

**TOWN OF SYLVAN LAKE**  
**Consolidated Financial Statements**  
**Year Ended December 31, 2009**



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## AUDITORS' REPORT

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To the Members of Town of Sylvan Lake

We have audited the statement of financial position of Town of Sylvan Lake as at December 31, 2009 and the statements of operations and accumulated surplus, changes in net assets (debt) and cash flows for the year then ended. These consolidated financial statements are the responsibility of the Town's management. 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 plan and perform an audit to obtain reasonable assurance whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation.

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

Red Deer, Alberta  
July 5, 2010

*BDO Canada LLP*  
Chartered Accountants

**TOWN OF SYLVAN LAKE**  
**Consolidated Statement of Financial Position**  
**Year Ended December 31, 2009**

	2009	2008 <i>(Restated)</i>
<b>FINANCIAL ASSETS</b>		
Cash and temporary investments <i>(Note 2)</i>	\$ 21,686,666	\$ 10,742,176
Receivables		
Taxes and grants in place of taxes <i>(Note 3)</i>	731,275	524,573
Trade and other receivables	7,281,866	2,969,905
Investments	-	10,800,000
	<u>29,699,807</u>	<u>25,036,654</u>
<b>LIABILITIES</b>		
Accounts payable and accrued liabilities	3,803,622	2,953,432
Deposit liabilities	335,950	422,645
Deferred revenue <i>(Note 4)</i>	3,858,889	3,739,682
Long-term debt <i>(Note 5)</i>	9,456,090	4,232,087
	<u>17,454,551</u>	<u>11,347,846</u>
<b>NET FINANCIAL ASSETS</b>	<u>12,245,256</u>	<u>13,688,808</u>
<b>NON-FINANCIAL ASSETS</b>		
Tangible capital assets <i>(Note 6)</i>	91,771,853	82,535,398
Inventory for consumption	149,331	160,879
Prepaid expenses	205,498	278,995
	<u>92,126,682</u>	<u>82,975,272</u>
<b>ACCUMULATED SURPLUS <i>(Note 7)</i></b>	<u>\$ 104,371,938</u>	<u>\$ 96,664,080</u>

Approved by Council

**TOWN OF SYLVAN LAKE**  
**Consolidated Statement of Operations**  
**Year Ended December 31, 2009**

	Budget	2009	2008 <i>(Restated)</i>
<b>REVENUE</b>			
Net municipal taxes <i>(Schedule 2)</i>	\$ 10,229,025	\$ 10,156,614	\$ 9,816,718
User fees and sales of goods	4,535,990	4,514,244	4,228,351
Government transfers for operating <i>(Schedule 3)</i>	2,130,235	1,928,675	1,741,455
Other	874,122	575,762	4,209,862
Franchise and concession contracts	703,200	884,881	678,776
Licenses and permits	635,000	558,880	596,739
Development levies	-	481,132	3,141,914
Fines and costs	382,500	414,883	282,261
Investment income	300,000	299,465	670,195
Penalties and cost of taxes	170,000	206,345	241,578
Gain on disposal of capital assets	-	9,076	41,309
	<u>19,960,072</u>	<u>20,029,957</u>	<u>25,649,158</u>
<b>EXPENSES</b>			
Administration	2,150,530	2,165,738	1,935,109
Family and community support	1,094,540	1,095,544	1,156,342
Legislative	219,760	214,276	230,716
Planning and development	1,467,130	1,251,544	957,082
Protective services	2,581,353	2,570,864	2,453,742
Recreation, parks and culture	3,628,685	3,436,966	3,114,230
Roads, streets, walks, lighting	2,580,724	2,874,316	1,858,471
Solid waste management	784,209	741,158	614,360
Wastewater treatment and disposal	605,888	558,776	385,320
Water supply and distribution	824,683	734,239	603,241
Amortization	-	3,351,904	3,016,202
	<u>15,937,502</u>	<u>18,995,325</u>	<u>16,324,815</u>
<b>EXCESS (SHORTFALL) OF REVENUES OVER EXPENSES-BEFORE OTHER</b>	4,022,570	1,034,632	9,324,343
<b>OTHER</b>			
Contributed assets	-	231,925	5,525,648
Government transfers for capital <i>(Schedule 3)</i>	35,254,550	6,441,301	5,235,568
<b>EXCESS (SHORTFALL) OF REVENUE OVER EXPENSES</b>	<u>39,277,120</u>	<u>7,707,858</u>	<u>20,085,559</u>
<b>ACCUMULATED SURPLUS, BEG OF YEAR</b>	<u>96,664,080</u>	<u>96,664,080</u>	<u>76,578,521</u>
<b>ACCUMULATED SURPLUS, END OF YEAR</b>	<u>\$ 135,941,200</u>	<u>\$ 104,371,938</u>	<u>\$ 96,664,080</u>

**TOWN OF SYLVAN LAKE**  
**Consolidated Statement of Cash Flows**  
**Year Ended December 31, 2009**

	2009	2008 <i>(Restated)</i>
<b>NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:</b>		
<b>OPERATING</b>		
Excess (deficiency) of revenues over expenditures	\$ 7,707,858	\$ 20,085,559
Non-cash items included in excess(deficiency) of revenue over expenses:		
Amortization of tangible capital assets	3,351,904	3,016,202
(Gain) loss on disposal of tangible capital assets	(9,076)	(41,309)
Tangible capital assets received as contributions	(231,925)	(5,525,648)
Non-cash charges to operations (net change):		
Decrease (increase) in taxes and grants in place of taxes	(206,700)	(95,607)
Decrease (increase) in trade and other receivables	(4,311,961)	3,443,900
Decrease (increase) in inventory for consumption	11,550	(16,488)
Decrease (increase) in prepaid expenses	73,496	(95,938)
Increase (decrease) in accounts payable and accrued liabilities	850,190	438,334
Increase (decrease) in deposit liabilities	(86,695)	(235,813)
Increase (decrease) in deferred revenue	119,205	(713,906)
Cash provided by (applied to) operating transactions	<u>7,267,846</u>	<u>20,259,286</u>
<b>CAPITAL</b>		
Acquisition of tangible capital assets	(12,425,695)	(12,789,858)
Proceeds on sale of tangible capital assets	78,336	41,309
Cash provided by (applied to) capital transactions	<u>(12,347,359)</u>	<u>(12,748,549)</u>
<b>INVESTING</b>		
Decrease (increase) in restricted cash and temp investments	(202,613)	679,530
Decrease (increase) in investments	10,800,000	(5,800,000)
Cash provided by (applied to) investing transactions	<u>10,597,387</u>	<u>(5,120,470)</u>
<b>FINANCING</b>		
Long-term debt issued	5,400,000	-
Long-term debt repaid	(175,997)	(344,645)
Cash provided by (applied to) financing transactions	<u>5,224,003</u>	<u>(344,645)</u>
<b>CHANGE IN CASH AND EQUIVALENTS DURING THE YEAR</b>	<b>10,741,877</b>	<b>2,045,622</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<b>7,123,146</b>	<b>5,077,524</b>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b><u>\$ 17,865,023</u></b>	<b><u>\$ 7,123,146</u></b>
<b>CASH AND CASH EQUIVALENTS ARE MADE UP OF:</b>		
Cash and temporary investments <i>(Note 2)</i>	\$ 21,686,666	\$ 10,742,176
Less restricted portion of cash and temporary investments <i>(Note 2)</i>	(3,821,643)	(3,619,030)
	<u>\$ 17,865,023</u>	<u>\$ 7,123,146</u>

**TOWN OF SYLVAN LAKE**  
**Consolidated Net Financial Assets (Debt)**  
**Year Ended December 31, 2009**

	Budget	2009	2008
<b>EXCESS (SHORTFALL) OF REVENUE OVER EXPENSES</b>	\$ 39,277,120	\$ 7,707,858	\$ 20,085,559
Acquisition of tangible capital assets	(35,254,550)	(12,425,695)	(12,789,858)
Contributed assets	-	(231,925)	(5,525,648)
Proceeds on disposal of tangible capital assets	-	78,336	41,309
Amortization of tangible capital assets	-	3,351,904	3,016,202
(Gain) loss on sale of tangible capital assets	-	(9,076)	(41,309)
	<u>(35,254,550)</u>	<u>(9,236,456)</u>	<u>(15,299,304)</u>
Acquisition of supplies inventory	-	-	(16,488)
Acquisition of prepaid assets	-	-	(95,938)
Use of supplies inventories	-	11,550	-
Use of prepaid assets	-	73,496	-
	<u>-</u>	<u>85,046</u>	<u>(112,426)</u>
<b>(INCREASE) DECREASE IN NET DEBT</b>	4,022,570	(1,443,552)	4,673,829
<b>NET FINANCIAL ASSETS (DEBT), BEG OF YEAR</b>	<u>13,688,808</u>	<u>13,688,808</u>	<u>9,014,979</u>
<b>NET FINANCIAL ASSETS (DEBT), END OF YEAR</b>	<u>\$ 17,711,378</u>	<u>\$ 12,245,256</u>	<u>\$ 13,688,808</u>

**TOWN OF SYLVAN LAKE**  
**Schedule of Consolidated Tangible Capital Assets**  
**Year Ended December 31, 2009**  
**Schedule 1**

	Land	Land Improvements	Buildings	Engineered Structures	Machinery & Equipment	Vehicles	2009	2008 (Restated)
<b>COST:</b>								
BALANCE, BEGINNING OF YEAR	\$ 4,223,028	\$ 2,367,000	\$ 15,047,313	\$ 89,678,853	\$ 1,545,430	\$ 2,392,869	\$ 115,254,493	\$ 96,938,987
Acquisition of tangible capital assets	-	422,637	366,398	2,726,078	196,412	431,414	4,142,939	18,315,506
Assets under construction	-	-	2,697,137	5,817,544	-	-	8,514,681	-
Disposal of tangible capital assets	-	-	-	(750,384)	(107,500)	(172,300)	(1,030,184)	-
Write down of tangible capital assets	-	-	-	-	-	-	-	-
BALANCE, END 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
<b>ACCUMULATED AMORTIZATION:</b>								
BALANCE, BEGINNING OF YEAR	-	373,508	4,767,529	25,033,635	834,132	1,710,291	32,719,095	29,702,893
Annual amortization	-	119,065	270,504	2,545,322	152,986	264,027	3,351,904	3,016,202
Accumulated amortization of disposals	-	-	-	(715,227)	(78,419)	(167,277)	(960,923)	-
BALANCE, END OF YEAR	-	492,573	5,038,033	26,863,730	908,699	1,807,041	35,110,076	32,719,095
<b>NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS</b>	<b>\$ 4,223,028</b>	<b>\$ 2,297,064</b>	<b>\$ 13,072,815</b>	<b>\$ 70,608,361</b>	<b>\$ 725,643</b>	<b>\$ 844,942</b>	<b>\$ 91,771,853</b>	<b>\$ 82,535,398</b>
<b>2008 NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS</b>	<b>\$ 4,223,028</b>	<b>\$ 1,993,492</b>	<b>\$ 10,279,784</b>	<b>\$ 64,645,218</b>	<b>\$ 711,298</b>	<b>\$ 682,578</b>	<b>\$ 82,535,398</b>	

**TOWN OF SYLVAN LAKE**  
**Schedule of Consolidated Property and Other Taxes**  
**Year Ended December 31, 2009**  
**Schedule 2**

	Budget	2009	2008
<b>TAXATION</b>			
Real property taxes	\$ 14,665,921	\$ 14,617,829	\$ 13,677,515
Linear property taxes	199,726	199,726	206,060
Business revitalization zone	41,600	40,570	40,927
Government grants in place of property taxes	21,530	21,530	21,911
Local improvement taxes	18,500	18,937	18,981
	<u>14,947,277</u>	<u>14,898,592</u>	<u>13,965,394</u>
<b>REQUISITIONS</b>			
Alberta School Foundation Fund	3,736,293	3,755,267	3,449,013
Red Deer Catholic Regional Division No. 39	486,834	491,587	454,539
Sylvan Lake Library	250,000	250,000	-
Sylvan Lake Lodge	245,125	245,124	245,124
	<u>4,718,252</u>	<u>4,741,978</u>	<u>4,148,676</u>
<b>NET MUNICIPAL TAXES</b>	<u>\$ 10,229,025</u>	<u>\$ 10,156,614</u>	<u>\$ 9,816,718</u>

**TOWN OF SYLVAN LAKE**  
**Schedule of Consolidated Government Transfers**  
**Year Ended December 31, 2009**  
**Schedule 3**

	Budget	2009	2008
<b>TRANSFERS FOR OPERATING:</b>			
Provincial Government	\$ 1,968,735	\$ 1,759,575	\$ 1,580,329
Other Local Governments	161,500	169,100	161,126
	<u>2,130,235</u>	<u>1,928,675</u>	<u>1,741,455</u>
<b>TRANSFERS FOR CAPITAL:</b>			
Provincial Government	35,254,550	4,587,842	5,235,568
Federal Government	-	1,853,459	-
	<u>35,254,550</u>	<u>6,441,301</u>	<u>5,235,568</u>
<b>TOTAL GOVERNMENT TRANSFERS</b>	<u>\$ 37,384,785</u>	<u>\$ 8,369,976</u>	<u>\$ 6,977,023</u>

**TOWN OF SYLVAN LAKE**  
**Schedule of Consolidated Expenditures by Object**  
**Year Ended December 31, 2009**  
**Schedule 4**

	Budget	2009	2008 <i>(Restated)</i>
<b>EXPENDITURES</b>			
Salaries, wages and benefits	\$ 6,815,608	\$ 6,599,717	\$ 5,750,405
Contracted and general services	3,919,581	3,617,564	3,147,584
Materials, goods, supplies and utilities	2,169,311	2,367,492	1,889,751
Purchases from other governments	1,342,104	1,288,022	1,133,736
Interest on long-term debt	276,963	352,395	289,190
Transfers to individuals and organizations	861,480	825,302	1,025,714
Other expenditures	544,655	584,682	63,410
Bank charges and short-term interest	7,800	8,247	8,823
Amortization of tangible capital assets	-	3,351,904	3,016,202
	<u>\$ 15,937,502</u>	<u>\$ 18,995,325</u>	<u>\$ 16,324,815</u>

**TOWN OF SYLVAN LAKE**  
**Schedule of Consolidated Segmented Information**  
**Year Ended December 31, 2009**  
**Schedule 5**

For the year ended December 31, 2009	General government	Protection services	Community services	Public works	Environment & Recycling	Water, waste & sewage	Parks, recreation & culture	Total
<b>Revenue</b>								
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
	<b>3,464,801</b>	<b>1,368,594</b>	<b>1,921,021</b>	<b>4,679,975</b>	<b>225,265</b>	<b>4,371,980</b>	<b>3,998,321</b>	<b>20,029,957</b>
<b>Expenses</b>								
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
	<b>4,302,073</b>	<b>1,368,594</b>	<b>1,921,021</b>	<b>4,679,975</b>	<b>225,265</b>	<b>2,500,076</b>	<b>3,998,321</b>	<b>18,995,325</b>
<b>Surplus (Deficit)</b>	<b>(837,272)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,871,904</b>	<b>-</b>	<b>1,034,632</b>

**TOWN OF SYLVAN LAKE**  
**Schedule of Consolidated Segmented Information (Continued)**  
**Year Ended December 31, 2009**  
**Schedule 5**

For the year ended December 31, 2008	General government	Protection services	Community services	Public works	Environment & Recycling	Water, waste & sewage	Parks, recreation & culture	Total
<b>Revenue</b>								
Net Municipal Taxes	6,855,588	418,223	-	-	-	-	2,542,907	9,816,718
User fees and sales of goods	27,019	24,460	145,617	9,823	159,165	3,620,737	241,530	4,228,351
Government transfers for operating	73,258	530,310	1,049,887	-	-	-	88,000	1,741,455
Franchise and concession contracts	675,360	-	-	-	-	-	3,416	678,776
Licenses and permits	-	26,143	570,596	-	-	-	-	596,739
Development levies	-	-	-	1,962,684	-	1,179,230	-	3,141,914
Fines and costs	-	280,261	-	2,000	-	-	-	282,261
Investment income	670,195	-	-	-	-	-	-	670,195
Penalties and cost of taxes	151,373	-	-	69,193	-	21,012	-	241,578
Gain on disposal of capital assets	-	-	-	41,309	-	-	-	41,309
Other	22,308	29,895	54,715	3,777,632	-	20,400	304,912	4,209,862
	8,475,101	1,309,292	1,820,815	5,862,641	159,165	4,841,379	3,180,765	25,649,158
<b>Expenses</b>								
Salaries, wages, and benefits	1,388,087	677,531	905,645	893,784	4,259	486,913	1,394,186	5,750,405
Contracted and general services	539,164	481,962	605,412	138,653	138,465	495,850	748,078	3,147,584
Materials, goods, supplies, and utilities	89,402	97,242	70,335	710,919	5,090	362,359	554,404	1,889,751
Purchases from other governments	1,133,736	-	-	-	-	-	-	1,133,736
Interest on long term debt	-	-	-	19,733	-	111,503	157,954	289,190
Transfers to individuals and organizations	1,025,714	-	-	-	-	-	-	1,025,714
Bank charges and short term interest	7,245	-	-	-	-	-	1,578	8,823
Amortization	15,814	52,557	-	1,879,360	-	743,906	324,565	3,016,202
Other expenditures	63,410	-	-	-	-	-	-	63,410
	4,262,572	1,309,292	1,581,392	3,642,449	147,814	2,200,531	3,180,765	16,324,815
<b>Surplus (Deficit)</b>	4,212,529	-	239,423	2,220,192	11,351	2,640,848	-	9,324,343

**TOWN OF SYLVAN LAKE**  
**Notes to Consolidated Financial Statements**  
**Year Ended December 31, 2009**

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**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 decision 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.

**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

*(continues)*

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**TOWN OF SYLVAN LAKE**  
**Notes to Consolidated Financial Statements**  
**Year Ended December 31, 2009**

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

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**

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:

*(continues)*

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**TOWN OF SYLVAN LAKE**  
**Notes to Consolidated Financial Statements**  
**Year Ended December 31, 2009**

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

	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

	2009	2008
Cash	\$ 21,686,666	\$ 3,242,176
Temporary investments	-	7,500,000
	\$ 21,686,666	\$ 10,742,176

Included in cash are restricted amounts of \$3,821,643 (2008 - \$3,619,030). Restricted cash includes all funds received through federal and provincial grant programs.

3. TAXES AND GRANTS IN PLACE OF TAXES RECEIVABLES

	2009	2008
Current	\$ 565,617	\$ 454,838
Arrears	165,658	69,735
	\$ 731,275	\$ 524,573

**TOWN OF SYLVAN LAKE**  
**Notes to Consolidated Financial Statements**  
**Year Ended December 31, 2009**

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4. DEFERRED REVENUE

	2009	2008
Alberta Municipal Infrastructure Program grant	\$ 2,072,120	\$ 1,370,713
Streets Improvement grant	603,189	963,655
Affordable Housing grant	504,156	555,200
Municipal Sustainability Initiative grant	223,595	362,925
Community Facility Enhancement Program grant	125,000	125,000
New Deal for Cities and Communities grant	113,821	87,864
2009/2010 Policing grant	72,230	106,773
Creating Child Care choices grant	68,117	-
Other deferred revenue	64,395	141,013
Prepaid local improvement charges	12,266	15,338
Regional Partnerships Initiative grant	-	11,201
	<b>\$ 3,858,889</b>	<b>\$ 3,739,682</b>

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 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. In 2009 the Town received \$125,000 to use towards trail development. These funds will be used for future trail development

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 2009. \$363,490 was recognized in operating transfers in 2009 with \$72,230 deferred to 2009. During 2009 the Province of Alberta assumed responsibility for ambulance services.

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

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

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**TOWN OF SYLVAN LAKE**  
**Notes to Consolidated Financial Statements**  
**Year Ended December 31, 2009**

5. LONG TERM DEBT

Alberta Capital Finance Authority \$9,456,090 (2008 - \$4,232,087)

	Principal	Interest	Total
2010	\$ 298,906	\$ 519,838	\$ 818,744
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
Thereafter	7,789,887	3,846,619	11,636,506
	<u>\$ 9,456,090</u>	<u>\$ 6,251,768</u>	<u>\$ 15,807,858</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 6.39% for 2009 (2008 - 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 \$352,395 (2008 - \$289,190)

6. TANGIBLE CAPITAL ASSETS

	2009	2008 (Restated)
Land	\$ 4,223,028	\$ 4,223,028
Land improvements	2,297,064	1,993,492
Buildings	10,375,678	10,279,784
Buildings - construction in progress	2,697,137	-
Roadway system	28,526,144	27,921,064
Roadway system - construction-in-progress	4,632,087	-
Water distribution system	14,224,560	14,481,935
Water system - construction in progress	1,185,459	-
Wastewater treatment system	13,336,961	14,334,056
Stormwater systems	8,703,150	7,658,163
Machinery, equipment and furnishings	725,643	711,298
Vehicles	844,942	682,578
	<u>\$ 91,771,853</u>	<u>\$ 82,285,398</u>

7. ACCUMULATED SURPLUS

	2009	2008 (Restated)
Unrestricted surplus (deficit)	\$ 4,010,535	\$ 367,541
Capital	16,466,569	16,224,638
Operating	1,579,071	1,768,590
Equity in tangible capital assets	82,315,763	78,303,311
	<u>\$ 104,371,938</u>	<u>\$ 96,664,080</u>

**TOWN OF SYLVAN LAKE**  
**Notes to Consolidated Financial Statements**  
**Year Ended December 31, 2009**

8. EQUITY IN TANGIBLE CAPITAL ASSETS

	2009	2008 (Restated)
Tangible capital assets (Schedule 1)	\$ 126,881,929	\$ 115,254,493
Accumulated amortization (Schedule 1)	(35,110,076)	(32,719,095)
Long-term debt (Note 5)	(9,456,090)	(4,232,087)
	<b>\$ 82,315,763</b>	<b>\$ 78,303,311</b>

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:

	2009	2008
Total debt limit	\$ 30,031,322	\$ 38,473,737
Total debt	9,456,090	4,232,087
Amount of debt limit unused	<b>\$ 20,575,232</b>	<b>\$ 34,241,650</b>
Debt servicing limit	\$ 5,005,220	\$ 6,412,290
Debt servicing	818,744	458,430
Amount of debt servicing limit unused	<b>\$ 4,186,476</b>	<b>\$ 5,953,860</b>

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, 2009**

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10. SEGMENTED INFORMATION (Schedule 5)

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.

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**TOWN OF SYLVAN LAKE**  
**Notes to Consolidated Financial Statements**  
**Year Ended December 31, 2009**

11. SALARY AND BENEFITS DISCLOSURE

	Salary	Benefits & Allowances	2009	2008
Mayor Samson	\$ 12,318	\$ 6,159	\$ 18,477	\$ 26,791
Councillor Backs	8,297	4,149	12,446	14,743
Councillor Sills-Fiedler	8,880	4,440	13,320	14,183
Councillor Barnes	7,594	3,797	11,391	12,874
Councillor MacVicar	7,645	3,823	11,468	11,811
Councillor Payne	6,725	3,362	10,087	10,936
Councillor Peck	7,016	3,508	10,524	10,002
Chief Administrative Officer	128,966	20,842	149,808	141,624
Designated Officers (2)	179,566	32,351	211,917	198,717

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

	2009	2008
Vacation and overtime	\$ 172,141	\$ 166,533

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 179,000 members and 407 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 2009 were \$330,752 (2008 - \$271,095). Total current service contributions by the employees of the Town to the Local Authorities Pension Plan in 2009 were \$294,776 (2008 - \$238,739).

At December 31, 2008, the LAPP disclosed an actuarial deficiency of \$4.4 billion.

**TOWN OF SYLVAN LAKE**  
**Notes to Consolidated Financial Statements**  
**Year Ended December 31, 2009**

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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.

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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>2009</u>
Financial Plan (Budget) Bylaw surplus for the year	\$ -
Budgeted net transfers to reserves	2,988,358
Transfers to capital	858,300
Debt repayment	175,912
Capital expenditures	<u>35,254,550</u>
Budget surplus per statement of operations	<u>\$ 39,277,120</u>

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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.

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**TOWN OF SYLVAN LAKE**  
**Notes to Consolidated Financial Statements**  
**Year Ended December 31, 2009**

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17. PRIOR PERIOD ADJUSTMENTS

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

	<u>2008</u>
<b>Adjustments to opening accumulated surplus:</b>	
As previously reported	\$ 79,612,428
Adjustment to net book value of tangible capital assets	<u>(3,033,907)</u>
As restated	<u>\$ 76,578,521</u>
<b>Adjustments to shortfall of revenues over expenses:</b>	
As previously reported	\$ 4,786,255
Tangible capital assets recorded but previously expensed	18,315,506
Annual amortization expense	<u>(3,016,202)</u>
As restated	<u>\$ 20,085,559</u>
<b>Adjustments to tangible capital assets:</b>	
As previously reported	\$ 82,809,860
Adjustments to historical cost of tangible capital assets	32,444,633
Accumulated amortization recorded	<u>(32,719,095)</u>
As restated	<u>\$ 82,535,398</u>

Certain comparative figures have been restated to conform to the current year's presentation.

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18. SUBSEQUENT EVENTS

As at April 12, 2010, the Chief Administrative Officer (CAO) was terminated. A severance was paid in the amount of \$229,380, not including overtime and vacation pay. The Town has been discharged of any additional legal obligations in this matter.

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