

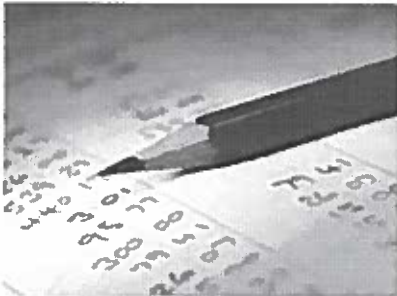
SYLVAIN & COMPANY

ORIGINAL

BIRCH HILLS COUNTY

Financial Statements

For the Year Ended December 31, 2017



CPA

CHARTERED
PROFESSIONAL
ACCOUNTANTS

BIRCH HILLS COUNTY
CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2017

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SYLVAIN & COMPANY

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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, 2017, 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, 2017 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 29, 2018


CHARTERED PROFESSIONAL ACCOUNTANTS

BIRCH HILLS COUNTY
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at December 31, 2017

	2017	2016
FINANCIAL ASSETS	\$	\$
Cash and temporary investments (Note 2)	8,351,408	8,120,782
Receivables		
Taxes and grants in place of taxes (Note 3)	171,876	142,233
Trade and other (Note 4)	237,975	265,858
Land held for resale inventory	6,684	6,684
Investments (Note 5)	14,766,836	13,961,291
Other Assets (Note 6)	-	2,845
	23,534,779	22,499,693
 LIABILITIES		
Accounts payable and accrued liabilities	372,654	356,542
Deposit liabilities	23,201	29,546
Deferred revenue (Note 7)	967,708	488,862
Employee benefit obligations (Note 8)	131,516	113,043
Provision for landfill closure and post-closure costs (Note 9)	100,000	100,000
	1,595,079	1,087,993
 NET FINANCIAL ASSETS (DEBT)	21,939,700	21,411,700
 NON-FINANCIAL ASSETS		
Tangible capital assets (Schedule 2, Note 11)	35,540,796	37,422,533
Inventory for consumption	907,408	1,617,928
Prepaid expenses	104,890	100,762
	36,553,094	39,141,223
 ACCUMULATED SURPLUS (Schedule 1, Note 13)	58,492,794	60,552,923

Commitments and 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, 2017

	Budget (Unaudited)	2017	2016
	\$	\$	\$
REVENUE			
Net municipal taxes (Schedule 3)	4,796,065	4,793,795	5,194,775
Well drilling	-	6,810	-
User fees and sales of goods	321,175	420,398	376,235
Government transfers for operating (Schedule 4)	674,456	467,834	520,637
Penalties and costs on taxes	35,000	57,061	26,140
Licenses and permits	3,000	5,025	2,980
Franchise and concession contracts	6,000	4,233	4,158
Investment income	442,000	462,663	427,580
Rentals	34,025	35,956	36,736
Other revenues	92,478	112,875	87,229
Gain on disposal of tangible capital assets	-	-	-
Total Revenue	6,404,199	6,366,650	6,676,470
EXPENSES (Schedule 5 - By Object)			
Council and legislative	163,070	148,525	151,735
Administration	1,101,602	1,147,380	1,034,754
Fire fighting and protective services	324,395	186,705	189,642
Disaster and emergency services	27,000	11,492	11,125
Ambulance and first aid	44,040	41,442	37,290
Roads, streets, walks, lighting	5,710,765	5,707,590	5,376,217
Airport	4,400	1,667	1,637
Storm sewers and drainage	12,000	-	4,305
Water supply and distribution	669,645	618,286	651,277
Wastewater treatment and disposal	97,755	90,118	87,409
Waste management	152,450	113,318	174,763
Public health and welfare	68,185	75,431	80,726
Cemetery	900	-	800
Land use planning, zoning and development	111,300	83,714	61,320
Economic/agricultural development	630,100	525,837	600,230
Parks and recreation	133,100	128,277	158,744
Culture	65,488	47,988	51,320
Total Expenses	9,316,195	8,927,770	8,673,294
EXCESS (SHORTFALL) OF REVENUE OVER EXPENSES - BEFORE OTHER	(2,911,996)	(2,561,120)	(1,996,824)
OTHER			
Contributed assets	-	-	-
Government transfers for capital (Schedule 4)	1,324,400	500,991	654,118
EXCESS (SHORTFALL) OF REVENUE OVER EXPENSES	(1,587,596)	(2,060,129)	(1,342,706)
ACCUMULATED SURPLUS, BEGINNING OF YEAR	60,552,923	60,552,923	61,895,629
ACCUMULATED SURPLUS, END OF YEAR	58,965,327	58,492,794	60,552,923

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, 2017

	Budget (Unaudited)	2017	2016
	\$	\$	\$
EXCESS (SHORTFALL) OF REVENUES OVER EXPENSES	(1,587,596)	(2,060,129)	(1,342,706)
Acquisition of tangible capital assets	(1,345,500)	(745,688)	(933,504)
Proceeds on disposal of tangible capital assets	315,000	-	159,278
Amortization of tangible capital assets	2,618,800	2,627,425	2,617,005
Loss (gain) on sale of tangible capital assets	-	-	45,176
	1,588,300	1,881,737	1,887,955
Acquisition of supplies inventories	(705,000)	(86,628)	5,051
Acquisition of prepaid assets	(130,280)	(98,189)	(137,830)
Use of supplies inventories	705,000	797,148	756,020
Use of prepaid assets	130,280	94,061	123,371
	-	706,392	746,612
INCREASE (DECREASE) IN NET ASSETS (DEBT)	704	528,000	1,291,861
NET FINANCIAL ASSETS (DEBT), BEGINNING OF YEAR	21,411,700	21,411,700	20,119,839
NET FINANCIAL ASSETS (DEBT), END OF YEAR	21,412,404	21,939,700	21,411,700

See accompanying schedules and notes to the financial statements.

BIRCH HILLS COUNTY
CONSOLIDATED STATEMENT OF CASH FLOWS

For the Year Ended December 31, 2017

	2017	2016
	\$	\$
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING		
Excess (shortfall) of revenues over expenses	(2,060,129)	(1,342,706)
Non-cash items included in excess (shortfall) of revenues over expenses:		
Amortization of tangible capital assets	2,627,425	2,617,005
Loss (gain) on disposal of tangible capital assets	-	45,176
Non-cash charges to operations (net change):		
Decrease (increase) in taxes and grants in lieu receivable	(29,643)	20,042
Decrease (increase) in other assets	2,845	(2,845)
Decrease (increase) in trade and other receivables	27,883	64,675
Decrease (increase) in inventory for consumption	710,520	761,071
Decrease (increase) in prepaid expenses	(4,128)	(14,459)
Increase (decrease) in accounts payable and accrued liabilities	16,112	(36,465)
Increase (decrease) in deposit liabilities	(6,345)	(5,129)
Increase (decrease) in deferred revenue	478,846	310,414
Increase (decrease) in employee benefit obligations	18,473	15,587
Increase (decrease) in provision for landfill	-	-
Cash provided by operating transactions	<u>1,781,859</u>	<u>2,432,366</u>
CAPITAL		
Acquisition of tangible capital assets	(745,688)	(933,504)
Sale of tangible capital assets	-	159,278
Cash provided by (applied to) capital transactions	<u>(745,688)</u>	<u>(774,226)</u>
INVESTING		
Decrease (increase) in restricted cash or cash equivalents	(474,098)	(300,526)
Decrease (increase) in investments	(805,545)	(301,220)
Cash provided by (applied to) investing transactions	<u>(1,279,643)</u>	<u>(601,746)</u>
CHANGE IN CASH AND EQUIVALENTS DURING THE YEAR	(243,472)	1,056,394
CASH AND CASH EQUIVALENTS (SHORTAGE), BEGINNING OF YEAR	7,651,141	6,594,747
CASH AND CASH EQUIVALENTS (SHORTAGE), END OF YEAR	7,407,669	7,651,141
Cash and cash equivalents is made up of:		
Cash and temporary investments (Note 2)	8,351,408	8,120,782
Less: restricted portion of cash and temporary investments (Note 2)	(943,739)	(469,641)
	<u>7,407,669</u>	<u>7,651,141</u>

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, 2017

	Unrestricted Surplus	Restricted Surplus	Equity in Tangible Capital Assets	2017	2016
	\$	\$	\$	\$	\$
BALANCE, BEGINNING OF YEAR	4,008,525	19,121,865	37,422,533	60,552,923	61,895,629
Excess (deficiency) of revenues over expenses	(2,060,129)	-	-	(2,060,129)	(1,342,706)
Unrestricted funds designated for future use	(1,302,345)	1,302,345	-	-	-
Restricted funds used for operations	293,196	(293,196)	-	-	-
Restricted funds used for tangible capital assets	-	(244,698)	244,698	-	-
Current year funds used for tangible capital assets	(500,990)	-	500,990	-	-
Contributed tangible capital assets	-	-	-	-	-
Disposal of tangible capital assets	-	-	-	-	-
Annual amortization expense	2,627,425	-	(2,627,425)	-	-
CHANGE IN ACCUMULATED SURPLUS	(942,843)	764,451	(1,881,737)	(2,060,129)	(1,342,706)
BALANCE, END OF YEAR	3,065,682	19,886,316	35,540,796	58,492,794	60,552,923

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, 2017

	Land	Buildings	Engineered Structures	Machinery and Equipment	Vehicles	2017	2016
	\$	\$	\$	\$	\$	\$	\$
COST:							
BALANCE, BEGINNING OF YEAR	900,097	6,435,353	178,817,020	3,844,370	2,289,828	192,286,668	192,035,671
Acquisition of tangible capital assets	-	244,698	81,677	419,313	-	745,688	777,122
Construction-in-progress	-	-	-	-	-	-	156,382
Disposal of tangible capital assets	-	-	-	-	-	-	(682,507)
Write down of tangible capital assets	-	-	-	-	-	-	-
BALANCE, END OF YEAR	900,097	6,680,051	178,898,697	4,263,683	2,289,828	193,032,356	192,286,668
ACCUMULATED AMORTIZATION:							
BALANCE, BEGINNING OF YEAR	-	1,557,830	150,454,569	1,626,635	1,225,101	154,864,135	152,725,183
Annual amortization	-	133,112	2,105,890	275,309	113,114	2,627,425	2,617,005
Accumulated amortization on disposals	-	-	-	-	-	-	(478,053)
BALANCE, END OF YEAR	-	1,690,942	152,560,459	1,901,944	1,338,215	157,491,560	154,864,135
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	900,097	4,989,109	26,338,238	2,361,739	951,613	35,540,796	37,422,533
2016 NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	900,097	4,877,523	28,362,451	2,217,735	1,064,727	37,422,533	

See accompanying schedules and notes to the financial statements.

SCHEDULE OF PROPERTY AND OTHER TAXES

For the Year Ended December 31, 2017

	Budget (Unaudited)	2017	2016
	\$	\$	\$
TAXATION			
Real property taxes	2,884,995	2,882,541	2,923,997
Linear property taxes	2,781,582	2,781,582	3,195,794
Government grants in place of property taxes	18,329	18,513	18,323
	5,684,906	5,682,636	6,138,114
REQUISITIONS			
Alberta School Foundation Fund	872,648	872,648	929,630
Grande Spirit Seniors Foundation	13,348	13,348	13,709
Adjustments to requisition transfers	2,845	2,845	-
	888,841	888,841	943,339
NET MUNICIPAL TAXES	4,796,065	4,793,795	5,194,775

See accompanying schedules and notes to the financial statements.

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

For the Year Ended December 31, 2017

	Budget (Unaudited)	2017	2016
	\$	\$	\$
TRANSFERS FOR OPERATING			
Federal Government	-	6,588	-
Provincial Government	671,016	461,246	520,637
Local Government	3,440	-	-
	674,456	467,834	520,637
TRANSFERS FOR CAPITAL			
Federal Government	-	-	-
Provincial Government	1,324,400	500,991	654,118
Local Government	-	-	-
	1,324,400	500,991	654,118
TOTAL GOVERNMENT TRANSFERS	1,998,856	968,825	1,174,755

See accompanying schedules and notes to the financial statements.

SCHEDULE OF CONSOLIDATED EXPENSES BY OBJECT

For the Year Ended December 31, 2017

	Budget (Unaudited)	2017	2016
	\$	\$	\$
CONSOLIDATED EXPENSES BY OBJECT			
Salaries, wages and benefits	2,675,760	2,571,456	2,425,023
Contracted and general services	2,093,354	1,675,339	1,844,651
Materials, goods and utilities	1,641,140	1,539,502	1,352,706
Provision for allowances	-	201,545	-
Transfers to local boards and agencies	195,141	194,095	266,284
Transfers to individuals and organizations	72,000	94,511	27,960
Bank charges and short-term interest	18,000	16,719	16,640
Other expenditures	2,000	7,178	77,849
Amortization of tangible capital assets	2,618,800	2,627,425	2,617,005
Loss on disposal of tangible capital assets	-	-	45,176
	9,316,195	8,927,770	8,673,294

See accompanying schedules and notes to the financial statements.

BIRCH HILLS COUNTY

Schedule 6

SCHEDULE OF SEGMENTED DISCLOSURE

For the Year Ended December 31, 2017

	General Government	Protective Services	Transportation Services	Environmental Services	Health & Welfare	ASB, Planning & Development	Recreation & Culture	Total 2017
	\$	\$	\$	\$	\$	\$	\$	\$
REVENUE								
Net municipal taxes	4,793,795	-	-	-	-	-	-	4,793,795
Well drilling	6,810	-	-	-	-	-	-	6,810
User fees and sales of goods	9,787	27,653	84,311	298,025	-	622	-	420,398
Government transfers for operating	-	-	292,832	-	52,468	122,534	-	467,834
Penalties and costs on taxes	57,061	-	-	-	-	-	-	57,061
Licenses and permits	-	-	-	-	-	5,025	-	5,025
Franchise and concession contracts	-	-	-	-	-	-	4,233	4,233
Investment income	462,663	-	-	-	-	-	-	462,663
Rentals	14,820	-	8,270	3,866	5,400	-	3,600	35,956
Other revenues	51,870	500	35,460	7,110	40	10,743	7,152	112,875
Gain on disposal of tangible capital assets	-	-	-	-	-	-	-	-
	5,396,806	28,153	420,873	309,001	57,908	138,924	14,985	6,366,650
EXPENSES								
Salaries, wages and benefits	660,573	23,748	1,226,856	291,408	7,595	352,744	8,532	2,571,456
Contracted and general services	306,517	76,144	945,115	176,205	3,198	157,258	10,902	1,675,339
Materials, goods and utilities	47,474	34,594	1,285,678	104,433	604	59,061	7,658	1,539,502
Provision for allowances	201,545	-	-	-	-	-	-	201,545
Transfers to local boards and agencies	-	-	-	-	57,024	-	137,071	194,095
Transfers to individuals and organizations	27,209	34,000	500	-	-	23,200	9,602	94,511
Bank charges and short-term interest	16,719	-	-	-	-	-	-	16,719
Other expenditures	5,947	-	-	1,231	-	-	-	7,178
Loss on disposal of tangible capital assets	-	-	-	-	-	-	-	-
	1,265,984	168,486	3,458,149	573,277	68,421	592,263	173,765	6,300,345
Net revenue before amortization and government transfers for capital	4,130,822	(140,333)	(3,037,276)	(264,276)	(10,513)	(453,339)	(158,780)	66,305
Amortization	(29,921)	(71,153)	(2,251,108)	(248,445)	(7,010)	(19,788)	-	(2,627,425)
Government transfers for capital	-	-	192,001	193,978	-	115,012	-	500,991
NET REVENUE (SHORTFALL)	4,100,901	(211,486)	(5,096,383)	(318,743)	(17,523)	(358,115)	(158,780)	(2,060,129)
2016 NET REVENUE (SHORTFALL)	4,535,148	(210,152)	(4,427,591)	(501,168)	(14,149)	(528,407)	(196,387)	(1,342,706)

See accompanying schedules and notes to the financial statements.

BIRCH HILLS COUNTY
NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended December 31, 2017

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 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, 2017

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, 2017

1. SIGNIFICANT ACCOUNTING POLICIES - CON'T

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:

	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

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, 2017

2. CASH AND TEMPORARY INVESTMENTS

	2017	2016
	\$	\$
Cash	1,983,618	979,677
Temporary investments	6,367,790	7,141,105
	8,351,408	8,120,782

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

Included in temporary investments is a restricted amount of \$943,739 (2016: \$469,641) received from the provincial and other local government being held exclusively for specific projects.

3. TAXES AND GRANTS IN PLACE OF TAXES RECEIVABLES

	2017	2016
	\$	\$
Current taxes and grants in place of taxes	321,622	124,046
Arrears taxes	259,770	226,159
	581,392	350,205
Less: Allowance for doubtful accounts	409,516	207,972
	171,876	142,233

4. TRADE AND OTHER RECEIVABLES

	2017	2016
	\$	\$
Accrued interest	84,327	91,875
Goods and services tax recoverable	24,943	22,344
From other governments	41,260	41,560
Other accounts	4,531	20,306
Trade accounts	39,240	48,823
Utility accounts	43,674	40,950
	237,975	265,858

BIRCH HILLS COUNTY

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended December 31, 2017

5. INVESTMENTS

	2017		2016	
	Cost	Market Value	Cost	Market Value
	\$	\$	\$	\$
Debenture borrowing shares	80	80	80	80
Long-term GIC's	1,548,262	1,548,262	1,979,848	1,979,848
Government and government guaranteed bonds	2,763,861	2,844,294	3,097,933	3,255,106
Public corporation bonds	10,454,633	10,490,225	8,883,430	8,953,092
	14,766,836	14,882,861	13,961,291	14,188,126

Public corporation bonds have effective interest rates of 1.45% to 3.226% (2016: 1.45% to 3.95%) with maturity dates from November 29, 2018 to December 9, 2026. Government and government guaranteed bonds have effective interest rates of 2.46% to 4.10% (2016: 2.29% to 4.10%) with maturity dates from December 3, 2018 to June 1, 2027.

6. OTHER ASSETS

	2017	2016
	\$	\$
Alberta School Foundation Fund under-levy	-	2,716
Grande Spirit Seniors Foundation under-levy	-	129
	-	2,845

7. DEFERRED REVENUE

	2017	2016
	\$	\$
Provincial government transfers		
ATCO Contribution	3,440	3,440
FCSS grant	-	4,862
Federal Gas Tax Fund	51,777	77,004
Municipal Sustainability Initiative - Capital	888,522	384,335
	943,739	469,641
WCB surplus rebate	21,342	14,235
Prepaid user charges	2,627	4,986
	967,708	488,862

As per above Provincial funding of \$943,739 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 \$943,739 held exclusively for these projects (refer Note 2).

BIRCH HILLS COUNTY
NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended December 31, 2017

8. EMPLOYEE BENEFIT OBLIGATIONS

	2017	2016
	\$	\$
Sick pay benefits	33,953	23,109
Vacation and overtime	97,563	89,934
	131,516	113,043

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, 2017	100,000

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

For the Year Ended December 31, 2017

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:

	2017	2016
	\$	\$
Total debt limit	9,549,975	10,014,705
Total debt	-	-
Amount of debt limit unused	9,549,975	10,014,705
Debt servicing limit	1,591,663	1,669,118
Debt servicing	-	-
Amount of debt servicing above limit	1,591,663	1,669,118

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	2017	2016
	\$	\$
Land	900,097	900,097
Buildings	4,989,109	4,771,771
Buildings - construction-in-progress	-	105,752
Engineered Structures		
Roadway system	22,227,765	24,202,189
Roadway system - construction-in-progress	143,130	143,130
Water distribution system	2,442,687	2,411,863
Water system - construction-in-progress	-	33,197
Wastewater treatment system	1,524,656	1,572,072
Machinery, equipment, and furnishings	2,361,739	2,217,735
Vehicles	951,613	1,064,727
	35,540,796	37,422,533

12. EQUITY IN TANGIBLE CAPITAL ASSETS

	2017	2016
	\$	\$
Tangible capital assets (Schedule 2)	193,032,356	192,286,668
Accumulated amortization (Schedule 2)	(157,491,560)	(154,864,135)
	35,540,796	37,422,533

BIRCH HILLS COUNTY**NOTES TO THE FINANCIAL STATEMENTS**For the Year Ended December 31, 2017

13. ACCUMULATED SURPLUS

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

	2017	2016
	\$	\$
Unrestricted surplus (deficit)	3,065,682	4,008,525
Restricted surplus		
Tax rate stabilization	7,905,566	7,904,943
Tangible Capital Asset Replacement		
Council and legislative	13,633	13,633
Administration	23,302	23,302
Fire services	317,620	317,620
Roads, streets, etc.	7,275,442	7,275,442
Water supply	897,719	897,719
Waste management	887,393	887,393
Other public health and welfare	100,000	344,698
Agricultural services	25,803	25,803
Recreation and hall	198,135	198,135
Contingency	2,241,703	1,233,177
Equity in tangible capital assets	35,540,796	37,422,533
	58,492,794	60,552,923

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, 2017

15. TRUST FUNDS

The COUNTY OF BIRCH HILLS administers the following trusts:

	2017	2016
TAX SALE SURPLUS		
Balance, beginning of year	15,048	14,290
Tax sales during year	3,990	1,760
Interest earned	164	112
Less: Drawings	(1,000)	(1,114)
Balance, end of year	18,202	15,048

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)	2017 Total	2016 Total
Reeve:				
DORAN, Marvin	9,167	4,848	14,015	19,930
Councillors:				
BOGDANEK, Cheryl	8,767	7,525	16,292	17,381
CARBONE, Terry	8,317	7,278	15,595	16,730
JOUDREY, Denise	2,050	1,393	3,443	-
LANGLOIS, Kathrin	7,650	4,059	11,709	17,775
MACAULEY, Jack	5,783	5,405	11,188	16,329
MAZULENKO, Gerald	8,667	4,589	13,256	11,809
PARADIS, Ginette	1,600	1,325	2,925	-
REUM, Paul	7,967	4,204	12,171	10,725
WENDLAND, Deanne	2,067	1,581	3,648	-
	62,035	42,207	104,242	110,679
Chief Administrative Officer:				
MINDERLEIN, Hermann	137,345	30,901	168,246	112,104
	199,380	73,108	272,488	222,783

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, telephone allowance and moving expenses.

BIRCH HILLS COUNTY

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended December 31, 2017

17. 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 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 2017 were \$213,794 (2016: \$191,347). Total current service contributions by the employees of BIRCH HILLS COUNTY to the Local Authorities Pension Plan in 2017 were \$197,022 (2016: \$176,320).

At December 31, 2016, the LAPP disclosed an actuarial deficiency of \$637 million.

18. CONTINGENCIES

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.

19. 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, 2017 audited financial statement:

	2017	2016
	\$	\$
Share of assets (25%)	43,510	41,560
Share of liabilities (25%)	-	-
	43,510	41,560
Total revenues	21,600	21,600
Total expenditures	(13,802)	(11,155)
	7,798	10,445
Share of surplus for the year ended December 31 (25%)	1,950	2,611

BIRCH HILLS COUNTY
NOTES TO THE FINANCIAL STATEMENTS
Administration

20. FINANCIAL INSTRUMENTS

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. APPROVAL OF FINANCIAL STATEMENTS

Council and Management have approved these financial statements.