

TOWN OF SYLVAN LAKE
Consolidated Financial Statements
Year Ended December 31, 2010



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INDEPENDENT AUDITOR'S REPORT

To the Mayor and Council of Town of Sylvan Lake

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Town of Sylvan Lake, which comprise the consolidated statement of financial position as at December 31, 2010, and the consolidated statements of revenues and expenditures, changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian generally accepted accounting principles, 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 Town of Sylvan Lake as at December 31, 2010 and its financial performance and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Red Deer, Alberta
April 26, 2011

BDO Canada LLP
CHARTERED ACCOUNTANTS

TOWN OF SYLVAN LAKE
Consolidated Statement of Financial Position
Year Ended December 31, 2010

	2010	2009
FINANCIAL ASSETS		
Cash and temporary investments <i>(Note 2)</i>	\$ 19,385,354	\$ 21,686,666
Receivables		
Taxes and grants in place of taxes <i>(Note 3)</i>	730,221	731,275
Trade and other receivables	6,789,839	7,281,866
	<u>26,905,414</u>	<u>29,699,807</u>
LIABILITIES		
Accounts payable and accrued liabilities	2,698,927	3,803,622
Deposit liabilities	309,768	335,950
Deferred revenue <i>(Note 4)</i>	3,665,152	3,858,889
Long-term debt <i>(Note 5)</i>	9,157,185	9,456,090
	<u>15,831,032</u>	<u>17,454,551</u>
NET FINANCIAL ASSETS	<u>11,074,382</u>	<u>12,245,256</u>
NON-FINANCIAL ASSETS		
Tangible capital assets <i>(Schedule 2, Note 6)</i>	107,889,929	91,771,853
Inventory for consumption	159,087	149,331
Prepaid expenses	242,811	205,498
	<u>108,291,827</u>	<u>92,126,682</u>
ACCUMULATED SURPLUS <i>(Schedule 1, Note 7)</i>	<u>\$ 119,366,209</u>	<u>\$ 104,371,938</u>

Approved by Council

TOWN OF SYLVAN LAKE
Consolidated Statement of Operations
Year Ended December 31, 2010

	Budget	2010	2009
REVENUE			
Net municipal taxes (<i>Schedule 3</i>)	\$ 10,374,159	\$ 10,390,059	\$ 10,156,614
User fees and sales of goods	4,525,587	4,748,291	4,514,244
Government transfers for operating (<i>Schedule 4</i>)	1,677,144	1,476,636	1,928,675
Other	607,372	658,585	575,762
Franchise and concession contracts	953,000	945,147	884,881
Licenses and permits	550,100	542,692	558,880
Development levies	750	480,988	481,132
Fines and costs	390,000	341,251	414,883
Investment income	400,000	224,244	299,465
Penalties and cost of taxes	195,000	229,190	206,345
Gain on disposal of capital assets	-	-	9,076
	<u>19,673,112</u>	<u>20,037,083</u>	<u>20,029,957</u>
EXPENSES			
Administration	2,055,236	2,423,785	2,165,738
Family and community support	1,067,011	1,041,245	1,095,544
Legislative	222,046	248,495	214,276
Planning and development	1,028,653	834,287	1,251,544
Protective services	2,685,442	2,452,978	2,570,864
Recreation, parks and culture	3,621,865	3,482,827	3,436,966
Roads, streets, walks, lighting	2,506,418	3,271,138	2,874,316
Solid waste management	726,596	725,087	741,158
Wastewater treatment and disposal	413,668	471,351	558,776
Water supply and distribution	752,151	827,142	734,239
Loss on disposal of capital assets	-	1,547,165	-
Amortization	3,346,500	3,646,374	3,351,904
	<u>18,425,586</u>	<u>20,971,874</u>	<u>18,995,325</u>
EXCESS (SHORTFALL) OF REVENUES OVER EXPENSES-BEFORE OTHER	1,247,526	(934,791)	1,034,632
OTHER			
Contributed assets	-	9,989,500	231,925
Government transfers for capital (<i>Schedule 4</i>)	8,513,978	5,939,562	6,441,301
	<u>8,513,978</u>	<u>15,929,062</u>	<u>6,673,226</u>
EXCESS (SHORTFALL) OF REVENUE OVER EXPENSES (<i>Note 15</i>)	<u>9,761,504</u>	<u>14,994,271</u>	<u>7,707,858</u>
ACCUMULATED SURPLUS, BEG OF YEAR	<u>104,371,938</u>	<u>104,371,938</u>	<u>96,664,080</u>
ACCUMULATED SURPLUS, END OF YEAR	<u>\$ 114,133,442</u>	<u>\$ 119,366,209</u>	<u>\$ 104,371,938</u>

TOWN OF SYLVAN LAKE
Consolidated Net Financial Assets (Debt)
Year Ended December 31, 2010

	Budget	2010	2009
EXCESS (SHORTFALL) OF REVENUE OVER EXPENSES	\$ 9,761,504	\$ 14,994,271	\$ 7,707,858
Acquisition of tangible capital assets	(25,508,000)	(11,505,206)	(12,425,695)
Contributed assets	-	(9,989,500)	(231,925)
Proceeds on disposal of tangible capital assets	109,000	183,091	78,336
Amortization of tangible capital assets	3,346,500	3,646,374	3,351,904
(Gain) loss on sale of tangible capital assets	-	1,547,165	(9,076)
	<u>(22,052,500)</u>	<u>(16,118,076)</u>	<u>(9,236,456)</u>
Acquisition of supplies inventory	-	(9,756)	-
Acquisition of prepaid assets	-	(37,313)	-
Use of supplies inventories	-	-	11,550
Use of prepaid assets	-	-	73,496
	<u>-</u>	<u>(47,069)</u>	<u>85,046</u>
(INCREASE) DECREASE IN NET DEBT	(12,290,996)	(1,170,874)	(1,443,552)
NET FINANCIAL ASSETS (DEBT), BEG OF YEAR	12,245,256	12,245,256	13,688,808
NET FINANCIAL ASSETS (DEBT), END OF YEAR	\$ (45,740)	\$ 11,074,382	\$ 12,245,256

TOWN OF SYLVAN LAKE
Consolidated Statement of Cash Flows
Year Ended December 31, 2010

	2010	2009
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING		
Excess (deficiency) of revenues over expenditures	\$ 14,994,271	\$ 7,707,858
Non-cash items included in excess(deficiency) of revenue over expenses:		
Amortization of tangible capital assets	3,646,374	3,351,904
(Gain) loss on disposal of tangible capital assets	1,547,165	(9,076)
Tangible capital assets received as contributions	(9,989,500)	(231,925)
Non-cash charges to operations (net change):		
Decrease (increase) in taxes and grants in place of taxes	1,054	(206,700)
Decrease (increase) in trade and other receivables	492,027	(4,311,961)
Decrease (increase) in inventory for consumption	(9,756)	11,550
Decrease (increase) in prepaid expenses	(37,313)	73,496
Increase (decrease) in accounts payable and accrued liabilities	(1,104,695)	850,190
Increase (decrease) in deposit liabilities	(26,182)	(86,695)
Increase (decrease) in deferred revenue	(193,737)	119,205
Cash provided by (applied to) operating transactions	<u>9,319,708</u>	<u>7,267,846</u>
CAPITAL		
Acquisition of tangible capital assets	(11,505,206)	(12,425,695)
Proceeds on sale of tangible capital assets	<u>183,091</u>	<u>78,336</u>
Cash provided by (applied to) capital transactions	<u>(11,322,115)</u>	<u>(12,347,359)</u>
INVESTING		
Decrease (increase) in restricted cash and temp investments	193,169	(202,613)
Decrease (increase) in investments	<u>-</u>	<u>10,800,000</u>
Cash provided by (applied to) investing transactions	<u>193,169</u>	<u>10,597,387</u>
FINANCING		
Long-term debt issued	-	5,400,000
Long-term debt repaid	<u>(298,905)</u>	<u>(175,997)</u>
Cash provided by (applied to) financing transactions	<u>(298,905)</u>	<u>5,224,003</u>
CHANGE IN CASH AND EQUIVALENTS DURING THE YEAR	(2,108,143)	10,741,877
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>17,865,023</u>	<u>7,123,146</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 15,756,880</u>	<u>\$ 17,865,023</u>
CASH AND CASH EQUIVALENTS ARE MADE UP OF:		
Cash and temporary investments (Note 2)	\$ 19,385,354	\$ 21,686,666
Less restricted portion of cash and temporary investments (Note 2)	<u>(3,628,474)</u>	<u>(3,821,643)</u>
	<u>\$ 15,756,880</u>	<u>\$ 17,865,023</u>

TOWN OF SYLVAN LAKE

Schedule of Changes in Accumulated Surplus

Year Ended December 31, 2010

Schedule 1

	Unrestricted Surplus	Restricted Surplus	Equity in Tangible Capital Assets	2010	2009
BALANCE, BEGINNING OF YEAR	4,010,535	18,045,640	82,315,763	104,371,938	96,664,080
Excess (deficiency) of revenues over expenses	14,994,271	-	-	14,994,271	7,707,858
Unrestricted funds designated for future use	(5,018,376)	5,018,376	-	-	-
Restricted funds used for operations	794,584	(794,584)	-	-	-
Restricted funds used for tangible capital assets	-	(3,710,894)	3,710,894	-	-
Current year funds used for tangible capital assets	(7,794,312)	-	7,794,312	-	-
Contributed tangible capital assets	(9,989,500)	-	9,989,500	-	-
Disposal of tangible capital assets	1,730,256	-	(1,730,256)	-	-
Annual amortization expense	3,646,374	-	(3,646,374)	-	-
Long term debt repaid	(298,905)	-	298,905	-	-
Change in accumulated surplus	(1,935,608)	512,898	16,416,981	14,994,271	7,707,858
BALANCE, END OF YEAR	2,074,927	18,558,538	98,732,744	119,366,209	104,371,938

TOWN OF SYLVAN LAKE
Schedule of Consolidated Tangible Capital Assets
Year Ended December 31, 2010

Schedule 2

	Land	Land Improvements	Buildings	Engineered Structures	Machinery & Equipment	Vehicles	2010	2009
COST:								
BALANCE, BEGINNING OF YEAR	\$ 4,223,028	\$ 2,789,637	\$ 18,110,848	\$ 97,472,091	\$ 1,634,342	\$ 2,651,983	\$ 126,881,929	\$ 115,254,493
Acquisition of tangible capital assets	7,690,000	228,616	302,975	15,229,685	400,715	48,251	23,900,242	4,142,939
Assets under construction - prior year	-	-	(2,697,137)	(5,817,544)	-	-	(8,514,681)	-
Assets under construction - current year	-	38,208	5,038,318	1,032,619	-	-	6,109,145	8,514,681
Disposal of tangible capital assets	-	-	-	(2,284,485)	(293,674)	(32,000)	(2,610,159)	(1,030,184)
BALANCE, END OF YEAR	11,913,028	3,056,461	20,755,004	105,632,366	1,741,383	2,668,234	145,766,476	126,881,929
ACCUMULATED AMORTIZATION:								
BALANCE, BEGINNING OF YEAR	-	492,573	5,038,033	26,863,730	908,699	1,807,041	35,110,076	32,719,095
Annual amortization	-	134,662	277,198	2,812,713	166,240	255,561	3,646,374	3,351,904
Accumulated amortization of disposals	-	-	-	(682,980)	(168,805)	(28,118)	(879,903)	(960,923)
BALANCE, END OF YEAR	-	627,235	5,315,231	28,993,463	906,134	2,034,484	37,876,547	35,110,076
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	\$ 11,913,028	\$ 2,429,226	\$ 15,439,773	\$ 76,638,903	\$ 835,249	\$ 633,750	\$ 107,889,929	\$ 91,771,853
2009 NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	\$ 4,223,028	\$ 2,297,064	\$ 13,072,815	\$ 70,608,361	\$ 725,643	\$ 844,942	\$ 91,771,853	

TOWN OF SYLVAN LAKE
Schedule of Consolidated Property and Other Taxes
Year Ended December 31, 2010
Schedule 3

	Budget	2010	2009
TAXATION			
Real property taxes	\$ 15,186,320	\$ 15,265,074	\$ 14,617,829
Linear property taxes	182,000	182,374	199,726
Business revitalization zone	41,600	-	40,570
Government grants in place of property taxes	21,680	21,680	21,530
Local improvement taxes	15,000	18,937	18,937
	<u>15,446,600</u>	<u>15,488,064</u>	<u>14,898,592</u>
REQUISITIONS			
Alberta School Foundation Fund	4,030,642	4,047,696	3,755,267
Red Deer Catholic Regional Division No. 39	546,674	555,185	491,587
Sylvan Lake Library	250,000	250,000	250,000
Sylvan Lake Lodge	245,125	245,124	245,124
	<u>5,072,441</u>	<u>5,098,005</u>	<u>4,741,978</u>
NET MUNICIPAL TAXES	<u>\$ 10,374,159</u>	<u>\$ 10,390,059</u>	<u>\$ 10,156,614</u>

TOWN OF SYLVAN LAKE
Schedule of Consolidated Government Transfers
Year Ended December 31, 2010
Schedule 4

	Budget	2010	2009
TRANSFERS FOR OPERATING:			
Provincial Government	\$ 1,509,644	\$ 1,302,256	\$ 1,759,575
Other Local Governments	167,500	174,380	169,100
	<u>1,677,144</u>	<u>1,476,636</u>	<u>1,928,675</u>
TRANSFERS FOR CAPITAL:			
Provincial Government	6,451,150	4,575,556	4,587,842
Federal Government	2,062,828	1,364,006	1,853,459
	<u>8,513,978</u>	<u>5,939,562</u>	<u>6,441,301</u>
TOTAL GOVERNMENT TRANSFERS	<u>\$ 10,191,122</u>	<u>\$ 7,416,198</u>	<u>\$ 8,369,976</u>

TOWN OF SYLVAN LAKE
Schedule of Consolidated Expenditures by Object
Year Ended December 31, 2010
Schedule 5

	Budget	2010	2009
EXPENDITURES			
Salaries, wages and benefits	\$ 6,350,091	\$ 6,432,459	\$ 6,599,717
Contracted and general services	3,815,972	4,749,053	4,057,056
Amortization of tangible capital assets	3,346,500	3,646,374	3,351,904
Materials, goods, supplies and utilities	2,203,891	2,182,055	2,367,492
Loss on disposal of assets	-	1,547,165	-
Purchases from other governments	1,365,214	1,194,890	1,288,022
Transfers to individuals and organizations	706,068	615,584	825,302
Interest on long-term debt	525,250	518,221	352,395
Other expenditures	105,600	77,726	145,190
Bank charges and short-term interest	7,000	8,347	8,247
	\$ 18,425,586	\$ 20,971,874	\$ 18,995,325

TOWN OF SYLVAN LAKE
Schedule of Consolidated Segmented Information

Year Ended December 31, 2010

Schedule 6

For the year ended December 31, 2010	General government	Protection services	Community services	Public works	Environment & Recycling	Water, Waste & Sewage	Parks & recreation culture	Total
Revenue								
Net Municipal Taxes	(936,704)	1,530,915	21,606	7,054,675	-	-	2,719,567	10,390,059
User fees and sales of goods	55,084	38,884	118,036	54,202	191,127	3,939,694	351,264	4,748,291
Return on investment	224,244	-	-	-	-	-	-	224,244
Franchise and concession contracts	941,756	-	-	-	-	-	3,391	945,147
Licenses and permits	-	41,768	500,924	-	-	-	-	542,692
Fines and costs	-	341,251	-	-	-	-	-	341,251
Penalties and costs of taxes	213,075	-	-	-	-	16,115	-	229,190
Development levies	-	-	2,035	125,709	-	353,244	-	480,988
Government transfers for operating	78,262	483,850	758,424	2,500	-	-	153,600	1,476,636
Other	22,956	54,092	89,879	88,748	-	9,400	393,510	658,585
	598,673	2,490,760	1,490,904	7,325,834	191,127	4,318,453	3,621,332	20,037,083
Expenses								
Salaries, wages, and benefits	1,468,193	611,175	918,579	1,023,544	8,934	595,659	1,806,375	6,432,459
Contracted and general services	1,122,427	268,070	460,683	1,348,358	175,582	683,635	690,298	4,749,053
Materials, goods, supplies, and utilities	66,156	89,257	111,319	853,102	2,280	443,688	616,253	2,182,055
Bank charges and short term interest	3,835	-	-	-	-	-	4,512	8,347
Interest on long term debt	-	253,249	-	16,095	-	101,236	147,641	518,221
Amortization	15,814	37,783	323	2,533,422	-	698,631	360,401	3,646,374
Purchases from other governments	-	1,194,890	-	-	-	-	-	1,194,890
Transfers to individuals and organizations	615,584	-	-	1,551,313	-	-	-	615,584
Loss on disposal of assets	-	-	-	-	-	-	(4,148)	1,547,165
Other expenditures	41,390	36,336	-	-	-	-	-	77,726
	3,333,399	2,490,760	1,490,904	7,325,834	186,796	2,522,849	3,621,332	20,971,174
Surplus (Deficit)	(2,734,726)	-	-	-	4,331	1,795,604	-	(934,791)

TOWN OF SYLVAN LAKE

Schedule of Consolidated Segmented Information (Continued)

Year Ended December 31, 2010

Schedule 6

	General government	Protection services	Community services	Public works	Environment & Recycling	Water, waste & sewage	Parks, recreation & culture	Total
For the year ended December 31, 2009								
Revenue								
Net Municipal Taxes	1,914,625	334,784	199,123	4,569,044	23,782	-	3,115,256	10,156,614
User fees and sales of goods	76,751	35,225	121,397	6,739	201,483	3,761,328	311,320	4,514,244
Government transfers for operating	95,024	510,063	1,085,588	-	-	150,000	88,000	1,928,675
Franchise and concession contracts	880,261	-	-	518	-	-	4,102	884,881
Licenses and permits	150	28,092	461,353	-	-	-	69,284	558,880
Development levies	-	-	750	52,260	-	428,122	-	481,132
Fines and costs	-	414,883	-	-	-	-	-	414,883
Investment income	299,465	-	-	-	-	-	-	299,465
Penalties and cost of taxes	188,087	-	-	-	-	18,258	-	206,345
Gain on disposal of capital assets	-	-	-	11,555	-	(2,479)	-	9,076
Other	10,438	45,546	52,809	39,860	-	16,751	410,358	575,762
	3,464,801	1,368,594	1,921,021	4,679,975	225,265	4,371,980	3,998,321	20,029,957
Expenses								
Salaries, wages, and benefits	1,492,844	697,093	993,544	1,077,606	19,776	554,739	1,764,115	6,599,717
Contracted and general services	484,389	310,614	818,969	473,692	187,355	576,559	765,986	3,617,564
Materials, goods, supplies, and utilities	104,655	131,150	103,870	885,512	10,545	447,124	684,636	2,367,492
Purchases from other governments	1,288,022	-	-	-	-	-	-	1,288,022
Interest on long term debt	-	75,114	-	17,964	-	106,602	152,715	352,395
Transfers to individuals and organizations	825,302	-	-	-	-	-	-	825,302
Bank charges and short term interest	5,375	-	-	-	-	-	2,872	8,247
Amortization	15,814	43,925	-	2,192,317	-	775,282	324,566	3,351,904
Other expenditures	85,672	110,698	4,638	32,884	7,589	39,770	303,431	584,682
	4,302,073	1,368,594	1,921,021	4,679,975	225,265	2,500,076	3,998,321	18,995,325
Surplus (Deficit)	(837,272)	-	-	-	-	1,871,904	-	1,034,632

TOWN OF SYLVAN LAKE
Notes to Consolidated Financial Statements
Year Ended December 31, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements of the Town of Sylvan Lake are the representations of management prepared in accordance with Canadian generally accepted accounting principles for local governments established by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants. Significant aspects of the accounting policies adopted by the Town of Sylvan Lake are as follows:

a) Reporting entity

The consolidated financial statements reflect the assets, liabilities, revenues and expenditures and changes in fund balances and in financial position of the reporting entity. This entity is comprised of the municipal operations plus all the organizations that are owned or controlled by the Town and are, therefore, accountable to the Town Council for the administration of their financial affairs and resources. Included with the municipality are the following:

- Family and Community Support Services
- Town of Sylvan Lake Recreation Department
- Town of Sylvan Lake Fire Department
- Town of Sylvan Lake Waterworks System

The schedule of taxes levied also includes operating requisitions for educational, health, social and other external organizations that are not part of the municipal reporting entity.

The statements exclude trust assets that are administered for the benefit of external parties. Interdepartmental and organizational transactions and balances are eliminated.

b) Basis of accounting

Revenues are accounted for in the period in which the transactions or events occurred that gave rise to the revenues.

Property tax revenue is based on market value assessments determined in accordance with the Municipal Government Act (MGA). Tax mill rates are established annually. Taxation revenues are recorded at the time the tax billings are issued. Assessments are subject to appeal. Losses on assessment appeals are recorded as adjustments to tax revenues and receivables when a written decisions is received from the authorized board.

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 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, the municipality has met any eligibility criteria, and reasonable estimates of the amounts can be made.

Expenditures are recognized in the period the goods and services are acquired and a liability is incurred or transfers are due.

(continues)

TOWN OF SYLVAN LAKE
Notes to Consolidated Financial Statements
Year Ended December 31, 2010

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

c) Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles for local governments established by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants 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 the transfer of assets from senior levels of government that are not the result of an exchange transaction, are not expected to be repaid in the future, or the result of direct financial return.

Government transfers are recognized in the financial statements as revenue in the period in which events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met, and reasonable estimates of the amounts can be determined.

e) Requisition over-levy and under-levy

Over-levies and under-levies arise from the difference between the actual property tax levy made to cover each requisition and the actual amount requisitioned.

If the actual levy exceeds the requisition, the over-levy is accrued as a liability and property tax revenue is reduced. Where the actual levy is less than the requisition amount, the over-levy is accrued as a receivable and as property tax revenue.

Requisition tax rates in the subsequent year are adjusted for any over-levies or under-levies of the prior year.

f) Prepaid local improvement charges

Construction and borrowing costs associated with local improvement projects are recovered through annual special assessments during the period of the related borrowings. These levies are collectable from property owners for work performed by the municipality.

Where a taxpayer has elected to prepay the outstanding local improvement charges, such amounts are recorded as deferred revenue. Deferred revenue is amortized to revenue on a straight line basis over the remaining term of the related borrowings.

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

g) 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 Change in Net Financial Assets (Debt) for the year.

i) Tangible capital assets

(continues)

TOWN OF SYLVAN LAKE
Notes to Consolidated Financial Statements
Year Ended December 31, 2010

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

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 or declining balance 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
Other engineered structures	5-75
Machinery, equipment and furnishings	20%
Vehicles	30%

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 are also recorded as revenue.

iii) Inventories

Inventories of materials and supplies for consumption are valued at the lower of cost or net realizable value with cost determined by the average cost method.

iv) Leases

Leases are classified as capital or operating leases. Leases which transfer substantially all of the benefits and risks incidental to ownership of property are accounted for as capital leases. All other leases are accounted for as operating leases and the related lease payments are charged to expenses as incurred.

v) Cultural and historical capital assets

Cultural and historical assets are not recorded in these financial statements.

2. CASH AND TEMPORARY INVESTMENTS

	2010	2009
Cash	\$ 15,356,560	\$ 21,686,666
Term deposits	4,028,794	-
	\$ 19,385,354	\$ 21,686,666

Included in cash are restricted amounts of \$3,628,474 (2009 - \$3,821,643). Restricted cash includes all funds received through federal and provincial grant programs. Term deposits mature in June 2011 and earn interest at 2.00% per annum.

TOWN OF SYLVAN LAKE
Notes to Consolidated Financial Statements
Year Ended December 31, 2010

3. TAXES AND GRANTS IN PLACE OF TAXES RECEIVABLES

	<u>2010</u>	<u>2009</u>
Current	\$ 559,952	\$ 565,617
Arrears	<u>170,269</u>	<u>165,658</u>
	<u>\$ 730,221</u>	<u>\$ 731,275</u>

TOWN OF SYLVAN LAKE
Notes to Consolidated Financial Statements
Year Ended December 31, 2010

4. DEFERRED REVENUE

	<u>2010</u>	<u>2009</u>
Municipal Sustainability Initiative grant	\$ 1,399,666	\$ 223,595
Streets Improvement grant	730,680	603,189
Alberta Municipal Infrastructure Program grant	514,183	2,072,120
Affordable Housing grant	443,571	504,156
Creating Child Care Spaces grant	257,117	68,117
Community Facility Enhancement Program grant	92,500	125,000
Other deferred revenue	81,489	64,395
2010/2011 Policing grant	72,230	72,230
New Deal for Cities and Communities grant	64,513	113,821
Prepaid local improvement charges	9,203	12,266
	<u>\$ 3,665,152</u>	<u>\$ 3,858,889</u>

The Alberta Municipal Infrastructure Program provides funding for infrastructure projects, such as roadways, water systems and sanitary and storm sewer systems. Projects using this funding are to be completed by 2015.

The Street Improvement Provincial grant is per-capita funding providing 75% toward the cost of qualifying street projects.

The Affordable Housing grant is a program to assist in the construction of new affordable housing, major renovations to convert existing non-housing projects into housing or undertake major restoration of existing housing stock to accommodate low and moderate-income working households.

The Creating Child Care Spaces grant is a program to provide funding for the Town to make it easier for families to access quality child care.

The Municipal Sustainability Initiative Program from the Provincial Government provides funding for operating, capital and affordable housing projects.

The Community Facility Enhancement Program of the Provincial Government provides funding to municipalities to improve recreational facilities and parks.

The New Deal for Cities and Communities Program provides funding for infrastructure projects. The funding comes from the Federal Government while the program is administered by the Provincial Government.

The Provincial government provided continued grant funding for policing in 2010. \$361,150 was recognized in operating transfers in 2010 with \$72,230 deferred to 2011.

Prepaid local improvement charges are being amortized to revenue at the rate of \$3,068 per year over the next six years and matched against initial expenses.

Other deferred revenue includes several unused Provincial grants from different programs.

TOWN OF SYLVAN LAKE
Notes to Consolidated Financial Statements
Year Ended December 31, 2010

5. LONG TERM DEBT

Alberta Capital Finance Authority \$9,157,185 (2009 - \$9,456,090)

	Principal	Interest	Total
2011	\$ 316,752	\$ 501,603	\$ 818,355
2012	335,714	482,235	817,949
2013	355,864	461,623	817,487
2014	358,967	439,850	798,817
2015	380,705	417,601	798,306
Thereafter	7,409,183	3,428,576	10,837,759
	<u>\$ 9,157,185</u>	<u>\$ 5,731,488</u>	<u>\$ 14,988,673</u>

Debenture debt is repayable to the Alberta Capital Finance Authority and bears interest at rates ranging from 4.745% to 9.25% per annum and mature in periods 2013 through 2034. The average annual interest rate is 6.4% for 2010 (2009 - 6.39%). Debenture debt is issued on the credit and security of the Town of Sylvan Lake at large.

Interest on long-term debt amounted to \$518,221 (2009 - \$352,395)

6. TANGIBLE CAPITAL ASSETS

	2010	2009
Land	\$ 11,913,028	\$ 4,223,028
Land improvements	2,391,019	2,297,064
Land improvements - construction in progress	38,208	-
Buildings	10,401,455	10,375,678
Buildings - construction in progress	5,038,318	2,697,137
Roadway system	33,733,082	28,526,144
Roadway system - construction-in-progress	503,310	4,632,087
Water distribution system	16,927,145	14,224,560
Water system - construction in progress	529,307	1,185,459
Wastewater treatment system	13,739,283	13,336,961
Stormwater systems	11,206,775	8,703,150
Machinery, equipment and furnishings	835,249	725,643
Vehicles	633,750	844,942
	<u>\$107,889,929</u>	<u>\$ 91,771,853</u>

TOWN OF SYLVAN LAKE
Notes to Consolidated Financial Statements
Year Ended December 31, 2010

7. ACCUMULATED SURPLUS

	<u>2010</u>	<u>2009</u>
Unrestricted surplus (deficit)	\$ 2,074,927	\$ 4,010,535
Restricted surplus		
Capital	16,707,336	16,466,569
Operating	1,851,202	1,579,071
Equity in tangible capital assets	<u>98,732,744</u>	<u>82,315,763</u>
	<u>\$ 119,366,209</u>	<u>\$ 104,371,938</u>

8. EQUITY IN TANGIBLE CAPITAL ASSETS

	<u>2010</u>	<u>2009</u>
Tangible capital assets (Schedule 2)	\$ 145,766,476	\$ 126,881,929
Accumulated amortization (Schedule 2)	(37,876,547)	(35,110,076)
Long-term debt (Note 5)	<u>(9,157,185)</u>	<u>(9,456,090)</u>
	<u>\$ 98,732,744</u>	<u>\$ 82,315,763</u>

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 Town of Sylvan Lake be disclosed as follows:

	<u>2010</u>	<u>2009</u>
Total debt limit	\$ 30,055,625	\$ 30,031,322
Total debt	<u>9,157,185</u>	<u>9,456,090</u>
Amount of debt limit unused	<u>\$ 20,898,440</u>	<u>\$ 20,575,232</u>
Debt servicing limit	\$ 5,009,271	\$ 5,005,220
Debt servicing	<u>818,355</u>	<u>818,744</u>
Amount of debt servicing limit unused	<u>\$ 4,190,916</u>	<u>\$ 4,186,476</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.

TOWN OF SYLVAN LAKE
Notes to Consolidated Financial Statements
Year Ended December 31, 2010

10. SEGMENTED INFORMATION (Schedule 6)

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

General Government

This item relates to the revenues and expenses that relate to the operations of the Municipality itself and cannot be directly attributed to a specific segment.

Protection Services

Protection is comprised of police services, fire protection and ambulance. The police services work to ensure the safety and protection of the citizens and their property. The fire department is responsible to provide fire suppression service, fire prevention programs, training and education.

Community Services

This service area provides services meant to improve the health and development of the Municipality's citizens. Recreational programs and cultural programs are provided at arenas, aquatic centres and community centres.

Public Works

The public works department is responsible for the delivery of municipal public works services related to the planning, development and maintenance of roadway systems. This service area also provides services to the streets of the Town such as snow clearing.

Environment and recycling

Environmental services consist of providing recycling services to citizens.

Water, waste and sewage

The water and waste department consists of three distinct utilities - water, wastewater and solid waste disposal. The department provides drinking water to the Town's citizens, collects and treats wastewater, and provides collection disposal. The Municipality processes and cleans sewage and ensures the water system meets all Provincial standards.

Parks, recreation and culture

This department is comprised of recreational programs and cultural programs which are provided at the aquatic centre, multi-purpose facility, arena and community centre. This department is also responsible for the maintenance of parks and open space. Also, the Municipality provides funding to the Sylvan Lake Library to assist with its citizens' information needs.

The accounting policies of the segments are the same as those described in the summary of significant accounting policies. For each reported segment, revenues and expenses represent amounts that are directly attributable to the segment, except for taxation revenue. Taxation revenue has been allocated to those segments that are funded by taxation revenue, based on the segments' net surpluses for the year.

TOWN OF SYLVAN LAKE
Notes to Consolidated Financial Statements
Year Ended December 31, 2010

11. SALARY AND BENEFITS DISCLOSURE

	Salary	Benefits & Allowances	2010	2009
Mayor Samson	\$ 13,017	\$ 6,508	\$ 19,525	\$ 18,477
Councillor Backs	7,079	3,539	10,618	12,446
Councillor Sills-Fiedler	6,795	3,397	10,192	13,320
Councillor Barnes	5,641	2,820	8,461	11,391
Councillor MacVicar	8,105	4,052	12,157	11,468
Councillor Payne	6,140	3,070	9,210	10,087
Councillor Peck	4,640	2,320	6,960	10,524
Councillor Asselstine	1,783	892	2,675	-
Councillor Plante	1,779	890	2,669	-
Councillor McIntyre	1,761	881	2,642	-
Councillor Parsons	1,654	827	2,481	-
Councillor Grimson	1,543	771	2,314	-
Chief Administrative Officer (2)	69,545	240,105	309,650	149,808
Designated Officers (2)	139,371	29,836	169,207	211,917

Salary includes regular base pay. Benefits & Allowances includes employer's share of all benefits and contributions or payments made on behalf of employees including pension, health care, dental coverage, vision coverage, group life insurance, accidental disability and dismemberment insurance and long and short-term disability plans.

12. EMPLOYEE BENEFIT OBLIGATION

	2010	2009
Vacation and overtime	\$ 168,274	\$ 172,141

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

13. LOCAL AUTHORITIES PENSION PLAN

Employees of the Town of Sylvan Lake participate in the Local Authorities Pension Plan (LAPP), which is covered by the Public Sector Pension Plans Act. The LAPP serves about 199,849 members and 418 employers. The LAPP is financed by employer and employee contributions and by investment earnings of the LAPP Fund.

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

The Town of Sylvan Lake is required to make current service contributions to the LAPP of 9.06% of pensionable earnings up to the year's maximum pensionable earnings under the Canada Pension Plan and 12.53% on pensionable earnings above this amount. Employees of the Town 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 Town of Sylvan Lake to the LAPP in 2010 were \$355,653 (2009 - \$330,752). Total current service contributions by the employees of the Town to the Local Authorities Pension Plan in 2010 were \$319,056 (2009 - \$294,776).

At December 31, 2009, the LAPP disclosed an actuarial deficiency of \$4.0 billion.

TOWN OF SYLVAN LAKE
Notes to Consolidated Financial Statements
Year Ended December 31, 2010

14. CONTINGENCIES

Local Authorities Reciprocal Insurance Exchange

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

Sylvan Lake Regional Wastewater Commission

The Town of Sylvan Lake is a member of the Sylvan Lake Regional Wastewater Commission. Under the terms of this membership, the Town is liable for its proportionate share of any losses incurred by the Commission. Any liability would be accounted for in the year the losses are determined.

Sylvan Lake Regional Water Commission

The Town of Sylvan Lake is a member of the Sylvan Lake Regional Water Commission. Under the terms of this membership, the Town is liable for its proportionate share of any losses incurred by the Commission. Any liability would be accounted for in the year the losses are determined.

15. BUDGET

The Financial Plan (Budget) By-Law adopted by Council on December 14, 2009 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 budget figures anticipated use of surpluses accumulated in previous years to reduce current year expenditures in excess of current year revenues to \$nil. In addition, the budget expensed all tangible capital expenditures rather than including amortization expense. As a result, the budget figures presented in the statements of operations and change in net financial assets (debt) represent the Financial Plan adopted by Council on December 14, 2009 with adjustments as follows:

	<u>2010</u>
Financial Plan (Budget) Bylaw surplus for the year	\$ -
Budgeted net transfers to reserves	(17,044,655)
Transfers to capital	999,250
Debt repayment	298,909
Capital expenditures	<u>25,508,000</u>
Budget surplus per statement of operations	<u>\$ 9,761,504</u>

16. FINANCIAL INSTRUMENTS

The Town's financial instruments consist of cash and temporary investments, receivables, accounts payable and accrued liabilities and long-term debt. It is management's opinion that the Town is not exposed to significant interest rate, credit or currency risk arising from these financial instruments.

The carrying value of cash and temporary investments, receivables, accounts payable and accrued liabilities approximate fair value due to the immediate or short-term maturity of these instruments.

The carrying value of long-term debt approximates fair value as the interest rates are consistent with the current rates offered to the Town for debt with similar terms.
