

TOWN OF COALDALE

**CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011**

TOWN OF COALDALE

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2011

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Independent Auditor's Report

To the Mayor and Members of Council of the
Town of Coaldale

We have audited the accompanying financial statements of the Town of Coaldale, which comprise the statement of financial position as at December 31, 2011, and the statements of operations, change 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 Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these 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 the Town of Coaldale as at December 31, 2011 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.

BDO Canada LLP

Chartered Accountants

Lethbridge, Alberta

May 28, 2012

TOWN OF COALDALE

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31, 2011

	2011	2010
ASSETS		
Cash and temporary investments (Note 2)	\$ 8,166,720	\$ 7,840,281
Receivables		
Taxes and grants in lieu receivables (Note 3)	778,068	807,316
Trade and other receivables	1,192,189	2,822,274
Land held for resale	288,572	288,572
Investments (Note 4)	100,000	100,000
	10,525,549	11,858,443
LIABILITIES		
Accounts payable and accrued liabilities	1,644,572	594,178
Deposit liabilities	56,625	91,158
Accrued interest payable on long term debt	140,854	140,854
Deferred revenue (Note 5)	1,080,225	3,690,642
Employee benefit obligations (Note 6)	311,761	192,501
Long term debt (Note 7)	6,185,919	5,204,373
	9,419,956	9,913,706
NET FINANCIAL ASSETS	1,105,593	1,944,737
NON-FINANCIAL ASSETS		
Tangible capital assets (Schedule 2)	80,650,425	74,100,459
Inventory for consumption	27,760	21,150
Prepaid expenses	-	170,893
	80,678,185	74,292,502
ACCUMULATED SURPLUS (Schedule 1, Note 10)	\$ 81,783,778	\$ 76,237,239

Commitments and contingencies - See Notes 14 and 15

APPROVED BY TOWN COUNCIL:

MAYOR

TOWN MANAGER

The accompanying notes and supporting schedules to which the financial statements are cross-referenced are an integral part of these financial statements.

TOWN OF COALDALE

CONSOLIDATED STATEMENT OF OPERATIONS FOR THE YEAR ENDED DECEMBER 31, 2011

	Budget	2011	2010
REVENUE			
Net municipal taxes (Schedule 3)	\$ 5,397,039	\$ 5,381,411	\$ 4,954,213
Sales and user charges			
Water supply and distribution	1,448,535	1,344,228	1,182,319
Wastewater treatment	1,090,477	1,085,841	988,696
Waste management	789,858	797,089	734,545
Subdivision land development	-	11,606	59,659
Other	277,606	412,755	214,538
Recreation and parks	92,010	205,867	217,619
Ambulance	-	-	112,149
Penalties and costs on taxes	47,500	165,497	133,589
Franchise and concession contracts	208,300	329,529	246,442
Investment income	81,000	90,511	71,029
Rentals	-	16,250	-
Government transfers (Schedule 4)	1,293,901	1,383,453	1,823,938
Development levies	-	243,959	52,615
Licenses and permits	84,400	92,953	92,111
Net gain of sale of tangible capital assets	-	-	11,539
Other revenues	79,480	717,757	73,059
TOTAL REVENUE	10,890,106	12,278,706	10,968,060
EXPENSES			
Legislative	301,169	251,314	188,493
Administrative	848,512	943,147	800,614
Protective services	2,555,948	2,760,812	3,053,076
Transportation	1,589,499	2,563,324	2,228,014
Environmental user protection	2,054,690	2,714,172	2,802,606
Public Health	252,477	231,806	227,781
Planning and development	303,197	250,995	243,305
Subdivision land development	-	-	-
Recreation and culture	1,783,134	1,845,124	1,595,056
Loss on disposal of tangible capital assets	-	2,985	56,607
TOTAL EXPENSES	9,688,626	11,563,679	11,195,552
EXCESS (SHORTFALL) OF REVENUE OVER EXPENSES - BEFORE OTHER	1,201,480	715,027	(227,492)
OTHER			
NBV of 2009 Assets	-	-	62,854
Contributed assets	-	162,000	917,244
Government transfers for capital (Schedule 4)	5,728,419	4,669,512	2,039,778
	5,728,419	4,831,512	3,019,876
EXCESS (SHORTFALL) OF REVENUE OVER EXPENSES	6,929,899	5,546,539	2,792,384
ACCUMULATED SURPLUS, BEGINNING OF YEAR	76,237,239	76,237,239	73,444,855
ACCUMULATED SURPLUS, END OF YEAR	\$ 83,167,138	\$ 81,783,778	\$ 76,237,239

The accompanying notes and supporting schedules to which the financial statements are cross-referenced are an integral part of these financial statements.

TOWN OF COALDALE

CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL ASSETS (DEBT) FOR THE YEAR ENDED DECEMBER 31, 2011

	Budget	2011	2010
EXCESS OF REVENUES OVER EXPENSES	<u>\$ 6,929,899</u>	<u>\$ 5,546,539</u>	<u>\$ 2,792,384</u>
Acquisition of tangible capital assets	(9,387,825)	(8,329,777)	(2,486,212)
Contributed tangible capital assets	-	(162,000)	(917,244)
NBV of 2009 Assets	-	-	(62,854)
Amortization of tangible capital assets	-	1,938,826	1,863,358
Loss on disposal of tangible capital assets	-	2,985	162,469
	<u>(9,387,825)</u>	<u>(6,549,966)</u>	<u>(1,440,483)</u>
Acquisition of supplies inventories	-	(99,375)	(101,846)
Acquisition of prepaid assets	-	-	(170,893)
Use of supplies inventories	-	92,765	94,029
Use of prepaid assets	-	170,893	145,344
	<u>-</u>	<u>164,283</u>	<u>(33,366)</u>
INCREASE (DECREASE) IN NET FINANCIAL ASSETS (DEBT)	(2,457,926)	(839,144)	1,318,535
NET FINANCIAL ASSETS (DEBT), BEGINNING OF YEAR	<u>1,944,737</u>	<u>1,944,737</u>	<u>626,202</u>
NET FINANCIAL ASSETS (DEBT), END OF YEAR	<u>\$ (513,189)</u>	<u>\$ 1,105,593</u>	<u>\$ 1,944,737</u>

The accompanying notes and supporting schedules to which the financial statements are cross-referenced are an integral part of these financial statements.

TOWN OF COALDALE

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2011

	2011	2010
NET INFLOW (OUTFLOW) OF CASH RELATED TO:		
OPERATING		
Excess of revenue over expenses	\$ 5,546,539	\$ 2,792,384
Non-cash items included in excess of revenue over expenses:		
Amortization of tangible capital assets	1,938,826	1,863,358
NBV of 2009 Assets	-	(62,854)
Loss on disposal of tangible capital assets	2,985	162,469
Tangible capital assets received as contributions	(162,000)	(917,244)
Non-cash charges to operations (net change):		
Decrease in taxes and grants in lieu receivable	29,248	(109,622)
Decrease in trade and other receivables	1,630,085	880,244
Decrease in land held for resale	-	2,442
(Increase) in inventory for consumption	(6,610)	(7,817)
(Increase) decrease in prepaid expenses	170,893	(25,549)
Increase in accounts payable and accrued liabilities	1,050,394	70,138
(Decrease) in deposit liabilities	(34,533)	(20,550)
(Decrease) in deferred revenue	(2,610,417)	(24,977)
Increase in employee benefit obligations	119,260	8,228
	7,674,670	4,610,650
Cash provided by operating transactions		
CAPITAL		
Acquisition of tangible capital assets	(8,329,777)	(2,486,212)
Cash applied to capital transactions	(8,329,777)	(2,486,212)
FINANCING		
Long-term debt issued	1,428,700	80,000
Long-term debt repaid	(447,154)	(505,952)
Cash provided by (applied to) financing transactions	981,546	(425,952)
CHANGE IN CASH AND CASH EQUIVALENTS DURING YEAR	326,439	1,698,486
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	7,840,281	6,141,795
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 8,166,720	\$ 7,840,281

The accompanying notes and supporting schedules to which the financial statements are cross-referenced are an integral part of these financial statements.

TOWN OF COALDALE

SCHEDULE OF CHANGES IN ACCUMULATED SURPLUS FOR THE YEAR ENDED DECEMBER 31, 2011 SCHEDULE 1

	Unrestricted Surplus	Restricted Surplus	Equity in Tangible Capital Assets	2011	2010
Balance, Beginning of Year	\$ 360,766	\$ 6,788,460	\$ 69,088,013	\$ 76,237,239	\$ 73,444,855
Excess of revenues over expenses	5,546,539	-	-	5,546,539	2,792,384
Unrestricted fund designated to future use	(1,279,476)	1,279,476	-	-	-
Restricted used for operations	41,022	(41,022)	-	-	-
Restricted funds used for tangible capital assets	-	(1,268,663)	1,268,663	-	-
Current year funds used for tangible capital assets	(5,941,348)	-	5,941,348	-	-
Contributed tangible capital assets	162,000	-	(162,000)	-	-
Disposal of tangible capital assets	2,985	-	(2,985)	-	-
Annual amortization expense	1,938,826	-	(1,938,826)	-	-
Long term debt repaid (capital)	(447,154)	-	447,154	-	-
Other	(74)	-	74	-	-
Change in accumulated surplus	23,320	(30,209)	5,553,428	5,546,539	2,792,384
Balance, End of Year	\$ 384,086	\$ 6,758,251	\$ 74,641,441	\$ 81,783,778	\$ 76,237,239

TOWN OF COALDALE

SCHEDULE OF TANGIBLE CAPITAL ASSETS FOR THE YEAR ENDED DECEMBER 31, 2011 SCHEDULE 2

	Engineering Structures	Buildings	Equipment	Municipal Land	Land Improvements	Vehicles	2011	2010
COST:								
BALANCE, BEGINNING OF YEAR	\$ 82,454,868	\$ 6,290,909	\$ 1,760,257	\$ 11,339,524	\$ 1,504,150	\$ 2,682,324	\$ 106,032,032	\$ 103,216,246
Acquisition of tangible capital assets	251,745	1,725,614	480,280	150,000	351,745	-	2,959,384	3,385,891
Construction-in-progress	4,290,629	1,241,764	-	-	-	-	5,532,393	17,565
Disposal of tangible capital assets	(16,487)	(83,075)	-	-	-	-	(99,562)	(679,457)
2009 Asset	-	-	-	-	-	-	-	91,787
BALANCE, END OF YEAR	86,980,755	9,175,212	2,240,537	11,489,524	1,855,895	2,682,324	114,424,247	106,032,032
ACCUMULATED AMORTIZATION:								
BALANCE, BEGINNING OF YEAR	24,619,310	4,725,972	823,181	-	577,008	1,186,102	31,931,573	30,556,270
2009 Asset	-	-	-	-	-	-	-	28,933
Annual Amortization	1,447,923	143,233	120,939	-	51,170	175,561	1,938,826	1,863,358
Accumulated amortization on disposals	(14,352)	(82,225)	-	-	-	-	(96,577)	(516,988)
BALANCE, END OF YEAR	26,052,881	4,786,980	944,120	-	628,178	1,361,663	33,773,822	31,931,573
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	\$ 60,927,874	\$ 4,388,232	\$ 1,296,417	\$ 11,489,524	\$ 1,227,717	\$ 1,320,661	\$ 80,650,425	\$ 74,100,459
2010 NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	\$ 57,835,558	\$ 1,564,937	\$ 937,076	\$ 11,339,524	\$ 927,142	\$ 1,486,222	\$ 74,100,459	\$ 74,100,459

TOWN OF COALDALE

SCHEDULE OF PROPERTY AND OTHER TAXES FOR THE YEAR ENDED DECEMBER 31, 2011 SCHEDULE 3

	Budget	2011	2010
TAXATION			
Real property taxes	\$ 6,978,250	\$ 6,969,515	\$ 6,420,569
Linear property taxes	93,907	91,307	90,144
Government grants in lieu of property taxes	20,365	20,365	18,939
	<u>7,092,522</u>	<u>7,081,187</u>	<u>6,529,652</u>
REQUISITIONS			
Alberta School Foundation Fund	1,433,188	1,437,106	1,278,999
Holy Spirit Roman Catholic Separate Regional District	177,075	177,450	218,936
Green Acres Foundation	85,220	85,220	77,504
	<u>1,695,483</u>	<u>1,699,776</u>	<u>1,575,439</u>
NET MUNICIPAL TAXES	<u>\$ 5,397,039</u>	<u>\$ 5,381,411</u>	<u>\$ 4,954,213</u>

TOWN OF COALDALE

SCHEDULE OF GOVERNMENT TRANSFERS FOR THE YEAR ENDED DECEMBER 31, 2011 SCHEDULE 4

	Budget	2011	2010
TRANSFERS FOR OPERATING:			
Federal Government			
Federal Early Literacy Training	\$ -	\$ -	\$ 1,496
Summer Career Program	3,165	-	2,816
	<u>3,165</u>	<u>-</u>	<u>4,312</u>
Provincial Government			
Alberta Municipal Infrastructure Program	-	-	96,042
Ambulance Services Grant	-	-	460,488
Community Development - Library	33,356	37,492	37,492
Rise Grant - Library	-	4,626	4,626
Disaster Services Training	-	3,350	-
Family Community and Support Services	148,200	148,197	148,197
Fines Distribution	130,000	192,083	115,862
Fire Service Training Initiative	-	102,879	91,876
Flood Relief	-	-	76,291
Municipal Assistance Grant	263,544	263,544	263,544
Internship	43,000	44,070	-
Municipal Sustainability Operating Grant	340,931	260,388	253,426
JEPP	25,000	-	-
Summer Temporary Employment Program	9,000	9,110	8,600
	<u>993,031</u>	<u>1,065,739</u>	<u>1,556,444</u>
Other Local Governments			
County of Lethbridge			
Arena Renovations	-	20,000	7,025
Fire Agreement	261,605	261,605	219,660
Library Contribution	36,100	36,109	36,497
	<u>297,705</u>	<u>317,714</u>	<u>263,182</u>
Total operating transfers	<u>1,293,901</u>	<u>1,383,453</u>	<u>1,823,938</u>
TRANSFERS FOR CAPITAL:			
Federal Government			
Enabling Accessibility Grant	75,000	-	-
Provincial Government			
Alberta Municipal Infrastructure Program	108,625	-	854,077
New Deals for Cities & Communities / FGTF	794,800	775,130	855,811
Munishare software	-	-	13,802
Municipal sustainability	3,502,300	2,828,532	169,238
CFEP	175,000	-	-
MSP Grant	61,944	61,945	-
Street Improvement Program	1,010,750	1,003,905	146,850
	<u>5,728,419</u>	<u>4,669,512</u>	<u>2,039,778</u>
Total capital transfers	<u>5,728,419</u>	<u>4,669,512</u>	<u>2,039,778</u>
TOTAL GOVERNMENT TRANSFERS	<u>\$ 7,022,320</u>	<u>\$ 6,052,965</u>	<u>\$ 3,863,716</u>

TOWN OF COALDALE

SCHEDULE OF CONSOLIDATED EXPENSES BY OBJECT FOR THE YEAR ENDED DECEMBER 31, 2011 SCHEDULE 5

	Budget	2011	2010
CONSOLIDATED EXPENSE BY OBJECT			
Salaries, wages and benefits	\$ 3,630,928	\$ 3,480,674	\$ 3,604,389
Contracted and general services	1,662,353	1,284,422	1,321,290
Purchases from other governments	1,991,500	2,171,507	1,827,592
Materials, goods and utilities	1,796,557	2,010,017	1,803,185
Transfers to local boards and agencies	270,653	300,287	374,351
Bank charges and short term interest	1,525	6,342	1,899
Interest on long term debt	321,360	318,387	327,970
Amortization of tangible capital assets	-	1,938,826	1,863,358
Loss on disposal of tangible capital assets	-	2,985	56,607
Other expenses	13,750	50,232	14,911
	<u>\$ 9,688,626</u>	<u>\$ 11,563,679</u>	<u>\$ 11,195,552</u>

TOWN OF COALDALE

SCHEDULE OF SEGMENT DISCLOSURE FOR THE YEAR ENDED DECEMBER 31, 2011 SCHEDULE 6

	Protection	Recreation and Culture	Planning	Transportation and Environmental	General Government	Consolidated
REVENUES						
Taxation	\$ -	\$ -	\$ -	\$ -	\$ 5,381,411	\$ 5,381,411
Sales of services & regulatory fees	42,798	441,918	50,846	3,274,300	47,524	3,857,386
Government transfer (Schedule 4)	815,461	100,537	-	187,502	279,953	1,383,453
Other	81,709	563,311	273,485	-	737,951	1,656,456
	<u>939,968</u>	<u>1,105,766</u>	<u>324,331</u>	<u>3,461,802</u>	<u>6,446,839</u>	<u>12,278,706</u>
EXPENSES						
Salaries and benefits	376,690	955,385	181,475	1,195,094	772,030	3,480,674
Goods and services	2,286,907	589,216	69,520	2,093,917	426,386	5,465,946
Interest & Bank Charges	-	11,334	-	312,003	1,392	324,729
Other	43,751	95,505	-	20,218	194,030	353,504
Amortization	53,464	194,534	-	1,658,399	32,429	1,938,826
	<u>2,760,812</u>	<u>1,845,974</u>	<u>250,995</u>	<u>5,279,631</u>	<u>1,426,267</u>	<u>11,563,679</u>
OTHER						
Contributed assets	-	12,000	-	-	150,000	162,000
Government Transfer for capital (Schedule 4)	-	1,524,931	-	3,144,581	-	4,669,512
Other Adjustments	-	-	-	-	-	-
	<u>-</u>	<u>1,536,931</u>	<u>-</u>	<u>3,144,581</u>	<u>150,000</u>	<u>4,831,512</u>
Net Surplus	<u>\$ (1,820,844)</u>	<u>\$ 796,723</u>	<u>\$ 73,336</u>	<u>\$ 1,326,752</u>	<u>\$ 5,170,572</u>	<u>\$ 5,546,539</u>

TOWN OF COALDALE

SCHEDULE OF SEGMENT DISCLOSURE FOR THE YEAR ENDED DECEMBER 31, 2010 SCHEDULE 6 A

	Protection	Recreation and Culture	Planning	Transportation and Environmental	General Government	Consolidated
REVENUES						
Taxation	\$ -	\$ -	\$ -	\$ -	\$ 4,954,213	\$ 4,954,213
Sales of services & regulatory fees	216,080	224,682	84,049	2,966,311	18,403	3,509,525
Government transfer (Schedule 4)	1,226,746	118,468	-	330,524	148,200	1,823,938
Other	25,321	50,815	78,928	176,200	349,121	680,385
	<u>1,468,147</u>	<u>393,965</u>	<u>162,977</u>	<u>3,473,035</u>	<u>5,469,937</u>	<u>10,968,061</u>
EXPENSES						
Salaries and benefits	799,812	894,325	121,951	1,173,043	615,258	3,604,389
Goods and services	2,084,391	468,554	64,783	1,992,249	342,090	4,952,067
Interest & Bank Charges	3,229	13,948	1,366	309,427	1,899	329,869
Other	96,334	79,667	1,853	75,038	192,977	445,869
Amortization	69,310	138,563	-	1,625,830	29,855	1,863,358
	<u>3,053,076</u>	<u>1,595,057</u>	<u>189,953</u>	<u>5,175,587</u>	<u>1,181,879</u>	<u>11,195,552</u>
OTHER						
Contributed assets	-	-	-	917,244	-	917,244
Government Transfer for capital (Schedule 4)	17,565	-	-	1,985,410	36,803	2,039,778
Other Adjustments	-	-	-	-	62,854	62,854
	<u>17,565</u>	<u>-</u>	<u>-</u>	<u>2,902,654</u>	<u>99,657</u>	<u>3,019,876</u>
Net Surplus	<u>\$ (1,567,364)</u>	<u>\$ (1,201,092)</u>	<u>\$ (26,976)</u>	<u>\$ 1,200,102</u>	<u>\$ 4,387,715</u>	<u>\$ 2,792,385</u>

TOWN OF COALDALE

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2011

1. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements of the Town of Coaldale are the representations of management prepared in accordance with 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 of Coaldale are as follows:

a) Reporting Entity

The financial statements reflect the assets, liabilities, revenues, expenditures, and changes in fund balances and in change in financial position of the reporting entity. The entity is comprised of the town 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, health, social and other external organizations that are not part of the town reporting entity.

The statements exclude trust assets that are administered for the benefit of external parties. Interdepartmental and organizational transactions and balances have been 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.

Revenues are accounted for in the period in which the transactions or events occurred that gave rise to the revenues. 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 are recognized in the financial statements as revenues in the period that the events giving rise to the transfer occurred, providing the transfers are authorized, the town has met any eligibility criteria, and reasonable estimates of the amounts can be made.

Expenditures are recognized in the period the goods and services are acquired and a liability is incurred or transfers are due.

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 expenditure 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 COALDALE

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2011

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

d) Inventories

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.

e) 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 charge 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, 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:

	YEARS
Engineering Structures	5-75
Buildings	25-50
Equipment	5-40
Municipal Land	N/A
Land Improvements	15-45
Vehicles	10-40

Assets under construction are not amortized until the asset is available for productive use.

ii. Contributions of Tangible Capital Assets

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

iii. Leases

Leases are classified as capital or operating leases. Leases which transfer substantially all of the benefits and risks incidental to ownership of property are accounted for as capital leases. All other leases are accounted for as operating leases and the related lease payments are charged to expenses as incurred.

iv. Cultural and Historical Tangible Capital Assets

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

TOWN OF COALDALE

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2011

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

f) Measurement Uncertainty

The preparation of consolidated financial statements in conformity with Canadian public sector accounting standards, requires management to make estimates and assumptions that affect the reporting amounts of assets and liabilities, and disclosure of contingent assets and liabilities, at the date of the consolidated financial statements and the reported amounts of the revenues and expenses during the period. Items requiring the use of significant estimates include the useful life of tangible capital assets, rates for amortization and estimated employee benefits.

The cost of non-vesting sick time benefits should be actuarially determined using management's best estimates of salary escalation, accumulated sick days, long-term inflation rates and discount rates. Currently there has not been any actuarial valuations used in the determination of the sick time that has been accrued. Management has estimated the accrual of sick time based on historical use over the annual sick time allotment, and recorded a portion of the time estimated.

Estimates are based on the best information available at the time of preparation of the consolidated financial statements and are reviewed annually to reflect new information as it becomes available. Measurement uncertainty exists in these consolidated statements. Actual results could differ from these estimates.

2. CASH AND TEMPORARY INVESTMENTS

	2011	2010
Petty cash	\$ 770	\$ 770
Operating account	8,161,945	7,835,503
Community Centre account	4,005	4,008
	\$ 8,166,720	\$ 7,840,281

Business Account earning interest at the rate of prime less 1.90%.

3. TAXES AND GRANTS IN LIEU RECEIVABLES

	2011	2010
Current taxes and grants in lieu	\$ 20,051	\$ 48,302
Arrears taxes	758,017	759,014
	\$ 778,068	\$ 807,316

4. INVESTMENTS

	2011	2010
Scotiabank non-redeemable GIC maturing on November 19, 2014 earning interest at the rate of 3.15%	\$ 100,000	\$ 100,000

TOWN OF COALDALE

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2011

5. DEFERRED REVENUE

	2011	2010
Street Improvement Program Grant Funds - 2009	\$ -	\$ 166,687
Street Improvement Program Grant Funds - 2010	-	416,580
Federal Gas Tax Fund 2010	-	386,934
Unearned Revenue Recreation (Class)	2,274	1,638
Fire Protection Training Grant	41,122	28,119
Disaster Services Training Grant	-	3,350
FCSS Funds for Community Hub	-	12,455
Sustainability Operating Grant 2010	28,640	66,994
Sustainability Operating Grant 2011	147,631	-
Sustainability Capital Grant 2011	754,826	-
Sustainability Capital Grant 2010	4,484	1,134,227
Sustainability Capital Grant 2009	3,214	423,732
Sustainability Capital Grant 2008	3,692	582,887
Sustainability Capital Grant 2007	1,495	284,115
Downtown Mural	4,000	4,000
MSP Grant 2010	-	61,945
Prepaid Property Taxes	88,847	116,979
	\$ 1,080,225	\$ 3,690,642

Sustainability Operating Grant

Funds will be used to refurbish an arena wall and pool foundation, within the Town and Infrastructure Master Plan and road patching.

Sustainability Capital Grant

Funds will be used towards various building projects plus the development of a New Industrial Park within the Town. These projects need to be approved before commencement.

6. EMPLOYEE BENEFIT OBLIGATIONS

	2011	2010
Vacation & Banked Time & Sick Time	\$ 311,761	\$ 192,501

The vacation, bank, and sick liability are for vacation, bank and sick time that employees are deferring to a future year. Sick time is earned every pay and accumulates to a maximum of 24 weeks. The accumulated amount is reduced when sick time is taken. When an employee leaves their sick time is not paid out. As of December 31, 2011, management has accrued \$75,000 for estimated sick time benefits.

TOWN OF COALDALE

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2011

7. LONG TERM DEBT

	2011	2010
Tax supported debentures	\$ 4,674,111	\$ 3,579,613
Supported by Utility Rates	1,334,873	1,432,833
	6,008,984	5,012,446
Capital Debt received asset not yet acquired	75,860	80,000
Operating debentures	101,075	111,927
	\$ 6,185,919	\$ 5,204,373

The current portion of long term debt amounts to \$484,723 (2010 - \$430,740)

Principal and interest repayments are due as follows:

	Principal	Interest	Total
2012	\$ 484,723	\$ 328,224	\$ 812,947
2013	451,100	304,264	755,364
2014	462,439	280,976	743,415
2015	422,304	257,326	679,630
2016	403,844	234,858	638,702
Thereafter	3,961,509	1,146,197	5,107,706
	\$ 6,185,919	\$ 2,551,845	\$ 8,737,764

Debenture debt is repayable to Alberta Capital Finance Authority and bears interest at rates ranging from 2.788% to 9.500% per annum, before Provincial subsidy, and matures in periods 2012 through 2031. The average annual interest rate is 5.3657% for 2011 (5.8932% for 2010). For qualifying debentures, the Province of Alberta rebates 60% of interest in excess of 8%, 9% and 11% to a maximum annual rate of 12.5%, depending on the date borrowed. Debenture debt is issued on the credit and security of the Town of Coaldale at large.

Five debentures were issued by Alberta Capital Finance Authority to the Town of Coaldale during 2011, as follows:

#86 Arena Expansion	\$ 110,000
#87 Shop Renovation	110,000
#88 NE Ind Park Phase 1	537,000
#89 NE Ind Park Phase 1	401,700
#90 the HUB	270,000
	\$ 1,428,700

TOWN OF COALDALE

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2011

8. DEBT LIMITS

Section 217 of the Municipal Government Act requires that debt and debt limits as defined by regulation for the Town of Coaldale be disclosed as follows:

	2011	2010
Total debt limit	\$ 18,661,059	\$ 17,947,958
Total debt	6,185,919	5,204,373
 Total Debt Under Limit	 \$ 12,475,140	 \$ 12,743,585
	2011	2010
Service on debt limit	\$ 3,110,177	\$ 2,991,326
Service on debt	765,542	774,918
 Total Under Service on Debt Limit	 \$ 2,344,635	 \$ 2,216,408

The debt limit is calculated at 1.5 times revenue of the Town (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 calculations taken alone does not represent the financial stability of the municipality. Rather, the financial statements must be interpreted as a whole.

9. EQUITY IN TANGIBLE CAPITAL ASSETS

	2011	2010
Tangible Capital Assets (Schedule 2)	\$ 114,424,247	\$ 106,032,032
Accumulated amortization (Schedule 2)	(33,773,822)	(31,931,573)
Long term debt (Note 7)	(6,008,984)	(5,012,446)
	\$ 74,641,441	\$ 69,088,013

TOWN OF COALDALE

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2011

10. ACCUMULATED SURPLUS

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

	2011	2010
Unrestricted surplus	\$ 384,086	\$ 360,766
Restricted surplus		
Tax rate stabilization	2,402,406	1,333,296
Future Capital Expenditures	4,355,845	5,455,164
Equity in tangible capital assets	74,641,441	69,088,013
	\$ 81,783,778	\$ 76,237,239

11. SEGMENTED INFORMATION

The Town of Coaldale provide numerous services to its citizens. For management reporting purposes these services are separated into department for tracking purposes.

The main departments are as follows:

Protection

This segment includes regional policing costs as per agreement with the City of Lethbridge. Fire and rescue services for the Town and a portion of the County. Municipal emergency acts as the agent of Council to carry out its statutory powers and obligations under the Emergency Management Act. This department prepares and coordinates the Municipal Emergency Plan and related plans and programs. Management, administration and operation of regulatory and safety services. The primary function of this department is to administer and operate municipal bylaws and health and safety programs.

Community Services

This segment includes all the parks, recreation services and other cultural services. All these services provide recreation and leisure services to the citizens and those from the surrounding areas.

Planning

This segment's function is to steward effective land use and orderly growth of the community in order to sustain and enhance the quality of life for both current and future citizens of Coaldale.

Transportation and Environmental

This segment includes transportation and environmental user protection. This department provides drinking water, collecting and treating of wastewater and collecting, disposal of solid waste, plus the management of storm water. The Town is working diligently to reduce the amount of solid waste being collected and reducing the amount of storm water leaving Coaldale. This department also maintains the road systems throughout Coaldale.

General Government

This segment includes Council expenditures and administration costs required to operate the Town of Coaldale. Included in this segment are election costs and costs that are associated with completing the census (population).

TOWN OF COALDALE

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2011

12. SALARY AND BENEFITS DISCLOSURE

Disclosure of salaries and benefits for elected Town officials, the chief administrative officer and designated officers as required by provincial regulation are as follows:

	2011			2010
	Salary (1)	Benefits & Allowances (2) & (3)	Total	Total
Mayors:				
Craig	\$ 24,240	\$ 1,969	\$ 26,209	\$ 24,743
Councillors:				
Chapman	13,895	300	14,195	13,855
Duda	14,950	337	15,287	16,473
Langstraat	14,683	2,953	17,636	17,543
Martens	14,423	1,305	15,728	14,093
Mensch	-	-	-	12,924
Pauls	13,808	1,347	15,155	2,277
Wentz	15,303	2,611	17,914	16,321
Town Manager	105,981	19,984	125,965	144,357
Assistant Town Manager	-	-	-	37,837
Designated Officers				
Chief Financial Officer	75,772	14,252	90,024	-
Director of Corporate Services	-	-	-	55,357
Director of Community Services	65,818	12,258	78,076	66,219
Director of Operations and Engineering	100,164	17,286	117,450	111,038
Fire Chief	98,001	19,254	117,255	113,770
	\$ 557,038	\$ 93,856	\$ 650,894	\$ 646,807

(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 retirement pension, Canada Pension Plan (CPP), employment insurance (EI), health care, dental coverage, vision coverage, group life insurance, accidental disability and dismemberment insurance, long and short term disability plans, professional memberships, and tuition.

(3) Benefits and allowances figures also include the employer's share of the costs of additional taxable benefits including special leave with pay, financial planning services, retirement planning services, concessionary loans, travel allowances, car allowances and club memberships.

TOWN OF COALDALE

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2011

13. LOCAL AUTHORITIES PENSION PLAN

Employees of the Town of Coaldale participate in the Local Authorities Pension Plan (LAPP), which is covered by the Alberta Public Sector Pension Plans Act. The Plan serves about 200,000 people and 421 employers. The LAPP is financed by employer and employee contributions and by investment earnings of the LAPP Fund.

The Town of Coaldale is required to make current service contributions to the Plan of 9.49% of pensionable earnings up to the Canada Pension Plan year's maximum pensionable earnings 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 up to the year's maximum pensionable salary and 12.13% on pensionable salary above this amount.

Total current service contributions by the Town of Coaldale to the Local Authorities Pension Plan in 2011 were \$213,856 (2010 - \$220,135). Total current service contributions by the employees of the Town of Coaldale to the Local Authorities Pension Plan in 2011 were \$192,972 (2010 - \$197,623).

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

14. COMMITMENTS

The Town has entered into various contracts whereby third party agencies provide services to the community on behalf of the Town of Coaldale. These fee for service contracts vary in length and terms.

a) Lethbridge Regional Police

In February 2004, the Town entered into a contract with the Lethbridge Regional Police to provide policing in the Town of Coaldale. The monthly installments are based on a modified per capita calculation based on the Lethbridge Regional Police budget. Twelve months notice must be given to terminate the contract.

b) Lethbridge Regional Water Services Commission

A contract to provide water to the Town of Coaldale started in 2001 and expires January 30, 2030.

c) Nexen Marketing

The Town entered into an energy aggregation program on January 1, 2009 and it expires December 31, 2013.

d) County of Lethbridge - Fire Agreement

The Town and the County of Lethbridge have reached an agreement to provide services to the County of Lethbridge. This agreement expires December 31, 2015. Twelve months notice must be given to terminate the contract.

e) Coaldale Bottle Depot Ltd.

The Town has an agreement with Coaldale Bottle Depot Ltd. from January 1, 2012 to December 31, 2012 for recycling services.

TOWN OF COALDALE

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2011

15. CONTINGENCIES

- a) The Town of Coaldale is a member of the Alberta Municipal Insurance Exchange (MUNIX). under the terms of the membership, the Town of Coaldale 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 of Coaldale has two labor litigations with two former Town employees. These incidences are from 2010 and 2011 respectively. The outcome of these litigations are undetermined at this time. Any liability would be accounted for as a current transaction in the year the liability is determined.

16. FINANCIAL INSTRUMENTS

The Town's financial instruments consist of cash and temporary investments, taxes and grants in lieu receivables, trade and other receivables, investments, accounts payable and accrued liabilities, deposit liabilities, and long term debt. It is management's opinion that the Town is not exposed to significant interest or currency risks arising from these financial instruments.

The Town is subject to credit risk with respect to taxes and grants in place of taxes receivables 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 instrument approximates fair value.

17. BUDGET FIGURES

Budgeted information was prepared under the modified accrual method. This note provides a reconciliation between the approved budget figures and the budget figures disclosed in the financial statements.

	<u>2011</u>
EXCESS OF REVENUE OVER EXPENSES	\$ 6,929,899
Add: Debenture to be issued	1,048,900
Add: Transfer to capital projects from reserve	2,093,551
Add: Transfer from reserve to operations	487,345
Less: Capital expenditures	(9,387,825)
Less: Debt Repayment	(448,392)
Less: Transfer from operations to reserve	<u>(723,108)</u>
Budget surplus	\$ <u>370</u>

The budget as stated in the financial statements has been modified as required over the course of the year.

TOWN OF COALDALE

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2011

18. APPROVAL OF FINANCIAL STATEMENTS

Council and Management have approved these financial statements.

19. COMPARATIVE FIGURES

The comparative figures have been restated to conform to current years presentation.