

Consolidated Financial Statements of

# **TOWN OF HIGH LEVEL**

Year ended December 31, 2012

# **TOWN OF HIGH LEVEL**

## Consolidated Financial Statements

Year ended December 31, 2012

### Financial Statements

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## **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.

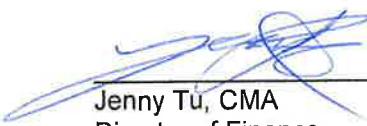
Council meets with management and the external auditors to review the consolidated financial statements and discuss any significant financial reporting or internal control matters prior to approval of the consolidated financial statements.

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.

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Dean Krause, CPT, CGLM  
Chief Administrative Officer

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Jenny Tu, CMA  
Director of Finance

April 22, 2013



**KPMG LLP**  
**Chartered Accountants**  
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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, 2012, the consolidated statements of operations and accumulated surplus, change 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, 2012, and its consolidated results of operations, its consolidated changes in 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 22, 2013  
Edmonton, Canada

# TOWN OF HIGH LEVEL

## Consolidated Statement of Financial Position

December 31, 2012, with comparative figures for 2011

	2012	2011
<b>Financial assets:</b>		
Cash	\$ 769,062	\$ 605,796
Accounts receivable (note 3)	1,087,467	1,637,104
Land held for resale	879,657	879,657
Investments (note 4)	9,094,441	8,190,611
	<b>11,830,627</b>	<b>11,313,168</b>
<b>Financial liabilities:</b>		
Accounts payable and accrued liabilities	892,776	1,180,123
Deposit liabilities	38,923	39,322
Deferred revenue (note 6)	1,150,288	1,455,971
Wages and benefits payable	255,546	242,140
Long-term debt (note 7)	4,326,060	5,371,663
	<b>6,663,593</b>	<b>8,289,219</b>
Net financial assets	5,167,034	3,023,949
<b>Non-financial assets:</b>		
Tangible capital assets (note 9)	114,584,334	117,090,251
Inventories of supplies	131,318	139,347
Prepaid expenses	182,924	172,839
	<b>114,898,576</b>	<b>117,402,437</b>
Accumulated surplus (note 10)	\$ 120,065,610	\$ 120,426,386

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, 2012, with comparative figures for 2011

	Budget	2012	2011
	(Unaudited - note 20)		
<b>Revenue:</b>			
Net municipal taxes (note 12)	\$ 4,152,407	\$ 4,214,347	\$ 3,971,100
User fees and sales of goods	3,894,658	4,590,590	4,200,758
Government transfers (note 13)	2,659,778	2,636,583	5,512,853
Investment income	30,070	313,602	223,294
Penalties and costs of taxes	50,000	82,625	136,064
Licenses and permits	96,120	132,200	83,115
Other	289,513	303,475	107,462
Gain on disposal of investments	-	86,004	117,653
	11,172,546	12,359,426	14,352,299
<b>Expenses (note 14):</b>			
Legislative	298,523	224,490	246,312
Administration	1,887,803	1,771,871	1,621,466
Protective services	995,582	947,713	1,121,378
Transportation	2,419,281	4,721,153	4,606,805
Water supply and distribution	1,364,466	1,638,055	1,593,396
Wastewater treatment and disposal	403,479	637,182	812,063
Waste management	187,827	185,546	180,563
Family and community support	174,593	145,043	126,405
Planning and development	716,482	612,186	487,211
Parks and recreation	1,259,683	1,413,446	1,433,048
Culture	452,246	423,517	439,117
	10,159,965	12,720,202	12,667,764
Annual surplus (deficit)	1,012,581	(360,776)	1,684,535
Accumulated surplus, beginning of year	120,426,386	120,426,386	118,741,851
Accumulated surplus, end of year	\$ 121,438,967	\$ 120,065,610	\$ 120,426,386

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, 2012, with comparative figures for 2011

	Budget	2012	2011
(Unaudited - note 20)			
Annual surplus (deficit)	\$ 1,012,581	\$ (360,776)	\$ 1,684,535
Acquisition of tangible capital assets	(1,616,500)	(1,920,911)	(5,082,886)
Amortization of tangible capital assets	-	4,402,946	4,170,619
Loss on disposal of tangible capital assets	-	3,882	-
Proceeds on disposal of tangible capital assets	-	20,000	-
	(603,919)	2,145,141	772,268
Acquisition of inventories of supplies	-	(1,116)	(13,430)
Acquisition of prepaid expenses	-	(182,925)	(172,839)
Consumption of inventories of supplies	-	9,146	9,212
Use of prepaid expenses	-	172,839	173,601
	-	(2,056)	(3,456)
Change in net financial assets (net debt)	(603,919)	2,143,085	768,812
Net financial assets, beginning of year	3,023,949	3,023,949	2,255,137
Net financial assets, end of year	\$ 2,420,030	\$ 5,167,034	\$ 3,023,949

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, 2012, with comparative figures for 2011

	2012	2011
<b>Cash provided by (used in):</b>		
Operations activities:		
Annual surplus (deficit)	\$ (360,776)	\$ 1,684,535
Items not involving cash:		
Amortization of tangible capital assets	4,402,946	4,170,619
Amortization of discount on investments	(162,601)	(209,812)
Loss on disposal of tangible capital assets	3,882	-
Gain on sale of investments	(86,004)	(117,653)
Change in non-cash assets and liabilities:		
Accounts receivable	549,637	1,326,021
Land held for sale	-	-
Accounts payable and accrued liabilities	(287,348)	(321,169)
Deposit liabilities	(399)	(4,151)
Deferred revenue	(305,683)	(1,494,637)
Wages and benefits payable	13,407	19,363
Inventories of supplies	8,029	(4,218)
Prepaid expenses	(10,085)	762
Net change in cash from operating activities	3,765,005	5,049,660
Capital activities:		
Acquisition of tangible capital assets	(1,920,911)	(5,082,886)
Proceeds on disposal of tangible capital assets	20,000	
Net change in cash from capital activities	(1,900,911)	(5,082,886)
Investing activities:		
Purchase of investments	(6,448,074)	(5,650,295)
Sales of investments	5,792,849	6,915,466
Net change in cash from investing activities	(655,225)	1,265,170
Financing activities:		
Long-term debt repaid	(1,045,603)	(1,212,520)
Net change in cash from financing activities	(1,045,603)	(1,212,520)
Net change in cash	163,266	19,424
Cash at beginning of year	605,796	586,372
Cash, at end of year	\$ 769,062	\$ 605,796
Cash paid for interest	\$ 268,104	\$ 325,621
Cash received from interest	254,658	83,640

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, 2012

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## **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. The reporting 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 the Commission pursuant to the Municipal Government Act. The nature of the establishment and operation is such that profits 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, 2012

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## **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 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 as revenue in the period in which events giving rise to the transfer occur, provided 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 that 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, 2012

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### **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 over the term of the related debenture borrowings.

# **TOWN OF HIGH LEVEL**

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2012

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## **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, 2012

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## **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, 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 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, 2012

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### 3. Accounts receivable:

	2012	2011
Property taxes receivable (net of allowance \$166,372; 2011 - \$96,502)	\$ 197,268	\$ 411,227
Due from governments	125,750	372,276
Other receivables (net of allowance \$3,802; 2011 - \$4,683)	699,840	770,915
Local improvements (interest at rates ranging from 3.53% to 8.25% due over the periods through 2020)	64,609	82,686
	<hr/> \$ 1,087,467	<hr/> \$ 1,637,104

Property taxes receivable include \$194,186 (2011 - \$296,776) of balances outstanding for greater than one year.

### 4. Investments:

	2012		2011	
	Cost	Market value	Cost	Market value
Short-term notes and deposits	\$ 189,825	\$ 189,825	\$ 73,312	\$ 73,312
Corporate, government and government guaranteed bonds	8,904,616	8,994,337	8,117,299	8,339,526
	<hr/> \$ 9,094,441	<hr/> \$ 9,184,162	<hr/> \$ 8,190,611	<hr/> \$ 9,372,637

Short-term notes and deposits have effective interest rates ranging from 1.25% to 1.30 % (2011 – 0.03% to 0.80%) and mature in less than one year. Corporate, government and government guaranteed bonds have effective interest rates ranging from 1.84% to 9.98% (2011 – 1.84% to 6.28%) with maturity dates ranging from November 1, 2012 to December 29, 2049. The Town intends to hold these securities until maturity.

# TOWN OF HIGH LEVEL

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2012

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## 5. Bank indebtedness:

The Town has established an operating line of credit up to \$ 3,000,000 (2011 - \$3,000,000). The Town did not draw against this facility as at December 31, 2012. 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:

	2012	2011
<b>Provincial government transfers:</b>		
Alberta Municipal Infrastructure Program	\$ 350,838	\$ 545,461
Basic Municipal Trans Grant (BMTG/SIP)	313,288	341,494
Municipal Sustainability Initiative - Capital	232,020	2,810
Municipal Sustainability Initiative - Operating	64,579	-
Federal Gas Tax Fund	105,426	281,309
Agriculture and Rural Development	-	181,534
Forest Resource Improvement Grant (FRIAA)	41,124	41,124
Municipal Grant - Other	2,218	9,325
Fire Service Emergency Preparedness	8,000	-
	1,117,493	1,403,057
<b>Other deferred revenues:</b>		
Prepaid deposits	22,096	32,051
Prepaid property taxes	10,699	20,863
	32,795	52,914
	\$ 1,150,288	\$ 1,455,971

# TOWN OF HIGH LEVEL

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2012

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## 6. Deferred revenue (continued):

Continuity of deferred revenue is as follows:

	2012	2011
<b>Deferred government transfers:</b>		
Deferred government transfers at beginning of year	\$ 1,403,057	\$ 2,922,254
Government transfers received during the year	2,351,019	3,993,655
<u>Government transfers recognized during the year</u>	<u>(2,636,583)</u>	<u>(5,512,853)</u>
Deferred government transfers at end of year	1,117,493	1,403,057
<b>Other deferred revenues:</b>		
Other deferred revenues at beginning of year	52,914	28,354
Other received during the year	87,125	94,474
<u>Other recognized during the year</u>	<u>(107,244)</u>	<u>(69,914)</u>
Other deferred revenues at end of year	32,795	52,914
<b>Balance, end of year</b>	<b>\$ 1,150,288</b>	<b>\$ 1,455,971</b>

## 7. Long-term debt:

	2012	2011
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	\$ 4,326,060	\$ 5,371,663

Interest on long-term debt amounted to \$249,661 (2011 - \$305,341) and the Town's total cash payments for interest were \$268,104 (2011 - \$325,621).

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, 2012

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## 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
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
2017	233,949	113,247	347,196
Thereafter	2,070,316	471,747	2,542,063
	\$ 4,326,060	\$ 1,273,511	\$ 5,599,571

## 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:

	2012	2011
Total debt limit	\$ 16,161,258	\$ 14,966,249
Total debt	4,326,060	5,371,663
Amount by which debt limit unused	11,835,198	9,594,586
Percentage used (%)	26.77%	35.89%
Debt servicing limit	2,693,543	2,494,375
Debt servicing	810,908	1,313,707
Amount by which debt servicing limit unused	1,882,635	1,180,668
Percentage used (%)	30.11%	52.67%

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, 2012

## 9. Tangible capital assets :

	2012					
	Land	Land improvements	Buildings	Engineered structures	Machinery and equipment	Assets under construction
Cost:						Total
Balance, beginning of year	\$ 4,695,099	\$ 4,969,921	\$ 19,079,538	\$ 137,598,074	\$ 5,744,895	\$ 3,335,574
Additions	-	-	2,500	1,138,150	177,528	3,683
Disposals	-	-	-	-	-	(154,391)
<b>Balance, end of year</b>	<b>4,695,099</b>	<b>4,969,921</b>	<b>19,082,038</b>	<b>138,736,224</b>	<b>5,922,423</b>	<b>3,184,866</b>
<b>Accumulated amortization:</b>						
Balance, beginning of year	-	3,182,800	4,294,108	49,936,295	2,429,584	1,336,671
Disposals	-	-	-	-	-	(130,509)
Amortization expense	-	260,006	500,825	3,110,142	370,306	161,667
<b>Balance, end of year</b>	<b>3,442,806</b>	<b>4,794,933</b>	<b>53,046,437</b>	<b>2,799,890</b>	<b>1,367,829</b>	<b>-</b>
<b>Net book value, end of year</b>	<b>\$ 4,695,099</b>	<b>\$ 1,527,115</b>	<b>\$ 14,287,105</b>	<b>\$ 85,689,787</b>	<b>\$ 3,122,533</b>	<b>\$ 1,817,037</b>
<b>Net book value, end of year</b>	<b>\$ 4,695,099</b>	<b>\$ 1,527,115</b>	<b>\$ 14,287,105</b>	<b>\$ 85,689,787</b>	<b>\$ 3,122,533</b>	<b>\$ 1,817,037</b>
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<b>Net book value, end of year</b>	<b>\$ 4,695,099</b>	<b>\$ 1,527,115</b>	<b>\$ 14,287,105</b>	<b>\$ 85,689,787</b>	<b>\$ 3,122,533</b>	<b>\$ 1,817,037</b>
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<b>Net book value, end of year</b>	<b>\$ 4,695,099</b>					

# TOWN OF HIGH LEVEL

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2011

## 9. Tangible capital assets (continued):

	2011							
	Land	Land improvements	Buildings	Engineered structures	Machinery and equipment	Vehicles	Assets under construction	Total
<b>Cost:</b>								
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
<b>Accumulated amortization:</b>								
Balance, beginning of year	-	2,928,921	3,876,804	46,925,336	2,102,952	1,174,826	-	57,008,839
Disposals	-	253,879	417,304	3,010,959	326,632	161,845	-	4,170,619
Amortization expense	-	-	-	-	-	-	-	-
Balance, end of year	-	3,182,800	4,294,108	49,936,295	2,429,584	1,336,671	-	61,179,458
<b>Net book value, end of year</b>	<b>\$ 4,695,099</b>	<b>\$ 1,787,121</b>	<b>\$ 14,785,430</b>	<b>\$ 87,661,779</b>	<b>\$ 3,315,311</b>	<b>\$ 1,998,903</b>	<b>\$ 2,846,608</b>	<b>\$ 117,090,251</b>

# **TOWN OF HIGH LEVEL**

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2012

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## **9. Tangible capital assets (continued):**

### **a) Assets under construction**

Assets under construction having a value of \$3,445,658 (2011 - \$2,846,608) have not been amortized. Amortization of these assets will commence when the asset is put into service.

### **b) Contributed tangible capital assets**

Contributed tangible capital assets have been recognized at fair market value at the date of contribution. There were no contributed assets received during the current year (2011 - \$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, 2012

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## **10. Accumulated surplus:**

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

	2012	2011
<b>Operating reserves:</b>		
General reserve	\$ 3,591,348	\$ 3,031,400
<b>Capital reserves:</b>		
Airport	69,393	75,981
Fire equipment	298,663	369,398
Future development	2,031,631	2,048,669
Municipal recreation	37,295	37,295
Offsite levy	33,836	33,836
Parking lot	38,448	38,448
Tourism improvement fee	167,011	-
Utility distribution reserve	2,369,640	1,977,782
	5,045,917	4,581,409
<b>Total reserves</b>	<b>8,637,265</b>	<b>7,612,809</b>
<b>Invested in tangible capital assets</b>	<b>110,258,274</b>	<b>111,718,588</b>
<b>Unrestricted surplus</b>	<b>1,170,071</b>	<b>1,094,989</b>
	<b>\$ 120,065,610</b>	<b>\$ 120,426,386</b>

# **TOWN OF HIGH LEVEL**

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2012

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## **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. There has been no change to the Town's contingent liabilities in 2012.

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. In 2011, the Town received a letter from Alberta Environment stating that it did not have the funding available to reclaim these two sites to acceptable standards. However, Alberta Environment encouraged the Town to work with them to implement best practices and environmentally safe approaches to manage the former landfill sites. Accordingly, no liability has been recorded in these financial statements.

During 2009, the Town has been 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, 2012

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## 12. Net municipal taxes:

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

	Budget	2012	2011
(Unaudited - note 20)			
<b>Taxation</b>			
Real property taxes	\$ 4,894,900	\$ 4,888,906	\$ 4,733,125
Linear property taxes	211,889	224,749	202,048
Government grants in place of property taxes	115,243	117,673	109,883
Special assessments and local improvement taxes	242,641	251,056	238,310
	<b>5,464,673</b>	<b>5,482,384</b>	<b>5,283,366</b>
<b>Requisitions</b>			
Alberta School Foundation Fund	1,202,217	1,170,853	1,202,217
Mackenzie Housing Seniors Lodge	110,049	97,184	110,049
	<b>1,312,266</b>	<b>1,268,037</b>	<b>1,312,266</b>
<b>Net municipal taxes</b>	<b>\$ 4,152,407</b>	<b>\$ 4,214,347</b>	<b>\$ 3,971,100</b>

# TOWN OF HIGH LEVEL

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2012

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## 13. Government transfers:

	Budget	2012	2011
(Unaudited - note 20)			
<b>Transfers for operating</b>			
Provincial government	\$ 701,904	\$ 548,211	\$ 550,096
Federal government	2,050	2,500	2,050
Other local government	504,499	504,500	585,472
	<b>1,208,453</b>	<b>1,055,211</b>	<b>1,137,618</b>
<b>Transfers for capital</b>			
Provincial government	1,395,725	1,503,259	2,822,620
Federal government	-	20,921	1,250,225
Other local government	55,600	57,192	302,390
	<b>1,451,325</b>	<b>1,581,372</b>	<b>4,375,235</b>
<b>Total government transfers</b>	<b>\$ 2,659,778</b>	<b>\$ 2,636,583</b>	<b>\$ 5,512,853</b>

## 14. Expenses by object:

	Budget	2012	2011
(Unaudited - note 20)			
Salaries, wages and benefits	\$ 4,120,336	\$ 3,804,314	\$ 3,709,374
Contracted and general services	3,644,452	2,007,606	2,477,478
Materials, goods and utilities	1,980,989	1,974,714	2,016,816
Provision for allowances (recovery)	25,000	158,362	(52,408)
Transfers to local boards and agencies	106,035	105,216	25,000
Bank charges and short-term interest	15,050	13,501	15,544
Interest on long-term debt	268,103	249,661	305,341
Amortization of tangible capital assets	-	4,402,946	4,170,619
Loss on disposal of tangible capital assets	-	3,882	-
	<b>\$ 10,159,965</b>	<b>\$ 12,720,202</b>	<b>\$ 12,667,764</b>

# TOWN OF HIGH LEVEL

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2012

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## 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	2012 Total	2011 Total
Mayor Ernst	\$ 18,375	\$ 48	\$ 18,423	\$ 21,230
Deputy Mayor-McAteer	12,938	48	12,986	11,805
Councillor-Forest	6,250	48	6,298	14,668
Councillor-Gladders	7,150	48	7,198	6,380
Councillor-Chandler	10,838	48	10,886	8,236
Councillor-Forsyth	13,213	48	13,261	9,530
Councillor-Chalifoux	3,000	25	3,025	8,705
Councillor-Macleod	3,325	23	3,348	-
Chief Administrative Officer	144,802	27,215	172,017	158,088
Designated Officers (3 positions)	247,245	44,464	291,709	267,927
	\$ 467,136	\$ 72,015	\$ 539,151	\$ 506,569

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

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

Benefits and allowance figures also include the employer's 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, 2012

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## **16. Transactions with Mackenzie Regional Waste Management Commission:**

	2012	2011
Included in accounts payable:		
Due to Mackenzie Regional Waste Management Commission	\$ 3,940	\$ 4,658
Revenue and expense transactions:		
Other revenue - administrative services	268	500
Contracted and general services expense	68,370	67,159

## **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 tax receivables, 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 financial instruments approximates their fair value.

## **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) Protective Services:

Protective Services include fire, law enforcement and health and safety. The Fire Department is responsible to provide fire suppression services, fire prevention programs, motor vehicle accident response training and education related to prevention. Town peace officers enforce the Town's by-laws and some provincial statutes.

# **TOWN OF HIGH LEVEL**

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2012

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## **18. Segmented information (continued):**

### **ii) Public Works and Transportation:**

The Public Works department is responsible for the delivery of municipal public works services related to transportation, including maintenance of roadway pedestrian systems, the High Level Airport and the maintenance of parks and open spaces.

### **iii) Water and Waste Management:**

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, 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, recreation programs and the Town's outdoor baseball diamonds, playgrounds and parks.

### **vi) Culture and Library:**

As part of community services, the Town operates and maintains the Museum and Visitor's Centre and supports 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 segments' budgeted net expenditure. User charges and other revenue are allocated to the segments based upon the segment that generated the revenue. Government transfers are allocated to segments based upon the purpose for which the transfers were made. Development levies earned and developer contributions received are 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, 2012

## 18. Segmented information (continued):

	Protective Services	Public Works and Transportation	Water and Waste Management	Planning and Development	Community Services	Culture and Library	Other Municipal	Total
<b>Revenue:</b>								
Net municipal taxes	\$ 202,421	\$ 2,468,036	\$ -	\$ 231,314	\$ 558,441	\$ 203,484	\$ 550,651	\$ 4,214,347
User fees and sales of goods	403,871	690,670	2,054,817	35,042	292,501	62,929	1,050,760	4,590,590
Government transfers	237,690	1,203,534	247,118	266,392	382,580	224,753	74,516	2,636,583
Investment income	-	-	-	-	-	662	312,940	313,602
Penalties and costs of taxes	-	-	-	-	-	-	82,625	82,625
Other	6,027	33,601	560	88,433	197,398	1,083	194,577	521,679
<b>Total revenues</b>	<b>850,009</b>	<b>4,395,841</b>	<b>2,302,495</b>	<b>621,181</b>	<b>1,430,920</b>	<b>492,911</b>	<b>2,266,069</b>	<b>12,359,426</b>
<b>Expenses:</b>								
Salaries, wages and benefits	351,873	846,646	473,036	149,577	931,333	213,002	838,847	3,804,314
Contracted and general services	302,585	247,616	346,871	346,701	103,460	42,237	618,136	2,007,606
Materials, goods and utilities	126,660	772,276	486,884	7,999	339,359	116,009	125,527	1,974,714
Provision for allowances	-	-	523	-	-	-	157,839	158,362
Transfers to local boards and agencies	2,614	-	-	83,167	-	19,435	-	105,216
Interest	15,183	71,816	125,488	-	-	10,363	40,312	263,162
Amortization	146,170	2,781,545	1,027,981	24,742	184,337	22,471	215,700	4,402,946
Loss on disposal of tangible capital assets	2,628	1,254	-	-	-	-	-	3,882
<b>Total expenses</b>	<b>947,713</b>	<b>4,721,153</b>	<b>2,460,783</b>	<b>612,186</b>	<b>1,558,489</b>	<b>423,517</b>	<b>1,996,361</b>	<b>12,720,202</b>
<b>Annual surplus (deficit)</b>	<b>\$ (97,704)</b>	<b>\$ (325,312)</b>	<b>\$ (158,288)</b>	<b>\$ 8,995</b>	<b>\$ (127,569)</b>	<b>\$ 69,394</b>	<b>\$ 269,708</b>	<b>\$ (360,776)</b>

# TOWN OF HIGH LEVEL

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2012

## 18. Segmented information (continued):

				2011					
	Protective Services	Works and Transportation	Water and Waste Management	Planning and Development	Community Services	Culture and Library	Other Municipal	Total	
<b>Revenue:</b>									
Net municipal taxes	\$ 215,920	\$ 2,302,313	\$ -	\$ 261,297	\$ 479,090	\$ 195,011	\$ 517,469	\$ 3,971,100	
User fees and sales of goods	299,333	570,379	2,001,173	50,955	300,059	68,724	910,135	4,200,758	
Government transfers	1,124,691	1,775,335	1,531,217	84,713	868,147	39,186	89,564	5,512,853	
Investment income	-	-	-	-	-	888	222,405	223,293	
Penalties and costs of taxes	-	-	-	-	-	-	-	-	
Development levies	32,206	40,792	550	37,640	19,558	1,294	-	136,065	
Other	-	-	-	-	-	-	-	-	
<b>Total revenues</b>	<b>1,672,150</b>	<b>4,688,819</b>	<b>3,532,940</b>	<b>434,605</b>	<b>1,666,854</b>	<b>305,103</b>	<b>2,051,828</b>	<b>14,352,299</b>	
<b>Expenses:</b>									
Salaries, wages and benefits	353,728	883,535	486,254	207,127	824,626	223,501	730,603	3,709,374	
Contracted and general services	390,815	324,742	445,917	309,714	228,001	42,675	735,614	2,477,478	
Materials, goods and utilities	129,635	686,644	527,339	11,846	349,082	139,436	172,835	2,016,817	
Provision for allowances (recovery)	-	-	(861)	-	-	-	(51,547)	(52,408)	
Transfers to local boards and agencies	16,508	87,539	139,887	25,000	-	10,680	66,270	25,000	
Interest	138,445	2,624,346	987,486	25,771	156,951	22,824	214,796	320,884	
<b>Total expenses</b>	<b>1,029,131</b>	<b>4,606,806</b>	<b>2,586,022</b>	<b>579,458</b>	<b>1,558,660</b>	<b>439,116</b>	<b>1,868,571</b>	<b>12,667,764</b>	
<b>Annual surplus (deficit)</b>	<b>\$ 643,019</b>	<b>\$ 82,013</b>	<b>\$ 946,918</b>	<b>\$ (144,853)</b>	<b>\$ 108,194</b>	<b>\$ (134,013)</b>	<b>\$ 183,257</b>	<b>\$ 1,684,535</b>	

# **TOWN OF HIGH LEVEL**

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2012

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**19. Comparative figures:**

Certain comparative figures have been reclassified to conform to the 2012 financial statement presentation.

**20. Budget:**

The unaudited 2012 budget data presented in these consolidated financial statements is based upon the 2012 operating and capital budgets approved by Council on January 23, 2012. Amortization was not contemplated on development of the budget and, as such, has not been included.