



**GREGORY,  
HARRIMAN  
& ASSOCIATES  
PROFESSIONAL ACCOUNTANTS**

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**Town of Chestermere**

**Financial Statements**

**For the Year Ended December 31, 2010**

**TOWN OF CHESTERMERE**

**DECEMBER 31, 2010**

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**INDEPENDENT AUDITORS' REPORT**

To the Mayor and Council of the  
Town of Chestermere

We have audited the accompanying consolidated financial statements of the Town of Chestermere, which comprise the statement of financial position as at December 31, 2010, and the statements of operations, change in net financial debt and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

**Management's Responsibility for the 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 financial statements that are free from material misstatement, whether due to fraud or error.

**Auditors' 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 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 of 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 auditors' 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 significant accounting estimates made by management, as well as evaluating the overall consolidated financial statement presentation.

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 Chestermere as at December 31, 2010 and the results of its operations, change in net financial debt and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Strathmore, Alberta  
April 27, 2011


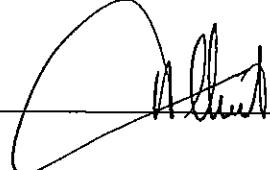
*Gregory, Harriman & Assoc.*  
Gregory, Harriman & Associates  
Professional Accountants



**Town of Chestermere**  
**Consolidated Statement of Financial Position**  
**As at December 31, 2010**

	<u>2010</u>	<u>2009</u> <i>(Restated)</i>
<b>FINANCIAL ASSETS</b>		
Cash and temporary investments <i>(Note 2)</i>	\$ 13,231,866	\$ 14,070,415
Taxes and grants in place receivables <i>(Note 3)</i>	1,331,567	1,208,211
Trade accounts receivables <i>(Note 4)</i>	2,770,381	3,159,280
Property tax under-levy	40,665	38,483
Goods and Services Tax receivable	507,680	-
Land held for resale <i>(Note 5)</i>	120,192	494,590
Investments <i>(Note 6)</i>	<u>7,339,585</u>	<u>10,566,594</u>
	<u>25,341,936</u>	<u>29,537,573</u>
<b>LIABILITIES</b>		
Accounts payable and accrued liabilities <i>(Note 7)</i>	3,019,291	7,297,942
Goods and Services Tax payable	-	117,016
Deposit liabilities	828,674	210,194
Deferred revenue <i>(Note 8)</i>	8,939,714	10,381,670
Long term debt <i>(Note 9)</i>	<u>14,795,866</u>	<u>15,703,208</u>
	<u>27,583,545</u>	<u>33,710,030</u>
<b>NET FINANCIAL DEBT</b>	<u>(2,241,609)</u>	<u>(4,172,457)</u>
<b>NON-FINANCIAL ASSETS</b>		
Tangible capital assets <i>(Note 11)</i> (Schedule 2)	114,271,804	103,705,922
Inventory for consumption	61,483	43,968
Prepaid expenses	57,747	26,354
Other assets	<u>5,850</u>	<u>282,790</u>
	<u>114,396,884</u>	<u>104,059,034</u>
<b>ACCUMULATED SURPLUS <i>(Note 13)</i> (Schedule 1)</b>	<u>\$ 112,155,275</u>	<u>\$ 99,886,577</u>

*Commitments (Note 17)*  
*Contingencies (Note 18)*  
*Prior period adjustment (Note 21)*

Approved by:  Mayor  Officer

**Town of Chestermere**  
**Consolidated Statement of Operations**  
**For the Year Ended December 31, 2010**

	<i>Budget</i> <i>(Unaudited)</i>	<b>2010</b>	<b>2009</b> <i>(Restated)</i>
<b>REVENUE</b>			
Net municipal property taxes (Schedule 3)	\$ 11,025,514	\$ 11,008,299	\$ 10,196,312
Sale of goods and user charges	6,135,312	6,879,497	11,299,267
Penalties and costs on taxes	213,000	258,890	238,605
Licenses and permits	343,832	580,309	356,759
Investment income	241,520	182,487	200,479
Development levies	-	2,048,803	574,048
Government transfers for operating (Schedule 4)	1,807,001	1,783,440	1,866,220
Other revenues	65,062	159	111,403
<b>TOTAL REVENUE</b>	<u>19,831,241</u>	<u>22,741,884</u>	<u>24,843,093</u>
<b>EXPENSES (Schedule 5)</b>			
Legislative	189,343	185,278	176,549
Administration	2,311,102	2,313,087	2,153,861
Protective services	3,277,729	3,135,902	2,808,447
Roads, streets, walks and lighting	4,430,392	4,547,290	4,294,339
Water supply and distribution	2,270,975	3,245,110	4,505,166
Wastewater treatment and disposal	2,422,276	2,934,139	7,545,717
Waste management	873,681	803,222	676,067
Family and community support	1,418,774	1,373,909	1,311,473
Planning and development	1,699,846	1,975,143	1,636,262
Parks and recreation	2,842,231	2,364,886	2,188,274
Culture	631,893	739,047	494,382
Loss on disposal of assets	-	3,555	98,081
<b>TOTAL EXPENSES</b>	<u>22,368,242</u>	<u>23,620,568</u>	<u>27,888,618</u>
<b>EXCESS (SHORTFALL) OF REVENUE OVER EXPENSES - BEFORE OTHER</b>	<i>(2,537,001)</i>	<i>(878,684)</i>	<i>(3,045,525)</i>
<b>OTHER</b>			
Contributed assets	-	5,545,809	4,290,436
Government transfers for capital (Schedule 4)	18,752,500	7,601,573	2,491,971
<b>EXCESS (SHORTFALL) OF REVENUE OVER EXPENSES</b>	<u>16,215,499</u>	<u>12,268,698</u>	<u>3,736,882</u>
<b>ACCUMULATED SURPLUS, BEGINNING OF YEAR</b>	<u>99,886,577</u>	<u>99,886,577</u>	<u>96,149,695</u>
<b>ACCUMULATED SURPLUS, END OF YEAR</b>	<u>\$ 116,102,076</u>	<u>\$ 112,155,275</u>	<u>\$ 99,886,577</u>

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

**Town of Chestermere**  
**Consolidated Statement of Change in Net Financial Debt**  
**For the Year Ended December 31, 2010**

	<i>Budget</i> <i>(Unaudited)</i>	2010	2009 <i>(Restated)</i>
<b>EXCESS (SHORTFALL) OF REVENUE OVER EXPENSES</b>	<u>\$ 16,215,499</u>	<u>\$ 12,268,698</u>	<u>\$ 3,736,882</u>
Acquisition of tangible capital assets	(39,855,220)	(9,240,805)	(4,352,898)
Contributed tangible capital assets	-	(5,545,809)	(4,290,436)
Proceeds on disposal of tangible capital assets	-	40,640	-
Amortization of tangible capital assets	-	4,176,537	3,870,768
Loss on disposal of assets	-	3,555	98,081
	<u>(39,855,220)</u>	<u>(10,565,882)</u>	<u>(4,674,485)</u>
(Increase) decrease in supplies inventories	-	(17,515)	22,132
(Increase) decrease in prepaid expenses	-	(31,393)	12,836
(Increase) decrease in other assets	-	276,940	(225,091)
	-	<u>228,032</u>	<u>(190,123)</u>
<b>(INCREASE) DECREASE IN NET DEBT</b>	<u>(23,639,721)</u>	1,930,848	(1,127,726)
<b>NET FINANCIAL DEBT, BEGINNING OF YEAR</b>	<u>(4,172,457)</u>	<u>(4,172,457)</u>	<u>(3,044,731)</u>
<b>NET FINANCIAL DEBT, END OF YEAR</b>	<u>\$ (27,812,178)</u>	<u>\$ (2,241,609)</u>	<u>\$ (4,172,457)</u>

**Town of Chestermere  
Consolidated Statement of Cash Flows  
For the Year Ended December 31, 2010**

	<u>2010</u>	<u>2009</u> <i>(Restated)</i>
<b>NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:</b>		
<b>OPERATING</b>		
Excess (shortfall) of revenue over expenses	\$ 12,268,698	\$ 3,736,882
Non-cash items included in excess (shortfall) of revenues over expenses:		
Amortization of tangible capital assets	4,176,537	3,870,768
(Gain) loss on sale of tangible capital assets	3,555	98,081
Tangible capital assets received as contributions	(5,545,809)	(4,290,436)
Non-cash charges to operations (net change):		
Decrease (increase) in taxes and grants in place receivables	(123,356)	(318,786)
Decrease (increase) in trade and other receivables	388,899	(1,325,786)
Decrease (increase) in property tax under-levy	(2,182)	(11,836)
Decrease (increase) in land held for resale	374,398	(494,590)
Decrease (increase) in inventory for consumption	(17,515)	22,132
Decrease (increase) in prepaid expenses	(31,393)	12,836
Increase (decrease) in Goods and Services Tax	(624,696)	519,362
Decrease (increase) in other assets	276,939	(225,092)
Increase (decrease) in accounts payable and accrued liabilities	(4,278,650)	4,288,560
Increase (decrease) in deposit liabilities	618,480	75,007
Increase (decrease) in deferred revenue	(1,441,956)	4,915,499
Cash provided by operating transactions	<u>6,041,949</u>	<u>10,872,601</u>
<b>CAPITAL</b>		
Acquisition of tangible capital assets	(9,240,805)	(4,352,898)
Sale of tangible capital assets	40,640	-
Cash applied to capital transactions	<u>(9,200,165)</u>	<u>(4,352,898)</u>
<b>INVESTING</b>		
Decrease (increase) in restricted cash or cash equivalents	4,676,529	(10,053,297)
Decrease (increase) in investments	3,227,009	(6,573,825)
Cash provided by (applied to) investing transactions	<u>7,903,538</u>	<u>(16,627,122)</u>
<b>FINANCING</b>		
Long term debt issued	-	495,188
Long term debt repaid	(907,342)	(699,154)
Cash provided by (applied to) financing transactions	<u>(907,342)</u>	<u>(203,966)</u>
<b>CHANGE IN CASH AND EQUIVALENTS DURING THE YEAR</b>	<b>3,837,980</b>	<b>(10,311,385)</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<b>43,821</b>	<b>10,355,206</b>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<b>\$ 3,881,801</b>	<b>\$ 43,821</b>
Cash and cash equivalents is made up of:		
Cash and temporary investments <i>(Note 2)</i>	13,231,866	14,070,415
Less: restricted portion of cash and temporary investments <i>(Note 2)</i>	(9,350,065)	(14,026,594)
	<u>\$ 3,881,801</u>	<u>\$ 43,821</u>

The accompanying notes form an integral part of these financial statements.

Gregory, Harriman & Associates, Professional Accountants

**Town of Chestermere**  
**Schedule of Changes in Accumulated Surplus**  
**For the Year Ended December 31, 2010**  
**Schedule 1**

	2010	2009	
	\$	\$	
	Unrestricted Surplus	Equity in Tangible Capital Assets	
	Restricted Surplus	Capital Assets	
<b>BALANCE, BEGINNING OF YEAR (Restated)</b>	\$ 332,073	\$ 11,019,207	\$ 88,535,297
Excess (shortfall) of revenue over expenses	12,268,698	-	-
Unrestricted funds designated for future use	(814,613)	814,613	-
Current year funds used for tangible capital assets	(9,240,805)	-	9,240,805
Contributed tangible capital assets	(5,545,809)	-	5,545,809
Disposal of tangible capital assets	44,197	-	(44,197)
Annual amortization expense	4,176,537	-	(4,176,537)
Capital long term debt repaid	(885,859)	-	885,859
<b>Change in accumulated surplus</b>	<b>2,346</b>	<b>814,613</b>	<b>11,451,739</b>
<b>BALANCE, END OF YEAR</b>	<b>\$ 334,419</b>	<b>\$ 11,833,820</b>	<b>\$ 99,987,036</b>
	<b>2,346</b>	<b>814,613</b>	<b>12,268,698</b>
	<b>\$ 99,886,577</b>	<b>\$ 112,155,275</b>	<b>\$ 99,886,577</b>
		<i>(Restated)</i>	

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, 2010**  
**Schedule 2**

	Land	Land Improvements	Buildings	Engineered Structures	Machinery and Equipment	Vehicles	2010	2009 (Restated)
<b>COST:</b>								
BALANCE, BEGINNING OF YEAR (Restated)	\$ 12,264,780	\$ 3,456,418	\$ 10,690,235	\$ 95,155,970	\$ 3,195,776	\$ 3,496,893	\$ 128,260,072	\$ 119,714,819
Acquisition of tangible capital assets	-	479,344	666,767	5,894,454	1,183,961	642,697	8,867,223	8,614,157
Construction-in-progress	-	-	5,919,391	-	-	-	5,919,391	29,177
Disposal of tangible capital assets	-	-	-	-	(54,269)	(13,905)	(68,174)	-
Write down of tangible capital assets	-	-	-	-	-	-	-	(98,081)
<b>BALANCE, END OF YEAR</b>	<b>12,264,780</b>	<b>3,935,762</b>	<b>17,276,393</b>	<b>101,050,424</b>	<b>4,325,468</b>	<b>4,125,685</b>	<b>142,978,512</b>	<b>128,260,072</b>
<b>ACCUMULATED AMORTIZATION:</b>								
BALANCE, BEGINNING OF YEAR	-	397,736	2,131,296	20,448,930	807,940	768,248	24,554,150	20,691,767
Annual amortization	-	168,867	281,434	3,067,283	329,575	329,378	4,176,537	3,870,768
Accumulated amortization on disposals	-	-	-	-	(10,074)	(13,905)	(23,979)	(8,385)
<b>BALANCE, END OF YEAR</b>	<b>-</b>	<b>566,603</b>	<b>2,412,730</b>	<b>23,516,213</b>	<b>1,127,441</b>	<b>1,083,721</b>	<b>28,706,708</b>	<b>24,554,150</b>
<b>NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS</b>	<b>\$ 12,264,780</b>	<b>\$ 3,369,159</b>	<b>\$ 14,863,663</b>	<b>\$ 77,534,211</b>	<b>\$ 3,198,027</b>	<b>\$ 3,041,964</b>	<b>\$ 114,271,804</b>	<b>\$ 103,705,922</b>
<b>2009 NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS (Restated)</b>	<b>\$ 12,264,780</b>	<b>\$ 3,058,682</b>	<b>\$ 8,558,939</b>	<b>\$ 74,707,040</b>	<b>\$ 2,387,836</b>	<b>\$ 2,728,645</b>	<b>\$ 103,705,922</b>	<b>\$ 103,705,922</b>

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, 2010**  
**Schedule 3**

	<i>Budget (Unaudited)</i>	2010	2009
<b>TAXATION</b>			
Real property taxes	\$ 14,301,676	\$ 14,316,975	\$ 13,141,338
Linear property taxes	87,033	87,033	79,207
Government grants in place of property taxes	-	-	-
	<u>14,388,709</u>	<u>14,404,008</u>	<u>13,220,545</u>
<b>REQUISITIONS</b>			
Alberta School Foundation Fund	<u>3,363,195</u>	<u>3,395,709</u>	<u>3,024,233</u>
<b>NET MUNICIPAL TAXES</b>	<u>\$ 11,025,514</u>	<u>\$ 11,008,299</u>	<u>\$ 10,196,312</u>

**Town of Chestermere**  
**Schedule of Government Transfers**  
**For the Year Ended December 31, 2010**  
**Schedule 4**

	<i>Budget</i> <i>(Unaudited)</i>	<b>2010</b>	<b>2009</b>
<b>TRANSFERS FOR OPERATING</b>			
Provincial Government	\$ 1,646,001	\$ 1,622,060	\$ 1,706,220
Other Local Governments	161,000	161,380	160,000
	<u>1,807,001</u>	<u>1,783,440</u>	<u>1,866,220</u>
<b>TRANSFERS FOR CAPITAL</b>			
Provincial Government	18,752,500	7,601,573	2,491,971
Federal Government	-	-	-
	<u>18,752,500</u>	<u>7,601,573</u>	<u>2,491,971</u>
<b>TOTAL GOVERNMENT TRANSFERS</b>	<u>\$ 20,559,501</u>	<u>\$ 9,385,013</u>	<u>\$ 4,358,191</u>

**Town of Chestermere**  
**Schedule of Consolidated Expenses by Object**  
**For the Year Ended December 31, 2010**  
**Schedule 5**

<b>CONSOLIDATED EXPENSES BY OBJECT</b>	<i>Budget</i> <i>(Unaudited)</i>	<b>2010</b>	<b>2009</b> <i>(Restated)</i>
Salaries, wages and benefits	\$ 6,788,741	\$ 6,520,154	\$ 5,502,062
Contracted and general services	5,695,059	6,010,438	5,587,954
Materials, goods, supplies and utilities	5,165,496	5,536,287	11,757,681
Transfers to local boards and agencies	-	-	-
Transfers to individuals and organizations	631,283	400,401	335,261
Interest on capital long term debt	338,661	976,751	834,893
Amortization of tangible capital assets	3,749,002	4,176,537	3,870,767
	<u>\$ 22,368,242</u>	<u>\$ 23,620,568</u>	<u>\$ 27,888,618</u>

The accompanying notes form and integral part of these financial statements.

Gregory, Harriman & Associates, Professional Accountants

**Town of Chestermere**  
**Notes to Financial Statements**  
**December 31, 2010**

**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 of the Canadian Institute of Chartered Accountants. 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, 2010**

**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 revenue 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:

	<b>YEARS</b>
Land improvements	15-45
Buildings	25-50
Engineered structures	
Roadway system	5-60
Water system	45-75
Wastewater system	45-75
Machinery and equipment	5-40
Vehicles	10-25

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, 2010**

2) Cash and Temporary Investments	2010	2009
Petty cash	\$ 800	\$ 800
Cash	3,423,353	3,234,635
Funds held by lawyer	671,783	4,835,227
Canadian Imperial Bank of Commerce Strip Bond maturing 2011 with annual yield of 1.26% (Market Value \$1,244,467)	1,232,683	-
Canadian Imperial Bank of Commerce Bankers Acceptance Note matured 2010 with interest rate of 0.58%	-	1,999,753
Bank of Nova Scotia Deposit Note maturing 2011 with interest rate of 4.92% (Market Value \$3,968,645)	3,973,557	-
Province of Ontario Strip Bond maturing 2011 with annual yield of 0.92% (Market Value \$997,915)	990,937	-
Royal Bank Of Canada Capital Trust maturing 2011 with interest rate of 7.18% (Market Value \$2,932,788)	2,938,753	-
Guaranteed Investment Certificate matured 2010 with interest rate of 0.85%	-	4,000,000
	\$ 13,231,866	\$ 14,070,415

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, \$9,350,065 (2009 - \$14,026,594) 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	2010	2009
Current taxes and grants in place of taxes	\$ 953,203	\$ 942,722
Tax arrears	378,364	265,489
	\$ 1,331,567	\$ 1,208,211

4) Trade Accounts Receivables	2010	2009
Water and sewer receivable	\$ 782,015	\$ 715,574
Accounts receivable - other	596,659	1,415,802
Offsite levies receivable	816,441	662,324
Mortgages receivable	575,266	365,580
	\$ 2,770,381	\$ 3,159,280

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 2025 and bear interest at varying rates.

5) Land Held For Resale	2010	2009
Land held for resale	\$ 120,192	\$ 494,590

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, 2010**

6) Investments	2010	2009
Bank of Montreal Deposit Notes maturing 2012 with interest rate of 5.04%. (Market Value \$679,815)	\$ 653,830	\$ 656,723
Bank of Montreal Fixed Flat Rate Deposit Note maturing 2015 with interest rate of 4.00%. This investment was sold during the year.	-	2,026,125
Bank of Nova Scotia Strip Bond maturing 2013 with annual yield of 4.79%. (Market Value \$647,113)	556,402	556,402
Canadian Imperial Bank of Commerce Strip Bond maturing 2013 with annual yield of 3.41%. (Market Value \$2,067,529)	1,999,687	-
Canadian Imperial Bank of Commerce Fixed Flat Rate Deposit Note maturing 2018 with interest rate of 5.15%. (Market Value \$1,228,682)	1,164,827	1,165,343
Canadian Imperial Bank of Commerce Fixed Flat Rate Deposit Note maturing 2016 with interest rate of 4.55%. (Market Value \$1,709,785)	1,749,778	-
Canadian Imperial Bank of Commerce Fixed Flat Rate Deposit Note maturing 2015 with interest rate of 3.75%. This investment was sold during the year.	-	4,942,199
Royal Bank Of Canada Fixed Flat Rate Deposit Note maturing 2018 with interest rate of 4.84%. (Market Value \$596,387)	588,062	592,803
Toronto Dominion Bank Strip Bond maturing 2013 with annual yield of 4.81%. (Market Value \$731,910)	626,999	626,999
	\$ 7,339,585	\$ 10,566,594
 7) Accounts Payable and Accrued Liabilities	 2010	 2009
Trade accounts payable	\$ 2,660,506	\$ 1,774,763
Accrued audit fee	55,000	55,000
Accrued vacation pay payable	229,842	201,422
Accrued interest payable	73,943	80,277
Promissory note payable	-	5,186,480
	\$ 3,019,291	\$ 7,297,942

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% and was paid in full during the year.

**Town of Chestermere**  
**Notes to Financial Statements**  
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8) Deferred Revenue	2010	2009
Alberta Municipal Infrastructure Program	\$ 108,772	\$ 3,799,657
Streets Improvement Program	3,234,979	2,677,231
Municipal Sustainability Initiative	3,073,026	1,273,694
New Deal for Cities and Communities	1,913,875	1,132,286
Policing	77,520	75,175
Municipal Intern Program	26,250	10,750
Municipal Sponsorship Program	25,000	-
Offsite levies	418,324	1,400,497
Other deferred revenue	61,968	12,380
	\$ 8,939,714	\$ 10,381,670

**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 2009 of \$3,799,657, plus accrued interest, plus funds received by the Town in 2010 of \$3,041,524, less \$6,812,451 recognized as revenue in 2010.

**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 2010 balance represents funds brought forward from 2009 of \$2,677,231, plus accrued interest, plus funds received by the Town in 2010 of \$825,600, less \$308,745 recognized as revenue in 2010. Funds will be used for future roads projects.

**Municipal Sustainability Initiative**

The Municipal Sustainability Initiative ("MSI") is a 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 2009 of \$1,273,694, plus accrued interest, plus funds received by the Town in 2010 of \$2,366,118, less \$640,500 recognized as revenue in 2010.

**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 brought forward from 2009 of \$1,132,286, plus accrued interest, plus funds received by the Town in 2010 of \$766,845.

**Town of Chestermere**  
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<b>9) Long Term Debt</b>	<u>2010</u>	<u>2009</u>
Tax supported debentures	\$ 5,783,609	\$ 6,176,604
EPCOR amortization fund	8,924,480	9,208,337
Capital lease	75,777	305,267
Western Irrigation District Scholarship	<u>12,000</u>	<u>13,000</u>
	14,795,866	15,703,208
Less: Current portion	(842,114)	(985,301)
	<u>\$ 13,953,752</u>	<u>\$ 14,717,907</u>

Principal and interest repayments are due as follows:

	Principal	Interest	Total
2010	\$ 842,114	\$ 1,030,700	\$ 1,872,814
2011	782,471	984,331	1,766,802
2012	685,240	938,930	1,624,170
2013	691,104	898,885	1,589,989
2014	698,490	858,062	1,556,552
Thereafter	11,096,447	8,850,151	19,946,598
	<u>\$ 14,795,866</u>	<u>\$ 13,561,059</u>	<u>\$ 28,356,925</u>

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 5.28% (5.29% for 2009). 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 2022, 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 \$77,832 (2009 - \$320,469) over the next two years, include interest of \$2,055 (2009 - \$15,194).

Interest on long term debt amounted to \$1,067,551 (2009 - \$774,113).

The Town's total cash payments for interest in 2010 were \$1,073,865 (2009 - \$750,182).

**Town of Chestermere**  
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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>2010</u>	<u>2009</u>
Total debt limit (1.5 * total eligible revenues)	\$ 34,112,826	\$ 37,264,640
Total long term debt (Note 9)	(14,795,866)	(15,703,208)
Unused total debt limit capacity	<u>\$ 19,316,960</u>	<u>\$ 21,561,432</u>
Service on debt limit (0.25 * total eligible revenues)	\$ 5,685,471	\$ 6,210,773
Service on debt (next years principal and interest due)	(1,872,814)	(2,048,634)
Unused service on debt limit capacity	<u>\$ 3,812,657</u>	<u>\$ 4,162,139</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>2010</u>	<u>2009</u> <i>(Restated)</i>
Land	\$ 12,264,780	\$ 12,264,780
Land improvements	3,369,159	3,058,682
Buildings	14,863,663	8,558,939
Engineered structures		
Roadway system	27,972,185	28,979,746
Water distribution system	22,103,554	22,466,991
Wastewater treatment system	27,458,472	23,260,303
Machinery, equipment and furnishings	3,198,027	2,387,836
Vehicles	3,041,964	2,728,645
	<u>\$ 114,271,804</u>	<u>\$ 103,705,922</u>

**12) Equity in Tangible Capital Assets**

	<u>2010</u>	<u>2009</u> <i>(Restated)</i>
Tangible capital assets (Schedule 2)	\$ 142,978,512	\$ 128,260,072
Accumulated amortization (Schedule 2)	(28,706,708)	(24,554,150)
Long term debt (Note 9)	(14,795,866)	(15,703,208)
Operating portion of long term debt	511,098	532,583
	<u>\$ 99,987,036</u>	<u>\$ 88,535,297</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>2010</u>	<u>2009</u> <i>(Restated)</i>
Unrestricted surplus (deficit)	<u>\$ 334,419</u>	<u>\$ 332,073</u>
Restricted surplus (reserves)		
Capital:		
Roads	1,626,159	1,086,850
Water	1,856,396	1,943,881
Wastewater	5,718,840	5,267,894
Equipment replacement	36,781	72,876
Silt removal	3,695	11,289
Recreation	326,865	274,931
FCSS	178,424	646
Cash in lieu	7,586	7,586
General capital	247,196	415,439
Operating: General Operating	<u>1,831,878</u>	<u>1,937,815</u>
	<u>11,833,820</u>	<u>11,019,207</u>
Equity in tangible capital assets <i>(Note 12)</i>	<u>99,987,036</u>	<u>88,535,297</u>
	<u>\$ 112,155,275</u>	<u>\$ 99,886,577</u>

**14) Trust Funds**

The Town of Chestermere administers the following trust:

	<u>2010</u>	<u>2009</u>
Roots of Empathy	<u>\$ 3,614</u>	<u>\$ 10,596</u>

**Town of Chestermere  
Notes to Financial Statements  
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**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:

	2010			2009
	Salary <sup>(1)</sup>	Benefits and Allowances <sup>(2)</sup>	Total	Total
Mayor Mathews	\$ 36,533	\$ 7,663	\$ 44,196	\$ 41,554
Councillor Bergen	19,500	1,816	21,316	20,605
Councillor Davies	18,667	1,891	20,558	21,556
Councillor Hutchison	18,667	1,854	20,521	19,369
Councillor Johnson	19,267	1,819	21,086	20,612
Councillor Reid	15,000	1,947	16,947	19,718
Councillor Steeves	19,067	2,489	21,556	21,921
Councillor Leighton	3,667	579	4,246	
Chief Administrative Officer	129,918	26,152	156,070	144,359
	\$ 280,286	\$ 46,210	\$ 326,496	\$ 309,694

(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 199,000 people and about 418 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 9.49% of pensionable earnings up to the year's maximum pensionable earnings under the Canada Pension Plan and 13.13% on pensionable earnings above this amount. Employees of the Town are required to make current service contributions of 8.49% of pensionable salary up to the year's maximum pensionable salary and 12.13% on pensionable salary above this amount.

Total current service contributions by the Town to the LAPP in 2010 were \$397,274 (2009 - \$261,481). Total current service contributions by the employees of the Town to the LAPP in 2010 were \$356,840 (2009 - \$293,672).

At December 31, 2009, the LAPP disclosed an actuarial deficiency of \$4 billion.

**Town of Chestermere**  
**Notes to Financial Statements**  
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**17) Commitments**

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:

2011	\$ 355,733
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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:

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 has operating leases for vehicles. The leases require monthly payments and expire by December 31, 2014.

Future minimum lease payments as at December 31, 2010, are as follows:

2011	\$ 97,340
2012	85,972
2013	33,963
2014	4,193
	<u>\$ 221,468</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.

**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 2010, reviewed and approved the operational budget of the Library.

**Town of Chestermere**  
**Notes to Financial Statements**  
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**20) Financial Instruments**

The Town's financial instruments consist of cash and temporary investments, taxes and grants in place receivables and trade accounts receivables, investments, 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 include previously excluded tangible capital assets. These adjustments relate to engineered structures that were not previously recorded. These adjustments are as follows:

	2009
<b>Adjustments to opening accumulated surplus:</b>	
As previously reported	\$ 92,358,523
Adjustment to net book value of tangible capital assets	3,791,172
<b>As restated</b>	\$ 96,149,695

	2009
<b>Adjustments to shortfall of revenues over expenses:</b>	
As previously reported	\$ 1,255,157
Contributed assets	2,734,825
Annual amortization expense	(253,100)
<b>As restated</b>	\$ 3,736,882

	2009
<b>Adjustments to tangible capital assets:</b>	
As previously reported	\$ 97,433,025
Adjustment to historical cost of tangible capital assets	6,846,950
Accumulated amortization recorded	(574,053)
<b>As restated</b>	\$ 103,705,922

**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.