

Gitzel Krejci Dand Peterson

CHARTERED ACCOUNTANTS



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INDEPENDENT AUDITORS' REPORT

TO: The Mayor and Council

We have audited the accompanying financial statements of the Town of Stettler, which comprise the consolidated statement of financial position as at December 31, 2011, and the consolidated statements of operations, changes in net financial assets/debt and cash flows for the year then ended, 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.

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

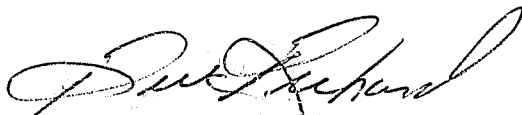
In our opinion, the financial statements present fairly, in all material respects, the financial position of the Town of Stettler as at December 31, 2011, and its financial performance and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Stettler, Alberta
April 17, 2012

A handwritten signature in cursive script that reads "Gitzel Krejci Dand Peterson".
CHARTERED ACCOUNTANTS

TOWN OF STETTLER
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2011

	<u>2011</u>	<u>2010</u>
FINANCIAL ASSETS		
Cash and Temporary Investments (Note 2)	\$ 6,902,335	\$ 1,595,246
Taxes and Grants-in-lieu Receivables (Note 3)	148,727	206,204
Trade and Other Receivables	1,374,333	3,420,453
Receivable from Governments	1,061,979	3,798,758
Land Inventory Held for Resale	627,066	689,176
Long-term Investments (Note 4)	40	40
Other Assets	<u>68,936</u>	<u>620</u>
TOTAL FINANCIAL ASSETS	<u>\$ 10,183,416</u>	<u>\$ 9,710,497</u>
LIABILITIES		
Accounts Payable and Accrued Liabilities	\$ 1,637,888	\$ 2,010,396
Deposit Liabilities	28,475	25,950
Deferred Revenue (Note 5)	1,693,665	1,238,417
Other Current Liabilities	-	1,020
Other Long-term Liabilities (Note 19)	124,711	3,043,921
Long- term Debt (Note 7)	<u>7,440,630</u>	<u>3,937,762</u>
TOTAL LIABILITIES	<u>\$ 10,925,369</u>	<u>\$ 10,257,466</u>
NET FINANCIAL ASSETS (DEBT)	<u>\$ (741,953)</u>	<u>\$ (546,969)</u>
NON-FINANCIAL ASSETS		
Tangible Capital Assets (Note 9)	115,609,743	116,999,686
Prepaid Expenses	<u>19,841</u>	<u>14,946</u>
TOTAL NON-FINANCIAL ASSETS	<u>\$ 115,629,584</u>	<u>\$ 117,014,632</u>
ACCUMULATED SURPLUS (Note 11)	<u>\$ 114,887,631</u>	<u>\$ 116,467,663</u>



 Mayor

120420

 Date

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

	<u>2011</u> <u>Budget</u> <u>(Unaudited)</u>	<u>2011</u> <u>Actual</u>	<u>2010</u> <u>Actual</u>
REVENUES			
Net Taxes (Schedule 3)	\$ 4,192,830	\$ 4,311,549	\$ 4,045,634
Sales and User Fees	4,822,555	4,352,776	4,126,013
Government Transfers (Schedule 4)	999,755	1,021,944	1,211,665
Investment Income	141,420	102,193	81,265
Penalties and Costs on Taxes	55,840	88,773	133,513
Licenses and Permits	139,900	172,866	134,741
Fines	75,500	72,757	68,994
Franchise and Concession Contracts	529,000	574,992	515,829
Rentals	687,910	740,036	710,111
Gain on Sale of Tangible Capital Assets	-	-	155,614
Other	29,500	12,590	404,707
Total Revenue	<u>\$ 11,674,210</u>	<u>\$ 11,450,476</u>	<u>\$ 11,588,086</u>
EXPENDITURES			
Legislative	141,730	152,950	138,585
Administration	852,610	823,643	821,912
Protective Services	1,617,555	1,554,282	1,286,150
Transportation	1,487,350	2,249,714	1,280,759
Water Supply and Distribution	1,783,590	1,630,719	1,627,851
Wastewater Treatment and Disposal	400,680	321,263	347,023
Waste Management	542,910	514,419	594,796
Public Health and Welfare	214,190	210,053	208,717
Subdivision Land Development	848,110	745,959	694,771
Recreation, Culture and Parks	2,419,725	2,425,550	2,165,649
Amortization (Note 18)	-	5,738,397	5,379,268
Total Expenditures	<u>\$ 10,308,450</u>	<u>\$ 16,366,949</u>	<u>\$ 14,545,481</u>
EXCESS (SHORTFALL) OF REVENUE OVER EXPENSE			
EXPENSES - BEFORE OTHER	\$ 1,365,760	\$ (4,916,473)	\$ (2,957,395)
OTHER			
Government Transfers for Capital (Schedule 4)	<u>3,288,760</u>	<u>3,336,441</u>	<u>9,853,326</u>
EXCESS (SHORTFALL) OF REVENUE OVER EXPENSES	4,654,520	(1,580,032)	6,895,931
ACCUMULATED SURPLUS, BEGINNING OF YEAR	<u>116,467,663</u>	<u>116,467,663</u>	<u>109,571,732</u>
ACCUMULATED SURPLUS, END OF YEAR	<u>\$ 121,122,183</u>	<u>\$ 114,887,631</u>	<u>\$ 116,467,663</u>

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

	<u>2011</u> <u>Budget</u> <u>Unaudited</u>	<u>2011</u> <u>Actual</u>	<u>2010</u> <u>Actual</u>
EXCESS (SHORTFALL) OF REVENUE OVER EXPENSES	\$ -	\$ (1,580,032)	\$ 6,895,931
Acquisition of Tangible Capital Assets	-	(5,146,411)	(12,421,455)
Proceeds on Disposal of Tangible Capital Assets	-	28,001	190,812
Amortization of Tangible Capital Assets	-	5,738,397	5,379,268
(Gain) Loss on Sale of Tangible Capital Assets	-	769,956	(155,614)
	<u>\$ -</u>	<u>\$ 1,389,943</u>	<u>\$ (7,006,989)</u>
Acquisition of Prepaid Assets	-	(19,841)	(14,946)
Land Held for Resale	-	-	-
Use of Prepaid Assets	-	14,946	10,139
	<u>\$ -</u>	<u>\$ (4,895)</u>	<u>\$ (4,807)</u>
(INCREASE) DECREASE IN NET DEBT	<u>\$ -</u>	<u>\$ (194,984)</u>	<u>\$ (115,865)</u>
NET FINANCIAL ASSETS (DEBT), BEGINNING OF YEAR	\$ -	\$ (546,969)	\$ (431,104)
NET FINANCIAL ASSETS (DEBT), END OF YEAR	<u>\$ -</u>	<u>\$ (741,953)</u>	<u>\$ (546,969)</u>

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

	<u>2011</u> <u>Actual</u>	<u>2010</u> <u>Actual</u>
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING		
Excess (Shortfall) of Revenues Over Expenditures	\$ (1,580,032)	\$ 6,895,931
Non-cash items included in excess (shortfall) of revenues over expenditures:		
Amortization of Tangible Capital Assets (Note 18)	5,738,397	5,379,268
(Gain) Loss on Disposal of Tangible Capital Assets	769,956	(155,614)
Non-cash Charges to Operations (net change):		
Taxes and Grants-in-lieu Receivables	57,477	(84,330)
Trade and Other Receivables	4,782,899	(1,754,077)
Prepaid Expense	(68,316)	(4,807)
Other Financial Assets	(4,895)	(26)
Accounts Payable and Accrued Liabilities	(372,510)	(1,045,660)
Land Held for Resale	62,110	112,334
Deferred Revenue	454,229	(2,366,999)
Deposit Liabilities	2,525	2,600
Net Cash Provided by (used in) Operating Activities	<u>9,841,840</u>	<u>6,978,620</u>
CAPITAL		
Acquisition of Tangible Capital Assets	(5,146,411)	(12,421,455)
Sale of Tangible Capital Assets	28,001	190,812
Cash Applied to Capital Transactions	<u>(5,118,410)</u>	<u>(12,230,643)</u>
INVESTING		
Decrease (increase) in Restricted Cash or Cash Equivalents	<u>(438,504)</u>	2,359,141
Cash Provided by (Applied to) Investing Transactions	<u>(438,504)</u>	<u>2,359,141</u>
FINANCING		
Other Long-Term Debt	(2,919,209)	675,027
Long-Term Debt Issued	3,758,350	989,605
Long-Term Debt Repaid	(255,482)	(186,774)
Cash Provided by (Applied to) Financing Transactions	<u>583,659</u>	<u>1,477,858</u>
CHANGE IN CASH AND EQUIVALENTS DURING THE YEAR	\$ 4,868,585	\$ (1,415,024)
CASH AND EQUIVALENTS - BEGINNING OF YEAR	<u>652,835</u>	<u>2,067,859</u>
CASH AND EQUIVALENTS - END OF YEAR	<u>\$ 5,521,420</u>	<u>\$ 652,835</u>
Cash and Cash Equivalents if Made up of:		
Cash and Temporary Investments (Note 2)	\$ 6,902,335	\$ 1,595,246
Less: Restricted Portion of Cash and Temporary Investments (Note 2)	<u>(1,380,915)</u>	<u>(942,411)</u>
Cash Provided by (Applied to) Financing Transactions	<u>\$ 5,521,420</u>	<u>\$ 652,835</u>

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

	Unrestricted Surplus	Restricted Surplus	Equity in Tangible Capital Assets	2011 Actual	2010 Actual
BALANCE, BEGINNING OF YEAR	(984,974)	4,390,713	113,061,924	116,467,663	109,571,732
Excess (deficiency) of Revenues over Expense	(1,580,032)	-	-	(1,580,032)	6,895,931
Unrestricted Funds Designated for Future Use	(2,166,403)	2,166,403	-	-	-
Restricted Funds Used for Operations	325,352	(325,352)	-	-	-
Restricted Funds Used for TCA	(719,023)	(669,038)	669,038	-	-
Current Year Funds Used for TCA	(719,023)	719,023	719,023	-	-
Donated and Contributed TCA	-	-	-	-	-
Disposal of TCA	797,957	(797,957)	(797,957)	-	-
Annual Amortization Expense	5,738,397	(5,738,397)	(5,738,397)	-	-
Long Term Debt Repaid	(255,482)	255,482	255,482	-	-
Change in Accumulated Surplus	2,140,766	1,172,013	(4,892,811)	(1,580,032)	6,895,931
BALANCE, END OF YEAR	1,155,792	5,562,726	108,169,113	114,887,631	116,467,663

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

	Land	Land Improvements	Buildings	Engineered Structures	Machinery and Equipment	Vehicles	2011 Actual	2010 Actual
COST:								
BALANCE, BEGINNING OF YEAR	1,477,011	2,882,087	51,579,561	102,119,592	3,229,550	2,992,074	164,279,875	152,026,953
Acquisition of Tangible Capital Assets	-	679,164	932,542	3,300,421	203,784	30,500	5,146,411	12,421,455
Construction-in-Progress	-	-	-	(1,657,350)	(151,925)	(25,663)	(1,834,938)	(168,533)
Disposal of Tangible Capital Assets	-	-	-	-	-	-	-	-
Write Down of Tangible Capital Assets	-	-	-	-	-	-	-	-
BALANCE, END OF YEAR	1,477,011	3,561,251	52,512,103	103,762,663	3,281,409	2,996,911	167,591,348	164,279,875
ACCUMULATED AMORTIZATION:								
BALANCE, BEGINNING OF YEAR	-	578,342	6,537,524	37,247,133	1,846,947	1,070,243	47,280,189	42,034,256
Annual Amortization		132,801	1,045,104	4,150,185	207,329	202,978	5,738,397	5,379,268
Accumulated Amortization on Disposals			-	(859,393)	(151,925)	(25,663)	(1,036,981)	(133,335)
BALANCE, END OF YEAR	-	711,143	7,582,628	40,537,925	1,902,351	1,247,558	51,981,605	47,280,189
2011 NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	1,477,011	2,850,108	44,929,475	63,224,738	1,379,058	1,749,353	115,609,743	116,999,686
2010 NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	1,477,011	2,303,745	45,042,037	64,872,459	1,382,603	1,921,831	116,999,686	

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

	<u>2011</u> <u>Budget</u> <u>(Unaudited)</u>	<u>2011</u> <u>Actual</u>	<u>2010</u> <u>Actual</u>
TAXATION			
Real Property Taxes	\$ 5,764,898	\$ 5,867,850	\$ 5,500,521
Linear Property Taxes	129,657	129,657	126,332
Government Grants-in-lieu of Property Taxes	57,505	57,505	56,763
Special Assessments and Local Improvement Taxes	88,060	104,068	102,188
Business Taxes	5,370	5,125	5,125
Subtotal	<u>\$ 6,045,490</u>	<u>\$ 6,164,205</u>	<u>\$ 5,790,929</u>
REQUISITIONS			
Alberta School Foundation Fund - Basic	1,698,920	1,698,919	1,602,010
Seniors Foundation	153,740	153,737	143,285
Subtotal	<u>\$ 1,852,660</u>	<u>\$ 1,852,656</u>	<u>\$ 1,745,295</u>
 NET MUNICIPAL TAXES	 <u>\$ 4,192,830</u>	 <u>\$ 4,311,549</u>	 <u>\$ 4,045,634</u>

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

	<u>2011</u> <u>Budget</u> <u>(Unaudited)</u>	<u>2011</u> <u>Actual</u>	<u>2010</u> <u>Actual</u>
TRANSFERS FOR OPERATING			
Federal Government	\$ 700	\$ 1,000	\$ 1,000
Provincial Government	577,610	585,147	769,070
Other Local Government	421,445	435,797	441,595
Subtotal	<u>\$ 999,755</u>	<u>\$ 1,021,944</u>	<u>\$ 1,211,665</u>
TRANSFERS FOR CAPITAL:			
Provincial Government	\$ 3,015,760	\$ 3,336,441	\$ 9,853,326
Other Local Government	273,000	-	-
Subtotal	<u>\$ 3,288,760</u>	<u>\$ 3,336,441</u>	<u>\$ 9,853,326</u>
TOTAL GOVERNMENT TRANSFERS	<u>\$ 4,288,515</u>	<u>\$ 4,358,385</u>	<u>\$11,064,991</u>

TOWN OF STETTLER
SCHEDULE 5 - CONSOLIDATED EXPENDITURES BY OBJECT
FOR THE YEAR ENDED DECEMBER 31, 2011

	<u>2011</u> <u>Budget</u> <u>(Unaudited)</u>	<u>2011</u> <u>Actual</u>	<u>2010</u> <u>Actual</u>
CONSOLIDATED EXPENSES BY OBJECT			
Salaries, Wages and Benefits	\$ 4,060,340	\$ 3,886,244	\$ 3,643,915
Contracted and General Services	1,953,065	1,772,437	1,686,845
Materials, Goods, Supplies and Utilities	2,431,855	2,450,635	2,131,499
Provision for Allowances	9,500	14,292	16,884
Purchases and Transfers from Other Governments	833,350	808,581	683,560
Transfers to Local Boards and Agencies	595,690	578,038	519,013
Transfers to Individuals and Organizations	18,890	22,482	22,070
Bank Charges and Short-term Interest	9,520	11,178	12,095
Interest on Long-term Debt	386,190	314,709	200,292
Other Expenditures	10,050	-	250,040
Loss on Sale of Tangible Capital Assets	-	769,956	-
Amortization of Tangible Capital Assets	-	5,738,397	5,379,268
TOTAL EXPENSES	<u>\$10,308,450</u>	<u>\$16,366,949</u>	<u>\$14,545,481</u>

TOWN OF STETTLER									
SCHEDULE 6 - SEGMENTED DISCLOSURE									
FOR THE YEAR ENDED DECEMBER 31, 2011									
	General Government	Protective Services	Transportation	Environmental Use & Protection	Public Health & Welfare	Planning & Development	Recreation & Culture	2011 Actual	
REVENUE:									
Net Municipal Taxes	4,311,549							4,311,549	
Sales to Other Governments	30,000							30,000	
Sales and User Charges	36,279	47,231	11,802	3,505,593	19,019	446,769	256,083	4,322,776	
Penalties and Costs on Taxes	60,211			26,296			2,266	88,773	
Licenses and Permits		86,029				86,837		172,866	
Fines		72,757						72,757	
Franchise and Concession Contracts	574,992							574,992	
Returns on Investments	82,318	399	11,463	6,974	469	570		102,193	
Rentals			5,162			212,220	522,654	740,036	
Contributed and Donated Assets							-	-	
Federal Government Transfers							1,000	1,000	
Provincial Government Transfers	-	437,737	3,336,441	-	130,956	10,054	6,400	3,921,588	
Local Government Transfers		303,297	4,500		-		128,000	435,797	
Other Revenues	11,880				-		710	12,590	
Total Revenue	5,107,229	947,450	3,369,368	3,538,863	150,444	756,450	917,113	14,786,917	
EXPENSES:									
Salaries, Wages and Benefits	585,245	377,684	573,676	911,575	32,274	272,567	1,133,223	3,886,244	
Contracted and General Services	289,145	243,538	166,311	564,893	871	219,834	287,845	1,772,437	
Purchases from Other Governments		808,162						808,162	
Materials, Goods, Supplies and Utilities	56,581	124,897	589,005	681,857	13,213	236,708	748,374	2,450,635	
Provision for Allowance		-	14,292				-	14,292	
Transfer to Other Governments						419		419	
Transfer to Local Boards and Agencies				216,190	163,695		198,153	578,038	
Transfer to Individuals and Organizations				6,050	15,790	642		22,482	
Bank Charges	5,348			589			5,241	11,178	
Interest on Capital Long Term Debt	40,283		31,982	189,739			52,705	314,709	
Net Loss on Sale of TCA			399,310	370,646				769,956	
Other Expenditures	(10)	-	-	-			10	-	
Total Expense	976,592	1,554,281	1,774,576	2,941,539	225,843	730,170	2,425,551	10,628,552	
NET REVENUE, BEFORE AMORTIZATION	4,130,637	(606,831)	1,594,792	597,324	(75,399)	26,280	(1,508,438)	4,158,365	
Amortization	78,157	138,193	3,975,813	941,873	3,574	126,144	474,643	5,738,397	
NET REVENUE	4,052,480	(745,024)	(2,381,021)	(344,549)	(78,973)	(99,864)	(1,983,081)	(1,580,032)	

TOWN OF STETTLER
NOTES TO THE FINANCIAL STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2011

1. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements of the Town of Stettler 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 are as follows:

(a) Reporting Entity

The consolidated financial statements reflect the assets, liabilities, revenues and expenditures, changes in fund balances and change in financial position of the reporting entity. This entity is comprised of all 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. Included with the municipality are the following:

Town of Stettler Fire Department
Stettler Regional Board of Trade and Community Development

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

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

(b) Basis of Accounting

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

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

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

(c) Use of Estimates

The preparation of financial statements in conformity with Canadian 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.

(d) Investments

Investments are recorded at amortized cost. Investment premiums and discounts are amortized on the net present value basis over the term of the respective investments. When there has been a loss in value that is other than a temporary decline, the respective investment is written down to recognize the loss.

TOWN OF STETTLER
NOTES TO THE FINANCIAL STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2011

(e) 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.

(f) 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.

(g) Prepaid Local Improvements 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.

(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, provided the consolidated Change in Net Financial Assets (Debt) for the year.

i) Tangible Capital Assets

Tangible capital assets are recorded at cost which includes all amounts that are directly attributable to acquisition, construction, development or betterment of the asset. The cost, less

**TOWN OF STETTLER
NOTES TO THE FINANCIAL STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2011**

residual value, of the tangible capital assets is amortized on a straight-line basis over the estimated useful life as follows:

	YEARS
Land Improvements	15 - 45
Buildings	25 - 50
Engineered Structures	
Roadway System	5 - 60
Water System	45 - 75
Wastewater System	45 - 75
Storm System	45 - 75
Machinery and Equipment	5 - 40
Vehicles	7 - 25

One-half of the annual amortization is charged in the year of acquisition and in the year of disposal. 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.

(j) Cash & Cash Equivalents

Cash and cash equivalents consist of cash on hand, accounts with banks and short-term, highly liquid investments.

(k) Pensions

Pension cost included in these statements comprise the cost of employer contributions for current service of employees during the year. The municipality participates in the multi-employer Local Authorities Pension Plan.

2. CASH AND TEMPORARY INVESTMENTS

	<u>2011</u>	<u>2010</u>
Cash	\$ 6,902,335	\$ 1,595,246
Temporary Investments	-	-
Total	\$ 6,902,335	\$ 1,595,246

Interest is earned on the General Account at Prime Rate less 1.75%. Included in Cash and Temporary Investments is a restricted amount of \$1,380,915 (2010 - \$942,411) received from various Provincial Programs and related to deferred grant funding (Note 5).

TOWN OF STETTLER
NOTES TO THE FINANCIAL STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2011

3. TAXES AND GRANTS IN LIEU RECEIVABLES

	<u>2011</u>	<u>2010</u>
Current and Grants-in-lieu	\$ 128,643	\$ 176,712
Arrears Taxes	32,595	42,003
Less: Allowance for Doubtful Accounts	<u>(12,511)</u>	<u>(12,511)</u>
Total	<u>\$ 148,727</u>	<u>\$ 206,204</u>

4. LONG-TERM INVESTMENTS

	<u>2011</u>	<u>2010</u>
AMFC Shares, at Cost	\$ 40	\$ 40
Total	<u>\$ 40</u>	<u>\$ 40</u>

5. DEFERRED REVENUE

	<u>2011</u>	<u>2010</u>
Basic Municipal Trans Grant/Street Improvement Program	\$ -	\$ 178,617
Municipal Sustainability Initiative	912,784	258,325
Alberta Municipal Infrastructure Program	-	5,034
New Deal Communities	494,950	500,435
Other	120,159	134,396
Other - P&L	14,071	10,704
Other - BOT	35,593	37,762
Prepaid Local Improvement Charges	<u>116,108</u>	<u>113,144</u>
Total	<u>\$ 1,693,665</u>	<u>\$ 1,238,417</u>

Conditional grants are deferred until the prescribed expenditures are made.

6. RESTRICTED FUNDS

Reserves for operating and capital activities changed as follows:

<u>Operating Reserves</u>	<u>2010</u>	<u>Increases</u>	<u>Decreases</u>	<u>2011</u>
RCMP (Records Check)	27,795	5,334	1,965	31,164
Rescue Van	31,940	36,579	18,260	50,259
Walking Path	-	26,827		26,827
Water Master Plan	4,456			4,456
Sewer General	232,007			232,007
Perpetual Care	37,519	3,150		40,669
West Stettler Planning	44,000			44,000
Building Maintenance	15,400	2,200		17,600
SCR Building Maintenance	10,000			10,000
Culture	30,000	15,000		45,000
General Reserve	1,761,713	816,130	661,181	1,916,662
Office Automation	16,085			16,085
RCMP Contract	75,000			75,000
Street Light Replacement	52,560			52,560

TOWN OF STETTLER
NOTES TO THE FINANCIAL STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2011

Mun 2000 Beautification	8,139	5,000		13,139
Coat Exterior Reservoir	40,000			40,000
Land Development	772,143	235,000		1,007,143
Playground Program	-	3,000		3,000
Tree Maintenance	4,800			4,800
Board of Trade	20,000			20,000
ARB	-	2,000		2,000
WTS Operations	70,000	50,000		120,000
Slurry Seal	-	45,000		45,000
Water Risk Assessment	-	15,000		15,000
Playground	29,500	-	29,500	-
Total Operating Reserves	\$ 3,283,057	\$ 1,260,220	\$ 710,906	\$ 3,832,371

<u>Capital Reserves</u>	<u>2010</u>	<u>Increases</u>	<u>Decreases</u>	<u>2011</u>
Admin Equipment/Computer	54,379	26,900	15,102	66,177
AEK Roof	-	60,000		60,000
Disaster Services	1,008			1,008
Chainlink Fence	25,000		15,354	9,646
51 Street Sidewalk LI	15,698	25,257		40,955
Compost Bins/Pads	10,000			10,000
GIS System	6,703			6,703
Fire Equipment	200,000	100,000		300,000
Leisure Centre	38,063	500,000	20,114	517,949
Streets Improvement	124,420		32,304	92,116
Airport Capital	10,001		10,001	-
Drainage	-	31,842		31,842
Sewer General Reserve	-	35,000		35,000
Meadowlands	42,944		5,092	37,852
Community Hall	16,044		7,080	8,964
Campground Expansion	3,081	19,490		22,571
Library Expansion	65,000	65,000		130,000
Senior Center	50,000	50,000		100,000
ML Sports Park	167,741		109,752	57,989
Cemetery Road	150,000			150,000
Water Dispensing System	3,220			3,220
Entrance Sign	100,991	25,000	100,991	25,000
Reservoir	6,170			6,170
Fishing Pier	17,193	-	-	17,193
Total Capital Reserves	\$ 1,107,656	\$ 938,489	\$ 315,790	\$ 1,730,355
TOTAL RESTRICTED FUNDS	\$ 4,390,713	\$ 2,198,709	\$ 1,026,696	\$ 5,562,726

TOWN OF STETTLER
NOTES TO THE FINANCIAL STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2011

7. LONG-TERM DEBT

	<u>2011</u>	<u>2010</u>
Tax Supported Debentures	\$ 2,375,155	\$ 2,479,387
Self Supported Debentures	<u>5,065,475</u>	<u>1,458,375</u>
Total	<u>\$ 7,440,630</u>	<u>\$ 3,937,762</u>

Principal and interest repayments are due as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 331,825	\$ 338,371	\$ 670,196
2013	347,781	322,415	670,196
2014	364,519	305,677	670,196
2015	382,080	288,117	670,197
2016	400,503	269,692	670,195
Thereafter	<u>5,613,922</u>	<u>1,729,412</u>	<u>7,343,334</u>
Total	<u>\$ 7,440,630</u>	<u>\$ 3,253,684</u>	<u>\$ 10,694,314</u>

Debenture debt is repayable to Alberta Capital Finance Authority and bears interest at rates ranging from 2.659% to 6.500% per annum, and mature in periods 2019 through 2031. The average annual interest rate is 4.97% for 2011 (5.45% for 2010).

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

Future interest repayment annual amounts have been calculated using the accrual method. The Town's total cash payments for interest in 2011 were \$314,709 (2010 - \$200,293)

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 Stettler be disclosed as follows:

	<u>2011</u>	<u>2010</u>
Total Debt Limit	\$ 17,175,714	\$ 17,382,129
Total Debt	<u>7,440,630</u>	<u>6,945,758</u>
Amount of Debt Limit Unused	<u>\$ 9,735,084</u>	<u>\$ 10,436,371</u>
Service on Debt Limit	\$ 2,862,619	\$ 2,897,022
Service on Debt	<u>670,196</u>	<u>388,253</u>
Amount of Debt Servicing Limit Unused	<u>\$ 2,192,423</u>	<u>\$ 2,508,769</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.

TOWN OF STETTLER
NOTES TO THE FINANCIAL STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2011

9. TANGIBLE CAPITAL ASSETS

Net Book Value	<u>2011</u>	<u>2010</u>
Land	\$ 1,477,011	\$ 1,477,011
Land Improvements	2,850,107	2,303,745
Buildings	44,929,475	45,042,037
Engineered Structures		
Distribution Systems - Roads	43,610,455	46,654,185
Distribution Systems - Water	7,016,058	7,041,113
Distribution Systems - Wastewater	9,974,089	8,348,149
Distribution Systems - Storm	2,624,139	2,829,014
Machinery & Equipment & Furnishings	1,379,058	1,382,602
Vehicles	<u>1,749,351</u>	<u>1,921,830</u>
Total	<u>\$ 115,609,743</u>	<u>\$ 116,999,686</u>

10. EQUITY IN TANGIBLE CAPITAL ASSETS

	<u>2011</u>	<u>2010</u>
Tangible Capital Assets (Schedule 2)	\$ 167,591,348	\$ 164,279,875
Accumulated Amortization (Schedule 2)	(51,981,605)	(47,280,189)
Long Term Debt (Note 7)	<u>(7,440,630)</u>	<u>(3,937,762)</u>
Total	<u>\$ 108,169,113</u>	<u>\$ 113,061,924</u>

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 (deficit)	\$ 1,155,792	\$ (984,974)
Restricted Funds (Note 6)	5,562,726	4,355,713
Equity in Tangible Capital Assets (Note 10)	<u>108,169,113</u>	<u>113,061,924</u>
Total	<u>\$ 114,887,631</u>	<u>\$ 116,432,663</u>

**TOWN OF STETTLER
NOTES TO THE FINANCIAL STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2011**

12. TRUST FUNDS

The Town of Stettler administers the following trust:

	<u>2011</u>	<u>2010</u>
Cemetery Perpetual Care		
Balance, Beginning of Year	\$ 37,519	\$ 45,500
Sale of Cemetery Plots	3,150	3,550
Columbarium Purchase	-	(11,531)
	\$ 40,669	\$ 37,519
Balance, End of Year	<u>\$ 40,669</u>	<u>\$ 37,519</u>

13. SALARY & BENEFITS DISCLOSURE

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

	<u>2011</u>			<u>2010</u>		
	<u>#of</u>	<u>Salary (1)</u>	<u>Benefits &</u>	<u>Total</u>	<u># of</u>	<u>Total</u>
	<u>Persons</u>		<u>Allowances (2&3)</u>		<u>Persons</u>	
Councillor D. Bachman	1	14,503	707	15,210	1	13,557
Councillor A. Campbell	1	21,003	4,629	25,632	1	21,974
Councillor D. Dennis	0	-	-	-	1	10,467
Councillor M. Fischer	1	18,013	2,415	20,428	1	5,725
Councillor D. Garbutt	0	-	-	-	1	10,399
Mayor R. Richards	1	24,423	2,543	26,966	1	27,553
Councillor R. Peeples	0	-	-	-	1	12,793
Councillor P. Simons	1	15,803	1,942	17,745	1	4,091
Councillor L. Thorogood	1	18,533	855	19,388	1	15,249
Councillor S. Wildeboer	1	14,633	614	15,247		4,111
Town Man. R. Stoutenberg	1	144,500	23,533	168,033	1	151,382

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

TOWN OF STETTTLER
NOTES TO THE FINANCIAL STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2011

14. LOCAL AUTHORITIES PENSION PLAN

- Employees of the Town of Stettler participate in the Local Authorities Pension Plan (LAPP), which is covered by the Public Sector Pension Plans Act. The Plan serves about 206,249 people and 421 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 Town of Stettler 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% for the excess.
- Employees of the Town of Stettler are required to make current service contributions of 8.49% of pensionable salary up to the year's maximum pensionable earnings under the Canada Pension Plan, and 12.13% on pensionable salary above this amount.
- Total current and past service contributions by the Town of Stettler to the Local Authorities Pension Plan in 2011 were \$259,380 (2010 - \$240,765). Total current and past service contributions by the employees of the Town of Stettler to the Local Authorities Pension Plan in 2011 were \$234,197 (2010 - \$216,250).
- At December 31, 2010 the Plan disclosed an actuarial deficiency of \$4.6 billion for the Plan.

15. CONTINGENCIES

The Town of Stettler is a member of the Alberta Local Authorities Reciprocal Insurance Exchange. Under the terms of membership, the Town of Stettler 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.

The Town of Stettler, the County of Stettler, and all other incorporated municipalities within the geographical boundaries of the County of Stettler provide funds for the operation of the Stettler Waste Management Authority. The Authority is accumulating reserves to fund future estimated site cleanup obligations. The member municipalities may be liable for future costs in excess of the reserves.

The Town of Stettler and the County of Stettler through joint agreement provide funds for the operation of the Stettler Family and Community Support Services. The amounts noted in this financial statement represent only the Town of Stettler portion of contributions made to F.C.S.S.

16. FINANCIAL INSTRUMENTS

The Town's financial instruments consist of cash and temporary investments, accounts receivables, a line of credit, investments, accounts payable, accrued liabilities, deposit liabilities, requisition over-levy 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 receivable, and trade and other receivables. Credit risk arises from the possibility that taxpayers and entities to which the Town provides service may experience financial difficulty and may be unable to fulfill their obligations. The large number and diversity of taxpayers and customers minimizes the credit risk.

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

TOWN OF STETTLER
NOTES TO THE FINANCIAL STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2011

The Town is exposed to interest rate risk on temporary bank indebtedness, as the interest rate will fluctuate with change in the prime lending rate.

The fixed rate debentures are subject to interest rate risk, as the value will fluctuate as a result of changes in market rates.

17. SEGMENTED DISCLOSURE

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

Refer to the Schedule of Segmented Disclosure (Schedule 6).

18. AMORTIZATION

Amortization is a non-cash expense and is allocated to the different functions as follows:

	<u>2011</u>	<u>2010</u>
General Administration	\$ 78,156	\$ 65,514
Police Protective Services	2,005	1,002
Fire Protective Services	136,189	109,296
Common and Equipment Pool	211,297	156,511
Roads, Streets, Walks, Lighting	3,755,473	3,667,010
Airport	9,043	1,431
Storm Sewers and Drainage	53,510	52,049
Water Supply and Distribution	642,910	555,405
Wastewater Treatment and Disposal	245,453	209,815
Waste Management	-	1,752
Cemeteries	3,573	3,982
Land Use Planning	8,174	3,939
Economic Development	2,587	2,587
Public Housing Operations	85,967	54,669
Land, Housing and Building Rentals	29,416	29,416
Parks and Recreation	448,668	439,841
Culture	25,976	25,049
Total	<u>\$ 5,738,397</u>	<u>\$ 5,379,268</u>

19. OTHER LONG-TERM LIABILITIES

	<u>2011</u>	<u>2010</u>
Debenture Committed	\$ -	\$ 3,007,997
Tax Sales In Trust	19,352	19,352
Reserve for Public Lands	105,359	16,572
Total	<u>\$ 124,711</u>	<u>\$ 3,043,921</u>

**TOWN OF STETTLER
NOTES TO THE FINANCIAL STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2011**

20. OPERATING LINE OF CREDIT

At December 31, 2011 the Town had a short-term line of credit for \$100,000 (2010 - \$100,000) of which nothing had been drawn down. The interest rate on advances would be Prime minus 1/4%.

21. APPROVAL OF FINANCIAL STATEMENTS

Council and Management have approved these financial statements.

22. BUDGET AMOUNTS

Budget figures for the year ended December 31, 2011 were approved as May 16, 2011 and are for information purposes. These amounts have not been audited.