

Clearwater County
Consolidated
Financial Statements
December 31, 2012

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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, 2012 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, 2012 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 23, 2013

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Clearwater County
Consolidated Statement of Financial Position
As at December 31, 2012

	<u>2012</u>	<u>2011</u>
	\$	\$
FINANCIAL ASSETS		
Cash (Note 2)	47,963,181	34,129,432
Receivables		
Taxes and grants in place of taxes (Note 3)	713,697	755,553
Trade and other receivables	2,755,388	2,967,629
Land held for resale inventory	2,355,370	2,320,993
Investments (Note 4)	<u>81,552</u>	<u>83,369</u>
	<u>53,869,188</u>	<u>40,256,976</u>
LIABILITIES		
Accounts payable and accrued liabilities	6,343,908	1,841,685
Deposits	7,200	4,700
Deferrred revenue (Note 7)	963,889	2,232,604
Vacation payable	413,139	365,515
Wages payable	176,064	100,120
Long-term debt (Note 5)	<u>4,446,044</u>	<u>4,715,432</u>
	<u>12,350,244</u>	<u>9,260,056</u>
NET FINANCIAL ASSETS	<u>41,518,944</u>	<u>30,996,920</u>
NON-FINANCIAL ASSETS		
Tangible capital assets (Schedule 2)	357,675,280	360,810,178
Inventory for consumption	3,473,641	3,510,760
Prepaid expenses	<u>300,581</u>	<u>184,897</u>
	<u>361,449,502</u>	<u>364,505,835</u>
ACCUMULATED SURPLUS (Schedule 1, Note 8)	<u><u>402,968,446</u></u>	<u><u>395,502,755</u></u>

Clearwater County
Consolidated Statement of Operations
For the Year Ended December 31, 2012

	BUDGET (Unaudited) \$	2012 \$	2011 \$
REVENUE			
Net municipal property taxes (Schedule 3)	34,198,046	34,207,553	31,061,710
User fees and sales of goods	2,270,255	1,046,250	1,836,857
Government transfers for operating (Schedule 4)	1,291,224	686,986	836,585
Investment income	413,000	561,100	492,429
Penalties and costs of taxes	75,000	165,663	116,968
Development levies	40,000	87,918	47,101
Licenses and permits	58,600	59,137	38,000
Well drilling taxes	1,000,000	2,072,771	3,205,616
Fines	125,000	213,702	200,513
Rentals	85,400	165,095	163,872
Other	107,750	156,094	137,153
Total Revenue	39,664,275	39,422,269	38,136,804
EXPENSES			
Legislative	393,400	384,147	331,571
Administration	2,112,834	1,930,753	1,551,442
Assessment	567,111	555,104	582,346
Fire, ambulance and protective services	1,792,029	1,624,741	1,951,355
Public works - general	1,234,021	1,157,431	1,185,379
Roads, streets, walks and lighting	8,915,469	8,537,018	7,480,649
Facilities	702,015	418,968	397,682
Water supply and distribution	69,353	57,451	44,745
Wastewater treatment and disposal	264,750	143,297	277,740
Waste management	464,177	454,096	417,834
Airport	35,631	39,426	30,798
Family and community support	602,650	585,311	614,330
Agricultural services	1,551,373	1,557,550	1,441,474
Land use planning, zoning and development	2,679,543	2,020,092	1,778,535
Parks and recreation	1,694,823	952,535	967,776
Culture	398,846	395,960	388,726
Amortization		17,059,528	16,250,479
Total Expenses	23,478,025	37,873,408	35,692,861
EXCESS OF REVENUE OVER EXPENSES - BEFORE OTHER	16,186,250	1,548,861	2,443,943
OTHER			
Contributed tangible capital assets		75,000	32,161
Government transfers for capital (Schedule 4)	7,150,316	7,480,732	8,252,730
Loss on disposal of tangible capital assets		(1,638,902)	(5,668,910)
EXCESS OF REVENUE OVER EXPENSES	23,336,566	7,465,691	5,059,924
ACCUMULATED SURPLUS, BEGINNING OF YEAR	395,502,755	395,502,755	390,442,831
ACCUMULATED SURPLUS, END OF YEAR	418,839,321	402,968,446	395,502,755

Clearwater County
Consolidated Statement of Changes in Net Financial Assets
For the Year Ended December 31, 2012

	2012	2011
	<u>\$</u>	<u>\$</u>
EXCESS OF REVENUE OVER EXPENSES	<u>7,465,691</u>	<u>5,059,924</u>
Acquisition of tangible capital assets	(15,708,222)	(23,045,856)
Contributed tangible capital assets	(75,000)	(32,161)
Proceeds on disposal of tangible capital assets	219,689	309,775
Amortization of tangible capital assets	17,059,528	16,250,479
Loss on sale of tangible capital assets	<u>1,638,902</u>	<u>5,668,910</u>
	<u>3,134,897</u>	<u>(848,853)</u>
Acquisition of supplies inventories	(2,205,012)	(2,647,597)
Acquisition of prepaid assets	(300,581)	(184,897)
Use of supplies inventories	2,242,132	2,541,642
Use of prepaid assets	<u>184,897</u>	<u>277,853</u>
	<u>(78,564)</u>	<u>(12,999)</u>
INCREASE IN NET FINANCIAL ASSETS	10,522,024	4,198,072
NET FINANCIAL ASSETS, BEGINNING OF YEAR	<u>30,996,920</u>	<u>26,798,848</u>
NET FINANCIAL ASSETS, END OF YEAR	<u><u>41,518,944</u></u>	<u><u>30,996,920</u></u>

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

	2012 \$	2011 \$
NET OUTFLOW OF CASH RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING		
Excess of revenue over expenses	7,465,691	5,059,924
Non-cash items included in excess of revenue over expenses:		
Amortization of tangible capital assets	17,059,528	16,250,479
Contributed tangible capital assets	(75,000)	(32,161)
Loss on disposal of tangible capital assets	1,638,902	5,668,910
Non-cash charges to operations - net change:		
Decrease (increase) in taxes and grants in place of taxes	41,857	(130,163)
Decrease in trade and other receivables	212,241	7,474,695
Increase in land held for resale inventory	(34,377)	(758,129)
Decrease (increase) in inventory for consumption	37,119	(105,954)
Decrease (increase) in prepaid expenses	(115,684)	92,956
Increase (decrease) in accounts payable and accrued liabilities	4,502,223	(6,477,700)
Increase (decrease) in deposits	2,500	(12,800)
Decrease in deferred revenue	(1,268,715)	(1,362,694)
Increase in vacation payable	47,624	47,678
Increase (decrease) in wages payable	75,944	(2,413)
	<u>29,589,853</u>	<u>25,712,628</u>
CAPITAL		
Acquisition of tangible capital assets	(15,708,222)	(23,045,856)
Sale of tangible capital assets	219,689	309,775
	<u>(15,488,533)</u>	<u>(22,736,081)</u>
INVESTING		
Decrease (increase) in investments	1,817	(1,065)
FINANCING		
Long-term debt repaid	(269,388)	(258,912)
CHANGE IN CASH AND TEMPORARY INVESTMENTS DURING THE YEAR	13,833,749	2,716,570
CASH AND TEMPORARY INVESTMENTS, BEGINNING OF YEAR	34,129,432	31,412,862
CASH AND TEMPORARY INVESTMENTS, END OF YEAR	<u>47,963,181</u>	<u>34,129,432</u>

Clearwater County
Schedule of Accumulated Surplus
For the Year Ended December 31, 2012
Schedule 1

	Unrestricted Surplus	Restricted Surplus	Equity in Tangible Capital Assets	2012 \$	2011 \$
BALANCE, BEGINNING OF YEAR	94,664	34,597,913	360,810,178	395,502,755	390,442,831
Excess of revenue over expenses	7,465,691			7,465,691	5,059,924
Unrestricted funds designated for future use	(13,095,877)	13,095,877			
Restricted funds used for operations	184,652	(184,652)			
Restricted funds used for tangible capital assets		(2,300,589)	2,300,589		
Current year funds used for tangible capital assets	(13,482,632)		13,482,632		
Disposal of tangible capital assets	1,858,591		(1,858,591)		
Annual amortization expense	17,059,528		(17,059,528)		
Change in accumulated surplus	(10,047)	10,610,636	(3,134,898)	7,465,691	5,059,924
BALANCE, END OF YEAR	84,617	45,208,549	357,675,280	402,968,446	395,502,755

Clearwater County
Schedule of Tangible Capital Assets
For the Year Ended December 31, 2012
Schedule 2

	Land	Buildings	Engineered Structures	Machinery & Equipment	Vehicles	2012 \$	2011 \$
COST:							
Balance, beginning of year	42,754,448	8,626,029	597,612,503	9,630,842	1,847,538	660,471,360	654,553,465
Acquisition of TCA		790,331	13,279,129	1,368,257	270,505	15,708,222	23,045,856
Contributed assets			75,000			75,000	32,161
Disposals			(4,920,756)	(544,612)	(216,446)	(5,681,814)	(17,160,122)
Balance, End of Year (1)	42,754,448	9,416,360	606,045,876	10,454,487	1,901,597	670,572,768	660,471,360
ACCUMULATED AMORTIZATION:							
Balance, beginning of year		(1,001,959)	(294,991,420)	(3,165,178)	(502,626)	(299,661,183)	(294,592,141)
Annual amortization		(155,754)	(16,179,739)	(585,798)	(138,237)	(17,059,528)	(16,250,479)
Disposals			3,404,026	265,397	153,800	3,823,223	11,181,437
Balance, End of Year		(1,157,713)	(307,767,133)	(3,485,579)	(487,063)	(312,897,488)	(299,661,183)
NET BOOK VALUE, DECEMBER 31, 2012	42,754,448	8,258,647	298,278,743	6,968,908	1,414,534	357,675,280	
NET BOOK VALUE, DECEMBER 31, 2011	42,754,448	7,624,070	302,621,083	6,465,664	1,344,912		360,810,178

(1) Construction of capital assets in progress for 2012 is \$5,766,700 (2011 - \$7,475,899) These amounts are not being amortized.

Clearwater County
Schedule of Property and Other Taxes
For the Year Ended December 31, 2012
Schedule 3

	BUDGET (Unaudited) \$	2012 \$	2011 \$
	<u> </u>	<u> </u>	<u> </u>
TAXATION			
Real property taxes	11,822,021	11,908,132	11,036,753
Linear property taxes	38,053,127	37,975,495	35,038,721
Grants in place of property taxes	61,551	63,060	59,498
	<u>49,936,699</u>	<u>49,946,687</u>	<u>46,134,972</u>
REQUISITIONS			
Alberta School Foundation	15,149,653	15,142,077	14,484,262
Red Deer Catholic Regional Division No. 39	167,025	174,610	167,025
Westview Lodge	421,975	422,447	421,975
	<u>15,738,653</u>	<u>15,739,134</u>	<u>15,073,262</u>
NET MUNICIPAL PROPERTY TAXES	<u>34,198,046</u>	<u>34,207,553</u>	<u>31,061,710</u>

Clearwater County
Schedule of Government Transfers
For the Year Ended December 31, 2012
Schedule 4

	BUDGET (Unaudited) \$	2012 \$	2011 \$
TRANSFERS FOR OPERATING			
Federal government	5,000	5,174	
Provincial government	1,281,810	676,812	823,331
Other local governments	4,414	5,000	13,254
	<u>1,291,224</u>	<u>686,986</u>	<u>836,585</u>
TRANSFERS FOR CAPITAL			
Federal government	626,000	659,064	330,962
Provincial government	6,524,316	6,821,668	7,921,768
	<u>7,150,316</u>	<u>7,480,732</u>	<u>8,252,730</u>
TOTAL GOVERNMENT TRANSFERS	<u>8,441,540</u>	<u>8,167,718</u>	<u>9,089,315</u>

Clearwater County
Schedule of Consolidated Expenses by Object
For the Year Ended December 31, 2012
Schedule 5

	BUDGET (Unaudited) \$	2012 \$	2011 \$
CONSOLIDATED EXPENSES BY OBJECT			
Salaries, wages and benefits	7,281,769	7,123,224	6,172,352
Contracted and general services	8,629,609	7,048,082	6,801,708
Materials, goods and utilities	4,227,744	4,058,462	3,899,316
Provision for allowances (recoveries)	1,000	12,045	(7,758)
Transfers to other governments	35,631	39,426	30,798
Transfers to local boards and agencies	70,586	70,593	70,570
Transfers to Individuals and organizations	3,044,251	2,274,114	2,277,564
Bank charges and short-term interest	1,700	2,181	1,582
Interest on long-term debt	185,735	185,753	196,250
Amortization of tangible capital assets		17,059,528	16,250,479
	<u>23,478,025</u>	<u>37,873,408</u>	<u>35,692,861</u>

Clearwater County
Schedule of Segmented Disclosure
For the Year Ended December 31, 2012
Schedule 6

	General Government \$	Community Services \$	Protective Services \$	Transportation Services \$	Planning & Development \$	Recreation & Culture \$	Environmental Services \$	Agricultural Services \$	Total \$
REVENUE									
Net municipal taxes	34,207,553								34,207,553
User fees and sales of goods	6,705			334,042	187,141		146,664	371,698	1,046,250
Government transfers for operating	419,973				12,500	35,854		218,659	686,986
Government transfers for capital	100,000			7,317,872		62,860			7,480,732
Investment income	561,100								561,100
Contributed assets	75,000								75,000
Well drilling taxes	2,072,771								2,072,771
Other revenue	262,243		322,126	16,113	221,626		9,800	15,701	847,609
	<u>37,705,345</u>		<u>322,126</u>	<u>7,668,027</u>	<u>421,267</u>	<u>98,714</u>	<u>156,464</u>	<u>606,058</u>	<u>46,978,001</u>
EXPENSES									
Salaries, wages and benefits	2,184,158	75,096	887,916	2,370,701	680,583	114,745	45,896	764,129	7,123,224
Contracted and general services	835,053	2,337	128,063	4,795,980	447,517	16,848	517,063	305,221	7,048,082
Materials, goods and utilities	408,373		477,502	2,527,769	64,427	309	91,885	488,197	4,058,462
Transfers to other governments				39,426					39,426
Transfers to local boards and agencies		70,593							70,593
Transfers to individuals and organizations	674,728	251,532	131,260			1,216,594			2,274,114
Interest on long-term debt		185,753							185,753
Loss (gain) on disposal of TCA	20,070		(1,525)	1,613,366	(3,433)			10,424	1,638,902
Other expenses	14,126				100				14,226
	<u>4,136,508</u>	<u>585,311</u>	<u>1,623,216</u>	<u>11,347,242</u>	<u>1,189,194</u>	<u>1,348,495</u>	<u>654,844</u>	<u>1,567,971</u>	<u>22,452,782</u>
NET REVENUE (EXPENSE) BEFORE AMORTIZATION	33,568,837	(585,311)	(1,301,090)	(3,679,215)	(767,927)	(1,249,781)	(498,380)	(961,913)	24,525,219
Amortization	192,510		229,952	16,284,534	12,418	20,578	243,790	75,747	17,059,528
NET REVENUE (EXPENSE)	33,376,327	(585,311)	(1,531,042)	(19,963,749)	(780,345)	(1,270,359)	(742,170)	(1,037,660)	7,465,691

Clearwater County
Notes to Consolidated Financial Statements
December 31, 2012

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, 2012

1. Significant Accounting Policies (continued)

(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.

(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.

Clearwater County
Notes to Consolidated Financial Statements
December 31, 2012

1. Significant Accounting Policies (continued)

(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, 2012

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

	2012	2011
	\$	\$
Cash	43,779,718	29,298,328
Temporary investments	<u>4,183,463</u>	<u>4,831,104</u>
	<u>47,963,181</u>	<u>34,129,432</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 2.8% per annum.

The above amounts include grant funding of \$961,740 (2011 - \$2,224,352) which is externally restricted for capital projects.

Clearwater County
Notes to Consolidated Financial Statements
December 31, 2012

3. Taxes and Grants in Place of Taxes Receivable

	2012 \$	2011 \$
Current taxes and grants in place of taxes	582,951	611,266
Arrears taxes	<u>168,889</u>	<u>170,832</u>
	751,840	782,098
Less: Allowance for doubtful accounts	<u>(38,143)</u>	<u>(26,545)</u>
	<u>713,697</u>	<u>755,553</u>

4. Investments

	2012 \$	2011 \$
Equity Shares		
Rocky Credit Union Ltd.	73,982	71,619
Rocky Mountain House Co-op Association Limited	7,500	7,500
Alberta Association of Municipal Districts and Counties		4,180
Alberta Capital Finance Authority	<u>70</u>	<u>70</u>
	<u>81,552</u>	<u>83,369</u>

Clearwater County
Notes to Consolidated Financial Statements
December 31, 2012

5. Long-Term Debt

	2012 \$	2011 \$
Tax supported debentures	<u>4,446,044</u>	<u>4,715,432</u>

Principal and interest repayments are as follows:

	Principal \$	Interest \$	Total \$
2013	280,288	175,329	455,617
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
Thereafter	<u>2,926,515</u>	<u>490,613</u>	<u>3,417,128</u>
	<u>4,446,044</u>	<u>1,249,169</u>	<u>5,695,213</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 \$185,735 (2011 - \$196,250).

The County's total cash payments for interest in 2012 were \$186,229 (2011 - \$196,705).

Clearwater County
Notes to Consolidated Financial Statements
December 31, 2012

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:

	2012	2011
	\$	\$
Total debt limit	59,133,405	57,205,206
Total debt	<u>4,446,044</u>	<u>4,715,432</u>
Amount of debt limit unused	<u>54,687,361</u>	<u>52,489,774</u>
Debt servicing limit	9,855,568	9,534,201
Debt servicing	<u>455,617</u>	<u>455,617</u>
Amount of debt servicing limit unused	<u>9,399,951</u>	<u>9,078,584</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 \$4,850,000 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, 2012

7. Deferred Revenue

	2012	2011
	\$	\$
	<u> </u>	<u> </u>
Transportation grants	515,143	1,635,894
Major Community Facility Program (MCFP)	420,598	483,458
Prepaid rent & damage deposits	2,150	8,250
Other grants	<u>25,998</u>	<u>105,002</u>
	<u>963,889</u>	<u>2,232,604</u>

Transportation Grants

These grants were originally received from the Province of Alberta to facilitate the paving of the Sunchild Road. Following completion of this project in 2011, the Province directed the County to draw down the balance by amounts otherwise owed to the County in 2012. The remaining balance represents interest earned on the grant funds while they were held by the County.

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, 2012

8. Accumulated Surplus

	2012	2011
	\$	\$
	<u>84,619</u>	<u>94,664</u>
Unrestricted surplus		
Restricted reserves:		
Planning and recreation	1,781,142	232,405
Capital	1,529,954	1,529,954
Operating - designated	190,187	205,187
Nordegg	(524,614)	691,518
Tax rate stabilization	5,640,930	5,916,415
Airport	64,500	64,500
Fire - capital	428,206	919,259
Disaster	662,274	562,274
Public works - capital	2,275,000	1,175,000
Paving	11,350,610	7,883,610
Gravel	4,407,953	3,782,953
Gravel reclamation	2,680,000	180,000
Resource roads	3,000,000	2,469,308
Sewer	8,211,780	6,196,781
Agricultural services	680,000	680,000
Regional fire	35,625	23,750
Bridge deficit	1,975,000	1,325,000
NSRP	500,000	500,000
High speed internet towers	250,000	250,000
GIS Air Photo's	60,000	
JEPP designated	10,000	10,000
	<u>45,208,546</u>	<u>34,597,913</u>
Equity in tangible capital assets	<u>357,675,280</u>	<u>360,810,178</u>
	<u><u>402,968,446</u></u>	<u><u>395,502,755</u></u>

Clearwater County
Notes to Consolidated Financial Statements
December 31, 2012

9. Salary and Benefits Disclosure

Councilors	Division	2012			2011
		Salary ¹	Benefits and Allowances ²	Total	Total
			\$		\$
Duncan	1	33,904	5,687	39,591	35,815
Wymenga	2	31,130	5,596	36,726	35,730
Korver	3	22,993	4,603	27,596	27,209
Vandermeer	4	24,270	5,498	29,768	28,491
Bryant	5	36,642	2,906	39,548	38,729
Graham	6	41,004	5,922	46,926	30,898
Alexander	7	43,395	6,089	49,484	46,867
County Manager					
Leaf		191,310	30,847	222,157	194,140

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
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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 9.91% of pensionable earnings up to the maximum pensionable earnings under the Canada Pension Plan and 14.74% on pensionable earnings above this amount. Employees of the County are required to make current service contributions of 8.91% of pensionable salary up to the year's maximum pensionable salary and 13.74% of pensionable salary above this amount.

	2012	2011
	\$	\$
Employer Contribution	576,755	445,901
Employee Contribution	<u>513,714</u>	<u>403,619</u>
	<u>1,090,469</u>	<u>849,520</u>

At December 31, 2011 the Plan disclosed an actuarial deficit of \$4,639,390,000 (2010 - \$4,635,250,000).

Clearwater County
Notes to Consolidated Financial Statements
December 31, 2012

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.

	2012	2011
	\$	\$
Employer Contribution	3,970	3,828
Employee Contribution	<u>3,309</u>	<u>3,190</u>
	<u>7,279</u>	<u>7,018</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 provides defined pension benefits to employees based on their length of service and rate of pay.

	2012	2011
	\$	\$
Employer Contribution	<u>18,055</u>	<u>20,186</u>

As this is a multi-employer pension plan, these contributions represent the County's pension benefit expense. No pension liability for this type of plan is included in the County's financial statements.

Clearwater County
Notes to Consolidated Financial Statements
December 31, 2012

11. Financial Instruments

The County's financial instruments consist of cash, accounts receivable, 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.

14. Contingency

The County has been named defendant in a lawsuit. While it is not possible to estimate the ultimate liability with respect to pending litigation, based on evaluation and correspondence with the County's legal counsel, management indicates that it is unlikely that there will be a material adverse effect on the financial position of the County. The ultimate settlement of this lawsuit, if any, will be recorded in the period the details become known.

15. Approval of Financial Statements

The financial statements were approved by Council and Management.