



**Wilde and Company**

*Chartered Accountants*

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## INDEPENDENT AUDITOR'S REPORT

To the Reeve and Council of Clear Hills County

### *Report on the Consolidated Financial Statements*

We have audited the accompanying consolidated financial statements of Clear Hills County, which comprise the statement of financial position as at December 31, 2016, and the statements of operations, change in net financial assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

### *Management's Responsibility for the 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.

### *Auditor's Responsibility*

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We 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 from 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 auditor's 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 controls 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 controls. 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, the consolidated financial statements present fairly, in all material respects, the financial position of Clear Hills County as at December 31, 2016, the results of its operations, change in its net financial assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Vegreville, AB  
March 28, 2017

*Wilde + Company*  
Chartered Accountants

**CLEAR HILLS COUNTY**  
**Consolidated Statement of Financial Position**  
**As at December 31, 2016**

|   | 2016               | 2015               |
|---|--------------------|--------------------|
|   | \$                 | \$                 |
| <b>ASSETS</b>   |                    |                    |
| <b>Financial Assets</b>   |                    |                    |
| Cash and temporary investments (Note 3)                         | 11,289,951         | 17,626,196         |
| Receivables   |                    |                    |
| Taxes and grants in place of taxes receivable (Note 4)          | 902,873            | 625,026            |
| Due from governments  | 159,428            | 63,722             |
| Trade and other receivables                                     | 141,114            | 226,286            |
| Loans receivable (Note 5)                                       | -                  | 1,338,558          |
| Land held for resale  | 957,167            | 957,167            |
| Investments (Note 6)  | 28,876,714         | 26,071,289         |
|   | <b>42,327,247</b>  | <b>46,908,244</b>  |
| <b>LIABILITIES</b>  |                    |                    |
| Accounts payable and accrued liabilities (Note 7)               | 4,194,453          | 2,142,003          |
| Accrued employee obligations (Note 8)                           | 222,598            | 171,254            |
| Deferred revenue (Note 9)                                       | -                  | 32,475             |
| Provision for landfill closure and post-closure costs (Note 10) | 517,948            | 508,880            |
| Long term debt (Note 11)  | 1,258,242          | 1,717,667          |
|   | <b>6,193,241</b>   | <b>4,572,279</b>   |
| <b>NET FINANCIAL ASSETS</b>                                     | <b>36,134,006</b>  | <b>42,335,965</b>  |
| <b>NON-FINANCIAL ASSETS</b>                                     |                    |                    |
| Tangible capital assets (Note 13)                               | 77,485,831         | 68,643,264         |
| Inventory for consumption (Note 14)                             | 2,485,181          | 3,086,014          |
| Prepaid expenses  | 90,200             | 93,276             |
|   | <b>80,061,212</b>  | <b>71,822,554</b>  |
| <b>ACCUMULATED SURPLUS (Note 15)</b>                            | <b>116,195,218</b> | <b>114,158,519</b> |

Commitments and Contingencies - See Notes 18 and 19

**CLEAR HILLS COUNTY**  
**Consolidated Statement of Operations**  
**As at December 31, 2016**

|  | Budget<br>\$<br>(Unaudited) | 2016<br>\$         | 2015<br>\$        |
|--|-----------------------------|--------------------|-------------------|
| <b>Revenues</b>  |                             |                    |                   |
| Net municipal taxes (Schedule 3)                                   | 15,201,093                  | <b>15,000,652</b>  | 16,158,461        |
| User fees and sales of goods                                       | 308,225                     | <b>279,857</b>     | 312,700           |
| Government transfers for operating (Schedule 4)                    | 432,146                     | <b>481,953</b>     | 454,069           |
| Investment income  | 286,087                     | <b>812,208</b>     | 701,741           |
| Penalties and costs on taxes                                       | 200,000                     | <b>318,277</b>     | 216,412           |
| Licenses and permits   | 8,510                       | <b>12,997</b>      | 10,482            |
| Rental   | 53,625                      | <b>49,064</b>      | 63,128            |
| Well drilling taxes  | 15,000                      | <b>20,600</b>      | 24,420            |
| Other  | 84,355                      | <b>94,172</b>      | 91,305            |
| <b>Total revenue</b>   | <b>16,589,041</b>           | <b>17,069,780</b>  | <b>18,032,718</b> |
| <b>Expenses</b>  |                             |                    |                   |
| Legislative  | 412,368                     | <b>387,802</b>     | 390,153           |
| Administration   | 1,296,216                   | <b>3,053,626</b>   | 1,732,511         |
| Emergency services   | 511,100                     | <b>476,354</b>     | 419,387           |
| Roads, streets, walks, lighting                                    | 9,822,472                   | <b>7,508,177</b>   | 8,928,307         |
| Water supply and distribution                                      | 953,387                     | <b>751,787</b>     | 741,387           |
| Wastewater treatment and disposal                                  | 50,173                      | <b>34,959</b>      | 31,300            |
| Waste management   | 511,492                     | <b>464,252</b>     | 505,617           |
| Public health and welfare  | 118,050                     | <b>150,659</b>     | 123,814           |
| Agriculture and community service                                  | 1,156,729                   | <b>3,203,855</b>   | 1,029,681         |
| Subdivision, land and development                                  | 454,021                     | <b>560,532</b>     | 546,717           |
| Recreation and culture   | 297,382                     | <b>358,734</b>     | 525,093           |
| <b>Total expenses</b>  | <b>15,583,390</b>           | <b>16,950,737</b>  | <b>14,973,967</b> |
| <b>Excess of revenue over expenses before Government transfers</b> | <b>1,005,651</b>            | <b>119,043</b>     | <b>3,058,751</b>  |
| Government transfers for capital (Schedule 4)                      | 32,446                      | <b>1,917,656</b>   | 5,012,182         |
| <b>Excess of revenues over expenses</b>                            | <b>1,038,097</b>            | <b>2,036,699</b>   | <b>8,070,933</b>  |
| Accumulated surplus - beginning of the year                        | 114,158,519                 | <b>114,158,519</b> | 106,087,586       |
| Accumulated surplus - end of the year (Schedule 1)                 | 115,196,616                 | <b>116,195,218</b> | 114,158,519       |

**CLEAR HILLS COUNTY****Consolidated Statement of Change in Net Financial Assets****As at December 31, 2016**

|   | <b>Budget</b>       | <b>2016</b>         | <b>2015</b>      |
|---|---------------------|---------------------|------------------|
|   | <b>\$</b>           | <b>\$</b>           | <b>\$</b>        |
|   | <b>(Unaudited)</b>  |                     |                  |
| <b>Excess of revenue over expenses</b>          | <b>1,038,097</b>    | <b>2,036,699</b>    | <b>8,070,933</b> |
| Acquisition of tangible capital assets          | (15,052,845)        | <b>(12,215,833)</b> | (1,902,945)      |
| Proceeds on disposal of tangible capital assets | -                   | <b>116,365</b>      | 108,633          |
| Amortization of tangible capital assets         | 3,236,580           | <b>3,190,735</b>    | 3,236,579        |
| Loss on sale of tangible capital assets         | -                   | <b>66,166</b>       | 30,502           |
|   | <b>(10,778,168)</b> | <b>(6,805,868)</b>  | <b>9,543,702</b> |
| Net use of supplies inventories                 | 495,000             | <b>600,833</b>      | 845,328          |
| Net use (acquisition) of prepaid assets         | -                   | <b>3,076</b>        | (59,171)         |
| Increase in net assets                          | 495,000             | <b>603,909</b>      | 786,157          |
| Net financial assets, beginning of year         | 42,335,965          | <b>42,335,965</b>   | 32,006,106       |
| Net financial assets, end of year               | 32,052,797          | <b>36,134,006</b>   | 42,335,965       |

**CLEAR HILLS COUNTY**  
**Consolidated Statement of Cash Flows**  
**As at December 31, 2016**

|  | 2016<br>\$          | 2015<br>\$         |
|--|---------------------|--------------------|
| <b>Operating</b>   |                     |                    |
| Excess of revenue over expenses  | 2,036,699           | 8,070,933          |
| Net changes in non-cash items included in excess of revenues over expenses |                     |                    |
| Amortization of tangible capital assets                                    | 3,190,735           | 3,236,579          |
| Loss on disposal of tangible capital assets                                | 66,166              | 30,502             |
| Net changes in non-cash charges to operation                               |                     |                    |
| Decrease (increase) in taxes and grants in lieu receivable                 | (277,847)           | 46,242             |
| Decrease (increase) in government receivables                              | (95,706)            | 599,895            |
| Decrease in trade and other receivables                                    | 85,172              | 47,074             |
| Decrease in loans receivable   | 1,338,558           | 13,350             |
| Decrease in land held for resale   | -                   | 8,424              |
| Decrease in inventories  | 600,833             | 845,328            |
| Decrease (increase) in prepaid expenses                                    | 3,076               | (59,171)           |
| Increase (decrease) in accounts payable and accrued liabilities            | 2,052,450           | (310,597)          |
| Increase (decrease) in accrued employee obligations                        | 51,344              | (37,287)           |
| Decrease in deferred revenue   | (32,475)            | (2,716,729)        |
| Increase in provision for landfill closure/post-closure                    | 9,068               | 9,521              |
| <i>Net cash provided by operating transactions</i>                         | <b>9,028,073</b>    | <b>9,784,064</b>   |
| <b>Capital</b>   |                     |                    |
| Acquisition of tangible capital assets                                     | (12,215,833)        | (1,902,945)        |
| Proceeds on sale of tangible capital assets                                | 116,365             | 108,633            |
| <i>Net cash applied to capital transactions</i>                            | <b>(12,099,468)</b> | <b>(1,794,312)</b> |
| <b>Investing</b>   |                     |                    |
| Decrease in restricted cash or cash equivalents                            | 32,475              | 2,716,729          |
| Increase in investments  | (2,805,425)         | (7,011,474)        |
| <i>Net cash applied to investing transactions</i>                          | <b>(2,772,950)</b>  | <b>(4,294,745)</b> |
| <b>Financing</b>   |                     |                    |
| Long term debt issued  | 35,575              | 68,507             |
| Long term debt repaid  | (495,000)           | (495,000)          |
| <i>Net cash applied to financing transactions</i>                          | <b>(459,425)</b>    | <b>(426,493)</b>   |
| <b>Change in cash and cash equivalents during the year</b>                 | <b>(6,303,770)</b>  | <b>3,268,514</b>   |
| Cash and cash equivalents, beginning of year                               | 17,593,721          | 14,325,207         |
| <b>Cash and cash equivalents, end of year</b>                              | <b>11,289,951</b>   | <b>17,593,721</b>  |
| Cash and cash equivalents is made up of:                                   |                     |                    |
| Cash and temporary investments (Note 3)                                    | 11,289,951          | 17,626,196         |
| Less: restricted portion of cash and temporary investments (Note 3)        | -                   | (32,475)           |
|  | <b>11,289,951</b>   | <b>17,593,721</b>  |
| Cash flows supplementary information:                                      |                     |                    |
| Interest received  | 812,208             | 701,741            |

See accompanying notes

**CLEAR HILLS COUNTY**  
**(Schedule 1)**

**Schedule of Changes in Accumulated Surplus**  
**As at December 31, 2016**

|   | Unrestricted Surplus | Restricted Operating | Restricted Capital | Equity in Capital Assets | 2016 \$     | 2015 \$     |
|---|----------------------|----------------------|--------------------|--------------------------|-------------|-------------|
| Balance, beginning of year                            | 1,922,914            | 10,234,322           | 33,358,019         | 68,643,264               | 114,158,519 | 106,087,586 |
| Excess of revenues over expenses                      | 2,036,699            | -                    | -                  | -                        | 2,036,699   | 8,070,933   |
| Unrestricted funds designated for future use          | (5,409,965)          | (4,694,005)          | 10,103,970         | -                        | -           | -           |
| Restricted funds used for Tangible Capital Assets     | -                    | -                    | (12,215,833)       | 12,215,833               | -           | -           |
| Net book value of Tangible Capital Assets disposed of | 182,531              | -                    | -                  | (182,531)                | -           | -           |
| Annual amortization expense                           | 3,190,735            | -                    | -                  | (3,190,735)              | -           | -           |
| Balance, end of year                                  | 1,922,914            | 5,540,317            | 31,246,156         | 77,485,831               | 116,195,218 | 114,158,519 |

**CLEAR HILLS COUNTY**  
**Schedule of Tangible Capital Assets**  
**As at December 31, 2016**

(Schedule 2)

|  | Land    | Buildings | Engineered Structures | Machinery & Equipment | Vehicles | 2016 \$     | 2015 \$     |
|--|---------|-----------|-----------------------|-----------------------|----------|-------------|-------------|
| <b>Cost</b>                                      |         |           |                       |                       |          |             |             |
| Balance, beginning of year                       | 616,864 | 2,583,731 | 113,827,396           | 3,439,876             | 716,203  | 121,184,070 | 119,786,227 |
| Acquisition of tangible capital assets           | -       | -         | 268,655               | 255,023               | 98,895   | 622,573     | 1,636,360   |
| Construction in progress                         | -       | -         | 11,593,260            | -                     | -        | 11,593,260  | 266,585     |
| Disposal of tangible capital assets              | -       | (114,398) | -                     | (463,942)             | -        | (578,340)   | (505,102)   |
| Balance, end of year                             | 616,864 | 2,469,333 | 125,689,311           | 3,230,957             | 815,098  | 132,821,563 | 121,184,070 |
| <b>Accumulated amortization</b>                  |         |           |                       |                       |          |             |             |
| Balance, beginning of year                       | -       | 1,690,004 | 49,046,705            | 1,325,967             | 478,130  | 52,540,806  | 49,670,194  |
| Annual amortization                              | -       | 94,500    | 2,842,402             | 210,214               | 43,619   | 3,190,735   | 3,236,579   |
| Accumulated amortization on disposals            | -       | (114,399) | -                     | (281,410)             | -        | (395,809)   | (365,967)   |
| Balance, end of year                             | -       | 1,670,105 | 51,889,107            | 1,254,771             | 521,749  | 55,335,732  | 52,540,806  |
| <b>Net book value of tangible capital assets</b> |         |           |                       |                       |          |             |             |
|  | 616,864 | 799,228   | 73,800,204            | 1,976,186             | 293,349  | 77,485,831  | 68,643,264  |
| 2015 Net book value of tangible capital assets   | 616,864 | 893,727   | 64,780,691            | 2,113,909             | 238,073  | 68,643,264  | 68,643,264  |

**CLEAR HILLS COUNTY**  
**Schedule of Property and Other Taxes**  
**As at December 31, 2016**

**(Schedule 3)**

|  | <b>Budget</b>      | <b>2016</b>       | <b>2015</b> |
|--|--------------------|-------------------|-------------|
|  | <b>\$</b>          | <b>\$</b>         | <b>\$</b>   |
|  | <b>(Unaudited)</b> |                   |             |
| <b>Taxation</b>                              |                    |                   |             |
| Real property taxes                          | 18,860,006         | <b>5,975,048</b>  | 6,036,085   |
| Linear property                              | -                  | <b>12,752,111</b> | 13,751,082  |
| Government grants in place of property taxes | -                  | <b>7,961</b>      | 7,305       |
|  | 18,860,006         | <b>18,735,120</b> | 19,794,472  |
| <b>Requisitions</b>                          |                    |                   |             |
| Alberta School Foundation Fund               | 3,246,281          | <b>3,316,876</b>  | 3,245,903   |
| North Peace Housing Foundation               | 412,632            | <b>417,592</b>    | 390,108     |
|  | 3,658,913          | <b>3,734,468</b>  | 3,636,011   |
| <b>Net Municipal Taxes</b>                   | 15,201,093         | <b>15,000,652</b> | 16,158,461  |



**CLEAR HILLS COUNTY**  
**Schedule of Government Transfers**  
**As at December 31, 2016**

*(Schedule 4)*

|                                   | <b>Budget</b>      | <b>2016</b>      | <b>2015</b> |
|-----------------------------------|--------------------|------------------|-------------|
|                                   | <b>\$</b>          | <b>\$</b>        | <b>\$</b>   |
|                                   | <b>(Unaudited)</b> |                  |             |
| <b>Transfers for Operating</b>    |                    |                  |             |
| Provincial Government             | 432,146            | <b>481,953</b>   | 454,069     |
|                                   | 432,146            | <b>481,953</b>   | 454,069     |
| <b>Transfers for Capital</b>      |                    |                  |             |
| Provincial Government             | 32,446             | <b>1,917,656</b> | 5,012,182   |
|                                   | 32,446             | <b>1,917,656</b> | 5,012,182   |
| <b>Total Government Transfers</b> | 464,592            | <b>2,399,609</b> | 5,466,251   |

**CLEAR HILLS COUNTY****(Schedule 5)****Schedule of Consolidated Expenses by Object****As at December 31, 2016**

|   | <b>Budget</b>      | <b>2016</b>       | <b>2015</b>       |
|---|--------------------|-------------------|-------------------|
|   | <b>\$</b>          | <b>\$</b>         | <b>\$</b>         |
|   | <b>(Unaudited)</b> |                   |                   |
| <b>Consolidated Expenses by Object</b>      |                    |                   |                   |
| Salaries, wages and benefits                | 2,277,167          | <b>2,423,734</b>  | 2,147,542         |
| Contracted and general services             | 6,654,743          | <b>4,708,032</b>  | 5,620,601         |
| Materials, goods, supplies and utilities    | 2,051,825          | <b>1,384,076</b>  | 1,663,266         |
| Transfers to local boards and agencies      | 1,356,270          | <b>3,440,980</b>  | 1,710,885         |
| Bank charges and short term interest        | 3,000              | <b>3,539</b>      | 3,352             |
| Amortization of tangible capital assets     | 3,236,580          | <b>3,190,735</b>  | 3,236,579         |
| Allowance for doubtful accounts             | -                  | <b>1,733,475</b>  | 561,240           |
| Loss on disposal of tangible capital assets | 3,805              | <b>66,166</b>     | 30,502            |
|   | <b>15,583,390</b>  | <b>16,950,737</b> | <b>14,973,967</b> |

(Schedule 6)

**CLEAR HILLS COUNTY**  
**Schedule of Segmented Disclosure**  
**As at December 31, 2016**

|  | General Government | Protective Services | Transportation Services | Environmental Services | Public Health | Planning & Development | Recreation & Culture | Other      | Total \$   |
|--|--------------------|---------------------|-------------------------|------------------------|---------------|------------------------|----------------------|------------|------------|
| <b>Revenue</b>   |                    |                     |                         |                        |               |                        |                      |            |            |
| Net municipal taxes                                    | -                  | -                   | -                       | -                      | 93,873        | -                      | -                    | 15,000,652 | 15,000,652 |
| Government transfers                                   | 141,719            | -                   | 1,885,159               | -                      | -             | 257,858                | 21,000               | -          | 2,399,609  |
| User fees and sales of goods                           | -                  | 388                 | 13,264                  | 255,298                | -             | 10,907                 | -                    | -          | 279,857    |
| Investment income                                      | 7,157              | 1,192               | 501,850                 | 149,317                | 517           | 98,008                 | (652)                | 54,819     | 812,208    |
| Other revenues   | 23,389             | 15,538              | 43,463                  | 3,757                  | -             | 59,232                 | -                    | 349,731    | 495,110    |
|  | 172,265            | 17,118              | 2,443,736               | 408,372                | 94,390        | 426,005                | 20,348               | 15,405,202 | 18,987,436 |
| <b>Expenses</b>  |                    |                     |                         |                        |               |                        |                      |            |            |
| Salaries, wages and benefits                           | 937,621            | 116,571             | 701,646                 | 102,224                | -             | 565,672                | -                    | -          | 2,423,734  |
| Contracted and general services                        | 680,311            | 125,136             | 2,991,474               | 514,924                | 359           | 394,409                | 1,419                | -          | 4,708,032  |
| Materials, goods, supplies and utilities               | 17,786             | 29,718              | 1,201,723               | 73,985                 | -             | 60,864                 | -                    | -          | 1,384,076  |
| Transfers to local boards and agencies:                | 500                | 105,477             | 12,150                  | 120,436                | 150,300       | 2,694,802              | 357,315              | -          | 3,440,980  |
| Other expenses   | 1,769,886          | -                   | 13,489                  | 31                     | -             | 19,774                 | -                    | -          | 1,803,180  |
|  | 3,406,104          | 376,902             | 4,920,482               | 811,600                | 150,659       | 3,735,521              | 358,734              | -          | 13,760,002 |
| <b>Net revenue before amortization and adjustments</b> | (3,233,839)        | (359,784)           | (2,476,746)             | (403,228)              | (56,269)      | (3,309,516)            | (338,386)            | 15,405,202 | 5,227,434  |
| Amortization of tangible capital assets                | 35,324             | 99,452              | 2,587,695               | 439,398                | -             | 28,866                 | -                    | -          | 3,190,735  |
| <b>2016 Net revenue (expense)</b>                      | (3,269,163)        | (459,236)           | (5,064,441)             | (842,626)              | (56,269)      | (3,338,382)            | (338,386)            | 15,405,202 | 2,036,699  |
| 2015 Net revenue (expense)                             | (1,953,453)        | (401,341)           | (3,765,791)             | (558,688)              | (39,218)      | (1,124,583)            | (517,288)            | 16,431,295 | 8,070,933  |

**CLEAR HILLS COUNTY**  
**Notes to Consolidated Financial Statements**  
**Year Ended December 31, 2016**

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1. Significant accounting policies

The consolidated financial statements of the municipality 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 Chartered Professional Accountants of Canada. Significant aspects of the accounting policies adopted by the municipality are as follows:

Reporting entity

The consolidated financial statements reflect the assets, liabilities, revenues and expenditures, changes in fund balances and change in financial position of the reporting entity. This entity is comprised of the municipal operations plus all of the organizations that are owned or controlled by the municipality and are, therefore, accountable to Council for the administration of their financial affairs and resources.

The schedule of taxes levied also includes requisitions for education, health, 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.

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 or 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.

*(continues)*

## CLEAR HILLS COUNTY

### Notes to Consolidated Financial Statements

Year Ended December 31, 2016

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1. Significant accounting policies *(continued)*

Use of estimates

The preparation of financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenditure 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.

Significant estimates include:

- Amortization
- Estimated useful life of tangible capital assets
- Allowance for doubtful accounts

Cash and cash equivalents

Cash includes cash and cash equivalents. Cash equivalents are investments in treasury bills and are valued at cost plus accrued interest. The carrying amounts approximate fair value because they have maturities of less than ninety days at the date of purchase.

Tax revenue

Tax revenues are recognized when the tax has been authorized by bylaw and the taxable event has occurred.

Requisitions operate as a flow through and are excluded from municipal revenue.

Investments

Investments are recorded at amortized cost. Investment premiums and discounts are amortized on the net present value basis over the term of the respective investments. When there has been a loss in value that is other than a temporary decline, the respective investment is written down to recognize the loss.

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.

*(continues)*

**CLEAR HILLS COUNTY**  
**Notes to Consolidated Financial Statements**  
**Year Ended December 31, 2016**

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1. Significant accounting policies (*continued*)

Investment revenue recognition

The municipality recognizes revenues when it is earned, specifically when all the following conditions are met:

- amounts are fixed or can be determined
- the ability to collect is reasonably assured.

An interest accrual is recorded in order to recognize interest that has been earned but has not been received by year end.

Inventories 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 physical assets under the respective function.

Landfill closure and post-closure liability

Pursuant to the Alberta Environmental Protection and Enhancement Act, the municipality is required to fund the closure of its landfill site and provide for post-closure care of the facility. Closure and post-closure activities include the final clay cover, landscaping, as well as surface and ground water monitoring, leachate control, and visual inspection. The requirement is being provided for over the estimated remaining life of the landfill site based on usage.

Contaminated sites liability

Contaminated sites are a result of a 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.

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 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.

(*continues*)

**CLEAR HILLS COUNTY**  
**Notes to Consolidated Financial Statements**  
**Year Ended December 31, 2016**

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1. Significant accounting policies (*continued*)

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 revenues over expenses, provides the consolidated Change in Net Financial Assets for the year.

a) 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:

|                             | <b>YEARS</b> |
|-----------------------------|--------------|
| Buildings                   | 25           |
| Engineered structures       |              |
| Water system                | 30-75        |
| Wastewater system           | 75           |
| Other engineered structures | 25           |
| Machinery and equipment     | 15           |
| Vehicles                    | 10           |

Annual amortization is not charged in the year of acquisition and full amortization is charged in the year of disposition. Assets under construction are not amortized until the asset is available for productive use.

b) Contributions of tangible capital assets

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

c) 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.

d) Inventories

Inventories held for consumption are recorded at the lower of cost and replacement cost.

## CLEAR HILLS COUNTY

### Notes to Consolidated Financial Statements

Year Ended December 31, 2016

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#### 2. Recent accounting pronouncements published but not yet adopted

The following accounting standards have been issued by the Chartered Professional Accountants of Canada (CPAC) but are not yet effective. The municipality is currently evaluating the effect of adopting these standards on their financial statements.

##### Section PS 2200 - Related Party Disclosures

This new Section defines a related party and establishes disclosures required for related party transactions. This Section applies to fiscal years beginning on or after April 1, 2017. Earlier adoption is permitted.

##### Section PS 3210 - Assets

This new Section provides guidance for applying the definition of assets set out in Financial Statement Concepts, Section PS 1000, and establishes general disclosure standards for assets. This section applies to fiscal years beginning on or after April 1, 2017. Earlier adoption is permitted.

##### Section PS 3320 - Contingent Assets

This new Section defines and establishes disclosure standards on contingent assets. This Section applies to fiscal years beginning on or after April 1, 2017. Earlier adoption is permitted.

##### Section PS 3380 - Contractual Rights

This new Section defines and establishes disclosure standards on contractual rights. This Section applies to fiscal years beginning on or after April 1, 2017. Earlier adoption is permitted.

##### Section PS 3420 - Inter-entity Transactions

This new Section establishes standards on how to account for and report transactions between public sector entities that comprise a government's reporting entity from both a provider and recipient perspective. This Section applies to fiscal years beginning on or after April 1, 2017. Earlier adoption is permitted.

##### Section PS 3430 - Restructuring Transactions

This new Section defines a restructuring transaction and establishes standards for recognizing and measuring assets and liabilities transferred in a restructuring transaction. This Section applies to restructuring transactions occurring in fiscal years beginning on or after April 1, 2018. Earlier adoption is permitted.

##### Section PS 3450 - Financial Instruments

The new Section establishes standards for recognizing and measuring financial assets, financial liabilities and non-financial derivatives. In conjunction with this new section, section PS1201, section PS 2601 and section 3041 have been amended as a consequence of the introduction of new financial instruments standards. These amendments were required to present the associated gains and losses with financial instruments recognized under the new section. The new section and the related amendments are effective for fiscal periods beginning on or after April 1, 2019.



**CLEAR HILLS COUNTY**  
**Notes to Consolidated Financial Statements**  
**Year Ended December 31, 2016**

3. Cash and temporary investments

|                       | 2016                 | 2015                 |
|-----------------------|----------------------|----------------------|
| Cash                  | \$ 677,812           | \$ 1,906,684         |
| Temporary investments | 10,612,139           | 15,719,512           |
|                       | <b>\$ 11,289,951</b> | <b>\$ 17,626,196</b> |

Temporary investments are short term deposits with original maturities of three months or less.

Included in temporary investments is a restricted amount of nil (2015 - \$32,475) comprised of deferred revenue not expended (*Note 9*).

4. Taxes and grants in place of taxes receivable

|  | 2016               | 2015              |
|--|--------------------|-------------------|
| Current taxes and grants in place of taxes | \$ 2,249,330       | \$ 944,886        |
| Arrears taxes                              | 1,517,776          | 810,899           |
|  | <b>3,767,106</b>   | 1,755,785         |
| Less: allowance for doubtful accounts      | <b>(2,864,233)</b> | (1,130,759)       |
|  | <b>\$ 902,873</b>  | <b>\$ 625,026</b> |

Allowance for doubtful accounts is determined by management through identification of specific accounts in arrears.

5. Loans receivable

|   | 2016        | 2015                |
|---|-------------|---------------------|
| North Peace Housing Foundation loan repaid in the year. | \$ -        | \$ 455,758          |
| North Peace Housing Foundation loan repaid in the year. | -           | 822,800             |
| End of Steel Heritage Society loan repaid in the year.  | -           | 60,000              |
|   | -           | 1,338,558           |
| Amounts receivable within one year                      | -           | (97,001)            |
|   | <b>\$ -</b> | <b>\$ 1,241,557</b> |

All loans were repaid in the year.

**CLEAR HILLS COUNTY**  
**Notes to Consolidated Financial Statements**  
**Year Ended December 31, 2016**

6. Investments

|  | 2016                 |                      | 2015                 |                      |
|--|----------------------|----------------------|----------------------|----------------------|
|  | Cost                 | Market value         | Cost                 | Market value         |
| Alberta Municipal Financing Corporation shares | \$ 100               | \$ 100               | \$ 100               | \$ 100               |
| Government and government guaranteed bonds     | 28,876,714           | 28,874,366           | 26,071,189           | 26,202,360           |
|  | <b>\$ 28,876,814</b> | <b>\$ 28,874,466</b> | <b>\$ 26,071,289</b> | <b>\$ 26,202,460</b> |

Government and government guaranteed bonds have effective interest rates of 1.61% to 4.10% (2015 – 1.53% to 4.55%) with maturity dates from June 25, 2017 to June 2, 2025.

Council has designated funds of \$31,246,156 (2015 - \$33,358,019) for capital projects and funds of \$5,540,317 (2015 - \$10,234,322) for operations. These are supported by the above investments, cash and temporary investments less any restricted portion for a total of \$40,166,765.

7. Accounts payable and accrued liabilities

Included in accounts payable are the following:

|  | 2016                | 2015                |
|--|---------------------|---------------------|
| Trade accounts payable and accrued liabilities | \$ 4,173,112        | \$ 2,122,960        |
| Government payroll remittance payable          | 21,341              | 19,043              |
|  | -                   | -                   |
|  | <b>\$ 4,194,453</b> | <b>\$ 2,142,003</b> |

8. Accrued employee obligations

|                        | 2016       | 2015       |
|------------------------|------------|------------|
| Vacation and sick time | \$ 222,598 | \$ 171,254 |

The vacation and sick time liability is comprised of the vacation and sick time that employees are deferring to future years. Employees have either earned the benefits (and are vested) or are entitled to these benefits within the next budgetary year.

9. Deferred revenue

|                                     | 2016 | 2015      |
|-------------------------------------|------|-----------|
| Alberta Community Partnership grant | \$ - | \$ 32,475 |

**CLEAR HILLS COUNTY**  
**Notes to Consolidated Financial Statements**  
**Year Ended December 31, 2016**

10. Landfill closure and post-closure liability

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.

Post closure costs are expected to occur for 25 years beyond the closure of each landfill.

The accrued liability portion is based on the remaining useful lives and estimated closure and post closure costs of the landfill sites. The existing landfill sites have estimated useful lives ranging from 1 to 45 years.

The municipality has not designated assets for settling closure and post-closure liabilities.

In 2002, the municipality joined the North Peace Regional Landfill Commission (NPRLC). This commission was established to construct a new regional landfill to replace the aging landfills within the municipality. Clear Hills County has constructed four transfer stations to date and intends to continue to construct more transfer stations on the existing landfill sites, thus delaying the post-closure requirements for a number of these landfills.

|  | 2016       | 2015       |
|--|------------|------------|
| Estimated closure and post-closure costs | \$ 517,948 | \$ 508,880 |

11. Long term debt

|                          | 2016         | 2015         |
|--------------------------|--------------|--------------|
| Tax supported debentures | \$ 1,258,242 | \$ 1,717,667 |
|                          | \$ 1,258,242 | \$ 1,717,667 |

Principal repayment terms are approximately:

|      |              |
|------|--------------|
| 2017 | \$ 495,000   |
| 2018 | 495,000      |
| 2019 | 268,242      |
|      | \$ 1,258,242 |

Debenture debt is a non-interest bearing loan repayable to Worsley Gravel Supply Ltd. that matures in 2019.

**CLEAR HILLS COUNTY**  
**Notes to Consolidated Financial Statements**  
**Year Ended December 31, 2016**

12. Debt limits

Section 276(2) of the Municipal Government Act requires that debt and debt limits as defined by Alberta Regulation 255/2000 for the municipality be disclosed as follows:

|                                       | 2016          | 2015          |
|---------------------------------------|---------------|---------------|
| Total debt limit                      | \$ 25,604,670 | \$ 27,049,077 |
| Total debt                            | (1,258,242)   | (1,717,667)   |
| Amount of debt limit unused           | \$ 26,862,912 | \$ 25,331,410 |
| Debt servicing limit                  | \$ 4,267,445  | \$ 4,508,180  |
| Debt servicing                        | (495,000)     | (495,000)     |
| Amount of debt servicing limit unused | \$ 4,762,445  | \$ 4,013,180  |

The debt limit is calculated at 1.5 times revenue of the municipality (as defined in Alberta Regulation 255/2000) 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 calculation taken alone does not represent the financial stability of the municipality. Rather, the financial statements must be interpreted as a whole.

13. Equity in tangible capital assets

|                                       | 2016           | 2015           |
|---------------------------------------|----------------|----------------|
| Tangible capital assets (Schedule 2)  | \$ 132,821,563 | \$ 121,184,070 |
| Accumulated amortization (Schedule 2) | (55,335,732)   | (52,540,806)   |
|                                       | \$ 77,485,831  | \$ 68,643,264  |

14. Inventory for consumption

|                           | 2016         | 2015         |
|---------------------------|--------------|--------------|
| Gravel                    | \$ 2,414,663 | \$ 3,025,952 |
| Public Works              | 48,012       | 36,919       |
| Agriculture Service Board | 22,506       | 23,143       |
|                           | \$ 2,485,181 | \$ 3,086,014 |

**CLEAR HILLS COUNTY**  
**Notes to Consolidated Financial Statements**  
**Year Ended December 31, 2016**

15. Accumulated surplus

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

|                                   | 2016                 | 2015                 |
|-----------------------------------|----------------------|----------------------|
| Unrestricted surplus              | \$ 1,922,914         | \$ 1,922,914         |
| Restricted surplus                |                      |                      |
| Operating reserves                | 5,540,317            | 10,234,322           |
| Capital reserves                  | 31,246,156           | 33,358,019           |
| Equity in tangible capital assets | 77,485,831           | 68,643,264           |
|                                   | <b>\$116,195,218</b> | <b>\$114,158,519</b> |

16. Salary and benefits disclosure

Disclosure of salaries and benefits for municipal officials, the chief administrative officer and designated officers as required by Alberta Regulation 313/2000 is as follows:

|  |                   |                           | 2016              | 2015              |
|--|-------------------|---------------------------|-------------------|-------------------|
|  | Salary (1)        | Benefits & allowances (2) | Total             | Total             |
| Councillor - Division 1                                    | \$ 28,897         | \$ 3,944                  | \$ 32,841         | \$ 31,759         |
| Councillor - Division 2                                    | 29,062            | 3,944                     | 33,006            | 31,759            |
| Councillor - Division 3                                    | 26,910            | 1,584                     | 28,494            | 26,464            |
| Councillor - Division 4<br>(Reeve and former Deputy Reeve) | 31,449            | 3,944                     | 35,393            | 33,312            |
| Councillor - Division 5<br>(former Reeve)                  | 18,382            | 2,301                     | 20,683            | 36,222            |
| Councillor - Division 6                                    | 31,547            | 3,865                     | 35,412            | 32,631            |
| Councillor - Division 7                                    | 30,631            | 3,944                     | 34,575            | 40,059            |
| Chief Administrative Officer                               | 209,766           | 49,487                    | 259,253           | 259,322           |
|  | <b>\$ 406,644</b> | <b>\$ 73,013</b>          | <b>\$ 479,657</b> | <b>\$ 491,528</b> |

1. Salary includes regular base pay, bonuses, overtime, lump sum payments, gross honoraria and any other direct cash remuneration.
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 figures also include the employer's share of the costs of additional taxable benefits including special leave with pay, financial and retirement planning services, concessionary loans, travel allowances, car allowances and club memberships.

## CLEAR HILLS COUNTY

### Notes to Consolidated Financial Statements

Year Ended December 31, 2016

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#### 17. Local Authorities Pension Plan

Employees of the municipality 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 by investment earnings of the LAPP Fund.

Contributions for current service are recorded as expenditures in the year in which they become due.

The municipality is required to make current service contributions to the LAPP of 11.39% of pensionable earnings up to the year's maximum pensionable earnings under the Canada Pension Plan and 15.84% on pensionable earnings above this amount.

Total current service contributions by the municipality to the LAPP in 2016, including contributions on behalf of employees, were \$201,612 (2015 - \$274,134).

At December 31, 2015, the LAPP disclosed an actuarial deficiency of \$923 million.

#### 18. Commitments

The municipality is committed to make an annual payment of \$119,009 to Mackenzie Municipal Services Agency as the County's planning consultant.

The municipality is committed to make an annual requisition payment to the North Peace Housing Foundation on an ongoing basis. The requisition amount for 2017 is \$422,252.

The municipality is committed to completing Secondary Highway 717. The County's cost to complete the project is estimated at \$4,687,614.

The municipality is committed to make monthly payments of \$8,900 for the period of April 2014 to March 2019 to Alliance Assessment for contracted assessments services.

The municipality is committed to make an annual requisition payment to the North Peace Regional Landfill Commission based on the County's usage. The requisition amount for 2017 is \$120,436.

The municipality is committed to make a payment of \$150,000 to the Fairview Day Care & Playschool Society for the construction of a new facility.

The municipality is committed to make a conditional grant payment of \$3,000,000 to the Peace River School Division for the Menno Simons School addition and modernization.

The municipality is committed to make an annual grant payment of \$2,500 to Sorrentino's Compassion House for 2017.

The municipality is committed to make an annual grant payment of \$75,000 to STARS for 2017 and to increase that funding to \$100,000 for 2018 to 2020.

The municipality is committed to make an unconditional grant payment to the Cleardale Community Enhancement Society. The remaining amount to be paid is \$232,312.

The municipality is committed to make an unconditional grant payment to the Village of Hines Creek in the amount of \$350,000.

**CLEAR HILLS COUNTY**  
**Notes to Consolidated Financial Statements**  
**Year Ended December 31, 2016**

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19. Contingent liability

The municipality is a member of the Alberta Municipal Insurance Exchange (MUNIX). Under the terms of the membership, the municipality could become liable for its proportionate share of any claim losses in excess of the funds held by the exchange. Any liability incurred would be accounted for as a current transaction in the year the losses are determined.

The municipality is the defendant in a lawsuit related to off-site levies amounting to \$300,000 plus interest and costs. At present, the outcome is not determinable. The amount of any future settlement would be accounted for as a current transaction in the year of the settlement.

20. Segmented disclosure

The municipality 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 financial statements as disclosed in Note 1.

Refer to the Schedule of Segmented Disclosure (*Schedule 6*).

21. Financial instruments

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

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

22. Approval of financial statements

Council and Management have approved these financial statements.

23. Budget amounts

Budget amounts are included for information purposes only and are not audited.