



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, 2015, 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, 2015, 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
April 12, 2016

Wilde + Company
Chartered Accountants

CLEAR HILLS COUNTY
Consolidated Statement of Financial Position
As at December 31, 2015

	2015	2014
	\$	\$
ASSETS		
Financial Assets		
Cash and temporary investments (Note 4)	17,626,196	17,074,411
Receivables		
Taxes and grants in place of taxes receivable (Note 5)	625,026	671,268
Due from governments	63,722	663,617
Trade and other receivables	226,286	273,360
Loans receivable (Note 6)	1,338,558	1,351,908
Land held for resale	957,167	965,591
Investments (Note 7)	26,071,289	19,059,815
	46,908,244	40,059,970
LIABILITIES		
Accounts payable and accrued liabilities (Note 8)	2,142,003	2,452,600
Accrued employee obligations (Note 9)	171,254	208,541
Deferred revenue (Note 10)	32,475	2,749,204
Provision for landfill closure and post-closure costs (Note 11)	508,880	499,359
Long term debt (Note 12)	1,717,667	2,144,160
	4,572,279	8,053,864
NET FINANCIAL ASSETS	42,335,965	32,006,106
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 14)	68,643,264	70,116,033
Inventory for consumption (Note 15)	3,086,014	3,931,342
Prepaid expenses	93,276	34,105
	71,822,554	74,081,480
ACCUMULATED SURPLUS (Note 16)	114,158,519	106,087,586

Commitments and Contingencies - See Notes 19 and 20

CLEAR HILLS COUNTY
Consolidated Statement of Operations
Year Ended December 31, 2015

	Budget \$ (Unaudited)	2015 \$	2014 \$
Revenues			
Net municipal taxes <i>(Schedule 3)</i>	16,190,017	16,158,461	16,038,450
User fees and sales of goods	314,300	312,700	322,614
Government transfers for operating <i>(Schedule 4)</i>	586,505	454,069	456,981
Investment income	600,000	701,741	972,437
Penalties and costs on taxes	100,000	216,412	320,508
Licenses and permits	51,200	10,482	10,027
Rental	50,600	63,128	63,512
Well drilling taxes	100,000	24,420	125,038
Other	75,200	91,305	125,224
Total revenue	18,067,822	18,032,718	18,434,791
Expenses			
Legislative	449,855	390,153	350,242
Administration	1,482,229	1,732,511	1,283,359
Emergency services	509,893	419,387	415,521
Roads, streets, walks, lighting	10,318,874	8,928,307	8,117,211
Water supply and distribution	997,974	741,387	739,047
Wastewater treatment and disposal	58,503	31,300	40,683
Waste management	493,825	505,617	464,870
Public health and welfare	112,550	123,814	107,549
Agriculture and community service	1,038,629	1,029,681	785,880
Subdivision, land and development	545,549	546,717	402,241
Recreation and culture	334,465	525,093	353,499
Total expenses	16,342,346	14,973,967	13,060,102
Excess of revenue over expenses before Government transfers	1,725,476	3,058,751	5,374,689
Government transfers for capital <i>(Schedule 4)</i>	65,000	5,012,182	807,586
Excess of revenues over expenses	1,790,476	8,070,933	6,182,275
Accumulated surplus - beginning of the year	106,087,586	106,087,586	99,905,311
Accumulated surplus - end of the year <i>(Schedule 1)</i>	107,878,062	114,158,519	106,087,586

CLEAR HILLS COUNTY
Consolidated Statement of Change in Net Financial Assets
Year Ended December 31, 2015

	Budget \$ (Unaudited)	2015 \$	2014 \$
Excess of revenue over expenses	1,790,476	8,070,933	6,182,275
Acquisition of tangible capital assets	(15,591,298)	(1,902,945)	(5,180,409)
Proceeds on disposal of tangible capital assets	-	108,633	128,290
Amortization of tangible capital assets	3,322,691	3,236,579	3,006,489
Loss on sale of tangible capital assets	-	30,502	23,596
	(10,478,131)	9,543,702	4,160,241
Net use of supplies inventories	495,000	845,328	512,347
Net use (acquisition) of prepaid assets	-	(59,171)	(28,521)
Increase in net assets	-	786,157	483,826
Net financial assets, beginning of year	32,006,106	32,006,106	27,362,039
Net financial assets, end of year	21,527,975	42,335,965	32,006,106

CLEAR HILLS COUNTY
Consolidated Statement of Cash Flows
Year Ended December 31, 2015

	2015 \$	2014 \$
Operating		
Excess of revenue over expenses	8,070,933	6,182,275
Net changes in non-cash items included in excess of revenues over expenses		
Amortization of tangible capital assets	3,236,579	3,006,489
Loss on disposal of tangible capital assets	30,502	23,596
Net changes in non-cash charges to operation		
Decrease in taxes and grants in lieu receivable	46,242	320,786
Decrease in government receivables	599,895	1,352,257
Decrease in trade and other receivables	47,074	49,718
Decrease in loans receivable	13,350	64,092
Decrease in land held for resale	8,424	46,499
Decrease in inventories	845,328	512,347
Increase in prepaid expenses	(59,171)	(28,521)
Decrease in accounts payable and accrued liabilities	(310,597)	(999,859)
Increase (decrease) in accrued employee obligations	(37,287)	7,644
Increase (decrease) in deferred revenue	(2,716,729)	2,525,027
Increase in provision for landfill closure/post-closure	9,521	9,521
<i>Net cash provided by operating transactions</i>	9,784,064	13,071,871
Capital		
Acquisition of tangible capital assets	(1,902,945)	(5,180,409)
Proceeds on sale of tangible capital assets	108,633	128,290
<i>Net cash applied to capital transactions</i>	(1,794,312)	(5,052,119)
Investing		
Decrease (increase) in restricted cash or cash equivalents	2,716,729	(2,525,027)
Decrease (increase) in investments	(7,011,474)	7,970,304
<i>Net cash applied to investing transactions</i>	(4,294,745)	5,445,277
Financing		
Long term debt issued	68,507	212,223
Long term debt repaid	(495,000)	(495,000)
<i>Net cash applied to financing transactions</i>	(426,493)	(282,777)
Change in cash and cash equivalents during the year	3,268,514	13,182,252
Cash and cash equivalents, beginning of year	14,325,207	1,142,955
Cash and cash equivalents, end of year	17,593,721	14,325,207
Cash and cash equivalents is made up of:		
Cash and temporary investments (Note 4)	17,626,196	17,074,411
Less: restricted portion of cash and temporary investments (Note 4)	(32,475)	(2,749,204)
	17,593,721	14,325,207
Cash flows supplementary information:		
Interest received	701,741	972,437

See accompanying notes

CLEAR HILLS COUNTY
Schedule of Changes in Accumulated Surplus
Year Ended December 31, 2015

(Schedule 1)

	Unrestricted Surplus	Restricted Operating	Restricted Capital	Equity in Capital Assets	2015 \$	2014 \$
Balance, beginning of year	1,922,914	6,008,733	28,039,906	70,116,033	106,087,586	99,905,311
Excess of revenues over expenses	8,070,933	-	-	-	8,070,933	6,182,275
Unrestricted funds designated for future use	(11,446,647)	4,225,589	7,221,058	-	-	-
Restricted funds used for Tangible Capital Assets	-	-	(1,902,945)	1,902,945	-	-
Net book value of Tangible Capital Assets disposed of	139,135	-	-	(139,135)	-	-
Annual amortization expense	3,236,579	-	-	(3,236,579)	-	-
Balance, end of year	1,922,914	10,234,322	33,358,019	68,643,264	114,158,519	106,087,586

CLEAR HILLS COUNTY
Schedule of Tangible Capital Assets
Year Ended December 31, 2015

(Schedule 2)

	Land	Buildings	Engineered Structures	Machinery & Equipment	Vehicles	2015 \$	2014 \$
Cost							
Balance, beginning of year	603,832	2,583,731	112,343,416	3,413,715	841,533	119,786,227	114,902,343
Acquisition of tangible capital assets	13,032	-	1,217,395	365,407	40,526	1,636,360	5,066,991
Construction in progress	-	-	266,585	-	-	266,585	113,418
Disposal of tangible capital assets	-	-	-	(339,246)	(165,856)	(505,102)	(296,525)
Balance, end of year	616,864	2,583,731	113,827,396	3,439,876	716,203	121,184,070	119,786,227
Accumulated amortization							
Balance, beginning of year	-	1,595,504	46,154,994	1,345,044	574,652	49,670,194	46,808,344
Annual amortization	-	94,500	2,891,711	206,241	44,127	3,236,579	3,006,489
Accumulated amortization on disposals	-	-	-	(225,318)	(140,649)	(365,967)	(144,639)
Balance, end of year	-	1,690,004	49,046,705	1,325,967	478,130	52,540,806	49,670,194
Net book value of tangible capital assets	616,864	893,727	64,780,691	2,113,909	238,073	68,643,264	70,116,033
2014 Net book value of tangible capital assets	603,832	988,227	66,188,422	2,068,671	266,881		70,116,033

CLEAR HILLS COUNTY
Schedule of Property and Other Taxes
Year Ended December 31, 2015

(Schedule 3)

	Budget \$ (Unaudited)	2015 \$	2014 \$
Taxation			
Real property taxes	19,824,723	6,036,085	6,280,398
Linear property	-	13,751,082	13,140,668
Government grants in place of property taxes	-	7,305	3,342
	19,824,723	19,794,472	19,424,408
Requisitions			
Alberta School Foundation Fund	3,244,598	3,245,903	3,118,275
North Peace Housing Foundation	390,108	390,108	267,683
	3,634,706	3,636,011	3,385,958
Net Municipal Taxes	16,190,017	16,158,461	16,038,450

CLEAR HILLS COUNTY
Schedule of Government Transfers
Year Ended December 31, 2015

(Schedule 4)

	Budget \$ (Unaudited)	2015 \$	2014 \$
Transfers for Operating			
Provincial Government	586,505	454,069	456,981
	586,505	454,069	456,981
Transfers for Capital			
Provincial Government	65,000	5,012,182	807,586
	65,000	5,012,182	807,586
Total Government Transfers	651,505	5,466,251	1,264,567

CLEAR HILLS COUNTY
Schedule of Consolidated Expenses by Object
Year Ended December 31, 2015

(Schedule 5)

	Budget	2015	2014
	\$	\$	\$
	(Unaudited)		
Consolidated Expenses by Object			
Salaries, wages and benefits	2,561,700	2,147,542	1,973,344
Contracted and general services	6,983,569	5,620,601	5,140,006
Materials, goods, supplies and utilities	2,097,236	1,663,266	1,558,136
Transfers to local boards and agencies	1,373,950	1,710,885	1,236,410
Bank charges and short term interest	3,200	3,352	479
Amortization of tangible capital assets	3,322,691	3,236,579	3,006,489
Allowance for doubtful accounts	-	561,240	121,642
Loss on disposal of tangible capital assets	-	30,502	23,596
	16,342,346	14,973,967	13,060,102

CLEAR HILLS COUNTY
Schedule of Segmented Disclosure
Year Ended December 31, 2015

(Schedule 6)

	General Government	Protective Services	Transportation Services	Environmental Services	Public Health	Planning & Development	Recreation & Culture	Other	Total \$
Revenue									
Net municipal taxes	-	-	-	-	-	-	-	16,158,461	16,158,461
Government transfers	144,617	-	4,690,501	289,087	84,094	257,952	-	-	5,466,251
User fees and sales of goods	-	-	20,448	276,899	-	15,353	-	-	312,700
Investment income	6,219	1,588	434,111	150,529	502	100,987	7,805	-	701,741
Other revenues	18,375	16,458	17,456	3,101	-	77,523	-	272,834	405,747
	169,211	18,046	5,162,516	719,616	84,596	451,815	7,805	16,431,295	23,044,900
Expenses									
Salaries, wages and benefits	908,265	102,145	642,727	92,331	-	402,074	-	-	2,147,542
Contracted and general services	596,421	96,661	4,089,927	539,646	564	292,549	4,833	-	5,620,601
Materials, goods, supplies and utilities	15,285	13,022	1,522,390	74,090	-	38,479	-	-	1,663,266
Transfers to local boards and agencies	500	110,112	6,450	132,881	123,250	817,432	520,260	-	1,710,885
Other expenses	563,987	-	31,075	32	-	-	-	-	595,094
	2,084,458	321,940	6,292,569	838,980	123,814	1,550,534	525,093	-	11,737,388
Net revenue before amortization and adjustments	(1,915,247)	(303,894)	(1,130,053)	(119,364)	(39,218)	(1,098,719)	(517,288)	16,431,295	11,307,512
Amortization of tangible capital assets	38,206	97,447	2,635,738	439,324	-	25,864	-	-	3,236,579
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
2014 Net revenue (expense)	(1,461,984)	(359,154)	(6,705,038)	(783,730)	(28,373)	(703,848)	(313,722)	16,538,124	6,182,275

CLEAR HILLS COUNTY
Notes to Consolidated Financial Statements
Year Ended December 31, 2015

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, 2015

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 used 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.

(*continues*)

CLEAR HILLS COUNTY
Notes to Consolidated Financial Statements
Year Ended December 31, 2015

1. Significant accounting policies (*continued*)

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.

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, 2015

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:

	YEARS
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, 2015

2. Adoption of recent accounting pronouncements

The following accounting standard has been issued by the Chartered Professional Accountants of Canada (CPAC). This section is effective for fiscal periods beginning on or after April 1, 2014 and has been applied retrospectively.

Section PS 3260 – Liability for Contaminated Sites

This new section establishes standards on how to account for and report a liability associated with the remediation of contaminated sites of governments and those organizations applying the CPAC Public Sector Accounting Handbook.

The municipality does not believe there is any material impact on the financial statements from this standard.

CLEAR HILLS COUNTY
Notes to Consolidated Financial Statements
Year Ended December 31, 2015

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 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.

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 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 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 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.

CLEAR HILLS COUNTY
Notes to Consolidated Financial Statements
Year Ended December 31, 2015

4. Cash and temporary investments

	2015	2014
Cash	\$ 1,906,684	\$ 1,217,520
Temporary investments	15,719,512	15,856,891
	\$ 17,626,196	\$ 17,074,411

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

Included in temporary investments is a restricted amount of \$32,475 (2014 - \$2,749,204) comprised of deferred revenue not expended (*Note 10*).

5. Taxes and grants in place of taxes receivable

	2015	2014
Current taxes and grants in place of taxes	\$ 944,886	\$ 743,093
Arrears taxes	810,899	497,694
	1,755,785	1,240,787
Less: allowance for doubtful accounts	(1,130,759)	(569,519)
	\$ 625,026	\$ 671,268

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

CLEAR HILLS COUNTY
Notes to Consolidated Financial Statements
Year Ended December 31, 2015

6. Loans receivable

	2015	2014
North Peace Housing Foundation loan receivable bearing interest at prime plus 1% per annum, repayable in quarterly blended payments of \$11,122. The loan matures on January 1, 2029 and is secured by a promissory note. At December 31, 2015 the prime interest rate is 2.7%.	\$ 455,758	\$ 481,449
North Peace Housing Foundation loan receivable bearing interest at prime plus 1% per annum, repayable in quarterly blended payments of \$20,376. The loan matures on December 1, 2028 and is secured by a promissory note. At December 31, 2015 the prime interest rate is 2.7%.	822,800	870,459
End of Steel Heritage Society loan receivable bearing interest at the prime rate per annum, repayable in annual blended payments of \$21,090. The loan matures on October 13, 2018 and is secured by a promissory note. At December 31, 2015 the prime interest rate is 2.7%.	60,000	-
	1,338,558	1,351,908
Amounts receivable within one year	(97,001)	(73,002)
	\$ 1,241,557	\$ 1,278,906

Principal repayment terms are approximately:

2016	\$ 97,001
2017	100,422
2018	103,966
2019	86,546
2020	89,777
Thereafter	860,846
	<u>\$ 1,338,558</u>

CLEAR HILLS COUNTY
Notes to Consolidated Financial Statements
Year Ended December 31, 2015

7. Investments

	2015		2014	
	Cost	Market value	Cost	Market value
Alberta Municipal Financing Corporation shares	\$ 100	\$ 100	\$ 100	\$ 100
Government and government guaranteed bonds	26,071,189	26,202,360	19,059,715	19,073,171
	\$ 26,071,289	\$ 26,202,460	\$ 19,059,815	\$ 19,073,271

Government and government guaranteed bonds have effective interest rates of 1.53% to 4.55% (2014 – 2.65% to 4.55%) with maturity dates from June 25, 2016 to June 2, 2025.

Council has designated funds of \$33,358,019 (2014 - \$28,039,906) for capital projects. This is supported by the above investments and temporary investments less any restricted portion for a total of \$41,758,226.

8. Accounts payable and accrued liabilities

Included in accounts payable are the following:

	2015	2014
Trade accounts payable and accrued liabilities	\$ 2,122,960	\$ 2,424,388
Government payroll remittance payable	19,043	28,212
	-	-
	\$ 2,142,003	\$ 2,452,600

9. Accrued employee obligations

	2015	2014
Vacation and sick time	\$ 171,254	\$ 208,541

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.

CLEAR HILLS COUNTY
Notes to Consolidated Financial Statements
Year Ended December 31, 2015

10. Deferred revenue

	2015	2014
Municipal Sustainability Initiative grant	\$ -	\$ 2,265,201
Basic Municipal Transportation grant	-	419,003
Alberta Community Partnership grant	32,475	65,000
	\$ 32,475	\$ 2,749,204

Funding received from the Alberta Community Partnership grant is restricted to the eligible capital projects as approved in the funding agreement. Unexpended funds related to the funding advances are supported by restricted cash or cash and investments (see Note 4).

11. 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.

	2015	2014
Estimated closure and post-closure costs	\$ 508,880	\$ 499,359

CLEAR HILLS COUNTY
Notes to Consolidated Financial Statements
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12. Long term debt

	2015	2014
Tax supported debentures	\$ 1,717,667	\$ 2,144,160

Principal repayment terms are approximately:

2016	\$ 495,000
2017	495,000
2018	495,000
2019	232,667
	<u>\$ 1,717,667</u>

Debenture debt is an interest free loan repayable to Worsley Gravel Supply Ltd. that matures in 2019.

13. 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:

	2015	2014
Total debt limit	\$ 27,049,077	\$ 27,652,187
Total debt	(1,717,667)	(2,144,160)
Amount of debt limit unused	\$ 25,331,410	\$ 25,508,027
Debt servicing limit	\$ 4,508,180	\$ 4,608,698
Debt servicing	(495,000)	(495,000)
Amount of debt servicing limit unused	\$ 4,013,180	\$ 4,113,698

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.

CLEAR HILLS COUNTY
Notes to Consolidated Financial Statements
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14. Equity in tangible capital assets

	2015	2014
Tangible capital assets (Schedule 2)	\$ 121,184,070	\$ 119,786,227
Accumulated amortization (Schedule 2)	(52,540,806)	(49,670,194)
	\$ 68,643,264	\$ 70,116,033

15. Inventory for consumption

	2015	2014
Gravel	\$ 3,025,952	\$ 3,768,362
Public Works	36,919	131,775
Agriculture Service Board	23,143	31,205
	\$ 3,086,014	\$ 3,931,342

16. Accumulated surplus

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

	2015	2014
Unrestricted surplus	\$ 1,922,914	\$ 1,922,914
Restricted surplus		
Operating reserves	10,234,322	6,008,733
Capital reserves	33,358,019	28,039,906
Equity in tangible capital assets	68,643,264	70,116,033
	\$ 114,158,519	\$ 106,087,586

CLEAR HILLS COUNTY
Notes to Consolidated Financial Statements
Year Ended December 31, 2015

17. 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:

	Salary	(1)	Benefits & allowances (2)	2015	2014
Councillor - Division 1	\$ 27,904	\$	3,855	\$ 31,759	\$ 32,106
Councillor - Division 2	27,904		3,855	31,759	32,272
Councillor - Division 3	24,923		1,541	26,464	27,977
Councillor - Division 4 (Deputy Reeve)	29,148		4,164	33,312	24,176
Councillor - Division 5 (Reeve and former Deputy Reeve)	32,367		3,855	36,222	35,377
Councillor - Division 6	28,566		4,065	32,631	33,476
Councillor - Division 7 (Former Reeve)	36,204		3,855	40,059	43,115
Chief Administrative Officer (CAO)	210,762		48,560	259,322	235,906
	\$ 417,778	\$	73,750	\$ 491,528	\$ 464,405

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.

18. 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 2015, including contributions on behalf of employees were \$274,134 (2014 - \$249,819).

At December 31, 2014, the LAPP disclosed an actuarial deficiency of \$2.45 billion.

CLEAR HILLS COUNTY
Notes to Consolidated Financial Statements
Year Ended December 31, 2015

19. Commitments

The municipality is committed to make an annual payment of \$126,000 in 2016 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 2016 is \$412,625.

The municipality is committed to make monthly payments of \$8,900 until March 2019 to Alliance Assessment for contracted assessment services.

The municipality is committed to completing Secondary Highway 717. The County's cost to complete the project is estimated at \$9,000,000.

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 2016 is \$120,436.

The municipality is committed to make a grant payment of \$10,000 to Northern Lights County for 2016 for the Manning Airport upgrades.

The municipality is committed to make annual grant payments of \$2,500 to Sorrentino's Compassion House for 2016 and 2017.

The municipality is committed to make a grant payment of \$4,924 to the Fairview Victim's Assistance Association for 2016.

The municipality is committed to make annual grant payments of \$75,000 to STARS for 2016 and 2017 and to increase that funding to \$100,000 for 2018 through to 2020.

20. 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.

21. 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*).

CLEAR HILLS COUNTY
Notes to Consolidated Financial Statements
Year Ended December 31, 2015

22. 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.

23. Approval of financial statements

Council and Management have approved these financial statements.

24. Budget amounts

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