



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, 2013, 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, 2013, 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
May 27, 2014

Wilde + Company
Chartered Accountants

CLEAR HILLS COUNTY
Consolidated Statement of Financial Position
As at December 31, 2013

	2013	2012
	\$	\$
ASSETS		
Financial Assets		
Cash and temporary investments (Note 4)	1,367,132	2,425,629
Receivables		
Taxes and grants in place of taxes receivable (Note 5)	992,054	884,869
Due from governments	2,015,874	2,610,214
Trade and other receivables	323,078	394,667
Loans receivable (Note 6)	1,416,000	-
Land held for resale	1,012,090	1,002,082
Investments (Note 7)	27,030,119	37,348,837
	34,156,347	44,666,298
LIABILITIES		
Accounts payable and accrued liabilities	3,452,459	4,073,883
Accrued employee obligations (Note 8)	200,897	191,192
Deferred revenue (Note 9)	224,177	446,785
Provision for landfill closure and post-closure costs (Note 10)	489,838	480,317
Long term debt (Note 11)	2,426,937	2,921,937
	6,794,308	8,114,114
NET FINANCIAL ASSETS	27,362,039	36,552,184
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 13)	68,093,999	50,409,461
Inventory for consumption (Note 14)	4,443,689	4,934,723
Prepaid expenses	5,584	147,986
	72,543,272	55,492,170
ACCUMULATED SURPLUS (Note 15)	99,905,311	92,044,354

Commitments and Contingencies - See Notes 18 and 19

CLEAR HILLS COUNTY
Consolidated Statement of Operations
Year Ended December 31, 2013

	Budget \$ (Unaudited)	2013 \$	2012 \$
Revenues			
Net municipal taxes (Schedule 3)	15,165,416	15,159,621	14,321,389
User fees and sales of goods	306,200	291,987	325,132
Government transfers for operating (Schedule 4)	1,342,777	551,493	1,112,621
Investment income	200,000	911,718	1,396,348
Penalties and costs on taxes	63,200	190,889	109,676
Licenses and permits	22,800	2,325	3,020
Rental	30,600	50,128	43,626
Well drilling taxes	100,000	61,106	170,148
Other	167,832	95,765	113,666
Total revenue	17,398,825	17,315,032	17,595,626
Expenses			
Legislative	488,719	400,209	408,197
Administration	1,154,165	1,537,912	1,075,963
Emergency services	407,764	379,453	330,247
Roads, streets, walks, lighting	8,487,216	7,312,813	6,740,555
Water supply and distribution	386,289	401,028	341,256
Wastewater treatment and disposal	49,480	36,707	42,250
Waste management	399,751	304,251	329,956
Public health and welfare	112,050	143,493	143,612
Agriculture and community service	1,727,640	1,703,782	1,066,873
Subdivision land and development	492,568	410,030	474,183
Recreation and culture	394,009	450,513	381,972
Total expenses	14,099,651	13,080,191	11,335,064
Excess of revenue over expenses before Government transfers	3,299,174	4,234,841	6,260,562
Government transfers for capital (Schedule 4)	7,184,200	3,626,116	11,596,903
Other capital contributions	-	-	409,469
Excess of revenues over expenses	10,483,374	7,860,957	18,266,934
Reclassification of bridge projects	-	-	804,713
Adjusted excess of revenue over expenditures	10,483,374	7,860,957	19,071,647
Accumulated surplus - beginning of the year	92,044,354	92,044,354	72,972,707
Accumulated surplus - end of the year	102,527,728	99,905,311	92,044,354

CLEAR HILLS COUNTY
Consolidated Statement of Change in Net Financial Assets
Year Ended December 31, 2013

	Budget \$ (Unaudited)	2013 \$	2012 \$
Excess of revenue over expenses	10,483,374	7,860,957	19,071,647
Acquisition of tangible capital assets	(36,433,400)	(19,553,029)	(17,985,117)
Proceeds on disposal of tangible capital assets	99,500	-	18,034
Amortization of tangible capital assets	1,961,555	1,868,491	1,889,199
Loss on sale of tangible capital assets	83,201	-	3,199
	(23,805,770)	(9,823,581)	2,996,962
Net acquisition of supplies inventories	1,000,000	491,034	(510,684)
Net use (acquisition) of prepaid assets	-	142,402	(124,243)
Increase in net assets	-	633,436	(634,927)
Net financial assets, beginning of year	36,552,184	36,552,184	34,190,149
Net financial assets, end of year	12,746,414	27,362,039	36,552,184

CLEAR HILLS COUNTY
Consolidated Statement of Cash Flows
Year Ended December 31, 2013

	2013	2012
	\$	\$
Operating		
Excess of revenue over expenses	7,860,957	19,071,647
Net changes in non-cash items included in excess of revenues over expenses		
Amortization of tangible capital assets	1,868,491	1,889,199
Loss on disposal of tangible capital assets	-	3,199
Net changes in non-cash charges to operation		
Increase in taxes and grants in lieu receivable	(107,185)	(547,589)
Decrease (increase) in government receivables	594,340	(183,617)
Decrease (increase) in trade and other receivables	71,589	(176,026)
Increase in loans receivable	(1,416,000)	-
Increase in land held for resale	(10,008)	(19,473)
Decrease (increase) in inventories	491,034	(510,684)
Decrease (increase) in prepaid expenses	142,402	(124,243)
Increase (decrease) in accounts payable and accrued liabilities	(621,424)	2,222,301
Increase in employee benefit obligations	9,705	4,270
Increase (decrease) in deferred revenue	(222,608)	260,416
Increase in provision for landfill closure/post-closure	9,521	9,521
	809,857	2,827,274
<i>Net cash provided by operating transactions</i>	8,670,814	21,898,921
Capital		
Acquisition of tangible capital assets	(19,553,029)	(17,985,117)
Proceeds on sale of tangible capital assets	-	18,034
<i>Net cash applied to capital transactions</i>	(19,553,029)	(17,967,083)
Investing		
Increase in restricted cash or cash equivalents	222,608	(260,416)
Increase in investments	10,318,718	(16,056,569)
<i>Net cash applied to investing transactions</i>	10,541,326	(16,316,985)
Financing		
Long term debt issued	-	989,363
Long term debt repaid	(495,000)	(495,000)
<i>Net cash provided by financing transactions</i>	(495,000)	494,363
Change in cash and cash equivalents during the year	(835,889)	(11,890,784)
Cash and cash equivalents, beginning of year	1,978,844	13,869,628
Cash and cash equivalents, end of year	1,142,955	1,978,844
Cash and cash equivalents is made up of:		
Cash and temporary investments (Note 4)	1,367,132	2,425,629
Less: restricted portion of cash and temporary investments (Note 4)	(224,177)	(446,785)
	1,142,955	1,978,844

See accompanying notes

CLEAR HILLS COUNTY
Schedule of Changes in Accumulated Surplus
Year Ended December 31, 2013
Schedule 1

	Unrestricted Surplus	Restricted Operating	Restricted Capital	Equity in Capital Assets	2013 \$	2012 \$
Balance, beginning of year	1,115,170	5,772,228	34,747,495	50,409,461	92,044,354	72,972,707
Excess of revenues over expenses	7,860,957	-	-	-	7,860,957	19,071,647
Unrestricted funds designated for future use	(8,145,333)	286,022	7,859,311	-	-	-
Restricted funds used for Tangible Capital Assets	-	-	(17,968,914)	17,968,914	-	-
Current year funds used for Tangible Capital Assets	(1,584,115)	-	-	1,584,115	-	-
Annual amortization expense	1,868,491	-	-	(1,868,491)	-	-
Balance, end of year	1,115,170	6,058,250	24,637,892	68,093,999	99,905,311	92,044,354

CLEAR HILLS COUNTY
Schedule of Tangible Capital Assets
Year Ended December 31, 2013
Schedule 2

	Land	Buildings	Engineered Structures	Machinery and Equipment	Vehicles	2013 \$	2012 \$
Cost							
Balance, beginning of year	603,832	7,987,112	83,374,363	2,647,182	891,622	95,504,111	77,543,494
Acquisition of tangible capital assets	-	-	16,517,463	399,744	29,225	16,946,432	640,462
Construction in progress	-	-	2,606,597	-	-	2,606,597	16,539,942
Disposal of tangible capital assets	-	-	(154,797)	-	-	(154,797)	(24,500)
Reclassification of projects	-	(5,403,381)	5,403,381	-	-	-	804,713
Balance, end of year	603,832	2,583,731	107,747,007	3,046,926	920,847	114,902,343	95,504,111
Accumulated amortization							
Balance, beginning of year	-	1,406,704	42,029,764	1,056,417	601,765	45,094,650	43,208,718
Annual amortization	-	93,742	1,601,815	134,586	38,348	1,868,491	1,889,199
Accumulated amortization on disposals	-	-	(154,797)	-	-	(154,797)	(3,267)
Balance, end of year	-	1,500,446	43,476,782	1,191,003	640,113	46,808,344	45,094,650
Net book value of tangible capital assets	603,832	1,083,285	64,270,225	1,855,923	280,734	68,093,999	50,409,461
2012 Net book value of tangible capital assets	603,832	6,580,408	41,344,599	1,590,765	289,578		50,409,461

CLEAR HILLS COUNTY
Schedule of Property and Other Taxes
Year Ended December 31, 2013
Schedule 3

	Budget \$ (Unaudited)	2013 \$	2012 \$
Taxation			
Real property taxes	18,374,862	5,982,310	5,957,267
Linear property	-	12,451,783	11,561,853
Government grants in place of property taxes	-	10,621	11,707
	18,374,862	18,444,714	17,530,827
Requisitions			
Alberta School Foundation Fund	2,931,447	3,017,332	2,931,439
North Peace Housing Foundation	277,999	267,761	277,999
	3,209,446	3,285,093	3,209,438
Net Municipal Taxes	15,165,416	15,159,621	14,321,389

CLEAR HILLS COUNTY
Schedule of Government Transfers
Year Ended December 31, 2013
Schedule 4

	Budget	2013	2012
	\$	\$	\$
	(Unaudited)		
Transfers for Operating			
Provincial Government	1,342,777	551,493	1,112,621
	1,342,777	551,493	1,112,621
Transfers for Capital			
Provincial Government	7,184,200	3,626,116	11,596,903
	7,184,200	3,626,116	11,596,903
Total Government Transfers	8,526,977	4,177,609	12,709,524

CLEAR HILLS COUNTY
Schedule of Consolidated Expenses by Object
Year Ended December 31, 2013
Schedule 5

	Budget	2013	2012
	\$	\$	\$
	(Unaudited)		
Consolidated Expenses by Object			
Salaries, wages and benefits	2,379,225	2,035,747	1,996,627
Contracted and general services	5,906,789	5,181,273	4,593,778
Materials, goods, supplies and utilities	1,726,200	1,216,506	1,312,320
Transfers to local boards and agencies	2,123,681	2,320,105	1,533,635
Bank charges and short term interest	2,200	5,659	6,306
Amortization of tangible capital assets	1,961,555	1,868,491	1,889,199
Allowance for doubtful accounts	-	452,410	-
Loss on disposal of tangible capital assets	83,201	-	3,199
	14,182,851	13,080,191	11,335,064

CLEAR HILLS COUNTY
Schedule of Segmented Disclosure
Year Ended December 31, 2013
Schedule 6

	General Government	Protective Services	Transportation Services	Environmental Services	Public Health	Planning & Development	Recreation & Culture	Other	Total \$
Revenue									
Net municipal taxes	-	-	-	-	-	-	-	15,159,621	15,159,621
Government transfers	927,432	-	1,705,213	1,241,878	78,227	224,859	-	-	4,177,609
User fees and sales of goods	-	10,367	13,664	250,657	-	53,652	-	16,100	344,440
Investment income	6,427	4,885	643,123	128,318	599	115,499	12,867	-	911,718
Other revenues	8,250	23,430	1,665	4,455	-	26,059	-	283,901	347,760
	942,109	38,682	2,363,665	1,625,308	78,826	420,069	12,867	15,459,622	20,941,148
Expenses									
Salaries, wages and benefits	835,679	94,065	522,316	190,114	-	393,573	-	-	2,035,747
Contracted and general services	597,587	103,851	4,011,354	264,835	299	200,986	2,361	-	5,181,273
Materials, goods, supplies and utilities	23,575	40,274	1,106,176	9,416	-	37,065	-	-	1,216,506
Transfers to local boards and agencies	625	71,256	3,000	185,474	143,194	1,468,404	448,152	-	2,320,105
Other expenses	456,176	-	346	1,494	-	53	-	-	458,069
	1,913,642	309,446	5,643,192	651,333	143,493	2,100,081	450,513	-	11,211,700
Net revenue before amortization and adjustments	(971,533)	(270,764)	(3,279,527)	973,975	(64,667)	(1,680,012)	(437,646)	15,459,622	9,729,448
Amortization of tangible capital assets	24,479	70,007	1,669,621	90,653	-	13,731	-	-	1,868,491
Net revenue	(996,012)	(340,771)	(4,949,148)	883,322	(64,667)	(1,693,743)	(437,646)	15,459,622	7,860,957

CLEAR HILLS COUNTY
Notes to Consolidated Financial Statements
Year Ended December 31, 2013

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. Property tax revenue is recognized when the tax is levied.

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.

(continues)

CLEAR HILLS COUNTY
Notes to Consolidated Financial Statements
Year Ended December 31, 2013

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, 2013

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, 2013

2. Adoption of recent accounting pronouncements

The following accounting standards have been issued by the Canadian Institute of Chartered Accountants (CICA). These sections are effective for fiscal periods beginning on or after April 1, 2012 and have been applied retrospectively.

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. There was no significant effect of adopting this accounting policy on the current period financial results. This standard was adopted as it was issued by the Canadian Institute of Chartered Accountants (CICA).

Section PS 3510 – Tax Revenue

This new standard establishes recognition, measurement, presentation and disclosure standards relating to tax revenue reported in financial statements. There was no significant effect of adopting this accounting policy on the current period financial results. This standard was adopted as it was issued by the Canadian Institute of Chartered Accountants (CICA).

3. 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, 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, 2013

4. Cash and temporary investments

	2013	2012
Cash	\$ 1,347,100	\$ 321,471
Temporary investments	20,032	2,104,158
	\$ 1,367,132	\$ 2,425,629

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

Included in temporary investments is a restricted amount of \$224,177 (2012 - \$446,785) all of which relates to the 2013 Municipal Sustainability Initiative capital grant.

5. Taxes and grants in place of taxes receivable

	2013	2012
Current taxes and grants in place of taxes	\$ 1,066,526	\$ 652,457
Arrears taxes	377,839	232,412
	1,444,365	884,869
Less: allowance for doubtful accounts	(452,311)	-
	\$ 992,054	\$ 884,869

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, 2013

6. Loans receivable

	2013	2012
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, 2013 the prime interest rate is 3%.	\$ 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, 2013 the prime interest rate is 3%.	916,000	-
	1,416,000	-
Amounts receivable within one year	(64,092)	-
	\$ 1,351,908	\$ -

Principal repayment terms are approximately:

2014	\$ 64,092
2015	73,002
2016	75,966
2017	79,051
2018	82,261
Thereafter	<u>1,041,628</u>
	\$ 1,416,000

7. Investments

	2013		2012	
	Cost	Market value	Cost	Market value
Alberta Municipal Financing Corporation shares	\$ 100	\$ 100	\$ 100	\$ 100
Government and government guaranteed bonds	27,030,019	26,716,942	37,348,737	37,605,542
	\$ 27,030,119	\$ 26,717,042	\$ 37,348,837	\$ 37,605,642

Government and government guaranteed bonds have effective interest rates of 2.23% to 4.75% (2012 – 2.65% to 5.05%) with maturity dates from December 22, 2014 to September 1, 2023.

Council has designated funds of \$24,637,892 (2012 - \$34,747,495) included in the above amounts for capital projects.

CLEAR HILLS COUNTY
Notes to Consolidated Financial Statements
Year Ended December 31, 2013

8. Employee benefit obligations

	2013	2012
Vacation and sick time	\$ 200,897	\$ 191,192

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.

9. Deferred revenue

	2013	2012
Municipal Sustainability Initiative grant	\$ 224,177	\$ -
Final Mile Rural Community Program grant	-	240,600
Federal Gas Tax Fund grant	-	183,519
Streets Improvement Program grant	-	22,666
	\$ 224,177	\$ 446,785

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 4).

10. Landfill closure and post-closure liability

Alberta environmental law requires closure and post-closure care of landfill sites, which includes final covering and landscaping, pumping of ground water and leachates from the site, and ongoing environmental monitoring, site inspections and maintenance.

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

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

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

In 2002, the municipality joined the North Peace Regional Landfill Commission (NPRLC). This commission was established to construct a new regional landfill to replace the aging landfills within the municipality. Clear Hills 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.

	2013	2012
Estimated closure and post-closure costs	\$ 489,838	\$ 480,317

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

	2013	2012
Tax supported debentures	\$ 2,426,937	\$ 2,921,937

Principal repayment terms are approximately:

2014	\$ 495,000
2015	495,000
2016	495,000
2017	495,000
2018	446,937
	<u>\$ 2,426,937</u>

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

12. Debt limits

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

	2013	2012
Total debt limit	\$ 25,972,548	\$ 26,393,439
Total debt	2,426,937	2,921,937
Amount of debt limit unused	\$ 23,545,611	\$ 23,471,502
Debt servicing limit	\$ 4,328,758	\$ 4,398,907
Debt servicing	495,000	495,000
Amount of debt servicing limit unused	\$ 3,833,758	\$ 3,903,907

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.

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Notes to Consolidated Financial Statements
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13. Equity in tangible capital assets

	2013	2012
Tangible capital assets (Schedule 2)	\$ 114,902,343	\$ 95,504,111
Accumulated amortization (Schedule 2)	(46,808,344)	(45,094,650)
	\$ 68,093,999	\$ 50,409,461

14. Inventory for consumption

	2013	2012
Gravel	\$ 4,304,308	\$ 4,798,692
Public Works	102,450	88,656
Agriculture Service Board	36,931	47,375
	\$ 4,443,689	\$ 4,934,723

15. Accumulated surplus

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

	2013	2012
Unrestricted surplus	\$ 1,115,170	\$ 1,115,170
Restricted surplus		
Operating reserves	6,058,250	5,772,228
Capital reserves	24,637,892	34,747,495
Equity in tangible capital assets	68,093,999	50,409,461
	\$ 99,905,311	\$ 92,044,354

CLEAR HILLS COUNTY
Notes to Consolidated Financial Statements
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16. Salary and benefits disclosure

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

	Salary	(1)	Benefits & allowances (2)	2013	2012
Councillor - Division 1 (Former Reeve)	\$ 31,716	\$	3,703	\$ 35,419	\$ 28,488
Councillor - Division 2	26,248		3,703	29,951	28,997
Councillor - Division 3	3,093		-	3,093	-
Councillor - Division 3 (former)	18,683		3,394	22,077	27,341
Councillor - Division 4	2,596		-	2,596	-
Councillor - Division 4 (former)	25,689		3,394	29,083	33,798
Councillor - Division 5 (Deputy Reeve)	26,496		3,703	30,199	32,225
Councillor - Division 6	25,254		3,915	29,169	25,479
Councillor - Division 7 (Reeve)	22,708		3,086	25,794	31,677
Chief Administrative Officer (CAO)	175,494		42,391	217,885	203,023
	\$ 357,977	\$	67,289	\$ 425,266	\$ 411,028

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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17. Local Authorities Pension Plan

Employees of the municipality participate in the Local Authorities Pension Plan (LAPP), which is one of the plans covered by the Alberta Public Sector Pension Plans Act. The LAPP serves about 224,000 people and 428 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 10.43% of pensionable earnings up to the year's maximum pensionable earnings under the Canada Pension Plan and 14.47% on pensionable earnings above this amount. Employees of the municipality are required to make current service contributions of 9.43% of pensionable salary up to the year's maximum pensionable salary and 13.47% on pensionable salary above this amount.

Total current service contributions by the municipality to the LAPP in 2013, including contributions on behalf of employees were \$207,383 (2012 - \$191,384).

At December 31, 2012, the LAPP disclosed an actuarial deficiency of \$4.635 billion.

18. Commitments

The municipality is committed to make an annual payment of \$123,365 in 2014 to Mackenzie Municipal Services Agency as the County's planning consultant.

The municipality is committed to make an annual requisition payment of \$267,683 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. This project's earliest anticipated start date is 2017. These costs will be paid as incurred until estimated completion date of 2019.

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 2014 is \$113,000.

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 the Clear Prairie road project. Cost to complete the project is estimated at \$2,000,000 with completion in 2014.

CLEAR HILLS COUNTY
Notes to Consolidated Financial Statements
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19. 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.

20. 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.

21. Approval of financial statements

Council and Management have approved these financial statements.

22. Budget amounts

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