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INDEPENDENT AUDITOR'S REPORT

To the Mayor and Council of Town of Vegreville

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Town of Vegreville which comprise of the statement of financial position at December 31, 2011, and the statements of operations, change in net financial assets (debt) and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Town of Vegreville as at December 31, 2011, the results of its operations, change in its net financial assets (debt) and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Vegreville, AB
April 17, 2012

Wilde & Company

Chartered Accountants

TOWN OF VEGREVILLE
Consolidated Statement of Financial Position
As at December 31, 2011

	2011	2010
ASSETS		
Financial Assets		
Cash and temporary investments (Note 3)	\$ 7,601,851	\$ 6,749,938
Receivables		
Taxes and grants in place of taxes (Note 4)	440,000	418,759
Due from governments	351,478	442,359
Trade and other receivables	788,580	1,581,550
Land held for resale	874,064	871,074
Investments (Note 5)	1,014,555	2,000,000
Debt charges recoverable (Note 6)	355,452	417,599
	11,425,980	12,481,279
LIABILITIES		
Accounts payable and accrued liabilities	1,757,743	1,554,862
Accrued employee obligations (Note 7)	340,713	312,947
Deposit liabilities	10,000	40,158
Deferred revenue (Note 8)	1,975,998	3,118,524
Long term debt (Note 9)	3,153,362	3,580,759
	7,237,816	8,607,250
NET FINANCIAL ASSETS	4,188,164	3,874,029
NON-FINANCIAL ASSETS		
Tangible capital assets (Schedule 2)	53,205,251	56,031,029
Inventory for consumption	73,942	75,201
Prepaid expenses	147,215	174,755
	53,426,408	56,280,985
ACCUMULATED SURPLUS (Note 12)	\$ 57,614,572	\$ 60,155,014

Contingencies (Note 16)

TOWN OF VEGREVILLE
Consolidated Statement of Operations
Year Ended December 31, 2011

	Budget (Unaudited)	2011	2010
Revenues			
Net municipal taxes (Schedule 3)	\$ 7,350,000	\$ 7,378,771	\$ 6,940,603
User fees and sales of goods and services	3,028,170	3,209,251	3,995,751
Government transfers for operating (Schedule 4)	3,300,254	4,778,734	5,177,805
Investment income	100,000	158,361	153,919
Franchise and concession contracts	680,000	763,875	724,065
Penalties and costs on taxes	50,000	142,260	135,773
Rentals	326,582	357,149	385,866
Fines, licenses and permits	96,000	107,415	100,420
Loss on disposal of assets	-	(3,325)	(3,325)
Other	122,649	175,433	149,312
	15,053,655	17,067,924	17,760,189
Expenses			
Legislative	303,025	286,684	275,997
Administration	1,298,367	3,242,766	3,278,042
Fire protection and safety services	1,593,262	1,634,760	1,473,462
Ambulance services	1,612,032	1,492,130	1,428,617
Bylaw enforcement	158,459	157,896	182,796
Roads, streets, walks, lighting	2,302,684	5,077,973	4,810,322
Airport	53,576	95,952	100,279
Water supply and distribution	1,220,465	1,515,123	1,262,211
Wastewater treatment and disposal	408,730	683,044	543,698
Waste management	810,114	835,852	490,899
Family and community support	1,308,834	1,194,892	1,221,515
Cemetery	90,422	100,770	73,946
Subdivision land and development	481,402	499,633	1,238,253
Community and tourism	436,585	430,529	692,186
Parks and recreation	1,978,124	2,149,281	2,092,008
Culture	1,080,262	1,150,201	1,154,767
	15,136,343	20,547,486	20,318,998
Deficiency of revenue over expenses - before other	(82,688)	(3,479,562)	(2,558,809)
Other			
Government transfers for capital (Schedule 4)	5,854,075	939,120	1,879,204
Excess (deficiency) of revenues over expenses	5,771,387	(2,540,442)	(679,605)
Accumulated surplus - beginning of the year	60,155,014	60,155,014	60,834,619
Accumulated surplus - end of the year	\$ 65,926,401	\$ 57,614,572	\$ 60,155,014

TOWN OF VEGREVILLE**Consolidated Statement of Change in Net Financial Assets (Debt)
Year Ended December 31, 2011**

	Budget (Unaudited)	2011	2010
Excess (deficiency) of revenues over expenses	\$ 5,771,387	\$ (2,540,442)	\$ (679,605)
Acquisition of tangible capital assets	(12,588,575)	(1,133,129)	(2,137,452)
Amortization of tangible capital assets	-	3,955,582	3,958,231
Loss on disposal of tangible capital assets	-	3,325	3,325
	(6,817,188)	285,336	1,144,499
Acquisition of supplies inventories	-	1,259	(15,376)
Acquisition of prepaid assets	-	27,540	(142,590)
	-	28,799	(157,966)
(Increase) decrease in net debt	(6,817,188)	314,135	986,533
Net financial assets (debt), beginning of year	3,874,029	3,874,029	2,887,496
Net financial assets (debt), end of year	\$ (2,943,159)	\$ 4,188,164	\$ 3,874,029

TOWN OF VEGREVILLE
Consolidated Statement of Cash Flows
Year Ended December 31, 2011

	2011	2010
Operating		
Excess (deficiency) of revenue over expenses	\$ (2,540,442)	\$ (679,605)
Net changes in non-cash items included in excess of revenues over expenses		
Amortization of tangible capital assets	3,955,582	3,958,231
(Gain) loss on disposal of tangible capital assets	3,325	3,325
Debt charges recoverable (Note 6)		
Decrease (increase) in taxes and grants in lieu receivable	(21,241)	(60,531)
Decrease (increase) in government receivables	90,881	191,017
Decrease (increase) in trade and other receivables	792,970	(357,925)
Decrease (increase) in note receivable	62,147	58,911
Decrease (increase) in land held for resale	(2,990)	158,465
Decrease (increase) in inventories	1,259	(15,376)
Decrease (increase) in prepaid expenses	27,540	(142,590)
Increase (decrease) in accounts payable and accrued liabilities	202,881	(35,834)
Increase (decrease) in accrued employee obligations	27,766	25,688
Increase (decrease) in deposit liabilities	(30,158)	2,434
Increase (decrease) in deferred revenues	(1,142,526)	(419,986)
	3,967,436	3,365,829
<i>Net cash provided by operating transactions</i>	1,426,994	2,686,224
Capital		
Acquisition of tangible capital assets	(1,133,129)	(2,137,452)
<i>Net cash applied to capital transactions</i>	(1,133,129)	(2,137,452)
Investing		
Decrease (increase) in restricted cash or cash equivalents	1,142,526	419,986
Decrease (increase) in investments	985,445	(1,000,000)
<i>Net cash applied to investing transactions</i>	2,127,971	(580,014)
Financing		
Long term debt issued - capital	-	99,981
Long term debt repaid - operating	(230,948)	(227,711)
Long term debt repaid - capital	(196,449)	(203,818)
<i>Net cash provided by financing transactions</i>	(427,397)	(331,548)
Change in cash and cash equivalents during the year	1,994,439	(362,790)
Cash and cash equivalents, beginning of year	3,631,414	3,994,204
Cash and cash equivalents, end of year	\$ 5,625,853	\$ 3,631,414
Cash and cash equivalents is made up of:		
Cash and temporary investments (Note 3)	\$ 7,601,851	\$ 6,749,938
Less: restricted portion of cash and temporary investments (Note 3)	(1,975,998)	(3,118,524)
	\$ 5,625,853	\$ 3,631,414

See accompanying notes

TOWN OF VEGREVILLE
Schedule of Changes in Accumulated Surplus
Year Ended December 31, 2011
Schedule 1

	2011		2010			
	Unrestricted Surplus	Restricted Operating Reserves	Restricted Capital Reserves	Equity in Capital Assets	\$	\$
Balance, beginning of year	2,770,363	2,632,722	1,419,862	53,332,067	60,155,014	60,834,619
Excess (deficiency) of revenues over expenses	(2,540,442)				(2,540,442)	(679,605)
Unrestricted funds designated for future use	(258,062)	240,562	17,500		-	
Restricted funds used for operations	147,121	(147,121)			-	
Restricted funds used for TCA			(33,000)	33,000		
Current year funds used for TCA	(1,100,129)			1,100,129		
Disposals of TCA	38,538			(38,538)		
Accumulated amortization of disposed assets	(35,213)			35,213		
Annual amortization expense	3,955,582			(3,955,582)		
TCA long term debt issued	-			-		
TCA long term debt repaid	(196,449)			196,449		
Change in accumulated surplus	10,946	93,441	(15,500)	(2,629,329)	(2,540,442)	(679,605)
Balance, end of year	2,781,309	2,726,163	1,404,362	50,702,738	57,614,572	60,155,014

TOWN OF VEGREVILLE
Schedule of Tangible Capital Assets
Year Ended December 31, 2011
Schedule 2

	Land	Buildings	Engineered Structures	Machinery and Equipment	Vehicles	2011 \$	2010 \$
Cost:							
Balance, beginning of year	1,027,180	13,870,805	104,257,120	5,965,298	3,680,764	128,801,167	126,674,128
Acquisition of tangible capital assets	-	129,239	765,580	106,501	131,809	1,133,129	2,137,452
Disposal of tangible capital assets	-	-	(11,938)	(26,600)	-	(38,538)	(10,413)
Balance, end of year	1,027,180	14,000,044	105,010,762	6,045,199	3,812,573	129,895,758	128,801,167
Accumulated amortization:							
Balance, beginning of year		5,970,289	61,048,803	4,324,939	1,426,107	72,770,138	68,818,994
Annual amortization	-	397,435	3,069,360	224,355	264,432	3,955,582	3,958,231
Accumulated amortization on disposals	-	-	(8,613)	(26,600)	-	(35,213)	(7,087)
Balance, end of year	-	6,367,724	64,109,550	4,522,694	1,690,539	76,690,507	72,770,138
Net book value of tangible capital assets	1,027,180	7,632,320	40,901,212	1,522,505	2,122,034	53,205,251	56,031,029
2010 Net Book Value of tangible capital assets	1,027,180	7,900,516	43,208,317	1,640,359	2,254,657		56,031,029

TOWN OF VEGREVILLE
Schedule of Property and Other Taxes
Year Ended December 31, 2011
Schedule 3

	Budget (Unaudited)	2011	2010
Taxation			
Real property taxes	\$ 7,603,517	\$ 7,625,021	\$ 7,175,946
Linear property	485,380	485,380	467,541
Government grants in place of property taxes	1,102,231	1,109,498	1,001,326
	9,191,128	9,219,899	8,644,813
Requisitions			
Alberta School Foundation Fund	1,729,543	1,729,543	1,593,851
Minburn Senior's Foundation	111,585	111,585	110,359
	1,841,128	1,841,128	1,704,210
Net Municipal Taxes	\$ 7,350,000	\$ 7,378,771	\$ 6,940,603

TOWN OF VEGREVILLE
Schedule of Government Transfers
Year Ended December 31, 2011
Schedule 4

	Budget (Unaudited)	2011	2010
Transfers for Operating			
Provincial Government	\$ 3,059,996	\$ 4,535,477	\$ 4,935,081
Federal Government	4,700	4,576	2,675
Local Government	235,558	238,681	240,049
	3,300,254	4,778,734	5,177,805
Transfers for Capital			
Provincial Government	5,424,292	757,585	1,454,463
Federal Government	429,783	181,535	424,741
	5,854,075	939,120	1,879,204
Total Government Transfers	\$ 9,154,329	\$ 5,717,854	\$ 7,057,009

TOWN OF VEGREVILLE
Schedule of Consolidated Expenses by Object
Year Ended December 31, 2011
Schedule 5

	Budget (Unaudited)	2011	2010
Consolidated Expenses by Object			
Salaries, wages and benefits	\$ 7,218,749	\$ 7,066,841	\$ 6,731,492
Contracted and general services	3,806,073	3,653,518	3,032,361
Purchases from other governments	872,700	858,489	757,908
Materials, goods, supplies and utilities	2,813,532	2,654,741	3,488,800
Other transactions, allowances and adjustments	63,100	75,307	87,619
Transfers to local boards and agencies	177,341	1,948,600	2,069,996
Bank charges and short term interest	25,000	178,228	24,161
Interest on long term debt	159,848	156,180	168,430
Amortization of tangible capital assets	-	3,955,582	3,958,231
	\$ 15,136,343	\$ 20,547,486	\$ 20,318,998

TOWN OF VEGREVILLE
Schedule of Segmented Disclosure
Year Ended December 31, 2011
Schedule 6

	General Government	Protective Services	Transportation Services	Environmental Services	Public Health	Planning & Development	Recreation & Culture	Other	Total
									\$
Revenue									
Net municipal taxes	-	-	-	-	-	-	-	7,378,771	7,378,771
Government transfers	1,783,985	1,714,302	932,782	159,993	817,635	48,138	261,019	-	5,717,854
User fees and sales of goods	10,736	587,876	36,782	2,196,971	248,066	84,157	509,227	142,260	3,816,075
Investment income	-	-	-	-	21,969	-	-	136,392	158,361
Other revenues	24,840	63,005	4,910	20,222	42,518	400	16,213	763,875	935,983
	1,819,561	2,365,183	974,474	2,377,186	1,130,188	132,695	786,459	8,421,298	18,007,044
Expenses									
Salaries, wages and benefits	1,000,585	1,765,865	886,878	814,466	849,345	351,318	1,398,384	-	7,066,841
Contracted and general services	374,399	1,094,436	452,210	328,423	401,401	309,414	693,235	-	3,653,518
Materials, goods, supplies and utilities	134,104	250,045	979,690	1,270,504	63,242	52,514	763,131	-	3,513,230
Transfers to local boards and agencies	-	-	-	-	105,085	36,403	25,261	1,781,851	1,948,600
Interest on long term debt	-	-	80,907	41,301	21,968	12,004	-	-	156,180
Other expenses	59,382	14,712	500	15,692	8,561	2,008	387	152,293	253,535
	1,568,470	3,125,058	2,400,185	2,470,386	1,449,602	763,661	2,880,398	1,934,144	16,591,904
Net revenue before amortization	251,091	(759,875)	(1,425,711)	(93,200)	(319,414)	(630,966)	(2,093,939)	6,487,154	1,415,140
Amortization of tangible capital assets	26,836	159,728	2,773,740	563,633	10,726	1,835	419,084	-	3,955,582
Net revenue	224,255	(919,603)	(4,199,451)	(656,833)	(330,140)	(632,801)	(2,513,023)	6,487,154	(2,540,442)

TOWN OF VEGREVILLE
Notes to Consolidated Financial Statements
Year Ended December 31, 2011

1. Significant accounting policies

The consolidated financial statements of the Town 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:

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 the municipal operations plus all of the organizations that are owned or controlled by the Town and are, therefore, accountable to 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 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.

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.

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.

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TOWN OF VEGREVILLE
Notes to Consolidated Financial Statements
Year Ended December 31, 2011

1. Significant accounting policies (*continued*)

Cash and cash equivalents

Cash includes cash and cash equivalents. Cash equivalents are investments in mutual funds, bonds and GIC's and are valued at cost plus accrued interest. The carrying amounts approximate fair value because they have maturities at the date of purchase of less than ninety days.

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.

Debt charges recoverable

Debt charges recoverable consist of amounts that are recoverable from municipal agencies or other local governments with respect to outstanding debentures or other long term debt pursuant to annexation orders or joint capital undertakings. These recoveries are recorded at a value that equals the offsetting portion of the unmatured long term debt, less actuarial requirements for the retirement of any sinking fund debentures.

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.

Inventories 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 levelling 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 the respective function.

Landfill closure and post-closure liability

Pursuant to the Alberta Environmental Protection and Enhancement Act, the Town is required to fund the closure of its landfill site and provide for post-closure care of the facility. Closure and post-closure activities include the final clay cover, landscaping, as well as surface and ground water monitoring, leachate control, and visual inspection. The requirement is being provided for over the estimated remaining life of the landfill site based on usage.

(*continues*)

TOWN OF VEGREVILLE
Notes to Consolidated Financial Statements
Year Ended December 31, 2011

1. Significant accounting policies (*continued*)

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.

(continues)

TOWN OF VEGREVILLE
Notes to Consolidated Financial Statements
Year Ended December 31, 2011

1. Significant accounting policies (*continued*)

Non-financial assets

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the normal course of operations. The change in non-financial assets during the year, together with the excess of revenues over expenses, provides the consolidated Change in Net Financial Assets (Debt) for the year.

a) 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 the estimated useful life as follows:

	YEARS
Land improvements	15-45
Buildings	25-50
Engineered structures	
Roadway system	5-65
Water system	45-75
Wastewater system	45-75
Storm system	45-75
Other engineered structures	10-80
Machinery and equipment	5-40
Vehicles	10-40

Amortization will not be calculated in the year in which the asset is acquired, put into service, or constructed. Amortization will be calculated in the year in which the asset is disposed.

b) 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.

c) 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.

d) Inventories

Inventories held for consumption are recorded at the lower of cost and replacement cost.

TOWN OF VEGREVILLE

Notes to Consolidated Financial Statements

Year Ended December 31, 2011

2. Recent accounting pronouncements published but not yet adopted

The following accounting standards have been issued by the Canadian Institute of Chartered Accountants (CICA) but are not yet effective. The municipality is currently evaluating the effect of adopting these standards on their financial statements.

Section PS 3410 - Government Transfers

This section establishes standards on how to account for and report government transfers to individuals, organizations and other governments from both a transferring government and a recipient government perspective. This section is effective for fiscal periods beginning on or after April 1, 2012.

Section PS 3510 – Tax Revenue

This new standard establishes recognition, measurement, presentation and disclosure standards relating to tax revenue reported in financial statements. This section is effective for fiscal periods beginning on or after April 1, 2012.

Section PS 3260 – Liability for Contaminated Sites

This new section establishes recognition, measurement, and disclosure standards for liabilities relating to contaminated sites of governments and those organizations applying the CICA Public Sector Accounting Handbook. This section is effective for fiscal periods beginning on or after April 1, 2014.

Section PS 3450 - Financial Instruments

This new section establishes standards for recognizing and measuring financial assets, financial liabilities and non-financial derivatives. In conjunction with this new section, section PS 1201 and section PS 2601 have been amended as a consequence of the introduction of new financial instruments standards. These amendments were required to present the associated gains and losses with financial instruments recognized under the new section. The new section and the related amendments are effective for fiscal periods beginning on or after April 1, 2015.

For government organizations, as defined in Section PS 1300, the new section and related amendments are effective for fiscal periods beginning on or after April 1, 2012.

TOWN OF VEGREVILLE
Notes to Consolidated Financial Statements
Year Ended December 31, 2011

3. Cash and temporary investments

	2011	2010
Cash	\$ 261,526	\$ 1,288,867
Cash held in trust	126,542	1,988,608
Temporary investments	7,213,783	3,472,463
	\$ 7,601,851	\$ 6,749,938

Temporary investments are short term deposits with original maturities of three months or less.

Council has designated funds of \$1,404,362 (2010 - \$1,419,862) included in the above amounts for capital projects.

Included in temporary investments is a restricted amount of \$1,975,998 (2010 - \$3,118,524). \$126,542 (2010 - \$1,988,982) of the restricted amount has been received from Alberta Housing and Urban Affairs and the balance from Municipal Sustainability Initiative, Alberta Transportation, Alberta Environment, New Deal for Communities & Cities, Street Improvement Program, Municipal Sponsorship Program, Federal Gas Tax Fund, Regional Collaboration Grants, FCSS funding and donations for various projects (Note 8).

4. Taxes and grants in place of taxes receivable

	2011	2010
Current taxes and grants in place of taxes	\$ 282,772	\$ 364,419
Arrears taxes	103,042	51,747
Property acquired	177,119	125,526
	562,933	541,692
Less: allowance for doubtful accounts	(122,933)	(122,933)
	\$ 440,000	\$ 418,759

5. Investments

	2011		2010	
	Cost	Market Value	Cost	Market Value
Term deposits	\$ 1,014,555	\$ 1,014,555	\$ 2,000,000	\$ 2,000,000

Term deposits have effective interest rates of 1.1% to 1.75% (2010 - 0.9% to 2.0%) with maturity dates from July 22, 2012 to December 27, 2012.

TOWN OF VEGREVILLE
Notes to Consolidated Financial Statements
Year Ended December 31, 2011

6. Debt charges recoverable	2011	2010
Current debt charges recoverable	\$ 65,562	\$ 62,147
Non-current debt charges recoverable	289,890	355,452
	\$ 355,452	\$ 417,599

Principal and interest repayment terms are as follows:

	Principal	Interest	Total
2011	\$ 65,562	\$ 18,554	\$ 84,116
2012	69,165	14,951	84,116
2013	72,965	11,151	84,116
2014	16,703	7,140	23,843
2015	17,543	6,300	23,843
Thereafter	113,514	17,620	131,134
	\$ 355,452	\$ 75,716	\$ 431,168

The Town of Vegreville has undertaken a joint project to assist the MD of Minburn Foundation with a senior citizen's lodge. The Town assumed long term financing totaling \$600,000 in 1999, however the full amount plus interest at 5.625% is recoverable from the MD of Minburn Foundation with respect to the financing.

The Town of Vegreville undertook an additional joint project to assist the MD of Minburn Foundation in 2007. The Town assumed additional long term financing totaling \$250,000. The full amount of the debenture plus interest at 4.971% is recoverable from the MD of Minburn Foundation.

Amounts are recoverable in blended payments totaling \$84,116 annually.

7. Employee benefit obligations

	2011	2010
Vacation	\$ 340,713	\$ 312,947

The vacation liability is comprised of the vacation that employees are deferring to future years. Employees have either earned the benefits (and are vested) or are entitled to these benefits within the next budgetary year.

TOWN OF VEGREVILLE
Notes to Consolidated Financial Statements
Year Ended December 31, 2011

8. Deferred revenue

	2011	2010
New Deal for Communities & Cities	\$ 192,955	\$ 51,199
Street Improvement Grant	33,050	51,900
Municipal Sustainability Grant	1,271,837	301,168
Emergency Services Grants	199,326	29,094
Family Community Support Services - grant programs	(6,199)	14,337
Alberta Municipal Infrastructure Program	-	287,969
Alberta Housing and Urban Affairs	126,832	1,988,982
Federal Gas Tax Fund	-	302,635
Municipal Sponsorship Program	5,340	57,510
Regional Collaboration Grants	121,004	-
Specified donations	386	1,536
Other items	31,467	32,194
	\$ 1,975,998	\$ 3,118,524

The use of these funds are restricted to eligible projects as approved under the agreements. Unexpended funds related to the advances are supported by accounts receivable, cash and temporary investments.

TOWN OF VEGREVILLE
Notes to Consolidated Financial Statements
Year Ended December 31, 2011

9. Long term debt

	2011	2010
Tax supported debentures	\$ 2,797,910	\$ 3,163,160
Recoverable from MD of Minburn Foundation - See Note 6	355,452	417,599
	\$ 3,153,362	\$ 3,580,759

Principal and interest repayments are as follows:

	Principal	Interest	Total
2012	\$ 438,999	\$ 143,252	\$ 582,251
2013	408,930	126,273	535,203
2014	295,017	109,020	404,037
2015	248,011	95,752	343,763
2016	258,496	85,268	2,301,186
Thereafter	1,503,909	453,512	1,957,421
	<u>\$ 3,153,362</u>	<u>\$ 1,013,077</u>	<u>\$ 4,166,439</u>

The current portion of the long term debt amounts to \$438,999 (2010 - \$427,396).

Debenture debt is repayable to BMO and the Alberta Capital Finance Authority and bears interest at rates ranging from 3.0% to 5.625% per annum and matures in periods 2013 through 2029. The weighted average annual interest rate is 4.22% for 2011 (4.18% for 2010).

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

Interest on long term debt amounted to \$156,180 (2010 - \$168,430).

TOWN OF VEGREVILLE
Notes to Consolidated Financial Statements
Year Ended December 31, 2011

10. Debt limits

Section 276(2) of the Municipal Government Act requires that debt and debt limits as defined by Alberta Regulation 255/2000 for the Town be disclosed as follows:

	2011	2010
Total debt limit	\$ 25,601,886	\$ 26,640,284
Total debt	(3,153,362)	(3,580,759)
Amount of debt limit unused	\$ 22,448,524	\$ 23,059,525
Debt servicing limit	\$ 4,266,981	\$ 4,440,047
Debt servicing	(582,251)	(586,955)
Amount of debt servicing limit unused	\$ 3,684,730	\$ 3,853,092

The debt limit is calculated at 1.5 times revenue of the municipality (as defined in Alberta Regulation 255/2000) 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.

11. Equity in tangible capital assets

	2011	2010
Tangible capital assets (Schedule 2)	\$ 129,895,758	\$ 128,801,167
Accumulated amortization (Schedule 2)	(76,690,507)	(72,770,138)
Long term debt (Note 9)	(3,153,362)	(3,580,759)
Operating portion of long term debt	650,849	881,797
	\$ 50,702,738	\$ 53,332,067

12. Accumulated surplus

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

	2011	2010
Unrestricted surplus	\$ 2,781,309	\$ 2,770,363
Restricted surplus		
Operating reserves	2,726,163	2,632,722
Capital reserves	1,404,362	1,419,862
Equity in tangible capital assets	50,702,738	53,332,067
	\$ 57,614,572	\$ 60,155,014

TOWN OF VEGREVILLE

Notes to Consolidated Financial Statements

Year Ended December 31, 2011

13. 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).

14. Salary and benefits disclosure

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

	Salary	(1)	2011 Benefits & allowances (2)	Total	2010 Total
R. Coleman, Mayor	\$ 54,100		\$ 5,293	\$ 59,393	\$ 58,391
J. Cooper	19,800		2,380	22,180	23,181
M. Hayduk	18,700		4,598	23,298	25,611
G. Kurulok	23,400		3,882	27,282	25,944
S. Ling	-		-	-	21,172
P. Rowe	-		-	-	1,841
N. Toroshenko	26,200		5,611	31,811	31,385
A. Kozakiewicz	20,300		5,373	25,673	4,571
T. Rudyk	26,500		6,065	32,565	4,807
Town Manager	130,014		18,515	148,529	142,717
	\$ 319,014		\$ 51,717	\$ 370,731	\$ 339,620

1. Salary includes regular base pay, bonuses, overtime, lump sum payments, gross honoraria and any other direct cash remuneration.
2. Employer's share of all employee benefits and contributions or payments made on behalf of employees including pension, health care, dental coverage, 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 and retirement planning services, concessionary loans, travel allowances, car allowances and club memberships.

TOWN OF VEGREVILLE

Notes to Consolidated Financial Statements

Year Ended December 31, 2011

15. Local Authorities Pension Plan

Employees of the Town participate in the Local Authorities Pension Plan (LAPP), which is one of the plans covered by the Alberta Public Sector Pension Plans Act. The LAPP serves about 206,000 people and 421 employers. The LAPP is financed by employer and employee contributions and by investment earnings of the LAPP Fund.

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

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

Total current service contributions by the Town to the LAPP in 2011 were \$413,651 (2010 - \$376,628). Total current service contributions by the employees of the Town to the Local Authorities Pension Plan in 2011 were \$372,658 (2010 - \$337,482).

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

16. Commitments and contingencies

The Town is a member of the Alberta Municipal Insurance Exchange (MUNIX). Under the terms of the membership, the Town 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.

During 2006, the Town paid out a \$200,000 loan previously guaranteed by the Town for the Vegreville Golf Association. Since 2006, the Town has lent an additional \$60,000 to the Golf Association for operating costs. The total due from the Golf Association at December 31, 2011 is \$221,000 (2010 - \$221,000).

17. Subsequent events

Subsequent to the fiscal year end, under the terms of an agreement with Nova Gas Transmission Ltd., the Town acquired Plan 7620322 Lot B, formerly known as the TransCanada Building, for a consideration of \$4 million. These assets will be recorded at fair value in the 2012 financial statements.

Debenture financing in the amount of \$4 million has been received in 2012 to fund the purchase.

TOWN OF VEGREVILLE

Notes to Consolidated Financial Statements

Year Ended December 31, 2011

18. Financial instruments

The Town's financial instruments consist of cash and temporary investments, accounts receivable, investments, debt charges recoverable, bank indebtedness, accounts payable and 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 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.

19. Comparative figures

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

20. Approval of financial statements

Council and Management have approved these financial statements.

21. Budget amounts

Budget amounts are included for information purposes only and are not audited. It should be noted that the budget is not PSAB compliant in that it does not include an estimate for amortization.