

WESTLOCK COUNTY
Consolidated Financial Statements
December 31, 2015

WESTLOCK COUNTY
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December 31, 2015

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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, 2015, 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, 2015, and 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.

Westlock, Alberta
July 12, 2016


CHARTERED ACCOUNTANTS

WESTLOCK COUNTY
Consolidated Statement of Financial Position
As at December 31, 2015

	2015	2014 <small>(Restated) (Note 22)</small>
FINANCIAL ASSETS		
Cash (Note 3)	\$ 104,364	\$ 386,651
Cash held in trust	38,965	38,965
Taxes and grants in place of taxes (Note 4)	817,454	594,909
Trade and other receivables (Note 5)	1,330,623	1,398,405
Land for resale inventory (County Industrial Park and Airport lots)	970,710	798,282
Short term investments (Note 6)	9,164,890	9,073,565
Loans receivable from community organizations (Note 6)	7,297,067	7,554,330
	19,724,073	19,845,107
LIABILITIES		
Accounts payable & accrued liabilities	2,868,602	1,803,778
Deposit liabilities	31,656	71,656
Trust liabilities	38,965	38,965
Due to related parties	265,410	323,528
Deferred revenue (Note 8)	1,949,680	2,716,389
Accrued wages payable (Note 10)	246,497	93,006
Long term debt (Note 9)	3,196,044	4,265,326
Long term debt held on behalf of community organizations (Note 9)	7,297,067	7,554,330
	15,893,921	16,866,978
NET FINANCIAL ASSETS	3,830,152	2,978,129
NON-FINANCIAL ASSETS		
Tangible capital assets (Schedule 2)	25,846,344	25,863,552
Inventory for consumption (Note 11)	2,583,330	1,769,506
Prepaid expenses	290,550	133,572
	28,720,224	27,766,630
ACCUMULATED SURPLUS (Note 14)	\$ 32,550,376	\$ 30,744,759

Commitments and contingencies - see Notes 20 and 21.

WESTLOCK COUNTY
Consolidated Statement of Operations
Year Ended December 31, 2015

	Budget (unaudited)	2015	2014
REVENUE			
Net municipal taxes <i>(Schedule 3)</i>	\$ 10,810,504	\$ 10,815,681	\$ 10,243,223
User fees and sales of goods	2,096,087	1,998,424	1,643,609
Government transfers for operating	3,575,568	3,445,110	1,633,635
Investment income	198,900	148,758	99,804
Penalties and costs of taxes	137,000	162,330	136,959
Development levies	151,807	159,491	180,112
Licences and permits	138,200	173,740	152,319
Other	14,390	64,567	148,127
Total Revenue	17,122,456	16,968,101	14,237,788
EXPENSES			
Legislative services	368,734	345,373	328,478
General administration services	1,949,022	1,805,715	1,526,912
Fire protection services	463,237	640,524	402,558
Enforcement services	270,707	282,498	290,903
Transportation services	7,856,564	7,918,821	7,103,812
Water services	581,471	476,634	530,391
Wastewater treatment and disposal services	268,711	147,273	160,079
Solid waste management services	377,667	435,835	409,044
Family and Community Support Services	46,390	46,390	51,825
Planning and development services	734,147	650,180	458,687
Agriculture services	751,334	609,880	493,797
Land held for resale (County Industrial Park)	-	202,846	1,336
Recreation services	962,627	1,147,569	1,042,037
Airport	103,500	104,097	74,837
Amortization expense	1,586,611	1,586,611	1,555,880
Loss on disposal of tangible capital assets	59,460	59,460	74,170
Write down of tangible capital assets	-	527,499	-
Total Expenses	16,380,182	16,987,205	14,504,746
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES - BEFORE OTHER	742,274	(19,104)	(266,958)
OTHER			
Government transfers for capital	2,915,455	1,824,721	1,370,370
		1,824,721	
EXCESS OF REVENUE OVER EXPENSES	3,657,729	1,805,617	1,103,412
ACCUMULATED SURPLUS - BEGINNING OF YEAR	-	30,744,759	29,641,347
ACCUMULATED SURPLUS - END OF YEAR	-	\$ 32,550,376	\$ 30,744,759

WESTLOCK COUNTY
Consolidated Statement of Changes in Net Financial Assets
Year Ended December 31, 2015

	Budget (Unaudited)	2015	2014
EXCESS OF REVENUE OVER EXPENSES	\$ 3,657,729	\$ 1,805,617	\$ 1,103,412
Acquisition of tangible capital assets	(3,493,755)	(2,227,857)	(3,074,088)
Loss on disposal of tangible capital assets	59,460	59,460	-
Proceeds on disposal of tangible capital assets	-	71,495	90,865
Amortization of tangible capital assets	1,586,611	1,586,611	1,555,880
Write down on disposal of tangible capital assets	-	527,499	74,170
	(1,847,684)	17,208	(1,353,173)
(Allocation) use of inventory	-	(813,824)	(581,662)
(Allocation) use of prepaid expenses	-	(156,978)	288,230
	-	(970,802)	(293,432)
(INCREASE)/DECREASE IN NET FINANCIAL ASSETS (DEBT)	1,810,045	852,023	(543,193)
NET FINANCIAL ASSETS (DEBT) - BEGINNING OF YEAR	-	2,978,129	3,521,322
NET FINANCIAL ASSETS (DEBT) - END OF YEAR	-	\$ 3,830,152	\$ 2,978,129

WESTLOCK COUNTY
Consolidated Statement of Cash Flows
Year Ended December 31, 2015

	2015	2014 <small>(Restated)(Note 22)</small>
OPERATING		
Excess of revenue over expenses	\$ 1,805,617	\$ 1,103,412
Items not affecting cash:		
Amortization of tangible capital assets	1,586,611	1,555,880
Loss on disposal of tangible capital assets	59,460	74,170
Write down of tangible capital assets	527,499	-
	<u>3,979,187</u>	<u>2,733,462</u>
Changes in non-cash working capital:		
Taxes and grants in place of taxes	(222,545)	62,714
Inventory for consumption	(813,824)	(581,662)
Prepaid expenses	(156,978)	288,231
Trade and other receivables	67,782	(343,379)
Accounts payable & accrued liabilities	1,064,824	(49,545)
Deposit liabilities	(40,000)	2,200
Due to related parties	(58,118)	(10,389)
Deferred revenue	(766,709)	(537,460)
Accrued vacation payable	153,491	(43,421)
Land for resale inventory (County Industrial Park)	(172,428)	20,022
	<u>(944,505)</u>	<u>(1,192,689)</u>
Cash provided by (applied to) operating transactions	<u>3,034,682</u>	<u>1,540,773</u>
INVESTING ACTIVITIES		
Purchase of tangible capital assets	(2,227,857)	(3,074,088)
Proceeds on disposal of tangible capital assets	71,495	90,865
Long term investments repaid	257,263	248,950
	<u>(1,899,099)</u>	<u>(2,734,273)</u>
Cash provided by (applied to) capital transactions	<u>(1,899,099)</u>	<u>(2,734,273)</u>
FINANCING		
Long term debt repaid	(1,326,545)	(1,319,943)
Net change in cash and cash equivalents during the year	(190,962)	(2,513,443)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	9,460,216	11,973,659
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 9,269,254</u>	<u>\$ 9,460,216</u>
Cash and cash equivalents is made up of:		
Cash (Note 3)	\$ 104,364	\$ 386,651
Short term investments	9,164,890	9,073,565
	<u>\$ 9,269,254</u>	<u>\$ 9,460,216</u>

WESTLOCK COUNTY
SCHEDULE OF CHANGES IN ACCUMULATED SURPLUS
For the Year Ended December 31, 2015
SCHEDULE 1

	Unrestricted Surplus	Operating Reserves	Capital Reserves	Equity in Tangible Capital Assets	Total 2015	Total 2014 (Restated)(Note 22)
BALANCE, BEGINNING OF YEAR	\$ 1,674,097	\$ 4,231,882	\$ 3,240,554	\$ 21,598,226	\$ 30,744,759	\$ 29,641,347
Excess (Deficiency) of revenues over expenses	1,805,617	-	-	-	1,805,617	1,103,412
Unrestricted funds designated for future use	(1,638,134)	823,788	814,346	-	-	-
Restricted funds used for operations	523,649	(515,749)	(7,900)	-	-	-
Current year funds used for tangible capital assets	(1,840,495)	(286,634)	(100,728)	2,227,857	-	-
Disposal/write down of tangible capital assets	658,454	-	-	(658,454)	-	-
Annual amortization expense	1,586,611	-	-	(1,586,611)	-	-
Long term debt repaid	(1,069,282)	-	-	1,069,282	-	-
Change in accumulated surplus	26,420	21,405	705,718	1,052,074	1,805,617	1,103,412
BALANCE, END OF YEAR	\$ 1,700,517	\$ 4,253,287	\$ 3,946,272	\$ 22,650,300	\$ 32,550,376	\$ 30,744,759

WESTLOCK COUNTY
SCHEDULE OF TANGIBLE CAPITAL ASSETS
For the Year Ended December 31, 2015
SCHEDULE 2

	Land	Utilities Engineered Structures	Buildings	Engineered Structures	Machinery & Equipment	Vehicles	Total 2015	Total 2014
COST:								
BALANCE, BEGINNING OF YEAR	\$ 2,168,451	\$ 8,255,755	\$ 3,601,731	\$ 113,602,110	\$ 8,611,261	\$ 3,543,034	\$ 139,782,342	\$ 137,455,926
Acquisition of tangible capital assets	-	249,745	513,721	882,817	581,574	-	2,227,857	3,074,088
Disposal of tangible capital assets	(41,823)	-	(31,056)	-	(162,470)	(100,848)	(336,197)	(747,672)
Write down of tangible capital assets	-	-	(527,499)	-	-	-	(527,499)	-
BALANCE, END OF YEAR	2,126,628	8,505,500	3,556,897	114,484,927	9,030,365	3,442,186	141,146,503	139,782,342
ACCUMULATED AMORTIZATION:								
BALANCE, BEGINNING OF YEAR	-	2,064,948	543,104	107,120,044	2,617,178	1,573,516	113,918,790	112,945,547
Annual amortization	-	344,248	53,193	447,711	532,289	209,170	1,586,611	1,555,880
Accumulated amortization on disposals	-	-	(26,087)	-	(89,179)	(89,976)	(205,242)	(582,637)
BALANCE, END OF YEAR	-	2,409,196	570,210	107,567,755	3,060,288	1,692,710	115,300,159	113,918,790
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	2,126,628	6,096,304	2,986,687	6,917,172	5,970,077	1,749,476	25,846,344	25,863,552
2014 NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	2,168,451	6,190,807	3,058,627	6,482,066	5,994,083	1,969,518	25,863,552	-

WESTLOCK COUNTY
Consolidated Schedule of Property and Other Taxes *(Schedule 3)*
Year Ended December 31, 2015

	Budget (Unaudited)	2015	2014
TAXATION			
Residential & farmland levies	\$ 8,046,373	\$ 8,046,373	\$ 7,381,079
Non residential levy	5,897,710	5,902,887	6,030,181
	<u>13,944,083</u>	<u>13,949,260</u>	<u>13,411,260</u>
REQUISITIONS			
Alberta School Foundation	2,539,002	2,539,002	2,511,401
Westlock Foundation (senior lodging)	594,577	594,577	656,636
	<u>3,133,579</u>	<u>3,133,579</u>	<u>3,168,037</u>
NET MUNICIPAL TAXES	<u>\$ 10,810,504</u>	<u>\$ 10,815,681</u>	<u>\$ 10,243,223</u>

WESTLOCK COUNTY
Schedule of Consolidated Expenses by Object *(Schedule 4)*
Year Ended December 31, 2015

	Budget (Unaudited)	2015	2014
CONSOLIDATED EXPENSES BY OBJECT			
Salaries & wages	\$ 5,170,082	\$ 4,976,983	\$ 4,467,929
Contract & general services	4,135,409	3,387,171	3,496,097
Goods & supplies	4,514,405	5,425,373	3,971,881
Provision for allowance	-	42,120	-
Transfers to local boards/governments	798,172	855,812	781,940
Bank charges and short-term interest	6,500	17,314	7,077
Interest on long term debt	109,543	108,862	149,772
Depreciation expense	1,586,611	1,586,611	1,555,880
Loss on disposal of tangible capital assets	59,460	59,460	74,170
Write down of tangible capital assets	-	527,499	-
	\$ 16,380,182	\$ 16,987,205	\$ 14,504,746

WESTLOCK COUNTY
SCHEDULE OF SEGMENTED DISCLOSURE
For the Year Ended December 31, 2015
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	\$ 10,815,681	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 10,815,681
User fees and sales of goods	52,280	155,061	1,032,263	564,627	5,859	14,220	174,114	1,998,424
Government transfers for operating	230,449	-	3,046,301	-	-	168,359	-	3,445,109
Investment income	148,758	-	-	-	-	-	-	148,758
Penalties on taxes and development levies	162,330	-	-	117,973	41,518	-	-	321,821
Licenses and other income	21,637	4,373	8,592	1,214	192,065	10,427	-	238,308
	11,431,135	159,434	4,087,156	683,814	239,442	193,006	174,114	16,968,101
EXPENSES:								
Salaries & wages	1,286,639	221,411	2,549,764	359,778	283,913	260,630	14,848	4,976,983
Contract & General Services	454,574	321,837	1,729,194	241,727	287,822	115,582	236,435	3,387,171
Goods & supplies	350,441	306,214	3,671,866	277,593	226,131	227,668	365,460	5,425,373
Provision for allowance	42,120	-	-	-	-	-	-	42,120
Transfers to local boards/governments	-	73,561	-	180,643	55,158	6,000	540,450	855,812
Interest	17,314	-	72,095	-	-	-	36,767	126,176
	2,151,088	923,023	8,022,919	1,059,741	853,024	609,880	1,193,960	14,813,635
EXCESS OF REVENUES OVER EXPENSES FROM OPERATIONS	9,280,047	(763,589)	(3,935,763)	(375,927)	(613,582)	(416,874)	(1,019,846)	2,154,466
CAPITAL INCOME (EXPENSE):								
Government transfers for capital (Loss/write down) on disposal of capital assets	(37,823)	-	921,264	239,821	163,636	-	500,000	1,824,721
	(37,823)	-	921,264	(19,183)	-	(2,454)	(527,499)	(586,959)
	(37,823)	-	921,264	220,638	163,636	(2,454)	(27,499)	1,237,762
Amortization expense	20,594	114,550	950,273	356,815	19,585	26,069	98,725	1,586,611
EXCESS OF REVENUE OVER EXPENSES	9,221,630	(878,139)	(3,964,772)	(512,104)	(469,531)	(445,397)	(1,146,070)	1,805,617
EXCESS OF REVENUE OVER EXPENSES 2014	8,917,183	(415,258)	(5,431,751)	(555,181)	(223,186)	(312,239)	(886,214)	1,093,354

WESTLOCK COUNTY
Notes to Consolidated Financial Statements
December 31, 2015

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.

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WESTLOCK COUNTY
Notes to Consolidated Financial Statements
December 31, 2015

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

c) Financial instruments policy

Initial and subsequent measurement

The County initially measures its financial assets and liabilities at fair value. Subsequent measurement of all financial assets and liabilities is at cost or amortized cost, except for investments in equity instruments that are quoted in an active market, which are measured at fair value. Changes in the fair value of these financial instruments are recognized in net income in the period incurred.

Financial assets measured at amortized cost on a straight-line basis include cash, cash held in trust, taxes and grants in place of taxes, trade and other receivables, and loans receivable from community organizations.

Financial assets measured at fair value are short term investments.

Financial liabilities measured at amortized cost on a straight-line basis include, accounts payable and accrued liabilities, deposit and trust liabilities, due to related parties, accrued wages payable, and long-term debt.

Transaction costs

Transaction costs related to financial instruments that will be subsequently measured at fair value are recognized in net income in the period incurred. Transactions costs related to financial instruments subsequently measured at amortized cost are included in the original cost of the assets or liability and recognized in net income over the life of the instrument using the straight-line method.

Impairment

For financial assets measured at cost or amortized cost, the company determines whether there are indications of possible impairment. When there is an indication of impairment, and the Organization determines that a significant adverse change has occurred during the period in the expected timing or amount of future cash flows, a write-down is recognized in net income. A previously recognized impairment loss may be reversed to the extent of the improvement. The carrying amount of the financial asset may not be greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. the amount of the reversal is recognized in net income. Financial instruments are recorded at fair value when acquired or issued. In subsequent periods, financial assets with actively traded markets are reported at fair value, with any unrealized gains and losses reported in income. All other financial instruments are reported at amortized cost, and tested for impairment at each reporting date. Transaction costs on the acquisition, sale, or issue of financial instruments are expensed when incurred.

d) Use of Estimates

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

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WESTLOCK COUNTY
Notes to Consolidated Financial Statements
December 31, 2015

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.

f) 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.

g) Contaminated sites liability

Contaminated sites are a result of 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.

h) 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, 2015

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

i) 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 consist of gravel and equipment parts & chemical. Inventories held for consumption are valued at the lower of cost and net realizable value with the cost being determined on an average cost basis for gravel and a first-in, first-out basis for equipment parts & chemical.

j) Impairment of long lived assets

Property, plant and equipment and intangible assets subject to amortization are tested for recoverability whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. An impairment loss is recognized when the carrying amount of the asset exceeds the sum of the undiscounted cash flows resulting from its use and eventual disposition. The impairment loss is measured as the amount by which the carrying amount of the long-lived asset exceeds its fair value.

WESTLOCK COUNTY
Notes to Consolidated Financial Statements
December 31, 2015

2. FINANCIAL INSTRUMENTS

The County is exposed to various risks through its financial instruments and has a comprehensive risk management framework to monitor, evaluate and manage these risks. The following analysis provides information about the County's risk exposure and concentration as of December 31, 2015.

(a) Credit risk

Credit risk arises from the potential that a counter party will fail to perform its obligations. The County is exposed to credit risk from customers. In order to reduce its credit risk, the County utilizes sound collection policies. An allowance for doubtful accounts is established based upon factors surrounding the credit risk of specific accounts, historical trends and other information. The County has a significant number of customers which minimizes concentration of credit risk.

(b) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The County is exposed to this risk mainly in respect of its receipt of funds from its customers and other related sources, long-term debt, and accounts payable.

Unless otherwise noted, it is management's opinion that the County is not exposed to significant other price risks arising from these financial instruments.

3. CASH AND TEMPORARY INVESTMENTS

Council has designated funds of \$186,168 (2014 - \$191,711) for future recreation projects.

4. TAXES AND GRANTS IN PLACE OF TAXES RECEIVABLES

	2015	2014
Taxes Receivable - Tax	\$ 671,780	\$ 422,926
Taxes Receivable - Arrears	291,215	275,404
	962,995	698,330
Less: allowance for doubtful accounts	(145,541)	(103,421)
	\$ 817,454	\$ 594,909

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.

WESTLOCK COUNTY
Notes to Consolidated Financial Statements
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5. TRADE AND OTHER RECEIVABLES

	2015	2014
Other receivables	\$ 727,507	\$ 672,643
Provincial and federal grants receivable	603,116	545,121
Airport reserve receivable from Town of Westlock	-	180,641
	<u>\$ 1,330,623</u>	<u>\$ 1,398,405</u>

Included in other receivables is a long term receivable of \$144,301 (2014 - \$154,285) relating to the Dapp Utility Infrastructure Project that will be recovered over a 20 year period. Of this amount, it is estimated that \$9,420 (2015 - \$10,231) will be recovered in 2016.

6. INVESTMENTS

	2015	2014
Loan receivable from the Westlock Foundation, effective interest rate at 3.411%	\$ 6,847,729	\$ 7,065,416
Term deposit maturing July 2017 (June 2014), effective interest rate 2.05% (2013-1.55%)	5,147,712	5,045,212
Term deposit maturing July 2016 (July 2015), effective interest rate at 0.95% (2014-1.47%)	3,012,884	4,028,353
Term deposit maturing July 2016, effective interest rate at 0.95%	1,004,294	-
Loan receivable from the Westlock Seed Cleaning Co-op Ltd., effective interest rate at 3.586%	268,618	284,588
Loan receivable from the Westlock Seed Cleaning Co-op Ltd., effective interest rate at 2.226%	180,720	204,326
	<u>\$ 16,461,957</u>	<u>\$ 16,627,895</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, 2015.

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, 2015

7. IMPAIRMENT OF LONG LIVED ASSET

The Tawatinaw Valley Ski Lodge was a part of a lease to purchase agreement made by Westlock County in 2016. The total value attributed to the building in the lease to purchase agreement is \$527,499 less than the cost to build the lodge. Hence, the Tawatinaw Valley Ski Lodge has been written down to its market value at December 31, 2015.

8. DEFERRED REVENUE

	2015	2014
Provincial transfers - Transportation Services	\$ 1,692,410	\$ 2,420,959
Provincial transfers - Administrative Services	242,494	242,494
Provincial transfers - Athabasca Landing Trail	1,840	50,000
Provincial transfers - Recreation Services	1,512	1,512
Prepaid rent and rent deposits	11,424	1,424
	\$ 1,949,680	\$ 2,716,389

Transportation Services

\$540,089 (2014 -\$900,345) of Federal Gas Tax grants and \$1,014,225 (2014 - \$1,324,827) of Municipal Sustainability Initiative funding was not spent during the fiscal year, and will be deferred for future capital projects. In addition, \$113,665 (2014 - \$113,665) of Provincial Government grants related to bridge projects, and \$24,431 (2014 - \$82,122) of Hamlet Streets Improvement Grant funding was unspent in 2015, 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 2015 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. \$48,160 was spent in 2015, and the remaining balance is expected to be spent in 2016.

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.

WESTLOCK COUNTY
Notes to Consolidated Financial Statements
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9. LONG TERM DEBT

	2015	2014
Debenture debt supported by long term investment receivable from the Westlock Foundation, secured by a mortgage on the Pembina Supportive Housing building.	\$ 6,847,729	\$ 7,065,416
Debenture debt supported by general municipal levies.	3,196,044	4,265,326
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.	449,338	488,914
	\$ 10,493,111	\$ 11,819,656

The current portion of the long term debt amounts to \$1,326,545 (2014 - \$1,326,545).

Included in long term debt related to the Westlock Foundation is \$75,995 of accrued interest expense to be paid in 2016.

Principal and interest repayment terms are as follows:

	Principal	Interest	Total
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
2020	482,233	282,900	765,133
Thereafter	6,600,830	678,898	7,279,728
	\$ 10,417,116	\$ 2,123,136	\$ 12,540,252

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, \$225,176 (2014 - \$217,687) of principal and \$229,080 (2014 - \$236,589) 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, \$40,683 (2014 - \$39,576) of principal and \$13,375 (2014 - \$14,481) 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
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10. ACCRUED WAGES PAYABLE

Regular wages payable	\$ 99,497	\$ -
Vacation and overtime	62,000	93,006
Severance amounts	85,000	-
	<u>\$ 246,497</u>	<u>\$ 93,006</u>

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.

11. INVENTORY FOR CONSUMPTION

	<u>2015</u>	<u>2014</u>
Gravel (2015 - 195,023 tonnes, 2014 - 134,843 tonnes)	\$ 2,221,724	\$ 1,413,547
Equipment parts & chemical	361,606	355,959
	<u>\$ 2,583,330</u>	<u>\$ 1,769,506</u>

12. 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>2015</u>	<u>2014</u>
Total debt limit	\$ 25,452,152	\$ 21,356,682
Total debt	10,493,111	11,819,656
Amount of debt limit unused	<u>14,959,041</u>	<u>9,537,026</u>
Debt servicing limit	4,242,025	3,556,933
Debt servicing	1,589,391	1,685,754
Amount of debt servicing limit unused	<u>\$ 2,652,634</u>	<u>\$ 1,871,179</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 calculation taken alone does not represent the financial stability of the municipality. Rather, the financial statements must be interpreted as a whole.

WESTLOCK COUNTY
Notes to Consolidated Financial Statements
December 31, 2015

13. EQUITY IN TANGIBLE CAPITAL ASSETS

	2015	2014
Tangible capital assets <i>(Schedule 2)</i>	\$141,146,503	\$139,782,342
Accumulated amortization <i>(Schedule 2)</i>	(115,300,159)	(113,918,790)
Long term debt <i>(Note 9)</i>	(3,196,044)	(4,265,326)
	\$ 22,650,300	\$ 21,598,226

14. ACCUMULATED SURPLUS

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

	2015	2014 <small>(Restated)(Note 22)</small>
Unrestricted surplus	\$ 1,700,517	\$ 1,674,097
Restricted surplus		
Operating Reserves	4,253,287	4,231,882
Capital Reserves	3,946,272	3,240,554
Equity in tangible capital assets	22,650,300	21,598,226
	\$ 32,550,376	\$ 30,744,759

15. GOVERNMENT TRANSFERS FOR CAPITAL

Of the \$1,824,721 government transfers for capital, \$300,302 (2014 - \$108,647) are Federal capital grants, the remaining \$1,524,419 (2014 - \$1,261,723) are Provincial capital grants.

WESTLOCK COUNTY
Notes to Consolidated Financial Statements
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16. RELATED PARTY TRANSACTIONS

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

	2015	2014
Westlock Regional Waste Management Commission		
Landfill usage expense	\$ (208,602)	\$ (183,343)
Administration fee revenue	18,000	12,000
Other revenue (\$10,299 repairs, \$54,303 cell capping and other miscellaneous hired services)	64,602	-
	(126,000)	(171,343)
 Westlock Regional Water Services Commission		
Water usage fees	\$ (95,674)	\$ (93,808)
Other revenue	-	6,928
	(95,674)	(86,880)
 Amounts due (to) from related parties		
Westlock Regional Waste Management Commission	\$ (275,467)	\$ (324,657)
Westlock Regional Water Services Commission	(15,110)	(8,928)
	(290,577)	(333,585)

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.

17. 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).

WESTLOCK COUNTY
Notes to Consolidated Financial Statements
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18. 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	2015 Total	2014 Total
Councillors:				
Division 1	\$ 36,304	\$ 3,975	\$ 40,279	\$ 40,195
Division 2	36,304	3,999	40,303	40,074
Division 3	34,897	3,884	38,781	40,474
Division 4	39,935	3,358	43,293	40,956
Division 5	36,304	3,975	40,279	40,195
Division 6	36,304	3,953	40,257	39,968
Division 7	36,304	3,358	39,662	37,550
Chief Administrative Officer, 3.	176,230	29,032	205,262	52,505
Chief Administrative Officer, Contractor				110,000
Chief Administrative Officer				211,861
	<u>\$ 432,582</u>	<u>\$ 55,534</u>	<u>\$ 488,116</u>	<u>\$ 653,778</u>

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.

WESTLOCK COUNTY
Notes to Consolidated Financial Statements
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19. 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 237,612 people and 423 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 2015 were \$303,454 (2014 - \$292,639). Total current service contributions by the employees of the County to the Local Authorities Pension Plan in 2015 were \$279,172 (2014 - \$294,467).

At December 31, 2014, the LAPP disclosed an actuarial deficiency of \$2.4 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.

20. COMMITMENTS

Westlock County has entered into an agreement with another party to lease lands, buildings, and equipment at the Tawatinaw Valley Ski Hill for a period of three years commencing January 1, 2016. The annual rental amount is \$18,000 plus property taxes on the property. Providing the lease remains in good standing, the party has the option to purchase the property at the end of the agreement for \$2,200,000 plus any applicable GST.

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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21. 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 for its post closure liability, and had put aside \$27,368 in term deposits to fund the liability. The amounts for 2015 were not available at the time these financial statements were issued.

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 issued, 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 \$4,000,000 and a MasterCard with a \$50,000 limit. In addition, designated Westlock County staff have access to the use of UFA fuel cards which are under AAMD&C, hence there is no credit limit.

Westlock County is currently subject to a human rights complaint filed by a formal employee. The claim is in the process of attempting to be resolved, 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.

Westlock County is currently subject to a claim from a construction company in the amount of \$106,141. The liability and final quantum is indeterminate at the time the financial statements were issued. No amount for the contingent liability has been recorded in the financial statements.

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

The County has restated its prior year opening accumulated surplus for the following items:
1) Move deferred revenue amounts for the Municipal Sustainability Initiative that were previously included as restricted surplus (i.e., capital reserves) to deferred revenue.
2) Removing Waste Commission Land that was incorrectly recorded as a Westlock County asset.

	<u>2014</u>
Adjustments to opening accumulated surplus:	
As previously reported	\$ 30,104,419
Adjustment to opening deferred revenue	(346,036)
Removal of Waste Commission land reported as a Westlock County Asset	<u>(117,036)</u>
As restated	<u>\$ 29,641,347</u>

The County has restated its prior year excess of revenues over expenses to account for surplus tippage revenue that was previously recorded as revenue of the Westlock and District Waste Management Commission in error.

	<u>2014</u>
Adjustments to excess of revenues over expenses:	
As previously reported	\$ 1,093,354
Increase user fees and sales of goods	<u>10,058</u>
As restated	<u>\$ 1,103,412</u>

23. APPROVAL OF FINANCIAL STATEMENTS

Council and Management have approved these financial statements.
