



INDEPENDENT AUDITORS' REPORT

To the Reeve and Council of the Municipality of Clearwater County:

We have audited the consolidated statement of financial position of Clearwater County as at December 31, 2014 and the consolidated statements of operations, changes in net financial assets, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Managements' Responsibility for the 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 financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We have 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 of 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 auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, these consolidated financial statements present fairly, in all material respects, the consolidated financial position of Clearwater County as at December 31, 2014 and the consolidated results of its operations, the consolidated changes in its net financial assets, and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Hawkings Epp Dumont LLP

Edmonton, Alberta
April 28, 2015

Hawkings Epp Dumont LLP
Chartered Accountants

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Clearwater County
Consolidated Statement of Financial Position
As at December 31, 2014

	2014	(restated) 2013
	\$	(note 14) \$
	<u> </u>	<u> </u>
FINANCIAL ASSETS		
Cash and temporary investments (Note 2)	55,408,638	43,793,372
Receivables		
Taxes and grants in place of taxes (Note 3)	459,965	697,385
Trade and other receivables	5,009,091	3,186,776
Land held for resale inventory	2,409,046	2,443,094
Investments (Note 4)	187,804	152,489
	<u>63,474,544</u>	<u>50,273,116</u>
LIABILITIES		
Accounts payable and accrued liabilities	3,035,574	3,065,242
Deposits	8,300	9,050
Deferrred revenue (Note 7)	1,934,039	209,327
Employee Wage & Benefit Liabilities	879,996	764,511
Long-term debt (Note 5)	3,874,128	4,165,756
	<u>9,732,037</u>	<u>8,213,886</u>
NET FINANCIAL ASSETS	<u>53,742,507</u>	<u>42,059,230</u>
NON-FINANCIAL ASSETS		
Tangible capital assets (Schedule 2)	355,905,157	360,280,841
Inventory for consumption	3,797,954	3,827,028
Prepaid expenses	521,257	353,571
	<u>360,224,368</u>	<u>364,461,440</u>
ACCUMULATED SURPLUS (Schedule 1, Note 8)	<u>413,966,875</u>	<u>406,520,670</u>

Clearwater County
Consolidated Statement of Operations
For the Year Ended December 31, 2014

	BUDGET		restated (note 14)
	2014 \$	2014 \$	2013 \$
REVENUE			
Net municipal property taxes (Schedule 3)	39,021,733	38,624,418	36,358,329
User fees and sales of goods	1,397,240	1,455,177	1,125,687
Government transfers for operating (Schedule 4)	2,535,398	495,261	1,103,257
Investment income	455,000	776,440	721,099
Penalties and costs of taxes	80,000	167,514	196,680
Development levies	55,000	26,338	27,791
Licenses and permits	58,600	71,000	36,795
Well drilling taxes	2,000,000	6,790,372	4,160,783
Fines	190,000	272,678	207,885
Rentals	165,000	202,426	167,315
Other	109,250	297,280	103,160
Total Revenue	46,067,221	49,178,904	44,208,782
EXPENSES			
Legislative	445,110	439,110	434,719
Administration	2,583,830	2,420,958	2,056,890
Assessment	683,610	618,424	603,559
Fire, ambulance and protective services	4,615,693	2,350,208	2,509,157
Public works - general	1,814,015	1,779,264	1,481,334
Roads, streets, walks and lighting	9,618,334	9,968,073	9,068,602
Facilities	971,965	653,863	481,250
Water supply and distribution	103,488	103,873	241,980
Wastewater treatment and disposal	178,410	958,469	2,026,913
Waste management	923,025	923,879	702,689
Airport	42,190	46,409	34,864
Community Programming (SRO, FCSS, Senior Funding etc)	611,755	563,069	581,620
Agricultural services	1,906,580	1,949,503	1,729,298
Land use planning, zoning and development	2,171,847	1,964,848	1,672,107
Parks and recreation	5,189,698	3,188,760	1,743,116
Culture	509,149	462,705	437,584
Amortization		18,412,388	17,834,917
Contingency	1,158,685		
Total Expenses	33,527,384	46,803,802	43,640,598
ANNUAL SURPLUS BEFORE OTHER	12,539,837	2,375,101	568,184
OTHER			
Contributed tangible capital assets		12,670	
Government transfers for capital (Schedule 4)	5,996,000	7,428,492	8,193,086
Loss on disposal of tangible capital assets		(2,370,059)	(2,862,844)
ANNUAL SURPLUS	18,535,837	7,446,204	5,898,425
ACCUMULATED SURPLUS, BEGINNING OF YEAR (note 14)	406,520,670	406,520,670	400,622,246
ACCUMULATED SURPLUS, END OF YEAR	425,056,507	413,966,875	406,520,670

**Clearwater County
Consolidated Statement of Cash Flows
For the Year Ended December 31, 2014**

	2014 \$	2013 \$
NET OUTFLOW OF CASH RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING		
Annual Surplus	7,446,204	5,898,425
Non-cash items included in excess of revenue over expenses:		
Amortization of tangible capital assets	18,412,388	17,834,917
Contributed tangible capital assets	(12,670)	
Loss on disposal of tangible capital assets	2,370,059	2,862,844
Non-cash charges to operations - net change:		
Decrease (Increase) in taxes & grants in place of taxes	237,420	16,312
Decrease (Increase) in trade & other receivables	(1,822,315)	(417,635)
Decrease (Increase) in land held for resale	34,048	(87,726)
Decrease (increase) in inventory for consumption	29,074	(353,387)
Decrease (increase) in prepaid expenses	(167,686)	(52,990)
Increase (Decrease) in accounts payable and accrued liabilities	(29,668)	(3,294,540)
Increase (Decrease) in deposits	(750)	(300)
Increase (Decrease) in deferred revenue	1,724,713	(752,412)
Increase (Decrease) in wages & benefits payable	115,485	177,430
	<u>28,336,302</u>	<u>21,830,938</u>
CAPITAL		
Acquisition of tangible capital assets	(16,683,612)	(25,890,020)
Proceeds on the sale of tangible capital assets	289,519	240,498
	<u>(16,394,093)</u>	<u>(25,649,522)</u>
INVESTING		
Decrease (increase) in investments	(35,315)	(70,937)
FINANCING		
Long-term debt repaid	(291,628)	(280,288)
CHANGE IN CASH AND TEMPORARY INVESTMENTS DURING THE YEAR	11,615,266	(4,169,809)
CASH AND TEMPORARY INVESTMENTS, BEGINNING OF YEAR	<u>43,793,372</u>	<u>47,963,181</u>
CASH AND TEMPORARY INVESTMENTS, END OF YEAR	<u><u>55,408,638</u></u>	<u><u>43,793,372</u></u>

Clearwater County
Consolidated Statement of Changes in Net Financial Assets
For the Year Ended December 31, 2014

	2014 Budget	2014 \$	2013 \$
ANNUAL SURPLUS		7,446,204	5,898,424
Acquisition of tangible capital assets	(20,800,175)	(16,683,612)	(25,890,020)
Contributed tangible capital assets		(12,670)	-
Proceeds on disposal of tangible capital assets		289,519	240,498
Amortization of tangible capital assets		18,412,388	17,834,917
Loss on disposal of tangible capital assets		2,370,059	2,862,844
	<u>(20,800,175)</u>	<u>4,375,684</u>	<u>(4,951,761)</u>
Acquisition of supplies inventories		(1,728,876)	(2,747,023)
Acquisition of prepaid assets		(521,257)	(353,571)
Use of supplies inventories		1,757,951	2,393,636
Use of prepaid assets		353,571	300,581
	<u>-</u>	<u>(138,611)</u>	<u>(406,377)</u>
INCREASE IN NET FINANCIAL ASSETS	(20,800,175)	11,683,277	540,286
NET FINANCIAL ASSETS, BEGINNING OF YEAR	53,742,507	42,059,230	41,518,944
NET FINANCIAL ASSETS, END OF YEAR	32,942,332	53,742,507	42,059,230

Clearwater County
Schedule of Accumulated Surplus
For the Year Ended December 31, 2014
Schedule 1

	Unrestricted Surplus	Restricted Surplus	Equity in Tangible Capital Assets	2014 \$	restated (note 14) 2013 \$
BALANCE, BEGINNING OF YEAR	23,866	46,215,963	360,280,841	406,520,670	400,622,246
Annual Surplus	7,446,204			7,446,204	5,898,424
Unrestricted funds designated for future use	(13,549,417)	13,549,417		-	-
Restricted funds used for Operations	1,421,071	(1,421,071)		-	-
Restricted funds used for Tangible Capital Assets		(344,520)	344,520	-	-
Current year funds used for tangible capital assets	(16,351,762)		16,351,762		
Disposal of tangible capital assets	2,659,577		(2,659,577)		
Annual amortization expense	18,412,388		(18,412,388)	-	-
Change in accumulated surplus	38,061	11,783,826	(4,375,683)	7,446,204	406,520,670
BALANCE, END OF YEAR (note 8)	61,927	57,999,789	355,905,157	413,966,874	406,520,670

Clearwater County
Schedule of Tangible Capital Assets
For the Year Ended December 31, 2014
Schedule 2

	Land	Buildings	Engineered Structures	Machinery & Equipment	Vehicles	2014 \$	2013 (restated) \$
Cost:							
Balance, Beginning of Year	40,926,219	9,631,309	621,626,015	11,449,549	1,768,388	685,401,480	668,458,952
Acquisition of TCA	22,872	390,948	14,568,037	1,285,765	415,990	16,683,612	25,890,020
Contributed Assets			12,670			12,670	
Adjustment in Estimated Cost						-	(24,745)
Disposal of TCA			(7,061,072)	(404,611)	(159,327)	(7,625,010)	(8,922,748)
Balance, End of Year (1)	40,949,091	10,022,257	629,145,650	12,330,703	2,025,051	694,472,752	685,401,480
Accumulated Amortization:							
Balance, Beginning of Year	-	(1,346,543)	(319,210,435)	(3,915,724)	(647,937)	(325,120,639)	(313,129,873)
Annual Amortization	-	(194,855)	(17,341,105)	(694,462)	(181,966)	(18,412,388)	(17,834,917)
Accum Amort on Disposals	-		4,709,719	157,068	98,646	4,965,433	5,844,151
Balance, End of Year	-	(1,541,398)	(331,841,821)	(4,453,119)	(731,257)	(338,567,595)	(325,120,639)
Net Book Value of TCA's 2014	40,949,091	8,480,859	297,303,829	7,877,584	1,293,794	355,905,157	
Net Book Value of TCA's 2013	40,926,219	8,284,766	302,415,580	7,533,825	1,120,451		360,280,841

(1) Construction of capital assets in progress for 2014 is \$4,981,533 (2013 - \$3,801,281) These amounts are not being amortized.

Clearwater County
Schedule of Property and Other Taxes
For the Year Ended December 31, 2014
Schedule 3

	BUDGET		restated (note 14)
	2014 \$	2014 \$	2013 \$
TAXATION			
Real property taxes	12,768,276	12,732,994	12,510,185
Linear property taxes	43,097,407	43,032,959	40,470,053
Grants in place of property taxes	62,403	64,183	62,403
	<u>55,928,086</u>	<u>55,830,135</u>	<u>53,042,642</u>
REQUISITIONS			
Alberta School Foundation	16,237,676	16,178,708	16,062,321
Red Deer Catholic Regional Division No. 39	186,564	186,564	185,222
Westview Lodge	482,113	840,445	436,769
	<u>16,906,353</u>	<u>17,205,717</u>	<u>16,684,312</u>
NET MUNICIPAL PROPERTY TAXES	<u><u>39,021,733</u></u>	<u><u>38,624,418</u></u>	<u><u>36,358,329</u></u>

Clearwater County
Schedule of Government Transfers
For the Year Ended December 31, 2014
Schedule 4

	BUDGET		restated (note 14)
	2014	2014	2013
	\$	\$	\$
TRANSFERS FOR OPERATING			
Federal government		2,730	
Provincial government	2,501,810	487,531	1,098,257
Other local governments	33,588	5,000	5,000
	<u>2,535,398</u>	<u>495,261</u>	<u>1,103,257</u>
TRANSFERS FOR CAPITAL			
Federal government	626,000	667,253	659,064
Provincial government	5,370,000	6,761,239	7,534,022
	<u>5,996,000</u>	<u>7,428,492</u>	<u>8,193,086</u>
TOTAL GOVERNMENT TRANSFERS	<u>8,531,398</u>	<u>7,923,753</u>	<u>9,296,343</u>

Clearwater County
Schedule of Segmented Disclosure
For the Year Ended December 31, 2014
Schedule 5

	General Government	Community Services	Protective Services	Transportation Services	Planning & Development	Recreation & Culture	Environmental Services	Agricultural Services	Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$
REVENUE									
Net municipal taxes	38,624,418						90,204	461,658	38,624,418
User fees and sales of goods	8,073			439,013	456,230	7,730		216,359	1,455,177
Government transfers for operating	249,511		21,660						495,261
Government transfers for capital	5,566,278			1,673,887		188,327			7,428,492
Investment income	776,440								776,440
Contributed tangible capital assets	12,670								12,670
Well drilling taxes	6,790,372		368,753	166,097	169,466		7,600	4,161	6,790,372
Other revenue	321,159								1,037,236
	<u>52,348,921</u>		<u>390,413</u>	<u>2,278,997</u>	<u>625,696</u>	<u>196,057</u>	<u>97,804</u>	<u>682,178</u>	<u>56,620,066</u>
EXPENSES									
Salaries, wages and benefits	2,348,830	46,009	1,363,093	3,277,464	734,876	172,186	66,044	961,977	8,970,479
Contracted and general services	974,630	2,626	152,207	6,387,355	360,667	1,201,676	1,043,801	408,542	10,531,505
Materials, goods and utilities	170,890	2,354	801,274	2,736,380	29,322	7,307	86,117	573,682	4,407,326
Transfers to other governments		46,409				2,002			48,411
Transfers to local boards and agencies		70,618							70,618
Transfers to individuals and organizations	745,266	277,985	33,634			2,268,294	790,260	5,302	4,120,742
Interest on long-term debt		163,476						(10,697)	163,476
Loss (gain) on disposal of TCA			12,832	2,367,924	2,050				2,370,059
Other expenses	76,808								78,858
	<u>4,316,425</u>	<u>609,478</u>	<u>2,363,040</u>	<u>14,769,124</u>	<u>1,126,915</u>	<u>3,651,465</u>	<u>1,986,221</u>	<u>1,938,806</u>	<u>30,761,473</u>
NET REVENUE (EXPENSE)	48,032,497	(609,478)	(1,972,627)	(12,490,127)	(501,219)	(3,455,408)	(1,888,418)	(1,256,627)	25,858,592
Amortization	145,564	21,818	259,543	17,543,878	16,873	46,827	279,588	98,297	18,412,388
NET REVENUE (EXPENSE)	47,886,933	(631,296)	(2,232,170)	(30,034,005)	(518,092)	(3,502,236)	(2,168,005)	(1,354,925)	7,446,204

Clearwater County
Notes to Consolidated Financial Statements
December 31, 2014

1. Significant Accounting Policies

The consolidated financial statements of Clearwater County 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 County are as follows:

a. Reporting Entity

The consolidated financial statements reflect the assets, liabilities, revenues and expenses and changes in cash flows of the reporting entity. The entity is comprised of the municipal operations plus all of the organizations that are owned or controlled by the County and are, therefore, accountable for the administration of their financial affairs and resources. Jointly controlled organizations are reported to the extent of the County's proportionate share of ownership or control. Included with the municipality are the following:

Rocky Mountain House Airport Commission	50.0%
Clearwater Regional Fire Rescue Services	47.5%
Clearwater Regional Emergency Management Agency	67.0%

The schedule of taxes levied includes requisitions for education, seniors' lodges, 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.

Pursuant to an agreement entered into in 2001, Clearwater County, the Town of Rocky Mountain House and the Village of Caroline established a regional solid waste authority to manage and operate a solid waste system. The County provides a proportionate share of annual funding to the authority, calculated on a per capita basis. No further accounting information for the authority is included in these financial statements.

b. 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 and 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.

Clearwater County
Notes to Consolidated Financial Statements
December 31, 2014

c. Use of Estimates

The preparation of financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses 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. The County has used estimates to determine accrued liabilities, land held for resale inventory, inventory for consumption, tangible capital assets useful lives as well as provisions made for allowances for amounts receivable or any provision for impairment.

d. Investments

Investments are recorded at cost. Where there has been a loss in value that is other than a temporary decline, the respective investment is written down to recognize the loss.

e. 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.

f. Land Held for Resale

Land held for resale is recorded at the lower cost or net realizable value. Cost includes costs for land acquisitions and improvements required to prepare the land for servicing such as clearing, stripping and leveling 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.

g. 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 the 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.

h. Tax Revenue

Property tax revenue is based on market value assessments determined in accordance with the Municipal Government Act. Tax mill rates are established annually. Taxation revenues are recorded at the time tax billings are issued. Assessments are subject to appeal.

Clearwater County
Notes to Consolidated Financial Statements
December 31, 2014

i. Pension Expenditures

The County participates in three multi-employer defined benefit pension plans. Contributions for current and past service pension benefits are recorded as expenditures in the year in which they become due. See Note 10 for details of these pension plans.

j. 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 revenue over expenses, provides the consolidated Change in Net Financial Assets for the year.

i. 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:

	<u>Years</u>
Buildings	10 - 50
Engineered structures	
Roadway systems	3 - 80
Water systems	45 - 75
Wastewater systems	34 - 75
Machinery and equipment	5 - 40
Vehicles	10 - 25

One half of the annual amortization is charged in the year of acquisition and in the year of disposal. Assets under construction are not amortized until the asset is available for productive use.

ii. Contributions of Tangible Capital Assets

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

Clearwater County
Notes to Consolidated Financial Statements
December 31, 2014

k. Non-Financial Assets (continued)

iii. 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.

iv. Inventories

Inventories held for consumption are valued at the lower of cost or net realizable value with cost determined by the average cost method for gravel and sign inventory and the first in first out method for shop inventory.

2. Cash and Temporary Investments

	2014	2013
	\$	\$
Cash	38,160,221	38,756,797
Temporary investments	<u>17,248,417</u>	<u>5,036,575</u>
	<u>55,408,638</u>	<u>43,793,372</u>

Cash represents cash on hand and in bank accounts.

Temporary investments are readily convertible to cash, consist of GICs and bear interest rates between 1.90% and 3.00% per annum and mature between September 2015 and October 2016.

The above amounts include grant funding of \$1,904,039 (2013 - \$209,327) which is externally restricted for capital projects.

Clearwater County
Notes to Consolidated Financial Statements
December 31, 2014

3. Taxes and Grants in Place of Taxes Receivable

	2014	2013
	\$	\$
Current taxes and grants in place of taxes	332,317	565,536
Arrears taxes	<u>162,591</u>	<u>189,211</u>
	494,908	754,747
Less: Allowance for doubtful accounts	<u>(34,943)</u>	<u>(57,363)</u>
	<u>459,965</u>	<u>697,385</u>

4. Investments

	2014	2013
	\$	\$
Equity Shares		
Rocky Credit Union Ltd.	79,245	76,565
Rocky Mountain House Co-op Association Limited	7,500	7,500
Muniserp Pension Assets	100,989	68,354
Alberta Capital Finance Authority	<u>70</u>	<u>70</u>
	<u>187,804</u>	<u>152,489</u>

Clearwater County
Notes to Consolidated Financial Statements
December 31, 2014

5. Long-Term Debt

	2014 \$	2013 \$
Tax supported debentures	<u>3,874,128</u>	<u>4,165,756</u>

Principal and interest repayments are as follows:

	Principal \$	Interest \$	Total \$
2015	303,428	152,189	455,617
2016	315,705	139,912	455,617
2017	328,479	127,138	455,617
2018	341,770	113,847	455,617
2019	355,598	100,019	455,617
Thereafter	<u>2,229,147</u>	<u>276,747</u>	<u>2,505,894</u>
	<u>3,874,128</u>	<u>909,852</u>	<u>4,783,979</u>

Debenture debt is repayable to the Alberta Capital Finance Authority, bears interest at the rate of 4.006% per annum, and matures in 2025.

Debenture debt is issued on the credit and security of the County at large.

Interest on long-term debt amounted to \$163,476 (2013 - \$174,840).

The County's total cash payments for interest in 2014 were \$163,988 (2013 - \$175,330).

Clearwater County
Notes to Consolidated Financial Statements
December 31, 2014

6. Debt Limits

Section 276 (2) of the Municipal Government Act requires that debt and debt limits as defined by Alberta regulation 255/00 for Clearwater County be disclosed as follows:

	2014	2013
	\$	\$
Total debt limit	73,768,356	67,085,886
Total debt	<u>3,874,128</u>	<u>4,165,756</u>
Amount of debt limit unused	<u>69,894,228</u>	<u>62,920,130</u>
Debt servicing limit	12,294,726	11,180,981
Debt servicing	<u>455,617</u>	<u>455,617</u>
Amount of debt servicing limit unused	<u>11,839,109</u>	<u>11,636,598</u>

The debt limit is calculated at 1.5 times revenue of the municipality (as defined in Alberta Regulation 255/00) 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 calculations taken alone do not represent the financial stability of the municipality. Rather, the financial statements must be interpreted as a whole.

The County has a revolving line of credit in the amount of \$4,850,000 available through Alberta Treasury Branches. No borrowings were made against the line of credit during the year.

Clearwater County
Notes to Consolidated Financial Statements
December 31, 2014

7. Deferred Revenue

	<u>Dec 31, 2013</u>	<u>Funds</u> <u>Received</u>	<u>Funds Used</u>	<u>Balance Dec 31,</u> <u>2014</u>
MCFP Grant	\$188,327	-	\$188,327	-
Penn West Environmental Grant	\$21,000	-	\$3,000	\$18,000
Farm Credit Canada	-	\$10,000	-	\$10,000
FREC Funding	-	\$2,904,334	\$1,028,295	\$1,876,039
Land Sales	<u>-</u>	<u>\$30,000</u>	<u>-</u>	<u>\$30,000</u>
Totals	<u>\$209,327</u>	<u>\$2,944,334</u>	<u>\$191,327</u>	<u>\$1,934,039</u>

FREC (Flood Recovery Erosion Control Program)

These are funds designated to be used in approved projects ongoing from the 2013 Flood damage.

Major Community Facility Program (MCFP)

This grant supports the construction of the recreation grounds in Caroline.

Other Grants

Various other provincial grants are recognized as revenue in the year in which the related expenditure is incurred.

Land Sales

Deposit taken for a land sale that did not finalize in 2014

Clearwater County
Notes to Consolidated Financial Statements
December 31, 2014

8. Accumulated Surplus

	2014 \$	2013 \$
Unrestricted surplus	<u>61,927</u>	<u>23,867</u>
Restricted reserves:		
Municipal, Recreation & School	2,076,142	2,221,142
County Facilities Capital	3,636,455	1,529,954
Work in Progress	2,670,000	2,089,447
Nordegg	(1,723,542)	(1,904,154)
Tax rate stabilization	9,935,500	5,640,930
Airport	64,500	64,500
Fire - capital	936,910	658,318
Disaster	2,000,000	762,274
Public works - capital	2,725,000	2,625,000
Paving	8,470,046	7,300,000
Gravel	4,407,953	4,407,953
Gravel reclamation	3,972,047	3,030,000
Resource roads	3,000,000	3,000,000
Sewer	6,321,055	7,431,781
Agricultural services	660,000	680,000
Regional fire	22,723	23,816
Bridge deficit	5,475,000	5,475,000
North Saskatchewan River Park	500,000	500,000
High speed internet	2,250,000	250,000
GIS Air Photo's	-	120,000
JEPP designated	-	10,000
West Country Roads	<u>600,000</u>	<u>300,000</u>
	57,999,789	46,215,962
Equity in tangible capital assets (restated 2013 note 14)	<u>355,905,157</u>	<u>360,280,841</u>
	<u>413,966,875</u>	<u>406,520,670</u>

Clearwater County
Notes to Consolidated Financial Statements
December 31, 2014

9. Salary and Benefits Disclosure

Councilors	Division	2014			2013
		Salary	Benefits and Allowances	Total	Total
Duncan	1	37,089	5,706	42,795	38,624
Greenwood	2	30,246	5,595	35,841	6,910
Wymenga	2				28,912
Korver	3				21,282
Maki	3	26,182	5,346	31,528	7,333
Vandermeer	4	49,309	6,131	55,440	28,300
Laing	5	31,585	5,553	37,138	6,718
Bryant	5				32,947
Graham	6	45,563	5,919	49,482	46,815
Alexander	7	43,679	5,997	49,676	51,407
County Manager					
Leaf		208,257	55,261	263,519	250,733

1. Salary includes regular base pay, bonuses, overtime, lump sum payments, gross honoraria and any other direct cash remuneration.
2. Benefits and allowances include the 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.

Clearwater County
Notes to Consolidated Financial Statements
December 31, 2014

10. Pension Plans

(a) Local Authorities Pension Plan

Employees of Clearwater County 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 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 County is required to make current service contributions to LAPP of 11.39% of pensionable earnings up to the maximum pensionable earnings under the Canada Pension Plan and 15.84% on pensionable earnings above this amount. Employees of the County are required to make current service contributions of 10.39% of pensionable salary up to the year's maximum pensionable salary and 14.84% of pensionable salary above this amount.

	2014	2013
	\$	\$
Employer Contribution	709,416	620,781
Employee Contribution	<u>654,039</u>	<u>567,975</u>
	<u>1,360,455</u>	<u>1,188,756</u>

At December 31, 2013 the Plan disclosed an actuarial deficit of \$4,861,516,000 (2012 - \$4,977,303,000).

Clearwater County
Notes to Consolidated Financial Statements
December 31, 2014

10. Pension Plans (continued)

(b) Alberta Urban Municipalities Association Apex Supplementary Pension Plan

Certain employees of the county are eligible to participate in the Alberta Urban Municipalities Association APEX Supplementary Pension Plan (APEX), a multi-employer pension plan. This plan provides defined pension benefits to employees based on their length of service and rate of pay.

	2014	2013
	\$	\$
	<u> </u>	<u> </u>
Employer Contribution	4,155	4,138
Employee Contribution	<u>3,462</u>	<u>3,449</u>
	<u>7,617</u>	<u>7,587</u>

As this is a multi-employer pension plan, the employer contribution represents the County's pension benefit expense. No pension liability for this type of plan is included in the County's financial statements. The most recent valuation as at December 31, 2013 indicates an asset surplus of \$4,100,000 for basic pension benefits.

(c) Alberta Urban Municipalities Association Municipal Supplementary Executive Retirement Plan

Certain employees of the County are eligible to participate in the Alberta Urban Municipalities Association MuniSERP pension plan, a multi-employer pension plan. This plan provides defined pension benefits to employees based on their length of service and rate of pay.

	2014	2013
	\$	\$
	<u> </u>	<u> </u>
Employer Contribution	<u>20,452</u>	<u>18,492</u>

The most recent actuarial estimate was calculated as December 31, 2014. The market value of plan assets at December 31, 2014 was \$100,989 (December 31, 2013—\$68,354). The actuarial Liability as at December 31, 2014 was \$96,330 (December 31, 2013—\$75,798).

Clearwater County
Notes to Consolidated Financial Statements
December 31, 2014

11. Financial Instruments

The County's financial instruments consist of cash, temporary investments, receivables, accounts payable and accrued liabilities, deposits, and long-term debt. It is management's opinion that the County is not exposed to significant interest or currency risks arising from these financial instruments.

The County 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 County 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 financial instruments approximates fair value.

12. Segmented Disclosure

Clearwater County 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)

13. Commitments

Gravel Pit Reclamation Obligation

The County owns gravel pits and is responsible for reclamation costs related to those pits under Alberta environmental law. These costs are expected to be incurred over the life of each pit. The estimated reclamation obligation has not been determined by the County as the information is not reasonably estimable at this time. As a result, no liability has been recorded in these financial statements.

14. Prior Period Adjustments

During 2014 the County discovered that certain land being held for resale was incorrectly included in tangible capital assets in 2009. This has been corrected retroactively in 2014 and prior periods have been restated.

The effect of this correction has been to reduce 2013 opening tangible capital assets, equity in tangible capital assets and accumulated surplus by \$2,113,817.

Clearwater County
Notes to Consolidated Financial Statements
December 31, 2014

15. Comparative Figures

Certain comparative figures have been reclassified to conform to the current year presentation.

16. Approval of Financial Statements

The financial statements were approved by Council and Management.