



# Gitzel Krejci Dand Peterson

CHARTERED ACCOUNTANTS

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## **TOWN OF DRUMHELLER**

## **FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED DECEMBER 31, 2009**

**TOWN OF DRUMHELLER  
FINANCIAL STATEMENTS  
AS AT DECEMBER 31, 2009**

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## AUDITORS' REPORT

TO: The Mayor and Council

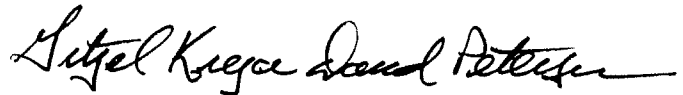
Town of Drumheller

We have audited the consolidated statement of financial position of the Town of Drumheller as at December 31, 2009 and the consolidated statements of operations, changes in net financial assets (debt) and cash flows for the year then ended. These financial statements are the responsibility of the Town's manager. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by administration, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Town as at December 31, 2009 and the results of its operations and the change in its net financial assets (debt) and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Stettler, Alberta  
November 4, 2010



CHARTERED ACCOUNTANTS

**TOWN OF DRUMHELLER**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT DECEMBER 31, 2009**

	2009	Restated
	\$	\$
<b>FINANCIAL ASSETS</b>		
Cash and short term investments (Note 2)	6,543,174	14,103,836
Taxes and grants in place of taxes receivable (Note 3)	707,316	636,852
Trade and other receivables	8,866,587	3,144,298
Accrued interest receivable	13,817	13,613
Land held for resale	1,023,022	1,023,022
Investments (Note 4)	<u>2,516,292</u>	<u>2,451,165</u>
	<u>19,670,208</u>	<u>21,372,786</u>
<b>LIABILITIES</b>		
Accounts payable and accrued liabilities	3,606,015	2,395,748
Deferred revenue (Note 5)	8,475,669	8,605,850
Employee benefit obligations (Note 6)	488,890	666,360
Long-term debt (Note 7)	<u>3,775,336</u>	<u>3,960,358</u>
	<u>16,345,910</u>	<u>15,628,316</u>
<b>NET FINANCIAL ASSETS (DEBT)</b>	<u>3,324,298</u>	<u>5,744,470</u>
<b>NON-FINANCIAL ASSETS</b>		
Inventory for consumption	336,924	194,032
Tangible capital assets (Note 9)	110,938,226	97,881,318
Prepaid expenses	<u>102,891</u>	<u>78,311</u>
	<u>111,378,041</u>	<u>98,153,661</u>
<b>ACCUMULATED SURPLUS (Note 13)</b>	<u>114,702,339</u>	<u>103,898,131</u>
<b>CONTINGENCIES (Note 16)</b>		

**TOWN OF DRUMHELLER**  
**CONSOLIDATED STATEMENT OF OPERATIONS**  
**FOR THE YEAR ENDED DECEMBER 31, 2009**

	Budget \$ (Unaudited)	2009 \$	Restated 2008 \$
<b>REVENUES</b>			
Net municipal taxes (Schedule 2)	6,442,785	6,442,842	6,190,945
Sales and user fees	5,217,736	5,365,341	5,657,162
Franchises and concessions	883,492	1,056,126	895,553
Government transfers (Schedule 3)	25,960	1,110,611	1,688,551
Investment income	76,034	177,317	343,417
Penalties and costs on taxes	79,700	101,193	93,662
Rentals	259,270	290,052	274,567
Other	4,223	81,558	1,083,443
Gain on disposal of tangible capital assets	-	35,762	15,819
<b>Total Revenue</b>	<u>12,989,200</u>	<u>14,660,802</u>	<u>16,243,119</u>
<b>EXPENSES (Schedule 4)</b>			
Legislative	189,291	166,726	163,476
Administration	1,355,850	1,202,966	1,149,733
Protective services	1,964,675	1,850,662	1,913,112
Transportation services	1,596,981	2,913,362	4,195,754
Water and wastewater	2,859,677	2,696,446	3,076,069
Waste management	254,970	242,730	235,734
Planning and development	513,390	528,231	560,921
Recreation and parks	2,361,185	2,745,739	1,810,592
Other	446,433	401,454	749,182
Amortization (Note 10)	-	3,015,395	2,878,334
Loss on disposal of tangible capital assets	-	9,993	-
<b>Total Expenses</b>	<u>11,542,452</u>	<u>15,773,704</u>	<u>16,732,907</u>
<b>EXCESS (SHORTFALL) OF REVENUE OVER EXPENSES – BEFORE OTHER</b>	1,446,748	(1,112,902)	(489,788)
<b>OTHER</b>			
Government transfers for capital (Schedule 3)	<u>613,421</u>	<u>11,917,110</u>	<u>2,925,311</u>
<b>EXCESS (SHORTFALL) OF REVENUE OVER EXPENSES</b>	2,060,169	10,804,208	2,435,523
<b>ACCUMULATED SURPLUS – BEGINNING OF YEAR</b>	<u>103,898,131</u>	<u>103,898,131</u>	<u>101,462,608</u>
<b>ACCUMULATED SURPLUS – END OF YEAR</b>	<u>105,958,300</u>	<u>114,702,339</u>	<u>103,898,131</u>

**TOWN OF DRUMHELLER**  
**CONSOLIDATED STATEMENT OF CHANGES IN NET FINANCIAL ASSETS (DEBT)**  
**FOR THE YEAR ENDED DECEMBER 31, 2009**

	Budget \$ (Unaudited)	2009 \$	Restated 2008 \$
<b>EXCESS (SHORTFALL) OF REVENUES OVER EXPENSES</b>	<u>2,060,169</u>	<u>10,804,208</u>	<u>2,435,523</u>
Acquisition of tangible capital assets	(28,390,960)	(16,091,991)	(4,680,309)
Proceeds on disposal of tangible capital assets	-	45,457	20,072
Amortization of tangible capital assets	-	3,015,395	2,878,334
(Gain) loss on sale of tangible capital assets	<u>-</u>	<u>(25,769)</u>	<u>(15,819)</u>
	<u>(28,390,960)</u>	<u>(13,056,908)</u>	<u>(1,797,722)</u>
Net use (Acquisition) of supplies inventories	-	(142,892)	4,700
Net use (Acquisition) of prepaid assets	<u>-</u>	<u>(24,580)</u>	<u>4,210</u>
	<u>-</u>	<u>(167,472)</u>	<u>8,910</u>
<b>(INCREASE) DECREASE IN NET ASSETS</b>	(26,330,791)	(2,420,172)	646,711
<b>NET FINANCIAL ASSETS (DEBT)</b>			
- BEGINNING OF YEAR	<u>5,744,470</u>	<u>5,744,470</u>	<u>5,097,759</u>
<b>NET FINANCIAL ASSETS (DEBT)</b>			
- END OF YEAR	<u>(20,586,321)</u>	<u>3,324,298</u>	<u>5,744,470</u>

**TOWN OF DRUMHELLER**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2009**

	2009	Restated 2008
	\$	\$
<b>OPERATING ACTIVITIES</b>		
Excess (shortfall) of revenues over expenses	10,804,208	2,435,523
Non-cash items included in excess (shortfall) of revenues over expenses:		
Amortization of tangible capital assets	3,015,395	2,878,334
(Gain) loss on disposal of tangible capital assets	(25,769)	(15,819)
Non-cash changes to operations (net change):		
Taxes and grants in place of taxes receivable	(70,668)	(117,258)
Trade and other receivables	(5,722,289)	(1,199,246)
Land held for resale	-	45,120
Prepaid expenses	(24,580)	4,210
Accounts payable and accrued liabilities	1,032,797	834,572
Inventory for consumption	(142,892)	4,700
Deferred revenue	<u>(130,181)</u>	<u>1,677,470</u>
Net cash provided by (used in) operating activities	<u>8,736,021</u>	<u>6,547,606</u>
<b>CAPITAL ACTIVITIES</b>		
Acquisition of tangible capital assets	(16,091,991)	(4,680,309)
Proceeds from sale of tangible capital assets	<u>45,457</u>	<u>20,072</u>
Net cash provided by (used in) capital activities	<u>(16,046,534)</u>	<u>(4,660,237)</u>
<b>FINANCING ACTIVITIES</b>		
Debt issued	-	1,211,244
Long-term debt repaid	<u>(185,022)</u>	<u>(288,021)</u>
Net cash provided by (used in) financing activities	<u>(185,022)</u>	<u>923,223</u>
<b>INVESTING ACTIVITIES</b>		
Change in long-term investments	<u>(65,127)</u>	<u>(114,944)</u>
Net cash provided by (used in) investing activities	<u>(65,127)</u>	<u>(114,944)</u>
<b>CHANGE IN CASH AND EQUIVALENTS DURING THE YEAR</b>	(7,560,662)	2,695,648
<b>CASH AND CASH EQUIVALENTS</b>		
- BEGINNING OF YEAR	<u>14,103,836</u>	<u>11,408,188</u>
<b>CASH AND CASH EQUIVALENTS</b>		
- END OF YEAR (Note 2)	<u>6,543,174</u>	<u>14,103,836</u>

TOWN OF DRUMHELLER

SCHEDULE 1 – SCHEDULE OF TANGIBLE CAPITAL ASSETS

FOR THE YEAR ENDED DECEMBER 31, 2009

	Land	Land Improvements	Buildings	Engineered Structures	Machinery and Equipment	Vehicles	2009	Restated 2008
	\$	\$	\$	\$	\$	\$	\$	\$
<b>OST:</b>								
ALANCE – BEGINNING OF YEAR	12,557,980	3,254,042	13,660,299	120,063,137	4,528,128	1,383,521	155,447,107	150,845,128
acquisition of tangible capital assets	508,188	120,957	3,723,471	2,187,905	420,454	208,909	7,169,884	1,778,412
construction in progress	-	-	7,123,816	1,763,716	34,575	-	8,922,107	2,901,897
disposal of tangible capital assets	-	-	-	-	(411,188)	(44,365)	(455,553)	(78,330)
ALANCE - END OF YEAR	<u>13,066,168</u>	<u>3,374,999</u>	<u>24,507,586</u>	<u>124,014,758</u>	<u>4,571,969</u>	<u>1,548,065</u>	<u>171,083,545</u>	<u>155,447,107</u>
<b>CCUMULATED AMORTIZATION:</b>								
ALANCE - BEGINNING OF YEAR	-	1,525,388	5,922,872	47,046,275	2,374,142	697,112	57,565,789	54,761,532
annual amortization	-	153,194	251,951	2,149,343	344,743	116,164	3,015,395	2,878,334
accumulated amortization on disposals	-	-	-	-	(395,373)	(40,492)	(435,865)	(74,077)
ALANCE - END OF YEAR	-	<u>1,678,582</u>	<u>6,174,823</u>	<u>49,195,618</u>	<u>2,323,512</u>	<u>772,784</u>	<u>60,145,319</u>	<u>57,565,789</u>
<b>ET BOOK VALUE OF</b>								
<b>ANGIBLE CAPITAL ASSETS</b>	<u>13,066,168</u>	<u>1,696,417</u>	<u>18,332,763</u>	<u>74,819,140</u>	<u>2,248,457</u>	<u>775,281</u>	<u>110,938,226</u>	<u>97,881,318</u>
2008 NET BOOK VALUE OF								
ANGIBLE CAPITAL ASSETS	<u>12,557,930</u>	<u>1,728,704</u>	<u>7,737,427</u>	<u>73,016,862</u>	<u>2,153,986</u>	<u>686,409</u>	<u>97,881,318</u>	
(Restated)								

**TOWN OF DRUMHELLER**

**SCHEDULE 2 – PROPERTY AND OTHER TAXES**

**FOR THE YEAR ENDED DECEMBER 31, 2009**

	Budget \$ (Unaudited)	2009 \$	2008 \$
<b>TAXATION</b>			
Real property taxes	8,209,237	8,207,243	7,929,786
Linear property taxes	580,497	580,497	581,321
Special assessments and local improvement taxes	<u>68,735</u>	<u>69,350</u>	<u>69,431</u>
	<u>8,858,469</u>	<u>8,857,090</u>	<u>8,580,538</u>
<b>REQUISITIONS</b>			
Alberta School Foundation Fund	1,960,981	1,961,992	1,949,862
Christ the Redeemer Separate School Division	378,053	378,099	375,860
Sunshine Seniors' Lodge	<u>76,650</u>	<u>74,157</u>	<u>63,871</u>
	<u>2,415,684</u>	<u>2,414,248</u>	<u>2,389,593</u>
<b>NET MUNICIPAL TAXES</b>	<u>6,442,785</u>	<u>6,442,842</u>	<u>6,190,945</u>

**TOWN OF DRUMHELLER**

**SCHEDULE 3 – GOVERNMENT TRANSFERS**

**FOR THE YEAR ENDED DECEMBER 31, 2009**

	Budget \$ (Unaudited)	2009 \$	2008 \$
<b>TRANSFER FOR OPERATING</b>			
Federal government	2,000	81,899	46,206
Provincial government	23,960	1,028,712	1,617,203
Other local government	<u>-</u>	<u>-</u>	<u>25,142</u>
	<u>25,960</u>	<u>1,110,611</u>	<u>1,688,551</u>
 <b>TRANSFERS FOR CAPITAL</b>			
Provincial government	<u>613,421</u>	<u>11,917,110</u>	<u>2,925,311</u>
	<u>613,421</u>	<u>11,917,110</u>	<u>2,925,311</u>
 <b>TOTAL GOVERNMENT TRANSFERS</b>	 <u><u>639,381</u></u>	 <u><u>13,027,721</u></u>	 <u><u>4,613,862</u></u>

**SCHEDULE 4 – CONSOLIDATED EXPENSES BY OBJECT**

**FOR THE YEAR ENDED DECEMBER 31, 2009**

	Budget \$ (Unaudited)	2009 \$	2008 \$
<b>CONSOLIDATED EXPENSES BY OBJECT</b>			
Salaries, wages, and benefits	4,224,112	4,111,289	3,990,070
Contracted and general services	4,739,523	6,256,436	6,370,378
Materials, goods, and utilities	2,000,796	1,724,505	2,599,893
Transfer to local agencies	316,686	341,190	607,187
Transfer to individuals and organizations	2,500	1,000	-
Interest on long-term debt	193,835	193,180	203,167
Amortization of Tangible Capital Assets (Note 10)	-	3,015,395	2,878,334
Loss on sale of Tangible Capital Assets	-	9,993	-
Other expenditures	<u>65,000</u>	<u>120,716</u>	<u>83,878</u>
	<u><u>11,542,452</u></u>	<u><u>15,773,704</u></u>	<u><u>16,732,907</u></u>

**TOWN OF DRUMHELLER**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2009**

1. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements are the representations of management prepared in accordance with generally accepted accounting principles for local governments established by the Public Sector Accounting and Auditing Board of the Canadian Institute of Chartered Accountants.

The financial statements have, in management's opinion, been properly prepared within reasonable limits of materiality and within the framework of significant accounting policies adopted as follows:

a. Reporting Entity

The consolidated financial statements reflect the assets, liabilities, revenues and expenditures, and changes in financial position of the reporting entity, which comprises all the organizations that are accountable for the administration of their financial affairs and resources to the council and are owned or controlled by the municipality.

The schedule of taxes levied also includes operating requisitions for many educational, health care, 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 basis of accounting followed in the financial statement presentation includes revenues in the period in which the transactions or events occurred that gave rise to the revenues. Expenditures are recognized in the period the goods and services are acquired and a liability is incurred with the exception of pension expenditures as disclosed in Note 15.

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.

**TOWN OF DRUMHELLER**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2009**

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. Government Transfers

Government transfers are recognized in the financial statements as revenues in the period that the events giving rise to the transfer occurred, providing the transfers are authorized, any eligibility criteria have been met by the municipality, and reasonable estimates of the amounts can be made.

e. Investments

Investments are recorded at cost. 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.

f. Inventories

Inventories of materials and supplies for consumption are valued at the lower of cost or net realizable value with cost determined by the first-in, first-out method.

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 leveling 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 their respective function.

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.

**TOWN OF DRUMHELLER**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2009**

1. SIGNIFICANT ACCOUNTING POLICIES - Continued

h. Prepaid Local Improvement Charges

Construction and borrowing costs associated with local improvement projects are recovered through annual special property assessments during the period of the related borrowings. These levies are collectible 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.

i. Cash and Cash Equivalents

Cash and cash equivalents can consist of cash on hand, cash in banks and investments in money market instruments.

**TOWN OF DRUMHELLER**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2009**

1. SIGNIFICANT ACCOUNTING POLICIES - Continued

j. 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
Engineered structures	
Water system	45 - 75
Wastewater system	45 - 75
Road system	5 - 65
Machinery and equipment	5 - 40
Vehicles	10 - 40

The annual amortization charge in the year of acquisition is 50% of the annual charge. 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.

k. Pension Expenditure

The county participates in a multi-employer defined benefit pension plan. The plan is accounted for as a defined contribution plan.

Contributions for current and past service pension benefits are recorded as expenditures in the year in which they become due.

**TOWN OF DRUMHELLER**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2009**

1. Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one party and a financial liability or equity instrument of another party.

The municipality's financial instruments consist of cash, accounts receivable, long-term investments, accounts payable and capital leases. It is administration's opinion that the municipality is not exposed to significant interest or currency risks. The fair values approximate their carrying values, unless otherwise noted.

m. Taxes and Grants in Place of Taxes Receivables

Current and arrears taxes and grants in place of taxes receivables consist of current tax levies and tax levies of prior years which remain outstanding at December 31st.

n. Allowances for Operating Assets

Allowances for asset valuations are netted against the related asset. Increases in allowances are recorded as an expenditure while decreases in allowances are recorded as a revenue in the operating fund.

2. CASH AND SHORT TERM INVESTMENTS

	2009	2008
	\$	\$
Cash in banks	525,128	14,103,836
Redeemable Guaranteed Investment Certificate at 0.5%	<u>6,018,046</u>	<u>-</u>
	<u>6,543,174</u>	<u>14,103,836</u>

Short term investments are those which are redeemable upon demand or term deposits with original maturities of three months or less.

**TOWN OF DRUMHELLER**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2009**

3. TAXES AND GRANTS IN PLACE OF TAXES RECEIVABLES

	2009	2008
	\$	\$
Current taxes and grants in place of taxes	522,677	499,247
Arrears taxes	<u>356,639</u>	<u>289,985</u>
	879,316	789,232
Less: Allowance for uncollectible taxes	<u>172,000</u>	<u>152,380</u>
	<u><u>707,316</u></u>	<u><u>636,852</u></u>

4. INVESTMENTS

	2009	2008
	\$	\$
Long term bonds, maturing at various dates	2,464,893	2,399,818
Equity in ALARIE	11,618	11,619
Shares	3,173	3,120
Guaranteed Investment Certificate at 1.9% maturing July 2014	<u>36,608</u>	<u>36,608</u>
	<u><u>2,516,292</u></u>	<u><u>2,451,165</u></u>

5. DEFERRED REVENUE

	2009	2008
	\$	\$
MSI grant	300,188	1,021,707
MUNI grant	87,456	-
New Deals for Cities and Communities	752,412	318,153
Policing grant and crime education	65,864	65,864
Kneehill Regional Water	1,500,681	1,575,715
Municipal Infrastructure Program	5,265,705	5,281,849
Community Facility donations	167,028	-
Other	<u>336,335</u>	<u>342,562</u>
	<u><u>8,475,669</u></u>	<u><u>8,605,850</u></u>

**TOWN OF DRUMHELLER**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2009**

6. EMPLOYEE BENEFIT OBLIGATIONS

Vacation and Long Service Benefit

The liability is comprised of the vacation that employees are deferring to future years. Employees have either earned the benefits (and are vested) or are entitled to these benefits within the next budgetary year.

7. LONG-TERM DEBT

	2009 \$	2008 \$
Self supported debentures	<u>3,775,336</u>	<u>3,960,358</u>

Principal and interest repayments are as follows:

	Principal \$	Interest \$	Total \$
2010	135,848	187,219	323,067
2011	142,811	180,256	323,067
2012	150,139	172,928	323,067
2013	157,852	165,215	323,067
2014	165,972	157,095	323,067
Thereafter	<u>3,022,714</u>	<u>1,138,957</u>	<u>4,161,671</u>
	<u>3,775,336</u>	<u>2,001,670</u>	<u>5,777,006</u>

Debenture debt is repayable to Alberta Capital Finance Authority and CMHC and bears interest at 4.529% to 7.875% per annum, before Provincial subsidy, and mature in periods through 2033. Debenture debt is issued on the credit and security of the municipality at large. Interest on long-term debt totalled \$193,180 in 2009 (2008 - \$203,167).

## TOWN OF DRUMHELLER

### NOTES TO THE FINANCIAL STATEMENTS

#### FOR THE YEAR ENDED DECEMBER 31, 2009

#### 8. 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 municipality be disclosed as follows:

	2009	2008
	\$	\$
Total debt limit	21,991,203	24,371,057
Total debt	<u>3,775,336</u>	<u>3,960,358</u>
Amount of debt limit unused	<u>18,215,867</u>	<u>20,410,699</u>
Debt servicing limit	3,665,201	4,061,843
Debt servicing	<u>323,067</u>	<u>400,100</u>
Amount of debt servicing limit unused	<u>3,342,134</u>	<u>3,661,743</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 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.

#### 9. TANGIBLE CAPITAL ASSETS

Net Book Value	2009	2008
	\$	\$
Land	13,066,168	12,557,930
Land Improvements	1,696,417	1,728,704
Buildings	8,228,003	4,756,482
Buildings – Construction in progress	10,104,760	2,980,945
Engineering Structures		
Roadway System	13,935,405	14,669,214
Wastewater Treatment	6,088,264	6,210,053
Wastewater Treatment – Construction in progress	989,449	-
Water Distribution	41,620,871	42,300,676
Water Distribution – Construction in progress	774,267	-
Buildings	11,410,884	9,836,919
Machinery and equipment	2,248,457	2,153,986
Vehicles	<u>775,281</u>	<u>686,409</u>
	<u>110,938,226</u>	<u>97,881,318</u>

**TOWN OF DRUMHELLER**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2009**

**10. AMORTIZATION OF TANGIBLE CAPITAL ASSETS**

Amortization is a non-cash expense and has been allocated to the different functions as follows:

	2009	2008
	\$	\$
Administration	97,124	76,146
Protective services	113,177	99,910
Transportation services	979,197	955,100
Water and wastewater	1,530,775	1,500,078
Planning and development	56,075	21,873
Recreation and parks	235,758	221,938
Other	<u>3,289</u>	<u>3,289</u>
	<u>3,015,395</u>	<u>2,878,334</u>

**11. EQUITY IN TANGIBLE CAPITAL ASSETS**

	2009	2008
	\$	\$
Tangible Capital Assets (Note 9)	110,938,226	97,881,318
Long-term debt (Note 7)	<u>(3,775,336)</u>	<u>(3,960,358)</u>
	<u>107,162,890</u>	<u>93,920,960</u>

**TOWN OF DRUMHELLER**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED DECEMBER 31, 2009**

**12. RESERVES**

	2008	Increases	Decreases	2009
	\$	\$	\$	\$
<b>Operating reserves:</b>				
Ambulance	37,747	148	-	37,895
Management Incentive Fund	46,849	184	13,193	33,840
Scholarship	<u>36,608</u>	<u>-</u>	<u>-</u>	<u>36,608</u>
<b>Total Operating</b>	<u><b>121,204</b></u>	<u><b>332</b></u>	<u><b>13,193</b></u>	<u><b>108,343</b></u>
<b>Capital reserves:</b>				
Building – long term	496,104	34,926	7,266	523,764
Municipal reserves	2,249	8	-	2,257
Contingencies	1,036,729	87,883	-	1,124,612
Contingency – long term	818,572	57,629	11,988	864,213
Equipment	397,789	321,304	183,676	535,417
Equipment – long term	421,688	29,688	6,176	445,200
Facilities	1,398,018	170,426	-	1,568,444
General capital	107,518	87,910	-	195,428
Land	389,855	1,091	511,128	(120,182)
Legacy	1,246,682	4,901	182,526	1,069,057
Offsite	325,610	13,426	-	339,036
Sewer	92,792	495,068	101,444	486,416
Transportation – long term	268,232	52,390	117,107	203,515
Water	<u>(94,836)</u>	<u>-</u>	<u>254,004</u>	<u>(348,840)</u>
<b>Total Capital</b>	<u><b>6,907,002</b></u>	<u><b>1,356,650</b></u>	<u><b>1,375,315</b></u>	<u><b>6,888,337</b></u>
<b>Total</b>	<u><b>7,028,206</b></u>	<u><b>1,356,982</b></u>	<u><b>1,388,508</b></u>	<u><b>6,996,680</b></u>

**13. ACCUMULATED SURPLUS**

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

	2009	2008
	\$	\$
Unrestricted surplus (deficit)	542,769	2,948,965
Equity in tangible capital assets (Note 11)	107,162,890	93,920,960
Reserves (Note 12)	<u>6,996,680</u>	<u>7,028,206</u>
	<u><b>114,702,339</b></u>	<u><b>103,898,131</b></u>

**TOWN OF DRUMHELLER**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED DECEMBER 31, 2009**

**14. SALARY & BENEFITS DISCLOSURE**

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

	-----2009			-----2008
	Salary (1)	Benefits Allowances (2)	Total	Total
	\$	\$	\$	\$
Mayor Nimmo, Bryce	24,952	1,216	26,168	25,938
Councillor Bertamini, Karen	19,182	1,303	20,485	21,879
Councillor Berdahl, Andrew	16,432	455	16,887	16,580
Councilor McDonald, Blaine	16,682	2,112	18,794	19,467
Councillor Guidolin, Don	16,682	930	17,612	17,540
Councillor Yemen, Terry	16,682	463	17,145	16,838
Councillor Shoff, Sharel	16,432	1,182	17,614	17,296
Chief Administrative Officer, Romanetz, Ray (3) (4)	288,996	19,203	308,199	155,714

- (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 Retirement Pension, Canada Pension, Employment Insurance, Health Care, Extended Health, Vision, Group Life, Accidental Death and Disability, Long and Short Term Disability plans.
- (3) Benefits for the CAO include the use of an automobile.
- (4) A payout of accrued vacation is included in this salary

**TOWN OF DRUMHELLER**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2009**

**15. LOCAL AUTHORITIES PENSION PLAN**

Employees of the Municipality participate in the Local Authorities Pension Plan (LAPP), which is covered by the Alberta Public Sector Pension Plans Act. The Plan serves about 189,149 people and 411 employers. It is financed by employer and employee contributions and investment earnings of the LAPP Fund.

Contributions for current service are recorded as expenditures in the year in which they become due.

The Municipality is required to make current service contributions to the Plan of 8.46% of pensionable earnings up to the Canada Pension Plan Year's Maximum Pensionable Earnings and 11.66% for the excess.

Employees of the municipality are required to make current service contributions of 7.46% of pensionable salary up to the year's maximum pensionable salary and 10.66% on pensionable salary above this amount.

Total current service contributions by the municipality to the plan in 2009 were \$203,033 (2008 - \$175,954). Total current service contributions by employees to the plan in 2009 were \$205,626 (2008 - \$154,586). At December 31, 2008, the plan disclosed an actuarial deficiency of \$4.414 million.

**16. CONTINGENCIES**

The municipality is a member of the Alberta Local Authorities Reciprocal Insurance Exchange. Under the terms of membership, the municipality 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 municipality is a member of the Drumheller and District Solid Waste Management Association. The municipality may be liable for future site reclamation costs if these costs prove to be in excess of the Association's reserves.

**TOWN OF DRUMHELLER**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2009**

17. FINANCIAL INSTRUMENTS

1. Interest rate risk

The investments have been classified as held to maturity. The Municipality is subject to interest rate risk on its debenture debt as the value can fluctuate as a result of changes in market rates. It is management's opinion that the Municipality is not exposed to significant currency risks arising from these financial instruments. Unless otherwise noted, the fair value of these financial instruments approximates their carrying values.

2. Credit Risk

The municipality is subject to credit risk with respect to taxes and grants in place of taxes receivable and trade and other receivables. Credit risk arises from the possibility that taxpayers and entities to which the municipality 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.

3. Operating Lines of Credit

At December 31, 2009 the municipality had short-term bank lines of credit aggregating \$ 2,000,000 (2008 - \$2,020,000) of which \$NIL (2008 - \$NIL) had been drawn down. Lines of credit are revolving operating and term facilities that bear interest at the prime less .6%. They are reviewed annually and are secured by a general security agreement.

**TOWN OF DRUMHELLER**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2009**

**18. PRIOR PERIOD ADJUSTMENTS AND CHANGE IN ACCOUNTING POLICY**

The town has restated its financial statements to comply with the provisions of Section 3150 of the Public Sector Accounting Board Handbook, which requires governments to record and amortize their tangible capital assets on their financial statements. In addition, revenue from contributed assets and government grants and transfers relating to capital acquisitions has been included in income. These adjustments are as follows:

	2008 \$
<b>Adjustments to opening accumulated surplus:</b>	
As previously reported	100,654,469
Adjustment to net book value of tangible capital assets	<u>808,139</u>
<b>As restated</b>	<u><u>101,462,608</u></u>
 <b>Adjustments to shortfall of revenues over expenses:</b>	
As previously reported	637,801
Tangible capital assets recorded but previously expensed	4,680,309
Annual amortization expense	(2,878,334)
Proceeds from disposal of Tangible Capital assets	(20,072)
Gain (loss) on disposal of Tangible Capital assets	<u>15,819</u>
<b>As restated</b>	<u><u>2,435,523</u></u>
 <b>Adjustments to tangible capital assets:</b>	
As previously reported	99,872,012
Adjustment to historical cost of tangible capital assets	55,575,095
Accumulated amortization recorded	<u>(57,565,789)</u>
<b>As restated</b>	<u><u>97,881,318</u></u>

**19. COMPARATIVE AMOUNTS**

Certain 2008 comparative figures have been reclassified in order to conform with the financial statement presentation for 2009.

**20. APPROVAL OF FINANCIAL STATEMENTS**

Council and management have approved these financial statements.

**21. BUDGET AMOUNTS**

Budget figures for the year ended December 31, 2009 were approved by Council on May 25, 2009 and are for information purposes. These amounts have not been audited.