

**VILLAGE OF LOUGHEED**  
**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**

## AUDITOR'S REPORT

**To the Mayor and Council of the Village of Lougheed:**

### *Report on the Consolidated Financial Statements*

I have audited the accompanying consolidated financial statements of the Village of Lougheed, which comprise the statement of financial position as at December 31, 2012, and the statements of operations, change in net financial assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

### *Management's Responsibility for the Consolidated Financial Statements*

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

### *Auditor's Responsibility*

My responsibility is to express an opinion on these consolidated financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

### *Opinion*

In my opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Village of Lougheed as at December 31, 2012, the results of its operations, change in its net financial assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

M.D. of Wainwright

April 23, 2013

Certified General Accountant

# VILLAGE OF LOUGHEED

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION DECEMBER 31, 2012

	<u>2012</u>	<u>2011</u>
<b>FINANCIAL ASSETS</b>		
Cash (Note 2)	504,733	781,248
Taxes and grants in place of taxes (Note 3)	59,258	31,583
Trade and other receivables	32,254	41,696
Receivable from other governments	8,917	14,409
Inventory held for resale	53,452	57,800
	<u>658,614</u>	<u>926,736</u>
<b>LIABILITIES</b>		
Bank indebtedness (Note 4)	-	2,959
Accounts payable and accrued liabilities	37,005	57,367
Deposits held in trust	-	54,799
Deferred revenue (Note 5)	223,921	128,817
Long term debt (Note 6)	133,101	676,879
	<u>394,027</u>	<u>920,821</u>
<b>NET FINANCIAL ASSETS</b>	<u>264,587</u>	<u>5,915</u>
<b>NON-FINANCIAL ASSETS</b>		
Tangible capital assets	<u>2,403,848</u>	<u>2,500,800</u>
<b>ACCUMULATED SURPLUS (NOTE 9)</b>	<u>2,668,435</u>	<u>2,506,715</u>

# VILLAGE OF LOUGHEED

## CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES FOR THE YEAR ENDED DECEMBER 31, 2012

	Budget (unaudited)	2012	2011
<b>REVENUE</b>			
Net municipal property taxes (Schedule 3)	328,000	<b>324,621</b>	297,910
User fees and sales of goods	149,000	<b>142,964</b>	502,856
Penalties and costs on taxes	9,000	<b>13,080</b>	7,554
Licenses and permits	2,000	<b>1,789</b>	2,447
Fines	-	-	1,516
Franchise and concession contracts	21,000	<b>15,540</b>	14,517
Investment income	-	-	1,236
Rentals	10,000	<b>9,576</b>	9,875
Government transfers for operating	79,190	<b>79,145</b>	120,056
Other	23,970	<b>45,001</b>	44
	<u>622,160</u>	<u><b>631,716</b></u>	<u>958,011</u>
<b>EXPENSES</b>			
Legislative	21,900	<b>17,739</b>	21,047
Administration	144,400	<b>125,923</b>	158,977
Protective services	39,428	<b>17,286</b>	27,308
Transportation	167,630	<b>115,764</b>	120,001
Water supply and distribution	65,000	<b>53,578</b>	78,055
Wastewater treatment and disposal	63,985	<b>30,359</b>	31,929
Waste management	37,460	<b>33,660</b>	29,028
Public health and welfare	8,140	<b>4,347</b>	2,867
Planning and development	53,000	<b>15,950</b>	382,045
Recreation	23,100	<b>16,645</b>	11,963
Culture	7,000	<b>10,880</b>	33,432
Amortization	-	<b>117,195</b>	114,371
Loss (gain) on disposal of assets	-	<b>18,510</b>	-
	<u>631,043</u>	<u><b>577,836</b></u>	<u>1,011,023</u>
<b>EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES BEFORE OTHER</b>	(8,883)	<b>53,880</b>	(53,012)
<b>OTHER</b>			
Government transfers for capital (Schedule 4)	191,418	<b>107,840</b>	269,088
<b>EXCESS OF REVENUE OVER EXPENSES</b>	182,535	<b>161,720</b>	216,076
<b>ACCUMULATED SURPLUS, BEGINNING OF YEAR</b>	<u>2,506,715</u>	<u><b>2,506,715</b></u>	<u>2,290,639</u>
<b>ACCUMULATED SURPLUS, END OF YEAR</b>	<u><u>2,689,250</u></u>	<u><u><b>2,668,435</b></u></u>	<u><u>2,506,715</u></u>

# VILLAGE OF LOUGHEED

## CONSOLIDATED STATEMENT OF CHANGES IN NET FINANCIAL ASSETS FOR THE YEAR ENDED DECEMBER 31, 2012

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	Budget (unaudited)	2012	2011
	<u>          </u>	<u>          </u>	<u>          </u>
<b>EXCESS OF REVENUE OVER EXPENSES</b>	<u>182,535</u>	<u>161,720</u>	<u>216,076</u>
Acquisition of tangible capital assets	-	(119,319)	(244,130)
Proceeds on disposal of tangible capital assets	-	80,566	-
Amortization of tangible capital assets	-	117,195	114,371
Loss on sale of tangible capital assets	-	18,510	-
	<u>-</u>	<u>96,952</u>	<u>(129,759)</u>
<b>INCREASE IN NET FINANCIAL ASSETS</b>	182,535	258,672	86,317
<b>NET FINANCIAL ASSETS (DEBT), BEGINNING OF YEAR</b>	<u>5,915</u>	<u>5,915</u>	<u>(80,402)</u>
<b>NET FINANCIAL ASSETS, END OF YEAR</b>	<u>188,450</u>	<u>264,587</u>	<u>5,915</u>

# VILLAGE OF LOUGHEED

## CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2012

	2012	2011
<b>NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:</b>		
<b>OPERATING</b>		
Excess of revenues over expenses	161,720	216,076
Non-cash items included in excess of revenue over expenses:		
Amortization of tangible capital assets	117,195	114,371
Loss on disposal of tangible capital assets	18,510	-
Non-cash charges to operations (net change):		
Decrease (increase) in taxes and grants in place of taxes	(27,675)	(12,346)
Decrease (increase) in trade and other receivables	9,442	(4,521)
Decrease (increase) in receivable from other governments	5,492	(9,463)
Decrease (increase) in inventory held for resale	4,348	262,753
Increase (decrease) in accounts payable and accrued liabilities	(20,362)	38,324
Increase (decrease) in deposits held in trust	(54,799)	-
Increase (decrease) in deferred revenue	95,104	(139,352)
	308,975	465,842
<b>CAPITAL</b>		
Acquisition of tangible capital assets	(119,319)	(244,130)
Sale of tangible capital assets	80,566	-
	(38,753)	(244,130)
<b>FINANCING</b>		
Long-term debt issued	-	478,000
Long-term debt repaid	(543,778)	(71,046)
	(543,778)	406,954
<b>CHANGE IN CASH AND EQUIVALENTS DURING THE YEAR</b>	(273,556)	628,666
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	778,289	149,623
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	504,733	778,289
<b>CASH AND CASH EQUIVALENTS IS MADE UP OF:</b>		
Cash on hand	50	50
Cash in bank	504,683	781,198
Bank indebtedness	-	(2,959)
	504,733	778,289

## VILLAGE OF LOUGHEED

### SCHEDULE OF CHANGES IN ACCUMULATED SURPLUS FOR THE YEAR ENDED DECEMBER 31, 2012 (Schedule 1)

	Unrestricted Surplus	Restricted Surplus	Equity in Tangible Capital Assets	<b>2012</b>	2011
<b>BALANCE, BEGINNING OF YEAR</b>	194,794	10,000	2,301,921	<b>2,506,715</b>	2,290,639
Excess of revenues over expenses	161,720	-	-	<b>161,720</b>	216,076
Unrestricted funds designated for future use	(50,268)	50,268	-	-	-
Current year funds used for tangible capital assets	(119,319)	-	119,319	-	-
Disposal of tangible capital assets	99,076	-	(99,076)	-	-
Annual amortization expense	117,195	-	(117,195)	-	-
Long term debt repaid	(65,778)	-	65,778	-	-
Change in accumulated surplus	<u>142,626</u>	<u>50,268</u>	<u>(31,174)</u>	<b><u>161,720</u></b>	<u>216,076</u>
<b>BALANCE, END OF YEAR</b>	<u><u>337,420</u></u>	<u><u>60,268</u></u>	<u><u>2,270,747</u></u>	<b><u><u>2,668,435</u></u></b>	<u><u>2,506,715</u></u>

## VILLAGE OF LOUGHEED

### CONSOLIDATED SCHEDULE OF TANGIBLE CAPITAL ASSETS FOR THE YEAR ENDED DECEMBER 31, 2012 (Schedule 2)

	LAND	BUILDINGS	ENGINEERED STRUCTURES	MACHINERY AND EQUIPMENT	VEHICLES	<b>2012</b>	2011
<b>COST:</b>							
Balance - beginning of year	37,010	209,061	3,376,770	387,295	192,684	<b>4,202,820</b>	3,958,690
Acquisition of tangible capital assets	-	-	65,366	53,953	-	<b>119,319</b>	244,130
Disposal of tangible capital assets	-	-	-	168,298	-	<b>168,298</b>	-
Balance - end of year	37,010	209,061	3,442,136	272,950	192,684	<b>4,153,841</b>	4,202,820
<b>ACCUMULATED AMORTIZATION</b>							
Balance - beginning of year	-	87,960	1,312,813	194,336	106,911	<b>1,702,020</b>	1,587,649
Annual amortization	-	4,463	73,692	29,479	9,561	<b>117,195</b>	114,371
Accumulated amortization on disposals	-	-	-	69,222	-	<b>69,222</b>	-
Balance - end of year	-	92,423	1,386,505	154,593	116,472	<b>1,749,993</b>	1,702,020
<b>NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS</b>	<b>37,010</b>	<b>116,638</b>	<b>2,055,631</b>	<b>118,357</b>	<b>76,212</b>	<b>2,403,848</b>	<b>2,500,800</b>
OPENING NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	37,010	121,101	2,063,957	192,959	85,773	2,500,800	



# VILLAGE OF LOUGHEED

## CONSOLIDATED SCHEDULE OF PROPERTY TAXES LEVIED FOR THE YEAR ENDED DECEMBER 31, 2012 (Schedule 3)

	Budget (Unaudited)	2012	2011
<b>TAXATION</b>			
Real property taxes	339,084	<b>335,705</b>	304,604
Linear property taxes	17,695	<b>17,695</b>	19,014
Government grants in place of property taxes	7,496	<b>7,496</b>	8,282
	<u>364,275</u>	<u><b>360,896</b></u>	<u>331,900</u>
<b>REQUISITIONS</b>			
Alberta School Foundation	33,677	<b>33,677</b>	31,369
Flagstaff Regional Housing Group	2,598	<b>2,598</b>	2,621
	<u>36,275</u>	<u><b>36,275</b></u>	<u>33,990</u>
<b>NET MUNICIPAL TAXES</b>	<u>328,000</u>	<u><b>324,621</b></u>	<u>297,910</u>

# VILLAGE OF LOUGHEED

## CONSOLIDATED SCHEDULE OF GOVERNMENT TRANSFERS FOR THE YEAR ENDED DECEMBER 31, 2012 (Schedule 4)

	Budget (Unaudited)	2012	2011
<b>TRANSFERS FOR OPERATING</b>			
Federal Government	-	-	2,464
Provincial Government	64,190	<b>59,190</b>	97,189
Local Governments	15,000	<b>19,955</b>	20,403
	<u>79,190</u>	<u><b>79,145</b></u>	<u>120,056</u>
<b>TRANSFERS FOR CAPITAL</b>			
Federal Government	-	<b>11,857</b>	92,121
Provincial Government	191,418	<b>95,983</b>	176,967
	<u>191,418</u>	<u><b>107,840</b></u>	<u>269,088</u>
<b>TOTAL GOVERNMENT TRANSFERS</b>	<u>270,608</u>	<u><b>186,985</b></u>	<u>389,144</u>

# VILLAGE OF LOUGHEED

## CONSOLIDATED SCHEDULE OF EXPENDITURE BY OBJECT FOR THE YEAR ENDED DECEMBER 31, 2012 (Schedule 5)

	Budget (Unaudited)	2012	2011
<b>Expenditures</b>			
Salaries, wages and benefits	123,800	<b>110,297</b>	149,366
Contracted and general services	270,550	<b>138,944</b>	208,924
Purchases from other governments	84,000	<b>84,000</b>	38,839
Materials, goods and utilities	109,678	<b>81,611</b>	469,428
Provision for allowances	-	<b>50</b>	22
Transfers to local boards and agencies	19,400	<b>13,395</b>	6,158
Bank charges and short term interest	3,000	<b>124</b>	9,025
Interest on operating long term debt	7,735	<b>5,434</b>	3,929
Interest on capital long term debt	12,880	<b>8,276</b>	10,850
Other expenditures	-	-	111
Amortization of tangible capital assets	-	<b>117,195</b>	114,371
Loss on disposal of tangible capital assets	-	<b>18,510</b>	-
	<u>631,043</u>	<u><b>577,836</b></u>	<u>1,011,023</u>

## VILLAGE OF LOUGHEED

### SCHEDULE OF SEGMENTED DISCLOSURE FOR THE YEAR ENDED DECEMBER 31, 2012 (Schedule 6)

	General Government	Protective Services	Transportation services	Environmental Services	Public Health & Welfare	Planning & Development	Recreation & Culture	Total
<b>REVENUE</b>								
Net municipal property taxes (Schedule 2)	324,621	-	-	-	-	-	-	324,621
User fees and sales of goods	4,107	-	2,236	118,491	400	12,000	5,730	142,964
Penalties and costs on taxes	9,778	-	-	3,302	-	-	-	13,080
Licenses and permits	1,309	255	-	-	-	225	-	1,789
Franchise and concession contracts	15,540	-	-	-	-	-	-	15,540
Rentals	9,576	-	-	-	-	-	-	9,576
Government transfers	56,990	16,699	2,200	-	-	-	3,256	79,145
Other	-	3,830	-	-	9,054	-	32,117	45,001
	<u>421,921</u>	<u>20,784</u>	<u>4,436</u>	<u>121,793</u>	<u>9,454</u>	<u>12,225</u>	<u>41,103</u>	<u>631,716</u>
<b>EXPENSES</b>								
Salaries, wages and benefits	15,355	2,100	50,009	34,461	1,448	-	6,924	110,297
Contracted and general services	39,752	7,716	25,793	51,324	41	6,913	7,405	138,944
Purchases from other governments	84,000	-	-	-	-	-	-	84,000
Materials, goods and utilities	4,381	4,341	37,200	28,682	15	4,348	2,644	81,611
Provision for allowances	50	-	-	-	-	-	-	50
Transfers to local boards and agencies	-	-	-	-	2,843	-	10,552	13,395
Bank charges and short term interest	124	-	-	-	-	-	-	124
Interest on operating long term debt	-	-	-	3,130	-	2,304	-	5,434
Interest on capital long term debt	-	3,129	2,762	-	-	2,385	-	8,276
	<u>143,662</u>	<u>17,286</u>	<u>115,764</u>	<u>117,597</u>	<u>4,347</u>	<u>15,950</u>	<u>27,525</u>	<u>442,131</u>
<b>NET REVENUE, BEFORE AMORTIZATION</b>	<u>278,259</u>	<u>3,498</u>	<u>(111,328)</u>	<u>4,196</u>	<u>5,107</u>	<u>(3,725)</u>	<u>13,578</u>	<u>189,585</u>
<b>AMORTIZATION AND DISPOSAL OF ASSETS</b>								
Amortization of tangible capital assets	-	9,457	62,986	38,297	-	-	6,455	117,195
Loss on disposal of tangible capital assets	-	-	18,510	-	-	-	-	18,510
	<u>-</u>	<u>9,457</u>	<u>81,496</u>	<u>38,297</u>	<u>-</u>	<u>-</u>	<u>6,455</u>	<u>135,705</u>
<b>NET REVENUE</b>	<u>278,259</u>	<u>(5,959)</u>	<u>(192,824)</u>	<u>(34,101)</u>	<u>5,107</u>	<u>(3,725)</u>	<u>7,123</u>	<u>53,880</u>

# VILLAGE OF LOUGHEED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012

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### 1. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements of the Village of Lougheed 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 village are as follows:

#### **a) Reporting Entity**

The consolidated financial statements reflect the assets, liabilities, revenues and expenditures, changes in fund balances and change in financial position of the reporting entity. This entity is comprised of the municipal operations plus all of the organizations that are owned or controlled by the village are, therefore accountable to the 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.

#### **b) Basis of Accounting**

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

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

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

# VILLAGE OF LOUGHEED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012

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### 1. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### c) Use of Estimates

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

#### d) Investments

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

#### e) Requisition Over-levy and Under-levy

Over-levies and under-levies arise from the difference between the actual property tax levy made to cover each requisition and the actual amount requisitioned.

If the actual levy exceeds the requisition, the over-levy is accrued as a liability and property tax revenue is reduced. Where the actual levy is less than the requisition amount, the under-levy is accrued as a receivable and as property tax revenue.

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

#### f) 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.

#### g) 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.

# VILLAGE OF LOUGHEED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012

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### 1. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### h) 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 for the year.

#### i. Tangible Capital Assets

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

	YEARS
Buildings	25-50
Engineered structures - other	25
Engineered structures - water system	30-75
Engineered structures - wastewater system	50-75
Machinery and equipment	7-20
Vehicles	10-25

One-half of the annual amortization is charged in the year of acquisition and in the year of disposal. Assets under construction are not amortized until the asset is available for productive use.

#### ii. Contributions of Tangible Capital Assets

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

#### iii. Leases

Leases are classified as capital or operating leases. Leases which transfer substantially all of the benefits and risks incidental to ownership of property are accounted for as capital leases. All other leases are accounted for as operating leases and the related lease payments are charged to expenses as incurred.

#### iv. Inventories

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

#### v. Cultural and Historical Tangible Capital Assets

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

# VILLAGE OF LOUGHEED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012

### 2. CASH AND TERM DEPOSITS

	<u>2012</u>	<u>2011</u>
Included in cash and term deposits are amounts received from various grant funding programs that are held for use in accordance with the funding agreements. (Note 5)	<b>223,921</b>	128,817
Included in cash and term deposits are amounts designated by council for future expenses and tangible capital asset acquisitions. (Note 10)	<u>60,268</u>	<u>10,000</u>
Total restricted cash and term deposits	<u><b>284,189</b></u>	<u>138,817</u>

### 3. TAXES AND GRANTS IN PLACE OF TAXES RECEIVABLES

	<u>2012</u>	<u>2011</u>
Current taxes and grants in place of taxes	<b>37,156</b>	20,243
Arrears taxes	<u>22,102</u>	<u>11,340</u>
	<u><b>59,258</b></u>	<u>31,583</u>

### 4. BANK INDEBTEDNESS

Bank indebtedness consists of an authorized overdraft in the amount of \$110,000 bearing interest at Prime, secured by all assets of the village at large.

### 5. DEFERRED INCOME

Deferred income consists of the following:	<u>2012</u>	<u>2011</u>
Municipal Sustainability Initiative - capital	<b>185,778</b>	119,253
Federal Gas Tax	<b>38,143</b>	-
Basic Municipal Transportation Grant	-	9,564
	<u><b>223,921</b></u>	<u>128,817</u>



# VILLAGE OF LOUGHEED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012

### 6. LONG TERM DEBT

	<u>2012</u>	<u>2011</u>
<b>Operating</b>		
ATB Financial	-	478,000
<b>Capital</b>		
Alberta Capital Finance Authority	<u>133,101</u>	<u>198,879</u>
	<u><b>133,101</b></u>	<u><b>676,879</b></u>

Principal and interest payments are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	57,295	6,422	63,717
2014	15,497	4,628	20,125
2015	6,754	3,707	10,461
2016	7,174	3,287	10,461
2017	7,621	2,841	10,462
Thereafter	<u>38,760</u>	<u>7,511</u>	<u>46,271</u>
	<u><b>133,101</b></u>	<u><b>28,396</b></u>	<u><b>161,497</b></u>

Debenture debt repayable to the Alberta Capital Finance Authority bears interest between 3.046% and 6.79% and matures between 2013 and 2024 and is secured by the credit and security of the village at large.

The village's total cash payments for interest on long term debt in 2012 were \$14,394 (2011 - \$15,456).

### 7. DEBT LIMITS

Section 276(2) of the Municipal Government Act requires that debt and debt limits as defined by Alberta Regulation 255/00 for the Village of Lougheed be disclosed as follows:

	<u>2012</u>	<u>2011</u>
Total debt limit	<u>947,574</u>	1,437,017
Total debt	<u>133,101</u>	679,838
Surplus debt limit	<u><b>814,473</b></u>	<u>757,179</u>
Debt servicing limit	<u>157,929</u>	239,503
Debt servicing	<u>63,717</u>	111,248
Surplus debt servicing	<u><b>94,212</b></u>	<u>128,255</u>

The debt limit is calculated at 1.5 times revenue of the municipality (as defined in Alberta Regulation 255/00) and the debt service limit is calculated at 0.25 times such revenue. Incurring debt beyond these limitations requires approval by the Minister of Municipal Affairs. These thresholds are guidelines used by Alberta Municipal Affairs to identify municipalities, which 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.

# VILLAGE OF LOUGHEED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012

### 8. EQUITY IN TANGIBLE CAPITAL ASSETS

	<u>2012</u>	<u>2011</u>
Tangible capital assets (Schedule 2)	4,153,841	4,202,820
Accumulated amortization (Schedule 2)	(1,749,993)	(1,702,020)
Long-term debt (Note 6)	(133,101)	(198,879)
	<u>2,270,747</u>	<u>2,301,921</u>

### 9. ACCUMULATED SURPLUS

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

	<u>2012</u>	<u>2011</u>
<b>Unrestricted surplus</b>	<u>337,420</u>	<u>194,794</u>
<b>Restricted surplus</b>		
General	43,714	10,000
Cemetery	7,554	-
Recreation	9,000	-
	<u>60,268</u>	<u>10,000</u>
<b>Equity in tangible capital assets</b>	<u>2,270,747</u>	<u>2,301,921</u>
	<u>2,668,435</u>	<u>2,506,715</u>

# VILLAGE OF LOUGHEED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012

### 10. SEGMENTED DISCLOSURE

The Village of Lougheed 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)

### 11. SALARY AND BENEFITS DISCLOSURE

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

	2012			2011
	Salary	Benefits & Allowances	Total	Total
Cameron	3,300	-	3,300	-
Cherowka	2,100	-	2,100	4,750
Losness	4,400	-	4,400	4,640
Ruud	2,200	-	2,200	-
Smith	3,600	-	3,600	4,425
Swistun	-	-	-	1,350
Thompson	-	-	-	2,070
CAO	-	-	-	40,706

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.

# VILLAGE OF LOUGHEED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012

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### 12. LOCAL AUTHORITIES PENSION PLAN

Employees of the village 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 214,328 people and 423 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 village is required to make current service contributions to the LAPP of 9.91% of pensionable earnings up to the year's maximum pensionable earnings under the Canada Pension Plan and 13.74% on pensionable earnings above this amount. Employees of the village are required to make current service contributions of 8.91% of pensionable salary up to the year's maximum pensionable salary and 12.74% on pensionable salary above this amount.

Total current service contributions by the village to the LAPP in 2012 were \$6,447. Total current service contributions by the employees of the village to the Local Authorities Pension Plan in 2012 were \$5,838.

At December 31, 2011, the LAPP disclosed an actuarial deficiency of \$4.6 billion.

### 13. CONTINGENCIES

The village is a member of the Alberta Municipal Insurance Exchange (MUNIX). Under the terms of the membership, the village could become liable for its proportionate share of any claim losses in excess of the funds held by the exchange. Any liability incurred would be accounted for as a current transaction in the year the losses are determined.

The village is a member of the Flagstaff Regional Solid Waste Management Association. Under the terms of the membership, the town could become liable for its proportionate share of any landfill closure and post-closure costs in excess of the funds held by the association. Any liability incurred would be accounted for as a current transaction in the year the shortfall is determined.

# VILLAGE OF LOUGHEED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012

### 14. FINANCIAL INSTRUMENTS

The Village's financial instruments consist of cash and temporary investments, accounts receivable, investments, bank indebtedness, accounts payable and accrued liabilities, deposit liabilities and long-term debt. It is management's opinion that the village is not exposed to significant interest or currency risks arising from these financial instruments.

The village is subject to credit risk with respect to taxes receivable and trade and other receivables. Credit risk arises from the possibility that taxpayers and entities to which the village 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 fair value of these financial instruments approximates their fair value.

### 15. RECONCILIATION OF OPERATING RESULTS TO BUDGETING SYSTEM

The village has prepared its budget according to the former accounting standards that were in place prior to 2009 which tracked all municipal activities including capital projects and reserves for future use. The reconciliation below to encompass these items is provided for information purposes only to provide users with supplementary comparative information. It should not be used as a replacement for the consolidated statement of financial activities and accumulated surplus and users should note that this information may not be appropriate for their purposes.

	Budget (unaudited)	2012	2011
Excess of revenue over expenditures, per financial statements	182,535	161,720	216,076
Adjustments			
Amortization expense	-	117,195	114,371
Loss (gain) on disposal of tangible capital assets	-	18,510	-
Acquisition of tangible capital assets	(127,565)	(119,319)	(244,130)
Proceeds on disposition of tangible capital assets	-	80,566	-
Results of operations - previous methods	54,970	258,672	86,317
Net transfers (to) from reserves	30,000	(50,268)	(8,500)
Debenture repaid	(84,970)	(65,778)	(72,234)
Increase (decrease) in unrestricted surplus	<u>-</u>	<u>142,626</u>	<u>5,583</u>

### 16. COMPARITIVE FIGURES

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

### 17. APPROVAL OF FINANCIAL STATEMENTS

Council and Management have approved these financial statements.