

CLEAR HILLS COUNTY
AUDITED FINANCIAL STATEMENTS
For the year ended December 31, 2007



WildeandCompany
Chartered Accountants

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AUDITORS' REPORT

To the Reeve and Council
Clear Hills County

We have audited the consolidated statement of financial position of Clear Hills County as at December 31, 2007 and the consolidated statement of financial activities with change in fund balances, the statement of operating revenue and expenditures, and the consolidated statement of changes in financial position and the schedules supporting these statements for the year then ended. 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 administration, 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 Clear Hills County as at December 31, 2007 and the results of its financial activities and changes in its financial position for the year then ended in accordance with Canadian generally accepted accounting principles.

Vegreville, Alberta
February 26, 2008

Wilde & Company
Chartered Accountants

CLEAR HILLS COUNTY
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at December 31, 2007

	2007 \$	2006 \$
Financial Assets		
Cash and temporary investments - Note 2	7,834,465	6,214,020
Accounts receivable		
Taxes receivable - Note 3	142,382	84,594
Trade and other receivables - Note 4	2,441,433	588,478
Prepaid expenses	1,750	66,348
Land held for resale	342,492	300,730
Investments - Note 5	7,343,232	6,231,021
	18,105,754	13,485,191
Physical Assets		
Inventory for consumption - Note 6	678,779	726,014
Capital assets - Note 7	10,215,437	9,635,862
TOTAL ASSETS	28,999,970	23,847,067
Liabilities		
Accounts payable and accrued liabilities - Note 8	2,781,126	2,020,662
TOTAL LIABILITIES	2,781,126	2,020,662
Contingent Liabilities - Note 15		
Municipal Equity		
Operating fund	1,115,170	1,115,170
Reserve fund - Note 11	14,888,237	11,075,373
Total fund balances	16,003,407	12,190,543
Equity in capital assets - Note 12	10,215,437	9,635,862
	26,218,844	21,826,405
TOTAL LIABILITIES AND MUNICIPAL EQUITY	28,999,970	23,847,067

See accompanying notes

CLEAR HILLS COUNTY
CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES WITH CHANGE IN FUND BALANCES
 For the year ended December 31, 2007

	Capital	Reserves	Operating	Total 2007	Budget 2007 (unaudited)	2006
Revenues						
Net municipal taxes - Page 5	\$ -	\$ -	\$ 12,467,557	\$ 12,467,557	\$ 11,683,570	\$ 9,404,755
Local improvement levies	-	-	16,400	16,400	16,401	16,400
Sale of goods and services	-	-	788,259	788,259	737,592	699,467
Government transfers	73,901	-	4,048,717	4,122,618	3,414,949	1,632,973
Investment income	-	538,217	75,270	613,487	150,000	472,460
Well drilling taxes	-	-	71,615	71,615	75,000	109,387
Rentals, licenses and other	85,961	-	73,328	159,289	228,000	170,241
	159,862	538,217	17,541,146	18,239,225	16,305,512	12,505,683
Expenditures						
Legislative	-	-	227,688	227,688	354,988	314,190
Administration	164,932	-	1,015,887	1,180,819	1,588,730	1,050,599
Emergency services	-	-	232,770	232,770	259,324	224,228
Transportation services	180,074	-	10,440,774	10,620,848	12,006,507	6,259,108
Water, wastewater and waste management	320,530	-	612,090	932,620	1,359,336	2,107,931
Subdivision and land development	-	-	227,228	227,228	247,702	157,495
Agriculture and community services	-	-	669,299	669,299	836,053	696,952
Recreation and culture	-	-	335,090	335,090	300,000	373,348
	665,536	-	13,760,826	14,426,362	16,952,640	11,183,851
Excess of revenues over expenditures	(505,674)	538,217	3,780,320	3,812,863	(647,128)	1,321,832
Net interfund transfers						
From (to) operations	505,674	-	(505,674)	-	-	-
From (to) reserves	-	3,274,646	(3,274,646)	-	647,128	-
Change in fund balances						
Balance, beginning of year	-	3,812,863	-	3,812,863	-	1,321,832
Balance, end of year	-	11,075,374	1,115,170	12,190,544	-	10,868,712
	\$ -	\$ 14,888,237	\$ 1,115,170	\$ 16,003,407	\$ -	\$ 12,190,544

See accompanying notes

CLEAR HILLS COUNTY
STATEMENT OF OPERATING REVENUES AND EXPENDITURES
For the year ended December 31, 2007

	2007			Budget \$	2006 Net revenue (expenditure) \$
	Revenues	Expenditures	Net revenue		
	\$	\$	(expenditure) \$		
General municipal revenues to fund municipal operations				(unaudited)	
Municipal taxes - Page 5	12,467,557		12,467,557	11,683,570	9,404,755
Sales, services, rentals, other	10,840		10,840	500,000	22,552
Government transfers	73,901		73,901	3,414,949	4,800
Well drilling taxes	71,615		71,615	75,000	109,387
Return on investments	75,270		75,270	150,000	169,096
	12,699,183	-	12,699,183	15,823,519	9,710,590
Municipal operations					
Legislative	-	227,688	(227,688)	(354,988)	(314,190)
Administration	81,593	1,015,887	(934,294)	(1,045,730)	(913,140)
Emergency services	18,758	232,770	(214,012)	(259,324)	(160,102)
Transportation services	4,270,681	10,440,774	(6,170,093)	(11,587,507)	(4,455,022)
Water, wastewater and waste management	213,876	612,090	(398,214)	(1,020,343)	(347,143)
Subdivision and land development	47,100	227,228	(180,128)	(247,702)	(111,001)
Agriculture and community services	223,856	669,299	(445,443)	(831,053)	(433,864)
Recreation and culture	60,000	335,090	(275,090)	(300,000)	(310,075)
	4,915,864	13,760,826	(8,844,962)	(15,646,647)	(7,044,537)
Excess of revenues over expenditures	17,615,047	13,760,826	3,854,221	176,872	2,666,053
Net transfers from (to) reserves			(3,274,646)	647,128	(1,018,468)
Net transfers from (to) capital			(579,575)	(824,000)	(1,647,585)
Changes in operating fund during the year			-	-	-

See accompanying notes

CLEAR HILLS COUNTY
CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION
For the year ended December 31, 2007

	2007 \$	2006 \$
Operating activities		
Excess of Revenues over Expenditures	3,812,863	1,321,832
Net changes in non-cash operating working capital balances		
Decrease (increase) in taxes receivable	(57,788)	138,617
Decrease (increase) in trade and other receivables	(1,852,955)	2,595,246
Decrease in loan receivable	-	532,696
Decrease (increase) in prepaids	64,598	(61,370)
Increase in land held for resale	(41,762)	-
Decrease in inventory held for consumption	47,235	11,715
Increase (decrease) in accounts payable and accrued liabilities	760,465	625,186
<i>Net cash provided by (used in) operating activities</i>	2,732,656	5,163,922
Investing		
Decrease (increase) in investments	(1,112,211)	(4,599,522)
<i>Net cash used in investing activities</i>	(1,112,211)	(4,599,522)
Change in cash and cash equivalents for the year	1,620,445	564,400
Cash and cash equivalents, beginning of year	6,214,020	5,649,620
Cash and cash equivalents, end of year	7,834,465	6,214,020
Cash and cash equivalents is made up of:		
Cash and temporary investments (Note 2)	7,834,465	6,214,020

See accompanying notes

CLEAR HILLS COUNTY
SCHEDULE OF PROPERTY TAXES LEVIED
 For the year ended December 31, 2007

	Budget \$	2007 \$	2006 \$
	(unaudited)		
Taxation			
Real property taxes	15,006,146	5,100,344	4,198,616
Linear property taxes	-	10,618,500	8,303,151
Provincial grants in lieu	-	1,454	1,475
Penalties and costs	-	47,588	63,708
Total taxes and grants in place	15,006,146	15,767,886	12,566,950
Requisitions			
Alberta School Foundation Fund	3,138,891	3,041,873	2,987,257
Senior Foundation	183,685	258,456	174,938
	3,322,576	3,300,329	3,162,195
Net municipal taxes	11,683,570	12,467,557	9,404,755

SCHEDULE OF EXPENDITURES BY OBJECT
 For the year ended December 31, 2007

	Budget \$	2007 \$	2006 \$
	(unaudited)		
Salaries, wages and benefits	1,902,203	1,528,172	1,519,191
Contracted and general services	11,749,059	9,660,002	5,911,126
Purchases from other governments	20,000	42,960	107,534
Materials, goods, supplies and utilities	1,230,992	1,676,575	1,188,187
Transfers to other governments	278,000	270,149	145,000
Transfers to local boards and agencies	361,836	231,784	157,311
Transfers to individuals and organizations	275,000	359,300	382,087
Financial service and other charges	1,500	2,649	2,914
Other transactions, discounts and adjustments	1,500	(10,764)	16,556
Capital assets acquired	1,132,550	665,535	1,753,945
Total expenditures by object - Page 2	16,952,640	14,426,362	11,183,851

See accompanying notes

CLEAR HILLS COUNTY
NOTES TO THE FINANCIAL STATEMENTS
For the year ended December 31, 2007

1. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements of Clear Hills County are prepared by management in accordance with Canadian generally accepted accounting principles for local governments established by the Public Sector Accounting Board ("PSAB") of the Canadian Institute of Chartered Accountants ("CICA"). Significant aspects of these 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 Council for the administration of their financial affairs and resources.

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

Revenues are accounted for in the period in which the transactions or events occurred that gave rise to the revenues.

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 are recognized in the financial statements as revenues in the period that the events giving rise to the transfer occurred, providing the transfers are authorized, the municipality has met any eligibility criteria, and reasonable estimates of the amounts can be made.

Expenditures are recognized in the period the goods and services are acquired and a liability is incurred or transfers are due, with the exception of pension expenditures as disclosed in 1(o).

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 expenditures 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) Fund Accounting

Management funds consist of the operating, capital and reserve funds. Transfers between funds are recorded as adjustments to the appropriate equity account. Proceeds from subdivision development land sales are recorded as operating fund revenues.

e) Investments

Investments are recorded at cost.

CLEAR HILLS COUNTY
NOTES TO THE FINANCIAL STATEMENTS
For the year ended December 31, 2007

f) Inventories

Inventories of materials and supplies for consumption are valued at the lower of cost or net realizable value with cost determined by the average cost method.

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 leveling 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.

g) Capital Assets

Capital assets are reported as expenditures in the period they are acquired. Capital assets are reported at cost except for donated assets, which are reported at estimated fair value.

Government contributions for the acquisition of capital assets are reported as capital revenue and do not reduce the related asset costs.

Capital assets for government purposes are not depreciated.

Effective January 1, 2007, Clear Hills County adopted Accounting Guideline 7 (PSG-7) of the Public Sector Accounting Handbook of the Canadian Institute of Chartered Accountants ("CICA") with respect to the disclosure of tangible capital assets of local governments. PSG-7 provides transitional guidance on presenting information related to tangible capital assets until Section 3150 - Tangible Capital Assets of the Public Sector Accounting Handbook comes into effect on January 1, 2009.

During 2007, Clear Hills County continued to work towards compliance with the new recommendations for accounting for tangible capital assets. A complete listing of assets and values for land, building, engineering structures, machinery and equipment, and vehicles is currently underway and expected to be completed by December 31, 2008.

As of January 1, 2007, capital assets including assets held under capital leases are recorded at cost in the period they are acquired and recorded as an expenditure within the capital fund. Donated assets related to waterworks and wastewater distribution and collection systems will be capitalized and recorded at their estimated fair value upon acquisition. Certain capital assets for which historical cost information is not available will be recorded at current fair market value discounted by a relevant inflation factor.

h) 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 property tax revenue.

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

CLEAR HILLS COUNTY
NOTES TO THE FINANCIAL STATEMENTS
For the year ended December 31, 2007

i) Landfill Closure and Post-Closure Liabilities

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

j) Operating Fund

Operating fund represents the amounts available to offset future operational revenue requirements (or the shortfall which will be financed from future operational revenues).

k) Capital Fund

Capital fund represents the amounts available to finance (or the shortfall in financing available for) capital projects.

l) Reserve Fund

Reserve fund represents the amounts set aside to finance future operating and capital expenditures. Reserves are established at the discretion of Council. Transfers to and/or from the reserve fund are reflected as an adjustment to the respective fund.

m) Equity in Capital Assets

Equity in capital assets represents the County's net investment in its capital assets after deducting the portion financed by third parties through debenture, bond, and mortgage debts, long term capital borrowings, capitalized leases, and other capital liabilities which will be repaid by the municipality.

n) Allowances for Operating and Capital Assets

Allowances for asset valuations are netted against the related asset and are segregated between operating and capital purposes. Increases in allowances are recorded as expenditures, while decreases in allowances are recorded as revenues in the respective operating and capital fund.

o) Pension Expenditure

Clear Hills County participates in a multi-employer defined benefit pension plan. This plan is accounted for as a defined contribution plan.

2. CASH AND TEMPORARY INVESTMENTS

	2007	2006
	\$	\$
Cash	1,065,642	1,214,020
Money Market account	2,768,823	-
Temporary investments	4,000,000	5,000,000
	<u>7,834,465</u>	<u>6,214,020</u>

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

CLEAR HILLS COUNTY
NOTES TO THE FINANCIAL STATEMENTS
For the year ended December 31, 2007

3. TAXES RECEIVABLE	2007	2006
	\$	\$
Current taxes receivable	129,564	71,721
Arrears taxes	64,936	76,196
	194,500	147,917
Less allowance for doubtful accounts	(52,118)	(63,323)
	142,382	84,594
4. TRADE AND OTHER RECEIVABLES	2007	2006
	\$	\$
Grants	1,891,776	54,207
GST	330,724	317,075
Interest	100,540	58,678
Other	174,798	214,482
	2,497,838	644,442
Less allowance for doubtful accounts	(56,405)	(55,964)
	2,441,433	588,478
5. INVESTMENTS	2007	2006
	\$	\$
Term deposits	7,343,132	6,114,839
Credit Union common shares	-	116,082
Alberta Municipal Financing Corporation shares	100	100
	7,343,232	6,231,021

Term deposits earn interest at rates varying between 4.3% and 6.5% with maturity dates between June 2008 and March 2017.

CLEAR HILLS COUNTY
NOTES TO THE FINANCIAL STATEMENTS
For the year ended December 31, 2007

6. INVENTORY FOR CONSUMPTION	2007	2006
	\$	\$
Gravel	467,974	406,716
Public Works	198,455	299,913
Agricultural Service Board	12,350	19,385
	678,779	726,014

7. CAPITAL ASSETS	2007	2006
	\$	\$
Land	258,051	120,521
Buildings	2,443,970	2,389,266
Engineering structures	2,869,404	2,869,404
Machines and equipment	2,113,696	1,872,655
Vehicles	917,291	894,178
Infrastructure	1,613,025	1,489,838
	10,215,437	9,635,862

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES	2007	2006
	\$	\$
Trade accounts payable	2,372,524	1,677,433
Accrued landfill closure and post-closure costs	308,043	253,467
Accrued vacation payable	100,559	89,762
	2,781,126	2,020,662

9. DEBT LIMITS

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

	2007	2006
	\$	\$
Total debt limit	27,247,986	18,600,485
Total debt	-	-
Amount of debt limit unused	27,247,986	18,600,485
Debt servicing limit	4,541,331	3,100,081
Debt servicing	-	-
Amount of debt servicing limit unused	4,541,331	3,100,081

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.

CLEAR HILLS COUNTY
NOTES TO THE FINANCIAL STATEMENTS
For the year ended December 31, 2007

10. LANDFILL CLOSURES AND POST-CLOSURE LIABILITIES

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 sites, and ongoing environmental monitoring, site inspections and maintenance.

At December 31, 2007 the Clear Hills County has accrued \$308,043 (2006 - \$253,467) of closure and post-closure costs. Post-closure costs are expected to occur for 25 years beyond the closure of each landfill.

In 2002, the municipality joined the North Peace Regional Landfill Commission (NPRLC). This commission was established to construct a new regional landfill to replace the aging landfills within the municipality. At that time, the municipality signed an agreement with Alberta Environment to construct several transfer stations by 2012 to supply the new landfill. Clear Hills County intends to construct some of these transfer stations on the existing landfill sites, thus delaying some of the post-closure requirements for a number of these landfills.

Clear Hills County has not designated assets for settling closure and post-closure liabilities.

11. RESERVE FUND	2006	Increases	Decreases	2007
	\$	\$	\$	\$
Operating Reserves				
Rate stabilization	2,353,185			2,353,185
Area structure plan	162,500			162,500
	2,515,685	-	-	2,515,685
Capital Reserves				
Road construction and upgrades	3,966,112	2,302,889		6,269,001
Gravel pits	1,703,705	107,126		1,810,831
Bridges	1,113,088	69,989		1,183,077
Fire protection	3,365	12,712		16,077
Water treatment and distribution	817,373	482,587		1,299,960
Equipment replacement	431,883	114,156		546,039
Office renovations	392,558	399,683		792,241
Recreation	97,105	271,552		368,657
Seniors transportation	18,348	51,154		69,502
Cemetery	16,151	1,016		17,167
	8,559,688	3,812,864	-	12,372,552
	11,075,373	3,812,864	-	14,888,237

CLEAR HILLS COUNTY
NOTES TO THE FINANCIAL STATEMENTS
For the year ended December 31, 2007

12. EQUITY IN CAPITAL ASSETS	2007	2006
	\$	\$
Acquisition of capital assets		
Administration	164,932	21,132
Emergency services	-	48,540
Transportation services	180,074	194,434
Water, wastewater and waste management	320,530	1,489,839
	665,536	1,753,945
Disposal of capital assets (cost)		
Legislative and administrative services	-	(55,587)
Transportation services	(85,961)	-
	(85,961)	(55,587)
Change in equity balance	579,575	1,698,358
Equity balance at beginning of year	9,635,862	7,937,504
Equity balance at end of year	10,215,437	9,635,862
Equity in capital assets is represented by:		
Capital assets (Note 7)	10,215,437	9,635,862

13. 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:

	2007			2006
	Salary (i)	Benefits & Allowances (ii)	Total	Total
	\$	\$	\$	\$
Councillor - Division 1 (Reeve)	9,850	2,259	12,109	14,483
Councillor - Division 2	676	376	1,052	-
Councillor - Division 2	10,920	2,188	13,108	17,191
Councillor - Division 3	8,710	2,188	10,898	11,303
Councillor - Division 4 (Former Reeve)	11,900	2,259	14,159	22,653
Councillor - Division 4	2,704	376	3,080	-
Councillor - Division 5	2,990	2,259	5,249	8,719
Councillor - Division 6	7,280	2,259	9,539	12,489
Councillor - Division 7	6,370	2,259	8,629	14,053
Councillor - Division 7	1,217	376	1,593	-
	62,617	16,799	79,416	100,891
Chief Administrative Officer (CAO)				
Former CAO (2006 - 6 months)	-	-	-	94,542
Current CAO (2006 - 6 months)	103,336	20,955	124,291	57,895
	103,336	20,955	124,291	152,437

CLEAR HILLS COUNTY
NOTES TO THE FINANCIAL STATEMENTS
For the year ended December 31, 2007

13. SALARY AND BENEFITS DISCLOSURE (continued)

- i) Salary includes regular base pay, gross honoraria and any other direct cash remuneration.
- ii) Employer's share of all employee benefits and contributions or payments made on behalf of employees including pension, health care, dental coverage, vision coverage, group life insurance and accidental disability and dismemberment insurance.
- iii) Benefits and allowances figures also include the employer's share of the costs of additional taxable benefits, if applicable.

14. LOCAL AUTHORITIES PENSION PLAN

Employees of Clear Hills County participate in the Local Authorities Pension Plan (LAPP), which is one of the plans covered by the Alberta Public Sector Pension Plans Act. The LAPP 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.

The County is required to make current service contributions to the LAPP of 7.75% of pensionable earnings up to the year's maximum pensionable earnings under the Canada Pension Plan and 10.64% on pensionable earnings above this amount. Employees of the County are required to make current service contributions of 6.75% of pensionable salary up to the year's maximum pensionable salary and 9.64% on pensionable salary above this amount. As a benefit to employees, Clear Hills County pays both the employer and employee share of LAPP contributions.

Total current service contributions by the County to the LAPP in 2007, including contributions made on behalf of employees were \$123,533 (2006 - \$101,643).

At December 31, 2006, the LAPP disclosed an actuarial deficiency of \$746.7 million.

15. CONTINGENT LIABILITIES

Clear Hills County is a member of a reciprocal insurance exchange (GENESIS) to cover its liability insurance needs. GENESIS was previously referred to as Jubilee Reciprocal Insurance Exchange (JRIE). A Statement of Claim was filed in 2004 by some of the previous subscribers of JRIE. The statement of claim requests the return of surplus funds in the amount of \$3,820,516. 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.

Clear Hills County has been named in a claim by the Alberta Union of Provincial Employees (AUPE). The claim relates to employees choosing to no longer be members of the union when the former Improvement District became a Municipal District. It is estimated that if AUPE is successful, the costs to the County of implementing the terms of the collective agreement could be as high as \$271,000. As the outcome of the claim is uncertain, no provision has been made in these financial statements.

CLEAR HILLS COUNTY
NOTES TO THE FINANCIAL STATEMENTS
For the year ended December 31, 2007

16. COMMITMENTS

Clear Hills County is committed to complete office building renovations. Estimated costs to complete are \$90,000.

Clear Hills County is committed to complete bridge projects started in 2007. Estimated costs to complete are \$245,000.

Clear Hills County is committed to complete a subdivision access road started in 2007. Estimated costs to complete are \$185,000.

Clear Hills County is committed to make annual payments of \$63,756 for the next two years to Mackenzie Municipal Services Agency as the County's planning consultant.

Clear Hills County is committed to purchase 100,000 tonnes of road crush gravel from Agroc at a cost of \$9 per tonne.

17. SUBSEQUENT EVENT

Clear Hills County and Alberta Infrastructure agreed to pave 12.3 kilometres of Highway 730 under a 75% province/25% county cost share plan. Clear Hills County's share of the costs is estimated to be \$3 million.

18. FINANCIAL INSTRUMENTS

The County's financial instruments consist of cash and temporary investments, accounts receivable, investments, accounts payable and accrued 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.

19. BUDGET FIGURES

Budget figures are included for information purposes only and are not audited.

20. APPROVAL OF FINANCIAL STATEMENTS

Council and management have approved these financial statements.