



Wilde and Company

Chartered Accountants

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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, 2011, 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, 2011, 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 27, 2012

Wilde + Company

Chartered Accountants

CLEAR HILLS COUNTY
Consolidated Statement of Financial Position
As at December 31, 2011

	2011	2010
	\$	\$
ASSETS		
Financial Assets		
Cash and temporary investments (Note 3)	14,055,997	14,330,600
Receivables		
Taxes and grants in place of taxes receivable (Note 4)	337,280	301,637
Due from governments	2,426,597	639,974
Trade and other receivables	218,641	488,934
Land held for resale	982,609	1,012,859
Investments (Note 5)	21,292,268	15,633,279
	39,313,392	32,407,283
LIABILITIES		
Accounts payable and accrued liabilities	1,851,582	1,259,108
Accrued employee obligations (Note 6)	186,922	186,555
Deferred revenue (Note 7)	186,369	180,450
Provision for landfill closure and post-closure costs (Note 8)	470,796	461,275
Long term debt (Note 9)	2,427,574	963,713
	5,123,243	3,051,101
NET FINANCIAL ASSETS	34,190,149	29,356,182
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 11)	34,334,776	34,583,335
Inventory for consumption (Note 12)	4,424,039	1,955,310
Prepaid expenses	23,743	41,235
	38,782,558	36,579,880
ACCUMULATED SURPLUS (Note 13)	72,972,707	65,936,062

Commitments and Contingencies - See Notes 16 and 17

CLEAR HILLS COUNTY
Consolidated Statement of Operations
Year Ended December 31, 2011

	Budget \$ (Unaudited)	2011 \$	2010 \$
Revenues			
Net municipal taxes (Schedule 3)	14,378,112	14,373,803	14,352,262
User fees and sales of goods	288,500	319,730	328,478
Government transfers for operating (Schedule 4)	511,719	603,531	773,690
Investment income	180,000	926,945	510,896
Penalties and costs on taxes	72,000	68,927	79,950
Licenses and permits	10,000	8,556	1,399
Rental	16,000	12,873	22,815
Well drilling taxes	50,000	206,422	161,489
Other	30,000	84,978	125,897
Total revenue	15,536,331	16,605,765	16,356,876
Expenses			
Legislative	504,708	442,699	408,214
Administration	1,174,314	1,116,981	987,921
Emergency services	440,589	399,214	369,413
Roads, streets, walks, lighting	7,415,906	7,909,682	6,605,549
Water supply and distribution	445,593	368,935	411,717
Wastewater treatment and disposal	39,606	30,107	20,013
Waste management	315,334	239,283	318,318
Public health and welfare	112,575	108,014	116,756
Agriculture and community service	940,266	818,579	773,417
Subdivision land and development	508,078	318,662	499,941
Recreation and culture	427,580	461,199	467,816
Total expenses	12,324,549	12,213,355	10,979,075
Excess of revenue over expenses before Government transfers	3,211,782	4,392,410	5,377,801
Government transfers for capital (Schedule 4)	19,033	2,462,680	2,823,869
Other capital contributions	-	181,555	30,076
Excess of revenues over expenses	3,230,815	7,036,645	8,231,746
Accumulated surplus - beginning of the year	65,936,062	65,936,062	57,704,316
Accumulated surplus - end of the year	69,166,877	72,972,707	65,936,062

CLEAR HILLS COUNTY
Consolidated Statement of Change in Net Financial Assets
Year Ended December 31, 2011

	Budget \$ (Unaudited)	2011 \$	2010 \$
Excess of revenue over expenses	3,230,815	7,036,645	8,231,746
Acquisition of tangible capital assets	(8,451,500)	(1,829,992)	(1,381,787)
Proceeds on disposal of tangible capital assets		91,590	84,309
Amortization of tangible capital assets	1,896,146	1,931,245	1,909,782
Loss on sale of tangible capital assets	-	55,716	46,043
	(3,324,539)	7,285,204	8,890,093
Net acquisition of supplies inventories	-	(2,468,729)	(752,390)
Net use (acquisition) of prepaid assets	-	17,492	(19,214)
Increase in net assets	-	(2,451,237)	(771,604)
Net financial assets, beginning of year	29,356,182	29,356,182	21,237,693
Net financial assets, end of year	26,031,643	34,190,149	29,356,182

CLEAR HILLS COUNTY
Consolidated Statement of Cash Flows
Year Ended December 31, 2011

	2011 \$	2010 \$
Operating		
Excess of revenue over expenses	7,036,645	8,231,746
Net changes in non-cash items included in excess of revenues over expenses		
Amortization of tangible capital assets	1,931,245	1,909,782
Loss (gain) on disposal of tangible capital assets	55,716	46,043
Tangible capital assets received as contributions		
Net changes in non-cash charges to operation		
Decrease (increase) in taxes and grants in lieu receivable	(35,643)	1,468
Decrease (increase) in government receivables	(1,786,623)	12,589
Decrease (increase) in trade and other receivables	270,293	(187,179)
Decrease (increase) in land held for resale	30,250	(109,600)
Decrease (increase) in inventories	(2,468,729)	(752,391)
Decrease (increase) in prepaid expenses	17,492	(19,214)
Increase (decrease) in accounts payable and accrued liabilities	592,474	(4,061,753)
Increase (decrease) in employee benefit obligations	367	36,545
Increase (decrease) in deferred revenue	5,919	180,450
Increase (decrease) in provision for landfill closure/post-closure	9,521	54,580
	(1,377,718)	(2,888,680)
<i>Net cash provided by operating transactions</i>	5,658,927	5,343,066
Capital		
Acquisition of tangible capital assets	(1,829,992)	(1,381,787)
Proceeds on sale of tangible capital assets	91,590	84,309
<i>Net cash applied to capital transactions</i>	(1,738,402)	(1,297,478)
Investing		
Decrease (increase) in restricted cash or cash equivalents	(5,919)	(180,450)
Decrease (increase) in investments	(5,658,989)	(2,643,767)
<i>Net cash provided by investing transactions</i>	(5,664,908)	(2,824,217)
Financing		
Long term debt issued	1,463,861	963,713
<i>Net cash provided by financing transactions</i>	1,463,861	963,713
Change in cash and cash equivalents during the year	(280,522)	2,185,084
Cash and cash equivalents, beginning of year	14,150,150	11,965,066
Cash and cash equivalents, end of year	13,869,628	14,150,150
Cash and cash equivalents is made up of:		
Cash and temporary investments (Note 3)	14,055,997	14,330,600
Less: restricted portion of cash and temporary investments (Note 3)	(186,369)	(180,450)
	13,869,628	14,150,150

See accompanying notes

CLEAR HILLS COUNTY
Schedule of Changes in Accumulated Surplus
Year Ended December 31, 2011
Schedule 1

	Unrestricted Surplus	Restricted Operating	Restricted Capital	Equity in Capital Assets	2011 \$	2010 \$
Balance, beginning of year	1,115,170	8,135,480	22,102,077	34,583,335	65,936,062	57,704,316
Excess of revenues over expenses	7,036,645	-	-	-	7,036,645	8,231,746
Unrestricted funds designated for future use	(7,642,787)	(2,843,590)	10,486,377	-	-	-
Restricted funds used for Tangible Capital Assets	-	-	(357,583)	357,583	-	-
Current year funds used for Tangible Capital Assets	(1,472,409)	-	-	1,472,409	-	-
Donated and contributed Tangible Capital Assets	-	-	-	-	-	-
Disposals of Tangible Capital Assets	147,306	-	-	(147,306)	-	-
Annual amortization expense	1,931,245	-	-	(1,931,245)	-	-
Balance, end of year	1,115,170	5,291,890	32,230,871	34,334,776	72,972,707	65,936,062

CLEAR HILLS COUNTY
Schedule of Tangible Capital Assets
Year Ended December 31, 2011
Schedule 2

Cost	Land	Buildings	Engineered Structures	Machinery and Equipment	Vehicles	2011	2010
						\$	\$
Balance, beginning of year	594,698	2,755,915	69,572,556	2,229,671	854,986	76,007,826	74,835,119
Acquisition of tangible capital assets	9,134	-	701,568	303,947	30,688	1,045,337	1,146,637
Construction in progress	-	296,984	487,671	-	-	784,655	235,150
Disposal of tangible capital assets	-	-	-	(240,343)	(53,981)	(294,324)	(209,080)
Balance, end of year	603,832	3,052,899	70,761,795	2,293,275	831,693	77,543,494	76,007,826
Accumulated amortization							
Balance, beginning of year	-	1,218,990	38,779,821	880,459	545,221	41,424,491	39,593,437
Annual amortization	-	93,857	1,639,017	134,496	63,875	1,931,245	1,909,782
Accumulated amortization on disposals	-	-	-	(93,037)	(53,981)	(147,018)	(78,728)
Balance, end of year	-	1,312,847	40,418,838	921,918	555,115	43,208,718	41,424,491
Net book value of tangible capital assets	603,832	1,740,052	30,342,957	1,371,357	276,578	34,334,776	34,583,335
2010 Net book value of tangible capital assets	594,698	1,536,925	30,792,735	1,349,212	309,765		34,583,335

CLEAR HILLS COUNTY
Schedule of Property and Other Taxes
Year Ended December 31, 2011
Schedule 3

	Budget	2011	2010
	\$	\$	\$
	(Unaudited)		
Taxation			
Real property taxes	17,615,659	6,236,179	6,309,367
Linear property	-	11,330,597	11,258,393
Government grants in place of property taxes	-	8,715	10,449
	17,615,659	17,575,491	17,578,209
Requisitions			
Alberta School Foundation Fund	2,942,590	2,921,239	2,937,190
North Peace Housing Foundation	294,957	280,449	288,757
	3,237,547	3,201,688	3,225,947
Net Municipal Taxes	14,378,112	14,373,803	14,352,262

CLEAR HILLS COUNTY
Schedule of Government Transfers
Year Ended December 31, 2011
Schedule 4

	Budget	2011	2010
	\$	\$	\$
	(Unaudited)		
Transfers for Operating			
Provincial Government	511,719	603,531	773,690
	511,719	603,531	773,690
Transfers for Capital			
Provincial Government	19,033	2,462,680	2,823,869
	19,033	2,462,680	2,823,869
Total Government Transfers	530,752	3,066,211	3,597,559

CLEAR HILLS COUNTY
Schedule of Consolidated Expenses by Object
Year Ended December 31, 2011
Schedule 5

	Budget \$ (Unaudited)	2011 \$	2010 \$
Consolidated Expenses by Object			
Salaries, wages and benefits	2,273,932	1,983,319	2,060,944
Contracted and general services	5,258,960	5,621,756	4,353,287
Materials, goods, supplies and utilities	1,594,646	1,494,203	1,407,233
Transfers to local boards and agencies	1,298,865	1,123,326	1,200,735
Bank charges and short term interest	2,000	3,788	1,051
Amortization of tangible capital assets	1,896,146	1,931,247	1,909,782
Loss on disposal of tangible capital assets	-	55,716	46,043
	12,324,549	12,213,355	10,979,075

CLEAR HILLS COUNTY
Schedule of Segmented Disclosure
Year Ended December 31, 2011
Schedule 6

	General Government	Protective Services	Transportation Services	Environmental Services	Public Health	Planning & Development	Recreation & Culture	Other	Total \$
Revenue									
Net municipal taxes	-	-	-	-	-	-	-	14,373,803	14,373,803
Government transfers	201,163	-	2,068,094	394,587	78,227	324,140	-	-	3,066,211
User fees and sales of goods	1,255	22,949	6,482	247,710	-	97,340	-	68,927	444,663
Investment income	3,065	9,566	531,492	188,778	645	78,003	13,847	101,548	926,944
Other revenues	(11,976)	10,747	194,287	-	-	30,983	-	218,627	442,668
	193,507	43,262	2,800,355	831,075	78,872	530,466	13,847	14,762,905	19,254,289
Expenses									
Salaries, wages and benefits	863,075	73,171	474,420	205,450	-	367,203	-	-	1,983,319
Contracted and general services	648,294	140,063	4,323,786	210,690	612	294,880	3,432	-	5,621,757
Materials, goods, supplies and utilities	20,307	32,431	1,353,798	60,730	-	26,937	-	-	1,494,203
Transfers to local boards and agencies	500	66,370	-	52,987	107,400	438,302	457,767	-	1,123,326
Other expenses	3,702	-	60,090	-	-	-	-	-	63,792
	1,535,878	312,035	6,212,094	529,857	108,012	1,127,322	461,199	-	10,286,397
Net revenue before amortization	(1,342,371)	(268,773)	(3,411,739)	301,218	(29,140)	(596,856)	(447,352)	14,762,905	8,967,892
Amortization of tangible capital assets	23,824	87,179	1,697,450	108,606	-	14,188	-	-	1,931,247
Net revenue	(1,366,195)	(355,952)	(5,109,189)	192,612	(29,140)	(611,044)	(447,352)	14,762,905	7,036,645

CLEAR HILLS COUNTY
Notes to Consolidated Financial Statements
Year Ended December 31, 2011

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 corporation 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, 2011

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, 2011

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, 2011

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, 2011

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.

Section PS 3450 - Financial Instruments

This new section establishes standards for recognizing and measuring financial assets, financial liabilities and non-financial derivatives. In conjunction with this new section, section PS 1201 and section PS 2601 have been amended as a consequence of the introduction of new financial instruments standards. These amendments were required to present the associated gains and losses with financial instruments recognized under the new section. The new section and the related amendments are effective for fiscal periods beginning on or after April 1, 2015.

For government organizations, as defined in Section PS1300, the new section and related amendments are effective for fiscal periods beginning on or after April 1, 2012.

CLEAR HILLS COUNTY
Notes to Consolidated Financial Statements
Year Ended December 31, 2011

3. Cash and temporary investments	2011	2010
Cash	\$ 1,579,934	\$ 348,513
Temporary investments	12,476,063	13,982,087
	\$ 14,055,997	\$ 14,330,600

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

Council has designated funds of \$10,938,703 (2010 - \$6,468,898) included in the above amounts for capital projects.

Included in temporary investments is a restricted amount of \$186,369 (2010 - \$180,450) of which \$183,519 relates to a grant from the Federal Gas Tax Fund and the remainder is deposits for the trade show.

4. Taxes and grants in place of taxes receivable

	2011	2010
Current taxes and grants in place of taxes	\$ 191,553	\$ 198,307
Arrears taxes	145,727	103,330
	\$ 337,280	\$ 301,637

5. Investments

	2011		2010	
	Cost	Market value	Cost	Market Value
Alberta Municipal Financing Corporation shares	\$ 100	\$ 100	\$ 100	\$ 100
Government and government guaranteed bonds	21,292,168	21,924,986	15,633,179	15,743,292
	\$ 21,292,268	\$ 21,925,086	\$ 15,633,279	\$ 15,743,392

Government and government guaranteed bonds have effective interest rates of 3.05% to 5.14% (2010 - 3.75% to 6%) with maturity dates from September 4, 2012, to June 2, 2021.

Council has designated funds of \$21,292,168 (2010 - \$15,633,179) included in the above amounts for capital projects.

CLEAR HILLS COUNTY
Notes to Consolidated Financial Statements
Year Ended December 31, 2011

6. Employee benefit obligations

	2011	2010
Vacation and sick time	\$ 186,922	\$ 186,555

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

	2011	2010
Federal Gas Tax Fund grant	\$ 183,519	\$ -
Trade Show deposits	2,850	-
Prepaid road construction costs	-	180,450
	\$ 186,369	\$ 180,450

Federal Gas Tax Fund costs restricted to the eligible costs as approved. Unexpended funds related to the funding advances are supported by restricted cash or cash and investments (see Note 3).

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 45 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.

	2011	2010
Estimated closure and post-closure costs	\$ 470,796	\$ 461,275

CLEAR HILLS COUNTY
Notes to Consolidated Financial Statements
Year Ended December 31, 2011

9. Long term debt	2011	2010
Tax supported debentures	\$ 2,427,574	\$ 963,713

Principal repayment terms are approximately:

2012	\$ 495,000
2013	495,000
2014	495,000
2015	495,000
2016	447,574
	<u>\$ 2,427,574</u>

Debenture debt is an interest free loan repayable to Worseley Gravel Supply Ltd. that matures in 2019.

10. 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:

	2011	2010
Total debt limit	\$ 24,908,648	\$ 24,535,314
Total debt	2,427,574	963,713
Amount of debt limit unused	\$ 22,481,074	\$ 23,571,601
Debt servicing limit	\$ 4,151,441	\$ 4,089,219
Debt servicing	495,000	495,000
Amount of debt servicing limit unused	\$ 3,656,441	\$ 3,594,219

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.

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11. Equity in tangible capital assets

	2011	2010
Tangible capital assets (Schedule 2)	\$ 77,543,494	\$ 76,007,826
Accumulated amortization (Schedule 2)	(43,208,718)	(41,424,491)
	\$ 34,334,776	\$ 34,583,335

12. Inventory for consumption

	2011	2010
Gravel	\$ 4,305,113	\$ 1,853,308
Public Works	90,016	87,111
Agriculture Service Board	28,910	14,891
	\$ 4,424,039	\$ 1,955,310

13. Accumulated surplus

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

	2011	2010
Unrestricted surplus	\$ 1,115,170	\$ 1,115,170
Restricted surplus		
Operating reserves	5,291,890	8,135,480
Capital reserves	32,230,871	22,102,077
Equity in tangible capital assets	34,334,776	34,583,335
	\$ 72,972,707	\$ 65,936,062

CLEAR HILLS COUNTY
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14. 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:

	2011			2010
	Salary	(1) Benefits & allowances (2)	Total	Total
Councillor - Division 1 (Former Reeve)	\$ 33,306	\$ 3,324	\$ 36,630	\$ 30,392
Councillor - Division 2	26,744	3,864	30,608	27,742
Councillor - Division 3	24,757	3,864	28,621	33,373
Councillor - Division 4	31,050	3,324	34,374	32,236
Councillor - Division 5 (New Deputy Reeve)	24,540	3,324	27,864	34,656
Councillor - Division 6	25,916	3,324	29,240	27,298
Councillor - Division 7 (New Reeve & Former Deputy Reeve)	28,525	3,324	31,849	28,977
Chief Administrative Officer (CAO)	151,315	33,142	184,457	180,872
	\$ 346,153	\$ 57,490	\$ 403,643	\$ 395,546

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.

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15. 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 206,000 people and 421 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 9.49% of pensionable earnings up to the year's maximum pensionable earnings under the Canada Pension Plan and 13.13% on pensionable earnings above this amount. Employees of the municipality are required to make current service contributions of 8.49% of pensionable salary up to the year's maximum pensionable salary and 12.13% on pensionable salary above this amount.

Total current service contributions by the municipality to the LAPP in 2011, including contributions made on behalf of the employees were \$177,748 (2010 - \$198,694).

At December 31, 2010, the LAPP disclosed an actuarial deficiency of \$4.635 billion.

16. Commitments

The municipality is committed to make an annual payment of \$123,365 for the next 3 years to Mackenzie Municipal Services Agency as the County's planning consultant.

The municipality is committed to make an annual payment of \$125,000 in 2012 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 24 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.

The municipality is committed to providing a \$500,000 operating grant to the Village of Hines Creek in 2012.

The municipality is committed to building a regional waterline between Worsley and Cleardale. Approval from Alberta Transportation has been received for 90% provincial funding and 10% municipal funding. The project is estimated to cost \$7,800,000 in total with the municipality's share being \$780,000.

The municipality is committed to paving Cleardale streets at an estimated cost of \$800,000 in 2012.

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Notes to Consolidated Financial Statements
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17. 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.

18. 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.

19. Approval of financial statements

Council and Management have approved these financial statements.

20. Budget amounts

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

21. Comparative figures

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