

**Town of Drumheller  
Consolidated Financial Statements  
For the year ended December 31, 2011**

**Town of Drumheller  
Consolidated Financial Statements  
For the year ended December 31, 2011**

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Tel: 403 342 2500  
Fax: 403 343 3070  
www.bdo.ca

BDO Canada LLP  
Millennium Centre  
600, 4909 - 49th Street  
Red Deer AB T4N 1V1 Canada

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## Auditors' Report

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### To the Members of Council Town of Drumheller

We have audited the accompanying consolidated financial statements of the Town of Drumheller, which comprise the consolidated statement of financial position as at December 31, 2011, and the consolidated statements of operations, change in net financial assets (debt) and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

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

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

### Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Town of Drumheller as at December 31, 2011 and the results of its operations, change in net financial assets (debt) and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

### Other Matters - Restated Comparative Information

Without modifying our opinion, we draw attention to Note 1 to the financial statements, which explains that certain comparative information for the year ended December 31, 2010 has been restated. The consolidated financial statements of the Town of Drumheller for the year ended December 31, 2010, were audited by another auditor who expressed an unmodified opinion on those statements on April 26, 2011.

June 18, 2012  
Red Deer, Alberta

*BDO Canada LLP*

Chartered Accountants

**Town of Drumheller**  
**Consolidated Statement of Financial Position**

	2011	2010
		Restated (see Note 1)
<b>Financial assets</b>		
Cash and cash equivalents (Note 2)	\$ 8,825,371	\$ 14,547,962
Taxes receivable (Note 3)	1,082,188	881,621
Accounts receivable (Note 4)	5,745,346	3,733,798
Accrued interest receivable	8,138	16,776
Inventory held for resale (Note 5)	797,404	793,864
Investments (Note 6)	2,713,429	2,639,946
	<u>19,171,876</u>	<u>22,613,967</u>
<b>Liabilities</b>		
Accounts payable and accrued liabilities	4,403,469	4,050,948
Employee benefit obligation (Note 7)	727,073	707,378
Deferred revenue (Note 8)	3,272,377	2,964,727
Long-term debt (Note 9)	12,052,809	12,494,639
	<u>20,455,728</u>	<u>20,217,692</u>
<b>Net financial assets (debt)</b>	<u>(1,283,852)</u>	<u>2,396,275</u>
<b>Non-financial assets</b>		
Tangible capital assets (Note 10)	136,246,439	123,249,659
Inventory for consumption	258,838	292,061
Prepaid expenses	91,161	103,417
	<u>136,596,438</u>	<u>123,645,137</u>
<b>Accumulated surplus (Note 12)</b>	<u>\$ 135,312,586</u>	<u>\$ 126,041,412</u>
<b>Debenture debt limits (Note 19)</b>		
<b>Contingencies (Note 20)</b>		

**Town of Drumheller  
Consolidated Statement of Operations**

<b>For the year ended</b>	<b>Budget 2011</b>	<b>2011</b>	<b>2010</b>
			Restated (see Note 1)
<b>Revenue</b>			
Net municipal taxes (Note 14)	\$ 7,027,867	\$ 7,039,361	\$ 6,734,103
Government transfers for operating (Note 15)	739,380	849,350	1,110,143
Sales and user fees	5,149,741	5,654,052	5,883,772
Franchises and concessions	883,092	1,212,812	1,128,366
Investment income	76,034	186,492	166,493
Penalties and costs on taxes	79,700	143,126	119,225
Rentals	263,933	254,834	298,129
Other	1,000	193,175	62,634
Gain on disposal of assets	-	4,267	8,193
	<u>14,220,747</u>	<u>15,537,469</u>	<u>15,511,058</u>
<b>Expenses (Note 16)</b>			
Legislative	202,471	196,113	170,008
Administration	1,450,624	1,309,693	1,382,891
Protective services	2,344,453	2,154,121	2,019,878
Transportation services	2,716,044	2,798,664	2,945,590
Water and wastewater	5,393,719	5,004,428	4,720,303
Waste management	316,942	366,519	562,017
Planning and development	572,534	720,297	677,683
Recreation and parks	2,951,137	2,946,974	2,590,139
Public health and welfare	466,615	472,076	407,880
Loss on sale of capital assets	-	43,332	36,233
	<u>16,414,539</u>	<u>16,012,217</u>	<u>15,512,622</u>
<b>Excess (deficiency) of revenue over expenditures - before other</b>	(2,193,792)	(474,748)	(1,564)
<b>Other</b>			
Government transfers for capital (Note 15)	9,401,151	7,776,099	11,782,294
Other capital revenues	6,000,000	1,969,823	28,156
	<u>13,207,359</u>	<u>9,271,174</u>	<u>11,808,886</u>
<b>Excess of revenue over expenditures</b>	13,207,359	9,271,174	11,808,886
<b>Accumulated surplus, beginning of the year as previously stated</b>	126,511,225	126,511,225	114,702,339
<b>Prior period adjustment (Note 1)</b>	(469,813)	(469,813)	(469,813)
	<u>126,041,412</u>	<u>126,041,412</u>	<u>114,232,526</u>
<b>Accumulated surplus, beginning of year, restated</b>	126,041,412	126,041,412	114,232,526
<b>Accumulated surplus, end of year</b>	<u>\$ 139,248,771</u>	<u>\$ 135,312,586</u>	<u>\$ 126,041,412</u>

**Town of Drumheller**  
**Consolidated Statement of Change in Net Financial Assets (Debt)**

<u>For the year ended</u>	<u>Budget 2011</u>	<u>2011</u>	<u>2010</u>
			Restated (see Note 1)
Excess of revenue over expenditures	\$ 13,207,359	\$ 9,271,174	\$ 11,808,886
Acquisition of tangible capital assets	(24,481,730)	(16,658,732)	(15,698,204)
Amortization of tangible capital assets	3,920,562	3,611,386	3,324,930
Net loss on sale of tangible capital assets	-	39,065	28,040
Proceeds on sale of tangible capital assets	-	11,501	33,800
	(7,353,809)	(3,725,606)	(502,548)
Change in prepaid expenses	-	12,256	(526)
Change in inventory for consumption	-	33,223	31,294
<b>Net change in net financial assets (debt)</b>	<b>(7,353,809)</b>	<b>(3,680,127)</b>	<b>(471,780)</b>
Net financial assets, beginning of year	2,396,275	2,396,275	2,868,055
<b>Net financial assets (debt), end of year</b>	<b>\$ (4,957,534)</b>	<b>\$ (1,283,852)</b>	<b>\$ 2,396,275</b>

**Town of Drumheller  
Consolidated Statement of Cash Flows**

For the year ended	2011	2010
		Restated (see Note 1)
<b>Operating transactions</b>		
Excess of revenue over expenditures	\$ 9,271,174	\$ 11,808,886
Items not involving cash		
Amortization	3,611,386	3,324,930
Net loss on disposal of tangible capital assets	39,065	28,040
<b>Changes in non-cash operating balances</b>		
Taxes receivable	(200,567)	(174,305)
Accounts receivable	(2,011,548)	5,132,790
Accrued interest receivable	8,638	(2,959)
Inventory held for resale	(3,540)	(7,087)
Prepaid expenses	12,256	(526)
Accounts payable and accrued liabilities	352,521	444,933
Inventory for consumption	33,223	31,294
Employee benefit obligation	19,695	(1,512)
Deferred revenue	307,650	(5,510,940)
	<b>11,439,953</b>	<b>15,073,544</b>
<b>Capital transactions</b>		
Acquisition of tangible capital assets	(16,658,732)	(15,698,204)
Proceeds on sale of tangible capital assets	11,501	33,800
	<b>(16,647,231)</b>	<b>(15,664,404)</b>
<b>Investing transactions</b>		
Increase of investments	(73,483)	(123,654)
Restricted cash balances	(307,650)	5,510,942
	<b>(381,133)</b>	<b>5,387,288</b>
<b>Financing transactions</b>		
Proceeds from issuance of long-term debt	-	9,000,000
Repayment of long-term debt	(441,830)	(280,697)
	<b>(441,830)</b>	<b>8,719,303</b>
<b>Net change in cash and cash equivalents</b>	<b>(6,030,241)</b>	<b>13,515,731</b>
<b>Cash and cash equivalents, beginning of year</b>	<b>11,583,235</b>	<b>(1,932,496)</b>
<b>Cash and cash equivalents, end of year</b>	<b>\$ 5,552,994</b>	<b>\$ 11,583,235</b>
<b>Cash and cash equivalents is comprised of:</b>		
Cash and cash equivalents	\$ 8,825,371	\$ 14,547,962
Less: restricted (Note 2)	(3,272,377)	(2,964,727)
	<b>\$ 5,552,994</b>	<b>\$ 11,583,235</b>

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements

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**Town of Drumheller**  
**Summary of Significant Accounting Policies**

**December 31, 2011**

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**Management's  
Responsibility for the  
Financial Statements**

The consolidated financial statements of the Town are the responsibility of management. They have been prepared in accordance with Canadian generally accepted accounting principles established by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants.

**Basis of Consolidation**

The financial statement reflect the assets, liabilities, revenue and expenses of all municipal organizations, committees and Boards which are owned or controlled by the Town.

**Cash and Cash  
Equivalents**

Management considers all highly liquid investments with maturity of three months or less at acquisition to be cash equivalents.

**Investments**

Investments are recorded at cost unless there has been a decline in the market value which is other than temporary in nature in which case the investments are written down to market value.

**Inventory for Resale**

Inventory for resale includes land and buildings. Inventory held for resale is recorded at 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.

**Tangible Capital  
Assets**

Tangible capital assets are recorded at cost less accumulated amortization. Cost includes all costs directly attributable to acquisition or construction of the tangible capital asset including transportation costs, installation costs, design and engineering fees, legal fees and site preparation costs. Contributed tangible capital assets are recorded at fair value at the time of the donation, with a corresponding amount recorded as revenue. Amortization is recorded on a straight-line basis over the estimated life of the tangible capital asset commencing once the asset is available for productive use as follows:

Land improvements	15 to 45 years
Buildings	25 to 50 years
Engineered Structures	
Water system	45 to 75 years
Wastewater system	45 to 75 years
Road system	5 to 65 years
Machinery and equipment	5 to 40 years
Vehicles	10 to 40 years



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**Town of Drumheller**  
**Summary of Significant Accounting Policies**

**December 31, 2011**

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**Excess Collections and Under-levies**

Excess collections arise from the difference between the actual levy made to cover each requisition and the actual amount requisitioned. If the actual levy exceeds the requisition, the excess collection is accrued as a liability and as a reduction in property tax revenue. Requisition tax rates in the subsequent year are adjusted for any excess collections

**Collection of Taxes on Behalf of Other Taxation Authorities**

The Town collects taxation revenue on behalf of other entities. Such levies, other revenues, expenses, assets and liabilities with respect to the operations of entities are not reflected in these financial statements.

The entities the Town collects taxation revenue on behalf of are:  
Alberta School Foundation Fund  
Drumheller and District Seniors Foundation

**Retirement Benefits and Other Employee Benefit Plans**

The Town's contributions due during the period to its multi-employer defined benefit plan are expensed as incurred.

**Deferred Revenue**

Funds received for specific purposes which are externally restricted by legislation, regulation or agreement and are not available for general municipal purposes are accounted for as deferred revenue on the consolidated statement of financial position. The revenue is recognized in the consolidated statement of operations in the year in which it is used for the specified purpose.

**Government Transfers**

Government transfers, which include legislative grants, are recognized in the financial statements in the period in which events giving rise to the transfers occur, providing the transfers are authorized, any eligibility criteria have been met, and reasonable estimates of the amount can be made.

**Revenue Recognition**

Taxes are recognized as revenue in the year they are levied.  
Charges for sewer and water usage are recorded as user fees. Connection fee revenues are recognized when the connection has been established.  
Conditional grant revenue is recognized to the extent the conditions imposed on it have been fulfilled. Unconditional grant revenue is recognized when monies are receivable.  
Grants for the acquisition of tangible capital assets are recognized in the period in which eligible expenditures are made.  
Sales of service and other revenue is recognized on an accrual basis.

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**Town of Drumheller**  
**Summary of Significant Accounting Policies**

**December 31, 2011**

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**Use of Estimates**

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future.

**Town of Drumheller**  
**Notes to Consolidated Financial Statements**

**December 31, 2011**

**1. Prior Period Adjustment**

The Town reviewed its land inventory for resale and determined that a number of parcels listed did not belong to the Town as they had been sold in previous years. The Town reviewed its sick leave policy and determined a liability existed in previous years. These adjustments are as follows:

**Consolidated Statement of Financial Position**

Decrease in inventory held for resale	\$ (249,813)
Increase in employee benefit obligations	<u>\$ (220,000)</u>
Decrease in accumulated surplus	<u>(469,813)</u>

**2. Cash and Cash Equivalents**

	2011	2010
Current account	\$ 3,676,219	\$ 1,467,279
Redeemable guaranteed investment certificate at 0.5%	5,149,152	13,080,683
	<u>\$ 8,825,371</u>	<u>\$ 14,547,962</u>

Included in the above amounts are the following amounts received from the Government of Canada and the Province of Alberta as conditional grants held exclusively for future projects. Also restricted is debenture proceeds received in advance for a future capital project.

	2011	2010
MSI grant	\$ 997,606	\$ 33,556
NDCC grant	576,845	190,540
Policing grant	65,864	65,864
Kneehill Regional Water	1,350,613	1,425,647
BCF donations	-	918,723
SIP/ BMT grants	-	44,838
Other	281,449	285,559
	<u>\$ 3,272,377</u>	<u>\$ 2,964,727</u>

**Town of Drumheller**  
Notes to Consolidated Financial Statements

**December 31, 2011**

**3. Taxes Receivable**

	2011	2010
Current taxes and grants in place	\$ 699,878	\$ 681,065
Non-current taxes and grants in place	592,310	397,556
	1,292,188	1,078,621
Less: Allowance for doubtful accounts	210,000	197,000
	\$ 1,082,188	\$ 881,621

**4. Accounts Receivable**

	2011	2010
Trade receivables	\$ 1,764,447	\$ 1,713,968
Government grants receivable	4,090,064	2,247,810
	5,854,511	3,961,778
Less: Allowance for doubtful accounts	109,165	227,980
	\$ 5,745,346	\$ 3,733,798

**5. Inventories for Resale**

	2011	2010
Airport fuel	\$ 24,195	\$ 20,655
Land held for resale	773,209	773,209
	\$ 797,404	\$ 793,864

**Town of Drumheller**  
**Notes to Consolidated Financial Statements**

**December 31, 2011**

**6. Investments**

	2011	2010
Long-term bonds, maturing at various dates	\$ 2,661,888	\$ 2,588,479
Equity in ALARIE	11,618	11,618
Shares	3,315	3,241
GIC at 1.9%, maturing July 2014	36,608	36,608
	\$ 2,713,429	\$ 2,639,946

The income from portfolio investments for the year was \$115,923 (2010 - \$132,032).

The market value of the Town's marketable securities was \$2,883,631 (2010 - \$2,831,176).

**7. Employee Benefit Obligation**

	2011	2010
Accrued vacation pay	\$ 244,364	\$ <sup>Restated</sup> (see Note 1) 249,802
Accrued long-term service benefit	262,709	237,576
Accrued sick leave benefit	220,000	220,000
	\$ 727,073	\$ 707,378

Accrued vacation pay is comprised of the vacation that employees are deferring to future years. Accrued long-term service benefits is calculated per policy at 2 days per year of service over 5 years at the current rate of pay. Employees have either earned the benefits (and are vested) or are entitled to these benefits within the next budgetary year.

Sick Leave Benefits

The Town provides paid sick leave at a rate of 2 days per month. Sick leave can accumulate from year to year to a total of 86 work days. Sick leave is not paid out upon termination.

**Town of Drumheller**  
**Notes to Consolidated Financial Statements**

**December 31, 2011**

**8. Deferred Revenue**

	Opening balance	Contributions received	Revenue recognized	Ending balance
MSI grant	\$ 33,556	1,578,867	(614,817)	\$ 997,606
NDCC grant	190,540	891,225	(504,920)	576,845
Policing grant	65,864	-	-	65,864
Kneehill	1,425,647	23,535	(98,569)	1,350,613
Regional Water				
BCF donations	918,723	1,036,636	(1,955,359)	-
CAMRIF	-	3,126,082	(3,126,082)	-
SIP	44,838	478,775	(523,613)	-
Other	285,559	34,596	(38,706)	281,449
	<u>\$ 2,964,727</u>	<u>7,169,716</u>	<u>(6,862,066)</u>	<u>\$ 3,272,377</u>

Grants

Under various grant agreements with the Government of Canada and the Province of Alberta, the Town is required to account for grants provided and to complete the projects or program in accordance with standards detailed in the various agreements. If these requirements are not adhered to, grants provided will become repayable to the source government. Unexpended funds are repayable to the source government upon final accounting. Funds are deferred until related expenditures under the specific grant agreement have been incurred.

**Town of Drumheller**  
Notes to Consolidated Financial Statements

**December 31, 2011**

**9. Long-Term Debt**

Net long-term debt reported on the statement of financial position is comprised of the following:

	2011	2010
Various Alberta Capital Finance Authority Debentures, interest at 4.252% to 7.875% per year, blended combined semi-annual payments of \$486,926, due 2021 through 2033	<b>\$ 11,903,293</b>	<b>\$ 12,335,583</b>
CMHC mortgage payable, interest at 12.50% per year, annual blended payments of \$22,313, due 2021	149,516	159,056
	<b>12,052,809</b>	<b>12,494,639</b>

Principal and interest payments relating to net long term debt of \$12,052,809 outstanding are due as follows:

	Principal Repayments	Interest Payments	Total
2012	\$ 462,032	\$ 534,133	\$ 996,165
2013	483,173	512,992	996,165
2014	505,299	490,866	996,165
2015	528,456	467,709	996,165
2016	552,693	443,472	996,165
Thereafter	9,521,156	3,081,198	12,602,354
	<b>\$ 12,052,809</b>	<b>\$ 5,530,370</b>	<b>\$ 17,583,179</b>

**Town of Drumheller**  
**Notes to Consolidated Financial Statements**

**December 31, 2011**

	2011							
10. Tangible Capital Assets	Land	Land Improvement	Buildings	Engineered Structures	Machinery and Equipment	Vehicles	Work in Progress	Total
Cost, beginning of year	\$ 13,066,168	\$ 3,734,883	\$ 14,627,817	\$ 144,796,376	\$ 4,284,255	\$ 2,076,880	\$ 3,892,943	\$ 186,479,322
Additions	-	-	30,193	2,482,904	348,220	141,633	13,655,782	16,658,732
Change in work in progress	-	-	-	-	-	-	-	-
Disposals	-	-	(158,319)	-	(31,000)	-	-	(189,319)
Cost, end of year	\$ 13,066,168	\$ 3,734,883	\$ 14,499,691	\$ 147,279,280	\$ 4,601,475	\$ 2,218,513	\$ 17,548,725	\$ 202,948,735
Accumulated amortization, beginning of year	-	\$ 1,842,809	\$ 6,475,303	\$ 51,588,134	\$ 2,411,230	\$ 912,187	-	\$ 63,229,663
Amortization	-	171,994	301,178	2,640,447	341,044	156,723	-	3,611,386
Disposals	-	-	(114,986)	-	(23,767)	-	-	(138,753)
Accumulated amortization, end of year	-	\$ 2,014,803	\$ 6,661,495	\$ 54,228,581	\$ 2,728,507	\$ 1,068,910	-	\$ 66,702,296
Net carrying amount, end of year	\$ 13,066,168	\$ 1,720,080	\$ 7,838,196	\$ 93,050,699	\$ 1,872,968	\$ 1,149,603	\$ 17,548,725	\$ 136,246,439



**Town of Drumheller  
Notes to Consolidated Financial Statements**

December 31, 2011

**10. Tangible Capital Assets (continued)**

	2010							
	Land Improvements	Land	Buildings	Engineered Structures	Machinery and Equipment	Vehicles	Work in Progress	Total
Cost, beginning of year	\$ 13,066,168	\$ 3,374,999	\$ 14,402,826	\$ 122,251,041	\$ 4,537,394	\$ 1,548,065	\$ 11,903,052	\$ 171,083,545
Additions	359,884	224,991	11,250,741	14,713	528,815	3,319,060		15,698,204
Change in work in progress	-	-	-	11,294,594	34,575	-	(11,329,169)	-
Disposals	-	-	-	(302,427)	-	-	-	(302,427)
Cost, end of year	\$ 13,066,168	\$ 3,734,883	\$ 14,627,817	\$ 144,796,376	\$ 4,284,255	\$ 2,076,880	\$ 3,892,943	\$ 186,479,322
Accumulated amortization, beginning of year	\$ -	\$ 1,678,582	\$ 6,174,823	\$ 49,195,618	\$ 2,323,512	\$ 772,784	\$ -	\$ 60,145,319
Amortization	164,227	300,480	2,392,516	328,304	139,403	-	-	3,324,930
Disposals	-	-	-	(240,586)	-	-	-	(240,586)
Accumulated amortization, end of year	\$ -	\$ 1,842,809	\$ 6,475,303	\$ 51,588,134	\$ 2,411,230	\$ 912,187	\$ -	\$ 63,229,663
Net carrying amount, end of year	\$ 13,066,168	\$ 1,892,074	\$ 8,152,514	\$ 93,208,242	\$ 1,873,025	\$ 1,164,693	\$ 3,892,943	\$ 123,249,659

**Town of Drumheller**  
**Notes to Consolidated Financial Statements**

**December 31, 2011**

**11. Equity in Tangible Capital Assets**

	2011	2010
Tangible capital assets	\$ 202,948,735	\$ 186,479,322
Accumulated amortization	(66,702,296)	(63,229,663)
Debenture debt	(12,052,809)	(12,494,639)
	\$ 124,193,630	\$ 110,755,020

**12. Accumulated Surplus**

	2011	2010
Equity in tangible capital assets	\$ 124,193,630	\$ 110,755,020
Unrestricted surplus (deficit)	1,731,219	7,069,904
	125,924,849	117,824,924
Restricted surplus		Restated (see Note 1)
Ambulance	38,509	37,896
Management Incentive Fund	34,388	33,840
Scholarship	36,608	36,608
Building - long term	548,407	548,407
Municipal reserves	2,293	2,257
Contingencies	1,295,613	1,200,319
Contingency - long term	904,872	904,872
Equipment	760,707	659,698
Equipment - long term	466,146	466,146
Facilities	1,988,854	1,696,328
General capital	140,282	(158,451)
Land	(122,128)	(120,183)
Legacy	1,648,126	1,236,203
Offsite	360,052	354,411
Sewer	895,042	862,256
Transportation - long term	240,478	240,478
Water	149,488	215,403
	9,387,737	8,216,488
	\$ 135,312,586	\$ 126,041,412

The investment in tangible capital assets represents amounts already spent and invested in infrastructure. Reserve funds represent funds set aside by bylaw or council resolution for specific purposes.

**Town of Drumheller**  
**Notes to Consolidated Financial Statements**

**December 31, 2011**

**13. Change in Accumulated Surplus**

	Unrestricted surplus	Restricted surplus	Equity in tangible capital assets	2011	2010
Balance, beginning of year, as restated	\$ 7,069,904	\$ 8,216,488	\$ 110,755,020	\$ 126,041,412	\$ 114,232,526
Excess of revenue over expenses	9,271,174	-	-	9,271,174	11,808,886
Net operating transfers to restricted surplus	(1,907,279)	1,907,279	-	-	-
Debtenture principal payments	(441,830)	-	441,830	-	-
Capital transfers from restricted surplus	736,030	(736,030)	-	-	-
Acquisition of capital Disposals and write-down of assets	(16,658,732)	-	16,658,732	-	-
Amortization	50,566	-	(50,566)	-	-
	3,611,386	-	(3,611,386)	-	-
Change in accumulated surplus	\$ (5,338,685)	\$ 1,171,249	\$ 13,438,610	\$ 9,271,174	\$ 11,808,886
Balance, end of year	\$ 1,731,219	\$ 9,387,737	\$ 124,193,630	\$ 135,312,586	\$ 126,041,412

**Town of Drumheller**  
Notes to Consolidated Financial Statements

**December 31, 2011**

**14. Taxation - Net**

	Budget 2011	2011	2010
Real property	\$ 8,901,570	\$ 9,196,398	\$ 8,551,342
Machinery and equipment	37,834	36,872	36,655
Linear property	547,061	397,951	547,168
Special assessments and local improvement taxes	68,626	80,353	73,981
	<u>9,555,091</u>	<u>9,711,574</u>	<u>9,209,146</u>
Requisitions			
Alberta School Foundation Fund	2,022,688	2,024,388	1,954,213
Christ the Redeemer Separate School Division	402,336	402,202	392,028
Sunshine Seniors' Lodge	102,200	245,623	128,802
	<u>2,527,224</u>	<u>2,672,213</u>	<u>2,475,043</u>
Available for general municipal purposes	<u>\$ 7,027,867</u>	<u>\$ 7,039,361</u>	<u>\$ 6,734,103</u>

**15. Government Transfers**

	Budget 2011	2011	2010
Operating			
Federal government	\$ 2,000	\$ 4,000	\$ 4,000
Provincial government	737,380	845,350	1,106,042
Other local government	-	-	101
	<u>\$ 739,380</u>	<u>\$ 849,350</u>	<u>\$ 1,110,143</u>
Capital			
Provincial government	\$ 9,401,151	\$ 7,776,099	\$ 11,782,294
Total government transfers	<u>\$ 10,140,531</u>	<u>\$ 8,625,449</u>	<u>\$ 12,892,437</u>

**Town of Drumheller**  
**Notes to Consolidated Financial Statements**

**December 31, 2011**

**16. Expenses by Object**

	Budget 2011	2011	2010
Salaries and wages	\$ 4,607,927	\$ 4,738,798	\$ 4,329,622
Contracted and general services	3,804,082	3,607,082	4,157,250
Purchases from other governments	1,135,911	969,064	935,387
Materials, goods and utilities	2,225,727	2,175,614	1,839,747
Transfer to local agencies	331,588	366,317	341,009
Transfer to individuals and organizations	2,500	1,000	1,000
Bank charges and short term interest	11,000	4,941	4,494
Interest on long-term debt	328,742	554,334	426,993
Amortization	3,920,562	3,611,386	3,324,930
Loss on sale of tangible capital assets	-	43,332	36,233
Other expenditures	46,500	(59,651)	115,957
	<b>\$ 16,414,539</b>	<b>\$ 16,012,217</b>	<b>\$ 15,512,622</b>

**Town of Drumheller**  
**Notes to Consolidated Financial Statements**

**December 31, 2011**

**17. Municipal Employees Pension Plans**

Local Authorities Pension Plan

Certain employees of the Town are eligible to be members of the Local Authorities Pension Plan (LAPP), a multi-employer pension plan which is covered by the Public Sector Pension Plans Act. The Plan serves about 200,000 people and over 400 employers. It is financed by employer and employee contributions and investment earnings of the LAPP FUND. The plan provides defined pension benefits to employees based on their length of service and rates of pay.

The Town contributes to the Plan at a rate of 9.49% of pensionable earnings up to the Canada Pension Plan Maximum Pensionable Earnings and 13.13% for the excess. Employees contribute to the Plan at a rate of 8.49% of pensionable earnings up to the Canada Pension Plan Maximum Pensionable Earnings and 12.13% for the excess.

Contributions for the year were:

	2011	2010
Employer contributions	\$ 256,948	\$ 238,227
Employee contributions	233,740	216,967
	<u>\$ 490,688</u>	<u>\$ 455,194</u>

As this is a multi-employer pension plan, these contributions are the Town's pension benefit expense. No pension liability for this type of plan is included in the Town's financial statements. The most recent valuation as at December 31, 2010 indicates a deficit of \$4.635 billion (2009 - \$3.999 billion) for basic pension benefits. The actuary does not attribute portions of the unfunded liability to individual employers.

**Town of Drumheller**  
**Notes to Consolidated Financial Statements**

**December 31, 2011**

**18. Salary and Benefits Disclosure**

Disclosure of salaries and benefits for municipal officials and designated officers as required by Alberta Regulation 313/2000 is as follows:

	Salary	Benefits & Allowances	Total 2011	Total 2010
Mayor Nimmo	\$ -	\$ -	\$ -	23,592
Councillor Bertamini	-	-	-	16,906
Councillor Berdahl	18,392	797	19,189	17,657
Councillor McDonald	-	-	-	16,706
Councillor Guidolin	-	-	-	15,050
Mayor/ Councillor Yemen	36,200	2,968	39,168	19,775
Councillor Shoff	18,037	1,831	19,868	18,531
Councillor Zariski	18,537	2,968	21,505	3,270
Councillor Stanford	19,287	2,042	21,329	3,403
Councillor Garbutt	18,037	3,368	21,405	3,675
Councillor Hansen-Zacharuk	18,787	3,393	22,180	3,675
Chief Administrative Officer Romanetz	166,781	7,786	174,567	174,808

Salary includes regular base pay, bonuses, overtime, lump sum payments, gross honoraria and any other direct cash remuneration.

Benefits and allowances includes the employer's share of all employee benefits and contributions or payments made on behalf of employees including pension, health care, dental coverage, group life insurance, accidental disability and dismemberment insurance, long and short term disability plans, professional memberships and tuition. It also includes mileage paid to attend meetings. Benefits for the CAO includes the use of an automobile.

**Town of Drumheller**  
Notes to Consolidated Financial Statements

**December 31, 2011**

**19. Debt Limits**

Section 276(2) of the Municipal Government Act requires that debt and debt limits as defined by Alberta Regulation for the Town be disclosed as follows:

	<u>2011</u>	<u>2010</u>
Total debt limit	<b>\$23,327,898</b>	<b>\$ 23,308,821</b>
Total debt	<b>12,052,809</b>	<b>12,494,639</b>
Total debt limit available	<b>11,275,089</b>	<b>10,814,182</b>
Debt servicing limit	<b>3,887,983</b>	<b>3,884,803</b>
Debt servicing	<b>996,165</b>	<b>996,165</b>
Total debt servicing limit available	<b>2,891,818</b>	<b>2,888,638</b>

The debt limit is calculated at 1.5 times revenue of the Town (as defined in Alberta Regulation 255/00) and the debt service limit is calculated at 0.25 times such revenue. Incurring debt beyond these limitations requires approval by the Minister of Municipal Affairs. These thresholds are guidelines used by Alberta Municipal Affairs to identify municipalities which could be at financial risk if further debt is acquired. The calculation taken alone does not represent the financial stability of the municipality. Rather, the financial statements must be interpreted as a whole.

**20. Contingencies**

The Town is a member of the Alberta Local Authorities Reciprocal Insurance Exchange. Under the terms of membership, the Town 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.



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**Town of Drumheller**  
**Notes to Consolidated Financial Statements**

**December 31, 2011**

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**21. Budget**

The budget adopted by Council on February 28, 2011, was not prepared on a basis consistent with that used to report actual results (Public Sector Accounting Standards). The budget was prepared on a modified accrual basis while Public Sector Accounting Standards now require a full accrual basis. The deficit budget anticipated use of surpluses accumulated in previous years to fund current year operation and capital activities. Amortization was budgeted, but not funded. The budget expensed all tangible capital expenditures. As a result, the budget figures presented in the statements of operations and change in net financial assets (debt) represent the budget adopted by Council on February 28, 2011, with adjustments as follows:

	<u>2011</u>
Operating budget deficit	\$ (3,884,452)
Add:	
Debenture principal payments	257,267
Net operating transfers to reserves	<u>1,433,393</u>
<b>Excess (deficiency) of revenue over expenditures before other</b>	<b><u>\$ (2,193,792)</u></b>
Capital budget deficit	\$ (2,912,939)
Add:	
Capital expenditures	24,481,730
Less:	
Budgeted transfers from accumulated surplus	<u>(6,167,640)</u>
<b>Budgeted capital surplus</b>	<b><u>\$ 15,401,151</u></b>
<b>Budgeted combined surplus</b>	<b><u>\$ 13,207,359</u></b>

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**December 31, 2011**

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## **22. Segmented Information**

The Town is a diversified municipal government institution that provides a wide range of services to its citizens. Distinguishable functional segments have been separately disclosed in the segmented information. The nature of the segments and the activities they encompass are as follows:

### **Protective Services**

Protective services is comprised of police, bylaw enforcement and fire protection. This service area is responsible for the overall safety of the public through various prevention and enforcement activities.

### **Transportation Services**

Transportation services is responsible for the delivery of municipal public works services related to the planning, development and maintenance of roadway systems, the maintenance of park and open space, and street lighting.

### **Water and Wastewater Services**

Water and wastewater provides drinking water to the Town's citizens and collects and treats wastewater. The Town processes and cleans sewage and ensures the water system meets all Provincial standards.

### **Waste Management Services**

Waste management provides collection disposal and recycling programs.

### **Planning and Development**

The planning department provides a number of services including town planning and enforcement of building and construction codes and review of all property development plans through its application process.

### **Recreation and Parks**

This service area maintains recreation infrastructure such as parks, arenas, aquatic centres and community centres as well as provides recreational programs and cultural programs at those locations.

### **Public Health and Welfare**

This service area provides and administers community support programs.

### **General Government**

This service area includes legislative and administrative support to all other service areas and also relates to the revenues and expenses that relate to the operations of the Town itself and cannot be directly attributed to a specific segment.

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**Town of Drumheller**  
**Notes to Consolidated Financial Statements**

**December 31, 2011**

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**21. Segmented Information continued**

The accounting policies of the segments are the same as those described in the summary of significant accounting policies. In measuring and reporting segment revenue from transactions with other segments, inter-segment transfers have been eliminated. The revenues and expenses that are directly attributable to a particular segment are allocated to that segment. Taxation revenue has been allocated to general government except where specific tax revenues can be directly allocated to a service area.

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**Town of Drumheller**  
**Notes to Consolidated Financial Statements**

December 31, 2011

**22. Segmented Information (continued)**

For the year ended December 31	Protective Services	Transportation Services	Water and Wastewater	Waste Management	Planning and Development	Recreation and Parks	Public Health and Welfare	General Government	2011 Total
Revenue	\$ -	\$ 950	\$ 77,509	\$ -	\$ -	\$ -	\$ -	\$ 6,960,902	\$ 7,039,361
Taxation	-	-	-	-	-	-	-	-	-
Government transfers for operating	363,113	-	-	-	77,346	132,032	276,859	-	849,350
Government transfers for capital	86,024	656,362	1,004,920	-	-	6,000,000	-	28,793	7,776,099
Sales and user fees	390,887	42,541	4,565,621	88,372	38,201	250,697	53,851	223,882	5,654,052
Franchises and concessions	-	-	-	-	-	-	-	1,212,812	1,212,812
Investment income	-	-	25,356	-	-	-	-	161,136	186,492
Penalties and costs on taxes	-	-	10,717	10,252	-	-	-	122,157	143,126
Rentals	-	1,320	-	-	52,108	196,406	-	5,000	254,834
Other	14,686	-	516	-	168,749	1,965,737	-	13,310	2,162,998
Gain on disposal of assets	-	4,267	-	-	-	-	-	-	4,267
<b>Expenses</b>	<b>854,710</b>	<b>705,440</b>	<b>5,684,639</b>	<b>98,624</b>	<b>336,404</b>	<b>8,544,872</b>	<b>330,710</b>	<b>8,727,992</b>	<b>25,283,391</b>
Salaries and wages	599,118	737,381	1,157,565	26,258	78,364	1,244,785	280,082	615,245	4,738,798
Contracted and general services	392,835	498,489	744,255	340,261	323,959	464,218	141,265	701,800	3,607,082
Purchases from other governments	969,064	-	-	-	-	-	-	-	969,064
Materials, goods and utilities	78,354	580,165	852,822	-	36,064	565,777	6,689	55,743	2,175,614
Transfer to local agencies	370	-	-	-	152,803	170,569	42,575	-	366,317
Transfers to individuals and organizations	-	-	-	-	-	-	-	1,000	1,000
Bank charges and short- term interests	-	-	-	-	-	-	-	4,941	4,941
Interest on long-term debt	-	-	292,650	-	12,772	248,912	-	-	554,334
Amortization	114,380	1,016,654	2,009,716	-	102,963	252,749	1,966	112,958	3,611,386
Loss on sale of capital assets	-	-	-	-	-	43,332	-	-	43,332
Other	-	(34,025)	(52,580)	-	13,372	(36)	(501)	14,119	(59,651)
	2,154,121	2,798,664	5,004,428	366,519	720,297	2,990,306	472,076	1,505,806	16,012,217
<b>Net surplus (deficit)</b>	<b>\$ (1,299,411)</b>	<b>\$ (2,093,224)</b>	<b>\$ 680,211</b>	<b>\$ (267,895)</b>	<b>\$ (383,893)</b>	<b>\$ 5,554,566</b>	<b>\$ (141,366)</b>	<b>\$ 7,222,186</b>	<b>\$ 9,271,174</b>

**Town of Drumheller**  
**Notes to Consolidated Financial Statements**

December 31, 2011

**22. Segmented Information (continued)**

For the year ended December 31	Protective Services	Transportation Services	Water and Wastewater	Waste Management	Planning and Development	Recreation and Parks	Public Health and Welfare	General Government	2010 Total
Revenue	\$ -	\$ -	\$ 69,215	\$ -	\$ -	\$ -	\$ -	\$ 6,664,888	\$ 6,734,103
Taxation	-	-	-	-	-	-	-	-	-
Government transfers for operating	363,455	-	-	-	66,016	394,210	286,462	-	1,110,143
Government transfers for capital	-	989,029	10,778,743	-	-	14,522	-	-	11,782,294
Sales and user fees	435,695	466,728	4,253,917	85,856	124,550	250,695	46,718	219,613	5,883,772
Franchises and concessions	-	-	-	-	-	-	-	1,128,366	1,128,366
Investment income	-	-	-	-	-	-	-	166,493	166,493
Penalties and costs on taxes	-	-	10,078	8,998	-	-	-	100,149	119,225
Rentals	-	8,405	2,600	-	94,835	186,289	-	6,000	298,129
Other	6,750	12,073	-	-	7,000	57,049	-	7,918	90,790
Gain on disposal of assets	-	-	-	-	-	8,193	-	-	8,193
	805,900	1,476,235	15,114,553	94,854	292,401	910,958	333,180	8,293,427	27,321,508
Expenses									
Salaries and wages	571,986	623,788	1,121,296	36,731	80,362	1,075,357	237,730	582,372	4,329,622
Contracted and general services	305,402	870,540	784,895	525,286	293,781	494,786	140,741	741,819	4,157,250
Purchases from other governments	935,387	-	-	-	-	-	-	-	935,387
Materials, goods and utilities	92,916	458,545	696,925	-	35,301	489,073	10,279	56,708	1,839,747
Transfer to local agencies	2,880	-	-	-	155,439	166,765	15,925	-	341,009
Transfers to individuals and organizations	-	-	-	-	-	-	-	1,000	1,000
Bank charges and short- term interest	-	-	-	-	-	-	-	4,494	4,494
Interest on long-term debt	-	-	274,919	-	13,481	138,593	-	-	426,993
Amortization	111,307	992,418	1,772,874	-	96,619	244,436	2,545	104,731	3,324,930
Loss on sale of capital assets	-	13,498	22,735	-	-	-	-	-	36,233
Other	-	299	69,394	-	2,700	(18,871)	660	61,775	115,957
	2,019,878	2,959,088	4,743,038	562,017	677,683	2,590,139	407,880	1,552,899	15,512,622
Net surplus (deficit)	\$ (1,213,978)	\$ (1,482,853)	\$ 10,371,515	\$ (467,163)	\$ (385,282)	\$ (1,679,181)	\$ (74,700)	\$ 6,740,528	\$ 11,808,886

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**Town of Drumheller**  
**Notes to Consolidated Financial Statements**

**December 31, 2011**

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**23. Comparative Figures**

Wherever necessary, comparative figures have been reclassified to conform with current year financial statement presentation.

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**24. Approval of Financial Statements**

Council and Management approved these financial statements.

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