

**TOWN OF CLARESHOLM**

**Financial Statements**

**For the year ended December 31, 2010**

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**TOWN OF CLARESHOLM**  
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**For the year ended December 31, 2010**

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# Young Parkyn McNab LLP

CHARTERED ACCOUNTANTS

## INDEPENDENT AUDITORS' REPORT

To: The Mayor and Members of Council of  
the Town of Claresholm

We have audited the consolidated statement of financial position of the Town of Claresholm as at December 31, 2010, the consolidated statement of operations, the consolidated statement of change in net financial debt and the consolidated statement of cash flow 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 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*

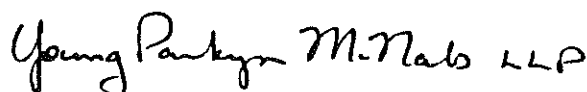
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Town of Claresholm as at December 31, 2010 and its financial performance and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

### *Emphasis of matter*

We draw attention to note 14 to the financial statements which describes the amendments made to the prior year's figures. Our audit opinion is not qualified in respect of this matter.

Lethbridge, Alberta

April 11, 2011



Chartered Accountants

## **MANAGEMENT REPORT**

The consolidated financial statements are the responsibility of the management of the Town of Claresholm.

These consolidated financial statements have been prepared from information provided by management. Financial statements are not precise since they include certain amounts based on estimates and judgments. Management has determined such amounts on a reasonable basis in order to ensure that the financial statements are presented fairly, in all material respects.

The Town maintains systems of internal accounting and administrative controls that are designed to provide reasonable assurance that the financial information is relevant, reliable and accurate and that the Town's assets are properly accounted for and adequately safeguarded.

The elected Council of the Town of Claresholm is responsible for ensuring that management fulfils its responsibilities for financial statements. Council carries out its responsibility principally through the Audit Committee.

The Council meets annually with management and the external auditors to discuss internal controls over the financial reporting process, auditing matters and financial reporting issues, and to satisfy itself that each party is properly discharging its responsibilities. Council also considers the engagement or re-appointment of the external auditors. Council reviews the monthly financial reports.

The consolidated financial statements have been audited by Young Parkyn McNab LLP, Chartered Accountants, the external auditors, in accordance with Canadian generally accepted auditing standards on behalf of the Council, residents and ratepayers of the Town. Young Parkyn McNab LLP has full and free access to the Council.

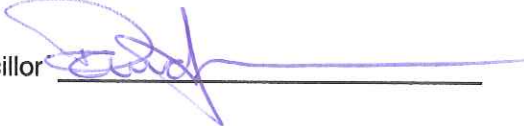
Chief Administrative Officer

**TOWN OF CLARESHOLM**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**As at December 31, 2010**

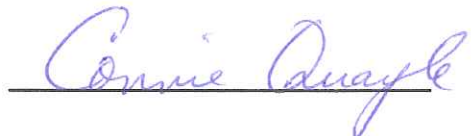
	2010	2009
<b>Financial assets</b>		
Cash and temporary investments (note 2)	\$ 2,714,798	\$ 7,337,305
Taxes and grants in place of taxes receivable (note 3)	270,514	246,863
Trade and other receivables	605,632	296,160
Land held for resale	175,362	154,922
	<u>3,766,306</u>	<u>8,035,250</u>
<b>Liabilities</b>		
Term loan	-	60,000
Accounts payable and accrued liabilities	349,001	1,936,041
Employee benefit obligations (note 5)	134,084	129,793
Deposits	39,317	35,376
Deferred revenue (note 6)	625,260	3,279,272
Long-term debt (note 7)	4,676,352	4,819,819
	<u>5,824,014</u>	<u>10,260,301</u>
<b>Net financial debt</b>	<u>(2,057,708)</u>	<u>(2,225,051)</u>
<b>Non-financial assets</b>		
Prepaid expenses	3,976	7,383
Inventory for consumption	191,182	223,660
Tangible capital assets (schedule 1)	50,349,213	45,372,352
	<u>50,544,371</u>	<u>45,603,395</u>
<b>Accumulated surplus (note 10)</b>	<u>\$ 48,486,663</u>	<u>\$ 43,378,344</u>

Approved on behalf of Council:

Councillor



Councillor



**TOWN OF CLARESHOLM**  
**CONSOLIDATED STATEMENT OF OPERATIONS**  
For the year ended December 31, 2010

	Budget (Unaudited)	2010	2009 (restated)
<b>Revenue</b>			
Net municipal taxes (note 11)	\$ 2,679,079	\$ 2,696,144	\$ 2,667,377
User fees and sales of goods	1,472,200	1,471,639	1,517,454
Government transfers for operating (note 12)	227,312	413,915	3,540,885
Investment income	10,000	24,193	40,931
Penalties and costs of taxes	98,500	92,109	98,006
Licenses and permits	73,100	58,405	76,805
Franchise and concession contracts	100,000	108,737	100,197
Rental	99,000	111,502	105,728
Other	119,500	125,116	178,764
Family and community support services	216,320	221,364	288,997
	5,095,011	5,323,124	8,615,144
<b>Expenses (note 13)</b>			
Legislative	53,300	56,840	48,869
Administration	945,717	923,450	942,193
Fire	116,750	103,812	99,665
Ambulance services and first aid	-	-	31,971
Bylaw enforcement	93,000	80,922	85,962
Common and equipment pool	696,500	680,517	519,448
Roads, streets, walks and lighting	1,090,000	843,031	878,880
Airport	16,700	17,729	16,945
Storm sewers and drainage	143,000	112,683	124,895
Water supply and distribution	989,799	1,272,161	4,318,203
Wastewater treatment and disposal	360,295	226,708	218,577
Solid waste management	306,000	301,414	301,152
Family and community support services	216,320	218,729	301,259
Day care	48,126	52,126	72,616
Cemeteries and crematoriums	19,350	21,977	15,014
Other public health and welfare	60,886	59,578	58,114
Planning and development	255,450	195,649	185,692
Parks and recreation	766,940	754,701	768,940
Culture - libraries, museums and halls	282,020	290,028	286,218
	6,460,153	6,212,055	9,274,613
<b>Deficiency of revenue over expenses before other</b>	(1,365,142)	(888,931)	(659,469)
<b>Other</b>			
Government transfers for capital (note 12)	4,971,954	5,623,157	6,711,420
Assets contributed by developer	-	374,093	-
	4,971,954	5,997,250	6,711,420
<b>Excess of revenue over expenses</b>	3,606,812	5,108,319	6,051,951
<b>Accumulated surplus, beginning of year</b>			
As previously stated	43,629,889	43,629,889	37,585,088
Prior period adjustments (note 14)	-	(251,545)	(258,695)
As restated	43,629,889	43,378,344	37,326,393
<b>Accumulated surplus, end of year</b>	\$ 47,236,701	\$ 48,486,663	\$ 43,378,344

**TOWN OF CLARESHOLM**  
**CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL DEBT**  
For the year ended December 31, 2010

	Budget Unaudited	2010	2009 (restated)
<b>Excess of revenue over expenses</b>	\$ 3,606,812	\$ 5,108,319	\$ 6,051,951
Acquisition of tangible capital assets	(7,451,140)	(5,922,276)	(6,412,853)
Amortization	1,621,000	1,304,754	1,136,558
Assets contributed by developer	-	(374,093)	-
Loss on disposal of tangible capital assets	-	12,367	38,403
Proceeds on disposal of tangible capital assets	-	2,380	23,315
	(5,830,140)	(4,976,868)	(5,214,577)
Net change in inventory for consumption	-	32,485	(22,725)
Net change in prepaid expense	-	3,407	(1,267)
	-	35,892	(23,992)
<b>Change in net financial debt</b>	(2,223,328)	167,343	813,382
<b>Net financial debt, beginning of year</b>	(2,225,051)	(2,225,051)	(3,038,433)
<b>Net financial debt, end of year</b>	\$ (4,448,379)	\$ (2,057,708)	\$ (2,225,051)

**TOWN OF CLARESHOLM**  
**CONSOLIDATED STATEMENT OF CASH FLOW**  
For the year ended December 31, 2010

	2010	2009
<b>Operating transactions</b>		
Excess of revenue over expenses	\$ 5,108,319	\$ 6,051,951
Adjustments for items which do not affect cash		
Loss on disposal of tangible capital assets	12,367	38,403
Amortization	1,304,754	1,136,558
Assets contributed by developer	(374,093)	-
	6,051,347	7,226,912
Net change in non-cash working capital items		
Taxes and grants in place of taxes receivable	(23,651)	(69,710)
Trade and other receivables	(309,472)	216,807
Land held for resale	(20,440)	3,258
Inventory for consumption	32,485	(22,725)
Prepaid expenses	3,407	(1,267)
Accounts payable and accrued liabilities	(1,587,040)	1,102,637
Employee benefit obligations	4,291	6,168
Deposits	3,941	11,980
Deferred revenue	(2,654,012)	(287,471)
	1,500,856	8,186,589
<b>Capital transactions</b>		
Proceeds on disposal of tangible capital assets	2,380	23,315
Acquisition of tangible capital assets	(5,922,276)	(6,412,853)
	(5,919,896)	(6,389,538)
<b>Financing transactions</b>		
Temporary loan	(60,000)	(70,000)
Repayment of long-term debt	(143,467)	(135,413)
	(4,622,507)	1,591,638
<b>(Decrease) increase in cash and temporary investments</b>	<b>(4,622,507)</b>	<b>1,591,638</b>
<b>Cash and temporary investments, beginning of year</b>	<b>7,337,305</b>	<b>5,745,667</b>
<b>Cash and temporary investments, end of year</b>	<b>\$ 2,714,798</b>	<b>\$ 7,337,305</b>

**1. Significant accounting policies**

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

(a) Reporting entity

The consolidated financial statements reflect the assets, liabilities, revenue and expenditures, changes in fund balances and change in financial position of the reporting entity which comprises all of the organizations that are owned or controlled by the Town and are, therefore, accountable to the Council for the administration of their financial affairs and resources. Included with the municipality is the Town of Claresholm Family and Community Support Services.

Taxes levied also includes requisitions for educational, health care, social and other external organizations that are not part of the municipal reporting entity.

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

(b) Basis of accounting

The financial statements are prepared using the accrual basis of accounting. The accrual basis of accounting records revenue as it is earned and measurable. Expenses are recognized as they are incurred and measurable based upon receipt of goods or services and/or the legal obligation to pay.

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

Government transfers, contributions and other amounts are received from third parties pursuant to legislation, regulation or agreement and may only be used for certain programs, in the completion of specific work, or for the purchase of tangible capital assets. In addition, certain user charges and fees are collected for which the related services have yet to be performed. Revenue is recognized in the period when the related expenses are incurred, services performed or the tangible capital assets are acquired.

(c) Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expense 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) Investments

Investments are recorded at amortized cost. Investment premiums and discounts are amortized on the net present value basis over the term of the respective investments. When there has been a loss in value that is other than a temporary decline, the respective investment is written down to recognize the loss.

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**TOWN OF CLARESHOLM**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
For the year ended December 31, 2010

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(e) Debt charges recoverable

Debt charges recoverable consist of amounts that are recoverable from municipal agencies or other local governments with respect to outstanding debentures or other long-term debt pursuant to annexation orders or joint capital undertakings. These recoveries are recorded at a value that equals the offsetting portion of the unmatured long-term debt, less actuarial requirements for the retirement of any sinking fund debentures.

(f) Requisition over-levy and under-levy

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

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

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

(g) Inventories for resale

Land held for resale is recorded at the lower of cost and 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 waste water services, roads, sidewalks, and street lighting are recorded as physical assets under their respective function.

(h) Prepaid local improvements charges

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

Where a taxpayer has elected to prepay the outstanding local improvement charge, 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 borrowing, the deferred revenue is amortized to the revenue by an amount equal to the debt repayment.

(i) 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 a 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.

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**TOWN OF CLARESHOLM**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
For the year ended December 31, 2010

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(j) Non-financial assets

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the normal course of operations. The change in non-financial assets during the year, together with the excess of revenues over expenses, provides the consolidated Change in Net Financial Debt for the year.

(i) Tangible capital assets

Tangible capital assets are recorded at cost which includes all amounts that are directly attributable to acquisition, construction, development or betterment of the asset. The cost, less residual value, of the tangible capital assets is amortized on a straight-line basis over the estimated useful life as follows:

	Years
Land improvements	10-25
Buildings	25-50
Engineered structures	5-75
Machinery and equipment	5-40

One-half of the annual amortization is charged in the year of acquisition and in the year of disposal. Assets under construction are not amortized until the asset is available for productive use.

(ii) Contributions of tangible capital assets

Tangible capital assets received as contributions are recorded at fair value at the date of receipt and also are recorded as revenue.

(iii) 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.

(iv) Inventories

Inventories held for consumption are recorded at the lower of cost and replacement cost.

(v) Cultural and historical tangible capital assets

Works of art for display are not recorded as tangible capital assets but are disclosed.

**TOWN OF CLARESHOLM**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
For the year ended December 31, 2010

**2. Cash and temporary investments**

	2010	2009
Cash (cheques issued in excess of cash on deposit)	\$ 59,810	\$ (157,927)
Temporary investments	2,654,988	7,495,232
	<b>\$ 2,714,798</b>	<b>\$ 7,337,305</b>

Included in cash and short-term investments is \$39,317 (2009 - \$35,376) of deposit liability funds which are not available for current purposes.

Temporary investments consists of one to three month term deposits with varying interest rates of 1.07% to 1.3% if held to maturity.

**3. Taxes and grants in place of taxes receivables**

	2010	2009
Current year	\$ 189,489	\$ 185,019
Arrears	81,025	61,844
	<b>\$ 270,514</b>	<b>\$ 246,863</b>

**4. Temporary Loan**

A temporary loan has been authorized by the Alberta Treasury Branches to a maximum of \$450,000 which bears interest at 2.45%. Security pledged includes a general security agreement. As at December 31, 2010 there was no balance outstanding.

**5. Employee benefit obligations**

	2010	2009
Vacation	\$ 92,622	\$ 90,248
Sick time	41,462	39,545
	<b>\$ 134,084</b>	<b>\$ 129,793</b>

**Vacation and overtime**

Employee benefit obligations is comprised of the vacation and sick time that employees are deferring to future years. Employees have either earned the benefits (and they are vested) or are entitled to these benefits within the next budgetary year.

**TOWN OF CLARESHOLM**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
For the year ended December 31, 2010

**6. Deferred revenue**

The deferred revenue balance represents funds received for specific purposes that have not been spent by year end. Deferred revenue consists of the following:

	2010	2009 (restated)
Taxi token prepayments	\$ 4,218	\$ 4,311
Parking fund	3,558	3,558
Subdivision fund	35,541	35,529
Walking path fund	1,936	1,927
Sundry trust	300,772	360,574
Offsite levies	58,674	58,169
AMWWP grant monies (water treatment plant and pipelines)	85,425	2,070,815
MSI grant monies	135,136	744,389
	<b>\$ 625,260</b>	<b>\$ 3,279,272</b>

**7. Long-term debt**

	2010	2009
Debentures supported by general tax levies	\$ 71,615	\$ 91,705
Debentures supported by utility rates	4,604,737	4,728,114
	<b>\$ 4,676,352</b>	<b>\$ 4,819,819</b>
Current portion	\$ 152,020	\$ 143,467

Principal and interest repayments are due as follows:

	Principal	Interest	Total
2011	\$ 152,020	\$ 251,379	\$ 403,399
2012	161,102	242,297	403,399
2013	170,750	232,648	403,398
2014	152,772	222,398	375,170
2015	161,158	214,012	375,170
Thereafter	3,878,550	2,011,495	5,890,045
	<b>\$ 4,676,352</b>	<b>\$ 3,174,229</b>	<b>\$ 7,850,581</b>

Debenture debt is repayable to Alberta Capital Finance Authority and bears interest at rates ranging from 5.24% to 9.375% per annum, before Provincial subsidy, and matures in periods 2013 through 2033. The average annual interest rate is 7.75% (7.75% for 2009). For qualifying debentures, the Province of Alberta rebates 60% of interest in excess of 8%, 9%, and 11% to a maximum annual rate of 12.5%, depending on the date borrowed. Debenture debt is issued on the credit and security of the Town of Claresholm at large.

**TOWN OF CLARESHOLM**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
For the year ended December 31, 2010

**7. Long-term debt, continued**

Interest on long-term debt amounted to \$257,799 (2009 - \$266,004). The Town's total cash payments for interest in 2010 were \$259,931 (2009 - \$267,986).

**8. Reserves**

Reserves for operating and capital activities are as follows:

	2010	2009
<b>Operating</b>		
Waterline replacement	\$ 20,000	\$ 20,000
Cemetery	723	723
Office	28,780	28,780
Arena renovation	8,500	8,500
Waterworks	15,000	15,000
Garbage equipment	25,739	25,739
Debt reduction	292,453	292,453
Sewer main replacement	35,000	35,000
Fire truck	8,819	8,819
Fill dirt	11,427	11,427
Water pumps	2,500	2,500
Ball diamonds	245	245
General	159,206	159,206
Trust accounts	56,558	56,558
Physician recruitment fund	13,507	11,670
	678,457	676,620
<b>Capital</b>		
General administration	17,739	17,739
Water supply	78,867	78,867
Sewer	74,003	74,003
Subdivision	8,510	8,510
Acreage assessment	100,368	100,368
Airport land sales	43,844	43,844
Residential land sales	5,878	129,787
Industrial land sales	71,240	71,240
Town land	25,163	25,163
Tax recovery land	11,854	11,854
Tamarack subdivision	25,149	25,149
Enforcement vehicle	16,000	16,000
Backhoe	40,000	40,000
Drainage project	102,000	102,000
Garbage	18,000	18,000
Parks replacement	35,806	20,000
Museum depot deck	6,000	-
	680,421	782,524
	\$ 1,358,878	\$ 1,459,144

**TOWN OF CLARESHOLM**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
For the year ended December 31, 2010

**9. Equity in tangible capital assets**

	2010	2009 (restated)
Tangible capital assets (schedule 1)	\$ 76,887,279	\$ 70,638,912
Accumulated amortization (schedule 1)	(26,538,066)	(25,266,560)
Long-term debt (note 7)	(4,676,352)	(4,819,819)
	\$ 45,672,861	\$ 40,552,533

**10. Accumulated surplus**

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

	2010	2009 (restated)
Unrestricted surplus	\$ 1,454,924	\$ 1,366,667
Internally restricted surplus (reserves) (note 8)	1,358,878	1,459,144
Equity in tangible capital assets (note 9)	45,672,861	40,552,533
	\$ 48,486,663	\$ 43,378,344

**11. Net municipal property taxes**

	Budget (Unaudited)	2010	2009
<b>Taxation</b>			
Real property taxes	\$ 3,550,996	\$ 3,567,903	\$ 3,452,292
Linear property taxes	92,434	92,434	106,245
Government grants in place of property taxes	82,406	82,406	83,073
Special assessments and local improvements	46,000	46,159	46,782
	3,771,836	3,788,902	3,688,392
<b>Requisitions</b>			
Alberta School Foundation Fund	1,012,517	1,012,518	948,981
Porcupine Hills Lodge	80,240	80,240	72,034
	1,092,757	1,092,758	1,021,015
	\$ 2,679,079	\$ 2,696,144	\$ 2,667,377

**TOWN OF CLARESHOLM**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
For the year ended December 31, 2010

**12. Government transfers**

	Budget (Unaudited)	2010	2009
<b>Transfers for operating:</b>			
Government transfers for operating	\$ 227,312	\$ 413,915	\$ 3,540,885
<b>Transfers for capital</b>			
Shared-cost agreements and grants	4,971,954	5,623,157	6,711,420
	<b>\$ 5,199,266</b>	<b>\$ 6,037,072</b>	<b>\$ 10,252,305</b>

**13. Expenditures by object**

	Budget (Unaudited)	2010	2009 (restated)
Salaries, wages and benefits	\$ 1,896,114	\$ 1,905,182	\$ 1,811,750
Contracted and general services	1,167,056	1,048,954	1,028,535
Materials, goods, supplies and utilities	1,107,836	1,256,194	4,484,797
Bank charges and short term interest	2,367	2,749	1,555
Interest on long term debt	259,934	257,799	266,004
Other expenditures	137,500	153,138	190,754
Provision for allowances	3,000	521	2,327
Transfers to organizations and others	20,720	20,720	54,914
Purchases from other governments	244,626	249,676	259,016
Loss on disposal of tangible capital assets	-	12,368	38,403
Amortization	1,621,000	1,304,754	1,136,558
	<b>\$ 6,460,153</b>	<b>\$ 6,212,055</b>	<b>\$ 9,274,613</b>

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**TOWN OF CLARESHOLM**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
For the year ended December 31, 2010

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**14. Prior period adjustments**

The Town's accumulated surplus as at January 1, 2010 has been restated to correct tangible capital assets and deferred revenue. Accumulated surplus as at January 1, 2010 has been reduced by \$251,545, as a result of a decrease in deferred revenue of \$264,035 and a decrease in tangible capital assets of \$515,580.

**Adjustments to January 1, 2009 accumulated surplus:**

As previously reported	\$ 37,585,088
Adjustment to net book value of tangible capital assets	(522,732)
Adjustment to deferred revenue	264,037
<hr/>	
<b>As restated</b>	<b>\$ 37,326,393</b>

**Adjustments to deficiency of revenue over expenses for the year ended**

**December 31, 2009:**

As previously reported	\$ 6,044,802
Amortization	7,149
<hr/>	
<b>As restated</b>	<b>\$ 6,051,951</b>

**Adjustments to tangible capital assets as at December 31, 2009:**

As previously reported	\$ 45,887,930
Reduction of historical cost of tangible capital assets regarding donated asset	(354,877)
Increase accumulated amortization recorded due to calculation error	(160,701)
<hr/>	
<b>As restated</b>	<b>\$ 45,372,352</b>

**TOWN OF CLARESHOLM**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
For the year ended December 31, 2010

**15. Salary and benefits disclosure**

Disclosure of salaries and benefits for elected municipal officials, the chief administrative officer and designated officers as required by Alberta Regulation 313/2000 is as follows:

	(1)	(2)	2010	2009
	Salary	Benefits & allowances		
<b>Council</b>				
Mayor Moore	\$ 5,710	\$ 660	\$ 6,370	\$ 4,114
Mayor Steel	9,136	1,044	10,180	12,245
Councillor Fieguth	1,592	574	2,166	-
Councillor Hubka	1,026	419	1,445	-
Councillor Isaacson	5,594	538	6,132	9,533
Councillor Leonard	2,749	73	2,822	4,215
Councillor MacPherson	5,506	1,229	6,735	4,873
Councillor Quayle	4,631	543	5,174	3,931
Councillor Sutter	7,853	2,842	10,695	7,914
Councillor Van Amerongen	1,722	597	2,319	-
Chief Administrative Officer	84,634	16,632	101,266	96,571
Designated Officers (2 positions)	\$ 122,269	\$ 27,267	\$ 149,536	\$ 141,584

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

(2) Benefits and allowances include the employer's share of all employee 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, long- and short-term disability plans, professional memberships, and tuition. These figures also include the employer's share of the costs of additional taxable benefits including special leave with pay, financial planning services, retirement planning services, concessionary loans, travel allowances, car allowances, and club memberships.

Benefits and allowances figures also include the employer's share of the costs of additional taxable benefits including special leave with pay, financial planning services, retirement planning services, concessionary loans, travel allowances, car allowances, and club memberships.

**TOWN OF CLARESHOLM**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
For the year ended December 31, 2010

**16. 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 be disclosed as follows:

	2010	2009
Total debt limit	\$ 8,545,823	\$ 12,922,713
Total debt	5,711,685	5,862,486
	\$ 2,834,138	\$ 7,060,227
Debt servicing limit	\$ 1,424,304	\$ 2,153,786
Debt servicing	403,399	403,399
	\$ 1,020,905	\$ 1,750,387

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 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.

The total debt of \$5,711,685 includes the principal balance of the loan guarantee (\$1,035,333) for the Claresholm Golf Club, as disclosed in note 19.

**17. Local authorities pension plan**

Employees of the Town participate in the Local Authorities Pension Plan (LAPP), which is one of the plans covered by the Alberta Public Sector Pensions Plans Act. The plan serves about 199,800 people and 418 employers. The LAPP is financed by the 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 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 to the LAPP in 2010 were \$106,977 (2009 - \$92,375). Total current service contributions by the employees of the Town to the LAPP in 2010 were \$95,753 (2009 - \$81,934).

At December 31, 2009, the LAPP disclosed an actuarial deficiency of \$3,999 million.

**18. Financial instruments**

The Town's financial instruments consist of cash and short-term investments, receivables, temporary loan, accounts payable and accrued liabilities, employee benefit obligations and long-term debt. It is management's opinion that the Town is not exposed to significant interest or currency risk arising from these financial instruments. Unless otherwise noted, the fair value of these financial instruments approximates their carrying values.

The Town is subject to credit risk with respect to taxes and grants in place of taxes receivable and trade and other receivables. Credit risk arises from the possibility that taxpayers and entities to which the Town provides services may experience financial difficulty and be unable to fulfill their obligations. The large number and diversity of taxpayers and customers minimizes the credit risk.

Unless otherwise noted, the carrying value of the financial instruments approximates fair value.

The Town of Claresholm is subject to credit risk with respect to taxes and grants in place of taxes receivables and trade and other receivables. Credit risk arises from the possibility that taxpayers and entities to which the Town provides services may experience financial difficulty and be unable to fulfill their obligations. The large number and diversity of taxpayers and customers minimizes the credit risk.

Unless otherwise noted, the carrying value of the financial instrument approximates fair value.

**19. Contingency and commitments**

The Town is a member of the Alberta Municipal Insurance Exchange (MUNIX) which provides liability insurance. 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.

The Town has guaranteed a Macleod Savings and Credit Union Ltd. loan to the Claresholm Golf Club to a maximum of \$1,325,000. As at December 31, 2010, the principal balance of the loan was \$1,035,333.

The Town has made a commitment to the Municipal District of Willow Creek to pay for one half of the costs for monitoring and maintenance of the Municipal District of Willow Creek's landfill for the next 10 years.

The Town of Claresholm has entered an agreement with the Town of Granum for the conveyance and supply of potable water. This agreement is in effect until December 31, 2034.

The Town has future commitments for a sanitary sewer main project in 2011. The cost to the Town will be \$430,000 which will be paid over 10 years.

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**TOWN OF CLARESHOLM**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
For the year ended December 31, 2010

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**20. Budget amounts**

The 2010 budget for the Town was approved by Council on May 13, 2010 and has been reported in the consolidated financial statements for information purposes only. These budget amounts have not been audited, reviewed, or otherwise verified.

The approved budget contained reserve transfers, capital additions and principal payments on debt as expenditures. Since these items are not included in the amounts reported in the consolidated financial statements, they have been excluded from the budget amounts presented in these financial statements.

Budgeted surplus per financial statements	\$ 3,606,812
Less: Capital expenditures	(7,451,140)
Long-term debt repayments	(143,472)
Add: Amortization	1,621,000
Transfers from reserves	2,366,800
<u>Equals: Balanced budget</u>	<u>\$ -</u>

**21. Comparative figures**

Where necessary the comparative figures for the 2009 year have been reclassified to conform with 2010 financial statement presentation.

**22. Approval of financial statements**

These financial statements were approved by Council and Management.

**TOWN OF CLARESHOLM**  
**SCHEDULES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
For the year ended December 31, 2010

Schedule of changes in accumulated surplus	Schedule 1				
	Unrestricted	Restricted	Equity in tangible capital assets	2010	2009 (restated)
Balance, beginning of year					
As previously stated	\$ 1,102,632	\$ 1,459,144	\$ 41,068,113	\$ 43,629,889	\$ 37,585,088
Prior period adjustment	264,035	-	(515,580)	(251,545)	(258,695)
As restated	1,366,667	1,459,144	40,552,533	43,378,344	37,326,393
Excess of revenue over expenses	5,108,319	-	-	5,108,319	6,051,951
Unrestricted funds designated for future use	(27,838)	27,838	-	-	-
Restricted funds used for tangible capital assets	-	(128,104)	128,104	-	-
Current year funds used for tangible capital assets	(5,794,172)	-	5,794,172	-	-
Contributed tangible capital assets	(374,093)	-	374,093	-	-
Disposal of tangible capital assets	14,754	-	(14,754)	-	-
Annual amortization expense	1,304,754	-	(1,304,754)	-	-
Long term debt repaid	(143,467)	-	143,467	-	-
Change in accumulated surplus	88,257	(100,266)	5,120,328	5,108,319	6,051,951
<b>Balance, end of year</b>	<b>\$ 1,454,924</b>	<b>\$ 1,358,878</b>	<b>\$ 45,672,861</b>	<b>\$ 48,486,663</b>	<b>\$ 43,378,344</b>

**TOWN OF CLARESHOLM**  
**SCHEDULES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
For the year ended December 31, 2010

	Schedule of tangible capital assets						Schedule 2		
	Land	Land improvements	Buildings	Engineered structures	Machinery and equipment	Vehicles	Construction in progress	2010	2009 (restated)
<b>Cost:</b>									
Balance, beginning of year \$	977,939	\$ 420,239	\$ 11,924,377	\$ 47,455,719	\$ 1,102,765	\$ 1,336,506	\$ 7,421,367	\$ 70,638,911	\$ 64,427,599
Acquisitions	-	50,444	-	6,245,924	-	-	-	6,296,368	6,412,853
Construction-in-progress	-	-	-	7,421,367	-	-	(7,421,367)	-	-
Disposals	-	-	-	-	-	(48,000)	-	(48,000)	(201,540)
<b>Balance, end of year</b>	<b>977,939</b>	<b>470,683</b>	<b>11,924,377</b>	<b>61,123,010</b>	<b>1,102,765</b>	<b>1,288,506</b>	<b>-</b>	<b>76,887,279</b>	<b>70,638,912</b>
<b>Accumulated amortization:</b>									
Balance, beginning of year	-	88,405	5,009,306	19,294,805	393,912	480,133	-	25,266,562	24,269,825
Annual amortization	-	28,908	239,799	921,042	51,707	63,298	-	1,304,754	1,136,557
Disposals	-	-	-	-	-	(33,250)	-	(33,250)	(139,822)
<b>Balance, end of year</b>	<b>-</b>	<b>117,313</b>	<b>5,249,105</b>	<b>20,215,847</b>	<b>445,619</b>	<b>510,181</b>	<b>-</b>	<b>26,538,066</b>	<b>25,266,560</b>
<b>Net book value</b>	<b>\$ 977,939</b>	<b>\$ 353,370</b>	<b>\$ 6,675,272</b>	<b>\$ 40,907,163</b>	<b>\$ 657,146</b>	<b>\$ 778,325</b>	<b>\$ -</b>	<b>\$ 50,349,213</b>	<b>\$ 45,372,352</b>
<b>2009 net book value (restated)</b>	<b>\$ 977,939</b>	<b>\$ 331,834</b>	<b>\$ 6,915,072</b>	<b>\$ 28,160,914</b>	<b>\$ 708,852</b>	<b>\$ 856,373</b>	<b>\$ 7,421,367</b>	<b>\$ 45,372,350</b>	