



Wilde and Company

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AUDITORS' REPORT

To the Reeve and Council of Clear Hills County

We have audited the consolidated statement of financial position as at December 31, 2009, the consolidated statement of change in net financial assets (debt), the consolidated statement of operations and the consolidated statement of cash flows for the year then ended. These consolidated financial statements are the responsibility of the municipality's management. Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation.

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

Vegreville, AB
February 24, 2010

Wilde & Company
Chartered Accountants

CLEAR HILLS COUNTY
Consolidated Statement of Financial Position
As at December 31, 2009

	2009 \$	2008 \$ (Restated)
ASSETS		
Financial Assets		
Cash and temporary investments - Note 2	11,965,063	8,594,351
Receivables		
Taxes and grants in place of taxes receivable - Note 3	303,105	287,650
Due from governments	652,563	183,122
Trade and other receivables	301,755	466,717
Land held for resale	903,259	742,378
Investments - Note 4	12,989,512	14,207,415
	27,115,257	24,481,633
LIABILITIES		
Accounts payable and accrued liabilities	5,320,861	3,054,744
Accrued employee obligations - Note 5	150,010	146,374
Provision for landfill closure and post-closure costs - Note 6	406,695	362,618
	5,877,566	3,563,736
NET FINANCIAL ASSETS	21,237,691	20,917,897
NON-FINANCIAL ASSETS		
Tangible capital assets - Note 8	35,241,682	28,189,751
Inventory for consumption - Note 9	1,202,922	1,802,169
Prepaid expenses	22,021	3,794
	36,466,625	29,995,714
ACCUMULATED SURPLUS - Note 10	57,704,316	50,913,611
Contingent liability - Note 14		

CLEAR HILLS COUNTY
Consolidated Statement of Operations
For the Year Ended December 31, 2009

	Budget \$ (Unaudited)	2009 \$	2008 \$ (Restated)
Revenues			
Net municipal taxes (Schedule 3)	14,625,000	15,822,526	14,863,411
User fees and sales of goods	306,000	331,772	707,350
Government transfers for operating (Schedule 4)	1,751,781	652,101	266,060
Investment income	400,000	725,371	811,076
Penalties and costs on taxes	-	71,006	76,279
Licenses and permits	-	1,980	579
Rental	14,000	21,763	18,235
Well drilling taxes	50,000	27,667	68,603
Other	5,000	260,951	87,224
Total revenue	17,151,781	17,915,137	16,898,817
Expenses			
Legislative	681,196	512,437	523,831
Administration	1,108,090	1,050,688	1,042,960
Emergency services	453,351	361,564	345,696
Roads, streets, walks, lighting	7,522,599	10,517,719	7,843,843
Water supply and distribution	311,048	419,611	487,998
Wastewater treatment and disposal	69,922	32,503	46,464
Waste management	336,563	358,701	374,843
Family and community support	100,000	98,050	106,920
Agriculture and community service	808,752	722,681	664,341
Subdivision land and development	270,678	294,199	203,057
Recreation and culture	342,325	355,494	672,410
Loss (gain) on disposal of capital assets	(127,000)	3,904	233,109
Total expenses	11,877,524	14,727,551	12,545,472
Excess of revenue over expenses before Government transfers	5,274,257	3,187,586	4,353,345
Government transfers for capital (Schedule 4)	7,125,000	3,603,119	2,293,847
Excess of revenues over expenses	12,399,257	6,790,705	6,647,192
Accumulated surplus - beginning of the year	50,913,611	50,913,611	44,266,419
Accumulated surplus - end of the year	63,312,868	57,704,316	50,913,611

CLEAR HILLS COUNTY
Consolidated Statement of Change in Net Financial Assets
For the Year Ended December 31, 2009

	Budget \$ (Unaudited)	2009 \$	2008 \$ (Restated)
Excess of revenues over expenses	12,399,257	6,790,705	6,647,192
Acquisition of tangible capital assets	(18,413,000)	(8,713,154)	(1,744,036)
Proceeds on disposal of tangible capital assets	-	72,831	22,569
Amortization of tangible capital assets	-	1,584,489	1,561,619
(Gain) loss on sale of tangible capital assets	-	3,904	233,109
	(6,013,743)	(261,225)	6,720,453
Net use (acquisition) of supplies inventories		599,247	(1,123,390)
Net use (acquisition) of prepaid assets		(18,227)	(2,044)
(Increase) decrease in net debt	151,400	581,020	(1,125,434)
Net financial assets, beginning of year	20,917,897	20,917,897	15,322,878
Net financial assets, end of year	(852,167)	21,237,692	20,917,897

CLEAR HILLS COUNTY
Consolidated Statement of Cash Flows
For the Year Ended December 31, 2009

	2009 \$	2008 \$ (Restated)
Operating		
Excess (deficiency) of revenue over expenses	6,790,705	6,647,192
Net changes in non-cash items included in excess of revenues over expenses		
Amortization of tangible capital assets	1,584,489	1,561,619
Loss on disposal of tangible capital assets	3,904	233,109
Tangible capital assets received as contributions		
Net changes in non-cash charges to operation		
Decrease (increase) in taxes and grants in lieu receivable	(15,455)	(145,268)
Decrease (increase) in government receivables	(469,441)	2,039,378
Decrease (increase) in trade and other receivables	164,962	(247,784)
Decrease (increase) in land held for resale	(160,881)	(399,886)
Decrease (increase) in inventories	599,246	(1,123,390)
Decrease (increase) in prepaid expenses	(18,227)	(2,044)
Increase (decrease) in accounts payable and accrued liabilities	2,266,117	682,220
Increase (decrease) in employee benefit obligations	3,636	45,815
Increase (decrease) in provision for landfill closure/post-closure	44,077	54,575
	4,002,427	2,698,344
<i>Net cash provided by operating transactions</i>	10,793,132	9,345,536
Capital		
Acquisition of tangible capital assets	(8,713,154)	(1,744,036)
Proceeds on sale of tangible capital assets	72,831	22,569
<i>Net cash applied to capital transactions</i>	(8,640,323)	(1,721,467)
Investing		
Decrease (increase) in restricted cash or cash equivalents	-	-
Decrease (increase) in investments	1,217,903	(6,864,183)
<i>Net cash provided by investing transactions</i>	1,217,903	(6,864,183)
Change in cash and cash equivalents during the year	3,370,712	759,886
Cash and cash equivalents, beginning of year	8,594,351	7,834,465
Cash and cash equivalents, end of year	11,965,063	8,594,351
Cash and cash equivalents is made up of:		
Cash and temporary investments (Note 2)	11,965,063	8,594,351
Less: restricted portion of cash and temporary investments (Note 2)	-	-
	11,965,063	8,594,351

See accompanying notes

CLEAR HILLS COUNTY
Schedule of Tangible Capital Assets
For the Year Ended December 31, 2009
Schedule 1

	Land	Buildings	Engineered Structures	Machinery and Equipment	Vehicles	2009 \$	2008 \$ (Restated)
Cost							
Balance, beginning of year	591,818	2,609,922	60,103,834	2,142,927	888,648	66,337,149	64,994,350
Acquisition of tangible capital assets	2,880	9,919	8,530,588	73,528	96,239	8,713,154	1,744,036
Disposal of tangible capital assets	-	(69,000)	(29,836)	(38,859)	(77,489)	(215,184)	(401,237)
Balance, end of year	594,698	2,550,841	68,604,586	2,177,596	907,398	74,835,119	66,337,149
Accumulated amortization							
Balance, beginning of year	-	1,046,263	35,902,684	639,401	559,050	38,147,398	36,731,337
Annual amortization	-	97,914	1,291,106	129,682	65,787	1,584,489	1,561,619
Accumulated amortization on disposals	-	(19,320)	(29,836)	(11,805)	(77,489)	(138,450)	(145,558)
Balance, end of year	-	1,124,857	37,163,954	757,278	547,348	39,593,437	38,147,398
Net book value of tangible capital assets	594,698	1,425,984	31,440,632	1,420,318	360,050	35,241,682	28,189,751
2008 Net book value of tangible capital assets (restated)	591,818	1,563,659	24,201,150	1,503,526	329,598		28,189,751

CLEAR HILLS COUNTY
Schedule of Changes in Accumulated Surplus
For the Year Ended December 31, 2009
Schedule 2

	Unrestricted Surplus	Restricted operating reserves	Restricted Capital reserves	Equity in Capital Assets	2009 \$	2008 \$ (Restated)
Balance, beginning of year	1,115,170	2,515,685	19,093,005	28,189,751	50,913,611	44,266,419
Excess (deficiency) of revenues over expenses	6,790,705				6,790,705	6,647,192
Unrestricted funds designated for future use	(4,502,518)	3,540,791	961,727	4,763,744	-	-
Restricted funds used for TCA			(4,763,744)	3,949,410	-	-
Current year funds used for TCA	(3,949,410)			-	-	-
Donated and contributed TCA				-	-	-
Disposals of TCA	76,734			(76,734)	-	-
Annual amortization expense	1,584,489			(1,584,489)	-	-
Balance, end of year	1,115,170	6,056,476	15,290,988	35,241,682	57,704,316	50,913,611
2008 Accumulated Surplus (restated)						
Balance, end of year - before restatement	1,115,170	2,515,685	19,093,005	11,538,811		34,262,671
Adjustment to Net Book Value of TCA	-					-
Balance, end of year - after restatement	1,115,170	2,515,685	19,093,005	28,189,751		16,650,940
						50,913,611

CLEAR HILLS COUNTY
Schedule of Property and Other Taxes
For the year ended December 31, 2009
Schedule 3

	Budget \$ (Unaudited)	2009 \$	2008 \$ (Restated)
Taxation			
Real property taxes	18,000,000	6,323,588	6,388,005
Linear property	-	12,747,970	11,830,847
Government grants in place of property taxes	-	1,735	1,502
Special assessments and local improvement taxes	-	16,400	16,400
	18,000,000	19,089,693	18,236,754
Requisitions			
Alberta School Foundation Fund	3,100,000	2,972,138	3,108,705
North Peace Housing Foundation	275,000	295,029	264,638
	3,375,000	3,267,167	3,373,343
Net Municipal Taxes	14,625,000	15,822,526	14,863,411

CLEAR HILLS COUNTY
Schedule of Government Transfers
For the year ended December 31, 2009
Schedule 4

	Budget \$ (Unaudited)	2009 \$	2008 \$ (Restated)
Transfers for Operating			
Provincial Government	1,751,781	652,101	266,060
	1,751,781	652,101	266,060
Transfers for Capital			
Provincial Government	7,125,000	3,603,119	2,293,847
	7,125,000	3,603,119	2,293,847
Total Government Transfers	8,876,781	4,255,220	2,559,907

CLEAR HILLS COUNTY
Schedule of Consolidated Expenses by Object
For the year ended December 31, 2009
Schedule 5

	Budget \$ (Unaudited)	2009 \$	2008 \$ (Restated)
Consolidated Expenses by Object			
Salaries, wages and benefits	2,685,640	2,202,392	2,057,694
Contracted and general services	6,148,917	8,889,553	6,077,399
Materials, goods, supplies and utilities	1,727,970	1,159,050	1,430,645
Transfers to local boards and agencies	1,184,747	885,446	1,184,162
Bank charges and short term interest	4,000	2,717	844
Amortization of tangible capital assets	253,250	1,584,489	1,561,619
Loss (gain) on disposal of tangible capital assets	(127,000)	3,904	233,109
	11,877,524	14,727,551	12,545,472

CLEAR HILLS COUNTY
Notes to Consolidated Financial Statements
Year Ended December 31, 2009

1. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements of the municipality 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 municipality are as follows:

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 municipality and are, therefore, accountable to 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.

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.

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.

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CLEAR HILLS COUNTY
Notes to Consolidated Financial Statements
Year Ended December 31, 2009

1. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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.

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.

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 the respective function.

Landfill closure and post-closure liability

Pursuant to the Alberta Environmental Protection and Enhancement Act, the municipality 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.

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.

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CLEAR HILLS COUNTY
Notes to Consolidated Financial Statements
Year Ended December 31, 2009

1. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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.

a) 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
Engineered structures	
Water system	30-75
Wastewater system	75
Other engineered structures	25
Machinery and equipment	15
Vehicles	10

Annual amortization is not charged in the year of acquisition or the year of disposal. Assets under construction are not amortized until the asset is available for productive use.

b) 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.

c) 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.

d) Inventories

Inventories held for consumption are recorded at the lower of cost and replacement cost.

CLEAR HILLS COUNTY
Notes to Consolidated Financial Statements
Year Ended December 31, 2009

2. CASH AND TEMPORARY INVESTMENTS

	2009	2008
Cash	\$ 832,184	\$ 666,108
Money Market account	11,132,879	6,443,679
Temporary investments	-	1,484,564
	\$ 11,965,063	\$ 8,594,351

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

3. TAXES AND GRANTS IN PLACE OF TAXES RECEIVABLE

	2009	2008
Current taxes and grants in place of taxes	\$ 248,025	\$ 251,311
Arrears taxes	100,701	92,155
	348,726	343,466
Less: allowance for doubtful accounts	(45,621)	(55,816)
	\$ 303,105	\$ 287,650

4. INVESTMENTS

	2009		2008	
	Cost	Market value	Cost	Market Value
Term deposits	\$ 12,989,412	\$ 12,989,412	\$ 14,207,315	\$ 14,207,315
Alberta Municipal Financing Corporation shares	100	100	100	100
	\$ 12,989,512	\$ 12,989,512	\$ 14,207,415	\$ 14,207,415

Term deposits earn interest at rates varying between 4% and 6% (2008 – 4.3% - 6.5%) with maturity dates between September 2010 and March 2017.

5. EMPLOYEE OBLIGATIONS

	2009	2008
Vacation and sick time	\$ 150,010	\$ 146,374

The vacation and sick time liability is comprised of the vacation and sick time 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.

CLEAR HILLS COUNTY
Notes to Consolidated Financial Statements
Year Ended December 31, 2009

6. 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.

Post closure costs are expected to occur for 25 years beyond the closure of each landfill.

The accrued liability portion is based on the remaining useful lives and estimated closure and post closure costs of the landfill sites. The existing landfill sites have estimated useful lives ranging from 2 to 47 years.

The municipality has not designated assets for settling closure and post-closure liabilities.

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 has constructed four transfer stations to date and intends to continue to construct more transfer stations on the existing landfill sites, thus delaying the post-closure requirements for a number of these landfills.

	2009	2008
Estimated closure and post-closure costs	\$ 406,695	\$ 362,618

CLEAR HILLS COUNTY
Notes to Consolidated Financial Statements
Year Ended December 31, 2009

7. DEBT LIMITS

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

	2009	2008
Total debt limit	\$ 26,872,706	\$ 28,779,966
Debt servicing limit	\$ 4,478,784	\$ 4,796,661

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.

8. TANGIBLE CAPITAL ASSETS (*net book value*)

	2009	2008
Land	\$ 594,698	\$ 591,818
Buildings	1,425,984	1,563,659
Engineered structures:		
Roadway system	22,302,472	14,528,212
Bridge system	5,373,890	5,818,229
Water distribution system	3,360,129	3,442,763
Wastewater treatment system	404,140	411,945
Machinery and equipment	1,420,318	1,503,526
Vehicles	360,051	329,599
	\$ 35,241,682	\$ 28,189,751

9. INVENTORY FOR CONSUMPTION

	2009	2008
Gravel	\$ 1,068,792	\$ 1,614,694
Public Works	110,615	169,779
Agricultural Service Board	23,515	17,696
	\$ 1,202,922	\$ 1,802,169

CLEAR HILLS COUNTY
Notes to Consolidated Financial Statements
Year Ended December 31, 2009

10. ACCUMULATED SURPLUS

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

	2009	2008
Unrestricted surplus (deficit)	\$ 1,115,170	\$ 1,115,170
Restricted surplus		
Operating reserves	6,056,476	2,515,685
Capital reserves	15,290,988	19,093,005
Equity in tangible capital assets	35,241,682	28,189,751
	\$ 57,704,316	\$ 50,913,611

11. SALARY AND BENEFITS DISCLOSURE

Disclosure of salaries and benefits for municipal officials, the chief administrative officer and designated officers as required by Alberta Regulation 313/2000 is as follows:

	2009		2008	
	Salary (1)	Benefits & allowances (2,3)		
Councillor - Division 1 (Former Reeve)	\$ 33,451	\$ 193	\$ 33,644	\$ 50,794
Councillor - Division 1 (New)	1,553	-	1,553	-
Councillor - Division 2	37,628	-	37,628	36,824
Councillor - Division 3 (Reeve)	41,230	3,153	44,383	36,936
Councillor - Division 4	35,820	2,980	38,800	44,086
Councillor - Division 5	37,715	2,980	40,695	34,874
Councillor - Division 6	36,000	2,799	38,799	35,907
Councillor - Division 7	36,046	3,216	39,262	30,171
Former CAO (2009 - 7.5 months)	114,152	15,268	129,420	130,104
Current CAO (2009 - 4.5 months)	34,406	7,674	42,080	-
	\$ 408,001	\$ 38,263	\$ 446,264	\$ 399,696

1. Salary includes regular base pay, bonuses, overtime, lump sum payments, gross honoraria and any other direct cash remuneration.
2. 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.
3. Benefits and allowances figures also include the employer's share of the costs of additional taxable benefits, if applicable. This amount does not include reimbursement for mileage and travel expenses.

CLEAR HILLS COUNTY
Notes to Consolidated Financial Statements
Year Ended December 31, 2009

12. LOCAL AUTHORITIES PENSION PLAN

Employees of the municipality 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 189,000 people and 411 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 municipality is required to make current service contributions to the LAPP of 8.46% of pensionable earnings up to the year's maximum pensionable earnings under the Canada Pension Plan and 11.66% on pensionable earnings above this amount. Employees of the municipality are required to make current service contributions of 7.46% of pensionable salary up to the year's maximum pensionable salary and 10.66% on pensionable salary above this amount.

Total current service contributions by the municipality to the LAPP in 2009, including contributions made on behalf of the employees were \$165,421 (2008 - \$159,925).

At December 31, 2008, the LAPP disclosed an actuarial deficiency of \$4,413.9 million.

13. COMMITMENTS

The municipality is committed to make an annual payment of \$113,179 for the next 5 years to Mackenzie Municipal Services Agency as the County's planning consultant.

The municipality is committed to make annual payments of \$495,000 for the next 10 years to Worsley Gravel Supply Ltd. for a total of 600,000 tonnes of gravel and a 15 year lease of the pile site.

The municipality is committed to make an annual payment of \$125,000 for the next 2 years to the Fairview Seed Cleaning Co-op as a capital grant.

The municipality is committed to make an annual requisition payment of \$295,000 to North Peace Housing on an ongoing basis.

The municipality is committed to make monthly payments of \$8,900 for the next 48 months to Alliance Assessment for contracted assessment services.

14. Contingent liability

The municipality 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 municipality 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
Notes to Consolidated Financial Statements
Year Ended December 31, 2009

15. FINANCIAL INSTRUMENTS

The municipality's financial instruments consist of cash and temporary investments, accounts receivable, investments, accounts payable and accrued liabilities. It is management's opinion that the municipality is not exposed to significant interest or currency risks arising from these financial instruments.

The municipality 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 municipality 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.

16. PRIOR PERIOD ADJUSTMENTS

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

	2009
Adjustments to opening accumulated surplus	
As previously reported	\$ 34,262,671
Adjustment to net book value of tangible capital assets	16,650,940
As restated	\$ 50,913,611
Adjustments to excess of revenues over expenses	
As previously reported	\$ 6,720,453
Tangible capital assets recorded but previously expensed	1,744,036
Proceeds on sale of tangible capital assets previously recorded as income	(22,569)
Loss on disposal of capital assets added to expenses	(233,109)
Annual amortization expense	(1,561,619)
As restated	\$ 6,647,192
Adjustments to tangible capital assets:	
As previously reported	\$ 11,538,811
Adjustment to historical cost of tangible capital assets	54,798,338
Accumulated amortization recorded	(38,147,398)
As restated	\$ 28,189,751

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

CLEAR HILLS COUNTY
Notes to Consolidated Financial Statements
Year Ended December 31, 2009

17. BUDGET FIGURES

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

18. APPROVAL OF FINANCIAL STATEMENTS

Council and Management have approved these financial statements.