



WildeandCompany

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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, 2012, 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 control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Clear Hills County as at December 31, 2012, 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.

Wilde & Company

Vegreville, AB
April 9, 2013

Chartered Accountants

CLEAR HILLS COUNTY
Consolidated Statement of Financial Position
As at December 31, 2012

	2012	2011
	\$	\$
ASSETS		
Financial Assets		
Cash and temporary investments (Note 3)	2,425,629	14,055,997
Receivables		
Taxes and grants in place of taxes receivable (Note 4)	884,869	337,280
Due from governments	2,610,214	2,426,597
Trade and other receivables	394,667	218,641
Land held for resale	1,002,082	982,609
Investments (Note 5)	37,348,837	21,292,268
	44,666,298	39,313,392
LIABILITIES		
Accounts payable and accrued liabilities	4,073,883	1,851,582
Accrued employee obligations (Note 6)	191,192	186,922
Deferred revenue (Note 7)	446,785	186,369
Provision for landfill closure and post-closure costs (Note 8)	480,317	470,796
Long term debt (Note 9)	2,921,937	2,427,574
	8,114,114	5,123,243
NET FINANCIAL ASSETS	36,552,184	34,190,149
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 11)	50,409,461	34,334,776
Inventory for consumption (Note 12)	4,934,723	4,424,039
Prepaid expenses	147,986	23,743
	55,492,170	38,782,558
ACCUMULATED SURPLUS (Note 13)	92,044,354	72,972,707

Commitments and Contingencies - See Notes 16 and 17

CLEAR HILLS COUNTY
Consolidated Statement of Operations
Year Ended December 31, 2012

	Budget \$ (Unaudited)	2012 \$	2011 \$
Revenues			
Net municipal taxes (Schedule 3)	14,335,332	14,321,389	14,373,803
User fees and sales of goods	314,175	325,132	319,730
Government transfers for operating (Schedule 4)	912,490	1,112,621	603,531
Investment income	200,000	1,396,348	926,945
Penalties and costs on taxes	27,600	109,676	68,927
Licenses and permits	10,500	3,020	8,556
Rental	13,000	43,626	12,873
Well drilling taxes	75,000	170,148	206,422
Other	(3,780)	113,666	84,978
	15,884,317	17,595,626	16,605,765
Expenses			
Legislative	469,678	408,197	442,699
Administration	1,147,894	1,075,963	1,116,981
Emergency services	480,611	330,247	399,214
Roads, streets, walks, lighting	7,996,460	6,740,555	7,909,682
Water supply and distribution	361,966	341,256	368,935
Wastewater treatment and disposal	44,931	42,250	30,107
Waste management	437,298	329,956	239,283
Public health and welfare	112,550	143,612	108,014
Agriculture and community service	1,210,190	1,066,873	818,579
Subdivision land and development	621,425	474,183	318,662
Recreation and culture	439,331	381,972	461,199
	13,322,334	11,335,064	12,213,355
Excess of revenue over expenses before Government transfers	2,561,983	6,260,562	4,392,410
Government transfers for capital (Schedule 4)	11,983,599	11,596,903	2,462,680
Other capital contributions	400,000	409,469	181,555
Excess of revenue over expenses	14,945,582	18,266,934	7,036,645
Reclassification of bridge projects	-	804,713	-
Adjusted excess of revenue over expenses	14,945,582	19,071,647	7,036,645
Accumulated surplus - beginning of the year	72,972,707	72,972,707	65,936,062
Accumulated surplus - end of the year	87,918,289	92,044,354	72,972,707

CLEAR HILLS COUNTY
Consolidated Statement of Change in Net Financial Assets
Year Ended December 31, 2012

	Budget \$ (Unaudited)	2012 \$	2011 \$
Excess of revenue over expenses	14,945,582	19,071,647	7,036,645
Acquisition of tangible capital assets	(21,133,100)	(17,985,117)	(1,829,992)
Proceeds on disposal of tangible capital assets	16,000	18,034	91,590
Amortization of tangible capital assets	1,919,082	1,889,199	1,931,245
Loss on sale of tangible capital assets	22,170	3,199	55,716
	(4,230,266)	2,996,962	7,285,204
Net acquisition of supplies inventories	-	(510,684)	(2,468,729)
Net use (acquisition) of prepaid assets	-	(124,243)	17,492
Increase in net assets	-	(634,927)	(2,451,237)
Net financial assets, beginning of year	34,190,149	34,190,149	29,356,182
Net financial assets, end of year	29,959,883	36,552,184	34,190,149

CLEAR HILLS COUNTY
Consolidated Statement of Cash Flows
Year Ended December 31, 2012

	2012 \$	2011 \$
Operating		
Excess of revenue over expenses	19,071,647	7,036,645
Net changes in non-cash items included in excess of revenues over expenses		
Amortization of tangible capital assets	1,889,199	1,931,245
Loss on disposal of tangible capital assets	3,199	55,716
Tangible capital assets received as contributions		
Net changes in non-cash charges to operation		
Increase in taxes and grants in lieu receivable	(547,589)	(35,643)
Increase in government receivables	(183,617)	(1,786,623)
Decrease (increase) in trade and other receivables	(176,026)	270,293
Decrease (increase) in land held for resale	(19,473)	30,250
Increase in inventories	(510,684)	(2,468,729)
Decrease (increase) in prepaid expenses	(124,243)	17,492
Increase in accounts payable and accrued liabilities	2,222,301	592,474
Increase in employee benefit obligations	4,270	367
Increase in deferred revenue	260,416	5,919
Increase in provision for landfill closure/post-closure	9,521	9,521
	2,827,274	(1,377,718)
<i>Net cash applied to operating transactions</i>	21,898,921	5,658,927
Capital		
Acquisition of tangible capital assets	(17,985,117)	(1,829,992)
Proceeds on sale of tangible capital assets	18,034	91,590
<i>Net cash applied to capital transactions</i>	(17,967,083)	(1,738,402)
Investing		
Increase in restricted cash or cash equivalents	(260,416)	(5,919)
Increase in investments	(16,056,569)	(5,658,989)
<i>Net cash applied to investing transactions</i>	(16,316,985)	(5,664,908)
Financing		
Long term debt issued	989,363	1,958,861
Long term debt repaid	(495,000)	(495,000)
<i>Net cash provided by financing transactions</i>	494,363	1,463,861
Change in cash and cash equivalents during the year	(11,890,784)	(280,522)
Cash and cash equivalents, beginning of year	13,869,628	14,150,150
Cash and cash equivalents, end of year	1,978,844	13,869,628
Cash and cash equivalents is made up of:		
Cash and temporary investments (Note 3)	2,425,629	14,055,997
Less: restricted portion of cash and temporary investments (Note 3)	(446,785)	(186,369)
	1,978,844	13,869,628

See accompanying notes

CLEAR HILLS COUNTY
Schedule of Changes in Accumulated Surplus
Year Ended December 31, 2012
Schedule 1

	Unrestricted Surplus	Restricted Operating	Restricted Capital	Equity in Capital Assets	2012 \$	2011 \$
Balance, beginning of year	1,115,170	5,291,890	32,230,871	34,334,776	72,972,707	65,936,062
Excess of revenue over expenses	19,071,647	-	-	-	19,071,647	7,036,645
Unrestricted funds designated for future use	(9,302,773)	480,338	8,822,435	-	-	-
Reclassification of bridge projects	(804,713)	-	-	804,713	-	-
Restricted funds used for Tangible Capital Assets	-	-	(6,305,811)	6,305,811	-	-
Current year funds used for Tangible Capital Assets	(10,874,593)	-	-	10,874,593	-	-
Disposals of Tangible Capital Assets	21,233	-	-	(21,233)	-	-
Annual amortization expense	1,889,199	-	-	(1,889,199)	-	-
Balance, end of year	1,115,170	5,772,228	34,747,495	50,409,461	92,044,354	72,972,707

CLEAR HILLS COUNTY
Schedule of Tangible Capital Assets
Year Ended December 31, 2012
Schedule 2

	Land	Buildings	Engineered Structures	Machinery and Equipment	Vehicles	2012 \$	2011 \$
Cost							
Balance, beginning of year	603,832	3,052,899	70,761,795	2,293,275	831,693	77,543,494	76,007,826
Acquisition of tangible capital assets	-	-	202,126	378,407	59,929	640,462	1,045,337
Construction in progress	-	4,934,213	11,605,729	-	-	16,539,942	784,655
Disposal of tangible capital assets	-	-	-	(24,500)	-	(24,500)	(294,324)
Reclassification of bridge projects	-	-	804,713	-	-	804,713	-
Balance, end of year	603,832	7,987,112	83,374,363	2,647,182	891,622	95,504,111	77,543,494
Accumulated amortization							
Balance, beginning of year	-	1,312,847	40,418,838	921,918	555,115	43,208,718	41,424,491
Annual amortization	-	93,857	1,610,926	137,766	46,650	1,889,199	1,931,245
Accumulated amortization on disposals	-	-	-	(3,267)	-	(3,267)	(147,018)
Balance, end of year	-	1,406,704	42,029,764	1,056,417	601,765	45,094,650	43,208,718
Net book value of tangible capital assets	603,832	6,580,408	41,344,599	1,590,765	289,857	50,409,461	34,334,776
2011 Net book value of tangible capital assets	603,832	1,740,052	30,342,957	1,371,357	276,578	34,334,776	

CLEAR HILLS COUNTY
Schedule of Property and Other Taxes
Year Ended December 31, 2012
Schedule 3

	Budget	2012	2011
	\$	\$	\$
	(Unaudited)		
Taxation			
Real property taxes	17,572,879	5,957,267	6,236,179
Linear property	-	11,561,853	11,330,597
Government grants in place of property taxes	-	11,707	8,715
	17,572,879	17,530,827	17,575,491
Requisitions			
Alberta School Foundation Fund	2,942,590	2,931,439	2,921,239
North Peace Housing Foundation	294,957	277,999	280,449
	3,237,547	3,209,438	3,201,688
Net Municipal Taxes	14,335,332	14,321,389	14,373,803

CLEAR HILLS COUNTY
Schedule of Government Transfers
Year Ended December 31, 2012
Schedule 4

	Budget \$ (Unaudited)	2012 \$	2011 \$
Transfers for Operating			
Provincial Government	912,490	1,112,621	603,531
	912,490	1,112,621	603,531
Transfers for Capital			
Provincial Government	11,983,599	11,596,903	2,462,680
	11,983,599	11,596,903	2,462,680
Total Government Transfers	12,896,089	12,709,524	3,066,211

CLEAR HILLS COUNTY
Schedule of Consolidated Expenses by Object
Year Ended December 31, 2012
Schedule 5

	Budget \$ (Unaudited)	2012 \$	2011 \$
Consolidated Expenses by Object			
Salaries, wages and benefits	2,428,765	1,996,627	1,983,319
Contracted and general services	5,661,279	4,593,778	5,621,756
Materials, goods, supplies and utilities	1,456,126	1,312,320	1,494,203
Transfers to local boards and agencies	1,847,761	1,533,635	1,123,326
Bank charges and short term interest	2,000	6,306	3,788
Amortization of tangible capital assets	1,919,082	1,889,199	1,931,247
Loss on disposal of tangible capital assets	22,170	3,199	55,716
	13,337,183	11,335,064	12,213,355

CLEAR HILLS COUNTY
Schedule of Segmented Disclosure
Year Ended December 31, 2012
Schedule 6

	General Government	Protective Services	Transportation Services	Environmental Services	Public Health	Planning & Development	Recreation & Culture	Other	Total \$
Revenue									
Net municipal taxes	-	-	-	-	-	-	-	14,321,389	14,321,389
Government transfers	1,573,207	-	2,032,412	8,796,867	78,227	224,910	-	3,903	12,709,526
User fees and sales of goods	3,406	15,477	9,858	269,377	-	67,620	-	109,676	475,414
Investment income	3,896	10,262	827,988	246,393	785	131,360	16,863	158,801	1,396,348
Other revenues	9,132	430,758	-	-	-	32,421	21,000	206,010	699,321
	1,589,641	25,739	3,301,016	9,312,637	79,012	456,311	37,863	14,799,779	29,601,998
Expenses									
Salaries, wages and benefits	864,811	74,790	466,944	218,343	-	371,739	-	-	1,996,627
Contracted and general services	571,099	79,695	3,413,229	280,244	1,168	243,438	4,905	-	4,593,778
Materials, goods, supplies and utilities	17,796	33,637	1,168,814	79,206	-	10,306	2,561	-	1,312,320
Transfers to local boards and agencies	908	72,118	-	45,016	142,444	898,643	374,506	-	1,533,635
Other expenses	5,069	-	1,237	-	-	-	-	3,199	9,505
	1,459,683	260,240	5,050,224	622,809	143,612	1,524,126	381,972	3,199	9,445,865
Net revenue before amortization and adjustments	129,958	(234,501)	(1,749,208)	8,689,828	(64,600)	(1,067,815)	(344,109)	14,796,580	20,156,133
Amortization of tangible capital assets	24,479	70,007	1,690,329	90,653	-	13,731	-	-	1,889,199
Reclassification of bridge projects	-	-	-	-	-	-	-	(804,713)	(804,713)
Net revenue	105,479	(304,508)	(3,439,537)	8,599,175	(64,600)	(1,081,546)	(344,109)	14,796,580	19,071,647

CLEAR HILLS COUNTY
Notes to Consolidated Financial Statements
Year Ended December 31, 2012

1. Significant accounting policies

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.

Use of estimates

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

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.

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CLEAR HILLS COUNTY
Notes to Consolidated Financial Statements
Year Ended December 31, 2012

1. Significant accounting policies (*continued*)

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.

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.

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, 2012

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. 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, 2012

2. Recent accounting pronouncements published but not yet adopted

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

Section PS 3410 - Government Transfers

This section establishes standards on how to account for and report government transfers to individuals, organizations and other governments from both a transferring government and a recipient government perspective. This section is effective for fiscal periods beginning on or after April 1, 2012.

Section PS 3510 – Tax Revenue

This new standard establishes recognition, measurement, presentation and disclosure standards relating to tax revenue reported in financial statements. This section is effective for fiscal periods beginning on or after April 1, 2012.

Section PS 3260 – Liability for Contaminated Sites

This new section establishes recognition, measurement, and disclosure standards for liabilities relating to contaminated sites of governments and those organizations applying the CICA Public Sector Accounting Handbook. This section is effective for fiscal periods beginning on or after April 1, 2014.

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 PS 1201, section PS 2601 and section PS 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, 2015.

For government organizations, as defined in section PS 1300, the new section and the related amendments are effective for fiscal periods beginning on or after April 1, 2012.

CLEAR HILLS COUNTY
Notes to Consolidated Financial Statements
Year Ended December 31, 2012

3. Cash and temporary investments

	2012	2011
Cash	\$ 321,471	\$ 1,579,934
Temporary investments	2,104,158	12,476,063
	\$ 2,425,629	\$ 14,055,997

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

Council had designated \$10,938,703 in 2011, included in the above amounts for capital projects.

Included in temporary investments is a restricted amount of \$446,785 (2011 - \$186,369) of which \$183,519 relates to a grant from the Federal Gas Tax Fund, \$240,600 relates to a grant from the Final Mile Rural Community Program for high speed internet towers and the remainder is Streets Improvement Program grants.

4. Taxes and grants in place of taxes receivable

	2012	2011
Current taxes and grants in place of taxes	\$ 652,457	\$ 191,553
Arrears taxes	232,412	145,727
	\$ 884,869	\$ 337,280

5. Investments

	2012		2011	
	Cost	Market value	Cost	Market Value
Alberta Municipal Financing Corporation shares	\$ 100	\$ 100	\$ 100	\$ 100
Government and government guaranteed bonds	37,348,737	37,605,542	21,292,168	21,924,986
	\$ 37,348,837	\$ 37,605,642	\$ 21,292,268	\$ 21,925,086

Government and government guaranteed bonds have effective interest rates of 2.65% to 5.05% (2011 – 3.05% to 5.14%) with maturity dates from April 8, 2013 to September 1, 2023.

Council has designated funds of \$34,747,495 (2011 - \$21,292,168) included in the above amounts for capital projects.

CLEAR HILLS COUNTY
Notes to Consolidated Financial Statements
Year Ended December 31, 2012

6. Employee benefit obligations

	2012	2011
Vacation and sick time	\$ 191,192	\$ 186,922

Vacation and sick time

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.

7. Deferred revenue

	2012	2011
Final Mile Rural Community Program grant	\$ 240,600	\$ -
Federal Gas Tax Fund grant	183,519	183,519
Streets Improvement Program grant	22,666	-
Trade Show deposits	-	2,850
	\$ 446,785	\$ 186,369

Funding received from the various grant programs noted above are restricted to the eligible operating and capital projects as approved in the funding agreements. Unexpended funds related to the funding advances are supported by restricted cash or cash and investments (see Note 3).

8. 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 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.

	2012	2011
Estimated closure and post-closure costs	\$ 480,317	\$ 470,796

CLEAR HILLS COUNTY
Notes to Consolidated Financial Statements
Year Ended December 31, 2012

9. Long term debt

	2012	2011
Tax supported debentures	\$ 2,921,937	\$ 2,427,574

Principal repayment terms are approximately:

2013	\$ 495,000
2014	495,000
2015	495,000
2016	495,000
2017	495,000
Thereafter	446,937
	\$ 2,921,937

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

10. 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:

	2012	2011
Total debt limit	\$ 26,393,439	\$ 24,908,648
Total debt	2,921,937	2,427,574
Amount of debt limit unused	\$ 23,471,502	\$ 22,481,074
Debt servicing limit	\$ 4,398,907	\$ 4,151,441
Debt servicing	495,000	495,000
Amount of debt servicing limit unused	\$ 3,903,907	\$ 3,656,441

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
Year Ended December 31, 2012

11. Equity in tangible capital assets

	2012	2011
Tangible capital assets (Schedule 2)	\$ 95,504,111	\$ 77,543,494
Accumulated amortization (Schedule 2)	(45,094,650)	(43,208,718)
	\$ 50,409,461	\$ 34,334,776

12. Inventory for consumption

	2012	2011
Gravel	\$ 4,798,692	\$ 4,305,113
Public Works	88,656	90,016
Agriculture Service Board	47,375	28,910
	\$ 4,934,723	\$ 4,424,039

13. Accumulated surplus

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

	2012	2011
Unrestricted surplus	\$ 1,115,170	\$ 1,115,170
Restricted surplus		
Operating reserves	5,772,228	5,291,890
Capital reserves	34,747,495	32,230,871
Equity in tangible capital assets	50,409,461	34,334,776
	\$ 92,044,354	\$ 72,972,707

CLEAR HILLS COUNTY
Notes to Consolidated Financial Statements
Year Ended December 31, 2012

14. 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:

			2012	2011
	Salary	Benefits & allowances (1)	Total	Total
Councillor - Division1 (New Reeve) \$	24,911	\$ 3,577	\$ 28,488	\$ 36,630
Councillor - Division 2	25,420	3,577	28,997	30,608
Councillor - Division 3	23,764	3,577	27,341	28,621
Councillor - Division 4	30,222	3,576	33,798	34,374
Councillor - Division 5 (Deputy Reeve)	28,649	3,576	32,225	27,864
Councillor - Division 6	22,211	3,268	25,479	29,240
Councillor - Division 7 (Former Reeve)	28,101	3,576	31,677	31,849
Chief Administrative Officer (CAO)	163,626	39,397	203,023	184,457
	\$ 346,904	\$ 64,124	\$ 411,028	\$ 403,643

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
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15. 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 Alberta Public Sector Pension Plans Act. The LAPP serves about 214,000 people and 478 employers. 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 9.91% of pensionable earnings up to the year's maximum pensionable earnings under the Canada Pension Plan and 13.74% on pensionable earnings above this amount. Employees of the municipality are required to make current service contributions of 8.91% of pensionable salary up to the year's maximum pensionable salary and 12.74% on pensionable salary above this amount.

Total current service contributions by the municipality to the LAPP in 2012, including contributions made on behalf of employees were \$191,384 (2011 - \$177,748).

At December 31, 2011, the LAPP disclosed an actuarial deficiency of \$5.4 billion.

CLEAR HILLS COUNTY
Notes to Consolidated Financial Statements
Year Ended December 31, 2012

16. Commitments

The municipality is committed to make an annual payment of \$123,365 for the next 2 years to Mackenzie Municipal Services Agency as the County's planning consultant.

The municipality is committed to make an annual requisition payment of \$295,000 to the North Peace Housing Foundation on an ongoing basis.

The municipality is committed to make monthly payments of \$8,900 for the next 12 months 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 \$12,800,000. These costs will be paid as incurred until estimated completion date of 2015.

The municipality is committed to providing a \$1,000,000 operating grant to the Village of Hines Creek in 2013.

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 2013 is \$113,000.

The municipality is committed to a road overlay project from Worsley to Range Road 92.5 (Ski Hill Road). Cost to complete the project is estimated at \$5,000,000, fully funded by the County.

The municipality is committed to a road reconstruction and paving project on Township Road 862 from Range Road 54 to Range Road 62. Cost to complete the project is estimated at \$5,000,000, fully funded by the County.

The municipality is committed to the Cleardale West Subdivision project for residential and commercial lots. Cost to complete the project is estimated at \$6,200,000, fully funded by the County.

The municipality is committed to providing a \$916,000 loan to the North Peace Housing Foundation, fully funded by the County.

17. Contingent liability

The municipality is a member of a reciprocal insurance exchange (GENESIS) to cover its liability insurance needs. GENESIS was previously referred to as Jubilee Reciprocal Insurance Exchange (JRIE). A Statement of Claim was filed in 2004 by some of the previous subscribers of JRIE. The statement of claim requests the return of surplus funds in the amount of \$3,820,516. 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.

CLEAR HILLS COUNTY

Notes to Consolidated Financial Statements

Year Ended December 31, 2012

18. Financial instruments

The municipality's financial instruments consist of cash and temporary investments, accounts receivable, investments, debt charges recoverable, bank indebtedness, 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 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.

19. Approval of financial statements

Council and Management have approved these financial statements.

20. Budget amounts

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

