

WESTLOCK COUNTY
Consolidated Financial Statements
December 31, 2016

WESTLOCK COUNTY
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December 31, 2016

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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, 2016, 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, 2016, 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
April 25, 2017



CHARTERED ACCOUNTANTS

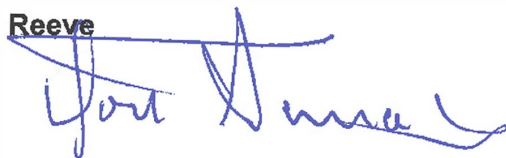
WESTLOCK COUNTY
Consolidated Statement of Financial Position
As at December 31, 2016

	2016	2015
FINANCIAL ASSETS		
Cash (Note 3)	\$ 3,190,436	\$ 104,364
Cash held in trust (Note 4)	38,965	38,965
Taxes and grants in place of taxes receivable (Note 5)	1,004,811	817,454
Trade and other receivables (Note 6)	1,987,881	1,330,623
Accrued interest receivable	65,130	75,995
Land for resale inventory (County Industrial Park and Airport lots)	970,710	970,710
Short term investments (Note 7)	5,250,212	9,164,890
Loans receivable from community organizations (Note 7)	6,955,213	7,221,072
	19,463,358	19,724,073
LIABILITIES		
Accounts payable & accrued liabilities	929,996	2,868,602
Deposit liabilities	42,056	31,656
Trust liabilities	38,965	38,965
Due to related parties	65,296	265,410
Deferred revenue (Note 9)	2,354,328	1,949,680
Accrued wages payable (Note 10)	185,434	246,497
Accrued interest payable	65,130	75,995
Long term debt (Note 11)	3,794,285	3,196,044
Long term debt held on behalf of community organizations (Note 11)	6,955,213	7,221,072
	14,430,703	15,893,921
NET FINANCIAL ASSETS	5,032,655	3,830,152
NON-FINANCIAL ASSETS		
Tangible capital assets (Schedule 2)	26,967,898	25,846,344
Inventory for consumption (Note 12)	1,413,446	2,583,330
Prepaid expenses	305,757	290,550
	28,687,101	28,720,224
ACCUMULATED SURPLUS (Note 15)	\$ 33,719,756	\$ 32,550,376

Commitments and contingencies - see Notes 21 and 22.

APPROVED ON BEHALF OF THE COUNTY

Reeve



Chief Administrative Officer



Shoemaker, Viney & Friesen

WESTLOCK COUNTY
Consolidated Statement of Operations
Year Ended December 31, 2016

	Budget (unaudited)	2016	2015
REVENUE			
Net municipal taxes(<i>Schedule 3</i>)	\$ 10,793,948	\$ 10,773,075	\$ 10,815,681
User fees and sales of goods	2,292,167	1,663,166	1,998,424
Government transfers for operating	2,341,830	2,193,753	3,445,110
Investment income	147,925	118,275	148,758
Penalties and costs of taxes	137,000	190,583	162,330
Development levies	152,607	154,188	159,491
Licences and permits	164,900	146,225	173,740
Other	136,259	168,319	64,567
Total Revenue	16,166,636	15,407,584	16,968,101
EXPENSES			
Legislative services	368,285	366,682	345,373
General administration services	1,894,785	1,931,089	1,805,715
Fire protection services	460,660	500,023	640,524
Enforcement services	275,586	267,494	282,498
Transportation services	7,440,270	7,329,520	7,918,821
Water services	501,020	436,335	476,634
Wastewater treatment and disposal services	142,331	149,913	147,273
Solid waste management services	554,140	480,919	435,835
Family and Community Support Services	53,818	56,119	46,390
Planning and development services	650,459	649,094	650,180
Agriculture services	719,458	636,746	609,880
Land held for resale (County Industrial Park)	3,000	5,107	202,846
Recreation services	792,733	706,857	1,147,569
Airport	122,100	94,386	104,097
Amortization expense	-	1,651,244	1,586,611
Loss on disposal of tangible capital assets	-	600,790	59,460
Write down of tangible capital assets	-	88,460	527,499
Total Expenses	13,978,645	15,950,778	16,987,205
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES - BEFORE OTHER	2,187,991	(543,194)	(19,104)
OTHER			
Government transfers for capital	2,563,333	1,712,574	1,824,721
EXCESS OF REVENUE OVER EXPENSES	4,751,324	1,169,380	1,805,617
ACCUMULATED SURPLUS - BEGINNING OF YEAR	-	32,550,376	30,744,759
ACCUMULATED SURPLUS - END OF YEAR	-	\$ 33,719,756	\$ 32,550,376

WESTLOCK COUNTY
Consolidated Statement of Changes in Net Financial Assets
Year Ended December 31, 2016

	Budget (Unaudited)	2016	2015
EXCESS OF REVENUE OVER EXPENSES	\$ 4,751,324	\$ 1,169,380	\$ 1,805,617
Acquisition of tangible capital assets	(5,331,020)	(4,527,636)	(2,227,857)
Loss on disposal of tangible capital assets	-	600,790	59,460
Proceeds on disposal of tangible capital assets	687,000	1,065,588	71,495
Amortization of tangible capital assets	-	1,651,244	1,586,611
Write down on disposal of tangible capital assets	-	88,460	527,499
	<u>(4,644,020)</u>	<u>(1,121,554)</u>	17,208
(Allocation) use of inventory	-	1,169,884	(813,824)
(Allocation) use of prepaid expenses	-	(15,207)	(156,978)
	-	1,154,677	(970,802)
INCREASE IN NET FINANCIAL ASSETS	107,304	1,202,503	852,023
NET FINANCIAL ASSETS - BEGINNING OF YEAR	-	3,830,152	2,978,129
NET FINANCIAL ASSETS - END OF YEAR	-	\$ 5,032,655	\$ 3,830,152

WESTLOCK COUNTY
Consolidated Statement of Cash Flows
Year Ended December 31, 2016

	2016	2015
OPERATING		
Excess of revenue over expenses	\$ 1,169,380	\$ 1,805,617
Items not affecting cash:		
Amortization of tangible capital assets	1,651,244	1,586,611
Loss on disposal of tangible capital assets	600,790	59,460
Write down of tangible capital assets	88,460	527,499
	<u>3,509,874</u>	<u>3,979,187</u>
Changes in non-cash working capital:		
Taxes and grants in place of taxes	(187,357)	(222,545)
Inventory for consumption	1,169,884	(813,824)
Prepaid expenses	(15,207)	(156,978)
Trade and other receivables	(657,258)	67,782
Accounts payable & accrued liabilities	(1,938,606)	1,064,824
Deposit liabilities	10,400	(40,000)
Due to related parties	(200,114)	(58,118)
Deferred revenue	404,648	(766,709)
Accrued vacation payable	(61,063)	153,491
Land for resale inventory (County Industrial Park)	-	(172,428)
	<u>(1,474,673)</u>	<u>(944,505)</u>
Cash provided by (applied to) operating transactions	<u>2,035,201</u>	<u>3,034,682</u>
INVESTING ACTIVITIES		
Purchase of tangible capital assets	(4,527,636)	(2,227,857)
Proceeds on disposal of tangible capital assets	1,065,588	71,495
Long term investments repaid	276,724	257,263
	<u>(3,185,324)</u>	<u>(1,899,099)</u>
Cash provided by (applied to) capital transactions		
FINANCING		
Proceeds received from long term debt	1,644,600	-
Long term debt repaid	(1,323,083)	(1,326,545)
	<u>321,517</u>	<u>(1,326,545)</u>
Cash provided by (applied to) financing transactions		
Net change in cash and cash equivalents during the year	(828,606)	(190,962)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	9,269,254	9,460,216
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 8,440,648	\$ 9,269,254
Cash and cash equivalents is made up of:		
Cash (Note 3)	\$ 3,190,436	\$ 104,364
Short term investments (Note 7)	5,250,212	9,164,890
	<u>\$ 8,440,648</u>	<u>\$ 9,269,254</u>

WESTLOCK COUNTY
SCHEDULE OF CHANGES IN ACCUMULATED SURPLUS
For the Year Ended December 31, 2016
SCHEDULE 1

	Unrestricted Surplus	Operating Reserves	Capital Reserves	Equity in Tangible Capital Assets	Total 2016	Total 2015
BALANCE, BEGINNING OF YEAR	\$ 1,700,517	\$ 4,253,287	\$ 3,946,272	\$ 22,650,300	\$ 32,550,376	\$ 30,744,759
Excess (Deficiency) of revenues over expenses	1,169,380	-	-	-	1,169,380	1,805,617
Unrestricted funds designated for future use	(2,039,736)	964,866	1,074,870	-	-	-
Restricted funds used for operations	79,906	(79,906)	-	-	-	-
Restricted funds used for tangible capital assets	-	(295,948)	(200,000)	495,948	-	-
Current year funds used for tangible capital assets	(4,031,688)	-	-	4,031,688	-	-
Disposal/write down of tangible capital assets	1,754,838	-	-	(1,754,838)	-	-
Long term debt issued for purchases of tangible capital assets	1,644,600	-	-	(1,644,600)	-	-
Annual amortization expense	1,651,244	-	-	(1,651,244)	-	-
Long term debt repaid	(1,046,359)	-	-	1,046,359	-	-
Change in accumulated surplus	(817,815)	589,012	874,870	523,313	1,169,380	1,805,617
BALANCE, END OF YEAR	\$ 882,702	\$ 4,842,299	\$ 4,821,142	\$ 23,173,613	\$ 33,719,756	\$ 32,550,376

WESTLOCK COUNTY
SCHEDULE OF TANGIBLE CAPITAL ASSETS
For the Year Ended December 31, 2016
SCHEDULE 2

	Land	Utilities Engineered Structures	Buildings	Engineered Structures	Machinery & Equipment	Vehicles	Total 2016	Total 2015
COST:								
BALANCE, BEGINNING 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
Acquisition of tangible capital assets	21,000	365,078	88,460	1,729,273	2,323,825	-	4,527,636	2,227,857
Disposal of tangible capital assets	-	-	-	(219,894)	(2,282,300)	(144,270)	(2,646,464)	(336,197)
Write down of tangible capital assets	-	-	(88,460)	-	-	-	(88,460)	(527,499)
BALANCE, END OF YEAR	2,147,628	8,870,578	3,556,897	115,994,306	9,071,890	3,297,916	142,939,215	141,146,503
ACCUMULATED AMORTIZATION:								
BALANCE, BEGINNING OF YEAR	-	2,409,196	570,210	107,567,755	3,060,288	1,692,710	115,300,159	113,918,790
Annual amortization	-	365,196	68,561	440,445	566,896	210,146	1,651,244	1,586,611
Accumulated amortization on disposals	-	-	-	(219,894)	(640,470)	(119,722)	(980,086)	(205,242)
BALANCE, END OF YEAR	-	2,774,392	638,771	107,788,306	2,986,714	1,783,134	115,971,317	115,300,159
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	2,147,628	6,096,186	2,918,126	8,206,000	6,085,176	1,514,782	26,967,898	25,846,344
2015 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	-

WESTLOCK COUNTY
Consolidated Schedule of Property and Other Taxes *(Schedule 3)*
Year Ended December 31, 2016

	Budget (Unaudited)	2016	2015
TAXATION			
Residential & farmland levies	\$ 8,145,538	\$ 8,124,234	\$ 8,046,373
Non residential levy	5,870,693	5,871,124	5,902,887
	14,016,231	13,995,358	13,949,260
REQUISITIONS			
Alberta School Foundation	2,677,596	2,677,596	2,539,002
Westlock Foundation (senior lodging)	544,687	544,687	594,577
	3,222,283	3,222,283	3,133,579
NET MUNICIPAL TAXES	\$ 10,793,948	\$ 10,773,075	\$ 10,815,681

WESTLOCK COUNTY
Schedule of Consolidated Expenses by Object **(Schedule 4)**
Year Ended December 31, 2016

	Budget (Unaudited)	2016	2015
CONSOLIDATED EXPENSES BY OBJECT			
Salaries & wages	\$ 5,098,977	\$ 5,124,908	\$ 4,976,983
Contract & general services	3,754,099	2,519,482	3,387,171
Goods & supplies	3,977,217	4,873,894	5,425,373
Provision for allowance	-	80,510	42,120
Transfers to local boards/governments	911,300	905,631	855,812
Bank charges and short-term interest	7,200	17,332	17,314
Interest on long term debt	229,852	88,527	108,862
Amortization expense	-	1,651,244	1,586,611
Loss on disposal of tangible capital assets	-	600,790	59,460
Write down of tangible capital assets	-	88,460	527,499
	\$ 13,978,645	\$ 15,950,778	\$ 16,987,205

WESTLOCK COUNTY
SCHEDULE OF SEGMENTED DISCLOSURE
For the Year Ended December 31, 2016
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	\$ 10,773,075	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 10,773,075
User fees and sales of goods	98,359	172,010	671,490	570,361	8,483	16,170	126,293	1,663,166
Government transfers for operating	227,680	7,200	1,788,279	-	-	170,594	-	2,193,753
Investment income	118,275	-	-	-	-	-	-	118,275
Penalties on taxes and development levies	190,583	-	-	116,737	37,451	-	-	344,771
Licenses and other income	46,388	415	3,503	23,387	233,656	7,195	-	314,544
	11,454,360	179,625	2,463,272	710,485	279,590	193,959	126,293	15,407,584
EXPENSES:								
Salaries & wages	1,389,995	214,864	2,560,553	366,595	281,177	309,230	2,494	5,124,908
Contract & General Services	486,773	176,979	1,146,785	232,522	273,089	110,956	92,378	2,519,482
Goods & supplies	323,160	297,924	3,661,038	274,110	29,007	210,561	78,094	4,873,894
Provision for allowance	80,510	-	-	-	-	-	-	80,510
Transfers to local boards/governments	-	77,750	-	193,939	70,928	6,000	557,014	905,631
Interest	17,332	-	55,531	-	-	-	32,996	105,859
	2,297,770	767,517	7,423,907	1,067,166	654,201	636,747	762,976	13,610,284
EXCESS OF REVENUES OVER EXPENSES FROM OPERATIONS	9,156,590	(587,892)	(4,960,635)	(356,681)	(374,611)	(442,788)	(636,683)	1,797,300
CAPITAL INCOME (EXPENSE):								
Government transfers for capital	-	-	1,456,166	256,408	-	-	-	1,712,574
(Loss/write down) on disposal of capital assets	(3,230)	-	(597,560)	-	-	-	(88,460)	(689,250)
	(3,230)	-	858,606	256,408	-	-	(88,460)	1,023,324
Amortization expense	25,060	117,405	973,671	377,764	39,774	9,102	108,468	1,651,244
EXCESS OF REVENUE OVER EXPENSES	9,128,300	(705,297)	(5,075,700)	(478,037)	(414,385)	(445,190)	(833,611)	1,169,380
EXCESS OF REVENUE OVER EXPENSES 2015	9,221,630	(878,139)	(3,964,772)	(512,104)	(469,531)	(445,397)	(1,146,070)	1,805,617

WESTLOCK COUNTY
Notes to Consolidated Financial Statements
December 31, 2016

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The consolidated financial statements of Westlock County ("the 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 Chartered Professional Accountants of Canada. 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 the Westlock Municipal Airport and are, therefore, accountable to the County Council for the administration of their financial affairs and resources.

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

The statements exclude trust assets that are administered for the benefit of external parties.

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.

(continues)

WESTLOCK COUNTY
Notes to Consolidated Financial Statements
December 31, 2016

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 County 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.

(continues)

WESTLOCK COUNTY
Notes to Consolidated Financial Statements
December 31, 2016

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, 2016

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 a first-in, first-out basis.

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, 2016

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, 2016.

(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 \$184,591 (2015 - \$186,168) for future recreation projects.

4. **CASH HELD IN TRUST**

Cash held in trust consists of the excess of proceeds received over property taxes and applicable penalties owed on those properties sold for tax recovery. the Municipal Government Act requires that unpaid excess funds be held for a minimum period of ten years before the County can use the funds for its own purposes.

WESTLOCK COUNTY
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5. TAXES AND GRANTS IN PLACE OF TAXES RECEIVABLE

	2016	2015
Taxes Receivable -Tax	\$ 795,867	\$ 671,780
Taxes Receivable - Arrears	416,284	291,215
	1,212,151	962,995
Less: allowance for doubtful accounts	(207,340)	(145,541)
	\$ 1,004,811	\$ 817,454

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.

6. TRADE AND OTHER RECEIVABLES

	2016	2015
Other receivables	\$ 556,444	\$ 727,507
Provincial and federal grants receivable	1,431,437	603,116
	\$ 1,987,881	\$ 1,330,623

Included in other receivables is a long term receivable of \$134,036 (2015 - \$144,301) relating to the Dapp Utility Infrastructure Project that will be recovered over a 20 year period. Of this amount, it is estimated that \$10,407 (2016 - \$9,420) will be recovered in 2017.

WESTLOCK COUNTY
Notes to Consolidated Financial Statements
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7. INVESTMENTS

	2016	2015
Loan receivable from the Westlock Foundation, effective interest rate at 3.411%	\$ 6,546,558	\$ 6,771,734
Term deposit maturing July 2017 (June 2014), effective interest rate 2.05% (2013-1.55%)	5,250,212	5,147,712
Loan receivable from the Westlock Seed Cleaning Co-op Ltd., effective interest rate at 3.586%	252,069	268,618
Loan receivable from the Westlock Seed Cleaning Co-op Ltd., effective interest rate at 2.226%	156,586	180,720
Term deposit maturing July 2016 (July 2015), effective interest rate at 0.95% (2014-1.47%)	-	3,012,884
Term deposit maturing July 2016, effective interest rate at 0.95%	-	1,004,294
	\$ 12,205,425	\$ 16,385,962

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, 2016.

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

8. CONTAMINATED SITES LIABILITY

The County has adopted PS3260 Liability for Contaminated Sites.

The County owns a property where there was once a landfill. It has been determined by the engineering firm that monitors the site that higher than acceptable levels leachate (chloride) migration is an issue. If left unattended, there is a potential for the leachate to get into the underground water that flows through the site.

To resolve the issue, the County plans to install a system to capture the water in the affected area and pump it out on a regular basis. The estimated cost to install the system is \$30,000. This liability has been included in the financial statements. The County plans to install the system during the 2017 fiscal year.

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9. DEFERRED REVENUE

	2016	2015
Provincial transfers - Transportation Services	\$ 2,176,507	\$ 1,692,410
Provincial transfers - Administrative Services	152,245	242,494
Provincial transfers - Fire Services	10,800	-
Provincial transfers - Athabasca Landing Trail	1,840	1,840
Provincial transfers - Recreation Services	1,512	1,512
Prepaid rent and rent deposits	11,424	11,424
	\$ 2,354,328	\$ 1,949,680

Transportation Services

\$903,432 (2015 -\$540,089) of Federal Gas Tax grants and \$1,248,644 (2015 - \$1,014,225) of Municipal Sustainability Initiative funding was not spent during the fiscal year, and will be deferred for future capital projects. In addition, \$0 (2015 - \$113,665) of Provincial Government grants related to bridge projects, and \$24,431 (2015 - \$24,431) of Hamlet Streets Improvement Grant funding was unspent in 2016, and will be utilized for capital projects in future years.

Administrative Services

\$141,084 (2015-\$228,301) of the \$250,000 Provincial Government grant for regional collaboration was unspent in 2016 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 2017.

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.

10. ACCRUED WAGES PAYABLE

Regular wages payable	\$ 94,002	\$ 99,497
Vacation and overtime	60,428	62,000
Severance amounts	31,004	85,000
	\$ 185,434	\$ 246,497

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
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11. LONG TERM DEBT

	2016	2015
Debenture debt supported by long term investment receivable from the Westlock Foundation, secured by a mortgage on the Pembina Supportive Housing building.	\$ 6,546,558	\$ 6,771,734
Debenture debt supported by general municipal levies.	3,794,285	3,196,044
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.	408,655	449,338
	\$ 10,749,498	\$ 10,417,116

The current portion of the long term debt amounts to \$1,223,330 (2015 - \$1,326,545).

Principal and interest repayment terms are as follows:

	Principal	Interest	Total
2017	\$ 1,223,330	\$ 322,044	\$ 1,545,374
2018	985,832	294,638	1,280,470
2019	837,310	270,312	1,107,622
2020	859,844	247,777	1,107,621
2021	829,301	224,514	1,053,815
Thereafter	6,013,881	1,565,940	7,579,821
	\$ 10,749,498	\$ 2,925,225	\$ 13,674,723

Debenture debt excluding the capital lease is repayable to the Alberta Capital Finance Authority and bears interest at rates ranging from 1.238% to 5.66% per annum and matures in periods 2017 through 2036.

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

Of the total principal and interest payments for 2017, \$232,922 (2016 - \$225,176) of principal and \$221,334 (2016 - \$229,080) 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 2017, \$41,822 (2016 - \$40,683) of principal and \$12,236 (2016 - \$13,375) 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.

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Notes to Consolidated Financial Statements
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12. INVENTORY FOR CONSUMPTION

	2016	2015
Gravel (2016 - 181,864 tonnes, 2015 - 195,023 tonnes)	\$ 974,874	\$ 2,221,724
Equipment parts & chemical	438,572	361,606
	\$ 1,413,446	\$ 2,583,330

140,000 tonnes of gravel on hand at December 31, 2016 was held in the locations of those companies Westlock County contracted with to purchase the gravel. Additional costs for removing the gravel from those sites will be incurred when the gravel is moved.

13. 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:

	2016	2015
Total debt limit	\$ 23,111,376	\$ 25,452,152
Total debt	10,814,628	10,493,111
Amount of debt limit unused	12,296,748	14,959,041
Debt servicing limit	3,851,896	4,242,025
Debt servicing	1,545,374	1,589,391
Amount of debt servicing limit unused	\$ 2,306,522	\$ 2,652,634

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.

14. EQUITY IN TANGIBLE CAPITAL ASSETS

	2016	2015
Tangible capital assets (<i>Schedule 2</i>)	\$142,939,215	\$141,146,503
Accumulated amortization(<i>Schedule 2</i>)	(115,971,317)	(115,300,159)
Long term debt (<i>Note 11</i>)	(3,794,285)	(3,196,044)
	\$ 23,173,613	\$ 22,650,300

WESTLOCK COUNTY
Notes to Consolidated Financial Statements
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15. ACCUMULATED SURPLUS

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

	2016	2015
Unrestricted surplus	\$ 882,702	\$ 1,700,517
Restricted surplus		
Operating Reserves	4,842,299	4,253,287
Capital Reserves	4,821,142	3,946,272
Equity in tangible capital assets	<u>23,173,613</u>	<u>22,650,300</u>
	<u>\$ 33,719,756</u>	<u>\$ 32,550,376</u>

16. GOVERNMENT TRANSFERS FOR CAPITAL

Of the \$1,712,574 government transfers for capital, \$0 (2015 - \$300,302) are Federal capital grants, \$1,659,466 (2015 - \$1,524,419) are Provincial capital grants, and \$53,108 (2015 - \$0) are grants from other municipalities.

17. RELATED PARTY TRANSACTIONS

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

	2016	2015
Westlock Regional Waste Management Commission		
Landfill usage expense	\$ (229,048)	\$ (208,602)
Administration fee revenue	18,000	18,000
Other revenue (hired services and repairs)	30,094	64,602
	<u>(180,954)</u>	<u>(126,000)</u>
Westlock Regional Water Services Commission		
Water usage fees	\$ (95,148)	\$ (95,674)
Amounts due from (to) related parties		
Westlock Regional Waste Management Commission	\$ 24,378	\$ (275,467)
Westlock Regional Water Services Commission	(8,149)	(15,110)
Due from (to) related parties	<u>16,229</u>	<u>(290,577)</u>

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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18. 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).

19. 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	2016 Total	2015 Total
Councillors:				
Division 1	\$ 37,135	\$ 4,834	\$ 41,969	\$ 40,605
Division 2	37,135	5,927	43,062	41,692
Division 3	35,563	5,490	41,053	40,112
Division 4	39,320	4,907	44,227	43,651
Division 5	38,663	4,885	43,548	40,605
Division 6	37,135	4,834	41,969	40,583
Division 7	37,135	5,927	43,062	41,051
Chief Administrative Officer, 3.	56,454	9,274	65,728	210,270
Chief Administrative Officer	54,769	5,637	60,406	-
Chief Administrative Officer, Contractor	47,320	-	47,320	-
Chief Administrative Officer	45,769	13,868	59,637	-
	\$ 466,398	\$ 65,583	\$ 531,981	\$ 498,569

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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20. 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 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 the LAPP of 11.39% of pensionable earnings up to the year's maximum pensionable earnings under the Canada Pension Plan and 15.84% on pensionable earnings above this amount.

Total current service contributions by the County to the LAPP in 2016 were \$353,083 (2015 - \$303,454). Total current service contributions by the employees of the County to the Local Authorities Pension Plan in 2016 were \$324,962 (2015 - \$279,172).

At December 31, 2015, the LAPP disclosed an actuarial deficiency of \$923 million.

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.

21. 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 Council has set aside \$75,000 in reserves to fund the costs of remediation.

22. 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, 2016, the Waste Management Commission had accrued \$63,368 (2015-\$55,368) for its post closure liability, and had put aside \$63,000 (2015-\$27,906) in term deposits to fund the liability.

The County has access to a bank line of credit with a limit of \$3,000,000 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 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.

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Notes to Consolidated Financial Statements
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23. APPROVAL OF FINANCIAL STATEMENTS

Council and Management have approved these financial statements.
