



**GREGORY,
HARRIMAN
& ASSOCIATES
PROFESSIONAL ACCOUNTANTS**

Shelley Harriman, CGA
Professional Corporation

Jean (John) Gauvin, B.A.A., CGA
Professional Corporation

Kristin Doyle, B.A., B.Comm., CA
Professional Corporation

Town of Chestermere

Financial Statements

For the Year Ended December 31, 2009

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A partnership of three Professional Corporations in the practice of accountancy

TOWN OF CHESTERMERE

DECEMBER 31, 2009

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AUDITORS' REPORT

To the Mayor and Council of the
Town of Chestermere

We have audited the Consolidated Statement of Financial Position, the Consolidated Statement of Operations, the Consolidated Statement of Change in Net Financial Assets (Debt) and the Consolidated Statement of Cash Flows of the Town of Chestermere as at December 31, 2009. These financial statements are the responsibility of the Town's management. Our responsibility is to express an opinion on these 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 financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

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

Strathmore, Alberta
March 16, 2010


Gregory, Harriman & Associates
Professional Accountants

Town of Chestermere
Consolidated Statement of Financial Position
As at December 31, 2009

	<u>2009</u>	<u>2008</u> <i>(Restated)</i>
FINANCIAL ASSETS		
Cash and temporary investments <i>(Note 2)</i>	\$ 14,070,415	\$ 14,328,503
Taxes and grants in place receivables <i>(Note 3)</i>	1,208,211	889,425
Trade accounts receivables <i>(Note 4)</i>	3,197,763	1,860,141
Goods and Services Tax recoverable	-	402,346
Land held for resale <i>(Note 5)</i>	494,590	-
Investments <i>(Note 6)</i>	10,566,594	3,992,769
Other financial assets	282,790	57,699
	<u>29,820,363</u>	<u>21,530,883</u>
LIABILITIES		
Accounts payable and accrued liabilities <i>(Note 7)</i>	7,297,942	3,009,382
Goods and Services Tax payable	117,016	-
Deposit liabilities	210,194	135,187
Deferred revenue <i>(Note 8)</i>	10,381,670	5,466,171
Long term debt <i>(Note 9)</i>	15,703,208	15,907,175
	<u>33,710,030</u>	<u>24,517,915</u>
NET FINANCIAL ASSETS (DEBT)	<u>(3,889,667)</u>	<u>(2,987,032)</u>
NON-FINANCIAL ASSETS		
Tangible capital assets <i>(Note 11)</i> (Schedule 1)	97,433,025	95,240,265
Inventory for consumption	43,968	66,100
Prepaid expenses	26,354	39,190
	<u>97,503,347</u>	<u>95,345,555</u>
ACCUMULATED SURPLUS <i>(Note 13)</i>	<u>\$ 93,613,680</u>	<u>\$ 92,358,523</u>

Commitments (Note 17)
Contingencies (Note 18)

Approved by: _____ Mayor  _____ Officer

Town of Chestermere
Consolidated Statement of Operations
For the Year Ended December 31, 2009

	<i>Budget</i> <i>(Unaudited)</i>	2009	2008 <i>(Restated)</i>
REVENUE			
Net municipal property taxes (Schedule 2)	\$ 9,708,421	\$ 10,196,312	\$ 8,737,351
Sale of goods and user charges	5,754,402	11,299,267	6,054,874
Penalties and costs on taxes	176,000	238,605	170,052
Licenses and permits	476,607	356,759	423,876
Investment income	200,000	200,479	443,932
Development levies	-	574,048	909,391
Government transfers for operating (Schedule 3)	1,675,520	1,866,220	1,717,618
Other revenues	117,900	111,403	27,000
TOTAL REVENUE	<u>18,108,850</u>	<u>24,843,093</u>	<u>18,484,094</u>
EXPENSES (Schedule 4)			
Legislative	187,810	176,549	188,062
Administration	1,646,344	2,153,861	1,757,319
Fire and bylaw enforcement	2,732,893	2,808,447	3,018,539
Roads, streets, walks and lighting	1,936,672	4,088,066	3,738,011
Water supply and distribution	1,716,922	4,496,093	2,957,046
Wastewater treatment and disposal	1,972,184	7,507,963	2,047,150
Waste management	794,454	676,067	505,762
Family and community support	1,086,987	1,311,473	1,064,164
Planning and development	1,738,337	1,636,262	1,829,105
Parks and recreation	2,193,950	2,286,355	1,523,646
Culture	452,514	494,382	414,347
TOTAL EXPENSES	<u>16,459,067</u>	<u>27,635,518</u>	<u>19,043,151</u>
EXCESS (SHORTFALL) OF REVENUE OVER EXPENSES - BEFORE OTHER	1,649,783	(2,792,425)	(559,057)
OTHER			
Contributed assets	-	1,555,611	-
Government transfers for capital (Schedule 3)	5,106,052	2,491,971	5,616,074
EXCESS (SHORTFALL) OF REVENUE OVER EXPENSES	<u>6,755,835</u>	<u>1,255,157</u>	<u>5,057,017</u>
ACCUMULATED SURPLUS, BEGINNING OF YEAR	<u>92,358,523</u>	<u>92,358,523</u>	<u>87,301,506</u>
ACCUMULATED SURPLUS, END OF YEAR	<u>\$ 99,114,358</u>	<u>\$ 93,613,680</u>	<u>\$ 92,358,523</u>

Town of Chestermere
Consolidated Statement of Change in Net Financial Assets (Debt)
For the Year Ended December 31, 2009

	<i>Budget</i> <i>(Unaudited)</i>	2009	2008 <i>(Restated)</i>
EXCESS (SHORTFALL) OF REVENUE OVER EXPENSES	<u>\$ 6,755,835</u>	<u>\$ 1,255,157</u>	<u>\$ 5,057,017</u>
Acquisition of tangible capital assets	(22,715,000)	(4,352,897)	(13,093,960)
Contributed tangible capital assets	-	(1,555,611)	-
Proceeds on disposal of tangible capital assets	-	-	412,691
Amortization of tangible capital assets	-	3,617,667	3,056,993
(Gain) loss on sale of tangible capital assets	-	98,081	-
	<u>(22,715,000)</u>	<u>(2,192,760)</u>	<u>(9,624,276)</u>
(Increase) decrease in supplies inventories	-	22,132	(31,101)
(Increase) decrease in prepaid expenses	-	12,836	(31,682)
	-	<u>34,968</u>	<u>(62,783)</u>
(INCREASE) DECREASE IN NET DEBT	<i>(15,959,165)</i>	(902,635)	<i>(4,630,042)</i>
NET FINANCIAL ASSETS (DEBT), BEGINNING OF YEAR	<u>(2,987,032)</u>	<u>(2,987,032)</u>	<u>1,643,010</u>
NET FINANCIAL ASSETS (DEBT), END OF YEAR	<u>\$ (18,946,197)</u>	<u>\$ (3,889,667)</u>	<u>\$ (2,987,032)</u>

The accompanying notes form an integral part of these financial statements.
 Gregory, Harriman & Associates, Professional Accountants

Town of Chestermere
Consolidated Statement of Cash Flows
For the Year Ended December 31, 2009

	<u>2009</u>	<u>2008</u> <i>(Restated)</i>
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING		
Excess (shortfall) of revenue over expenses	\$ 1,255,157	\$ 5,057,017
Non-cash items included in excess (shortfall) of revenues over expenses:		
Amortization of tangible capital assets	3,617,667	3,056,993
(Gain) loss on sale of tangible capital assets	98,081	-
Tangible capital assets received as contributions	(1,555,611)	-
Non-cash charges to operations (net change):		
Decrease (increase) in taxes and grants in place receivables	(318,786)	(301,048)
Decrease (increase) in trade and other receivables	(1,337,622)	582,728
Decrease (increase) in land held for resale	(494,590)	-
Decrease (increase) in inventory for consumption	22,132	(31,101)
Decrease (increase) in prepaid expenses	12,836	(31,682)
Increase (decrease) in Goods and Services Tax	519,362	(171,678)
Decrease (increase) in other assets	(225,092)	(57,699)
Increase (decrease) in accounts payable and accrued liabilities	4,288,560	517,440
Increase (decrease) in deposit liabilities	75,007	16,874
Increase (decrease) in deferred revenue	4,915,499	449,571
Cash provided by operating transactions	<u>10,872,600</u>	<u>9,087,415</u>
CAPITAL		
Acquisition of tangible capital assets	(4,352,897)	(13,093,960)
Sale of tangible capital assets	-	412,691
Cash applied to capital transactions	<u>(4,352,897)</u>	<u>(12,681,269)</u>
INVESTING		
Decrease (increase) in restricted cash or cash equivalents	(10,053,297)	(3,957,721)
Decrease (increase) in investments	(6,573,825)	(3,992,769)
Cash provided by (applied to) investing transactions	<u>(16,627,122)</u>	<u>(7,950,490)</u>
FINANCING		
Long term debt issued	495,188	8,797,820
Long term debt repaid	(699,154)	(584,636)
Cash provided by (applied to) financing transactions	<u>(203,966)</u>	<u>8,213,184</u>
CHANGE IN CASH AND EQUIVALENTS DURING THE YEAR	(10,311,385)	(3,331,160)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	10,355,206	13,686,366
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 43,821	\$ 10,355,206
Cash and cash equivalents is made up of:		
Cash and temporary investments <i>(Note 2)</i>	14,070,415	14,328,503
Less: restricted portion of cash and temporary investments <i>(Note 2)</i>	(14,026,594)	(3,973,297)
	<u>\$ 43,821</u>	<u>\$ 10,355,206</u>

The accompanying notes form an integral part of these financial statements.
Gregory, Harriman & Associates, Professional Accountants

Town of Chestermere
Schedule of Tangible Capital Assets
For the Year Ended December 31, 2009
Schedule 1

	Land	Land Improvements	Buildings	Engineered Structures	Machinery and Equipment	Vehicles	2009	2008 (Restated)
COST:								
BALANCE, BEGINNING OF YEAR	\$ 12,252,638	\$ 2,701,341	\$ 10,627,794	\$ 85,678,332	\$ 2,426,470	\$ 1,916,117	\$ 115,602,692	\$ 102,508,732
Acquisition of tangible capital assets	12,142	755,076	62,440	2,318,720	867,387	1,863,566	5,879,331	12,202,035
Construction-in-progress	-	-	29,177	-	-	-	29,177	891,925
Disposal of tangible capital assets	-	-	-	-	-	-	-	-
Write down of tangible capital assets	-	-	-	-	(98,081)	-	(98,081)	-
BALANCE, END OF YEAR	12,264,780	3,456,417	10,719,411	87,997,052	3,195,776	3,779,683	121,413,119	115,602,692
ACCUMULATED AMORTIZATION:								
BALANCE, BEGINNING OF YEAR	-	251,729	1,882,171	17,146,529	576,976	505,022	20,362,427	17,305,434
Annual amortization	-	146,007	249,126	2,728,345	239,348	263,226	3,626,052	3,056,993
Accumulated amortization on disposals	-	-	-	-	(8,385)	-	(8,385)	-
BALANCE, END OF YEAR	-	397,736	2,131,297	19,874,874	807,939	768,248	23,980,094	20,362,427
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	\$ 12,264,780	\$ 3,058,681	\$ 8,588,114	\$ 68,122,178	\$ 2,387,837	\$ 3,011,435	\$ 97,433,025	\$ 95,240,265
2008 NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS (Restated)	\$ 12,252,638	\$ 2,449,612	\$ 8,745,623	\$ 68,531,804	\$ 1,849,494	\$ 1,411,094	\$ 95,240,265	

The accompanying notes form an integral part of these financial statements.
 Gregory, Harriman & Associates, Professional Accountants

Town of Chestermere
Schedule of Property and Other Taxes
For the Year Ended December 31, 2009
Schedule 2

	<i>Budget</i> <i>(Unaudited)</i>	2009	2008 <i>(Restated)</i>
TAXATION			
Real property taxes	\$ 13,131,273	\$ 13,141,338	\$ 11,409,994
Linear property taxes	80,000	79,207	43,220
Government grants in place of property taxes	-	-	-
	<u>13,211,273</u>	<u>13,220,545</u>	<u>11,453,214</u>
REQUISITIONS			
Alberta School Foundation Fund	<u>3,502,852</u>	<u>3,024,233</u>	<u>2,715,863</u>
NET MUNICIPAL TAXES	<u>9,708,421</u>	<u>10,196,312</u>	<u>8,737,351</u>

Town of Chestermere
Schedule of Government Transfers
For the Year Ended December 31, 2009
Schedule 3

	<i>Budget</i> <i>(Unaudited)</i>	2009	2008 <i>(Restated)</i>
TRANSFERS FOR OPERATING			
Provincial Government	\$ 1,525,520	\$ 1,706,220	\$ 1,604,688
Other Local Governments	150,000	160,000	112,930
	<u>1,675,520</u>	<u>1,866,220</u>	<u>1,717,618</u>
 TRANSFERS FOR CAPITAL			
Provincial Government	5,106,052	2,491,971	5,616,074
Federal Government	-	-	-
	<u>5,106,052</u>	<u>2,491,971</u>	<u>5,616,074</u>
 TOTAL GOVERNMENT TRANSFERS			
	<u>\$ 6,781,572</u>	<u>\$ 4,358,191</u>	<u>\$ 7,333,692</u>

Town of Chestermere
Schedule of Consolidated Expenses by Object
For the Year Ended December 31, 2009
Schedule 4

CONSOLIDATED EXPENSES BY OBJECT	<i>Budget</i> <i>(Unaudited)</i>	2009	2008 <i>(Restated)</i>
Salaries, wages and benefits	\$ 5,430,292	\$ 5,502,062	\$ 4,347,820
Contracted and general services	5,840,460	5,587,954	5,424,228
Materials, goods, supplies and utilities	4,468,699	11,757,681	5,532,835
Transfers to local boards and agencies	-	-	-
Transfers to individuals and organizations	349,369	335,261	284,758
Interest on capital long term debt	370,247	834,893	396,517
Amortization of tangible capital assets	-	3,617,667	3,056,993
	<u>\$ 16,459,067</u>	<u>\$ 27,635,518</u>	<u>\$ 19,043,151</u>

Town of Chestermere
Notes to Financial Statements
December 31, 2009

1) Significant Accounting Policies

The Town of Chestermere (the "Municipality") is a Municipality in the Province of Alberta. The consolidated financial statements are the representation of management and have been prepared in accordance with Canadian generally accepted accounting principles for local governments established by the Public Sector Accounting Board ("PSAB") of the Canadian Institute of Chartered Accountants ("CICA"). Significant aspects of these accounting policies 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. This entity is comprised of the municipal operations plus all the organizations that are owned or controlled by the municipality and are, therefore, accountable to the Town Council for the administration of their financial resources.

The schedule of taxes levied also includes operating requisitions for educational, and other external organizations that are not controlled by the municipal council.

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 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.

E. Requisition Over-levy and Under-levy

Over-levies and under-levies arise from the difference between the actual levy made to cover each requisition and the actual amount requisitioned. If the actual levy exceeds the requisition, the over-levy is accrued as a liability and property tax revenue is reduced. In situations where the actual levy is less than the requisition amount, the under-levy is accrued as a receivable and reflected as property tax revenue.

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

Town of Chestermere
Notes to Financial Statements
December 31, 2009

1) Significant Accounting Policies (continued)

F. Land Held 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 levelling charges. Related development costs incurred to provide infrastructure such as water and wastewater services, roads, sidewalks, and street lighting are recorded as fixed assets under their respective function.

G. 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 occurred, providing the transfers are authorized, any eligibility criteria have been met by the municipality, and reasonable estimates of the amounts can be determined.

H. 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.

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 asset is amortized on a straight-line basis over the estimated useful life as follows:

	YEARS
Land improvements	10-45
Buildings	25-50
Engineered structures	
Roadway system	5-65
Water system	45-75
Wastewater system	45-75
Machinery and equipment	5-40
Vehicles	10-40

There is an amortization charge in the year of acquisition and no amortization charge 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.

Town of Chestermere
Notes to Financial Statements
December 31, 2009

2) Cash and Temporary Investments	2009	2008
Petty cash	\$ 800	\$ 600
Cash	3,234,635	3,227,517
Funds held by lawyer	4,835,227	-
Guaranteed Investment Certificate	4,000,000	2,000,000
Bankers Acceptance Notes	1,999,753	9,100,386
	\$ 14,070,415	\$ 14,328,503

The Guaranteed Investment Certificate has a maturity date of March 5, 2010 and bears interest at a rate of 0.85%. The Bankers Acceptance Note has a maturity date of April 12, 2010 and bears interest at a rate of 0.58%.

The Town of Chestermere holds funds that are restricted in their use and are to be utilized as funding for capital projects and to meet trust obligations. Since the projects have not been completed for which the funding has been received, \$14,026,594 (2008 - \$3,973,297) of the Cash and Temporary Investments balance are not available for general use by the Town.

The Funds held by lawyer are held in trust for the Town to fulfill a promissory note obligation (Note 7).

3) Taxes and Grants in Place Receivables	2009	2008
Current taxes and grants in place of taxes	\$ 942,722	\$ 724,220
Tax arrears	265,489	165,205
	\$ 1,208,211	\$ 889,425

4) Trade Accounts Receivables	2009	2008
Water and sewer receivable	\$ 715,574	\$ 621,824
Accounts receivable - other	1,454,285	779,104
Offsite levies receivable	662,324	459,213
Mortgages receivable	365,580	-
	\$ 3,197,763	\$ 1,860,141

Mortgages receivable are amounts outstanding from individuals who have agreed to purchase property adjacent to their existing lot surrounding Chestermere Lake which was purchased by the Town from Western Irrigation District. These mortgages receivable mature between 2018 and 2021 and bear interest at varying rates.

5) Land Held For Resale

During 2009, the Town entered into an agreement to purchase lands surrounding Chestermere Lake from the Western Irrigation District. These lands were then sold to the adjacent property owners. Land held for resale represents the parcels which have not been resold to the individual adjacent property owners. Refer also to Note 4 and Note 7 of these financial statements.

**Town of Chestermere
Notes to Financial Statements
December 31, 2009**

6) Investments	<u>2009</u>	<u>2008</u>
Bank of Montreal Deposit Notes maturing 2012 with interest rate of 5.04% (Market Value \$693,429)	\$ 656,723	\$ 659,616
Canadian Imperial Bank of Commerce Fixed Flat Rate Deposit Note maturing 2018 with interest rate of 5.15% (Market Value \$1,241,734)	1,165,343	1,165,860
Canadian Imperial Bank of Commerce Deposit Note maturing 2011 with interest rate of 4.35%	-	983,892
Toronto Dominion Bank Strip Bond maturing 2013 with annual yield of 4.81% (Market Value \$695,665)	626,999	626,999
Bank of Nova Scotia Strip Bond maturing 2013 with annual yield of 4.79% (Market Value \$617,573)	556,402	556,402
Royal Bank Of Canada Fixed Flat Rate Deposit Note maturing 2018 with interest rate of 4.84% (Market Value \$602,822)	592,803	-
Canadian Imperial Bank of Commerce Fixed Flat Rate Deposit Note maturing 2015 with interest rate of 3.75% (Market Value \$4,923,987)	4,942,199	-
Bank of Montreal Fixed Flat Rate Deposit Note maturing 2015 with interest rate of 4.00% (Market Value \$2,001,356)	2,026,125	-
	<u>\$ 10,566,594</u>	<u>\$ 3,992,769</u>
 7) Accounts Payable and Accrued Liabilities	 <u>2009</u>	 <u>2008</u>
Trade accounts payable	\$ 1,774,763	\$ 2,756,655
Accrued audit fee	55,000	55,000
Accrued vacation pay payable	201,422	111,380
Accrued interest payable	80,277	86,347
Promissory note payable	5,186,480	-
	<u>\$ 7,297,942</u>	<u>\$ 3,009,382</u>

The vacation liability represents the vacation that employees have earned and are entitled to within the next budgetary year.

The promissory note payable to Western Irrigation District represents the amount owing for the purchase of the lakefront lands surrounding Chestermere Lake. This obligation matures April 2019 and bears interest at prime plus 2%, with an effective interest rate of 4.25%.

**Town of Chestermere
Notes to Financial Statements
December 31, 2009**

8) Deferred Revenue	2009	2008
Provincial transfer - Alberta Municipal Infrastructure Program	\$ 3,799,657	\$ 1,857,115
Provincial transfer - Streets Improvement Program	2,677,231	1,379,759
Provincial transfer - Municipal Sustainability Initiative	1,273,694	414,809
Provincial transfer - New Deal for Cities and Communities	1,132,286	-
Provincial transfer - Policing	75,175	72,524
Provincial transfer - Municipal Intern Program	10,750	21,500
Provincial transfer - Ground Ambulance Grant	-	28,492
Offsite levies	1,400,497	1,628,062
Other deferred revenue	12,380	63,910
	\$ 10,381,670	\$ 5,466,171

Alberta Municipal Infrastructure Program

This is a five year funding program from the Province of Alberta to assist municipalities in developing their infrastructure. The balance represents funds brought forward from 2008 of \$1,857,114, plus accrued interest, plus funds received by the Town in 2009 of \$3,041,523, less \$1,098,980 recognized as revenue in 2009.

Streets Improvement Program

The Streets Improvement Program ("SIP") provides cost-shared grants to municipalities to assist with the provision of lasting street improvements, to enhance life in rural centers and to serve to attract the decentralization of industry. Approved projects are eligible for 75 percent provincial funding for construction and engineering costs. The 2009 balance represents funds brought forward from 2008 of \$1,379,759, plus accrued interest, plus funds received by the Town in 2009 of \$1,431,060, less \$133,589 recognized as revenue in 2009. Funds will be used for future roads projects.

Municipal Sustainability Initiative

The Municipal Sustainability Initiative ("MSI") is a new funding program aimed at providing financial support for critical core and community infrastructure projects and includes incentives to encourage collaboration and cooperation between neighbouring municipalities. This population-based funding program includes operating, capital and affordable housing components. The balance represents funds brought forward from 2008 of \$414,809, plus accrued interest, plus funds received by the Town in 2009 of \$825,670.

New Deal for Cities and Communities

The New Deal for Cities and Communities is a per capita grant to assist municipalities in addressing their sustainable municipal capital infrastructure needs. The program is supported through the allocation to Alberta Municipalities of a portion of the federal gasoline tax. Funding under this program is subject to the province receiving the funding from the federal government. The program provides conditional grants for capital-related projects which meet the program eligibility criteria. There is no requirement for a municipal funding contribution to projects accepted under this program. The balance represents funds received by the Town in 2009 of \$1,113,907 plus accrued interest.

Town of Chestermere
Notes to Financial Statements
December 31, 2009

9) Long Term Debt

	2009	2008
Tax supported debentures	\$ 6,176,604	\$ 6,577,135
EPCOR amortization fund	9,208,337	8,794,820
Capital lease	305,267	521,220
Western Irrigation District Scholarship	13,000	14,000
	15,703,208	15,907,175
Less: Current portion	(985,301)	(802,080)
	\$ 14,717,907	\$ 15,105,095

Principal and interest repayments are due as follows:

	Principal	Interest	Total
2010	\$ 985,301	\$ 1,063,333	\$ 2,048,634
2011	834,783	1,004,403	1,839,186
2012	775,342	953,393	1,728,735
2013	678,309	903,114	1,581,423
2014	684,367	857,869	1,542,236
Thereafter	11,745,106	6,943,366	18,688,472
	\$ 15,703,208	\$ 11,725,478	\$ 27,428,686

Debenture debt is repayable to Alberta Capital Finance Authority and bears interest at a rates ranging from 4.4925% to 6.750% per annum, before provincial subsidy, and matures from 2012 to 2028. The weighted average interest rate is 5.29% (5.68% for 2008). Debenture debt is issued on the credit and security of the Town of Chestermere at large.

The EPCOR Amortization Fund consists of a long term financing arrangement between the Town and EPCOR for the water reservoir and water line tie-in projects. The term of this financing is over 20 years with payments to include principal and interest.

Western Irrigation District scholarship obligation is payable to Olds College Foundation, bears no interest, and matures in 2023, repayable in the amount of \$1,000 per year.

Capital leases for vehicles and equipment mature in 2011 and 2012. The future minimum payments totalling \$320,469 (2008 - \$563,091) over the next three years, include interest of \$15,194 (2008 - \$41,871).

Interest on long term debt amounted to \$364,306 (2008 - \$396,517).

The Town's total cash payments for interest in 2009 were \$370,374 (2008 - \$402,214).

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Notes to Financial Statements
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10) Debt Limit

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 Chestermere be disclosed as follows:

	<u>2009</u>	<u>2008</u>
Total debt limit (1.5 * total eligible revenues)	\$ 37,264,640	\$ 27,726,141
Total long term debt (<i>Note 9</i>)	(15,703,208)	(15,907,175)
Unused total debt limit capacity	<u>\$ 21,561,432</u>	<u>\$ 11,818,966</u>
Service on debt limit (0.25 * total eligible revenues)	\$ 6,210,773	\$ 4,621,024
Service on debt (next years principal and interest due)	(2,048,634)	(1,928,554)
Unused service on debt limit capacity	<u>\$ 4,162,139</u>	<u>\$ 2,692,470</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 consolidated financial statements must be interpreted as a whole.

11) Tangible Capital Assets

	<u>2009</u>	<u>2008</u> <i>(Restated)</i>
Land	\$ 12,264,780	\$ 12,252,638
Land improvements	3,058,681	2,449,612
Buildings	8,588,114	8,745,623
Engineered structures		
Roadway system	24,364,893	26,258,547
Sidewalks	1,774,864	1,222,496
Water distribution system	21,909,433	21,564,464
Wastewater treatment system	20,072,988	19,486,297
Machinery, equipment and furnishings	2,387,837	1,849,494
Vehicles	3,011,435	1,411,094
	<u>\$ 97,433,025</u>	<u>\$ 95,240,265</u>

12) Equity in Tangible Capital Assets

	<u>2009</u>	<u>2008</u> <i>(Restated)</i>
Tangible capital assets (Schedule 1)	\$ 121,413,119	\$ 115,602,692
Accumulated amortization (Schedule 1)	(23,980,094)	(20,362,427)
Long term debt (<i>Note 9</i>)	(15,703,208)	(15,907,175)
Operating portion of long term debt	532,583	553,036
	<u>\$ 82,262,400</u>	<u>\$ 79,886,126</u>

Town of Chestermere
Notes to Financial Statements
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13) Accumulated Surplus

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

	<u>2009</u>	<u>2008</u> <i>(Restated)</i>
Unrestricted surplus (deficit)	<u>\$ 332,073</u>	<u>\$ 331,253</u>
Restricted surplus (reserves)		
Capital: Roads	1,086,850	1,062,305
Water	1,943,881	4,141,805
Wastewater	5,267,894	4,981,436
Equipment replacement	72,876	72,876
Silt removal	11,289	11,289
Recreation	274,931	247,481
FCSS	646	11,366
Cash in lieu	7,586	7,586
General capital	415,439	415,439
Operating: General Operating	<u>1,937,815</u>	<u>1,189,561</u>
	<u>11,019,207</u>	<u>12,141,144</u>
Equity in tangible capital assets	<u>82,262,400</u>	<u>79,886,126</u>
	<u>\$ 93,613,680</u>	<u>\$ 92,358,523</u>

14) Trust Funds

The Town of Chestermere administers the following trust:

	<u>2009</u>	<u>2008</u>
Roots of Empathy	<u>\$ 10,596</u>	<u>\$ 1,350</u>

Town of Chestermere
Notes to Financial Statements
December 31, 2009

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:

	2009			2008
	Salary ⁽¹⁾	Benefits and Allowances ⁽²⁾	Total	Total
Mayor Mathews	\$ 35,040	\$ 6,514	\$ 41,554	\$ 39,664
Councillor Bergen	18,565	2,040	20,605	19,229
Councillor Davies	18,639	2,917	21,556	19,810
Councillor Hutchison	18,000	1,369	19,369	18,813
Councillor Johnson	18,000	2,612	20,612	18,813
Councillor Reid	17,761	1,957	19,718	21,849
Councillor Steeves	18,235	3,686	21,921	19,214
Chief Administrative Officer	120,582	23,777	144,359	127,454
	<u>\$ 264,822</u>	<u>\$ 44,872</u>	<u>\$ 309,694</u>	<u>\$ 284,846</u>

(1) Salary includes regular base pay and any other direct cash remuneration.

(2) Employer's share of all employee benefits and contributions or payments made on behalf of employees including retirement pension, Canada pension plan (CPP), employment insurance (EI), health care, dental coverage, vision coverage, group life insurance, accidental disability and dismemberment insurance, long and short term disability plans, professional memberships and tuition.

16) Local Authorities Pension Plan

Employees of the Town participate in the Local Authorities Pension Plan ("LAPP"), which is covered by the Alberta Public Sector Pension Plan Act. The Plan services around 189,000 people and about 411 employers. The LAPP is financed by employer and employee contributions and 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 8.46% of pensionable earnings up to the year's maximum pensionable earnings under the Canada Pension Plan and 11.66% on pensionable earnings above this amount. Employees of the Town are required to make current service contributions of 7.46% of pensionable salary up to the year's maximum pensionable salary and 10.66% on pensionable salary above this amount.

Total current service contributions by the Town to the LAPP in 2009 were \$261,481 (2008 - \$210,991). Total current service contributions by the employees of the Town to the LAPP in 2009 were \$293,672 (2008 - \$185,686).

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

**Town of Chestermere
Notes to Financial Statements
December 31, 2009**

17) Commitments

The Town has contracted the City of Calgary to supply water services until 2010.

During 2005, the existing Storm Water Discharge Agreement, Lake Management Agreement, and Western Irrigation District Offsite Levies Agreement, were replaced with the Use of Works Agreement between the Town and Western Irrigation District. Under this agreement, which is to be managed on a permanent and cooperative basis, the Town must remit to the Western Irrigation District annual payments as follows:

2010	\$ 353,260
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The Town has contracted EPCOR Water Services Inc. to provide management and operations services related to the public utilities and infrastructure system. The annual payment required under this contract is as follows:

2010	\$ 1,654,109
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Following are the anticipated future payments:

2011	\$ 1,736,814
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The above payments are subject to change dependent on the Consumer Price Index realized in each respective year.

The Town of Chestermere entered into an agreement with EPCOR Water Services Inc. in 2008 to expand the potable water reservoir at a total cost of \$6,968,878 plus GST. The project was completed during 2009 and has been financed through EPCOR Water Services Inc. with repayment terms as noted in Note 9.

The Town of Chestermere entered into an agreement with EPCOR Water Services Inc. in 2008 to construct a new water supply line from the City of Calgary to Chestermere at a total cost of \$2,957,945 plus GST. The project was completed during 2009 and has been financed through EPCOR Water Services Inc. with repayment terms as noted in Note 9.

The Town has operating leases for vehicles. The leases require monthly payments and expire by December 31, 2012.

Future minimum lease payments as at December 31, 2009, are as follows:

2010	\$ 35,841
2011	24,514
2012	13,147
	<u>\$ 73,502</u>

The Town of Chestermere has entered into a letter of guarantee with TD Canada Trust in favour of The City of Calgary for \$1,335,365. This amount is secured on the credit and security of the Town of Chestermere.

18) Contingencies

The Town of Chestermere is a member of the Alberta Municipal Insurance Exchange ("MUNIX"). 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.

Town of Chestermere
Notes to Financial Statements
December 31, 2009

19) Related Party Transactions

During 2007, the Chestermere Library became operational. The Council of the Town of Chestermere appoints two members as Town representatives to the Library Board. The Town of Chestermere, in 2009, reviewed and approved the operational budget of the Library.

20) Financial Instruments

The Town's financial instruments consist of cash, temporary investments, taxes and grants in place receivables and trade accounts receivables, accounts payable and accrued liabilities, deposit liabilities and long term debt. Unless otherwise noted, the fair values of these financial instruments approximates their carrying values.

Interest Rate Risk

The Town of Chestermere has fixed interest rates through the debenture financing with Alberta Capital Finance Authority. The Town also has bank loans with interest rates at Prime.

Credit Risk

The Town of Chestermere 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 of Chestermere 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.

21) Prior Period Adjustment

The Town has restated its financial statements to comply with 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:

	2008
Adjustments to opening accumulated surplus:	
As previously reported	\$ 43,471,737
Adjustment to net book value of tangible capital assets	43,829,769
As restated	\$ 87,301,506

	2008
Adjustments to shortfall of revenues over expenses:	
As previously reported	\$ (4,567,259)
Tangible capital assets recorded but previously expensed	13,093,960
Proceeds on disposition of capital assets	(412,691)
Annual amortization expense	(3,056,993)
As restated	\$ 5,057,017

	2008
Adjustments to tangible capital assets:	
As previously reported	\$ 54,467,489
Adjustment to historical cost of tangible capital assets	61,135,203
Accumulated amortization recorded	(20,362,427)
As restated	\$ 95,240,265

Town of Chestermere
Notes to Financial Statements
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22) Comparative Figures

Some of the comparative figures have been reclassified to conform to the current year's presentation.

23) Approval of Financial Statements

Council and Management have approved these financial statements.