

**Wilde and Company**  
*Chartered Accountants*

P.O. BOX 70  
4902 - 50 STREET  
VEGREVILLE, AB T9C 1R1

TELEPHONE (780) 632-3673  
TOLL FREE 1-800-808-0998  
FAX (780) 632-6133  
E-MAIL office@wildeandco.com

## INDEPENDENT AUDITOR'S REPORT

To the Reeve and Council of County of Thorhild No. 7

We have audited the accompanying consolidated financial statements of County of Thorhild No. 7, which comprise the consolidated 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 County of Thorhild No. 7 as at December 31, 2010, and 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.

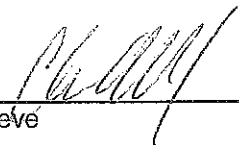
Vegreville, AB  
May 10, 2011


*Wilde & Company*  
Chartered Accountants

**COUNTY OF THORHILD NO. 7**  
**Consolidated Statement of Financial Position**  
**As at December 31, 2010**

	2010	2009
<b>Financial Assets</b>		
Cash and temporary investments (Note 3)	\$ 3,868,197	\$ 3,424,926
Receivables		
Taxes and grants in place of taxes receivable (Note 4)	342,093	248,800
Due from governments	5,256,047	2,461,291
Trade and other receivables	403,107	553,436
Gas utilities receivable	576,216	483,762
Land held for resale	446,648	450,469
Investment in Gas Alberta Inc. (Note 6)	55,314	55,314
Debt charges recoverable (Note 7)	844,308	885,390
	<b>11,791,930</b>	<b>8,563,388</b>
<b>Liabilities</b>		
Accounts payable and accrued liabilities	6,714,284	2,712,687
Deferred revenue (Note 8)	1,582,097	908,890
Employee benefit obligations (Note 9)	213,006	213,766
Long term debt (Note 10)	1,084,328	1,148,680
	<b>9,593,715</b>	<b>4,984,023</b>
<b>Net Financial Assets</b>	<b>2,198,215</b>	<b>3,579,365</b>
<b>Non-Financial Assets</b>		
Tangible capital assets (Schedule 2)	40,477,942	36,430,148
Inventory for consumption (Note 13)	658,964	492,658
Prepaid expenses	172,537	155,773
	<b>41,309,443</b>	<b>37,078,579</b>
<b>Accumulated Surplus (Note 15)</b>	<b>\$ 43,507,658</b>	<b>\$ 40,657,944</b>

*Contingencies (Note 19)*

  
 \_\_\_\_\_  
 Reeve

  
 \_\_\_\_\_  
 County Manager

**COUNTY OF THORHILD NO. 7**  
**Consolidated Statement of Operations**  
**Year Ended December 31, 2010**

	Budget (Unaudited)	2010	2009
<b>Revenue</b>			
Net municipal taxes (Schedule 3)	\$ 7,009,430	\$ 7,637,069	\$ 6,554,670
User fees and sales of goods	3,560,413	3,891,047	2,907,577
Government transfers for operating (Schedule 4)	1,254,676	6,461,215	2,479,241
Investment income	19,333	28,386	47,264
Penalties and costs on taxes	72,586	98,522	115,888
Rentals	88,000	49,675	67,232
Licenses, permits and fines	58,600	54,678	79,025
Gain on disposal of tangible capital assets	-	121,102	273
Other	125,133	572,975	610,170
	12,188,171	18,914,669	12,861,340
<b>Expenses</b>			
Administration and legislative	1,806,560	1,869,337	1,728,518
Protection services	455,484	6,549,318	925,233
Roads, streets, walks, lighting	3,351,929	3,818,080	4,004,769
Water supply and distribution	589,654	640,775	520,790
Wastewater treatment and disposal	249,431	233,544	189,167
Waste management	203,407	293,523	244,973
Family and community support	208,402	207,458	225,350
Land use planning, zoning and development	484,934	422,172	315,898
Economic and agricultural development	327,757	343,462	330,318
Parks and recreation	502,183	457,158	457,224
Gas	2,047,617	2,582,295	1,825,538
Other	-	372,745	738,070
	10,227,358	17,789,867	11,505,848
<b>Excess of revenue over expenses - before other</b>	1,960,813	1,124,802	1,355,492
<b>Other</b>			
Contributed assets	-	-	2,476,999
Government transfers for capital (Schedule 4)	3,789,962	1,658,984	2,312,890
Other capital contributions	-	65,928	69,600
<b>Excess of revenues over expenses</b>	5,750,775	2,849,714	6,214,981
<b>Accumulated surplus - beginning of the year</b>	40,657,944	40,657,944	34,430,610
Unrestricted surplus transferred from Village of Thorhild on dissolution	-	-	205,591
Restricted surplus transferred from Village of Thorhild on dissolution	-	-	131,592
Debt transferred from Village of Thorhild on dissolution	-	-	(324,830)
<b>Accumulated surplus - end of the year</b>	\$ 46,408,719	\$ 43,507,658	\$ 40,657,944

**COUNTY OF THORHILD NO. 7**  
**Consolidated Statement of Change in Net Financial Assets**  
**Year Ended December 31, 2010**

	Budget (Unaudited)	2010	2009
<b>Excess of revenues over expenses</b>	\$ 5,750,775	\$ 2,849,714	\$ 6,214,981
Acquisition of tangible capital assets	(8,310,578)	(3,987,261)	(1,897,509)
Construction in progress	-	(1,663,245)	(2,296,380)
Contributed tangible capital assets - Village of Thorhild dissolution	-	-	(2,476,999)
Restricted surplus transfer - Village of Thorhild dissolution	-	-	131,592
Unrestricted surplus transfer - Village of Thorhild dissolution	-	-	205,591
Debt transfer - Village of Thorhild dissolution	-	-	(324,830)
Proceeds on disposal of tangible capital assets	-	375,497	92,973
Amortization of tangible capital assets	-	1,348,318	1,264,946
(Gain) loss on sale of tangible capital assets	-	(121,102)	(273)
	(8,310,578)	(4,047,793)	(5,300,889)
Use (acquisition) of supplies inventories	-	(166,307)	123,670
Acquisition of prepaid assets	-	(16,764)	(14,310)
	-	(183,071)	109,360
<b>(Increase) decrease in net assets</b>	(2,559,803)	(1,381,150)	1,023,452
<b>Net Financial Assets, beginning of year</b>	3,579,365	3,579,365	2,555,913
<b>Net Financial Assets, end of year</b>	\$ 1,019,562	\$ 2,198,215	\$ 3,579,365

**COUNTY OF THORHILD NO. 7**  
**Consolidated Statement of Cash Flows**  
**Year Ended December 31, 2010**

	2010	2009
<b>Operating</b>		
Excess of revenue over expenses	\$ 2,849,714	\$ 6,214,981
Net changes in non-cash items included in excess of revenues over expenses		
Amortization of tangible capital assets	1,348,318	1,264,946
Contributed assets - Village of Thorhild tangible capital assets	-	(2,476,999)
Contributed assets - Village of Thorhild restricted funds	-	131,591
Contributed assets - Village of Thorhild unrestricted funds	-	205,591
Debt transfer - Village of Thorhild	-	(324,830)
(Gain) loss on disposal of tangible capital assets	(121,102)	(273)
Net changes in non-cash charges to operation		
Decrease (increase) in taxes and grants in lieu receivable	(93,293)	(88,555)
Decrease (increase) in government receivables	(2,794,756)	905,468
Decrease (increase) in trade and other receivables	150,329	(437,483)
Decrease (increase) in gas receivables	(92,454)	118,978
Decrease (increase) in land held for resale	3,821	(257,800)
Decrease (increase) in debt charges recoverable	41,082	39,132
Decrease (increase) in prepaid expenses	(16,764)	(14,310)
Decrease (increase) in inventory for consumption	(166,307)	123,670
Increase (decrease) in accounts payable and accrued liabilities	4,001,597	303,286
Increase (decrease) in deposit liabilities and deferred revenues	673,207	(2,355,346)
Increase (decrease) in employee benefit obligations	(760)	-
<i>Net cash provided by operating transactions</i>	<b>5,782,632</b>	<b>3,352,047</b>
<b>Capital</b>		
Acquisition of tangible capital assets	(5,650,506)	(4,193,889)
Proceeds from sale of tangible capital assets	375,497	92,973
<i>Net cash applied to capital transactions</i>	<b>(5,275,009)</b>	<b>(4,100,916)</b>
<b>Investing</b>		
Decrease (increase) in restricted cash or cash equivalents	(673,207)	2,355,347
Decrease (increase) in Gas Alberta Inc. investment	-	(22,634)
<i>Net cash provided by investing transactions</i>	<b>(673,207)</b>	<b>2,332,713</b>
<b>Financing</b>		
Long term debt acquired from Village of Thorhild	-	498,030
Long term debt repaid - operating	(41,082)	(212,332)
Long term debt repaid - capital	(23,270)	(61,540)
<i>Net cash used in financing transactions</i>	<b>(64,352)</b>	<b>224,158</b>
<b>Change in cash and cash equivalents during the year</b>	<b>(229,936)</b>	<b>1,808,002</b>
Cash and cash equivalents, beginning of year	2,516,036	708,034
<b>Cash and cash equivalents, end of year</b>	<b>2,286,100</b>	<b>2,516,036</b>
Cash and cash equivalents is made up of:		
Cash and temporary investments (Note 3)	3,868,197	3,424,926
Less: restricted portion of cash and temporary investments (Note 3)	(1,582,097)	(908,890)
	<b>\$ 2,286,100</b>	<b>\$ 2,516,036</b>

See accompanying notes

*Wilde & Company*  
Chartered Accountants

**COUNTY OF THORHILD NO. 7**  
**Schedule of Changes in Accumulated Surplus**  
**Year Ended December 31, 2010**  
**Schedule 1**

	2010		2009		
	Unrestricted Surplus	Restricted operating reserves	Restricted Capital reserves	Equity in Capital Assets	\$
<b>Balance, beginning of year</b>	970,019	2,102,388	1,418,679	36,166,858	34,430,610
Excess of revenues over expenses	2,849,714	-	-	-	6,214,981
Unrestricted funds designated for future use	(114,530)	14,854	99,676	-	-
Restricted funds used for operations	122,700	(87,700)	(85,000)	-	-
Restricted funds used for tangible capital assets	125,000	-	(125,000)	-	-
Current year funds used for tangible capital assets	(5,650,506)	-	-	5,650,506	-
Disposals of tangible capital assets	254,394	-	-	(254,394)	-
Annual amortization expense	1,348,298	-	-	(1,348,298)	-
Accumulated surplus transferred from Village of Thorhild	-	-	-	-	12,353
Tangible capital asset long term debt repaid	(23,270)	-	-	23,270	-
<b>Change in accumulated surplus</b>	<b>(1,088,200)</b>	<b>(72,846)</b>	<b>(60,324)</b>	<b>4,071,084</b>	<b>6,227,334</b>
<b>Balance, end of year</b>	<b>(118,181)</b>	<b>2,029,542</b>	<b>1,358,355</b>	<b>40,237,942</b>	<b>40,657,944</b>

**COUNTY OF THORHILD NO. 7**  
**Schedule of Tangible Capital Assets**  
**Year Ended December 31, 2010**  
**Schedule 2**

	Land	Land Improvements	Buildings	Engineered Structures	Machinery and Equipment	Vehicles	2010 \$	2009 \$
<b>Cost</b>								
Balance, beginning of year	2,892,715	504,001	3,349,927	126,614,151	6,612,437	2,331,332	142,304,563	133,179,167
Acquisition of Village of Thorhild tangible capital assets	-	-	-	-	-	-	-	5,136,698
Acquisition of tangible capital assets	-	-	450,522	2,336,457	654,888	545,394	3,987,261	1,897,509
Construction in progress	-	-	180,955	1,482,290	-	-	1,663,245	2,296,380
Disposal of tangible capital assets	(2,001)	-	-	-	(559,992)	(200,399)	(762,392)	(205,191)
Balance, end of year	2,890,714	504,001	3,981,404	130,432,898	6,707,333	2,676,327	147,192,677	142,304,563
<b>Accumulated amortization</b>								
Balance, beginning of year	-	293,099	1,392,715	100,122,419	2,891,469	1,174,713	105,874,415	102,062,261
Acquisition of Village of Thorhild tangible capital assets	-	-	-	-	-	-	-	2,659,699
Annual amortization	-	20,013	67,042	769,709	330,720	160,834	1,348,318	1,264,946
Accumulated amortization on disposals	-	-	-	-	(309,499)	(198,559)	(507,998)	(112,491)
Balance, end of year	-	313,112	1,459,757	100,892,128	2,912,750	1,136,988	106,714,735	105,874,415
<b>Net book value of tangible capital assets</b>	2,890,714	190,889	2,521,647	29,540,770	3,794,583	1,539,339	40,477,942	36,430,148
<b>2009 net book value of tangible capital assets</b>	2,892,715	210,902	1,957,212	26,491,732	3,720,968	1,156,619		36,430,148

**COUNTY OF THORHILD NO. 7**  
**Schedule of Property and Other Taxes**  
**Year Ended December 31, 2010**  
**Schedule 3**

	Budget (Unaudited)	2010	2009
<b>Taxation</b>			
Residential land and improvements	\$ 1,700,000	\$ 1,753,873	\$ 1,705,257
Farmland	930,000	1,027,864	930,764
Non-residential land, improvements, machinery & equip.	6,068,000	6,628,411	5,573,318
Special assessments and local improvement taxes	14,430	20,648	23,423
	8,712,430	9,430,796	8,232,762
<b>Requisitions</b>			
Alberta School Foundation Fund	1,400,000	1,445,613	1,375,092
Newthorad Seniors Housing Foundation	303,000	348,114	303,000
	1,703,000	1,793,727	1,678,092
<b>Net Municipal Taxes</b>	<b>\$ 7,009,430</b>	<b>\$ 7,637,069</b>	<b>\$ 6,554,670</b>

**COUNTY OF THORHILD NO. 7**  
**Schedule of Government Transfers**  
**Year Ended December 31, 2010**  
**Schedule 4**

	Budget (Unaudited)	2010	2009
<b>Transfers for operating</b>			
Provincial Government	\$ 1,254,676	\$ 6,461,215	\$ 2,479,241
<b>Transfers for Capital</b>			
Provincial Government	563,895	493,748	1,749,727
Federal Government	3,226,067	1,165,236	563,163
	3,789,962	1,658,984	2,312,890
<b>Total Government Transfers</b>	\$ 5,044,638	\$ 8,120,199	\$ 4,792,131

**COUNTY OF THORHILD NO. 7**  
**Schedule of Consolidated Expenses by Object**  
**Year Ended December 31, 2010**  
**Schedule 5**

	Budget (Unaudited)	2010	2009
<b>Consolidated Expenses by Object</b>			
Salaries, wages and benefits	\$ 3,678,917	\$ 3,592,167	\$ 3,255,794
Contracted and general services	2,608,008	8,932,251	3,015,354
Purchases from other governments	1,495,000	1,646,460	1,117,541
Materials, goods, supplies and utilities	2,337,550	1,792,858	2,251,057
Transfers to local boards and agencies	93,883	81,315	63,906
Bank charges and short term interest	9,000	8,351	4,769
Interest on long term debt	-	4,435	2,518
Amortization of tangible capital assets	-	1,348,318	1,264,946
Other transactions, discounts, adjustments	5,000	383,712	529,963
	\$ 10,227,358	\$ 17,789,867	\$ 11,505,848

COUNTY OF THORHILL NO. 7  
 Schedule of Segmented Disclosure (including interdepartmental transfers)  
 Year Ended December 31, 2010  
 Schedule 6

	General Government	Protective Services	Transportation Services	Environmental Services	Planning & Development	Economic & Agricultural Development	Recreation & Culture	Gas	Other	Total
Revenue	7,637,069	-	-	-	-	-	-	-	-	7,637,069
Net municipal taxes	436,074	4,939,118	1,827,220	276,090	-	157,015	217,612	121,720	145,350	8,120,199
Government transfers	-	163,576	83,392	636,873	25,953	3,432	78,079	2,833,599	66,143	3,891,047
User fees and sales of goods	28,386	-	-	-	-	-	-	-	-	28,386
Investment income	146,837	55,731	1,965,498	20,001	175,384	14,941	83,441	163,203	150,662	2,775,698
Other revenues	8,248,366	5,158,425	3,876,110	932,964	201,337	175,388	379,132	3,118,522	362,155	22,452,399
Expenses	-	180,719	1,298,603	365,347	156,146	182,494	175,072	288,308	945,478	3,592,167
Salaries, wages and benefits	-	6,194,698	813,249	342,554	259,636	56,187	104,274	187,220	974,433	8,982,251
Contracted and general services	-	111,982	1,016,465	307,732	3,051	49,933	73,269	1,944,774	120,651	3,627,857
Materials, goods, supplies and utilities	-	-	-	-	-	-	81,315	-	-	81,315
Transfers to local boards and agencies	4,435	-	-	-	-	-	872	-	7,479	12,786
Interest on long term debt	368,310	74,845	1,947,999	189,924	100,866	163,544	56,995	171,837	(1,066,329)	2,007,991
Other expenses	372,745	6,562,244	5,076,316	1,205,557	519,699	452,158	491,797	2,592,139	981,712	18,254,367
Net revenue before amortization	7,875,621	(1,403,819)	(1,200,206)	(272,593)	(316,362)	(276,770)	(112,665)	525,363	(619,557)	4,195,032
Amortization of tangible capital assets	-	61,919	878,302	140,510	3,399	54,848	22,356	160,345	26,699	1,348,318
Net revenue	7,875,621	(1,465,738)	(2,078,508)	(413,103)	(321,701)	(331,618)	(135,021)	366,038	(648,256)	2,849,714

**COUNTY OF THORHILD NO. 7**  
**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.

*(continues)*

**COUNTY OF THORHILD NO. 7**  
**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 guaranteed investment certificates and are valued at cost plus accrued interest.

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.

Debt charges recoverable

Debt charges recoverable consist of amounts that are recoverable from municipal agencies or other local governments with respect to outstanding debentures or other long term debt pursuant to annexation orders or joint capital undertakings. These recoveries are recorded at a value that equals the offsetting portion of the un-matured long term debt, less actuarial requirements for the retirement of any sinking fund debentures.

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.

*(continues)*

**COUNTY OF THORHILD NO. 7**  
**Notes to Consolidated Financial Statements**  
**Year Ended December 31, 2010**

---

1. Significant accounting policies (*continued*)

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 performed by the municipality.

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 on a straight line basis over the remaining term of the related borrowings.

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

Landfill closure and post-closure liability

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

Government transfers

Government transfers are the transfer of assets from senior levels of government that are not the result of an exchange transaction, are not expected to be repaid in the future, or the result of a direct financial return.

Government transfers are recognized in the financial statements as revenue in the period in which events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met, and reasonable estimates of the amounts can be determined.

(*continues*)

**COUNTY OF THORHILD NO. 7**  
**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:

	<b>YEARS</b>
Land improvements	10-45
Buildings	25-50
Engineered structures	
Water system	45-75
Wastewater system	45-75
Gas distribution system	35-75
Other engineered structures	5-65
Machinery and equipment	5-40
Vehicles	10-40

No amortization is charged in the year of acquisition and a full year is charged in the year of disposal. Assets under construction are not amortized until the asset is available for productive use.

b) Contributions of tangible capital assets

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

c) Leases

Leases are classified as capital or operating leases. Leases which transfer substantially all of the benefits and risks incidental to ownership of property are accounted for as capital leases. All other leases are accounted for as operating leases and the related lease payments are charged to expenses as incurred.

d) Inventories

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

**COUNTY OF THORHILD NO. 7**  
**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	\$ 3,781,332	\$ 1,030,273
Temporary investments	86,865	2,394,653
	<b>\$ 3,868,197</b>	<b>\$ 3,424,926</b>

Temporary investments are short term deposits with original maturities of one year.

Council has designated funds of \$1,358,355 (2009 - \$1,418,679) included in the above amounts for equipment replacement.

Included in temporary investments is a restricted amount of \$1,582,097 (2009 – \$908,890) received from various grant programs, Waste Management, and donees and held exclusively for projects (Note 8).

**COUNTY OF THORHILD NO. 7**  
**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	\$ 233,598	\$ 209,805
Arrears taxes	125,071	56,371
Subtotal	358,669	266,176
Less: allowance for doubtful accounts	(16,576)	(17,376)
	\$ 342,093	\$ 248,800

5. Due from Governments

Included in Due from Governments is a net receivable of \$582,116 (2009 - \$465,477) which represents the difference between funds received and funds expended on the regional water line projects. These assets will be transferred to the Highway 28/63 Regional Water Services Commission once it is formed by the province. The County is the managing partner, receiving all revenues and paying out all expenditures. As these projects are not County assets, related liabilities, funding and expenditures have not been reflected in the County's financial statements.

	Funding	Expenditures	Under (over) expended
Newbrook regional water line	\$ 5,038,476	\$ 5,167,427	\$ (128,951)
Waskatenau regional water line	3,617,558	4,261,612	(644,054)
Smoky Lake regional water line	898,200	707,311	190,889
	\$ 9,554,234	\$ 10,136,350	\$ (582,116)

6. Investment in Gas Alberta Inc.

	2010	2009
Class A common shares	\$ 309	\$ 309
Debenture receivable	55,000	55,000
Other	5	5
	\$ 55,314	\$ 55,314

The municipality has signed an agreement with Gas Alberta Inc. to exclusively buy natural gas from Gas Alberta Inc. To be involved with Gas Alberta Inc., the municipality was required to invest in shares and a debenture with Gas Alberta Inc. to provide them with initial operating capital. The debenture is non-interest bearing and is repayable in June 2013.

**COUNTY OF THORHILD NO. 7**  
**Notes to Consolidated Financial Statements**  
**Year Ended December 31, 2010**

7. Debt charges recoverable	2010	2009
Current debt charges recoverable	\$ 43,129	\$ 41,082
Non-current debt charges recoverable	801,179	844,308
	<u>\$ 844,308</u>	<u>\$ 885,390</u>

Principal and interest repayment terms are approximately:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 43,129	\$ 41,041	\$ 84,170
2012	45,278	38,892	84,170
2013	47,535	36,635	84,170
2014	49,904	34,266	84,170
2015	52,391	31,779	84,170
Thereafter	<u>606,071</u>	<u>151,462</u>	<u>757,533</u>
	<u>\$ 844,308</u>	<u>\$ 334,075</u>	<u>\$ 1,178,383</u>

In 2004, the municipality undertook a joint project to assist Newthorad Senior Housing with a senior citizen's lodge. The municipality assumed long term financing, however the full amount plus interest at 4.923% is recoverable from Newthorad Senior Housing. Amounts are recoverable in blended semi-annual instalments of \$42,085.

**COUNTY OF THORHILD NO. 7**  
**Notes to Consolidated Financial Statements**  
**Year Ended December 31, 2010**

8. Deferred revenue

	2010	2009
Canada-Alberta Infrastructure Stimulus Fund grant	\$ 12,667	\$ -
CEP - Municipal grant - Newbrook water reservoir	-	276,089
Donations - Christmas hampers	2,814	2,411
Donations - fire equipment	5,480	3,477
Gas infill deposits/crossing agreements	-	47,445
Lottery grant	-	92,199
Municipal Sustainability Initiative grant	1,319,579	191,778
Municipal Sponsorship grant	9,851	47,931
NC Partnership grant	17,784	17,784
Prepaid rent revenue	3,825	3,825
Prepaid water revenue	11,182	-
Radway Lagoon grant	18,130	18,130
Smoky Partnership Regional Water grant	-	10,000
Street Improvement grant	144,120	185,292
Waste Management of Canada	24,136	-
Water project grant	12,529	12,529
	<b>\$ 1,582,097</b>	<b>\$ 908,890</b>

Unexpended funding was received in the current year from various grant programs, Waste Management, and donees. The use of these funds is restricted to eligible capital and operating projects, as approved under the funding agreements and as specified by Waste Management and the donees. Unexpended funds related to the advances are supported by cash and temporary investments of \$1,582,097 held exclusively for these projects (Note 3).

9. Employee benefit obligations

	2010	2009
Vacation	\$ 143,072	\$ 149,719
Vested employee sick leave	69,934	64,047
	<b>\$ 213,006</b>	<b>\$ 213,766</b>

Vacation

The vacation liability is comprised of the vacation 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.

Vested employee sick leave

The employee sick leave liability is comprised of the sick leave that employees have either earned (and are vested) or are entitled to these benefits within the next budgetary year.

**COUNTY OF THORHILD NO. 7**  
**Notes to Consolidated Financial Statements**  
**Year Ended December 31, 2010**

10. Long term debt

	2010	2009
Debenture debt	\$ 1,084,328	\$ 1,148,680

Principal and interest repayment terms are approximately:

	Principal	Interest	Total
2011	\$ 67,708	\$ 54,542	\$ 122,250
2012	71,240	51,010	122,250
2013	74,957	47,293	122,250
2014	78,868	43,382	122,250
2015	82,985	39,265	122,250
Thereafter	708,570	163,204	871,774
	<u>\$ 1,084,328</u>	<u>\$ 398,696</u>	<u>\$ 1,483,024</u>

The current portion of the long term debt amounts to \$67,708 (2009 - \$64,352).

Debenture debt is repayable to the Alberta Capital Finance Authority and bears interest at rates from 4.923% to 5.625% per annum and matures in periods between 2018 and 2024. For qualifying debentures, the Province of Alberta rebates 60% of interest in excess of 8%, 9% and 11% to a maximum annual rate of 12.5%, depending on the date borrowed.

Debenture debt is issued on the credit and security of the County at large.

Interest on long term debt amounted to \$4,435 (2009 - \$2,518).

**COUNTY OF THORHILD NO. 7**  
**Notes to Consolidated Financial Statements**  
**Year Ended December 31, 2010**

11. 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	\$ 28,190,351	\$ 20,979,123
Debt - loan guarantee - Newthorad Seniors Housing Foundation (Note 7)	(844,308)	(885,390)
Debt - tangible capital assets - Village of Thorhild amalgamation	(240,020)	(263,290)
<b>Amount of debt limit unused</b>	<b>\$ 27,106,023</b>	<b>\$ 19,830,443</b>
Debt servicing limit	\$ 4,698,392	\$ 3,496,521
Debt servicing	(38,080)	(38,080)
<b>Amount of debt servicing limit unused</b>	<b>\$ 4,660,312</b>	<b>\$ 3,458,441</b>

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.

12. Credit facilities

a) Line of Credit

The municipality has negotiated a line of credit through Scotiabank in the amount of \$1,000,000 that bears interest at bank prime. This line of credit, which is secured by a borrowing bylaw and a security agreement, covers all revenue of the municipality.

b) Credit Card

The municipality has approved a combined credit card charge limit of \$30,000 through Scotiabank. The credit cards are assigned to various individuals throughout the municipality and have varying credit limits. Balances are paid in full each month by the due date and no interest charges were incurred during the year. This credit facility is secured by a security agreement providing a charge over all revenues of the municipality.

**COUNTY OF THORHILD NO. 7**  
**Notes to Consolidated Financial Statements**  
**Year Ended December 31, 2010**

13. Inventories

Inventories consist of the following:

	2010	2009
Gravel supplies	\$ 537,792	\$ 400,514
Gas system	88,307	58,005
Public Works and general municipal materials and supplies	32,865	34,140
	<b>\$ 658,964</b>	<b>\$ 492,659</b>

14. Equity in tangible capital assets

	2010	2009
Tangible capital assets (Schedule 2)	\$147,192,677	\$142,304,563
Accumulated amortization (Schedule 2)	106,714,735	105,874,415
Long term debt (Note 10)	(1,084,328)	(1,148,680)
Debt charges recoverable (Note 7)	844,308	885,390
	<b>\$ 40,237,922</b>	<b>\$ 36,166,858</b>

15. Accumulated surplus

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

	2010	2009
Unrestricted surplus (deficit)	\$ (118,181)	\$ 970,019
Restricted surplus		
Operating reserve	2,029,542	2,102,388
Capital reserve	1,358,355	1,418,679
Equity in tangible capital assets	40,237,942	36,166,858
	<b>\$ 43,507,658</b>	<b>\$ 40,657,944</b>

16. Segmented disclosure

The municipality provides a range of services to its ratepayers. For each reported segment, revenues 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 financial statements as disclosed in Note 1.

Refer to the Schedule of Segmented Disclosure (schedule 6).

**COUNTY OF THORHILD NO. 7**  
**Notes to Consolidated Financial Statements**  
**Year Ended December 31, 2010**

17. Salary 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:

	2010			2009
	Salary (1)	Benefits & allowances (2)	Total	Total
Charles Newell - Reeve	\$ 43,540	\$ 5,920	\$ 49,460	\$ 45,796
Henry Zolkewski - Reeve	-	-	-	34,425
Kevin Grumetza - Deputy Reeve	38,740	5,769	44,509	40,122
Wayne Croswell	33,940	7,597	41,537	41,301
Shelly Hanasyk	33,939	6,234	40,173	25,753
John Olson	5,781	1,025	6,786	-
Cori Kuzyk	28,283	7,823	36,106	42,407
County Manager (3)	101,137	19,944	121,081	118,025

*Note: The municipality has no designated officers.*

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.

**COUNTY OF THORHILD NO. 7**  
**Notes to Consolidated Financial Statements**  
**Year Ended December 31, 2010**

---

18. 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 were \$69,072 (2009 - \$59,126). Total current service contributions by the employees of the municipality to the Local Authorities Pension Plan in 2010 were \$62,425 (2009 - \$53,009).

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

19. Contingencies

The municipality is a member of a reciprocal insurance exchange (GENESIS) to cover its liability insurance needs. 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.

20. Financial Instruments

The municipality's financial instruments consist of cash and temporary investments, accounts receivable, investments, debt charges recoverable, accounts payable and accrued liabilities, deposit liabilities, requisition over-levy, and long term debt. 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.

21. 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.

**COUNTY OF THORHILD NO. 7**  
**Notes to Consolidated Financial Statements**  
**Year Ended December 31, 2010**

---

22. Comparative figures

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

23. Approval of financial statements

Council and Management have approved these financial statements.