

WESTLOCK COUNTY
Consolidated Financial Statements
December 31, 2014

WESTLOCK COUNTY
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December 31, 2014

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Shoemaker, Viney & Friesen

CHARTERED ACCOUNTANTS

John S. Shoemaker Professional Corporation

Tina J. Viney Professional Corporation



Timothy J. Friesen Professional Corporation

INDEPENDENT AUDITOR'S REPORT

To the Members of Westlock County

We have audited the accompanying consolidated financial statements of Westlock County, which comprise the consolidated statement of financial position 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.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

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

Westlock, Alberta
July 28, 2015



CHARTERED ACCOUNTANTS

WESTLOCK COUNTY
Consolidated Statement of Financial Position
As at December 31, 2014

	2014	2013 (Restated)
FINANCIAL ASSETS		
Cash (Note 2)	\$ 386,651	\$ 1,145,555
Cash held in trust	38,965	15,130
Taxes and grants in place of taxes (Note 3)	594,909	657,623
Trade and other receivables (Note 4)	1,398,405	1,055,026
Land for resale inventory (County Industrial Park and Airport lots)	798,282	818,304
Short term investments (Note 5)	9,073,565	10,828,105
Loans receivable from community organizations (Note 5)	7,554,330	7,803,280
	<u>19,845,107</u>	<u>22,323,023</u>
LIABILITIES		
Accounts payable & accrued liabilities	1,803,779	1,853,325
Deposit liabilities	71,656	69,456
Trust liabilities	38,965	15,130
Due to related parties	333,585	333,916
Deferred revenue (Note 7)	2,370,353	2,907,813
Accrued vacation payable (Note 8)	93,006	136,427
Long term debt (Note 6)	4,265,326	5,336,319
Long term debt held on behalf of community organizations (Note 6)	7,554,330	7,803,280
	<u>16,531,000</u>	<u>18,455,666</u>
NET FINANCIAL ASSETS (DEBT)	<u>3,314,107</u>	<u>3,867,357</u>
NON-FINANCIAL ASSETS		
Property, plant and equipment (Schedule 2)	25,980,588	24,627,415
Inventory for consumption (Note 9)	1,769,506	1,187,844
Prepaid expenses	133,572	421,803
	<u>27,883,666</u>	<u>26,237,062</u>
ACCUMULATED SURPLUS (Note 12)	<u>\$ 31,197,773</u>	<u>\$ 30,104,419</u>

Commitments and contingencies - see Notes 19 and 20.

WESTLOCK COUNTY
Consolidated Statement of Operations
Year Ended December 31, 2014

	Budget (unaudited)	2014	2013 (Restated)
REVENUE			
Net municipal taxes <i>(Schedule 3)</i>	\$ 10,257,017	\$ 10,243,223	\$ 9,988,646
User fees and sales of goods	1,847,470	1,633,551	1,671,980
Government transfers for operating	2,178,614	1,633,635	2,716,950
Investment income	128,900	99,804	131,109
Penalties and costs of taxes	137,000	136,959	145,566
Development levies	200,183	180,112	119,064
Licences and permits	169,825	152,319	155,825
Other	100,300	148,127	42,873
Total Revenue	15,019,309	14,227,730	14,972,013
EXPENSES			
Legislative services	360,485	328,478	312,021
General administration services	1,153,765	1,526,912	1,154,317
Fire protection services	462,670	402,558	537,725
Enforcement services	231,000	290,903	293,158
Transportation services	8,283,842	7,103,812	7,528,672
Water services	611,880	530,391	552,230
Wastewater treatment and disposal services	148,650	160,079	176,814
Solid waste management services	344,600	409,044	386,629
Family and Community Support Services	51,383	51,825	56,075
Planning and development services	526,555	458,687	515,969
Agriculture services	526,900	493,797	675,456
Land held for resale (County Industrial Park)	-	1,336	15,645
Recreation services	877,289	1,042,037	957,620
Airport	131,500	74,837	64,156
Total Expenses	13,710,519	12,874,696	13,226,487
EXCESS OF REVENUE OVER EXPENSES FROM OPERATIONS	1,308,790	1,353,034	1,745,526
CAPITAL INCOME			
Government transfers for capital	2,129,081	1,370,370	648,048
Town of Westlock asset transfers for airport	-	-	470,670
	2,129,081	1,370,370	1,118,718
CAPITAL EXPENSES			
Amortization expense	-	1,555,880	1,459,392
(Gain) loss on disposal of capital assets	-	74,170	(1,574)
	-	1,630,050	1,457,818
EXCESS OF REVENUE OVER EXPENSES	3,437,871	1,093,354	1,406,426
ACCUMULATED SURPLUS - BEGINNING OF YEAR	-	30,104,419	28,697,993
ACCUMULATED SURPLUS - END OF YEAR	-	\$ 31,197,773	\$ 30,104,419

WESTLOCK COUNTY
Consolidated Statement of Changes in Net Financial Assets
Year Ended December 31, 2014

	Budget (Unaudited)	2014	2013 (Restated)
EXCESS OF REVENUE OVER EXPENSES	\$ 3,437,871	\$ 1,093,354	\$ 1,406,426
Acquisition of tangible capital assets	(3,020,281)	(3,074,088)	(3,030,900)
Contributed tangible capital assets	-	-	(203,266)
Proceeds on disposal of tangible capital assets	79,000	90,865	17,000
Amortization of tangible capital assets	-	1,555,880	1,459,392
Loss (gain) on disposal of tangible capital assets	-	74,170	(1,574)
	<u>(2,941,281)</u>	<u>(1,353,173)</u>	<u>(1,759,348)</u>
(Allocation) use of inventory	-	(581,662)	(22,883)
Allocation of prepaid expenses	-	288,231	(204,542)
	<u>-</u>	<u>(293,431)</u>	<u>(227,425)</u>
(INCREASE)/DECREASE IN NET FINANCIAL ASSETS (DEBT)	496,590	(553,250)	(580,347)
NET FINANCIAL ASSETS (DEBT) - BEGINNING OF YEAR	-	3,867,357	4,447,704
NET FINANCIAL ASSETS (DEBT) - END OF YEAR	-	\$ 3,314,107	\$ 3,867,357

WESTLOCK COUNTY
Consolidated Statement of Cash Flows
Year Ended December 31, 2014

	2014	2013 (Restated)
OPERATING		
Excess of revenue over expenses	\$ 1,093,354	\$ 1,406,426
Items not affecting cash:		
Amortization of tangible capital assets	1,555,880	1,459,392
Loss on disposal of tangible capital assets	74,170	(1,574)
Contribution of tangible capital assets and land held for resale	-	(290,030)
	<u>2,723,404</u>	<u>2,574,214</u>
Changes in non-cash working capital:		
Taxes and grants in place of taxes	62,714	(9,334)
Inventory for consumption	(581,662)	(22,883)
Prepaid expenses	288,231	(204,542)
Trade and other receivables	(343,379)	718,751
Accounts payable & accrued liabilities	(49,545)	496,455
Deposit liabilities	2,200	(100)
Due to related parties	(331)	78,440
Deferred revenue	(537,460)	966,106
Accrued vacation payable	(43,421)	(8,985)
Land for resale inventory (County Industrial Park)	20,022	-
	<u>(1,182,631)</u>	<u>2,013,908</u>
Cash provided by (applied to) operating transactions	<u>1,540,773</u>	<u>4,588,122</u>
INVESTING ACTIVITIES		
Purchase of tangible capital assets	(3,074,088)	(3,030,900)
Proceeds on disposal of tangible capital assets	90,865	17,000
Long term investments repaid	248,950	226,033
Long term investments issued	-	(300,000)
Cash provided by (applied to) capital transactions	<u>(2,734,273)</u>	<u>(3,087,867)</u>
FINANCING		
Proceeds received from long term debt	-	2,785,000
Long term debt repaid	(1,319,943)	(1,010,004)
Cash provided by (applied to) financing transactions	<u>(1,319,943)</u>	<u>1,774,996</u>
Net change in cash and cash equivalents during the year	<u>(2,513,443)</u>	<u>3,275,251</u>
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>11,973,659</u>	<u>8,698,408</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 9,460,216</u>	<u>\$ 11,973,659</u>
Cash and cash equivalents is made up of:		
Cash (Note 2)	\$ 386,651	\$ 1,145,554
Short term investments	9,073,565	10,828,105
	<u>\$ 9,460,216</u>	<u>\$ 11,973,659</u>

WESTLOCK COUNTY
SCHEDULE OF CHANGES IN ACCUMULATED SURPLUS
For the Year Ended December 31, 2014
SCHEDULE 1

	Unrestricted Surplus	Operating Reserves	Capital Reserves	Equity in Tangible Capital Assets	Total 2014	Total 2013 (Restated)
BALANCE, BEGINNING OF YEAR	\$ 1,826,445	\$ 4,357,395	\$ 4,529,483	\$ 19,291,096	\$ 30,104,419	\$ 28,697,993
Excess (Deficiency) of revenues over expenses	1,093,354	-	-	-	1,093,354	1,406,426
Unrestricted funds designated for future use	(230,042)	196,154	33,888	-	-	-
Restricted funds used for operations	44,628	(43,231)	(1,397)	-	-	-
Current year funds used for tangible capital assets	(1,892,911)	(105,793)	(1,075,384)	3,074,088	-	2,485,000
Disposal of tangible capital assets	165,035	-	-	(165,035)	-	-
Long term debt issued for purchases of tangible capital assets	-	-	-	-	-	(2,485,000)
Annual amortization expense	1,555,880	-	-	(1,555,880)	-	-
Long term debt repaid	(898,350)	(172,643)	-	1,070,993	-	-
Change in accumulated surplus	(162,406)	(125,513)	(1,042,893)	2,424,166	1,093,354	1,406,426
BALANCE, END OF YEAR	\$ 1,664,039	\$ 4,231,882	\$ 3,586,590	\$ 21,715,262	\$ 31,197,773	\$ 30,104,419

WESTLOCK COUNTY
SCHEDULE OF TANGIBLE CAPITAL ASSETS
For the Year Ended December 31, 2014
SCHEDULE 2

	Land	Engineered Structures	Utilities	Buildings	Engineered Structures	Machinery & Equipment	Vehicles	Total 2014	Total 2013
COST:									
BALANCE, BEGINNING OF YEAR	\$ 2,285,487	\$ 7,800,599	\$ 2,413,940	\$ 112,855,826	\$ 8,903,110	\$ 3,314,000	\$ 137,572,962	\$ 134,363,840	
Acquisition of tangible capital assets	-	455,156	1,187,791	746,284	392,356	292,501	3,074,088	3,234,166	
Disposal of tangible capital assets	-	-	-	-	(684,205)	(63,467)	(747,672)	(25,044)	
BALANCE, END OF YEAR	2,285,487	8,255,755	3,601,731	113,602,110	8,611,261	3,543,034	139,899,378	137,572,962	
ACCUMULATED AMORTIZATION:									
BALANCE, BEGINNING OF YEAR	-	1,717,411	511,657	106,681,312	2,635,613	1,399,554	112,945,547	111,495,773	
Annual amortization	-	347,537	31,447	438,732	522,922	215,242	1,555,880	1,459,392	
Accumulated amortization on disposals	-	-	-	-	(541,357)	(41,280)	(582,637)	(9,618)	
BALANCE, END OF YEAR	-	2,064,948	543,104	107,120,044	2,617,178	1,573,516	113,918,790	112,945,547	
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	2,285,487	6,190,807	3,058,627	6,482,066	5,994,083	1,969,518	25,980,588	24,627,415	
2013 NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	2,285,487	6,083,188	1,902,283	6,174,514	6,267,497	1,914,446	24,627,415	-	

WESTLOCK COUNTY
Consolidated Schedule of Property and Other Taxes *(Schedule 3)*
Year Ended December 31, 2014

	Budget (Unaudited)	2014	2013
TAXATION			
Residential & farmland levies	\$ 7,274,375	\$ 7,381,079	\$ 7,032,172
Non residential levy	6,150,679	6,030,181	6,166,708
	<u>13,425,054</u>	<u>13,411,260</u>	<u>13,198,880</u>
REQUISITIONS			
Alberta School Foundation	2,511,401	2,511,401	2,559,035
Westlock Foundation (senior lodging)	656,636	656,636	651,199
	<u>3,168,037</u>	<u>3,168,037</u>	<u>3,210,234</u>
NET MUNICIPAL TAXES	<u>\$ 10,257,017</u>	<u>\$ 10,243,223</u>	<u>\$ 9,988,646</u>

WESTLOCK COUNTY
Schedule of Consolidated Expenses by Object *(Schedule 4)*
Year Ended December 31, 2014

	Budget (Unaudited)	2014	2013 (Restated)
CONSOLIDATED EXPENSES BY OBJECT			
Salaries & wages	\$ 4,775,663	\$ 4,467,929	\$ 4,663,916
Contract & general services	3,724,057	3,496,097	3,409,746
Goods & supplies	4,320,201	3,971,881	4,209,658
Provision for allowance	-	-	14,916
Transfers to local boards/governments	772,857	781,940	828,389
Bank charges and short-term interest	8,000	7,077	7,334
Interest on long term debt	109,741	149,772	92,528
Depreciation expense	-	1,555,880	1,459,392
(Gain) loss on disposal of capital assets	-	74,170	(1,574)
	<u>\$ 13,710,519</u>	<u>\$ 14,504,746</u>	<u>\$ 14,684,305</u>

WESTLOCK COUNTY
SCHEDULE OF SEGMENTED DISCLOSURE
For the Year Ended December 31, 2014
SCHEDULE 5

	General Government	Fire/Enforcement Services	Transportation Services & Airport	Water, Wastewater & Waste Management	Planning & Development	Agricultural Development Services	Recreation & Other	Total
REVENUE:								
Net municipal taxes	\$ 10,243,223	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 10,243,223
User fees and sales of goods	50,792	99,835	850,584	425,681	12,064	18,084	176,511	1,633,551
Government transfers for operating	255,216	-	1,205,950	-	-	172,469	-	1,633,635
Investment income	99,804	-	-	-	-	-	-	99,804
Penalties on taxes and development levies	136,959	-	-	117,933	62,179	-	-	317,071
Licenses and other income	2,155	3,233	3,392	10,251	174,795	18,768	87,852	300,446
	10,788,149	103,068	2,059,926	553,865	249,038	209,321	264,363	14,227,730
EXPENSES:								
Salaries & wages	947,485	222,049	2,241,269	436,365	248,419	241,931	130,411	4,467,929
Contract & General Services	584,763	221,365	1,979,421	281,128	124,066	88,676	216,678	3,496,097
Goods & supplies	316,065	215,147	2,858,418	236,585	20,824	157,190	167,652	3,971,881
Transfers to local boards/governments	-	34,900	(9,796)	145,436	66,714	6,000	538,686	781,940
Interest	7,077	-	109,337	-	-	-	40,435	156,849
	1,855,390	693,461	7,178,649	1,099,514	460,023	493,797	1,093,862	12,874,696
EXCESS OF REVENUES OVER EXPENSES FROM OPERATIONS	8,932,759	(590,393)	(5,118,723)	(545,649)	(210,985)	(284,476)	(829,499)	1,353,034
CAPITAL INCOME (EXPENSE):								
Government transfers for capital	-	289,000	729,507	351,863	-	-	-	1,370,370
Gain (loss) on disposal of capital assets	-	-	(74,170)	-	-	-	-	(74,170)
	-	289,000	655,337	351,863	-	-	-	1,296,200
Amortization expense	15,576	113,865	968,365	361,395	12,201	27,763	56,715	1,555,880
NET REVENUE	8,917,183	(415,258)	(5,431,751)	(555,181)	(223,186)	(312,239)	(886,214)	1,093,354
NET REVENUE 2013	9,258,316	(832,687)	(4,545,869)	(894,964)	(279,842)	(392,440)	(906,088)	1,406,426

WESTLOCK COUNTY
Notes to Consolidated Financial Statements
December 31, 2014

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The consolidated financial statements of Westlock 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 expenditures, changes in fund balances and change in financial position of the reporting entity. This entity is comprised of the municipal operations of the County and are, therefore, accountable to the County Council for the administration of their financial affairs and resources. Included with the municipality is the Westlock Municipal Airport.

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.

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 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.

c) 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.

d) 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.

(continues)

WESTLOCK COUNTY
Notes to Consolidated Financial Statements
December 31, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

e) Land Inventory Held for Resale (County Industrial Park, Westlock Municipal Airport)

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 and roads are recorded as physical assets under the respective function.

h) 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.

f) Government Transfers

Government transfers are the transfer of funding 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)

WESTLOCK COUNTY
Notes to Consolidated Financial Statements
December 31, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

g) 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 (Debt) 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:

Land		non-depreciable
Utility Engineering Structures	10 to 75 years	straight-line method
Buildings	50 years	straight-line method
Engineered Structures	10 to 30 years	straight-line method
Machinery & Equipment	5 to 30 years	straight-line method
Vehicles	5 to 25 years	straight-line method

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 also are recorded as revenue.

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 and net realizable value with the cost being determined on a first-in, first-out basis.

2. CASH AND TEMPORARY INVESTMENTS

Council has designated funds of \$191,711 (2013 - \$285,019) for future recreation projects.

Included in the prior year cash balance is a restricted amount of \$648,148 of loan proceeds that had been received but not yet spent on the construction of the ski chalet at the Tawatinaw Valley Ski Hill. The amount was spent in 2014 on the construction of the chalet.

WESTLOCK COUNTY
Notes to Consolidated Financial Statements
December 31, 2014

3. TAXES AND GRANTS IN PLACE OF TAXES RECEIVABLES

	2014	2013
Taxes Receivable -Tax	\$ 422,927	\$ 448,313
Taxes receivable - arrears	275,403	312,731
	698,330	761,044
Less: allowance for doubtful accounts	(103,421)	(103,421)
	\$ 594,909	\$ 657,623

Taxes receivable will be recovered either through collection of outstanding amounts from the ratepayer or as forfeiture procedures.

Allowance for doubtful accounts represents taxes receivable on linear assessments that are in arrears and cannot be recovered through tax forfeiture procedures.

4. TRADE AND OTHER RECEIVABLES

	2014	2013
Other receivables	\$ 672,643	\$ 540,101
Provincial and federal grants receivable	545,121	334,284
Airport reserve receivable from Town of Westlock	180,641	180,641
	\$ 1,398,405	\$ 1,055,026

Included in other receivables is a long term receivable of \$154,285 (2013 - \$164,516) relating to the Dapp Utility Infrastructure Project that will be recovered over a 20 year period. Of this amount, it is estimated that \$10,231 (2014 - \$10,231) will be recovered in 2015.

WESTLOCK COUNTY
Notes to Consolidated Financial Statements
December 31, 2014

5. INVESTMENTS

	<u>2014</u>	<u>2013</u>
Loan receivable from the Westlock Foundation, effective interest rate at 3.411%	\$ 7,065,416	\$ 7,271,862
Term deposit maturing July 2017 (June 2014), effective interest rate 2.05% (2013-1.55%)	5,045,212	5,039,705
Term deposit maturing July 2015 (July 2014), effective interest rate at 1.47% (2013-1.55%)	4,028,353	4,028,537
Loan receivable from the Westlock Seed Cleaning Co-op Ltd., effective interest rate at 3.586%	284,588	304,002
Loan receivable from the Westlock Seed Cleaning Co-op Ltd., effective interest rate at 2.226%	204,326	227,416
Term deposit maturing June 2014, effective interest rate at 1.7%	-	1,007,825
Term deposit maturing June 2014, effective interest rate at 1.55%	-	752,038
	<u>\$ 16,627,895</u>	<u>\$ 18,631,385</u>

In 2011, the County borrowed funds from Alberta Capital Finance Authority on behalf of the Westlock Foundation so that the Foundation could finance the expansion of the Pembina Lodge. The loan receivable is repayable to the County in semi-annual payments of \$227,128, including interest, and will be extinguished in September 2036.

In 2012, the County borrowed funds from Alberta Capital Finance Authority on behalf of Westlock Seed Cleaning Co-op Ltd. to finance the expansion of the Co-op's plant. The \$250,000 loan receivable is repayable to the County in semi-annual payments of \$14,012 including interest and will be extinguished in September 2028.

In 2013, the County borrowed funds from Alberta Capital Finance Authority on behalf of Westlock Seed Cleaning Co-op Ltd. to finance the expansion of the Co-op's plant. The \$300,000 loan receivable is repayable to the County in semi-annual payments of \$13,017 including interest, and will be extinguished in September 2028.

Amounts as indicated above include accrued interest to December 31, 2014.

Council has approved total loans to the Westlock Seed Cleaning Co-op Ltd. of \$1,200,000.

WESTLOCK COUNTY
Notes to Consolidated Financial Statements
December 31, 2014

6. LONG TERM DEBT

	2014	2013
Debenture debt supported by long term investment receivable from the Westlock Foundation, secured by a mortgage on the Pembina Supportive Housing building.	\$ 7,065,416	\$ 7,271,862
Debenture debt supported by general municipal levies.	4,265,326	5,335,086
Debenture debt supported by long term investment receivable from the Westlock Seed Cleaning Co-op Ltd., secured by a mortgage on the Co-op's buildings.	488,914	531,418
Capital lease for an automobile leased by the Agricultural Services Board.	-	1,233
	\$ 11,819,656	\$ 13,139,599

The current portion of the long term debt amounts to \$1,326,545 (2013 - \$1,294,627).

Included in long term debt is \$75,995 of accrued interest expense to be paid in 2015.

Principal and interest repayment terms are as follows:

	Principal	Interest	Total
2015	\$ 1,402,539	\$ 283,215	\$ 1,685,754
2016	1,261,630	327,761	1,589,391
2017	903,431	299,455	1,202,886
2018	661,173	276,808	937,981
2019	507,819	257,314	765,133
Thereafter	7,083,064	2,079,305	9,162,369
	\$ 11,819,656	\$ 3,523,858	\$ 15,343,514

Debenture debt excluding the capital lease is repayable to the Alberta Capital Finance Authority and bears interest at rates ranging from 1.589% to 5.66% per annum and matures in periods 2016 through 2036.

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

Of the total principal and interest payments for 2015, \$217,687 (2014 - \$210,448) of principal and \$236,569 (2014 - \$243,808) of interest will be recovered from the Westlock Foundation, as those amounts relate to debenture debt borrowed by Westlock County on behalf of the Foundation.

Of the total principal and interest payments for 2015, \$39,576 (2014 - \$38,502) of principal and \$14,481 (2014 - \$15,556) of interest will be recovered from the Westlock Seed Cleaning Co-op Ltd., as those amounts relate to the debenture debt borrowed by Westlock County on behalf of the Co-op.

Westlock County has committed to total borrowings of \$1,200,000 on behalf of the Westlock Seed Cleaning Co-op Ltd. for the Co-op to expand their facilities.

WESTLOCK COUNTY
Notes to Consolidated Financial Statements
December 31, 2014

7. DEFERRED REVENUE

	2014	2013
Provincial transfers - Transportation Services	\$ 2,074,923	\$ 2,623,873
Provincial transfers - Administrative Services	242,494	14,193
Provincial transfers - Athabasca Landing Trail	50,000	50,000
Provincial transfers - Recreation Services	1,512	1,512
Prepaid rent	1,424	1,424
Provincial transfers - Water Services	-	212,589
Provincial transfers - Agricultural Services	-	3,745
Recreation Services - Tawatinaw Valley Ski Hill Passes	-	477
	\$ 2,370,353	\$ 2,907,813

Transportation Services

\$900,345 (2013 -\$972,720) of Federal Gas Tax grants and \$978,791 (2013 - \$1,401,520) of Municipal Sustainability Initiative funding was not spent during the fiscal year, and will be deferred for future capital projects. In addition, \$113,665 (2013 - \$113,665) of Provincial Government grants related to bridge projects, and \$82,122 (2013 - \$135,968) of Hamlet Streets Improvement Grant funding was unspent in 2014, and will be utilized for capital projects in future years.

Administrative Services

\$228,301 of the \$250,000 Provincial Government grant for regional collaboration was unspent in 2014 and has been deferred to a future year.

In 2008, the County received \$26,633 from the Provincial Government to fund the Tangible Capital Asset Project and related implementation expenses. A portion of those funds were used in 2009, and the balance will be utilized for future Tangible Capital Asset updates.

Athabasca Landing Trail

In 2011, the County received \$50,000 from the Province of Alberta to develop the Athabasca Landing Trail. To date, the monies have not been spent.

Recreation Services

In 2008, the County received \$85,983 from the Municipal Sponsorship program for upgrades to the Tawatinaw Valley Ski Hill. In 2012, \$84,471 of the program funds were utilized to build a Superpipe, leaving \$1,512 to be utilized in future years.

8. ACCRUED VACATION PAYABLE

The vacation and overtime liability is comprised of the vacation and overtime 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.

WESTLOCK COUNTY
Notes to Consolidated Financial Statements
December 31, 2014

9. INVENTORY FOR CONSUMPTION

	<u>2014</u>	<u>2013</u>
Gravel (2014 - 134,843 tonnes, 2013 - 164,695 tonnes)	\$ 1,413,547	\$ 795,406
Equipment parts & chemical	<u>355,959</u>	<u>392,438</u>
	\$ 1,769,506	\$ 1,187,844

10. DEBT LIMITS

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

	<u>2014</u>	<u>2013</u>
Total debt limit	\$ 21,341,595	\$ 22,458,020
Total debt	<u>11,819,656</u>	<u>13,139,599</u>
Amount of debt limit unused	<u>9,521,939</u>	<u>9,318,421</u>
Debt servicing limit	3,556,933	3,743,003
Debt servicing	<u>1,685,755</u>	<u>1,685,756</u>
Amount of debt servicing limit unused	\$ 1,871,178	\$ 2,057,247

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 calculation taken alone does not represent the financial stability of the municipality. Rather, the financial statements must be interpreted as a whole.

11. EQUITY IN TANGIBLE CAPITAL ASSETS

	<u>2014</u>	<u>2013</u>
Tangible capital assets (<i>Schedule 2</i>)	\$139,899,378	\$137,572,962
Accumulated amortization (<i>Schedule 2</i>)	(113,918,790)	(112,945,547)
Long term debt (<i>Note 6</i>)	<u>(4,265,326)</u>	<u>(5,336,319)</u>
	\$ 21,715,262	\$ 19,291,096

WESTLOCK COUNTY
Notes to Consolidated Financial Statements
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12. ACCUMULATED SURPLUS

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

	2014	2013 (Restated)
Unrestricted surplus (deficit)	\$ 1,664,039	\$ 1,826,445
Restricted surplus		
Operating Reserves	4,231,882	4,357,395
Capital Reserves	3,586,590	4,629,483
Equity in tangible capital assets	21,715,262	19,291,096
	\$ 31,197,773	\$ 30,104,419

13. GOVERNMENT TRANSFERS FOR CAPITAL

Of the \$1,370,370 government transfers for capital, \$108,647 (2013 - \$279,025) are Federal capital grants, the remaining \$1,261,723 (2013 - \$369,023) are Provincial capital grants.

14. RELATED PARTY TRANSACTIONS

The following is a summary of the County's related party transactions:

	2014	2013
Westlock Regional Waste Management Commission		
Landfill usage expense	\$ (183,343)	\$ (158,849)
Administration fee revenue	12,000	12,000
Other revenue	-	7,073
	(171,343)	(139,776)
Westlock Regional Water Services Commission		
Water usage fees	\$ (93,808)	\$ (85,500)
Other revenue	6,928	-
	(86,880)	(85,500)
Amounts due (to) from related parties		
Westlock Regional Waste Management Commission	\$ (324,657)	\$ (252,436)
Westlock Regional Water Services Commission	(8,928)	(25,405)
Due to related parties	(333,585)	(277,841)

These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

WESTLOCK COUNTY
Notes to Consolidated Financial Statements
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15. SEGMENTED DISCLOSURE

Westlock 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 5).

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/ Contract fees ¹	Benefits & allowances ²	2014 Total	2013 Total
Councillors:				
Division 1	\$ 35,973	\$ 4,222	\$ 40,195	\$ 40,165
Division 2	35,745	4,329	40,074	10,630
Division 3	35,973	4,501	40,474	40,278
Division 4	39,319	1,637	40,956	41,676
Division 5	35,973	4,222	40,195	39,372
Division 6	35,746	4,222	39,968	40,228
Division 7	35,745	1,805	37,550	39,887
Chief Administrative Officer	200,122	11,739	211,861	177,746
Chief Administrative Officer, Contractor	110,000	-	110,000	-
Chief Administrative Officer, 3	46,667	5,838	52,505	-
	\$ 611,263	\$ 42,515	\$ 653,778	\$ 429,982

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. An automobile is provided and no amount is included in the benefits and allowances figure.

17. EXCEPTIONAL ITEM - SEVERANCE PAY

During the year, Westlock County paid severance amounts totaling \$251,346 to employees that were ending their employment with Westlock County. These severance amounts were unbudgeted expenditures. The severance amounts are included in operations expenses in the Statement of Operations, as well as in salaries & wages in the Schedule of Consolidated Expenses by Object.

WESTLOCK COUNTY
Notes to Consolidated Financial Statements
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18. LOCAL AUTHORITIES PENSION PLAN

Employees of the 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 serves about 230,534 people and 418 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 County 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. 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% on pensionable salary above this amount.

Total current service contributions by the County to the LAPP in 2014 were \$292,639 (2013 - \$323,406). Total current service contributions by the employees of the County to the Local Authorities Pension Plan in 2014 were \$294,467 (2013 - \$294,855).

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

In 2012 management consulted the Local Authorities Pension Plan regarding the actuarial deficiency, and to date has not received any formal correspondence regarding the plan to manage the deficiency. Information that is available to the public notes that the Board is consulting with stakeholders including members, employers, unions, associations and government to get some feedback on the best way to move forward. No decisions have been made on how benefits might change in the future to ensure a more equitable sharing of risks and costs between plan participants, but equity is one of the principles the LAPP Board is considering as a part of its sustainability planning.

19. COMMITMENTS

Westlock County has a commitment to remediate the main gravel pit it utilized for gravel extraction once the pit has been utilized to its full capacity. The timeline for the pit to be utilized is uncertain. Westlock County estimates remediation costs to be approximately \$100,000. This amount has not been accrued in the financial statements given the amount and timeline is uncertain.

WESTLOCK COUNTY
Notes to Consolidated Financial Statements
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20. CONTINGENCIES

Westlock County is a member of the Westlock Regional Waste Management Commission. Under the terms of this agreement, the County is liable for its proportionate share of closure and post-closure costs associated with the landfill. At December 31, 2014, the Waste Management Commission had accrued \$48,511 (2013 - \$41,654) for its post closure liability, and had put aside \$27,368 (2013 - \$26,951) in term deposits to fund the liability.

During 2014, a leachate issue was discovered at the Westlock Regional Waste Management Commission main transfer site. There are two options to fix the issue with estimated costs ranging from \$31,000 to \$425,000. The issue may be related to the landfill operated by the Town of Westlock and Westlock County before the creation of the Commission. These entities may bare some or all of the liability. At the time these financial statements were produced, the amount of the liability and the proportion attributable to Westlock County could not be determined.

The County has access to a bank line of credit with a limit of \$2,000,000 and a MasterCard with a \$50,000 limit. In addition, designated Westlock County staff have access to the use of UFA fuel cards with a combined limit of \$225,000.

Westlock County is currently subject to a complaint filed by a formal employee. The claim is awaiting conciliation, and the liability and quantum is not determinable at the time the financial statements were issued. No amount for the contingent liability has been recorded in the financial statements.

21. FINANCIAL INSTRUMENTS

The County'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 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 receivables 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 the financial instrument approximates fair value.

WESTLOCK COUNTY
Notes to Consolidated Financial Statements
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22. PRIOR PERIOD ADJUSTMENTS

The County has restated its prior year financial statements to report accrued vacation payable amounts which were previously excluded from the statement of Financial Position, and increase the capital reserve funds receivable from the Town of Westlock for the Airport.

	<u>2013</u>
Adjustments to opening accumulated surplus:	
As previously reported	\$ 28,816,881
Adjustment to opening accrued vacation payable	(145,412)
Reduction of payable to Town of Westlock for portion of Airport deficits from 2009 - 2012	<u>26,524</u>
As restated	<u>\$ 28,697,993</u>

	<u>2013</u>
Adjustments to shortfall of revenues over expenses:	
As previously reported	\$ 1,245,463
Decrease in wage expense	8,985
Increase in capital income for airport	<u>151,978</u>
As restated	<u>\$ 1,406,426</u>

23. APPROVAL OF FINANCIAL STATEMENTS

Council and Management have approved these financial statements.
