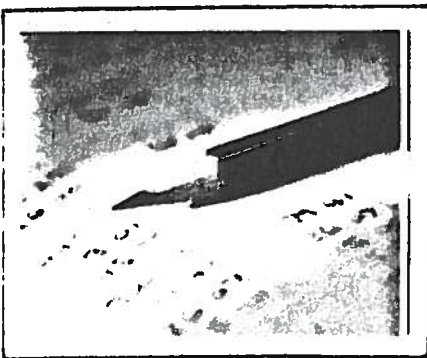


**SYLVAIN & COMPANY**  
Certified General Accountants

**BIRCH HILLS COUNTY**

**Financial Statements**

**For the Year Ended December 31, 2014**



**ORIGINAL**

**BIRCH HILLS COUNTY**  
**CONSOLIDATED FINANCIAL STATEMENTS**

December 31, 2014

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# SYLVAIN & COMPANY

Certified General 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, 2014, 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, 2014 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 12, 2015

  
CERTIFIED GENERAL ACCOUNTANTS

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

As at December 31, 2014

	2014	2013 (Restated)
<b>FINANCIAL ASSETS</b>	<b>\$</b>	<b>\$</b>
Cash and temporary investments (Note 2)	3,832,642	6,596,915
Receivables		
Taxes and grants in place of taxes (Note 3)	178,827	204,374
From other governments	407,883	483,419
Trade and other (Note 4)	227,687	720,358
Land held for resale inventory	6,684	6,684
Investments (Note 5)	16,900,768	12,552,815
Other Assets (Note 6)	2,241	-
	<b>21,556,732</b>	<b>20,564,565</b>
<b>LIABILITIES</b>		
Accounts payable and accrued liabilities	370,015	435,704
Deposit liabilities	44,710	36,465
Deferred revenue (Note 7)	314,244	227,726
Employee benefit obligations (Note 8)	110,866	107,264
Provision for landfill closure and post-closure costs (Note 9)	330,000	330,000
	<b>1,169,835</b>	<b>1,137,159</b>
<b>NET FINANCIAL ASSETS (DEBT)</b>	<b>20,386,897</b>	<b>19,427,406</b>
<b>NON-FINANCIAL ASSETS</b>		
Tangible capital assets (Schedule 2, Note 11)	39,565,983	41,395,743
Inventory for consumption	2,164,655	2,410,359
Prepaid expenses	86,281	66,375
	<b>41,816,919</b>	<b>43,872,477</b>
<b>ACCUMULATED SURPLUS (Schedule 1, Note 13)</b>	<b>62,203,816</b>	<b>63,299,883</b>

Contingencies - See Note 18

See accompanying schedules and notes to the financial statements.

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

For the Year Ended December 31, 2014

	Budget (Unaudited)	2014	2013 (Restated)
REVENUE	\$	\$	\$
Net municipal taxes (Schedule 3)	5,490,423	5,489,935	5,120,370
Well drilling	6,000	22,075	19,161
User fees and sales of goods	214,825	341,076	295,370
Government transfers for operating (Schedule 4)	667,307	660,538	1,134,858
Penalties and costs on taxes	35,000	38,106	34,736
Licenses and permits	2,628	5,700	3,328
Franchise and concession contracts	4,500	6,026	5,097
Investment income	414,000	454,820	419,306
Rentals	20,000	26,762	32,472
Other revenues	92,603	108,070	96,153
Gain on disposal of tangible capital assets	-	-	3,031
<b>Total Revenue</b>	<b>6,947,286</b>	<b>7,153,108</b>	<b>7,163,882</b>
<b>EXPENSES (Schedule 5 - By Object)</b>			
Council and legislative	149,100	160,617	151,132
Administration	1,006,911	974,582	1,063,797
Fire fighting and protective services	360,094	286,921	311,863
Disaster and emergency services	39,000	25,110	11,073
Ambulance and first aid	51,200	35,368	38,913
Roads, streets, walks, lighting	6,265,384	5,751,040	6,267,607
Airport	7,500	2,032	2,303
Storm sewers and drainage	155,000	77,520	110,424
Water supply and distribution	642,565	611,471	561,067
Wastewater treatment and disposal	61,400	51,323	45,409
Waste management	210,000	143,652	144,707
Public health and welfare	52,800	44,822	46,235
Cemetery	1,100	900	1,100
Land use planning, zoning and development	82,000	67,281	87,672
Economic/agricultural development	889,040	589,673	665,082
Parks and recreation	182,016	161,052	170,032
Culture	41,301	41,456	38,939
<b>Total Expenses</b>	<b>10,196,411</b>	<b>9,024,820</b>	<b>9,717,355</b>
<b>EXCESS (SHORTFALL) OF REVENUE OVER EXPENSES - BEFORE OTHER</b>	<b>(3,249,125)</b>	<b>(1,871,712)</b>	<b>(2,553,473)</b>
<b>OTHER</b>			
Government transfers for capital (Schedule 4)	1,074,661	775,645	621,451
<b>EXCESS (SHORTFALL) OF REVENUE OVER EXPENSES</b>	<b>(2,174,464)</b>	<b>(1,096,067)</b>	<b>(1,932,022)</b>
<b>ACCUMULATED SURPLUS, BEGINNING OF YEAR</b>	<b>63,299,883</b>	<b>63,299,883</b>	<b>65,231,905</b>
<b>ACCUMULATED SURPLUS, END OF YEAR</b>	<b>61,125,419</b>	<b>62,203,816</b>	<b>63,299,883</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, 2014

	Budget (Unaudited)	2014	2013 (Restated)
	\$	\$	\$
<b>EXCESS (SHORTFALL) OF REVENUES OVER EXPENSES</b>	<b>(2,174,464)</b>	<b>(1,096,067)</b>	<b>(1,932,022)</b>
Acquisition of tangible capital assets	(1,686,742)	<b>(1,229,683)</b>	(728,486)
Proceeds on disposal of tangible capital assets	214,000	<b>216,664</b>	122,933
Amortization of tangible capital assets	2,825,967	<b>2,760,253</b>	2,820,075
Loss (gain) on sale of tangible capital assets	-	<b>82,526</b>	25,737
	<b>1,353,225</b>	<b>1,829,760</b>	<b>2,240,259</b>
Acquisition of supplies inventories	(895,000)	<b>(586,649)</b>	(533,958)
Acquisition of prepaid assets	(157,000)	<b>(159,446)</b>	(136,575)
Use of supplies inventories	895,000	<b>832,353</b>	943,044
Use of prepaid assets	157,000	<b>139,540</b>	119,508
	-	<b>225,798</b>	<b>392,019</b>
<b>(INCREASE) DECREASE IN NET DEBT</b>	<b>(821,239)</b>	<b>959,491</b>	<b>700,256</b>
<b>NET FINANCIAL ASSETS (DEBT), BEGINNING OF YEAR</b>	<b>19,427,406</b>	<b>19,427,406</b>	<b>18,727,150</b>
<b>NET FINANCIAL ASSETS (DEBT), END OF YEAR</b>	<b>18,606,167</b>	<b>20,386,897</b>	<b>19,427,406</b>

See accompanying schedules and notes to the financial statements.

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

For the Year Ended December 31, 2014

	2014	2013 (Restated)
	\$	\$
<b>NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:</b>		
<b>OPERATING</b>		
Excess (shortfall) of revenues over expenses	(1,096,067)	(1,932,022)
Non-cash items included in excess (shortfall) of revenues over expenses:		
Amortization of tangible capital assets	2,760,253	2,820,075
Loss (gain) on disposal of tangible capital assets	82,526	25,737
Non-cash charges to operations (net change):		
Decrease (increase) in taxes and grants in lieu receivable	25,547	(16,592)
Decrease (increase) in receivable from other governments	75,536	(422,981)
Decrease (increase) in other assets	(2,241)	-
Decrease (increase) in trade and other receivables	492,671	121,295
Decrease (increase) in inventory for consumption	245,704	409,086
Decrease (increase) in prepaid expenses	(19,906)	(17,067)
Increase (decrease) in accounts payable and accrued liabilities	(65,689)	110,535
Increase (decrease) in deposit liabilities	8,245	(10,922)
Increase (decrease) in deferred revenue	86,518	143,631
Increase (decrease) in employee benefit obligations	3,602	4,631
Cash provided by operating transactions	2,596,699	1,235,406
<b>CAPITAL</b>		
Acquisition of tangible capital assets	(1,229,683)	(728,486)
Sale of tangible capital assets	216,664	122,933
Cash provided by (applied to) capital transactions	(1,013,019)	(605,553)
<b>INVESTING</b>		
Decrease (increase) in restricted cash or cash equivalents	(83,061)	(145,431)
Decrease (increase) in investments	(4,347,953)	(154,233)
Cash provided by (applied to) investing transactions	(4,431,014)	(299,664)
<b>CHANGE IN CASH AND EQUIVALENTS DURING THE YEAR</b>	<b>(2,847,334)</b>	<b>330,189</b>
<b>CASH AND CASH EQUIVALENTS (SHORTAGE), BEGINNING OF YEAR</b>	<b>6,369,189</b>	<b>6,039,000</b>
<b>CASH AND CASH EQUIVALENTS (SHORTAGE), END OF YEAR</b>	<b>3,521,855</b>	<b>6,369,189</b>
<b>Cash and cash equivalents is made up of:</b>		
Cash and temporary investments (Note 2)	3,832,642	6,596,915
Less: restricted portion of cash and temporary investments (Note 2)	(310,787)	(227,726)
	<b>3,521,855</b>	<b>6,369,189</b>

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, 2014

	Unrestricted Surplus \$	Restricted Surplus \$	Equity in Tangible Capital Assets \$	2014 \$	2013 (Restated) \$
<b>BALANCE, BEGINNING OF YEAR (RESTATED)</b>	<b>4,334,806</b>	<b>17,569,334</b>	<b>41,395,743</b>	<b>63,299,883</b>	<b>65,231,905</b>
Excess (deficiency) of revenues over expenses	(1,096,067)	-	-	<b>(1,096,067)</b>	(1,932,022)
Unrestricted funds designated for future use	(1,971,854)	1,971,854	-	-	-
Restricted funds used for operations	-	-	-	-	-
Restricted funds used for tangible capital assets	-	(237,374)	237,374	-	-
Current year funds used for tangible capital assets	(992,309)	-	992,309	-	-
Contributed tangible capital assets	-	-	-	-	-
Disposal of tangible capital assets	299,190	-	(299,190)	-	-
Annual amortization expense	2,760,253	-	(2,760,253)	-	-
<b>CHANGE IN ACCUMULATED SURPLUS</b>	<b>(1,000,787)</b>	<b>1,734,480</b>	<b>(1,829,760)</b>	<b>(1,096,067)</b>	<b>(1,932,022)</b>
<b>BALANCE, END 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>

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, 2014

	Land	Buildings	Engineered Structures	Machinery and Equipment	Vehicles	2014	2013
	\$	\$	\$	\$	\$	\$	\$
<b>COST:</b>							
BALANCE, BEGINNING OF YEAR	810,212	6,182,298	176,790,220	3,611,806	1,885,717	189,280,253	188,884,321
Acquisition of tangible capital assets	-	20,390	181,759	585,202	370,291	1,157,642	669,735
Construction-in-progress	-	-	72,041	-	-	72,041	58,751
Disposal of tangible capital assets	-	(10,000)	-	(631,073)	(27,708)	(668,781)	(332,554)
Write down of tangible capital assets	-	-	-	-	-	-	-
<b>BALANCE, END OF YEAR</b>	<b>810,212</b>	<b>6,192,688</b>	<b>177,044,020</b>	<b>3,565,935</b>	<b>2,228,300</b>	<b>189,841,155</b>	<b>189,280,253</b>
<b>ACCUMULATED AMORTIZATION:</b>							
BALANCE, BEGINNING OF YEAR	-	1,172,112	144,055,031	1,565,159	1,092,208	147,884,510	145,248,319
Annual amortization	-	130,766	2,230,468	241,605	157,414	2,760,253	2,820,075
Accumulated amortization on disposals	-	(10,000)	-	(334,654)	(24,937)	(369,591)	(183,884)
<b>BALANCE, END OF YEAR</b>	<b>-</b>	<b>1,292,878</b>	<b>146,285,499</b>	<b>1,472,110</b>	<b>1,224,685</b>	<b>150,275,172</b>	<b>147,884,510</b>
<b>NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS</b>	<b>810,212</b>	<b>4,899,810</b>	<b>30,758,521</b>	<b>2,093,825</b>	<b>1,003,615</b>	<b>39,565,983</b>	<b>41,395,743</b>
2013 NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	810,212	5,010,186	32,735,189	2,046,647	793,509	41,395,743	

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, 2014

	Budget (Unaudited)	2014	2013
	\$	\$	\$
<b>TAXATION</b>			
Real property taxes	2,880,207	<b>2,879,719</b>	2,657,029
Linear property taxes	3,512,689	<b>3,512,689</b>	3,414,328
Government grants in place of property taxes	27,747	<b>27,747</b>	26,817
	<b>6,420,643</b>	<b>6,420,155</b>	6,098,174
<b>REQUISITIONS</b>			
Alberta School Foundation Fund	915,511	<b>915,511</b>	961,621
Grande Spirit Seniors Foundation	14,709	<b>14,709</b>	16,183
	<b>930,220</b>	<b>930,220</b>	977,804
<b>NET MUNICIPAL TAXES</b>	<b>5,490,423</b>	<b>5,489,935</b>	5,120,370

See accompanying schedules and notes to the financial statements.

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

For the Year Ended December 31, 2014

	Budget (Unaudited)	2014	2013
	\$	\$	\$
<b>TRANSFERS FOR OPERATING</b>			
Federal Government	-	-	-
Provincial Government	660,832	<b>654,063</b>	1,129,534
Local Government	6,475	<b>6,475</b>	5,324
	<b>667,307</b>	<b>660,538</b>	1,134,858
<b>TRANSFERS FOR CAPITAL</b>			
Federal Government	-	-	-
Provincial Government	1,074,661	<b>775,645</b>	621,451
Local Government	-	-	-
	<b>1,074,661</b>	<b>775,645</b>	621,451
<b>TOTAL GOVERNMENT TRANSFERS</b>	<b>1,741,968</b>	<b>1,436,183</b>	1,756,309

See accompanying schedules and notes to the financial statements.

## SCHEDULE OF CONSOLIDATED EXPENSES BY OBJECT

For the Year Ended December 31, 2014

	Budget (Unaudited)	2014	2013
	\$	\$	\$
<b>CONSOLIDATED EXPENSES BY OBJECT</b>			
Salaries, wages and benefits	2,481,535	2,190,817	2,124,741
Contracted and general services	2,828,755	2,208,080	2,577,209
Materials, goods and utilities	1,796,966	1,509,104	1,834,152
Provision for allowances	-	18,479	55,773
Transfers to local boards and agencies	237,488	228,775	237,609
Transfers to individuals and organizations	2,700	875	3,575
Bank charges and short-term interest	18,500	17,858	18,708
Other expenditures	4,500	8,053	16,745
Amortization of tangible capital assets	2,825,967	2,760,253	2,820,075
Loss on disposal of tangible capital assets	-	82,526	28,768
	10,196,411	9,024,820	9,717,355

See accompanying schedules and notes to the financial statements.

**BIRCH HILLS COUNTY**

**Schedule 6**

**SCHEDULE OF SEGMENTED DISCLOSURE**

For the Year Ended December 31, 2014

	General Government	Protective Services	Transportation Services	Environmental Services	Health & Welfare	ASB, Planning & Development	Recreation & Culture	Total 2014
	\$	\$	\$	\$	\$	\$	\$	\$
<b>REVENUE</b>								
Net municipal taxes	5,489,935	-	-	-	-	-	-	5,489,935
Well drilling	22,075	-	-	-	-	-	-	22,075
User fees and sales of goods	8,432	36,465	98,276	196,797	150	956	-	341,076
Government transfers for operating	-	6,475	505,216	-	32,900	115,947	-	660,538
Penalties and costs on taxes	38,106	-	-	-	-	-	-	38,106
Licenses and permits	-	-	-	-	-	5,700	-	5,700
Franchise and concession contracts	6,026	-	-	-	-	-	-	6,026
Investment income	454,820	-	-	-	-	-	-	454,820
Rentals	3,833	7,800	6,768	1,461	5,400	-	1,500	26,762
Other revenues	63,303	100	30,975	282	-	13,033	377	108,070
Gain on disposal of tangible capital assets	-	-	-	-	-	-	-	-
	<b>6,086,530</b>	<b>50,840</b>	<b>641,235</b>	<b>198,540</b>	<b>38,450</b>	<b>135,636</b>	<b>1,877</b>	<b>7,153,108</b>
<b>EXPENSES</b>								
Salaries, wages and benefits	600,916	59,306	931,024	270,928	7,149	317,582	3,912	2,190,817
Contracted and general services	414,099	96,848	1,256,838	213,916	2,743	210,905	12,731	2,208,080
Materials, goods and utilities	43,745	77,040	1,145,659	120,316	16	101,909	20,419	1,509,104
Provision for allowances	18,479	-	-	-	-	-	-	18,479
Transfers to local boards and agencies	-	32,000	-	-	34,722	5,000	157,053	228,775
Transfers to individuals and organizations	-	-	500	-	-	-	375	875
Bank charges and short-term interest	17,858	-	-	-	-	-	-	17,858
Other expenditures	3,466	-	1,534	3,053	-	-	-	8,053
Loss on disposal of tangible capital assets	-	-	82,526	-	-	-	-	82,526
	<b>1,098,563</b>	<b>265,194</b>	<b>3,418,081</b>	<b>608,213</b>	<b>44,630</b>	<b>635,396</b>	<b>194,490</b>	<b>6,264,567</b>
<b>Net revenue before amortization and government transfers for capital</b>	<b>4,987,967</b>	<b>(214,354)</b>	<b>(2,776,846)</b>	<b>(409,673)</b>	<b>(6,180)</b>	<b>(499,760)</b>	<b>(192,613)</b>	<b>888,541</b>
Amortization	(36,636)	(82,206)	(2,412,511)	(198,233)	(1,092)	(21,559)	(8,016)	(2,760,253)
Government transfers for capital	-	197,253	485,536	60,083	-	32,773	-	775,645
<b>NET REVENUE (SHORTFALL)</b>	<b>4,951,331</b>	<b>(99,307)</b>	<b>(4,703,821)</b>	<b>(547,823)</b>	<b>(7,272)</b>	<b>(488,546)</b>	<b>(200,629)</b>	<b>(1,096,067)</b>

See accompanying schedules and notes to the financial statements.

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

For the Year Ended December 31, 2014

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**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:

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, 2014

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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 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, 2014

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

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**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:

	<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, 2014

**2. CASH AND TEMPORARY INVESTMENTS**

	2014	2013
	\$	\$
Cash	1,302,418	1,325,295
Temporary investments	2,530,224	5,271,620
	<b>3,832,642</b>	<b>6,596,915</b>

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

Included in temporary investments is a restricted amount of \$310,787 (2013: \$227,726) received from the provincial and other local government being held exclusively for specific projects.

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

	2014	2013
	\$	\$
Current taxes and grants in place of taxes	102,102	169,991
Arrears taxes	234,628	173,807
	<b>336,730</b>	<b>343,798</b>
Less: Allowance for doubtful accounts	157,903	139,424
	<b>178,827</b>	<b>204,374</b>

**4. TRADE AND OTHER RECEIVABLES**

	2014	2013
	\$	(Restated) \$
Trade accounts	61,955	30,296
Utility accounts	21,684	23,627
Other accounts	23,180	43,894
Accrued interest	89,948	564,413
Goods and services tax recoverable	30,920	58,128
	<b>227,687</b>	<b>720,358</b>

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

For the Year Ended December 31, 2014

**5. INVESTMENTS**

	2014		2013	
	Cost	Market Value	Cost	Market Value
	\$	\$	\$	\$
Debenture borrowing shares	80	80	80	80
Equity held in A.A.M.D. & C.	865	865	1,956	1,956
Long-term GIC's	3,842,147	3,842,147	240,225	240,225
Government and government guaranteed bonds	3,913,618	4,133,216	3,724,553	3,920,471
Public corporation bonds	9,144,058	9,232,697	8,586,001	9,035,306
	<b>16,900,768</b>	<b>17,209,005</b>	<b>12,552,815</b>	<b>13,198,038</b>

Public corporation bonds have effective interest rates of 2.00% to 4.03% (2013: 2.29% to 4.03%) with maturity dates from June 15, 2016 to June 4, 2021. Government and government guaranteed bonds have effective interest rates of 2.29% to 4.5% (2013: 2.00% to 4.50%) with maturity dates from June 15, 2016 to December 1, 2021.

**6. OTHER ASSETS**

	2014	2013
	\$	\$
Alberta School Foundation Fund under-levy	2,241	-

**7. DEFERRED REVENUE**

	2014	2013
	\$	\$
Provincial government transfers		
ATCO Contribution	5,000	-
FCSS grant	6,772	-
FCC - Fire training centre	-	6,475
Municipal Sustainability Initiative - 2013 Capital	-	221,251
Municipal Sustainability Initiative - 2014 Capital	299,015	-
	<b>310,787</b>	
Prepaid user charges	3,457	-
	<b>314,244</b>	<b>227,726</b>

As per above Provincial funding of \$310,787 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 \$310,787 held exclusively for these projects (refer Note 2).

**BIRCH HILLS COUNTY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the Year Ended December 31, 2014

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**8. EMPLOYEE BENEFIT OBLIGATIONS**

	2014	2013 (Restated)
	\$	\$
Sick pay benefits	20,705	19,995
Vacation and overtime	90,161	87,269
	<b>110,866</b>	<b>107,264</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	260,000
Estimated post-closure costs	70,000
Estimated total costs	330,000
Actual closure and post-closure costs incurred to date	-
Ending balance, December 31, 2014	330,000

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

For the Year Ended December 31, 2014

**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:

	2014	2013
	\$	\$
Total debt limit	11,893,130	11,415,335
Total debt	-	-
Amount of debt limit unused	11,893,130	11,415,335
Debt servicing limit	1,982,188	1,902,556
Debt servicing	-	-
Amount of debt servicing above limit	1,982,188	1,902,556

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	2014	2013
	\$	\$
Land	810,212	810,212
Buildings	4,899,810	5,010,186
Engineered Structures		
Roadway system	28,149,736	30,080,605
Roadway system - construction-in-progress	58,751	125,697
Water distribution system	2,430,476	2,474,427
Water system - construction-in-progress	15,841	-
Wastewater treatment system	47,517	54,460
Wastewater system - construction-in-progress	56,200	-
Machinery, equipment, and furnishings	2,093,825	2,046,647
Vehicles	1,003,615	793,509
	39,565,983	41,395,743

**12. EQUITY IN TANGIBLE CAPITAL ASSETS**

	2014	2013
	\$	\$
Tangible capital assets (Schedule 2)	189,841,155	189,280,253
Accumulated amortization (Schedule 2)	(150,275,172)	(147,884,510)
	39,565,983	41,395,743

**BIRCH HILLS COUNTY****NOTES TO THE FINANCIAL STATEMENTS**For the Year Ended December 31, 2014

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**13. ACCUMULATED SURPLUS**

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

	2014	2013
		(Restated)
	\$	\$
Unrestricted surplus (deficit)	3,334,019	4,334,806
Restricted surplus		
Tax rate stabilization	7,583,880	7,583,871
Tangible Capital Asset Replacement		
Administration	199,712	220,467
Fire services	317,620	325,008
Roads, streets, etc.	7,169,264	5,853,386
Water supply	991,203	1,022,517
Wastewater treatment	202,052	251,653
Waste management	887,393	887,393
Other public health and welfare	500,000	170,484
Agricultural services	21,378	21,378
Recreation and hall	198,135	-
Contingency	1,233,177	1,233,177
Equity in tangible capital assets	39,565,983	41,395,743
	<b>62,203,816</b>	<b>63,299,883</b>

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**14. SEGMENTED DISCLOSURE**

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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, 2014

**15. TRUST FUNDS**

The COUNTY OF BIRCH HILLS administers the following trusts:

	2014	2013
<b>TAX SALE SURPLUS</b>		
Balance, beginning of year	14,676	10,044
Tax sales during year	1,520	3,581
Bond held in trust	-	1,000
Interest earned	88	51
Less: Drawings	-	-
Balance, end of year	16,284	14,676

**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)	2014 Total	2013 Total
<b>Reeve:</b>				
SMITH, Warren	-	-	-	14,951
DORAN, Marvin	13,450	7,218	20,668	3,023
<b>Councillors:</b>				
BOGDANEK, Cherly	8,317	7,152	15,469	4,081
CARBONE, Terry	10,183	5,092	15,275	2,129
DORAN, Marvin	-	-	-	15,114
FARKASH, Al	-	-	-	9,288
JANZEN, Dale	-	-	-	10,720
JONES, Todd	-	-	-	7,190
MACAULEY, Jack	10,883	6,916	17,799	5,498
MAZULENKO, Gerald	9,133	4,846	13,979	16,561
REUM, Paul	7,967	4,204	12,171	11,629
SMITH, Warren	6,567	5,530	12,097	2,990
	66,500	40,958	107,458	103,174
<b>Chief Administrative Officer:</b>				
NORTHCOTT, Harold	129,010	23,476	152,486	144,470
	195,510	64,434	259,944	247,644

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, 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, 2014

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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 2014 were \$164,964 (2013: \$134,150). Total current service contributions by the employees of BIRCH HILLS COUNTY to the Local Authorities Pension Plan in 2014 were \$151,954 (2013: \$122,467).

At December 31, 2013, the LAPP disclosed an actuarial deficiency of \$4.862 billion.

### 18. CONTINGENCIES

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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.

### 19. 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, 2013 audited financial statement:

	2014	2013
	\$	\$
Share of assets (25%)	65,671	64,122
Share of liabilities (25%)	-	-
	<b>65,671</b>	<b>64,122</b>
Total revenues	21,600	21,600
Total expenditures	(15,404)	(14,142)
	<b>6,196</b>	<b>7,458</b>
Share of surplus for the year ended December 31 (25%)	<b>1,549</b>	<b>1,865</b>

**BIRCH HILLS COUNTY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the Year Ended December 31, 2014

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**20. 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.

**21. PRIOR PERIOD ADJUSTMENTS**

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The MUNICIPALITY has restated its financial statements to comply with the provisions of Section 3255 of the Public Sector Accounting Board Handbook, which requires governments to accrue sick pay benefits obligations. These adjustments are as follows:

	2013
<b>Adjustments to opening accumulated surplus:</b>	\$
As previously reported	65,251,900
Increase to Dec 31, 2012 employee benefit obligations	(19,995)
<b>As restated</b>	<b>65,231,905</b>

	2013
<b>Adjustments to employee benefit obligations:</b>	\$
As previously reported	87,269
Increase to employee benefit obligations	19,995
<b>As restated</b>	<b>107,264</b>

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

**22. APPROVAL OF FINANCIAL STATEMENTS**

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Council and Management have approved these financial statements.