VILLAGE OF DELIA

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2012

VILLAGE OF DELIA
FINANCIAL STATEMENTS
DECEMBER 31, 2012

CONTENTS

ENDEAVOR
CHARTERED ACCOUNTANTS
TIM L. ELL, B. Mgmt., C.A. *
JEFF M. FAUPEL, B. Mgmt., C.A.*
MONICA N. FAUPEL, B. Mgmt., C.A.*

302-2nd Avenue W.
Box 2110, Hanna,
Alberta T0J 1P0
Phone: (403) 854-4421
Fax: (403) 854-2023

5015 Victoria Avenue
Box 720, Coronation,
Alberta T0C 1C0
Phone: (403) 578-4014
Fax: (403) 578-3561

INDEPENDENT AUDITOR'S REPORT

To the Members of Council:

Report on the Consolidated Financial Statements
We have audited the accompanying consolidated financial statements of the Village of Delia, which comprise the statement of financial position as at December 31, 2012 and the statement of operations, change in net financial assets (debt) and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

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

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

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

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

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

Endeavor.
CHARTERED ACCOUNTANTS

HANNA, ALBERTA
APRIL 8, 2013

VILLAGE OF DELIA

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2012

	2012	2011 (Restated)
FINANCIAL ASSETS		
Cash and temporary investments (Note 2)	$ 704,886	$ 375,557
Receivables		
Taxes and grants in place of taxes (Note 3)	7,140	13,076
Trade and other receivables	27,868	22,720
Receivables from other governments	21,925	160,345
Land inventory held for resale	57,401	57,401
Investments (Note 4)	1,616	1,569
	820,836	630,668
LIABILITIES		
Accounts payable and accrued liabilities	50,525	24,510
Deposit liabilities (Note 5)	3,651	3,474
Deferred revenue (Note 6)	440,049	266,513
	494,225	294,497
NET FINANCIAL ASSETS (DEBT)	326,611	336,171
NON-FINANCIAL ASSETS		
Tangible capital assets	2,368,537	2,385,958
Inventory for consumption (Note 8)		320
Prepaid expenses	7,837	12,005
	2,376,374	2,398,283
ACCUMULATED SURPLUS	$ 2,702,985	$ 2,734,454

COMMITMENTS (SEE NOTE 13)
CONTINGENCIES (SEE NOTE 14)

VILLAGE OF DELIA

CONSOLIDATED STATEMENT OF OPERATIONS

FOR THE YEAR ENDED DECEMBER 31, 2012

	Budget (Unaudited)	2012	2011 (Restated)
REVENUE			
Net municipal taxes (Schedule 2)	$ 218,208	$ 218,234	$ 217,726
User fees and sale of goods	150,107	159,453	150,492
Government transfers for operating (Schedule 3)	128,963	122,748	77,760
Investment income	10,500	2,501	3,399
Penalties and costs on taxes	7,800	5,511	6,711
Licenses and permits	1,175	1,475	1,203
Franchise and concession contracts	20,100	18,714	17,379
Gain on disposal of capital assets		9,114	
Other		17,170	15,152
Total Revenue	536,853	554,920	489,822
EXPENSES			
Legislative	19,600	14,154	16,026
Administration	169,026	156,704	148,570
Protective services	30,635	33,408	40,391
Transportation	164,494	160,142	134,336
Water supply and distribution	114,286	97,218	88,983
Wastewater treatment and disposal	15,918	54,722	38,817
Waste management	18,668	24,488	21,132
Public health and welfare	4,400	2,037	5,322
Subdivision land and development	2,800	1,894	9,349
Parks and recreation	27,950	37,887	19,945
Culture	2,945	3,737	3,511
Total Expenses	570,722	586,391	526,382
EXCESS (SHORTFALL) OF REVENUE OVER EXPENSES - BEFORE OTHER	33,869	(31,471)	(36,560)
Government transfers for capital (Schedule 3)			616,323
Interest income			33,045
EXCESS (SHORTFALL) OF REVENUE OVER EXPENSES	33,869	(31,471)	612,808
ACCUMULATED SURPLUS, BEGINNING OF YEAR	2,734,456	2,734,456	2,121,648
ACCUMULATED SURPLUS, END OF YEAR	$ 2,700,587	$ 2,702,985	$ 2,734,456

VILLAGE OF DELIA

CONSOLIDATED STATEMENT OF CHANGES IN NET FINANCIAL ASSETS (DEBT)

FOR THE YEAR ENDED DECEMBER 31, 2012

	Budget (Unaudited)	2012	2011 (Restated)
EXCESS (SHORTFALL) OF REVENUE OVER EXPENSES	$ 33,869	$ (31,471)	$ 612,808
Acquisition of tangible capital assets		(120,206)	(749,136)
Proceeds on sale of tangible capital assets		32,571	
Amortization of tangible capital assets		114,170	91,981
Gain(loss) on sale of tangible capital assets		(9,114)	3,892
		17,421	(653,263)
Change in inventory		320	(320)
Change in prepaid expenses		4,168	(534)
		4,488	(854)
(INCREASE) DECREASE IN NET DEBT	33,869	(9,562)	(41,309)
NET FINANCIAL ASSETS, BEGINNING OF YEAR	336,173	336,173	377,482
NET FINANCIAL ASSETS, END OF YEAR	$ 302,304	$ 326,611	$ 336,173

VILLAGE OF DELIA

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2012

	2012	2011 (Restated)
NET INFLOW(OUTFLOWS) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING		
Excess (shortfall) of revenues over expenses	$ (31,471)	$ 612,808
Non-cash items included in excess(shortfall) of revenues over expenses:		
Amortization on tangible capital assets	114,170	91,981
Gain(loss) on sale of tangible capital assets	(9,114)	3,892
	73,585	708,681
Changes in net financial asset(debt) items:		
Decrease(increase) in taxes and grants in place of taxes receivable	5,936	6,956
Decrease(increase) in trade and other receivables	(5,148)	(1,966)
Decrease(increase) in receivables from other governments	138,420	(22,266)
Decrease(increase) in land held for resale		2,479
Decrease(increase) in investments	(47)	189
Decrease(increase) in prepaid expenses	4,168	(534)
Decrease(increase) in inventory	320	(320)
Increase(decrease) in accounts payable and accrued liabilities	26,016	(19,577)
Increase(decrease) in deposit liabilities	177	1,309
Increase(decrease) in deferred revenue	173,537	(469,470)
Cash provided by (applied to) operating transactions	416,964	205,481
CAPITAL		
Acquisition of tangible capital assets	(120,206)	(749,136)
Proceeds on sale of tangible capital assets	32,571	
Cash provided by (applied to) capital transactions	(87,635)	(749,136)
FINANCING		
Long term debt repaid		(7,880)
CHANGE IN CASH AND EQUIVALENTS DURING THE YEAR	329,329	(551,535)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	375,557	927,092
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 704,886	$ 375,557

Cash and cash equivalents is made up of:

Cash and temporary investments (Note 2)	$ 704,886	$ 375,557

VILLAGE OF DELIA

SCHEDULE OF TANGIBLE CAPITAL ASSETS

FOR THE YEAR ENDED DECEMBER 31, 2012

Schedule 1

	Land	Land Improvements	Buildings	Engineered Structures	Machinery & Equipment	Vehicles	2012	2011 (Restated)
COST:								
BALANCE, BEGINNING OF YEAR	$ 13,550	$ 53,683	$ 259,123	$ 2,619,721	$ 150,118	$ 497,090	$ 3,593,285	$ 2,863,341
Acquisition of tangible capital assets			3,283	82,509	12,878		98,670	749,136
Construction-in-progress				21,536			21,536	
Disposal of tangible capital assets	3,070		(20,740)			(12,000)	(35,810)	(19,192)
BALANCE, END OF YEAR	10,480	53,683	241,666	2,723,766	162,996	485,090	3,677,681	3,593,285
ACCUMULATED AMORTIZATION:								
BALANCE, BEGINNING OF YEAR		35,707	100,165	951,325	34,815	85,315	1,207,327	1,130,644
Annual amortization		2,470	3,955	75,380	12,575	19,789	114,169	91,982
Accumulated amortization on disposals			(2,624)			(9,729)	(12,353)	(15,299)
BALANCE, END OF YEAR		38,177	101,496	1,026,705	47,390	95,375	1,309,143	1,207,327
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	$ 10,480	$ 15,506	$ 140,170	$ 1,697,061	$ 115,606	$ 389,715	$ 2,368,538	$ 2,385,958
2011 NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	$ 13,550	$ 17,976	$ 158,958	$ 1,668,396	$ 115,303	$ 411,775	$ 2,385,958	

VILLAGE OF DELIA

SCHEDULE OF PROPERTY AND OTHER TAXES

FOR THE YEAR ENDED DECEMBER 31, 2012

Schedule 2

	Budget (Unaudited)	2012	2011
TAXATION			
Real property taxes	$ 246,643	$ 243,202	$ 237,762
Linear property taxes	11,000	12,670	14,108
Government grants in place of property taxes		1,381	1,293
Special assessments and local improvement taxes	1,208	1,625	1,625
	258,851	258,878	254,788
REQUISITIONS			
Alberta School Foundation Fund	36,100	36,101	33,024
Seniors requisition	4,543	4,543	4,038
	40,643	40,644	37,062
NET MUNICIPAL TAXES	$ 218,208	$ 218,234	$ 217,726

SCHEDULE OF GOVERNMENT TRANSFERS

FOR THE YEAR ENDED DECEMBER 31, 2012

Schedule 3

	Budget (Unaudited)	2012	2011 (Restated)
TRANSFERS FOR OPERATING			
Provincial government	$ 118,663	$ 109,329	$ 67,408
Federal government		1,596	
Local government	10,300	11,823	10,352
	128,963	122,748	77,760
TRANSFERS FOR CAPITAL			
Provincial government			616,323
TOTAL GOVERNMENT TRANSFERS	$ 128,963	$ 122,748	$ 694,083

VILLAGE OF DELIA

SCHEDULE OF CONSOLIDATED EXPENSES BY OBJECT

FOR THE YEAR ENDED DECEMBER 31, 2012

Schedule 4

	Budget (Unaudited)	2012	2011
CONSOLIDATED EXPENSES BY OBJECT			
Salaries, wages and benefits	$ 208,475	$ 200,815	$ 184,746
Contracted and general services	158,761	147,077	129,144
Materials, goods, supplies and utilities	194,421	112,952	99,779
Provision for allowances			1,457
Transfers to individuals and organizations	8,065	9,231	5,157
Interest on long term debt			270
Amortization of tangible capital assets		114,170	91,981
Loss on disposal of tangible capital assets			3,892
Other	1,000	2,146	9,956
	$ 570,722	$ 586,391	$ 526,382

VILLAGE OF DELIA

SCHEDULE OF CHANGES IN ACCUMULATED SURPLUS

FOR THE YEAR ENDED DECEMBER 31, 2012

Schedule 5

	Unrestricted Surplus	Restricted Surplus	Equity in Tangible Capital Assets	2012	2011 (Restated)
BALANCE, BEGINNING OF YEAR	$ 194,675	$ 153,822	$ 2,385,959	$ 2,734,456	$ 2,121,648
Excess (deficiency) of revenues over expenses	(31,471)			(31,471)	612,808
Unrestricted funds designated for future use	(14,379)	14,379			
Restricted funds used for operations	32,171	(32,171)			
Current year funds used for tangible capital assets	(120,206)		120,206		
Disposal of tangible capital assets	23,457		(23,457)		
Annual amortization expense	114,170		(114,170)		
Change in accumulated surplus	3,742	(17,792)	(17,421)	(31,471)	612,808
BALANCE, END OF YEAR	$ 198,417	$ 136,030	$ 2,368,538	$ 2,702,985	$ 2,734,456

1. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements of the Village of Delia 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 polices 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 and are, therefore, accountable to the village 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.

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.

1.. **SIGNIFICANT ACCOUNTING POLICIES** (continued)

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 tangible capital assets under the respective function.

g) Prepaid Local Improvement 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 municipality.

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 on a straight line basis over the remaining term of the related borrowings.

In the event that the prepaid amounts are applied against the related borrowings, the deferred revenue is amortized to revenue by an amount equal to the debt repayment.

h) 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.

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 normal course of operations. The change in non-financial assets during the year, together with the excess of revenues over expenses, provides the consolidated Change in Net Financial Assets (Debt) for the year.

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
Land improvements	10-45
Buildings	25-50
Engineering structures	
Water system	45-75
Wastewater system	45-75
Other engineered structures	5-75
Machinery and equipment	5-40
Vehicles	10-40

In the year of acquisition of a tangible capital asset, annual amortization is charged based on the number of months owned and in the year of disposal no amortization is charged. 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.

2. CASH AND TEMPORARY INVESTMENTS

	2012	2011
Cash	$ 704,886	$ 243,791
Temporary investments		131,766
	$ 704,886	$ 375,557

The village received certain Alberta Government grants that are restricted in their use and are to be utilized as funding for certain projects. Since certain projects have not been completed for which this restricted funding has been received, $440,049 (2011 - $266,513) of the cash and temporary investments on hand are not available for general use by the Village (Note 6).

3. TAXES AND GRANTS IN PLACE OF TAXES RECEIVABLE

	2012	2011
Current taxes and grants in place receivables	$ 6,649	$ 9,597
Arrears taxes	491	3,479
	$ 7,140	$ 13,076

4. INVESTMENTS

	2012		2011	
	Cost	Market Value	Cost	Market Value
Other institutional and private corporation bonds	$ 1,616	$ 1,616	$ 1,569	$ 1,569

5. DEPOSIT LIABILITIES

The village maintains utility deposits of $3,651 (2011 - $3,474).

6. DEFERRED REVENUE

		2012		2011
Alberta Municipal Sustainability Initiative Program - Capital	$	290,228	$	152,684
Alberta Municipal Sustainability Initiative Program - Operating		25,631		55,501
Alberta Basic Municipal Transportation Grant		30,143		14,899
Federal Gas Tax Fund		92,794		41,759
Prepaid Local Improvement Charges		1,253		1,670
	$	440,049	$	266,513

Alberta Municipal Sustainability Initiative Program - Capital

Provincial government funding was received in the current year to undertake certain eligible infrastructure expenditures within the village that have not yet been expended.

Alberta Municipal Sustainability Initiative Program - Operating

Provincial government funding was received in the current year to undertake certain eligible expenditures within the village that have not yet been expended.

Alberta Basic Municipal Transportation Grant

Provincial government funding was received in the current year to undertake certain eligible street improvement infrastructure expenditures within the village that have not yet been expended.

Federal Gas Tax Fund

Federal and provincial government funding was received in the current year to undertake certain eligible environmentally sustainable projects within the village that has not yet been expended.

Prepaid Local Improvement Charges

Prepaid local improvement charges are being amortized to revenue at a rate of $417 per year over 10 years.

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 Delia be disclosed as follows:

	2012	2011
Total debt limit	$ 818,709	$ 734,733
Total debt		
Amount of debit limit unused	$ 818,709	$ 734,733
Debt servicing limit	$ 136,452	$ 122,456
Debt servicing		8,150
Amount of debt servicing limit unused	$ 136,452	$ 114,306

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 that could be at financial risk if further debt is acquired. The calculation taken alone does not represent the financial stability of the municipality. Rather, the financial statements must be interpreted as a whole.

8. INVENTORY FOR CONSUMPTION

	2012	2011
Wastewater inventory	$	$ 320

9. EQUITY IN TANGIBLE CAPITAL ASSETS

	2012	2011
Tangible capital assets	$ 3,677,681	$ 3,593,285
Accumulated amortization	(1,309,143)	(1,207,327)
	$ 2,368,538	$ 2,385,958

10. ACCUMULATED SURPLUS

		2012		2011 (Restated)
Unrestricted surplus	$	198,417	$	194,674
Restricted surplus:				
Operating contingency		3,508		3,508
Emergency fund		31,777		21,443
Transportation		88,419		88,419
Wastewater treatment and disposal				32,171
Vehicle replacement fund		12,326		8,281
Equity in tangible capital assets		2,368,538		2,385,958
	$	2,702,985	$	2,734,454

11. SALARY AND BENEFITS

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:

	2012			2011
	Salary	Benefits & allowances	Total	Total
Councillors:				
John Rogers	$ 3,225	$	$ 3,225	$ 2,675
Gordon Issac	1,500		1,500	3,052
Jeff Collins	6,225	152	6,377	8,406
Dennis Thordarson	465		465	
Chief Administrative Officer	56,806	9,205	66,011	59,837

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.

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 about 133,000 people and 389 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% (2011 - 9.49%) of pensionable earnings up to the year's maximum pensionable earnings under the Canada Pension Plan and 13.74% (2011 - 13.13%) on pensionable earnings above this amount. Employees of the village are required to make current service contributions of 8.91% (2011 - 8.49%) of pensionable salary up to the year's maximum pensionable salary and 12.74% (2011 - 12.13%) on pensionable salary above this amount.

Total current service contributions by the village to the LAPP in 2012 were $10,835 (2011 - $12,903). Total current service contributions by the employees of the village to the Local Authorities Pension Plan in 2012 were $9,767 (2011 - $11,839).

At December 31, 2011 the LAPP disclosed an actuarial deficiency of $4.634 billion.

13. COMMITMENTS

The village is committed under an agreement with the Marigold Library System to funding certain library initiatives annually based on a per capita formula. The village provided funding of $1,014 in 2012 (2011 - $973). It is the understanding of the village that it can withdraw from the agreement at anytime by giving a one-year notice period.

The village is committed under an agreement with the Drumheller & District Solid Waste Management Association to contribute annually, based on an annual budget of expenditures for the management, operation and maintenance of the solid waste management facilities. The requisition for 2012 was $4,111 (2011 - $4,204). The agreement allows for the village to terminate the agreement by giving notice in writing to all of the other participating municipalities of its intention to withdraw from the agreement at least one year in advance of the effective withdrawal date.

The village is committed under an agreement with the Drumheller and District Seniors Foundation and under a Ministerial Order from the Government of Alberta, Department of Seniors, the village is committed to contributing annually 0.79% of an annual budget of net expenditures of the housing foundation. The requisition for 2012 was $4,523 (2011 - $4,038).

On January 24, 2007 the village became a shareholder of Palliser Regional Municipal Services Company Limited, a Part IX company under The Companies Act of Alberta. The company provides municipal planning services to its members. This investment commits the village to funding the annual operational and special needs of the company. Annually the village is requisitioned as a shareholder determined by the Board, in the ordinary course of business, and based on the population and the tax assessment as determined by the village who is a the shareholder. The requisition for 2012 was $1,776 (2011 - $1,476). The village has the right to cease being a shareholder by giving 600 days notice.

14. CONTINGENCIES

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

The village has discovered certain properties that contain high levels of hydrocarbon contaminants that pose a significant environmental liability. Studies and processes have been started on the two locations that contain these contaminations and costs have been incurred to help remediate to date. It is undetermined as to the costs that the village will suffer in the process to clean up the properties, and as such have not been reported on the financial statements. The village has entered into a conditional grant funding agreement with the provincial government which will provide funding to assist in the total cost of the remediation.

15. FINANCIAL INSTRUMENTS

The village's financial instruments consist of cash and temporary investments, accounts receivable, investments, accounts payable and accrued liabilities, deposit liabilities, and deferred revenue. 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 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 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 carrying value of the financial instrument approximates fair value.

16. PRIOR PERIOD ADJUSTMENTS

The village has restated its financial statements to agree to the Statement of Funding and Expenditures for Municipal Sustainability Initiative operating which has been amended from original submission to the Alberta government. As a result of this adjustment, deferred revenue has increased by $18,052 and government transfers for operating has been restated decreased by $18,052.

17. APPROVAL OF FINANCIAL STATEMENTS

Council and management have approved these financial statements.