

CLEARWATER COUNTY
Financial Statements
For the Year Ended December 31, 2017

INDEPENDENT AUDITORS' REPORT

To the Reeve and Council of Clearwater County

We have audited the statement of financial position of Clearwater County as at December 31, 2017 and the statements of operations and accumulated surplus, changes 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 Financial Statements

Management is responsible for the preparation and fair presentation of these 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 financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We have 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 financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, 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 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, these financial statements present fairly, in all material respects, the financial position of Clearwater County as at December 31, 2017 and the results of its operations, changes in its net financial assets, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

METRIX GROUP LLP

Chartered Professional Accountants

April 24, 2018
Edmonton, Alberta



**MANAGEMENT'S RESPONSIBILITY
FOR FINANCIAL REPORTING**


To the Reeve and Members of Council of Clearwater County

The integrity, relevance and comparability of the data in the accompanying financial statements are the responsibility of management.


The financial statements are the responsibility of management, prepared in accordance with Canadian public sector accounting standards. They necessarily include some amounts that are based on the best estimates and judgments of management.

To assist in its responsibility, management maintains accounting, budget and other controls to provide reasonable assurance that transactions are appropriately authorized, that assets are properly accounted for and safeguarded, and that financial records are reliable for preparation of financial statements.

Metrix Group LLP, Chartered Professional Accountants, have been appointed by County Council to express an opinion on the County's financial statements.



Rick Emmons, CLGM
Chief Administrative Officer



Murray Hagan, B.Comm, CPA, CA
Chief Financial Officer

CLEARWATER COUNTY
Statement of Financial Position
As at December 31, 2017

	<u>2017</u>	<u>2016</u>
FINANCIAL ASSETS		
Cash and cash equivalents (Note 2)	\$ 83,477,669	\$ 78,107,487
Accounts receivable (Note 3)	3,853,447	3,883,090
Land held for resale	2,219,134	2,278,818
Investments (Note 4)	<u>258,658</u>	<u>233,478</u>
	<u>89,808,908</u>	<u>84,502,873</u>
LIABILITIES		
Accounts payable and accrued liabilities (Note 5)	5,804,704	7,261,598
Deposit liabilities	9,200	29,970
Deferred revenue (Note 6)	5,384,049	6,021,692
Long-term debt (Note 7)	<u>2,926,515</u>	<u>3,254,994</u>
	<u>14,124,468</u>	<u>16,568,254</u>
NET FINANCIAL ASSETS	<u>75,684,440</u>	<u>67,934,619</u>
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 8)	346,261,157	352,106,669
Inventories for consumption (Note 9)	3,565,227	4,067,272
Prepaid expenses	<u>518,363</u>	<u>451,297</u>
	<u>350,344,747</u>	<u>356,625,238</u>
ACCUMULATED SURPLUS (NOTE 10) (Schedule 1)	<u>\$ 426,029,187</u>	<u>\$ 424,559,857</u>

ON BEHALF OF COUNCIL:





CLEARWATER COUNTY
Statement of Operations and Accumulated Surplus
For the Year Ended December 31, 2017

	<u>2017</u> (Budget) (Note 19)	<u>2017</u> (Actual)	<u>2016</u> (Actual)
REVENUE			
Net municipal taxes (Schedule 2)	\$ 43,050,000	\$ 42,650,511	\$ 45,177,816
Well drilling taxes	1,500,000	3,553,195	1,818,462
User fees and sale of goods	1,033,275	1,644,234	1,431,807
Investment income	810,000	1,204,804	1,118,904
Government transfers for operating (Schedule 3)	278,133	854,683	573,439
Other	667,850	827,786	254,837
Fines	275,000	363,731	372,522
Penalties on taxes	100,000	251,065	139,758
Rentals	119,500	235,436	304,609
Licenses, permits, rentals and fines	41,000	49,145	54,262
Developer Levies	<u>26,000</u>	<u>13,067</u>	<u>107,391</u>
	<u>47,900,758</u>	<u>51,647,657</u>	<u>51,353,807</u>
EXPENSES			
Legislative	626,750	447,138	515,714
Administration	3,707,600	4,556,099	3,144,072
Assessment	809,705	647,462	712,827
Fire, ambulance, and protective services	3,081,670	2,652,157	2,968,448
Public works - general	2,354,943	2,175,846	1,651,984
Roads, streets, walks and lighting	10,899,984	8,860,734	9,436,251
Facilities	1,044,270	835,228	809,752
Water supply and distribution	121,900	74,691	87,178
Wastewater treatment and disposal	244,800	143,376	254,119
Waste management	2,314,387	2,214,427	1,936,532
Airport	64,000	30,000	31,629
Family and community support services	862,424	613,340	748,358
Agricultural services	2,366,077	2,252,404	2,310,194
Land use planning, zoning and development	3,678,991	3,044,060	2,895,101
Parks and recreation	2,335,222	1,409,048	3,564,646
Culture	527,887	442,231	426,760
Amortization	<u>-</u>	<u>19,316,193</u>	<u>18,936,909</u>
	<u>35,040,610</u>	<u>49,714,434</u>	<u>50,430,474</u>
ANNUAL SURPLUS BEFORE OTHER REVENUE (EXPENSES)	<u>12,860,148</u>	<u>1,933,223</u>	<u>923,333</u>
OTHER REVENUE (EXPENSES)			
Government transfers for capital (Schedule 3)	2,371,608	805,424	661,944
Loss on disposal of tangible capital assets	<u>-</u>	<u>(1,269,317)</u>	<u>(1,287,171)</u>
	<u>2,371,608</u>	<u>(463,893)</u>	<u>(625,227)</u>
ANNUAL SURPLUS	15,231,756	1,469,330	298,106
ACCUMULATED SURPLUS, BEGINNING OF YEAR	<u>424,559,857</u>	<u>424,559,857</u>	<u>424,261,751</u>
ACCUMULATED SURPLUS, END OF YEAR	<u>\$ 439,791,613</u>	<u>\$ 426,029,187</u>	<u>\$ 424,559,857</u>

CLEARWATER COUNTY
Statement of Changes in Net Financial Assets
For the Year Ended December 31, 2017

	<u>2017</u> (Budget) (Note 19)	<u>2017</u> (Actual)	<u>2016</u> (Actual)
ANNUAL SURPLUS	\$ <u>15,231,756</u>	\$ <u>1,469,330</u>	\$ <u>298,106</u>
Purchase of tangible capital assets	(26,940,617)	(15,258,960)	(16,156,746)
Proceeds on disposal of tangible capital assets	-	518,962	1,050,174
Amortization of tangible capital assets	-	19,316,193	18,936,909
Loss on disposal of tangible capital assets	-	1,269,317	<u>1,287,171</u>
	<u>(26,940,617)</u>	<u>5,845,512</u>	<u>5,117,508</u>
Use of supplies inventory	-	502,045	3,695
Use (acquisition) of prepaid expenses	-	(67,066)	<u>42,950</u>
	<u>-</u>	<u>434,979</u>	<u>46,645</u>
INCREASE (DECREASE) IN NET FINANCIAL ASSETS	(11,708,861)	7,749,821	5,462,259
NET FINANCIAL ASSETS, BEGINNING OF YEAR	<u>67,934,619</u>	<u>67,934,619</u>	<u>62,472,360</u>
NET FINANCIAL ASSETS, END OF YEAR	\$ <u><u>56,225,758</u></u>	\$ <u><u>75,684,440</u></u>	\$ <u><u>67,934,619</u></u>

CLEARWATER COUNTY
Statement of Cash Flows
For the Year Ended December 31, 2017

	<u>2017</u>	<u>2016</u>
OPERATING ACTIVITIES		
Annual surplus	\$ 1,469,330	\$ 298,106
Non-cash items included in annual surplus		
Loss on disposal of tangible capital assets	1,269,317	1,287,171
Amortization of tangible capital assets	<u>19,316,194</u>	<u>18,936,909</u>
	22,054,841	20,522,186
Changes in non-cash working capital balances:		
Accounts receivable	29,642	(776,830)
Prepaid expenses	(67,066)	42,950
Accounts payable and accrued liabilities	(1,456,894)	(1,382,506)
Land held for resale	59,684	130,228
Deferred revenue	(637,643)	5,181,227
Inventories for consumption	502,045	3,695
Deposit liabilities	<u>(20,770)</u>	<u>4,170</u>
	<u>20,463,839</u>	<u>23,725,120</u>
CAPITAL ACTIVITIES		
Purchase of tangible capital assets	(15,258,960)	(16,156,746)
Proceeds on disposal of tangible capital assets	<u>518,962</u>	<u>1,050,174</u>
	<u>(14,739,998)</u>	<u>(15,106,572)</u>
FINANCING ACTIVITIES		
Long-term debt principal repayments	<u>(328,479)</u>	<u>(315,706)</u>
INVESTING ACTIVITIES		
Purchase of investments	<u>(25,180)</u>	<u>(3,254)</u>
INCREASE IN CASH AND CASH EQUIVALENTS DURING THE YEAR	5,370,182	8,299,588
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>78,107,487</u>	<u>69,807,899</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ <u>83,477,669</u>	\$ <u>78,107,487</u>

CLEARWATER COUNTY
Schedule of Changes in Accumulated Surplus
For the Year Ended December 31, 2017

Schedule 1

	<u>Unrestricted Surplus</u>	<u>Restricted Surplus</u>	<u>Equity in Tangible Capital Assets</u>	<u>2017</u>	<u>2016</u>
BALANCE, BEGINNING OF YEAR	\$ 704,309	\$ 71,748,879	\$352,106,669	\$424,559,857	\$424,261,751
Annual surplus	1,469,330	-	-	1,469,330	298,106
Unrestricted funds designated for future use	(17,127,657)	17,127,657	-	-	-
Restricted funds used for operations	2,538,811	(2,538,811)	-	-	-
Restricted funds used for tangible capital assets	-	(6,792,662)	6,792,662	-	-
Current year funds used for tangible capital assets	(8,466,298)	-	8,466,298	-	-
Disposal of tangible capital assets	1,788,279	-	(1,788,279)	-	-
Annual amortization expenses	<u>19,316,193</u>	<u>-</u>	<u>(19,316,193)</u>	<u>-</u>	<u>-</u>
BALANCE, END OF YEAR	<u>\$ 222,967</u>	<u>\$ 79,545,063</u>	<u>\$346,261,157</u>	<u>\$426,029,187</u>	<u>\$424,559,857</u>

CLEARWATER COUNTY
Schedule of Property and Other Taxes
For the Year Ended December 31, 2017

Schedule 2

	<u>2017</u> (Budget) (Note 19)	<u>2017</u> (Actual)	<u>2016</u> (Actual)
TAXATION			
Real property taxes	\$ 17,537,197	\$ 17,137,708	\$ 15,731,764
Linear property taxes	44,402,675	44,402,675	47,704,942
Grants in place of property taxes	<u>-</u>	<u>-</u>	<u>41,946</u>
	<u>61,939,872</u>	<u>61,540,383</u>	<u>63,478,652</u>
REQUISITIONS			
Alberta School Foundation Fund	18,109,315	18,109,315	17,595,675
Westview Lodge	571,730	571,730	500,814
Red Deer Catholic Regional Division No. 39	<u>208,827</u>	<u>208,827</u>	<u>204,347</u>
	<u>18,889,872</u>	<u>18,889,872</u>	<u>18,300,836</u>
NET MUNICIPAL TAXES	<u>\$ 43,050,000</u>	<u>\$ 42,650,511</u>	<u>\$ 45,177,816</u>

CLEARWATER COUNTY
Schedule of Government Transfers
For the Year Ended December 31, 2017

Schedule 3

	<u>2017</u> (Budget) (Note 19)	<u>2017</u> (Actual)	<u>2016</u> (Actual)
TRANSFERS FOR OPERATING			
Provincial government	\$ 278,133	\$ 854,683	\$ 573,439
TRANSFERS FOR CAPITAL			
Provincial government	<u>2,371,608</u>	<u>805,424</u>	<u>661,944</u>
TOTAL GOVERNMENT TRANSFERS	<u>\$ 2,649,741</u>	<u>\$ 1,660,107</u>	<u>\$ 1,235,383</u>

CLEARWATER COUNTY
Schedule of Segmented Information
For the Year Ended December 31, 2017

Schedule 4

	<u>General Government</u>	<u>Community Services</u>	<u>Emergency & Protective Services</u>	<u>Transportation Services</u>	<u>Planning & Development</u>	<u>Recreation & Culture</u>	<u>Environmental Services</u>	<u>Agricultural Services</u>	<u>Total</u>
REVENUE									
Net municipal taxes	\$ 42,650,511	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 42,650,511
User fees and sales of goods	10,554	-	-	418,201	621,540	10,337	127,810	455,792	1,644,234
Government transfers	202,475	-	419,049	-	-	16,800	-	216,359	854,683
Investment income	1,204,804	-	-	-	-	-	-	-	1,204,804
Oil well drilling taxes	3,553,195	-	-	-	-	-	-	-	3,553,195
All other	<u>503,120</u>	<u>-</u>	<u>891,635</u>	<u>126,436</u>	<u>202,626</u>	<u>-</u>	<u>2,600</u>	<u>13,813</u>	<u>1,740,230</u>
	<u>48,124,659</u>	<u>-</u>	<u>1,310,684</u>	<u>544,637</u>	<u>824,166</u>	<u>27,137</u>	<u>130,410</u>	<u>685,964</u>	<u>51,647,657</u>
EXPENSES									
Salaries, wages and benefits	3,618,701	106,834	1,674,232	4,010,178	901,455	141,133	69,945	1,178,454	11,700,932
Contract and general services	1,416,788	40,535	352,308	5,530,687	297,314	33,565	2,281,993	447,971	10,401,161
Materials, goods and supplies	282,077	1,085	625,617	2,330,943	82,408	10,782	80,556	610,155	4,023,623
Transfers to other governments	1,677	30,000	-	-	-	-	-	-	31,677
Transfers to individuals/organizations	1,484,718	253,669	-	-	-	1,665,799	-	15,825	3,420,011
Transfers to local boards & agencies	-	84,657	-	-	-	-	-	-	84,657
Interest on long-term debt	-	126,561	-	-	-	-	-	-	126,561
Other expenses	<u>609,119</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>500</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>609,619</u>
	<u>7,413,080</u>	<u>643,341</u>	<u>2,652,157</u>	<u>11,871,808</u>	<u>1,281,677</u>	<u>1,851,279</u>	<u>2,432,494</u>	<u>2,252,405</u>	<u>30,398,241</u>
NET REVENUE (DEFICIT) BEFORE AMORTIZATION	40,711,579	(643,341)	(1,341,473)	(11,327,171)	(457,511)	(1,824,142)	(2,302,084)	(1,566,441)	21,249,416
Amortization	<u>315,138</u>	<u>30,743</u>	<u>402,172</u>	<u>17,973,150</u>	<u>34,486</u>	<u>57,645</u>	<u>343,297</u>	<u>159,562</u>	<u>19,316,193</u>
NET REVENUE (DEFICIT)	<u>\$ 40,396,441</u>	<u>\$ (674,084)</u>	<u>\$ (1,743,645)</u>	<u>\$ (29,300,321)</u>	<u>\$ (491,997)</u>	<u>\$ (1,881,787)</u>	<u>\$ (2,645,381)</u>	<u>\$ (1,726,003)</u>	<u>\$ 1,933,223</u>

CLEARWATER COUNTY
Schedule of Segmented Information
For The Year Ended December 31, 2016

Schedule 5

	General Government	Community Services	Emergency & Protective Services	Transportation Services	Planning & Development	Recreation & Culture	Environmental Services	Agricultural Services	Total
REVENUE									
Net municipal taxes	\$ 45,177,816	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 45,177,816
User fees and sales of goods	14,278	-	-	377,799	436,229	9,434	120,790	473,277	1,431,807
Government transfers	7,900	-	139,259	-	-	209,921	-	216,359	573,439
Investment income	1,118,904	-	-	-	-	-	-	-	1,118,904
Well drilling taxes	1,818,462	-	-	-	-	-	-	-	1,818,462
All other	<u>356,755</u>	<u>-</u>	<u>495,287</u>	<u>5,269</u>	<u>280,781</u>	<u>81,635</u>	<u>6,100</u>	<u>7,552</u>	<u>1,233,379</u>
	<u>48,494,115</u>	<u>-</u>	<u>634,546</u>	<u>383,068</u>	<u>717,010</u>	<u>300,990</u>	<u>126,890</u>	<u>697,188</u>	<u>51,353,807</u>
EXPENSES									
Salaries, wages and benefits	2,946,201	86,312	1,753,459	3,693,514	789,395	130,492	71,583	1,141,080	10,612,036
Contracted and general services	1,323,132	90,371	372,200	5,656,819	423,964	7,057	2,137,278	444,272	10,455,093
Materials, goods and utilities	208,895	4,215	831,740	2,547,654	18,937	5,797	69,483	718,191	4,404,912
Transfers to other governments	1,614	31,629	-	-	-	-	-	-	33,243
Transfers to individuals/organizations	1,499,109	350,454	11,050	-	-	3,848,060	-	6,652	5,715,325
Transfers to local boards & agencies	-	77,648	-	-	-	-	-	-	77,648
Interest on long-term debt	-	139,357	-	-	-	-	-	-	139,357
Other expenses	<u>55,951</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>55,951</u>
	<u>6,034,902</u>	<u>779,986</u>	<u>2,968,449</u>	<u>11,897,987</u>	<u>1,232,296</u>	<u>3,991,406</u>	<u>2,278,344</u>	<u>2,310,195</u>	<u>31,493,565</u>
NET REVENUE (DEFICIT) BEFORE AMORTIZATION	42,459,213	(779,986)	(2,333,903)	(11,514,919)	(515,286)	(3,690,416)	(2,151,454)	(1,613,007)	19,860,242
Amortization	<u>280,209</u>	<u>30,196</u>	<u>316,835</u>	<u>17,730,433</u>	<u>35,372</u>	<u>57,645</u>	<u>339,601</u>	<u>146,618</u>	<u>18,936,909</u>
NET REVENUE (DEFICIT)	<u>\$ 42,179,004</u>	<u>\$ (810,182)</u>	<u>\$ (2,650,738)</u>	<u>\$ (29,245,352)</u>	<u>\$ (550,658)</u>	<u>\$ (3,748,061)</u>	<u>\$ (2,491,055)</u>	<u>\$ (1,759,625)</u>	<u>\$ 923,333</u>

The accompanying notes are an integral part of the financial statements

CLEARWATER COUNTY
Notes to Financial Statements
For the Year Ended December 31, 2017

Clearwater County (the "County") is a municipality in the Province of Alberta, Canada and operates under the provisions of the *Municipal Government Act*, R.S.A., 2000, c. M-26, as amended.

1. SIGNIFICANT ACCOUNTING POLICIES

These financial statements are the representations of the County management prepared in accordance with Canadian public sector accounting standards. Significant aspects of the accounting policies adopted by the County are as follows:

(a) Reporting Entity

These financial statements include the assets, liabilities, revenue and expenses and changes in equity balances and in financial position of the County. This entity is comprised of all the organizations that are owned or controlled by the County and are, therefore, accountable to the Council for the administration of their financial affairs and resources.

Rocky Mountain House Airport Commission	50.0%
Clearwater Regional Fire Rescue Services	47.5%
Clearwater Regional Emergency Management Agency	67.0%

The schedule of taxes levied includes requisitions for education and senior foundations that are not part of the municipal reporting entity.

The financial statements exclude trust assets that are administered for the benefit of external parties. Interdepartmental and organizational transactions and balances are eliminated.

Pursuant to an agreement entered into in 2001, Clearwater County, the Town of Rocky Mountain House, and the Village of Caroline established a regional solid waste authority to manage and operate a solid waste system. The County provides a proportionate share of annual funding to the Authority, calculated on a per capita basis, which is reported as an expense in the County's financial statements. The County does not proportionately consolidate the financial results of the Authority.

(b) Basis of Accounting

The financial statements are prepared using the accrual basis of accounting. Revenues are accounted for in the period in which the transactions or events occurred that gave rise to the revenues. Expenses are recognized in the period the goods and services are acquired and a liability is incurred or transfers are due.

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

(c) Cash and Cash Equivalents

Cash and temporary investments include items that are readily convertible to known amounts of cash, are subject to an insignificant risk of change in value, and have a maturity of one year or less at acquisition.

1. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(d) Investments

Investments are recorded at amortized cost. Where there has been a loss in value that is other than a temporary decline, the investment is written down to recognize the loss.

Investment income is reported as revenue in the period earned. When required by the funding government or related act, investment income earned on deferred revenue is added to the investment, and forms part of the deferred revenue balance.

(e) Land Held 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 tangible capital assets under their respective function.

(f) Inventories for Consumption

Inventories held for consumption are valued at the lower of cost and net realizable value with cost determined by the average cost method for gravel and sign inventory and the first-in first-out method for shop inventory.

(g) 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 their estimated useful lives as follows:

Buildings	10 - 50 years
Engineered structures	
Roadway systems	3- 80 years
Water systems	45 - 75 years
Wastewater systems	34 - 75 years
Machinery and equipment	5 - 40 years
Vehicles	10 - 25 years

One-half of the annual amortization is charged in the year of acquisition and in the year of disposal. Assets under construction are not amortized until the asset is available for productive use.

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

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

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

1. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(h) Tax Revenue

Property tax revenue is based on assessed value determined in accordance with the *Municipal Government Act*. Tax rates are established annually. Taxation revenues are recorded at the time tax notices are issued. Assessments are subject to appeal.

Construction and borrowing costs associated with local improvement projects are recovered through annual special property tax assessments during the period of the related borrowings. These levies are collectible from property owners for work performed by the County and are recognized as revenue in the year they are levied.

(i) Requisition Over-levy and Under-levy

Over-levies and under-levies arise from the difference between the actual 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 reflected as property tax revenue.

(j) Pensions

The County participates in three multi-employer defined benefit pension plans. Contributions for current and past service pension benefits are recorded as expenses in the year in which they become due. See *Note 13* for details of these pension plans.

(k) Contaminated Sites

Contaminated sites are a result of contamination being introduced into air, soil, water or sediment of a chemical, organic or radioactive material or live organism that exceeds an environmental standard. The liability is recorded net of any expected recoveries. A liability for remediation of a contaminated site is recognized when a site is not in productive use and is management's estimate of the cost of post-remediation including operation, maintenance and monitoring.

(l) Use of Estimates

The preparation of the financial statements in conformity with Canadian public sector accounting standards 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 consolidated financial statements, and the reported amounts of revenue and expenses during the period. Where measurement uncertainty exists, the consolidated financial statements have been prepared within reasonable limits of materiality. Actual results could differ from those estimates.

The County has used estimates to determine an allowance for doubtful accounts, accrued liabilities, and the useful lives of tangible capital assets.

CLEARWATER COUNTY
Notes to Financial Statements
For the Year Ended December 31, 2017

2. CASH AND CASH EQUIVALENTS

	<u>2017</u>	<u>2016</u>
Operating bank accounts	\$ 52,488,472	\$ 329,066
Savings accounts	22,890,408	55,910,244
Guaranteed Investment Certificates	8,098,289	23,167,677
Cash on hand	500	500
Revolving loan (<i>Note 12</i>)	<u>-</u>	<u>(1,300,000)</u>
	<u>\$ 83,477,669</u>	<u>\$ 78,107,487</u>

Guaranteed Investment Certificates bear interest rate of 2.20% and maturing June 2020.

The above amounts include grant funding of \$5,384,049 (2016 - \$6,021,692) which is externally restricted per *Note 6*.

3. ACCOUNTS RECEIVABLE

	<u>2017</u>	<u>2016</u>
Trade and other	\$ 2,707,219	\$ 2,725,582
Taxes and grants in place of taxes	855,318	717,226
Goods and Services Tax	<u>290,910</u>	<u>440,282</u>
	<u>\$ 3,853,447</u>	<u>\$ 3,883,090</u>

Taxes and grants in lieu consist of the following:

Current taxes	\$ 1,215,926	\$ 600,952
Tax arrears	<u>253,987</u>	<u>355,920</u>
	1,469,913	956,872
Less: Allowance for doubtful accounts	<u>(614,595)</u>	<u>(239,646)</u>
	<u>\$ 855,318</u>	<u>\$ 717,226</u>

4. INVESTMENTS

	<u>2017</u>	<u>2016</u>
Muniserp Pension Assets	\$ 169,069	\$ 143,890
Rocky Credit Union Ltd. common shares	82,019	82,018
Rocky Mountain House Co-op Association Limited	7,500	7,500
Alberta Capital Finance Authority shares	<u>70</u>	<u>70</u>
	<u>\$ 258,658</u>	<u>\$ 233,478</u>

CLEARWATER COUNTY
Notes to Financial Statements
For the Year Ended December 31, 2017

5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	<u>2017</u>	<u>2016</u>
Trade payables and accrued liabilities	\$ 3,848,662	\$ 6,047,443
Accrued wages and benefits	<u>1,956,042</u>	<u>1,214,155</u>
	<u>\$ 5,804,704</u>	<u>\$ 7,261,598</u>

6. DEFERRED REVENUE

Deferred revenue is comprised of the following amounts which have been received from third parties for a specified purpose. Additions are comprised of both contributions and interest earned during the year. These amounts are recognized as revenue in the period in which the related costs are incurred.

	<u>2016</u>	<u>Additions</u>	<u>Revenue Recognized</u>	<u>2017</u>
Municipal Sustainability Initiative	\$ 5,267,338	\$ 52,411	\$ -	\$ 5,319,749
Watershed Restoration and Resiliency Program	-	60,000	(9,719)	50,281
Shell regional fire training	20,000	9,461	(20,000)	9,461
Penn West Environmental	8,165	-	(3,607)	4,558
Flood Recovery Erosion Control	<u>726,189</u>	<u>(533,691)</u>	<u>(192,498)</u>	<u>-</u>
	<u>\$ 6,021,692</u>	<u>\$ (411,819)</u>	<u>\$ (225,824)</u>	<u>\$ 5,384,049</u>

7. LONG-TERM DEBT

	<u>2017</u>	<u>2016</u>
Alberta Capital Finance Authority debenture repayable in semi-annual installments of \$227,808 including interest at 4.006% maturing in 2025.	<u>\$ 2,926,515</u>	<u>\$ 3,254,994</u>

Principal and interest payments are due as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 341,770	\$ 113,847	\$ 455,617
2019	355,598	100,019	455,617
2020	369,986	85,631	455,617
2021	384,956	70,661	455,617
2022	400,532	55,085	455,617
Thereafter	<u>1,073,673</u>	<u>65,370</u>	<u>1,139,043</u>
	<u>\$ 2,926,515</u>	<u>\$ 490,613</u>	<u>\$ 3,417,128</u>

Interest on long-term debt amounted to \$126,561 (2016 - \$139,357).

The County's total cash payments for interest in 2017 were \$127,138 (2016 - \$139,912).

CLEARWATER COUNTY
Notes to Financial Statements
For the Year Ended December 31, 2017

8. TANGIBLE CAPITAL ASSETS

	<u>2017</u> Net Book Value	<u>2016</u> Net Book Value
Engineered structures		
Roadways	\$ 255,448,467	\$ 264,521,654
Wastewater systems	10,202,059	10,440,745
All other	9,735,180	7,413,052
Water systems	<u>5,231,844</u>	<u>5,326,525</u>
	280,617,550	287,701,976
Land	43,184,903	43,151,730
Buildings	10,949,618	10,772,193
Machinery and equipment	10,326,961	9,238,175
Vehicles	<u>1,182,125</u>	<u>1,242,595</u>
	<u>\$ 346,261,157</u>	<u>\$ 352,106,669</u>

	Cost Beginning of Year	Additions	Disposals	Transfers	Cost End of Year
Engineering structures					
Roadways	\$ 618,303,700	\$ 9,457,120	\$ (7,467,742)	-	\$ 620,293,078
Wastewater systems	12,495,500	-	-	-	12,495,500
All other	10,542,828	2,432,513	-	-	12,975,341
Water systems	<u>5,910,254</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,910,254</u>
	647,252,282	11,889,633	(7,467,742)	-	651,674,173
Machinery and equipment	14,922,010	2,657,429	(555,131)	-	17,024,308
Vehicles	2,416,721	250,107	(175,155)	-	2,491,673
Buildings	12,749,610	428,618	-	-	13,178,228
Land	<u>43,151,730</u>	<u>33,173</u>	<u>-</u>	<u>-</u>	<u>43,184,903</u>
	<u>\$ 720,492,353</u>	<u>\$ 15,258,960</u>	<u>\$ (8,198,028)</u>	<u>\$ -</u>	<u>\$ 727,553,285</u>

	Accumulated Amortization Beginning of Year	Current Amortization	Disposals	Transfers	Accumulated Amortization End of Year
Engineered structures					
Roadways	\$ 353,782,046	\$ 17,236,723	\$ (6,174,158)	-	\$ 364,844,611
Wastewater systems	2,054,755	238,686	-	-	2,293,441
All other	3,129,776	110,385	-	-	3,240,161
Water systems	<u>583,729</u>	<u>94,681</u>	<u>-</u>	<u>-</u>	<u>678,410</u>
	359,550,306	17,680,475	(6,174,158)	-	371,056,623
Machinery, equipment, and furnishings	5,683,835	1,112,702	(99,190)	-	6,697,347
Vehicles	1,174,126	271,824	(136,402)	-	1,309,548
Buildings	<u>1,977,417</u>	<u>251,193</u>	<u>-</u>	<u>-</u>	<u>2,228,610</u>
	<u>\$ 368,385,684</u>	<u>\$ 19,316,194</u>	<u>\$ (6,409,750)</u>	<u>\$ -</u>	<u>\$ 381,292,128</u>

Construction of tangible capital assets in progress for 2017 totals \$9,228,512 (2016 - \$8,406,254). These amounts are not being amortized.

CLEARWATER COUNTY
Notes to Financial Statements
For the Year Ended December 31, 2017

9. INVENTORIES FOR CONSUMPTION

	<u>2017</u>	<u>2016</u>
Gravel	\$ 3,086,292	\$ 3,704,953
Parts, chemicals, and other	<u>478,935</u>	<u>362,319</u>
	<u>\$ 3,565,227</u>	<u>\$ 4,067,272</u>

10. ACCUMULATED SURPLUS

	<u>2017</u>	<u>2016</u>
Unrestricted surplus	\$ 222,967	\$ 704,309
Restricted surplus (<i>Note 11</i>)	79,545,063	71,748,879
Equity in tangible capital assets (<i>Schedule 1</i>)	<u>346,261,157</u>	<u>352,106,669</u>
	<u>\$ 426,029,187</u>	<u>\$ 424,559,857</u>

11. RESTRICTED SURPLUS

	<u>2017</u>	<u>2016</u>
Municipal, recreation, and school	\$ 198,032	\$ 187,565
County facilities - capital	3,718,975	3,718,975
Work in progress	3,102,921	8,030,855
Nordegg	(2,540,089)	(2,728,946)
Tax rate stabilization	12,000,000	14,032,419
Airport	300,000	64,500
Fire - capital	3,208,411	2,977,118
Disaster	2,000,000	2,000,000
Public works - capital	6,502,995	6,502,995
Paving	10,820,046	8,470,046
Gravel	4,407,553	4,407,953
Gravel reclamation	5,201,285	4,657,033
Resource roads	5,000,000	3,000,000
Sewer	6,321,055	6,321,055
Agricultural services	3,660,000	2,660,000
Regional fire	201,223	27,473
Bridge deficit	7,213,577	1,524,986
North Saskatchewan River park	500,000	500,000
High speed internet	5,900,000	3,900,000
GIS air photos	-	152,000
West country roads	1,500,000	1,200,000
Facility - Operating Rental Income	160,000	55,000
Leslieville Sewer	37,443	6,216
Nordegg Historic	81,636	81,636
Search and rescue equipment	<u>50,000</u>	<u>-</u>
	<u>\$ 79,545,063</u>	<u>\$ 71,748,879</u>

12. CREDIT FACILITY

The County has a demand revolving operating credit facility to a maximum of \$4,920,000 bearing interest at prime less 0.25% per annum.

13. PENSION PLANS

(a) Local Authorities Pension Plan

Employees of the County participate in the Local Authorities Pension Plan (LAPP), which is one of the plans covered by the *Public Sector Pension Plans Act*. The LAPP is financed by employer and employee contributions and investment earnings of the LAPP Fund.

The County is required to make current service contributions to the LAPP of 11.39% of pensionable earnings up to the year's maximum pensionable earnings under the Canada Pension Plan and 15.84% on pensionable earnings above this amount. Employees of the County are required to make current service contributions of 10.39% of pensionable earnings up to the year's maximum pensionable earnings and 14.84% on pensionable earnings above this amount.

Total current service contributions by the County to the LAPP in 2017 were \$992,878 (2016 - \$996,750). Total current service contributions by the employees of the County to the LAPP in 2017 were \$915,678 (2016 - \$919,234).

At December 31, 2016 the Plan disclosed an actuarial deficit of \$637.4 million (2015 - \$923.4 million).

(b) Alberta Urban Municipalities Association Apex Supplementary Pension Plan

Certain employees of the County are eligible to participate in the Alberta Urban Municipalities Association Apex Supplementary Pension Plan (APEX), a multi-employer pension plan. This plan provides defined pension benefits to employees based on their length of service and rate of pay.

Contributions by the County to APEX in 2017 were \$4,958 (2016 - \$4,883). Contributions by the employees of the County to the APEX in 2017 were \$3,712 (2016 - \$3,712).

(c) Alberta Urban Municipalities Association Municipal Supplementary Executive Retirement Plan

Certain employees of the County are eligible to participate in the Alberta Urban Municipalities Association MuniSERP pension plan, a multi-employer pension plan. This plan provides defined pension benefits to employees based on their length of service and rate of pay.

Contributions by the County to MuniSERP in 2017 were \$13,760 (2016 - \$14,010).

14. FINANCIAL INSTRUMENTS

The County's financial instruments consist of cash and cash equivalents, investments, accounts receivable, accounts payable and accrued liabilities, and long-term debt. It is management's opinion that the County is not exposed to significant interest, currency, or credit risk arising from these financial instruments.

The County is exposed to credit risk with respect to receivables. Credit risk arises from the possibility that customers may experience financial difficulty and be unable to fulfill their obligations. The County is exposed to the credit risk associated with fluctuations in the oil and gas industry as a significant portion of the property taxes outstanding relate to linear property and are receivable from companies in the oil and gas industry. The large number and diversity of customers minimizes the County's credit risk.

Unless otherwise noted, the carrying value of the financial instruments approximates their fair value.

CLEARWATER COUNTY
Notes to Financial Statements
For the Year Ended December 31, 2017

15. REMUNERATION AND BENEFITS DISCLOSURE

Disclosure of remuneration and benefits for elected municipal officials, the County Manager and designated officers as required by Alberta Regulation 313/2000 is as follows:

	<u>Salary</u>	<u>2017</u> <u>Benefits and</u> <u>Allowances</u>	<u>Total</u>	<u>2016</u> <u>Total</u>
Reeve and Councilors				
Duncan (Division 1)	\$ 41,073	\$ 6,660	\$ 47,733	\$ 46,878
Laird (Division 2)	10,136	1,250	11,386	-
Greenwood (Division 2)	23,039	5,207	28,246	39,023
Lougheed (Division 3)	10,029	1,247	11,276	-
Maki (Division 3)	17,712	4,944	22,656	34,562
Vandermeer (Division 4)	33,074	5,301	38,375	30,244
Laing (Division 5)	29,085	6,250	35,335	37,206
Hoven (Division 6)	9,777	1,238	11,015	-
Graham (Division 6)	15,465	4,390	19,855	33,060
Swanson (Division 7)	8,782	1,191	9,973	-
Alexander (Division 7)	<u>34,522</u>	<u>5,522</u>	<u>40,044</u>	<u>51,653</u>
	<u>\$ 232,694</u>	<u>\$ 43,200</u>	<u>\$ 275,894</u>	<u>\$ 272,626</u>
County Manager				
Leaf	<u>\$ 743,398</u>	<u>\$ 48,581</u>	<u>\$ 791,979</u>	<u>\$ 287,251</u>
Emmons	<u>\$ 32,652</u>	<u>\$ 4,490</u>	<u>\$ 37,142</u>	<u>\$ -</u>

- 1) Salary includes regular base pay, bonuses, overtime, lump sum payments, gross honoraria and any other direct cash remuneration including per diem amounts.
- 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 include the employer's share of all employee benefits and contributions or payments made on behalf of employees, and the employer's share of the costs of any additional taxable benefits.

16. SEGMENTED INFORMATION

The County provides a wide 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.

(a) General Government

General Government is comprised of Council, the office of the CAO, Communications, and Corporate Services. Corporate Services includes Financial Services, Legislative Services, Human Resources, Assessment, and Information Technology Services. Council makes governance decisions regarding service delivery and service levels on behalf of the County in order to balance the needs and wants of the County residents in a financially responsible manner.

(b) Community Services

Community Services consists of seniors' funding, economic development and tourism activities, animal control, shared costs for the airport and special request funding. The Community Services area also provides services mandated by Family and Community Support Services throughout Alberta through a shared funding model between the Province of Alberta, the County, the Town of Rocky Mountain House, and the Village of Caroline.

(c) Emergency and Protective Services

Emergency and Protective Services is comprised of Fire, Emergency Management, and Municipal Enforcement Services. The regional fire service provides fire suppression along with fire prevention training and education programs. The regional emergency management agency prepares for emergency situations in order to maintain safe communities. The Municipal Enforcement Services provides infrastructure protection, bylaw enforcement and education programs as well as provincial statute enforcement with the authorities granted by the Solicitor General of Alberta.

(d) Transportation Services

Transportation is comprised of services in the Public Works areas. This includes the County's infrastructure (roads and bridges), facilities and maintenance programs, including paving and gravel.

(e) Planning and Development

This area conducts the County's planning and development functions, working with developers to foster sustainable growth within the County. Planning and Development also oversees the ongoing Nordegg development program, as well as the heritage activities, including the Nordegg Museum and Brazeau Collieries Mine Site.

(f) Recreation and Culture

The County contributes to the local recreation programs, libraries and museums in partnership with the Town of Rocky Mountain House, and the Village of Caroline. Through cost-sharing partnerships, the Rocky Mountain House Parks, Recreation and Culture provide recreational and cultural services and activities which promote the well-being of its citizens.

(g) Environmental Services

Environmental Services are comprised of water, wastewater and regional solid waste management collection and recycling.

CLEARWATER COUNTY
Notes to Financial Statements
For the Year Ended December 31, 2017

17. SEGMENTED INFORMATION (CONT'D)

(h) Agricultural Services and Landcare

Agricultural Services and Landcare administers programs that strengthen relationships in the rural areas as well as relationships with urban communities. This includes vegetation and pest management, environmental stewardship programs, educational workshops, specialized equipment rental, cattle data management and awards such as Century Farms, Farm Family, and Rural Beautification.

18. DEBT LIMITS

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

	<u>2017</u>	<u>2016</u>
Total debt limit	\$ 77,471,486	\$ 77,030,711
Total debt	<u>(2,926,515)</u>	<u>(3,254,994)</u>
Amount of debt limit unused	<u>\$ 74,544,971</u>	<u>\$ 73,775,717</u>
Service on debt limit	\$ 12,911,914	\$ 12,838,452
Service on debt	<u>(455,617)</u>	<u>(455,617)</u>
Amount of debt servicing limit unused	<u>\$ 12,456,297</u>	<u>\$ 12,382,835</u>

The debt limit is calculated at 1.5 times revenue of the County (as defined in Alberta Regulation 255/00) and the debt service limit is calculated at 0.25 times such revenue. Incurring debt beyond these limits requires approval by the Minister of Municipal Affairs. These thresholds are guidelines used by Alberta Municipal Affairs to identify municipalities, which could be at financial risk if further debt is acquired. The calculation taken alone does not represent the financial stability of the County. Rather, the financial statements must be interpreted as a whole.

CLEARWATER COUNTY
Notes to Financial Statements
For the Year Ended December 31, 2017

19. BUDGET FIGURES

The budget figures are presented for information purposes only. The 2017 budget, prepared by the County, reflects all municipal activities including capital projects, debt repayments, and reserve transfers. The reconciliation below is provided to encompass these items.

	<u>2017</u> (Budget)	<u>2017</u> (Actual)
Annual surplus	\$ 15,231,756	\$ 1,469,330
Add back (deduct):		
Amortization expense	-	19,316,193
Purchase of tangible capital assets	(26,940,617)	(15,258,960)
Net transfers (to) from capital projects	15,147,496	-
Net transfers (to) from operations	(3,110,156)	(7,796,184)
Loss on disposal of tangible capital assets	-	1,269,317
Principal debt repayments	<u>(328,479)</u>	<u>(328,479)</u>
Results of Operations	<u>\$ -</u>	<u>\$ (1,328,783)</u>

20. APPROVAL OF FINANCIAL STATEMENTS

These financial statements were approved by Council.

21. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the current year's financial statement presentation.