

YELLOWHEAD COUNTY

EDSON, ALBERTA

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2009

Hawkings Epp Dumont LLP

Chartered Accountants

Mayfield Square I
10476 Mayfield Road
Edmonton, Alberta
T5P 4P4

Telephone: 780-489-9606
Toll Free: 1-877-489-9606
Fax: 780-484-9689
Email: hed@hed-edm.com

AUDITORS' REPORT

To the Mayor and Council Members of Yellowhead County
Edson, Alberta

We have audited the consolidated statement of financial position of Yellowhead County (the "County") as at December 31, 2009, and the consolidated statements of operations and cash flows for the year then ended. These financial statements are the responsibility of the County's administration. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the County's administration, as well as evaluating the overall financial statement presentation.

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

Edmonton, Alberta
March 18, 2010



HAWKINGS EPP DUMONT LLP
Chartered Accountants

Stony Plain Office
Suite 101, 5300 - 50 Street
Stony Plain, Alberta T7Z 1T8

Telephone: 780-963-2727
Fax: 780-963-1294
Email: email@hawkings.com



**MANAGEMENT'S RESPONSIBILITY
FOR FINANCIAL REPORTING**


To the Members of Council for Yellowhead County
Edson, Alberta

The management of Yellowhead County prepared these financial statements and the supporting documents that were used to prepare these financial statements and is responsible for their reliability, completeness and integrity. They conform in all material respects to the disclosed basis of accounting described in Note 2.

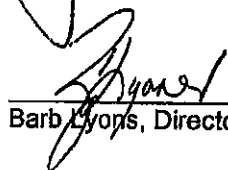
Management maintains the necessary accounting and internal control systems designed to ensure: the timely production of reliable and accurate financial information, the protection of assets (to a reasonable extent) against loss or unauthorized use, and the promotion of operational efficiency. The Mayor and Council oversee management's responsibilities for the financial reporting and internal control systems.

The external auditors, appointed by the Mayor and Council, conducted an audit on these financial statements in accordance with the accounting principles for local governments established by the Canadian Institute of Chartered Accountants. County management reviewed these financial statements with the auditors in detail before recommending their approval to the Mayor and Council.

Edson, Alberta
March 18, 2010



Jack Ramme, Chief Administrative Officer



Barb Lyons, Director of Corporate & Planning Services

YELLOWHEAD COUNTY
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2009

| FINANCIAL ASSETS | <u>2009</u> | <u>2008</u> (restated) (Note 20) |
|---|-----------------------|--|
| Cash and temporary investments (Note 2) | \$ 51,712,925 | \$ 44,580,955 |
| Receivables (Note 3) | 7,794,081 | 9,668,883 |
| Land held for resale | 389,120 | 41,641 |
| Long term investments (Note 4) | <u>46,858</u> | <u>45,397</u> |
| | <u>59,942,983</u> | <u>54,336,876</u> |
| | | |
| LIABILITIES | | |
| Accounts payable and accrued liabilities (Note 7) | 5,300,626 | 3,287,856 |
| Deposit liabilities | 331,290 | 580,304 |
| Deferred revenue (Note 8) | 333,844 | 2,720,036 |
| Employee benefit obligations (Note 9) | 331,079 | 323,774 |
| Long-term debt (Note 10) | <u>3,826,652</u> | <u>4,037,383</u> |
| | <u>10,123,492</u> | <u>10,949,353</u> |
| | | |
| NET FINANCIAL ASSETS | <u>49,819,491</u> | <u>43,387,523</u> |
| | | |
| NON-FINANCIAL ASSETS | | |
| Tangible Capital Assets (Schedule 1) | 146,155,602 | 152,146,364 |
| Inventory for consumption | 1,948,338 | 2,783,661 |
| Prepaid expenses (Note 5) | <u>242,746</u> | <u>334,030</u> |
| | <u>148,346,686</u> | <u>155,264,055</u> |
| | | |
| ACCUMULATED SURPLUS (Note 13) | \$ <u>198,166,177</u> | \$ <u>198,651,579</u> |

CONTINGENCIES (Note 16)

ON BEHALF OF THE COUNTY COUNCIL:

_____ Mayor

_____ Chief Administrative Officer

See accompanying notes to financial statements

YELLOWHEAD COUNTY
CONSOLIDATED STATEMENT OF FINANCIAL OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2009

| | <u>2009</u> Budget (Note 19) | <u>2009</u> Actual | <u>2008</u> (restated) (Note 20) |
|---|------------------------------------|-----------------------|--|
| REVENUE | | | |
| Net municipal taxes (Schedule 2) | \$ 40,304,322 | \$ 40,311,642 | \$ 45,104,343 |
| Government transfers for operating (Schedule 4) | 2,845,400 | 2,054,547 | 2,803,772 |
| Oil well drilling surcharge | 1,386,000 | 1,305,870 | 1,369,930 |
| Sales and user charges | 2,707,984 | 2,470,565 | 1,489,727 |
| Investment income | 900,690 | 402,442 | 1,847,595 |
| Other | 554,120 | 716,770 | 681,089 |
| Penalties and costs on taxes | <u>157,700</u> | <u>141,259</u> | <u>181,880</u> |
| Total Revenue | <u>48,856,216</u> | <u>47,403,096</u> | <u>53,478,335</u> |
| EXPENSES | | | |
| Public works | 10,325,091 | 42,092,048 | 69,942,627 |
| General administration and economic development | 4,967,342 | 5,131,204 | 4,290,183 |
| Protective services | 3,303,932 | 3,082,985 | 2,690,028 |
| Recreation, parks and libraries | 3,326,145 | 3,190,560 | 2,122,184 |
| Water and wastewater | 1,390,956 | 1,468,850 | 1,335,289 |
| Community services | 1,396,720 | 1,184,018 | 1,189,388 |
| Waste management | 968,342 | 1,065,076 | 993,054 |
| Planning and land | 984,115 | 543,649 | 802,636 |
| Legislative | <u>718,736</u> | <u>455,746</u> | <u>474,658</u> |
| Total Expenses | <u>27,381,379</u> | <u>58,214,135</u> | <u>83,840,046</u> |
| Excess (Deficiency) of Revenues Over Expenses Before Other | 21,474,837 | (10,811,040) | (30,361,711) |
| OTHER | | | |
| Government transfers related to capital (Schedule 4) | 11,278,895 | 10,379,386 | 15,023,914 |
| Gain(Loss) on disposal of assets | <u>-</u> | <u>(53,748)</u> | <u>-</u> |
| Excess of Revenues Over Expenses | 32,753,732 | (485,402) | (15,337,797) |
| ACCUMULATED SURPLUS BEGINNING OF YEAR AS PREVIOUSLY STATED | | 102,539,539 | 80,486,064 |
| Change in accounting policy (Note 20) | | <u>96,111,940</u> | <u>133,503,312</u> |
| ACCUMULATED SURPLUS BEGINNING OF YEAR AS RESTATED | <u>198,651,579</u> | <u>198,651,579</u> | <u>213,989,376</u> |
| ACCUMULATED SURPLUS END OF YEAR (Note 13) | \$ <u>231,405,311</u> | \$ <u>198,166,177</u> | \$ <u>198,651,579</u> |

See accompanying notes to financial statements

YELLOWHEAD COUNTY

CONSOLIDATED STATEMENT OF CHANGES IN NET FINANCIAL ASSETS

FOR THE YEAR ENDED DECEMBER 31, 2009

| | <u>2009</u> Budget (Note 19) | <u>2009</u> Actual | <u>2008</u> (restated) (Note 20) |
|---|------------------------------------|-----------------------|--|
| EXCESS (SHORTFALL) OF REVENUES OVER EXPENSES | \$ 32,753,732 | \$ (485,402) | \$ (15,337,797) |
| Acquisition of tangible capital assets | (41,540,872) | (28,921,998) | (34,131,436) |
| Proceeds on disposal of tangible capital assets | - | 30,479 | 33,624 |
| Gain (loss) on sale of tangible capital assets | - | 53,747 | - |
| Amortization of tangible capital assets | - | 34,828,535 | 61,613,217 |
| | <u>(41,540,872)</u> | <u>5,990,763</u> | <u>27,515,405</u> |
| Change in inventories for consumption | - | 835,324 | (79,298) |
| Change in prepaid expenses | - | 91,284 | (23,687) |
| | <u>-</u> | <u>926,608</u> | <u>(102,985)</u> |
| INCREASE (DECREASE) IN NET FINANCIAL ASSETS | (8,787,140) | 6,431,968 | 12,074,623 |
| NET FINANCIAL ASSETS, BEGINNING OF YEAR | <u>43,387,523</u> | <u>43,387,523</u> | <u>31,312,900</u> |
| NET FINANCIAL ASSETS, END OF YEAR | \$ <u>34,600,383</u> | \$ <u>49,819,491</u> | \$ <u>43,387,523</u> |

See accompanying notes to financial statements

YELLOWHEAD COUNTY
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2009

| | <u>2009</u> | <u>2008</u> (restated) (Note 20) |
|--|----------------------|--|
| NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES: | | |
| OPERATING | | |
| Excess (shortfall) of revenues over expenses | \$ (485,402) | \$ (15,337,797) |
| Non-cash charges included in excess (shortfall) of revenues over expenses: | | |
| Amortization of tangible capital assets | 34,828,535 | 61,613,217 |
| Loss (net) on disposal of tangible capital assets | <u>53,748</u> | <u>-</u> |
| | 34,396,881 | 46,275,420 |
| Net changes in non-cash charges to operations : | | |
| Receivables | 1,874,802 | (6,899,685) |
| Land held for resale | (347,479) | - |
| Prepaid expenses | 91,284 | (23,687) |
| Accounts payable and accrued liabilities | 2,012,770 | (255,076) |
| Inventory for consumption | 835,323 | (79,298) |
| Deposit liabilities | (249,014) | 82,576 |
| Deferred revenue | (2,386,192) | (1,698,467) |
| Employee benefit obligations | <u>7,305</u> | <u>67,836</u> |
| Cash provided by operating transactions | <u>36,235,681</u> | <u>37,469,619</u> |
| CAPITAL | | |
| Acquisition of tangible capital assets | (28,921,999) | (34,052,138) |
| Proceeds on disposal of tangible capital assets | <u>30,479</u> | <u>33,624</u> |
| Cash applied to capital transactions | <u>(28,891,520)</u> | <u>(34,018,514)</u> |
| FINANCING | | |
| Long term debt issued | - | 950,000 |
| Long term debt repaid | <u>(210,731)</u> | <u>(204,674)</u> |
| Cash provided by (applied to) financing transactions | (210,731) | 745,326 |
| INVESTING | | |
| Decrease (increase) in investments | <u>(1,461)</u> | <u>(10,846)</u> |
| Cash provided by (applied to) investing transactions | <u>(1,461)</u> | <u>(10,846)</u> |
| CHANGE IN CASH DURING THE YEAR | 7,131,970 | 4,185,585 |
| CASH, BEGINNING OF YEAR | <u>44,580,955</u> | <u>40,395,368</u> |
| CASH, END OF YEAR | \$ <u>51,712,925</u> | \$ <u>44,580,955</u> |

See accompanying notes to financial statements

YELLOWHEAD COUNTY

SCHEDULE OF TANGIBLE CAPITAL ASSETS - SCHEDULE 1

FOR THE YEAR ENDED DECEMBER 31, 2009

| | Land | Land Improvements | Buildings | Engineered Structures | Machinery & Equipment | Vehicles | 2009 | 2008 |
|--|------------------|-------------------|-------------------|-----------------------|-----------------------|------------------|----------------------|----------------------|
| | | | | | | | | (restated) |
| | | | | | | | | (Note 20) |
| COST: | | | | | | | | |
| BALANCE, BEGINNING OF YEAR | \$ 7,116,115 | \$ 4,251,761 | \$ 12,092,210 | \$ 996,161,071 | \$ 5,390,231 | \$ 4,418,880 | \$ 1,029,430,268 | \$ 995,332,456 |
| Acquisition of tangible capital assets | 1,226,149 | 74,973 | 2,704,441 | 20,402,185 | 1,209,178 | 225,797 | 25,842,724 | 34,131,436 |
| Construction-in-progress | - | - | 29,563 | 3,049,712 | - | - | 3,079,275 | - |
| Disposal of tangible capital assets | - | - | - | - | (48,217) | (184,230) | (232,447) | (33,624) |
| BALANCE, END OF YEAR | 8,342,264 | 4,326,735 | 14,826,215 | 1,019,612,968 | 6,551,192 | 4,460,447 | 1,058,119,820 | 1,029,430,268 |

ACCUMULATED AMORTIZATION:

| | | | | | | | | |
|---------------------------------------|----------|------------------|------------------|--------------------|------------------|------------------|--------------------|--------------------|
| BALANCE, BEGINNING OF YEAR | - | 2,132,533 | 1,446,172 | 870,894,376 | 1,381,624 | 1,429,199 | 877,283,904 | 815,670,687 |
| Annual amortization | - | 167,529 | 278,532 | 33,693,934 | 476,315 | 212,225 | 34,828,535 | 61,613,217 |
| Accumulated amortization on disposals | - | - | - | - | (38,253) | (109,968) | (148,221) | - |
| BALANCE, END OF YEAR | - | 2,300,063 | 1,724,704 | 904,588,310 | 1,819,686 | 1,531,456 | 911,964,218 | 877,283,904 |

NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS

| | | | | | | | | |
|--|--------------|--------------|---------------|----------------|--------------|--------------|----------------|----------------|
| | \$ 8,342,264 | \$ 2,026,672 | \$ 13,101,511 | \$ 115,024,658 | \$ 4,731,507 | \$ 2,928,991 | \$ 146,155,602 | \$ 152,146,364 |
|--|--------------|--------------|---------------|----------------|--------------|--------------|----------------|----------------|

2008 NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS (restated)

| | | | | | | | |
|--|--------------|--------------|---------------|----------------|--------------|--------------|----------------|
| | \$ 7,116,115 | \$ 2,119,228 | \$ 10,646,038 | \$ 125,266,695 | \$ 4,008,607 | \$ 2,989,681 | \$ 152,146,364 |
|--|--------------|--------------|---------------|----------------|--------------|--------------|----------------|

See accompanying notes to financial statements

YELLOWHEAD COUNTY

SCHEDULE OF PROPERTY TAXES LEVIED - SCHEDULE 2

FOR THE YEAR ENDED DECEMBER 31, 2009

| | <u>2009</u> Budget (Note 19) | <u>2009</u> Actual | <u>2008</u> (restated) (Note 20) |
|---|------------------------------------|-----------------------------|--|
| TAXATION | | | |
| Linear | \$ 21,980,217 | \$ 22,018,727 | \$ 24,188,241 |
| Machinery and equipment | 12,494,122 | 12,491,903 | 14,431,965 |
| Residential/farmland | 2,745,797 | 2,735,164 | 2,946,921 |
| Non-residential | 3,319,502 | 3,290,483 | 3,752,103 |
| Wildwood debenture levy | - | - | 22,783 |
| Non-residential school levy | 14,977,632 | 14,962,828 | 14,982,906 |
| Residential school levy | 2,342,545 | 2,341,181 | 2,292,704 |
| Evergreens Foundation levy | <u>1,682,859</u> | <u>1,682,963</u> | <u>1,554,640</u> |
| | <u>59,542,674</u> | <u>59,523,249</u> | <u>64,172,263</u> |
| REQUISITIONS | | | |
| Alberta School Foundation Fund | 17,320,176 | 17,293,431 | 17,286,511 |
| Evergreens Foundation | <u>1,918,176</u> | <u>1,918,176</u> | <u>1,781,409</u> |
| | <u>19,238,352</u> | <u>19,211,607</u> | <u>19,067,920</u> |
| NET TAXES FOR MUNICIPAL PURPOSES | \$ <u>40,304,322</u> | \$ <u>40,311,642</u> | \$ <u>45,104,343</u> |

See accompanying notes to financial statements

YELLOWHEAD COUNTY
 SCHEDULE OF EXPENSES BY OBJECT - SCHEDULE 3
 FOR THE YEAR ENDED DECEMBER 31, 2009

| | <u>2009</u> Budget (Note 19) | <u>2009</u> Actual | <u>2008</u> (restated) (Note 20) |
|---|------------------------------------|-----------------------|--|
| EXPENSES | | | |
| Contracted and general services | \$ 11,127,305 | \$ 8,123,448 | \$ 9,217,637 |
| Salaries, wages and benefits | 6,686,021 | 5,957,678 | 5,603,933 |
| Materials, goods and utilities | 3,301,283 | 3,453,395 | 3,528,467 |
| Grants | 5,702,016 | 5,308,307 | 3,316,316 |
| Purchases from other governments | 369,000 | 363,333 | 358,125 |
| Interest on long-term debt | 178,004 | 176,955 | 135,568 |
| Other expenditures | 15,000 | - | 64,655 |
| Bank charges and short-term interest | 2,750 | 2,486 | 2,128 |
| Amortization of tangible capital assets | - | 34,828,535 | 61,613,217 |
| | <u>\$ 27,381,379</u> | <u>\$ 58,214,135</u> | <u>\$ 83,840,046</u> |

See accompanying notes to financial statements

YELLOWHEAD COUNTY
 SCHEDULE OF GOVERNMENT TRANSFERS - SCHEDULE 4
 FOR THE YEAR ENDED DECEMBER 31, 2009

| | <u>2009</u> Budget (Note 19) | <u>2009</u> Actual | <u>2008</u> (restated) (Note 20) |
|-----------------------------------|------------------------------------|-----------------------------|--|
| TRANSFERS FOR OPERATING | | | |
| Provincial Government | \$ 2,571,081 | \$ 1,739,010 | \$ 2,431,882 |
| Other Local Governments | <u>274,319</u> | <u>315,537</u> | <u>371,890</u> |
| | <u>2,845,400</u> | <u>2,054,547</u> | <u>2,803,772</u> |
| TRANSFERS FOR CAPITAL | | | |
| Federal Government | 550,333 | 657,543 | 985,141 |
| Provincial Government | <u>10,728,562</u> | <u>9,721,843</u> | <u>14,038,773</u> |
| | <u>11,278,895</u> | <u>10,379,386</u> | <u>15,023,914</u> |
| TOTAL GOVERNMENT TRANSFERS | \$ <u>14,124,295</u> | \$ <u>12,433,933</u> | \$ <u>17,827,686</u> |

See accompanying notes to financial statements

YELLOWHEAD COUNTY

SCHEDULE OF SEGMENT DISCLOSURE - SCHEDULE 5

FOR THE YEAR ENDED DECEMBER 31, 2009

| | Public Works | Administration and Legislation Services | Protective and Community Services | Water, Wastewater and Waste Services | Planning and Land Services | Consolidated |
|--|---------------|---|---|---|-------------------------------|---------------|
| Revenues | | | | | | |
| Taxation | \$ 31,179,477 | \$ 4,044,242 | \$ 5,087,923 | \$ - | \$ - | \$ 40,311,642 |
| Sales and user charges | 164,037 | 439,139 | 537,538 | 533,487 | 796,365 | 2,470,565 |
| Government transfers | 8,921,248 | 472,879 | 743,834 | 2,242,494 | 53,478 | 12,433,933 |
| Other | 1,764,707 | 630,691 | 117,194 | - | - | 2,512,592 |
| | 42,029,469 | 5,586,951 | 6,486,489 | 2,775,981 | 849,843 | 57,728,732 |
| Expenses | | | | | | |
| Goods and services | 6,848,341 | 1,889,004 | 1,600,389 | 1,235,797 | 3,309 | 11,576,840 |
| Salaries and benefits | 1,579,993 | 1,434,090 | 1,910,164 | 501,485 | 531,946 | 5,957,678 |
| Grants to groups/governments | 86,467 | 1,840,000 | 3,216,882 | 164,958 | - | 5,308,307 |
| Amortization | 33,487,636 | 421,371 | 326,096 | 593,432 | - | 34,828,535 |
| Other | 89,609 | 2,486 | 401,326 | 49,353 | - | 542,774 |
| | 42,092,046 | 5,586,951 | 7,454,857 | 2,545,025 | 535,255 | 58,214,135 |
| Excess (deficiency) of revenue over expense | \$ (62,577) | \$ (0) | \$ (968,369) | \$ 230,956 | \$ 314,587 | \$ (485,402) |

See accompanying notes to financial statements

YELLOWHEAD COUNTY

SCHEDULE OF SEGMENT DISCLOSURE - SCHEDULE 5 cont

FOR THE YEAR ENDED DECEMBER 31, 2008

(Restated)
(Note 20)

| | Public Works | Administration and Legislation Services | Protective and Community Services | Water, Wastewater and Waste Services | Planning and Land Services | Consolidated |
|--|-------------------|---|---|---|-------------------------------|-------------------|
| Revenues | | | | | | |
| Taxation | \$ 27,718,623 | \$ 2,975,821 | \$ 5,981,424 | \$ 7,149,765 | \$ 1,278,710 | \$ 45,104,343 |
| Sales and user charges | 191,473 | 78,661 | 464,914 | 589,788 | 164,891 | 1,489,727 |
| Government transfers | 12,125,783 | 693,181 | 1,022,492 | 3,722,376 | 263,854 | 17,827,686 |
| Other | 89,496 | 3,285,976 | 29,084 | 484,655 | 191,282 | 4,080,493 |
| | <u>40,125,375</u> | <u>7,033,639</u> | <u>7,497,914</u> | <u>11,946,584</u> | <u>1,898,737</u> | <u>68,502,249</u> |
| Expenses | | | | | | |
| Goods and services | \$ 7,870,497 | \$ 1,692,570 | \$ 1,951,917 | \$ 1,306,227 | \$ 287,112 | \$ 13,108,323 |
| Salaries and benefits | 1,401,852 | 1,442,277 | 1,821,055 | 423,225 | 515,524 | 5,603,933 |
| Grants to groups/governments | 70,850 | 1,185,100 | 1,945,615 | 114,751 | - | 3,316,316 |
| Amortization | 60,617,674 | 396,119 | 230,045 | 369,379 | - | 61,613,217 |
| Other | 91,493 | 65,389 | 39,056 | 2,319 | - | 198,257 |
| | <u>70,052,366</u> | <u>4,781,455</u> | <u>5,987,688</u> | <u>2,215,901</u> | <u>802,636</u> | <u>83,840,046</u> |
| Excess (deficiency) of revenue over expense | \$ (29,926,991) | \$ 2,252,184 | \$ 1,510,226 | \$ 9,730,683 | \$ 1,096,101 | \$ (15,337,797) |

See accompanying notes to financial statements

YELLOWHEAD COUNTY

NOTES TO FINANCIAL STATEMENT

DECEMBER 31, 2009

1. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements of Yellowhead County have been prepared by management in accordance with Canadian generally accepted accounting principles for local governments established by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants. The significant accounting policies are summarized as follows:

a) Reporting Entity

The County is a local government authority providing municipal services. The County is empowered by bylaws and policies as enacted by Council and is subject to the provisions of the Municipal Government Act.

The consolidated financial statements reflect the assets, liabilities, revenues and expenses, and surpluses/deficit of the entity.

The schedule of taxes levied also includes requisitions for education and housing external organizations that are not part of the reporting entity.

b) Basis of Accounting

The financial statements are prepared using the accrual basis of accounting. The accrual basis of accounting records revenue as it is earned and measurable. Expenses are recognized as they are incurred and measurable based upon receipt of goods or services and/or the creation of a legal obligation to pay.

c) Deferred Revenue

Government transfers, contributions and other amounts are received from third parties pursuant to legislation, regulation and agreement and may only be used in completion of certain programs, in the completion of specific work, or for the purchase of tangible capital assets. These funds and the earnings thereon are accounted for as deferred revenue until the related expenses are incurred, the services are performed or the tangible assets are acquired.

d) Investments

Investments are recorded at amortized cost. Investment premiums or discounts, if any, are amortized over the term of the respective instruments.

e) Pension

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

f) Government Transfers

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.

YELLOWHEAD COUNTY

NOTES TO FINANCIAL STATEMENT

DECEMBER 31, 2009

g) 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.

Where the actual levy exceeds the requisition the over-levy is accrued as a liability and the property tax revenue is reduced. Where the actual levy is less than the requisition amount the under levy is accrued as a receivable and property tax revenue is increased.

Requisition tax rates in the subsequent year are adjusted to reflect any over-levy or under-levy of the prior year.

h) Prepaid Local Improvement Charges

Construction and borrowing costs associated with local improvement projects are recovered through annual special assessments during the period of the related borrowings. These levies are collectable from property owners for work completed by the County.

Where a taxpayer has elected to prepay the outstanding local improvement charges, such amounts are recorded as deferred revenue. Deferred revenue is amortized to revenue by an amount equal to the debt repayment.

In the event that the prepaid local improvement charges are applied against the related borrowings the deferred revenue is amortized to revenue by an amount equal to the debt repayment.

i) Land Held for Resale

Inventories of land held for resale are 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. Related development costs incurred to provide infrastructure such as water and wastewater services and roads are recorded as tangible capital assets under the respective class.

j) Non-financial Assets

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the normal course of operations. The change in non-financial assets during the year, together with the excess of revenues over expenses, provides the consolidated Change in Net Financial Assets (Debt) for the year.

i. Tangible Capital Assets

Tangible capital assets are recorded at cost which includes all amounts that are directly attributable to acquisition, construction, development or betterment of the asset. The cost, less residual value, of the asset is amortized on a straight-line basis over the estimated useful life. One half of the annual amortization is charged in the year of acquisition and the year of disposal.

Assets under construction are not amortized until the asset is available for productive use.

YELLOWHEAD COUNTY
NOTES TO FINANCIAL STATEMENT

DECEMBER 31, 2009

(Non-financial Assets cont.)

ii. Estimated Useful Life

Tangible capital asset useful life is as follows:

| | Years |
|--------------------------|---------|
| Land Improvements | 15 - 25 |
| Buildings | 25 - 50 |
| Engineered Structures | |
| Road systems | 15 - 60 |
| Water/wastewater systems | 35 - 75 |
| Machinery & Equipment | 5 - 40 |
| Vehicles | 10 - 40 |

iii. Contributions of Tangible Capital Assets

Tangible capital assets received as contributions are recorded at fair market value at the date of the certificate of completion and are also recorded as revenue.

iv. Cultural and Historical Tangible Capital Assets

Works of art and historical buildings for display are not recorded as tangible capital assets but are disclosed.

v. Inventories

Inventories of materials and supplies for consumption are recorded at the lower of cost or net realizable value with cost determined by the average cost method. Inventories largely represent the stockpile of gravel maintained for County purposes.

k) 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, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the period. Where measurement uncertainty exists the financial statements have been prepared within reasonable limits of materiality. These estimates and assumptions are based on the County's best information and judgement and actual results could differ from these estimates.

2. CASH AND TEMPORARY INVESTMENTS

| | <u>2009</u> | <u>2008</u> (Restated) (Note 20) |
|-----------------------|----------------------|--|
| Cash | \$ 5,487,360 | \$ 12,572,138 |
| Temporary investments | 46,225,565 | 32,008,817 |
| | <u>\$ 51,712,925</u> | <u>\$ 44,580,955</u> |

Temporary investments include term deposits earning interest at rates from .30% to .45% maturing in 2010.

Included in the above are \$333,844 of funds which are externally restricted in use.

YELLOWHEAD COUNTY
NOTES TO FINANCIAL STATEMENT

DECEMBER 31, 2009

3. RECEIVABLES

| | <u>2009</u> | <u>2008</u> (Restated) (Note 20) |
|-------------------------------------|---------------------|--|
| Taxes and grants in lieu receivable | \$ 466,657 | \$ 678,770 |
| Allowance for uncollectible | <u>(20,898)</u> | <u>(61,323)</u> |
| | <u>445,759</u> | <u>617,447</u> |
| Trade and other receivables | | |
| Miscellaneous | 913,890 | 856,204 |
| Interest receivable | 862 | 64,599 |
| Utilities | <u>59,735</u> | <u>74,745</u> |
| | <u>974,488</u> | <u>995,548</u> |
| Allowance for uncollectible | <u>(16,672)</u> | <u>(19,372)</u> |
| | <u>957,815</u> | <u>976,175</u> |
| Government receivables | | |
| Goods and Services Tax rebate | 726,449 | 930,005 |
| Grants | <u>5,664,057</u> | <u>7,145,256</u> |
| | <u>6,390,506</u> | <u>8,075,261</u> |
| | <u>\$ 7,794,081</u> | <u>\$ 9,668,883</u> |

4. LONG TERM INVESTMENTS

| | <u>2009</u> | <u>2008</u> (Restated) (Note 20) |
|---|------------------|--|
| Edson Credit Union shares | \$ 44,014 | \$ 42,554 |
| Alberta Association of Municipal Districts and Counties equity | 2,763 | 2,763 |
| Alberta Capital Finance Authority shares | <u>80</u> | <u>80</u> |
| | <u>\$ 46,858</u> | <u>\$ 45,397</u> |

5. PREPAID EXPENSES

| | <u>2009</u> | <u>2008</u> (Restated) (Note 20) |
|-------------------|-------------------|--|
| Prepaid insurance | \$ 205,066 | \$ 173,834 |
| Prepaid deposits | <u>37,680</u> | <u>160,196</u> |
| | <u>\$ 242,746</u> | <u>\$ 334,030</u> |

YELLOWHEAD COUNTY
NOTES TO FINANCIAL STATEMENT

DECEMBER 31, 2009

6. CULTURAL ASSETS

Yellowhead County owns numerous pieces of artwork that were purchased in 2006 and are on display at the Edson Administration facility. The artworks are not recorded as tangible capital assets in the financial statement and are not amortized.

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

| | <u>2009</u> | <u>2008</u> (Restated) (Note 20) |
|---------------------------------|---------------------|--|
| Trade | \$ 3,688,653 | \$ 1,503,448 |
| Construction holdbacks | 1,604,362 | 1,776,070 |
| Accrued debenture debt interest | 7,611 | 8,338 |
| | <u>\$ 5,300,626</u> | <u>\$ 3,287,856</u> |

8. DEFERRED REVENUE

Deferred revenue consists of the following amount which has been restricted by third parties for a specified purpose. These amounts are recognized as revenue in the period in which the related expenses are incurred.

| | <u>2009</u> | <u>2008</u> (Restated) (Note 20) |
|---|-------------------|--|
| Provincial government conditional transfers | \$ <u>333,844</u> | \$ <u>2,720,036</u> |

9. EMPLOYEE BENEFIT OBLIGATIONS

| | <u>2009</u> | <u>2008</u> (Restated) (Note 20) |
|--------------------------|-------------------|--|
| Vacation pay outstanding | \$ <u>331,079</u> | \$ <u>323,774</u> |

YELLOWHEAD COUNTY

NOTES TO FINANCIAL STATEMENT

DECEMBER 31, 2009

10. LONG TERM DEBT

| | <u>2009</u> | <u>2008</u> (Restated) (Note 20) |
|---|-------------------------|--|
| Alberta Capital Finance Authority | | |
| 4.422% due 2031 - supported by general tax levy | \$ 845,707 | \$ 868,082 |
| 4.365% due 2026 - supported by general tax levy | 2,003,193 | 2,081,323 |
| 0% due 2010 - interest free loan under meFirst! | | |
| Program supported by general tax levy | 46,825 | 137,978 |
| 5.24% due 2033 - supported by special levy | <u>930,927</u> | <u>950,000</u> |
| | \$ <u>3,826,652</u> | \$ <u>4,037,383</u> |
| Issued to finance capital assets | <u>\$ 3,826,652</u> | <u>\$ 4,037,383</u> |

The fair value of the long term debt approximates the book value of long term debt.

Principal and interest repayments due in each of the next five years are as follows:

| | Principal | Interest | Total |
|------------|---------------------|---------------------|---------------------|
| 2010 | \$ 171,864 | \$ 172,221 | \$ 344,085 |
| 2011 | 130,750 | 166,510 | 297,260 |
| 2012 | 136,724 | 160,537 | 297,261 |
| 2013 | 142,971 | 154,290 | 297,261 |
| 2014 | 149,505 | 147,755 | 297,260 |
| Thereafter | <u>3,094,837</u> | <u>1,255,111</u> | <u>4,349,948</u> |
| | \$ <u>3,826,652</u> | \$ <u>2,056,424</u> | \$ <u>5,883,076</u> |

11. DEBT LIMITS

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

| | <u>2009</u> | <u>2008</u> (Restated) (Note 20) |
|---|----------------------|--|
| Total debt limit | \$ 71,104,644 | \$ 80,217,503 |
| Total debt | 3,826,652 | 4,037,383 |
| Unused debt limit | \$ <u>67,277,992</u> | \$ <u>76,180,120</u> |
| Percentage of debt limit used | 5.38% | 5.03% |
| Service on debt limit | \$ 11,850,774 | \$ 13,369,584 |
| Service on debt | 344,085 | 388,413 |
| Unused service on debt limit | \$ <u>11,506,689</u> | \$ <u>12,981,171</u> |
| Percentage of debt servicing limit used | 2.90% | 2.91% |

In addition the County is approved for a revolving demand loan of \$4,500,000, if needed for operating cash flow. The interest rate is set at prime and the loan has not been drawn upon. The loan is secured by the bank balance and the investments of the County.

YELLOWHEAD COUNTY
NOTES TO FINANCIAL STATEMENT
DECEMBER 31, 2009

12. EQUITY IN TANGIBLE CAPITAL ASSETS

| | <u>2009</u> | | <u>2008</u> (Restated) (Note 20) |
|---------------------------------------|-----------------------|----|--|
| Tangible capital assets (Schedule 1) | \$ 1,058,119,820 | \$ | 1,029,430,268 |
| Accumulated amortization (Schedule 1) | (911,964,218) | | (877,283,904) |
| Long term debt (Note 10) | (3,826,652) | | (4,037,383) |
| | <u>\$ 142,328,950</u> | \$ | <u>148,108,981</u> |

13. ACCUMULATED SURPLUS

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

| | <u>2009</u> | | <u>2008</u> (Restated) (Note 20) |
|-----------------------------------|-----------------------|----|--|
| Unrestricted surplus | \$ 5,077,973 | \$ | 5,977,055 |
| Restricted surplus: | | | |
| Tax rate stabilization | 7,083,059 | | 7,845,608 |
| Equipment replacement | 1,660,475 | | 1,566,966 |
| Infrastructure | 17,874,048 | | 21,461,699 |
| Water | 4,008,173 | | 4,244,499 |
| Sewer | 2,889,196 | | 4,755,583 |
| Capital deficit replacement | 13,413,145 | | 879,225 |
| Community services | 1,199,237 | | 1,878,691 |
| Land | 2,184,222 | | 1,484,573 |
| Human resources | 447,700 | | 448,700 |
| | <u>50,759,254</u> | | <u>44,565,543</u> |
| Equity in tangible capital assets | <u>142,328,950</u> | | <u>148,108,981</u> |
| | <u>\$ 198,166,177</u> | \$ | <u>198,651,579</u> |

YELLOWHEAD COUNTY

NOTES TO FINANCIAL STATEMENT

DECEMBER 31, 2009

14. SALARIES AND BENEFITS DISCLOSURE

Disclosure of salaries and benefits for municipal officials and the Chief Administrative Officer , as required by Alberta Regulation 313/2000, is as follows:

| | Honorarium | Benefits and Allowances | <u>2009</u> | <u>2008</u> |
|------------------------------|------------|-------------------------|-------------|-------------|
| Mayor | \$ 43,321 | 1,307 | \$ 44,628 | \$ 59,421 |
| Councilors: | | | | |
| Evansburg | 38,282 | 51 | 38,333 | 34,879 |
| Wildwood | 27,455 | 783 | 28,238 | 27,806 |
| Niton/Carrot Creek | 40,847 | 1,225 | 42,072 | 39,564 |
| Shining Bank/Peers | 36,573 | 1,084 | 37,657 | 39,249 |
| Wolf Creek/Pinedale | 15,864 | 459 | 16,323 | 32,535 |
| Edson | 31,159 | 51 | 31,210 | 27,141 |
| Edson West | 36,573 | 1,084 | 37,657 | 35,841 |
| Hinton/Cadomin/Robb | 42,556 | 1,282 | 43,838 | 36,833 |
| | | Benefits and Allowances | | |
| Chief Administrative Officer | Salary | | | |
| | \$ 187,205 | 23,300 | \$ 210,505 | \$ 194,447 |

Municipal official amounts include honorariums for meetings and benefits. Benefits include the employer's share of Canada Pension Plan benefits and life insurance.

The Chief Administrative Officer salary includes regular base pay, bonus and vacation pay. Benefits include the employer's share of all employee benefits including pension, coverage for health care, dental and vision, life insurance, auto allowance and professional memberships.

15. LOCAL AUTHORITIES PENSION PLAN

Employees of the County participate in the Local Authorities Pension Plan (LAPP) , a contributory defined benefit pension plan for employees of local authorities in Alberta. LAPP is financed by employer and employee contributions and investment earnings of the LAPP fund. LAPP serves approximately 160,000 people and 407 employers.

The County is required to make current service contributions to LAPP in the amount of 8.46% of pensionable earnings up to the Canada Pension Plan maximum pensionable earnings and 11.66% for the excess.

Total current and past service contributions made by the County to the LAPP in 2009 were \$383,935 (2008 - \$326,350). Total current and past service contributions made by the employees of the County to the LAPP in 2009 were \$343,152 (2008 - \$287,765).

At December 31, 2008 the LAPP disclosed an actuarial deficit of \$4.4 billion (2007, \$1.2 billion).

YELLOWHEAD COUNTY

NOTES TO FINANCIAL STATEMENT

DECEMBER 31, 2009

16. CONTINGENCIES

Insurance Agreement

The County is a member of the Alberta Municipal Insurance Exchange. Under the terms of membership the County could become liable for its proportionate share of any claim losses in excess of the funds held by the Exchange. Any liability incurred would be accounted for in the year the losses are determined.

Legal Claims

As at December 31, 2009 the County was involved in various legal disputes. These disputes include a Statement of Claim against the County based upon a claim of constructive dismissal. While it is not possible to estimate the outcome of these disputes it is believed that there will be no adverse effect on the financial position of the County.

17. FINANCIAL INSTRUMENTS

Yellowhead County's financial instruments consist of cash and temporary investments, receivables, accounts payable and accrued liabilities and long term debt. It is the opinion of management that the County is not exposed to significant interest, currency or credit risk arising from these financial instruments. Unless otherwise noted the fair value of these financial instruments approximates their carrying value.

18. APPROVAL OF FINANCIAL STATEMENTS

These financial statements were approved by Council and management.

19. BUDGET

Budget figures are provided for information purposes only and have not been audited.

YELLOWHEAD COUNTY

NOTES TO FINANCIAL STATEMENT

DECEMBER 31, 2009

20. CHANGE IN ACCOUNTING POLICY

Effective January 1, 2009 the County adopted *Public Sector Accounting Standard 3150 -Tangible Capital Assets* and commenced amortizing its tangible capital assets.

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

The effect on the financial statements has been to reduce 2008 excess of revenue over expenses by \$27,515,405 for the net effect of amortization expense and tangible capital assets previously expensed. The 2008 opening tangible capital assets, equity in tangible capital assets, and accumulated surplus increased by \$133,503,312.

21. SEGMENTED INFORMATION

The County provides a wide range of services to its residents. For each reported segment the revenue and expenses represent both amounts that are directly attributable to the segment and amounts that are allocated on a reasonable basis. The accounting policies used in these segments are consistent with those followed in the preparation of the consolidated financial statements as disclosed in Note 2. Additional information is included in the Schedule of Segment Disclosure (Schedule 5).