

TOWN OF BEAVERLODGE
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2010

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Management's Responsibility

To the Members of Council:

Management is responsible for the preparation and presentation of the accompanying consolidated financial statements, including responsibility for significant accounting judgments and estimates in accordance with Canadian generally accepted accounting principles and ensuring that all information in the annual report is consistent with the statements. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibilities for the integrity and fairness of the consolidated financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of financial statements.

Council is composed of Councilors who are neither management nor employees of the Town. Council is responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving the financial information included in the annual report. Council fulfils these responsibilities by reviewing the financial information prepared by management and discussing relevant matters with management and external auditors. Council is also responsible for recommending the appointment of the Town's external auditors.

Meyers Norris Penny LLP, an independent firm of Chartered Accountants, is appointed by the council to audit the consolidated financial statements and report directly to them; their report follows. The external auditors have full and free access to, and meet periodically and separately with, both the Council and management to discuss their audit findings.

April 26, 2011


Management

Auditors' Report

To the Members of Council:

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of the Town of Beaverlodge, which comprise the statement of financial position as at December 31, 2010, and the statements of operations, change in net financial assets (deficit), cash flows and related schedules 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 Beaverlodge as at December 31, 2010, the results of its operations, change in its net financial assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Grande Prairie, Alberta
April 26, 2011

Megus Norris Penny LLP

Chartered Accountants

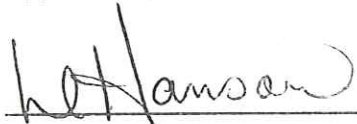


**TOWN OF BEAVERLODGE
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED DECEMBER 31, 2010**

	2010 \$	2009 \$
FINANCIAL ASSETS		
Cash and cash equivalents (Note 2)	2,493,548	2,183,350
Trust Assets	76,479	76,021
Receivables		
Taxes and grants in lieu of taxes (Note 3)	137,767	107,463
Trade and other receivables	1,171,005	142,103
Long-term investments (Note 4)	5,529	5,529
Due from County of Grande Prairie No.1	6,657	1,241
	<u>3,890,985</u>	<u>2,515,707</u>
LIABILITIES		
Accounts payable and accrued liabilities	1,285,279	434,868
Trust liabilities (Note 5)	76,479	76,021
Deposit liabilities	9,305	7,515
Deferred revenue (Note 6)	1,586	38,136
Long term debt (Note 7)	3,831,372	2,393,995
	<u>5,204,021</u>	<u>2,950,535</u>
NET FINANCIAL DEBT	<u>(1,313,036)</u>	<u>(434,828)</u>
NON-FINANCIAL ASSETS		
Capital assets (Schedule 2) (Note 9)	14,377,805	11,885,120
Prepaid expenses	2,523	1,575
	<u>14,380,328</u>	<u>11,886,695</u>
ACCUMULATED SURPLUS (Schedule 1) (Note 11)	<u>13,067,292</u>	<u>11,451,867</u>

Contingencies - See Notes 16

Approved by



Mayor



Councillor

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

	Budget \$ (Unaudited)	2010 \$	2009 \$
REVENUE			
Net municipal property taxes (Schedule 3)	2,167,748	2,053,977	1,984,872
Government transfers for operating (Schedule 4)	653,665	597,019	1,185,103
User fees and sale of goods	1,155,806	1,284,272	1,385,187
Franchise and concession contracts	120,269	170,142	133,570
Other revenue	359,887	366,179	108,270
Penalties and costs on taxes	31,987	39,060	29,210
Investment income	5,100	11,663	11,780
Gain (loss) on disposal of capital assets	100,000	(57,094)	974
Total revenue	4,594,462	4,465,218	4,838,966
EXPENSES			
Operating			
Legislative	140,500	83,200	116,534
Administration	366,260	335,832	410,900
Fire and bylaws enforcement	180,746	249,995	132,841
Roads, streets, walks lighting	1,222,355	1,330,244	1,960,044
Water supply and distribution	1,071,360	1,325,271	1,371,006
Family and community support services	131,331	164,132	149,510
Recreation and parks	727,493	807,276	757,716
Planning and Development	61,805	117,618	88,079
Total Expenses	3,901,850	4,413,568	4,986,630
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES - BEFORE OTHER	692,612	51,650	(147,664)
OTHER			
Government transfers for capital (Schedule 4)	1,566,426	1,563,775	624,858
Contributed assets	-	-	202,350
	1,566,426	1,563,775	827,208
EXCESS OF REVENUE OVER EXPENSES	2,259,038	1,615,425	679,544
ACCUMULATED SURPLUS, BEGINNING OF YEAR	11,451,867	11,451,867	10,772,323
ACCUMULATED SURPLUS, END OF YEAR	13,710,905	13,067,292	11,451,867

**TOWN OF BEAVERLODGE
CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL ASSETS (DEBT)
FOR THE YEAR ENDED DECEMBER 31, 2010**

	Budget \$ (Unaudited)	2010 \$	2009 \$
EXCESS OF REVENUES OVER EXPENSES	<u>2,259,038</u>	<u>1,615,425</u>	<u>679,544</u>
Acquisition of tangible capital assets	(3,687,150)	(3,039,977)	(796,842)
Proceeds on disposal of tangible capital assets	100,000	94,099	6,937
Amortization of tangible capital assets	-	396,100	418,039
Loss (gain) on disposal of tangible capital assets	<u>-</u>	<u>57,094</u>	<u>(974)</u>
	<u>(3,587,150)</u>	<u>(2,492,684)</u>	<u>(372,840)</u>
Acquisition of prepaid assets	-	(949)	(1,574)
Use of prepaid assets	<u>-</u>	<u>-</u>	<u>3,700</u>
	<u>-</u>	<u>(949)</u>	<u>2,126</u>
CHANGE IN NET ASSETS (DEBT)	(1,328,112)	(878,208)	308,830
NET FINANCIAL DEBT, BEGINNING OF YEAR	<u>(434,828)</u>	<u>(434,828)</u>	<u>(743,658)</u>
NET FINANCIAL ASSET (DEBT), END OF YEAR	<u>(1,762,940)</u>	<u>(1,313,036)</u>	<u>(434,828)</u>

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

	2010 \$	2009 \$
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING		
Excess of revenues over expenses	1,615,425	679,544
Non-cash items included in excess (shortfall) of revenues over expenses:		
Amortization of tangible capital assets	396,100	418,039
Loss (gain) on disposal of tangible capital assets	57,094	(974)
Tangible capital assets received as contributions	-	(202,350)
Non-cash changes to operations (net change):		
Decrease (increase) in taxes and grants in lieu receivable	(30,306)	(18,933)
Decrease (increase) in trade and other receivables	(1,028,902)	(3,700)
Decrease (increase) in prepaid expenses	(948)	2,125
Decrease (increase) in accounts payable and accrued liabilities	850,412	(237,387)
Decrease (increase) in deposit liabilities	1,790	(335)
Decrease (increase) in deferred revenue	(36,550)	(126,276)
Decrease (increase) in due from County of Grande Prairie No.1	(5,416)	15,105
Cash provided by operating transactions	<u>1,818,699</u>	<u>524,858</u>
CAPITAL		
Acquisition of tangible capital assets	(3,039,977)	(594,492)
Sale of tangible capital assets	94,099	6,937
Cash applied to capital transactions	<u>(2,945,878)</u>	<u>(587,555)</u>
FINANCING		
Long-term debt issued	1,500,000	-
Long-term debt repaid	(62,623)	(58,685)
Cash provided by (applied to) financing transactions	<u>1,437,377</u>	<u>(58,685)</u>
CHANGE IN CASH AND EQUIVALENTS DURING THE YEAR	310,198	(121,382)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>2,183,350</u>	<u>2,304,732</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>2,493,548</u>	<u>2,183,350</u>

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

	Unrestricted Surplus	Restricted Surplus	Equity in Tangible Capital Assets	2010 \$	2009 \$
BALANCE, BEGINNING OF YEAR	195,108	1,765,634	9,491,125	11,451,867	10,772,323
Excess (deficiency) of revenue over expenses	1,615,425	-	-	1,615,425	679,544
Unrestricted funds designated for future use	(1,112,966)	1,112,966	-	-	-
Restricted funds used for operations	148,760	(148,760)	-	-	-
Restricted funds used for tangible capital assets	-	(488,551)	488,551	-	-
Current year funds used for tangible capital assets	(1,051,426)	-	1,051,426	-	-
Sale of tangible capital assets	151,192	-	(151,192)	-	-
Annual amortization expense	396,100	-	(396,100)	-	-
Long term debt repaid	(62,623)	-	62,623	-	-
Change in accumulated surplus	84,462	475,655	1,055,308	1,615,425	679,544
BALANCE, END OF YEAR	279,570	2,241,289	10,546,433	13,067,292	11,451,867



TOWN OF BEAVERLODGE
 SCHEDULE OF TANGIBLE CAPITAL ASSETS
 FOR THE YEAR ENDED DECEMBER 31, 2010
 SCHEDULE 2

	Land	Land Improvements	Buildings	Engineered Structures	Machinery and Equipment	Vehicles	2010 \$	2009 \$
COST:								
BALANCE, BEGINNING OF YEAR	1,815,529	155,214	4,389,596	13,357,571	1,305,863	569,894	21,593,667	20,840,991
Acquisition of tangible capital assets	-	7,417	-	756,872	-	-	764,289	639,799
Construction-in-progress	-	-	-	2,275,688	-	-	2,275,688	157,043
Disposal of tangible capital assets	-	-	(151,062)	-	(274,758)	(20,409)	(446,229)	(44,166)
Write down of tangible capital assets	-	-	-	-	-	-	-	-
BALANCE, END OF YEAR	1,815,529	162,631	4,238,534	16,390,131	1,031,105	549,485	24,187,415	21,593,667
ACCUMULATED AMORTIZATION:								
BALANCE, BEGINNING OF YEAR	-	74,607	1,294,166	7,202,461	785,813	351,500	9,708,547	9,328,710
Annual amortization	-	7,586	85,994	206,630	58,084	37,806	396,100	418,039
Accumulated amortization on disposals	-	-	(51,361)	-	(223,267)	(20,409)	(295,037)	(38,202)
BALANCE, END OF YEAR	-	82,193	1,328,799	7,409,091	620,630	368,897	9,809,610	9,708,547
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	1,815,529	80,438	2,909,735	8,981,040	410,475	180,588	14,377,805	11,885,120
2009 NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	1,815,529	80,607	3,095,430	6,155,110	520,050	218,394	11,885,120	

**TOWN OF BEAVERLODGE
 SCHEDULE OF PROPERTY TAXES LEVIED
 FOR THE YEAR ENDED DECEMBER 31, 2010
 SCHEDULE 3**

	Budget \$ (Unaudited)	2010 \$	2009 \$
TAXATION			
Real property taxes	2,679,896	2,586,312	2,458,825
Linear property taxes	68,846	29,605	68,164
Government grants in place of property taxes	-	32,012	37,418
	<u>2,748,742</u>	<u>2,647,929</u>	<u>2,564,407</u>
REQUISITIONS			
Alberta School Foundation Fund	572,000	584,642	570,541
Grande Spirit Foundation	8,994	9,310	8,994
	<u>580,994</u>	<u>593,952</u>	<u>579,535</u>
NET MUNICIPAL TAXES	<u>2,167,748</u>	<u>2,053,977</u>	<u>1,984,872</u>

TOWN OF BEAVERLODGE
 SCHEDULE OF GOVERNMENT TRANSFERS
 FOR THE YEAR ENDED DECEMBER 31, 2010
 SCHEDULE 4

	Budget \$ (Unaudited)	2010 \$	2009 \$
TRANSFERS FOR OPERATING:			
Federal Government	126,173	126,173	127,944
Provincial Government	463,809	331,941	863,296
Other Local Governments	63,683	138,905	193,863
	<u>653,665</u>	<u>597,019</u>	<u>1,185,103</u>
TRANSFERS FOR CAPITAL:			
Provincial Government	466,426	466,423	624,858
Other Local Governments	1,100,000	1,097,352	-
	<u>1,566,426</u>	<u>1,563,775</u>	<u>624,858</u>
TOTAL GOVERNMENT TRANSFERS	<u>2,220,091</u>	<u>2,160,794</u>	<u>1,809,961</u>

**TOWN OF BEAVERLODGE
SCHEDULE OF CONSOLIDATED EXPENSES BY OBJECT
FOR THE YEAR ENDED DECEMBER 31, 2010
SCHEDULE 5**

	Budget \$ (Unaudited)	2010 \$	2009 \$
CONSOLIDATED EXPENSES BY OBJECT			
Salaries, wages and benefits	1,275,729	1,140,260	1,313,874
Contracted and general services	1,589,887	1,811,978	2,079,614
Materials, goods, supplies and utilities	723,967	682,714	726,994
Transfers to local boards and agencies	76,800	133,854	213,143
Bank charges	7,000	9,599	7,010
Interest on long-term debt	137,967	152,859	131,876
Amortization of tangible capital assets	-	396,100	418,039
Other expenditures	90,500	86,204	96,080
	<u>3,901,850</u>	<u>4,413,568</u>	<u>4,986,630</u>

**TOWN OF BEAVERLODGE
SCHEDULE OF SEGMENTED DISCLOSURE
FOR THE YEAR ENDED DECEMBER 31, 2010
SCHEDULE 6**

	General Government	Fire and bylaw enforcement	Transportation	Environmental Services	Family and community services	Recreation and parks	Planning and development	2010 \$
REVENUE								
Net municipal taxes	2,053,977	-	-	-	-	-	-	2,053,977
Government transfers	68,104	63,447	297,380	-	55,067	1,676,796	-	2,160,794
User fees and sales of goods	-	-	11,174	1,073,527	13,462	186,109	-	1,284,272
Investment income	11,663	-	-	-	-	-	-	11,663
Franchise fees	170,142	-	-	-	-	-	-	170,142
Penalties and costs on taxes	39,060	-	-	-	-	-	-	39,060
Other revenue	21,586	125,921	52,783	(4,012)	-	60,940	51,867	309,085
	2,364,532	189,368	361,337	1,069,515	68,529	1,923,845	51,867	6,028,993
EXPENSES								
Contracted and general services	154,736	103,283	876,653	376,849	147,734	121,268	31,455	1,811,978
Salaries, wages and benefits	200,383	21,321	182,961	328,291	-	399,396	7,908	1,140,260
Materials, supplies and utilities	21,441	66,754	180,743	236,689	8,702	106,978	61,407	682,714
Transfers to local boards	-	4,708	-	46,110	-	66,188	16,848	133,854
Other expenses	26,275	44,573	-	14,266	-	1,090	-	86,204
Bank charges	9,599	-	-	-	-	-	-	9,599
Interest on long term debt	-	-	-	94,873	-	57,986	-	152,859
	412,434	240,639	1,240,357	1,097,078	156,436	752,906	117,618	4,017,468
NET REVENUE, BEFORE AMORTIZATION	1,952,098	(51,271)	(879,020)	(27,563)	(87,907)	1,170,939	(65,751)	2,011,525
Amortization expense	6,598	9,356	89,887	228,193	7,696	54,370	-	396,100
NET REVENUE	1,945,500	(60,627)	(968,907)	(255,756)	(95,603)	1,116,569	(65,751)	1,615,425



1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements of the Town of Beaverlodge (the Town) are the representations of management prepared in accordance with 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 Beaverlodge are as follows:

a) Reporting entity

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

West Grande Prairie County Solid Waste Management Authority 15% (2009 - 15%)

The schedule of taxes levied also includes requisitions for education, health, social and other external organizations that are 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 in 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 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) 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

e) **Employee future benefits**

Certain employees of the Town are members of the Local Authorities Pension Plan (LAPP), a multi-employer defined benefit pension plan. The trustee of the plan is the Alberta Treasurer and the plan is administered by a Board of Trustees. Since the plan is a multi-employer plan, it is accounted for as a defined contribution plan and, accordingly, the Town does not recognize its share of any plan surplus or deficit.

f) **Inventories for resale**

Land held for resale is recorded at the lower of cost or net realizable value. Cost includes costs for land acquisition and improvements required to prepare the land for servicing such as clearing, stripping and leveling charges. Related development costs incurred to provide infrastructure such as water and wastewater services, roads, sidewalks and street lighting are recorded as physical assets under the respective function.

g) **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.

h) **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.

i) **Requisition over-levies and under-Levies**

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.

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

j) **Taxes and grants in place of taxes receivable**

Current taxes and grants in place of taxes receivable consist of current tax levies which remain outstanding at December 31, 2010.

Tax arrears and grants in place of taxes receivable consist of taxes that remain outstanding after December 31 of the year in which they are imposed.

k) **Cash and cash equivalents**

Cash includes balance with banks and short-term investments with maturities of three months or less. Cash subject to restrictions that prevent its use for current purposes is included in restricted cash

l) **Government partnership**

The Town of Beaverlodge has entered into an agreement with the Town of Wembley and Sexsmith, Village of Hythe and the County of Grande Prairie No. 1 to construct, operate and maintain a regional collection, transfer and disposal of garbage facilities for the benefit of all participating municipalities under the name of West Grande Prairie County Solid Waste Management Authority. The government partnership is accounted for using proportionate consolidation. Under proportionate consolidation, only the Town of Beaverlodge's interest 15% (2009 - 15%) in the government partnership is included in the consolidated financial statements.

m) **Landfill closure and post-closure liability**

Pursuant to the Alberta Environmental Protection and Enhancement Act, the Town is required to fund a portion of the closure of the West Grande Prairie County Solid Waste Management Authority's landfill site and provide for post-closure care of the facility. Closure and post-closure activities include the final clay cover, landscaping, as well as surface and ground water monitoring, leachate control, and visual inspection. The requirement is being provided for over the estimated remaining life of the landfill site based on usage.

n) **Segments**

During 2010, the Town had 8 (8 in 2009), reportable segments: Legislative, Administrative, Fire and bylaws enforcement, Roads, streets, walks, lighting, Water supply and distribution, Family and community support services, Recreation and parks, and Planning and development. These segments are differentiated by major activities (departments) at the Town.

o) **Non-financial assets**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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	15-20
Buildings	25-50
Engineered structures	
Water system	45-75
Wastewater system	45-75
Other engineered structures	15-30
Machinery and equipment	5-15
Vehicles	10-25

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 BEAVERLODGE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010**

2. CASH AND TEMPORARY INVESTMENTS

	2010	2009
	\$	\$
Cash	1,715,691	516,380
Cash on hand	250	250
Temporary investments with interest at prime less 2.00%	777,607	1,666,720
	<u>2,493,548</u>	<u>2,183,350</u>

Temporary investments are short-term deposits with original maturities of three months or less.

Council has designated funds of \$2,241,289 (2009 - \$1,765,634) to reserves and \$1,586 (2009 - \$38,136) for deferred revenue.

The Town has access to credit of \$33,000, of which \$nil was drawn at year end. The advanced amounts bear interest at prime plus 3%. This agreement is in effect until July 31, 2011.

Term deposits are held in trust by the County of Grande Prairie No. 1 on behalf of the West Grande Prairie County Solid Waste Management Authority. Included in investments are restricted amounts totaling \$32,407 (2009 - \$75,416) which includes a restricted cash fund for closure & post closure \$8,104 (2009 - \$7,091) and Provincial government grants and accumulated interest held exclusively for capital projects \$24,303 (2009 - \$68,324).

3. TAXES AND GRANTS IN PLACE OF TAXES RECEIVABLES

	2010	2009
	\$	\$
Current taxes and grants in place of taxes	100,609	77,338
Arrears taxes	37,158	30,125
	<u>137,767</u>	<u>107,463</u>

4. Investments

	2010		2009	
	Cost \$	Market Value \$	Cost \$	Market Value \$
Alberta Municipal Finance Corp. Shares	10	10	10	10
Alberta Association of Municipal Districts and Counties Patronage account	235	235	235	235
United Farmers of Alberta Patronage account	5,284	5,284	5,284	5,284
	<u>5,529</u>	<u>5,529</u>	<u>5,529</u>	<u>5,529</u>

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

5. TRUST LIABILITY

	2010	2009
	\$	\$
Balance, beginning of year	<u>76,021</u>	<u>75,685</u>
Interest earned	458	336
Balance, end of year	<u><u>76,479</u></u>	<u><u>76,021</u></u>

6. DEFERRED REVENUE

	2010	2009
	\$	\$
Prepaid grant	-	33,914
Prepaid property taxes	1,586	4,222
	<u><u>1,586</u></u>	<u><u>38,136</u></u>

Prepaid grant

The use of the funds, including accrued interest, is restricted to 75% of eligible capital expenditures for specific landfill upgrades as approved under the funding agreement. During the year, \$33,914 (2009 - \$125,995) of the total grant was transferred to the County of Grande Prairie No. 1 for landfill upgrading projects.

7. LONG-TERM DEBT

	2010	2009
	\$	\$
Self supported debentures	<u><u>3,831,372</u></u>	<u><u>2,393,995</u></u>

The current portion of the long-term debt amounts to \$93,729 (2009 - \$63,746)

Principal and interest repayments are as follows:

	Principal	Interest	Total
	\$	\$	\$
2010	93,729	193,910	287,639
2011	99,388	188,251	287,639
2012	105,423	182,216	287,639
2013	111,863	175,776	287,639
2014	118,738	168,901	287,639
Thereafter	3,302,231	2,005,976	5,308,207
	<u><u>3,831,372</u></u>	<u><u>2,915,030</u></u>	<u><u>6,746,402</u></u>

Debenture debt is repayable to the Alberta Capital Finance Authority and bears interest at rates ranging from 4.190% to 9.375% per annum, before Provincial subsidy, and matures in periods 2018 through 2040.

Debenture debt is issued on the credit and security of the town at large.

**TOWN OF BEAVERLODGE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010**

8. DEBT LIMITS

Section 276(2) of the Municipal Government Act requires that debt and debt limits as defined by Alberta Regulation 255/00 for the Town of Beaverlodge be disclosed as follows:

	2010	2009
	\$	\$
Total debt limit	<u>9,043,490</u>	<u>7,898,209</u>
Total debt	<u>3,831,372</u>	<u>2,393,995</u>
Amount of debt limit unused	<u>5,212,118</u>	<u>5,504,214</u>
Debt servicing limit	<u>1,507,248</u>	<u>1,316,368</u>
Debt servicing	<u>287,639</u>	<u>199,349</u>
Amount of debt servicing limit unused	<u>1,219,609</u>	<u>1,117,019</u>

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

9. TANGIBLE CAPITAL ASSETS

	2010	2009
Net Book Value	\$	\$
Land	<u>1,815,529</u>	<u>1,815,529</u>
Land Improvements	<u>80,438</u>	<u>80,607</u>
Buildings	<u>2,909,735</u>	<u>3,095,430</u>
Engineered Structures	<u>8,981,040</u>	<u>6,155,110</u>
Machinery, equipment and furnishings	<u>410,475</u>	<u>520,050</u>
Vehicles	<u>180,588</u>	<u>218,394</u>
	<u>14,377,805</u>	<u>11,885,120</u>

10. EQUITY IN TANGIBLE CAPITAL ASSETS

	2010	2009
	\$	\$
Tangible capital assets (Schedule 2)	<u>24,187,415</u>	<u>21,593,667</u>
Accumulated amortization (Schedule 2)	<u>(9,809,610)</u>	<u>(9,708,547)</u>
Long-term debt (Note 7)	<u>(3,831,372)</u>	<u>(2,393,995)</u>
	<u>10,546,433</u>	<u>9,491,125</u>

11. ACCUMULATED SURPLUS

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

	2010	2009
	\$	\$
Unrestricted surplus	<u>279,570</u>	<u>195,108</u>
Reserves (Note 12)	<u>2,241,289</u>	<u>1,765,634</u>
Equity in tangible capital assets (Note 10)	<u>10,546,433</u>	<u>9,491,125</u>
	<u>13,067,292</u>	<u>11,451,867</u>

**TOWN OF BEAVERLODGE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010**

12. RESERVES

Reserves consists of operating and capital amounts as follows:

	2010 \$	2009 \$
Operating reserves		
Senior citizens transportation	14,599	14,513
Development	93,610	93,108
Operating contingencies	1,210,253	246,635
	<u>1,318,462</u>	<u>354,256</u>
Capital reserves		
General	102,781	501,862
Landfill	203,474	177,710
Fire Department	80,615	80,144
Infrastructure	203,838	202,647
Storm sewer levies	28,895	28,895
Sustainability	184,877	305,273
Offsite cost levies	118,347	114,847
	<u>922,827</u>	<u>1,411,378</u>
Total reserves	<u>2,241,289</u>	<u>1,765,634</u>

13. SALARY AND BENEFITS DISCLOSURE

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

	2010 \$		2009 \$
	Salary ¹	Benefits & allowances ²	Total
Councillors			
Hanson, Leona	12,314	-	12,314
Hermans, Mary	9,981	-	9,981
Kokoktilo-Bekkerus, Judy	14,075	-	14,075
Kyle, Joan	6,813	-	6,813
Lappenbush, Richard	3,750	-	3,750
Milliken, Craig	9,495	-	9,495
Willey, Tracy	5,225	-	5,225
Olson, Wendy	5,225	-	5,225
Dueck, Terry	1,200	-	1,200
Kyle, Blaine	2,719	-	2,719
Metcalf, Stan	975	-	975
Town Manager	91,350	9,170	100,520
Treasurer	75,962	3,073	79,035

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

2 Employer's share of all employee benefits and contributions or payments made on behalf of employees including 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.

14. 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 Pension Plans Act. The LAPP serves about 199,849 people 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 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 \$58,695 (2009 - \$56,707).

Total current service contributions by the employees of the town to the Local Authorities Pension Plan in 2010 were \$52,353 (2009 - \$50,653).

At December 31, 2009, the LAPP disclosed an deficiency of \$3,998.6 million.

15. LANDFILL CLOSURE AND POST-CLOSURE LIABILITY

The accrued liability for closure and post-closure of the West Grande Prairie County Solid Waste Management.

Alberta environment law requires closure and post-closure care of landfill sites, which includes final covering and landscaping, pumping of ground water and leachates from the site and ongoing environmental monitoring, site inspections and maintenance.

The estimated total liability is based on the sum of discounted future cash flows for closure and post-closure activities for 40 years after closure using a discounted rate of 6% and assuming annual inflation of 2%.

The accrued liability portion is based on the cumulative capacity used at year-end compared to the estimated total landfill capacity. The total capacity of the site is estimated at 952,000 cubic meters. The estimated remaining capacity of the landfill site is 847,706 (2009 - 861,577) cubic meters. The existing landfill site is expected to reach capacity in approximately the year 2088.

The Authority has implemented a restricted cash fund which is not less than the closure and post-closure liability and is adjusted annually to ensure the fund is sufficient to settle closure and post-closure liabilities.

The following summarizes the Town's portion of the total net present value for the estimated costs of closure and post-closure care:

	2010	2009
	\$	\$
Estimated closure costs	76,883	76,883
Estimated post-closure costs	7,875	7,875
Estimated total costs	84,758	84,758
Amount accrued at December 31	(9,285)	(8,051)
Balance of estimated costs to accrue	<u>75,473</u>	<u>76,707</u>

Accruals related to the liability are included in accounts payable and accrued liabilities.

16. CONTIGENCIES

The Town is a member of the Alberta Local Authorities Reciprocal Insurance Exchange. Under the terms of the 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 been named as defendant in a lawsuit on behalf of a past employee, seeking to recover damages allegedly sustained by them as a result of ended employment. This lawsuit remains at the early stage and, as litigation is subject to many uncertainties, it is not possible to predict the ultimate outcome of these lawsuits or to estimate the loss, if any, which may result. The Town's insurers have been advised of these claims and are cooperating with the Town in the defence of these lawsuits subject to policy deductibles, limits, and terms and conditions.

17. SEGMENTED DISCLOSURE

The Town provides a range of services to its ratepayers. For each reported segment, revenues and expenses represent both amounts that are directly attributable to the segment and amounts that are allocated on a reasonable basis. The accounting policies used in these segments are consistent with those followed in the preparation of the financial statements as disclosed in Note 1.

Refer to the Schedule of Segmented Disclosure (Schedule 6).

18. COMMITMENTS

The Town is committed to make annual payments of \$60,335 for the next 4 years for an operating lease entered into during the year related to equipment.

19. FINANCIAL INSTRUMENTS

The Town's financial instruments consist of cash and temporary investments, accounts receivable, investments, due from County of Grande Prairie No. 1, accounts payable and accrued liabilities, deposit liabilities, and long-term debt. It is management's opinion that the town is not exposed to significant interest or currency risks arising from these financial instruments. Unless otherwise noted, the fair value of these financial instruments approximate their carrying values.

The Town 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.

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

20. GOVERNMENT PARTNERSHIP

The Town's portion of the financial position and results of operations for the West Grande Prairie County Solid Waste Management Authority is as follows:

	2010 \$	2009 \$
Cash and temporary investments	208,729	222,540
Accrued receivables	3,799	1,133
Due from County of Grande Prairie No. 1	6,657	1,242
Total financial assets	<u>219,185</u>	<u>224,915</u>
Accounts payable and accrued liabilities	12,261	10,289
Deferred revenue	-	33,914
Total financial liabilities	<u>12,261</u>	<u>44,203</u>
Tangible capital assets	356,425	371,433
Accumulated Surplus	<u>563,349</u>	<u>552,145</u>
Accumulated Surplus		
Reserve fund	203,474	177,711
Equity in physical assets	356,425	371,434
Operating fund	3,450	3,000
	<u>563,349</u>	<u>552,145</u>
Total revenue	104,128	216,103
Total expenditures	92,925	186,522
Excess of revenue over expenditures	<u>11,203</u>	<u>29,581</u>

21. APPROVAL OF FINANCIAL STATEMENTS

Council and Management have approved these financial statements.