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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, 2017, 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, 2017, the results of its operations, change in its net financial assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Vegreville, AB  
April 24, 2018

*Wilde + Company*

Chartered Professional Accountants

**CLEAR HILLS COUNTY**  
**Consolidated Statement of Financial Position**  
**As at December 31, 2017**

	2017	2016
	\$	\$
<b>ASSETS</b>		
<b>Financial Assets</b>		
Cash and temporary investments (Note 3)	3,329,035	11,289,951
Receivables		
Taxes and grants in place of taxes receivable (Note 4)	118,478	902,873
Due from governments	560,746	159,428
Trade and other receivables	354,227	141,114
Land held for resale	920,414	957,167
Investments (Note 5)	29,801,979	28,876,714
	<b>35,084,879</b>	<b>42,327,247</b>
<b>LIABILITIES</b>		
Accounts payable and accrued liabilities (Note 6)	2,880,976	4,194,453
Accrued employee obligations (Note 7)	210,225	222,598
Provision for landfill closure and post-closure costs (Note 8)	527,480	517,948
Long term debt (Note 9)	890,942	1,258,242
	<b>4,509,623</b>	<b>6,193,241</b>
<b>NET FINANCIAL ASSETS</b>	<b>30,575,256</b>	<b>36,134,006</b>
<b>NON-FINANCIAL ASSETS</b>		
Tangible capital assets (Note 11)	84,191,697	77,485,831
Inventory for consumption (Note 12)	2,272,817	2,485,181
Prepaid expenses	83,551	90,200
	<b>86,548,065</b>	<b>80,061,212</b>
<b>ACCUMULATED SURPLUS (Note 13)</b>	<b>117,123,321</b>	<b>116,195,218</b>

Commitments and Contingencies - See Notes 16 and 17

**CLEAR HILLS COUNTY**  
**Consolidated Statement of Operations**  
**As at December 31, 2017**

	Budget \$ (Unaudited)	2017 \$	2016 \$
<b>Revenues</b>			
Net municipal taxes (Schedule 3)	15,700,719	<b>13,450,595</b>	15,000,652
User fees and sales of goods	283,100	<b>287,017</b>	279,857
Government transfers for operating (Schedule 4)	428,646	<b>527,714</b>	481,953
Investment income	276,229	<b>877,472</b>	812,208
Penalties and costs on taxes	254,500	<b>546,155</b>	318,277
Licenses and permits	6,500	<b>23,858</b>	12,997
Rental	65,350	<b>59,139</b>	49,064
Well drilling taxes	20,000	<b>41,239</b>	20,600
Other	48,000	<b>78,184</b>	94,172
<b>Total revenue</b>	<b>17,083,044</b>	<b>15,891,373</b>	17,069,780
<b>Expenses</b>			
Legislative	481,645	<b>422,096</b>	387,802
Administration	1,669,320	<b>3,668,514</b>	3,053,626
Emergency services	490,896	<b>461,181</b>	476,354
Roads, streets, walks, lighting	10,177,952	<b>8,015,254</b>	7,508,177
Water supply and distribution	854,268	<b>799,193</b>	751,787
Wastewater treatment and disposal	44,596	<b>39,653</b>	34,959
Waste management	526,852	<b>495,415</b>	464,252
Public health and welfare	140,891	<b>119,221</b>	150,659
Agriculture and community service	1,273,584	<b>1,686,069</b>	3,203,855
Subdivision, land and development	436,629	<b>415,156</b>	560,532
Recreation and culture	389,702	<b>698,973</b>	358,734
<b>Total expenses</b>	<b>16,486,335</b>	<b>16,820,725</b>	16,950,737
<b>Excess of revenue over expenses before Government transfers</b>	596,709	<b>(929,352)</b>	119,043
Government transfers for capital (Schedule 4)	-	<b>1,857,455</b>	1,917,656
<b>Excess of revenues over expenses</b>	596,709	<b>928,103</b>	2,036,699
Accumulated surplus - beginning of the year	116,195,218	<b>116,195,218</b>	114,158,519
Accumulated surplus - end of the year (Schedule 1)	116,791,927	<b>117,123,321</b>	116,195,218

**CLEAR HILLS COUNTY**  
**Consolidated Statement of Change in Net Financial Assets**  
**As at December 31, 2017**

	Budget \$ (Unaudited)	2017 \$	2016 \$
Excess of revenue over expenses	596,709	<b>928,103</b>	2,036,699
Acquisition of tangible capital assets	(20,430,416)	<b>(9,920,536)</b>	(12,215,833)
Proceeds on disposal of tangible capital assets	-	<b>37,325</b>	116,365
Amortization of tangible capital assets	3,339,813	<b>3,171,587</b>	3,190,735
Loss on sale of tangible capital assets	-	<b>5,758</b>	66,166
	<b>(17,090,603)</b>	<b>(6,705,866)</b>	<b>(8,842,567)</b>
Net use of supplies inventories	495,000	<b>212,364</b>	600,833
Net use of prepaid assets	-	<b>6,649</b>	3,076
	495,000	<b>219,013</b>	603,909
Decrease in net assets	(15,998,894)	(5,558,750)	(6,201,959)
Net financial assets, beginning of year	36,134,006	<b>36,134,006</b>	42,335,965
Net financial assets, end of year	19,538,403	<b>30,575,256</b>	<b>36,134,006</b>

**CLEAR HILLS COUNTY**  
**Consolidated Statement of Cash Flows**  
**As at December 31, 2017**

	2017 \$	2016 \$
<b>Operating</b>		
Excess of revenue over expenses	928,103	2,036,699
Net changes in non-cash items included in excess of revenues over expenses		
Amortization of tangible capital assets	3,171,587	3,190,735
Loss on disposal of tangible capital assets	5,756	66,166
Net changes in non-cash charges to operation		
Decrease (increase) in taxes and grants in lieu receivable	784,395	(277,847)
Increase in government receivables	(401,318)	(95,706)
Decrease (increase) in trade and other receivables	(213,113)	85,172
Decrease in loans receivable	-	1,338,558
Decrease in land held for resale	36,753	-
Decrease in inventories	212,364	600,833
Decrease in prepaid expenses	6,649	3,076
Increase (decrease) in accounts payable and accrued liabilities	(1,313,475)	2,052,450
Increase (decrease) in accrued employee obligations	(12,373)	51,344
Decrease in deferred revenue	-	(32,475)
Increase in provision for landfill closure/post-closure	9,532	9,068
<i>Net cash provided by operating transactions</i>	<b>3,214,860</b>	<b>9,028,073</b>
<b>Capital</b>		
Acquisition of tangible capital assets	(9,920,536)	(12,215,833)
Proceeds on sale of tangible capital assets	37,325	116,365
<i>Net cash applied to capital transactions</i>	<b>(9,883,211)</b>	<b>(12,099,468)</b>
<b>Investing</b>		
Decrease in restricted cash or cash equivalents	-	32,475
Increase in investments	(925,265)	(2,805,425)
<i>Net cash applied to investing transactions</i>	<b>(925,265)</b>	<b>(2,772,950)</b>
<b>Financing</b>		
Long term debt issued	127,700	35,575
Long term debt repaid	(495,000)	(495,000)
<i>Net cash applied to financing transactions</i>	<b>(367,300)</b>	<b>(459,425)</b>
<b>Change in cash and cash equivalents during the year</b>	<b>(7,960,916)</b>	<b>(6,303,770)</b>
Cash and cash equivalents, beginning of year	11,289,951	17,593,721
<b>Cash and cash equivalents, end of year</b>	<b>3,329,035</b>	<b>11,289,951</b>
Cash and cash equivalents is made up of:		
Cash and temporary investments (Note 3)	3,329,035	11,289,951
Cash flows supplementary information:		
Interest received	877,472	812,208

See accompanying notes

**CLEAR HILLS COUNTY**

**Schedule of Changes in Accumulated Surplus**

**As at December 31, 2017**

**(Schedule 1)**

	Unrestricted Surplus	Restricted Operating	Restricted Capital	Equity in Capital Assets	2017 \$	2016 \$
Balance, beginning of year	1,922,914	5,540,317	31,246,156	77,485,831	<b>116,195,218</b>	114,158,519
Excess of revenues over expenses	928,103	-	-	-	928,103	2,036,699
Reallocation of prior year surplus	-	(1,541,049)	1,541,049	-	-	-
Unrestricted funds designated for future use	(796,417)	(699,898)	1,496,315	-	-	-
Restricted funds used for Tangible Capital Assets	-	-	(9,920,536)	9,920,536	-	-
Net book value of Tangible Capital Assets disposed of	43,083	-	-	(43,083)	-	-
Annual amortization expense	3,171,587	-	-	(3,171,587)	-	-
Balance, end of year	5,269,270	3,299,370	24,362,984	84,191,697	<b>117,123,321</b>	116,195,218

**CLEAR HILLS COUNTY**  
**Schedule of Tangible Capital Assets**  
**As at December 31, 2017**

(Schedule 2)

	Land	Buildings	Engineered Structures	Machinery & Equipment	Vehicles	2017 \$	2016 \$
<b>Cost</b>							
Balance, beginning of year	616,864	2,469,333	125,689,311	3,230,957	815,098	132,821,563	121,184,070
Acquisition of tangible capital assets	-	-	9,697,862	56,488	33,865	9,788,215	622,573
Construction in progress	-	-	132,321	-	-	132,321	11,593,260
Disposal of tangible capital assets	-	-	-	(93,433)	(73,400)	(166,833)	(578,340)
Balance, end of year	616,864	2,469,333	135,519,494	3,194,012	775,563	142,575,267	132,821,563
<b>Accumulated amortization</b>							
Balance, beginning of year	-	1,670,105	51,889,107	1,254,771	521,749	55,335,732	52,540,806
Annual amortization	-	94,500	2,823,882	203,488	49,717	3,171,587	3,190,735
Accumulated amortization on disposals	-	-	-	(57,447)	(66,302)	(123,749)	(395,809)
Balance, end of year	-	1,764,605	54,712,989	1,400,812	505,164	58,383,570	55,335,732
<b>Net book value of tangible capital assets</b>	616,864	704,728	80,806,505	1,793,200	270,399	84,191,697	77,485,831
2016 Net book value of tangible capital assets	616,864	799,228	73,800,204	1,976,186	293,349		77,485,831

**CLEAR HILLS COUNTY**  
**Schedule of Property and Other Taxes**  
**As at December 31, 2017**

**(Schedule 3)**

	Budget \$ (Unaudited)	2017 \$	2016 \$
<b>Taxation</b>			
Real property taxes	19,231,905	<b>5,793,109</b>	5,975,048
Linear property	-	<b>11,189,136</b>	12,752,111
Government grants in place of property taxes	-	<b>8,187</b>	7,961
	19,231,905	<b>16,990,432</b>	18,735,120
<b>Requisitions</b>			
Alberta School Foundation Fund	3,118,554	<b>3,117,585</b>	3,316,876
North Peace Housing Foundation	412,632	<b>422,252</b>	417,592
	3,531,186	<b>3,539,837</b>	3,734,468
<b>Net Municipal Taxes</b>	15,700,719	<b>13,450,595</b>	15,000,652



**CLEAR HILLS COUNTY**  
**Schedule of Government Transfers**  
**As at December 31, 2017**

*(Schedule 4)*

	Budget \$ (Unaudited)	2017 \$	2016 \$
<b>Transfers for Operating</b>			
Provincial Government	428,646	<b>527,714</b>	481,953
	428,646	<b>527,714</b>	481,953
<b>Transfers for Capital</b>			
Provincial Government	-	<b>1,857,455</b>	1,917,656
	-	<b>1,857,455</b>	1,917,656
<b>Total Government Transfers</b>	428,646	<b>2,385,169</b>	2,399,609

**CLEAR HILLS COUNTY**  
**Schedule of Consolidated Expenses by Object**  
**As at December 31, 2017**

*(Schedule 5)*

	Budget \$ (Unaudited)	2017 \$	2016 \$
<b>Consolidated Expenses by Object</b>			
Salaries, wages and benefits	2,911,267	<b>2,371,266</b>	2,423,734
Contracted and general services	6,893,376	<b>5,179,589</b>	4,708,032
Materials, goods, supplies and utilities	1,917,503	<b>1,480,249</b>	1,384,076
Transfers to local boards and agencies	1,397,820	<b>2,250,609</b>	3,440,980
Bank charges and short term interest	3,000	<b>5,278</b>	3,539
Amortization of tangible capital assets	3,339,813	<b>3,171,587</b>	3,190,735
Allowance for doubtful accounts	-	<b>2,356,391</b>	1,733,475
Loss on disposal of tangible capital assets	23,566	<b>5,756</b>	66,166
	16,486,345	<b>16,820,725</b>	16,950,737

**(Schedule 6)**

**CLEAR HILLS COUNTY**  
**Schedule of Segmented Disclosure**  
**As at December 31, 2017**

	General Government	Protective Services	Transportation Services	Environmental Services	Public Health	Planning & Development	Recreation & Culture	Other	Total \$
<b>Revenue</b>									
Net municipal taxes	-	-	-	-	-	-	-	13,450,595	13,450,595
Government transfers	139,482	-	1,857,455	-	93,873	273,359	21,000	-	2,385,169
User fees and sales of goods	-	2,035	7,500	267,363	-	10,119	-	-	287,017
Investment income	11,536	1,922	476,854	228,383	781	132,088	-	25,908	877,472
Other revenues	7,628	16,330	37,800	6,364	-	75,961	-	604,492	748,575
	158,646	20,287	2,379,609	502,110	94,654	491,527	21,000	14,080,995	17,748,828
<b>Expenses</b>									
Salaries, wages and benefits	982,175	117,018	675,314	108,647	-	488,112	-	-	2,371,266
Contracted and general services	686,293	91,792	3,525,546	528,121	330	346,881	626	-	5,179,589
Materials, goods, supplies and utilities	27,863	37,037	1,231,810	117,850	2,260	63,429	-	-	1,480,249
Transfers to local boards and agencies:	724	114,555	3,000	136,759	127,891	1,169,333	698,347	-	2,250,609
Other expenses	2,361,410	-	9,775	(222)	-	(3,538)	-	-	2,367,425
	4,058,465	360,402	5,445,445	891,155	130,481	2,064,217	698,973	-	13,649,138
<b>Net revenue before amortization and adjustments</b>	(3,899,819)	(340,115)	(3,065,836)	(389,045)	(35,827)	(1,572,690)	(677,973)	14,080,995	4,099,690
Amortization of tangible capital assets	32,145	100,779	2,569,809	443,106	-	25,748	-	-	3,171,587
<b>2017 Net revenue (expense)</b>	(3,931,964)	(440,894)	(5,635,645)	(832,151)	(35,827)	(1,598,438)	(677,973)	14,080,995	928,103
2016 Net revenue (expense)	(3,269,163)	(459,236)	(5,064,441)	(842,626)	(56,269)	(3,338,382)	(338,386)	15,405,202	2,036,699

**CLEAR HILLS COUNTY**  
**Notes to Consolidated Financial Statements**  
**Year Ended December 31, 2017**

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1. Significant accounting policies

Basis of presentation

The consolidated financial statements of the municipality are the representations of management prepared in accordance with generally accepted accounting principles for local governments established by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada. Significant aspects of the accounting policies adopted by the municipality are as follows:

Reporting entity

The consolidated financial statements reflect the assets, liabilities, revenues and expenditures, changes in fund balances and change in financial position of the reporting entity. This entity is comprised of the municipal operations plus all of the organizations that are owned or controlled by the municipality, therefore, accountable to Council for the administration of their financial affairs and resources. Included with the corporation are the following:

The schedule of taxes levied also includes requisitions for education, health, social and other external organizations that are not part of the municipal reporting entity.

The statements exclude trust assets that are administered for the benefit of external parties. Interdepartmental and organizational transactions and balances are eliminated.

Basis of accounting

The financial statements are prepared using the accrual basis of accounting. The accrual basis of accounting records revenue as it is earned and measurable. Expenses are recognized as they are incurred and measurable based upon receipt of goods or services and/or the legal obligation to pay.

Funds from external parties and earnings thereon restricted by agreement or legislation are accounted for as deferred revenue until used for the purpose specified.

Government transfers, contributions and other amounts are received from third parties pursuant to legislation, regulation or agreement and may only be used for certain programs, in the completion of specific work, or for the purchase of tangible capital assets. In addition, certain user charges and fees are collected for which the related services have yet to be performed. Revenue is recognized in the period when the related expenses are incurred, services performed or the tangible capital assets are acquired.

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**CLEAR HILLS COUNTY**  
**Notes to Consolidated Financial Statements**  
**Year Ended December 31, 2017**

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1. Significant accounting policies (*continued*)

Use of estimates

The preparation of the financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenditure during the period. Where measurement uncertainty exists, the financial statements have been prepared within reasonable limits of materiality. Actual results could differ from those estimates.

Significant estimates include:

- Amortization of tangible capital assets
- Estimated useful life of tangible capital assets
- Allowance for doubtful accounts

Cash and cash equivalents

Cash includes cash and cash equivalents. Cash equivalents are investments in treasury bills and are valued at cost plus accrued interest. The carrying amounts approximate fair value because they have maturities at the date of purchase of less than ninety days.

Tax revenue

Tax revenues are recognized when the tax has been authorized by bylaw and the taxable event has occurred.

Requisitions operate as a flow through and are excluded from municipal revenue.

Investments

Investments are recorded at amortized cost. Investment premiums and discounts are amortized on the net present value basis over the term of the respective investments. When there has been a loss in value that is other than a temporary decline, the respective investment is written down to recognize the loss.

Requisition over-levy and under-levy

Over-levies and under-levies arise from the difference between the actual property tax levy made to cover each requisition and the actual amount requisitioned.

If the actual levy exceeds the requisition, the over-levy is accrued as a liability and property tax revenue is reduced. Where the actual levy is less than the requisition amount, the under-levy is accrued as a receivable and as property tax revenue.

Requisition tax rates in the subsequent year are adjusted for any over-levies or under-levies of the prior year.

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**CLEAR HILLS COUNTY**  
**Notes to Consolidated Financial Statements**  
**Year Ended December 31, 2017**

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1. Significant accounting policies (*continued*)

Investment revenue recognition

The company recognizes revenues when they are earned, specifically when all the following conditions are met:

- amounts are fixed or can be determined
- the ability to collect is reasonably assured.

An interest accrual is recorded in order to recognize interest that has been earned but has not been received by year end.

Inventories for resale

Land held for resale is recorded at the lower of cost or net realizable value. Cost includes costs for land acquisition and improvements required to prepare the land for servicing such as clearing, stripping and levelling charges. Related development costs incurred to provide infrastructure such as water and wastewater services, roads, sidewalks and street lighting are recorded as physical assets under the respective function.

Landfill closure and post-closure liability

Pursuant to the Alberta Environmental Protection and Enhancement Act, the municipality is required to fund the closure of its landfill site and provide for post-closure care of the facility. Closure and post-closure activities include the final clay cover, landscaping, as well as surface and ground water monitoring, leachate control, and visual inspection. The requirement is being provided for over the estimated remaining life of the landfill site based on usage.

Contaminated sites liability

Contaminated sites are a result of a contamination being introduced into air, soil, water or sediment of a chemical, organic or radioactive material or live organism that exceeds an environmental standard. The liability is recorded net of any expected recoveries. A liability for remediation of a contaminated site is recognized when a site is not in productive use and is management's estimate of the cost of post-remediation including operation, maintenance and monitoring.

Government transfers

Government transfers are the transfer of assets from senior levels of government that are not the result of an exchange transaction, are not expected to be repaid in the future, or the result of a direct financial return.

Government transfers are recognized in the financial statements as revenue in the period in which events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met, and reasonable estimates of the amounts can be determined.

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**CLEAR HILLS COUNTY**  
**Notes to Consolidated Financial Statements**  
**Year Ended December 31, 2017**

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1. Significant accounting policies (*continued*)

Non-financial assets

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

a) Tangible capital assets

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

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

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

b) Contributions of tangible capital assets

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

c) Leases

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

d) Inventories

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

## CLEAR HILLS COUNTY

### Notes to Consolidated Financial Statements

Year Ended December 31, 2017

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#### 2. Recent accounting pronouncements published but not yet adopted

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

##### Section PS 2200 - Related Party Disclosures

This new Section defines a related party and establishes disclosures required for related party transactions. This Section applies to fiscal years beginning on or after April 1, 2017. Earlier adoption is permitted.

##### Section PS 3210 - Assets

This new section provides guidance for applying the definition of assets set out in Financial Statement Concepts, Section PS 1000, and establishes general disclosure standards for assets. This section applies to fiscal years beginning on or after April 1, 2017. Earlier adoption is permitted.

##### Section PS 3320 - Contingent Assets

This new Section defines and establishes disclosure standards on contingent assets. This Section applies to fiscal years beginning on or after April 1, 2017. Earlier adoption is permitted.

##### Section PS 3380 - Contractual Rights

This new Section defines and establishes disclosure standards on contractual rights. This Section applies to fiscal years beginning on or after April 1, 2017. Earlier adoption is permitted.

##### Section PS 3420 - Inter-entity Transactions

This new Section establishes standards on how to account for and report transactions between public sector entities that comprise a government's reporting entity from both a provider and recipient perspective. This Section applies to fiscal years beginning on or after April 1, 2017. Earlier adoption is permitted.

##### Section PS 3430 - Restructuring Transactions

This new Section defines a restructuring transaction and establishes standards for recognizing and measuring assets and liabilities transferred in a restructuring transaction. This Section applies to restructuring transactions occurring in fiscal years beginning on or after April 1, 2018. Earlier adoption is permitted.

##### Section PS 3450 - Financial Instruments

The new section establishes standards for recognizing and measuring financial assets, financial liabilities and non-financial derivatives. In conjunction with this new section, section PS1201, section PS 2601 and section 3041 have been amended as a consequence of the introduction of new financial instruments standards. These amendments were required to present the associated gains and losses with financial instruments recognized under the new section. The new section and the related amendments are effective for fiscal periods beginning on or after April 1, 2019.



**CLEAR HILLS COUNTY**

**Notes to Consolidated Financial Statements**

**Year Ended December 31, 2017**

3. Cash and temporary investments	2017	2016
Cash	\$ 1,426,196	\$ 677,812
Temporary investments	1,902,839	10,612,139
	<b>\$ 3,329,035</b>	<b>\$ 11,289,951</b>

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

4. Taxes and grants in place of taxes receivable	2017	2016
Current taxes and grants in place of taxes	\$ 1,725,255	\$ 2,249,330
Arrears taxes	3,453,297	1,517,776
	<b>5,178,552</b>	<b>3,767,106</b>
Less: allowance for doubtful accounts	<b>(5,060,074)</b>	<b>(2,864,233)</b>
	<b>\$ 118,478</b>	<b>\$ 902,873</b>

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

5. Investments	2017		2016	
	Cost	Market value	Cost	Market value
Alberta Municipal Financing Corporation shares	\$ 100	\$ 100	\$ 100	\$ 100
Government and government guaranteed bonds	29,801,879	29,433,755	28,876,614	28,874,366
	<b>\$ 29,801,979</b>	<b>\$ 29,433,855</b>	<b>\$ 28,876,714</b>	<b>\$ 28,874,466</b>

Government and government guaranteed bonds have effective interest rates of 1.73% to 4.00% (2016 – 1.61% to 4.10%) with maturity dates from June 27, 2018 to December 9, 2026.

Council has designated funds of \$24,362,984 (2016 - \$31,246,156) for capital projects and funds of \$3,299,369 (2016 - \$5,540,317) for operations. These are supported by the above investments, cash and temporary investments.

**CLEAR HILLS COUNTY**  
**Notes to Consolidated Financial Statements**  
**Year Ended December 31, 2017**

6. Accounts payable and accrued liabilities

Included in accounts payable are the following:

	2017	2016
Trade accounts payable and accrued liabilities	\$ 2,856,386	\$ 4,173,112
Government payroll remittance payable	24,590	21,341
	<b>\$ 2,880,976</b>	<b>\$ 4,194,453</b>

7. Employee benefit obligations

	2017	2016
Vacation and sick time accrual	\$ 210,225	\$ 222,598

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

In 2002, the municipality joined the North Peace Regional Landfill Commission (NPRLC). This commission was established to construct a new regional landfill to replace the aging landfills within the municipality. Clear Hills County has constructed four transfer stations to date and intends to continue to construct more transfer stations on the existing landfill sites, thus delaying the post-closure requirements for a number of these landfills.

	2017	2016
Estimated closure and post-closure costs	\$ 527,480	\$ 517,948

**CLEAR HILLS COUNTY**  
**Notes to Consolidated Financial Statements**  
**Year Ended December 31, 2017**

9. Long term debt

	2017	2016
Tax supported debentures	\$ 890,942	\$ 1,258,242
	<b>\$ 890,942</b>	<b>\$ 1,258,242</b>

Principal repayment terms are approximately:

2018	\$ 495,000
2019	395,942
	<b>\$ 890,942</b>

Debenture debt is a non-interest bearing 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 company be disclosed as follows:

	2017	2016
Total debt limit	\$ 23,837,060	\$ 25,604,670
Total debt	(890,942)	(1,258,242)
Amount of debt limit unused	<b>\$ 24,728,002</b>	\$ 26,862,912
Debt servicing limit	\$ 3,972,843	\$ 4,267,445
Debt servicing	(495,000)	(495,000)
Amount of debt servicing limit unused	<b>\$ 4,467,843</b>	\$ 4,762,445

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, 2017**

## 11. Equity in tangible capital assets

	2017	2016
Tangible capital assets (Schedule 2)	\$ 142,575,266	\$ 132,821,563
Accumulated amortization (Schedule 2)	(58,383,569)	(55,335,732)
	<b>\$ 84,191,697</b>	<b>\$ 77,485,831</b>

## 12. Inventory for consumption

	2017	2016
Gravel	\$ 2,191,145	\$ 2,414,663
Public Works	60,317	48,012
Agriculture Service Board	21,355	22,506
	<b>\$ 2,272,817</b>	<b>\$ 2,485,181</b>

## 13. Accumulated surplus

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

	2017	2016
Unrestricted surplus	\$ 5,269,270	\$ 1,922,914
Restricted surplus		
Operating reserves	3,299,370	5,540,317
Capital reserves	24,362,984	31,246,156
Equity in tangible capital assets	84,191,697	77,485,831
	<b>\$ 117,123,321</b>	<b>\$ 116,195,218</b>

**CLEAR HILLS COUNTY**  
**Notes to Consolidated Financial Statements**  
**Year Ended December 31, 2017**

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:

	Salary	(1)	Benefits & allowances (2)	2017 Total	2016 Total
Councillor - Division 1	\$ 30,004	\$	4,425	\$ 34,429	\$ 32,841
Councillor - Division 2	30,336		4,492	34,828	33,006
Councillor - Division 3	22,764		1,522	24,286	28,494
Councillor - Division 3	4,913		184	5,097	-
Councillor - Division 4 (Reeve)	33,406		4,492	37,898	35,393
Councillor - Division 5	29,703		4,146	33,849	31,022
Councillor - Division 6 (Deputy Reeve)	28,103		3,495	31,598	35,412
Councillor - Division 7 (Former Deputy Reeve)	29,587		4,171	33,758	34,576
Councillor - Division 7	4,543		-	4,543	-
Chief Administrative Officer	245,357		50,129 (4)	295,486	259,254
	\$ 458,716	\$	77,056	\$ 535,772	\$ 489,998

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, 2017**

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15. Local Authorities Pension Plan

Employees of the company 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 company 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 company to the LAPP in 2017, including contributions on behalf of employees, were \$306,538 (2016 - \$201,612).

At December 31, 2016, the LAPP disclosed an actuarial deficiency of \$637 million.

16. Commitments

The municipality is committed to make a 2018 payment of \$120,649 to Mackenzie Municipal Services Agency as the County's planning consultant.

The municipality is committed to make an annual requisition payment to the North Peace Housing Foundation on an ongoing basis. The requisition amount for 2018 is \$458,684.

The municipality is committed to make monthly payments of \$8,900 for the period of April 2014 to March 2019 to Alliance Assessment for contracted assessment services.

The municipality is committed to make an annual requisition payment to the North Peace Regional Landfill Commission based on the County's usage. The requisition amount for 2018 is \$128,867.

The municipality is committed to make a conditional grant payment of \$3,000,000 to the Peace River School Division for the Menno Simons School addition and modernization.

The municipality is committed to make annual grant payments of \$100,000 to STARS for 2018 to 2020.

The municipality is committed to make a 2018 grant payment of \$50,000 to the North-West Species at Risk Committee.

The municipality is committed to make a 2018 conditional operating grant payment of \$500,000 to the Village of Hines Creek.

The municipality is committed to complete the replacement of bridge project BF 73475. The remaining budget is \$47,889.

The municipality is committed to complete the construction of the access road to SW-1-85-2-W6. The remaining budget is \$84,432.

## CLEAR HILLS COUNTY

### Notes to Consolidated Financial Statements

Year Ended December 31, 2017

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#### 17. Contingent liability

The company is a member of the Alberta Municipal Insurance Exchange (MUNIX). Under the terms of the membership, the municipality could become liable for its proportionate share of any claim losses in excess of the funds held by the exchange. Any liability incurred would be accounted for as a current transaction in the year the losses are determined.

The municipality is the defendant in a lawsuit related to off-site levies amounting to \$300,000 plus interest and costs. At present, the outcome is not determinable. The amount of any future settlement would be accounted for as a current transaction in the year of the settlement.

#### 18. Segmented disclosure

The company provides a range of services to its ratepayers. For each reported segment, revenues and expenses represent both amounts that are directly attributable to the segment and amounts that are allocated on a reasonable basis. The accounting policies used in these segments are consistent with those followed in the preparation of the financial statements as disclosed in Note 1.

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

#### 19. Financial instruments

The company'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 company is not exposed to significant interest or currency risk arising from these financial instruments.

The company is subject to credit risk with respect to taxes and grants in place of taxes receivable and trade and other receivables. Credit risk arises from the possibility that taxpayers and entities to which the company 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.