



INDEPENDENT AUDITOR'S REPORT

To the Members of Council:

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of the Town of Elk Point, which comprise the consolidated statement of financial position as at December 31, 2011, 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 generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the 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 Town of Elk Point as at December 31, 2011, 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.

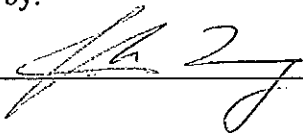
ST. PAUL, ALBERTA
April 10, 2012

Joly, M^cCarthy & Dion
CHARTERED ACCOUNTANTS

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

	<u>2011</u>	<u>2010</u>
Financial assets		
Cash	\$ 1,954,129	\$ 221,211
Investments (note 2)	628,050	616,958
Taxes and grants in place receivable (note 3)	92,214	90,285
Receivable from other governments	376,178	689,793
Trade and other receivables	55,863	81,873
Loans receivable (note 4)	196,251	207,697
Long-term investments	7,748	7,434
Inventory of land held for resale	<u>471,387</u>	<u>438,887</u>
	<u>3,781,820</u>	<u>2,354,138</u>
Liabilities		
Accounts payable and accrued liabilities (note 5)	183,936	258,862
Deposit liabilities	28,736	30,500
Deferred revenue (note 6)	2,538,190	721,433
Long-term debt (note 7)	<u>--</u>	<u>82,594</u>
	<u>2,750,862</u>	<u>1,093,389</u>
Net financial assets	<u>1,030,958</u>	<u>1,260,749</u>
Non-financial assets		
Tangible capital assets (schedule 2)	13,573,825	12,930,024
Prepaid expenses	<u>8,862</u>	<u>14,126</u>
	<u>13,582,687</u>	<u>12,944,150</u>
Accumulated surplus (note 11)	<u>\$ 14,613,645</u>	<u>\$ 14,204,899</u>
Contingencies (note 15)		

Approved by:



10th April 2012

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

	<u>Budget</u> (unaudited)	<u>2011</u>	<u>2010</u>
Revenue			
Net municipal taxes (schedule 3)	\$ 1,032,800	\$ 1,311,495	\$ 1,209,398
Sales and user fees	638,000	777,434	763,227
Government transfers for operating (schedule 4)	209,400	470,262	458,262
Investment income	5,000	17,669	14,770
Penalties and costs on taxes and utilities	56,500	37,325	62,989
Licenses and permits	29,000	46,040	26,367
Bylaw and police fines	6,000	11,230	6,982
Franchise fees	96,000	121,132	113,462
Local improvement charges	12,700	8,360	12,435
Other	<u>4,400</u>	<u>3,514</u>	<u>10,796</u>
	<u>2,089,800</u>	<u>2,804,461</u>	<u>2,678,688</u>
Expenses			
Legislative	97,500	91,091	89,122
Administration	286,500	271,267	278,155
Protective services	222,400	180,792	182,558
Transportation	699,000	740,796	647,930
Water and wastewater	477,700	647,445	464,045
Waste management	191,500	164,414	178,603
Public health and welfare	62,100	84,002	70,840
Planning and development	257,000	300,612	423,209
Recreation and culture	<u>225,000</u>	<u>241,328</u>	<u>237,927</u>
	<u>2,518,700</u>	<u>2,721,747</u>	<u>2,572,389</u>
Excess (deficiency) of revenues over expenses before other	(428,900)	82,714	106,299
Other			
Contributions from local boards	--	--	123,730
Fundraising/donations for capital	90,000	39,453	27,726
Gain (loss) on disposal of tangible capital assets		(4,289)	43,318
Government transfers for capital (schedule 4)	<u>1,107,000</u>	<u>290,868</u>	<u>716,532</u>
Excess of revenues over expenses	768,100	408,746	1,017,605
Accumulated surplus, beginning of year	<u>14,204,899</u>	<u>14,204,899</u>	<u>13,187,294</u>
Accumulated surplus, end of year	\$ <u>14,972,999</u>	\$ <u>14,613,645</u>	\$ <u>14,204,899</u>

**TOWN OF ELK POINT
CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2011**

	<u>Budget</u> (unaudited)	<u>2011</u>	<u>2010</u>
Excess of revenues over expenses	\$ <u>768,100</u>	\$ <u>408,746</u>	\$ <u>1,017,605</u>
Acquisition of tangible capital assets	(1,548,100)	(1,183,930)	(999,995)
Proceeds on disposal of tangible capital assets	--	30,284	193,335
Amortization of tangible capital assets	511,500	505,556	466,449
(Gain) loss on disposal of tangible capital assets	<u>--</u>	<u>4,289</u>	<u>(43,318)</u>
	<u>(1,036,600)</u>	<u>(643,801)</u>	<u>(383,529)</u>
Acquisition of prepaid expenses	--	(8,862)	(14,126)
Use of prepaid expenses	<u>--</u>	<u>14,126</u>	<u>2,896</u>
	<u>--</u>	<u>5,264</u>	<u>(11,230)</u>
Increase (decrease) in net financial assets	(268,500)	(229,791)	622,846
Net financial assets, beginning of year	<u>1,260,749</u>	<u>1,260,749</u>	<u>637,903</u>
Net financial assets, end of year	\$ <u>992,249</u>	\$ <u>1,030,958</u>	\$ <u>1,260,749</u>

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

	<u>2011</u>	<u>2010</u>
Net inflow (outflow) of cash related to the following activities:		
Operating		
Excess of revenues over expenses	\$ 408,746	\$ 1,017,605
Non-cash items included		
Amortization of tangible capital assets	505,556	466,449
(Gain) loss on disposal of tangible capital assets	4,289	(43,318)
Non-cash charges to operations (net change):		
Decrease (increase) in		
Taxes and grants in place receivable	(1,929)	119,374
Receivable from other governments	313,615	(134,164)
Trade and other receivables	26,010	54,967
Inventory of land held for resale	(32,500)	(152,531)
Prepaid expenses	5,264	(11,230)
Increase (decrease) in		
Accounts payable and accrued liabilities	(74,926)	(277,829)
Deposit liabilities	(1,764)	(9,011)
Deferred revenue	<u>1,816,757</u>	<u>(538,882)</u>
	<u>2,969,118</u>	<u>491,430</u>
Investing		
Increase in long-term investments	<u>(314)</u>	<u>(317)</u>
Capital		
Acquisition of tangible capital assets	(1,183,930)	(999,995)
Proceeds on disposal of capital assets	<u>30,284</u>	<u>193,335</u>
	<u>(1,153,646)</u>	<u>(806,660)</u>
Financing		
Loans receivable collected	11,446	10,847
Long-term debt repaid	<u>(82,594)</u>	<u>(84,593)</u>
	<u>(71,148)</u>	<u>(73,746)</u>
Change in cash and cash equivalents during the year	1,744,010	(389,293)
Cash and cash equivalents, beginning of year	<u>838,169</u>	<u>1,227,462</u>
Cash and cash equivalents, end of year	\$ <u>2,582,179</u>	\$ <u>838,169</u>
Cash and cash equivalents consist of:		
Cash	\$ 1,954,129	\$ 221,211
Investments	<u>628,050</u>	<u>616,958</u>
	\$ <u>2,582,179</u>	\$ <u>838,169</u>

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

	Unrestricted Surplus	Restricted Surplus	Equity in Tangible Capital Assets	2011	2010
Balance, beginning of year	\$ <u>465,875</u>	\$ <u>891,594</u>	\$ <u>12,847,430</u>	\$ <u>14,204,899</u>	\$ <u>13,187,294</u>
Excess of revenues over expenses	408,746	--	--	408,746	1,017,605
Unrestricted funds designated for future use	(379,997)	379,997	--	--	--
Current year funds used for tangible capital assets	(871,400)	--	871,400	--	--
Restricted funds used for tangible capital assets	--	(282,646)	282,646	--	--
Disposal of tangible capital assets	4,689	--	(4,689)	--	--
Annual amortization expense	505,556	--	(505,556)	--	--
Long-term debt repaid	(82,594)	--	82,594	--	--
Change in accumulated surplus	(415,000)	97,351	726,395	408,746	1,017,605
Balance, end of year	\$ <u>50,875</u>	\$ <u>988,945</u>	\$ <u>13,573,825</u>	\$ <u>14,613,645</u>	\$ <u>14,204,899</u>

**TOWN OF ELK POINT
SCHEDULE 2 - TANGIBLE CAPITAL ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2011**

Cost	Land	Land Improvements	Buildings	Engineered Structures	Machinery & Equipment	Vehicles	Construction In-Progress	Total
Balance, beginning of year	\$ 453,548	\$ 700,794	\$ 1,797,204	\$ 14,114,745	\$ 902,682	\$ 887,384	\$ 715,183	\$ 19,571,540
Acquisition of tangible capital assets	--	253,721	--	--	68,639	214,755	723,088	1,260,200
Disposal of tangible capital assets	--	--	--	--	(47,486)	(16,327)	(76,273)	(140,086)
Balance, end of year	<u>453,548</u>	<u>954,515</u>	<u>1,797,204</u>	<u>14,114,745</u>	<u>923,835</u>	<u>1,085,812</u>	<u>1,361,998</u>	<u>20,691,657</u>
Accumulated amortization								
Balance, beginning of year	--	435,192	234,611	5,481,698	261,211	228,804	--	6,641,516
Annual amortization	--	20,190	35,940	353,738	55,027	40,661	--	505,556
Accumulated amortization on disposals	--	--	--	--	(13,410)	(15,830)	--	(29,240)
Balance, end of year	--	<u>455,382</u>	<u>270,551</u>	<u>5,835,436</u>	<u>302,828</u>	<u>253,635</u>	--	<u>7,117,832</u>
Net book value of tangible capital assets	<u>\$ 453,548</u>	<u>\$ 499,133</u>	<u>\$ 1,526,653</u>	<u>\$ 8,279,309</u>	<u>\$ 621,007</u>	<u>\$ 832,177</u>	<u>\$ 1,361,998</u>	<u>\$ 13,573,825</u>
2010 Net book value of tangible capital assets	<u>\$ 453,548</u>	<u>\$ 265,602</u>	<u>\$ 1,562,593</u>	<u>\$ 8,633,047</u>	<u>\$ 641,471</u>	<u>\$ 658,580</u>	<u>\$ 715,183</u>	<u>\$ 12,930,024</u>

**TOWN OF ELK POINT
SCHEDULE 3 - PROPERTY TAXES LEVIED
FOR THE YEAR ENDED DECEMBER 31, 2011**

	<u>Budget</u> (unaudited)	<u>2011</u>	<u>2010</u>
Taxation			
Residential land and improvements	\$ 544,269	\$ 741,154	\$ 659,014
Commercial property	451,617	533,391	500,025
Linear	62,000	62,010	51,575
Capital levy	<u>278,638</u>	<u>278,638</u>	<u>326,379</u>
	<u>1,336,524</u>	<u>1,615,193</u>	<u>1,536,993</u>
Requisitions			
Alberta School Foundation	303,724	303,698	279,383
M.D. of St. Paul Foundation	<u>--</u>	<u>--</u>	<u>48,212</u>
	<u>303,724</u>	<u>303,698</u>	<u>327,595</u>
Net taxes for general municipal operations	\$ <u>1,032,800</u>	\$ <u>1,311,495</u>	\$ <u>1,209,398</u>

SCHEDULE 4 - GOVERNMENT TRANSFERS

Transfers for operations			
Provincial	\$ 48,200	\$ 361,327	\$ 348,963
Other local governments	<u>161,200</u>	<u>108,935</u>	<u>109,299</u>
	<u>209,400</u>	<u>470,262</u>	<u>458,262</u>
Transfers for capital			
Provincial	1,036,000	198,738	716,532
Other local governments	<u>71,000</u>	<u>92,130</u>	<u>--</u>
	<u>1,107,000</u>	<u>290,868</u>	<u>716,532</u>
Total government transfers	\$ <u>1,316,400</u>	\$ <u>761,130</u>	\$ <u>1,174,794</u>

SCHEDULE 5 - CONSOLIDATED EXPENSES BY OBJECT

Expenses			
Salaries, wages and benefits	\$ 774,100	\$ 826,704	\$ 777,616
Contracted and general services	589,100	698,313	491,463
Purchases from other governments	8,000	2,820	12,923
Materials, goods, supplies and utilities	546,000	503,494	494,117
Transfers to individuals and organizations	69,000	169,398	295,526
Bank charges and short-term interest	2,000	1,229	2,110
Interest on long-term debt	9,000	3,303	12,155
Other expenditures	10,000	10,930	16,383
Provision for allowances	--	--	3,647
Amortization of tangible capital assets	<u>511,500</u>	<u>505,556</u>	<u>466,449</u>
Total expenses	\$ <u>2,518,700</u>	\$ <u>2,721,747</u>	\$ <u>2,572,389</u>

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

	<u>General Government</u>	<u>Protective Services</u>	<u>Transportation Services</u>	<u>Environmental Services</u>	<u>Public Health, Planning and Development</u>	<u>Recreation and Culture</u>	<u>Total</u>
Revenue							
Net municipal taxes	\$ 1,311,495	\$ --	\$ --	\$ --	\$ --	\$ --	\$ 1,311,495
Government transfers for operations	--	60,967	--	172,225	199,786	37,284	470,26
Government transfers for capital	--	58,303	140,055	--	--	92,510	290,868
Sales and user fees	8,478	66,252	34,609	563,078	82,796	22,221	777,434
Investment income	6,736	--	--	--	10,740	193	17,669
Other revenues for operations	159,313	11,709	8,741	5,629	39,075	3,134	227,601
Other capital items	<u>--</u>	<u>--</u>	<u>(4,289)</u>	<u>--</u>	<u>--</u>	<u>39,453</u>	<u>35,164</u>
	<u>1,486,022</u>	<u>197,231</u>	<u>179,116</u>	<u>740,932</u>	<u>332,397</u>	<u>194,795</u>	<u>3,130,493</u>
Expenses							
Salaries, wages and benefits	211,820	54,706	167,794	202,409	91,960	98,015	826,704
Contracted and general services	105,512	46,821	121,148	256,393	93,322	75,117	698,313
Goods and supplies	22,822	38,148	169,005	215,927	19,414	40,998	506,314
Transfers to others	--	--	--	9,105	159,793	500	169,39~
Long-term debt interest	--	--	50	3,253	--	--	3,303
Other expenses	<u>12,159</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>12,159</u>
	<u>352,313</u>	<u>139,675</u>	<u>457,997</u>	<u>687,087</u>	<u>364,489</u>	<u>214,630</u>	<u>2,216,191</u>
Net revenue before amortization	1,133,709	57,556	(278,881)	53,845	(32,092)	(19,835)	914,302
Amortization expense	<u>(10,045)</u>	<u>(41,117)</u>	<u>(282,799)</u>	<u>(124,772)</u>	<u>(20,125)</u>	<u>(26,698)</u>	<u>(505,556)</u>
Net revenue	<u>\$ 1,123,664</u>	<u>\$ 16,439</u>	<u>\$ (561,680)</u>	<u>\$ (70,927)</u>	<u>\$ (52,217)</u>	<u>\$ (46,533)</u>	<u>\$ 408,746</u>

**TOWN OF ELK POINT
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011**

1. Significant Accounting Policies

The consolidated financial statements of the Town of Elk Point are the representations of management prepared in accordance with Canadian generally accepted accounting principles for local governments established by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants. Significant aspects of the accounting policies adopted by the town are as follows:

(a) Reporting Entity

The consolidated financial statements reflect the assets, liabilities, revenues and expenses, and change in financial position of the reporting entity. This entity is comprised of the municipal operations plus all of the organizations that are owned or controlled by the town and are, therefore, accountable to the town Council for the administration of their financial affairs and resources.

The schedule of taxes levied also includes requisitions for education and other external organizations that are not part of the municipal reporting entity.

The statements exclude trust assets that are administered for the benefit of external parties.

Interdepartmental and organizational transactions and balances are eliminated.

(b) Basis of Accounting

The financial statements are prepared using the accrual basis of accounting. The accrual basis of accounting records revenue as it is earned and measurable. Expenses are recognized as they are incurred and measurable based upon receipt of goods or services and/or the legal obligation to pay.

Funds from external parties and earnings thereon restricted by agreement or legislation are accounted for as deferred revenue until used for the purpose specified.

Government transfers, contributions and other amounts are received from third parties pursuant to legislation, regulation or agreement and may only be used for certain programs, in the completion of specific work, or for the purchase of tangible capital assets. In addition, certain user charges and fees are collected for which the related services have yet to be performed. Revenue is recognized in the period when the related expenses are incurred, services performed or the tangible capital assets are acquired.

(c) Use of Estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the period. Where measurement uncertainty exists, the financial statements have been prepared within reasonable limits of materiality. Actual results could differ from those estimates.

**TOWN OF ELK POINT
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011**

1. Significant Accounting Policies - continued

(d) Investments

Investments are recorded at amortized cost. When there has been a loss in value that is other than a temporary decline, the respective investment is written down to recognize the loss.

(e) Inventory of Land Held for Resale

Land held for resale is recorded at the lower of cost or net realizable value. Cost includes costs for land acquisition and improvements required to prepare the land for servicing such as clearing, stripping, and leveling charges. Related development costs incurred to provide infrastructure such as water and wastewater services, roads, sidewalks and street lighting are recorded as physical assets under their respective function.

(f) Requisition Over-levy and Under-levy

Over-levies and under-levies arise from the difference between the actual property tax levy made to cover each requisition and the actual amount requisitioned.

If the actual levy exceeds the requisition, the over-levy is accrued as a liability and property tax revenue is reduced. Where the actual levy is less than the requisition amount, the under-levy is accrued as a receivable and as property tax revenue.

Requisition tax rates in the subsequent year are adjusted for any over-levies or under-levies of the prior year.

(g) 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.

**TOWN OF ELK POINT
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011**

1. Significant Accounting Policies – continued

(h) Government Transfers

Government transfers are the transfer of assets from senior levels of government that are not the result of an exchange transaction, are not expected to be repaid in the future, or the result of a direct financial return.

Government transfers are recognized in the financial statements as revenue in the period in which events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met, and reasonable estimates of the amounts can be determined.

(i) Non-Financial Assets

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the normal course of operations. The change in non-financial assets during the year, together with the excess of revenues over expenses, provides the consolidated Change in Net Financial Assets 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	50
Engineered structures	
Roadway system	5-60
Wastewater system	45-75
Water system	45-75
Curbs and gutters	30
Machinery and equipment	5-40
Vehicles	10-25
Land improvements	10-25

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

(ii) Contributions of Tangible Capital Assets

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

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

2. Investments

<u>Rate</u>	<u>Maturity Date</u>	<u>Amount</u>
2.10%	November 25, 2012	\$ 208,488
1.65%	March 24, 2012	102,514
1.00%	December 31, 2011	109,865
1.45%	March 24, 2013	<u>207,183</u>
		<u>\$ 628,050</u>

3. Taxes and Grants in Place Receivable

	<u>2011</u>	<u>2010</u>
Current taxes and grants in place	\$ <u>75,808</u>	\$ <u>74,711</u>
Non-current taxes and grants in place	36,567	35,735
Less: allowance for doubtful accounts	<u>(20,161)</u>	<u>(20,161)</u>
	<u>16,406</u>	<u>15,574</u>
	<u>\$ 92,214</u>	<u>\$ 90,285</u>

4. Loans Receivable

	<u>2011</u>	<u>2010</u>
5.875% loan payable in annual installments of \$9,200 including principal and interest, maturing March 17, 2023.	\$ 77,661	\$ 82,041
5.037% loan payable in annual installments of \$9,630 including principal and interest, maturing March 15, 2028.	108,246	112,224
5.625% loan payable in equal annual installments of \$3,843 including principal and interest, maturing April, 2014.	<u>10,344</u>	<u>13,432</u>
Total loans receivable	196,251	207,697
Less: current portion	<u>(12,077)</u>	<u>(11,445)</u>
	<u>\$ 184,174</u>	<u>\$ 196,252</u>

5. Employee Benefit Obligation

Included in accounts payable and accrued liabilities is a vacation and overtime liability of \$47,857 (2010 - \$45,935). The vacation and overtime liability is comprised of the vacation and overtime that employees have earned and are entitled to within the next budgetary year.



**TOWN OF ELK POINT
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011**

6. Deferred Revenue	<u>2011</u>	<u>2010</u>
Operating revenue	\$ 1,560	\$ 1,468
Interest earned on grants	7,759	--
Prepaid local improvement charges	5,136	5,895
Iron Horse Trail donations	5,214	5,214
Alberta Municipal Water Waste Water grant	1,847,765	--
Joint 2007/2008 Muni-Sponsorship grant	--	49,625
Federal Gas Tax	--	140,055
Alberta Culture and Community Spirit	517,805	508,610
Municipal Sustainability Initiative grant	<u>152,951</u>	<u>10,566</u>
	\$ <u>2,538,190</u>	\$ <u>721,433</u>

Funding from various grant programs, organizations and individuals, in the amount of \$2,538,190 remained unspent at the end of the current year. The use of these funds is restricted to eligible operating and capital projects as approved under the funding agreements or as indicated by the donors. Most of the projects are scheduled for completion in 2012.

7. Long-Term Debt	<u>2011</u>	<u>2010</u>
Tax supported debentures	\$ --	\$ 216
Self-supported debentures	--	5,806
Utility supported debentures	<u>--</u>	<u>76,572</u>
	\$ <u>--</u>	\$ <u>82,594</u>

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

Interest on long-term debt amounted to \$3,303 (2010 - \$12,155).

The town's cash payment for interest paid on long-term debt was \$8,967 (2010 -\$18,264).

**TOWN OF ELK POINT
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011**

8. Debt Limits

Section 276(2) of the Municipal Government Act requires that debt and debt limits as defined by Alberta Regulation 255/00 for the Town of Elk Point be disclosed as follows:

	<u>2011</u>	<u>2010</u>
Total debt limit	\$ 4,404,066	\$ 4,310,178
Total debt (including loan guarantees)	<u>(288,740)</u>	<u>(365,233)</u>
Debt limit remaining	<u>\$ 4,115,326</u>	<u>\$ 3,944,945</u>
Debt servicing limit	\$ 734,011	\$ 718,363
Debt servicing	<u>---</u>	<u>(91,561)</u>
Debt servicing limit remaining	<u>\$ 734,011</u>	<u>\$ 626,802</u>

The debt limit is calculated at 1.5 times revenue of the municipality (as defined in Alberta Regulation 255/00) and the debt service limit is calculated at 0.25 times such revenue. Incurring debt beyond these limitations requires approval by the Minister of Municipal Affairs. These thresholds are guidelines used by Alberta Municipal Affairs to identify municipalities that could be at financial risk if further debt is acquired. The calculation taken alone does not represent the financial stability of the municipality. Rather, the financial statements must be interpreted as a whole.

9. Temporary Loans Payable

The town has a prime plus 0% authorized revolving loan limit of \$750,000 with the Servus Credit Union. No balance was outstanding as at December 31, 2011.

10. Equity in Tangible Capital Assets

	<u>2011</u>	<u>2010</u>
Tangible capital assets (schedule 2)	\$ 20,691,657	\$ 19,571,540
Accumulated amortization (schedule 2)	<u>(7,117,832)</u>	<u>(6,641,516)</u>
Long-term debt (note 7)	<u>---</u>	<u>(82,594)</u>
	<u>\$ 13,573,825</u>	<u>\$ 12,847,430</u>

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

11. Accumulated Surplus

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

	<u>2011</u>	<u>2010</u>
Unrestricted surplus	\$ <u>50,875</u>	\$ <u>465,875</u>
Restricted surplus		
Cemetery	19,825	19,825
Economic development	43,391	32,013
Waterpark	--	38,980
Rescue van	145,539	106,103
Jaws of Life	3,276	2,245
General contingency	670,403	585,917
Land sale	89,614	89,614
Iron Horse Trail	2,825	2,825
MD of St. Paul Foundation	<u>14,072</u>	<u>14,072</u>
	<u>988,945</u>	<u>891,594</u>
Equity in tangible capital assets (note 10)	<u>13,573,825</u>	<u>12,847,430</u>
	<u>\$ 14,613,645</u>	<u>\$ 14,204,899</u>

12. Salary and Benefits Disclosure

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

	<u>2011</u>			<u>2010</u>
	Salary ⁽¹⁾	Benefits & Allowances ⁽²⁾	Total	Total
Mayor – Tung	\$ 17,275	\$ 3,514	\$ 20,789	\$ 16,150
Councillors				
Yaremkevich	13,600	--	13,600	14,623
Capjack	13,575	--	13,575	12,392
Buck	8,925	3,629	12,554	1,650
Fraess	12,525	1,945	14,470	4,619
Millar	--	--	--	12,973
Gormley	--	--	--	6,950
Town Manager	82,748	23,140	105,888	104,729

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

⁽²⁾ Employer's share of all employee benefits and contributions or payments made on behalf of employees including pension, health care, dental coverage, group life insurance, accidental disability and dismemberment insurance, long and short-term disability plans, professional memberships, registrations and travel.

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

13. 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 133,000 people and 389 employers. The LAPP is financed by employer and employee contributions and by investment earnings of the LAPP Fund.

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

The town is required to make current service contributions to the LAPP of 9.49% of pensionable earnings up to the year's maximum pensionable earnings under the Canada Pension Plan and 13.13% on pensionable earnings above this amount. Employees of the town are required to make current service contributions of 8.49% of pensionable salary up to the year's maximum pensionable salary and 12.13% on pensionable salary above this amount.

Total current service contributions by the town to the LAPP in 2011 were \$48,033 (2010 - \$42,261). Total current service contributions by the employees of the town to the LAPP in 2011 were \$43,218 (2010 - \$37,840).

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

14. Segmented Disclosure

The Town of Elk Point provides a range of services to its ratepayers. For each reported segment, revenues and expenses represent both amounts that are directly attributable to the segment and amounts that are allocated on a reasonable basis. The accounting policies used in these segments are consistent with those followed in the preparation of the financial statements as disclosed in note 1.

Refer to Schedule 6 – Segmented Disclosure.

15. Contingencies

- (a) The Town of Elk Point is a member of the Alberta Municipal Insurance Exchange (MUNIX). Under the terms of membership, the Town of Elk Point 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.
- (b) The town has guaranteed their pro-rata share of a 4.85% Servus Credit Union loan for the M.D. of St. Paul Foundation. The town's share is calculated based on their equalized assessment. As at December 31, 2011 the loan balance was \$57,004, therefore the town's guarantee would be limited to \$3,666. The loan is in good standing.

**TOWN OF ELK POINT
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011**

15. Contingencies - continued

- (c) The town has guaranteed one-half of a \$300,000 prime plus 2% Servus Credit Union line of credit for the Elk Point Regional Allied Arts Society. As at December 31, 2011, the line of credit balance was \$218,926, therefore the town's guarantee would be limited to \$109,463. The loan is in good standing.
- (d) The town has guaranteed a \$200,000 prime plus 2% Servus Credit Union line of credit for the Elk Point Chamber of Commerce. As at December 31, 2011 the line of credit balance was \$175,611. The loan is in good standing.

16. Financial Instruments

The town's financial instruments consist of cash, investments, receivables, long-term investments, accounts payable and accrued liabilities, deposit liabilities and long-term debt. It is management's opinion that the town is not exposed to significant interest or currency risks arising from these financial instruments.

The town is subject to credit risk with respect to taxes and grants in place receivable, and trade and other receivables. Credit risk arises from the possibility that taxpayers and entities to which the town provides services may experience financial difficulty and be unable to fulfill their obligations. The large number and diversity of taxpayers and customers minimizes the credit risk.

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

17. Approval of Financial Statements

Council and Management have approved these financial statements.