u>9,287</u>	<u>25,299</u>	<u>169,021</u>
<b>Expenses</b>							
Salaries, wages and benefits	175,890	22,357	142,156	53,596	--	42,811	436,810
Contracted and general services	93,976	69,113	91,719	91,723	20,597	66,707	433,835
Materials, goods, supplies and utilities	22,536	31,021	115,538	162,953	--	40,527	372,575
Transfers to others	4,351	--	--	29,607	--	78,559	112,517
Interest on long-term debt	--	--	61,754	14,462	--	--	76,216
Other expenses	<u>24,921</u>	<u>--</u>	<u>--</u>	<u>1,467</u>	<u>--</u>	<u>--</u>	<u>26,388</u>
<b>Net revenue before amortization</b>	<u>321,674</u>	<u>122,491</u>	<u>411,167</u>	<u>353,808</u>	<u>20,597</u>	<u>228,604</u>	<u>1,458,341</u>
Amortization expense	631,696	(38,994)	(264,284)	48,294	8,690	(131,101)	254,301
	<u>(19,827)</u>	<u>(18,740)</u>	<u>(329,718)</u>	<u>(88,551)</u>	<u>--</u>	<u>(19,065)</u>	<u>(475,901)</u>
<b>Net revenue</b>	<u>\$ 611,869</u>	<u>\$ (57,734)</u>	<u>\$ (594,002)</u>	<u>\$ (40,257)</u>	<u>\$ 8,690</u>	<u>\$ (150,166)</u>	<u>\$ (221,600)</u>

**TOWN OF MUNDARE**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**

**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 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 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, 2012**

**1. Significant Accounting Policies - continued**

(d) Cash

Cash is defined as petty cash, and cash in chequing and savings accounts.

(e) 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.

(f) 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.

(g) 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.

(h) 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.

(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.

**TOWN OF MUNDARE**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**

**1. Significant Accounting Policies – continued**

(i) 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.

(iii) Leases

Leases are classified as capital or operating leases. Leases which transfer substantially all of the benefits and risks of ownership 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.

**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, 2012.

**3. Taxes Receivable**

	<u>2012</u>	<u>2011</u>
Taxes receivable		
Current	\$ 133,705	\$ 103,395
Arrears	<u>93,256</u>	<u>63,762</u>
	226,961	167,157
Less: allowance for doubtful accounts	<u>(20,030)</u>	<u>(18,531)</u>
	<u>\$ 206,931</u>	<u>\$ 148,626</u>

**TOWN OF MUNDARE**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**

<b>4. Long-Term Investments</b>	<u>2012</u>	<u>2011</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 \$14,869 (2012 - \$10,865). 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.

<b>6. Deferred Revenue</b>	<u>2012</u>	<u>2011</u>
Offsite levies	\$ 257,000	\$ 257,000
Waterpark	--	1,457
Communities in bloom	10,458	11,725
Transportation grant	34,131	--
Municipal Sustainability Initiative - Capital	<u>191,509</u>	<u>6,501</u>
	<u>\$ 493,098</u>	<u>\$ 276,683</u>

Funding from various grant programs, organizations and individuals, in the amount of \$493,098 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 2013. Deferred revenue is supported by cash in the amount of \$493,098 held exclusively for these projects.

<b>7. Long-Term Debt</b>	<u>2012</u>	<u>2011</u>
Tax supported debentures	\$ 1,494,704	\$ 1,541,786
Self-supported debentures	<u>70,431</u>	<u>72,218</u>
	<u>\$ 1,565,135</u>	<u>\$ 1,614,004</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>
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
2017	54,503	64,305	118,808
Thereafter	<u>1,304,237</u>	<u>597,050</u>	<u>1,901,287</u>
	<u>\$ 1,565,135</u>	<u>\$ 943,796</u>	<u>\$ 2,508,931</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 2035. The average annual interest rate is 4.79% (4.79% for 2011).

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

Interest on long-term debt amounted to \$76,216 (2011 - \$78,505).

The town's cash payments for interest in 2012 were \$76,741 (2011 - \$79,006).

**TOWN OF MUNDARE**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**

**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>2012</u>	<u>2011</u>
Total debt limit	\$ 2,506,320	\$ 2,328,394
Total debt	<u>(1,565,135)</u>	<u>(1,614,004)</u>
Debt limit remaining	\$ <u>941,185</u>	\$ <u>714,390</u>
Debt servicing limit	\$ 417,720	\$ 388,066
Debt servicing	<u>(125,610)</u>	<u>(125,610)</u>
Debt servicing limit remaining	\$ <u>292,110</u>	\$ <u>262,456</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>2012</u>	<u>2011</u>
Tangible capital assets (schedule 2)	\$ 16,677,972	\$ 16,565,060
Accumulated amortization (schedule 2)	<u>(3,719,974)</u>	<u>(3,244,073)</u>
Long-term debt (note 7)	<u>(1,565,135)</u>	<u>(1,614,004)</u>
	\$ <u>11,392,863</u>	\$ <u>11,706,983</u>

**10. Accumulated Surplus**

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

	<u>2012</u>	<u>2011</u>
Unrestricted surplus	\$ 2,860	\$ 340
Restricted surplus		
General capital	118,209	73,209
Fire	26,000	21,000
Common services	22,400	17,400
Streets	14,500	9,500
Water	33,000	28,000
Sewer	28,000	23,000
Garbage	14,500	9,500
Development	16,000	11,000
Parks and recreation	9,500	4,500
Ukraina Park	8,000	3,000
Equity in tangible capital assets (note 9)	<u>11,392,863</u>	<u>11,706,983</u>
	\$ <u>11,685,832</u>	\$ <u>11,907,432</u>

**TOWN OF MUNDARE**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**

**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:

		2012			2011
		Salary <sup>(1)</sup>	Benefits & Allowances <sup>(2)</sup>	Total	Total
Mayor -	Saric	\$ 9,610	\$ 288	\$ 9,898	\$ 8,877
Councillors -	Rosypal	8,665	--	8,665	8,484
	Greening	6,750	175	6,925	6,470
	Gargus	7,285	--	7,285	6,635
	Burghardt	7,225	184	7,409	4,565
	Sprague	--	--	--	1,000
Chief Administrative Officer	Colin Zyla	59,151	6,446	65,597	64,928

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

<sup>(2)</sup> 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 \$893 until March 2017 under a photocopier lease and monthly payments of \$871 until April 2014 under a skid steer lease.



**TOWN OF MUNDARE**  
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**FOR THE YEAR ENDED DECEMBER 31, 2012**

**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.

