VILLAGE OF ALLIANCE

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2011

VILLAGE OF ALLIANCE

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2011

	2011	2010
FINANCIAL ASSETS		
Cash (Note 2)	**240,172**	244,359
Taxes and grants in place of taxes (Note 3)	**26,686**	20,044
Trade, grants and other receivables	**255,751**	123,445
Inventory held for resale	**18,660**	20,660
Investments	**20,000**	20,000
Other financial assets	**8,604**	9,370
	569,873	437,878
LIABILITIES		
Accounts payable and accrued liabilities	**43,777**	53,463
Deferred revenue (Note 4)	**206,089**	74,528
Long term debt (Note 5)	**64,708**	69,275
	314,574	197,266
NET FINANCIAL ASSETS	**255,299**	240,612
NON-FINANCIAL ASSETS		
Tangible capital assets	**3,941,891**	2,788,323
ACCUMULATED SURPLUS (NOTE 8)	**4,197,190**	3,028,935

VILLAGE OF ALLIANCE

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

	Budget (unaudited)	**2011**	2010
EXCESS OF REVENUE OVER EXPENSES	1,107,656	**1,168,255**	142,672
Acquisition of tangible capital assets	(1,148,000)	**(1,269,078)**	(287,386)
Proceeds on disposal of tangible capital assets	-	**7,000**	1,250
Amortization of tangible capital assets	100,000	**92,690**	89,478
Loss on sale of tangible capital assets	-	**15,820**	-
	(1,048,000)	**(1,153,568)**	(196,658)
INCREASE IN NET FINANCIAL ASSETS	59,656	**14,687**	(53,986)
NET FINANCIAL ASSETS, BEGINNING OF YEAR	240,612	**240,612**	294,598
NET FINANCIAL ASSETS, END OF YEAR	300,268	**255,299**	240,612

VILLAGE OF ALLIANCE

SCHEDULE OF CHANGES IN ACCUMULATED SURPLUS
FOR THE YEAR ENDED DECEMBER 31, 2011
(Schedule 1)

	Unrestricted Surplus	Restricted Surplus	Equity in Tangible Capital Assets	**2011**	2010
BALANCE, BEGINNING OF YEAR	158,762	151,125	2,719,048	**3,028,935**	2,886,263
Excess (deficiency) of revenues over expenses	1,168,255	-	-	**1,168,255**	142,672
Current year funds used for tangible capital assets	(1,269,078)	-	1,269,078	**-**	-
Disposal of tangible capital assets	22,820	-	(22,820)	**-**	-
Annual amortization expense	92,690	-	(92,690)	**-**	-
Long term debt repaid	(4,567)	-	4,567	**-**	-
Change in accumulated surplus	10,120	-	1,158,135	**1,168,255**	142,672
BALANCE, END OF YEAR	168,882	151,125	3,877,183	**4,197,190**	3,028,935

VILLAGE OF ALLIANCE

CONSOLIDATED SCHEDULE OF PROPERTY TAXES LEVIED
FOR THE YEAR ENDED DECEMBER 31, 2011
(Schedule 3)

	Budget (Unaudited)	**2011**	2010
TAXATION			
Real property taxes	163,139	**162,976**	149,544
Linear property taxes	8,546	**8,546**	8,642
Government grants in place of property taxes	3,084	**3,084**	3,073
	174,769	**174,606**	161,259
REQUISITIONS			
Alberta School Foundation	20,583	**20,584**	19,634
Flagstaff Regional Housing Group	1,672	**1,672**	1,473
	22,255	**22,256**	21,107
NET MUNICIPAL TAXES	152,514	**152,350**	140,152

VILLAGE OF ALLIANCE

CONSOLIDATED SCHEDULE OF EXPENDITURE BY OBJECT
FOR THE YEAR ENDED DECEMBER 31, 2011
(Schedule 5)

	Budget (Unaudited)	**2011**	2010
Expenditures			
Salaries, wages and benefits	135,934	**131,073**	130,100
Contracted and general services	307,909	**202,629**	159,282
Materials, goods and utilities	74,636	**63,803**	72,061
Provision for allowances	1,500	**-**	(5,230)
Transfers to local boards and agencies	17,737	**26,491**	13,809
Interest on capital long term debt	4,330	**4,237**	5,998
Other expenditures	2,600	**2,585**	3,120
Amortization of tangible capital assets	100,000	**92,690**	89,478
Loss (gain) on disposal of tangible capital assets	-	**15,820**	-
	644,646	**539,328**	468,618

1. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements of the Village of Alliance 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 ALLIANCE

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011

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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	50
Engineered structures - other	20
Engineered structures - water system	50-75
Engineered structures - wastewater system	50-75
Land improvements	20
Machinery and equipment	10-15
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.

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.

5. LONG TERM DEBT

	2011	2010
Alberta Capital Finance Authority	**64,708**	69,275

Principal and interest payments are as follows:

	Principal	Interest	Total
2012	4,852	4,044	8,896
2013	5,155	3,741	8,896
2014	5,477	3,419	8,896
2015	5,820	3,076	8,896
2016	6,183	2,713	8,896
Thereafter	37,221	7,261	44,482
	64,708	24,254	88,962

Debenture debt repayable to the Alberta Capital Finance Authority bears interest at 6.25% and matures in 2021 and is secured by the credit and security of the village at large.

The village`s total cash payments for interest in 2011 were $4,330 (2010 - $4,598).

6. 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 Alliance be disclosed as follows:

	2011	2010
Total debt limit	**2,395,563**	530,663
Total debt	**64,708**	69,275
Surplus debt limit	**2,330,855**	461,388
Debt servicing limit	**399,261**	88,444
Debt servicing	**8,896**	8,897
Surplus debt servicing	**390,365**	79,547

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.

12. 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.

13. COMPARITIVE FIGURES

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

14. APPROVAL OF FINANCIAL STATEMENTS

Council and Management have approved these financial statements.