

Clearwater County
Consolidated
Financial Statements
December 31, 2013

INDEPENDENT AUDITORS' REPORT

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

Report on the Consolidated Financial Statements

We have audited the consolidated statement of financial position of Clearwater County as at December 31, 2013 and the consolidated statements of operations, changes in net financial assets, changes in accumulated surplus, 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 financial position of Clearwater County as at December 31, 2013 and its consolidated results of operations, its changes in net financial assets, and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Edmonton, Alberta
April 22, 2014

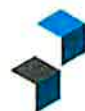
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Clearwater County
Consolidated Statement of Financial Position
As at December 31, 2013

	2013	(restated) (note 14) 2012
	\$	\$
	<u> </u>	<u> </u>
FINANCIAL ASSETS		
Cash and temporary investments (Note 2)	43,793,372	47,963,181
Receivables		
Taxes and grants in place of taxes (Note 3)	697,385	713,697
Trade and other receivables	3,174,150	2,755,388
Land held for resale inventory	2,443,094	2,355,370
Investments (Note 4)	152,489	81,552
	<u>50,260,490</u>	<u>53,869,188</u>
 LIABILITIES		
Accounts payable and accrued liabilities	3,051,876	6,343,908
Deposits	9,050	9,350
Deferred revenue (Note 7)	209,327	961,740
Employee Wage & Benefit Liabilities	765,251	589,202
Long-term debt (Note 5)	4,165,756	4,446,044
	<u>8,201,260</u>	<u>12,350,244</u>
 NET FINANCIAL ASSETS	 <u>42,059,230</u>	 <u>41,518,944</u>
 NON-FINANCIAL ASSETS		
Tangible capital assets (Schedule 2)	362,394,658	357,442,896
Inventory for consumption	3,827,028	3,473,641
Prepaid expenses	353,571	300,581
	<u>366,575,257</u>	<u>361,217,118</u>
 ACCUMULATED SURPLUS (Schedule 1, Note 8)	 <u><u>408,634,487</u></u>	 <u><u>402,736,062</u></u>

Clearwater County
Consolidated Statement of Operations
For the Year Ended December 31, 2013

	BUDGET (Unaudited) \$	2013 \$	(restated) (note 14) 2012 \$
REVENUE			
Net municipal property taxes (Schedule 3)	36,288,270	36,358,329	34,207,553
User fees and sales of goods	2,258,119	1,125,687	1,046,250
Government transfers for operating (Schedule 4)	1,188,930	1,618,400	686,986
Investment income	413,000	721,099	561,100
Penalties and costs of taxes	75,000	196,680	165,663
Development levies	55,000	27,791	87,918
Licenses and permits	58,600	36,795	59,137
Well drilling taxes	1,200,000	4,160,783	2,072,771
Fines	180,000	207,885	213,702
Rentals	155,400	167,315	165,095
Other	220,750	103,160	156,095
Total Revenue	42,093,069	44,723,924	39,422,270
EXPENSES			
Legislative	475,317	434,719	384,147
Administration	2,422,417	2,056,890	1,930,753
Assessment	641,787	603,559	555,104
Fire, ambulance and protective services	2,132,302	2,509,157	1,624,741
Public works - general	1,485,521	1,481,334	1,157,431
Roads, streets, walks and lighting	9,104,739	9,068,602	8,537,018
Facilities	665,878	481,250	418,968
Water supply and distribution	88,659	241,980	57,451
Wastewater treatment and disposal	383,540	2,026,913	143,297
Waste management	668,805	702,689	454,096
Airport	40,690	34,864	39,426
Family and community support	611,192	581,620	585,311
Agricultural services	1,810,336	1,729,298	1,557,550
Land use planning, zoning and development	1,871,392	1,672,107	2,020,092
Parks and recreation	4,288,167	1,743,116	952,535
Culture	444,558	437,584	395,960
Amortization	17,834,917	17,834,917	17,065,162
Total Expenses	44,970,217	43,640,599	37,879,042
EXCESS(DEFICIENCY) OF REVENUE OVER EXPENSES - BEFORE OTHER	(2,877,148)	1,083,325	1,543,228
OTHER			
Contributed tangible capital assets			75,000
Government transfers for capital (Schedule 4)	6,146,000	7,677,943	7,480,732
Loss on disposal of tangible capital assets		(2,862,844)	(1,638,900)
EXCESS OF REVENUE OVER EXPENSES	3,268,852	5,898,424	7,460,060
ACCUMULATED SURPLUS, BEGINNING OF YEAR	401,986,063	402,736,063	395,276,002
ACCUMULATED SURPLUS, END OF YEAR	405,254,915	408,634,487	402,736,062

Clearwater County
Consolidated Statement of Changes in Net Financial Assets
For the Year Ended December 31, 2013

	2013	2012
	<u>\$</u>	<u>\$</u>
EXCESS OF REVENUE OVER EXPENSES	5,898,424	7,460,060
Acquisition of tangible capital assets	(25,890,020)	(15,708,222)
Contributed tangible capital assets	-	(75,000)
Proceeds on disposal of tangible capital assets	240,498	219,689
Amortization of tangible capital assets	17,834,917	17,065,162
Loss on disposal of tangible capital assets	2,862,844	1,638,902
	<u>(4,951,761)</u>	<u>3,140,531</u>
Acquisition of supplies inventories	(2,747,023)	(2,205,012)
Acquisition of prepaid assets	(353,571)	(300,581)
Use of supplies inventories	2,393,636	2,242,132
Use of prepaid assets	300,581	184,897
	<u>(406,377)</u>	<u>(78,564)</u>
INCREASE IN NET FINANCIAL ASSETS	540,286	10,522,024
NET FINANCIAL ASSETS, BEGINNING OF YEAR	41,518,944	30,996,920
NET FINANCIAL ASSETS, END OF YEAR	42,059,230	41,518,944

**Clearwater County
Consolidated Statement of Cash Flows
For the Year Ended December 31, 2012**

	<u>2013</u>	<u>2012</u>
	\$	\$
NET OUTFLOW OF CASH RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING		
Excess of revenue over expenses	5,898,424	7,460,060
Non-cash items included in excess of revenue over expenses:		
Amortization of tangible capital assets	17,834,917	17,065,162
Contributed tangible capital assets		(75,000)
Loss on disposal of tangible capital assets	2,862,844	1,638,900
Non-cash charges to operations - net change:		
Decrease (Increase) in taxes & grants in place of taxes	16,312	41,856
Decrease (Increase) in trade & other receivables	(418,762)	212,241
Decrease (Increase) in land held for resale	(87,724)	(34,377)
Decrease (increase) in inventory for consumption	(353,387)	37,119
Decrease (increase) in prepaid expenses	(52,990)	(115,684)
Increase (Decrease) in accounts payable and accrued liabilities	(3,292,032)	4,502,223
Increase (Decrease) in deposits	(300)	2,800
Increase (Decrease) in deferred revenue	(752,412)	(1,269,015)
Increase (Decrease) in benefits payable	131,570	47,624
Increase (Decrease) in wages payable	44,478	75,944
	<u>21,830,938</u>	<u>29,589,853</u>
CAPITAL		
Acquisition of tangible capital assets	(25,890,020)	(15,708,222)
Proceeds on the sale of tangible capital assets	<u>240,498</u>	<u>219,689</u>
	<u>(25,649,522)</u>	<u>(15,488,533)</u>
INVESTING		
Decrease (increase) in investments	<u>(70,937)</u>	<u>1,817</u>
FINANCING		
Long-term debt repaid	<u>(280,288)</u>	<u>(269,388)</u>
CHANGE IN CASH AND TEMPORARY INVESTMENTS DURING THE YEAR	(4,169,809)	13,833,749
CASH AND TEMPORARY INVESTMENTS, BEGINNING OF YEAR	<u>47,963,181</u>	<u>34,129,432</u>
CASH AND TEMPORARY INVESTMENTS, END OF YEAR	<u><u>43,793,372</u></u>	<u><u>47,963,181</u></u>

Clearwater County
Schedule of Accumulated Surplus
For the Year Ended December 31, 2013
Schedule 1

	2013		2012
	Unrestricted Surplus	Restricted Surplus	Equity in Tangible Capital Assets
	\$		
BALANCE, BEGINNING OF YEAR	84,617	45,208,549	357,442,896
Excess of revenues over expenses	5,898,424		7,460,060
Unrestricted funds designated for future use	(8,131,823)	8,131,823	-
Restricted funds used for Operations	25,000	(25,000)	-
Restricted funds used for Tangible Capital Assets		(7,099,409)	7,099,409
Current year funds used for tangible capital assets	(18,790,611)		18,790,611
Disposal of tangible capital assets	3,103,342		(3,103,342)
Annual amortization expense	17,834,917		(17,834,917)
Change in accumulated surplus	(60,751)	1,007,414	4,951,761
BALANCE, END OF YEAR	23,866	46,215,963	362,394,658
			(restated)
			(note 14)
			\$
		402,736,063	395,276,002
		5,898,424	402,736,062
		-	-
		-	-
		-	-
		5,898,424	402,736,062
		408,634,487	402,736,062

Clearwater County
Schedule of Tangible Capital Assets
For the Year Ended December 31, 2013
Schedule 2

	Land	Buildings	Engineered Structures	Machinery & Equipment	Vehicles	2013 \$	2012 (restated) \$
Cost:							
Balance, Beginning of Year	42,754,448	9,416,360	606,045,876	10,454,488	1,901,597	670,572,769	660,471,360
Acquisition of TCA	160,000	214,949	23,907,420	1,326,008	281,643	25,890,020	15,708,222
Contributed Assets						-	75,000
Adjustment in Estimated Cost			(24,745)			(24,745)	
Reclassification Adjustment	125,588		(134,333)	393,291	(384,546)	-	
Disposal of TCA	-	-	(8,168,203)	(724,239)	(30,306)	(8,922,748)	(5,681,814)
Balance, End of Year (1)	43,040,036	9,631,309	621,626,015	11,449,549	1,768,388	687,515,297	670,572,768
Accumulated Amortization:							
Balance, Beginning of Year	-	(1,157,713)	(307,991,681)	(3,478,322)	(502,157)	(313,129,873)	(299,887,934)
Annual Amortization	-	(188,830)	(16,848,100)	(640,084)	(157,902)	(17,834,917)	(17,065,162)
Accum Amort on Disposals	-	-	5,629,346	202,682	12,122	5,844,151	3,823,223
Balance, End of Year	-	(1,346,543)	(319,210,435)	(3,915,724)	(647,937)	(325,120,639)	(313,129,872)
Net Book Value of TCA's 2013	43,040,036	8,284,766	302,415,580	7,533,825	1,120,451	362,394,658	
Net Book Value of TCA's 2012	42,754,448	8,258,648	298,054,194	6,976,166	1,399,440		357,442,896

(1) Construction of capital assets in progress for 2013 is \$3,801,281 (2012 - \$5,766,700) These amounts are not being amortized.

Clearwater County
Schedule of Property and Other Taxes
For the Year Ended December 31, 2013
Schedule 3

	BUDGET		(restated)
	(Unaudited)	2013	(note 14)
	\$	\$	2012
	<u> </u>	<u> </u>	<u> </u>
TAXATION			
Real property taxes	12,413,394	12,510,185	11,908,132
Linear property taxes	40,550,420	40,470,053	37,975,495
Grants in place of property taxes	61,249	62,403	63,060
	<u>53,025,063</u>	<u>53,042,641</u>	<u>49,946,687</u>
REQUISITIONS			
Alberta School Foundation	16,062,321	16,062,321	15,142,077
Red Deer Catholic Regional Division No. 39	185,222	185,222	174,610
Westview Lodge	489,250	436,769	422,447
	<u>16,736,793</u>	<u>16,684,312</u>	<u>15,739,134</u>
NET MUNICIPAL PROPERTY TAXES	<u>36,288,270</u>	<u>36,358,329</u>	<u>34,207,553</u>

Clearwater County
Schedule of Government Transfers
For the Year Ended December 31, 2013
Schedule 4

	BUDGET (Unaudited) \$	2013 \$	(restated) (note 14) 2012 \$
TRANSFERS FOR OPERATING			
Federal government	5,000		5,174
Provincial government	1,179,920	1,613,400	676,812
Other local governments	4,010	5,000	5,000
	<u>1,188,930</u>	<u>1,618,400</u>	<u>686,986</u>
TRANSFERS FOR CAPITAL			
Federal government		659,064	659,064
Provincial government	6,146,000	7,018,879	6,821,668
	<u>6,146,000</u>	<u>7,677,943</u>	<u>7,480,732</u>
TOTAL GOVERNMENT TRANSFERS	<u>7,334,930</u>	<u>9,296,343</u>	<u>8,167,718</u>

Clearwater County
Schedule of Segmented Disclosure
For the Year Ended December 31, 2013
Schedule 5

	General Government	Community Services	Protective Services	Transportation Services	Planning & Development	Recreation & Culture	Environmental Services	Agricultural Services	Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$
REVENUE									
Net municipal taxes	36,358,329								36,358,329
User fees and sales of goods	7,452			446,830	93,884		172,401	405,121	1,125,687
Government transfers for operating	398,161		475,497	515,143		5,000		224,599	1,618,400
Government transfers for capital				7,627,943		50,000			7,677,943
Investment income	721,099								721,099
Well drilling taxes	4,160,783		285,871	260	134,481		5,200	7,490	4,160,783
Other revenue	306,324								306,324
	<u>41,952,148</u>		<u>761,368</u>	<u>8,590,175</u>	<u>228,365</u>	<u>55,000</u>	<u>177,601</u>	<u>637,210</u>	<u>52,401,867</u>
EXPENSES									
Salaries, wages and benefits	2,154,280	66,393	1,208,727	3,108,181	666,769	177,908	62,556	874,854	8,309,669
Contracted and general services	900,657	2,526	520,781	5,126,288	129,598	6,813	1,537,438	353,643	8,577,743
Materials, goods and utilities	154,225	352	551,794	2,796,717	20,866	1,804	111,760	497,800	4,135,320
Transfers to other governments		34,864				284,490			319,353
Transfers to local boards and agencies		70,608						3,000	70,608
Transfers to individuals and organizations	721,475	266,902	227,855			1,709,686	1,259,827		4,188,744
Interest on long-term debt		174,840						1,940	174,840
Loss (gain) on disposal of TCA				2,860,904					2,862,844
Other expenses	23,720				5,686				29,406
	<u>3,954,356</u>	<u>616,484</u>	<u>2,509,157</u>	<u>13,892,090</u>	<u>812,919</u>	<u>2,180,700</u>	<u>2,971,582</u>	<u>1,731,237</u>	<u>28,668,526</u>
NET REVENUE (EXPENSE)	37,997,792	(616,484)	(1,747,789)	(5,301,915)	(584,555)	(2,125,700)	(2,793,981)	(1,094,028)	23,733,341
Amortization	122,330	21,006	249,964	17,053,483	14,004	28,855	259,956	85,320	17,834,917
	<u>37,875,463</u>	<u>(637,490)</u>	<u>(1,997,753)</u>	<u>(22,355,398)</u>	<u>(598,559)</u>	<u>(2,154,555)</u>	<u>(3,053,937)</u>	<u>(1,179,347)</u>	<u>5,898,424</u>

Clearwater County
Notes to Consolidated Financial Statements
December 31, 2013

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 expenditures, changes in fund balances and changes in financial position 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, 2013

(c) Use of Estimates

The preparation of financial statements in conformity with Canadian general accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenditures 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. The County has used estimates to determine accrued liabilities, land held for resale inventory, inventory for consumption, tangible capital asset useful lives as well as provisions made for allowances for amounts receivable or any provision for impairment.

(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.

(h) 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, 2013

(i) 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.

(j) Non-Financial Assets

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the normal course of operations. The change in non-financial assets during the year, together with the excess of 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, 2013

(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

	2013	2012
	\$	\$
Bank Accounts	38,756,797	43,779,718
Temporary investments	<u>5,036,575</u>	<u>4,183,463</u>
	<u>43,793,372</u>	<u>47,963,181</u>

Cash represents cash on hand and in bank accounts.

Temporary investments are represented by redeemable term deposits with original maturity dates greater than three months. These investments earn interest at the rate of 3.0% per annum.

The above amounts include grant funding of \$209,327 (2012 - \$961,740) which is externally restricted for capital projects.

Clearwater County
Notes to Consolidated Financial Statements
December 31, 2013

3. Taxes and Grants in Place of Taxes Receivable

	2013 \$	2012 \$
Current taxes and grants in place of taxes	565,536	582,951
Arrears taxes	<u>189,211</u>	<u>168,889</u>
	754,747	751,840
Less: Allowance for doubtful accounts	<u>(57,363)</u>	<u>(38,143)</u>
	<u>697,385</u>	<u>713,697</u>

4. Investments

	2013 \$	2012 \$
Rocky Credit Union Ltd. Equity	76,565	73,982
Rocky Mountain House Co-op Association Limited Equity	7,500	7,500
Muniserp Pension Assets	68,354	
Alberta Capital Finance Authority	<u>70</u>	<u>70</u>
	<u>152,489</u>	<u>81,552</u>

Clearwater County
Notes to Consolidated Financial Statements
December 31, 2013

5. Long-Term Debt

	2013 \$	2012 \$
Tax supported debentures	<u>4,165,756</u>	<u>4,446,044</u>

Principal and interest repayments are as follows:

	Principal \$	Interest \$	Total \$
2014	291,629	163,988	455,617
2015	303,428	152,189	455,617
2016	315,705	139,912	455,617
2017	328,479	127,138	455,617
2018	341,770	113,847	455,617
Thereafter	<u>2,584,745</u>	<u>376,766</u>	<u>2,961,511</u>
	<u>4,165,756</u>	<u>1,073,840</u>	<u>5,239,596</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 \$174,840 (2012 - \$185,735).

The County's total cash payments for interest in 2013 were \$175,330 (2012 - \$186,229).

Clearwater County
Notes to Consolidated Financial Statements
December 31, 2013

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:

	2013	2012
	\$	\$
Total debt limit	67,085,886	59,133,405
Total debt	<u>4,165,756</u>	<u>4,446,044</u>
Amount of debt limit unused	<u>62,920,130</u>	<u>54,687,361</u>
Debt servicing limit	11,180,981	9,855,568
Debt servicing	<u>455,617</u>	<u>455,617</u>
Amount of debt servicing limit unused	<u>11,636,598</u>	<u>9,399,951</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, 2013

7. Deferred Revenue

	2013	2012
	\$	\$
	<u> </u>	<u> </u>
Prepaid Rent		2,150
Transportation grants	0	515,143
Major Community Facility Program (MCFP)	188,327	420,598
Other grants	<u>21,000</u>	<u>25,998</u>
	<u>209,327</u>	<u>963,889</u>

Major Community Facility Program (MCFP)

This grant supports the construction of the recreation grounds in Caroline.

Other Grants

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

Clearwater County
Notes to Consolidated Financial Statements
December 31, 2013

8. Accumulated Surplus

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

	2013	2012
	\$	\$
	<u>23,867</u>	<u>84,620</u>
Unrestricted surplus		
Restricted reserves:		
Planning and recreation	2,221,142	1,781,142
Capital	1,529,954	1,529,954
Operating - designated	2,089,447	190,187
Nordegg	(1,904,154)	(524,614)
Tax rate stabilization	5,640,930	5,640,930
Airport	64,500	64,500
Fire - capital	658,318	428,206
Disaster	762,274	662,274
Public works - capital	2,625,000	2,275,000
Paving	7,300,000	11,350,610
Gravel	4,407,953	4,407,953
Gravel reclamation	3,030,000	2,680,000
Resource roads	3,000,000	3,000,000
Sewer	7,431,781	8,211,780
Agricultural services	680,000	680,000
Regional fire	23,816	35,625
Bridge deficit	5,475,000	1,975,000
NSRP	500,000	500,000
High speed internet towers	250,000	250,000
GIS Air Photo's	120,000	60,000
JEPP designated	10,000	10,000
West Country Roads	300,000	
	<u>46,215,962</u>	<u>45,208,546</u>
Equity in tangible capital assets	<u>362,394,658</u>	<u>357,442,896</u>
	<u><u>408,634,487</u></u>	<u><u>402,736,062</u></u>

Clearwater County
Notes to Consolidated Financial Statements
December 31, 2013

9. Salary and Benefits Disclosure

Councilors	Division	2013		2012	
		Salary ¹	Benefits and Allowances ²	Total	Total
Duncan	1	33,190	5,434	38,624	39,591
Greenwood	2	6,007	903	6,910	
Wymenga	2	24,475	4,437	28,912	36,726
Korver	3	17,625	3,657	21,282	27,596
Maki	3	6,430	903	7,333	
Vandermeer	4	23,084	5,216	28,300	29,768
Laing	5	5,835	883	6,718	
Bryant	5	30,580	2,367	32,947	39,548
Graham	6	41,124	5,691	46,815	46,926
Alexander	7	45,498	5,909	51,407	49,484
County Manager					
Leaf		200,431	50,302	250,733	222,157

Salary includes regular base pay, bonuses, overtime, lump sum payments, gross honoraria and any other direct cash remuneration.

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, 2013

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 10.43% of pensionable earnings up to the maximum pensionable earnings under the Canada Pension Plan and 14.47% on pensionable earnings above this amount. Employees service contributions of 9.43% of pensionable salary up to the year's maximum pensionable salary and 13.47% of pensionable salary above this amount.

	2013	2012
	\$	\$
	<u> </u>	<u> </u>
Employer Contribution	620,781	576,755
Employee Contribution	<u>567,975</u>	<u>513,714</u>
	<u>1,188,756</u>	<u>1,090,469</u>

At December 31, 2012 the Plan disclosed an actuarial deficit of \$4,977,303,000 (2011 - \$4,639,390,000).

Clearwater County
Notes to Consolidated Financial Statements
December 31, 2013

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.

	2013	2012
	\$	\$
Employer Contribution	4,138	3,970
Employee Contribution	<u>3,449</u>	<u>3,309</u>
	<u>7,587</u>	<u>7,279</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, 2010 indicates an unfunded liability of \$1,552,000 for basic pension benefits.

(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 differs from other multi-employer pension plans in that the pension liability is calculated on an individual member basis. This plan provides defined pension benefits to employees based on their length of service and rates of pay.

	2013	2012
	\$	\$
Employer Contribution	<u>18,492</u>	<u>18,055</u>

The most recent actuarial estimate was calculated as at December 31, 2013. The market value of plan assets at December 31, 2013 was \$68,354 (December 31, 2012—\$47,515). The actuarial liability as at December 31, 2013 was \$75,798 (December 31, 2012—\$57,306).

Clearwater County
Notes to Consolidated Financial Statements
December 31, 2013

11. Financial Instruments

The County's financial instruments consist of cash and temporary investments, receivables, investments, 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.

Refer to the Schedule of Segmented Disclosure (Schedule 6)

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 obligation liability has been recorded in these financial statements.

Clearwater County
Notes to Consolidated Financial Statements
December 31, 2013

14. Prior Period Adjustments

During 2013 the County discovered that amortization had not previously been provided for on certain tangible capital asset acquired prior to the 2013 fiscal year and that another asset was being amortized at an incorrect rate. The County has corrected for this retroactively and prior periods have been restated.

The effect on the comparative 2012 figures has been to decrease tangible capital assets by \$232,384, decrease amortization expense and excess of revenue over expenses by \$5,634 and decrease opening accumulated surplus by \$226,750.

15. Comparative Figures

Damage deposit funds in 2012 of \$2150 that were previously classified as deferred revenue have been reclassified and included in deposits.

16. Approval of Financial Statements

The financial statements were approved by Council and Management.