

**CLEARWATER COUNTY
FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016**

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, 2016 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, 2016 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.

Edmonton, Alberta
April 11, 2017


Hawkings Epp Dumont LLP
Chartered Accountants

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**MANAGEMENT'S RESPONSIBILITY
FOR FINANCIAL REPORTING**

To His Worship 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.

Hawkings Epp Dumont LLP, Chartered Accountants, have been appointed by County Council to express an opinion on the County's financial statements.

Ron Leaf
County Manager

Rodney Boyko, CPA, CMA
Director, Finance and Corporate Services

CLEARWATER COUNTY
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2016

	<u>2016</u>	<u>2015</u>
FINANCIAL ASSETS		
Cash and cash equivalents (Note 2)	\$ 78,107,487	\$ 69,807,899
Accounts receivable (Note 3)	3,883,090	3,106,260
Land held for resale	2,278,818	2,409,046
Investments (Note 4)	<u>233,478</u>	<u>230,224</u>
	<u>84,502,873</u>	<u>75,553,429</u>
LIABILITIES		
Accounts payable and accrued liabilities (Note 5)	7,261,598	8,644,104
Deposit liabilities	29,970	25,800
Deferred revenue (Note 6)	6,021,692	840,465
Long-term debt (Note 7)	<u>3,254,994</u>	<u>3,570,700</u>
	<u>16,568,254</u>	<u>13,081,069</u>
NET FINANCIAL ASSETS	<u>67,934,619</u>	<u>62,472,360</u>
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 8)	352,106,669	357,224,177
Inventories for consumption (Note 9)	4,067,272	4,070,967
Prepaid expenses	<u>451,297</u>	<u>494,247</u>
	<u>356,625,238</u>	<u>361,789,391</u>
ACCUMULATED SURPLUS (NOTE 10) (Schedule 1)	<u>\$ 424,559,857</u>	<u>\$ 424,261,751</u>

ON BEHALF OF COUNCIL:

CLEARWATER COUNTY
STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS
FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>2016</u> (Budget) (Note 19)	<u>2016</u> (Actual)	<u>2015</u> (Actual)
REVENUE			
Net municipal taxes (Schedule 2)	\$ 43,384,735	\$ 45,177,816	\$ 43,982,546
Well drilling taxes	2,000,000	1,818,462	4,625,263
User fees and sale of goods	794,275	1,431,807	933,552
Investment income	660,000	1,118,904	977,742
Government transfers for operating (Schedule 3)	440,717	573,439	652,976
Fines	210,000	372,522	355,977
Other	118,250	254,837	105,913
Rentals	232,500	304,609	185,278
Penalties on taxes	100,000	139,758	172,923
Developer Levies	90,000	107,391	108,128
Licenses, permits, rentals and fines	<u>45,600</u>	<u>54,262</u>	<u>88,398</u>
	<u>48,076,077</u>	<u>51,353,807</u>	<u>52,188,696</u>
EXPENSES			
Legislative	484,250	515,714	375,695
Administration	3,324,125	3,144,072	2,883,268
Assessment	804,885	712,827	696,295
Fire, ambulance, and protective services	3,436,848	2,968,448	2,636,769
Public works - general	2,006,054	1,651,984	1,667,881
Roads, streets, walks and lighting	11,081,395	9,436,251	9,066,527
Facilities	1,162,670	809,752	1,072,188
Water supply and distribution	121,000	87,178	81,912
Wastewater treatment and disposal	311,600	254,119	140,404
Waste management	1,926,596	1,936,532	1,274,694
Airport	77,817	31,629	40,746
Family and community support services	764,316	748,358	613,994
Agricultural services	2,316,741	2,310,194	2,268,278
Land use planning, zoning and development	3,450,735	2,895,101	3,050,306
Parks and recreation	4,349,933	3,564,646	5,088,089
Culture	443,107	426,760	470,716
Amortization	<u>-</u>	<u>18,936,909</u>	<u>18,764,352</u>
	<u>36,062,072</u>	<u>50,430,474</u>	<u>50,192,114</u>
ANNUAL SURPLUS BEFORE OTHER REVENUE (EXPENSES)	<u>12,014,005</u>	<u>923,333</u>	<u>1,996,582</u>
OTHER REVENUE (EXPENSES)			
Government transfers for capital (Schedule 3)	6,096,102	661,944	7,354,342
Loss on disposal of tangible capital assets	-	(1,287,171)	(843,065)
Contributed tangible capital assets	<u>-</u>	<u>-</u>	<u>1,787,018</u>
	<u>6,096,102</u>	<u>(625,227)</u>	<u>8,298,295</u>
ANNUAL SURPLUS	18,110,107	298,106	10,294,877
ACCUMULATED SURPLUS, BEGINNING OF YEAR	<u>424,261,751</u>	<u>424,261,751</u>	<u>413,966,874</u>
ACCUMULATED SURPLUS, END OF YEAR	\$ <u>442,371,858</u>	\$ <u>424,559,857</u>	\$ <u>424,261,751</u>

CLEARWATER COUNTY
STATEMENT OF CHANGES IN NET FINANCIAL ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>2016</u> (Budget) (Note 19)	<u>2016</u> (Actual)	<u>2015</u> (Actual)
ANNUAL SURPLUS	\$ <u>18,110,107</u>	\$ <u>298,106</u>	\$ <u>10,294,877</u>
Purchase of tangible capital assets	(31,627,922)	(16,156,746)	(19,614,779)
Contributed tangible capital assets	-	-	(1,787,018)
Proceeds on disposal of tangible capital assets	-	1,050,174	475,361
Amortization of tangible capital assets	-	18,936,909	18,764,352
Loss on disposal of tangible capital assets	-	1,287,171	<u>843,065</u>
	<u>(31,627,922)</u>	<u>5,117,508</u>	<u>(1,319,019)</u>
Use (acquisition) of supplies inventory	-	3,695	(273,013)
Use (acquisition) of prepaid expenses	-	42,950	<u>27,010</u>
	-	46,645	<u>(246,003)</u>
INCREASE (DECREASE) IN NET FINANCIAL ASSETS	(13,517,815)	5,462,259	8,729,855
NET FINANCIAL ASSETS, BEGINNING OF YEAR	<u>62,472,360</u>	<u>62,472,360</u>	<u>53,742,505</u>
NET FINANCIAL ASSETS, END OF YEAR	\$ <u><u>48,954,545</u></u>	\$ <u><u>67,934,619</u></u>	\$ <u><u>62,472,360</u></u>

CLEARWATER COUNTY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>2016</u>	<u>2015</u>
OPERATING ACTIVITIES		
Annual surplus	\$ 298,106	\$ 10,294,877
Non-cash items included in annual surplus		
Loss on disposal of tangible capital assets	1,287,171	843,065
Contributed tangible capital assets	-	(1,787,018)
Amortization of tangible capital assets	<u>18,936,909</u>	<u>18,764,352</u>
	20,522,186	28,115,276
Change in non-cash working capital balances:		
Accounts receivable	(776,830)	2,362,797
Prepaid expenses	42,950	27,010
Accounts payable and accrued liabilities	(1,382,506)	4,728,534
Land held for resale	130,228	-
Deferred revenue	5,181,227	(1,093,577)
Inventories for consumption	3,695	(273,013)
Deposit liabilities	<u>4,170</u>	<u>17,500</u>
	<u>23,725,120</u>	<u>33,884,527</u>
CAPITAL ACTIVITIES		
Purchase of tangible capital assets	(16,156,746)	(19,614,779)
Proceeds on disposal of tangible capital assets	<u>1,050,174</u>	<u>475,361</u>
	<u>(15,106,572)</u>	<u>(19,139,418)</u>
FINANCING ACTIVITIES		
Long-term debt principal repayments	<u>(315,706)</u>	<u>(303,428)</u>
INVESTING ACTIVITIES		
Purchase of investments	<u>(3,254)</u>	<u>(42,420)</u>
INCREASE IN CASH AND CASH EQUIVALENTS DURING THE YEAR	8,299,588	14,399,261
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>69,807,899</u>	<u>55,408,638</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ <u>78,107,487</u>	\$ <u>69,807,899</u>

CLEARWATER COUNTY

Schedule 1

SCHEDULE OF ACCUMULATED SURPLUS

FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>Unrestricted Surplus</u>	<u>Restricted Surplus</u>	<u>Equity in Tangible Capital Assets</u>	<u>2016</u>	<u>2015</u>
BALANCE, BEGINNING OF YEAR	\$ 2,875,716	\$ 64,161,858	\$357,224,177	\$424,261,751	\$413,966,874
Annual surplus	298,106	-	-	298,106	10,294,877
Unrestricted funds designated for future use	(14,690,227)	14,690,227	-	-	-
Restricted funds used for operations	186,338	(186,338)	-	-	-
Restricted funds used for tangible capital assets	-	(6,916,868)	6,916,868	-	-
Current year funds used for tangible capital assets	(9,239,878)	-	9,239,878	-	-
Disposal of tangible capital assets	2,337,345	-	(2,337,345)	-	-
Annual amortization expenses	<u>18,936,909</u>	<u>-</u>	<u>(18,936,909)</u>	<u>-</u>	<u>-</u>
BALANCE, END OF YEAR	<u>\$ 704,309</u>	<u>\$ 71,748,879</u>	<u>\$352,106,669</u>	<u>\$424,559,857</u>	<u>\$424,261,751</u>

CLEARWATER COUNTY
SCHEDULE OF PROPERTY AND OTHER TAXES
FOR THE YEAR ENDED DECEMBER 31, 2016

Schedule 2

	<u>2016</u> (Budget) (Note 19)	<u>2016</u> (Actual)	<u>2015</u> (Actual)
TAXATION			
Real property taxes	\$ 13,930,284	\$ 15,731,764	\$ 13,822,921
Linear property taxes	46,900,420	47,704,942	47,605,594
Grants in place of property taxes	<u>77,002</u>	<u>41,946</u>	<u>77,002</u>
	<u>60,907,706</u>	<u>63,478,652</u>	<u>61,505,517</u>
REQUISITIONS			
Alberta School Foundation Fund	16,847,888	17,595,675	16,840,259
Westview Lodge	488,519	500,814	488,519
Red Deer Catholic Regional Division No. 39	<u>186,564</u>	<u>204,347</u>	<u>194,193</u>
	<u>17,522,971</u>	<u>18,300,836</u>	<u>17,522,971</u>
NET MUNICIPAL TAXES	<u>\$ 43,384,735</u>	<u>\$ 45,177,816</u>	<u>\$ 43,982,546</u>

CLEARWATER COUNTY
SCHEDULE OF GOVERNMENT TRANSFERS
FOR THE YEAR ENDED DECEMBER 31, 2016

Schedule 3

	<u>2016</u> (Budget) (Note 19)	<u>2016</u> (Actual)	<u>2015</u> (Actual)
TRANSFERS FOR OPERATING			
Provincial government	\$ 440,717	\$ 573,439	\$ 652,976
TRANSFERS FOR CAPITAL			
Provincial government	<u>6,096,102</u>	<u>661,944</u>	<u>7,354,342</u>
TOTAL GOVERNMENT TRANSFERS	<u>\$ 6,536,819</u>	<u>\$ 1,235,383</u>	<u>\$ 8,007,318</u>

CLEARWATER COUNTY

Schedule 4

SCHEDULE OF SEGMENTED INFORMATION

FOR THE YEAR ENDED DECEMBER 31, 2016

	<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	\$ 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
Oil 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
Contract 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 supplies	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 (recovery)	<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>

CLEARWATER COUNTY

Schedule 5

SCHEDULE OF SEGMENTED INFORMATION

FOR THE YEAR ENDED DECEMBER 31, 2015

	General <u>Government</u>	Community <u>Services</u>	Emergency & Protective <u>Services</u>	Transportation <u>Services</u>	Planning & Development	Recreation & Culture	Environmental <u>Services</u>	Agricultural <u>Services</u>	<u>Total</u>
REVENUE									
Net municipal taxes	\$ 43,982,546	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 43,982,546
User fees and sales of goods	10,295	-	-	312,342	5,863	855	111,052	493,144	933,551
Government transfers	292,816	-	70,501	-	68,800	-	-	220,859	652,976
Investment income	977,742	-	-	-	-	-	-	-	977,742
Well drilling taxes	4,625,263	-	-	-	-	-	-	-	4,625,263
All other	<u>271,606</u>	<u>-</u>	<u>430,378</u>	<u>3,705</u>	<u>281,688</u>	<u>48</u>	<u>20,900</u>	<u>8,293</u>	<u>1,016,618</u>
	<u>50,160,268</u>	<u>-</u>	<u>500,879</u>	<u>316,047</u>	<u>356,351</u>	<u>903</u>	<u>131,952</u>	<u>722,296</u>	<u>52,188,696</u>
EXPENSES									
Salaries, wages and benefits	2,750,147	67,988	1,634,502	3,569,239	864,511	190,443	67,645	1,103,416	10,247,891
Contracted and general services	920,331	17,365	91,139	5,807,257	644,119	2,767,772	1,364,373	489,890	12,102,246
Materials, goods and utilities	211,984	3,375	886,481	2,430,100	22,514	4,372	64,993	665,135	4,288,954
Transfers to other governments	-	40,746	-	-	-	-	-	-	40,746
Transfers to individuals/organizations	1,396,206	302,979	24,647	-	-	2,596,215	-	9,837	4,329,884
Transfers to local boards & agencies	-	70,631	-	-	-	-	-	-	70,631
Interest on long-term debt	-	151,656	-	-	-	-	-	-	151,656
Other expenses (recovery)	<u>195,504</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>250</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>195,754</u>
	<u>5,474,172</u>	<u>654,740</u>	<u>2,636,769</u>	<u>11,806,596</u>	<u>1,531,394</u>	<u>5,558,802</u>	<u>1,497,011</u>	<u>2,268,278</u>	<u>31,427,762</u>
NET REVENUE (DEFICIT) BEFORE AMORTIZATION	44,686,096	(654,740)	(2,135,890)	(11,490,549)	(1,175,043)	(5,557,899)	(1,365,059)	(1,545,982)	20,760,934
Amortization	<u>203,217</u>	<u>26,007</u>	<u>426,738</u>	<u>17,594,332</u>	<u>26,242</u>	<u>57,645</u>	<u>308,780</u>	<u>121,391</u>	<u>18,764,352</u>
NET REVENUE (DEFICIT)	<u>\$ 44,482,879</u>	<u>\$ (680,747)</u>	<u>\$ (2,562,628)</u>	<u>\$ (29,084,881)</u>	<u>\$ (1,201,285)</u>	<u>\$ (5,615,544)</u>	<u>\$ (1,673,839)</u>	<u>\$ (1,667,373)</u>	<u>\$ 1,996,582</u>

CLEARWATER COUNTY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

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 Clearwater County (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.

CLEARWATER COUNTY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

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.

CLEARWATER COUNTY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

1. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(h) Tax Revenue

Property tax revenue is based on market value of assessments 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
DECEMBER 31, 2016

2. CASH AND CASH EQUIVALENTS

	<u>2016</u>	<u>2015</u>
Operating bank accounts	\$ 329,065	\$ 11,185,389
Cash on hand	500	500
Revolving loan (<i>Note 12</i>)	(1,300,000)	-
Savings accounts	55,910,244	30,112,332
Guaranteed Investment Certificates	<u>23,167,678</u>	<u>28,509,678</u>
	<u>\$ 78,107,487</u>	<u>\$ 69,807,899</u>

Guaranteed Investment Certificates bear interest at rates ranging from 1.90% - 2.20% and maturing October 2017 and January 2020.

The above amounts include grant funding of \$6,021,692 (2015- \$840,465) which is externally restricted per *Note 6*.

3. ACCOUNTS RECEIVABLE

	<u>2016</u>	<u>2015</u>
Trade and other	\$ 2,725,582	\$ 1,949,390
Taxes and grants in place of taxes	717,226	539,108
Goods and Services Tax	<u>440,282</u>	<u>617,762</u>
	<u>\$ 3,883,090</u>	<u>\$ 3,106,260</u>

Taxes and grants in lieu consist of the following:

Current taxes	\$ 600,952	\$ 565,776
Tax arrears	<u>355,920</u>	<u>179,944</u>
	956,872	745,720
Less: Allowance for doubtful accounts	<u>(239,646)</u>	<u>(206,612)</u>
	<u>\$ 717,226</u>	<u>\$ 539,108</u>

4. INVESTMENTS

	<u>2016</u>	<u>2015</u>
Muniserp Pension Assets	\$ 143,890	\$ 121,390
Rocky Credit Union Ltd. common shares	82,018	82,019
Rocky Mountain House Co-op Association Limited	7,500	26,745
Alberta Capital Finance Authority shares	<u>70</u>	<u>70</u>
	<u>\$ 233,478</u>	<u>\$ 230,224</u>

CLEARWATER COUNTY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	<u>2016</u>	<u>2015</u>
Trade payables and accrued liabilities	\$ 6,047,443	\$ 7,571,429
Accrued wages and benefits	<u>1,214,155</u>	<u>1,072,675</u>
	<u>\$ 7,261,598</u>	<u>\$ 8,644,104</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>2015</u>	<u>Additions</u>	<u>Revenue Recognized</u>	<u>2016</u>
Municipal Sustainability Initiative	\$ -	\$ 5,267,338	\$ -	\$ 5,267,338
Flood Recovery Erosion Control	782,300	7,190	(63,301)	726,189
Penn West Environmental	8,165	-	-	8,165
Shell regional fire training	20,000	20,000	(20,000)	20,000
Land sales	<u>30,000</u>	<u>-</u>	<u>(30,000)</u>	<u>-</u>
	<u>\$ 840,465</u>	<u>\$ 5,294,528</u>	<u>\$ (113,301)</u>	<u>\$ 6,021,692</u>

7. LONG-TERM DEBT

	<u>2016</u>	<u>2015</u>
Alberta Capital Finance Authority debenture repayable in semi-annual instalments of \$227,808 including interest at 4.006% maturing in 2025.	<u>\$ 3,254,994</u>	<u>\$ 3,570,700</u>

Principal and interest payments are due as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 328,479	\$ 127,138	\$ 455,617
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
Thereafter	<u>1,474,205</u>	<u>120,455</u>	<u>1,594,660</u>
	<u>\$ 3,254,994</u>	<u>\$ 617,751</u>	<u>\$ 3,872,745</u>

Interest on long-term debt amounted to \$139,357 (2015 - \$151,656).

The County's total cash payments for interest in 2016 were \$139,912 (2015 - \$152,189).

CLEARWATER COUNTY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

8. TANGIBLE CAPITAL ASSETS

	<u>2016</u> Net Book Value	<u>2015</u> Net Book Value
Engineered structures		
Roadways	\$ 262,887,743	\$ 270,614,564
Wastewater systems	10,440,745	10,679,431
All other	9,046,963	8,642,603
Water systems	<u>5,326,525</u>	<u>5,421,206</u>
	287,701,976	295,357,804
Land	43,151,730	43,161,652
Buildings	10,772,193	8,873,932
Machinery and equipment	9,238,175	8,646,572
Vehicles	<u>1,242,595</u>	<u>1,184,217</u>
	<u>\$ 352,106,669</u>	<u>\$ 357,224,177</u>

	Cost Beginning of Year	Additions	Disposals	Transfers	Cost End of Year
Engineering structures					
Roadways	\$ 612,348,055	\$ 10,989,422	\$ (6,667,688)	\$ -	\$ 616,669,789
Wastewater systems	12,495,500	-	-	-	12,495,500
All other	11,687,964	488,775	-	-	12,176,739
Water systems	<u>5,910,254</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,910,254</u>
	642,441,773	11,478,197	(6,667,688)	-	647,252,282
Machinery and equipment	13,711,013	2,208,174	(997,177)	-	14,922,010
Vehicles	2,149,586	322,271	(55,136)	-	2,416,721
Buildings	10,622,513	2,127,097	-	-	12,749,610
Land	<u>43,161,652</u>	<u>21,007</u>	<u>(30,929)</u>	<u>-</u>	<u>43,151,730</u>
	<u>\$ 712,086,537</u>	<u>\$ 16,156,746</u>	<u>\$ (7,750,930)</u>	<u>\$ -</u>	<u>\$ 720,492,353</u>

	Accumulated Amortization Beginning of Year	Current Amortization	Disposals	Transfers	Accumulated Amortization End of Year
Engineered structures					
Roadways	\$ 341,733,491	\$ 17,091,695	\$ (5,043,140)	\$ -	\$ 353,782,046
Wastewater systems	1,816,069	238,686	-	-	2,054,755
All other	3,045,361	84,415	-	-	3,129,776
Water systems	<u>489,048</u>	<u>94,681</u>	<u>-</u>	<u>-</u>	<u>583,729</u>
	347,083,969	17,509,477	(5,043,140)	-	359,550,306
Machinery, equipment, and furnishings	5,064,441	934,715	(315,321)	-	5,683,835
Vehicles	965,369	263,881	(55,124)	-	1,174,126
Buildings	<u>1,748,581</u>	<u>228,836</u>	<u>-</u>	<u>-</u>	<u>1,977,417</u>
	<u>\$ 354,862,360</u>	<u>\$ 18,936,909</u>	<u>\$ (5,413,585)</u>	<u>\$ -</u>	<u>\$ 368,385,684</u>

Construction of tangible capital assets in progress for 2016 totals \$8,406,254 (2015 - \$8,351,067). These amounts are not being amortized.

CLEARWATER COUNTY
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016

9. INVENTORIES FOR CONSUMPTION

	<u>2016</u>	<u>2015</u>
Gravel	\$ 3,704,953	\$ 3,684,672
Parts, chemicals, and other	<u>362,319</u>	<u>386,295</u>
	<u>\$ 4,067,272</u>	<u>\$ 4,070,967</u>

10. ACCUMULATED SURPLUS

	<u>2016</u>	<u>2015</u>
Unrestricted surplus	\$ 704,309	\$ 2,875,716
Restricted surplus (Note 11)	71,748,879	64,161,858
Equity in tangible capital assets (Schedule 1)	<u>352,106,669</u>	<u>357,224,177</u>
	<u>\$ 424,559,857</u>	<u>\$ 424,261,751</u>

11. RESTRICTED SURPLUS

	<u>2016</u>	<u>2015</u>
Municipal, recreation, and school	\$ 187,565	\$ 164,540
County facilities - capital	3,718,975	3,268,975
Work in progress	8,030,855	9,015,522
Nordegg	(2,728,946)	(2,830,972)
Tax rate stabilizaton	14,032,419	9,935,500
Airport	64,500	64,500
Fire - capital	2,977,118	1,157,118
Disaster	2,000,000	2,100,000
Public works - capital	6,502,995	6,343,184
Paving	8,470,046	8,470,046
Gravel	4,407,953	4,407,953
Gravel reclamation	4,657,033	4,391,714
Resource roads	3,000,000	3,000,000
Sewer	6,321,055	6,321,055
Agricultural services	2,660,000	1,660,000
Regional fire	27,473	41,723
Bridge deficit	1,524,986	2,925,000
North Saskatchewan River park	500,000	500,000
High speed internet	3,900,000	2,250,000
GIS air photo's	152,000	76,000
West country roads	1,200,000	900,000
Facility - Operaing Rental Income	55,000	-
Leslieville Sewer	6,216	-
Nordegg Historic	<u>81,636</u>	<u>-</u>
	<u>\$ 71,748,879</u>	<u>\$ 64,161,858</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.

CLEARWATER COUNTY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

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 2016 were \$996,750 (2015 - \$787,649). Total current service contributions by the employees of the County to the LAPP in 2016 were \$919,234 (2015 - \$727,116).

At December 31, 2015 the Plan disclosed an actuarial deficit of \$923.4 million (2014 - \$2,454.6 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 2016 were \$4,883 (2015 - \$4,228). Contributions by the employees of the County to the APEX in 2016 were \$3,712 (2015 - \$3,424).

(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 in 2016 were \$13,760 (2015 - \$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
DECEMBER 31, 2016

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>Benefits and Allowances</u>	<u>2016</u> <u>Total</u>	<u>2015</u> <u>Total</u>
Reeve and Councilors				
Duncan (Division 1)	\$ 40,629	\$ 6,249	\$ 46,878	\$ 46,371
Greenwood (Division 2)	33,025	5,998	39,023	37,486
Maki (Division 3)	28,734	5,828	34,562	30,975
Vandermeer (Division 4)	24,711	5,533	30,244	34,451
Laing (Division 5)	31,266	5,940	37,206	39,885
Graham (Division 6)	28,138	4,922	33,060	30,358
Alexander (Division 7)	<u>45,219</u>	<u>6,434</u>	<u>51,653</u>	<u>51,625</u>
	<u>\$ 231,722</u>	<u>\$ 40,904</u>	<u>\$ 272,626</u>	<u>\$ 271,151</u>
County Manager				
Leaf	<u>\$ 237,029</u>	<u>\$ 50,222</u>	<u>\$ 287,251</u>	<u>\$ 282,898</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.

CLEARWATER COUNTY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

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
DECEMBER 31, 2016

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>2016</u>	<u>2015</u>
Total debt limit	\$ 77,030,711	\$ 78,283,044
Total debt	<u>(3,254,994)</u>	<u>(3,570,700)</u>
Amount of debt limit unused	<u>\$ 73,775,717</u>	<u>\$ 74,712,344</u>
Service on debt limit	\$ 12,838,452	\$ 13,047,174
Service on debt	<u>(455,617)</u>	<u>(455,617)</u>
Amount of debt servicing limit unused	<u>\$ 12,382,835</u>	<u>\$ 12,591,557</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
DECEMBER 31, 2016

19. BUDGET FIGURES

The budget figures are presented for information purposes only. The 2016 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>2016</u> (Budget)	<u>2016</u> (Actual)	<u>2015</u> (Actual)
Annual surplus	\$ 18,110,107	\$ 298,106	\$ 10,294,877
Add back (deduct):			
Amortization expense	-	18,936,909	18,764,352
Purchase of tangible capital assets	(31,627,922)	(16,156,746)	(19,614,779)
Net transfers (to) from capital projects	17,494,078	-	-
Net transfers (to) from operations	(3,660,557)	-	-
Loss on disposal of tangible capital assets	-	1,287,171	843,065
Contributed tangible capital assets	-	-	(1,787,018)
Principal debt repayments	<u>(315,706)</u>	<u>(315,706)</u>	<u>(303,428)</u>
Results of Operations	\$ <u><u>-</u></u>	\$ <u><u>4,049,734</u></u>	\$ <u><u>8,197,069</u></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.