

**TOWN OF BOW ISLAND**

**Financial Statements**

**For the year ended December 31, 2010**

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**TOWN OF BOW ISLAND**  
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For the year ended December 31, 2010

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## INDEPENDENT AUDITORS' REPORT

To: The Mayor and Members of Council of  
the Town of Bow Island

We have audited the consolidated financial statements of the Town of Bow Island which comprise the consolidated statement of financial position as at December 31, 2010, and the consolidated statements of operations, change in net financial assets and cash flow 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 Bow Island as at December 31, 2010 and its financial performance and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Lethbridge, Alberta

May 09, 2011

*Young Parkyn McNaught LLP*

Chartered Accountants

## MANAGEMENT REPORT

The consolidated financial statements are the responsibility of the management of the Town of Bow Island.

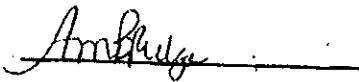
These consolidated financial statements have been prepared from information provided by management. Financial statements are not precise since they include certain amounts based on estimates and judgments. Management has determined such amounts on a reasonable basis in order to ensure that the financial statements are presented fairly, in all material respects.

The Town maintains systems of internal accounting and administrative controls that are designed to provide reasonable assurance that the financial information is relevant, reliable and accurate and that the Town's assets are properly accounted for and adequately safeguarded.

The elected Council of the Town of Bow Island is responsible for ensuring that management fulfills its responsibilities for financial statements. Council carries out its responsibility principally through the Finance and Administration and General Services committees.

The Council meets annually with management and the external auditors to discuss internal controls over the financial reporting process, auditing matters and financial reporting issues, and to satisfy itself that each party is properly discharging its responsibilities. Council also considers the engagement or re-appointment of the external auditors. Council reviews the monthly financial reports.

The consolidated financial statements have been audited by Young Parkyn McNab LLP, Chartered Accountants, the external auditors, in accordance with Canadian generally accepted auditing standards on behalf of the Council, residents and ratepayers of the Town. Young Parkyn McNab LLP has full and free access to the Council.



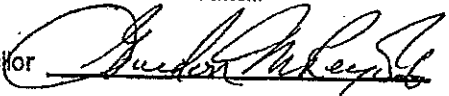
Town Manager


**TOWN OF BOW ISLAND**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
As at December 31, 2010

	2010	2009
<b>Financial assets</b>		
Cash and temporary investments (note 2)	\$ 2,161,148	\$ 2,036,874
Taxes and grants in place of taxes receivable (note 3)	71,884	52,864
Trade and other receivables	497,354	689,734
Land held for resale	366,767	339,681
Long-term investments	10	10
	3,096,953	3,119,163
<b>Liabilities</b>		
Accounts payable and accrued liabilities	205,763	406,113
Deposits	15,353	15,378
Deferred revenue (note 4)	354,898	468,483
Long-term debt (note 5)	1,586,204	1,760,437
	2,162,218	2,650,411
<b>Net financial assets</b>	934,735	468,752
<b>Non-financial assets</b>		
Prepaid expenses	10,557	12,747
Inventory for consumption	84,587	57,232
Tangible capital assets (schedule 1)	13,098,610	12,847,942
	13,193,734	12,717,921
<b>Accumulated surplus (note 6)</b>	\$ 14,128,469	\$ 13,186,673

*Commitments and contingencies (note 14)*

Approved on behalf of Council:

Councillor 

Councillor 

**TOWN OF BOW ISLAND**  
**CONSOLIDATED STATEMENT OF OPERATIONS**  
For the year ended December 31, 2010

	Budget (Unaudited)	2010	2009
<b>Revenue</b>			
Net municipal taxes (note 9)	\$ 1,401,355	\$ 1,433,669	\$ 1,365,149
User fees and sales of goods	723,182	739,008	905,135
Government transfers for operating (note 10)	226,164	495,745	329,751
Investment income	15,000	17,067	19,163
Penalties and costs of taxes	22,421	30,547	28,870
Development levies	-	-	44,752
Licenses and permits	12,550	27,787	14,870
Franchise and concession contracts	57,000	67,517	63,977
Rental	113,757	131,656	118,399
Other	104,793	114,641	32,056
	<b>2,676,222</b>	<b>3,057,637</b>	<b>2,922,122</b>
<b>Expenses (note 11)</b>			
Legislative	58,100	53,241	54,022
Administration	555,922	553,688	523,040
Police, fire, disaster, ambulance and bylaw enforcement	101,546	94,993	98,089
Roads, streets, walks, lighting	778,891	840,305	664,476
Wastewater treatment and disposal	653,279	672,828	632,192
Waste management	176,477	247,906	172,402
Family and community support services	11,239	10,965	10,906
Recreation and culture	414,312	449,872	363,429
Other	43,455	64,467	37,264
Loss on disposal of capital assets	-	15,322	-
	<b>2,793,221</b>	<b>3,003,587</b>	<b>2,555,820</b>
<b>Excess of revenue over expenses before other</b>	<b>(116,999)</b>	<b>54,050</b>	<b>366,302</b>
<b>Other</b>			
Government transfers for capital (note 10)	884,719	887,746	779,513
<b>Excess of revenue over expenses</b>	<b>767,720</b>	<b>941,796</b>	<b>1,145,815</b>
<b>Accumulated surplus, beginning of year</b>	<b>13,186,673</b>	<b>13,186,673</b>	<b>12,040,858</b>
<b>Accumulated surplus, end of year</b>	<b>\$ 13,954,393</b>	<b>\$ 14,128,469</b>	<b>\$ 13,186,673</b>

**TOWN OF BOW ISLAND**  
**CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL ASSETS**  
For the year ended December 31, 2010

	Budget (Unaudited)	2010	2009
<b>Excess of revenue over expenses</b>	\$ 767,720	\$ 941,796	\$ 1,145,815
Acquisition of tangible capital assets	(1,802,124)	(1,110,988)	(1,144,442)
Amortization	633,834	633,834	547,123
Loss on disposal of tangible capital assets	-	15,322	-
Proceeds on disposal of tangible capital assets	-	11,163	-
	(1,168,290)	(450,669)	(597,319)
Net change in inventory for consumption	-	(27,334)	22,610
Net change in prepaid expense	-	2,190	(1,509)
	-	(25,144)	21,101
<b>Change in net financial assets (debt)</b>	(400,570)	465,983	569,597
<b>Net financial assets (debt), beginning of year</b>	468,752	468,752	(100,845)
<b>Net financial assets, end of year</b>	\$ 68,182	\$ 934,735	\$ 468,752

**TOWN OF BOW ISLAND**  
**CONSOLIDATED STATEMENT OF CASH FLOW**  
For the year ended December 31, 2010

	2010	2009
<b>Operating transactions</b>		
Excess of revenue over expenses	\$ 941,796	\$ 1,145,815
Adjustments for items which do not affect cash		
Loss on disposal of tangible capital assets	15,322	-
Amortization	633,834	547,123
	1,590,952	1,692,938
Net change in non-cash working capital items		
Taxes and grants in place of taxes receivable	(18,720)	(6,611)
Trade and other receivables	192,380	(409,898)
Land held for resale	(27,176)	11,219
Inventory for consumption	(27,334)	22,610
Prepaid expenses	2,190	(1,509)
Accounts payable and accrued liabilities	(200,350)	217
Deposits	(25)	925
Deferred revenue	(113,585)	(183,942)
	1,398,332	1,125,949
<b>Capital transactions</b>		
Proceeds on disposal of tangible capital assets	11,163	-
Acquisition of tangible capital assets	(1,110,988)	(1,144,442)
	(1,099,825)	(1,144,442)
<b>Financing transactions</b>		
Repayment of long-term debt	(174,233)	(167,599)
<b>Increase (decrease) in cash and temporary investments</b>	124,274	(186,092)
<b>Cash and temporary investments, beginning of year</b>	2,036,874	2,222,966
<b>Cash and temporary investments, end of year</b>	\$ 2,161,148	\$ 2,036,874
<b>Cash and temporary Investments consists of:</b>		
Cash (note 2)	\$ 1,184,704	\$ 1,070,300
Temporary investments	976,444	966,574
	\$ 2,161,148	\$ 2,036,874

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**TOWN OF BOW ISLAND**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
For the year ended December 31, 2010

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**1. Significant accounting policies**

The consolidated financial statements of the Town of Bow Island 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 these accounting policies adopted by the Town are as follows:

(a) Reporting entity

The consolidated financial statements reflect the assets, liabilities, revenue and expenses, changes in fund balances and change in financial position of the reporting entity which comprises all of the organizations that are owned or controlled by the Town and are, therefore, accountable to the Council for the administration of their financial affairs and resources.

Taxes levied also includes requisitions for educational, health care, social 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) Land held for resale

Land held for resale is recorded at the lower of cost and 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 waste water services, roads, sidewalks, and street lighting are recorded as physical assets under their respective function.

(d) Investments

Investments are recorded at amortized cost. Investment premiums and discounts are amortized on a 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.

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**TOWN OF BOW ISLAND**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
For the year ended December 31, 2010

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**1. Significant accounting policies, continued**

(e) 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.

(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 improvements charges

Construction and borrowing costs associated with local improvement projects are recovered through annual special property assessments during the period of the related borrowing. These levies are collectible from property owners for work performed by the Town

Where a taxpayer has elected to prepay the outstanding local improvement charge, 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 borrowing, the deferred revenue is amortized to the revenue by an amount equal to the debt repayment.

(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 BOW ISLAND**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
For the year ended December 31, 2010

**1. Significant accounting policies, continued**

(i) **Tangible capital assets**

Tangible capital assets are recorded at cost which includes all amounts that are directly attributable to acquisition, construction, development or betterment of the asset. The cost, less residual value, of the tangible capital assets is amortized on a straight-line basis over the estimated useful life as follows:

	Years
Land improvements	10-20
Buildings	25-50
Engineered structures	20-75
Machinery and equipment	5-25
Vehicles	10-25

One-half of the annual amortization is charged in the year of acquisition and 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.

(v) **Cultural and historical tangible capital assets**

Works of art for display are not recorded as tangible capital assets but are disclosed.

(i) **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.

**TOWN OF BOW ISLAND**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
For the year ended December 31, 2010

**2. Cash and temporary investments**

	2010	2009
Cash	\$ 1,184,704	\$ 1,070,300
Temporary investments	976,444	966,574
	<u>\$ 2,161,148</u>	<u>\$ 2,036,874</u>

Council has designated funds of \$2,022,997 for capital projects.

At December 31, 2010, the Town was holding cash for the Forty Mile Family and Community Support Services in the amount of \$69,492.

**3. Taxes and grants in place of taxes receivable**

	2010	2009
Current	\$ 53,944	\$ 36,427
Arrears	17,740	16,537
	<u>\$ 71,684</u>	<u>\$ 52,964</u>

**4. Deferred revenue**

	2010	2009
Unexpended capital	\$ 345,139	\$ 464,283
Permits	5,849	-
Skate park	3,150	3,150
Prepaid building repairs	-	1,000
Recreation	760	-
Prepaid fees and licenses	-	50
	<u>\$ 354,898</u>	<u>\$ 468,483</u>

**TOWN OF BOW ISLAND**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
For the year ended December 31, 2010

**5. Long-term debt**

	2010	2009
Tax-supported debentures	\$ 1,586,204	\$ 1,760,437
Current portion	\$ 176,398	\$ 174,233

Principal and interest repayments are due as follows:

	Principal	Interest	Total
2011	\$ 176,398	\$ 80,384	\$ 256,782
2012	122,061	72,061	194,122
2013	120,835	65,353	186,188
2014	127,410	58,778	186,188
2015	110,594	51,843	162,437
Thereafter	928,906	220,964	1,149,870
	\$ 1,586,204	\$ 549,383	\$ 2,135,587

Debenture debt is repayable to Alberta Capital Finance Authority and matures in periods 2011 through 2027. Interest rates range from 4.31% to 8.38%, before Provincial subsidy. The average annual interest rate for 2010 is 2.58% (2009 - 4.76%). For qualifying debentures, the Province of Alberta rebates 60% of interest in excess of 8%, 9%, and 11% to a maximum annual rate of 12.5%, depending on the date borrowed. Debenture debt is issued on the credit and security of the Town of Bow Island at large.

Interest on long-term debt amounted to \$43,102 (2009 - \$87,721).

The Town's total cash payments for interest in 2010 were \$89,315 (2009 - \$97,795).

**6. Accumulated surplus**

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

	2010	2009
Unrestricted surplus (deficit)	\$ 898,348	\$ 887,705
Internally restricted surplus (reserves) (note 7)	1,717,715	1,411,463
Equity in tangible capital assets (note 8)	11,512,406	10,887,505
	\$ 14,128,469	\$ 13,186,673

**TOWN OF BOW ISLAND**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
For the year ended December 31, 2010

**7. Reserves**

Reserves for operating and capital activities changed as follows:

	2010	2009
<b>Operating</b>		
Economic development	\$ 5,505	\$ 5,505
Contingencies	32,754	32,754
Community Services Board	6,133	6,133
Recreation parks	6,562	6,562
Staff holiday pay	10,000	10,000
	<u>60,954</u>	<u>60,954</u>
<b>Capital</b>		
General administration	5,925	5,925
Fire equipment fund	216,933	204,104
MSI operating	436,956	-
Common services	21,729	6,195
Roads	10,873	8,873
Water	31,924	31,924
Garbage	-	50,000
Subdivision/development	45,244	32,130
Tourism	18,820	16,820
General	589,671	762,825
Arena	62,847	72,302
Pool	45,656	43,112
Sewer	130,554	76,671
Public works equipment	3,959	3,958
Library	30,720	30,720
Skate park	4,950	4,950
	<u>1,656,761</u>	<u>1,350,509</u>
	<u>\$ 1,717,715</u>	<u>\$ 1,411,463</u>

**TOWN OF BOW ISLAND**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
For the year ended December 31, 2010

**8. Equity in capital assets**

	2010	2009
Tangible capital assets (schedule 1)	\$ 25,215,942	\$ 24,277,009
Accumulated amortization (schedule 1)	(12,117,332)	(11,629,067)
Long-term debt (note 5)	(1,586,204)	(1,760,437)
	<u>\$ 11,512,406</u>	<u>\$ 10,887,505</u>

**9. Net municipal property taxes**

	Budget (Unaudited)	2010	2009
<b>Taxation</b>			
Property taxes	\$ 1,678,825	\$ 1,686,404	\$ 1,612,576
Government grants in place of property taxes	43,155	44,875	43,154
Special assessment and local improvement taxes	70,950	68,086	70,950
	<u>1,792,930</u>	<u>1,799,365</u>	<u>1,726,680</u>
<b>Requisitions</b>			
School Foundation Program	356,022	330,143	325,978
Seniors' lodges	35,553	35,553	35,553
	<u>391,575</u>	<u>365,696</u>	<u>361,531</u>
	<u>\$ 1,401,355</u>	<u>\$ 1,433,669</u>	<u>\$ 1,365,149</u>

**10. Government transfers**

	Budget (Unaudited)	2010	2009
<b>Transfers for operating:</b>			
Provincial Government	\$ 140,589	\$ 407,830	\$ 243,358
Federal Government	4,000	4,675	6,264
Local Governments	81,575	83,240	80,129
	<u>226,164</u>	<u>495,745</u>	<u>329,751</u>
<b>Transfers for capital</b>			
Provincial Government	884,719	887,746	779,513
	<u>\$ 1,110,883</u>	<u>\$ 1,383,491</u>	<u>\$ 1,109,264</u>

**TOWN OF BOW ISLAND**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
For the year ended December 31, 2010

**11. Expenses by object**

	Budget (Unaudited)	2010	2009
Salaries, wages and benefits	\$ 918,487	\$ 917,654	\$ 889,448
Contracted and general services	481,456	606,759	421,703
Materials, goods, supplies and utilities	612,791	729,974	553,440
Interest on long term debt	89,316	43,102	87,721
Other expenditures	1,280	1,159	661
Transfers to organizations and others	56,057	55,783	55,724
Amortization of tangible capital assets	633,834	633,834	547,123
Loss on disposal of tangible capital assets	-	15,322	-
	<b>\$ 2,793,221</b>	<b>\$ 3,003,587</b>	<b>\$ 2,555,820</b>

**12. Local Authorities Pension Plan**

The Town participates in a multi-employer defined benefit pension plan. This plan is accounted for as a defined contribution plan.

Employees of the Town participate in the Local Authorities Pension Plan (LAPP), which is covered by the Public Sector Pension Plans Act. The Plan serves about 199,000 people and about 418 employers. It 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 Plan 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 Local Authorities Pension Plan in 2010 were \$41,746 (2009 - \$34,768). Total current service contributions by the employees of the Town to the Local Authorities Pension Plan in 2010 were \$37,311 (2009 - \$30,827).

At December 31, 2009, the LAPP disclosed an actuarial deficiency of \$3,999 million.

**TOWN OF BOW ISLAND**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
For the year ended December 31, 2010

**13. Debt limits**

Section 276(2) of the Municipal Government Act requires that debt and debt limits as defined by Alberta Regulation 255/2000 for the Town be disclosed as follows:

	2010	2009
Total debt limit	\$ 4,586,457	\$ 4,339,625
Total debt	1,586,204	1,760,437
	<b>\$ 3,000,253</b>	<b>\$ 2,579,188</b>
Debt servicing limit	\$ 764,410	\$ 723,271
Debt servicing	256,782	263,548
	<b>\$ 507,628</b>	<b>\$ 459,723</b>

The debt limit is calculated at 1.5 times revenue of the municipality (as defined in Alberta Regulation 255/2000) 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 which 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.

**14. Commitments and contingencies**

The Town of Bow Island is a member of the Alberta Municipal Insurance Exchange (MUNIX) which provides liability insurance. 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.

The Town does not have short term disability insurance. As a result, employees for the Town accrue sick leave to a maximum of 960 hours. As at December 31, 2010 the amount of sick leave accrued was approximately \$142,915 (2009 - \$136,010). The amount was not recorded in the financial statements as there is no certainty the full amount will be used. The amount of accrued sick leave is not paid out to employees of the Town when they leave their position.

**TOWN OF BOW ISLAND**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
For the year ended December 31, 2010

**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:

	(1)	(2)	2010	2009
	Salary	Benefits & allowances		
Mayor Reynolds	\$ 5,090	\$ 79	\$ 5,169	\$ 2,548
Councillor J. Brocklesby	4,890	-	4,890	3,527
Councillor V. Beck	3,140	-	3,140	3,407
Councillor D. Knapik	3,920	-	3,920	2,927
Councillor A. Hyland	11,245	231	11,476	9,044
Councillor D. Meier	3,970	23	3,993	3,959
Councillor N. MacLean	5,920	120	6,040	3,257
Councillor M. Moncrieff	1,070	-	1,070	-
Councillor L. Tuchscherer	690	-	690	-
Town Manager	\$ 74,811	\$ 9,835	\$ 84,646	\$ 81,350

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

(2) Benefits and allowances include the employer's share of all employee benefits and contributions or payments made on behalf of employees including pension, health care, dental coverage, vision coverage, group life insurance, accidental disability and dismemberment insurance, long- and short-term disability plans, professional memberships, and tuition.

Benefits and allowances figures also include the employer's share of the costs of additional taxable benefits including special leave with pay, financial planning services, retirement planning services, concessionary loans, travel allowances, car allowances and club memberships.

**TOWN OF BOW ISLAND**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
For the year ended December 31, 2010

**16. Financial Instruments**

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

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

**17. Budget amounts**

The 2010 budget for the Town was approved by Council on May 25, 2010 and has been reported in the consolidated financial statements for information purposes only. These budget amounts have not been audited, reviewed, or otherwise verified.

The approved budget contained reserve transfers, capital additions and principal payments on debt as expenditures. Since these items are not included in the amounts reported in the consolidated financial statements, they have been excluded from the budget amounts presented in these financial statements.

In addition, the approved budget did not contain an amount for amortization expense. In order to enhance comparability, the actual amortization expense has been included as a budget amount.

Budgeted surplus per financial statements	\$	767,720
Less: Capital expenditures		(1,802,124)
Long-term debt repayments		(174,235)
Transfers to reserves		(229,562)
Add: Amortization - non cash expense		633,834
Transfers from reserves		804,367
<b>Equals: balanced budget</b>	<b>\$</b>	<b>-</b>

**18. Approval of financial statements**

These financial statements were approved by Council and Management.

**19. Comparative figures**

Where necessary the comparative figures for the 2009 year have been reclassified to conform with 2010 financial statement presentation.

**TOWN OF BOW ISLAND**  
**SCHEDULES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
For the year ended December 31, 2010

**Schedule of changes in accumulated surplus**

Schedule 1

	Unrestricted	Restricted	Equity in tangible capital assets	2010	2009
Balance, beginning of year	\$ 887,704	\$ 1,411,464	\$ 10,887,505	\$ 13,186,673	\$ 12,040,858
Excess of revenue over expenses	941,796	-	-	941,796	1,145,815
Unrestricted funds designated for future use	(589,909)	589,909	-	-	-
Restricted funds used for tangible capital assets	-	(283,658)	283,658	-	-
Current year funds used for tangible capital assets	(827,330)	-	827,330	-	-
Disposal of tangible capital assets	26,486	-	(26,486)	-	-
Annual amortization expense	633,834	-	(633,834)	-	-
Long term debt repaid	(174,233)	-	174,233	-	-
Change in accumulated surplus	10,644	306,251	624,901	941,796	1,145,815
<b>Balance, end of year</b>	<b>\$ 898,348</b>	<b>\$ 1,717,715</b>	<b>\$ 11,512,406</b>	<b>\$ 14,128,469</b>	<b>\$ 13,186,673</b>

**TOWN OF BOW ISLAND**  
**SCHEDULES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
For the year ended December 31, 2010

Schedule of tangible capital assets						Schedule 2
	Land	Buildings	Engineered structures	Machinery and equipment	Vehicles	2009
<b>Cost:</b>						
Balance, beginning of year	\$ 228,568	\$ 6,298,622	\$ 15,624,039	\$ 1,628,716	\$ 497,065	\$ 24,277,009
Acquisitions	-	229,042	862,634	19,311	-	1,110,987
Disposals	-	(6,275)	(118,760)	(5,000)	(42,019)	(172,054)
<b>Balance, end of year</b>	<b>228,568</b>	<b>6,521,389</b>	<b>16,367,913</b>	<b>1,643,027</b>	<b>455,046</b>	<b>25,215,942</b>
<b>Accumulated amortization:</b>						
Balance, beginning of year	-	1,640,067	8,706,555	1,029,323	253,122	11,629,067
Annual amortization	-	140,881	392,145	66,758	34,051	633,835
Disposals	-	(3,640)	(101,379)	(5,000)	(35,551)	(145,570)
<b>Balance, end of year</b>	<b>-</b>	<b>1,777,308</b>	<b>8,997,321</b>	<b>1,091,081</b>	<b>251,622</b>	<b>12,117,332</b>
<b>Net book value</b>	<b>\$ 228,568</b>	<b>\$ 4,744,081</b>	<b>\$ 7,370,592</b>	<b>\$ 551,946</b>	<b>\$ 203,424</b>	<b>\$ 13,098,610</b>
<b>2009 net book value</b>	<b>\$ 228,568</b>	<b>\$ 4,658,555</b>	<b>\$ 6,917,484</b>	<b>\$ 599,392</b>	<b>\$ 243,942</b>	<b>\$ 12,647,942</b>