

Consolidated Financial Statements of

TOWN OF HIGH LEVEL

Year ended December 31, 2011

Management's Responsibility for the Consolidated Financial Statements

The accompanying consolidated financial statements of the Town of High Level (the "Town") are the responsibility of the Town's management and have been prepared in compliance with legislation, and in accordance with Canadian public sector accounting standards. A summary of the significant accounting policies are described in Note 2 to the consolidated financial statements. The preparation of financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods.


The Town's management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and reliable financial information is available on a timely basis for preparation of the consolidated financial statements. These systems are monitored and evaluated by management.

Council meets with management and the external auditors to review the consolidated financial statements and discuss any significant financial reporting or internal control matters prior to approval of the consolidated financial statements.

The consolidated financial statements have been audited by KPMG LLP, independent external auditors appointed by the Town. The accompanying Auditors' report outlines their responsibilities, the scope of their examination and their opinion on the Town's consolidated financial statements.



Dean Krause, CPT, CGLM
Chief Administrative Officer



Jenny Tu, CMA
Director of Finance

April 23, 2012



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INDEPENDENT AUDITORS' REPORT

To the Mayor and Members of Council of Town of High Level

We have audited the accompanying consolidated financial statements of Town of High Level, which comprise the consolidated statement of financial position as at December 31, 2011, the consolidated statements of operations and accumulated surplus, changes in net financial assets and cash flows for the year then ended, and notes, comprising 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 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 our 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, we consider 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 consolidated financial position of Town of High Level as at December 31, 2011, and its consolidated results of operations, its consolidated changes in its net financial assets and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

KPMG LLP

Chartered Accountants

April 23, 2012
Edmonton, Canada

TOWN OF HIGH LEVEL

Consolidated Financial Statements

Year ended December 31, 2011

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TOWN OF HIGH LEVEL

Consolidated Statement of Financial Position

December 31, 2011, with comparative figures for 2010

	2011	2010
Financial assets:		
Cash	\$ 605,796	\$ 586,372
Accounts receivable (note 3)	1,637,104	2,963,125
Land held for resale	879,657	879,657
Investments (note 4)	8,190,611	9,128,316
	<u>11,313,168</u>	<u>13,557,470</u>
Financial liabilities:		
Accounts payable and accrued liabilities	1,180,123	1,501,292
Deposit liabilities	39,322	43,473
Deferred revenue (note 6)	1,455,971	2,950,608
Wages and benefits payable	242,140	222,777
Long-term debt (note 7)	5,371,663	6,584,183
	<u>8,289,219</u>	<u>11,302,333</u>
Net financial assets	3,023,949	2,255,137
Non-financial assets:		
Tangible capital assets (note 9)	117,090,251	116,177,984
Inventories of supplies	139,347	135,129
Prepaid expenses	172,839	173,601
	<u>117,402,437</u>	<u>116,486,714</u>
Accumulated surplus (note 10)	\$ 120,426,386	\$ 118,741,851

Contingent liabilities (note 11)

The accompanying notes are an integral part of these consolidated financial statements

Approved by:



Mayor



Councillor

TOWN OF HIGH LEVEL

Consolidated Statement of Operations and Accumulated Surplus

Year ended December 31, 2011, with comparative figures for 2010

	Budget (Unaudited - note 20)	2011	2010
Revenue:			
Net municipal taxes (note 12)	\$ 3,909,007	\$ 3,971,100	\$ 3,665,716
User fees and sales of goods	3,955,039	4,200,758	3,751,018
Government transfers (note 13)	4,530,678	5,512,853	5,715,552
Investment income	60,100	223,294	242,589
Penalties and costs of taxes	50,000	136,064	122,556
Development levies	-	-	27,084
Licenses and permits	137,504	83,115	62,797
Other	126,949	107,462	114,374
Gain on disposal of investments	-	117,653	25,970
Gain on disposal of tangible capital assets	-	-	252,008
	12,769,277	14,352,299	13,979,664
Expenses (note 14):			
Legislative	302,694	246,312	246,510
Administration	2,164,334	1,621,466	1,747,031
Protective services	843,231	1,121,378	1,262,948
Transportation	2,347,830	4,606,805	4,266,437
Water supply and distribution	1,417,688	1,593,396	1,606,362
Wastewater treatment and disposal	443,349	812,063	645,924
Waste management	186,178	180,563	177,609
Family and community support	156,439	126,405	118,313
Land use planning, zoning and development	188,800	246,917	189,128
Subdivision land development	244,839	240,294	145,049
Parks and recreation	1,236,983	1,433,048	1,295,874
Culture	451,109	439,117	359,462
	9,983,474	12,667,764	12,060,647
Annual surplus	2,785,803	1,684,535	1,919,017
Accumulated surplus, beginning of year	118,741,851	118,741,851	116,822,834
Accumulated surplus, end of year	\$ 121,527,654	\$ 120,426,386	\$ 118,741,851

The accompanying notes are an integral part of these consolidated financial statements

TOWN OF HIGH LEVEL

Consolidated Statement of Changes in Net Financial Assets

Year ended December 31, 2011, with comparative figures for 2010

	Budget (Unaudited - note 20)	2011	2010
Annual surplus	\$ 2,785,803	\$ 1,684,535	\$ 1,919,017
Acquisition of tangible capital assets	(6,689,600)	(5,082,886)	(6,073,965)
Amortization of tangible capital assets	-	4,170,619	3,988,597
Gain on disposal of tangible capital assets	-	-	(252,008)
Proceeds on disposal of tangible capital assets	-	-	268,389
	(3,903,797)	772,268	(149,970)
Acquisition of inventories of supplies	-	(13,430)	(24,166)
Acquisition of prepaid expenses	-	(172,839)	(173,601)
Consumption of inventories of supplies	-	9,212	8,960
Use of prepaid expenses	-	173,601	192,435
	-	(3,456)	3,628
Change in net financial assets	(3,903,797)	768,812	(146,342)
Net financial assets, beginning of year	2,255,137	2,255,137	2,401,479
Net financial assets, end of year	\$ (1,648,660)	\$ 3,023,949	\$ 2,255,137

The accompanying notes are an integral part of these consolidated financial statements

TOWN OF HIGH LEVEL

Consolidated Statement of Cash Flows

Year ended December 31, 2011, with comparative figures for 2010

	2011	2010
Cash provided by (used in):		
Operations activities:		
Annual surplus	\$ 1,684,535	\$ 1,919,017
Items not involving cash:		
Amortization of tangible capital assets	4,170,619	3,988,597
Amortization of discount on investments	(209,812)	-
Gain on disposal of tangible capital assets	-	(252,008)
Gain on disposal of investments	(117,653)	(25,970)
Change in non-cash assets and liabilities:		
Accounts receivable	1,326,021	(245,297)
Accounts payable and accrued liabilities	(321,169)	364,582
Deposit liabilities	(4,151)	(194,159)
Deferred revenue	(1,494,637)	(33,267)
Wages and benefits payable	19,363	27,568
Inventories of supplies	(4,218)	(15,206)
Prepaid expenses	762	18,834
Net change in cash from operating activities	5,049,660	5,552,691
Capital activities:		
Acquisition of tangible capital assets	(5,082,886)	(6,073,965)
Proceeds on disposal of tangible capital assets	-	268,389
Net change in cash from capital activities	(5,082,886)	(5,805,576)
Investing activities:		
Purchase of investments	(5,650,296)	(5,374,875)
Sales of investments	6,915,466	4,921,585
Net change in cash from investing activities	1,265,170	(453,290)
Financing activities:		
Long-term debt issued	-	635,757
Long-term debt repaid	(1,212,520)	(1,194,990)
Net change in cash from financing activities	(1,212,520)	(559,233)
Net change in cash	19,424	(1,265,408)
Cash, at beginning of year	586,372	1,851,780
Cash, at end of year	\$ 605,796	\$ 586,372
Cash paid for interest	\$ 325,621	\$ 360,402
Cash received from interest	83,640	125,891

The accompanying notes are an integral part of these consolidated financial statements

TOWN OF HIGH LEVEL

Notes to Consolidated Financial Statements

Year ended December 31, 2011

1. Nature of Organization:

On June 1, 1965, the Province of Alberta passed Order in Council 967/65 incorporating the New Town of High Level. Order in Council 750/83, passed August 31, 1983, changed the name to the Town of High Level (the "Town"). The Town is governed by the Municipal Government Act of the Province of Alberta.

2. Significant accounting policies:

The consolidated financial statements of the Town are prepared by the Town's management in accordance with Canadian public sector accounting standards. Significant accounting policies adopted by the Town are as follows:

(a) Basis of consolidation:

i) Consolidated entities

The consolidated financial statements reflect the assets, liabilities, revenues and expenses of the reporting entity. The reporting entity is comprised of all organizations, communities and local boards accountable for the administration of their financial affairs and resources to the Town and which are owned or controlled by the Town. This entity is comprised of the municipal operations of the Town and the High Level Municipal Library Board.

ii) Accounting for Housing Management Bodies and School Board Transactions

Taxes levied include requisitions for the Alberta School Fund Foundation and the Mackenzie Housing Seniors Lodge. The taxation, other revenue, expenses, assets and liabilities with respect to the operations of the Alberta School Fund Foundation and Mackenzie Housing Seniors Lodge are not reflected in these consolidated financial statements.

iii) Mackenzie Regional Waste Management Commission

The Town is a member of the Mackenzie Regional Waste Management Commission (the "Commission"). The Province of Alberta under Alberta Regulation 264/2003 established this Commission pursuant to the Municipal Government Act. The nature of the establishment and operation is such that profits, if any or any other income of the Commission is retained by the Commission. All financial transactions with the Commission are recognized and recorded in the consolidated financial statements of the Town.

TOWN OF HIGH LEVEL

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2011

2. Significant accounting policies (continued):

(a) Basis of consolidation (continued):

iv) Trust funds

Trust funds and their related operations administered by the Town are not included in these consolidated financial statements.

(b) Basis of accounting:

The Town follows the accrual basis of accounting for revenues and expenses. Revenues are normally recognized in the year in which they are earned and measurable. Expenses are recognized as they are incurred and measurable as a result of receipt of goods and services and/or the creation of a legal obligation to pay.

(c) Government transfers:

Government transfers are recognized in the consolidated 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 made.

(d) Deferred revenue:

Deferred revenue represents government transfers, contributions and other amounts 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. These amounts will be recognized as revenues in the fiscal year when the related expense is incurred, services performed or the tangible capital assets are acquired.

(e) 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 levelling charges.

TOWN OF HIGH LEVEL

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2011

2. Significant accounting policies (continued):

(f) Investments:

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

Investment income is reported as revenue in the period earned. When required by the funding government or by legislation, investment income earned on deferred revenue is added to the investment and forms part of the deferred revenue balance.

(g) 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.

(h) 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 Town.

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 as the related debenture principal payment is recognized over the remaining term of the related borrowings.

TOWN OF HIGH LEVEL

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2011

2. Significant accounting policies (continued):

(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 ordinary course of operations.

(i) Tangible capital assets

Tangible capital assets are recorded at cost which includes amounts that are directly attributable to acquisition, construction, development or betterment of the asset. The cost, less residual value, of the tangible capital assets, excluding land, are amortized on a straight-line basis over the estimated useful life as follows:

Asset	Useful Life-Years
Land improvements	15-30
Buildings (includes building improvements)	15-50
Engineered structures	16-75
Machinery and equipment	5-20
Vehicles	10-20

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.

TOWN OF HIGH LEVEL

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2011

2. Significant accounting policies (continued):

(i) Non-financial assets (continued):

(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) Works of art and cultural and historic assets

Works of art and cultural and historic assets are not recorded as assets in these financial statements.

(iv) Interest capitalization

Interest is capitalized whenever external debt is issued to finance the construction of tangible capital assets.

(v) Inventories of supplies

Inventories of supplies held for consumption are recorded at the lower of cost and replacement cost, with cost determined on an average cost basis.

(j) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, and the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amount of revenues and expenses during the period. Significant estimates include assumptions used in estimating the provisions for uncollectible accounts receivable and assumptions related to recording accrued liabilities. In addition, the Town's implementation of PSAB section 3150 has required management to make estimates of historical cost and useful lives of tangible capital assets. Actual results could differ from those estimates.

TOWN OF HIGH LEVEL

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2011

3. Accounts receivable:

	2011		2010	
Property taxes receivable	\$	507,729	\$	570,275
Trade and other receivables				
Due from governments		372,276		1,585,718
Other receivables (net of allowance \$101,805; 2010 - \$152,880)		674,413		695,724
Local improvements (interest at rates ranging from 4.38% to 8.25% due over the periods through 2020)		82,686		111,408
		1,129,375		2,392,850
	\$	1,637,104	\$	2,963,125

Property taxes receivable include \$296,776 (2010 - \$295,074) of balances outstanding for greater than one year.

4. Investments:

	2011		2010	
	Cost	Market value	Cost	Market value
Short-term notes and deposits	\$ 73,312	\$ 73,312	\$ 73,683	\$ 73,683
Corporate, government and government guaranteed bonds	8,117,299	8,339,526	9,054,633	9,298,954
	\$ 8,190,611	\$ 8,412,838	\$ 9,128,316	\$ 9,372,637

Short-term notes and deposits have effective interest rates of 0.8 % (2010 - 1.2%) and mature in less than one year. Corporate, government and government guaranteed bonds have effective interest rates ranging from 1.84% to 6.28% (2010 - 2.30% to 4.59%) with maturity dates from November 1, 2012 to April 15, 2019. The Town intends to hold these securities until maturity.

TOWN OF HIGH LEVEL

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2011

5. Bank indebtedness:

The Town has established an operating line of credit up to \$ 3,000,000 (2010 - \$3,000,000). The Town did not draw against this facility as at December 31, 2011. Outstanding amounts bear interest at bank prime lending rate plus 0.5%.

6. Deferred revenue:

The deferred revenue, reported on the consolidated statement of financial position, is made up of the following:

	2011	2010
Provincial government transfers:		
Alberta Municipal Infrastructure Program	\$ 545,461	\$ 1,597,895
Basic Municipal Trans Grant (BMTG/SIP)	341,494	291,398
Federal Gas Tax Fund	281,309	216,929
Agriculture and Rural Development	181,534	196,821
Forest Resource Improvement Grant (FRIAA)	41,124	81,312
Municipal Grant - Other	9,325	9,325
Municipal Sustainability Initiative	2,810	249,977
New Deal for Cities and Communities	-	156,210
Alberta Employment & Immigration	-	120,000
Alberta Environment Grant	-	1,165
Municipal Sponsorship Program	-	1,222
	1,403,057	2,922,254
Other deferred revenues:		
Prepaid deposits	32,051	162
Prepaid property taxes	20,863	28,192
	52,914	28,354
	\$ 1,455,971	\$ 2,950,608

TOWN OF HIGH LEVEL

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2011

6. Deferred revenue (continued):

Continuity of deferred revenue is as follows:

	2011	2010
Deferred government transfers:		
Deferred government transfers at beginning of year	\$ 2,922,254	\$ 2,980,778
Government transfers received during the year	3,993,656	5,657,028
Government transfers recognized during the year	(5,512,853)	(5,715,552)
Deferred government transfers at end of year	1,403,057	2,922,254
Other deferred revenues:		
Other deferred revenues at beginning of year	28,354	3,097
Other received during the year	94,474	92,639
Other recognized during the year	(69,914)	(67,382)
Other deferred revenues at end of year	52,914	28,354
Balance, end of year	\$ 1,455,971	\$ 2,950,608

7. Long-term debt:

	2011	2010
Alberta Capital Finance Authority debentures bearing interest at rates ranging from 3.85% to 6.50% per annum and maturing in periods from 2012 through 2031	\$ 5,371,663	\$ 6,584,183

Interest on long-term debt amounted to \$305,341 (2010 - \$347,694) and the Town's total cash payments for interest were \$325,621 (2010 - \$360,402).

Long-term debt is issued on the credit and security of the Town at large.

TOWN OF HIGH LEVEL

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2011

7. Long-term debt (continued):

Principal and interest repayment requirements on long-term debt over the next five years and thereafter are as follows:

	Principal	Interest	Total
2012	\$ 1,045,603	268,104	1,313,707
2013	591,742	219,166	810,908
2014	623,543	187,365	810,908
2015	478,385	153,829	632,214
2016	328,125	128,157	456,282
Thereafter	2,304,265	584,994	2,889,259
	\$ 5,371,663	\$ 1,541,615	\$ 6,913,278

8. Debt and debt service 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 be disclosed as follows:

	2011	2010
Total debt limit	\$ 14,965,596	\$ 14,641,656
Total debt	5,371,663	6,584,183
Amount by which debt limit unused	9,594,933	8,057,473
Percentage used (%)	35.89%	45.97%
Debt servicing limit	2,494,266	2,440,276
Debt servicing	1,313,707	1,538,141
Amount by which debt servicing limit unused	1,180,559	902,135
Percentage used (%)	52.67%	63.03%

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

TOWN OF HIGH LEVEL

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2011

9. Tangible capital assets :

2011																																	
	Land	Land improvements	Buildings	Engineered structures	Machinery and equipment	Vehicles	Assets under construction	Total																									
Cost:																																	
Balance, beginning of year	\$	4,695,099	\$	4,786,110	\$	15,101,357	\$	134,748,869	\$	4,570,293	\$	2,710,053	\$	6,575,042	\$	173,186,823																	
Additions		-		183,811		3,978,181		2,849,205		1,174,602		625,521		(3,728,434)		5,082,886																	
Disposals		-		-		-		-		-		-		-		-																	
Balance, end of year		4,695,099		4,969,921		19,079,538		137,598,074		5,744,895		3,335,574		2,846,608		178,269,709																	
Accumulated amortization:																																	
Balance, beginning of year		-		2,928,921		3,876,804		46,925,336		2,102,952		1,174,826		-		57,008,839																	
Disposals		-		-		-		-		-		-		-		-																	
Amortization expense		-		253,879		417,304		3,010,959		326,632		161,845		-		4,170,619																	
Balance, end of year		-		3,182,800		4,294,108		49,936,295		2,429,584		1,336,671		-		61,179,458																	
Net book value, end of year											\$	4,695,099		\$	1,787,121		\$	14,785,430		\$	87,661,779		\$	3,315,311		\$	1,998,903		\$	2,846,608		\$	117,090,251

TOWN OF HIGH LEVEL

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2011

9. Tangible capital assets (continued):

	2010							
	Land	Land improvements	Buildings	Engineered structures	Machinery and equipment	Vehicles	Assets under construction	Total
Cost:								
Balance, beginning of year	\$ 4,711,480	\$ 4,786,110	\$ 15,095,574	\$ 134,127,354	\$ 4,327,030	\$ 2,479,428	\$ 1,702,460	\$ 167,229,436
Additions	-	-	5,783	621,515	319,123	254,962	4,872,582	6,073,965
Disposals	(16,381)	-	-	-	(75,860)	(24,337)	-	(116,578)
Balance, end of year	4,695,099	4,786,110	15,101,357	134,748,869	4,570,293	2,710,053	6,575,042	173,186,823
Accumulated amortization:								
Balance, beginning of year	-	2,681,169	3,542,934	43,936,697	1,903,956	1,055,683	-	53,120,439
Disposals	-	-	-	-	(75,860)	(24,337)	-	(100,197)
Amortization expense	-	247,752	333,870	2,988,639	274,856	143,480	-	3,988,597
Balance, end of year	-	2,928,921	3,876,804	46,925,336	2,102,952	1,174,826	-	57,008,839
Net book value, end of year	\$ 4,695,099	\$ 1,857,189	\$ 11,224,553	\$ 87,823,533	\$ 2,467,341	\$ 1,535,227	\$ 6,575,042	\$ 116,177,984

TOWN OF HIGH LEVEL

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2011

9. Tangible capital assets (continued):

a) Assets under construction

Assets under construction having a value of \$2,846,608 (2010 - \$6,575,042) have not been amortized. Amortization of these assets will commence when the asset is put into service.

b) Contributed tangible capital assets

Contributed capital assets have been recognized at fair market value at the date of contribution. There were no contributed assets received during the current year (2010 - \$nil).

c) Tangible capital assets disclosed at nominal values

Where an estimate of fair value could not be made, the tangible capital asset was recognized at a nominal value. Land is the only category where nominal values were assigned.

d) Works of art and historical treasures

The Town manages and controls various works of art and non-operational historical cultural assets including buildings, artifacts, paintings and sculptures located at Town sites and public display areas. These assets are not recorded as tangible capital assets and are not amortized.

TOWN OF HIGH LEVEL

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2011

10. Accumulated surplus:

The Town's accumulated surplus is comprised of the following:

	2011	2010
Operating reserves:		
General reserve	\$ 3,031,400	\$ 3,577,574
Restricted for capital purposes:		
Airport operational	75,981	102,512
Fire equipment	369,398	402,306
Future development	2,048,669	2,247,201
Municipal recreation	37,295	58,775
Offsite levy	33,836	33,836
Parking lot	38,448	38,448
Utility distribution reserve	1,977,782	1,918,051
	4,581,409	4,801,129
Total restricted balances	7,612,809	8,378,703
Unrestricted surplus	1,094,989	769,347
Invested in tangible capital assets	111,718,588	109,593,801
	\$ 120,426,386	\$ 118,741,851

TOWN OF HIGH LEVEL

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2011

11. Contingent liabilities:

The Town is a member of the Alberta Municipal Insurance Exchange (MUNIX). Under the terms of 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 2010, the Town had an independent study performed on two previously closed landfill sites. The results of this study concluded that remediation of these sites would be required in the event that the Town developed or disposed of these sites. The estimated cost to remediate these sites is approximately \$3.1 million. The Town has not received an environmental order from the Province of Alberta which would require them to remediate or have plans to develop or dispose of these sites. Accordingly, no liability has been recorded in these financial statements.

During 2009, the Town was named co-defendant in a legal claim filed by a taxpayer in the amount of \$1.25 million in connection with a property assessment dispute. Management believes the Town is indemnified against this claim by a third party however they are currently unable to assess the likelihood of possible outcomes or the ultimate cost to defend or settle this claim. The claim has also been referred to the Town's insurers. The amount of loss resulting from settlement of this claim, if any, will be recorded when determinable.

TOWN OF HIGH LEVEL

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2011

12. Net municipal taxes:

Taxation revenue, reported on the consolidated statement of operations and accumulated surplus, is made up of the following:

	Budget	2011	2010
	(Unaudited - note 20)		
Taxation			
Real property taxes	\$ 4,720,913	\$ 4,733,125	\$ 4,587,708
Linear property taxes	200,252	202,048	102,791
Government grants in place of property taxes	109,232	109,883	105,312
Special assessments and local improvement taxes	242,995	238,310	238,310
	<u>5,273,392</u>	<u>5,283,366</u>	<u>5,034,121</u>
Requisitions			
Alberta School Foundation Fund	1,261,715	1,202,217	1,261,715
Mackenzie Housing Seniors Lodge	102,670	110,049	106,690
	<u>1,364,385</u>	<u>1,312,266</u>	<u>1,368,405</u>
Net municipal taxes	<u>\$ 3,909,007</u>	<u>\$ 3,971,100</u>	<u>\$ 3,665,716</u>

TOWN OF HIGH LEVEL

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2011

13. Government transfers:

	Budget	2011	2010
	(Unaudited - note 20)		
Transfers for operating			
Provincial government	\$ 229,548	\$ 550,096	\$ 609,212
Federal government	1,200	2,050	2,050
Other Local government	538,250	585,472	885,690
	768,998	1,137,618	1,496,952
Transfers for capital			
Provincial government	3,450,180	2,822,620	1,959,754
Federal government	-	1,250,225	2,095,166
Other Local government	311,500	302,390	163,680
	3,761,680	4,375,235	4,218,600
Total government transfers	\$ 4,530,678	\$ 5,512,853	\$ 5,715,552

14. Expenses by object:

	Budget	2011	2010
	(Unaudited - note 20)		
Salaries, wages and benefits	\$ 3,962,177	\$ 3,709,374	\$ 3,451,934
Contracted and general services	3,581,592	2,477,478	2,253,678
Materials, goods and utilities	2,043,015	2,016,816	1,919,447
Provision for allowances (recoveries)	28,000	(52,408)	58,806
Transfers to local boards and agencies	25,000	25,000	25,000
Bank charges and short-term interest	15,250	15,544	15,491
Interest on long-term debt	328,440	305,341	347,694
Amortization of tangible capital assets	-	4,170,619	3,988,597
	\$ 9,983,474	\$ 12,667,764	\$ 12,060,647

TOWN OF HIGH LEVEL

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2011

15. 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	Benefits	2011 Total	2010 Total
Mayor Ernst	\$ 21,175	\$ 55	\$ 21,230	\$ 21,851
Deputy Mayor-McAteer	11,750	55	11,805	13,739
Councillor-Forest	14,613	55	14,668	15,851
Councillor-Gladders	6,325	55	6,380	12,676
Councillor-Chandler	8,181	55	8,236	2,659
Councillor-Chalifoux	8,650	55	8,705	2,834
Councillor-Forsyth	9,475	55	9,530	2,709
Councillor-Chomiak	-	-	-	11,342
Councillor-Pelensky	-	-	-	8,067
Councillor-Demkiw	-	-	-	6,192
Chief Administrative Officer	134,841	23,247	158,088	151,942
Designated Officers (3 positions)	231,584	36,343	267,927	265,524
	\$ 446,594	\$ 59,975	\$ 506,569	\$ 515,386

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

Employer's share of all employee benefits and contributions or payments made on behalf of employees including pension, health care, dental coverage, and directors liability and life insurance.

Benefits and allowance figures also include the employers' share of the costs of additional taxable benefits including special leave with pay, travel allowances and car allowances.

TOWN OF HIGH LEVEL

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2011

16. Transactions with Mackenzie Regional Waste Management Commission:

	2011	2010
Included in accounts payable:		
Due to Mackenzie Regional Waste Management Commission	\$ 4,658	\$ 4,192
Revenue and expense transactions:		
Other revenue - administrative services	500	500
Contracted and general services expense	67,159	66,959

17. Financial instruments:

The Town's financial instruments consist of cash, accounts receivable, investments, accounts payable and accrued liabilities, deposit liabilities, wages and benefits payable, and long-term debt. It is management's opinion that the Town is not exposed to significant interest or currency risks arising from these financial instruments. The Town is subject to credit risk with respect to taxes and grants in place of taxes receivables and trade and other receivables. Credit risk arises from the possibility that taxpayers and entities to which the Town provides services may experience financial difficulty and be unable to fulfill their obligations. The large number and diversity of taxpayers and customers minimizes the credit risk. Unless otherwise noted, the carrying value of the financial instrument approximates fair value.

TOWN OF HIGH LEVEL

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2011

18. Segmented information:

Segmented information has been identified based upon lines of service provided by the Town. Town services are provided by departments and their activities are reported by functional area in the body of the financial statements. Certain lines of service that have been separately disclosed in the segmented information, along with the services they provide, are as follows:

(i) Protection:

Protection services include fire, by-law enforcement and animal protection. The Fire department is responsible to provide fire suppression services, fire prevention programs, training and education related to prevention, and detection or extinguishment of fires. Town by-law officers enforce the Town's by-laws. The Town also operates a dog pound and ensures that stray animals are protected.

(ii) Public works and transportation:

The Public Works department is responsible for the delivery of municipal public works services related to the planning, development and maintenance of roadway systems, the High Level Airport and the maintenance of parks and open space, and street lighting.

(iii) Environment:

The Town is responsible for environmental programs such as the engineering and operation of water and wastewater systems and waste management, the latter of which encompasses solid waste collection disposal and recycling.

(iv) Planning and development:

The Planning and Development department manages all aspects of land use planning including long range forecasting and planning, and processing development permits and compliance certificates. The department is also responsible for corporate mapping functions.

(v) Community services:

The Community Services department provides public services that sustains and supports individuals, families and communities. This includes programs run through Family and Community Support Services, the R.E. Walter Memorial Aquatics Center, High Level Sports Complex and the Town's outdoor baseball diamonds, playgrounds and parks.

TOWN OF HIGH LEVEL

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2011

18. Segmented information (continued):

(vi) Culture and library:

As part of the Community Services, the Town operates and maintains the Museum and Visitor's centre and the Library.

Certain allocation methodologies are employed in the preparation of segmented financial information. Taxation and payments-in-lieu of taxes are allocated to the segments based on the segment's budgeted net expenditure. User charges and other revenue have been allocated to the segments based upon the segment that generated the revenue. Government transfers have been allocated to the segment based upon the purpose for which the transfer was made. Development levies earned and developer contributions received were allocated to the segment for which the charge was collected.

The accounting policies used in these segments are consistent with those followed in the preparation of the consolidated financial statements as disclosed in Note 2.

TOWN OF HIGH LEVEL

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2011

18. Segmented information (continued):

	2011						
	Protection	Public Works and Transportation	Environment	Planning and Development	Community Services	Culture and Library	Other Municipal
Revenue:							Total
Net municipal taxes	\$ 215,920	\$ 2,302,313	\$ -	\$ 261,297	\$ 479,090	\$ 195,011	\$ 517,469
User fees and sales							
of goods	299,333	570,379	2,001,173	50,955	300,059	68,724	910,135
Government transfers	1,124,691	1,775,335	1,531,217	84,713	868,147	39,186	89,564
Investment income	-	-	-	-	-	888	222,406
Penalties and costs	-	-	-	-	-	-	-
of taxes	-	-	-	-	-	-	-
Development levies	-	-	-	-	-	-	-
Other	32,206	40,792	550	37,640	19,558	1,294	176,190
Total revenues	1,672,150	4,688,819	3,532,940	434,605	1,666,854	305,103	2,051,828
Expenses:							14,352,299
Salaries, wages and benefits	353,728	883,535	486,254	207,127	824,626	223,501	730,603
Contracted and general services	390,815	324,742	445,917	309,714	228,001	42,675	735,614
Materials, goods and utilities	129,635	686,644	527,339	11,846	349,082	139,436	172,834
Provision for allowances (recoveries)	-	-	(861)	-	-	-	(51,547)
Transfers to local boards and agencies	-	-	-	25,000	-	-	-
Interest	16,508	87,539	139,887	-	-	10,680	66,271
Amortization of tangible capital assets	138,445	2,624,346	987,486	25,771	156,951	22,824	214,796
Total expenses	1,029,131	4,606,806	2,586,022	579,458	1,558,660	439,116	1,868,571
Annual surplus (deficit)	\$ 643,019	\$ 82,013	\$ 946,918	\$ (144,853)	\$ 108,194	\$ (134,013)	\$ 183,257
							\$ 1,684,535

TOWN OF HIGH LEVEL

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2011

18. Segmented information (continued):

2010								
	Protection	Public Works and Transportation	Environment	Planning and Development	Community Services	Culture and Library	Other Municipal	Total
Revenue:								
Net municipal taxes	\$ 386,733	\$ 2,093,665	\$ -	\$ 75,480	\$ 573,882	\$ 176,880	\$ 359,076	\$ 3,665,716
User fees and sales of goods	158,957	571,349	1,957,875	49,174	326,164	13,914	673,585	3,751,018
Government transfers	573,117	2,994,388	609,016	204,593	641,748	38,852	653,838	5,715,552
Investment income	-	-	-	-	-	-	242,589	242,589
Penalties and costs of taxes	-	-	-	-	-	-	122,556	122,556
Development levies	-	-	-	27,084	-	-	-	27,084
Other	73,755	24,018	600	113,771	19,387	-	223,618	455,149
Total revenues	1,192,562	5,683,420	2,567,491	470,102	1,561,181	229,646	2,275,262	13,979,664
Expenses:								
Salaries, wages and benefits	431,499	801,885	434,989	122,521	806,224	189,629	665,187	3,451,934
Contracted and general services	534,478	221,246	337,906	147,912	190,863	33,132	788,141	2,253,678
Materials, goods and utilities	157,516	640,340	534,200	12,973	285,948	108,936	179,534	1,919,447
Provision for allowances	-	-	7,725	-	-	-	51,081	58,806
Transfers to local boards and agencies	-	-	-	25,000	-	-	-	25,000
Interest	17,772	84,778	155,469	-	-	10,982	94,184	363,185
Amortization of tangible capital assets	121,683	2,518,188	959,606	25,771	131,152	16,783	215,414	3,988,597
Total expenses	1,262,948	4,266,437	2,429,895	334,177	1,414,187	359,462	1,993,541	12,060,647
Annual surplus (deficit)								
\$	(70,386)	\$ 1,416,983	\$ 137,596	\$ 135,925	\$ 146,994	\$ (129,816)	\$ 281,721	\$ 1,919,017

TOWN OF HIGH LEVEL

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2011

19. Comparative figures:

Certain comparative figures have been reclassified to conform to the 2011 financial statement presentation.

20. Budget:

The unaudited 2011 budget data presented in these consolidated financial statements is based upon the 2011 operating and capital budgets approved by Council on March 14, 2011. Amortization was not contemplated on development of the budget and, as such, has not been included.