

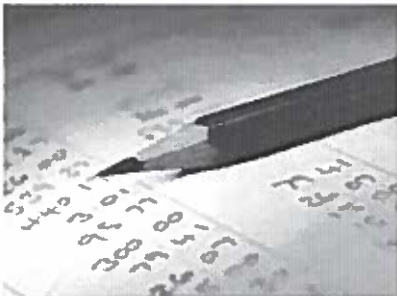
# SYLVAIN & COMPANY

**ORIGINAL**

**BIRCH HILLS COUNTY**

**Financial Statements**

**For the Year Ended December 31, 2016**



**CPA**

CHARTERED  
PROFESSIONAL  
ACCOUNTANTS

**BIRCH HILLS COUNTY**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
December 31, 2016

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# SYLVAIN & COMPANY

Chartered Professional Accountants

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## 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, 2016, 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, 2016 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  
March 30, 2017

  
CHARTERED PROFESSIONAL ACCOUNTANTS

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

As at December 31, 2016

	2016	2015 (Restated)
<b>FINANCIAL ASSETS</b>	<b>\$</b>	<b>\$</b>
Cash and temporary investments (Note 2)	8,120,782	6,763,862
Receivables		
Taxes and grants in place of taxes (Note 3)	142,233	162,275
Trade and other (Note 4)	265,858	330,533
Land held for resale inventory	6,684	6,684
Investments (Note 5)	13,961,291	13,660,071
Other Assets (Note 6)	2,845	-
	<b>22,499,693</b>	<b>20,923,425</b>

**LIABILITIES**

Accounts payable and accrued liabilities	356,542	393,007
Deposit liabilities	29,546	34,675
Deferred revenue (Note 7)	488,862	178,448
Employee benefit obligations (Note 8)	113,043	97,456
Provision for landfill closure and post-closure costs (Note 9)	100,000	100,000
	<b>1,087,993</b>	<b>803,586</b>

<b>NET FINANCIAL ASSETS (DEBT)</b>	<b>21,411,700</b>	<b>20,119,839</b>
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**NON-FINANCIAL ASSETS**

Tangible capital assets (Schedule 2, Note 11)	37,422,533	39,310,488
Inventory for consumption	1,617,928	2,378,999
Prepaid expenses	100,762	86,303
	<b>39,141,223</b>	<b>41,775,790</b>

<b>ACCUMULATED SURPLUS (Schedule 1, Note 13)</b>	<b>60,552,923</b>	<b>61,895,629</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, 2016

	Budget (Unaudited)	2016	2015 (Restated)
REVENUE	\$	\$	\$
Net municipal taxes (Schedule 3)	5,222,296	5,194,775	5,591,296
User fees and sales of goods	333,726	376,235	360,021
Government transfers for operating (Schedule 4)	699,969	520,637	653,864
Penalties and costs on taxes	35,000	26,140	38,514
Licenses and permits	3,000	2,980	6,310
Franchise and concession contracts	6,000	4,158	4,170
Investment income	442,000	427,580	517,459
Rentals	28,950	36,736	31,656
Other revenues	85,538	87,229	247,822
Gain on disposal of tangible capital assets	-	-	-
<b>Total Revenue</b>	<b>6,856,479</b>	<b>6,676,470</b>	<b>7,451,112</b>
<b>EXPENSES</b> (Schedule 5 - By Object)			
Council and legislative Administration	154,398	151,735	144,887
Fire fighting and protective services	1,130,360	1,034,754	1,286,380
Disaster and emergency services	370,143	189,642	181,930
Ambulance and first aid	22,000	11,125	11,125
Roads, streets, walks, lighting	45,040	37,290	42,489
Airport	5,730,625	5,376,217	5,242,767
Storm sewers and drainage	4,900	1,637	7,484
Water supply and distribution	35,000	4,305	25,916
Wastewater treatment and disposal	653,050	651,277	596,354
Waste management	101,925	87,409	88,619
Public health and welfare	197,150	174,763	139,521
Cemetery	64,718	80,726	71,268
Land use planning, zoning and development	1,100	800	800
Economic/agricultural development	89,400	61,320	48,689
Parks and recreation	759,064	600,230	737,888
Culture	185,115	158,744	163,808
<b>Total Expenses</b>	<b>9,594,808</b>	<b>8,673,294</b>	<b>8,827,622</b>
<b>EXCESS (SHORTFALL) OF REVENUE OVER EXPENSES - BEFORE OTHER</b>	<b>(2,738,329)</b>	<b>(1,996,824)</b>	<b>(1,376,510)</b>
<b>OTHER</b>			
Contributed assets	-	-	7,000
Government transfers for capital (Schedule 4)	785,475	654,118	1,061,323
<b>EXCESS (SHORTFALL) OF REVENUE OVER EXPENSES</b>	<b>(1,952,854)</b>	<b>(1,342,706)</b>	<b>(308,187)</b>
<b>ACCUMULATED SURPLUS, BEGINNING OF YEAR</b>	<b>61,895,629</b>	<b>61,895,629</b>	<b>62,203,816</b>
<b>ACCUMULATED SURPLUS, END OF YEAR</b>	<b>59,942,775</b>	<b>60,552,923</b>	<b>61,895,629</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, 2016

	Budget (Unaudited)	2016	2015 (Restated)
	\$	\$	\$
<b>EXCESS (SHORTFALL) OF REVENUES OVER EXPENSES</b>	<b>(1,952,854)</b>	<b>(1,342,706)</b>	<b>(308,187)</b>
Acquisition of tangible capital assets	(1,345,500)	<b>(933,504)</b>	(2,559,854)
Proceeds on disposal of tangible capital assets	145,025	<b>159,278</b>	145,000
Amortization of tangible capital assets	2,632,600	<b>2,617,005</b>	2,621,667
Loss (gain) on sale of tangible capital assets	-	<b>45,176</b>	48,682
	<b>1,432,125</b>	<b>1,887,955</b>	255,495
Acquisition of supplies inventories	(750,000)	<b>5,051</b>	(897,647)
Acquisition of prepaid assets	(130,810)	<b>(137,830)</b>	(126,866)
Use of supplies inventories	750,000	<b>756,020</b>	683,303
Use of prepaid assets	130,810	<b>123,371</b>	126,844
	-	<b>746,612</b>	(214,366)
<b>INCREASE (DECREASE) IN NET ASSETS (DEBT)</b>	<b>(520,729)</b>	<b>1,291,861</b>	<b>(267,058)</b>
<b>NET FINANCIAL ASSETS (DEBT), BEGINNING OF YEAR</b>	<b>20,119,839</b>	<b>20,119,839</b>	<b>20,386,897</b>
<b>NET FINANCIAL ASSETS (DEBT), END OF YEAR</b>	<b>19,599,110</b>	<b>21,411,700</b>	<b>20,119,839</b>

See accompanying schedules and notes to the financial statements.

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

For the Year Ended December 31, 2016

	2016	2015 (Restated)
	\$	\$
<b>NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:</b>		
<b>OPERATING</b>		
Excess (shortfall) of revenues over expenses	(1,342,706)	(308,187)
Non-cash items included in excess (shortfall) of revenues over expenses:		
Amortization of tangible capital assets	2,617,005	2,621,667
Loss (gain) on disposal of tangible capital assets	45,176	48,682
Non-cash charges to operations (net change):		
Decrease (increase) in taxes and grants in lieu receivable	20,042	16,552
Decrease (increase) in other assets	(2,845)	2,241
Decrease (increase) in trade and other receivables	64,675	305,037
Decrease (increase) in inventory for consumption	761,071	(214,344)
Decrease (increase) in prepaid expenses	(14,459)	(22)
Increase (decrease) in accounts payable and accrued liabilities	(36,465)	22,992
Increase (decrease) in deposit liabilities	(5,129)	(10,035)
Increase (decrease) in deferred revenue	310,414	(135,796)
Increase (decrease) in employee benefit obligations	15,587	(13,410)
Increase (decrease) in provision for landfill	-	(230,000)
Cash provided by operating transactions	2,432,366	2,105,377
<b>CAPITAL</b>		
Acquisition of tangible capital assets	(933,504)	(2,559,854)
Sale of tangible capital assets	159,278	145,000
Cash provided by (applied to) capital transactions	(774,226)	(2,414,854)
<b>INVESTING</b>		
Decrease (increase) in restricted cash or cash equivalents	(300,526)	141,672
Decrease (increase) in investments	(301,220)	3,240,697
Cash provided by (applied to) investing transactions	(601,746)	3,382,369
<b>CHANGE IN CASH AND EQUIVALENTS DURING THE YEAR</b>	<b>1,056,394</b>	<b>3,072,892</b>
<b>CASH AND CASH EQUIVALENTS (SHORTAGE), BEGINNING OF YEAR</b>	<b>6,594,747</b>	<b>3,521,855</b>
<b>CASH AND CASH EQUIVALENTS (SHORTAGE), END OF YEAR</b>	<b>7,651,141</b>	<b>6,594,747</b>
<b>Cash and cash equivalents is made up of:</b>		
Cash and temporary investments (Note 2)	8,120,782	6,763,862
Less: restricted portion of cash and temporary investments (Note 2)	(469,641)	(169,115)
	<b>7,651,141</b>	<b>6,594,747</b>

See accompanying schedules and notes to the financial statements.

**BIRCH HILLS COUNTY**  
**SCHEDULE OF CHANGES IN ACCUMULATED SURPLUS**

**Schedule 1**

For the Year Ended December 31, 2016

	Unrestricted Surplus	Restricted Surplus	Equity in Tangible Capital Assets	2016	2015 (Restated)
	\$	\$	\$	\$	\$
<b>BALANCE, BEGINNING OF YEAR</b>	<b>3,680,692</b>	<b>18,904,449</b>	<b>39,310,488</b>	<b>61,895,629</b>	<b>62,203,816</b>
Excess (deficiency) of revenues over expenses	(1,342,706)	-	-	(1,342,706)	(308,187)
Unrestricted funds designated for future use	(425,000)	425,000	-	-	-
Restricted funds used for operations	102,360	(102,360)	-	-	-
Restricted funds used for tangible capital assets	-	(105,224)	105,224	-	-
Current year funds used for tangible capital assets	(828,279)	-	828,279	-	-
Contributed tangible capital assets	-	-	-	-	-
Disposal of tangible capital assets	204,453	-	(204,453)	-	-
Annual amortization expense	2,617,005	-	(2,617,005)	-	-
<b>CHANGE IN ACCUMULATED SURPLUS</b>	<b>327,833</b>	<b>217,416</b>	<b>(1,887,955)</b>	<b>(1,342,706)</b>	<b>(308,187)</b>
<b>BALANCE, END OF YEAR</b>	<b>4,008,525</b>	<b>19,121,865</b>	<b>37,422,533</b>	<b>60,552,923</b>	<b>61,895,629</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, 2016

	Land	Buildings	Engineered Structures	Machinery and Equipment	Vehicles	2016	2015
	\$	\$	\$	\$	\$	\$	\$
<b>COST:</b>							
BALANCE, BEGINNING OF YEAR	897,122	6,329,601	178,724,899	3,673,622	2,410,427	192,035,671	189,841,155
Acquisition of tangible capital assets	2,975	-	89,751	531,448	152,948	777,122	2,559,854
Construction-in-progress	-	105,752	50,630	-	-	156,382	-
Disposal of tangible capital assets	-	-	(48,260)	(360,700)	(273,547)	(682,507)	(365,338)
Write down of tangible capital assets	-	-	-	-	-	-	-
<b>BALANCE, END OF YEAR</b>	<b>900,097</b>	<b>6,435,353</b>	<b>178,817,020</b>	<b>3,844,370</b>	<b>2,289,828</b>	<b>192,286,668</b>	<b>192,035,671</b>
<b>ACCUMULATED AMORTIZATION:</b>							
BALANCE, BEGINNING OF YEAR	-	1,421,547	148,388,156	1,557,018	1,358,462	152,725,183	150,275,172
Annual amortization	-	136,283	2,103,066	249,967	127,689	2,617,005	2,621,667
Accumulated amortization on disposals	-	-	(36,653)	(180,350)	(261,050)	(478,053)	(171,656)
<b>BALANCE, END OF YEAR</b>	<b>-</b>	<b>1,557,830</b>	<b>150,454,569</b>	<b>1,626,635</b>	<b>1,225,101</b>	<b>154,864,135</b>	<b>152,725,183</b>
<b>NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS</b>	<b>900,097</b>	<b>4,877,523</b>	<b>28,362,451</b>	<b>2,217,735</b>	<b>1,064,727</b>	<b>37,422,533</b>	<b>39,310,488</b>
2015 NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	897,122	4,908,054	30,336,743	2,116,604	1,051,965	39,310,488	

See accompanying schedules and notes to the financial statements.

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

**Schedule 3**

For the Year Ended December 31, 2016

	Budget (Unaudited)	2016	2015
	\$	\$	\$
<b>TAXATION</b>			
Real property taxes	2,951,288	<b>2,923,997</b>	2,968,518
Linear property taxes	3,195,974	<b>3,195,794</b>	3,558,443
Government grants in place of property taxes	18,373	<b>18,323</b>	21,301
	<b>6,165,635</b>	<b>6,138,114</b>	6,548,262
<b>REQUISITIONS</b>			
Alberta School Foundation Fund	929,630	<b>929,630</b>	942,372
Grande Spirit Seniors Foundation	13,709	<b>13,709</b>	14,594
	<b>943,339</b>	<b>943,339</b>	956,966
<b>NET MUNICIPAL TAXES</b>	<b>5,222,296</b>	<b>5,194,775</b>	5,591,296

See accompanying schedules and notes to the financial statements.

## BIRCH HILLS COUNTY

## Schedule 4

## SCHEDULE OF GOVERNMENT TRANSFERS

For the Year Ended December 31, 2016

	Budget (Unaudited)	2016	2015 (Restated)
	\$	\$	\$
<b>TRANSFERS FOR OPERATING</b>			
Federal Government	-	-	-
Provincial Government	696,529	520,637	652,304
Local Government	3,440	-	1,560
	699,969	520,637	653,864
<b>TRANSFERS FOR CAPITAL</b>			
Federal Government	-	-	89,725
Provincial Government	785,475	654,118	971,598
Local Government	-	-	-
	785,475	654,118	1,061,323
<b>TOTAL GOVERNMENT TRANSFERS</b>	<b>1,485,444</b>	<b>1,174,755</b>	<b>1,715,187</b>

See accompanying schedules and notes to the financial statements.

## SCHEDULE OF CONSOLIDATED EXPENSES BY OBJECT

For the Year Ended December 31, 2016

	Budget (Unaudited)	2016	2015
	\$	\$	\$
<b>CONSOLIDATED EXPENSES BY OBJECT</b>			
Salaries, wages and benefits	2,622,333	<b>2,425,023</b>	2,327,192
Contracted and general services	2,429,147	<b>1,844,651</b>	2,090,572
Materials, goods and utilities	1,591,265	<b>1,352,706</b>	1,273,141
Provision for allowances	-	-	61,013
Transfers to local boards and agencies	248,488	<b>266,284</b>	376,815
Transfers to individuals and organizations	14,000	<b>27,960</b>	3,782
Bank charges and short-term interest	18,000	<b>16,640</b>	17,748
Other expenditures	38,975	<b>77,849</b>	7,010
Amortization of tangible capital assets	2,632,600	<b>2,617,005</b>	2,621,667
Loss on disposal of tangible capital assets	-	<b>45,176</b>	48,682
	<b>9,594,808</b>	<b>8,673,294</b>	<b>8,827,622</b>

See accompanying schedules and notes to the financial statements.

**BIRCH HILLS COUNTY**

**Schedule 6**

**SCHEDULE OF SEGMENTED DISCLOSURE**

For the Year Ended December 31, 2016

	General Government	Protective Services	Transportation Services	Environmental Services	Health & Welfare	ASB, Planning & Development	Recreation & Culture	Total 2016
	\$	\$	\$	\$	\$	\$	\$	\$
<b>REVENUE</b>								
Net municipal taxes	5,194,775	-	-	-	-	-	-	5,194,775
User fees and sales of goods	10,043	23,280	62,116	275,396	25	5,375	-	376,235
Government transfers for operating	-	-	314,659	28,200	61,832	115,946	-	520,637
Penalties and costs on taxes	26,140	-	-	-	-	-	-	26,140
Licenses and permits	-	-	-	-	-	2,980	-	2,980
Franchise and concession contracts	-	-	-	-	-	-	4,158	4,158
Investment income	427,580	-	-	-	-	-	-	427,580
Rentals	11,870	4,200	8,110	3,032	5,400	-	4,124	36,736
Other revenues	51,229	425	14,914	6,304	120	8,842	5,395	87,229
Gain on disposal of tangible capital assets	-	-	-	-	-	-	-	-
	5,721,637	27,905	399,799	312,932	67,377	133,143	13,677	6,676,470
<b>EXPENSES</b>								
Salaries, wages and benefits	626,822	22,773	1,125,271	289,807	6,395	347,339	6,616	2,425,023
Contracted and general services	399,138	76,324	857,630	242,841	1,925	250,901	15,892	1,844,651
Materials, goods and utilities	63,315	35,807	1,068,851	139,010	598	31,669	13,456	1,352,706
Provision for allowances	-	-	-	-	-	-	-	-
Transfers to local boards and agencies	-	32,000	-	-	72,212	-	162,072	266,284
Transfers to individuals and organizations	4,860	-	500	-	-	18,100	4,500	27,960
Bank charges and short-term interest	16,640	-	-	-	-	-	-	16,640
Other expenditures	39,719	-	38,130	-	-	-	-	77,849
Loss on disposal of tangible capital assets	-	-	45,176	-	-	-	-	45,176
	1,150,494	166,904	3,135,558	671,658	81,130	648,009	202,536	6,056,289
<b>Net revenue before amortization and government transfers for capital</b>	4,571,143	(138,999)	(2,735,759)	(358,726)	(13,753)	(514,866)	(188,859)	620,181
Amortization	(35,995)	(71,153)	(2,246,601)	(241,791)	(396)	(13,541)	(7,528)	(2,617,005)
Government transfers for capital	-	-	554,769	99,349	-	-	-	654,118
<b>NET REVENUE (SHORTFALL)</b>	4,535,148	(210,152)	(4,427,591)	(501,168)	(14,149)	(528,407)	(196,387)	(1,342,706)
2015 NET REVENUE (SHORTFALL) - Restated	4,786,583	(216,292)	(4,683,469)	679,338	(32,062)	(645,796)	(196,489)	(308,187)

See accompanying schedules and notes to the financial statements.

**BIRCH HILLS COUNTY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended December 31, 2016**

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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, 2016

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

#### 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, 2016

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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, 2016

**2. CASH AND TEMPORARY INVESTMENTS**

	2016	2015
	\$	\$
Cash	979,677	926,992
Temporary investments	7,141,105	5,836,870
	<b>8,120,782</b>	<b>6,763,862</b>

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

Included in temporary investments is a restricted amount of \$469,641 (2015: \$169,115) received from the provincial and other local government being held exclusively for specific projects.

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

	2016	2015
	\$	\$
Current taxes and grants in place of taxes	124,046	135,070
Arrears taxes	226,159	246,121
	<b>350,205</b>	<b>381,191</b>
Less: Allowance for doubtful accounts	207,972	218,916
	<b>142,233</b>	<b>162,275</b>

**4. TRADE AND OTHER RECEIVABLES**

	2016	2015
	\$	\$
Accrued interest	91,875	97,997
Goods and services tax recoverable	22,344	13,278
From other governments	41,560	134,430
Other accounts	20,306	14,711
Trade accounts	48,823	35,564
Utility accounts	40,950	34,553
	<b>265,858</b>	<b>330,533</b>

**BIRCH HILLS COUNTY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the Year Ended December 31, 2016

**5. INVESTMENTS**

	2016		2015	
	Cost	Market Value	Cost	Market Value
	\$	\$	\$	\$
Debenture borrowing shares	80	80	80	80
Long-term GIC's	1,979,848	1,979,848	1,944,095	1,944,095
Government and government guaranteed bonds	3,097,933	3,255,106	3,025,353	3,232,592
Public corporation bonds	8,883,430	8,953,092	8,690,543	8,768,079
	<b>13,961,291</b>	<b>14,188,126</b>	<b>13,660,071</b>	<b>13,944,846</b>

Public corporation bonds have effective interest rates of 1.45% to 3.95% (2015: 2.00% to 3.95%) with maturity dates from July 14, 2017 to June 4, 2021. Government and government guaranteed bonds have effective interest rates of 2.29% to 4.10% (2015: 2.29% to 4.10%) with maturity dates from December 1, 2017 to December 1, 2021.

**6. OTHER ASSETS**

	2016	2015
	\$	\$
Alberta School Foundation Fund under-levy	2,716	-
Grande Spirit Seniors Foundation under-levy	129	-
	<b>2,845</b>	<b>-</b>

**7. DEFERRED REVENUE**

	2016	2015
	\$	(Restated)
	\$	\$
Provincial government transfers		
ATCO Contribution	3,440	3,440
FCSS grant	4,862	19,088
Federal Gas Tax Fund	77,004	69,457
Municipal Sustainability Initiative - Capital	384,335	77,130
	<b>469,641</b>	<b>169,115</b>
WCB surplus rebate	14,235	7,078
Prepaid user charges	4,986	2,255
	<b>488,862</b>	<b>178,448</b>

As per above Provincial funding of \$469,641 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 \$469,641 held exclusively for these projects (refer Note 2).

**BIRCH HILLS COUNTY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the Year Ended December 31, 2016

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**8. EMPLOYEE BENEFIT OBLIGATIONS**

	2016	2015
	\$	\$
Sick pay benefits	23,109	18,761
Vacation and overtime	89,934	78,695
	<b>113,043</b>	<b>97,456</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, 2016	100,000

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

For the Year Ended December 31, 2016

**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:

	2016	2015 (Restated)
	\$	\$
Total debt limit	10,014,705	11,187,168
Total debt	-	-
Amount of debt limit unused	10,014,705	11,187,168
Debt servicing limit	1,669,118	1,864,528
Debt servicing	-	-
Amount of debt servicing above limit	1,669,118	1,864,528

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	2016	2015
	\$	\$
Land	900,097	897,122
Buildings	4,771,771	4,908,054
Buildings - construction-in-progress	105,752	-
Engineered Structures		
Roadway system	24,327,886	26,234,215
Roadway system - construction-in-progress	17,433	-
Water distribution system	2,411,863	2,493,040
Water system - construction-in-progress	33,197	-
Wastewater treatment system	1,572,072	1,609,488
Machinery, equipment, and furnishings	2,217,735	2,116,604
Vehicles	1,064,727	1,051,965
	<b>37,422,533</b>	<b>39,310,488</b>

**12. EQUITY IN TANGIBLE CAPITAL ASSETS**

	2016	2015
	\$	\$
Tangible capital assets (Schedule 2)	192,286,668	192,035,671
Accumulated amortization (Schedule 2)	(154,864,135)	(152,725,183)
	<b>37,422,533</b>	<b>39,310,488</b>

**BIRCH HILLS COUNTY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the Year Ended December 31, 2016

**13. ACCUMULATED SURPLUS**

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

	2016	2015 (Restated)
	\$	\$
Unrestricted surplus (deficit)	4,008,525	3,680,692
Restricted surplus		
Tax rate stabilization	7,904,943	7,582,302
Tangible Capital Asset Replacement		
Council and legislative	13,633	-
Administration	23,302	23,302
Fire services	317,620	317,620
Roads, streets, etc.	7,275,442	7,279,998
Water supply	897,719	907,719
Waste management	887,393	887,393
Other public health and welfare	344,698	453,425
Agricultural services	25,803	21,378
Recreation and hall	198,135	198,135
Contingency	1,233,177	1,233,177
Equity in tangible capital assets	37,422,533	39,310,488
	<b>60,552,923</b>	<b>61,895,629</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, 2016

**15. TRUST FUNDS**

The COUNTY OF BIRCH HILLS administers the following trusts:

	2016	2015
<b>TAX SALE SURPLUS</b>		
Balance, beginning of year	14,290	16,284
Tax sales during year	1,760	687
Interest earned	112	142
Less: Drawings	(1,114)	(2,823)
Balance, end of year	15,048	14,290

**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)	2016 Total	2015 Total
<b>Reeve:</b>				
DORAN, Marvin	12,983	6,947	19,930	19,944
<b>Councillors:</b>				
BOGDANEK, Cheryl	9,367	8,014	17,381	14,925
CARBONE, Terry	8,900	7,830	16,730	16,385
LANGLOIS, Kathrin	11,583	6,192	17,775	3,832
MACAULEY, Jack	8,667	7,662	16,329	18,337
MAZULENKO, Gerald	7,733	4,076	11,809	12,352
REUM, Paul	7,033	3,692	10,725	9,808
SMITH, Warren	-	-	-	3,779
	66,266	44,413	110,679	99,362
<b>Chief Administrative Officer:</b>				
MINDERLEIN, Hermann	91,293	20,811	112,104	-
NORTHCOTT, Harold	-	-	-	176,586
	157,559	65,224	222,783	275,948

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, 2016**

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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 2016 were \$191,347 (2015: \$202,208). Total current service contributions by the employees of BIRCH HILLS COUNTY to the Local Authorities Pension Plan in 2016 were \$176,320 (2015: \$186,271).

At December 31, 2015, the LAPP disclosed an actuarial deficiency of \$923 million.

**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 \$4,048,129. The County's total commitment for this project is \$404,813 which equals 10% of the total cost. As of December 31, 2016 the County has contributed \$159,302 towards the facility and has a remaining obligation of \$245,511 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, 2016

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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, 2016 audited financial statement:

	2016	2015
	\$	\$
Share of assets (25%)	41,560	38,947
Share of liabilities (25%)	-	-
	41,560	38,947
Total revenues	21,600	21,600
Total expenditures	(11,155)	(128,488)
	10,445	(106,888)
Share of surplus for the year ended December 31 (25%)	2,611	(26,722)

**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, 2016

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**22. PRIOR PERIOD ADJUSTMENTS**

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The MUNICIPALITY has restated its December 31, 2015 financial statements to correct an error on the reporting of the 2015 FCSS deferred grant revenue and 2015 FCSS grant revenue recognized. These adjustments are as follows:

	<b>2015</b>
<b>Adjustments to accumulated surplus:</b>	\$
As previously reported	61,912,542
Decrease to accumulated surplus	(16,913)
<b>As restated</b>	<b>61,895,629</b>

	<b>2015</b>
<b>Adjustments to deferred revenue:</b>	\$
As previously reported	161,535
Increase to deferred revenue	16,913
<b>As restated</b>	<b>178,448</b>

	<b>2015</b>
<b>Adjustments to government transfers for operating:</b>	\$
As previously reported	670,777
Decrease to government transfers for operating	(16,913)
<b>As restated</b>	<b>653,864</b>

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

**23. APPROVAL OF FINANCIAL STATEMENTS**

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Council and Management have approved these financial statements.