

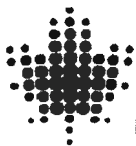
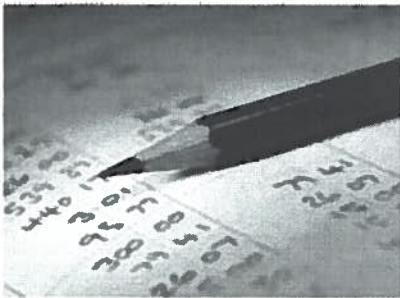
# SYLVAIN & COMPANY

**ORIGINAL**

**BIRCH HILLS COUNTY**

**Financial Statements**

**For the Year Ended December 31, 2015**



**CPA**

**CHARTERED  
PROFESSIONAL  
ACCOUNTANTS**

**BIRCH HILLS COUNTY**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
December 31, 2015

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# SYLVAIN & COMPANY

Chartered Professional Accountants

Michel A Sylvain, CPA, CGA\*  
Jean R Sylvain, CPA, CGA\*  
Karen D Lambert, CPA, CGA\*

PO Box 5, 006 Central Ave NE  
Falher, Alberta T0H 1M0  
Telephone: (780) 837-2401  
Facsimile: (780) 837-3434  
Email: [sylvainco@telus.net](mailto:sylvainco@telus.net)

## INDEPENDENT AUDITORS' REPORT

To the Members of Council  
BIRCH HILLS COUNTY

### Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of BIRCH HILLS COUNTY, which comprise the statement of financial position as at December 31, 2015, and the statements of operations, change in net financial assets (debt) and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

### Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these 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.

### Auditors' Responsibility

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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the 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 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 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 BIRCH HILLS COUNTY as at December 31, 2015 and the results of its operations, change in its net financial assets (debt) and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Falher, Alberta  
April 14, 2016

  
CHARTERED PROFESSIONAL ACCOUNTANTS

**BIRCH HILLS COUNTY  
CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

As at December 31, 2015

	2015	2014
<b>FINANCIAL ASSETS</b>	\$	\$
Cash and temporary investments (Note 2)	6,763,862	3,832,642
Receivables		
Taxes and grants in place of taxes (Note 3)	162,275	178,827
From other governments	134,430	407,883
Trade and other (Note 4)	196,103	227,687
Land held for resale inventory	6,684	6,684
Investments (Note 5)	13,660,071	16,900,768
Other Assets (Note 6)	-	2,241
	<b>20,923,425</b>	<b>21,556,732</b>

**LIABILITIES**

Accounts payable and accrued liabilities	393,007	370,015
Deposit liabilities	34,675	44,710
Deferred revenue (Note 7)	161,535	314,244
Employee benefit obligations (Note 8)	97,456	110,866
Provision for landfill closure and post-closure costs (Note 9)	100,000	330,000
	<b>786,673</b>	<b>1,169,835</b>

<b>NET FINANCIAL ASSETS (DEBT)</b>	<b>20,136,752</b>	<b>20,386,897</b>
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**NON-FINANCIAL ASSETS**

Tangible capital assets (Schedule 2, Note 11)	39,310,488	39,565,983
Inventory for consumption	2,378,999	2,164,655
Prepaid expenses	86,303	86,281
	<b>41,775,790</b>	<b>41,816,919</b>

<b>ACCUMULATED SURPLUS (Schedule 1, Note 13)</b>	<b>61,912,542</b>	<b>62,203,816</b>
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Commitments and Contingencies - See Note 18 and 19

See accompanying schedules and notes to the financial statements.

**BIRCH HILLS COUNTY**  
**CONSOLIDATED STATEMENT OF OPERATIONS**

For the Year Ended December 31, 2015

	Budget (Unaudited)	2015	2014
	\$	\$	\$
<b>REVENUE</b>			
Net municipal taxes (Schedule 3)	5,608,358	5,591,296	5,489,935
Well drilling	6,000	-	22,075
User fees and sales of goods	347,445	360,021	341,076
Government transfers for operating (Schedule 4)	673,416	670,777	660,538
Penalties and costs on taxes	35,000	38,514	38,106
Licenses and permits	3,000	6,310	5,700
Franchise and concession contracts	4,500	4,170	6,026
Investment income	422,000	517,459	454,820
Rentals	24,050	31,656	26,762
Other revenues	90,850	247,822	108,070
Gain on disposal of tangible capital assets	-	-	-
<b>Total Revenue</b>	<b>7,214,619</b>	<b>7,468,025</b>	<b>7,153,108</b>
<b>EXPENSES (Schedule 5 - By Object)</b>			
Council and legislative	151,500	144,887	160,617
Administration	1,168,855	1,286,380	974,582
Fire fighting and protective services	291,005	181,930	286,921
Disaster and emergency services	24,000	11,125	25,110
Ambulance and first aid	44,600	42,489	35,368
Roads, streets, walks, lighting	6,009,800	5,242,767	5,751,040
Airport	7,500	7,484	2,032
Storm sewers and drainage	35,000	25,916	77,520
Water supply and distribution	665,650	596,354	611,471
Wastewater treatment and disposal	255,050	88,619	51,323
Waste management	157,500	139,521	143,652
Public health and welfare	61,818	71,268	44,822
Cemetery	1,100	800	900
Land use planning, zoning and development	90,060	48,689	67,281
Economic/agricultural development	980,825	737,888	589,673
Parks and recreation	186,519	163,808	161,052
Culture	42,078	37,697	41,456
<b>Total Expenses</b>	<b>10,172,860</b>	<b>8,827,622</b>	<b>9,024,820</b>
<b>EXCESS (SHORTFALL) OF REVENUE OVER EXPENSES - BEFORE OTHER</b>	<b>(2,958,241)</b>	<b>(1,359,597)</b>	<b>(1,871,712)</b>
<b>OTHER</b>			
Contributed assets	-	7,000	-
Government transfers for capital (Schedule 4)	1,218,454	1,061,323	775,645
<b>EXCESS (SHORTFALL) OF REVENUE OVER EXPENSES</b>	<b>(1,739,787)</b>	<b>(291,274)</b>	<b>(1,096,067)</b>
<b>ACCUMULATED SURPLUS, BEGINNING OF YEAR</b>	<b>62,203,816</b>	<b>62,203,816</b>	<b>63,299,883</b>
<b>ACCUMULATED SURPLUS, END OF YEAR</b>	<b>60,464,029</b>	<b>61,912,542</b>	<b>62,203,816</b>

See accompanying schedules and notes to the financial statements.

**BIRCH HILLS COUNTY****CONSOLIDATED STATEMENT OF CHANGES IN NET FINANCIAL ASSETS (DEBT)**

For the Year Ended December 31, 2015

	Budget (Unaudited)	2015	2014
	\$	\$	\$
<b>EXCESS (SHORTFALL) OF REVENUES OVER EXPENSES</b>	(1,739,787)	(291,274)	(1,096,067)
Acquisition of tangible capital assets	(2,745,000)	(2,559,854)	(1,229,683)
Proceeds on disposal of tangible capital assets	190,000	145,000	216,664
Amortization of tangible capital assets	2,977,100	2,621,667	2,760,253
Loss (gain) on sale of tangible capital assets	-	48,682	82,526
	422,100	255,495	1,829,760
Acquisition of supplies inventories	(885,000)	(897,647)	(586,649)
Acquisition of prepaid assets	(138,850)	(126,866)	(159,446)
Use of supplies inventories	885,000	683,303	832,353
Use of prepaid assets	138,850	126,844	139,540
	-	(214,366)	225,798
<b>INCREASE (DECREASE) IN NET ASSETS (DEBT)</b>	(1,317,687)	(250,145)	959,491
<b>NET FINANCIAL ASSETS (DEBT), BEGINNING OF YEAR</b>	20,386,897	20,386,897	19,427,406
<b>NET FINANCIAL ASSETS (DEBT), END OF YEAR</b>	19,069,210	20,136,752	20,386,897

See accompanying schedules and notes to the financial statements.

**BIRCH HILLS COUNTY**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**

For the Year Ended December 31, 2015

	2015	2014
	\$	\$
<b>NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:</b>		
<b>OPERATING</b>		
Excess (shortfall) of revenues over expenses	(291,274)	(1,096,067)
Non-cash items included in excess (shortfall) of revenues over expenses:		
Amortization of tangible capital assets	2,621,667	2,760,253
Loss (gain) on disposal of tangible capital assets	48,682	82,526
Non-cash charges to operations (net change):		
Decrease (increase) in taxes and grants in lieu receivable	16,552	25,547
Decrease (increase) in receivable from other governments	273,453	75,536
Decrease (increase) in other assets	2,241	(2,241)
Decrease (increase) in trade and other receivables	31,584	492,671
Decrease (increase) in inventory for consumption	(214,344)	245,704
Decrease (increase) in prepaid expenses	(22)	(19,906)
Increase (decrease) in accounts payable and accrued liabilities	22,992	(65,689)
Increase (decrease) in deposit liabilities	(10,035)	8,245
Increase (decrease) in deferred revenue	(152,709)	86,518
Increase (decrease) in employee benefit obligations	(13,410)	3,602
Increase (decrease) in provision for landfill	(230,000)	-
Cash provided by operating transactions	2,105,377	2,596,699
<b>CAPITAL</b>		
Acquisition of tangible capital assets	(2,559,854)	(1,229,683)
Sale of tangible capital assets	145,000	216,664
Cash provided by (applied to) capital transactions	(2,414,854)	(1,013,019)
<b>INVESTING</b>		
Decrease (increase) in restricted cash or cash equivalents	158,585	(83,061)
Decrease (increase) in investments	3,240,697	(4,347,953)
Cash provided by (applied to) investing transactions	3,399,282	(4,431,014)
<b>CHANGE IN CASH AND EQUIVALENTS DURING THE YEAR</b>	<b>3,089,805</b>	<b>(2,847,334)</b>
<b>CASH AND CASH EQUIVALENTS (SHORTAGE), BEGINNING OF YEAR</b>	<b>3,521,855</b>	<b>6,369,189</b>
<b>CASH AND CASH EQUIVALENTS (SHORTAGE), END OF YEAR</b>	<b>6,611,660</b>	<b>3,521,855</b>
<b>Cash and cash equivalents is made up of:</b>		
Cash and temporary investments (Note 2)	6,763,862	3,832,642
Less: restricted portion of cash and temporary investments (Note 2)	(152,202)	(310,787)
	6,611,660	3,521,855

See accompanying schedules and notes to the financial statements.

**BIRCH HILLS COUNTY**

**Schedule 1**

**SCHEDULE OF CHANGES IN ACCUMULATED SURPLUS**

For the Year Ended December 31, 2015

	Unrestricted Surplus	Restricted Surplus	Equity in Tangible Capital Assets	2015	2014
	\$	\$	\$	\$	\$
<b>BALANCE, BEGINNING OF YEAR</b>	<b>3,334,019</b>	<b>19,303,814</b>	<b>39,565,983</b>	<b>62,203,816</b>	<b>63,299,883</b>
Excess (deficiency) of revenues over expenses	(291,274)	-	-	(291,274)	(1,096,067)
Unrestricted funds designated for future use	(948,744)	948,744	-	-	-
Restricted funds used for operations	1,578	(1,578)	-	-	-
Restricted funds used for tangible capital assets	-	(1,346,531)	1,346,531	-	-
Current year funds used for tangible capital assets	(1,206,323)	-	1,206,323	-	-
Contributed tangible capital assets	(7,000)	-	7,000	-	-
Disposal of tangible capital assets	193,682	-	(193,682)	-	-
Annual amortization expense	2,621,667	-	(2,621,667)	-	-
<b>CHANGE IN ACCUMULATED SURPLUS</b>	<b>363,586</b>	<b>(399,365)</b>	<b>(255,495)</b>	<b>(291,274)</b>	<b>(1,096,067)</b>
<b>BALANCE, END OF YEAR</b>	<b>3,697,605</b>	<b>18,904,449</b>	<b>39,310,488</b>	<b>61,912,542</b>	<b>62,203,816</b>

See accompanying schedules and notes to the financial statements.



**Schedule 2**

**BIRCH HILLS COUNTY  
SCHEDULE OF TANGIBLE CAPITAL ASSETS**

For the Year Ended December 31, 2015

	Land	Buildings	Engineered Structures	Machinery and Equipment	Vehicles	2015	2014
	\$	\$	\$	\$	\$	\$	\$
<b>COST:</b>							
BALANCE, BEGINNING OF YEAR	810,212	6,192,688	177,044,020	3,565,935	2,228,300	189,841,155	189,280,253
Acquisition of tangible capital assets	89,442	171,719	1,680,879	435,687	182,127	2,559,854	1,157,642
Construction-in-progress	-	-	-	-	-	-	72,041
Disposal of tangible capital assets	(2,532)	(34,806)	-	(328,000)	-	(365,338)	(668,781)
Write down of tangible capital assets	-	-	-	-	-	-	-
<b>BALANCE, END OF YEAR</b>	<b>897,122</b>	<b>6,329,601</b>	<b>178,724,899</b>	<b>3,673,622</b>	<b>2,410,427</b>	<b>192,035,671</b>	<b>189,841,155</b>
<b>ACCUMULATED AMORTIZATION:</b>							
BALANCE, BEGINNING OF YEAR	-	1,292,878	146,285,499	1,472,110	1,224,685	150,275,172	147,884,510
Annual amortization	-	136,325	2,102,657	248,908	133,777	2,621,667	2,760,253
Accumulated amortization on disposals	-	(7,656)	-	(164,000)	-	(171,656)	(369,591)
<b>BALANCE, END OF YEAR</b>	<b>-</b>	<b>1,421,547</b>	<b>148,388,156</b>	<b>1,557,018</b>	<b>1,358,462</b>	<b>152,725,183</b>	<b>150,275,172</b>
<b>NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS</b>	<b>897,122</b>	<b>4,908,054</b>	<b>30,336,743</b>	<b>2,116,604</b>	<b>1,051,965</b>	<b>39,310,488</b>	<b>39,565,983</b>
2014 NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	810,212	4,899,810	30,758,521	2,093,825	1,003,615	39,565,983	

See accompanying schedules and notes to the financial statements.

**BIRCH HILLS COUNTY****Schedule 3****SCHEDULE OF PROPERTY AND OTHER TAXES**

For the Year Ended December 31, 2015

	Budget (Unaudited)	2015	2014
	\$	\$	\$
<b>TAXATION</b>			
Real property taxes	2,977,767	<b>2,968,518</b>	2,879,719
Linear property taxes	3,558,443	<b>3,558,443</b>	3,512,689
Government grants in place of property taxes	29,114	<b>21,301</b>	27,747
	<u>6,565,324</u>	<u><b>6,548,262</b></u>	<u>6,420,155</u>
<b>REQUISITIONS</b>			
Alberta School Foundation Fund	942,372	<b>942,372</b>	915,511
Grande Spirit Seniors Foundation	14,594	<b>14,594</b>	14,709
	<u>956,966</u>	<u><b>956,966</b></u>	<u>930,220</u>
<b>NET MUNICIPAL TAXES</b>	<u>5,608,358</u>	<u><b>5,591,296</b></u>	<u>5,489,935</u>

See accompanying schedules and notes to the financial statements.

**BIRCH HILLS COUNTY****Schedule 4****SCHEDULE OF GOVERNMENT TRANSFERS**

For the Year Ended December 31, 2015

	Budget (Unaudited)	2015	2014
	\$	\$	\$
<b>TRANSFERS FOR OPERATING</b>			
Federal Government	-	-	-
Provincial Government	673,416	669,217	654,063
Local Government	-	1,560	6,475
	673,416	670,777	660,538
<b>TRANSFERS FOR CAPITAL</b>			
Federal Government	-	89,725	-
Provincial Government	1,218,454	971,598	775,645
Local Government	-	-	-
	1,218,454	1,061,323	775,645
<b>TOTAL GOVERNMENT TRANSFERS</b>	1,891,870	1,732,100	1,436,183

See accompanying schedules and notes to the financial statements.

## SCHEDULE OF CONSOLIDATED EXPENSES BY OBJECT

For the Year Ended December 31, 2015

	Budget (Unaudited)	2015	2014
	\$	\$	\$
<b>CONSOLIDATED EXPENSES BY OBJECT</b>			
Salaries, wages and benefits	2,538,885	2,327,192	2,190,817
Contracted and general services	2,659,950	2,090,572	2,208,080
Materials, goods and utilities	1,725,869	1,273,141	1,509,104
Provision for allowances	-	61,013	18,479
Transfers to local boards and agencies	245,056	376,815	228,775
Transfers to individuals and organizations	2,700	3,782	875
Bank charges and short-term interest	18,000	17,748	17,858
Other expenditures	5,300	7,010	8,053
Amortization of tangible capital assets	2,977,100	2,621,667	2,760,253
Loss on disposal of tangible capital assets	-	48,682	82,526
	10,172,860	8,827,622	9,024,820

See accompanying schedules and notes to the financial statements.

**BIRCH HILLS COUNTY**

**Schedule 6**

**SCHEDULE OF SEGMENTED DISCLOSURE**

For the Year Ended December 31, 2015

	General Government	Protective Services	Transportation Services	Environmental Services	Health & Welfare	ASB, Planning & Development	Recreation & Culture	Total 2015
	\$	\$	\$	\$	\$	\$	\$	\$
<b>REVENUE</b>								
Net municipal taxes	5,591,296	-	-	-	-	-	-	5,591,296
Well drilling	-	-	-	-	-	-	-	-
User fees and sales of goods	11,594	8,028	68,363	256,526	225	15,285	-	360,021
Government transfers for operating	-	1,560	506,026	-	47,244	115,947	-	670,777
Penalties and costs on taxes	38,514	-	-	-	-	-	-	38,514
Licenses and permits	-	-	-	-	-	6,310	-	6,310
Franchise and concession contracts	4,170	-	-	-	-	-	-	4,170
Investment income	517,459	-	-	-	-	-	-	517,459
Rentals	4,200	5,400	9,455	3,059	5,400	-	4,142	31,656
Other revenues	50,617	1,264	8,854	182,924	50	3,239	874	247,822
Gain on disposal of tangible capital assets	-	-	-	-	-	-	-	-
	<b>6,217,850</b>	<b>16,252</b>	<b>592,698</b>	<b>442,509</b>	<b>52,919</b>	<b>140,781</b>	<b>5,016</b>	<b>7,468,025</b>
<b>EXPENSES</b>								
Salaries, wages and benefits	616,218	36,708	1,054,756	272,067	7,178	336,812	3,453	2,327,192
Contracted and general services	493,029	71,335	1,007,094	174,703	2,039	328,372	14,000	2,090,572
Materials, goods and utilities	46,570	24,528	951,813	139,218	11	94,834	16,167	1,273,141
Provision for allowances	61,013	-	-	-	-	-	-	61,013
Transfers to local boards and agencies	150,000	32,000	-	-	32,762	5,000	157,053	376,815
Transfers to individuals and organizations	-	-	500	-	-	-	3,282	3,782
Bank charges and short-term interest	17,748	-	-	-	-	-	-	17,748
Other expenditures	6,908	-	-	102	-	-	-	7,010
Loss on disposal of tangible capital assets	-	-	19,000	-	29,682	-	-	48,682
	<b>1,391,486</b>	<b>164,571</b>	<b>3,033,163</b>	<b>586,090</b>	<b>71,672</b>	<b>765,018</b>	<b>193,955</b>	<b>6,205,955</b>
<b>Net revenue before amortization and government transfers for capital</b>	<b>4,826,364</b>	<b>(148,319)</b>	<b>(2,440,465)</b>	<b>(143,581)</b>	<b>(18,753)</b>	<b>(624,237)</b>	<b>(188,939)</b>	<b>1,262,070</b>
Amortization	(39,781)	(70,973)	(2,243,004)	(238,404)	(396)	(21,559)	(7,550)	(2,621,667)
Contributed assets	-	3,000	-	-	4,000	-	-	7,000
Government transfers for capital	-	-	-	1,061,323	-	-	-	1,061,323
<b>NET REVENUE (SHORTFALL)</b>	<b>4,786,583</b>	<b>(216,292)</b>	<b>(4,683,469)</b>	<b>679,338</b>	<b>(15,149)</b>	<b>(645,796)</b>	<b>(196,489)</b>	<b>(291,274)</b>
2014 NET REVENUE (SHORTFALL)	4,951,331	(99,307)	(4,703,821)	(547,823)	(7,272)	(488,546)	(200,629)	(1,096,067)

See accompanying schedules and notes to the financial statements.

**BIRCH HILLS COUNTY**  
**NOTES TO THE FINANCIAL STATEMENTS**

For the Year Ended December 31, 2015

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**1. SIGNIFICANT ACCOUNTING POLICIES**

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The consolidated financial statements of BIRCH HILLS COUNTY 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 Chartered Professional Accountants of Canada. Significant aspects of the accounting policies adopted by the COUNTY 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 COUNTY and are, therefore, accountable to the COUNTY Council for the administration of their financial affairs and resources. Included with the municipality are the following:

Central Peace Medical Clinic

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.

**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.

**BIRCH HILLS COUNTY**  
**NOTES TO THE FINANCIAL STATEMENTS**

For the Year Ended December 31, 2015

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**1. SIGNIFICANT ACCOUNTING POLICIES - CON'T**

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**d) Investments**

Investments are recorded at amortized cost. Investment premiums and discounts are amortized on the net present value basis over the term of the respective investments. When there has been a loss in value that is other than a temporary decline, the respective investment is written down to recognize the loss.

**e) Debt Charges Recoverable**

Debt charges recoverable consist of amounts that are recoverable from municipal agencies or other local governments with respect to outstanding debentures or other long-term debt pursuant to annexation orders or joint capital undertakings. These recoveries are recorded at a value that equals the offsetting portion of the un-matured long-term debt, less actuarial requirements for the retirement of any sinking fund debentures.

**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 a property tax revenue.

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

**g) 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 their respective function.

**h) Tax Revenue**

Tax revenues are recognized when the tax has been authorized by bylaw and the taxable event has occurred.

Requisitions operate as a flow through and are excluded from municipal revenue.

**i) Landfill Closure and Post-Closure Liability**

Pursuant to the Alberta Environment Protection and Enhancement Act, the TOWN is required to fund the closure of its landfill site and provide for post-closure care of the facility. Closure and post-closure activities include the final clay cover, landscaping, as well as surface and ground water monitoring, leachate control, and visual inspection. The requirement is being provided for over the estimated remaining life of the landfill site based on usage.

**j) Contaminated Sites Liability**

Contaminated sites are a result of contamination being introduced into air, soil, water or sediment of a chemical, organic or radioactive material or live organism that exceeds an environmental standard. The liability is recorded net of any expected recoveries. A liability for remediation of a contaminated site is recognized when a site is not in productive use and is management's estimate of the cost of post-remediation including operation, maintenance and monitoring.

**BIRCH HILLS COUNTY**  
**NOTES TO THE FINANCIAL STATEMENTS**

For the Year Ended December 31, 2015

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**1. SIGNIFICANT ACCOUNTING POLICIES - CON'T**

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**k) 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.

**l) 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.

**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:

	<b>YEARS</b>
Buildings	25-50
Engineered structures	
Bridges	variable
Water system	40
Wastewater system	40
Other engineered structures	20-40
Machinery and equipment	5-15
Vehicles	7-15

Annual amortization is charged in the year of acquisition and no amortization is charged 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, with costs being realized on a first-in first-out basis.

**v. Cultural and Historical Tangible Capital Assets**

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



**BIRCH HILLS COUNTY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the Year Ended December 31, 2015

**2. CASH AND TEMPORARY INVESTMENTS**

	2015	2014
	\$	\$
Cash	926,992	1,302,418
Temporary investments	5,836,870	2,530,224
	<b>6,763,862</b>	<b>3,832,642</b>

Temporary investments are short-term deposits with original maturities of three months or less.

Included in temporary investments is a restricted amount of \$152,202 (2014: \$310,787) received from the provincial and other local government being held exclusively for specific projects.

**3. TAXES AND GRANTS IN PLACE OF TAXES RECEIVABLES**

	2015	2014
	\$	\$
Current taxes and grants in place of taxes	135,070	102,102
Arrears taxes	246,121	234,628
	<b>381,191</b>	<b>336,730</b>
Less: Allowance for doubtful accounts	218,916	157,903
	<b>162,275</b>	<b>178,827</b>

**4. TRADE AND OTHER RECEIVABLES**

	2015	2014
	\$	\$
Trade accounts	35,564	61,955
Utility accounts	34,553	21,684
Other accounts	14,711	23,180
Accrued interest	97,997	89,948
Goods and services tax recoverable	13,278	30,920
	<b>196,103</b>	<b>227,687</b>

**BIRCH HILLS COUNTY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the Year Ended December 31, 2015

**5. INVESTMENTS**

	2015		2014	
	Cost	Market Value	Cost	Market Value
	\$	\$	\$	\$
Debenture borrowing shares	80	80	80	80
Equity held in A.A.M.D. & C.	-	-	865	865
Long-term GIC's	1,944,095	1,944,095	3,842,147	3,842,147
Government and government guaranteed bonds	3,025,353	3,232,592	3,913,618	4,133,216
Public corporation bonds	8,690,543	8,768,079	9,144,058	9,232,697
	<b>13,660,071</b>	<b>13,944,846</b>	<b>16,900,768</b>	<b>17,209,005</b>

Public corporation bonds have effective interest rates of 2.00% to 3.95% (2014: 2.00% to 4.03%) with maturity dates from January 13, 2016 to June 4, 2021. Government and government guaranteed bonds have effective interest rates of 2.29% to 4.1% (2014: 2.29% to 4.50%) with maturity dates from December 1, 2017 to December 1, 2021.

**6. OTHER ASSETS**

	2015	2014
	\$	\$
Alberta School Foundation Fund under-levy	-	2,241

**7. DEFERRED REVENUE**

	2015	2014
	\$	\$
Provincial government transfers		
ATCO Contribution	3,440	5,000
FCSS grant	2,175	6,772
Federal Gas Tax Fund	69,457	-
Municipal Sustainability Initiative - 2014 Capital	-	299,015
Municipal Sustainability Initiative - 2015 Capital	77,130	-
	<b>152,202</b>	<b>310,787</b>
WCB surplus rebate	7,078	-
Prepaid user charges	2,255	3,457
	<b>161,535</b>	<b>314,244</b>

As per above Provincial funding of \$152,202 remain unspent at year-end. The use of these funds is restricted to eligible projects as approved under the funding agreements. Unexpended funds related to the advance are supported by cash and temporary investments of \$152,202 held exclusively for these projects (refer Note 2).

**BIRCH HILLS COUNTY**  
**NOTES TO THE FINANCIAL STATEMENTS**

For the Year Ended December 31, 2015

**8. EMPLOYEE BENEFIT OBLIGATIONS**

	2015	2014
	\$	\$
Sick pay benefits	18,761	20,705
Vacation and overtime	78,695	90,161
	<b>97,456</b>	<b>110,866</b>

**Sick pay benefits**

The sick pay benefits liability is comprised of sick pay that accumulates but does not vest and is paid only upon an illness or injury-related absence. The extent to which accumulated sick days are expected to be used by the employees has been considered in measuring this obligation.

**Vacation and overtime**

The vacation and overtime liability is comprised of the vacation and overtime that employees are deferring to future years. Employees have either earned the benefits (and are vested) or are entitled to these benefits within the next budgetary year.

**9. LANDFILL CLOSURE AND POST-CLOSURE LIABILITY**

Alberta environmental law requires closure and post-closure care of landfill sites, which includes final covering and landscaping, pumping of ground water and leachates from the site, and ongoing environmental monitoring, site inspections and maintenance.

The accrued liability for closure and post-closure of the COUNTY's landfill is recognized, using management's estimated costs for closure and post-closure care. Management is unable to estimate how many years that post-closure care could be required.

The COUNTY has not designated assets for setting closure and post-closure liabilities. The following summarizes the total estimated costs of closure and post-closure care:

	\$
Estimated closure costs	60,000
Estimated post-closure costs	40,000
Estimated total costs	100,000
Actual closure and post-closure costs incurred to date	-
Ending balance, December 31, 2015	100,000

**BIRCH HILLS COUNTY****NOTES TO THE FINANCIAL STATEMENTS**

For the Year Ended December 31, 2015

**10. DEBT LIMITS**

Section 276(2) of the Municipal Government Act requires that debt and debt limits as defined by Alberta Regulation 255/00 for BIRCH HILLS COUNTY be disclosed as follows:

	2015	2014
	\$	\$
Total debt limit	12,794,022	11,893,130
Total debt	-	-
Amount of debt limit unused	12,794,022	11,893,130
Debt servicing limit	2,132,337	1,982,188
Debt servicing	-	-
Amount of debt servicing above limit	2,132,337	1,982,188

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.

**11. TANGIBLE CAPITAL ASSETS**

Net Book Value	2015	2014
	\$	\$
Land	897,122	810,212
Buildings	4,908,054	4,899,810
Engineered Structures		
Roadway system	26,234,215	28,149,736
Roadway system - construction-in-progress	-	58,751
Water distribution system	2,493,040	2,430,476
Water system - construction-in-progress	-	15,841
Wastewater treatment system	1,609,488	47,517
Wastewater system - construction-in-progress	-	56,200
Machinery, equipment, and furnishings	2,116,604	2,093,825
Vehicles	1,051,965	1,003,615
	39,310,488	39,565,983

**12. EQUITY IN TANGIBLE CAPITAL ASSETS**

	2015	2014
	\$	\$
Tangible capital assets (Schedule 2)	192,035,671	189,841,155
Accumulated amortization (Schedule 2)	(152,725,183)	(150,275,172)
	39,310,488	39,565,983

**BIRCH HILLS COUNTY****NOTES TO THE FINANCIAL STATEMENTS**

For the Year Ended December 31, 2015

**13. ACCUMULATED SURPLUS**

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

	2015	2014
	\$	\$
Unrestricted surplus (deficit)	3,697,605	3,334,019
Restricted surplus		
Tax rate stabilization	7,582,302	7,583,880
Tangible Capital Asset Replacement		
Administration	23,302	199,712
Fire services	317,620	317,620
Roads, streets, etc.	7,614,017	7,169,264
Water supply	573,700	991,203
Wastewater treatment	-	202,052
Waste management	887,393	887,393
Other public health and welfare	453,425	500,000
Agricultural services	21,378	21,378
Recreation and hall	198,135	198,135
Contingency	1,233,177	1,233,177
Equity in tangible capital assets	39,310,488	39,565,983
	<b>61,912,542</b>	<b>62,203,816</b>

**14. SEGMENTED DISCLOSURE**

BIRCH HILLS COUNTY 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)

**BIRCH HILLS COUNTY****NOTES TO THE FINANCIAL STATEMENTS**

For the Year Ended December 31, 2015

**15. TRUST FUNDS**

The COUNTY OF BIRCH HILLS administers the following trusts:

	2015	2014
<b>TAX SALE SURPLUS</b>		
Balance, beginning of year	16,284	14,676
Tax sales during year	687	1,520
Interest earned	142	88
Less: Drawings	(2,823)	-
Balance, end of year	14,290	16,284

**16. SALARY AND BENEFITS DISCLOSURE**

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

	Salary(1)	Benefits & Allowances (2)	2015 Total	2014 Total
Reeve:				
DORAN, Marvin	12,983	6,961	19,944	20,668
Councillors:				
BOGDANEK, Cheryl	7,967	6,958	14,925	15,469
CARBONE, Terry	9,017	7,368	16,385	15,275
LANGLOIS, Kathrin	2,533	1,299	3,832	-
MACAULEY, Jack	10,183	8,154	18,337	17,799
MAZULENKO, Gerald	8,083	4,269	12,352	13,979
REUM, Paul	6,450	3,358	9,808	12,171
SMITH, Warren	1,917	1,862	3,779	12,097
	59,133	40,229	99,362	107,458
Chief Administrative Officer:				
NORTHCOTT, Harold	132,188	44,398	176,586	152,486
	191,321	84,627	275,948	259,944

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

2) For reeve and councillors, benefits and allowances consists of travel and general non-accountable expense allowances, employer's share of Canada pension plan, health care, dental coverage, vision coverage, group life insurance and accidental disability and dismemberment insurance. For chief administrative officer, benefits and allowances consists of employer's share of Canada pension plan, employment insurance, pension, health care, dental coverage, vision coverage, group life insurance, accidental disability and dismemberment insurance, long and short-term disability plans, vehicle allowance, and moving expenses.

## **BIRCH HILLS COUNTY**

### **NOTES TO THE FINANCIAL STATEMENTS**

For the Year Ended December 31, 2015

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#### **17. LOCAL AUTHORITIES PENSION PLAN**

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Employees of BIRCH HILLS COUNTY participate in the Local Authorities Pension Plan (LAPP), which is one of the plans covered by the Alberta Public Sector Pensions Plans Act. 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.

BIRCH HILLS COUNTY is required to make current service contributions to the LAPP of 11.39% of pensionable earnings up to the year's maximum pensionable earnings under the Canada Pension Plan and 15.84% on pensionable earnings above this amount. Employees of the BIRCH HILLS COUNTY are required to make current service contributions of 10.39% of pensionable salary up to the year's maximum pensionable salary and 14.84% on pensionable salary above this amount.

Total current service contributions by BIRCH HILLS COUNTY to the LAPP in 2015 were \$202,208 (2014: \$164,964). Total current service contributions by the employees of BIRCH HILLS COUNTY to the Local Authorities Pension Plan in 2015 were \$186,271 (2014: \$151,954).

At December 31, 2014, the LAPP disclosed an actuarial deficiency of \$2.454 billion.

#### **18. COMMITMENTS**

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Birch Hills County is in the process of entering into a new agreement with Saddle Hills County, the Town of Spirit River, Municipal District of Spirit River #133 and the Village of Rycroft to construct and operate a new medical clinic. The estimated cost to construct the facility is \$4,000,000. The County's total commitment for this project is \$400,000 which equals 10% of the total cost. As of December 31, 2015 the County has a payable of \$46,575 towards the acquisition of land for the facility and has a remaining obligation of \$353,425 towards the construction of the building. Operational costs of the facility are to be shared 10% by Birch Hills County, 60% by Saddle Hills County, 15% by the Town of Spirit River, 12.5% by Municipal District of Spirit River #133 and 2.5% by the Village of Rycroft .

#### **19. CONTINGENCIES**

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The county is a member of the Jubilee Reciprocal Insurance Exchange. Under the terms of the membership, the County 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.

**BIRCH HILLS COUNTY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the Year Ended December 31, 2015

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**20. GOVERNMENT PARTNERSHIP**

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A Co-Owners agreement between the Village of Rycroft, Town of Spirit River, Municipal District of Spirit River No. 133 and Birch Hills County was made the 1st day of February, 2004. Each Co-Owner is the registered owner of an undivided 25% tenancy-in-common interest in the property of the Central Peace Medical Clinic. The primary purpose of this agreement is to provide and maintain a building to rent to the doctors whereby they can provide medical services to local residents. This investment is accounted for by the proportionate consolidation method. The following information was taken from the December 31, 2015 audited financial statement:

	2015	2014
	\$	\$
Share of assets (25%)	38,947	65,671
Share of liabilities (25%)	-	-
	<b>38,947</b>	<b>65,671</b>
Total revenues	21,600	21,600
Total expenditures	(128,488)	(15,404)
	<b>(106,888)</b>	<b>6,196</b>
Share of surplus for the year ended December 31 (25%)	<b>(26,722)</b>	<b>1,549</b>

**21. FINANCIAL INSTRUMENTS**

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The COUNTY's financial instruments consist of cash and temporary investments, accounts receivable, investments, debt charges recoverable, accounts payable and accrued liabilities, and deposit liabilities. It is management's opinion that the COUNTY is not exposed to significant interest or currency risks arising from these financial instruments.

The COUNTY 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 COUNTY 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 instrument approximates fair value.



**BIRCH HILLS COUNTY**  
**NOTES TO THE FINANCIAL STATEMENTS**

For the Year Ended December 31, 2015

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**22. CONTAMINATED SITES LIABILITY**

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On January 1, 2015 the County adopted PS3260 Liability for Contaminated Sites. The standard was applied on a retroactive basis and did not result in any adjustments to the financial liabilities, tangible capital assets or accumulated surplus of the County.

The county has arrears taxes receivable from properties which are considered to be contaminated sites. The county has not reacquired these properties yet. A liability for remediation of the contaminated sites has not been recognized as the County has not accepted responsibility and a reasonable estimate of the remediation costs cannot be determined.

**23. APPROVAL OF FINANCIAL STATEMENTS**

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Council and Management have approved these financial statements.