

WESTLOCK COUNTY
Consolidated Financial Statements
December 31, 2017

WESTLOCK COUNTY
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December 31, 2017

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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, 2017, 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, 2017, 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 10, 2018


CHARTERED ACCOUNTANTS

WESTLOCK COUNTY
Consolidated Statement of Financial Position
As at December 31, 2017

	2017	2016
FINANCIAL ASSETS		
Cash (Note 3)	\$ 159,914	\$ 3,190,436
Cash held in trust (Note 4)	27,947	38,965
Taxes and grants in place of taxes receivable (Note 5)	689,965	1,004,811
Trade and other receivables (Note 6)	2,601,149	1,987,881
Accrued interest receivable	66,424	65,130
Land for resale inventory (County Industrial Park and Airport lots)	964,035	970,710
Short term investments (Note 7)	9,057,836	5,250,212
Loans receivable from community organizations (Note 7)	6,680,470	6,955,213
	20,247,740	19,463,358
LIABILITIES		
Accounts payable & accrued liabilities	716,103	929,996
Deposit liabilities	54,055	42,056
Trust liabilities	27,947	38,965
Due to related parties	219,913	65,296
Deferred revenue (Note 9)	1,996,733	2,354,328
Accrued wages payable (Note 10)	210,680	185,434
Accrued interest payable	78,919	65,130
Long term debt (Note 11)	4,210,340	3,794,285
Long term debt held on behalf of community organizations (Note 11)	6,680,470	6,955,213
	14,195,160	14,430,703
NET FINANCIAL ASSETS	6,052,580	5,032,655
NON-FINANCIAL ASSETS		
Tangible capital assets (Schedule 2)	29,390,060	26,967,898
Inventory for consumption (Note 12)	1,233,314	1,413,446
Prepaid expenses	341,909	305,757
	30,965,283	28,687,101
ACCUMULATED SURPLUS (Schedule 1) (Note 15)	\$ 37,017,863	\$ 33,719,756

Commitments and contingencies - see Notes 21 and 22.

APPROVED ON BEHALF OF THE COUNTY

Original signed and on file

Reeve

Original signed and on file

Chief Administrative Officer

WESTLOCK COUNTY
Consolidated Statement of Operations
Year Ended December 31, 2017

	Budget (unaudited)	2017	2016
REVENUE			
Net municipal taxes <i>(Schedule 3)</i>	\$ 10,589,768	\$ 10,585,113	\$ 10,773,075
User fees and sales of goods	2,179,217	1,771,645	1,663,166
Government transfers for operating	2,020,649	1,697,374	2,193,753
Penalties and costs of taxes	155,250	196,357	190,583
Other	85,410	178,171	168,319
Licences and permits	160,200	172,667	146,225
Development levies	159,207	153,464	154,188
Investment income	102,725	141,205	118,275
Total Revenue	15,452,426	14,895,996	15,407,584
EXPENSES			
Legislative services	454,194	384,826	366,682
General administration services	1,621,821	1,709,628	1,931,089
Fire protection services	531,999	494,821	500,023
Enforcement services	237,231	177,791	267,494
Transportation services	7,264,055	5,636,699	7,329,520
Water services	508,532	443,488	436,335
Wastewater treatment and disposal services	125,538	103,097	149,913
Solid waste management services	574,891	461,056	480,919
Family and Community Support Services	55,220	55,200	56,119
Planning and development services	675,038	627,174	649,094
Agriculture services	754,340	636,311	636,746
Land held for resale (County Industrial Park)	8,710	36,957	5,107
Recreation services	791,594	726,826	706,857
Airport	129,200	144,010	94,386
Amortization expense	-	1,622,356	1,651,244
Loss on disposal of tangible capital assets	-	423,038	600,790
Write down of tangible capital assets	-	-	88,460
Total Expenses	13,732,363	13,683,278	15,950,778
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES - BEFORE OTHER	1,720,063	1,212,718	(543,194)
CAPITAL REVENUE			
Government transfers for capital	2,357,609	1,846,509	1,712,574
Contributed tangible capital assets	-	238,880	-
	2,357,609	2,085,389	1,712,574
EXCESS OF REVENUE OVER EXPENSES	4,077,672	3,298,107	1,169,380
ACCUMULATED SURPLUS - BEGINNING OF YEAR	-	33,719,756	32,550,376
ACCUMULATED SURPLUS - END OF YEAR	-	\$ 37,017,863	\$ 33,719,756

WESTLOCK COUNTY
Consolidated Statement of Changes in Net Financial Assets
Year Ended December 31, 2017

	Budget (Unaudited)	2017	2016
EXCESS OF REVENUE OVER EXPENSES	\$ 4,077,672	\$ 3,298,107	\$ 1,169,380
Acquisition of tangible capital assets	(6,957,776)	(5,168,220)	(4,527,636)
Loss on disposal of tangible capital assets	-	423,038	600,790
Proceeds on disposal of tangible capital assets	698,500	700,664	1,065,588
Amortization of tangible capital assets	-	1,622,356	1,651,244
Write down on disposal of tangible capital assets	-	-	88,460
	<u>(6,259,276)</u>	<u>(2,422,162)</u>	<u>(1,121,554)</u>
(Allocation) use of inventory	-	180,132	1,169,884
(Allocation) use of prepaid expenses	-	(36,152)	(15,207)
	<u>-</u>	<u>143,980</u>	<u>1,154,677</u>
INCREASE IN NET FINANCIAL ASSETS	(2,181,604)	1,019,925	1,202,503
NET FINANCIAL ASSETS - BEGINNING OF YEAR	-	5,032,655	3,830,152
NET FINANCIAL ASSETS - END OF YEAR	-	\$ 6,052,580	\$ 5,032,655

WESTLOCK COUNTY
Consolidated Statement of Cash Flows
Year Ended December 31, 2017

	2017	2016
OPERATING		
Excess of revenue over expenses	\$ 3,298,107	\$ 1,169,380
Items not affecting cash:		
Amortization of tangible capital assets	1,622,356	1,651,244
Loss on disposal of tangible capital assets	423,038	600,790
Contribution of tangible capital assets	(238,880)	-
Write down of tangible capital assets	-	88,460
	<u>5,104,621</u>	<u>3,509,874</u>
Changes in non-cash working capital:		
Taxes and grants in place of taxes	314,846	(187,357)
Trade and other receivables	(613,268)	(657,258)
Accrued interest receivable	(1,294)	10,865
Land for resale inventory (Airport lots)	6,675	-
Accounts payable & accrued liabilities	(213,893)	(1,938,606)
Deposit liabilities	11,999	10,400
Due to related parties	154,617	(200,114)
Deferred revenue	(357,595)	404,648
Accrued wages payable	25,246	(61,063)
Accrued interest payable	13,789	(10,865)
Inventory for consumption	180,132	1,169,884
Prepaid expenses	(36,152)	(15,207)
	<u>(514,898)</u>	<u>(1,474,673)</u>
Cash provided by (applied to) operating transactions	<u>4,589,723</u>	<u>2,035,201</u>
INVESTING ACTIVITIES		
Purchase of tangible capital assets	(4,929,340)	(4,527,636)
Proceeds on disposal of tangible capital assets	700,664	1,065,588
Long term investments repaid	274,743	276,724
	<u>(3,953,933)</u>	<u>(3,185,324)</u>
Cash provided by (applied to) capital transactions		
FINANCING		
Proceeds received from long term debt	1,460,000	1,644,600
Long term debt repaid	(1,318,688)	(1,323,083)
	<u>141,312</u>	<u>321,517</u>
Cash from financing transactions		
Net change in cash and cash equivalents during the year	777,102	(828,606)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	8,440,648	9,269,254
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 9,217,750	\$ 8,440,648
Cash and cash equivalents is made up of:		
Cash (Note 3)	\$ 159,914	\$ 3,190,436
Short term investments (Note 7)	9,057,836	5,250,212
	<u>\$ 9,217,750</u>	<u>\$ 8,440,648</u>

WESTLOCK COUNTY
SCHEDULE OF CHANGES IN ACCUMULATED SURPLUS
For the Year Ended December 31, 2017
SCHEDULE 1

	Unrestricted Surplus	Operating Reserves	Capital Reserves	Equity in Tangible Capital Assets	Total 2017	Total 2016
BALANCE, BEGINNING OF YEAR	\$ 882,702	\$ 4,842,299	\$ 4,821,142	\$ 23,173,613	\$ 33,719,756	\$ 32,550,376
Excess (Deficiency) of revenues over expenses	3,298,107	-	-	-	3,298,107	1,169,380
Unrestricted funds designated for future use	(2,162,864)	1,449,958	712,906	-	-	-
Restricted funds used for operations	75,042	(75,042)	-	-	-	-
Restricted funds used for tangible capital assets	-	(193,066)	(587,328)	780,394	-	-
Current year funds used for tangible capital assets	(4,387,826)	-	-	4,387,826	-	-
Disposal of tangible capital assets	1,123,702	-	-	(1,123,702)	-	-
Long term debt issued for purchases of tangible capital assets	1,460,000	-	-	(1,460,000)	-	-
Annual amortization expense	1,622,356	-	-	(1,622,356)	-	-
Long term debt repaid	(1,043,945)	-	-	1,043,945	-	-
Change in accumulated surplus	(15,428)	1,181,850	125,578	2,006,107	3,298,107	1,169,380
BALANCE, END OF YEAR	\$ 867,274	\$ 6,024,149	\$ 4,946,720	\$ 25,179,720	\$ 37,017,863	\$ 33,719,756

WESTLOCK COUNTY
SCHEDULE OF TANGIBLE CAPITAL ASSETS
For the Year Ended December 31, 2017
SCHEDULE 2

	Land	Utilities Engineered Structures	Buildings	Engineered Structures	Machinery & Equipment	Vehicles	Total 2017	Total 2016
COST:								
BALANCE, BEGINNING 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
Acquisition of tangible capital assets	7,800	422,726	550,756	1,687,787	2,066,581	193,690	4,929,340	4,527,636
Contributed assets	37,500	-	188,460	-	12,920	-	238,880	-
Disposal of tangible capital assets	-	-	-	(114,828)	(1,525,295)	(229,947)	(1,870,070)	(2,646,464)
Write down of tangible capital assets	-	-	-	-	-	-	-	(88,460)
BALANCE, END OF YEAR	2,192,928	9,293,304	4,296,113	117,567,265	9,613,176	3,274,579	146,237,365	142,939,215
ACCUMULATED AMORTIZATION:								
BALANCE, BEGINNING OF YEAR	-	2,774,392	638,771	107,788,306	2,986,714	1,783,134	115,971,317	115,300,159
Annual amortization	-	380,927	75,954	458,383	541,028	166,065	1,622,357	1,651,244
Accumulated amortization on disposals	-	-	-	(114,828)	(485,083)	(146,458)	(746,369)	(980,086)
BALANCE, END OF YEAR	-	3,155,319	714,725	108,131,861	3,042,659	1,802,741	116,847,305	115,971,317
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	2,192,928	6,137,985	3,581,388	9,435,404	6,570,517	1,471,838	29,390,060	26,967,898
2016 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	-

WESTLOCK COUNTY
Consolidated Schedule of Property and Other Taxes *(Schedule 3)*
Year Ended December 31, 2017

	Budget (Unaudited)	2017	2016
TAXATION			
Residential & farmland levies	\$ 9,079,075	\$ 9,102,162	\$ 8,914,678
Non residential levy	4,708,217	4,680,475	5,080,680
	<u>13,787,292</u>	<u>13,782,637</u>	<u>13,995,358</u>
REQUISITIONS			
Alberta School Foundation	2,669,178	2,669,178	2,677,596
Westlock Foundation (senior lodging)	528,346	528,346	544,687
	<u>3,197,524</u>	<u>3,197,524</u>	<u>3,222,283</u>
NET MUNICIPAL TAXES	<u>\$ 10,589,768</u>	<u>\$ 10,585,113</u>	<u>\$ 10,773,075</u>

WESTLOCK COUNTY
Schedule of Consolidated Expenses by Object *(Schedule 4)*
Year Ended December 31, 2017

	Budget (Unaudited)	2017	2016
CONSOLIDATED EXPENSES BY OBJECT			
Salaries & wages	\$ 5,202,991	\$ 4,599,941	\$ 5,124,908
Contract & general services	2,695,140	1,772,429	2,563,539
Goods & supplies	4,752,756	4,060,617	4,826,994
Transfers to local boards/governments	938,956	877,518	905,631
Provision for allowance	2,000	203,426	80,510
Interest on long term debt	128,320	109,187	88,527
Bank charges and short-term interest	12,200	14,766	20,174
Amortization expense	-	1,622,356	1,651,244
Loss on disposal of tangible capital assets	-	423,038	600,790
Write down of tangible capital assets	-	-	88,460
	<u>\$ 13,732,363</u>	<u>\$ 13,683,278</u>	<u>\$ 15,950,777</u>

WESTLOCK COUNTY
SCHEDULE OF SEGMENTED DISCLOSURE
For the Year Ended December 31, 2017
SCHEDULE 5

	General Government	Fire/Enforcement Services	Transportation & Airport	Services Water, Wastewater & Waste Management	Planning & Development	Agricultural Development Services	Recreation & Other	Total
REVENUE:								
Net municipal taxes	\$ 10,585,113	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 10,585,113
User fees and sales of goods	37,035	105,468	812,182	678,740	600	25,976	111,644	1,771,645
Government transfers for operating	226,216	10,800	1,290,099	-	-	170,259	-	1,697,374
Investment income	141,205	-	-	-	-	-	-	141,205
Penalties on taxes and development levies	194,192	-	-	108,033	220,263	-	-	522,488
Licenses and other income	86,277	2,771	2,036	-	81,255	140	5,692	178,171
	11,270,038	119,039	2,104,317	786,773	302,118	196,375	117,336	14,895,996
EXPENSES:								
Salaries & wages	1,196,320	196,926	2,194,945	386,621	306,376	318,753	-	4,599,941
Contract & General Services	369,425	123,540	641,810	194,111	223,323	94,474	125,746	1,772,429
Goods & supplies	318,261	297,711	2,865,503	241,607	66,597	217,084	53,854	4,060,617
Provision for allowance	203,426	-	-	-	-	-	-	203,426
Transfers to local boards/governments	-	50,270	-	185,301	67,835	6,000	568,112	877,518
Interest	7,024	4,165	78,450	-	-	-	34,314	123,953
	2,094,456	672,612	5,780,708	1,007,640	664,131	636,311	782,026	11,637,884
EXCESS OF REVENUES OVER EXPENSES FROM OPERATIONS	9,175,582	(553,573)	(3,676,391)	(220,867)	(362,013)	(439,936)	(664,690)	3,258,112
CAPITAL INCOME (EXPENSE):								
Government transfers for capital/contributed assets	-	238,880	1,702,509	144,000	-	-	-	2,085,389
Loss on disposal of capital assets	-	(42,560)	(374,266)	-	-	-	(6,212)	(423,038)
	-	196,320	1,328,243	144,000	-	-	(6,212)	1,662,351
Amortization expense	29,037	104,564	943,777	392,609	16,837	25,025	110,507	1,622,356
EXCESS OF REVENUE OVER EXPENSES	9,146,545	(461,817)	(3,291,925)	(469,476)	(378,850)	(464,961)	(781,409)	3,298,107
EXCESS OF REVENUE OVER EXPENSES 2016	9,128,300	(705,297)	(5,075,700)	(478,037)	(414,385)	(451,890)	(833,611)	1,169,380

WESTLOCK COUNTY
Notes to Consolidated Financial Statements
December 31, 2017

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, 2017

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 County 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, 2017

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, 2017

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, equipment parts and 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.

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.

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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, 2017.

(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 \$203,648 (2016 - \$192,281) 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.

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5. TAXES AND GRANTS IN PLACE OF TAXES RECEIVABLE

	2017	2016
Taxes Receivable -Tax	\$ 579,900	\$ 795,867
Taxes Receivable - Arrears	259,865	416,284
	839,765	1,212,151
Less: allowance for doubtful accounts	(149,800)	(207,340)
	\$ 689,965	\$ 1,004,811

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

	2017	2016
Provincial and federal grants receivable	\$ 2,050,882	\$ 1,431,437
Other receivables	550,267	556,444
	\$ 2,601,149	\$ 1,987,881

Included in other receivables is a long term receivable of \$124,231 (2016 - \$134,036) relating to the Dapp Utility Infrastructure Project that will be recovered over a 20 year period. Of this amount, it is estimated that \$6,120 (2017 - \$10,408) will be recovered in 2018.

WESTLOCK COUNTY
Notes to Consolidated Financial Statements
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7. INVESTMENTS

	2017	2016
Term deposits maturing July 2018 (July 2017), effective interest rates between prime minus 2.1% and 1.8% (2017-2.05%)	\$ 9,057,836	\$ 5,250,212
Loan receivable from Homeland Housing, effective interest rate at 3.411%	6,313,636	6,546,558
Loan receivable from the Westlock Seed Cleaning Co-op Ltd., effective interest rate at 3.586%	234,923	252,069
Loan receivable from the Westlock Seed Cleaning Co-op Ltd., effective interest rate at 2.226%	131,911	156,586
	\$ 15,738,306	\$ 12,205,425

In 2011, the County borrowed funds from Alberta Capital Finance Authority on behalf of Homeland Housing (previously Westlock Foundation) to 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.

Term deposits as indicated above include accrued interest to December 31, 2017. Accrued interest on loans receivable is reported as a separate asset on the consolidated statement of financial position.

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, in 2017 the County installed a system to capture the water in the affected area and pump it out on a regular basis. Continued monitoring will be performed to ensure that the system is working properly to remove any excess underground water to mitigate any leachage (chloride) migration issue.

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9. DEFERRED REVENUE

	2017	2016
Provincial transfers - Transportation Services	\$ 1,933,456	\$ 2,176,507
Provincial transfers - Administrative Services	43,755	152,245
Prepaid rent and rent deposits	16,170	11,424
Provincial transfers - Athabasca Landing Trail	1,840	1,840
Provincial transfers - Recreation Services	1,512	1,512
Provincial transfers - Fire Services	-	10,800
	\$ 1,996,733	\$ 2,354,328

Transportation Services

\$585,399 (2016-\$903,432) of Federal Gas Tax grants and \$1,323,625 (2016 - \$1,248,644) of Municipal Sustainability Initiative funding was not spent during the fiscal year, and will be deferred for future capital projects. In addition, \$24,431 (2016 - \$24,431) of Hamlet Streets Improvement Grant funding was unspent in 2017, and will be utilized for capital projects in future years.

Administrative Services

\$35,731 (2016-\$141,084) of the \$250,000 Provincial Government grant for regional collaboration was unspent in 2017 and has been deferred to a future year.

\$8,024 of a Provincial Government grant to fund the Tangible Capital Asset Project and related implementation expenses remains unutilized at the end of 2017.

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 2018.

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	\$ 145,334	\$ 94,002
Vacation and overtime	65,346	60,428
Severance amounts	-	31,004
	\$ 210,680	\$ 185,434

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.

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Notes to Consolidated Financial Statements
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11. LONG TERM DEBT

	2017	2016
Debenture debt supported by long term investment receivable from Homeland Housing, secured by a mortgage on the Pembina Supportive Housing building.	\$ 6,313,636	\$ 6,546,558
Debenture debt supported by general municipal levies.	4,210,340	3,794,285
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.	366,834	408,655
	\$ 10,890,810	\$ 10,749,498

The current portion of the long term debt amounts to \$1,204,115 (2016 - \$1,223,330).

Principal and interest repayment terms are as follows:

	Principal	Interest	Total
2018	\$ 1,204,115	\$ 322,710	\$ 1,526,825
2019	1,059,579	294,398	1,353,977
2020	1,086,176	267,801	1,353,977
2021	1,059,774	240,396	1,300,170
2022	693,821	214,092	907,913
Thereafter	5,787,345	1,419,391	7,206,736
	\$ 10,890,810	\$ 2,758,788	\$ 13,649,598

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 2018 through 2036.

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

Of the total principal and interest payments for 2018, \$240,935 (2017 - \$232,922) of principal and \$213,321 (2017 - \$221,334) of interest will be recovered from Homeland Housing, as those amounts relate to debenture debt borrowed by Westlock County on behalf of Homeland Housing.

Of the total principal and interest payments for 2018, \$42,944 (2017 - \$41,822) of principal and \$11,063 (2017 - \$12,236) 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.

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12. INVENTORY FOR CONSUMPTION

	<u>2017</u>	<u>2016</u>
Gravel (2017 - 157,726 tonnes, 2016 - 181,864 tonnes)	\$ 857,653	\$ 974,874
Equipment parts & chemical	<u>375,661</u>	<u>438,572</u>
	<u>\$ 1,233,314</u>	<u>\$ 1,413,446</u>

127,853 (2016-140,000) tonnes of gravel on hand at December 31, 2017 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:

	<u>2017</u>	<u>2016</u>
Total debt limit	\$ 22,343,994	\$ 23,111,376
Total debt	<u>10,890,810</u>	<u>10,749,498</u>
Amount of debt limit unused	<u>11,453,184</u>	<u>12,361,878</u>
Debt servicing limit	3,723,999	3,851,896
Debt servicing	<u>1,526,825</u>	<u>1,545,374</u>
Amount of debt servicing limit unused	<u>\$ 2,197,174</u>	<u>\$ 2,306,522</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.

14. EQUITY IN TANGIBLE CAPITAL ASSETS

	<u>2017</u>	<u>2016</u>
Tangible capital assets (<i>Schedule 2</i>)	\$146,237,365	\$142,939,215
Accumulated amortization(<i>Schedule 2</i>)	(116,847,305)	(115,971,317)
Long term debt (<i>Note 11</i>)	<u>(4,210,340)</u>	<u>(3,794,285)</u>
	<u>\$ 25,179,720</u>	<u>\$ 23,173,613</u>

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:

	2017	2016
Unrestricted surplus	\$ 867,274	\$ 882,702
Restricted surplus		
Operating Reserves	6,024,149	4,842,299
Capital Reserves	4,946,720	4,821,142
Equity in tangible capital assets	25,179,720	23,173,613
	\$ 37,017,863	\$ 33,719,756

16. GOVERNMENT TRANSFERS FOR CAPITAL

Of the \$1,712,574 government transfers for capital, \$0 (2016 - \$0) are Federal capital grants, \$1,846,509 (2016 - \$1,659,466) are Provincial capital grants, and \$0 (2016 - \$53,108) are grants from other municipalities.

17. RELATED PARTY TRANSACTIONS

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

	2017	2016
Westlock Regional Waste Management Commission		
Landfill usage expense	\$ (219,726)	\$ (229,048)
Administration fee revenue	18,000	18,000
Other revenue (hired services and repairs)	17,876	30,094
	(183,850)	(180,954)
Westlock Regional Water Services Commission		
Water usage fees	\$ (95,589)	\$ (95,148)
Amounts due from (to) related parties		
Westlock Regional Waste Management Commission	\$ (28,644)	\$ 24,378
Westlock Regional Water Services Commission	(8,183)	(8,149)
Due from (to) related parties	(36,827)	16,229

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
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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	2017 Total	2016 Total
Councillors:				
Division 1	\$ 36,821	\$ 5,141	\$ 41,962	\$ 41,969
Division 2	36,821	6,106	42,927	43,062
Division 3	37,385	6,169	43,554	41,053
Division 4	38,121	5,156	43,277	44,227
Division 5	39,940	5,203	45,143	43,548
Division 6	36,821	5,035	41,856	41,969
Division 7	36,821	4,586	41,407	43,062
Chief Administrative Officer	170,481	39,838	210,319	65,728
Chief Administrative Officer	-	-	-	60,406
Chief Administrative Officer, Contract	-	-	-	47,320
Chief Administrative Officer, Contract	-	-	-	59,637
	\$ 433,211	\$ 77,234	\$ 510,445	\$ 531,981

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.

WESTLOCK COUNTY
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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 2017 were \$376,027 (2016 - \$353,083). Total current service contributions by the employees of the County to the Local Authorities Pension Plan in 2017 were \$346,042 (2016 - \$324,962).

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

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, 2017, the Waste Management Commission had accrued \$72,000 (2016-\$63,638) for its post closure liability, and had put aside \$0 (2016-\$63,000) 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.

23. APPROVAL OF FINANCIAL STATEMENTS

Council and Management have approved these financial statements.
