

**TOWN OF MUNDARE**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED**  
**DECEMBER 31, 2009**

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### AUDITORS' REPORT

To the Mayor and Council of the Town of Mundare

We have audited the consolidated statement of financial position of the Town of Mundare as at December 31, 2009, and the consolidated statement of operations, the consolidated statement of change in net financial assets (debt) and the consolidated statement of cash flows for the year then ended. 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 Mundare 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.

ST. PAUL, ALBERTA  
January 26, 2010

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

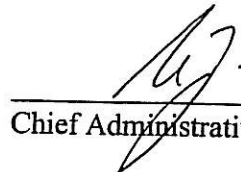
**TOWN OF MUNDARE  
CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS AT DECEMBER 31, 2009**

	<u>2009</u>	<u>2008</u> (restated)
<b>Financial assets</b>		
Cash and temporary investments	\$ 51,592	\$ 653,235
Taxes and grants in place receivable (note 3)	120,008	55,256
Receivable from other governments	3,456,549	65,982
Trade and other receivables	287,398	230,624
Long-term investments (note 4)	20	20
Inventory of land held for resale	<u>13,203</u>	<u>13,203</u>
	<u>3,928,770</u>	<u>1,018,320</u>
<b>Liabilities</b>		
Temporary loans payable (note 2)	1,748,237	--
Accounts payable and accrued liabilities (note 5)	1,122,966	50,800
Deposit liabilities	1,406	1,406
Deferred revenue (note 6)	462,856	672,142
Long-term debt (note 7)	<u>1,626,355</u>	<u>130,629</u>
	<u>4,961,820</u>	<u>854,977</u>
<b>Net financial assets (debt)</b>	<u>(1,033,050)</u>	<u>163,343</u>
<b>Non-financial assets</b>		
Tangible capital assets (note 9)	12,226,994	7,482,858
Prepaid expenses	<u>12,143</u>	<u>7,350</u>
	<u>12,239,137</u>	<u>7,490,208</u>
<b>Accumulated surplus (note 11)</b>	<u>\$ 11,206,087</u>	<u>\$ 7,653,551</u>

**Contingency (note 14)**

Approved by:

  
\_\_\_\_\_  
Mayor

  
\_\_\_\_\_  
Chief Administrative Officer

**TOWN OF MUNDARE  
CONSOLIDATED STATEMENT OF OPERATIONS  
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>Budget</u> (unaudited)	<u>2009</u>	<u>2008</u> (restated)
<b>Revenue</b>			
Net municipal taxes (schedule 2)	\$ 742,250	\$ 737,296	\$ 592,043
Sales and user fees	353,800	382,917	439,916
Government transfers for operating (schedule 3)	171,303	121,808	562,605
Investment income	16,500	2,522	36,223
Penalties and costs of taxes	16,500	25,018	15,298
Licenses and permits	36,000	7,924	35,128
Fines issued	3,000	4,263	4,734
Franchise and concession contracts	31,000	40,336	31,472
Rentals and leases	30,350	29,598	29,748
Other	<u>--</u>	<u>--</u>	<u>1,104</u>
	<u>1,400,703</u>	<u>1,351,682</u>	<u>1,748,271</u>
<b>Expenses</b>			
Legislative	47,880	50,996	46,983
Administration	252,100	310,203	278,195
Protective services	107,100	129,855	134,013
Roads, streets, walks, lighting	300,500	443,842	718,353
Water and wastewater	264,450	363,946	340,250
Waste management	91,150	108,676	81,906
Municipal planning, community and economic development	59,000	20,220	130,756
Recreation and culture	<u>226,950</u>	<u>232,136</u>	<u>218,126</u>
	<u>1,349,130</u>	<u>1,659,874</u>	<u>1,948,582</u>
<b>Excess (shortfall) of revenues over expenses before other</b>	<b>51,573</b>	<b>(308,192)</b>	<b>(200,311)</b>
<b>Other</b>			
Contributed assets	--	--	267,000
Fundraising/donations for capital	17,500	17,161	51,412
Gain on disposal	--	--	867
Government transfers for capital (schedule 3)	<u>4,471,000</u>	<u>3,843,567</u>	<u>156,105</u>
<b>Excess of revenues over expenses</b>	<b>4,540,073</b>	<b>3,552,536</b>	<b>275,073</b>
<b>Accumulated surplus, beginning of year</b>	<u><b>7,653,551</b></u>	<u><b>7,653,551</b></u>	<u><b>7,378,478</b></u>
<b>Accumulated surplus, end of year</b>	<b>\$ <u>12,193,624</u></b>	<b>\$ <u>11,206,087</u></b>	<b>\$ <u>7,653,551</u></b>

**TOWN OF MUNDARE**  
**CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL ASSETS (DEBT)**  
**FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>Budget</u> (unaudited)	<u>2009</u>	<u>2008</u> (restated)
<b>Excess of revenues over expenses</b>	<b>\$ <u>4,540,073</u></b>	<b>\$ <u>3,552,536</u></b>	<b>\$ <u>275,073</u></b>
Acquisition of tangible capital assets	<b>(6,128,000)</b>	(5,017,372)	(264,617)
Contributed tangible capital assets	--	--	(267,000)
Proceeds on disposal of tangible capital assets	--	--	867
Amortization of tangible capital assets	--	273,236	246,849
(Gain) loss on sale of tangible capital assets	<u>--</u>	<u>--</u>	<u>(867)</u>
	<b><u>(6,128,000)</u></b>	<b><u>(4,744,136)</u></b>	<b><u>(284,768)</u></b>
Acquisition of prepaid assets	<b>(7,350)</b>	(12,143)	(7,350)
Use of prepaid assets	<u>7,350</u>	<u>7,350</u>	<u>7,217</u>
	<u>--</u>	<u>(4,793)</u>	<u>(133)</u>
<b>Decrease in net financial assets (debt)</b>	<b>(1,587,927)</b>	<b>(1,196,393)</b>	<b>(9,828)</b>
<b>Net financial assets, beginning of year</b>	<b><u>163,343</u></b>	<b><u>163,343</u></b>	<b><u>173,171</u></b>
<b>Net financial assets (debt), end of year</b>	<b>\$ <u>(1,424,584)</u></b>	<b>\$ <u>(1,033,050)</u></b>	<b>\$ <u>163,343</u></b>

**TOWN OF MUNDARE  
CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>2009</u>	<u>2008</u> (restated)
<b>Net inflow (outflow) of cash related to the following activities:</b>		
<b>Operating</b>		
Excess of revenues over expenses	\$ 3,552,536	\$ 275,073
Non-cash items included		
Amortization of tangible capital assets	273,236	246,849
Gain on disposal of tangible capital assets	--	(867)
Tangible capital assets received as contributions	--	(267,000)
Non-cash charges to operations (net change):		
Decrease (increase) in		
Taxes and grants in place receivable	(64,752)	(9,423)
Receivables from other governments	(3,390,567)	(31,280)
Trade and other receivables	(56,774)	156,672
Inventory of land held for resale	--	363
Prepaid expenses	(4,793)	(132)
Increase (decrease) in		
Accounts payable and accrued liabilities	1,072,166	(11,936)
Deposit liabilities	--	(10,000)
Deferred revenue	<u>(209,286)</u>	<u>(146,273)</u>
	<u>1,171,766</u>	<u>202,046</u>
<b>Capital</b>		
Acquisition of tangible capital assets	(5,017,372)	(264,617)
Proceeds on disposal of capital assets	<u>--</u>	<u>867</u>
	<u>(5,017,372)</u>	<u>(263,750)</u>
<b>Financing</b>		
Long-term debt issued	1,505,550	--
Long-term debt repaid	<u>(9,824)</u>	<u>(9,347)</u>
	<u>1,495,726</u>	<u>(9,347)</u>
<b>Change in cash and cash equivalents during the year</b>	(2,349,880)	(71,051)
<b>Cash and cash equivalents, beginning of year</b>	<u>653,235</u>	<u>724,286</u>
<b>Cash and cash equivalents, end of year</b>	\$ <u>(1,696,645)</u>	\$ <u>653,235</u>
<b>Cash and cash equivalents consist of:</b>		
Cash	\$ 51,592	\$ 299,525
Temporary investments	--	353,710
Temporary loans payable	<u>(1,748,237)</u>	<u>--</u>
	\$ <u>(1,696,645)</u>	\$ <u>653,235</u>

**TOWN OF MUNDARE**  
**SCHEDULE 1 - TANGIBLE CAPITAL ASSETS**  
**FOR THE YEAR ENDED DECEMBER 31, 2009**

Cost	<u>Land</u>	<u>Land Improvements</u>	<u>Buildings</u>	<u>Engineered Structures</u>	<u>Machinery &amp; Equipment</u>	<u>Vehicles</u>	<u>2009</u>	<u>2008</u> (restated)
Balance, beginning of year	\$ 52,577	\$ 250,190	\$ 1,197,547	\$ 7,697,520	\$ 183,878	\$ 221,364	\$ 9,603,076	\$ 9,096,385
Acquisition of tangible capital assets	--	72,310	--	--	12,960	11,000	96,270	531,617
Construction-in-progress	--	--	--	4,921,102	--	--	4,921,102	--
Disposal of tangible capital assets	--	--	--	--	--	--	--	--
Balance, end of year	<u>52,577</u>	<u>322,500</u>	<u>1,197,547</u>	<u>12,618,622</u>	<u>196,838</u>	<u>232,364</u>	<u>14,620,448</u>	<u>9,603,076</u>
<b>Accumulated amortization</b>								
Balance, beginning of year	--	14,048	387,242	1,579,683	85,703	53,542	2,120,218	1,898,295
Annual amortization	--	12,343	24,574	212,258	12,381	11,680	273,236	246,849
Accumulated amortization on disposals	--	--	--	--	--	--	--	(24,926)
Balance, end of year	<u>--</u>	<u>26,391</u>	<u>411,816</u>	<u>1,791,941</u>	<u>98,084</u>	<u>65,222</u>	<u>2,393,454</u>	<u>2,120,218</u>
<b>Net book value of tangible capital assets</b>	<u>\$ 52,577</u>	<u>\$ 296,109</u>	<u>\$ 785,731</u>	<u>\$ 10,826,681</u>	<u>\$ 98,754</u>	<u>\$ 167,142</u>	<u>\$ 12,226,994</u>	<u>\$ 7,482,858</u>
2008 Net book value of tangible capital assets (restated)	<u>\$ 52,577</u>	<u>\$ 236,142</u>	<u>\$ 810,305</u>	<u>\$ 6,117,837</u>	<u>\$ 98,175</u>	<u>\$ 167,822</u>	<u>\$ 7,482,858</u>	

**TOWN OF MUNDARE  
SCHEDULE 2 - PROPERTY TAXES LEVIED  
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>Budget</u> (unaudited)	<u>2009</u> <u>Actual</u>	<u>2008</u> <u>Actual</u> (restated)
<b>Taxation</b>			
Residential land and improvements	\$ 768,100	\$ 761,466	\$ 612,067
Commercial property	<u>126,800</u>	<u>128,174</u>	<u>108,336</u>
	<u>894,900</u>	<u>889,640</u>	<u>720,403</u>
<b>Requisitions</b>			
Alberta School Foundation	128,500	128,207	115,061
County of Lamont Foundation	<u>24,150</u>	<u>24,137</u>	<u>13,299</u>
	<u>152,650</u>	<u>152,344</u>	<u>128,360</u>
<b>Net taxes for general municipal operations</b>	<b>\$ <u>742,250</u></b>	<b>\$ <u>737,296</u></b>	<b>\$ <u>592,043</u></b>

**SCHEDULE 3 - GOVERNMENT TRANSFERS**

<b>Transfers for operations</b>			
Provincial	\$ 84,903	\$ 55,220	\$ 496,861
Other local governments	<u>86,400</u>	<u>66,588</u>	<u>65,744</u>
	<u>171,303</u>	<u>121,808</u>	<u>562,605</u>
<b>Transfers for capital</b>			
Federal	2,000,000	1,651,645	--
Provincial	<u>2,471,000</u>	<u>2,191,922</u>	<u>156,105</u>
	<u>4,471,000</u>	<u>3,843,567</u>	<u>156,105</u>
<b>Total government transfers</b>	<b>\$ <u>4,642,303</u></b>	<b>\$ <u>3,965,375</u></b>	<b>\$ <u>718,710</u></b>

**SCHEDULE 4 - CONSOLIDATED EXPENDITURES BY OBJECT**

<b>Expenditures</b>			
Salaries, wages and benefits	\$ 414,830	\$ 417,793	\$ 351,809
Contracted and general services	460,450	407,144	785,382
Purchases from other governments	98,000	144,705	95,616
Materials, goods, supplies and utilities	227,000	204,092	192,565
Provision for allowances and bad debts	--	--	94,894
Transfers to local boards and organizations	89,100	88,480	96,979
Bank charges & short-term interest	1,500	15,126	1,427
Interest on long-term debt	17,350	28,189	7,725
Shared cost agreement	27,500	27,215	43,075
Other expenditures	13,400	53,894	32,261
Amortization of tangible capital assets	<u>--</u>	<u>273,236</u>	<u>246,849</u>
<b>Total expenditures</b>	<b>\$ <u>1,349,130</u></b>	<b>\$ <u>1,659,874</u></b>	<b>\$ <u>1,948,582</u></b>



**TOWN OF MUNDARE**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2009**

**1. Significant Accounting Policies**

The consolidated financial statements of the Town of Mundare 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 expenditures, 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 expenditures 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 MUNDARE**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2009**

**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) 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.

(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.

**TOWN OF MUNDARE**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2009**

**1. Significant Accounting Policies – continued**

(h) Non-Financial Assets (continued)

(i) **Tangible Capital Assets**

Tangible capital assets are recorded at cost which includes all amounts that are directly attributable to acquisition, construction, development or betterment of the asset. The 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	20-30
Wastewater system	45-75
Water system	25-75
Lighting	50
Machinery and equipment	10-30
Vehicles	5-15
Land improvements	20-30

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 recoded as revenue.

**2. Temporary Loans Payable**

The town has a prime plus 1% authorized revolving loan limit of \$100,000 with the Servus Credit Union. No balance was outstanding as at December 31, 2009.

In 2009 the town arranged a \$1,750,000 prime plus 1% Evergreen Facility at the Servus Credit as interim financing for their capital projects. The balance outstanding at December 31, 2009 was \$1,748,237. This loan will be repaid with the receipt of Canada-Alberta Building Canada Fund contributions. \$896,763 was repaid in January 2010.

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

	<u>2009</u>	<u>2008</u>
Taxes receivable		
Current	\$ 98,020	\$ 31,932
Arrears	40,519	41,855
	138,539	73,787
Less: allowance for doubtful accounts	(18,531)	(18,531)
	\$ 120,008	\$ 55,256

**TOWN OF MUNDARE**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2009**

<b>4. Long-Term Investments</b>	<u>2009</u>	<u>2008</u>
Investment in Mundare Housing Development Corp.	\$ 10	\$ 10
AMFC share	<u>10</u>	<u>10</u>
	<u>\$ 20</u>	<u>\$ 20</u>

The audited financial statements of the Mundare Housing Development Corporation have been reflected in the town of Mundare's financial statements based on the modified equity method as required by the Public Sector Accounting and Auditing Board. The Corporation incurred a loss of \$470 for the year ended December 31, 2009. Condensed supplementary information of the corporation's financial position and operating results are as follows:

	<u>2009</u>	<u>2008</u>
Assets	\$ 50	\$ 2,645
Liabilities	--	2,125
Retained earnings	40	510
Revenues	--	94,941
Expenditures	470	90,477

The town had a receivable of \$Nil (2008 - \$Nil) from the housing corporation. The retained earnings as noted above is \$40.

**5. Employee Benefit Obligation**

Included in accounts payable and accrued liabilities is a vacation and overtime liability of \$10,224 (2008 - \$9,015). 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.

<b>6. Deferred Revenue</b>	<u>2009</u>	<u>2008</u> (restated)
Offsite levies	\$ 416,000	\$ 362,000
New deal for cities and communities	37,906	26,400
Communities in bloom	8,950	7,806
Alberta municipal infrastructure program	--	142,800
Municipal sustainability initiative	--	127,761
MSI strategic	--	3,328
Provincial ambulance grant	<u>--</u>	<u>2,047</u>
	<u>\$ 462,856</u>	<u>\$ 672,142</u>

Funding from various grant programs, organizations and individuals, in the amount of \$462,856 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 2010.

**TOWN OF MUNDARE  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2009**

**7. Long-Term Debt**

	<u>2009</u>	<u>2008</u>
Tax supported debentures	\$ 1,550,805	\$ 130,629
Self supported debentures	<u>75,550</u>	<u>---</u>
	<u>\$ 1,626,355</u>	<u>\$ 130,629</u>

Principal and interest repayments for each of the next five years and to maturity are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 42,746	\$ 77,824	\$ 120,570
2011	44,832	75,738	120,570
2012	47,021	73,549	120,570
2013	49,318	71,252	120,570
2014	51,727	68,843	120,570
Thereafter	<u>1,390,711</u>	<u>761,163</u>	<u>2,151,874</u>
	<u>\$ 1,626,355</u>	<u>\$ 1,128,369</u>	<u>\$ 2,754,724</u>

Debenture debt is repayable to Alberta Capital Finance Authority and bears interest at rates ranging from 4.23% to 6.125% per annum and matures in periods 2014 through 2034. The average annual interest rate is 4.95% for 2009 (5.72% for 2008).

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

Interest on long-term debt amounted to \$28,189 (2008 - \$7,725).

The town's cash payment for interest paid on long-term debt were \$7,268 (2008 -\$7,746).

**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 Mundare be disclosed as follows:

	<u>2009</u>	<u>2008</u>
Total debt limit	\$ 2,053,265	\$ 2,741,234
Total debt	<u>3,374,592</u>	<u>130,629</u>
Debt limit remaining (exceeded)	\$ <u>(1,321,327)</u>	\$ <u>2,610,605</u>
Debt servicing limit	\$ 342,211	\$ 456,887
Debt servicing	<u>1,882,494</u>	<u>17,093</u>
Debt servicing limit remaining (exceeded)	\$ <u>(1,540,283)</u>	\$ <u>439,794</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.

**TOWN OF MUNDARE**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2009**

<b>9. Tangible Capital Assets</b>	<u>2009</u>	<u>2008</u> (restated)
Land	\$ 52,577	\$ 52,577
Land improvements	296,109	236,142
Buildings	785,731	810,305
Engineered structures		
Roadway system	2,378,868	2,515,467
Water distribution system	1,869,600	1,915,862
Wastewater treatment system	1,446,866	1,473,192
Storm sewer	210,245	213,316
Construction in progress	4,921,102	--
Machinery and equipment	98,754	98,175
Vehicles	<u>167,142</u>	<u>167,822</u>
Total net book value	<u>\$ 12,226,994</u>	<u>\$ 7,482,858</u>

<b>10. Equity in Tangible Capital Assets</b>	<u>2009</u>	<u>2008</u> (restated)
Tangible capital assets (schedule 1)	\$ 14,620,448	\$ 9,603,076
Accumulated amortization (schedule 1)	(2,393,454)	(2,120,218)
Long-term debt (note 7)	<u>(1,626,355)</u>	<u>(130,629)</u>
	<u>\$ 10,600,639</u>	<u>\$ 7,352,229</u>

**11. Accumulated Surplus**

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

	<u>2009</u>	<u>2008</u> (restated)
Unrestricted surplus	\$ 422,339	\$ 37,213
Restricted surplus		
General capital	56,209	56,209
Fire	21,000	21,000
Common services	17,400	17,400
Streets	9,500	69,500
Water	28,000	28,000
Sewer	23,000	23,000
Garbage	9,500	20,500
Development	11,000	11,000
Parks and recreation	4,500	9,500
Ukraina Park	3,000	8,000
Equity in tangible capital assets (note 10)	<u>10,600,639</u>	<u>7,352,229</u>
	<u>\$ 11,206,087</u>	<u>\$ 7,635,551</u>

**TOWN OF MUNDARE  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2009**

**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:

		2009			2008
		Salary <sup>(1)</sup>	Benefits & Allowances <sup>(2)</sup>	Total	Total
Mayor -	Saric	\$ 9,470	\$ 296	\$ 9,766	\$ 6,721
Councillors -	Yaremko	835	12	847	6,565
	Rosypal	9,045	274	9,319	7,921
	Sprague	6,450	146	6,596	6,007
	Greening	6,765	162	6,927	6,056
	Gargus	4,770	92	4,862	--
Chief Administrative Officer					
	Colin Zyla	56,500	5,282	61,782	57,322

<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.

**13. Commitment**

The town is committed to making quarterly payments of \$1,220 until January 2010 under a photocopier lease and monthly payments of \$594 until May 2011 under a tractor lease.

**14. Contingency**

The Town of Mundare 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 MUNDARE**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2009**

**15. Financial Instruments**

The town's financial instruments consist of cash and temporary 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 of taxes receivable and trade and other receivables. Credit risk arises from the possibility that taxpayers and entities to which the town provides services may experience financial difficulty and be unable to fulfill their obligations. The large number and diversity of taxpayers and customers minimizes the credit risk.

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

**16. Prior Period Adjustments**

The town has restated its financial statements to comply with the 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:

	<u>2008</u>
Adjustments to opening accumulated surplus	
As previously reported	\$ 6,321,875
Adjustment to net book value of tangible capital assets	<u>1,056,603</u>
As restated	\$ <u>7,378,478</u>
Adjustments to excess (shortfall) of revenues over expenses	
As previously reported	\$ 17,305
Tangible capital assets recorded but previously expensed	264,617
Contributed assets	267,000
Developers levies deferred but previously in revenue	(27,000)
Annual amortization expense	<u>(246,849)</u>
As restated	\$ <u>275,073</u>
Adjustments to tangible capital assets:	
As previously reported	\$ 6,046,177
Adjustment to historical cost of tangible capital assets	3,556,899
Accumulated amortization recorded	<u>(2,120,218)</u>
As restated	\$ <u>7,482,858</u>

Certain comparative figures have been restated to conform to the current year's presentation.

**17. Approval of Financial Statements**

Council and Management have approved these financial statements.