

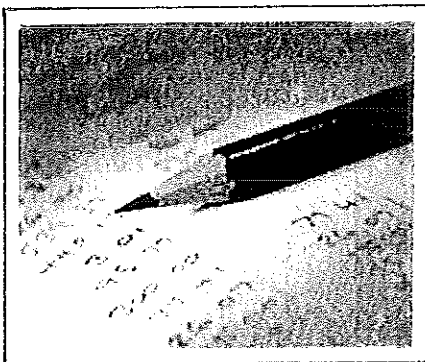
SYLVAIN & DORAN

Certified General Accountants

COUNTY OF BIRCH HILLS

Financial Statements

For the Year Ended December 31, 2009



BIRCH HILLS COUNTY
CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2009

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SYLVAIN & DORAN

Certified General Accountants

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AUDITOR'S REPORT

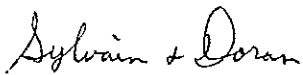
To the Members of Council
BIRCH HILLS COUNTY

We have audited the Consolidated Statement of Financial Position, the Consolidated Statement of Operations, the Consolidated Statement of Change in Net Financial Assets (Debt) and the Consolidated Statement of Cash Flow of BIRCH HILLS COUNTY as at December 31, 2009. These financial statements are the responsibility of the County's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of BIRCH HILLS COUNTY as at December 31, 2009 and the results of its operations, the change in its net financial assets (debt) and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Birch Hills County
March 11, 2010


CERTIFIED GENERAL ACCOUNTANTS

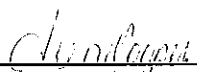
BIRCH HILLS COUNTY
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at December 31, 2009

	2009 \$	2008 \$ (Restated)
FINANCIAL ASSETS		
Cash and temporary investments (Note 2)	7,049,747	5,396,282
Receivables		
Taxes and grants in place of taxes (Note 3)	307,635	224,462
From other governments	305,975	2,023,184
Trade and other	569,855	559,933
Land held for resale inventory	6,684	9,603
Deposit on tangible capital asset	-	272,797
Investments (Note 4)	7,749,436	5,738,101
	15,989,332	14,224,362
LIABILITIES		
Accounts payable and accrued liabilities	165,727	409,633
Deposit liabilities	32,750	35,218
Deferred revenue (Note 5)	19,817	419,610
Employee benefit obligations (Note 6)	57,625	51,148
Provision for landfill closure and post-closure costs (Note 7)	330,000	330,000
	605,919	1,245,609
NET FINANCIAL ASSETS (DEBT)	15,383,413	12,978,753
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 9)	43,666,589	46,895,666
Inventory for consumption	1,428,664	1,603,078
Prepaid expenses	50,145	48,555
	45,145,398	48,547,299
ACCUMULATED SURPLUS (Note 11)	60,528,811	61,526,052

Contingencies - See Note 14

APPROVED ON BEHALF OF COUNCIL


 Chief Administrative Officer

See accompanying schedules and notes to the financial statements.

BIRCH HILLS COUNTY
CONSOLIDATED STATEMENT OF OPERATIONS

For the Year Ended December 31, 2009

	Budget	2009	2008
	\$	\$	\$
	(Unaudited)		(Restated)
REVENUE			
Net municipal taxes (Schedule 2)	5,916,257	5,924,873	5,638,984
Well drilling	25,700	21,056	25,702
User fees and sales of goods	241,650	263,793	441,121
Government transfers for operating (Schedule 3)	1,209,191	1,005,763	1,130,954
Investment income	479,000	275,796	482,549
Penalties and costs of taxes	45,000	46,864	45,262
Licenses and permits	3,500	3,642	3,627
Franchise and concession contracts	8,500	6,428	8,517
Rentals	9,750	14,105	16,018
Gain on disposal of capital assets	-	11,531	21,625
Other	58,800	108,232	73,946
Total Revenue	7,997,348	7,682,083	7,888,305
EXPENSES			
Legislative	130,350	107,331	130,850
Administration	656,987	652,356	660,654
Fire fighting and protective services	177,400	205,326	160,896
Disaster and emergency services	500	-	118
Ambulance and first aid	19,000	13,815	20,553
Roads, streets, walks, lighting	4,340,047	7,345,511	7,410,134
Airport	500	500	500
Storm sewers and drainage	40,500	35,347	259,200
Water supply and distribution	371,150	398,759	322,827
Wastewater treatment and disposal	53,200	33,780	47,505
Waste management	219,900	86,957	416,001
Public health and welfare	49,348	34,463	60,762
Cemetaries	1,100	1,100	1,100
Land use planning, zoning and development	26,275	26,658	23,812
Economic/agricultural development	220,780	160,132	156,308
Subdivision land development	-	2,919	-
Parks and recreation	100,700	100,960	100,900
Culture	18,153	16,801	24,007
Total Expenses	6,425,890	9,222,715	9,796,127
EXCESS (SHORTFALL) OF REVENUE OVER EXPENSES - BEFORE OTHER	1,571,458	(1,540,632)	(1,907,822)
OTHER			
Government transfers for capital (Schedule 3)	481,046	543,391	1,377,797
EXCESS (SHORTFALL) OF REVENUE OVER EXPENSES	2,052,504	(997,241)	(530,025)
ACCUMULATED SURPLUS, BEGINNING OF YEAR	61,526,052	61,526,052	62,056,077
ACCUMULATED SURPLUS, END OF YEAR	63,578,556	60,528,811	61,526,052

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, 2009

	Budget \$ (Unaudited)	2009 \$	2008 \$ (Restated)
EXCESS (SHORTFALL) OF REVENUES OVER EXPENSES	2,052,504	(997,241)	(530,025)
Acquisition of tangible capital assets	(1,112,751)	(1,549,394)	(875,159)
Proceeds on disposal of tangible capital assets	270,237	420,494	52,535
Amortization of tangible capital assets	-	4,305,198	4,341,674
(Gain) loss on sale of tangible capital assets	-	52,779	(13,658)
	(842,514)	3,229,077	3,505,392
Acquisition of supplies inventories	-	(631,117)	(1,603,882)
Acquisition of prepaid assets	-	(50,145)	(48,555)
Use of supplies inventories	-	805,531	1,017,879
Use of prepaid assets	-	48,555	44,963
	-	172,824	(589,595)
(INCREASE) DECREASE IN NET DEBT	1,209,990	2,404,660	2,385,772
NET FINANCIAL ASSETS (DEBT), BEGINNING OF YEAR	12,978,753	12,978,753	10,592,981
NET FINANCIAL ASSETS (DEBT), END OF YEAR	14,188,743	15,383,413	12,978,753

See accompanying schedules and notes to the financial statements.

BIRCH HILLS COUNTY
CONSOLIDATED STATEMENT OF CASH FLOWS

For the Year Ended December 31, 2009

	2009 \$	2008 \$ (Restated)
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING		
Excess (shortfall) of revenues over expenses	(997,241)	(530,025)
Non-cash items included in excess (shortfall) of revenues over expenses:		
Amortization of tangible capital assets	4,305,198	4,341,674
(Gain) loss on disposal of tangible capital assets	52,779	(13,658)
Non-cash charges to operations (net change):		
Decrease (increase) in taxes and grants in lieu receivable	(83,173)	(37,312)
Decrease (increase) in receivable from other governments	1,717,209	(730,261)
Decrease (increase) in trade and other receivables	(9,922)	414,429
Decrease (increase) in land held for resale	2,919	-
Decrease (increase) in deposit on tangible capital assets	272,797	(271,780)
Decrease (increase) in inventory for consumption	174,414	(586,003)
Decrease (increase) in prepaid expenses	(1,590)	(3,592)
Increase (decrease) in accounts payable & accrued liabilities	(243,906)	(231,443)
Increase (decrease) in deposit liabilities	(2,468)	2,006
Increase (decrease) in deferred revenue	(399,793)	151,157
Increase (decrease) in employee benefit obligations	6,477	1,509
Increase (decrease) in provision for landfill closure	-	70,000
Cash provided by operating transactions	4,793,700	2,576,701
CAPITAL		
Acquisition of tangible capital assets	(1,549,394)	(875,159)
Sale of tangible capital assets	420,494	52,535
Cash applied to capital transactions	(1,128,900)	(822,624)
INVESTING		
Decrease (increase) in restricted cash or cash equivalents	402,261	(153,164)
Decrease (increase) in investments	(2,011,335)	(1,045,540)
Cash provided by (applied to) investing transactions	(1,609,074)	(1,198,704)
CHANGE IN CASH AND EQUIVALENTS DURING THE YEAR	2,055,726	555,373
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	4,939,908	4,384,535
CASH AND CASH EQUIVALENTS, END OF YEAR	6,995,634	4,939,908
Cash and cash equivalents is made up of:		
Cash and temporary investments (Note 2)	7,049,747	5,396,282
Less: restricted portion of cash and temporary investments (Note 2)	(54,113)	(456,374)
	6,995,634	4,939,908

See accompanying schedules and notes to the financial statements.

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

Schedule 1

For the Year Ended December 31, 2009

	2009		2008				
	Land	Buildings	Engineered Structures	Machinery and Equipment	Vehicles		
COST:	\$	\$	\$	\$	\$		
BALANCE, BEGINNING OF YEAR	225,162	1,894,713	173,925,584	3,178,963	1,222,778	180,447,200	179,735,214
Acquisition of tangible capital assets	-	-	91,973	792,743	620,169	1,504,885	769,422
Construction-in-progress	-	-	44,509	-	-	44,509	105,737
Disposal of tangible capital assets	-	(10,000)	-	(741,234)	(181,902)	(933,136)	(163,173)
Write down of tangible capital assets	-	-	-	-	-	-	-
BALANCE, END OF YEAR	225,162	1,884,713	174,062,066	3,230,472	1,661,045	181,063,458	180,447,200
ACCUMULATED AMORTIZATION:							
BALANCE, BEGINNING OF YEAR	-	665,834	131,290,175	1,008,654	586,871	133,551,534	129,334,156
Annual amortization	-	37,895	3,859,873	276,919	130,511	4,305,198	4,341,674
Accumulated amortization on disposals	-	(8,000)	-	(303,096)	(148,767)	(459,863)	(124,296)
BALANCE, END OF YEAR	-	695,729	135,150,048	982,477	568,615	137,396,869	133,551,534
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	225,162	1,188,984	38,912,018	2,247,995	1,092,430	43,666,589	46,895,666
2008 NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS (Restated)	225,162	1,228,879	42,635,409	2,170,309	635,907	46,895,666	

See accompanying schedules and notes to the financial statements.

BIRCH HILLS COUNTY

Schedule 2

SCHEDULE OF PROPERTY AND OTHER TAXES

For the Year Ended December 31, 2009

	Budget \$ (Unaudited)	2009 \$	2008 \$
TAXATION			
Real property taxes	3,058,064	3,062,021	3,073,539
Linear property taxes	3,893,223	3,897,710	3,665,236
Government grants in place of property taxes	25,815	25,904	27,361
	<u>6,977,102</u>	<u>6,985,635</u>	<u>6,766,136</u>
REQUISITIONS			
Alberta School Foundation Fund	1,045,636	1,045,553	1,112,456
Grande Spirit Seniors Foundation	15,209	15,209	13,679
Adjustments to requisitions from prior years	-	-	1,017
	<u>1,060,845</u>	<u>1,060,762</u>	<u>1,127,152</u>
NET MUNICIPAL TAXES	<u>5,916,257</u>	<u>5,924,873</u>	<u>5,638,984</u>

See accompanying schedules and notes to the financial statements.

BIRCH HILLS COUNTY

Schedule 3

SCHEDULE OF GOVERNMENT TRANSFERS

For the Year Ended December 31, 2009

	Budget \$ (Unaudited)	2009 \$	2008 \$
TRANSFERS FOR OPERATING			
Provincial Government	1,209,191	1,005,763	1,127,034
Other Local Governments	-	-	3,920
	1,209,191	1,005,763	1,130,954
TRANSFERS FOR CAPITAL			
Provincial Government	481,046	543,391	1,377,797
TOTAL GOVERNMENT TRANSFERS	1,690,237	1,549,154	2,508,751

See accompanying schedules and notes to the financial statements.

BIRCH HILLS COUNTY

Schedule 4

SCHEDULE OF CONSOLIDATED EXPENSES BY OBJECT

For the Year Ended December 31, 2009

	Budget \$ (Unaudited)	2009 \$	2008 \$
CONSOLIDATED EXPENSES BY OBJECT			
Salaries, wages and benefits	1,598,120	1,484,050	1,424,368
Contracted and general services	3,110,370	1,897,143	2,424,342
Materials, goods and utilities	1,540,099	1,288,659	1,287,969
Provision for allowances	-	6,211	6,125
Transfers to local boards and agencies	173,201	171,255	261,296
Transfers to individuals and organizations	1,500	1,375	875
Bank charges and short-term interest	1,600	1,313	40,869
Other expenditures	1,000	3,201	642
Amortization of tangible capital assets	-	4,305,198	4,341,674
Loss on disposal of tangible capital assets	-	64,310	7,967
	6,425,890	9,222,715	9,796,127

See accompanying schedules and notes to the financial statements.

SYLVAIN & DORAN 10

BIRCH HILLS COUNTY

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended December 31, 2009

1. SIGNIFICANT ACCOUNTING POLICIES

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 Canadian Institute of Chartered Accountants. 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:

Cental Peace Medical Clinic

The schedule of taxes levied also includes requisitions for education and other external organizations that are not part of the municipal reporting entity.

The statements exclude trust assets that are administered for the benefit of external parties. Interdepartmental and organizational transactions and balances are eliminated.

b) Basis of Accounting

The financial statements are prepared using the accrual basis of accounting. The accrual basis of accounting records revenue as it is earned and measurable. Expenses are recognized as they are incurred and measurable based upon receipt of goods or services and/or the legal obligation to pay.

Funds from external parties and earnings thereon restricted by agreement or legislation are accounted for as deferred revenue until used for the purpose specified.

Government transfers, contributions and other amounts are received from third parties pursuant to legislation, regulation or agreement and may only be used for certain programs, in the completion of specific work, or for the purchase of tangible capital assets. In addition, certain user charges and fees are collected for which the related services have yet to be performed. Revenue is recognized in the period when the related expenses are incurred, services performed or the tangible capital assets are acquired.

c) Use of Estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and 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) 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.

BIRCH HILLS COUNTY

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended December 31, 2009

1. SIGNIFICANT ACCOUNTING POLICIES - CON'T

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) Prepaid Local Improvement Charges

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

Where a taxpayer has elected to prepay the outstanding local improvement charges, such amounts are recorded as deferred revenue. Deferred revenue is amortized to revenue on a straight line basis over the remaining term of the related borrowings.

In the event that the prepaid amounts are applied against the related borrowings, the deferred revenue is amortized to revenue by an amount equal to the debt repayment.

i) Landfill Closure and Post-Closure Liability

Pursuant to the Alberta Environment Protection and Enhancement Act, the County 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.

BIRCH HILLS COUNTY

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended December 31, 2009

1. SIGNIFICANT ACCOUNTING POLICIES - CON'T

j) 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.

k) 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:

	YEARS
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

A full year of amortization is charged in the year of acquisition and no amortization 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.

BIRCH HILLS COUNTY

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended December 31, 2009

2. CASH AND TEMPORARY INVESTMENTS

	2009 \$	2008 \$ (Restated)
Cash	1,894,602	2,256,060
Temporary investments	5,155,145	3,140,222
	<u>7,049,747</u>	<u>5,396,282</u>

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

Included in temporary investments is a restricted amount of \$15,817 (2008 - \$419,610) received from the provincial government being held exclusively for specific projects; a restricted amount of \$32,750 (2008 - \$35,218) for deposit liabilities; a restricted amount of \$1,546 (2008 - \$1,546) for a municipal and school reserve; and a restricted amount of \$4,000 (2008 - \$0) received from an other local government for the operation of the fire department in 2010.

3. TAXES AND GRANTS IN PLACE OF TAXES RECEIVABLES

	2009 \$	2008 \$
Current taxes and grants in place of taxes	139,124	101,014
Arrears taxes	230,656	179,382
	<u>369,780</u>	<u>280,396</u>
Less: Allowance for doubtful accounts	(62,145)	(55,934)
	<u>307,635</u>	<u>224,462</u>

4. INVESTMENTS

	2009		2008	
	Cost \$	Market Value \$	Cost \$	Market Value \$
Debenture borrowing shares	80	80	80	80
Equity held in A.A.M.D.&C.	2,742	2,742	2,956	2,956
Long-term GIC's	1,660,141	1,660,141	1,648,592	1,648,592
Public corporation bonds	6,086,473	6,456,175	4,086,473	4,256,941
	<u>7,749,436</u>	<u>8,119,138</u>	<u>5,738,101</u>	<u>5,908,569</u>

Public corporation bonds have effective interest rates of 1.00% to 4.75% (2008 - 4.60% to 4.75%) with maturity dates from June 14, 2010 to January 10, 2013.

BIRCH HILLS COUNTY

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended December 31, 2009

5. DEFERRED REVENUE

	2009	2008
	\$	\$
Other local government transfers	4,000	-
Provincial government transfers		
FCSS grant	15,817	1,553
Municipal sponsorship program	-	26,413
Municipal Sustainability Initiative	-	357,410
Street improvement program	-	34,234
	19,817	419,610

Provincial Government Transfers

Funding in the amount of \$15,817 was received in the current year from provincial government transfers. The use of these funds is restricted to eligible operating and capital projects, as approved under the funding agreement.

6. EMPLOYEE BENEFIT OBLIGATIONS

	2009	2008
	\$	\$
Vacation and overtime	57,625	51,148

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.

7. 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 County has not designated assets for setting closure and post-closure liabilities.

	2009	2008
	\$	\$
Estimated closure costs	260,000	260,000
Estimated post-closure costs	70,000	70,000
Estimated total liability	330,000	330,000

BIRCH HILLS COUNTY
NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended December 31, 2009

8. DEBT LIMITS

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

	2009	2008
	\$	\$
Total debt limit	11,523,125	11,832,458
Total debt	-	-
Amount of debt limit used	11,523,125	11,832,458
Debt servicing limit	1,920,521	1,972,076
Debt servicing	-	-
Amount of debt servicing limit unused	1,920,521	1,972,076

The debt limit is calculated at 1.5 times revenue of the County (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 counties 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.

9. TANGIBLE CAPITAL ASSETS

	2009	2008
	\$	\$
Net Book Value		(Restated)
Land	225,162	225,162
Buildings	1,188,984	1,228,879
Engineered Structures		
Roadway system	38,553,012	42,302,458
Water distribution system	126,528	138,039
Water distribution system - construction-in-progress	150,246	105,737
Wastewater treatment system	82,232	89,175
Machinery, equipment and furnishings	2,247,995	2,170,309
Vehicles	1,092,430	635,907
	43,666,589	46,895,666

10. EQUITY IN TANGIBLE CAPITAL ASSETS

	2009	2008
	\$	\$
Net Book Value		(Restated)
Tangible capital assets (Schedule 1)	181,063,458	180,447,200
Accumulated amortization (Schedule 1)	(137,396,869)	(133,551,534)
	43,666,589	46,895,666

BIRCH HILLS COUNTY

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended December 31, 2009

11. ACCUMULATED SURPLUS

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

	2009 \$	2008 \$ (Restated)
Unrestricted surplus (deficit)	1,362,868	490,953
Restricted surplus		
Tax rate stabilization	8,655,032	8,655,030
Tangible Capital Asset replacement		
Administration	238,110	233,627
Fire services	709,366	789,540
Roads, streets, etc.	2,614,395	2,074,585
Water supply	943,661	337,191
Wastewater treatment	231,219	30,631
Waste management	804,530	789,382
Other public health and welfare	153,883	101,927
Ag Services	26,331	25,834
Recreation and halls	2,193	2,152
Contingency	1,120,634	1,099,534
Equity in tangible capital assets	43,666,589	46,895,666
	60,528,811	61,526,052

12. 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:

	2009			2008
	Salary(1)	Benefits & Allowances(2)	Total	Total
	\$	\$	\$	\$
Mayor:				
EMERSON, Shirley	8,067	4,821	12,888	15,386
Councillors:				
JANZEN, Dale	6,100	5,283	11,383	9,608
LOVE, Fiona	6,600	5,559	12,159	13,495
LUNN, Carmen	7,900	4,173	12,073	14,750
MAZULENKO, Gerald	6,400	3,329	9,729	10,648
SATHER, Dennis	5,867	5,037	10,904	11,736
SMITH, Warren	5,800	5,120	10,920	11,636
	46,734	33,322	80,056	87,259
Chief Administrative Officer:				
COOPER, Irene	94,813	16,136	110,949	97,500
	141,547	49,458	191,005	184,759

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. For chief administrative officer and designated officers, benefits and allowances consists of employer's share of Canada Pension Plan, employment insurance contributions, pension, health care, dental coverage, vision coverage, group life insurance, accidental disability and dismemberment insurance and long and short term disability plans.

BIRCH HILLS COUNTY

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended December 31, 2009

13. LOCAL AUTHORITIES PENSION PLAN

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 Plan serves about 133,000 people and 389 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.

BIRCH HILLS COUNTY is required to make current service contributions to the LAPP of 8.46% of pensionable earnings up to the year's maximum pensionable earnings under the Canada Pension Plan and 11.66% on pensionable earnings above this amount. Employees of the BIRCH HILLS COUNTY are required to make current service contributions of 7.46% of pensionable salary up to the year's maximum pensionable salary and 10.66% on pensionable salary above this amount.

Total current service contributions by BIRCH HILLS COUNTY to the LAPP in 2009 were \$64,694 (2008: \$60,832). Total current service contributions by the employees of BIRCH HILLS COUNTY to the Local Authorities Pension Plan in 2009 were \$57,610 (2008: \$53,469).

At December 31, 2008, the LAPP disclosed an actuarial deficiency of \$1,288.9 million.

14. CONTINGENCIES

The county is a member of the Genesis 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.

15. GOVERNMENT PARTNERSHIP

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, 2009 audited financial statement:

	2009	2008
	\$	\$
		(Restated)
Share of assets (25%)	56,356	53,850
Share of liabilities (25%)	(300)	(248)
	56,056	53,602
Total revenues	21,600	59,580
Total expenditures	(11,785)	(41,632)
	9,815	17,948
Share of surplus for the year ended December 31 (25%)	2,454	4,487

BIRCH HILLS COUNTY

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended December 31, 2009

16. FINANCIAL INSTRUMENTS

The County's financial instruments consist of cash and temporary investments, accounts receivable, investments, debt charges recoverable, bank indebtedness, accounts payable and accrued liabilities, deposit liabilities, and requisition over-levy. 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.

17. PRIOR PERIOD ADJUSTMENTS

The County has restated its financial statements to comply with the provisions of Section 3150 of the Public Sector Accounting Board Handbook, which requires governments to record and amortize their tangible capital assets on their financial statements. In addition, revenue from contributed assets and government grants and transfers relating to capital acquisitions has been included in income. These adjustments are as follows:

	2008
Adjustments to opening accumulated surplus:	\$
As previously reported	27,483,742
Adjustment to net book value of tangible capital assets	34,572,335
As restated	62,056,077
	2008
	\$
Adjustments to shortfall of revenues over expenses:	
As previously reported	2,975,367
Proceeds from disposal of capital assets previously recorded as revenue	(52,535)
Gain on disposal of capital assets not previously recorded	21,625
Loss on disposal of capital assets not previously recorded	(7,967)
Tangible capital assets recorded but previously expensed	883,928
Expenses recorded but previously tangible capital assets	(8,769)
Annual amortization expense	(4,341,674)
As restated	(530,025)
	2008
	\$
Adjustments to tangible capital assets:	
As previously reported	16,549,478
Adjustment to historical cost of tangible capital assets	163,897,722
Accumulated amortization recorded	(133,551,534)
As restated	46,895,666

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