



INDEPENDENT AUDITOR'S REPORT

To the Members of Council:

*Report on the Consolidated Financial Statements*

We have audited the accompanying consolidated financial statements of the Town of Elk Point, which comprise the consolidated statement of financial position as at December 31, 2010, and the consolidated statements of operations, changes in net financial assets and cash flows 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 Elk Point 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.

ST. PAUL, ALBERTA  
April 11, 2011

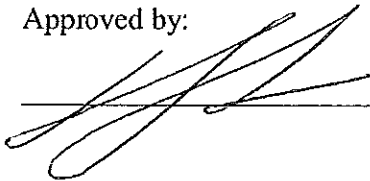
*Joly, M<sup>c</sup>Carthy & Dion*  
CHARTERED ACCOUNTANTS

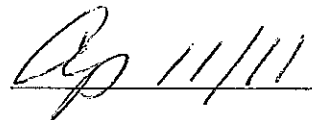
**TOWN OF ELK POINT  
CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS AT DECEMBER 31, 2010**

	<u>2010</u>	<u>2009</u>
<b>Financial assets</b>		
Cash	\$ 221,211	\$ 649,205
Investments (note 2)	616,958	578,257
Taxes and grants in place receivable (note 3)	90,285	209,659
Receivable from other governments	689,793	555,629
Trade and other receivables	81,873	136,840
Loans receivable (note 4)	207,697	218,544
Long-term investments	7,434	7,117
Inventory of land held for resale	<u>438,887</u>	<u>286,356</u>
	<u>2,354,138</u>	<u>2,641,607</u>
<b>Liabilities</b>		
Accounts payable and accrued liabilities (note 5)	258,862	536,691
Deposit liabilities	30,500	39,511
Deferred revenue (note 6)	721,433	1,260,315
Long-term debt (note 7)	<u>82,594</u>	<u>167,187</u>
	<u>1,093,389</u>	<u>2,003,704</u>
<b>Net financial assets</b>	<u>1,260,749</u>	<u>637,903</u>
<b>Non-financial assets</b>		
Tangible capital assets (schedule 2)	12,930,024	12,546,495
Prepaid expenses	<u>14,126</u>	<u>2,896</u>
	<u>12,944,150</u>	<u>12,549,391</u>
<b>Accumulated surplus (note 11)</b>	<u>\$ 14,204,899</u>	<u>\$ 13,187,294</u>

Contingencies (note 15)

Approved by:

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

	<u>Budget</u> (unaudited)	<u>2010</u>	<u>2009</u>
<b>Revenue</b>			
Net municipal taxes (schedule 3)	\$ 892,650	\$ 1,209,398	\$ 1,150,076
Sales and user fees	675,500	763,227	916,890
Government transfers for operating (schedule 4)	144,500	458,262	265,901
Investment income	20,000	14,770	15,886
Penalties and costs on taxes and utilities	55,500	62,989	54,333
Licenses and permits	22,000	26,367	22,548
Bylaw and police fines	5,000	6,982	7,273
Franchise fees	106,000	113,462	97,973
Local improvement charges	13,600	12,435	12,600
Other	<u>1,500</u>	<u>10,796</u>	<u>9,860</u>
	<u>1,936,250</u>	<u>2,678,688</u>	<u>2,553,340</u>
<b>Expenses</b>			
Legislative	85,700	89,122	91,918
Administration	269,800	278,155	295,936
Protective services	180,300	182,558	219,232
Transportation	380,900	647,930	664,876
Water and wastewater	324,800	464,045	454,119
Waste management	180,800	178,603	177,223
Public health and welfare	60,500	70,840	67,450
Planning and development	185,700	423,209	259,993
Recreation and culture	<u>183,150</u>	<u>237,927</u>	<u>234,659</u>
	<u>1,851,650</u>	<u>2,572,389</u>	<u>2,465,406</u>
<b>Excess of revenues over expenses before other</b>	<b>84,600</b>	<b>106,299</b>	<b>87,934</b>
<b>Other</b>			
Contributions from local boards	--	123,730	104,272
Fundraising/donations for capital	--	27,726	10,802
Gain on disposal of tangible capital assets	--	43,318	--
Government transfers for capital (schedule 4)	<u>--</u>	<u>716,532</u>	<u>1,009,377</u>
<b>Excess of revenues over expenses</b>	<b>84,600</b>	<b>1,017,605</b>	<b>1,212,385</b>
<b>Accumulated surplus, beginning of year</b>	<b><u>13,187,294</u></b>	<b><u>13,187,294</u></b>	<b><u>11,974,909</u></b>
<b>Accumulated surplus, end of year</b>	<b>\$ <u>13,271,894</u></b>	<b>\$ <u>14,204,899</u></b>	<b>\$ <u>13,187,294</u></b>

**TOWN OF ELK POINT  
CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL ASSETS  
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>Budget</u> (unaudited)	<u>2010</u>	<u>2009</u>
<b>Excess of revenues over expenses</b>	<b>\$ <u>84,600</u></b>	<b>\$ <u>1,017,605</u></b>	<b>\$ <u>1,212,385</u></b>
Acquisition of tangible capital assets	--	(999,995)	(1,442,823)
Proceeds on disposal of tangible capital assets	--	193,335	--
Amortization of tangible capital assets	--	466,449	458,742
Gain on disposal of tangible capital assets	--	(43,318)	--
	<u>--</u>	<u>(383,529)</u>	<u>(984,081)</u>
Acquisition of prepaid expenses	--	(14,126)	(2,896)
Use of prepaid expenses	--	2,896	7,981
	<u>--</u>	<u>(11,230)</u>	<u>5,085</u>
<b>Increase in net financial assets</b>	<b>84,600</b>	<b>622,846</b>	<b>233,389</b>
<b>Net financial assets, beginning of year</b>	<b><u>637,903</u></b>	<b><u>637,903</u></b>	<b><u>404,514</u></b>
<b>Net financial assets, end of year</b>	<b>\$ <u>722,503</u></b>	<b>\$ <u>1,260,749</u></b>	<b>\$ <u>637,903</u></b>

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

	<u>2010</u>	<u>2009</u>
<b>Net inflow (outflow) of cash related to the following activities:</b>		
<b>Operating</b>		
Excess of revenues over expenses	\$ 1,017,605	\$ 1,212,385
Non-cash items included		
Amortization of tangible capital assets	466,449	458,742
Gain on disposal of tangible capital assets	(43,318)	--
Non-cash charges to operations (net change):		
Decrease (increase) in		
Taxes and grants in place receivable	119,374	(61,576)
Receivable from other governments	(134,164)	257,063
Trade and other receivables	54,967	(81,761)
Inventory of land held for resale	(152,531)	(65,919)
Prepaid expenses	(11,230)	5,085
Increase (decrease) in		
Accounts payable and accrued liabilities	(277,829)	249,675
Deposit liabilities	(9,011)	(13,770)
Deferred revenue	<u>(538,882)</u>	<u>364,854</u>
	<u>491,430</u>	<u>2,324,778</u>
<b>Investing</b>		
Increase in long-term investments	<u>(317)</u>	<u>(311)</u>
<b>Capital</b>		
Acquisition of tangible capital assets	(999,995)	(1,442,823)
Proceeds on disposal of capital assets	<u>193,335</u>	<u>--</u>
	<u>(806,660)</u>	<u>(1,442,823)</u>
<b>Financing</b>		
Loans receivable collected	10,847	9,795
Long-term debt repaid	<u>(84,593)</u>	<u>(76,220)</u>
	<u>(73,746)</u>	<u>(66,425)</u>
<b>Change in cash and cash equivalents during the year</b>	(389,293)	815,219
<b>Cash and cash equivalents, beginning of year</b>	<u>1,227,462</u>	<u>412,243</u>
<b>Cash and cash equivalents, end of year</b>	\$ <u>838,169</u>	\$ <u>1,227,462</u>
<b>Cash and cash equivalents consist of:</b>		
Cash	\$ 221,211	\$ 649,205
Investments	<u>616,958</u>	<u>578,257</u>
	\$ <u>838,169</u>	\$ <u>1,227,462</u>

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

	Unrestricted Surplus	Restricted Surplus	Equity in Tangible Capital Assets	2010	2009
<b>Balance, beginning of year</b>	\$ <u>298,152</u>	\$ <u>509,834</u>	\$ <u>12,379,308</u>	\$ <u>13,187,294</u>	\$ <u>11,974,909</u>
Excess of revenues over expenses	1,017,605	--	--	1,017,605	1,212,385
Unrestricted funds designated for future use	(433,670)	433,670	--	--	--
Current year funds used for tangible capital assets	(948,085)	--	948,085	--	--
Restricted funds used for tangible capital assets	--	(51,910)	51,910	--	--
Disposal of tangible capital assets	150,017	--	(150,017)	--	--
Annual amortization expense	466,449	--	(466,449)	--	--
Long-term debt repaid	<u>(84,593)</u>	<u>--</u>	<u>84,593</u>	<u>--</u>	<u>--</u>
<b>Change in accumulated surplus</b>	<u>167,723</u>	<u>381,760</u>	<u>468,122</u>	<u>1,017,605</u>	<u>1,212,385</u>
<b>Balance, end of year</b>	\$ <u>465,875</u>	\$ <u>891,594</u>	\$ <u>12,847,430</u>	\$ <u>14,204,899</u>	\$ <u>13,187,294</u>

**TOWN OF ELK POINT**  
**SCHEDULE 2 - TANGIBLE CAPITAL ASSETS**  
**FOR THE YEAR ENDED DECEMBER 31, 2010**

Cost	Land	Land Improvements	Buildings	Engineered Structures	Machinery & Equipment	Vehicles	Construction In-Progress	Total
Balance, beginning of year	\$ 461,883	\$ 574,759	\$ 655,803	\$ 14,114,745	\$ 821,147	\$ 868,550	\$ 1,309,063	\$ 18,805,950
Acquisition of tangible capital assets	--	126,035	1,287,739	--	106,076	18,834	(538,689)	999,9
Disposal of tangible capital assets	<u>(8,335)</u>	<u>--</u>	<u>(146,338)</u>	<u>--</u>	<u>(24,541)</u>	<u>--</u>	<u>(55,191)</u>	<u>(234,405)</u>
Balance, end of year	<u>453,548</u>	<u>700,794</u>	<u>1,797,204</u>	<u>14,114,745</u>	<u>902,682</u>	<u>887,384</u>	<u>715,183</u>	<u>19,571,540</u>
<b>Accumulated amortization</b>								
Balance, beginning of year	--	421,181	289,181	5,126,568	232,552	189,973	--	6,259,455
Annual amortization	--	14,011	10,186	355,130	48,291	38,831	--	466,449
Accumulated amortization on disposals	<u>--</u>	<u>--</u>	<u>(64,756)</u>	<u>--</u>	<u>(19,632)</u>	<u>--</u>	<u>--</u>	<u>(84,388)</u>
Balance, end of year	<u>--</u>	<u>435,192</u>	<u>234,611</u>	<u>5,481,698</u>	<u>261,211</u>	<u>228,804</u>	<u>--</u>	<u>6,641,516</u>
<b>Net book value of tangible capital assets</b>	<u>\$ 453,548</u>	<u>\$ 265,602</u>	<u>\$ 1,562,593</u>	<u>\$ 8,633,047</u>	<u>\$ 641,471</u>	<u>\$ 658,580</u>	<u>\$ 715,183</u>	<u>\$ 12,930,024</u>
2009 Net book value of tangible capital assets	<u>\$ 461,883</u>	<u>\$ 153,578</u>	<u>\$ 366,622</u>	<u>\$ 8,988,177</u>	<u>\$ 588,595</u>	<u>\$ 678,577</u>	<u>\$ 1,309,063</u>	<u>\$ 12,546,4</u>

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

	<u>Budget</u> (unaudited)	<u>2010</u>	<u>2009</u>
<b>Taxation</b>			
Residential land and improvements	\$ 490,630	\$ 659,014	\$ 793,350
Commercial property	350,000	500,025	405,729
Linear	51,068	51,575	61,623
Capital levy	<u>328,547</u>	<u>326,379</u>	<u>190,961</u>
	<u>1,220,245</u>	<u>1,536,993</u>	<u>1,451,663</u>
<b>Requisitions</b>			
Alberta School Foundation	279,383	279,383	273,847
M.D. of St. Paul Foundation	<u>48,212</u>	<u>48,212</u>	<u>27,740</u>
	<u>327,595</u>	<u>327,595</u>	<u>301,587</u>
<b>Net taxes for general municipal operations</b>	<b>\$ <u>892,650</u></b>	<b>\$ <u>1,209,398</u></b>	<b>\$ <u>1,150,076</u></b>

**SCHEDULE 4 - GOVERNMENT TRANSFERS**

<b>Transfers for operations</b>			
Provincial	\$ 52,500	\$ 348,963	\$ 76,293
Other local governments	<u>92,000</u>	<u>109,299</u>	<u>189,608</u>
	<u>144,500</u>	<u>458,262</u>	<u>265,901</u>
<b>Transfers for capital</b>			
Provincial	--	716,532	986,877
Other local governments	<u>--</u>	<u>--</u>	<u>22,500</u>
	<u>--</u>	<u>716,532</u>	<u>1,009,377</u>
<b>Total government transfers</b>	<b>\$ <u>144,500</u></b>	<b>\$ <u>1,174,794</u></b>	<b>\$ <u>1,275,278</u></b>

**SCHEDULE 5 - CONSOLIDATED EXPENSES BY OBJECT**

<b>Expenses</b>			
Salaries, wages and benefits	\$ 758,450	\$ 777,616	\$ 831,870
Contracted and general services	507,400	491,463	523,600
Purchases from other governments	8,000	12,923	21,916
Materials, goods, supplies and utilities	459,500	494,117	423,099
Transfers to individuals and organizations	89,000	295,526	168,249
Bank charges & short-term interest	1,000	2,110	4,052
Interest on long-term debt	18,300	12,155	21,148
Other expenditures	10,000	16,383	12,730
Provision for allowances	--	3,647	--
Amortization of tangible capital assets	<u>--</u>	<u>466,449</u>	<u>458,742</u>
<b>Total expenses</b>	<b>\$ <u>1,851,650</u></b>	<b>\$ <u>2,572,389</u></b>	<b>\$ <u>2,465,406</u></b>



**TOWN OF ELK POINT**  
**SCHEDULE 6 – SEGMENTED DISCLOSURE**  
**FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>General Government</u>	<u>Protective Services</u>	<u>Transportation Services</u>	<u>Environment Services</u>	<u>Public Health, Planning and Development</u>	<u>Recreation and Culture</u>	<u>Total</u>
<b>Revenue</b>							
Net municipal taxes	\$ 1,209,398	\$ --	\$ --	\$ --	\$ --	\$ --	\$ 1,209,398
Government transfers for operations	11,296	73,387	--	--	309,648	63,931	458,262
Government transfers for capital	51,227	113,357	375,726	100,000	--	76,222	716,532
User fees and sales of goods	10,170	56,259	57,448	553,095	57,411	28,844	763,227
Investment income	3,228	--	--	--	11,356	186	14,770
Other revenues for operations	173,813	9,174	11,798	9,330	19,650	9,266	233,031
Other revenues for capital	<u>(4,909)</u>	<u>103,418</u>	<u>--</u>	<u>(55,191)</u>	<u>123,730</u>	<u>27,726</u>	<u>194,774</u>
	<u>1,454,223</u>	<u>355,595</u>	<u>444,972</u>	<u>607,234</u>	<u>521,795</u>	<u>206,175</u>	<u>3,589,994</u>
<b>Expenses</b>							
Salaries and wages	202,428	63,184	142,095	181,750	80,102	108,057	777,616
Contract and general services	115,137	36,569	85,079	135,851	88,562	43,188	504,386
Goods and supplies	23,939	59,970	135,843	193,871	23,189	57,305	494,117
Transfers to others	--	--	--	--	293,026	2,500	295,526
Long-term debt interest	--	--	346	11,610	--	199	12,155
Other expenses	<u>21,340</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>800</u>	<u>--</u>	<u>22,140</u>
	<u>362,844</u>	<u>159,723</u>	<u>363,363</u>	<u>523,082</u>	<u>485,679</u>	<u>211,249</u>	<u>2,105,940</u>
<b>Net Revenue Before Amortization</b>	1,091,379	195,872	81,609	84,152	36,116	(5,074)	1,484,054
Amortization expense	<u>(4,433)</u>	<u>(22,835)</u>	<u>(284,567)</u>	<u>(119,566)</u>	<u>(8,370)</u>	<u>(26,678)</u>	<u>(466,449)</u>
<b>Net Revenue</b>	<u>\$ 1,086,946</u>	<u>\$ 173,037</u>	<u>\$ (202,958)</u>	<u>\$ (35,414)</u>	<u>\$ 27,746</u>	<u>\$ (31,752)</u>	<u>\$ 1,017,605</u>

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

**1. Significant Accounting Policies**

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

(a) Reporting Entity

The consolidated financial statements reflect the assets, liabilities, revenues and expenses, and change in financial position of the reporting 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 the administration of their financial affairs and resources.

The schedule of taxes levied also includes requisitions for education and other external organizations that are not part of the municipal reporting entity.

The statements exclude trust assets that are administered for the benefit of external parties.

Interdepartmental and organizational transactions and balances are eliminated.

(b) Basis of Accounting

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

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

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

(c) Use of Estimates

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

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

**1. Significant Accounting Policies - continued**

(d) Investments

Investments are recorded at amortized cost. 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) Inventory of 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 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 their respective function.

(f) Requisition Over-levy and Under-levy

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

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

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

(g) 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.

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

**1. Significant Accounting Policies – continued**

(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) 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 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 costs, less residual value, of the tangible capital assets are amortized on a straight-line basis over their estimated useful lives as follows:

	<u>Years</u>
Buildings	50
Engineered structures	
Roadway system	5-60
Wastewater system	45-75
Water system	45-75
Curbs and gutters	30
Machinery and equipment	5-40
Vehicles	10-25
Land improvements	10-25

No amortization is charged in the year of acquisition. 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.

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

**2. Investments**

<u>Rate</u>	<u>Maturity Date</u>	<u>Amount</u>
1.78%	November 25, 2011	\$ 203,560
2.10%	November 25, 2012	204,200
1.65%	March 24, 2012	100,850
1.40%	December 31, 2011	<u>108,348</u>
		<u>\$ 616,958</u>

**3. Taxes and Grants in Place Receivable**

	<u>2010</u>	<u>2009</u>
Current taxes and grants in place	\$ <u>74,711</u>	\$ <u>121,635</u>
Non-current taxes and grants in place	35,735	104,538
Less: allowance for doubtful accounts	<u>(20,161)</u>	<u>(16,514)</u>
	<u>15,574</u>	<u>88,024</u>
	\$ <u>90,285</u>	\$ <u>209,659</u>

**4. Loans Receivable**

	<u>2010</u>	<u>2009</u>
5.875% loan payable in annual installments of \$9,200 including principal and interest, maturing March 17, 2023.	\$ 82,041	\$ 86,178
5.037% loan payable in annual installments of \$9,630 including principal and interest, maturing March 15, 2028.	112,224	116,011
5.625% loan payable in equal annual installments of \$3,843 including principal and interest, maturing April, 2014.	<u>13,432</u>	<u>16,355</u>
Total loans receivable	207,697	218,544
Less: current portion	<u>(11,445)</u>	<u>(10,847)</u>
	\$ <u>196,252</u>	\$ <u>207,697</u>

**5. Employee Benefit Obligation**

Included in accounts payable and accrued liabilities is a vacation and overtime liability of \$45,935 (2009 - \$58,630). The vacation and overtime liability is comprised of the vacation and overtime that employees have earned and are entitled to within the next budgetary year.

**TOWN OF ELK POINT  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
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<b>6. Deferred Revenue</b>	<u>2010</u>	<u>2009</u>
Operating revenue	\$ 1,468	\$ 2,991
Street Improvement grant	--	264,433
Prepaid local improvement charges	5,895	6,164
Iron Horse Trail donations	5,214	5,214
Alberta Municipal Infrastructure grant	--	52,192
Joint 2007/2008 Muni-Sponsorship grant	49,625	49,625
Federal Gas Tax	140,055	213,262
Alberta Culture and Community Spirit	508,610	500,000
Municipal Sustainability Initiative grant	<u>10,566</u>	<u>166,434</u>
	<b>\$ <u>721,433</u></b>	<b>\$ <u>1,260,315</u></b>

Funding from various grant programs, organizations and individuals, in the amount of \$721,433 remained unspent at the end of the current year. The use of these funds is restricted to eligible operating and capital projects as approved under the funding agreements or as indicated by the donors. Most of the projects are scheduled for completion in 2011.

<b>7. Long-Term Debt</b>	<u>2010</u>	<u>2009</u>
Tax supported debentures	\$ 216	\$ 10,496
Self supported debentures	5,806	11,035
Utility supported debentures	<u>76,572</u>	<u>145,656</u>
	<b>\$ <u>82,594</u></b>	<b>\$ <u>167,187</u></b>

Principal and interest repayments for the next year are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ <u>82,594</u>	\$ <u>8,967</u>	\$ <u>91,561</u>

Debenture debt is repayable to Alberta Capital Finance Authority and bears interest at rates ranging from 10.125% to 11.25% per annum and matures in 2011. The average annual interest rate is 10.5% for 2010 (10.3% for 2009).

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

Interest on long-term debt amounted to \$12,155 (2009 - \$21,148).

The town's cash payment for interest paid on long-term debt was \$18,264 (2009 -\$26,638).

**TOWN OF ELK POINT  
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 Elk Point be disclosed as follows:

	<u>2010</u>	<u>2009</u>
Total debt limit	\$ 4,310,178	\$ 4,058,871
Total debt (including loan guarantees)	<u>(365,233)</u>	<u>(254,714)</u>
Debt limit remaining	<u>\$ 3,944,945</u>	<u>\$ 3,804,157</u>
Debt servicing limit	\$ 718,363	\$ 676,479
Debt servicing	<u>(91,561)</u>	<u>(102,857)</u>
Debt servicing limit remaining	<u>\$ 626,802</u>	<u>\$ 573,622</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. Temporary Loans Payable**

The town has a prime plus 0% authorized revolving loan limit of \$750,000 with the Servus Credit Union. No balance was outstanding as at December 31, 2010.

**10. Equity in Tangible Capital Assets**

	<u>2010</u>	<u>2009</u>
Tangible capital assets (schedule 2)	\$ 19,571,540	\$ 18,805,950
Accumulated amortization (schedule 2)	(6,641,516)	(6,259,455)
Long-term debt (note 7)	<u>(82,594)</u>	<u>(167,187)</u>
	<u>\$ 12,847,430</u>	<u>\$ 12,379,308</u>

**TOWN OF ELK POINT**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
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**11. Accumulated Surplus**

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

	<u>2010</u>	<u>2009</u>
Unrestricted surplus	\$ <u>465,875</u>	\$ <u>298,152</u>
Restricted surplus		
General	--	4,773
Cemetery	19,825	19,825
Economic development	32,013	20,815
Waterpark	38,980	--
Rescue van	106,103	70,474
Jaws of Life	2,245	1,633
General contingency	585,917	285,803
Land sale	89,614	89,614
Iron Horse Trail	2,825	2,825
MD of St. Paul Foundation	<u>14,072</u>	<u>14,072</u>
	<u>891,594</u>	<u>509,834</u>
Equity in tangible capital assets (note 10)	<u>12,847,430</u>	<u>12,379,308</u>
	<u>\$ 14,204,899</u>	<u>\$ 13,187,294</u>

**12. Salary and Benefits Disclosure**

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

	<u>2010</u>			<u>2009</u>
	Salary <sup>(1)</sup>	Benefits & Allowances <sup>(2)</sup>	Total	Total
Mayor – Tung	\$ 14,650	\$ 1,500	\$ 16,150	\$ 15,083
Councillors				
Millar	11,050	1,923	12,973	20,317
Gormley	6,950	--	6,950	9,012
Yaremkevich	12,700	1,923	14,623	18,729
Capjack	10,900	1,492	12,392	11,423
Buck	1,650	--	1,650	--
Fraess	2,350	2,269	4,619	--
Town Manager	80,810	23,919	104,729	100,335

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

<sup>(2)</sup> Employer's share of all employee benefits and contributions or payments made on behalf of employees including pension, health care, dental coverage, group life insurance, accidental disability and dismemberment insurance, long and short-term disability plans, professional memberships and tuition.



**TOWN OF ELK POINT**  
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**13. 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 133,000 people and 389 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 \$42,261 (2009 - \$39,407). Total current service contributions by the employees of the town to the LAPP in 2010 were \$37,840 (2009 - \$30,011).

At December 31, 2009, the LAPP disclosed an actuarial deficiency of \$1,288.9 million.

**14. Segmented Disclosure**

The Town of Elk Point 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 Schedule 6 – Segmented Disclosure.

**15. Contingencies**

(a) The Town of Elk Point is a member of the Alberta Municipal Insurance Exchange (MUNIX). Under the terms of membership, the Town of Elk Point 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.

(b) The town has guaranteed their pro-rata share of a 5.4% Servus Credit Union loan for the M.D. of St. Paul Foundation. The town's share is calculated based on their equalized assessment. As at December 31, 2010 the loan balance was \$73,819, therefore the town's guarantee would be limited to \$4,355. The loan is in good standing.

**TOWN OF ELK POINT  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
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**15. Contingencies - continued**

- (c) The town has guaranteed one-half of a \$300,000 prime plus 2% Servus Credit Union line of credit for the Elk Point Regional Allied Arts Society. As at December 31, 2010, the line of credit balance was \$175,271, therefore the town's guarantee would be limited to \$87,636. The loan is in good standing.
- (d) The town has guaranteed a \$200,000 prime plus 2% Servus Credit Union line of credit for the Elk Point Chamber of Commerce. As at December 31, 2010 the line of credit balance was \$190,648. The loan is in good standing.

**16. Financial Instruments**

The town's financial instruments consist of cash, investments, receivables, long-term investments, 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.

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

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

**17. Approval of Financial Statements**

Council and Management have approved these financial statements.