

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

## Management's Responsibility

To the Members of Council:

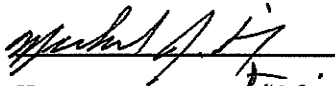
Management is responsible for the preparation and presentation of the accompanying consolidated financial statements, including responsibility for significant accounting judgments and estimates in accordance with Canadian generally accepted accounting principles. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibilities for the integrity and fairness of the consolidated financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of financial statements.

Council is composed entirely of individuals who are neither management nor employees of the Town. Council is responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving the financial statements. Council fulfills these responsibilities by reviewing the financial information prepared by management and discussing relevant matters with management and external auditors. Council is also responsible for recommending the appointment of the Council's external auditors.

MNP LLP, an independent firm of Chartered Accountants, is appointed by Council to audit the consolidated financial statements and report directly to them; their report follows. The external auditors have full and free access to, and meet periodically and separately with, both Council and management to discuss their audit findings.

July 31, 2013

  
Management acting, CAO

## 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 Beaverlodge, which comprise the consolidated statement of financial position at December 31, 2012, the consolidated statements of operations, changes in net financial debt, cash flows, and related schedules for the year then ended, and a summary of significant accounting policies and other explanatory notes.

### *Management's Responsibility for Consolidated Financial Statements*

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian generally accepted accounting principles, 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 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 an 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 consolidated financial statements. The procedures selected depend on the auditors' 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 controls 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 controls. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe the audit evidence obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Basis for Qualified Opinion*

We found the expenses in Schedule V to be accurate in total, however we were unable to satisfy ourselves with the individual classification of the expenses.

### *Qualified Opinion*

In our opinion, except for the effects of the classification of expenses by object, the consolidated financial statements present fairly, in all material respects, the financial position of the Town of Beaverlodge as at December 31, 2012, and the results of its operations, changes in its net financial debt and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

**Grande Prairie, Alberta  
July 31, 2013**

*MNP LLP*

**Chartered Accountants**

**MNP**

**Town of Beaverlodge**  
**Consolidated Statement of Financial Position**


As at December 31, 2012

	2012	2011
<b>FINANCIAL ASSETS</b>		
Cash and temporary investments (Note 2)	1,007,566	1,283,797
Trust assets (Note 7)	18,176	77,326
Receivables (Note 3)		
Taxes and grants in place of taxes	200,277	127,198
Trade and other accounts receivable	533,275	716,657
Investments (Note 4)	5,529	5,529
Due from County of Grande Prairie No. 1	7,465	11,789
Assets held-for-sale	120,045	-
	<b>1,892,333</b>	<b>2,222,296</b>
<b>LIABILITIES</b>		
Temporary loan payable (Note 5)	906,923	1,960,617
Accounts payable and accrued liabilities (Note 6)	827,428	1,163,497
Trust liabilities (Note 7)	18,176	77,326
Deposit liabilities	6,533	9,483
Deferred revenue (Note 8)	3,705	1,390
Long term debt (Note 9)	6,611,130	3,738,805
	<b>8,373,895</b>	<b>6,951,118</b>
<b>NET FINANCIAL DEBT</b>	<b>(6,481,562)</b>	<b>(4,728,822)</b>
<b>NON-FINANCIAL ASSETS</b>		
Tangible capital assets (Schedule II)	25,553,408	22,607,702
Prepaid expenses	43,193	139,003
	<b>25,596,601</b>	<b>22,746,705</b>
<b>ACCUMULATED SURPLUS</b> (Schedule I, Note 12)	<b>19,115,039</b>	<b>18,017,883</b>

Commitments and contingencies - See Notes 17 and 18

Approved by

  
\_\_\_\_\_  
Mayor

  
\_\_\_\_\_  
Councillor

The accompanying notes are an integral part of these financial statements

**Town of Beaverlodge**  
**Consolidated Statement of Operations**

For the year ended December 31, 2012

	Budget	2012	2011
<b>REVENUE</b>			
Net municipal taxes (Schedule III)	2,139,879	<b>2,139,931</b>	2,117,925
Government transfers for operating (Schedule IV)	811,095	<b>646,966</b>	538,982
User fees and sales of goods	1,638,743	<b>1,631,235</b>	1,372,000
Franchise and concession contracts	165,152	<b>167,566</b>	180,738
Other revenue	671,310	<b>843,290</b>	723,828
Penalties and costs on taxes	45,000	<b>33,823</b>	47,309
Investment income	30,600	<b>22,747</b>	26,213
	5,501,779	<b>5,485,558</b>	5,006,995
<b>EXPENSES</b>			
Legislative	112,500	<b>106,643</b>	97,042
Administrative	329,551	<b>472,041</b>	526,822
Bylaws enforcement	382,987	<b>306,845</b>	296,603
Roads, streets, walks, lighting	701,164	<b>770,171</b>	766,120
Water supply and distribution	1,223,270	<b>1,292,411</b>	1,324,410
Family and community support	163,029	<b>188,690</b>	191,170
Parks and recreation	1,499,453	<b>1,720,466</b>	1,019,365
Planning and development	227,158	<b>150,976</b>	188,514
	4,639,112	<b>5,008,243</b>	4,410,046
<b>EXCESS OF REVENUE OVER EXPENSES - BEFORE OTHER</b>	862,667	<b>477,315</b>	596,949
<b>OTHER</b>			
Gain (loss) on disposal of tangible capital assets	446,566	<b>96,744</b>	(16,926)
Government transfers for capital (Schedule IV)	723,097	<b>523,097</b>	4,370,568
<b>EXCESS OF REVENUE OVER EXPENSES</b>	2,032,330	<b>1,097,156</b>	4,950,591
<b>ACCUMULATED SURPLUS, BEGINNING OF YEAR</b>	18,017,883	<b>18,017,883</b>	13,067,292
<b>ACCUMULATED SURPLUS, END OF YEAR</b>	20,050,213	<b>19,115,039</b>	18,017,883

The accompanying notes are an integral part of these financial statements

**Town of Beaverlodge**  
**Consolidated Statement of Changes in Net Financial Debt**  
For the year ended December 31, 2012

	Budget	2012	2011
<b>EXCESS OF REVENUE OVER EXPENSES</b>	2,032,330	<b>1,097,156</b>	4,950,591
Acquisition of tangible capital assets	(2,764,520)	<b>(3,545,851)</b>	(8,729,811)
Tangible capital assets reclassified as held for sale	-	<b>120,045</b>	-
Proceeds on disposal of tangible capital assets	-	<b>128,354</b>	54,229
Amortization of tangible capital assets	-	<b>448,490</b>	428,759
Loss on sale of tangible capital assets	-	<b>(96,744)</b>	16,926
	(2,764,520)	<b>(2,945,706)</b>	(8,229,897)
Acquisition of prepaid assets	-	<b>95,810</b>	(136,480)
<b>INCREASE IN NET FINANCIAL DEBT</b>	(732,190)	<b>(1,752,740)</b>	(3,415,786)
<b>NET FINANCIAL DEBT, BEGINNING OF YEAR</b>	(4,728,822)	<b>(4,728,822)</b>	(1,313,036)
<b>NET FINANCIAL DEBT, END OF YEAR</b>	(5,461,012)	<b>(6,481,562)</b>	(4,728,822)

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

**Town of Beaverlodge**  
**Consolidated Statement of Cash Flows**  
For the year ended December 31, 2012

	<b>2012</b>	<b>2011</b>
<b>NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:</b>		
<b>OPERATING</b>		
Excess of revenues over expenses	1,097,156	4,950,591
Non-cash items included in excess of revenues over expenses:		
Amortization of tangible capital assets	448,490	428,759
Loss on disposal of tangible capital assets	(96,744)	16,926
Non-cash charges to operations (net change):		
Decrease (Increase) in taxes and grants in lieu receivable	(73,079)	10,569
Decrease (increase) in trade and other accounts receivable	183,382	454,348
Decrease (increase) in prepaid expenses	95,810	(136,480)
Increase (decrease) in accounts payable and accrued liabilities	(336,069)	(121,782)
Increase (decrease) in deferred revenue	2,315	(196)
Increase (decrease) in deposit liabilities	(2,950)	178
Decrease (increase) in due from County of Grande Prairie No. 1	4,324	(5,132)
<b>Cash provided by operating transactions</b>	<b>1,322,635</b>	<b>5,597,781</b>
<b>CAPITAL</b>		
Proceeds on sale of tangible capital assets	128,354	54,229
Acquisition of tangible capital assets	(3,545,851)	(8,729,811)
<b>Cash applied to capital transactions</b>	<b>(3,417,497)</b>	<b>(8,675,582)</b>
<b>FINANCING</b>		
Short-term debt issued	-	1,960,617
Short-term debt repaid	(1,053,694)	-
Long-term debt issued	3,000,000	-
Long-term debt repaid	(127,675)	(92,567)
<b>Cash applied to financing transactions</b>	<b>1,818,631</b>	<b>1,868,050</b>
<b>CHANGE IN CASH AND EQUIVALENTS DURING THE YEAR</b>	<b>(276,231)</b>	<b>(1,209,751)</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<b>1,283,797</b>	<b>2,493,548</b>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<b>1,007,566</b>	<b>1,283,797</b>

The accompanying notes are an integral part of these financial statements

**Town of Beaverlodge**  
**Schedule I - Schedule of Changes in Accumulated Surplus**  
For the year ended December 31, 2012

	Unrestricted Surplus	Restricted Surplus	Equity in Tangible Capital Assets	2012	2011
<b>BALANCE, BEGINNING OF YEAR</b>	<b>69,333</b>	<b>1,040,270</b>	<b>16,908,280</b>	<b>18,017,883</b>	<b>13,067,292</b>
Excess of revenue over expenses	1,097,156	-	-	1,097,156	4,950,591
Unrestricted funds designated for future use	(486,282)	486,282	-	-	-
Restricted funds for operations	180,000	(642,000)	462,000	-	-
Current year funds used for tangible capital assets	(83,850)	-	83,850	-	-
Annual amortization expense	448,490	-	(448,490)	-	-
Disposal of tangible capital assets	31,609	-	(31,609)	-	-
Term debt repaid	(1,181,369)	-	1,181,369	-	-
Change in accumulated surplus	5,754	(155,718)	1,247,120	1,097,156	4,950,591
<b>BALANCE, END OF YEAR</b>	<b>75,087</b>	<b>884,552</b>	<b>18,155,400</b>	<b>19,115,039</b>	<b>18,017,883</b>

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



**Town of Beaverlodge**  
**Schedule II - Schedule of Tangible Capital Assets**

For the year ended December 31, 2012

	Land	Land Improvements	Buildings	Engineered structures	Machinery & equipment	Vehicles	2012	2011
<b>COST:</b>								
BALANCE, BEGINNING OF YEAR	1,815,529	162,631	4,238,534	24,415,107	1,518,249	574,181	<b>32,724,231</b>	24,187,415
Acquisition of tangible capital assets	-	4,004	-	636,919	172,600	-	<b>813,523</b>	865,751
Construction-in-progress	-	-	-	2,732,328	-	-	<b>2,732,328</b>	7,864,060
Assets reclassified to held-for-sale	-	-	(130,484)	-	-	-	<b>(130,484)</b>	-
Disposal of tangible capital assets	-	-	(72,600)	-	(4,469)	-	<b>(77,069)</b>	(192,995)
BALANCE, END OF YEAR	1,815,529	166,635	4,035,450	27,784,354	1,686,380	574,181	<b>36,062,529</b>	32,724,231
<b>ACCUMULATED AMORTIZATION:</b>								
BALANCE, BEGINNING OF YEAR	-	92,879	1,414,792	7,623,589	578,096	407,173	<b>10,116,529</b>	9,809,610
Annual amortization	-	8,463	81,932	246,458	83,499	28,138	<b>448,490</b>	428,759
Assets reclassified to held-for-sale	-	-	(10,439)	-	-	-	<b>(10,439)</b>	-
Accumulated amortization on disposals	-	-	(45,012)	-	(447)	-	<b>(45,459)</b>	(121,840)
BALANCE, END OF YEAR	-	101,342	1,441,273	7,870,047	661,148	435,311	<b>10,509,121</b>	10,116,529
<b>NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS</b>	<b>1,815,529</b>	<b>65,293</b>	<b>2,594,177</b>	<b>19,914,307</b>	<b>1,025,232</b>	<b>138,870</b>	<b>25,553,408</b>	22,607,702
2011 NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	1,815,529	69,752	2,823,742	16,791,518	940,153	167,008	22,607,702	

The accompanying notes are an integral part of these financial statements

**Town of Beaverlodge**  
**Schedule III - Schedule of Property and Other Taxes**

For the year ended December 31, 2012

	Budget	2012	2011
<b>TAXATION</b>			
Real property taxes	2,730,640	<b>2,713,898</b>	2,632,542
Linear property taxes	62,586	<b>75,209</b>	76,806
Government grants in lieu of property taxes	22,949	<b>27,120</b>	36,543
	2,816,175	<b>2,816,227</b>	2,745,891
<b>REQUISITIONS</b>			
Alberta School Foundation Fund	665,200	<b>665,200</b>	617,398
Grande Spirit Foundation	11,096	<b>11,096</b>	10,568
	676,296	<b>676,296</b>	627,966
<b>NET MUNICIPAL TAXES</b>	2,139,879	<b>2,139,931</b>	2,117,925

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

**Town of Beaverlodge**  
**Schedule IV - Schedule of Government Transfers**  
For the year ended December 31, 2012

	Budget	2012	2011
<b>TRANSFER FOR OPERATING:</b>			
Provincial Government	703,635	<b>496,260</b>	415,738
Other Local Governments	107,460	<b>150,706</b>	123,244
	811,095	<b>646,966</b>	538,982
<b>TRANSFERS FOR CAPITAL:</b>			
Provincial Government	473,097	<b>473,097</b>	467,920
Other Local Governments	250,000	<b>50,000</b>	3,902,648
	723,097	<b>523,097</b>	4,370,568
<b>TOTAL GOVERNMENT TRANSFERS</b>	1,534,192	<b>1,170,063</b>	4,909,550

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

**Town of Beaverlodge**  
**Schedule V - Consolidated Schedule of Expenses by Object**  
For the year ended December 31, 2012

	Budget	2012	2011
<b>CONSOLIDATED EXPENSES BY OBJECT</b>			
Salaries, wages and benefits	1,792,623	<b>1,749,335</b>	1,494,112
Contracted and general services	1,437,498	<b>1,533,483</b>	1,282,058
Materials, goods and utilities	676,077	<b>806,306</b>	797,461
Transfers to individuals and organizations	34,375	<b>33,230</b>	75,408
Interest on long-term debt	258,909	<b>265,359</b>	192,332
Other	89,611	<b>172,040</b>	139,916
Amortization provision	350,021	<b>448,490</b>	428,759
	4,639,114	<b>5,008,243</b>	4,410,046

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

**Town of Beaverlodge**  
**Schedule VI - Schedule of Segmented Disclosure**  
For the year ended December 31, 2012

	General Government	Protective Services	Transportation Services	Planning & Development	Recreation & Culture	Environmental Services	Other	Total
<b>REVENUE</b>								
Net municipal taxes	2,139,930	-	-	-	-	-	-	<b>2,139,930</b>
Government transfers	73,999	45,649	262,013	72,658	665,077	-	50,667	<b>1,170,063</b>
User fees and sales of goods	-	-	-	-	410,365	1,207,646	10,367	<b>1,628,378</b>
Investment income	22,747	-	-	-	-	-	-	<b>22,747</b>
Other revenues	121,307	81,888	-	287,280	-	14,994	638,812	<b>1,144,281</b>
	<b>2,357,983</b>	<b>127,537</b>	<b>262,013</b>	<b>359,938</b>	<b>1,075,442</b>	<b>1,222,640</b>	<b>699,846</b>	<b>6,105,399</b>
<b>EXPENSES</b>								
Contract & general services	156,567	139,149	228,623	36,162	460,963	338,982	173,037	<b>1,533,483</b>
Salaries & wages	284,012	87,050	192,123	67,865	883,416	234,869	-	<b>1,749,335</b>
Goods & supplies	12,703	41,227	244,765	46,949	156,797	288,212	15,653	<b>806,306</b>
Transfers to local boards	-	4,528	-	-	11,320	17,382	-	<b>33,230</b>
Long-term debt interest	-	-	-	-	140,027	125,332	-	<b>265,359</b>
Other expenses	121,119	16,738	-	-	15,658	18,525	-	<b>172,040</b>
	<b>574,401</b>	<b>288,692</b>	<b>665,511</b>	<b>150,976</b>	<b>1,668,181</b>	<b>1,023,302</b>	<b>188,690</b>	<b>4,559,753</b>
<b>NET REVENUE, BEFORE AMORTIZATION</b>	<b>1,783,582</b>	<b>(161,155)</b>	<b>(403,498)</b>	<b>208,962</b>	<b>(592,739)</b>	<b>199,338</b>	<b>511,156</b>	<b>1,545,646</b>
Amortization expense	4,283	18,153	104,660	-	52,285	269,109	-	<b>448,490</b>
<b>NET REVENUE</b>	<b>1,779,299</b>	<b>(179,308)</b>	<b>(508,158)</b>	<b>208,962</b>	<b>(645,024)</b>	<b>(69,771)</b>	<b>511,156</b>	<b>1,097,156</b>

## 1. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements of the Town of Beaverlodge (the "Town") are the representations of management prepared in accordance with accounting standards established by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants. Significant aspects of the accounting policies adopted by the Town of Beaverlodge are as follows:

### **a) Reporting entity**

The consolidated financial statements reflect the assets, liabilities, revenues and expenses, and changes 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. They include the following:

West Grande Prairie County Solid Waste Management Authority 15% (2011 - 15%),  
Beaverlodge Public Library 100%.

The schedule of taxes levied also includes requisitions for education, health, social and other external organizations that are 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.

### **d) Investments**

Investments are recorded at amortized cost, except investments in government business entities explained below. Investment premiums and discounts are amortized on the 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) Employee future benefits**

Selected employees of the Town are members of the Local Authority Pension Plan (LAPP), a multi-employer defined benefit pension plan. The trustee of the plan is the Alberta Treasurer and the plan is administered by a Board of Trustees. Since the plan is a multi-employer plan, it is accounted for as a defined contribution plan and, accordingly, the County does not recognize its share of any plan surplus or deficit.

**Town of Beaverlodge**  
**Notes to the Consolidated Financial Statements**

For the year ended December 31, 2012

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**1. SIGNIFICANT ACCOUNTING POLICIES** (continued from previous page)

**f) Inventories 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 the respective function.

**g) Prepaid local improvement charges**

Construction and borrowing costs associated with local improvement projects are recovered through annual special assessments during the period of the related borrowings. These levies are collectable from property owners for work performed by the municipality.

Where a tax payer 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 related borrowings.

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

**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) Requisition Over-levy and Under-levy**

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. 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.

**j) Government Partnership**

The Town of Beaverlodge has entered into an agreement with the Towns of Wembley and Sexsmith, Village of Hythe and the County of Grande Prairie No. 1 to construct, operate and maintain a regional collection, transfer and disposal of garbage facilities for the benefit of all participating municipalities under the name of West Grande Prairie County Solid Waste Management Authority. The government partnership is accounted for using proportionate consolidation. Under proportionate consolidation, only the Town of Beaverlodge's interest 15% (2010 - 15%) in the government partnership is included in the consolidated financial statements.

**k) Landfill Closure and Post-Closure Liability**

Pursuant to the Alberta Environmental Protection and Enhancement Act, the Town is required to fund the closure of the West Grande Prairie County Solid Waste Management Authority's landfill site and provide for post-closure care of the facility. Closure and post-closure activities include the final clay cover, landscaping, as well as surface and ground water monitoring, leachate control, and vision inspection. The requirement is being provided for over the estimated remaining life of the landfill site based on usage.

**Town of Beaverlodge**  
**Notes to the Consolidated Financial Statements**  
For the year ended December 31, 2012

**1. SIGNIFICANT ACCOUNTING POLICIES** (continued from previous page)

**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 revenue 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 over the estimated useful life as follows:

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

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 and replacement cost.

**v. Cultural and historical tangible capital assets**

Works of art for display are not recorded as tangible capital assets but are disclosed.

**2. CASH AND TEMPORARY INVESTMENTS**

	<b>2012</b>	2011
Cash	<b>729,316</b>	355,444
Cash on hand	<b>500</b>	-
Temporary investments	<b>277,750</b>	928,353
	<b>1,007,566</b>	1,283,797

Temporary investments are short-term deposits with original maturities of three months or less.

Council has designated funds of \$ 884,552 (2011 - \$ 1,040,270 ) to reserves and \$ 3,705 (2011 - \$ 1,390 ) for deferred revenue.

Term deposits are held in trust by the County of Grande Prairie No. 1 on behalf of West Grande Prairie County Solid Waste Management Authority. Included in investments are restricted amounts totaling \$12,024 (2011 - \$30,139) which includes a restricted cash fund for closure & post closure \$12,025 (2011 - \$10,758) and Provincial government grants and accumulated interest held exclusively for capital projects \$nil (2011 - \$20,716).



**Town of Beaverlodge**  
**Notes to the Consolidated Financial Statements**  
For the year ended December 31, 2012

**3. ACCOUNTS RECEIVABLE**

	<b>2012</b>	2011
Taxes and grants in place of taxes		
Current taxes and grants in place of taxes	<b>146,000</b>	84,524
Arrears taxes	<b>54,277</b>	42,674
	<b>200,277</b>	127,198
Trade and other accounts receivable		
Trade and other receivables	<b>548,275</b>	635,337
Receivable from government agencies	-	126,173
	<b>548,275</b>	761,510
Less: allowance for doubtful accounts	<b>(15,000)</b>	(44,853)
	<b>533,275</b>	716,657

**4. INVESTMENTS**

	<b>2012</b>	2011
Alberta Municipal Finance Corp. shares	<b>10</b>	10
Alberta Association of Municipal Districts & Counties Member's Equity	<b>235</b>	235
United Farmers of Alberta Patronage account	<b>5,284</b>	5,284
	<b>5,529</b>	5,529

**5. TEMPORARY LOAN PAYABLE**

During the year, the Town was approved for a term loan up to \$906,930 (2011 - \$3,000,000) bearing interest at prime plus 0.07%. It is to be used for partial financing of the Beaverlodge community square and swimming pool. The amount is payable in full no later than December 31, 2012. Total withdraw as of December 31, 2012 is \$ 906,923 (2011 - \$ 1,960,617 ). This loan was repaid in full on January 3, 2013.

During the year, the Town was approved for a revolving loan up to \$500,000 (2011 - \$nil) bearing interest at prime. It is available by multiple draws and is to be used for cash flow convenience. The amount is payable due on demand. Total withdraw as of December 31, 2012 is \$nil (2011 - \$nil).

Covenants related to this loan are as follows:

1) The Town cannot sell, lease or otherwise dispose of any assets except (i) inventory sold, leased or disposed of in the ordinary course of business, (ii) obsolete equipment which is being replaced with equipment of equivalent value and, (iii) assets sold, lease or disposed of during a fiscal year having an aggregate fair market value not exceeding \$25,000, for such fiscal year.

As of December 31, 2012, the Town is compliant with the above covenants.

**Town of Beaverlodge**  
**Notes to the Consolidated Financial Statements**  
For the year ended December 31, 2012

**6. ACCOUNTS PAYABLE**

	<b>2012</b>	2011
Accrued landfill closure costs	<b>12,025</b>	10,759
Accounts payable	<b>682,630</b>	1,033,824
Vacation and overtime payable	<b>82,495</b>	89,535
Salaries and wages payable	<b>50,278</b>	29,379
	<b>827,428</b>	1,163,497

The vacation and overtime liability is comprised of the vacation and overtime that employees are deferring to future years. Employees have either earned the benefits or are entitled to these benefits within the next budgetary years.

**7. TRUST ASSET AND LIABILITY**

	<b>2012</b>	2011
Balance, beginning of year	<b>77,326</b>	76,479
Deductions	<b>60,000</b>	-
Interest earned	<b>850</b>	847
	<b>18,176</b>	77,326

**8. DEFERRED REVENUE**

	<b>2012</b>	2011
Prepaid property taxes	<b>3,705</b>	1,390

**9. LONG-TERM DEBT**

	<b>2012</b>	2011
Self supported debentures	<b>6,611,130</b>	3,738,805

The current portion of the long-term debt amounts to \$ 165,263 (2011 - \$99,388).

Estimated principal and interest repayments recoverable are as follows:

	Principal	Interest	Total
2013	165,263	281,232	446,495
2014	174,358	272,208	446,566
2015	183,331	263,234	446,565
2016	192,843	253,723	446,566
2017	202,928	243,638	446,566
To maturity	5,692,407	2,936,648	8,629,055
	<b>6,611,130</b>	<b>4,250,683</b>	<b>10,861,813</b>

Debenture debt is repayable to the Alberta Capital Finance Authority and bears interest at rates ranging from 3.3315% to 9.375% per annum, before Provincial subsidy, and matures in periods 2018 through 2042.

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

Interest on debt amounts to \$265,359 (2011 - \$195,072).

The Town's total cash payments for interest in 2012 were \$239,427 (2011 - \$135,819).

**Town of Beaverlodge**  
**Notes to the Consolidated Financial Statements**

For the year ended December 31, 2012

**10. 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 Beaverlodge be disclosed as follows:

	<b>2012</b>	2011
Total debt limit	<b>8,228,337</b>	14,066,345
Total debt	<b>6,611,130</b>	3,738,805
<hr/>		
Amount of debt limit unused	<b>1,617,207</b>	10,327,540
<hr/>		
Debt servicing limit	<b>1,371,390</b>	2,344,391
Debt servicing	<b>446,495</b>	287,640
<hr/>		
Amount of debt servicing limit unused	<b>924,895</b>	2,056,751

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 which could be a 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.

**11. EQUITY IN TANGIBLE CAPITAL ASSETS**

	<b>2012</b>	2011
Tangible capital assets (Schedule II)	<b>36,062,529</b>	32,724,231
Assets held for sale	<b>130,484</b>	-
Accumulated amortization (Schedule II)	<b>(10,519,560)</b>	(10,116,529)
Temporary Loan Payable (Note 5)	<b>(906,923)</b>	(1,960,617)
Long-term debt (Note 9)	<b>(6,611,130)</b>	(3,738,805)
<hr/>		
	<b>18,155,400</b>	16,908,280

**12. ACCUMULATED SURPLUS**

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

	<b>2012</b>	2011
Unrestricted surplus	<b>75,087</b>	69,333
Reserves (Note 13)	<b>884,552</b>	1,040,270
Equity in tangible capital assets (Note 11)	<b>18,155,400</b>	16,908,280
<hr/>		
	<b>19,115,039</b>	18,017,883

**Town of Beaverlodge**  
**Notes to the Consolidated Financial Statements**  
For the year ended December 31, 2012

**13. RESERVES**

Reserves consist of operating and capital amounts as follows:

	2012	2011
Operating reserves		
Senior citizens transportation	14,921	14,757
Development	5,663	94,625
Operating contingencies	9,422	98,342
	<b>30,006</b>	207,724
Capital reserves		
General	6,804	128,910
Landfill	203,474	203,474
Fire department	7,491	144,435
Infrastructure	484,292	206,050
Storm sewer levies	28,895	28,895
Sustainability	343	335
Offsite cost levies	123,247	120,447
	<b>854,546</b>	832,546
	<b>884,552</b>	1,040,270

**14. SALARY AND BENEFITS DISCLOSURE**

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

	Salary <sup>1</sup>	Benefits & allowances <sup>2</sup>	2012	2011
Councillors:				
Hanson, Leona	17,325	-	17,325	12,988
Hermans, Mary	5,963	-	5,963	5,513
Kokoktilo-Bekkerus, Judy	4,834	-	4,834	5,850
Olson-Lepchuck, Wendy	6,026	-	6,026	5,063
Dueck, Terry	4,945	-	4,945	6,413
Kyle, Blaine	4,597	-	4,597	5,063
Metcalf, Stan	5,381	-	5,381	4,950
Chief Administrative Officer	107,130	-	107,130	107,014
Treasurer	48,827	-	48,827	88,038

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, vision coverage, group life insurance, accidental disability and dismemberment insurance, long and short-term disability plans, professional memberships and tuition.

**Town of Beaverlodge**  
**Notes to the Consolidated Financial Statements**

For the year ended December 31, 2012

**15. LOCAL AUTHORITIES PENSION PLAN**

Employees of the Town participate in the Local Authorities Pension Plan (LAPP), which is one of the plans covered by the Alberta Public Sector Pension Plans Act. The LAPP serves about 199,849 people and 421 employers. The LAPP is financed by employer and employee contributions and by investment earnings of the LAPP Fund.

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

Total current service contributions by the Town to the LAPP in 2012 were \$58,705 (2011 - \$68,769). Total current service contributions by the employees of the Town to the Local Authorities Pension Plan in 2012 were \$53,316 (2011 - \$62,155).

At December 31, 2011, the LAPP disclosed a deficiency of \$4,639.4 million (2010 - \$4,635.2 million).

**16. LANDFILL CLOSURE AND POST-CLOSURE LIABILITY**

Alberta environmental law requires closure and post-closure care of landfill sites, which includes final covering and landscaping, pumping of ground water and leachates from the site, and ongoing environmental monitoring, site inspections and maintenance.

The accrued liability for closure and post-closure of the West Grande Prairie County Solid Waste Management Authority landfill is estimated based on the sum of future cash flows for closure and post-closure activities for 40 years after closure using a discount rate of 6% and assuming annual inflation of 2%.

The accrued liability portion is based on the cumulative capacity used at year-end compared to the estimated total landfill capacity. The total capacity of the site is estimated at 952,000 cubic meters. The estimated remaining capacity of the landfill site is 822,019 (2011 - 832,440) cubic meters. The existing landfill is expected to reach capacity in approximately the year 2081.

The following summarizes the Town's portion of the total net present value for the estimated costs of closure and post-closure care:

	2012	2011
Estimated closure costs	<b>79,958</b>	77,787
Estimated post-closure costs	<b>8,111</b>	7,875
Estimated total liability	<b>88,069</b>	85,662
Estimated capacity remaining	<b>86.3%</b>	88.0%
Portion of total liability remaining to be recognized	<b>76,044</b>	74,903
Estimated capacity used	<b>13.7%</b>	12.0%
Accrued liability portion	<b>12,025</b>	10,759

**17. CONTINGENCIES**

The Town is a member of the Alberta Municipal Insurance Exchange (MUNIX). Under the terms of the 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.

**18. COMMITMENTS**

The Town is committed to make annual payments of \$389,417 in the next fiscal year for multiple operating lease they have entered into for various equipment. They are further committed for fiscal years 2014-2016 for operating lease entered into during the prior years for a total cost of \$262,921 related to the same equipment.

**19. RELATED PARTY TRANSACTIONS**

During the year, the Town approved a resolution to sell a building to a company controlled by a Town Councillor for the amount of \$103,000, measured at exchange value.

**20. SEGMENTED DISCLOSURE**

The Town 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 the Schedule of Segmented Disclosure (Schedule VI)

**21. FINANCIAL INSTRUMENTS**

The Town's financial instruments consist of cash and temporary investments, accounts receivable, investments, due from County of Grande Prairie No. 1, 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 receivables and trade and other accounts receivables. Credit risk arises from the possibility that taxpayers and entities to which the County provides services may experience financial difficulty and be unable to fulfil their obligations. The large number and diversity of taxpayers and customers minimizes the credit risk.

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

**22. APPROVAL OF FINANCIAL STATEMENTS**

Council and Management have approved these financial statements.

**23. COMPARATIVE FIGURES**

Certain comparative figures have been reclassified to conform with current year presentation.