



**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, 2014, 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, 2014, 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.

**CLEAR HILLS COUNTY**  
**Consolidated Statement of Financial Position**  
**As at December 31, 2014**

	2014	2013
	\$	\$
<b>ASSETS</b>		
<b>Financial Assets</b>		
Cash and temporary investments (Note 3)	17,074,411	1,367,132
Receivables		
Taxes and grants in place of taxes receivable (Note 4)	671,268	992,054
Due from governments	663,617	2,015,874
Trade and other receivables	273,360	323,078
Loans receivable (Note 5)	1,351,908	1,416,000
Land held for resale	965,591	1,012,090
Investments (Note 6)	19,059,815	27,030,119
	<b>40,059,970</b>	<b>34,156,347</b>
<b>LIABILITIES</b>		
Accounts payable and accrued liabilities	2,452,600	3,452,459
Accrued employee obligations (Note 7)	208,541	200,897
Deferred revenue (Note 8)	2,749,204	224,177
Provision for landfill closure and post-closure costs (Note 9)	499,359	489,838
Long term debt (Note 10)	2,144,160	2,426,937
	<b>8,053,864</b>	<b>6,794,308</b>
<b>NET FINANCIAL ASSETS</b>	<b>32,006,106</b>	<b>27,362,039</b>
<b>NON-FINANCIAL ASSETS</b>		
Tangible capital assets (Note 12)	70,116,033	68,093,999
Inventory for consumption (Note 13)	3,931,342	4,443,689
Prepaid expenses	34,105	5,584
	<b>74,081,480</b>	<b>72,543,272</b>
<b>ACCUMULATED SURPLUS (Note 14)</b>	<b>106,087,586</b>	<b>99,905,311</b>

Commitments and Contingencies - See Notes 17 and 18

**CLEAR HILLS COUNTY**  
**Consolidated Statement of Operations**  
**Year Ended December 31, 2014**

	Budget \$ (Unaudited)	2014 \$	2013 \$
<b>Revenues</b>			
Net municipal taxes (Schedule 3)	16,076,558	<b>16,038,450</b>	15,159,621
User fees and sales of goods	309,650	<b>322,614</b>	291,987
Government transfers for operating (Schedule 4)	481,297	<b>456,981</b>	551,493
Investment income	572,399	<b>972,437</b>	911,718
Penalties and costs on taxes	106,250	<b>320,508</b>	190,889
Licenses and permits	26,800	<b>10,027</b>	2,325
Rental	30,600	<b>63,512</b>	50,128
Well drilling taxes	100,000	<b>125,038</b>	61,106
Other	44,713	<b>125,224</b>	95,765
<b>Total revenue</b>	<b>17,748,267</b>	<b>18,434,791</b>	17,315,032
<b>Expenses</b>			
Legislative	454,508	<b>350,242</b>	400,209
Administration	1,164,730	<b>1,283,359</b>	1,537,912
Emergency services	442,870	<b>415,521</b>	379,453
Roads, streets, walks, lighting	9,242,684	<b>8,117,211</b>	7,312,813
Water supply and distribution	562,670	<b>739,047</b>	401,028
Wastewater treatment and disposal	50,080	<b>40,683</b>	36,707
Waste management	422,456	<b>464,870</b>	304,251
Public health and welfare	112,550	<b>107,549</b>	143,493
Agriculture and community service	864,898	<b>785,880</b>	1,703,782
Subdivision, land and development	430,413	<b>402,241</b>	410,030
Recreation and culture	427,395	<b>353,499</b>	450,513
<b>Total expenses</b>	<b>14,175,254</b>	<b>13,060,102</b>	13,080,191
<b>Excess of revenue over expenses before Government transfers</b>	<b>3,573,013</b>	<b>5,374,689</b>	4,234,841
Government transfers for capital (Schedule 4)	2,923,757	<b>807,586</b>	3,626,116
<b>Excess of revenues over expenses</b>	<b>6,496,770</b>	<b>6,182,275</b>	7,860,957
Accumulated surplus - beginning of the year	99,905,311	<b>99,905,311</b>	92,044,354
Accumulated surplus - end of the year (Schedule 1)	99,905,311	<b>106,087,586</b>	99,905,311

**CLEAR HILLS COUNTY**  
**Consolidated Statement of Change in Net Financial Assets**  
**Year Ended December 31, 2014**

	Budget \$ (Unaudited)	2014 \$	2013 \$
Excess of revenue over expenses	6,496,770	<b>6,182,275</b>	7,860,957
Acquisition of tangible capital assets	(10,760,300)	<b>(5,180,409)</b>	(19,553,029)
Proceeds on disposal of tangible capital assets	14,500	<b>128,290</b>	-
Amortization of tangible capital assets	1,977,823	<b>3,006,489</b>	1,868,491
Loss on sale of tangible capital assets	-	<b>23,596</b>	-
	(2,271,207)	<b>4,160,241</b>	(9,823,581)
Net acquisition of supplies inventories	997,002	<b>512,347</b>	491,034
Net use (acquisition) of prepaid assets	-	<b>(28,521)</b>	142,402
Increase in net assets	-	<b>483,826</b>	633,436
Net financial assets, beginning of year	27,362,039	<b>27,362,039</b>	36,552,184
Net financial assets, end of year	25,090,832	<b>32,006,106</b>	27,362,039

**CLEAR HILLS COUNTY**  
**Consolidated Statement of Cash Flows**  
**Year Ended December 31, 2014**

	2014	2013
	\$	\$
<b>Operating</b>		
Excess of revenue over expenses	6,182,275	7,860,957
Net changes in non-cash items included in excess of revenues over expenses		
Amortization of tangible capital assets	3,006,489	1,868,491
Loss on disposal of tangible capital assets	23,596	-
Net changes in non-cash charges to operation		
Decrease (increase) in taxes and grants in lieu receivable	320,786	(107,185)
Decrease in government receivables	1,352,257	594,340
Decrease in trade and other receivables	49,718	71,589
Decrease (increase) in loans receivable	64,092	(1,416,000)
Decrease (increase) in land held for resale	46,499	(10,008)
Decrease in inventories	512,347	491,034
Decrease (increase) in prepaid expenses	(28,521)	142,402
Decrease in accounts payable and accrued liabilities	(999,859)	(621,424)
Increase in employee benefit obligations	7,644	9,705
Increase (decrease) in deferred revenue	2,525,027	(222,608)
Increase in provision for landfill closure/post-closure	9,521	9,521
	6,889,596	809,857
<i>Net cash provided by operating transactions</i>	13,071,871	8,670,814
<b>Capital</b>		
Acquisition of tangible capital assets	(5,180,409)	(19,553,029)
Proceeds on sale of tangible capital assets	128,290	-
<i>Net cash applied to capital transactions</i>	(5,052,119)	(19,553,029)
<b>Investing</b>		
Decrease (increase) in restricted cash or cash equivalents	(2,525,027)	222,608
Decrease in investments	7,970,304	10,318,718
<i>Net cash applied to investing transactions</i>	5,445,277	10,541,326
<b>Financing</b>		
Long term debt issued	212,223	-
Long term debt repaid	(495,000)	(495,000)
<i>Net cash applied to financing transactions</i>	(282,777)	(495,000)
<b>Change in cash and cash equivalents during the year</b>	13,182,252	(835,889)
Cash and cash equivalents, beginning of year	1,142,955	1,978,844
<b>Cash and cash equivalents, end of year</b>	14,325,207	1,142,955
Cash and cash equivalents is made up of:		
Cash and temporary investments (Note 3)	17,074,411	1,367,132
Less: restricted portion of cash and temporary investments (Note 3)	(2,749,204)	(224,177)
	14,325,207	1,142,955

**CLEAR HILLS COUNTY**  
**Schedule of Changes in Accumulated Surplus**  
**Year Ended December 31, 2014**  
**Schedule 1**

	Unrestricted Surplus	Restricted Operating	Restricted Capital	Equity in Capital Assets	2014 \$	2013 \$
Balance, beginning of year	1,115,170	6,058,250	24,637,892	68,093,999	99,905,311	92,044,354
Excess of revenues over expenses	6,182,275	-	-	-	6,182,275	7,860,957
Unrestricted funds designated for future use	(8,065,832)	(49,517)	8,115,349	-	-	-
Restricted funds used for Tangible Capital Assets	-	-	(4,713,335)	4,713,335	-	-
Current year funds used for Tangible Capital Assets	(467,074)	-	-	467,074	-	-
Net book value of Tangible Capital Assets disposed of	151,886	-	-	(151,886)	-	-
Annual amortization expense	3,006,489	-	-	(3,006,489)	-	-
Balance, end of year	1,922,914	6,008,733	28,039,906	70,116,033	106,087,586	99,905,311

**CLEAR HILLS COUNTY**  
**Schedule of Tangible Capital Assets**  
**Year Ended December 31, 2014**  
**Schedule 2**

	Land	Buildings	Engineered Structures	Machinery and Equipment	Vehicles	2014 \$	2013 \$
<b>Cost</b>							
Balance, beginning of year	603,832	2,583,731	107,747,007	3,046,926	920,847	114,902,343	95,504,111
Acquisition of tangible capital assets	-	-	4,482,991	527,983	56,017	5,066,991	16,946,432
Construction in progress	-	-	113,418	-	-	113,418	2,606,597
Disposal of tangible capital assets	-	-	-	(161,194)	(135,331)	(296,525)	(154,797)
Balance, end of year	603,832	2,583,731	112,343,416	3,413,715	841,533	119,786,227	114,902,343
<b>Accumulated amortization</b>							
Balance, beginning of year	-	1,500,446	43,476,782	1,191,003	640,113	46,808,344	45,094,650
Annual amortization	-	95,058	2,678,212	185,290	47,929	3,006,489	1,868,491
Accumulated amortization on disposals	-	-	-	(31,249)	(113,390)	(144,639)	(154,797)
Balance, end of year	-	1,595,504	46,154,994	1,345,044	574,652	49,670,194	46,808,344
<b>Net book value of tangible capital assets</b>	603,832	988,227	66,188,422	2,068,671	266,881	70,116,033	68,093,999
2013 Net book value of tangible capital assets	603,832	1,083,285	64,270,225	1,855,923	280,734		68,093,999

**CLEAR HILLS COUNTY**  
**Schedule of Property and Other Taxes**  
**Year Ended December 31, 2014**  
**Schedule 3**

	Budget \$ (Unaudited)	2014 \$	2013 \$
<b>Taxation</b>			
Real property taxes	19,462,281	<b>6,280,398</b>	5,982,310
Linear property	-	<b>13,140,668</b>	12,451,783
Government grants in place of property taxes	-	<b>3,342</b>	10,621
	19,462,281	<b>19,424,408</b>	18,444,714
<b>Requisitions</b>			
Alberta School Foundation Fund	3,118,040	<b>3,118,275</b>	3,017,332
North Peace Housing Foundation	267,683	<b>267,683</b>	267,761
	3,385,723	<b>3,385,958</b>	3,285,093
<b>Net Municipal Taxes</b>	16,076,558	<b>16,038,450</b>	15,159,621



**CLEAR HILLS COUNTY**  
**Schedule of Government Transfers**  
**Year Ended December 31, 2014**  
**Schedule 4**

	Budget \$ (Unaudited)	2014 \$	2013 \$
<b>Transfers for Operating</b>			
Provincial Government	481,297	<b>456,981</b>	551,493
	481,297	<b>456,981</b>	551,493
<b>Transfers for Capital</b>			
Provincial Government	2,923,757	<b>807,586</b>	3,626,116
	2,923,757	<b>807,586</b>	3,626,116
<b>Total Government Transfers</b>	3,405,054	<b>1,264,567</b>	4,177,609

**CLEAR HILLS COUNTY**  
**Schedule of Consolidated Expenses by Object**  
**Year Ended December 31, 2014**  
**Schedule 5**

	Budget \$ (Unaudited)	2014 \$	2013 \$
<b>Consolidated Expenses by Object</b>			
Salaries, wages and benefits	2,403,709	<b>1,973,344</b>	2,035,747
Contracted and general services	6,570,477	<b>5,140,006</b>	5,181,273
Materials, goods, supplies and utilities	2,025,520	<b>1,558,136</b>	1,216,506
Transfers to local boards and agencies	1,192,525	<b>1,236,410</b>	2,320,105
Bank charges and short term interest	5,200	<b>479</b>	5,659
Amortization of tangible capital assets	1,977,823	<b>3,006,489</b>	1,868,491
Allowance for doubtful accounts	-	<b>121,642</b>	452,410
Loss on disposal of tangible capital assets	13,773	<b>23,596</b>	-
	14,189,027	<b>13,060,102</b>	13,080,191

**CLEAR HILLS COUNTY**  
**Schedule of Segmented Disclosure**  
**Year Ended December 31, 2014**  
**Schedule 6**

	General Government	Protective Services	Transportation Services	Environmental Services	Public Health	Planning & Development	Recreation & Culture	Other	Total
									\$
<b>Revenue</b>									
Net municipal taxes	-	-	-	-	-	-	-	16,038,450	16,038,450
Government transfers	144,711	8,683	807,586	-	78,227	225,360	-	-	1,264,567
User fees and sales of goods	-	27,803	17,844	264,394	-	12,573	-	-	322,614
Investment income	13,278	6,744	578,905	192,987	949	160,797	18,777	-	972,437
Other revenues	13,628	13,137	7,838	3,489	-	85,543	21,000	499,674	644,309
	171,617	56,367	1,412,173	460,870	79,176	484,273	39,777	16,538,124	19,242,377
<b>Expenses</b>									
Salaries, wages and benefits	788,419	87,316	587,249	87,729	-	422,631	-	-	1,973,344
Contracted and general services	659,424	110,133	3,623,522	492,532	299	253,932	164	-	5,140,006
Materials, goods, supplies and utilities	24,974	48,064	1,435,049	7,688	-	42,361	-	-	1,558,136
Transfers to local boards and agencies	1,000	83,565	3,650	236,923	107,250	450,687	353,335	-	1,236,410
Other expenses	121,578	-	24,059	71	-	9	-	-	145,717
	1,595,395	329,078	5,673,529	824,943	107,549	1,169,620	353,499	-	10,053,613
<b>Net revenue before amortization and adjustments</b>	(1,423,778)	(272,711)	(4,261,356)	(364,073)	(28,373)	(685,347)	(313,722)	16,538,124	9,188,764
Amortization of tangible capital assets	38,206	86,443	2,443,682	419,657	-	18,501	-	-	3,006,489
<b>Net revenue</b>	(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, 2014**

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1. Significant accounting policies

The consolidated financial statements of the municipality are the representations of management prepared in accordance with generally accepted accounting principles for local governments established by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants. 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.

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.

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**CLEAR HILLS COUNTY**  
**Notes to Consolidated Financial Statements**  
**Year Ended December 31, 2014**

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1. Significant accounting policies (*continued*)

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.

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.

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**CLEAR HILLS COUNTY**  
**Notes to Consolidated Financial Statements**  
**Year Ended December 31, 2014**

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1. Significant accounting policies *(continued)*

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.

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**CLEAR HILLS COUNTY**  
**Notes to Consolidated Financial Statements**  
**Year Ended December 31, 2014**

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1. Significant accounting policies *(continued)*

Non-financial assets

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the normal course of operations. The change in non-financial assets during the year, together with the excess of revenues over expenses, provides the consolidated Change in Net Financial Assets for the year.

a) Tangible capital assets

Tangible capital assets are recorded at cost which includes all amounts that are directly attributable to acquisition, construction, development or betterment of the asset. The cost, less residual value, of the tangible capital assets is amortized on a straight-line basis over the estimated useful life as follows:

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

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

b) Contributions of tangible capital assets

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

c) Leases

Leases are classified as capital or operating leases. Leases which transfer substantially all of the benefits and risks incidental to ownership of property are accounted for as capital leases. All other leases are accounted for as operating leases and the related lease payments are charged to expenses as incurred.

d) Inventories

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

**CLEAR HILLS COUNTY**  
**Notes to Consolidated Financial Statements**  
**Year Ended December 31, 2014**

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 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, 2016.

3. Cash and temporary investments

	2014	2013
Cash	\$ 1,217,520	\$ 1,347,100
Temporary investments	15,856,891	20,032
	<b>\$ 17,074,411</b>	<b>\$ 1,367,132</b>

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

Included in temporary investments is a restricted amount of \$2,749,204 (2013 - \$224,177), of which \$2,265,201 relates to the 2014 Municipal Sustainability Initiative capital grant (Note 8).

4. Taxes and grants in place of taxes receivable

	2014	2013
Current taxes and grants in place of taxes	\$ 743,093	\$ 1,066,526
Arrears taxes	497,694	377,839
	<b>1,240,787</b>	<b>1,444,365</b>
Less: allowance for doubtful accounts	<b>(569,519)</b>	<b>(452,311)</b>
	<b>\$ 671,268</b>	<b>\$ 992,054</b>

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, 2014**

5. Loans receivable	2014	2013
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, 2014 the prime interest rate is 3%.	\$ 481,449	\$ 500,000
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, 2014 the prime interest rate is 3%.	<b>870,459</b>	916,000
	<b>1,351,908</b>	1,416,000
Amounts receivable within one year	<b>(73,002)</b>	(64,092)
	<b>\$ 1,278,906</b>	\$ 1,351,908

Principal repayment terms are approximately:

2015	\$ 73,002
2016	75,966
2017	79,051
2018	82,061
2019	85,601
Thereafter	<u>956,227</u>
	<b><u>\$ 1,351,908</u></b>

As of January 28, 2015 the prime interest rate decreased to 2.85%

**CLEAR HILLS COUNTY**  
**Notes to Consolidated Financial Statements**  
**Year Ended December 31, 2014**

6. Investments

	2014		2013	
	Cost	Market value	Cost	Market value
Alberta Municipal Financing Corporation shares	\$ 100	\$ 100	\$ 100	\$ 100
Government and government guaranteed bonds	19,059,715	19,073,171	27,030,019	26,716,942
	<b>\$ 19,059,815</b>	<b>\$ 19,073,271</b>	<b>\$ 27,030,119</b>	<b>\$ 26,717,042</b>

Government and government guaranteed bonds have effective interest rates of 2.65% to 4.55% (2013 – 2.23% to 4.75%) with maturity dates from January 11, 2016 to September 1, 2023.

Council has designated funds of \$28,039,906 (2013 - \$24,637,892) for capital projects. This is supported by the above investments and temporary investments for a total of \$34,916,706.

7. Employee benefit obligations

	2014	2013
Vacation and sick time	\$ 208,541	\$ 200,897

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.

8. Deferred revenue

	2014	2013
Municipal Sustainability Initiative grant	\$ 2,265,201	\$ 224,177
Basic Municipal Transportation grant	419,003	-
Alberta Community Partnership grant	65,000	-
	<b>\$ 2,749,204</b>	<b>\$ 224,177</b>

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).

**CLEAR HILLS COUNTY**  
**Notes to Consolidated Financial Statements**  
**Year Ended December 31, 2014**

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 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.

	2014	2013
Estimated closure and post-closure costs	\$ 499,359	\$ 489,838

10. Long term debt

	2014	2013
Tax supported debentures	\$ 2,144,160	\$ 2,426,937

Principal repayment terms are approximately:

2015	\$ 495,000
2016	495,000
2017	495,000
2018	495,000
2019	164,160
	<u>\$ 2,144,160</u>

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

**CLEAR HILLS COUNTY**  
**Notes to Consolidated Financial Statements**  
**Year Ended December 31, 2014**

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:

	<b>2014</b>	<b>2013</b>
Total debt limit	\$ 27,652,187	\$ 25,972,548
Total debt	2,144,160	2,426,937
Amount of debt limit unused	<b>\$ 25,508,027</b>	<b>\$ 23,545,611</b>
Debt servicing limit	\$ 4,608,698	\$ 4,328,758
Debt servicing	495,000	495,000
Amount of debt servicing limit unused	<b>\$ 4,113,698</b>	<b>\$ 3,833,758</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

	<b>2014</b>	<b>2013</b>
Tangible capital assets (Schedule 2)	\$119,786,227	\$114,902,343
Accumulated amortization (Schedule 2)	(49,670,194)	(46,808,344)
	<b>\$ 70,116,033</b>	<b>\$ 68,093,999</b>

13. Inventory for consumption

	<b>2014</b>	<b>2013</b>
Gravel	\$ 3,768,362	\$ 4,304,308
Public Works	131,775	102,450
Agriculture Service Board	31,205	36,931
	<b>\$ 3,931,342</b>	<b>\$ 4,443,689</b>

**CLEAR HILLS COUNTY**  
**Notes to Consolidated Financial Statements**  
**Year Ended December 31, 2014**

14. Accumulated surplus

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

	2014	2013
Unrestricted surplus	\$ 1,922,914	\$ 1,115,170
Restricted surplus		
Operating reserves	6,008,733	6,058,250
Capital reserves	28,039,906	24,637,892
Equity in tangible capital assets	70,116,033	68,093,999
	<b>\$106,087,586</b>	<b>\$ 99,905,311</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:

	Salary	(1)	Benefits & allowances (2)	2014	2013
Councillor - Division 1	\$ 28,400		\$ 3,706	\$ 32,106	\$ 35,419
Councillor - Division 2	28,566		3,706	32,272	29,951
Councillor - Division 3	26,248		1,729	27,977	25,170
Councillor - Division 4	20,162		4,014	24,176	31,679
Councillor - Division 5 (Deputy Reeve)	31,671		3,706	35,377	30,199
Councillor - Division 6	29,560		3,916	33,476	29,169
Councillor - Division 7 (Reeve)	39,409		3,706	43,115	25,794
Chief Administrative Officer (CAO)	188,632		47,274	235,906	217,885
	<b>\$ 392,648</b>		<b>\$ 71,757</b>	<b>\$ 464,405</b>	<b>\$ 425,266</b>

1. Salary includes regular base pay, bonuses, overtime, lump sum payments, gross honoraria and any other direct cash remuneration.
2. Employer's share of all employee benefits and contributions or payments made on behalf of employees including pension, health care, dental coverage, vision coverage, group life insurance, accidental disability and dismemberment insurance, long and short term disability plans, professional memberships and tuition.
3. Benefits and allowances figures also include the employer's share of the costs of additional taxable benefits including special leave with pay, financial and retirement planning services, concessionary loans, travel allowances, car allowances and club memberships.

**CLEAR HILLS COUNTY**  
**Notes to Consolidated Financial Statements**  
**Year Ended December 31, 2014**

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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 2014, including contributions on behalf of employees were \$249,819 (2013 - \$207,383).

At December 31, 2013, the LAPP disclosed an actuarial deficiency of \$4.86 billion.

17. Commitments

The municipality is committed to make an annual payment of \$126,000 in 2015 to Mackenzie Municipal Services Agency as the County's planning consultant.

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. This project's anticipated start date is 2015. These costs will be paid as incurred until estimated completion date of 2016.

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 2015 is \$132,381.

The municipality is committed to make annual grant payments of \$10,000 to the Northern Lights County for 2015 and 2016 for the Manning Airport upgrades.

The municipality is committed to make annual grant payments of \$2,500 to Sorrentino's Compassion House for 2015, 2016 and 2017.

The municipality is committed to make annual grant payments of \$4,924 to the Fairview Victim's Assistance Association for 2015 and 2016.

The municipality is committed to make annual grant payments of \$75,000 to STARS for 2015, 2016 and 2017.

The municipality is committed to a contribution \$67,000 to the Town of Fairview for the Fairview Airport terminal.

The municipality is committed to completing the construction of RR123 in Bear Canyon with estimated project costs of \$232,336.

**CLEAR HILLS COUNTY**  
**Notes to Consolidated Financial Statements**  
**Year Ended December 31, 2014**

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18. 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.

19. 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 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.

20. Approval of financial statements

Council and Management have approved these financial statements.

21. Budget amounts

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