



Wilde and Company
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INDEPENDENT AUDITOR'S REPORT

To the Reeve and Council of Clear Hills County

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Clear Hills County, which comprise the statement of financial position as at December 31, 2010, and the statements of operations, change in net financial assets 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 consolidated 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.

Auditor's Responsibility

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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 Clear Hills County as at December 31, 2010, the results of its operations, change in its net financial assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Vegreville, AB
March 29, 2011

Wilde & Company
Chartered Accountants

CLEAR HILLS COUNTY
Consolidated Statement of Financial Position
As at December 31, 2010

	2010 \$	2009 \$
ASSETS		
Financial Assets		
Cash and temporary investments (Note 3)	14,330,600	11,965,066
Receivables		
Taxes and grants in place of taxes receivable (Note 4)	301,637	303,105
Due from governments	639,974	652,563
Trade and other receivables	488,934	301,755
Land held for resale	1,012,859	903,259
Investments (Note 5)	15,633,279	12,989,512
	32,407,283	27,115,260
LIABILITIES		
Accounts payable and accrued liabilities	2,222,821	5,320,861
Accrued employee obligations (Note 6)	186,555	150,010
Deferred revenue (Note 7)	180,450	-
Provision for landfill closure and post-closure costs (Note 8)	461,275	406,695
	3,051,101	5,877,566
NET FINANCIAL ASSETS	29,356,182	21,237,694
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 10)	34,583,335	35,241,682
Inventory for consumption (Note 11)	1,955,310	1,202,920
Prepaid expenses	41,235	22,021
	36,579,880	36,466,623
ACCUMULATED SURPLUS (Note 12)	65,936,062	57,704,317
Contingent liability (Note 16)		

CLEAR HILLS COUNTY
Consolidated Statement of Operations
Year Ended December 31, 2010

	Budget \$ (Unaudited)	2010 \$	2009 \$
Revenues			
Net municipal taxes (Schedule 3)	14,362,537	14,352,262	15,822,526
User fees and sales of goods	246,128	328,478	331,772
Government transfers for operating (Schedule 4)	505,903	773,690	652,101
Investment income	12,000	510,896	725,371
Penalties and costs on taxes	50,000	79,950	71,006
Licenses and permits	-	1,399	1,980
Rental	13,500	22,815	21,763
Well drilling taxes	25,000	161,489	27,667
Other	52,275	125,897	260,951
Total revenue	15,267,343	16,356,876	17,915,137
Expenses			
Legislative	588,172	408,214	512,437
Administration	1,142,702	987,921	1,048,784
Emergency services	415,544	369,413	361,564
Roads, streets, walks, lighting	8,484,992	6,605,549	10,526,177
Water supply and distribution	402,273	411,717	419,611
Wastewater treatment and disposal	85,218	20,013	32,503
Waste management	355,244	318,318	358,701
Public health and welfare	121,950	116,756	98,050
Agriculture and community service	861,285	773,417	720,031
Subdivision land and development	595,432	499,941	294,199
Recreation and culture	424,750	467,816	355,494
Total expenses	13,477,562	10,979,075	14,727,551
Excess of revenue over expenses before Government transfers	1,789,781	5,377,801	3,187,586
Government transfers for capital (Schedule 4)	815,340	2,823,869	3,603,119
Other capital contributions	-	30,076	-
Excess of revenues over expenses	2,605,121	8,231,746	6,790,705
Accumulated surplus - beginning of the year	57,704,316	57,704,316	50,913,611
Accumulated surplus - end of the year	60,309,437	65,936,062	57,704,316

CLEAR HILLS COUNTY
Consolidated Statement of Change in Net Financial Assets
Year Ended December 31, 2010

	Budget \$ (Unaudited)	2010 \$	2009 \$
Excess of revenue over expenses	2,605,121	8,231,746	6,790,705
Acquisition of tangible capital assets	(8,077,000)	(1,381,787)	(8,713,154)
Proceeds on disposal of tangible capital assets		84,309	72,831
Amortization of tangible capital assets	-	1,909,782	1,584,489
(Gain) loss on sale of tangible capital assets	-	46,043	3,904
	(5,471,879)	8,890,093	(261,225)
Net use (acquisition) of supplies inventories	-	(752,390)	599,247
Net use (acquisition) of prepaid assets	-	(19,214)	(18,227)
(Increase) decrease in net assets	-	(771,604)	581,020
Net financial assets, beginning of year	21,237,693	21,237,693	20,917,898
Net financial assets, end of year	15,765,814	29,356,182	21,237,693

CLEAR HILLS COUNTY
Consolidated Statement of Cash Flows
Year Ended December 31, 2010

	2010 \$	2009 \$
Operating		
Excess of revenue over expenses	8,231,746	6,790,705
Net changes in non-cash items included in excess of revenues over expenses		
Amortization of tangible capital assets	1,909,782	1,584,489
Loss on disposal of tangible capital assets	46,043	3,904
Tangible capital assets received as contributions		
Net changes in non-cash charges to operation		
Decrease (increase) in taxes and grants in lieu receivable	1,468	(15,455)
Decrease (increase) in government receivables	12,589	(469,441)
Decrease (increase) in trade and other receivables	(187,179)	164,962
Decrease (increase) in land held for resale	(109,600)	(160,881)
Decrease (increase) in inventories	(752,391)	599,246
Decrease (increase) in prepaid expenses	(19,214)	(18,227)
Increase (decrease) in accounts payable and accrued liabilities	(3,098,040)	2,266,119
Increase (decrease) in employee benefit obligations	36,545	3,636
Increase (decrease) in deferred revenue	180,450	-
Increase (decrease) in provision for landfill closure/post-closure	54,580	44,077
	(1,924,967)	4,002,429
<i>Net cash provided by operating transactions</i>	6,306,779	10,793,134
Capital		
Acquisition of tangible capital assets	(1,381,787)	(8,713,154)
Proceeds on sale of tangible capital assets	84,309	72,831
<i>Net cash applied to capital transactions</i>	(1,297,478)	(8,640,323)
Investing		
Decrease (increase) in restricted cash or cash equivalents	(180,450)	-
Decrease (increase) in investments	(2,643,767)	1,217,903
<i>Net cash provided by investing transactions</i>	(2,824,217)	1,217,903
Change in cash and cash equivalents during the year	2,185,084	3,370,714
Cash and cash equivalents, beginning of year	11,965,066	8,594,352
Cash and cash equivalents, end of year	14,150,150	11,965,066
Cash and cash equivalents is made up of:		
Cash and temporary investments (Note 3)	14,330,600	11,965,066
Less: restricted portion of cash and temporary investments (Note 3)	(180,450)	-
	14,150,150	11,965,066

See accompanying notes

CLEAR HILLS COUNTY
Schedule of Changes in Accumulated Surplus
Year Ended December 31, 2010
Schedule 1

	Unrestricted Surplus	Restricted operating	Restricted Capital	Equity in Capital Assets	2010 \$	2009 \$
Balance, beginning of year	1,115,170	6,056,476	15,290,988	35,241,682	57,704,316	50,913,611
Excess of revenues over expenses	8,231,746	-	-	-	8,231,746	6,790,705
Unrestricted funds designated for future use	(9,149,804)	2,079,004	7,070,800	-	-	-
Restricted funds used for Tangible Capital Assets	-	-	(259,711)	259,711	-	-
Current year funds used for Tangible Capital Assets	(1,122,076)	-	-	1,122,076	-	-
Donated and contributed Tangible Capital Assets	-	-	-	-	-	-
Disposals of Tangible Capital Assets	130,352	-	-	(130,352)	-	-
Annual amortization expense	1,909,782	-	-	(1,909,782)	-	-
Balance, end of year	1,115,170	8,135,480	22,102,077	34,583,335	65,936,062	57,704,316

CLEAR HILLS COUNTY
Schedule of Tangible Capital Assets
Year Ended December 31, 2010
Schedule 2

	Land	Buildings	Engineered Structures	Machinery and Equipment	Vehicles	2010 \$	2009 \$
Cost							
Balance, beginning of year	594,698	2,550,841	68,604,586	2,185,296	899,698	74,835,119	66,337,149
Acquisition of tangible capital assets	-	-	947,811	151,087	47,739	1,146,637	8,713,154
Construction in progress	-	205,074	30,076	-	-	235,150	-
Disposal of tangible capital assets	-	-	(9,917)	(106,712)	(92,451)	(209,080)	(215,184)
Balance, end of year	594,698	2,755,915	69,572,556	2,229,671	854,986	76,007,826	74,835,119
Accumulated amortization							
Balance, beginning of year	-	1,124,857	37,163,954	764,978	539,648	39,593,437	38,147,398
Annual amortization	-	94,133	1,615,867	132,204	67,578	1,909,782	1,584,489
Accumulated amortization on disposals	-	-	-	(16,723)	(62,005)	(78,728)	(138,450)
Balance, end of year	-	1,218,990	38,779,821	880,459	545,221	41,424,491	39,593,437
Net book value of tangible capital assets	594,698	1,536,925	30,792,735	1,349,212	309,765	34,583,335	35,241,682
2009 Net book value of tangible capital assets	594,698	1,425,984	31,440,632	1,420,318	360,050		35,241,682

CLEAR HILLS COUNTY
Schedule of Property and Other Taxes
Year Ended December 31, 2010
Schedule 3

	Budget	2010	2009
	\$	\$	\$
	(Unaudited)		
Taxation			
Real property taxes	17,600,084	6,309,367	6,331,009
Linear property	-	11,258,393	12,747,970
Government grants in place of property taxes	-	10,449	10,714
	17,600,084	17,578,209	19,089,693
Requisitions			
Alberta School Foundation Fund	2,942,590	2,937,190	2,972,138
North Peace Housing Foundation	294,957	288,757	295,029
	3,237,547	3,225,947	3,267,167
Net Municipal Taxes	14,362,537	14,352,262	15,822,526

CLEAR HILLS COUNTY
Schedule of Government Transfers
Year Ended December 31, 2010
Schedule 4

	Budget \$ (Unaudited)	2010 \$	2009 \$
Transfers for Operating			
Provincial Government	505,903	773,690	652,101
	505,903	773,690	652,101
Transfers for Capital			
Provincial Government	815,340	2,823,869	3,603,119
	815,340	2,823,869	3,603,119
Total Government Transfers	1,321,243	3,597,559	4,255,220

CLEAR HILLS COUNTY
Schedule of Consolidated Expenses by Object
Year Ended December 31, 2010
Schedule 5

	Budget	2010	2009
	\$	\$	\$
	(Unaudited)		
Consolidated Expenses by Object			
Salaries, wages and benefits	2,440,551	2,060,944	2,202,392
Contracted and general services	5,966,685	4,353,287	8,889,553
Materials, goods, supplies and utilities	1,958,570	1,407,233	1,159,050
Transfers to local boards and agencies	1,232,596	1,200,735	885,446
Bank charges and short term interest	2,000	1,051	2,717
Amortization of tangible capital assets	1,892,160	1,909,782	1,584,489
Loss (gain) on disposal of tangible capital assets	-	46,043	3,904
	13,492,562	10,979,075	14,727,551

CLEAR HILLS COUNTY
Schedule of Segmented Disclosure
Year Ended December 31, 2010
Schedule 6

	General Government	Protective Services	Transportation Services	Environmental Services	Public Health	Planning & Development	Recreation & Culture	Other	Total \$
Revenue									
Net municipal taxes	-	-	-	-	-	-	-	14,352,262	14,352,262
Government transfers	1,647,811	(1,334)	1,566,959	-	78,227	158,243	-	147,653	3,597,559
User fees and sales of goods	6,408	32,582	4,654	224,309	-	61,924	-	79,950	409,827
Investment income	22,691	7,099	245,206	118,894	463	22,549	9,941	84,053	510,896
Other revenues	10,081	-	9,870	-	-	16,815	94,550	208,961	340,277
	1,686,991	38,347	1,826,689	343,203	78,690	259,531	104,491	14,872,879	19,210,821
Expenses									
Salaries, wages and benefits	891,682	61,636	484,936	230,520	-	392,170	-	-	2,060,944
Contracted and general services	469,960	129,861	3,178,793	247,794	701	322,959	4,943	-	4,355,011
Materials, goods, supplies and utilities	23,254	45,827	1,218,013	60,697	-	59,442	-	-	1,407,233
Transfers to local boards and agencies	-	44,910	-	92,406	116,055	484,491	462,873	-	1,200,735
Other expenses	(10,980)	-	47,240	9,864	-	108	-	-	46,232
	1,373,916	282,234	4,928,982	641,281	116,756	1,259,170	467,816	-	9,070,155
Net revenue before amortization	313,075	(243,887)	(3,102,293)	(298,078)	(38,066)	(999,639)	(363,325)	14,872,879	10,140,666
Amortization of tangible capital assets	22,220	87,179	1,676,566	108,767	-	14,188	-	-	1,908,920
Net revenue	290,855	(331,066)	(4,778,859)	(406,845)	(38,066)	(1,013,827)	(363,325)	14,872,879	8,231,746

Wilde & Company
Chartered Accountants

CLEAR HILLS COUNTY

Notes to Consolidated Financial Statements

Year Ended December 31, 2010

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, 2010

1. Significant accounting policies *(continued)*

Cash and cash equivalents

Cash includes cash and cash equivalents. Cash equivalents are investments in treasury bills and are valued at cost plus accrued interest. The carrying amounts approximate fair value because they have maturities at the date of purchase of less than ninety days.

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.

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CLEAR HILLS COUNTY

Notes to Consolidated Financial Statements

Year Ended December 31, 2010

1. Significant accounting policies *(continued)*

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.

(continues)

CLEAR HILLS COUNTY
Notes to Consolidated Financial Statements
Year Ended December 31, 2010

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 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. 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, 2010

2. Recent accounting pronouncements published but not yet adopted

The following accounting standards have been issued by the Canadian Institute of Chartered Accountants (CICA) but are not yet effective. The municipality is currently evaluating the effect of adopting these standards on their financial statements.

Section PS 3410 - Government Transfers

This section establishes standards on how to account for and report government transfers to individuals, organizations and other governments from both a transferring government and a recipient government perspective. This section is effective for fiscal periods beginning on or after April 1, 2012.

Section PS 3510 – Tax Revenue

This new standard establishes recognition, measurement, presentation and disclosure standards relating to tax revenue reported in financial statements. This section is effective for fiscal periods beginning on or after April 1, 2012.

Section PS 3260 – Liability for Contaminated Sites

This new section establishes recognition, measurement, and disclosure standards for liabilities relating to contaminated sites of governments and those organizations applying the CICA Public Sector Accounting Handbook. This section is effective for fiscal periods beginning on or after April 1, 2014.

3. Cash and temporary investments

	2010	2009
Cash	\$ 348,513	\$ 832,184
Temporary investments	13,982,087	11,132,879
	\$ 14,330,600	\$ 11,965,063

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

Council has designated funds of \$3,773,352 (2009 - \$1,083,672) included in the above amounts for capital projects.

Included in temporary investments is a restricted amount of \$180,450 (2009 – nil) received from area businesses and held exclusively for capital projects (Note 7).

CLEAR HILLS COUNTY**Notes to Consolidated Financial Statements****Year Ended December 31, 2010****4. Taxes and grants in place of taxes receivable**

	2010	2009
Current taxes and grants in place of taxes	\$ 198,307	\$ 248,025
Arrears taxes	103,330	100,701
	301,637	348,726
Less: allowance for doubtful accounts	-	(45,621)
	\$ 301,637	\$ 303,105

5. Investments

	2010		2009	
	Cost	Market value	Cost	Market Value
Alberta Municipal Financing Corporation shares	\$ 100	\$ 100	\$ 100	\$ 100
Government and government guaranteed bonds	15,633,179	15,743,292	12,989,412	12,989,412
	\$ 15,633,279	\$ 15,743,392	\$ 12,989,512	\$ 12,989,512

Government and government guaranteed bonds have effective interest rates of 3.75% to 6% (2009 – 4% to 6%) with maturity dates from June 1, 2011, to June 1, 2019.

Council has designated funds of \$15,633,179 (2009 - \$12,989,412) included in the above amounts for capital projects.

6. Employee benefit obligations

	2010	2009
Vacation and sick time	\$ 186,555	\$ 150,010

The vacation and overtime liability is comprised of the vacation and overtime that employees are deferring to future years. Employees have either earned the benefits (and are vested) or are entitled to these benefits within the next budgetary year.

7. Deferred revenue

	2010	2009
Prepaid road construction costs	\$ 180,450	\$ -

Prepaid road construction costs are restricted to the eligible capital project as approved. Unexpended funds related to the funding advances are supported by restricted cash or cash and investments (see Note 3).

CLEAR HILLS COUNTY

Notes to Consolidated Financial Statements

Year Ended December 31, 2010

8. 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 1 to 46 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.

	2010	2009
Estimated closure and post-closure costs	\$ 461,275	\$ 406,695

9. Debt limits

Section 276(2) of the Municipal Government Act requires that debt and debt limits as defined by Alberta Regulation 255/2000 for the municipality be disclosed as follows:

	2010	2009
Total debt limit	\$ 24,535,314	\$ 26,872,706
Debt servicing limit	\$ 4,089,219	\$ 4,478,784

The debt limit is calculated at 1.5 times revenue of the municipality (as defined in Alberta Regulation 255/2000) 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 Consolidated Financial Statements****Year Ended December 31, 2010****10. Equity in tangible capital assets**

	2010	2009
Tangible capital assets (Schedule 2)	\$ 76,007,826	\$ 74,835,119
Accumulated amortization (Schedule 2)	(41,424,491)	(39,593,437)
	\$ 34,583,335	\$ 35,241,682

11. Inventory for consumption

	2010	2009
Gravel	\$ 1,853,308	\$ 1,068,792
Public Works	87,111	110,615
Agriculture Service Board	14,891	23,515
	\$ 1,955,310	\$ 1,202,922

12. Accumulated surplus

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

	2010	2009
Unrestricted surplus	\$ 1,115,170	\$ 1,115,170
Restricted surplus		
Operating reserves	8,135,480	6,056,476
Capital reserves	22,102,077	15,290,988
Equity in tangible capital assets	34,583,335	35,241,682
	\$ 65,936,062	\$ 57,704,316

CLEAR HILLS COUNTY
Notes to Consolidated Financial Statements
Year Ended December 31, 2010

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:

	2010			2009
	Salary	(1) Benefits & allowances (2)	Total	Total
Councillor - Division 1 (Former Reeve)	\$ -	\$ -	\$ -	\$ 33,644
Councillor - Division 1 (Reeve)	27,157	3,235	30,392	1,553
Councillor - Division 2	24,926	104	25,030	37,628
Councillor - Division 2 (New)	2,712	-	2,712	-
Councillor - Division 3 (Former Reeve)	27,659	2,633	30,292	44,383
Councillor - Division 3 (New)	3,081	-	3,081	-
Councillor - Division 4	29,001	3,235	32,236	38,800
Councillor - Division 5 (Former Deputy Reeve)	31,421	3,235	34,656	40,695
Councillor - Division 6	21,117	2,561	23,678	38,799
Councillor - Division 6 (New)	3,081	539	3,620	-
Councillor - Division 7 (Deputy Reeve)	25,742	3,235	28,977	39,262
Former CAO (2009 - 7.5 months)	-	-	-	129,420
Current CAO (2009 - 4.5 months)	148,675	32,197	180,872	42,080
	\$ 344,572	\$ 50,974	\$ 395,546	\$ 446,264

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, accidental disability and dismemberment insurance, long and short term disability plans, professional memberships and tuition.
3. Benefits and allowances figures also include the employer's share of the costs of additional taxable benefits including special leave with pay, financial and retirement planning services, concessionary loans, travel allowances, car allowances and club memberships.

CLEAR HILLS COUNTY
Notes to Consolidated Financial Statements
Year Ended December 31, 2010

14. 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 200,000 people and 400 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 9.06% of pensionable earnings up to the year's maximum pensionable earnings under the Canada Pension Plan and 12.53% on pensionable earnings above this amount. Employees of the municipality are required to make current service contributions of 8.06% of pensionable salary up to the year's maximum pensionable salary and 11.53% on pensionable salary above this amount.

Total current service contributions by the municipality to the LAPP in 2010, including contributions made on behalf of the employees were \$198,694 (2009 - \$165,421). Total current service contributions by employees to the LAPP in 2010 were \$4,263 (2009 - Nil).

At December 31, 2009, the LAPP disclosed an actuarial deficiency of \$4,570.3 million.

15. Commitments

The municipality is committed to make an annual payment of \$123,365 for the next 4 years to Mackenzie Municipal Services Agency as the County's planning consultant.

The municipality is committed to make annual payments of \$495,000 until 2019 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 in 2011 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 36 months to Alliance Assessment for contracted assessment services.

The municipality is committed to upgrading the Worsley Water treatment plant. Cost to complete the project is estimated at \$4,800,000. The project will be 1/3 funded by the County, 1/3 by provincial grants and 1/3 by federal grants.

The municipality is committed to completing Secondary Highway 717. Cost to complete the project is estimated at \$12,500,000. These costs will be paid as incurred until estimated completion date of 2015.

CLEAR HILLS COUNTY

Notes to Consolidated Financial Statements

Year Ended December 31, 2010

16. 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.

17. 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.

18. Approval of financial statements

Council and Management have approved these financial statements.

19. Budget amounts

Budget amounts are included for information purposes only and are not audited. It should be noted that the budget is not PSAB compliant in that it does not include an estimate for amortization.

20. Comparative figures

Some of the comparative figures have been reclassified to conform to the current year's presentation.