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CHARTERED ACCOUNTANTS



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TOWN OF DRUMHELLER

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2008

**TOWN OF DRUMHELLER
FINANCIAL STATEMENTS
AS AT DECEMBER 31, 2008**

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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, 2008 and the consolidated statements of financial activities with change in fund balances and the consolidated statement of changes in financial position for the year then ended. These financial statements are the responsibility of municipal administration. 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 municipality as at December 31, 2008 and the results of its financial activities and the changes in its financial position for the year then ended in accordance with Canadian generally accepted accounting principles.

Stettler, Alberta
February 28, 2009



CHARTERED ACCOUNTANTS

TOWN OF DRUMHELLER
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2008

ASSETS

| | 2008 | 2007 |
|--|--------------------|--------------------|
| | \$ | \$ |
| FINANCIAL ASSETS | | |
| Cash and temporary investments (Note 2) | 14,103,836 | 11,408,188 |
| Taxes and grants in place of taxes receivable (Note 3) | 636,852 | 519,593 |
| Trade and other receivables | 3,144,298 | 1,953,389 |
| Accrued interest receivable | 13,616 | 5,279 |
| Land held for resale | 1,023,022 | 1,068,142 |
| Prepaid expenses | 78,311 | 82,521 |
| Investments (Note 4) | <u>2,451,165</u> | <u>2,336,221</u> |
| | <u>21,451,100</u> | <u>17,373,333</u> |
| PHYSICAL ASSETS | | |
| Inventory for consumption | 194,032 | 198,732 |
| Property and equipment (Note 5) | <u>99,872,012</u> | <u>95,275,457</u> |
| | <u>100,066,044</u> | <u>95,474,189</u> |
| | <u>121,517,144</u> | <u>112,847,522</u> |

TOWN OF DRUMHELLER
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2008

LIABILITIES

| | 2008 | 2007 |
|--|-------------------|-------------------|
| | \$ | \$ |
| Accounts payable and accrued liabilities | 2,395,748 | 1,706,929 |
| Deferred revenue (Note 13) | 8,605,850 | 6,928,380 |
| Employee benefit obligations (Note 15) | 666,360 | 520,607 |
| Long-term debt (Note 6) | <u>3,960,358</u> | <u>3,037,135</u> |
| | <u>15,628,316</u> | <u>12,193,051</u> |

MUNICIPAL EQUITY

FUND BALANCES

| | | |
|-----------------------------------|------------------|------------------|
| CAPITAL FUND (Schedule 1) | - | (1,211,244) |
| OPERATING FUND (Schedule 2) | 2,045,605 | 1,682,185 |
| RESERVE FUND (Schedule 3, Note 7) | <u>7,028,206</u> | <u>7,041,846</u> |
| | 9,073,811 | 7,512,787 |

EQUITY IN PROPERTY AND EQUIPMENT
(Schedule 4, Note 14)

| | | |
|--|--------------------|--------------------|
| | <u>96,815,017</u> | <u>93,141,684</u> |
| | <u>105,888,828</u> | <u>100,654,471</u> |

| | | |
|--|--------------------|--------------------|
| | <u>121,517,144</u> | <u>112,847,522</u> |
|--|--------------------|--------------------|

TOWN OF DRUMHELLER

**CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES
AND CHANGE IN FUND BALANCES**

FOR THE YEAR ENDED DECEMBER 31, 2008

| | 2008 | 2007 |
|--|-------------------|-------------------|
| | \$ | \$ |
| REVENUES | | |
| Net municipal taxes (Schedule 5) | 6,190,945 | 5,688,310 |
| Sales and user fees | 5,657,162 | 4,535,244 |
| Franchises and concessions | 895,553 | 848,373 |
| Government transfers (Schedule 6) | 4,613,862 | 3,625,807 |
| Investment income | 343,417 | 458,063 |
| Penalties and costs on taxes | 93,662 | 74,649 |
| Rentals | 274,567 | 336,630 |
| Proceeds from disposal of property and equipment | 20,072 | 16,578 |
| Other | <u>1,083,443</u> | <u>728,770</u> |
| TOTAL REVENUE | <u>19,172,683</u> | <u>16,312,424</u> |
| EXPENDITURES (Schedule 7) | | |
| Operating | | |
| Legislative | 163,476 | 130,827 |
| Administration | 1,149,733 | 1,089,241 |
| Protective services | 1,913,112 | 1,782,571 |
| Transportation services | 4,195,754 | 1,702,542 |
| Water and wastewater | 3,076,069 | 2,831,405 |
| Waste management | 235,734 | 222,873 |
| Planning and development | 560,921 | 613,367 |
| Recreation and parks | 1,810,592 | 2,004,318 |
| Other | <u>748,616</u> | <u>381,029</u> |
| | <u>13,854,007</u> | <u>10,758,173</u> |
| Capital | | |
| Administration | 380,191 | 118,558 |
| Protective services | 206,296 | 137,900 |
| Transportation | 221,297 | 1,539,825 |
| Water and wastewater | 973,296 | 3,793,979 |
| Public housing | 2,130,477 | - |
| Recreation and parks | 696,907 | 254,959 |
| Other | <u>72,411</u> | <u>238,599</u> |
| | <u>4,680,875</u> | <u>6,083,820</u> |
| TOTAL EXPENDITURES | <u>18,534,882</u> | <u>16,841,993</u> |
| COMPREHENSIVE NET EARNINGS FOR THE YEAR | 637,801 | (529,569) |
| Capital debt issued | 1,211,244 | 2,178,000 |
| Capital debt repaid | <u>(288,021)</u> | <u>(331,402)</u> |
| CHANGE IN FUND BALANCES | 1,561,024 | 1,317,029 |
| FUND BALANCES AT BEGINNING OF YEAR | <u>7,512,787</u> | <u>6,195,758</u> |
| FUND BALANCES AT END OF YEAR | <u>9,073,811</u> | <u>7,512,787</u> |

TOWN OF DRUMHELLER
CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION
FOR THE YEAR ENDED DECEMBER 31, 2008

| | 2008 | 2007 |
|--|-------------------|-------------------|
| | \$ | \$ |
| OPERATING AND CAPITAL ACTIVITIES | | |
| Comprehensive net earning for the year | 637,801 | (529,569) |
| Net changes in non-cash current assets and liabilities | | |
| Taxes and grants in place of taxes receivable | (117,258) | (106,207) |
| Trade and other receivables | (1,199,246) | 2,085,814 |
| Land held for resale | 45,120 | 216,730 |
| Prepaid expenses | 4,210 | (46,475) |
| Accounts payable and accrued liabilities | 834,572 | (607,941) |
| Inventory for consumption | 4,700 | 20,901 |
| Deferred revenue | <u>1,677,470</u> | <u>3,174,279</u> |
| Net cash provided by (used in) operating activities | <u>1,887,369</u> | <u>4,207,532</u> |
| FINANCING ACTIVITIES | | |
| Debt issued | 1,211,244 | 2,178,000 |
| Long-term debt repaid | <u>(288,021)</u> | <u>(331,402)</u> |
| Net cash provided by (used in) financing activities | <u>923,223</u> | <u>1,846,598</u> |
| INVESTING ACTIVITIES | | |
| Change in long-term investments | <u>(114,944)</u> | <u>(80,281)</u> |
| Net cash provided by (used in) investing activities | | |
| NET CASH INCREASE DURING THE YEAR | 2,695,648 | 5,973,849 |
| CASH AND TEMPORARY INVESTMENTS | | |
| - BEGINNING OF YEAR | <u>11,408,188</u> | <u>5,434,339</u> |
| CASH AND TEMPORARY INVESTMENTS | | |
| - END OF YEAR | <u>14,103,836</u> | <u>11,408,188</u> |

TOWN OF DRUMHELLER
SCHEDULE 1 - CAPITAL FUND ACTIVITIES AND
CHANGE IN FUND BALANCES

FOR THE YEAR ENDED DECEMBER 31, 2008

| | Budget \$ (Unaudited) | 2008 \$ | 2007 \$ |
|--|-----------------------------|--------------------|--------------------|
| REVENUES | | | |
| Government transfers | 14,303,184 | 2,925,311 | 2,889,975 |
| Developers agreements & levies | - | 21,640 | 111,568 |
| Proceeds from disposal of property and equipment | - | 20,072 | 16,578 |
| Investment income | - | 283,427 | 358,509 |
| Other | - | <u>38,160</u> | <u>64,967</u> |
| | <u>14,303,184</u> | <u>3,288,610</u> | <u>3,441,597</u> |
| EXPENDITURES | | | |
| Administration | 390,055 | 380,191 | 118,558 |
| Protective Services | 305,953 | 206,296 | 137,900 |
| Transportation services | 640,000 | 221,297 | 1,539,825 |
| Water and wastewater | 14,687,480 | 973,296 | 3,793,979 |
| Public housing | - | 2,130,477 | - |
| Recreation and parks | 622,000 | 696,907 | 254,959 |
| Other | <u>3,995,950</u> | <u>72,411</u> | <u>238,599</u> |
| | <u>20,641,438</u> | <u>4,680,875</u> | <u>6,083,820</u> |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES | <u>(6,338,254)</u> | <u>(1,392,265)</u> | <u>(2,642,223)</u> |
| Capital Financing and Net Interfund Transfers | | | |
| Transfers from operating fund (Schedule 2) | 2,039,569 | 1,376,382 | 1,712,106 |
| Transfers from (to) reserve fund (Schedule 3) | 1,192,435 | 15,883 | 275,346 |
| Capital debt issued | <u>4,317,494</u> | <u>1,211,244</u> | <u>2,178,000</u> |
| | <u>7,549,498</u> | <u>2,603,509</u> | <u>4,165,452</u> |
| CHANGE IN CAPITAL FUND BALANCE | 1,211,244 | 1,211,244 | 1,523,229 |
| FUND BALANCE AT BEGINNING OF YEAR | <u>(1,211,244)</u> | <u>(1,211,244)</u> | <u>(2,734,473)</u> |
| FUND BALANCE (OVEREXPENDITURE) AT END OF YEAR | <u>-</u> | <u>-</u> | <u>(1,211,244)</u> |

TOWN OF DRUMHELLER
SCHEDULE 2 – OPERATING FUND ACTIVITIES
AND CHANGE IN FUND BALANCES

FOR THE YEAR ENDED DECEMBER 31, 2008

| | Budget \$ (Unaudited) | 2008 \$ | 2007 \$ |
|---|-----------------------------|--------------------|--------------------|
| REVENUES | | | |
| Net municipal property taxes (Schedule 5) | 6,167,223 | 6,190,945 | 5,688,310 |
| Sales and user fees | 3,991,165 | 5,657,162 | 4,535,244 |
| Franchises and concessions | 825,492 | 895,553 | 848,373 |
| Government transfers | 1,862,157 | 1,688,551 | 735,832 |
| Investment income | 2,500 | 59,990 | 99,554 |
| Penalties and costs on taxes | 79,500 | 93,662 | 74,649 |
| Rentals | 258,709 | 274,567 | 336,630 |
| Other | <u>463,713</u> | <u>1,023,643</u> | <u>552,235</u> |
| | <u>13,650,459</u> | <u>15,884,073</u> | <u>12,870,827</u> |
| EXPENDITURES | | | |
| Legislative | 150,842 | 163,476 | 130,827 |
| Administration | 1,407,054 | 1,149,733 | 1,089,241 |
| Protective services | 750,322 | 1,913,112 | 1,782,571 |
| Transportation services | 2,354,154 | 4,195,754 | 1,702,542 |
| Water and wastewater | 3,465,770 | 3,076,069 | 2,831,405 |
| Waste management | 239,238 | 235,734 | 222,873 |
| Planning and development | 464,262 | 560,921 | 613,367 |
| Recreation and parks | 2,058,223 | 1,810,592 | 2,004,318 |
| Other | <u>2,074,132</u> | <u>748,616</u> | <u>381,029</u> |
| | <u>12,963,997</u> | <u>13,854,007</u> | <u>10,758,173</u> |
| EXCESS OF REVENUES OVER EXPENDITURES | <u>686,462</u> | <u>2,030,066</u> | <u>2,112,654</u> |
| Net Interfund Transfers | | | |
| From (to) capital fund (Schedule 1) | (2,039,569) | (1,376,382) | (1,712,106) |
| From (to) reserves (Schedule 3) | 3,031,735 | (2,243) | (3,382) |
| Capital Debt repaid (Schedule 4) | <u>(338,856)</u> | <u>(288,021)</u> | <u>(331,402)</u> |
| | <u>653,310</u> | <u>(1,666,646)</u> | <u>(2,046,890)</u> |
| CHANGE IN FUND BALANCE | 33,152 | 363,420 | 65,764 |
| OPENING BALANCE | <u>1,682,185</u> | <u>1,682,185</u> | <u>1,616,421</u> |
| CLOSING BALANCE | <u>1,715,337</u> | <u>2,045,605</u> | <u>1,682,185</u> |

TOWN OF DRUMHELLER
SCHEDULE 3 – RESERVE FUND ACTIVITIES
AND CHANGE IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2008

| | Budget \$ (Unaudited) | 2008 \$ | 2007 \$ |
|--|-----------------------------|------------------|------------------|
| FUND BALANCE AT BEGINNING OF YEAR | <u>7,041,846</u> | <u>7,041,846</u> | <u>7,313,810</u> |
| ADD/(DEDUCT): | | | |
| Transfer from (to) operating fund (Schedule 2) | (3,031,735) | 2,243 | 3,382 |
| Transfer from (to) capital fund (Schedule 1) | <u>(1,192,435)</u> | <u>(15,883)</u> | <u>(275,346)</u> |
| CHANGE IN FUND BALANCE | <u>(4,224,170)</u> | <u>(13,640)</u> | <u>(271,964)</u> |
| FUND BALANCE AT END OF YEAR (Note 7) | <u>2,817,676</u> | <u>7,028,206</u> | <u>7,041,846</u> |

TOWN OF DRUMHELLER
SCHEDULE 4 - EQUITY IN PROPERTY AND EQUIPMENT
FOR THE YEAR ENDED DECEMBER 31, 2008

| | 2008 | 2007 |
|--|-------------------|--------------------|
| | \$ | \$ |
| ACQUISITION OF PROPERTY AND EQUIPMENT | | |
| Administration | 380,191 | 118,558 |
| Protective Services | 206,296 | 137,900 |
| Transportation Services | - | 1,539,825 |
| Water and wastewater | - | 3,793,979 |
| Public housing | 2,130,477 | |
| Recreation and parks | 696,907 | 254,959 |
| Other | <u>1,267,004</u> | <u>238,601</u> |
| | <u>4,680,875</u> | <u>6,083,822</u> |
| DISPOSAL OF PROPERTY AND EQUIPMENT (Cost) | | |
| Protective services | (5,987) | (4,533) |
| Transportation services | (47,000) | - |
| Water and wastewater | (14,318) | (17,200) |
| Recreation | <u>(17,014)</u> | <u>(61,080)</u> |
| | <u>(84,319)</u> | <u>(82,813)</u> |
| CAPITAL FINANCING | | |
| Capital debt issued | (1,211,244) | (2,178,000) |
| Capital debt repaid from operating fund (Schedule 2) | <u>288,021</u> | <u>331,402</u> |
| | <u>(923,223)</u> | <u>(1,846,598)</u> |
| CHANGE IN EQUITY BALANCE | 3,673,333 | 4,154,411 |
| OPENING BALANCE | <u>93,141,684</u> | <u>88,987,273</u> |
| CLOSING BALANCE (Note 14) | <u>96,815,017</u> | <u>93,141,684</u> |

TOWN OF DRUMHELLER
SCHEDULE 5 - PROPERTY TAXES LEVIED
FOR THE YEAR ENDED DECEMBER 31, 2008

| | Budget \$ (Unaudited) | 2008 \$ | 2007 \$ |
|---|-----------------------------|------------------|------------------|
| TAXATION | | | |
| Real property taxes | 7,892,617 | 7,929,786 | 7,431,721 |
| Linear property taxes | 581,321 | 581,321 | 532,906 |
| Special assessments and local improvement taxes | <u>82,008</u> | <u>69,431</u> | <u>5,890</u> |
| | <u>8,555,946</u> | <u>8,580,538</u> | <u>7,970,517</u> |
| REQUISITIONS | | | |
| Alberta School Foundation Fund | 1,949,863 | 1,949,862 | 1,881,175 |
| Christ the Redeemer Separate School Division | 375,860 | 375,860 | 363,471 |
| Sunshine Seniors' Lodge | <u>63,000</u> | <u>63,871</u> | <u>37,561</u> |
| | <u>2,388,723</u> | <u>2,389,593</u> | <u>2,282,207</u> |
| NET MUNICIPAL TAXES | <u>6,167,223</u> | <u>6,190,945</u> | <u>5,688,310</u> |

TOWN OF DRUMHELLER
SCHEDULE 6 – GOVERNMENT TRANSFERS
FOR THE YEAR ENDED DECEMBER 31, 2008

| | 2008 | 2007 |
|-----------------------------------|------------------|------------------|
| | \$ | \$ |
| Federal transfers | | |
| Shared-cost agreements and grants | <u>46,206</u> | <u>10,000</u> |
| Provincial transfers | | |
| Entitlements | 23,960 | 23,960 |
| Shared-cost agreements and grants | 4,542,514 | 3,588,839 |
| Debt interest rebates | <u>1,182</u> | <u>3,008</u> |
| | <u>4,567,656</u> | <u>3,615,807</u> |
| Total government transfers | <u>4,613,862</u> | <u>3,625,807</u> |

SCHEDULE 7 – CONSOLIDATED EXPENDITURES BY OBJECT
FOR THE YEAR ENDED DECEMBER 31, 2008

| | 2008 | 2007 |
|---------------------------------|-------------------|-------------------|
| | \$ | \$ |
| EXPENDITURES | | |
| Salaries, wages, and benefits | 3,990,070 | 3,714,100 |
| Contracted and general services | 6,370,378 | 3,600,704 |
| Materials, goods, and utilities | 2,599,893 | 2,620,574 |
| Transfer to local agencies | 607,187 | 571,473 |
| Interest on long-term debt | 203,167 | 125,724 |
| Property and equipment acquired | 4,680,875 | 6,083,822 |
| Other expenditures | <u>83,312</u> | <u>125,596</u> |
| TOTAL EXPENDITURES | <u>18,534,882</u> | <u>16,841,993</u> |

TOWN OF DRUMHELLER
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008

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. Because a precise determination of many assets and liabilities is dependent upon future events, the preparation of financial statements for a period necessarily involves the use of estimates which have been made using careful judgment. Actual results could differ from these estimates.

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 fund balances and change 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. Fund Accounting

For reporting purposes, established funds consist of the operating, capital and reserve funds. Transfers between funds are recorded as adjustments to the appropriate equity account.

The operating and capital funds are further segregated by functions which relate to specific areas of activity.

c. 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 or transfers are due with the exception of pension expenditures as disclosed in Note 11.

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

TOWN OF DRUMHELLER
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008

1. SIGNIFICANT ACCOUNTING POLICIES - Continued

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. Property and Equipment

Property and equipment are reported as expenditures in the period they are acquired. Further, property and equipment are carried on the consolidated statement of financial position at cost except for donated assets, which are recorded at estimated fair value when acquired.

Development costs incurred to provide infrastructure such as water and wastewater services, roads, sidewalks and street lighting are expensed and carried as property and equipment under their respective function.

Government contributions for the acquisition of property and equipment are recorded as capital revenue and do not reduce the related property and equipment costs.

Property and equipment for government purposes are not amortized.

g. Operating Fund

Operating fund represents the amounts available to offset future operational revenue requirements (or the shortfall which will be financed from future operational revenues).

h. Capital Fund

Capital fund represents the amounts available to finance (or the shortfall in financing available for) capital projects.

i. Reserve Fund

Reserves are established at the discretion of council and are used to finance future operating and capital expenditures. Transfers to and/or from the reserve fund are reflected as an adjustment to the respective fund.

TOWN OF DRUMHELLER
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008

1. SIGNIFICANT ACCOUNTING POLICIES - Continued

j. 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.

k. Equity in Property and Equipment

Equity in property and equipment represents the municipality's net investment in its total property and equipment, after deducting work in progress and long-term capital borrowings.

l. 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.

m. 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.

TOWN OF DRUMHELLER
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008

1. SIGNIFICANT ACCOUNTING POLICIES - Continued

n. Financial Instruments

The Municipality's financial instruments consist of cash and temporary investment, accounts receivable, investments, accounts payable, accrued liabilities, requisition over-levy and long-term debt. 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.

Held-to-maturity financial assets are non-derivative financial assets with fixed or determinable payments and fixed maturity that the entity has the intention and ability to hold to maturity. They are measured at amortized cost using the effective interest rate method less any impairment loss. A loss is recognized in net income if the financial asset is impaired and through the amortization process.

o. Tangible Capital Assets

During 2008, the Town of Drumheller continued to work toward compliance with the new recommendations for accounting for tangible capital assets. As of December 31, 2008, the Town has a preliminary listing and values for buildings, vehicles and machinery. A final listing of all asset classes is being prepared and is expected to be completed by December 31, 2009.

p. Cash and Cash Equivalents

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

2. CASH AND TEMPORARY INVESTMENTS

| | 2008 | 2007 |
|---------------|-------------------|-------------------|
| | \$ | \$ |
| Cash in banks | <u>14,103,836</u> | <u>11,408,188</u> |
| | <u>14,103,836</u> | <u>11,408,188</u> |

TOWN OF DRUMHELLER
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008

3. TAXES AND GRANTS IN PLACE OF TAXES RECEIVABLES

| | 2008 | 2007 |
|--|-----------------------|-----------------------|
| | \$ | \$ |
| Current taxes and grants in place of taxes | 499,247 | 410,257 |
| Arrears taxes | <u>289,985</u> | <u>246,336</u> |
| | 789,232 | 656,593 |
| Less: Allowance for uncollectible taxes | <u>152,380</u> | <u>137,000</u> |
| | <u><u>636,852</u></u> | <u><u>519,593</u></u> |

4. INVESTMENTS

| | 2008 | 2007 |
|--|-------------------------|-------------------------|
| | \$ | \$ |
| Long term bonds, maturing at various dates | 2,399,818 | 2,286,769 |
| Equity in ALARIE | 11,619 | 11,619 |
| Shares | 3,120 | 1,225 |
| Guaranteed Investment Certificate at 3.5% | <u>36,608</u> | <u>36,608</u> |
| | <u><u>2,451,165</u></u> | <u><u>2,336,221</u></u> |

5. PROPERTY AND EQUIPMENT

| | 2008 | 2007 |
|-------------------------------------|--------------------------|--------------------------|
| | Cost | Cost |
| | \$ | \$ |
| Land | 1,316,303 | 1,316,303 |
| Buildings | 15,219,981 | 12,579,526 |
| Engineering structures | 73,805,762 | 72,688,672 |
| Machinery & equipment & furnishings | 7,019,422 | 6,586,081 |
| Vehicles | <u>2,510,544</u> | <u>2,104,875</u> |
| | <u><u>99,872,012</u></u> | <u><u>95,275,457</u></u> |

TOWN OF DRUMHELLER
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008

6. LONG-TERM DEBT

| | 2008 | 2007 |
|---------------------------|------------------|------------------|
| | \$ | \$ |
| Self supported debentures | <u>3,960,358</u> | <u>3,037,135</u> |

Principal and interest repayments are as follows:

| | Principal | Interest | Total |
|------------|------------------|------------------|------------------|
| | \$ | \$ | \$ |
| 2009 | 185,034 | 193,835 | 378,869 |
| 2010 | 135,848 | 187,218 | 323,066 |
| 2011 | 142,811 | 180,256 | 323,067 |
| 2012 | 150,139 | 172,928 | 323,067 |
| 2013 | 157,852 | 165,215 | 323,067 |
| Thereafter | <u>3,188,674</u> | <u>1,326,052</u> | <u>4,514,726</u> |
| | <u>3,960,358</u> | <u>2,225,504</u> | <u>6,185,862</u> |

Debenture debt is repayable to Alberta Capital Finance Authority and CMHC and bears interest at 3.215% to 5.012% per annum, before Provincial subsidy, and mature in periods through 2026. For qualifying debentures, the Province of Alberta rebates 60% of interest in excess of 8%, 9% and 11% to a maximum annual rate of 12.5%, depending on the date borrowed. Debenture debt is issued on the credit and security of the municipality at large. Interest on long-term debt totalled \$203,167 in 2008 (2007 - \$125,724).

TOWN OF DRUMHELLER
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008

7. RESERVE FUND

Reserves for operating and capital activities changed as follows:

| | 2007 \$ | Increases \$ | Decreases \$ | 2008 \$ |
|----------------------------|------------------|------------------|------------------|------------------|
| Operating reserves: | | | | |
| Ambulance | 36,746 | 1,001 | - | 37,747 |
| Management Incentive Fund | 45,607 | 1,242 | - | 46,849 |
| Scholarship | <u>36,608</u> | <u>-</u> | <u>-</u> | <u>36,608</u> |
| Total Operating | <u>118,961</u> | <u>2,243</u> | <u>-</u> | <u>121,204</u> |
| Capital reserves: | | | | |
| Building – long term | 471,389 | 24,715 | - | 496,104 |
| Municipal reserves | 2,189 | 60 | - | 2,249 |
| Contingencies | 927,217 | 109,512 | - | 1,036,729 |
| Contingency – long term | 777,794 | 40,778 | - | 818,572 |
| Equipment | 723,485 | 330,573 | 656,269 | 397,789 |
| Equipment – long term | 400,681 | 21,007 | - | 421,688 |
| Facilities | 1,896,078 | 565,768 | 1,063,828 | 1,398,018 |
| General capital | 60,954 | 310,714 | 264,150 | 107,518 |
| Land | 309,482 | 80,373 | - | 389,855 |
| Legacy | 966,281 | 280,401 | - | 1,246,682 |
| Offsite | 301,737 | 23,873 | - | 325,610 |
| Sewer | (82,094) | 269,357 | 94,471 | 92,792 |
| Transportation – long term | 233,693 | 37,073 | 2,534 | 268,232 |
| Water | <u>(66,001)</u> | <u>915,168</u> | <u>944,003</u> | <u>(94,836)</u> |
| Total Capital | <u>6,922,885</u> | <u>3,009,372</u> | <u>3,025,255</u> | <u>6,907,002</u> |
| Total | <u>7,041,846</u> | <u>3,011,615</u> | <u>3,025,255</u> | <u>7,028,206</u> |

TOWN OF DRUMHELLER

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2008

8. 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:

| | -----2008 | | | -----2007 |
|--|-----------------|---------------------------------|-------------|-------------|
| | Salary(1) \$ | Benefits Allowances(2) \$ | Total \$ | Total \$ |
| Mayor Nimmo, Bryce | 24,755 | 1,183 | 25,938 | 19,526 |
| Councillor Bertamini, Karen | 20,135 | 1,744 | 21,879 | 17,967 |
| Councillor Berdahl, Andrew | 16,135 | 445 | 16,580 | 2,281 |
| Councillor Cunningham, Don | - | - | - | 7,045 |
| Councillor MacKinnon, Karen | - | - | - | 12,782 |
| Councilor McDonald, Blaine | 16,635 | 2,832 | 19,467 | 2,496 |
| Councillor Guidolin, Don | 16,635 | 905 | 17,540 | 2,286 |
| Councillor Yemen, Terry | 16,385 | 453 | 16,838 | 12,798 |
| Councillor Shoff, Sharel | 16,135 | 1,161 | 17,296 | 15,042 |
| Councillor Sparling, John | - | - | - | 13,849 |
| Chief Administrative Officer, Romanetz, Ray (3) | 135,844 | 19,870 | 155,714 | 152,197 |

- (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.

TOWN OF DRUMHELLER

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2008

9. 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:

| | 2008 | 2007 |
|---------------------------------------|-------------------|-------------------|
| | \$ | \$ |
| Total debt limit | 24,371,057 | 20,133,675 |
| Total debt | <u>3,960,358</u> | <u>3,037,135</u> |
| Amount of debt limit unused | <u>20,410,699</u> | <u>17,096,540</u> |
| | | |
| Debt servicing limit | 4,061,843 | 3,355,613 |
| Debt servicing | <u>400,100</u> | <u>436,576</u> |
| Amount of debt servicing limit unused | <u>3,661,743</u> | <u>2,919,037</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.

10. 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, 2008

11. 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 168,000 people and 408 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 7.75% of pensionable earnings up to the Canada Pension Plan Year's Maximum Pensionable Earnings and 10.64% for the excess.

Employees of the municipality are required to make current service contributions of 6.75% of pensionable salary up to the year's maximum pensionable salary and 9.64% on pensionable salary above this amount.

Total current service contributions by the municipality to the plan in 2008 were \$175,954 (2007 - \$161,652). Total current service contributions by employees to the plan in 2008 were \$154,586 (2007 - \$141,920). At December 31, 2007, the plan disclosed an actuarial deficiency of \$1,183.3 million.

12. FINANCIAL INSTRUMENTS

The Municipality's financial instruments consist of cash and temporary investments, accounts receivable, investments, accounts payable, accrued liabilities, requisition over-levy and long-term debt. It is management's opinion that the Municipality is not exposed to significant interest or currency risks arising from these financial instruments. Unless otherwise noted, the fair value of these financial instruments approximates their carrying values.

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.

Operating Lines of Credit

At December 31, 2008 the municipality had short-term bank lines of credit aggregating \$2,020,000 (2007 - \$2,020,000) of which none (2007 - none) had been drawn down. Lines of credit are revolving operating and term facilities that bear interest at the prime rate. 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, 2008

13. DEFERRED REVENUE

| | 2008 | 2007 |
|------------------------------------|------------------|------------------|
| | \$ | \$ |
| MSI grant | 1,021,707 | 575,233 |
| MUNI grant | - | 135,165 |
| Policing grant and crime education | 65,864 | 65,570 |
| Kneehill Regional Water | 1,575,715 | 1,650,749 |
| Municipal Infrastructure Program | 5,281,849 | 4,269,296 |
| Other | <u>660,715</u> | <u>232,367</u> |
| | <u>8,605,850</u> | <u>6,928,380</u> |

14. EQUITY IN PROPERTY AND EQUIPMENT

| | 2008 | 2007 |
|---|-------------------|-------------------|
| | \$ | \$ |
| Property and equipment | 99,872,012 | 95,275,457 |
| Other capital fund assets | 7,628,366 | 8,127,655 |
| Capital deferred revenue and payables | (6,725,003) | (8,435,537) |
| Long-term debt (Note 6) | (3,960,358) | (3,037,135) |
| (Unexpended) overexpended capital funds | <u>-</u> | <u>1,211,244</u> |
| | <u>96,815,017</u> | <u>93,141,684</u> |

15. 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.

16. CHANGE IN ACCOUNTING POLICY

During the year, the Municipality applied on a prospective basis the new recommendations of the Canadian Institute of Chartered Accountants regarding the recognition, measurement and presentation of financial instruments following the release of Sections 1530, "Comprehensive income," 3855, "Financial instruments – Recognition and measurement" and 3861, "Financial instruments – Disclosure and presentation."



Gitzel Krejci Dand Peterson
 CHARTERED ACCOUNTANTS

TOWN OF DRUMHELLER
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008

17. APPROVAL OF FINANCIAL STATEMENTS

Council and management have approved these financial statements.