

**MUNICIPAL DISTRICT
OF BIG LAKES**

HIGH PRAIRIE, ALBERTA

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2011

Hawkings Epp Dumont LLP

Chartered Accountants

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INDEPENDENT AUDITORS' REPORT

To the Reeve and Council of the Municipal District of Big Lakes

We have audited the consolidated statement of financial position of the Municipal District of Big Lakes as at December 31, 2011 and the consolidated statements of operations and accumulated surplus, 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We have 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 of 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 auditors' judgement, 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, these consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Municipal District of Big Lakes as at December 31, 2011 and the results of its consolidated operations and accumulated surplus, changes in its net financial assets, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.



Edmonton, Alberta
April 11, 2012

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**MANAGEMENT'S RESPONSIBILITY
FOR FINANCIAL REPORTING**

To the Reeve and Members of Council of Municipal District of Big Lakes
High Prairie, Alberta

The integrity, relevance and comparability of the data in the accompanying consolidated financial statements are the responsibility of management.

The consolidated financial statements are prepared by management, in accordance with Canadian public sector accounting standards. They necessarily include some amounts that are based on the best estimates and judgments of management.

To assist in its responsibility, management maintains accounting, budget and other controls to provide reasonable assurance that transactions are appropriately authorized, that assets are properly accounted for and safeguarded, and that financial records are reliable for preparation of the consolidated financial statements.

Hawkings Epp Dumont LLP, Chartered Accountants, have been appointed by the Municipal District of Big Lakes Council to express an opinion on the Municipal District of Big Lakes consolidated financial statements.

Ken Bosman
Chief Administrative Officer

Bill Landiuk, CMA
Treasurer

MUNICIPAL DISTRICT OF BIG LAKES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2011

	<u>2011</u>	<u>2010</u>
FINANCIAL ASSETS		
Cash	\$ 11,889,096	\$ 6,814,764
Receivables (Note 2)	2,767,609	3,139,347
Loan receivable (Note 3)	890,722	978,470
Land held for resale	417,775	44,485
Investments (Note 4)	<u>13,633,219</u>	<u>17,228,833</u>
	<u>29,598,421</u>	<u>28,205,899</u>
LIABILITIES		
Accounts payable and accrued liabilities (Note 5)	2,442,174	2,775,852
Deposits	116,199	109,748
Deferred revenue (Note 6)	2,010,318	1,355,668
Long-term debt (Note 7)	<u>9,176,613</u>	<u>13,022,490</u>
	<u>13,745,304</u>	<u>17,263,758</u>
NET FINANCIAL ASSETS	<u>15,853,117</u>	<u>10,942,141</u>
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 8)	280,178,846	281,378,264
Inventories for consumption (Note 9)	2,480,491	2,009,805
Prepaid expenses and other assets	<u>95,740</u>	<u>152,866</u>
	<u>282,755,077</u>	<u>283,540,935</u>
ACCUMULATED SURPLUS (NOTE 10)	<u>\$298,608,194</u>	<u>\$294,483,076</u>
Contingencies (Note 11)		

ON BEHALF OF COUNCIL:

MUNICIPAL DISTRICT OF BIG LAKES

CONSOLIDATED STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS

FOR THE YEAR ENDED DECEMBER 31, 2011

	<u>2011</u> (Budget) (Note 20)	<u>2011</u> (Actual)	<u>2010</u> (Actual)
REVENUE			
Net municipal property taxes (Schedule 2)	\$18,129,958	\$18,086,748	\$17,348,918
Government transfers for operating (Schedule 3)	1,265,999	2,532,916	2,075,317
User fees and sales of goods	1,525,733	1,521,772	1,583,778
Oil well drilling taxes	100,000	1,458,684	544,870
Interest and investment income	307,000	540,220	559,230
Penalties and costs on taxes	89,000	282,008	81,203
Other	20,410	38,696	45,219
Fines, licenses and permits	35,000	24,604	58,611
Rentals	<u>15,920</u>	<u>19,727</u>	<u>17,587</u>
	<u>21,489,020</u>	<u>24,505,375</u>	<u>22,314,733</u>
EXPENSES			
Transportation services	14,282,718	13,040,839	13,142,785
Water and wastewater services	2,034,407	2,483,556	2,209,871
Protective services	1,439,030	2,309,867	1,193,072
Administration services	2,389,789	1,844,873	2,287,710
Recreation and culture services	2,224,122	1,730,594	1,373,470
Agriculture and development services	1,093,902	1,026,637	1,286,623
Intermunicipal cost sharing (Note 15 (a))	650,000	650,000	650,000
Waste management and disposal services	385,393	438,338	479,927
Council and other legislative services	398,767	429,913	344,669
Family and Community Support Services	<u>489,225</u>	<u>428,808</u>	<u>437,237</u>
	<u>25,387,353</u>	<u>24,383,425</u>	<u>23,405,364</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES BEFORE OTHER INCOME	<u>(3,898,333)</u>	<u>121,950</u>	<u>(1,090,631)</u>
OTHER INCOME			
Government transfers for capital (Schedule 3)	5,710,146	4,013,731	3,357,244
Contributed tangible capital assets	-	-	104,225
Gain (loss) on disposal of tangible capital assets	<u>-</u>	<u>(10,563)</u>	<u>(107,835)</u>
	<u>5,710,146</u>	<u>4,003,168</u>	<u>3,353,634</u>
EXCESS OF REVENUE OVER EXPENSES	1,811,813	4,125,118	2,263,003
ACCUMULATED SURPLUS, BEGINNING OF YEAR	<u>294,483,076</u>	<u>294,483,076</u>	<u>292,220,073</u>
ACCUMULATED SURPLUS, END OF YEAR	<u>\$296,294,889</u>	<u>\$298,608,194</u>	<u>\$294,483,076</u>

MUNICIPAL DISTRICT OF BIG LAKES
CONSOLIDATED STATEMENT OF CHANGES IN NET FINANCIAL ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2011

	<u>2011</u> (Budget) (Note 20)	<u>2011</u> (Actual)	<u>2010</u> (Actual)
EXCESS OF REVENUE OVER EXPENSES	\$ 1,811,813	\$ 4,125,118	\$ 2,263,003
Acquisition of tangible capital assets	(9,272,209)	(6,060,601)	(9,347,131)
Contributed tangible capital assets	-	-	(104,225)
Proceeds on disposal of tangible capital assets	-	245,414	419,145
Amortization of tangible capital assets	6,680,190	7,004,042	6,680,190
Loss (gain) on disposal of tangible capital assets	<u>-</u>	<u>10,563</u>	<u>107,835</u>
	<u>(2,592,019)</u>	<u>1,199,418</u>	<u>(2,244,186)</u>
Acquisition of supplies inventory	-	(470,686)	(512,535)
Use of prepaid expenses and other assets	<u>-</u>	<u>57,126</u>	<u>12,775</u>
	<u>-</u>	<u>(413,560)</u>	<u>(499,760)</u>
INCREASE (DECREASE) IN NET FINANCIAL ASSETS	(780,206)	4,910,976	(480,943)
NET FINANCIAL ASSETS, BEGINNING OF YEAR	<u>10,942,141</u>	<u>10,942,141</u>	<u>11,423,084</u>
NET FINANCIAL ASSETS, END OF YEAR	\$ <u>10,161,935</u>	\$ <u>15,853,117</u>	\$ <u>10,942,141</u>

MUNICIPAL DISTRICT OF BIG LAKES
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2011

	<u>2011</u>	<u>2010</u>
OPERATING ACTIVITIES		
Excess of revenue over expenses	\$ 4,125,118	\$ 2,263,003
Non-cash items included in excess of revenue over expenses		
Loss on disposal of tangible capital assets	10,563	107,835
Amortization of tangible capital assets	7,004,042	6,680,190
Change in non-cash working capital balances		
Receivables	371,738	1,126,208
Prepaid expenses	57,126	12,775
Inventories for consumption	(470,686)	(512,535)
Accounts payable and accrued liabilities	(333,678)	1,043,434
Deposit liabilities	6,451	14,912
Deferred revenue	654,650	766,441
Land held for resale	(373,290)	5,968
Loan receivable	87,748	(978,470)
	<u>11,139,782</u>	<u>10,529,761</u>
INVESTING ACTIVITIES		
Purchase of new investments	(3,994,055)	(10,427,055)
Proceeds from investments matured	<u>7,589,669</u>	<u>4,248,027</u>
	<u>3,595,614</u>	<u>(6,179,028)</u>
FINANCING ACTIVITIES		
Long-term debt repayments	<u>(3,845,877)</u>	<u>(1,912,244)</u>
CAPITAL ACTIVITIES		
Purchase of tangible capital assets	(6,060,601)	(9,347,131)
Proceeds on disposal of tangible capital assets	245,414	419,145
Contributed tangible capital assets	<u>-</u>	<u>(104,225)</u>
	<u>(5,815,187)</u>	<u>(9,032,211)</u>
INCREASE IN CASH DURING YEAR	5,074,332	(6,593,722)
CASH, BEGINNING OF YEAR	<u>6,814,764</u>	<u>13,408,486</u>
CASH, END OF YEAR	\$ <u>11,889,096</u>	\$ <u>6,814,764</u>

MUNICIPAL DISTRICT OF BIG LAKES
CONSOLIDATED SCHEDULE OF EQUITY IN CAPITAL ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2011

SCHEDULE 1

	<u>2011</u>	<u>2010</u>
BALANCE, BEGINNING OF YEAR	268,355,774	264,199,344
Purchase of Tangible Capital Assets	6,060,601	9,347,131
Cost of Tangible Capital Assets Disposed of	(528,930)	(1,120,586)
Accumulated Amortization of Tangible Capital Assets Disposed of	272,953	593,606
Contributed Tangible Capital Assets	-	104,225
Amortization of Tangible Capital Assets	(7,004,042)	(6,680,190)
Long-term Debt Repayments	<u>3,845,877</u>	<u>1,912,244</u>
BALANCE, END OF YEAR	<u>\$271,002,233</u>	<u>\$268,355,774</u>

Equity in Tangible Capital Assets is Comprised of the Following:

Tangible capital assets (net book value)	\$280,178,846	\$281,378,264
Capital long-term debt	<u>(9,176,613)</u>	<u>(13,022,490)</u>
	<u>\$271,002,233</u>	<u>\$268,355,774</u>

MUNICIPAL DISTRICT OF BIG LAKES
CONSOLIDATED SCHEDULE OF PROPERTY TAXES LEVIED
FOR THE YEAR ENDED DECEMBER 31, 2011

SCHEDULE 2

	<u>2011</u> (Budget) (Note 20)	<u>2011</u> (Actual)	<u>2010</u> (Actual)
TAXATION			
Linear property taxes	\$ 14,700,000	\$ 14,704,007	\$ 14,447,513
Real property taxes	7,277,163	7,260,934	7,011,456
Government grants in place of property taxes	940,290	940,290	924,222
Local improvement taxes	<u>72,114</u>	<u>31,395</u>	<u>75,285</u>
	<u>22,989,567</u>	<u>22,936,626</u>	<u>22,458,476</u>
REQUISITIONS			
Alberta School Foundation Fund	4,618,440	4,608,709	4,864,727
Seniors Foundation	<u>241,169</u>	<u>241,169</u>	<u>244,831</u>
	<u>4,859,609</u>	<u>4,849,878</u>	<u>5,109,558</u>
NET MUNICIPAL TAXES	<u>\$ 18,129,958</u>	<u>\$ 18,086,748</u>	<u>\$ 17,348,918</u>

MUNICIPAL DISTRICT OF BIG LAKES
CONSOLIDATED SCHEDULE OF GOVERNMENT TRANSFERS
FOR THE YEAR ENDED DECEMBER 31, 2011

SCHEDULE 3

	<u>2011</u> (Budget) (Note 20)	<u>2011</u> (Actual)	<u>2010</u> (Actual)
TRANSFERS FOR OPERATING			
Provincial government	\$ 1,265,999	\$ 2,532,916	\$ 2,075,317
TRANSFERS FOR CAPITAL			
Provincial government	<u>5,710,146</u>	<u>4,013,731</u>	<u>3,357,244</u>
TOTAL GOVERNMENT TRANSFERS	<u>\$ 6,976,145</u>	<u>\$ 6,546,647</u>	<u>\$ 5,432,561</u>

MUNICIPAL DISTRICT OF BIG LAKES
CONSOLIDATED SCHEDULE OF SEGMENT DISCLOSURES
FOR THE YEAR ENDED DECEMBER 31, 2011

	<u>Administration Services</u>	<u>Transportation Services</u>	<u>Protective Services</u>	<u>Utility Services</u>	<u>Recreation and Culture Services</u>	<u>All Other</u>	<u>Total</u>
REVENUE							
Taxation	\$ 1,684,070	\$ 6,640,577	\$ 713,014	\$ 834,488	\$ 1,503,644	\$ 6,710,955	\$ 18,086,748
Government transfers	-	396,376	1,350,071	-	220,923	565,546	2,532,916
User fees and sales of goods	20,140	196,055	70,500	1,198,613	-	36,464	1,521,772
All other	-	<u>12,809</u>	<u>8,474</u>	<u>5,444</u>	<u>6,027</u>	<u>2,331,185</u>	<u>2,363,939</u>
	<u>1,704,210</u>	<u>7,245,817</u>	<u>2,142,059</u>	<u>2,038,545</u>	<u>1,730,594</u>	<u>9,644,150</u>	<u>24,505,375</u>
EXPENSES							
Materials, goods, and contracted and general services	624,344	4,672,214	1,624,447	1,108,525	312,687	894,554	9,236,771
Salaries, wages, and benefits	898,648	1,829,601	368,482	656,671	126,506	958,863	4,838,771
Transfers to other governments	-	36,700	64,417	12,954	1,291,401	653,000	2,058,472
Interest on long-term debt	-	355,181	-	17,430	-	-	372,611
Repairs and maintenance	80,457	268,442	36,133	85,801	-	11,148	481,981
Utilities	48,157	44,929	27,537	138,859	-	456	259,938
Insurance	52,604	38,750	21,043	18,305	-	136	130,838
Amortization	140,664	<u>5,795,023</u>	<u>167,808</u>	<u>883,349</u>	-	<u>17,199</u>	<u>7,004,043</u>
	<u>1,844,874</u>	<u>13,040,840</u>	<u>2,309,867</u>	<u>2,921,894</u>	<u>1,730,594</u>	<u>2,535,356</u>	<u>24,383,425</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	<u>\$ (140,664)</u>	<u>\$ (5,795,023)</u>	<u>\$ (167,808)</u>	<u>\$ (883,349)</u>	<u>\$ -</u>	<u>\$ 7,108,794</u>	<u>\$ 121,950</u>

See accompanying notes to financial statements.

MUNICIPAL DISTRICT OF BIG LAKES
CONSOLIDATED SCHEDULE OF SEGMENT DISCLOSURES
FOR THE YEAR ENDED DECEMBER 31, 2010

	Administration Services	Transportation Services	Protective Services	Utility Services	Recreation and Culture Services	All Other	Total
REVENUE							
Taxation	\$ 1,843,768	\$ 6,361,150	\$ 884,021	\$ 762,226	\$ 1,630,151	\$ 5,867,602	\$ 17,348,918
Government transfers	19,465	1,212,196	20,000	73,848	257,605	492,203	2,075,317
User fees and sales of goods	16,545	193,631	112,450	1,109,722	-	151,430	1,583,778
All other	<u>9,942</u>	<u>10,101</u>	<u>12,581</u>	<u>9,788</u>	<u>924</u>	<u>1,263,384</u>	<u>1,306,720</u>
	<u>1,889,720</u>	<u>7,777,078</u>	<u>1,029,052</u>	<u>1,955,584</u>	<u>1,888,680</u>	<u>7,774,619</u>	<u>22,314,733</u>
EXPENSES							
Materials, goods, and contracted and general services	866,415	5,121,889	575,147	1,078,004	94,296	1,206,703	8,942,454
Salaries, wages, and benefits	849,257	1,778,694	273,516	566,885	83,606	762,033	4,313,991
Transfers to other governments	-	56,994	96,756	69,471	1,195,021	716,041	2,134,283
Repairs and maintenance	56,701	240,777	33,148	74,036	547	14,957	420,166
Utilities	41,373	47,838	28,052	126,002	-	395	243,660
Insurance	75,974	64,007	22,433	18,321	-	141	180,876
Interest on long-term debt	-	466,879	-	22,865	-	-	489,744
Amortization	<u>397,990</u>	<u>5,365,707</u>	<u>164,022</u>	<u>734,213</u>	<u>-</u>	<u>18,258</u>	<u>6,680,190</u>
	<u>2,287,710</u>	<u>13,142,785</u>	<u>1,193,074</u>	<u>2,689,797</u>	<u>1,373,470</u>	<u>2,718,528</u>	<u>23,405,364</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	<u>\$ (397,990)</u>	<u>\$ (5,365,707)</u>	<u>\$ (164,022)</u>	<u>\$ (734,213)</u>	<u>\$ 515,210</u>	<u>\$ 5,056,091</u>	<u>\$ (1,090,631)</u>

MUNICIPAL DISTRICT OF BIG LAKES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2011

1. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements of the Municipal District of Big Lakes (the "Municipal District") are the representations of the Municipal District's management prepared in accordance with Canadian public sector accounting standards. Significant aspects of the accounting policies adopted by the Municipal District are as follows:

(a) Reporting Entity

These consolidated financial statements include the assets, liabilities, revenue and expenses and changes in net financial assets of the Municipal District. This entity is comprised of all the organizations that are owned or controlled by the Municipal District and are, therefore, accountable to the Council for the administration of their financial affairs and resources. They include the Municipal District of Big Lakes Library Board financial statements.

The schedule of taxes levied includes requisitions for education and senior foundations that are not part of the municipal reporting entity.

(b) Basis of Accounting

The Municipal District follows the accrual basis of accounting. Revenues are recognized in the year in which they are earned and measurable.

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 revenue in the period in which the events giving rise to the transfer occurred, providing the transfers are authorized, any eligibility criteria have been met by the municipality, and reasonable estimates of the amounts can be made.

Expenses are recognized as they are incurred and measurable based upon receipt of goods or services and/or the legal obligation to pay.

(c) Inventory

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

(d) 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. 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. The cost of land is written off against equity in land held for resale as it is sold.

(e) Investments

Investments consist of guaranteed investment certificates recorded at 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.

(f) Loans receivable

Loans receivable are recorded at cost. Interest revenue is recognized as revenue in the year it is earned.

(CONT'D)

MUNICIPAL DISTRICT OF BIG LAKES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2011

1. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(g) 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 residual value, of the tangible capital assets is amortized on a straight-line basis over their estimated useful lives as follows:

Buildings	20 - 50 years
Engineered structures	
Paved roadways	
Top	20 years
Base	80 years
Gravel roadways	
Top	15 years
Base	30 years
Concrete	25 years
Bridges	12 - 58 years
Wastewater systems	50 & 75 years
Water systems	50 & 75 years
Machinery and equipment	5 - 20 years
Vehicles	5 - 25 years

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

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

(h) Prepaid Local Improvements

Construction and borrowing costs associated with local improvement projects are recovered through annual special property tax assessments during the period of the related borrowings. These levies are collectible from property owners for work performed by the Municipal District.

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 the 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.

(i) Requisition Over-levies and Under-levies

Over-levies and under-levies arise from the difference between the actual 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.

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

(CONT'D)

MUNICIPAL DISTRICT OF BIG LAKES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2011

1. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(j) Use of Estimates

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

2. RECEIVABLES

	<u>2011</u>	<u>2010</u>
Trade and other	\$ 2,079,550	\$ 2,478,769
Taxes and grants in lieu	419,434	479,079
Goods and Services Tax	284,387	234,130
Utilities	<u>109,936</u>	<u>156,160</u>
	2,893,307	3,348,138
Less: Allowance for doubtful accounts	<u>(125,698)</u>	<u>(208,791)</u>
	<u>\$ 2,767,609</u>	<u>\$ 3,139,347</u>

3. LOAN RECEIVABLE

Heart River Housing \$1,000,000 loan for the purposes of lodge and renovation projects at the Pleasantview Lodge in the Town of High Prairie and the Red Willow Lodge in the Town of Valleyview. The loan bears interest at 0.50% above the Royal Bank five year term Guaranteed Investment Certificate rate which is currently 3.00%, payable in quarterly blended amounts of \$29,030, due August 15, 2020.

4. INVESTMENTS

Investments consist of guaranteed investment certificates bearing interest at rates ranging from 1.50% to 6.24% and maturing at dates ranging from 2012 - 2014.

5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	<u>2011</u>	<u>2010</u>
Trade and other accounts payable	\$ 2,136,714	\$ 2,461,942
Earned vacation liability	280,159	282,750
Accrued interest on long-term debt	<u>25,301</u>	<u>31,160</u>
	<u>\$ 2,442,174</u>	<u>\$ 2,775,852</u>

MUNICIPAL DISTRICT OF BIG LAKES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2011

6. DEFERRED REVENUE

Deferred revenue is comprised of the following amounts, which have been received from third parties for a specified purpose. These amounts are recognized as revenue in the period in which the related expenditures are incurred.

	<u>2011</u>	<u>2010</u>
Government conditional transfers	\$ 1,972,160	\$ 1,314,330
Prepaid local improvements	<u>38,158</u>	<u>41,338</u>
	<u>\$ 2,010,318</u>	<u>\$ 1,355,668</u>

7. LONG-TERM DEBT

	<u>2011</u>	<u>2010</u>
Alberta Capital Financing Authority debenture debt	<u>\$ 9,176,613</u>	<u>\$13,022,490</u>

Debenture debt is issued on the credit and security of the Municipal District at large, bears interest at rates ranging from 1.1778% to 6% per annum before provincial subsidy and matures in years 2012 through 2027.

The Municipal District's cash payments for interest in 2011 were \$360,870 (2010 - \$485,513).

Principal and interest payments are due as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 1,820,165	\$ 317,579	\$ 2,137,744
2013	627,084	278,544	905,628
2014	650,755	254,873	905,628
2015	675,333	230,295	905,628
2016	700,853	204,775	905,628
Thereafter	<u>4,702,423</u>	<u>737,276</u>	<u>5,439,699</u>
	<u>\$ 9,176,613</u>	<u>\$ 2,023,342</u>	<u>\$11,199,955</u>

MUNICIPAL DISTRICT OF BIG LAKES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2011

8. TANGIBLE CAPITAL ASSETS

	<u>2011</u> Net Book Value	<u>2010</u> Net Book Value
Engineered structures		
Roadways and bridges	\$ 221,330,831	\$ 223,393,029
Water systems	18,876,717	18,971,076
Wastewater systems	12,794,052	9,216,928
Drainage systems	4,629,554	4,788,584
Airport	<u>1,269,798</u>	<u>1,524,821</u>
	258,900,952	257,894,438
Machinery and equipment	3,551,731	3,196,781
Vehicles	1,783,531	1,848,495
Buildings	9,765,153	10,046,626
Land	4,499,243	4,509,084
Land improvements	145,453	57,019
Construction in progress	<u>1,532,783</u>	<u>3,825,821</u>
	<u>\$ 280,178,846</u>	<u>\$ 281,378,264</u>

	Cost Beginning of Year	Additions	Disposals	Transfers	Cost End of Year
Engineering structures					
Roadways and bridges	\$ 284,464,430	\$ 1,193,665	\$ -	\$ 1,459,717	\$ 287,117,812
Water systems	26,466,226	386,669	-	-	26,852,895
Wastewater systems	12,306,146	21,506	-	3,867,856	16,195,508
Drainage systems	6,871,493	-	-	-	6,871,493
Airport	<u>4,195,311</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,195,311</u>
	334,303,606	1,601,840	-	5,327,573	341,233,019
Machinery and equipment	5,379,456	776,359	(296,149)	269,851	6,129,517
Vehicles	3,167,430	239,034	(222,148)	-	3,184,316
Buildings	12,948,308	40,815	-	-	12,989,123
Land	4,509,084	792	(10,633)	-	4,499,243
Land improvements	697,725	97,375	-	-	795,100
Construction in progress	<u>3,825,821</u>	<u>3,304,386</u>	<u>-</u>	<u>(5,597,424)</u>	<u>1,532,783</u>
	<u>\$ 364,831,430</u>	<u>\$ 6,060,601</u>	<u>\$ (528,930)</u>	<u>\$ -</u>	<u>\$ 370,363,101</u>

	Accumulated Amortization Beginning of Year	Current Amortization	Disposals	Transfers	Accumulated Amortization End of Year
Engineered structures					
Roadways and bridges	\$ 61,071,401	\$ 4,715,580	\$ -	\$ -	\$ 65,786,981
Water systems	7,495,150	481,028	-	-	7,976,178
Wastewater systems	3,089,218	312,238	-	-	3,401,456
Drainage systems	2,082,909	159,030	-	-	2,241,939
Airport	<u>2,670,490</u>	<u>255,023</u>	<u>-</u>	<u>-</u>	<u>2,925,513</u>
	76,409,168	5,922,899	-	-	82,332,067
Machinery and equipment	2,182,675	448,118	(53,007)	-	2,577,786
Vehicles	1,318,935	301,796	(219,946)	-	1,400,785
Buildings	2,901,682	322,288	-	-	3,223,970
Land improvements	<u>640,706</u>	<u>8,941</u>	<u>-</u>	<u>-</u>	<u>649,647</u>
	<u>\$ 83,453,166</u>	<u>\$ 7,004,042</u>	<u>\$ (272,953)</u>	<u>\$ -</u>	<u>\$ 90,184,255</u>

MUNICIPAL DISTRICT OF BIG LAKES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2011

9. INVENTORY FOR CONSUMPTION

	<u>2011</u>	<u>2010</u>
Gravel	\$ 2,379,197	\$ 1,878,184
Material and supplies	<u>101,294</u>	<u>131,621</u>
	<u>\$ 2,480,491</u>	<u>\$ 2,009,805</u>

10. ACCUMULATED SURPLUS

	<u>2011</u>	<u>2010</u>
Unrestricted surplus	\$ 6,409,602	\$ 5,695,076
Restricted surplus		
Operating reserves (Note 12)	10,645,866	9,492,966
Capital reserves (Note 12)	10,550,493	10,939,260
Equity in tangible capital assets (Schedule 1)	<u>271,002,233</u>	<u>268,355,774</u>
	<u>\$298,608,194</u>	<u>\$294,483,076</u>

11. CONTINGENT LIABILITIES

In June 1994, the Municipal District entered into an agreement with Alberta Transportation to take over the responsibilities related to the transportation function of the former Improvement District. Under this agreement, the Municipal District has assumed a contingent liability estimated at \$324,953, related to gravel pits and stock pile reclamation. This contingency has not been accrued in these financial statements; however, should the liability be realized, the Municipal District has established a reserve to fund these costs.

MUNICIPAL DISTRICT OF BIG LAKES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2011

12. RESERVES

	<u>2011</u>	<u>2010</u>
OPERATING RESERVES		
Resurfacing	\$ 4,915,338	\$ 4,429,270
Working capital	4,510,782	4,183,346
Community facilities	343,938	42,079
Contingency	257,107	257,107
Recreation	114,993	77,456
Winter maintenance control	104,387	104,387
Tourism and economic development	100,000	100,000
Culture	99,479	99,479
Enhanced policing	82,000	82,000
Family and Community Support Services	72,042	72,042
Water offsite levies	26,150	26,150
Sewer offsite levies	<u>19,650</u>	<u>19,650</u>
	<u>\$10,645,866</u>	<u>\$ 9,492,966</u>
CAPITAL RESERVES		
Transportation	\$ 1,888,300	\$ 3,555,753
Water	1,721,231	1,517,073
Sewer	1,697,514	1,069,116
Gravel source and pit reclamation	1,163,175	1,088,301
Fire facility	934,556	988,605
Equipment replacement	852,467	674,837
Building	836,576	733,293
Fire equipment	687,977	644,715
Recreation and cultural	254,135	254,135
Landfill site reclamation	157,967	157,263
Computer equipment	129,574	29,881
Landfill development	80,981	80,620
Big Meadow Water Co-op	78,007	77,659
ASB equipment	62,541	62,541
Other	<u>5,492</u>	<u>5,468</u>
	<u>\$10,550,493</u>	<u>\$10,939,260</u>

MUNICIPAL DISTRICT OF BIG LAKES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2011

13. SALARY AND BENEFITS DISCLOSURE

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

	<u>Salary</u>	<u>Benefits and Allowances</u>	<u>2011</u>	<u>Total</u> <u>2010</u>
Councillors				
Ward 1	\$ 14,290	\$ 11,800	\$ 26,090	\$ 23,150
Ward 2	18,200	10,800	29,000	20,800
Ward 3	23,100	11,000	34,100	28,200
Ward 4	8,000	10,800	18,800	14,400
Ward 5	19,700	10,800	30,500	27,200
Ward 6	18,300	10,800	29,100	24,700
Ward 7	7,500	10,800	18,300	10,100
Ward 8	19,100	15,600	34,700	28,700
Ward 9	<u>21,600</u>	<u>10,800</u>	<u>32,400</u>	<u>22,000</u>
	<u>\$ 149,790</u>	<u>\$ 103,200</u>	<u>\$ 252,990</u>	<u>\$ 199,250</u>
Designated officers	<u>\$ 298,323</u>	<u>\$ 36,364</u>	<u>\$ 334,687</u>	<u>\$ 264,702</u>
Chief Administrative Officer	<u>\$ 140,071</u>	<u>\$ 8,853</u>	<u>\$ 148,924</u>	<u>\$ 130,205</u>

Salary includes regular base pay, bonuses, lump sum payments, honoraria and any other direct cash remuneration.

Benefits and allowances include the employer's share of all employee benefits and contributions or payments made on behalf of employees including pension, retiring allowance, health care, dental coverage, vision coverage, group life insurance, accidental disability and dismemberment insurance, long and short-term disability plans, and professional membership and tuition.

14. LOCAL AUTHORITIES PENSION PLAN

Employees of the Municipal District participate in the Local Authorities Pension Plan (LAPP), which is one of the plans covered by the *Public Sector Pension Plans Act*. The LAPP is financed by employer and employee contributions and investment earnings of the LAPP Fund.

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

The Municipal District 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 Municipal District are required to make current service contributions of 8.49% of pensionable earnings up to the year's maximum pensionable earnings and 12.13% on pensionable earnings above this amount.

Total current service contributions by the Municipal District to the LAPP in 2011 were \$334,421 (2010 - 26,037). Total current service contributions by the employees of the Municipal District to the LAPP in 2011 were \$302,300 (2010 - \$23,411).

At December 31, 2010 the Plan disclosed an actuarial deficit of \$4,635.3 million (2009 - \$3,998.6 million).

MUNICIPAL DISTRICT OF BIG LAKES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2011

15. COMMITMENTS

(a) Town of Swan Hills

In recognition of the services provided to the Municipal District by the Town of Swan Hills, the Municipal District is committed to make annual payments of \$650,000 per year from 2009 - 2013 to the Town of Swan Hills under an Inter-municipal Cost Sharing Agreement.

(b) Town of High Prairie

The Municipal District and the Town of High Prairie have entered into an Inter-municipal Cost Sharing Agreement. Under the terms of this agreement the Municipal District is committed to pay 50% of the net operating costs of the High Prairie Municipal Library Board, High Prairie and District Fire Department, High Prairie and District Recreation Board, High Prairie and District Municipal Airport, 15% of the reclamation costs and annual monitoring costs of the High Prairie Landfill Site, and 50% of the annual recycling contract.

16. 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 Municipal District be disclosed as follows:

	<u>2011</u>	<u>2010</u>
Total debt limit	\$ 36,758,063	\$ 33,472,100
Total debt (Note 7)	<u>9,176,613</u>	<u>13,022,490</u>
Amount of debt limit unused	<u>\$ 27,581,450</u>	<u>\$ 20,449,610</u>
Service on debt limit	\$ 6,126,344	\$ 5,578,683
Service on debt (Note 7)	<u>2,137,744</u>	<u>2,354,508</u>
Amount of service on debt limit unused	<u>\$ 3,988,600</u>	<u>\$ 3,224,175</u>

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

17. FINANCIAL INSTRUMENTS

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

The Municipal District is subject to credit risk with respect to receivables and loan receivable. Credit risk arises from the possibility that the Municipal District's customers may experience financial difficulty and be unable to fulfill their obligations. The large number and diversity of customers minimizes the Municipal District's credit risk.

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

MUNICIPAL DISTRICT OF BIG LAKES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2011

18. RELATED PARTY TRANSACTIONS

Accounts receivable includes 20,258 due to (2010 - \$66,160 due from) the High Prairie and District Regional Solid Waste Management Authority.

Other revenue includes management fees of \$10,000 (2010 - \$10,000) from the High Prairie and District Regional Solid Waste Management Authority.

These transactions are recorded at their exchange amounts as agreed to by the related party.

19. SEGMENTED INFORMATION

The Municipal District provides a wide range of services to its citizens. 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. For additional information see the Schedule of Segment Disclosure (Schedule 4).

20. BUDGET FIGURES

Budget figures are presented for information purposes only and are unaudited.

21. APPROVAL OF FINANCIAL STATEMENTS

These financial statements were approved by Council.

22. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the current year's presentation.