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## INDEPENDENT AUDITOR'S REPORT

To the Reeve and Council of Clear Hills County

### *Opinion*

We have audited the consolidated financial statements of Clear Hills County (the Municipality), which comprise the consolidated statement of financial position as at December 31, 2018, and the consolidated statements of operations, changes in net financial assets and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Municipality as at December 31, 2018, and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

### *Basis for Opinion*

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

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

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

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

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

(continues)

*Auditor's Responsibilities for the Audit of the Consolidated Financial Statements*

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

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

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

Vegreville, AB  
April 23, 2019

*Wilde + Company*  
Chartered Professional Accountants

**CLEAR HILLS COUNTY**  
**Consolidated Statement of Financial Position**  
**As at December 31, 2018**

	2018	2017
	\$	\$
<b>ASSETS</b>		
<b>Financial Assets</b>		
Cash and temporary investments (Note 4)	4,394,425	3,329,035
Receivables		
Taxes and grants in place of taxes receivable (Note 5)	270,704	118,478
Due from governments	87,317	560,746
Trade and other receivables	368,401	354,227
Land held for resale	516,977	920,414
Investments (Note 6)	32,257,459	29,801,979
	<b>37,895,283</b>	<b>35,084,879</b>
<b>LIABILITIES</b>		
Accounts payable and accrued liabilities (Note 7)	1,607,436	2,880,976
Accrued employee obligations (Note 8)	219,394	210,225
Provision for landfill closure and post-closure costs (Note 9)	537,013	527,480
Long term debt (Note 10)	390,584	890,942
	<b>2,754,427</b>	<b>4,509,623</b>
<b>NET FINANCIAL ASSETS</b>	<b>35,140,856</b>	<b>30,575,256</b>
<b>NON-FINANCIAL ASSETS</b>		
Tangible capital assets (Note 12)	80,671,520	84,191,697
Inventory for consumption (Note 13)	2,012,873	2,272,817
Prepaid expenses	83,648	83,551
	<b>82,768,041</b>	<b>86,548,065</b>
<b>ACCUMULATED SURPLUS (Note 14)</b>	<b>117,908,897</b>	<b>117,123,321</b>

Commitments and Contingencies - See Notes 17 and 18

**CLEAR HILLS COUNTY**  
**Consolidated Statement of Operations**  
**As at December 31, 2018**

	Budget \$ (Unaudited)	2018 \$	2017 \$
<b>Revenues</b>			
Net municipal taxes <i>(Schedule 3)</i>	13,863,534	13,999,082	13,450,595
User fees and sales of goods	261,100	344,373	287,017
Government transfers for operating <i>(Schedule 4)</i>	532,849	522,245	527,714
Investment income	508,938	690,049	877,472
Penalties and costs on taxes	355,600	722,285	546,155
Licenses and permits	11,100	27,247	23,858
Rental	30,350	62,355	59,139
Well drilling taxes	25,000	76,791	41,239
Other	99,550	98,490	78,184
<b>Total revenue</b>	<b>15,688,021</b>	<b>16,542,917</b>	<b>15,891,373</b>
<b>Expenses</b>			
Legislative	464,852	428,261	422,096
Administration	1,414,932	2,717,460	3,668,514
Emergency services	563,402	463,690	461,181
Roads, streets, walks, lighting	10,069,990	8,574,216	8,015,254
Water supply and distribution	826,305	770,675	799,193
Wastewater treatment and disposal	44,596	40,062	39,653
Waste management	526,752	538,155	495,415
Public health and welfare	117,671	122,368	119,221
Agriculture and community service	1,200,649	3,461,811	1,686,069
Subdivision, land and development	426,397	415,320	415,156
Recreation and culture	310,880	424,758	698,973
Write-down of land held for resale	-	403,438	-
<b>Total expenses</b>	<b>15,966,426</b>	<b>18,360,214</b>	<b>16,820,725</b>
<b>Deficiency of revenue over expenses before (government transfers)</b>	<b>(278,405)</b>	<b>(1,817,297)</b>	<b>(929,352)</b>
<b>Government transfers for capital <i>(Schedule 4)</i></b>	<b>3,017,262</b>	<b>2,602,873</b>	<b>1,857,455</b>
<b>Excess of revenues over expenses</b>	<b>2,738,857</b>	<b>785,576</b>	<b>928,103</b>
<b>Accumulated surplus - beginning of the year</b>	<b>117,123,321</b>	<b>117,123,321</b>	<b>116,195,218</b>
<b>Accumulated surplus - end of the year <i>(Schedule 1)</i></b>	<b>119,862,178</b>	<b>117,908,897</b>	<b>117,123,321</b>

**CLEAR HILLS COUNTY**  
**Consolidated Statement of Change in Net Financial Assets**  
**As at December 31, 2018**

	<b>Budget \$ (Unaudited)</b>	<b>2018 \$</b>	<b>2017 \$</b>
<b>Excess of revenue over expenses</b>	<b>2,738,857</b>	<b>785,576</b>	<b>928,103</b>
Acquisition of tangible capital assets	(1,523,204)	(643,791)	(9,920,536)
Proceeds on disposal of tangible capital assets	-	8,248	37,325
Amortization of tangible capital assets	4,282,667	4,155,161	3,171,587
Loss on disposal of tangible capital assets	-	559	5,758
	<b>2,759,463</b>	<b>3,520,177</b>	<b>(6,705,866)</b>
Net use of supplies inventories	495,000	259,944	212,364
Net use (supply) of prepaid assets	-	(97)	6,649
	<b>495,000</b>	<b>259,847</b>	<b>219,013</b>
<b>Increase (decrease) in net assets</b>	<b>5,993,320</b>	<b>4,565,600</b>	<b>(5,558,750)</b>
<b>Net financial assets, beginning of year</b>	<b>30,575,256</b>	<b>30,575,256</b>	<b>36,134,006</b>
<b>Net financial assets, end of year</b>	<b>33,829,719</b>	<b>35,140,856</b>	<b>30,575,256</b>

**CLEAR HILLS COUNTY**  
**Consolidated Statement of Cash Flows**  
**As at December 31, 2018**

	2018 \$	2017 \$
<b>Operating</b>		
Excess of revenue over expenses	785,576	928,103
Net changes in non-cash items included in excess of revenues over expenses		
Amortization of tangible capital assets	4,155,161	3,171,587
Loss on disposal of tangible capital assets	559	5,756
Net changes in non-cash charges to operation		
Decrease (increase) in taxes and grants in lieu receivable	(152,226)	784,395
Decrease (increase) in government receivables	473,429	(401,318)
Increase in trade and other receivables	(14,174)	(213,113)
Decrease in land held for resale	403,437	36,753
Decrease in inventories	259,944	212,364
Decrease (increase) in prepaid expenses	(97)	6,649
Decrease in accounts payable and accrued liabilities	(1,273,540)	(1,313,475)
Increase (decrease) in accrued employee obligations	9,169	(12,373)
Increase in provision for landfill closure/post-closure	9,533	9,532
<i>Net cash provided by operating transactions</i>	<b>4,656,771</b>	<b>3,214,860</b>
<b>Capital</b>		
Acquisition of tangible capital assets	(643,791)	(9,920,536)
Proceeds on sale of tangible capital assets	8,248	37,325
<i>Net cash applied to capital transactions</i>	<b>(635,543)</b>	<b>(9,883,211)</b>
<b>Investing</b>		
Increase in investments	(2,455,480)	(925,265)
<i>Net cash applied to investing transactions</i>	<b>(2,455,480)</b>	<b>(925,265)</b>
<b>Financing</b>		
Long term debt issued	-	127,700
Long term debt repaid	(500,358)	(495,000)
<i>Net cash applied to financing transactions</i>	<b>(500,358)</b>	<b>(367,300)</b>
<b>Change in cash and cash equivalents during the year</b>	<b>1,065,390</b>	<b>(7,960,916)</b>
Cash and cash equivalents, beginning of year	3,329,035	11,289,951
<b>Cash and cash equivalents, end of year</b>	<b>4,394,425</b>	<b>3,329,035</b>
Cash and cash equivalents is made up of:		
Cash and temporary investments (Note 4)	4,394,425	3,329,035
Cash flows supplementary information:		
Interest received	667,959	877,472

See accompanying notes



**CLEAR HILLS COUNTY**  
**Consolidated Statement of Cash Flows**  
**As at December 31, 2018**

	2018	2017
	\$	\$
<b>Operating</b>		
Excess of revenue over expenses	785,576	928,103
Net changes in non-cash items included in excess of revenues over expenses		
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<b>Cash and cash equivalents, end of year</b>	<b>4,394,425</b>	<b>3,329,035</b>
Cash and cash equivalents is made up of:		
Cash and temporary investments (Note 4)	4,394,425	3,329,035
Cash flows supplementary information:		
Interest received	667,959	877,472

See accompanying notes

**CLEAR HILLS COUNTY**  
**Schedule of Changes in Accumulated Surplus**  
**As at December 31, 2018**

*(Schedule 1)*

	<b>Unrestricted Surplus</b>	<b>Restricted Operating</b>	<b>Restricted Capital</b>	<b>Equity in Capital Assets</b>	<b>2018 \$</b>	<b>2017 \$</b>
<b>Balance, beginning of year</b>	<b>5,269,270</b>	<b>3,299,370</b>	<b>24,362,984</b>	<b>84,191,697</b>	<b>117,123,321</b>	<b>116,195,218</b>
Excess of revenues over expenses	785,576	-	-	-	785,576	928,103
Reallocation of prior year surplus	(3,346,355)	700,630	2,645,725	-	-	-
Unrestricted funds designated for future use	(2,852,777)	(150,299)	3,003,076	-	-	-
Restricted funds used for Tangible Capital Assets		-	(475,651)	475,651	-	-
Current year funds used for Tangible Capital Assets	(168,142)	-	-	168,142	-	-
Net book value of Tangible Capital Assets disposed of	8,809	-	-	(8,809)	-	-
Annual amortization expense	4,155,161	-	-	(4,155,161)	-	-
<b>Balance, end of year</b>	<b>3,851,542</b>	<b>3,849,701</b>	<b>29,536,134</b>	<b>80,671,520</b>	<b>117,908,897</b>	<b>117,123,321</b>



**CLEAR HILLS COUNTY**  
**Schedule of Tangible Capital Assets**  
**As at December 31, 2018**

*(Schedule 2)*

	Land	Buildings	Engineered Structures	Machinery & Equipment	Vehicles	2018 \$	2017 \$
<b>Cost</b>							
Balance, beginning of year	616,864	2,469,333	135,519,494	3,194,012	775,563	142,575,267	132,821,563
Acquisition of tangible capital assets	-	-	522,879	38,819	70,958	632,656	9,788,215
Construction in progress	-	-	11,135	-	-	11,135	132,321
Disposal of tangible capital assets	-	-	-	(13,214)	(60,353)	(73,567)	(166,833)
<b>Balance, end of year</b>	<b>616,864</b>	<b>2,469,333</b>	<b>136,053,508</b>	<b>3,219,617</b>	<b>786,168</b>	<b>143,145,491</b>	<b>142,575,267</b>
<b>Accumulated amortization</b>							
Balance, beginning of year	-	1,764,605	54,712,989	1,400,812	505,164	58,383,570	55,335,732
Annual amortization	-	94,500	3,809,115	201,991	49,555	4,155,161	3,171,587
Accumulated amortization on disposals	-	-	-	(4,407)	(60,353)	(64,760)	(123,749)
<b>Balance, end of year</b>	<b>-</b>	<b>1,859,105</b>	<b>58,522,104</b>	<b>1,598,396</b>	<b>494,366</b>	<b>62,473,971</b>	<b>58,383,570</b>
<b>Net book value of tangible capital assets</b>	<b>616,864</b>	<b>610,228</b>	<b>77,531,404</b>	<b>1,621,221</b>	<b>291,802</b>	<b>80,671,520</b>	<b>84,191,697</b>
2017 Net book value of tangible capital assets	616,864	704,728	80,806,505	1,793,201	270,399		84,191,697

**CLEAR HILLS COUNTY**  
**Schedule of Property and Other Taxes**  
**As at December 31, 2018**

*(Schedule 3)*

	<b>Budget</b>	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
	<b>(Unaudited)</b>		
<b>Taxation</b>			
Real property taxes	17,188,467	6,348,309	5,793,109
Linear property	-	10,964,005	11,189,136
Government grants in place of property taxes	-	11,503	8,187
	<b>17,188,467</b>	<b>17,323,817</b>	<b>16,990,432</b>
<b>Requisitions</b>			
Alberta School Foundation Fund	2,866,249	2,866,051	3,117,585
North Peace Housing Foundation	458,684	458,684	422,252
	<b>3,324,933</b>	<b>3,324,735</b>	<b>3,539,837</b>
<b>Net Municipal Taxes</b>	<b>13,863,534</b>	<b>13,999,082</b>	<b>13,450,595</b>

**CLEAR HILLS COUNTY**  
**Schedule of Government Transfers**  
**As at December 31, 2018**

**(Schedule 4)**

	<b>Budget</b>	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
	<b>(Unaudited)</b>		
<b>Transfers for Operating</b>			
Provincial Government	532,849	522,245	527,714
	<b>532,849</b>	<b>522,245</b>	<b>527,714</b>
<b>Transfers for Capital</b>			
Provincial Government	3,017,262	2,602,873	1,857,455
	<b>3,017,262</b>	<b>2,602,873</b>	<b>1,857,455</b>
<b>Total Government Transfers</b>	<b>3,550,111</b>	<b>3,125,118</b>	<b>2,385,169</b>

**CLEAR HILLS COUNTY**  
**Schedule of Consolidated Expenses by Object**  
**As at December 31, 2018**

**(Schedule 5)**

	Budget \$ (Unaudited)	2018 \$	2017 \$
<b>Consolidated Expenses by Object</b>			
Salaries, wages and benefits	2,622,102	<b>2,182,038</b>	2,371,266
Contracted and general services	6,096,250	<b>4,725,480</b>	5,179,589
Materials, goods, supplies and utilities	1,750,910	<b>1,401,870</b>	1,480,249
Transfers to local boards and agencies	1,208,997	<b>3,970,106</b>	2,250,609
Bank charges and short term interest	5,500	<b>3,413</b>	5,278
Amortization of tangible capital assets	4,282,667	<b>4,155,161</b>	3,171,587
Allowance for doubtful accounts	-	<b>1,518,149</b>	2,356,391
Loss on disposal of tangible capital assets	48,636	<b>559</b>	5,756
Write-down of land held for resale	-	<b>403,438</b>	-
	<b>16,015,062</b>	<b>18,360,214</b>	<b>16,820,725</b>

**CLEAR HILLS COUNTY**  
**Schedule of Segmented Disclosure**  
**As at December 31, 2018**

*(Schedule 6)*

	General Government	Protective Services	Transportation Services	Environmental Services	Public Health	Planning & Development	Recreation & Culture	Other	Total \$
<b>Revenue</b>									
Net municipal taxes	-	-	-	-	-	-	-	13,999,082	13,999,082
Government transfers	137,513	-	2,581,873	21,000	93,873	273,359	32,500	-	3,140,118
User fees and sales of goods	-	1,000	47,305	279,134	-	16,934	-	-	344,373
Investment income	8,764	1,254	323,200	175,142	622	143,571	-	37,496	690,049
Other revenues	11,859	17,844	52,987	4,908	-	75,190	-	809,380	972,168
	158,136	20,098	3,005,365	480,184	94,495	509,054	32,500	14,845,958	19,145,790
<b>Expenses</b>									
Salaries, wages and benefits	923,585	109,933	616,749	95,475	3,423	432,873	-	-	2,182,038
Contracted and general services	635,470	99,868	3,165,755	547,400	1,855	273,843	1,289	-	4,725,480
Materials, goods, supplies and utilities	23,080	12,248	1,233,875	101,732	-	30,771	164	-	1,401,870
Transfers to local boards and agencies	500	140,280	11,000	161,179	126,090	3,107,752	423,305	-	3,970,106
Other expenses	1,530,145	-	(8,024)	-	-	-	-	-	1,522,121
Write-down of land held for resale	403,438	-	-	-	-	-	-	-	403,438
	3,516,218	362,329	5,019,355	905,786	131,368	3,845,239	424,758	-	14,205,053
<b>Net revenue before amortization and adjustments</b>	<b>(3,358,082)</b>	<b>(342,231)</b>	<b>(2,013,990)</b>	<b>(425,602)</b>	<b>(36,873)</b>	<b>(3,336,185)</b>	<b>(392,258)</b>	<b>14,845,958</b>	<b>4,940,737</b>
Amortization of tangible capital assets	32,941	101,361	3,554,861	443,106	-	22,892	-	-	4,155,161
<b>2018 Net revenue (expense)</b>	<b>(3,391,023)</b>	<b>(443,592)</b>	<b>(5,568,851)</b>	<b>(868,708)</b>	<b>(36,873)</b>	<b>(3,359,077)</b>	<b>(392,258)</b>	<b>14,845,958</b>	<b>785,576</b>
<b>2017 Net revenue (expense)</b>	<b>(3,931,964)</b>	<b>(440,894)</b>	<b>(5,635,645)</b>	<b>(832,151)</b>	<b>(35,827)</b>	<b>(1,598,438)</b>	<b>(677,973)</b>	<b>14,080,995</b>	<b>928,103</b>

**CLEAR HILLS COUNTY**  
**Notes to Consolidated Financial Statements**  
**Year Ended December 31, 2018**

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1. Significant accounting policies

Basis of presentation

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, therefore, accountable to Council for the administration of their financial affairs and resources. Included with the Municipality are the following:

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, 2018**

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1. Significant accounting policies (*continued*)

Use of estimates

The preparation of the financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the 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 of tangible capital assets
- 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, at the date of purchase, of less than ninety days.

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, 2018**

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1. Significant accounting policies (*continued*)

Investment revenue recognition

The Municipality recognizes revenues when they are 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, 2018**

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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>
Vehicles	10
Machinery and equipment	15
Buildings	25
Engineered structures	
Other engineered structures	25
Water systems	30-75
Wastewater systems	75

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, 2018**

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2. Adoption of recent accounting pronouncements

The following accounting standards have been issued by the Chartered Professional Accountants of Canada (CPAC). These Sections are effective for fiscal periods beginning on or after April 1, 2017 and have been applied retrospectively.

**Section PS 2200 - Related Party Disclosures**

This new Section defines a related party and establishes disclosures required for related party transactions.

**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.

**Section PS 3320 - Contingent Assets**

This new Section defines and establishes disclosure standards on contingent assets.

**Section PS 3380 - Contractual Rights**

This new Section defines and establishes disclosure standards on contractual rights.

**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.

**CLEAR HILLS COUNTY**  
**Notes to Consolidated Financial Statements**  
**Year Ended December 31, 2018**

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3. 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 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, 2021.

Section PS 3280 - Asset Retirement Obligations

This new Section establishes standards on how to account for and report a liability for asset retirement obligations. This Section applies to fiscal years beginning on or after April 1, 2021. Earlier adoption is permitted. As a consequence of the issuance of Section PS3280, Solid Waste Landfill Closure and Post-Closure Liability, Section PS3270, has been withdrawn. Section PS3270 will remain in effect until the adoption of Section PS3280.

Section 3400 - Revenue

This new Section establishes standards on how to account for and report on revenue. Specifically, it differentiates between revenue arising from transactions that include performance obligations and transactions that do not have performance obligations. This Section applies to fiscal years beginning on or after April 1, 2022.

4. Cash and temporary investments

	2018	2017
Cash	\$ 993,753	\$ 1,426,196
Temporary investments	3,400,672	1,902,839
	<b>\$ 4,394,425</b>	<b>\$ 3,329,035</b>

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

**CLEAR HILLS COUNTY**  
**Notes to Consolidated Financial Statements**  
**Year Ended December 31, 2018**

5. Taxes and grants in place of taxes receivable

	2018	2017
Current taxes and grants in place of taxes	\$ 2,062,362	\$ 1,725,255
Arrears taxes	4,786,566	3,453,297
	6,848,928	5,178,552
Less: allowance for doubtful accounts	(6,578,224)	(5,060,074)
	<b>\$ 270,704</b>	<b>\$ 118,478</b>

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

6. Investments

	2018		2017	
	Cost	Market value	Cost	Market value
Alberta Municipal Financing Corporation shares	\$ 100	\$ 100	\$ 100	\$ 100
Government and government guaranteed bonds	8,971,576	8,543,811	10,182,573	9,236,743
Long term deposits	23,285,783	23,320,907	19,619,306	19,639,871
	<b>\$ 32,257,459</b>	<b>\$ 31,864,818</b>	<b>\$ 29,801,979</b>	<b>\$ 28,876,714</b>

Investments have effective interest rates of 1.70% to 4.00% (2017 – 1.73% to 4.00%) with maturity dates from June 26, 2019 to February 2, 2028.

Council has designated funds of \$29,266,577 (2017 - \$24,362,984) for capital projects and funds of \$3,849,701 (2017 - \$3,299,369) for operations. These are supported by the above investments, cash and temporary investments.

7. Accounts payable and accrued liabilities

Included in accounts payable are the following:

	2018	2017
Trade accounts payable and accrued liabilities	\$ 1,605,461	\$ 2,856,386
Government payroll remittance payable	1,975	24,590
	<b>\$ 1,607,436</b>	<b>\$ 2,880,976</b>

**CLEAR HILLS COUNTY**  
**Notes to Consolidated Financial Statements**  
**Year Ended December 31, 2018**

8. Employee benefit obligations

	2018	2017
Vacation and sick time accrual	\$ 219,394	\$ 210,225

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. 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.

	2018	2017
Estimated closure and post-closure costs	\$ 537,013	\$ 527,480

10. Long term debt

	2018	2017
Tax supported debentures	\$ 390,584	\$ 890,942
	\$ 390,584	\$ 890,942

Principal repayment terms are approximately:

2019	\$ 390,584
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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, 2018**

11. 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:

	2018	2017
Total debt limit	\$ 24,814,376	\$ 23,837,060
Total debt	(390,584)	(890,942)
<b>Amount of debt limit unused</b>	<b>\$ 24,423,792</b>	<b>\$ 22,946,118</b>
Debt servicing limit	\$ 4,135,729	\$ 3,972,843
Debt servicing	(390,584)	(495,000)
<b>Amount of debt servicing limit unused</b>	<b>\$ 3,745,145</b>	<b>\$ 3,477,843</b>

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.

12. Equity in tangible capital assets

	2018	2017
Tangible capital assets (Schedule 2)	\$143,145,491	\$142,575,267
Accumulated amortization (Schedule 2)	(62,473,971)	(58,383,470)
	<b>\$ 80,671,520</b>	<b>\$ 84,191,797</b>

13. Inventory for consumption

	2018	2017
Gravel	\$ 1,896,484	\$ 2,191,145
Public Works	91,666	60,317
Agriculture Service Board	24,723	21,355
	<b>\$ 2,012,873</b>	<b>\$ 2,272,817</b>



**CLEAR HILLS COUNTY**  
**Notes to Consolidated Financial Statements**  
**Year Ended December 31, 2018**

14. Accumulated surplus

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

	2018	2017
Unrestricted surplus	\$ 3,851,542	\$ 5,269,270
Restricted surplus		
Operating reserves	3,849,701	3,299,370
Capital reserves	29,536,134	24,362,984
Equity in tangible capital assets	80,671,520	84,191,697
	<b>\$117,908,897</b>	<b>\$117,123,321</b>

15. 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:

			2018	2017
	Salary	Benefits & allowances		Total
	(1)	(2)		
Councillor - Division 1	\$ -	\$ -	\$ -	\$ 34,429
Reeve - Division 1	32,512	4,171	36,683	-
Councillor - Division 2	32,277	4,241	36,518	34,828
Councillor - Division 3	41,248	1,871	43,119	24,826
Councillor - Division 3	-	-	-	5,097
Former Reeve - Division 4	34,117	4,241	38,358	37,898
Councillor - Division 5	34,332	4,241	38,573	33,849
Deputy Reeve - Division 6	26,546	4,172	30,718	31,598
Former Deputy Reeve - Division 7	-	-	-	33,758
Councillor - Division 7	28,540	4,892	33,432	4,543
Chief Administrative Officer	245,616	47,377	292,993	295,486
	<b>\$ 475,188</b>	<b>\$ 75,206</b>	<b>\$ 550,394</b>	<b>\$ 536,312</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.

**CLEAR HILLS COUNTY**  
**Notes to Consolidated Financial Statements**  
**Year Ended December 31, 2018**

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**16. 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 2018 were \$261,878 (2017 - \$306,538).

At December 31, 2017, the LAPP disclosed an actuarial surplus of \$4.8 billion.

**17. Commitments**

The Municipality is committed to make a 2019 payment of \$124,268 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 2019 is \$480,174.

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 assessment 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 2019 is \$155,437.

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 remaining budget is \$1,212,672.

The Municipality is committed to make annual grant payments of \$100,000 to STARS for 2019 and 2020.

The Municipality is committed to make a 2019 grant payment of \$50,000 to the North-West Species at Risk Committee.

The Municipality is committed to make a 2019 conditional operating grant payment of \$500,000 to the Village of Hines Creek.

The Municipality is committed to complete the construction of the access road to NW 24-85-7-W6. The remaining budget is \$138,865.

**CLEAR HILLS COUNTY**  
**Notes to Consolidated Financial Statements**  
**Year Ended December 31, 2018**

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18. 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.

19. 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 the financial statements as disclosed in Note 1.

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

20. Financial instruments

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

The Municipality 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 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.

21. Approval of financial statements

Council and Management have approved these financial statements.

22. Budget amounts

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