

TOWN OF SEDGEWICK

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2010

**Brian King Professional Corporation
Certified General Accountant**



AUDITOR'S REPORT

To the Mayor and Council of the Town of Sedgewick:

Report on the Consolidated Financial Statements

I have audited the accompanying consolidated financial statements of the Town of Sedgewick, which comprise the statement of financial position as at December 31, 2010, and the statements of operations, change 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

My responsibility is to express an opinion on these consolidated financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Town of Sedgewick 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.

M.D. of Wainwright

April 7, 2011

A handwritten signature in black ink, appearing to be "M.D. of Wainwright". The signature is fluid and cursive, written over a horizontal line.

Certified General Accountant

TOWN OF SEDGEWICK

CONSOLIDATED STATEMENT OF FINANCIAL POSITION DECEMBER 31, 2010

	<u>2010</u>	<u>2009</u>
FINANCIAL ASSETS		
Cash (Note 2)	891,892	1,337,384
Taxes and grants in place of taxes (Note 3)	35,602	32,182
Trade, government transfers and other receivables	1,132,240	564,068
Inventory held for resale	119,716	119,716
Other financial assets	44,981	47,713
	<u>2,224,431</u>	<u>2,101,063</u>
LIABILITIES		
Accounts payable and accrued liabilities	246,248	239,953
Deposits held in trust	10,560	10,560
Deferred revenue (Note 5)	605,361	471,541
Long term debt (Note 6)	410,560	90,334
	<u>1,272,729</u>	<u>812,388</u>
NET FINANCIAL ASSETS	<u>951,702</u>	<u>1,288,675</u>
NON-FINANCIAL ASSETS		
Tangible capital assets	6,888,977	5,273,243
Prepaid expenses	48,649	35,633
	<u>6,937,626</u>	<u>5,308,876</u>
ACCUMULATED SURPLUS (NOTE 8)	<u>7,889,328</u>	<u>6,597,551</u>

TOWN OF SEDGEWICK

CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES FOR THE YEAR ENDED DECEMBER 31, 2010

	Budget (unaudited)	2010	2009
REVENUE			
Net municipal property taxes (Schedule 3)	529,510	527,988	512,124
User fees and sales of goods	1,032,630	880,877	899,952
Penalties	8,400	14,793	12,938
Licenses and permits	3,050	4,962	3,517
Fines	3,000	5,934	3,890
Franchise and concession contracts	15,000	17,894	16,076
Investment income	12,445	11,365	11,763
Rentals	9,970	10,726	11,304
Government transfers for operating	159,010	99,011	213,823
Other	7,345	9,224	6,471
	<u>1,780,360</u>	<u>1,582,774</u>	<u>1,691,858</u>
EXPENSES			
Legislative	53,770	42,385	45,885
Administration	198,130	209,571	172,666
Protective services	62,340	61,365	60,159
Transportation	250,380	267,712	225,852
Water supply and distribution	87,980	90,910	76,376
Wastewater treatment and disposal	48,900	45,683	43,493
Waste management	77,150	77,196	74,875
Public health and welfare	12,190	11,768	13,635
Planning and development	106,260	14,260	47,826
Recreation	221,810	186,827	259,019
Culture	27,530	28,283	17,311
Gas system	699,885	493,441	506,647
Amortization	-	224,448	184,291
Loss (gain) on disposal of assets	-	18,659	2,500
	<u>1,846,325</u>	<u>1,772,508</u>	<u>1,730,535</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES BEFORE OTHER	(65,965)	(189,734)	(38,677)
OTHER			
Government transfers for capital (Schedule 4)	1,589,940	1,481,511	1,250,816
EXCESS OF REVENUE OVER EXPENSES	1,523,975	1,291,777	1,212,139
ACCUMULATED SURPLUS, BEGINNING OF YEAR	6,597,551	6,597,551	5,385,412
ACCUMULATED SURPLUS, END OF YEAR	<u>8,121,526</u>	<u>7,889,328</u>	<u>6,597,551</u>

TOWN OF SEDGEWICK

CONSOLIDATED STATEMENT OF CHANGES IN NET FINANCIAL ASSETS FOR THE YEAR ENDED DECEMBER 31, 2010

	Budget (unaudited)	2010	2009
EXCESS OF REVENUE OVER EXPENSES	<u>1,523,975</u>	<u>1,291,777</u>	<u>1,212,139</u>
Acquisition of tangible capital assets	(2,055,975)	(1,866,936)	(1,262,897)
Proceeds on disposal of tangible capital assets	-	8,095	1,500
Amortization of tangible capital assets	-	224,448	184,291
Loss on sale of tangible capital assets	-	18,659	2,500
	<u>(2,055,975)</u>	<u>(1,615,734)</u>	<u>(1,074,606)</u>
Net (increase) decrease of prepaid assets	-	(13,016)	(5,872)
INCREASE IN NET FINANCIAL ASSETS	(532,000)	(336,973)	131,661
NET FINANCIAL ASSETS, BEGINNING OF YEAR	<u>1,288,675</u>	<u>1,288,675</u>	<u>1,157,014</u>
NET FINANCIAL ASSETS, END OF YEAR	<u>756,675</u>	<u>951,702</u>	<u>1,288,675</u>

TOWN OF SEDGEWICK

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2010

	<u>2010</u>	<u>2009</u>
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING		
Excess of revenues over expenses	1,291,777	1,212,139
Non-cash items included in excess of revenue over expenses:		
Amortization of tangible capital assets	224,448	184,291
Loss on disposal of tangible capital assets	18,659	2,500
Non-cash charges to operations (net change):		
Decrease (increase) in taxes and grants in place of taxes	(3,420)	(2,498)
Decrease (increase) in trade and other receivables	(568,172)	(316,733)
Decrease (increase) in inventory held for resale	-	(19,143)
Decrease (increase) in prepaid expenses	(13,016)	(5,872)
Decrease (increase) in other financial assets	2,732	2,210
Increase (decrease) in accounts payable and accrued liabilities	6,295	(16,430)
Increase (decrease) in deposits held in trust	-	6,723
Increase (decrease) in deferred revenue	133,820	(208,656)
	<u>1,093,123</u>	<u>838,531</u>
CAPITAL		
Acquisition of tangible capital assets	(1,866,936)	(1,262,897)
Sale of tangible capital assets	8,095	1,500
	<u>(1,858,841)</u>	<u>(1,261,397)</u>
FINANCING		
Long-term debt issued	410,560	-
Long-term debt repaid	(90,334)	(87,336)
	<u>320,226</u>	<u>(87,336)</u>
CHANGE IN CASH AND EQUIVALENTS DURING THE YEAR	(445,492)	(510,202)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	1,337,384	1,847,586
CASH AND CASH EQUIVALENTS, END OF YEAR	891,892	1,337,384
CASH AND CASH EQUIVALENTS IS MADE UP OF:		
Cash on hand	300	300
Cash in bank	891,592	1,337,084
	<u>891,892</u>	<u>1,337,384</u>

TOWN OF SEDGEWICK

SCHEDULE OF CHANGES IN ACCUMULATED SURPLUS FOR THE YEAR ENDED DECEMBER 31, 2010 (Schedule 1)

	Unrestricted Surplus	Restricted Surplus	Equity in Tangible Capital Assets	2010	2009
BALANCE, BEGINNING OF YEAR	539,454	875,188	5,182,909	6,597,551	5,385,412
Excess (deficiency) of revenues over expenses	1,291,777	-	-	1,291,777	1,212,139
Unrestricted funds designated for future use	(115,605)	115,605	-	-	-
Restricted funds used for operations	4,115	(4,115)	-	-	-
Restricted funds used for tangible capital assets	-	(118,500)	118,500	-	-
Current year funds used for tangible capital assets	(1,748,436)	-	1,748,436	-	-
Contributed tangible capital assets	-	-	-	-	-
Disposal of tangible capital assets	26,754	-	(26,754)	-	-
Annual amortization expense	224,448	-	(224,448)	-	-
Net long term debt repaid or issued	320,226	-	(320,226)	-	-
Change in accumulated surplus	3,279	(7,010)	1,295,508	1,291,777	1,212,139
BALANCE, END OF YEAR	542,733	868,178	6,478,417	7,889,328	6,597,551

TOWN OF SEDGEWICK

CONSOLIDATED SCHEDULE OF TANGIBLE CAPITAL ASSETS FOR THE YEAR ENDED DECEMBER 31, 2010 (Schedule 2)

	LAND	LAND IMPROVEMENTS	BUILDINGS	ENGINEERED STRUCTURES	MACHINERY AND EQUIPMENT	VEHICLES	2010	2009
COST:								
Balance - beginning of year	182,836	13,130	321,045	7,343,074	537,457	80,477	8,478,019	7,256,035
Acquisition of tangible capital assets	-	-	-	1,838,585	-	28,351	1,866,936	1,262,897
Disposal of tangible capital assets	-	-	-	271,885	-	28,850	300,735	40,913
Balance - end of year	182,836	13,130	321,045	8,909,774	537,457	79,978	10,044,220	8,478,019
ACCUMULATED AMORTIZATION								
Balance - beginning of year	-	10,766	183,972	2,706,307	239,121	64,610	3,204,776	3,057,398
Annual amortization	-	525	7,169	185,389	29,339	2,025	224,447	184,291
Accumulated amortization on disposals	-	-	-	260,997	-	12,983	273,980	36,913
Balance - end of year	-	11,291	191,141	2,630,699	268,460	53,652	3,155,243	3,204,776
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	182,836	1,839	129,904	6,279,075	268,997	26,326	6,888,977	5,273,243
2009 NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	182,836	2,364	137,073	4,636,767	298,336	15,867	5,273,243	

TOWN OF SEDGEWICK

CONSOLIDATED SCHEDULE OF PROPERTY TAXES LEVIED FOR THE YEAR ENDED DECEMBER 31, 2010 (Schedule 3)

	Budget (Unaudited)	2010	2009
TAXATION			
Real property taxes	692,562	691,030	654,859
Linear property taxes	11,312	11,312	17,588
Government grants in place of property taxes	976	976	929
	<u>704,850</u>	<u>703,318</u>	<u>673,376</u>
REQUISITIONS			
Alberta School Foundation	160,910	160,899	150,739
Flagstaff Regional Housing Group	14,430	14,431	10,513
	<u>175,340</u>	<u>175,330</u>	<u>161,252</u>
NET MUNICIPAL TAXES	<u>529,510</u>	<u>527,988</u>	<u>512,124</u>

TOWN OF SEDGEWICK

CONSOLIDATED SCHEDULE OF GOVERNMENT TRANSFERS FOR THE YEAR ENDED DECEMBER 31, 2010 (Schedule 4)

	Budget (Unaudited)	2010	2009
TRANSFERS FOR OPERATING			
Federal Government	900	1,800	1,000
Provincial Government	86,590	28,648	137,936
Local Governments	71,520	68,563	74,887
	<u>159,010</u>	<u>99,011</u>	<u>213,823</u>
TRANSFERS FOR CAPITAL			
Federal Government	601,690	604,366	477,916
Provincial Government	988,250	877,145	772,900
	<u>1,589,940</u>	<u>1,481,511</u>	<u>1,250,816</u>
TOTAL GOVERNMENT TRANSFERS	<u>1,748,950</u>	<u>1,580,522</u>	<u>1,464,639</u>

TOWN OF SEDGEWICK

CONSOLIDATED SCHEDULE OF EXPENDITURE BY OBJECT FOR THE YEAR ENDED DECEMBER 31, 2010 (Schedule 5)

	Budget (Unaudited)	2010	2009
Expenditures			
Salaries, wages and benefits	431,985	413,120	383,000
Contracted and general services	505,765	413,062	408,528
Purchases from other governments	8,240	11,476	16,421
Materials, goods and utilities	727,355	525,578	500,823
Transfers to local boards and agencies	167,160	162,386	230,441
Bank charges and short term interest	50	72	86
Interest on capital long term debt	5,470	3,707	4,441
Other expenditures	300	-	4
Amortization of tangible capital assets	-	224,448	184,291
Loss on disposal of tangible capital assets	-	18,659	2,500
	<u>1,846,325</u>	<u>1,772,508</u>	<u>1,730,535</u>

TOWN OF SEDGEWICK

SCHEDULE OF SEGMENTED DISCLOSURE FOR THE YEAR ENDED DECEMBER 31, 2010 (Schedule 6)

	General Government	Protective Services	Transportation services	Environmental Services	Public Health & Welfare	Planning & Development	Recreation & Culture	Other	Total
REVENUE									
Net municipal property taxes (Schedule 2)	527,988	-	-	-	-	-	-	-	527,988
User fees and sales of goods	1,940	3,857	5,982	310,374	1,257	-	-	557,467	880,877
Penalties and costs on taxes	10,933	-	-	1,234	-	-	-	2,626	14,793
Licenses and permits	-	4,962	-	-	-	-	-	-	4,962
Fines	5,109	825	-	-	-	-	-	-	5,934
Franchise and concession contracts	17,894	-	-	-	-	-	-	-	17,894
Investment income	9,363	420	1,562	-	-	-	20	-	11,365
Rentals	9,274	-	-	-	-	-	1,452	-	10,726
Government transfers	15,188	20,543	-	-	-	-	63,280	-	99,011
Other	199	500	1,985	120	-	-	6,420	-	9,224
	<u>597,888</u>	<u>31,107</u>	<u>9,529</u>	<u>311,728</u>	<u>1,257</u>	<u>-</u>	<u>71,172</u>	<u>560,093</u>	<u>1,582,774</u>
EXPENSES									
Salaries, wages and benefits	174,789	13,140	95,977	64,066	-	-	36,873	28,275	413,120
Contracted and general services	68,048	22,106	96,296	113,343	18	14,060	29,603	69,588	413,062
Purchases from other governments	-	11,476	-	-	-	-	-	-	11,476
Materials, goods and utilities	8,601	14,643	66,732	36,380	78	-	3,566	395,578	525,578
Transfers to local boards and agencies	446	-	5,000	-	11,672	200	145,068	-	162,386
Bank charges and short term interest	72	-	-	-	-	-	-	-	72
Interest on capital long term debt	-	-	3,707	-	-	-	-	-	3,707
	<u>251,956</u>	<u>61,365</u>	<u>267,712</u>	<u>213,789</u>	<u>11,768</u>	<u>14,260</u>	<u>215,110</u>	<u>493,441</u>	<u>1,529,401</u>
NET REVENUE, BEFORE AMORTIZATION	<u>345,932</u>	<u>(30,258)</u>	<u>(258,183)</u>	<u>97,939</u>	<u>(10,511)</u>	<u>(14,260)</u>	<u>(143,938)</u>	<u>66,652</u>	<u>53,373</u>
AMORTIZATION AND DISPOSAL OF ASSETS									
Amortization of tangible capital assets	4,300	6,094	117,357	90,780	-	673	525	4,719	224,448
Loss on disposal of tangible capital assets	-	-	18,659	-	-	-	-	-	18,659
	<u>4,300</u>	<u>6,094</u>	<u>136,016</u>	<u>90,780</u>	<u>-</u>	<u>673</u>	<u>525</u>	<u>4,719</u>	<u>243,107</u>
NET REVENUE	<u>341,632</u>	<u>(36,352)</u>	<u>(394,199)</u>	<u>7,159</u>	<u>(10,511)</u>	<u>(14,933)</u>	<u>(144,463)</u>	<u>61,933</u>	<u>(189,734)</u>

TOWN OF SEDGEWICK

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2010

1. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements of the Town of Sedgewick are the representations of management prepared in accordance with 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, changes in fund balances 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 village are, therefore accountable to the Council for the administration of their financial affairs and resources.

The schedule of taxes levied also includes requisitions for education, health, 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.

TOWN OF SEDGEWICK

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2010

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

c) Use of Estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenditure during the period. Where measurement uncertainty exists, the financial statements have been prepared within reasonable limits of materiality. Actual results could differ from those estimates.

d) 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.

e) Inventories for Resale

Land held for resale is recorded at the lower of cost or net realizable value. Cost includes costs for land acquisition and improvements required to prepare the land for servicing such as clearing, stripping and levelling charges. Related development costs incurred to provide infrastructure such as water and wastewater services, roads, sidewalks and street lighting are recorded as physical assets under the respective function.

f) 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.

TOWN OF SEDGEWICK

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2010

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

g) 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 cost, less residual value, of the tangible capital assets is amortized on a straight-line basis over the estimated useful life as follows:

	YEARS
Buildings	50
Engineered structures - other	25-75
Engineered structures - water system	50-75
Engineered structures - wastewater system	50
Land improvements	20
Machinery and equipment	5-15
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.

TOWN OF SEDGEWICK

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2010

2. CASH AND TERM DEPOSITS

	<u>2010</u>	<u>2009</u>
Included in cash and term deposits are amounts received from various grant funding programs that are held for use in accordance with the funding agreements. (Note 4)	262,145	391,561
Included in cash and term deposits are amounts held for deposits in trust	10,560	10,560
Included in cash and term deposits are amounts designated by council for future expenses and tangible capital asset acquisitions. (Note 8)	619,187	875,188
Total restricted cash and term deposits	<u>891,892</u>	<u>1,277,309</u>

3. TAXES AND GRANTS IN PLACE OF TAXES RECEIVABLES

	<u>2010</u>	<u>2009</u>
Current taxes and grants in place of taxes	24,879	22,181
Arrears taxes	10,723	10,001
	<u>35,602</u>	<u>32,182</u>

4. DEFERRED INCOME

Deferred income consists of the following:	<u>2010</u>	<u>2009</u>
Municipal Sustainability Initiative - Capital	447,515	233,160
Municipal Sustainability Initiative - Operating	102,573	24,861
Federal Gas Tax	50,000	-
Street Improvement Program	-	210,720
Other deferred revenue	5,273	2,800
	<u>605,361</u>	<u>471,541</u>

TOWN OF SEDGEWICK

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2010

5. LONG TERM DEBT

	2010	2009
Alberta Capital Finance Authority	410,560	90,334
Principal and interest payments are as follows:		
	Principal	Interest
2011	79,025	7,454
2012	80,539	5,940
2013	82,082	4,397
2014	83,655	2,824
2015	85,259	1,222
	410,560	21,837
		432,397

Debenture debt repayable to the Alberta Capital Finance Authority bears interest at 1.907%, matures in 2015 and is secured by the credit and security of the town at large.

The town's total cash payments for interest in 2010 were \$2,313 (2009 - \$5,312).

6. 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 Sedgewick be disclosed as follows:

	2010	2009
Total debt limit	2,374,161	2,114,823
Total debt	410,560	90,334
Surplus debt limit	1,963,601	2,024,489
Debt servicing limit	395,694	422,965
Debt servicing	86,479	92,647
Surplus debt servicing	309,215	330,318

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, 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.

7. EQUITY IN TANGIBLE CAPITAL ASSETS

	2010	2009
Tangible capital assets (Schedule 2)	10,044,220	8,478,019
Accumulated amortization (Schedule 2)	(3,155,243)	(3,204,776)
Long-term debt (Note 6)	(410,560)	(90,334)
	6,478,417	5,182,909

TOWN OF SEDGEWICK

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2010

8. ACCUMULATED SURPLUS

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

	2010	2009
Unrestricted surplus	542,733	539,454
Restricted surplus		
Operating		
General	123,165	123,165
Occupational health	1,200	1,200
Water maintenance	25,000	25,000
Lagoon maintenance	10,500	10,500
Flagstaff Community Resource Officer	-	865
Physician recruitment	2,000	2,000
Economic Development	-	1,000
Recreation	8,564	8,564
Community hall	-	2,250
Natural gas	17,858	17,858
	188,287	192,402
Capital reserves		
Administration	5,250	5,250
Fire building	20,000	15,000
Fire equipment	79,262	58,843
Public works equipment	79,899	90,899
Public works building	30,000	25,000
Infrastructure improvement	64,836	64,836
Street work	10,000	90,000
Grant interest	44	2,378
Water infrastructure	31,519	31,519
Sewer system	79,433	39,433
Subdivision recreation reserve	3,390	3,370
Future development	131,684	131,684
Recreation	144,574	124,574
	679,891	682,786
	868,178	875,188
Equity in tangible capital assets	6,478,417	5,182,909
	7,889,328	6,597,551

TOWN OF SEDGEWICK

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2010

9. SEGMENTED DISCLOSURE

The Town of Sedgewick 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 the Schedule of Segmented Disclosure (schedule 6)

10. SALARY AND BENEFITS DISCLOSURE

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

	2010			2009
	Salary	Benefits & Allowances	Total	Total
Gagnon	5,325	-	5,325	5,750
Chaisson	1,885	47	1,932	-
Harris	3,696	-	3,696	5,525
McArthur	5,678	-	5,678	7,838
Ness	2,300	-	2,300	4,255
Offord	1,600	5	1,605	2,988
St. Pierre	2,188	-	2,188	-
Whitehead	885	15	900	-
Whitten	8,305	-	8,305	9,876
Wylie	5,603	-	5,603	7,075
CAO	63,252	11,060	74,312	69,683

1. Salary includes regular base pay, bonuses, overtime, lump sum payments, gross honoraria and any other direct cash remuneration.
2. 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.

TOWN OF SEDGEWICK

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2010

11. 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 199,849 people and 418 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 \$26,548. Total current service contributions by the employees of the town to the LAPP in 2010 were \$23,738.

At December 31, 2009, the LAPP disclosed an actuarial deficiency of \$4.0 billion.

12. FINANCIAL INSTRUMENTS

The Town's financial instruments consist of cash and temporary investments, accounts receivable, investments, bank indebtedness, 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 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 fair value of these financial instruments approximates their fair value.

TOWN OF SEDGEWICK

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2010

13. RECONCILIATION OF OPERATING RESULTS TO BUDGETING SYSTEM

The town has prepared its budget according to the former accounting standards that were in place prior to 2009 which tracked all municipal activities including capital projects and reserves for future use. The reconciliation below to encompass these items is provided for information purposes only to provide users with supplementary comparative information. It should not be used as a replacement for the consolidated statement of financial activities and accumulated surplus and users should note that this information may not be appropriate for their purposes.

	Budget (unaudited)	2010	2009
Excess of revenue over expenditures, per financial statements	1,523,975	1,291,777	1,212,139
Adjustments			
Amortization expense	-	224,448	184,291
Loss (gain) on disposal of tangible capital assets	-	18,659	2,500
Acquisition of tangible capital assets	(2,055,975)	(1,866,936)	(1,262,897)
Proceeds on disposition of tangible capital assets	-	8,095	1,500
Results of operations - previous methods	(532,000)	(323,957)	137,533
Net transfers (to) from reserves	193,900	7,010	(64,285)
Debenture issued	428,060	410,560	-
Debenture repaid	(89,960)	(90,334)	(87,336)
Increase (decrease) in unrestricted surplus	-	3,279	(14,088)

14. COMPARITIVE FIGURES

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

15. APPROVAL OF FINANCIAL STATEMENTS

Council and Management have approved these financial statements.

