

INDEPENDENT AUDITORS' REPORT

To the Reeve and Council of the Municipality of Clearwater County:

We have audited the consolidated statement of financial position of Clearwater County as at December 31, 2015 and the consolidated statements of operations, changes in net financial assets, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Managements' Responsibility for the 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 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 consolidated 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 consolidated financial statements are free of 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 auditors' 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, these consolidated financial statements present fairly, in all material respects, the consolidated financial position of Clearwater County as at December 31, 2015 and the consolidated results of its operations, the consolidated changes in its net financial assets, and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Edmonton, Alberta
July 26, 2016



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Clearwater County
Consolidated Statement of Financial Position
As at December 31, 2015

	<u>2015</u>	<u>2014</u>
	\$	\$
FINANCIAL ASSETS		
Cash and temporary investments (Note 2)	\$69,807,899	\$55,408,638
Receivables		
Taxes and grants in place of taxes (Note 3)	\$539,108	\$459,965
Trade and other receivables	\$2,567,152	\$5,009,091
Land held for resale inventory	\$2,409,046	\$2,409,046
Investments (Note 4)	\$230,224	\$187,804
	<u>\$75,553,429</u>	<u>\$63,474,544</u>
LIABILITIES		
Accounts payable and accrued liabilities	\$7,571,429	\$3,035,574
Deposits	\$25,800	\$8,300
Deferred revenue (Note 7)	\$840,465	\$1,934,039
Employee Wage & Benefit Liabilities	\$1,072,675	\$879,996
Long-term debt (Note 5)	\$3,570,700	\$3,874,128
	<u>\$13,081,069</u>	<u>\$9,732,037</u>
NET FINANCIAL ASSETS	<u>\$62,472,360</u>	<u>\$53,742,507</u>
NON-FINANCIAL ASSETS		
Tangible capital assets (Schedule 2)	\$357,224,177	\$355,905,157
Inventory for consumption	\$4,070,967	\$3,797,954
Prepaid expenses	\$494,247	\$521,257
	<u>\$361,789,391</u>	<u>\$360,224,368</u>
ACCUMULATED SURPLUS (Schedule 1, Note 8)	<u>\$424,261,751</u>	<u>\$413,966,875</u>

Clearwater County
Consolidated Statement of Operations
For the Year Ended December 31, 2015

	BUDGET		
	2015	2015	2014
	\$	\$	\$
	<u> </u>	<u> </u>	<u> </u>
REVENUE			
Net municipal property taxes (Schedule 3)	43,927,606	43,982,546	38,624,418
User fees and sales of goods	1,300,275	933,552	1,455,177
Government transfers for operating (Schedule 4)	1,113,525	652,976	495,261
Investment income	710,000	977,742	776,440
Penalties and costs of taxes	100,000	172,923	167,514
Development levies	55,000	108,128	26,338
Licenses and permits	45,600	88,398	71,000
Well drilling taxes	2,000,000	4,625,263	6,790,372
Fines	200,000	355,977	272,678
Rentals	192,500	185,278	202,426
Other	182,250	105,913	297,280
	<u> </u>	<u> </u>	<u> </u>
Total Revenue	<u>49,826,756</u>	<u>52,188,696</u>	<u>49,178,904</u>
EXPENSES			
Legislative	484,750	375,695	439,110
Administration	2,896,283	2,883,268	2,420,958
Assessment	815,747	696,295	618,424
Fire, ambulance and protective services	3,172,515	2,636,769	2,350,208
Public works - general	1,851,141	1,667,881	1,779,264
Roads, streets, walks and lighting	9,934,053	9,066,527	9,968,073
Facilities	1,290,103	1,072,188	653,863
Water supply and distribution	113,948	81,912	103,873
Wastewater treatment and disposal	164,948	140,404	958,469
Waste management	1,266,114	1,274,694	923,879
Airport	69,092	40,746	46,409
Community Programming (SRO, FCSS, Senior Funding etc)	695,475	613,994	563,069
Agricultural services	2,122,770	2,268,278	1,949,503
Land use planning, zoning and development	4,052,436	3,050,306	1,964,848
Parks and recreation	5,792,362	5,088,089	3,188,760
Culture	466,490	470,716	462,705
Amortization		18,764,352	18,412,388
Contingency	360,500		
	<u> </u>	<u> </u>	<u> </u>
Total Expenses	<u>35,548,727</u>	<u>50,192,114</u>	<u>46,803,803</u>
ANNUAL SURPLUS BEFORE OTHER	14,278,029	1,996,582	2,375,101
OTHER			
Contributed tangible capital assets (note 15)		1,787,018	12,670
Government transfers for capital (Schedule 4)	7,806,278	7,354,342	7,428,492
Loss on disposal of tangible capital assets		(843,065)	(2,370,059)
	<u> </u>	<u> </u>	<u> </u>
ANNUAL SURPLUS	<u>22,084,307</u>	<u>10,294,877</u>	<u>7,446,204</u>
ACCUMULATED SURPLUS, BEGINNING OF YEAR	<u>413,966,874</u>	<u>413,966,874</u>	<u>406,520,670</u>
ACCUMULATED SURPLUS, END OF YEAR	<u>436,051,181</u>	<u>424,261,751</u>	<u>413,966,874</u>

Clearwater County
Consolidated Statement of Cash Flows
For the Year Ended December 31, 2015

	2015 \$	2014 \$
NET OUTFLOW OF CASH RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING		
Annual Surplus	10,294,877	7,446,204
Non-cash items included in excess of revenue over expenses:		
Amortization of tangible capital assets	18,764,352	18,412,388
Contributed tangible capital assets	(1,787,018)	(12,670)
Loss on disposal of tangible capital assets	843,065	2,370,059
Non-cash charges to operations - net change:		
Decrease (Increase) in taxes & grants in place of taxes	(79,143)	237,420
Decrease (Increase) in trade & other receivables	2,429,314	(1,822,316)
Decrease (Increase) in land held for resale		34,048
Decrease (increase) in inventory for consumption	(273,013)	29,074
Decrease (increase) in prepaid expenses	27,010	(167,686)
Increase (Decrease) in accounts payable and accrued liabilities	4,548,480	(29,667)
Increase (Decrease) in deposits	17,500	(750)
Increase (Decrease) in deferred revenue	(1,093,576)	1,724,713
Increase (Decrease) in wages & benefits payable	192,679	115,485
	33,884,527	28,336,302
CAPITAL		
Acquisition of tangible capital assets	(19,614,779)	(16,683,612)
Proceeds on the sale of tangible capital assets	475,361	289,519
	(19,139,418)	(16,394,093)
INVESTING		
Decrease (increase) in investments	(42,420)	(35,315)
FINANCING		
Long-term debt repaid	(303,428)	(291,628)
CHANGE IN CASH AND TEMPORARY INVESTMENTS DURING THE YEAR	14,399,261	11,615,266
CASH AND TEMPORARY INVESTMENTS, BEGINNING OF YEAR	55,408,638	43,793,372
CASH AND TEMPORARY INVESTMENTS, END OF YEAR	69,807,899	55,408,638

Clearwater County
Consolidated Statement of Changes in Net Financial Assets
For the Year Ended December 31, 2015

	2015 <u>Budget</u>	2015 <u>\$</u>	2014 <u>\$</u>
ANNUAL SURPLUS	<u>22,084,307</u>	<u>10,294,877</u>	<u>7,446,204</u>
Acquisition of tangible capital assets	(30,201,150)	(19,614,779)	(16,683,612)
Contributed tangible capital assets		(1,787,018)	(12,670)
Proceeds on disposal of tangible capital assets		475,361	289,519
Amortization of tangible capital assets		18,764,352	18,412,388
Loss on disposal of tangible capital assets		<u>843,065</u>	<u>2,370,059</u>
	<u>(30,201,150)</u>	<u>(1,319,019)</u>	<u>4,375,684</u>
Acquisition of supplies inventories		(3,067,317)	(1,728,876)
Acquisition of prepaid assets		(494,247)	(521,257)
Use of supplies inventories		2,794,304	1,757,951
Use of prepaid assets		<u>521,257</u>	<u>353,571</u>
		<u>(246,003)</u>	<u>(138,611)</u>
INCREASE IN NET FINANCIAL ASSETS	(30,201,150)	8,729,855	11,683,277
NET FINANCIAL ASSETS, BEGINNING OF YEAR	<u>53,742,507</u>	<u>53,742,507</u>	<u>42,059,230</u>
NET FINANCIAL ASSETS, END OF YEAR	<u>23,541,357</u>	<u>62,472,362</u>	<u>53,742,507</u>

Clearwater County
Schedule of Accumulated Surplus
For the Year Ended December 31, 2015
Schedule 1

	Unrestricted Surplus	Restricted Surplus	Equity in Tangible Capital Assets	2015 \$	2014 \$
BALANCE, BEGINNING OF YEAR	61,927	57,999,789	355,905,157	413,966,874	406,520,670
Annual Surplus	10,294,877			10,294,877	7,446,204
Unrestricted funds designated for future use	(16,486,033)	16,486,033		-	-
Restricted funds used for Operations	2,025,000	(2,025,000)		-	-
Restricted funds used for Tangible Capital Assets		(8,298,965)	8,298,965	-	-
Current year funds used for tangible capital assets	(13,102,833)		13,102,833		
Disposal of tangible capital assets	1,318,426		(1,318,426)		
Annual amortization expense	18,764,352		(18,764,352)	-	-
Change in accumulated surplus	2,813,789	6,162,068	1,319,020	10,294,877	7,446,204
BALANCE, END OF YEAR (note 8)	2,875,716	64,161,857	357,224,177	424,261,751	413,966,874

Clearwater County
Schedule of Tangible Capital Assets
For the Year Ended December 31, 2015
Schedule 2

	Land	Buildings	Engineered Structures	Machinery & Equipment	Vehicles	2015 \$	2014 \$
Cost:							
Balance, Beginning of Year	40,949,091	10,022,257	629,145,650	12,330,703	2,025,051	694,472,752	685,401,480
Acquisition of TCA	2,212,561	600,256	14,327,770	2,176,945	297,247	19,614,779	16,683,612
Contributed Assets			1,787,018			1,787,018	12,670
Adjustment in Estimated Cost						-	-
Disposal of TCA			(2,818,665)	(796,635)	(172,712)	(3,788,012)	(7,625,010)
Balance, End of Year (1)	43,161,652	10,622,513	642,441,774	13,711,013	2,149,586	712,086,537	694,472,752
Accumulated Amortization:							
Balance, Beginning of Year	-	(1,541,397)	(331,841,821)	(4,453,118)	(731,258)	(338,567,594)	(325,120,639)
Annual Amortization	-	(207,184)	(17,398,066)	(803,050)	(356,052)	(18,764,352)	(18,412,388)
Accum Amort on Disposals	-		2,155,918	191,727	121,941	2,469,586	4,965,433
Balance, End of Year	-	(1,748,581)	(347,083,969)	(5,064,441)	(965,369)	(354,862,360)	(338,567,595)
Net Book Value of TCA's 2015	43,161,652	8,873,932	295,357,805	8,646,572	1,184,217	357,224,177	
Net Book Value of TCA's 2014	40,949,091	8,480,859	297,303,829	7,877,584	1,293,794		355,905,157

(1) Construction of capital assets in progress for 2015 is \$8,351,067 (2014 - 4,981,533) These amounts are not being amortized.

Clearwater County
Schedule of Property and Other Taxes
For the Year Ended December 31, 2015
Schedule 3

	BUDGET		
	2015 \$	2015 \$	2014 \$
TAXATION			
Real property taxes	13,250,312	13,822,922	12,732,994
Linear property taxes	47,460,496	47,605,594	43,032,959
Grants in place of property taxes	64,183	77,002	64,183
	<u>60,774,991</u>	<u>61,505,517</u>	<u>55,830,135</u>
REQUISITIONS			
Alberta School Foundation	16,178,708	16,840,259	16,178,708
Red Deer Catholic Regional Division No. 39	186,564	194,193	186,564
Westview Lodge	482,113	488,519	840,445
	<u>16,847,385</u>	<u>17,522,971</u>	<u>17,205,717</u>
NET MUNICIPAL PROPERTY TAXES	<u>43,927,606</u>	<u>43,982,546</u>	<u>38,624,418</u>

Clearwater County
Schedule of Government Transfers
For the Year Ended December 31, 2015
Schedule 4

	BUDGET		
	2015	2015	2014
	<u>\$</u>	<u>\$</u>	<u>\$</u>
TRANSFERS FOR OPERATING			
Federal government			2,730
Provincial government	1,079,190	582,475	487,531
Other local governments	34,335	70,501	5,000
	<u>1,113,525</u>	<u>652,976</u>	<u>495,261</u>
TRANSFERS FOR CAPITAL			
Federal government	667,000	643,649	667,253
Provincial government	7,139,278	6,710,693	6,761,239
	<u>7,806,278</u>	<u>7,354,342</u>	<u>7,428,492</u>
TOTAL GOVERNMENT TRANSFERS	<u><u>8,919,803</u></u>	<u><u>8,007,318</u></u>	<u><u>7,923,753</u></u>

Clearwater County
Schedule of Segmented Disclosure
For the Year Ended December 31, 2015
Schedule 5

	General Government \$	Community Services \$	Emergency & Protective Services \$	Transportation Services \$	Planning & Development \$	Recreation & Culture \$	Environmental Services \$	Agricultural Services \$	Total \$
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 for operating	292,816		70,501		68,800			220,859	652,976
Government transfers for capital	5,616,953			1,737,389					7,354,342
Investment income	977,742								977,742
Contributed tangible capital assets	1,787,018								1,787,018
Well drilling taxes	4,625,263								4,625,263
Other revenue	271,606		430,378	3,705	281,688	48	20,900	8,293	1,016,618
	57,564,239		500,879	2,053,436	356,351	903	131,952	722,296	61,330,056
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 local boards and agencies		70,631							70,631
Transfers to individuals and organizations	1,396,206	302,979	24,647			2,596,215		9,837	4,329,884
Interest on long-term debt		151,656							151,656
Loss (gain) on disposal of TCA			(1,496)	870,271				(25,710)	843,065
Other expenses	195,504				250				195,754
	5,474,172	654,740	2,635,273	12,676,867	1,531,394	5,558,802	1,497,011	2,242,568	32,270,827
NET REVENUE (EXPENSE) BEFORE AMORTIZATION	52,090,067	(654,740)	(2,134,394)	(10,623,431)	(1,175,043)	(5,557,899)	(1,365,059)	(1,520,272)	29,059,229
Amortization	203,217	26,007	426,738	17,594,332	26,242	57,645	308,780	121,392	18,764,352
NET REVENUE (EXPENSE)	51,886,850	(680,747)	(2,561,132)	(28,217,763)	(1,201,285)	(5,615,544)	(1,673,839)	(1,641,664)	10,294,877

Clearwater County
Notes to Consolidated Financial Statements
December 31, 2015

1. Significant Accounting Policies

The consolidated financial statements of Clearwater County 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 County are as follows:

(a) Reporting Entity

The consolidated financial statements reflect the assets, liabilities, revenues and expenses and changes in cash flows of the reporting entity. The entity is comprised of the municipal operations plus all of the organizations that are owned or controlled by the County and are, therefore, accountable for the administration of their financial affairs and resources. Jointly controlled organizations are reported to the extent of the County's proportionate share of ownership or control. Included with the municipality are the following:

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, seniors' lodges, 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.

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. No further accounting information for the authority is included in these financial statements.

(b) Basis of Accounting

The financial statements are prepared using the accrual basis of accounting. The accrual basis of accounting records revenue as it is earned and measurable. Expenses are recognized as they are incurred and measurable based upon receipt of goods and 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.

Clearwater County
Notes to Consolidated Financial Statements
December 31, 2015

(c) Use of Estimates

The preparation of 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 financial statements, and the reported amounts of revenue and expenses during the period. Where measurement uncertainty exists, the financial statements have been prepared within reasonable limits of materiality. Actual results could differ from those estimates.

(d) Investments

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

(e) 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.

(f) Land Held for Resale

Land held for resale is recorded at the lower cost or net realizable value. Cost includes costs for land acquisitions and improvements required to prepare the land for servicing such as clearing, stripping and leveling 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.

(g) 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 the 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.

(g) Tax Revenue

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

Clearwater County
Notes to Consolidated Financial Statements
December 31, 2015

(h) Pension Expenditures

The County participates in three multi-employer defined benefit pension plans. Contributions for current and past service pension benefits are recorded as expenditures in the year in which they become due. See Note 10 for details of these pension plans.

(i) 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 revenue over expenses, provides the consolidated Change in Net Financial Assets for the year.

i. Tangible Capital Assets

Tangible capital assets are recorded at cost which includes all amounts that are directly attributable to acquisition, construction, development or betterment of the asset. The cost, less residual value, of the tangible capital assets is amortized on a straight-line basis over the estimated useful life as follows:

	<u>Years</u>
Buildings	10 - 50
Engineered structures	
Roadway systems	3 - 80
Water systems	45 - 75
Wastewater systems	34 - 75
Machinery and equipment	5 - 40
Vehicles	10 - 25

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.

ii. Contributions of Tangible Capital Assets

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

Clearwater County
Notes to Consolidated Financial Statements
December 31, 2015

1. Significant Accounting Policies (continued)

(i) Non-Financial Assets (continued)

iii. 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.

iv. Inventories

Inventories held for consumption are valued at the lower of cost or 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.

2. Cash and Temporary Investments

	2015 \$	2014 \$
Cash	11,185,889	38,160,221
Temporary investments	<u>58,622,010</u>	<u>17,248,417</u>
	<u>69,807,899</u>	<u>55,408,638</u>

Cash represents cash on hand and in bank accounts.

Temporary investments are readily convertible to cash, consist of GICs and bear interest rates between 2.20% and 3.00% per annum and mature between October 2016 and June 2020.

The above amounts include grant funding of \$810,465 (2014 - \$1,904,039) which is externally restricted for capital projects.

Clearwater County
Notes to Consolidated Financial Statements
December 31, 2015

3. Taxes and Grants in Place of Taxes Receivable

	2015 \$	2014 \$
Current taxes and grants in place of taxes	565,776	332,317
Arrears taxes	<u>179,944</u>	<u>162,591</u>
	745,720	494,908
Less: Allowance for doubtful accounts	<u>(206,612)</u>	<u>(34,943)</u>
	<u>539,108</u>	<u>459,965</u>

4. Investments

	2015 \$	2014 \$
Equity Shares		
Rocky Credit Union Ltd.	82,019	79,245
Rocky Mountain House Co-op Association Limited	26,745	7,500
Muniserp Pension Assets	121,390	100,989
Alberta Capital Finance Authority	<u>70</u>	<u>70</u>
	<u>230,224</u>	<u>187,804</u>

Clearwater County
Notes to Consolidated Financial Statements
December 31, 2015

5. Long-Term Debt

	<u>2015</u>	<u>2014</u>
	\$	\$
Tax supported debentures	<u>3,570,700</u>	<u>3,874,128</u>

Principal and interest repayments are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
	\$	\$	\$
2016	315,705	139,912	455,617
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
Thereafter	<u>1,859,162</u>	<u>191,116</u>	<u>2,050,277</u>
	<u>3,570,700</u>	<u>757,663</u>	<u>4,328,362</u>

Debenture debt is repayable to the Alberta Capital Finance Authority, bears interest at the rate of 4.006% per annum, and matures in 2025.

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

Interest on long-term debt amounted to \$151,656 (2014 - \$163,476).

The County's total cash payments for interest in 2015 were \$152,189 (2014 - \$163,988).

Clearwater County
Notes to Consolidated Financial Statements
December 31, 2015

6. Debt Limits

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

	2015 \$	2014 \$
Total debt limit	78,283,044	73,768,356
Total debt	<u>3,570,700</u>	<u>3,874,128</u>
Amount of debt limit unused	<u>74,712,344</u>	<u>69,894,228</u>
Debt servicing limit	13,047,174	12,294,726
Debt servicing	<u>455,617</u>	<u>455,617</u>
Amount of debt servicing limit unused	<u>12,591,557</u>	<u>11,839,109</u>

The debt limit is calculated at 1.5 times revenue of the municipality (as defined in Alberta Regulation 255/00) 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 calculations taken alone do not represent the financial stability of the municipality. Rather, the financial statements must be interpreted as a whole.

The County has a revolving line of credit in the amount of \$4,920,000 available through Alberta Treasury Branches. No borrowings were made against the line of credit during the year.

Clearwater County
Notes to Consolidated Financial Statements
December 31, 2015

7. Deferred Revenue

	<u>Dec 31, 2014</u>	<u>Funds</u> <u>Received</u>	<u>Funds Used</u>	<u>Dec 31, 2015</u>
Penn West Environmental Grant	\$18,000	-	\$9,835	\$8,165
Farm Credit Canada	\$10,000		\$10,000	-
FREC Funding	\$1,876,039	\$14,571	\$1,166,334	\$782,300
Land Sales	\$30,000	-	-	\$30,000
Shell Regional Fire Training	-	\$20,000	-	\$20,000
Totals	<u>\$1,934,039</u>	<u>\$34,571</u>	<u>\$1,186,169</u>	<u>\$840,465</u>

FREC (Flood Recovery Erosion Control Program)

These are funds designated to be used in approved projects ongoing from the 2013 Flood damage.

Other Grants

Various other provincial grants are recognized as revenue in the year in which the related expenditure is incurred.

Land Sales

Deposit taken for a land sale that did not finalize in 2015.

Clearwater County
Notes to Consolidated Financial Statements
December 31, 2015

8. Accumulated Surplus

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

	<u>2015</u>	<u>2014</u>
Unrestricted surplus	2,875,716	61,927
Restricted reserves:		
Municipal, Recreation & School	164,540	2,076,142
County Facilities Capital	3,268,975	3,636,455
Work in Progress	9,015,522	2,670,000
Nordegg	(2,830,973)	(1,723,542)
Tax rate stabilization	9,935,500	9,935,500
Airport	64,500	64,500
Fire - capital	1,157,119	936,910
Disaster	2,100,000	2,000,000
Public works - capital	6,343,184	2,725,000
Paving	8,470,046	8,470,046
Gravel	4,407,953	4,407,953
Gravel reclamation	4,391,714	3,972,047
Resource roads	3,000,000	3,000,000
Sewer	6,321,055	6,321,055
Agricultural services	1,660,000	660,000
Regional fire	41,723	22,723
Bridge deficit	2,925,000	5,475,000
North Saskatchewan River Park	500,000	500,000
High speed internet	2,250,000	2,250,000
GIS Air Photo's	76,000	-
West Country Roads	900,000	600,000
	<u>64,161,858</u>	<u>57,999,789</u>
Equity in tangible capital assets	<u>357,224,177</u>	<u>355,905,157</u>
Total Accumulated Surplus	<u>424,261,751</u>	<u>413,966,875</u>

Clearwater County
Notes to Consolidated Financial Statements
December 31, 2015

9. Salary and Benefits Disclosure

Councilors	Division	2015		2014	
		Salary	Benefits and Allowances	Total	Total
Duncan	1	40,221	6,150	46,371	42,795
Greenwood	2	31,536	5,950	37,486	35,841
Maki	3	25,317	5,658	30,975	31,528
Vandermeer	4	28,617	5,834	34,451	55,440
Laing	5	33,942	5,943	39,885	37,138
Graham	6	24,739	5,619	30,358	49,482
Alexander	7	45,263	6,361	51,625	49,676
County Manager					
Leaf		233,190	49,708	282,898	263,519

1. Salary includes regular base pay, bonuses, overtime, lump sum payments, gross honoraria and any other direct cash remuneration.
2. Benefits and allowances include the 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.

Clearwater County
Notes to Consolidated Financial Statements
December 31, 2015

10. Pension Plans

(a) Local Authorities Pension Plan

Employees of Clearwater County 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 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 County is required to make current service contributions to LAPP of 11.39% of pensionable earnings up to the 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 salary up to the year's maximum pensionable salary and 14.84% of pensionable salary above this amount.

	2015	2014
	\$	\$
Employer Contribution	787,649	709,416
Employee Contribution	<u>727,116</u>	<u>654,039</u>
	<u>1,514,765</u>	<u>1,363,455</u>

At December 31, 2014 the Plan disclosed an actuarial deficit of \$2,454,636,000 (2013 - \$4,861,516,000).

Clearwater County
Notes to Consolidated Financial Statements
December 31, 2015

10. Pension Plans (continued)

(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.

	2015	2014
	\$	\$
Employer Contribution	4,228	4,155
Employee Contribution	<u>3,424</u>	<u>3,462</u>
	<u>7,652</u>	<u>7,617</u>

As this is a multi-employer pension plan, the employer contribution represents the County's pension benefit expense. No pension liability for this type of plan is included in the County's financial statements. The most recent valuation as at December 31, 2014 indicates an asset surplus of \$6,100,000 (\$4,100,000 surplus, December 31, 2013) for basic pension benefits. The notes to their financial statements identify that this pension is in its infancy, and volatility of surplus/deficit can occur year to year.

(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.

	2015	2014
	\$	\$
Employer Contribution	<u>14,010</u>	<u>20,452</u>

The most recent actuarial estimate was calculated as December 31, 2015. The market value of plan assets at December 31, 2015 was \$121,390 (December 31, 2014—\$100,989). The actuarial liability as at December 31, 2015 was \$116,057 (December 31, 2014—\$96,330).

Clearwater County
Notes to Consolidated Financial Statements
December 31, 2015

11. Financial Instruments

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

The County is subject to credit risk with respect to taxes and grants in place of taxes receivable and trade and other receivables. Credit risk arises from the possibility that taxpayers and entities to which the County 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 financial instruments approximates fair value.

12. Segmented Disclosure

Clearwater County 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.

(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 municipality 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 Alberta through a shared funding model between the Province of Alberta, the Town of Rocky Mountain House, the Village of Caroline and the County.

(c) Emergency & Protective Services

Emergency & 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 authorities granted by the Solicitor General of Alberta.

Clearwater County
Notes to Consolidated Financial Statements
December 31, 2015

d) Transportation Services

Transportation is comprised services in the Public Works areas. This includes the County's infrastructure (roads and bridges), facilities and maintenance and construction 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 Colli 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. A similar partnership exists between with the Village of Caroline and the Caroline & District Athletic & Agricultural Society.

(g) Environmental Services

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

(h) Agricultural Services and Landcare

Agricultural Services and Landcare administers programs that strengthens 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.

Certain allocation methodologies are employed in the preparation of segmented financial information. Taxation and payments in lieu of taxes are allocated to the segments based on the segments' budgeted net expenditures. User charges and other revenue have been allocated to the segment based upon the segment that generated the revenue. Government transfers have been allocated to the segment based upon the purpose for which the transfer was made. Development charges and levies are allocated to the segment for which the charge was made.

Refer to the Schedule of Segmented Disclosure (Schedule 5)

13. Commitments

Gravel Pit Reclamation Obligation

The County owns gravel pits and is responsible for reclamation costs related to those pits under Alberta environmental law. These costs are expected to be incurred over the life of each pit. The estimated reclamation obligation has not been determined by the County as the information is not reasonably estimable at this time. As a result, no liability has been recorded in these financial statements.

Clearwater County
Notes to Consolidated Financial Statements
December 31, 2015

14. Adoption of new accounting standards

In June 2010, the Public Sector Accounting Board issued PS - 3260 Liability for Contaminated Sites for fiscal years starting on or after April 1, 2014. Contaminated sites are a result of contamination being introduced into the air, soil, water or sediment of a chemical, organic, or radioactive material, or live organism that exceeds an environmental standard. Clearwater County adopted this accounting standard retroactively as of April 1, 2014. There was no impact to the financial statements due to this.

15. Contributed Tangible Capital Assets

	2015	2014
Roadways	\$1,787,018	-
Land	-	\$12,670
	<u>\$1,787,018</u>	<u>\$12,670</u>

16. Budget Figures

The budget figures are presented for information purposes only and have not been audited. The 2015 budget, prepared by the County, reflects all municipal activities including capital projects, debt repayments, and reserves for future use. The reconciliation below is provided to encompass these items and is provided for information purposes only.

	2015 (Budget)	2015 (Actual)	2014 (Actual)
Annual Surplus	\$22,084,307	\$10,294,877	\$7,446,204
Acquisition of TCA	(30,201,150)	(19,614,779)	(16,683,612)
Contributed tangible capital assets		(1,787,018)	(12,670)
Amortization expense		18,764,352	18,412,388
Net transfers to reserves - operations	(1,838,495)		
Net transfers from reserves - TCA	10,258,766		
Loss on disposal of TCA		843,065	2,370,059
Principal debt repayments	(303,428)	(303,428)	(291,629)
Results of Operations	<u>\$ -</u>	<u>\$8,197,069</u>	<u>\$11,240,740</u>

17. Approval of Financial Statements

The financial statements were approved by Council and Management.