

CLEARWATER COUNTY
Consolidated Financial Statements
For the Year Ended December 31, 2018

INDEPENDENT AUDITORS' REPORT

To the Reeve and Council of Clearwater County

Opinion

We have audited the accompanying consolidated financial statements of Clearwater County (the County), which comprise the consolidated statement of financial position as at December 31, 2018, and the consolidated 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.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the County as at December 31, 2018, the consolidated 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.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the County in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with those requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the consolidated financial statements and our auditors' report thereon. The Annual Report is expected to be made available to us after the date of this auditors' report. Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.



In preparing the consolidated financial statements, management is responsible for assessing the County's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless management either intends to liquidate the County or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the County's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 County's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the County's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the County to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

METRIX GROUP LLP

Chartered Professional Accountants

Edmonton, Alberta

April 23, 2019

**MANAGEMENT'S RESPONSIBILITY
FOR FINANCIAL REPORTING**

To the Reeve and Members of Council of Clearwater County

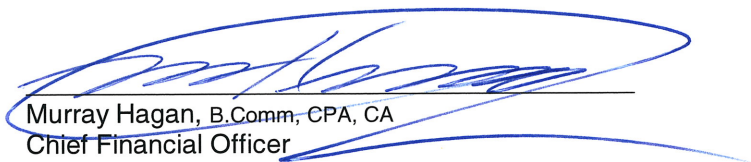
The integrity, relevance and comparability of the data in the accompanying consolidated financial statements are the responsibility of management.

The consolidated 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 consolidated financial statements.

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



Rick Emmons, CLGM
Chief Administrative Officer

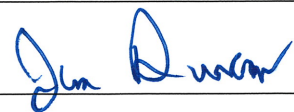

Murray Hagan, B.Comm, CPA, CA
Chief Financial Officer

CLEARWATER COUNTY
Consolidated Statement of Financial Position
As at December 31, 2018

	2018	2017 (Restated) (Note 20)
FINANCIAL ASSETS		
Cash and cash equivalents (Note 2)	\$ 70,356,210	\$ 88,896,406
Accounts receivable (Note 3)	4,894,768	4,204,643
Land held for resale	4,769,753	2,219,134
Investments (Note 4)	<u>40,248,979</u>	<u>258,658</u>
	<u>120,269,710</u>	<u>95,578,841</u>
LIABILITIES		
Accounts payable and accrued liabilities (Note 5)	6,172,375	5,692,815
Deposit liabilities	13,950	9,200
Deferred revenue (Note 6)	15,974,076	5,453,023
Long-term debt (Note 7)	2,584,745	2,926,515
Landfill closure and post-closure costs (Note 8)	<u>3,379,122</u>	<u>3,001,795</u>
	<u>28,124,268</u>	<u>17,083,348</u>
NET FINANCIAL ASSETS	<u>92,145,442</u>	<u>78,495,493</u>
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 9)	343,415,585	349,249,514
Inventories for consumption (Note 10)	3,615,129	3,565,227
Prepaid expenses	<u>574,016</u>	<u>522,608</u>
	<u>347,604,730</u>	<u>353,337,349</u>
ACCUMULATED SURPLUS (NOTE 11) (Schedule 1)	<u>\$ 439,750,172</u>	<u>\$ 431,832,842</u>

ON BEHALF OF COUNCIL:





CLEARWATER COUNTY
Consolidated Statement of Operations and Accumulated Surplus
For the Year Ended December 31, 2018

	2018 (Budget) (Note 22)	2018 (Actual)	2017 (Actual) (Restated) (Note 20)
REVENUE			
Net municipal taxes (Schedule 2)	\$ 43,348,712	\$ 46,258,782	\$ 41,249,223
Well drilling taxes	2,000,000	3,058,519	3,553,195
User fees and sale of goods	1,149,430	2,654,287	2,514,930
Government transfers for operating (Schedule 3)	379,454	2,111,351	854,683
Investment income	811,000	1,908,775	1,272,578
Other	381,312	996,067	827,786
Penalties on taxes	125,000	328,944	251,065
Fines	275,000	280,590	363,731
Rentals	227,500	247,002	235,436
Licenses, permits, rentals and fines	36,000	62,427	49,145
Developer Levies	23,400	58,213	13,067
	<u>48,756,808</u>	<u>57,964,957</u>	<u>51,184,839</u>
EXPENSES			
Legislative	635,195	562,426	447,138
Administration	3,991,900	4,128,250	4,556,099
Assessment	955,950	456,451	647,462
Fire, ambulance, and protective services	2,823,073	2,896,100	2,652,157
Public works - general	1,994,245	1,712,974	2,175,846
Roads, streets, walks and lighting	11,742,135	9,882,122	8,860,734
Facilities	1,216,236	811,157	835,228
Water supply and distribution	119,400	87,676	74,691
Wastewater treatment and disposal	233,100	153,568	143,376
Waste management	2,314,387	2,498,545	2,316,592
Airport	64,000	150,602	30,000
Family and community support services	833,336	672,433	613,340
Agricultural services	2,453,162	2,203,184	2,252,404
Land use planning, zoning and development	2,498,575	1,417,216	1,642,772
Parks and recreation	2,358,695	2,727,036	1,409,048
Culture	654,898	577,812	442,231
Amortization	-	20,147,897	20,217,885
	<u>34,888,287</u>	<u>51,085,449</u>	<u>49,317,003</u>
ANNUAL SURPLUS BEFORE OTHER REVENUE	<u>13,868,521</u>	<u>6,879,508</u>	<u>1,867,836</u>
OTHER REVENUE (EXPENSES)			
Government transfers for capital (Schedule 3)	10,140,000	3,226,956	805,424
Loss on disposal of tangible capital assets	-	(2,189,134)	(1,334,069)
	<u>10,140,000</u>	<u>1,037,822</u>	<u>(528,645)</u>
ANNUAL SURPLUS	24,008,521	7,917,330	1,339,191
ACCUMULATED SURPLUS, BEGINNING OF YEAR	431,832,842	426,029,187	424,559,857
Restatement (Note 20)	-	5,803,655	5,933,794
ACCUMULATED SURPLUS, AS RESTATED	<u>431,832,842</u>	<u>431,832,842</u>	<u>430,493,651</u>
ACCUMULATED SURPLUS, END OF YEAR	<u>\$ 455,841,363</u>	<u>\$ 439,750,172</u>	<u>\$ 431,832,842</u>

The accompanying notes are an integral part of the financial statements

CLEARWATER COUNTY
Consolidated Statement of Changes in Net Financial Assets
For the Year Ended December 31, 2018

	2018 (Budget) (Note 22)	2018 (Actual)	2017 (Actual) (Restated) (Note 20)
ANNUAL SURPLUS	\$ <u>24,008,521</u>	\$ <u>7,917,330</u>	\$ <u>1,339,191</u>
Purchase of tangible capital assets	(39,698,162)	(20,357,296)	(15,269,407)
Increase in land held for resale	-	3,146,432	-
Proceeds on disposal of tangible capital assets	-	707,762	518,962
Amortization of tangible capital assets	-	20,147,897	20,217,885
Loss on disposal of tangible capital assets	-	2,189,134	<u>1,334,069</u>
	<u>(39,698,162)</u>	<u>5,833,929</u>	<u>6,801,509</u>
Use (acquisition) of supplies inventory	-	(49,902)	502,045
Acquisition of prepaid expenses	-	(51,408)	<u>(72,533)</u>
	-	(101,310)	<u>429,512</u>
INCREASE (DECREASE) IN NET FINANCIAL ASSETS	(15,689,641)	13,649,949	8,570,212
NET FINANCIAL ASSETS, BEGINNING OF YEAR	<u>78,495,493</u>	<u>78,495,493</u>	<u>69,925,281</u>
NET FINANCIAL ASSETS, END OF YEAR	\$ <u><u>62,805,852</u></u>	\$ <u>92,145,442</u>	\$ <u><u>78,495,493</u></u>

CLEARWATER COUNTY
Consolidated Statement of Cash Flows
For the Year Ended December 31, 2018

	2018	2017 (Restated) (Note 20)
OPERATING ACTIVITIES		
Annual surplus	\$ 7,917,330	\$ 1,339,191
Non-cash items included in annual surplus		
Loss on disposal of tangible capital assets	2,189,134	1,334,069
Amortization of tangible capital assets	<u>20,147,897</u>	<u>20,217,885</u>
	30,254,361	22,891,145
Changes in non-cash working capital balances:		
Accounts receivable	(690,126)	(692,025)
Prepaid expenses	(51,408)	(73,755)
Accounts payable and accrued liabilities	479,561	(1,757,615)
Land held for resale	595,813	59,684
Deferred revenue	10,521,053	(499,695)
Inventories for consumption	(49,902)	502,045
Landfill closure and post-closure costs	377,327	188,499
Deposit liabilities	<u>4,750</u>	<u>(20,770)</u>
	<u>41,441,429</u>	<u>20,597,513</u>
CAPITAL ACTIVITIES		
Purchase of tangible capital assets	(20,357,296)	(15,269,407)
Proceeds on disposal of tangible capital assets	<u>707,762</u>	<u>518,962</u>
	<u>(19,649,534)</u>	<u>(14,750,445)</u>
FINANCING ACTIVITIES		
Long-term debt principal repayments	<u>(341,770)</u>	<u>(328,479)</u>
INVESTING ACTIVITIES		
Purchase of investments	<u>(39,990,321)</u>	<u>(25,180)</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS DURING THE YEAR	(18,540,196)	5,493,409
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>88,896,406</u>	<u>83,402,997</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ <u>70,356,210</u>	\$ <u>88,896,406</u>

CLEARWATER COUNTY
Consolidated Schedule of Changes in Accumulated Surplus
For the Year Ended December 31, 2018

Schedule 1

	Unrestricted Surplus	Restricted Surplus	Equity in Tangible Capital Assets	2018	2017 (Restated) (Note 20)
BALANCE, BEGINNING OF YEAR	\$ 902,963	\$ 81,680,365	\$ 349,249,514	\$ 431,832,842	\$ 430,493,651
Annual surplus	7,917,330	-	-	7,917,330	1,339,191
Unrestricted funds designated for future use	(13,603,918)	13,603,918	-	-	-
Increase in land held for resale	3,146,432	-	(3,146,432)	-	-
Current year funds used for tangible capital assets	(20,357,296)	-	20,357,296	-	-
Disposal of tangible capital assets	2,896,896	-	(2,896,896)	-	-
Amortization	<u>20,147,897</u>	-	<u>(20,147,897)</u>	-	-
BALANCE, END OF YEAR	<u>\$ 1,050,304</u>	<u>\$ 95,284,283</u>	<u>\$ 343,415,585</u>	<u>\$ 439,750,172</u>	<u>\$ 431,832,842</u>

The accompanying notes are an integral part of the financial statements

CLEARWATER COUNTY
Consolidated Schedule of Property and Other Taxes
For the Year Ended December 31, 2018

Schedule 2

	2018 (Budget) (Note 22)	2018 (Actual)	2017 (Actual)
TAXATION			
Real property taxes	\$ 31,622,843	\$ 33,357,532	\$ 29,630,522
Linear property taxes	<u>31,418,066</u>	<u>32,783,405</u>	<u>31,909,861</u>
	<u>63,040,909</u>	<u>66,140,937</u>	<u>61,540,383</u>
Less revenue sharing:			
County of Wetaskiwin	601,288	815,025	601,288
Town of Rocky Mountain House	750,000	750,000	750,000
Village of Caroline	<u>50,000</u>	<u>50,000</u>	<u>50,000</u>
	<u>1,401,288</u>	<u>1,615,025</u>	<u>1,401,288</u>
Taxes after revenue sharing	<u>61,639,621</u>	<u>64,525,912</u>	<u>60,139,095</u>
REQUISITIONS			
Alberta School Foundation Fund	17,314,157	17,289,335	18,109,315
Westview Lodge	585,438	586,481	571,730
Red Deer Catholic Regional Division No. 39	199,372	199,372	208,827
Designated industrial property	<u>191,942</u>	<u>191,942</u>	<u>-</u>
	<u>18,290,909</u>	<u>18,267,130</u>	<u>18,889,872</u>
NET MUNICIPAL TAXES	<u>\$ 43,348,712</u>	<u>\$ 46,258,782</u>	<u>\$ 41,249,223</u>

CLEARWATER COUNTY
Consolidated Schedule of Government Transfers
For the Year Ended December 31, 2018

Schedule 3

	2018 (Budget) (Note 22)	2018 (Actual)	2017 (Actual)
TRANSFERS FOR OPERATING			
Provincial government	\$ 379,454	\$ 2,111,351	\$ 854,683
TRANSFERS FOR CAPITAL			
Provincial government	<u>10,140,000</u>	<u>3,226,956</u>	<u>805,424</u>
TOTAL GOVERNMENT TRANSFERS	<u>\$ 10,519,454</u>	<u>\$ 5,338,307</u>	<u>\$ 1,660,107</u>

CLEARWATER COUNTY
Consolidated Schedule of Segmented Information
For the Year Ended December 31, 2018

	General Government	Community Services	Emergency & Protective Services	Transportation Services	Planning & Development	Recreation & Culture	Environmental Services	Agricultural Services	Total
REVENUE									
Net municipal taxes	\$ 46,258,782	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 46,258,782
User fees and sales of goods	588,362	-	-	392,636	256,440	10,516	1,082,417	323,916	2,654,287
Government transfers	510,075	-	1,349,966	-	-	16,800	-	234,510	2,111,351
Investment income	1,908,775	-	-	-	-	-	-	-	1,908,775
Oil well drilling taxes	3,058,519	-	-	-	-	-	-	-	3,058,519
All other	462,915	-	879,984	359,288	253,016	420	5,400	12,220	1,973,243
	<u>52,787,428</u>	<u>-</u>	<u>2,229,950</u>	<u>751,924</u>	<u>509,456</u>	<u>27,736</u>	<u>1,087,817</u>	<u>570,646</u>	<u>57,964,957</u>
EXPENSES									
Salaries, wages and benefits	3,008,552	94,514	1,769,726	3,720,977	789,207	165,918	1,275,637	1,158,124	11,982,655
Contract and general services	1,133,928	-	548,004	5,882,822	403,654	7,666	791,500	478,586	9,246,160
Materials, goods and supplies	188,002	2,810	578,369	2,802,454	23,402	12,885	273,992	556,439	4,438,353
Transfers to other governments	1,785	150,602	-	-	-	-	-	-	152,387
Transfers to individuals/organizations	46,450	377,199	-	-	-	3,118,380	-	10,035	3,552,064
Transfers to local boards & agencies	-	84,663	-	-	-	-	-	-	84,663
Interest on long-term debt	-	113,247	-	-	-	-	-	-	113,247
Other expenses	969,363	-	-	-	-	-	398,660	-	1,368,023
	<u>5,348,080</u>	<u>823,035</u>	<u>2,896,099</u>	<u>12,406,253</u>	<u>1,216,263</u>	<u>3,304,849</u>	<u>2,739,789</u>	<u>2,203,184</u>	<u>30,937,552</u>
NET REVENUE (DEFICIT) BEFORE AMORTIZATION	47,439,348	(823,035)	(666,149)	(11,654,329)	(706,807)	(3,277,113)	(1,651,972)	(1,632,538)	27,027,405
Amortization	354,259	23,487	324,771	18,099,696	78,867	61,705	1,031,865	173,247	20,147,897
NET REVENUE (DEFICIT)	<u>\$ 47,085,089</u>	<u>\$ (846,522)</u>	<u>\$ (990,920)</u>	<u>\$ (29,754,025)</u>	<u>\$ (785,674)</u>	<u>\$ (3,338,818)</u>	<u>\$ (2,683,837)</u>	<u>\$ (1,805,785)</u>	<u>\$ 6,879,508</u>

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

	General Government	Community Services	Emergency & Protective Services	Transportation Services	Planning & Development	Recreation & Culture	Environmental Services	Agricultural Services	Total
REVENUE									
Net municipal taxes	\$ 41,249,223	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 41,249,223
User fees and sales of goods	10,554	-	-	418,201	621,540	10,337	998,506	455,792	2,514,930
Government transfers	202,475	-	419,049	-	-	16,800	-	216,359	854,683
Investment income	1,272,578	-	-	-	-	-	-	-	1,272,578
Well drilling taxes	3,553,195	-	-	-	-	-	-	-	3,553,195
All other	503,120	-	891,635	126,436	202,626	-	2,600	13,813	1,740,230
	<u>46,791,145</u>	<u>-</u>	<u>1,310,684</u>	<u>544,637</u>	<u>824,166</u>	<u>27,137</u>	<u>1,001,106</u>	<u>685,964</u>	<u>51,184,839</u>
EXPENSES									
Salaries, wages and benefits	3,701,070	106,834	1,674,232	4,010,357	901,455	141,157	1,237,850	1,178,454	12,951,409
Contracted and general services	1,334,950	40,535	513,527	5,587,445	299,443	33,565	854,684	470,805	9,134,954
Materials, goods and utilities	281,547	1,085	464,398	2,274,006	80,279	10,758	255,562	587,320	3,954,955
Transfers to other governments	1,677	30,000	-	-	-	-	-	-	31,677
Transfers to individuals/organizations	83,430	253,669	-	-	-	1,665,799	-	15,825	2,018,723
Transfers to local boards & agencies	-	84,657	-	-	-	-	-	-	84,657
Interest on long-term debt	-	126,561	-	-	-	-	-	-	126,561
Other expenses	609,119	-	-	-	500	-	186,563	-	796,182
	<u>6,011,793</u>	<u>643,341</u>	<u>2,652,157</u>	<u>11,871,808</u>	<u>1,281,677</u>	<u>1,851,279</u>	<u>2,534,659</u>	<u>2,252,404</u>	<u>29,099,118</u>
NET REVENUE (DEFICIT) BEFORE AMORTIZATION	40,779,352	(643,341)	(1,341,473)	(11,327,171)	(457,511)	(1,824,142)	(1,533,553)	(1,566,440)	22,085,721
Amortization	315,138	30,743	402,172	17,973,150	34,486	57,645	1,244,989	159,562	20,217,885
NET REVENUE (DEFICIT)	<u>\$ 40,464,214</u>	<u>\$ (674,084)</u>	<u>\$ (1,743,645)</u>	<u>\$ (29,300,321)</u>	<u>\$ (491,997)</u>	<u>\$ (1,881,787)</u>	<u>\$ (2,778,542)</u>	<u>\$ (1,726,002)</u>	<u>\$ 1,867,836</u>

The accompanying notes are an integral part of the financial statements

CLEARWATER COUNTY
Notes to Consolidated Financial Statements
For the Year Ended December 31, 2018

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

1. SIGNIFICANT ACCOUNTING POLICIES

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

(a) Reporting Entity

These financial statements include the assets, liabilities, revenue and expenses and changes in equity balances and in financial position of the County which comprises all the organizations that are owned or controlled by the County and are, therefore, accountable to the County 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 Rocky Mountain Regional Solid Waste Authority	63.3%

The County accounts for government partnerships using the proportionate consolidation method. Under this method, the County's proportionate share of assets, liabilities, non-financial assets, revenues, expenses and accumulated surplus are included in the consolidated financial statements. The consolidated financial statements include the County's share of the The Rocky Mountain Regional Solid Waste Authority. Condensed financial information is provided in Note 21.

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.

(b) Basis of Accounting

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

Funds from external parties and earnings thereon restricted by agreement or legislation are accounted for as deferred revenue until used for the purpose specified.

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

(c) Cash and Cash Equivalents

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

1. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(d) Investments

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

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

(e) Land Held for Resale

Land held for resale is recorded at the lower of cost or net realizable value. Cost includes costs for land acquisition and improvements required to prepare the land for servicing such as clearing, stripping, and levelling charges. Related development costs incurred to provide infrastructure such as water and wastewater services, roads, sidewalks, and street lighting are recorded as tangible capital assets under their respective function.

(f) Inventories for Consumption

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

(g) Tangible Capital Assets

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

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

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

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

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

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

CLEARWATER COUNTY
Notes to Consolidated Financial Statements
For the Year Ended December 31, 2018

1. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(h) Tax Revenue

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

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

(i) Requisition Over-levy and Under-levy

Over-levies and under-levies arise from the difference between the actual tax levy made to cover each requisition and the actual amount requisitioned. If the actual levy exceeds the requisition, the over-levy is accrued as a liability and property tax revenue is reduced. Where the actual levy is less than the requisition amount, the under-levy is accrued as a receivable and reflected as property tax revenue.

(j) Pensions

The County participates in three multi-employer defined benefit pension plans. Contributions for current and past service pension benefits are recorded as expenses in the year in which they become due. See *Note 14* 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 Consolidated Financial Statements
For the Year Ended December 31, 2018

2. CASH AND CASH EQUIVALENTS

	<u>2018</u>	<u>2017</u>
Savings accounts	\$ 48,900,960	\$ 22,890,408
Operating bank accounts	13,131,237	57,907,209
Guaranteed Investment Certificates	8,098,288	8,098,289
High interest savings account	225,225	-
Cash on hand	<u>500</u>	<u>500</u>
	<u>\$ 70,356,210</u>	<u>\$ 88,896,406</u>

Guaranteed Investment Certificates bear interest at a rate of 2.20%, maturing June 2020.

The above amounts include grant funding of \$15,974,076 (2017 - \$5,453,023) which is externally restricted per *Note 6*.

3. ACCOUNTS RECEIVABLE

	<u>2018</u>	<u>2017</u>
Trade and other	\$ 3,086,782	\$ 3,058,415
Taxes and grants in place of taxes	1,286,215	855,318
Goods and Services Tax	<u>521,771</u>	<u>290,910</u>
	<u>\$ 4,894,768</u>	<u>\$ 4,204,643</u>

Taxes and grants in lieu consist of the following:

Current taxes	\$ 1,952,675	\$ 1,215,926
Tax arrears	<u>895,275</u>	<u>253,987</u>
	2,847,950	1,469,913
Less: Allowance for doubtful accounts	<u>(1,561,735)</u>	<u>(614,595)</u>
	<u>\$ 1,286,215</u>	<u>\$ 855,318</u>

4. INVESTMENTS

	<u>2018</u>	<u>2017</u>
Government and corporate bonds	\$ 23,968,095	\$ -
Guaranteed Investment Certificates	16,128,548	-
Muniserp Pension Assets	144,766	169,069
Rocky Mountain House Co-op Association Limited	7,500	7,500
Alberta Capital Finance Authority shares	70	70
Rocky Credit Union Ltd. common shares	<u>-</u>	<u>82,019</u>
	<u>\$ 40,248,979</u>	<u>\$ 258,658</u>

Guaranteed Investment Certificates bear interest at 2.65% - 3.10% per annum, maturing September 2019. Government and corporate bonds bear interest at rates between 2.10% - 3.40% per annum, maturing between March 2021 - March 2027. The market value of the government and corporate bonds at December 31, 2018 was \$24,168,523 (2017 - \$NIL).

CLEARWATER COUNTY
Notes to Consolidated Financial Statements
For the Year Ended December 31, 2018

5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	<u>2018</u>	<u>2017</u>
Trade payables and accrued liabilities	\$ 4,953,654	\$ 3,736,773
Accrued wages and benefits	<u>1,218,721</u>	<u>1,956,042</u>
	<u>\$ 6,172,375</u>	<u>\$ 5,692,815</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>2017</u>	<u>Additions</u>	<u>Revenue Recognized</u>	<u>2018</u>
Municipal Sustainability Initiative	\$ 5,319,749	\$ 12,783,375	\$ (2,307,120)	\$ 15,796,004
Alberta Community Partnership Program	-	145,000	(92,048)	52,952
Community and Regional Economic Supports Program	-	200,000	(155,660)	44,340
Watershed Restoration and Resiliency Program	50,281	-	(18,151)	32,130
Strategic Transportation Infrastructure Program	-	250,000	(218,566)	31,434
Shell regional fire training	9,461	-	-	9,461
Penn West Environmental	4,558	-	-	4,558
Other	<u>68,974</u>	<u>3,197</u>	<u>(68,974)</u>	<u>3,197</u>
	<u>\$ 5,453,023</u>	<u>\$ 13,381,572</u>	<u>\$ (2,860,519)</u>	<u>\$ 15,974,076</u>

7. LONG-TERM DEBT

	<u>2018</u>	<u>2017</u>
Alberta Capital Finance Authority debenture repayable in semi-annual installments of \$227,808 including interest at 4.006% maturing in 2025.	<u>\$ 2,584,745</u>	<u>\$ 2,926,515</u>

Principal and interest payments are due as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 355,598	\$ 100,019	\$ 455,617
2020	369,986	85,631	455,617
2021	384,956	70,661	455,617
2022	400,532	55,085	455,617
2023	416,738	38,879	455,617
Thereafter	<u>656,935</u>	<u>65,370</u>	<u>722,305</u>
	<u>\$ 2,584,745</u>	<u>\$ 415,645</u>	<u>\$ 3,000,390</u>

Interest on long-term debt amounted to \$113,247 (2017 - \$126,561).

The County's total cash payments for interest in 2018 were \$113,847 (2017 - \$127,138).

CLEARWATER COUNTY
Notes to Consolidated Financial Statements
For the Year Ended December 31, 2018

8. LANDFILL CLOSURE AND POST CLOSURE COSTS

Alberta environmental law requires closure and post-closure care of landfill sites, which includes final covering and landscaping, pumping of ground water and leachates from the site, and ongoing environmental monitoring, site inspections and maintenance.

The estimated total liability is based on the sum of discounted future cash flows for closure and post-closure activities for 25 years after closure using a discount rate of 3.26% (2017 - 3.36%) and assuming annual inflation of 2.00% (2017 - 2.00%).

The accrued liability portion is based on the cumulative capacity used at year end compared to the estimated total landfill capacity. The total capacity of the site is estimated at 3.333 million cubic metres. The estimated used capacity of the landfill site is 2.136 (2017 - 2.030) million cubic metres. The existing landfill is expected to reach capacity in approximately the year 2042.

	<u>2018</u>	<u>2017</u>
County's share of estimated closure costs	\$ <u>2,283,228</u>	\$ 2,126,581
County's share of estimated post-closure costs	<u>2,988,224</u>	<u>2,801,465</u>
Estimated total County's share of liability	\$ <u>5,271,452</u>	\$ <u>4,928,046</u>
Percentage of liability accrued	<u>64.10%</u>	<u>60.91%</u>
Amount accrued	\$ <u>3,379,122</u>	\$ <u>3,001,795</u>
Estimated liability still to be accrued	\$ <u>1,892,330</u>	\$ <u>1,926,251</u>

CLEARWATER COUNTY
Notes to Consolidated Financial Statements
For the Year Ended December 31, 2018

9. TANGIBLE CAPITAL ASSETS

	<u>2018</u> Net Book Value	2017 Net Book Value
Engineered structures		
Roadways and bridges	\$ 249,584,466	\$ 255,448,467
Wastewater systems	10,426,564	10,202,059
All other	9,428,979	10,796,593
Water systems	<u>5,137,163</u>	<u>5,231,844</u>
	274,577,172	281,678,963
Land and land improvements	42,891,326	43,184,903
Buildings	12,781,444	11,299,070
Machinery and equipment	12,136,925	11,881,233
Vehicles	<u>1,028,718</u>	<u>1,205,345</u>
	\$ 343,415,585	\$ 349,249,514

	Cost Beginning of Year	Additions	Disposals	Transfers	Cost End of Year
Engineering structures					
Roadways and bridges	\$ 620,293,078	\$ 12,487,551	\$ (5,837,316)	\$ -	\$ 626,943,313
Wastewater systems	12,495,500	542,484	(446,227)	-	12,591,757
All other	17,077,683	2,335,194	(887,940)	(2,348,475)	16,176,462
Water systems	<u>5,910,254</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,910,254</u>
	655,776,515	15,365,229	(7,171,483)	(2,348,475)	661,621,786
Machinery and equipment	20,580,910	2,607,951	(1,083,974)	-	22,104,887
Vehicles	2,580,410	115,503	(222,748)	-	2,473,165
Buildings	13,817,624	1,764,233	-	-	15,581,857
Land	<u>43,184,903</u>	<u>504,380</u>	<u>-</u>	<u>(797,957)</u>	<u>42,891,326</u>
	\$ 735,940,362	\$ 20,357,296	\$ (8,478,205)	\$ (3,146,432)	\$ 744,673,021

	Accumulated Amortization Beginning of Year	Current Amortization	Disposals	Transfers	Accumulated Amortization End of Year
Engineered structures					
Roadways and bridges	\$ 364,844,611	\$ 17,294,662	\$ (4,780,426)	\$ -	\$ 377,358,847
Wastewater systems	2,293,441	239,889	(368,137)	-	2,165,193
All other	6,281,090	466,393	-	-	6,747,483
Water systems	<u>678,410</u>	<u>94,681</u>	<u>-</u>	<u>-</u>	<u>773,091</u>
	374,097,552	18,095,625	(5,148,563)	-	387,044,614
Machinery, equipment, and furnishings	8,699,677	1,514,274	(245,989)	-	9,967,962
Vehicles	1,375,065	256,139	(186,757)	-	1,444,447
Buildings	<u>2,518,554</u>	<u>281,859</u>	<u>-</u>	<u>-</u>	<u>2,800,413</u>
	\$ 386,690,848	\$ 20,147,897	\$ (5,581,309)	\$ -	\$ 401,257,436

Construction of tangible capital assets in progress for 2018 totals \$11,288,074 (2017 - \$9,228,512). These amounts are not being amortized.

CLEARWATER COUNTY
Notes to Consolidated Financial Statements
For the Year Ended December 31, 2018

10. INVENTORIES FOR CONSUMPTION

	<u>2018</u>	<u>2017</u>
Gravel	\$ 3,086,019	\$ 3,086,292
Parts, chemicals, and other	<u>529,110</u>	<u>478,935</u>
	<u>\$ 3,615,129</u>	<u>\$ 3,565,227</u>

11. ACCUMULATED SURPLUS

	<u>2018</u>	<u>2017</u>
Unrestricted surplus	\$ 1,050,303	\$ 902,962
Restricted surplus (Note 12)	<u>95,284,283</u>	81,680,365
Equity in tangible capital assets (Schedule 1)	<u>343,415,585</u>	<u>349,249,514</u>
	<u>\$ 439,750,171</u>	<u>\$ 431,832,841</u>

12. RESTRICTED SURPLUS

	<u>2018</u>	<u>2017</u>
Municipal, recreation, and school	\$ 1,250,845	\$ 198,032
County facilities - capital	3,603,975	3,718,975
Work in progress	3,297,005	3,102,921
Nordegg	(3,897,259)	(2,540,089)
Tax rate stabilization	12,000,000	12,000,000
Airport	300,000	300,000
Fire - capital	7,058,411	3,208,411
Disaster	2,000,000	2,000,000
Public works - capital	6,502,995	6,502,995
Paving	14,295,046	10,820,046
Gravel	4,407,553	4,407,553
Gravel reclamation	5,446,457	5,201,285
Resource roads	5,000,000	5,000,000
Sewer	8,821,055	6,321,055
Agricultural services	4,000,000	3,660,000
Regional fire	60,547	201,223
Bridge deficit	8,413,577	7,213,577
North Saskatchewan River park	700,000	500,000
High speed internet	8,900,000	5,900,000
Geographic information system air photos	76,000	-
West country roads	-	1,500,000
Facility - Operating Rental Income	260,000	160,000
Leslieville Sewer	64,273	37,443
Nordegg Historic	-	81,636
Search and rescue equipment	100,000	50,000
Rocky Mountain Regional Solid Waste Authority	<u>2,623,803</u>	<u>2,135,302</u>
	<u>\$ 95,284,283</u>	<u>\$ 81,680,365</u>

13. 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 Consolidated Financial Statements
For the Year Ended December 31, 2018

14. 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 10.39% of pensionable earnings up to the year's maximum pensionable earnings under the Canada Pension Plan and 14.84% on pensionable earnings above this amount. Employees of the County are required to make current service contributions of 9.39% of pensionable earnings up to the year's maximum pensionable earnings and 13.84% on pensionable earnings above this amount.

Total current service contributions by the County to the LAPP in 2018 were \$892,783 (2017 - \$992,878). Total current service contributions by the employees of the County to the LAPP in 2018 were \$817,301 (2017 - \$915,678).

At December 31, 2017 the Plan disclosed an actuarial surplus of \$4.8 billion (2016 - \$637.4 million deficit).

(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 2018 were \$6,421 (2017 - \$4,958). Contributions by the employees of the County to the APEX in 2018 were \$4,824 (2017 - \$3,712).

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

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

Contributions by the County to MuniSERP in 2018 were \$3,864 (2017 - \$13,760).

15. 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 market or currency risk arising from these financial instruments. The following analysis provides information about the County's risk exposure and concentration as of December 31, 2018.

(a) *Credit risk*

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.

(b) *Interest rate risk*

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Interest rate risk arises when the County invests in interest-bearing financial instruments. The County is directly exposed to interest risk on its fixed income securities and long-term debt.

CLEARWATER COUNTY
Notes to Consolidated Financial Statements
For the Year Ended December 31, 2018

15. FINANCIAL INSTRUMENTS (CONT'D)

(c) Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The County is exposed to price risk on its investments in fixed income securities.

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

16. 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>2018 Benefits and Allowances</u>	<u>Total</u>	<u>2017 Total</u>
Reeve and Councilors				
Duncan (Division 1)	\$ 48,221	\$ 6,574	\$ 54,795	\$ 47,733
Laird (Division 2)	43,518	6,356	49,874	11,386
Greenwood (Division 2)	-	-	-	28,246
Lougheed (Division 3)	37,103	6,115	43,218	11,276
Maki (Division 3)	-	-	-	22,656
Vandermeer (Division 4)	55,254	4,807	60,061	38,375
Laing (Division 5)	41,695	6,281	47,976	35,335
Hoven (Division 6)	44,786	6,369	51,155	11,015
Graham (Division 6)	-	-	-	19,855
Swanson (Division 7)	47,510	6,488	53,998	9,973
Alexander (Division 7)	-	-	-	40,044
	<u>\$ 318,087</u>	<u>\$ 42,990</u>	<u>\$ 361,077</u>	<u>\$ 275,894</u>
County Manager				
Leaf	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 791,979</u>
Emmons	<u>\$ 218,605</u>	<u>\$ 34,275</u>	<u>\$ 252,880</u>	<u>\$ 37,142</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.

17. 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 Consolidated Financial Statements
For the Year Ended December 31, 2018

18. 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.

19. 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>2018</u>	<u>2017</u>
Total debt limit	\$ 86,947,436	\$ 76,777,259
Total debt	<u>(2,584,745)</u>	<u>(2,926,515)</u>
Amount of debt limit unused	<u>\$ 84,362,691</u>	<u>\$ 73,850,744</u>
Debt servicing limit	\$ 14,491,239	\$ 12,796,210
Service on debt	<u>(455,617)</u>	<u>(455,617)</u>
Amount of debt servicing limit unused	<u>\$ 14,035,622</u>	<u>\$ 12,340,593</u>

The debt limit is calculated at 1.5 times revenue of the County (as defined in Alberta Regulation 255/00) and the debt servicing 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 Consolidated Financial Statements
For the Year Ended December 31, 2018

20. RESTATEMENT

Prior to 2018 the County did not proportionately consolidate the results of The Rocky Mountain Regional Solid Waste Authority (the Authority). During 2018, the County changed its accounting policy regarding this and commenced proportionate consolidation as it believes this is a more appropriate presentation. The above change in accounting policy has been applied retrospectively and the 2017 comparative figures have been restated as follows.

	As Previously <u>Stated</u>	<u>Restatements</u>	<u>As Restated</u>
FINANCIAL ASSETS			
Cash and cash equivalents	\$ 83,477,669	5,418,737	88,896,406
Accounts receivable	3,853,447	351,196	4,204,643
	<u>87,331,116</u>	<u>5,769,933</u>	<u>93,101,049</u>
LIABILITIES			
Accounts payable and accrued liabilities	5,804,704	(111,889)	5,692,815
Deferred revenue	5,384,049	68,974	5,453,023
Landfill closure and post-closure costs	-	3,001,795	3,001,795
	<u>11,188,753</u>	<u>2,958,880</u>	<u>14,147,633</u>
NET FINANCIAL ASSETS	<u>75,684,440</u>	<u>2,811,053</u>	<u>78,495,493</u>
NON-FINANCIAL ASSETS			
Tangible capital assets	346,261,157	2,988,357	349,249,514
Prepaid expenses	518,363	4,245	522,608
	<u>346,779,520</u>	<u>2,992,602</u>	<u>349,772,122</u>
ACCUMULATED SURPLUS	<u>\$426,029,187</u>	<u>\$ 5,803,655</u>	<u>\$431,832,842</u>
REVENUE			
User fees and sale of goods	\$ 1,644,234	870,696	2,514,930
Investment income	1,204,804	67,774	1,272,578
	<u>2,849,038</u>	<u>938,470</u>	<u>3,787,508</u>
EXPENSES			
Waste management	2,214,427	102,165	2,316,592
Amortization	19,316,193	901,692	20,217,885
	<u>21,530,620</u>	<u>1,003,857</u>	<u>22,534,477</u>
OTHER REVENUE (EXPENSES)			
Loss on disposal of tangible capital assets	<u>(1,269,317)</u>	<u>(64,752)</u>	<u>(1,334,069)</u>
ANNUAL SURPLUS	<u>\$ 1,469,330</u>	<u>\$ (130,139)</u>	<u>\$ 1,339,191</u>

Additionally, due to the consolidation the unrestricted surplus of the County has been adjusted up by \$261,613 (2017 - up by \$679,995) for a total of \$941,608 to include the County's portion of the Authority's unrestricted surplus. This portion of unrestricted surplus and is not available for County operations.

CLEARWATER COUNTY
Notes to Consolidated Financial Statements
For the Year Ended December 31, 2018

21. GOVERNMENT PARTNERSHIP

The County's financial statements include its share of operations 2018 - 63.3% (2017 - 63.3%) of The Rocky Mountain Regional Solid Waste Authority. Condensed financial information of the Authority is as follows:

	<u>2018</u>	<u>2017</u>
FINANCIAL ASSETS		
Cash and temporary investments	\$ 10,738,336	\$ 8,566,929
Receivables	<u>625,044</u>	<u>1,039,014</u>
	<u>11,363,380</u>	<u>9,605,943</u>
FINANCIAL LIABILITIES		
Accounts payable and accrued liabilities	381,331	306,884
Deferred revenue	5,053	109,046
Landfill closure and post-closure costs	<u>5,342,334</u>	<u>4,745,786</u>
	<u>\$ 5,728,718</u>	<u>\$ 5,161,716</u>
NET FINANCIAL ASSETS	<u>5,634,662</u>	<u>4,444,227</u>
NON-FINANCIAL ASSETS		
Tangible capital assets	3,714,862	4,724,542
Prepaid expenses and deposits	<u>21,987</u>	<u>6,711</u>
	<u>3,736,849</u>	<u>4,731,253</u>
ACCUMULATED SURPLUS	<u>\$ 9,371,511</u>	<u>\$ 9,175,480</u>
REVENUE		
Municipal requisition	\$ 3,217,262	\$ 3,217,262
Sales and user charges	1,293,615	1,164,963
Investment income	199,078	107,150
Other	133,712	126,361
Government transfers	<u>58,796</u>	<u>92,086</u>
	<u>4,902,463</u>	<u>4,707,822</u>
EXPENSES		
Salaries and benefits	1,866,922	1,778,877
Amortization of tangible capital assets	1,077,532	1,425,560
Landfill closure and post-closure provision	596,548	298,014
All other	<u>1,165,430</u>	<u>1,411,117</u>
	<u>4,706,432</u>	<u>4,913,568</u>
ANNUAL SURPLUS (DEFICIT)	<u>\$ 196,031</u>	<u>\$ (205,746)</u>

CLEARWATER COUNTY
Notes to Consolidated Financial Statements
For the Year Ended December 31, 2018

22. BUDGET FIGURES

The budget figures are presented for information purposes only. The 2018 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.

	2018 (Budget)	2018 (Actual)
Annual surplus	\$ 24,008,521	\$ 7,917,330
Add back (deduct):		
Amortization expense	-	20,147,897
Purchase of tangible capital assets	(39,698,162)	(20,357,296)
Net transfers from capital projects	17,559,662	4,563,341
Net transfers from operations	2,610,249	985,165
Net transfers to reserve for future purchases	(4,138,500)	(19,152,424)
Loss on disposal of tangible capital assets	-	2,189,134
Principal debt repayments	<u>(341,770)</u>	<u>(341,770)</u>
Results of Operations	<u>\$ -</u>	<u>\$ (4,048,623)</u>

23. APPROVAL OF FINANCIAL STATEMENTS

These financial statements were approved by Council.

24. COMPARATIVE FIGURES

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