

VILLAGE OF MANNVILLE

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED

DECEMBER 31, 2012



INDEPENDENT AUDITOR'S REPORT

To the Mayor and Council of the Village of Mannville

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of the Village of Mannville, which comprise the consolidated statement of financial position as at December 31, 2012, and the consolidated statements of operations, changes in net financial assets 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 consolidated 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 Village of Mannville as at December 31, 2012, and the results of its operations, change in its net financial assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Comparative figures were audited by another accounting firm.

ST. PAUL, ALBERTA
March 26, 2013

Joly, McCarthy & Dion
CHARTERED ACCOUNTANTS

**VILLAGE OF MANNVILLE
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2012**

	<u>2012</u>	<u>2011</u>
Financial assets		
Cash and cash equivalents (note 2)	\$ 997,177	\$ 723,970
Taxes and grants in place receivable (note 3)	73,373	72,255
Receivable from other governments	26,542	23,339
Trade and other receivables	94,716	148,905
Inventory held for resale	36,928	31,318
Land held for resale	99,427	86,627
Investment in Mannville Housing Corporation	--	15,908
Long-term investments (note 4)	<u>5,234</u>	<u>171,198</u>
	<u>1,333,397</u>	<u>1,273,520</u>
Liabilities		
Accounts payable and accrued liabilities (note 5)	395,165	399,969
Tax sale surplus	6,328	6,328
Deferred revenue (note 6)	388,828	364,323
Long-term debt (note 8)	<u>233,213</u>	<u>132,381</u>
	<u>1,023,534</u>	<u>903,001</u>
Net financial assets	<u>309,863</u>	<u>370,519</u>
Non-financial assets		
Tangible capital assets (schedule 2)	8,787,083	8,749,861
Inventory	13,707	13,707
Prepaid expenses	<u>8,257</u>	<u>6,802</u>
	<u>8,809,047</u>	<u>8,770,370</u>
Accumulated surplus (note 11)	<u>\$ 9,118,910</u>	<u>\$ 9,140,889</u>
Contingencies (note 17)		

Approved by:

Allan K. Good
Mayor

**VILLAGE OF MANNVILLE
CONSOLIDATED STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<u>Budget</u> (unaudited)	<u>2012</u>	<u>2011</u>
Revenue			
Net municipal taxes (schedule 3)	\$ 638,273	\$ 644,726	\$ 613,316
Sales and user fees	909,905	958,007	833,485
Government transfers for operating (schedule 4)	427,497	335,013	241,613
Investment income	8,000	14,726	12,084
Penalties and costs on taxes	15,000	14,965	15,839
Rentals	23,485	16,544	19,581
Franchise revenues	67,000	67,907	67,830
Licenses and permits	5,650	4,352	16,365
Other	<u>22,250</u>	<u>21,619</u>	<u>64,624</u>
	<u>2,117,060</u>	<u>2,077,859</u>	<u>1,884,737</u>
Expenses			
Administration and legislative	482,399	299,400	416,042
Protective services	110,920	72,565	84,902
Bylaw enforcement	24,910	13,673	22,102
Roads, streets, walks, lighting	347,685	352,988	390,719
Water supply and distribution	113,420	125,549	247,403
Wastewater treatment and disposal	78,942	123,004	113,771
Waste management	156,842	237,655	211,418
Family and community support services	98,917	107,479	103,474
Cemetery	21,585	20,000	23,372
Economic and agricultural development	18,985	19,980	37,563
Subdivision land and development	61,965	12,301	11,654
Recreation and culture	305,015	292,725	363,729
Golf course	<u>388,905</u>	<u>459,237</u>	<u>451,194</u>
	<u>2,210,490</u>	<u>2,136,556</u>	<u>2,477,343</u>
Deficiency of revenue over expenses before other	(93,430)	(58,697)	(592,606)
Other			
Government transfers for capital (schedule 4)	<u>252,170</u>	<u>36,718</u>	<u>82,938</u>
Excess (deficiency) of revenues over expenses	158,740	(21,979)	(509,668)
Accumulated surplus, beginning of year	<u>9,140,889</u>	<u>9,140,889</u>	<u>9,650,557</u>
Accumulated surplus, end of year	<u>\$ 9,299,629</u>	<u>\$ 9,118,910</u>	<u>\$ 9,140,889</u>

**VILLAGE OF MANNVILLE
CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<u>Budget</u> (unaudited)	<u>2012</u>	<u>2011</u>
Excess (deficiency) of revenue over expenses	\$ <u>158,740</u>	\$ <u>(21,979)</u>	\$ <u>(509,668)</u>
Acquisition of tangible capital assets	(943,270)	(390,683)	(84,997)
Amortization of tangible capital assets	<u>376,800</u>	<u>353,461</u>	<u>364,299</u>
	<u>(566,470)</u>	<u>(37,222)</u>	<u>279,302</u>
Acquisition of prepaid expenses	--	(8,257)	(6,802)
Use of prepaid expenses	--	6,802	22,097
Use of supplies inventories	<u>--</u>	<u>--</u>	<u>21,037</u>
	<u>--</u>	<u>(1,455)</u>	<u>36,332</u>
Decrease in net financial assets	(407,730)	(60,656)	(194,034)
Net financial assets, beginning of year	<u>370,519</u>	<u>370,519</u>	<u>564,553</u>
Net financial assets (debt), end of year	\$ <u>(37,211)</u>	\$ <u>309,863</u>	\$ <u>370,519</u>

**VILLAGE OF MANNVILLE
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<u>2012</u>	<u>2011</u>
Net inflow (outflow) of cash related to the following activities:		
Operating		
Deficiency of revenues over expenses	\$ (21,979)	\$ (509,668)
Non-cash items included		
Amortization of tangible capital assets	353,461	364,299
Non-cash charges to operations (net change):		
Decrease (increase) in		
Taxes and grants in place receivable	(1,118)	11,095
Receivables from other governments	(3,203)	121,032
Trade and other receivables	54,189	60,762
Inventory of materials and supplies	--	21,037
Inventory held for resale	(5,610)	(2,856)
Land held for resale	(12,800)	(38,170)
Prepaid expenses	(1,455)	15,295
Increase (decrease) in		
Accounts payable and accrued liabilities	(4,804)	(17,799)
Deposit liabilities and deferred revenue	<u>24,505</u>	<u>277,391</u>
Net cash from operations	<u>381,186</u>	<u>302,418</u>
Capital		
Acquisition of tangible capital assets	<u>(390,683)</u>	<u>(84,997)</u>
Investing		
Decrease (increase) in restricted cash or cash equivalents	43,750	(276,483)
Decrease in investment in Mannville Housing Corporation	15,908	--
Decrease (increase) in investments	<u>165,964</u>	<u>(5,844)</u>
	<u>225,622</u>	<u>(282,327)</u>
Financing		
Issuance of new debenture	114,000	--
Repayment of long-term debt	(13,168)	(12,619)
Repayment of capital lease obligation	<u>--</u>	<u>(7,564)</u>
	<u>100,832</u>	<u>(20,183)</u>
Change in cash and cash equivalents during the year	316,957	(85,089)
Cash and cash equivalents, beginning of year	<u>377,154</u>	<u>462,243</u>
Cash and cash equivalents, end of year	\$ <u>694,111</u>	\$ <u>377,154</u>
Change and cash equivalents is made up of:		
Cash (note 6)	\$ 997,177	\$ 723,970
Less: restricted cash	<u>(303,066)</u>	<u>(346,816)</u>
Cash and cash equivalents, end of year	\$ <u>694,111</u>	\$ <u>377,154</u>

VILLAGE OF MANNVILLE
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>
Balance, beginning of year	\$ (111,269)	\$ 634,678	\$ 8,617,480	\$ 9,140,889	\$ 9,650,557
Excess (deficiency) of revenues over expenses	(21,979)	--	--	(21,979)	(509,668)
Unrestricted funds designated for future use	(138,055)	138,055	--	--	--
Restricted funds used for operations	200,000	(200,000)	--	--	--
Current year funds used for tangible capital assets	(276,683)	--	276,683	--	--
Annual amortization expense	353,461	--	(353,461)	--	--
Long-term debt repaid	<u>(13,168)</u>	<u>--</u>	<u>13,168</u>	<u>--</u>	<u>--</u>
Change in accumulated surplus	<u>103,576</u>	<u>(61,945)</u>	<u>(63,610)</u>	<u>(21,979)</u>	<u>(509,568)</u>
Balance, end of year	\$ <u>(7,693)</u>	\$ <u>572,733</u>	\$ <u>8,553,870</u>	\$ <u>9,118,910</u>	\$ <u>9,140,889</u>

**VILLAGE OF MANNVILLE
SCHEDULE 2 - TANGIBLE CAPITAL ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2012**

Cost	<u>Land</u>	<u>Land Improvements</u>	<u>Buildings</u>	<u>Engineered Structures</u>	<u>Machinery & Equipment</u>	<u>Vehicles</u>	<u>2011</u>	<u>2012</u>
Balance, beginning of year	\$ 413,244	\$ 437,570	\$ 6,179,301	\$ 7,779,753	\$ 917,679	\$ 169,980	\$ 15,812,530	\$ 15,812,530
Acquisition of tangible capital assets	--	156,125	--	--	138,337	--	84,997	294,462
Construction in progress	--	--	--	96,221	--	--	--	96,221
Disposition of tangible capital assets	--	--	--	--	--	--	--	--
Balance, end of year	<u>413,244</u>	<u>593,695</u>	<u>6,179,301</u>	<u>7,875,974</u>	<u>1,056,016</u>	<u>169,980</u>	<u>15,897,527</u>	<u>16,288,210</u>
Accumulated amortization								
Balance, beginning of year	--	146,645	2,704,885	3,562,204	625,020	108,912	6,783,367	7,147,666
Annual amortization	--	9,725	123,489	172,876	37,476	9,895	364,299	353,461
Accumulated amortization on disposals	--	--	--	--	--	--	--	--
Balance, end of year	<u>--</u>	<u>156,370</u>	<u>2,828,374</u>	<u>3,735,080</u>	<u>662,496</u>	<u>118,807</u>	<u>7,147,666</u>	<u>7,501,127</u>
Net book value of tangible capital assets	<u>\$ 413,244</u>	<u>\$ 437,325</u>	<u>\$ 3,350,927</u>	<u>\$ 4,140,894</u>	<u>\$ 393,520</u>	<u>\$ 51,173</u>	<u>\$ 8,749,861</u>	<u>\$ 8,787,083</u>
2011 Net book value of tangible capital assets	<u>\$ 413,244</u>	<u>\$ 290,925</u>	<u>\$ 3,474,416</u>	<u>\$ 4,217,549</u>	<u>\$ 292,659</u>	<u>\$ 61,068</u>	<u>\$ 8,749,861</u>	<u>\$ 8,749,861</u>

**VILLAGE OF MANNVILLE
SCHEDULE 3 - PROPERTY TAXES LEVIED
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<u>Budget</u> (unaudited)	<u>2012</u>	<u>2011</u>
Taxation			
Real property taxes		\$ 727,242	\$ 686,437
Linear property		<u>37,720</u>	<u>36,919</u>
	\$ 758,513	764,962	723,356
Requisitions			
Alberta School Foundation Fund	112,785	112,783	102,810
MD of Minburn Foundation	<u>7,455</u>	<u>7,453</u>	<u>7,230</u>
	<u>120,240</u>	<u>120,236</u>	<u>110,040</u>
Net taxes for general municipal operations	\$ 638,273	\$ 644,726	\$ 613,316

SCHEDULE 4 - GOVERNMENT TRANSFERS

Transfers for operations			
Federal	\$ 12,505	\$ 9,349	\$ 28,257
Provincial	302,473	254,168	120,329
Local governments	<u>112,519</u>	<u>71,496</u>	<u>93,027</u>
	427,497	335,013	241,613
Transfers for capital			
Provincial	<u>252,170</u>	<u>36,718</u>	<u>82,938</u>
Total government transfers	\$ 679,667	\$ 371,731	\$ 324,551

SCHEDULE 5 - CONSOLIDATED EXPENSES BY OBJECT

Expenses			
Salaries, wages and benefits	\$ 583,504	\$ 694,242	\$ 716,377
Contracted and general services	563,669	581,518	613,523
Materials, goods, supplies and utilities	285,725	248,828	290,084
Provision for allowances	--	25,623	101,154
Transfers to other governments	7,000	24,343	41,219
Transfers to local boards and organizations	171,757	183,636	331,422
Bank charges and short-term interest	6,910	6,527	5,806
Interest on long-term debt	21,185	3,478	5,245
Amortization	376,800	353,461	364,299
Other	<u>193,940</u>	<u>14,900</u>	<u>8,214</u>
Total expenses	\$ 2,210,490	\$ 2,136,556	\$ 2,477,343

VILLAGE OF MANNVILLE
SCHEDULE 6 – SEGMENTED DISCLOSURE
FOR THE YEAR ENDED DECEMBER 31, 2012

	<u>General Government</u>	<u>Protective Services</u>	<u>Transportation Services</u>	<u>Environmental Services</u>	<u>Public Health</u>	<u>Planning and Development</u>	<u>Recreation and Culture</u>	<u>Total</u>
Revenue								
Net municipal taxes	\$ 644,726	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ 644,726
Government transfers	11,650	20,887	13,425	128,704	101,736	17,254	78,075	371,731
User fees and sales of goods	38	4,215	3,105	498,441	9,675	320	442,213	958,007
Investment income	14,726	--	--	--	--	--	--	14,726
Other revenues	<u>97,138</u>	<u>4,447</u>	<u>5,286</u>	<u>757</u>	<u>750</u>	<u>8,468</u>	<u>8,541</u>	<u>125,387</u>
	<u>768,278</u>	<u>29,549</u>	<u>21,816</u>	<u>627,902</u>	<u>112,161</u>	<u>26,042</u>	<u>528,829</u>	<u>2,114,577</u>
Expenses								
Salaries, wages and benefits	135,123	33,775	77,613	140,570	14,045	21,568	271,548	694,242
Contract and general services	96,520	27,116	39,677	216,137	6,151	10,713	185,204	581,518
Materials, goods, supplies and utilities	17,905	14,747	108,171	40,317	449	--	67,239	248,828
Transfers to others	--	2,676	--	20,816	106,834	--	77,653	207,979
Long-term debt interest	--	--	70	--	--	--	3,408	3,478
Other expenses	<u>44,813</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>2,237</u>	<u>47,050</u>
	<u>294,361</u>	<u>78,314</u>	<u>225,531</u>	<u>417,840</u>	<u>127,479</u>	<u>32,281</u>	<u>607,289</u>	<u>1,783,095</u>
Net revenue before amortization	473,917	(48,765)	(203,715)	210,062	(15,318)	(6,239)	(78,460)	331,482
Amortization expense	<u>(5,039)</u>	<u>(7,924)</u>	<u>(127,457)</u>	<u>(68,368)</u>	<u>--</u>	<u>--</u>	<u>(144,673)</u>	<u>(353,461)</u>
Net revenue	<u>\$ 468,878</u>	<u>\$ (56,689)</u>	<u>\$ (331,172)</u>	<u>\$ 141,694</u>	<u>\$ (15,318)</u>	<u>\$ (6,239)</u>	<u>\$ (223,133)</u>	<u>\$ (21,979)</u>

VILLAGE OF MANNVILLE
SCHEDULE 7 – GOLF COURSE REVENUE AND EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2012

	<u>Budget</u> (unaudited)	<u>2012</u>	<u>2011</u>
Revenue			
Fees and rentals	\$ 170,400	\$ 187,457	\$ 186,382
Sale of golf inventory	53,500	66,820	54,645
Sale of confections	116,590	124,068	109,521
Camping	16,700	16,751	14,317
Grants	<u>3,200</u>	<u>4,000</u>	<u>13,312</u>
	<u>360,390</u>	<u>399,096</u>	<u>378,177</u>
Expenses			
Amortization	1,000	41,639	48,290
Advertising	9,650	11,195	11,316
Bank charges	3,360	2,236	2,595
Confections	60,945	66,632	63,062
Freight and telephone	6,097	6,858	6,469
Golf inventory	37,450	53,815	45,054
Insurance	2,500	3,366	2,150
Interest on capital leases and long-term debt	21,185	3,408	5,245
Property taxes	7,000	7,754	6,796
Repairs and maintenance	37,102	40,178	44,090
Supplies	6,901	10,818	11,291
Utilities	25,364	27,109	23,914
Wages and benefits	<u>170,351</u>	<u>184,229</u>	<u>180,922</u>
	<u>388,905</u>	<u>459,237</u>	<u>451,194</u>
Excess (deficiency) of revenue over expenses			
- before other	(28,515)	(60,141)	(73,017)
Other			
Government transfers for capital (schedule 4)	<u>8,000</u>	<u>3,175</u>	<u>11,647</u>
Excess (deficiency) of revenues over expenses	<u>(20,515)</u>	<u>(56,966)</u>	<u>(61,370)</u>
Acquisition of tangible capital assets	(201,920)	(163,425)	(47,140)
Amortization of tangible capital assets	<u>1,000</u>	<u>41,639</u>	<u>48,290</u>
	<u>(200,920)</u>	<u>(121,786)</u>	<u>1,150</u>
Acquisition of golf inventory	<u>--</u>	<u>(5,610)</u>	<u>(2,856)</u>
Decrease in net assets	\$ <u>(221,435)</u>	\$ <u>(184,362)</u>	\$ <u>(63,076)</u>
Net book value of golf course tangible capital assets			
Balance, beginning of year		\$ 1,074,148	\$ 1,067,298
Acquisition of tangible capital assets		163,425	55,140
Annual amortization		<u>(41,639)</u>	<u>(48,290)</u>
Balance, end of year		\$ <u>1,195,934</u>	\$ <u>1,074,148</u>

VILLAGE OF MANNVILLE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012

1. Significant Accounting Policies

The consolidated financial statements of the Village of Mannville 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 municipality are as follows:

(a) Reporting Entity

The consolidated financial statements reflect the assets, liabilities, revenues and expenses, 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 village and are, therefore, accountable to the village Council for the administration of their financial affairs and resources.

The schedule of taxes levied also includes requisitions for education, health, social 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.

VILLAGE OF MANNVILLE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012

1. Significant Accounting Policies (continued)

(d) Cash and Cash Equivalents

Cash and cash equivalents are defined as petty cash, cash in chequing and savings accounts adjusted for outstanding cheques and deposits, and guaranteed investment certificates maturing in the next twelve months.

(e) Investments

Investments are recorded at amortized cost. 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.

(f) Inventories Held for Resale

Inventories of materials and supplies for consumption are valued at the lower of cost or net realizable value with cost determined by the average cost method.

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.

VILLAGE OF MANNVILLE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012

1. Significant Accounting Policies (continued)

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

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

(j) Landfill Closure and Post-closure Liability

Pursuant to the Alberta Environmental Protection and Enhancement Act, the municipality is required to fund the closure of its 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 visual inspection. The requirement is being provided for over the estimated remaining life of the landfill site based on usage.

(k) Non-Financial Assets

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the normal course of operations. The change in non-financial assets during the year, together with the excess of revenues over expenses, provides the consolidated Change in Net Financial Assets (Debt) for the year.

(i) Tangible Capital Assets

Tangible capital assets are recorded at cost which includes all amounts that are directly attributable to acquisition, construction, development or betterment of the asset. The 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	25-50
Engineered structures	
Water system	35-75
Wastewater system	35-75
Other engineered structures	20-60
Machinery and equipment	5-40
Vehicles	10-20
Land improvements	10-25

No amortization is charged in the year of acquisition or in the year of disposal. Assets under construction are not amortized until the asset is available for productive use.

**VILLAGE OF MANNVILLE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012**

1. Significant Accounting Policies (continued)

(k) Non-Financial Assets (continued)

(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.

2. Cash	<u>2012</u>	<u>2011</u>
Petty cash	\$ 130	\$ 130
Credit Union current account	818,315	717,414
Mannville Housing Corporation	--	22
Guaranteed Investment Certificate	172,160	--
Trust account	<u>6,572</u>	<u>6,404</u>
	<u>\$ 997,177</u>	<u>\$ 723,970</u>

3. Taxes and Grants in Place of Receivable	<u>2012</u>	<u>2011</u>
Current	\$ 55,831	\$ 78,960
Arrears	31,082	6,835
Allowance	<u>(13,540)</u>	<u>(13,540)</u>
	<u>\$ 73,373</u>	<u>\$ 72,255</u>

4. Investments	<u>2012</u>		<u>2011</u>	
	<u>Cost</u>	<u>Market Value</u>	<u>Cost</u>	<u>Market Value</u>
Guaranteed Investment Certificates (GICs)	\$ --	\$ --	\$ 165,757	\$ 165,757
AMFC shares	--	--	--	--
Credit Union shares	162	162	162	162
East-Alta Co-op	<u>5,072</u>	<u>5,072</u>	<u>5,279</u>	<u>5,279</u>
	<u>\$ 5,234</u>	<u>\$ 5,234</u>	<u>\$ 171,198</u>	<u>\$ 171,198</u>

**VILLAGE OF MANNVILLE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012**

5. Employee Benefit Obligation

Included in accounts payable and accrued liabilities is a vacation liability of \$16,297 (2011 - \$12,945). The vacation liability is comprised of the vacation that employees have earned and are entitled to within the next budgetary year.

6. Deferred Revenue

	<u>2012</u>	<u>2011</u>
Basic Municipal Transportation Grant	\$ 134,433	\$ 88,773
Municipal Internship Program	--	13,367
MSI capital	89,316	126,034
Municipal Sponsorship Program	9,674	9,674
Federal Gas Tax Fund	78,412	43,459
MSI operating	74,881	64,710
Other	<u>2,112</u>	<u>18,306</u>
	<u>\$ 388,828</u>	<u>\$ 364,323</u>

Funding from various grant programs in the amount of \$388,828 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. Most of the projects are scheduled for completion in 2013. Deferred revenue is supported by cash in the amount of \$303,066 (2011 - \$346,816) held exclusively for these projects.

7. 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 liabilities for closure and post-closure care of the municipality's landfill sites are recognized over the life of the sites, using the net present value of the total estimated costs of closure and post-closure care, prorated on the basis of the current capacity, in cubic meters, utilized over the total estimated capacity of the sites. The net present value or the estimated closure and post-closure costs were calculated using a rate of return equal to 6.25%.

All partner municipalities of the Mannville site approved forming a Waste Management Commission as a legal operating entity. The partnership passed a motion to close the Mannville site and convert it to a transfer station. The partnership anticipates the transfer station to be operational during 2013. These costs will be expensed in the year incurred less any related funding.

**VILLAGE OF MANNVILLE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012**

7. Landfill Closure and Post-Closure Liability (continued)

The municipality has not designated assets for settling closure and post-closure liabilities. The following summarizes the total net present value of the estimated costs for closure and post closure:

	<u>2012</u>	<u>2011</u>
Estimated closure costs	\$ 300,000	\$ 254,000
Estimated post-closure costs	<u>200,180</u>	<u>191,910</u>
Estimated total liability	\$ <u>500,180</u>	\$ <u>445,910</u>
	<u>2012</u>	<u>2011</u>
Village of Manville's prorate share of estimated closure and post-closure costs (36.01%) (2011 – 32.5%)	\$ 180,115	\$ 120,115
Amount accrued to December 31, 2012	<u>(180,115)</u>	<u>(120,115)</u>
	\$ <u> --</u>	\$ <u> --</u>

8. Long-Term Debt

	<u>2012</u>	<u>2011</u>
Tax supported debentures	\$ <u>233,213</u>	\$ <u>132,381</u>

Principal and interest are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 35,534	\$ 5,071	\$ 40,605
2014	36,279	4,326	40,605
2015	37,041	3,564	40,605
2016	37,820	2,785	40,605
2017	38,617	1,988	40,605
Thereafter	<u>47,922</u>	<u>2,437</u>	<u>50,359</u>
	\$ <u>233,213</u>	\$ <u>20,171</u>	\$ <u>253,384</u>

Debenture debt is repayable to the Alberta Capital Finance Authority and bears interest at rates ranging from 1.603% to 2.875% per annum and mature in periods 2017 through 2020. The average annual interest rate is 2.875% for 2012 (2.875% for 2011).

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

Interest on long-term debt amounted to \$3,478 (2011 - \$5,385).

The municipality's total cash payments for interest in 2012 were \$3,619 (2011 -\$4,169).

**VILLAGE OF MANNVILLE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012**

9. 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 municipality be disclosed as follows:

	<u>2012</u>	<u>2011</u>
Total debt limit	\$ 3,116,788	\$ 2,827,106
Total debt	<u>(233,213)</u>	<u>(132,381)</u>
Amount of debt limit unused	<u>\$ 2,883,575</u>	<u>\$ 2,694,725</u>
Debt servicing limit	\$ 519,464	\$ 471,184
Debt servicing	<u>(40,605)</u>	<u>(16,787)</u>
	<u>\$ 478,859</u>	<u>\$ 454,397</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.

10. Equity in Tangible Capital Assets

	<u>2012</u>	<u>2011</u>
Tangible capital assets (schedule 2)	\$ 16,288,210	\$ 15,897,527
Accumulated amortization (schedule 2)	<u>(7,501,127)</u>	<u>(7,147,666)</u>
Long-term debt (note 8)	<u>(233,213)</u>	<u>(132,381)</u>
	<u>\$ 8,553,870</u>	<u>\$ 8,617,480</u>

11. 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	\$ (7,693)	\$ (111,269)
Restricted surplus		
Fire equipment replacement	29,800	29,800
Public works equipment replacement	197,815	247,815
Cemetery contributions	9,000	9,000
Subdivisions development	39,300	39,300
Waste collection transfer station	35,300	135,300
Sanitary transfer station	10,000	10,000
Recreation equipment replacement	10,500	10,500
Landfill equipment replacement	27,775	77,775
Water equipment replacement	75,188	75,188
Water capital reserve	91,837	--
Sewer capital reserve	46,218	--
Equity in tangible capital assets (note 10)	<u>8,553,870</u>	<u>8,617,480</u>
	<u>\$ 9,118,910</u>	<u>\$ 9,140,889</u>

VILLAGE OF MANNVILLE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012

12. Segmented Disclosure

The municipality 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 6).

13. Salary And Benefits Disclosure

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

		<u>2012</u>			<u>2011</u>
		Salary ⁽¹⁾	Benefits & Allowances ⁽²⁾	Total	Total
Mayor –	Huppertz	\$ 6,600	\$ 45	\$ 6,645	\$ 6,644
Deputy Mayor –	Hatch	6,850	61	6,911	6,343
Councillors –	Good	7,950	99	8,049	8,826
	Betz	6,750	58	6,808	3,251
	McLuckie	7,050	73	7,123	3,675
	Annis	--	--	--	2,270
	Ruttan	--	--	--	4,056
CAO –	Thelma Rogers	63,063	10,477	73,540	16,616
Former CAO –	Candace Dueck	--	--	--	55,015

⁽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 and health plan.

14. Local Authorities Pension Plan

Employees of the village 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 214,238 people and 423 employers. The LAPP is financed by employer and employee contributions and by investment earnings of the LAPP Fund.

VILLAGE OF MANNVILLE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012

14. Local Authorities Pension Plan (continued)

Contributions for current service are recorded as expenditures in the year in which they become due.

The municipality is required to make 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 and 13.74% on pensionable earnings above this amount. Employees of the municipality 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 municipality to the LAPP in 2012 were \$6,746 (2011 - \$4,390). Total current service contributions by the employees of the municipality to the LAPP in 2012 were \$6,115 (2011 - \$3,957).

At December 31, 2010, the LAPP disclosed an actuarial deficiency of \$4.635 billion.

15. Commitments

The municipality of Mannville has entered into a three year contract with Wainwright Assessment Group. This contract expires in 2013.

16. Lease Commitments

The village is committed to making quarterly payments of \$729 until July 2015 under a photocopier lease, six payments per annum of \$698 until October 2014 under a golf cart lease and monthly payments of \$567 until June 2013 under a computer lease.

2013	\$10,516
2014	7,104
2015	<u>729</u>
	\$ <u>18,349</u>

17. Contingencies

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

VILLAGE OF MANNVILLE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012

18. Financial Instruments

The municipality's financial instruments consist of cash, accounts receivable, investments, accounts payable and accrued liabilities, trust liability, and obligations under capital leases. It is management's opinion that the municipality is not exposed to significant interest or currency risks arising from these financial instruments.

The municipality is subject to credit risk with respect to taxes and grants in place of taxes receivables and trade and other receivables. Credit risk arises from the possibility that taxpayers and entities to which the municipality 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 instrument approximates fair value.

19. Approval of Financial Statements

Council and Management have approved these financial statements.

20. Comparative Figures

Certain of the 2011 comparative figures have been restated to conform to the current year's financial statement presentation.