

**MUNICIPAL DISTRICT OF GREENVIEW NO. 16**

**Financial Statements**

**December 31, 2011**



MUNICIPAL DISTRICT OF GREENVIEW NO. 16

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Year Ended December 31, 2011

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**AUDITORS' REPORT**

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To the Members of Council of Municipal District of Greenview No. 16

We have audited the accompanying financial statements of Municipal District of Greenview No. 16, which comprise the statement of financial position as at December 31, 2011, and the statements of financial activities and accumulated surplus, changes in net financial assets and changes in financial position for the year then ended, and a summary of significant accounting policies and other explanatory information.

*Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these 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 financial statements that are free from material misstatement, whether due to fraud or error.

*Auditors' Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 financial statements present fairly, in all material respects, the financial position of Municipal District of Greenview No. 16 as at December 31, 2011, and the results of its operations, change in its net financial assets and changes in its financial position for the year then ended in accordance with Canadian public sector accounting standards.

Grande Prairie, Alberta  
March 27, 2012

*Fletcher Mudryk & Co.*  
Chartered Accountants

MUNICIPAL DISTRICT OF GREENVIEW NO. 16

Statement of Financial Position

December 31, 2011

	2011	2010 <i>Restated</i> <i>(see note 19)</i>
<b>FINANCIAL ASSETS</b>		
Cash and temporary investments <i>(Note 2)</i>	\$ 100,489,200	\$ 76,055,212
Taxes and grants in place of taxes receivable <i>(Note 3)</i>	1,310,420	909,484
Trade and other receivables <i>(Note 4)</i>	4,701,378	7,139,498
Investments <i>(Note 5)</i>	5,010	5,010
	<u>106,506,008</u>	<u>84,109,204</u>
<b>FINANCIAL LIABILITIES</b>		
Accounts payable and accrued liabilities <i>(Note 6)</i>	4,701,619	3,504,052
Deferred revenue <i>(Note 7)</i>	909,163	2,052,065
Long-term debt <i>(Note 8)</i>	1,309,541	1,333,845
	<u>6,920,323</u>	<u>6,889,962</u>
<b>NET FINANCIAL ASSETS</b>	<u>99,585,685</u>	<u>77,219,242</u>
<b>NON-FINANCIAL ASSETS</b>		
Tangible capital assets <i>(Note 10)</i>	141,078,292	128,876,010
Inventory	6,576,281	8,778,451
Prepays	148,608	158,753
	<u>147,803,181</u>	<u>137,813,214</u>
<b>NET ASSETS</b>	<u>\$ 247,388,866</u>	<u>\$ 215,032,456</u>
<b>CONTINGENT LIABILITY</b> <i>(Note 16)</i>		
<b>MUNICIPAL EQUITY</b>		
<b>ACCUMULATED SURPLUS</b> <i>(Note 12)</i>	<u>\$ 247,388,866</u>	<u>\$ 215,032,456</u>



MUNICIPAL DISTRICT OF GREENVIEW NO. 16

Statement of Financial Activities and Accumulated Surplus

Year Ended December 31, 2011

	<i>Budget</i> 2011 <i>(Unaudited)</i>	2011	2010 <i>Restated</i> <i>(see note 19)</i>
<b>REVENUE</b>			
Net municipal property taxes <i>(Schedule 2)</i>	\$ 49,852,591	\$ 53,496,367	\$ 49,141,311
Government transfers for operating <i>(Schedule 3)</i>	936,220	1,451,197	1,822,645
User fees and sale of goods	915,500	1,004,905	749,480
Interest and investment income	1,200,000	2,537,674	1,465,216
Penalties and costs of taxes	260,000	285,935	539,684
Fines, rentals, licenses and permits	160,700	229,403	299,518
	<u>53,325,011</u>	<u>59,005,481</u>	<u>54,017,854</u>
<b>EXPENDITURES</b>			
Council and other legislative services	494,500	464,138	369,435
Administrative services	4,301,273	3,806,049	3,577,264
Protective services	873,726	891,980	1,015,980
Transportation services	21,637,673	24,944,050	21,526,678
Utilities and environmental services	734,682	734,413	628,472
Waste management services	692,865	665,260	669,771
Public health and welfare services	802,284	738,923	614,124
Planning and development services	1,327,009	1,034,732	1,284,862
Recreation and cultural services	1,871,947	1,842,173	3,917,244
	<u>32,735,959</u>	<u>35,121,718</u>	<u>33,603,830</u>
<b>EXCESS OF REVENUE OVER EXPENDITURES BEFORE THE FOLLOWING</b>	<u>20,589,052</u>	<u>23,883,763</u>	<u>20,414,024</u>
<b>OTHER ITEMS</b>			
Gain (loss) on disposal of tangible capital assets	762,300	(31,910)	(17,464)
Government transfers for capital <i>(Schedule 3)</i>	8,049,144	8,504,557	9,707,055
	<u>8,811,444</u>	<u>8,472,647</u>	<u>9,689,591</u>
<b>EXCESS OF REVENUE OVER EXPENDITURES</b>	29,400,496	32,356,410	30,103,615
<b>ACCUMULATED SURPLUS, BEGINNING</b>	<u>215,032,456</u>	<u>215,032,456</u>	<u>184,928,841</u>
<b>ACCUMULATED SURPLUS, ENDING</b>	<u>\$ 244,432,952</u>	<u>\$ 247,388,866</u>	<u>\$ 215,032,456</u>
<b>SUPPLEMENTARY INFORMATION:</b>			
Unrestricted surplus		\$ 8,513,782	\$ 8,513,781
Restricted surplus		99,106,333	78,976,510
Equity in tangible capital assets		<u>139,768,751</u>	<u>127,542,165</u>
		<u>\$ 247,388,866</u>	<u>\$ 215,032,456</u>



MUNICIPAL DISTRICT OF GREENVIEW NO. 16

Statement of Changes in Net Financial Assets

Year Ended December 31, 2011

	2011	2010 <i>Restated</i> <i>(see note 19)</i>
<b>EXCESS OF REVENUE OVER EXPENDITURES</b>	<b>\$ 32,356,410</b>	<b>\$ 30,103,615</b>
Acquisition of tangible capital assets	(23,828,901)	(32,127,937)
Construction in progress	(235,699)	3,997,659
Proceeds on disposal of tangible capital assets	601,651	58,750
Amortization of tangible capital assets	11,228,757	10,915,390
Loss on disposal of tangible capital assets	31,910	17,464
	<u>(12,202,282)</u>	<u>(17,138,674)</u>
	<u>20,154,128</u>	<u>12,964,941</u>
Net acquisition of inventory	(3,799,123)	(7,987,091)
Acquisition of prepaid expenses	(222,211)	(158,753)
Use of inventory	6,001,293	5,473,253
Use of prepaid expenses	232,356	149,245
	<u>2,212,315</u>	<u>(2,523,346)</u>
<b>INCREASE IN NET FINANCIAL ASSETS</b>	<b>22,366,443</b>	<b>10,441,595</b>
<b>NET FINANCIAL ASSETS, BEGINNING OF YEAR</b>	<b><u>77,219,242</u></b>	<b><u>66,777,647</u></b>
<b>NET FINANCIAL ASSETS, END OF YEAR</b>	<b>\$ <u>99,585,685</u></b>	<b>\$ <u>77,219,242</u></b>



MUNICIPAL DISTRICT OF GREENVIEW NO. 16

Statement of Changes in Financial Position

Year Ended December 31, 2011

	2011	2010 <i>Restated</i> <i>(see note 19)</i>
<b>OPERATING ACTIVITIES</b>		
Excess of revenue over expenditures	\$ 32,356,410	\$ 30,103,615
Items not affecting cash:		
Amortization of tangible capital assets	11,228,757	10,915,390
Loss on disposal of tangible capital assets	31,910	17,464
	<u>43,617,077</u>	<u>41,036,469</u>
Changes in non-cash working capital:		
Taxes and grants in place of taxes receivable	(400,936)	(130,331)
Trade and other receivables	2,438,120	(3,922,710)
Inventory	2,202,170	(2,513,838)
Prepays	10,145	(9,508)
Accounts payable and accrued liabilities	1,197,567	(129,705)
Deferred revenue	-	1,783,594
	<u>5,447,066</u>	<u>(4,922,498)</u>
Cash flow from operating activities	<u>49,064,143</u>	<u>36,113,971</u>
<b>CAPITAL ACTIVITIES</b>		
Acquisition of tangible capital assets	(23,828,901)	(32,127,937)
Construction in progress additions	(5,653,480)	(4,507,858)
Capitalized construction in progress	5,417,781	8,505,517
Deferred revenue on capital projects	(1,142,902)	(1,568,175)
Proceeds on disposal of tangible capital assets	601,651	58,750
Cash flow used by capital activities	<u>(24,605,851)</u>	<u>(29,639,703)</u>
<b>FINANCING ACTIVITIES</b>		
Repayment of long-term debt	(24,304)	(23,142)
Cash flow from investing activity	<u>(24,304)</u>	<u>(23,142)</u>
<b>INCREASE IN CASH FLOW</b>	<b>24,433,988</b>	<b>6,451,126</b>
CASH - BEGINNING OF YEAR	<u>76,055,212</u>	<u>69,604,086</u>
<b>CASH - END OF YEAR</b>	<b><u>\$ 100,489,200</u></b>	<b><u>\$ 76,055,212</u></b>



MUNICIPAL DISTRICT OF GREENVIEW NO. 16

Tangible Capital Assets

(Schedule 1)

Year Ended December 31, 2011

	Balance, opening	Additions and construction	Disposals	Balance, ending
<b>COST</b>				
Land	\$ 5,046,797	\$ -	\$ -	\$ 5,046,797
Buildings	10,672,646	6,123,874	-	16,796,520
Equipment	5,021,944	1,732,017	(878,130)	5,875,831
Automotive equipment	4,729,537	620,469	(309,581)	5,040,425
Engineering structures - road	317,263,419	11,422,930	-	328,686,349
Engineering structures - bridges	35,959,847	2,096,469	-	38,056,316
Engineering structures - water	1,742,125	52,195	-	1,794,320
Engineering structures - solid waste	509,191	1,780,947	-	2,290,138
Engineering structures - landfill	52,984	-	-	52,984
Construction in progress	5,860,713	5,653,479	(5,417,780)	6,096,412
	<u>\$ 386,859,203</u>	<u>\$ 29,482,380</u>	<u>\$ (6,605,491)</u>	<u>\$ 409,736,092</u>

	Balance, opening	Current amortization	Disposals	Balance, ending
<b>ACCUMULATED AMORTIZATION</b>				
Land	\$ -	\$ -	\$ -	\$ -
Buildings	2,333,478	312,337	-	2,645,815
Equipment	1,961,503	496,889	(374,496)	2,083,896
Automotive equipment	2,569,022	377,757	(179,654)	2,767,125
Engineering structures - road	236,572,876	9,152,793	-	245,725,669
Engineering structures - bridges	13,635,213	814,414	-	14,449,627
Engineering structures - water	498,610	46,480	-	545,090
Engineering structures - solid waste	412,444	27,994	-	440,438
Engineering structures - landfill	47	93	-	140
	<u>\$ 257,983,193</u>	<u>\$ 11,228,757</u>	<u>\$ (554,150)</u>	<u>\$ 268,657,800</u>

	Net book value 2011	Net book value 2010 <i>Restated (see note 19)</i>
<b>NET BOOK VALUE</b>		
Land	\$ 5,046,797	\$ 5,046,797
Buildings	14,150,705	8,339,168
Equipment	3,791,935	3,060,441
Automotive equipment	2,273,300	2,160,515
Engineering structures - road	82,960,680	80,690,543
Engineering structures - bridges	23,606,689	22,324,634
Engineering structures - water	1,249,230	1,243,515
Engineering structures - solid waste	1,849,700	96,747
Engineering structures - landfill	52,844	52,937
Construction in progress	6,096,412	5,860,713
	<u>\$ 141,078,292</u>	<u>\$ 128,876,010</u>





MUNICIPAL DISTRICT OF GREENVIEW NO. 16

Property and Other Taxes

(Schedule 2)

Year Ended December 31, 2011

	<i>Budget 2011 (Unaudited)</i>	2011	2010
<b>Taxation</b>			
Real property taxes	\$ 21,955,069	\$ 21,835,831	\$ 20,698,391
Linear property taxes	44,565,557	45,662,542	42,810,987
Government grants in place of taxes	-	37,288	27,003
Well drilling taxes	1,500,000	5,951,996	3,839,643
Local improvement taxes	92,200	92,165	92,165
	<u>68,112,826</u>	<u>73,579,822</u>	<u>67,468,189</u>
<b>Requisitions</b>			
Alberta School Foundation fund	15,856,055	16,218,758	15,856,055
Other school boards	30,920	55,190	30,920
Seniors foundations	823,079	809,507	889,724
	<u>16,710,054</u>	<u>17,083,455</u>	<u>16,776,699</u>
	51,402,772	56,496,367	50,691,490
Local government revenue sharing agreements	<u>(1,550,181)</u>	<u>(3,000,000)</u>	<u>(1,550,179)</u>
<b>Net municipal property taxes</b>	<u>\$ 49,852,591</u>	<u>\$ 53,496,367</u>	<u>\$ 49,141,311</u>



## MUNICIPAL DISTRICT OF GREENVIEW NO. 16

## Government Transfers

(Schedule 3)

Year Ended December 31, 2011

	<i>Budget</i> 2011 <i>(Unaudited)</i>	2011	2010
<b>Provincial government transfers</b>			
Administrative services	\$ 357,152	\$ 353,014	\$ 357,152
Transportation services	-	409,036	900,904
Disaster assistance	20,000	15,000	20,000
Family and community support services	232,606	229,881	230,281
Senior transportation	16,822	-	-
Agricultural development	156,400	257,545	167,187
Utilities and environmental services	20,000	25,439	16,820
<b>Total provincial government transfers</b>	<b>802,980</b>	<b>1,289,915</b>	<b>1,692,344</b>
<b>Local government transfers</b>	<b>133,240</b>	<b>161,282</b>	<b>130,301</b>
<b>Total operating government transfers</b>	<b>936,220</b>	<b>1,451,197</b>	<b>1,822,645</b>
<b>Provincial capital - conditional</b>			
Public works	-	1,834,765	6,222,889
Transportation services	7,744,635	6,060,774	3,418,066
Utilities and environmental services	304,509	609,018	-
Agricultural development	-	-	66,100
<b>Total capital provincial government transfers</b>	<b>8,049,144</b>	<b>8,504,557</b>	<b>9,707,055</b>
<b>Total government transfers</b>	<b>\$ 8,985,364</b>	<b>\$ 9,955,754</b>	<b>\$ 11,529,700</b>



MUNICIPAL DISTRICT OF GREENVIEW NO. 16

Expenditures by Object

(Schedule 4)

Year Ended December 31, 2011

	<i>Budget</i> 2011 <i>(Unaudited)</i>	2011	2010 <i>Restated</i> <i>(see note 19)</i>
<b>EXPENDITURES</b>			
Salaries, wages and benefits	\$ 5,928,086	\$ 5,720,474	\$ 5,399,343
Contracted and general services	10,481,483	13,468,486	10,408,668
Purchases from other governments	83,250	76,303	35,560
Materials, goods and supplies	2,455,654	2,203,257	2,157,927
Provision for allowances	50,000	6,006	31,721
Transfers to local boards and agencies	555,114	437,469	566,920
Transfers to individuals and organizations	1,821,395	1,825,814	3,938,747
Bank charges and short-term interest	42,000	89,585	82,808
Interest on capital debt	90,220	65,567	66,746
Amortization of tangible capital assets	11,228,757	11,228,757	10,915,390
	<u>\$ 32,735,959</u>	<u>\$ 35,121,718</u>	<u>\$ 33,603,830</u>



Notes to Financial Statements

Year Ended December 31, 2011

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Municipal District of Greenview No. 16 are the representations of management prepared in accordance with local government 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 Municipality are as follows:

Reporting entity

The financial statements reflect the assets, liabilities, revenues and expenditures, changes in net financial assets 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 or controlled by the Municipality and are, therefore, accountable to the Municipality for the administration of their financial affairs and resources.

The Municipality is a member of Greenview Regional Waste Management Commission, an organization that operates as a separate government reporting entity and, as such, has not been consolidated with the Municipality's operations.

The schedule of taxes levied includes operating requisitions for education, health care and senior foundations that are not part of the Municipal District's reporting entity.

Interdepartmental and organizational transactions and balances have been eliminated.

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.

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.

Investments

Investments are recorded at cost.

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Notes to Financial Statements

Year Ended December 31, 2011

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Employee future benefits

Selected employees of the Municipality 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 Municipality does not recognize its share of any plan surplus or deficit.

Over-levies and under-levies

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.

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 collectible from the 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.

Landfill closure and post-closure liabilities

Pursuant to the Alberta Environment Protection & Enhancement Act, the Municipality is required to fund the closure of its landfill sites and provide for post-closure care of the facilities. Closure and post-closure activities include the final clay cover and landscaping, as well as surface and ground water monitoring and visual inspection. The requirement is being provided for through reserves over the estimated remaining life of the landfill based on usage.

*(continues)*

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## Notes to Financial Statements

Year Ended December 31, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*Tangible capital assets

Tangible capital 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 for the year.

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 on a straight-line basis over the estimated useful life as follows:

Buildings	25 - 50 years
Equipment	5 - 20 years
Automotive equipment	3 - 20 years
Engineering structures:	
Water systems	25 -50 years
Wastewater systems	50 years
Other engineering	5 -50 years

In the year of acquisition, amortization is applied at half of normal rates. Assets under construction are not amortized until the asset is available for productive use.

The Municipality regularly reviews its tangible capital assets for sold or scrapped assets, at which time the cost and the related accumulated amortization are removed from the accounts and any resulting gain or loss on disposal is reflected in income. No amortization is recorded in the year of disposition.

Tangible capital assets received as contributions are recorded at fair market value at the date of receipt and are also recorded as revenue.

Inventory

Inventory consists of gravel, of which the cost is based on expenditures accumulated to crush and haul the gravel and are valued at the lower of cost or net realizable value with cost determined by the average cost method.

Measurement uncertainty

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, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Where measurement uncertainty exists, the financial statements have been prepared within reasonable limits of materiality. Such estimates include the provisions for uncollectible accounts receivable, provision for amortization of tangible capital assets, amortization of deferred revenues and the fair value of contributed tangible capital assets. Actual results could differ from those estimates.



MUNICIPAL DISTRICT OF GREENVIEW NO. 16

Notes to Financial Statements

Year Ended December 31, 2011

2. CASH AND TEMPORARY INVESTMENTS

	2011	2010
Cash on hand	\$ 400	\$ 400
Cash in bank - ATB Financial	12,585,848	16,419,052
Temporary investments - fixed income	27,528,065	27,812,878
- guaranteed investment certificates	60,374,887	31,822,882
	<u>\$ 100,489,200</u>	<u>\$ 76,055,212</u>

Cash in bank bears interest at prime less 1.85% per annum.

Temporary investments in fixed income investments are readily convertible into cash, bear interest at 1.27% per annum and mature January, 2012. Guaranteed investment certificates and other savings accounts bear interest between 1.27% and 5.14% and mature between January, 2012 and June, 2012.

Included in cash are restricted amounts aggregating \$708,683 (2010 - \$1,834,765) to be used for specific capital and other projects, as specified by the Province of Alberta. In addition, cash aggregating \$70,198,793 (2010 - \$57,491,638) has been internally restricted for specific capital projects as outlined in the Municipality's long-term capital plan, designated as capital reserves as outlined in Note 13.

3. TAXES AND GRANTS IN PLACE OF TAXES RECEIVABLE

	2011	2010
Current taxes and grants in lieu of taxes	\$ 647,400	\$ 363,298
Tax arrears and grants in lieu of taxes	708,300	585,460
	1,355,700	948,758
Allowance for uncollectible taxes	(45,280)	(39,274)
	<u>\$ 1,310,420</u>	<u>\$ 909,484</u>

4. TRADE AND OTHER RECEIVABLES

	2011	2010
Trade and other receivables	\$ 2,373,016	\$ 3,076,379
Oil well drilling receivable	682,787	2,417,544
Due from Town of Valleyview	1,694,175	1,694,175
	4,749,978	7,188,098
Allowance for uncollectible trade and other receivables	(48,600)	(48,600)
	<u>\$ 4,701,378</u>	<u>\$ 7,139,498</u>



MUNICIPAL DISTRICT OF GREENVIEW NO. 16

Notes to Financial Statements

Year Ended December 31, 2011

5. INVESTMENTS

	<u>2011</u>	<u>2010</u>
Alberta Capital Finance Authority shares (nominal interest)	\$ 70	\$ 70
Alberta Association of Municipal Districts and Counties Member's reserve	4,940	4,940
	<u>\$ 5,010</u>	<u>\$ 5,010</u>

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	<u>2011</u>	<u>2010</u>
Operating	\$ 1,894,541	\$ 1,548,531
Capital	2,807,078	1,955,521
	<u>\$ 4,701,619</u>	<u>\$ 3,504,052</u>

Total vacation and overtime amounts owing by the Municipality to its employees in 2011 were \$43,452 (2010 - \$33,966). 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 year.

7. DEFERRED REVENUE

	<u>2011</u>	<u>2010</u>
Valleyview rural waterline project	\$ 74,480	\$ 91,300
Valleyview medical building project	126,000	126,000
Provincial government grant - Municipal Sustainability Initiative	708,683	1,834,765
	<u>\$ 909,163</u>	<u>\$ 2,052,065</u>

Deferred contributions for the Valleyview rural waterline project are being amortized to revenue to 2016 at \$16,820 annually.

Funding in the amount of \$4,519,457 was received in the current year from the Municipal Sustainability Initiative and \$2,859,018 from Alberta Transportation. The use of these funds is restricted to eligible capital projects, as approved under the funding agreement, which are scheduled for completion in 2012. The unexpended portion of these funds of \$708,683 are supported by temporary investments held exclusively for these projects (refer to Note 2).





MUNICIPAL DISTRICT OF GREENVIEW NO. 16

Notes to Financial Statements

Year Ended December 31, 2011

8. LONG-TERM DEBT

	<u>2011</u>	<u>2010</u>
Alberta Capital Finance Authority	\$ 1,309,541	\$ 1,333,845
Amounts payable within one year	<u>(25,525)</u>	<u>(24,304)</u>
	<u>\$ 1,284,016</u>	<u>\$ 1,309,541</u>

Estimated principal and interest repayments to maturity are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 25,525	\$ 64,693	\$ 90,218
2013	26,808	63,410	90,218
2014	28,156	62,062	90,218
2015	29,571	60,647	90,218
2016	31,056	59,162	90,218
Thereafter	1,168,425	726,163	1,894,588

Debenture debt is issued on the credit and security of the Municipal District of Greenview No. 16 at large, bears interest at a rate of 4.964% per annum and matures in 2037.

Total cash payments for interest during the year were \$65,914 (2010 - \$67,077).

9. DEBT LIMIT

Section 276(2) of the Municipal Government Act requires that debt and debt limits as defined by Alberta Regulation 255/2000 for the Municipal District of Greenview No. 16 be disclosed as follows:

	<u>2011</u>	<u>2010</u>
Total debt limit	\$ 88,508,222	\$ 81,026,781
Total debt	<u>(1,309,541)</u>	<u>(1,333,845)</u>
	<u>\$ 87,198,681</u>	<u>\$ 79,692,936</u>
Debt servicing limit	\$ 14,751,370	\$ 13,504,463
Debt servicing	<u>(90,218)</u>	<u>(90,218)</u>
	<u>\$ 14,661,152</u>	<u>\$ 13,414,245</u>

The debt limit is calculated as 1.5 times revenue of the Municipality 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.



MUNICIPAL DISTRICT OF GREENVIEW NO. 16

Notes to Financial Statements

Year Ended December 31, 2011

10. TANGIBLE CAPITAL ASSETS

	Cost	Accumulated amortization	2011 Net book value	2010 Net book value <i>Restated</i> <i>(see note 19)</i>
Land	\$ 5,046,797	\$ -	\$ 5,046,797	\$ 5,046,797
Buildings	16,796,520	2,645,815	14,150,705	8,339,168
Equipment	5,875,831	2,083,896	3,791,935	3,060,441
Automotive equipment	5,040,425	2,767,125	2,273,300	2,160,515
Engineering structures - road	328,686,349	245,725,669	82,960,680	80,690,543
Engineering structures - bridges	38,056,316	14,449,627	23,606,689	22,324,634
Engineering structures - water	1,794,320	545,090	1,249,230	1,243,515
Engineering structures - solid waste	2,290,138	440,438	1,849,700	96,747
Engineering structures - landfill	52,984	140	52,844	52,937
Construction in progress	6,096,412	-	6,096,412	5,860,713
	<b>\$ 409,736,092</b>	<b>\$ 268,657,800</b>	<b>\$ 141,078,292</b>	<b>\$ 128,876,010</b>

11. EQUITY IN TANGIBLE CAPITAL ASSETS

	2011	2010 <i>Restated</i> <i>(see note 19)</i>
Tangible capital assets ( <i>Note 10</i> )	\$ 141,078,292	\$ 128,876,010
Long-term debt ( <i>Note 8</i> )	(1,309,541)	(1,333,845)
	<b>\$ 139,768,751</b>	<b>\$ 127,542,165</b>

12. ACCUMULATED SURPLUS

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

	2011	2010 <i>Restated</i> <i>(see note 19)</i>
Unrestricted surplus	\$ 8,513,782	\$ 8,513,781
Restricted reserves ( <i>Note 13</i> )	99,106,333	78,976,510
Equity in tangible capital assets ( <i>Note 11</i> )	139,768,751	127,542,165
	<b>\$ 247,388,866</b>	<b>\$ 215,032,456</b>



MUNICIPAL DISTRICT OF GREENVIEW NO. 16

Notes to Financial Statements

Year Ended December 31, 2011

13. RESTRICTED RESERVES

	Balance Beginning	Additions/ Transfers	Reductions/ Transfers	Balance Ending
<b>Operating Reserves</b>				
Operating contingency reserve	\$ 19,226,121	\$ 3,288,392	\$ -	\$ 22,514,513
Protective services reserve	1,811,804	4,367,617	(233,341)	5,946,080
Gravel pit reclamation reserve	446,947	-	-	446,947
	<u>21,484,872</u>	<u>7,656,009</u>	<u>(233,341)</u>	<u>28,907,540</u>
<b>Capital Reserves</b>				
Capital infrastructure reserve				
Bridges	884,375	1,064,425	(492,410)	1,456,390
Environment	6,082,800	8,353,345	(801,458)	13,634,687
Roads and paving	7,629,794	-	-	7,629,794
General infrastructure deficit	27,655,258	2,766,776	(1,283,498)	29,138,536
Capital project carryovers	9,829,255	11,226,127	(9,829,255)	11,226,127
Total capital infrastructure reserve	<u>52,081,482</u>	<u>23,410,673</u>	<u>(12,406,621)</u>	<u>63,085,534</u>
Vehicle and equipment replacement	5,010,156	1,804,971	(570,138)	6,244,989
Information technology reserve	400,000	468,270	-	868,270
	<u>57,491,638</u>	<u>25,683,914</u>	<u>(12,976,759)</u>	<u>70,198,793</u>
	<u>\$ 78,976,510</u>	<u>\$ 33,339,923</u>	<u>\$ (13,210,100)</u>	<u>\$ 99,106,333</u>



## Notes to Financial Statements

Year Ended December 31, 2011

## 14. SALARY AND BENEFITS DISCLOSURE

Disclosure of salaries and benefits for Municipal officials, the Chief Administrative Officer and designated officers as required by Alberta Regulation 313/2005 is as follows:

	Salary (1)	Benefits and Allowances (2)	2011	2010
<u>Reeve:</u>				
Ward 3	\$ 32,550	\$ 8,147	\$ 40,697	\$ 41,461
Ward 5	8,575	1,347	9,922	-
<u>Councillors:</u>				
Ward 1	29,445	17,809	47,254	36,082
Ward 2	37,575	9,592	47,167	33,995
Ward 3	10,450	1,845	12,295	-
Ward 4	33,075	10,614	43,689	30,761
Ward 5	30,200	5,710	35,910	34,321
Ward 6	34,200	10,317	44,517	36,078
Ward 7	27,075	4,384	31,459	33,233
Ward 8	47,196	14,988	62,184	43,600
C.A.O (3)	156,231	37,886	194,117	203,789
Designated Officers	72,395	22,987	95,382	76,527

(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, employment insurance, health care, dental coverage, vision coverage, group life insurance, accidental disability and dismemberment insurance, long and short-term disability plans, professional memberships and tuition, mileage and subsistence. In addition, non-taxable allowances have been included.

(3) An automobile allowance is provided and included in the benefits and allowances figure.



MUNICIPAL DISTRICT OF GREENVIEW NO. 16

Notes to Financial Statements

Year Ended December 31, 2011

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15. LOCAL AUTHORITIES PENSION PLAN

Employees of the Municipal District of Greenview No. 16 participate in the Local Authorities Pension Plan (LAPP), which is covered by the Alberta Public Sector Pension Plans Act. The Plan serves about 206,000 people and 420 employers. It is financed by employer and employee contributions and investment earnings of the LAPP fund.

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 Plan of 9.49% of pensionable earnings up to the year's maximum pensionable earnings under the Canadian Pension Plan and 13.13% on the excess. Employees of the Municipal District of Greenview No. 16 are required to make current service contributions of 8.49% of pensionable payroll up to the year's maximum pensionable earnings under the Canada Pension Plan and 12.13% on the excess.

Total current service contributions by the Municipality to the Local Authorities Pension Plan in 2011 were \$324,497 (2010 - \$298,466). Total current service contributions by the employees of the Municipality to the Local Authorities Pension Plan in 2011 were \$293,685 (2010 - \$268,828).

At December 31, 2010, the Plan disclosed an actuarial deficiency of \$4.6 billion (2009 - \$4.0 billion).

LAPP has announced that member contribution rates will increase in 2012 to 9.43% of pensionable payroll up to the year's maximum pensionable earnings under the Canada Pension plan and 13.47% on the excess and employer contribution rates will increase in 2012 to 10.43% of pensionable payroll up to the year's maximum pensionable earnings under the Canada Pension Plan and 14.47% on the excess.

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16. CONTINGENT LIABILITY

The Municipal District of Greenview No. 16 is a member of the Alberta Municipal Insurance Exchange (MUNIX). Under the terms of the membership, the Municipality could become liable for its proportionate share of any claim losses in excess of the funds held by the program. Any liability incurred would be accounted for as a current transaction in the year the losses are determined.

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17. RELATED PARTY TRANSACTIONS

	<u>2011</u>	<u>2010</u>
Greenview Regional Waste Management Commission (49.35% interest)		
Revenue - contracted services	\$ 46,095	\$ 52,280
Expenditures - user charges	90,265	84,782
- capital requisition	50,000	-

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## Notes to Financial Statements

Year Ended December 31, 2011

## 18. FINANCIAL INSTRUMENTS

## Credit Risk

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.

## Fair Value

The Municipality's financial instruments consist of cash and temporary investments, taxes and grants in place of taxes receivable, trade and other receivables, investments, accounts payable and accrued liabilities and long-term debt. Unless otherwise noted, the fair value of these financial instruments approximate their carrying value.

## Interest Rate

The Municipality is not exposed to significant interest rate risk as a result of fixed-rate investments held, as outlined in Note 2 and the issuance of fixed-rate debentures, as outlined in Note 8.

## Unused Bank Credit Lines

The Municipality has an established credit facility with ATB Financial for a maximum demand revolving loan facility of \$10 million, all of which was unused as at December 31, 2011.

## 19. PRIOR PERIOD ADJUSTMENTS

In the previous year, an adjustment was made based on a difference noted in the system that formulates cost and amortization for tangible capital assets of the Municipality for a specific class of assets, building, for 2010. This adjustment should not have been recorded and as such, the financial statements have been restated to eliminate that adjustment. The impact on the financial statements is as follows:

	<u>2010</u>
<b>Adjustments to opening accumulated surplus:</b>	
As previously reported	\$ 186,013,178
Decrease to amortization provision	(22,357)
Decrease to net book value of tangible capital assets	<u>(1,061,980)</u>
<b>As restated</b>	<b><u>\$ 184,928,841</u></b>
<b>Adjustments to excess of revenue over expenses:</b>	
As previously reported	\$ 30,081,258
Decrease to amortization provision	<u>22,357</u>
<b>As restated</b>	<b><u>\$ 30,103,615</u></b>
<b>Adjustments to tangible capital assets:</b>	
As previously reported	\$ 129,937,990
Decrease to net book value of tangible capital assets	<u>(1,061,980)</u>
<b>As restated</b>	<b><u>\$ 128,876,010</u></b>



Notes to Financial Statements

Year Ended December 31, 2011

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20. COMPARATIVE FIGURES

Some of the comparative figures have been reclassified to conform to the current year's presentation.

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21. BUDGETED FIGURES

The financial statements include the unaudited 2011 budgeted revenues and expenditures as approved by Council during the year. In addition, Council has requested the addition supplementary information for actual 2011 amortization be included of \$11,228,757.

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22. APPROVAL OF FINANCIAL STATEMENTS

Council and management have approved these financial statements.

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23. SUPPLEMENTARY INFORMATION

Reserve balances and reclassifications in Note 11 of these financial statements have been approved by Council in the current year to support the ten-year capital plan established by Council. All reserves are expended by Council motion and/or through the annual operating and capital budget process. Interest income earned by the Municipality is to be allocated to each reserve annually, unless otherwise noted. The reserves have been established and approved as follows:

- Operating contingency reserve: restricted to operating expenditures. Combined with the operating surplus balance, this reserve should represent a minimum of one year's operating expenses for the Municipality. This reserve is established for unforeseen events such as natural disasters.
- Protective Services reserve: consists of two subset reserves, one for vehicle replacement and one for equipment replacement. Expansion of existing fleet would not be funded by this reserve, but approved through annual capital budgeting process. Council approves transfers from this reserve in annual budgeting process, and based on vehicle and equipment replacement policy.
- Gravel Pit Reclamation reserve: reserve established for future gravel pit reclamation costs and to be funded based on engineering estimates currently underway.
- Capital Infrastructure reserve: restricted to replacement or upgrades of any existing capital infrastructure and new capital projects, as noted by each capital infrastructure reserve classification, which require funding over multiple years. Utilized in conjunction with annual capital budget and long-term capital plan to finance large projects.
- Capital Project Carryovers: restricted to capital projects approved and not completed in the current year, of which the same project cannot carryover for more than two years without Council approval. Interest income earned during the year is not allocated to this reserve.

*(continues)*

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Notes to Financial Statements

Year Ended December 31, 2011

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23. SUPPLEMENTARY INFORMATION *(continued)*

- Vehicle and Equipment Replacement reserve: restricted to replacement of existing vehicle and equipment fleet. Expansion to either fleet would be approved in the annual capital budgeting process, and not funded by this reserve. This reserve is funded from operational allocations based on hourly usage of the current vehicles and equipment. Transfers from this reserve are based on the fleet replacement policy set by Council.
  - Information Technology reserve: reserve restricted for funding hardware and software infrastructure replacement, new technology acquisitions and implementations, as well as major system upgrades or system vendor changes.
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