

Gitzel Krejci Dand Peterson

CHARTERED ACCOUNTANTS



*BARRY D. GITZEL, B. COMM., CA *ERIC A. PETERSON, BA., CA *PFGGY WEINZIERL, B. COMM., CA
*SCOTT A. ST ARNAUD, B. COMM., CA *JOLENE KOBI, B. COMM., CA *ROBERT J. KREJCI, CA (Associate)

4912 - 51 St.
P.O. Box 460
STETTINER, AB T0C 2L0
PHONE: 403-742-4431
TOLL FREE: 1-877-742-4431
FAX: 403-742-1266
E-mail: gkdpc@gkdpc.com
Web Site: www.gkdpc.com

TOWN OF DRUMHELLER

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2010

**TOWN OF DRUMHELLER
FINANCIAL STATEMENTS
AS AT DECEMBER 31, 2010**

	Page
Auditors' Report	1
Consolidated Statement of Financial Position	2
Consolidated Statement of Operations	3
Consolidated Statement of Changes in Net Financial Assets (Debt)	4
Consolidated Statement of Cash Flows	5
Schedule 1 – Changes in Accumulated Surplus	6
Schedule 2 – Schedule of Tangible Capital Assets	7
Schedule 3 – Property and Other Taxes	8
Schedule 4 – Government Transfers	9
Schedule 5 – Consolidated Expenses by Object	9
Notes to the Financial Statements	10 - 21

AUDITORS' REPORT

TO: The Mayor and Council

Town of Drumheller

We have audited the accompanying financial statements of the Town of Drumheller, which comprise the consolidated statement of financial position as at December 31, 2010, and the consolidated statements of operations, changes in net financial assets/debt and cash flows for the year then ended, and notes to the financial statements.

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

Our responsibility is to express an opinion on these 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 financial statements.

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

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Town of Drumheller as at December 31, 2010, and its financial performance and its cash flows for the year then ended in accordance with generally accepted accounting principles.

Stettler, Alberta
April 26, 2011



CHARTERED ACCOUNTANTS



Gitzel Krejci Dand Peterson
CHARTERED ACCOUNTANTS

TOWN OF DRUMHELLER
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2010

	2010	2009
	\$	\$
FINANCIAL ASSETS		
Cash and short term investments (Note 2)	14,547,962	6,543,174
Taxes and grants in place of taxes receivable (Note 3)	881,621	707,316
Trade and other receivables	3,733,798	8,866,587
Accrued interest receivable	16,776	13,817
Inventory held for resale	1,043,677	1,023,022
Investments (Note 4)	<u>2,639,946</u>	<u>2,516,292</u>
	<u>22,863,780</u>	<u>19,670,208</u>
LIABILITIES		
Accounts payable and accrued liabilities	4,050,948	3,606,015
Deferred revenue (Note 5)	2,964,727	8,475,669
Employee benefit obligations (Note 6)	487,378	488,890
Long-term debt (Note 7)	<u>12,494,639</u>	<u>3,775,336</u>
	<u>19,997,692</u>	<u>16,345,910</u>
NET FINANCIAL ASSETS (DEBT)	<u>2,866,088</u>	<u>3,324,298</u>
NON-FINANCIAL ASSETS		
Inventory for consumption	292,061	336,924
Prepaid expenses	103,417	102,891
Tangible capital assets (Schedule 2)	<u>123,249,659</u>	<u>110,938,226</u>
	<u>123,645,137</u>	<u>111,378,041</u>
ACCUMULATED SURPLUS (Schedule 1, Note 12)	<u>126,511,225</u>	<u>114,702,339</u>
CONTINGENCIES (Note 15)		

TOWN OF DRUMHELLER
CONSOLIDATED STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2010

	Budget \$ (Unaudited)	2010 \$	2009 \$
REVENUES			
Net municipal taxes (Schedule 3)	6,660,208	6,734,103	6,442,842
Sales and user fees	5,313,037	5,321,715	5,365,341
Franchises and concessions	883,492	1,128,366	1,056,126
Government transfers (Schedule 4)	739,381	1,110,144	1,110,611
Investment income	76,034	166,493	177,317
Penalties and costs on taxes	79,700	119,226	101,193
Rentals	261,571	298,128	290,052
Other	6,536,708	652,846	81,558
Gain on disposal of tangible capital assets	-	8,193	35,762
Total Revenue	<u>20,550,131</u>	<u>15,539,214</u>	<u>14,660,802</u>
EXPENSES (Schedule 5)			
Legislative	196,000	170,006	166,726
Administration	1,349,160	1,278,163	1,202,966
Protective services	2,146,127	1,908,572	1,850,662
Transportation services	1,606,252	1,953,171	2,913,362
Water and wastewater	3,134,564	3,509,448	2,696,446
Waste management	305,250	562,017	242,730
Planning and development	497,700	581,062	528,231
Recreation and parks	2,225,589	2,012,355	2,745,739
Other	796,956	176,666	401,454
Amortization (Note 9)	-	3,324,930	3,015,395
Loss on disposal of tangible capital assets	-	36,233	9,993
Total Expenses	<u>12,257,598</u>	<u>15,512,623</u>	<u>15,773,704</u>
EXCESS (SHORTFALL) OF REVENUE OVER EXPENSES – BEFORE OTHER	8,292,533	26,591	(1,112,902)
OTHER			
Government transfers for capital (Schedule 4)	<u>13,905,311</u>	<u>11,782,295</u>	<u>11,917,110</u>
EXCESS (SHORTFALL) OF REVENUE OVER EXPENSES	22,197,844	11,808,886	10,804,208
ACCUMULATED SURPLUS – BEGINNING OF YEAR	<u>114,702,339</u>	<u>114,702,339</u>	<u>103,898,131</u>
ACCUMULATED SURPLUS – END OF YEAR	<u>136,900,183</u>	<u>126,511,225</u>	<u>114,702,339</u>

TOWN OF DRUMHELLER
CONSOLIDATED STATEMENT OF CHANGES IN NET FINANCIAL ASSETS (DEBT)
FOR THE YEAR ENDED DECEMBER 31, 2010

	Budget \$ (Unaudited)	2010 \$	2009 \$
EXCESS (SHORTFALL) OF REVENUES OVER EXPENSES	<u>22,197,844</u>	<u>11,808,886</u>	<u>10,804,208</u>
Acquisition of tangible capital assets	(37,293,873)	(15,698,203)	(16,091,991)
Proceeds on disposal of tangible capital assets	61,841	33,800	45,457
Amortization of tangible capital assets	-	3,324,930	3,015,395
(Gain) loss on disposal of tangible capital assets	-	<u>28,040</u>	<u>(25,769)</u>
	<u>(37,232,032)</u>	<u>(12,311,433)</u>	<u>(13,056,908)</u>
Net use (acquisition) of supplies inventories	-	44,863	(142,892)
Net use (acquisition) of prepaid assets	-	<u>(526)</u>	<u>(24,580)</u>
	-	<u>44,337</u>	<u>(167,472)</u>
INCREASE (DECREASE) IN NET FINANCIAL ASSETS	(37,232,032)	(458,210)	(2,420,172)
NET FINANCIAL ASSETS (DEBT)			
- BEGINNING OF YEAR	<u>3,324,298</u>	<u>3,324,298</u>	<u>5,744,470</u>
NET FINANCIAL ASSETS (DEBT)			
- END OF YEAR	<u>(33,907,734)</u>	<u>2,866,088</u>	<u>3,324,298</u>

TOWN OF DRUMHELLER
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2010

	2010	2009
	\$	\$
OPERATING ACTIVITIES		
Excess (shortfall) of revenues over expenses	11,808,886	10,804,208
Non-cash items included in excess (shortfall) of revenues over expenses:		
Amortization of tangible capital assets	3,324,930	3,015,395
(Gain) loss on disposal of tangible capital assets	28,040	(25,769)
Non-cash changes to operations (net change):		
Taxes and grants in place of taxes receivable	(174,305)	(70,668)
Trade and other receivables	5,129,830	(5,722,289)
Inventory held for resale	(20,655)	-
Inventory for consumption	44,863	(142,892)
Prepaid expenses	(526)	(24,580)
Accounts payable and accrued liabilities	443,421	1,032,797
Deferred revenue	<u>(5,510,942)</u>	<u>(130,181)</u>
Net cash provided by (used in) operating activities	<u>15,073,542</u>	<u>8,736,021</u>
CAPITAL ACTIVITIES		
Acquisition of tangible capital assets	(15,698,203)	(16,091,991)
Proceeds from sale of tangible capital assets	<u>33,800</u>	<u>45,457</u>
Net cash provided by (used in) capital activities	<u>(15,664,403)</u>	<u>(16,046,534)</u>
FINANCING ACTIVITIES		
Debt issued	9,000,000	-
Long-term debt repaid	<u>(280,697)</u>	<u>(185,022)</u>
Net cash provided by (used in) financing activities	<u>8,719,303</u>	<u>(185,022)</u>
INVESTING ACTIVITIES		
Change in long-term investments	<u>(123,654)</u>	<u>(65,127)</u>
Net cash provided by (used in) investing activities	<u>(123,654)</u>	<u>(65,127)</u>
CHANGE IN CASH AND EQUIVALENTS DURING THE YEAR	8,004,788	(7,560,662)
CASH AND CASH EQUIVALENTS		
- BEGINNING OF YEAR	<u>6,543,174</u>	<u>14,103,836</u>
CASH AND CASH EQUIVALENTS		
- END OF YEAR (Note 2)	<u>14,547,962</u>	<u>6,543,174</u>

TOWN OF DRUMHELLER
SCHEDULE 1 - CHANGES IN ACCUMULATED SURPLUS
FOR THE YEAR ENDED DECEMBER 31, 2010

	Unrestricted Surplus \$	Restricted Surplus \$	Equity in Tangible Capital Assets \$	2010 \$	2009 \$
BALANCE, BEGINNING OF YEAR	<u>542,769</u>	<u>6,996,680</u>	<u>107,162,890</u>	<u>114,702,339</u>	<u>103,898,131</u>
Excess (deficiency) of revenues over expenses	11,808,886	-	-	11,808,886	10,804,208
Unrestricted funds designated for future use	(2,499,945)	2,499,945	-	-	-
Restricted funds used for operations	662,983	(662,983)	-	-	-
Restricted funds used for tangible capital assets	-	(617,154)	617,154	-	-
Current year funds used for tangible capital assets	(6,081,050)	-	6,081,050	-	-
Capital debt used for tangible capital assets	-	-	9,000,000	9,000,000	-
Long term debt issued	-	-	(9,000,000)	(9,000,000)	-
Disposal of tangible capital assets	61,841	-	(61,841)	-	-
Annual amortization expense	3,324,930	-	(3,324,930)	-	-
Long term debt repaid	(280,697)	-	280,697	-	-
Change in accumulated surplus	<u>6,996,948</u>	<u>1,219,808</u>	<u>3,592,130</u>	<u>11,808,886</u>	<u>10,804,208</u>
BALANCE, END OF YEAR	<u>7,539,717</u>	<u>8,216,488</u>	<u>110,755,020</u>	<u>126,511,225</u>	<u>114,702,339</u>

TOWN OF DRUMHELLER

SCHEDULE 2 - SCHEDULE OF TANGIBLE CAPITAL ASSETS

FOR THE YEAR ENDED DECEMBER 31, 2010

	Land	Land Improvements	Buildings	Engineered Structures	Machinery and Equipment	Vehicles	2010	2009
	\$	\$	\$	\$	\$	\$	\$	\$
COST:								
BALANCE - BEGINNING OF YEAR	13,066,168	3,374,999	14,976,708	133,545,636	4,571,969	1,548,065	171,083,545	155,447,107
Acquisition of tangible capital assets	-	317,207	-	11,261,851	411,444	333,000	12,323,502	7,169,884
Construction in progress	-	-	3,326,244	48,458	-	-	3,374,702	8,922,107
Disposal of tangible capital assets	-	-	-	-	(302,427)	-	(302,427)	(455,553)
BALANCE - END OF YEAR	<u>13,066,168</u>	<u>3,692,206</u>	<u>18,302,952</u>	<u>144,855,945</u>	<u>4,680,986</u>	<u>1,881,065</u>	<u>186,479,322</u>	<u>171,083,545</u>
ACCUMULATED AMORTIZATION:								
BALANCE - BEGINNING OF YEAR	-	1,678,582	6,174,823	49,195,618	2,323,512	772,784	60,145,319	57,565,789
Annual amortization	-	164,227	300,480	2,392,516	328,304	139,403	3,324,930	3,015,395
Accumulated amortization on disposals	-	-	-	-	(52,250)	(188,336)	(240,586)	(435,865)
BALANCE - END OF YEAR	<u>-</u>	<u>1,842,809</u>	<u>6,475,303</u>	<u>51,588,134</u>	<u>2,599,566</u>	<u>723,851</u>	<u>63,229,663</u>	<u>60,145,319</u>
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	<u>13,066,168</u>	<u>1,849,397</u>	<u>11,827,649</u>	<u>93,267,811</u>	<u>2,081,420</u>	<u>1,157,214</u>	<u>123,249,659</u>	<u>110,938,226</u>
2009 NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	<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>	

TOWN OF DRUMHELLER
SCHEDULE 3 – PROPERTY AND OTHER TAXES
FOR THE YEAR ENDED DECEMBER 31, 2010

	Budget \$ (Unaudited)	2010 \$	2009 \$
TAXATION			
Real property taxes	8,491,086	8,599,112	8,207,243
Linear property taxes	536,053	536,053	580,497
Special assessments and local improvement taxes	<u>68,735</u>	<u>73,981</u>	<u>69,350</u>
	<u>9,095,874</u>	<u>9,209,146</u>	<u>8,857,090</u>
REQUISITIONS			
Alberta School Foundation Fund	1,954,213	1,954,213	1,961,992
Christ the Redeemer Separate School Division	392,028	392,028	378,099
Sunshine Seniors' Lodge	<u>89,425</u>	<u>128,802</u>	<u>74,157</u>
	<u>2,435,666</u>	<u>2,475,043</u>	<u>2,414,248</u>
NET MUNICIPAL TAXES	<u>6,660,208</u>	<u>6,734,103</u>	<u>6,442,842</u>

TOWN OF DRUMHELLER

SCHEDULE 4 – GOVERNMENT TRANSFERS

FOR THE YEAR ENDED DECEMBER 31, 2010

	Budget \$ (Unaudited)	2010 \$	2009 \$
TRANSFER FOR OPERATING			
Federal government	2,000	4,000	81,899
Provincial government	737,381	1,106,043	1,028,712
Other local government	-	101	-
	<u>739,381</u>	<u>1,110,144</u>	<u>1,110,611</u>
 TRANSFERS FOR CAPITAL			
Provincial government	<u>13,905,311</u>	<u>11,782,295</u>	<u>11,917,110</u>
	<u>13,905,311</u>	<u>11,782,295</u>	<u>11,917,110</u>
 TOTAL GOVERNMENT TRANSFERS	<u>14,644,692</u>	<u>12,892,439</u>	<u>13,027,721</u>

SCHEDULE 5 – CONSOLIDATED EXPENSES BY OBJECT

FOR THE YEAR ENDED DECEMBER 31, 2010

	Budget \$ (Unaudited)	2010 \$	2009 \$
CONSOLIDATED EXPENSES BY OBJECT			
Salaries, wages, and benefits	4,432,178	4,329,621	4,111,289
Contracted and general services	4,925,450	5,092,637	6,256,436
Materials, goods, and utilities	2,050,463	1,839,750	1,724,505
Transfer to local agencies	324,026	341,009	341,190
Transfer to individuals and organizations	2,500	1,000	1,000
Interest on long-term debt	457,981	426,992	193,180
Amortization of tangible capital assets (Note 10)	-	3,324,930	3,015,395
Loss on sale of tangible capital assets	-	36,233	9,993
Other expenditures	<u>65,000</u>	<u>120,451</u>	<u>120,716</u>
	<u>12,257,598</u>	<u>15,512,623</u>	<u>15,773,704</u>

TOWN OF DRUMHELLER
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010

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 14.

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, 2010

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, 2010

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, 2010

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 town 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, 2010

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

	2010	2009
	\$	\$
Cash in banks	1,467,279	525,128
Redeemable Guaranteed Investment Certificate at 0.75%	<u>13,080,683</u>	<u>6,018,046</u>
	<u>14,547,962</u>	<u>6,543,174</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, 2010

3. TAXES AND GRANTS IN PLACE OF TAXES RECEIVABLES

	2010	2009
	\$	\$
Current taxes and grants in place of taxes	681,065	522,677
Arrears taxes	<u>397,556</u>	<u>356,639</u>
	1,078,621	879,316
Less: Allowance for uncollectible taxes	<u>197,000</u>	<u>172,000</u>
	<u><u>881,621</u></u>	<u><u>707,316</u></u>

4. INVESTMENTS

	2010	2009
	\$	\$
Long term bonds, maturing at various dates	2,588,480	2,464,893
Equity in ALARIE	11,618	11,618
Shares	3,240	3,173
Guaranteed Investment Certificate at 1.9% maturing July 2014	<u>36,608</u>	<u>36,608</u>
	<u><u>2,639,946</u></u>	<u><u>2,516,292</u></u>

5. DEFERRED REVENUE

	2010	2009
	\$	\$
Community Facility donations	918,723	167,028
Kneehill Regional Water	1,425,647	1,500,681
MSI grant	33,556	300,188
MUNI grant	-	87,456
Municipal Infrastructure Program	-	5,265,705
New Deals for Cities and Communities	190,540	752,412
Policing grant and crime education	65,864	65,864
Other	<u>330,397</u>	<u>336,335</u>
	<u><u>2,964,727</u></u>	<u><u>8,475,669</u></u>

TOWN OF DRUMHELLER
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010

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

	2010 \$	2009 \$
Self supported debentures	<u>12,494,639</u>	<u>3,775,336</u>

Principal and interest repayments are as follows:

	Principal \$	Interest \$	Total \$
2011	441,830	554,334	996,164
2012	462,032	534,133	996,165
2013	483,173	512,930	996,103
2014	505,299	490,866	996,165
2015	528,456	467,709	996,165
Thereafter	<u>10,073,849</u>	<u>3,524,669</u>	<u>13,598,518</u>
	<u>12,494,639</u>	<u>6,084,641</u>	<u>18,579,280</u>

Debenture debt is repayable to Alberta Capital Finance Authority and CMHC and bears interest at 4.252% to 7.875% per annum, 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 \$426,992 in 2010 (2009 - \$193,180).

TOWN OF DRUMHELLER

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2010

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:

	2010	2009
	\$	\$
Total debt limit	23,308,821	21,991,203
Total debt	<u>12,494,639</u>	<u>3,775,336</u>
Amount of debt limit unused	<u>10,814,182</u>	<u>18,215,867</u>
Debt servicing limit	3,884,803	3,665,201
Debt servicing	<u>707,690</u>	<u>323,067</u>
Amount of debt servicing limit unused	<u>3,177,113</u>	<u>3,342,134</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. AMORTIZATION OF TANGIBLE CAPITAL ASSETS

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

	2010	2009
	\$	\$
Administration	104,731	97,124
Protective services	111,307	113,177
Transportation services	992,418	979,197
Water and wastewater	1,772,874	1,530,775
Planning and development	96,619	56,075
Recreation and parks	244,436	235,758
Other	<u>2,545</u>	<u>3,289</u>
	<u>3,324,930</u>	<u>3,015,395</u>

TOWN OF DRUMHELLER

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2010

10. EQUITY IN TANGIBLE CAPITAL ASSETS

	2010 \$	2009 \$
Tangible Capital Assets (Schedule 2)	123,249,659	110,938,226
Long-term debt (Note 7)	<u>(12,494,639)</u>	<u>(3,775,336)</u>
	<u>110,755,020</u>	<u>107,162,890</u>

11. RESTRICTED SURPLUS

Council has identified parts of the accumulated surplus for specific future purposes.

	2009 \$	Increases \$	Decreases \$	2010 \$
Ambulance	37,895	-	-	37,895
Management Incentive Fund	33,840	-	-	33,840
Scholarship	36,608	-	-	36,608
Building – long term	523,764	26,407	1,764	548,407
Municipal reserves	2,257	-	-	2,257
Contingencies	1,124,612	75,707	-	1,200,319
Contingency – long term	864,213	43,570	2,911	904,872
Equipment	535,417	287,311	163,030	659,698
Equipment – long term	445,200	22,445	1,499	466,146
Facilities	1,568,444	368,608	240,724	1,696,328
General capital	195,428	308,457	662,336	(158,451)
Land	(120,182)	-	-	(120,182)
Legacy	1,069,057	167,146	-	1,236,203
Offsite	339,036	15,375	-	354,411
Sewer	486,416	444,408	68,568	862,256
Transportation – long term	203,515	39,609	2,646	240,478
Water	<u>(348,840)</u>	<u>709,719</u>	<u>145,476</u>	<u>215,403</u>
Total	<u>6,996,680</u>	<u>2,508,762</u>	<u>1,288,954</u>	<u>8,216,488</u>

TOWN OF DRUMHELLER

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2010

12. ACCUMULATED SURPLUS

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

	2010	2009
	\$	\$
Unrestricted surplus (deficit)	7,539,717	542,769
Equity in tangible capital assets (Note 10)	110,755,020	107,162,890
Restricted surplus (Note 11)	<u>8,216,488</u>	<u>6,996,680</u>
	<u>126,511,225</u>	<u>114,702,339</u>

13. 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:

	2010	2009		
	Salary (1)	Benefits Allowances (2)	Total	Total
	\$	\$	\$	\$
Mayor Nimmo, Bryce	22,534	1,058	23,592	26,168
Councillor Bertamini, Karen	15,742	1,164	16,906	20,485
Councillor Berdahl, Andrew	17,173	484	17,657	16,887
Councilor McDonald, Blaine	14,492	2,214	16,706	18,794
Councillor Guidolin, Don	13,992	1,058	15,050	17,612
Mayor/Councillor Yemen, Terry	19,024	751	19,775	17,145
Councillor Shoff, Sharel	17,173	1,358	18,531	17,614
Councillor Zariski, Thomas	3,181	89	3,270	-
Councillor Stanford, Douglas	3,181	222	3,403	-
Councillor Garbutt, W. Joy	3,181	494	3,675	-
Councillor, Hansen-Zacharuk,	3,181	494	3,675	-
Chief Administrative Officer,				
Romanetz, Ray (3)	167,511	7,297	174,808	308,199

(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, 2010

14. 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 199,849 people and 418 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 9.06% of pensionable earnings up to the Canada Pension Plan Year's Maximum Pensionable Earnings and 12.53% for the excess.

Employees of the municipality are required to make current service contributions of 8.06% of pensionable salary up to the year's maximum pensionable salary and 11.53% on pensionable salary above this amount.

Total current service contributions by the municipality to the plan in 2010 were \$238,227 (2009 - \$203,033). Total current service contributions by employees to the plan in 2010 were \$216,967 (2009 - \$205,626). At December 31, 2009, the plan disclosed an actuarial deficiency of \$4.0 billion.

15. 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, 2010

16. FINANCIAL INSTRUMENTS

i) 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 its financial instruments. Unless otherwise noted, the fair value of financial instruments approximates their carrying values.

ii) 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.

iii) Operating Lines of Credit

At December 31, 2010 the municipality had short-term bank lines of credit aggregating \$ 2,020,000 (2009 - \$2,020,000) of which \$NIL (2009 - \$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.

17. COMPARATIVE AMOUNTS

Certain 2009 comparative figures have been reclassified in order to conform with the financial statement presentation for 2010.

18. APPROVAL OF FINANCIAL STATEMENTS

Council and management have approved these financial statements.

19. BUDGET AMOUNTS

Budget figures for the year ended December 31, 2010 were approved by Council on May 25, 2010 and are for information purposes. These amounts have not been audited.