

WESTLOCK COUNTY
Financial Statements
December 31, 2018

WESTLOCK COUNTY
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December 31, 2018

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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 Council of Westlock County

We have audited the accompanying financial statements of Westlock County, which comprise the statement of financial position as at December 31, 2018, and the statements of operations, changes in net financial assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Westlock County as at December 31, 2018, 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.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the audit of the Financial Statements section of our report. We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the entity's financial reporting process.

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Auditor's Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for the one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during the audit.

Report on Other Legal and Regulatory Requirements

Debt Limit Regulation: In accordance with Alberta Regulation 255/2000, we confirm that the municipality is in compliance with the Debt Limit Regulation. A detailed account of the Entity's debt limit can be found in Note 13.

The engagement partner on the audit resulting in this independent auditor's report is Tina Viney, CA.

Westlock, Alberta
April 23, 2019


CHARTERED ACCOUNTANTS

WESTLOCK COUNTY
Statement of Financial Position
As at December 31, 2018

	2018	2017
FINANCIAL ASSETS		
Cash (Note 3)	\$ 1,078,039	\$ 159,914
Cash held in trust (Note 4)	26,394	27,947
Taxes and grants in place of taxes receivable (Note 5)	687,318	689,965
Trade and other receivables (Note 6)	2,274,773	2,601,149
Accrued interest receivable on loans from community organizations	63,668	66,424
Land for resale inventory (County Industrial Park and Airport lots)	791,657	964,035
Short term investments (Note 7)	9,073,867	9,057,836
Loans receivable from community organizations (Note 7)	6,396,541	6,680,470
	20,392,257	20,247,740
LIABILITIES		
Accounts payable & accrued liabilities	1,122,614	716,103
Deposit liabilities	37,056	54,055
Trust liabilities (Note 4)	26,394	27,947
Due to related parties	194,887	219,913
Deferred revenue (Note 9)	1,960,281	1,996,733
Accrued wages payable (Note 10)	253,283	210,680
Accrued interest payable	73,894	78,919
Long term debt (Note 11)	3,290,154	4,210,340
Long term debt held on behalf of community organizations (Note 11)	6,396,541	6,680,470
	13,355,104	14,195,160
NET FINANCIAL ASSETS	7,037,153	6,052,580
NON-FINANCIAL ASSETS		
Tangible capital assets (Schedule 2)	30,035,479	29,390,060
Inventory for consumption (Note 12)	1,356,219	1,233,314
Prepaid expenses	423,605	341,909
	31,815,303	30,965,283
ACCUMULATED SURPLUS (Schedule 1) (Note 15)	\$ 38,852,456	\$ 37,017,863

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
Statement of Operations
Year Ended December 31, 2018

	Budget (unaudited)	2018	2017
REVENUE			
Net municipal taxes(Schedule 3)	\$ 11,059,094	\$ 11,067,610	\$ 10,585,113
Government transfers for operating	2,443,494	2,580,183	1,697,374
User fees and sales of goods	1,879,386	2,317,979	1,771,645
Penalties and costs of taxes	201,500	260,671	196,357
Investment income	123,200	182,178	141,205
Other	129,555	163,341	178,171
Licences and permits	159,235	143,792	172,667
Development levies	34,120	39,406	153,464
Total Revenue	16,029,584	16,755,160	14,895,996
EXPENSES			
Legislative services	508,034	411,710	384,826
General administration services	1,765,468	1,523,341	1,509,394
Bad debt expense on net municipal taxes	-	850,200	200,234
Fire protection services	539,292	691,306	494,821
Enforcement services	151,238	146,455	177,791
Transportation services	8,181,951	7,731,447	5,636,699
Water services	549,366	488,927	443,488
Wastewater treatment and disposal services	136,956	109,232	103,097
Solid waste management services	635,271	506,380	461,056
Family and Community Support Services	55,220	56,319	55,200
Planning and development services	557,530	495,536	627,174
Agriculture services	736,324	678,053	636,311
Land held for resale (County Industrial Park)	15,836	180,557	36,957
Recreation services	931,039	940,570	726,826
Airport	169,760	189,845	144,010
Amortization expense	1,691,323	1,691,323	1,622,356
(Gain) Loss on disposal of tangible capital assets	-	(54,225)	423,038
Total Expenses	16,624,608	16,636,976	13,683,278
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES - BEFORE OTHER	(595,024)	118,184	1,212,718
CAPITAL REVENUE			
Government transfers for capital	4,027,941	1,655,605	1,846,509
Contributions for tangible capital assets	42,000	60,804	238,880
	4,069,941	1,716,409	2,085,389
EXCESS OF REVENUE OVER EXPENSES	3,474,917	1,834,593	3,298,107
ACCUMULATED SURPLUS - BEGINNING OF YEAR	-	37,017,863	33,719,756
ACCUMULATED SURPLUS - END OF YEAR	-	\$ 38,852,456	\$ 37,017,863

WESTLOCK COUNTY
Statement of Changes in Net Financial Assets
Year Ended December 31, 2018

	Budget (Unaudited)	2018	2017
EXCESS OF REVENUE OVER EXPENSES	\$ 3,474,917	\$ 1,834,593	\$ 3,298,107
Acquisition of tangible capital assets	(5,372,208)	(2,415,072)	(5,168,220)
(Gain) Loss on disposal of tangible capital assets	-	(54,225)	423,038
Proceeds on disposal of tangible capital assets	79,000	132,555	700,664
Amortization of tangible capital assets	-	1,691,323	1,622,356
	<u>(5,293,208)</u>	<u>(645,419)</u>	<u>(2,422,162)</u>
(Allocation) use of inventory	-	(122,905)	180,132
(Allocation) use of prepaid expenses	-	(81,696)	(36,152)
	<u>-</u>	<u>(204,601)</u>	<u>143,980</u>
INCREASE IN NET FINANCIAL ASSETS	(1,818,291)	984,573	1,019,925
NET FINANCIAL ASSETS - BEGINNING OF YEAR	6,052,580	6,052,580	5,032,655
NET FINANCIAL ASSETS - END OF YEAR	4,234,289	\$ 7,037,153	\$ 6,052,580

WESTLOCK COUNTY
Statement of Cash Flows
Year Ended December 31, 2018

	2018	2017
OPERATING		
Excess of revenue over expenses	\$ 1,834,593	\$ 3,298,107
Items not affecting cash:		
Amortization of tangible capital assets	1,691,323	1,622,356
(Gain) Loss on disposal of tangible capital assets	(54,225)	423,038
Contribution of tangible capital assets	(58,800)	(238,880)
	<u>3,412,891</u>	<u>5,104,621</u>
Changes in non-cash working capital:		
Taxes and grants in place of taxes	2,647	314,846
Trade and other receivables	326,376	(613,268)
Accrued interest receivable on loans from community organizations	2,756	(1,294)
Land for resale inventory (Airport lots)	172,378	6,675
Accounts payable & accrued liabilities	406,511	(213,893)
Deposit liabilities	(16,999)	11,999
Due to related parties	(25,026)	154,617
Deferred revenue	(36,452)	(357,595)
Accrued wages payable	42,603	25,246
Accrued interest payable	(5,025)	13,789
Inventory for consumption	(122,905)	180,132
Prepaid expenses	(81,696)	(36,152)
	<u>634,834</u>	<u>(514,898)</u>
Cash provided by (applied to) operating transactions	<u>4,078,059</u>	<u>4,589,723</u>
INVESTING ACTIVITIES		
Purchase of tangible capital assets	(2,356,272)	(4,929,340)
Proceeds on disposal of tangible capital assets	132,555	700,664
Long term investments repaid	283,929	274,743
	<u>(1,939,788)</u>	<u>(3,953,933)</u>
Cash provided by (applied to) capital transactions	<u>(1,939,788)</u>	<u>(3,953,933)</u>
FINANCING		
Proceeds received from long term debt	-	1,460,000
Long term debt repaid	(1,204,115)	(1,318,688)
	<u>(1,204,115)</u>	<u>141,312</u>
Cash provided by (applied to) financing transactions	<u>(1,204,115)</u>	<u>141,312</u>
Net change in cash and cash equivalents during the year	934,156	777,102
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	9,217,750	8,440,648
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 10,151,906	\$ 9,217,750
Cash and cash equivalents is made up of:		
Cash (Note 3)	\$ 1,078,039	\$ 159,914
Short term investments (Note 7)	9,073,867	9,057,836
	<u>\$ 10,151,906</u>	<u>\$ 9,217,750</u>

WESTLOCK COUNTY
SCHEDULE OF CHANGES IN ACCUMULATED SURPLUS
For the Year Ended December 31, 2018
SCHEDULE 1

	Unrestricted Surplus	Operating Reserves	Capital Reserves	Equity in Tangible Capital Assets	Total 2018	Total 2017
BALANCE, BEGINNING OF YEAR	\$ 867,274	\$ 6,024,149	\$ 4,946,720	\$ 25,179,720	\$ 37,017,863	\$ 33,719,756
Excess (Deficiency) of revenues over expenses	1,834,593	-	-	-	1,834,593	3,298,107
Unrestricted funds designated for future use	(1,365,180)	347,617	1,017,563	-	-	-
Restricted funds used for operations	542,625	(497,393)	(45,232)	-	-	-
Funds used for tangible capital assets	(1,791,790)	(113,587)	(509,695)	2,415,072	-	-
Disposal of tangible capital assets	8,663	-	69,667	(78,330)	-	-
Restricted fund transfers	-	(1,188,761)	1,188,761	-	-	-
Annual amortization expense	1,691,323	-	-	(1,691,323)	-	-
Long term debt repaid	(920,186)	-	-	920,186	-	-
Change in accumulated surplus	48	(1,452,124)	1,721,064	1,565,605	1,834,593	3,298,107
BALANCE, END OF YEAR	\$ 867,322	\$ 4,572,025	\$ 6,667,784	\$ 26,745,325	\$ 38,852,456	\$ 37,017,863

WESTLOCK COUNTY
SCHEDULE OF TANGIBLE CAPITAL ASSETS
For the Year Ended December 31, 2018
SCHEDULE 2

	Land	Utilities Engineered Structures	Buildings	Engineered Structures	Machinery & Equipment	Vehicles	Total 2018	Total 2017
COST:								
BALANCE, BEGINNING 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
Acquisition of tangible capital assets	-	183,986	-	1,311,052	243,243	617,991	2,356,272	4,929,340
Contributed assets	-	-	-	-	-	58,800	58,800	238,880
Disposal of tangible capital assets	-	-	-	-	(93,287)	(179,268)	(272,555)	(1,870,070)
BALANCE, END OF YEAR	2,192,928	9,477,290	4,296,113	118,878,317	9,821,932	3,713,302	148,379,882	146,237,365
ACCUMULATED AMORTIZATION:								
BALANCE, BEGINNING OF YEAR	-	3,155,319	714,725	108,131,861	3,042,659	1,802,741	116,847,305	115,971,317
Annual amortization	-	392,590	83,346	500,715	542,432	172,240	1,691,323	1,622,357
Accumulated amortization on disposals	-	-	-	-	(34,741)	(159,484)	(194,225)	(746,369)
BALANCE, END OF YEAR	-	3,547,909	798,071	108,632,576	3,550,350	1,815,497	118,344,403	116,847,305
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	2,192,928	5,929,381	3,498,042	10,245,741	6,271,582	1,897,805	30,035,479	29,390,060
2017 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	-

WESTLOCK COUNTY
Schedule of Property and Other Taxes
Year Ended December 31, 2018

(Schedule 3)

	Budget (Unaudited)	2018	2017
TAXATION			
Residential & farmland property taxes	\$ 6,350,668	\$ 6,199,323	\$ 5,909,085
Linear property taxes	3,136,218	3,317,963	3,137,828
Industrial property taxes	1,572,208	1,550,581	1,542,647
Alberta School Foundation Levy	2,669,170	2,737,733	2,665,471
Homeland Housing (senior lodging) levy	528,346	536,550	527,606
Designated property levy	-	5,045	-
	<u>14,256,610</u>	<u>14,347,195</u>	<u>13,782,637</u>
REQUISITIONS			
Alberta School Foundation	2,669,170	2,737,928	2,669,178
Homeland housing (senior lodging)	528,346	536,641	528,346
Designated property requisition	-	5,016	-
	<u>3,197,516</u>	<u>3,279,585</u>	<u>3,197,524</u>
NET MUNICIPAL TAXES	<u>\$ 11,059,094</u>	<u>\$ 11,067,610</u>	<u>\$ 10,585,113</u>

WESTLOCK COUNTY
Schedule of Consolidated Expenses by Object *(Schedule 4)*
Year Ended December 31, 2018

	Budget (Unaudited)	2018	2017
EXPENSES BY OBJECT			
Salaries & wages	\$ 5,297,032	\$ 4,972,976	\$ 4,599,941
Goods & supplies	4,969,654	4,865,107	4,088,736
Contract & general services	3,857,427	3,419,551	1,735,110
Provision for allowance	2,000	854,078	212,626
Transfers to local boards/governments	689,646	774,926	877,518
Interest on long term debt	98,326	95,632	109,187
Bank charges and short-term interest	15,200	17,608	14,762
Amortization expense	-	1,691,323	1,622,356
(Gain) Loss on disposal of tangible capital assets	-	(54,225)	423,038
	<u>\$ 14,929,285</u>	<u>\$ 16,636,976</u>	<u>\$ 13,683,274</u>

WESTLOCK COUNTY
SCHEDULE OF SEGMENTED DISCLOSURE
For the Year Ended December 31, 2018
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	\$ 11,067,610	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 11,067,610
User fees and sales of goods	59,685	133,329	922,197	712,545	350,126	30,815	109,282	2,317,979
Government transfers for operating	246,306	33,523	2,130,363	-	-	169,991	-	2,580,183
Investment income	182,178	-	-	-	-	-	-	182,178
Penalties on taxes	260,671	-	-	-	-	-	-	260,671
Levies, licenses, permits, and other	54,198	683	2,036	-	288,874	100	648	346,539
	<u>11,870,648</u>	<u>167,535</u>	<u>3,054,596</u>	<u>712,545</u>	<u>639,000</u>	<u>200,906</u>	<u>109,930</u>	<u>16,755,160</u>
EXPENSES:								
Salaries & wages	1,155,745	225,010	2,491,836	437,708	292,006	334,571	36,100	4,972,976
Contract & General Services	417,016	228,176	1,949,760	432,645	131,694	83,726	176,534	3,419,551
Goods & supplies	355,429	302,345	3,416,861	230,014	252,394	253,755	54,309	4,865,107
Provision for allowance	850,200	-	-	3,878	-	-	-	854,078
Transfers to local boards/governments	-	68,435	-	-	-	6,000	700,491	774,926
Interest	6,861	13,796	62,834	295	-	-	29,454	113,240
	<u>2,785,251</u>	<u>837,762</u>	<u>7,921,291</u>	<u>1,104,540</u>	<u>676,094</u>	<u>678,052</u>	<u>996,888</u>	<u>14,999,878</u>
EXCESS OF REVENUES OVER EXPENSES FROM OPERATIONS	<u>9,085,397</u>	<u>(670,227)</u>	<u>(4,866,695)</u>	<u>(391,995)</u>	<u>(37,094)</u>	<u>(477,146)</u>	<u>(886,958)</u>	<u>1,755,282</u>
CAPITAL INCOME (EXPENSE):								
Government transfers for capital/contributed assets	-	425,932	1,290,477	-	-	-	-	1,716,409
Gain (loss) on disposal of capital assets	(1,173)	56,857	(4,037)	2,578	-	-	-	54,225
	<u>(1,173)</u>	<u>482,789</u>	<u>1,286,440</u>	<u>2,578</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,770,634</u>
Amortization expense	35,648	104,197	992,004	407,203	16,838	24,462	110,971	1,691,323
EXCESS OF REVENUE OVER EXPENSES	<u>9,048,576</u>	<u>(291,635)</u>	<u>(4,572,259)</u>	<u>(796,620)</u>	<u>(53,932)</u>	<u>(501,608)</u>	<u>(997,929)</u>	<u>1,834,593</u>
EXCESS OF REVENUE OVER EXPENSES 2017	<u>9,146,545</u>	<u>(461,817)</u>	<u>(3,291,925)</u>	<u>(469,476)</u>	<u>(378,850)</u>	<u>(464,961)</u>	<u>(781,409)</u>	<u>3,298,107</u>

WESTLOCK COUNTY
Notes to Financial Statements
December 31, 2018

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 Financial Statements
December 31, 2018

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. Transaction 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 Financial Statements
December 31, 2018

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 Financial Statements
December 31, 2018

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.

WESTLOCK COUNTY
Notes to Financial Statements
December 31, 2018

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, 2018.

(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 \$204,393 (2017 - \$203,648) 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
Notes to Financial Statements
December 31, 2018

5. TAXES AND GRANTS IN PLACE OF TAXES RECEIVABLE

	2018	2017
Taxes Receivable -Tax	\$ 1,236,772	\$ 579,900
Taxes Receivable - Arrears	450,546	259,865
	1,687,318	839,765
Less: allowance for doubtful accounts	(1,000,000)	(149,800)
	\$ 687,318	\$ 689,965

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 or for which the entity has gone bankrupt or is no longer in existence and cannot be recovered through tax forfeiture procedures.

6. TRADE AND OTHER RECEIVABLES

	2018	2017
Provincial and federal grants receivable	\$ 1,747,971	\$ 2,050,882
Other receivables	526,802	550,267
	\$ 2,274,773	\$ 2,601,149

Included in other receivables is a long term receivable of \$113,474 (2017 - \$124,231) 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 (2018 - \$6,120) will be recovered in 2019.

WESTLOCK COUNTY
Notes to Financial Statements
December 31, 2018

7. INVESTMENTS

	2018	2017
Term deposits maturing August 2019 and October 2019 (July 2018), effective interest rates at 2.69% and 2.85% (2017-prime minus 2.1% and 1.8%)	\$ 7,057,388	\$ 9,057,836
Loan receivable from Homeland Housing, effective interest rate at 3.411%	6,072,701	6,313,636
Deposit account with no maturity date, effective interest rate at December 31, 2018 of 2.69%. Requires 30 days notice for funds to be withdrawn	2,016,479	-
Loan receivable from the Westlock Seed Cleaning Co-op Ltd., effective interest rate at 3.586%	217,156	234,923
Loan receivable from the Westlock Seed Cleaning Co-op Ltd., effective interest rate at 2.226%	106,684	131,911
	\$ 15,470,408	\$ 15,738,306

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, 2018. Accrued interest on loans receivable is reported as a separate asset on the 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 is being performed to ensure that the system is working properly to remove any excess underground water to mitigate any leachate (chloride) migration issue.

WESTLOCK COUNTY
Notes to Financial Statements
December 31, 2018

9. DEFERRED REVENUE

	2018	2017
Provincial transfers - Transportation Services	\$ 1,913,551	\$ 1,933,456
Provincial transfers - Administrative Services	23,253	43,755
Provincial transfer - Fire Services	14,000	-
Prepaid rent and rent deposits	6,125	16,170
Provincial transfers - Athabasca Landing Trail	1,840	1,840
Provincial transfers - Recreation Services	1,512	1,512
	\$ 1,960,281	\$ 1,996,733

Transportation Services

\$125,094 (2017-\$585,399) of Federal Gas Tax grants and \$1,764,025 (2017 - \$1,323,625) of Municipal Sustainability Initiative funding was not spent during the fiscal year, and will be deferred for future capital projects. In addition, \$24,431 (2017 - \$24,431) of Hamlet Streets Improvement Grant funding was unspent in 2018, and will be utilized for capital projects in future years.

Administrative Services

\$18,476 (2017-\$35,731) of the \$250,000 Provincial Government grant for regional collaboration was unspent in 2018 and has been deferred to a future year.

\$4,777 (2017-\$8,024) of a Provincial Government grant to fund the Tangible Capital Asset Project and related implementation expenses remains unutilized at the end of 2018.

Fire Services

Provincial Fire Services grant of \$14,000 is to be utilized for regional fire services training.

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 being carried forward to utilize in a future year.

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	\$ 172,775	\$ 145,334
Vacation and overtime	80,508	65,346
	\$ 253,283	\$ 210,680

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 Financial Statements
December 31, 2018

11. LONG TERM DEBT

	2018	2017
Debenture debt supported by long term investment receivable from Homeland Housing, secured by a mortgage on the Pembina Supportive Housing building.	\$ 6,072,701	\$ 6,313,636
Debenture debt supported by general municipal levies.	3,290,154	4,210,340
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.	323,840	366,834
	\$ 9,686,695	\$ 10,890,810

The current portion of the long term debt amounts to \$1,059,579 (2017 - \$1,204,115).

Principal and interest repayment terms are as follows:

	Principal	Interest	Total
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	214,091	907,912
2023	583,461	192,853	776,314
Thereafter	5,203,884	1,094,657	6,298,541
	\$ 9,686,695	\$ 2,304,196	\$ 11,990,891

Debenture debt 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 2021 through 2036.

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

Of the total principal and interest payments for 2019, \$249,223 (2018 - \$240,935) of principal and \$205,032 (2018 - \$213,321) 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 2019, \$44,202 (2018 - \$42,944) of principal and \$9,856 (2018 - \$11,063) 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
Notes to Financial Statements
December 31, 2018

12. INVENTORY FOR CONSUMPTION

	2018	2017
Gravel (2018 - 106,968 tonnes, 2017 - 157,726 tonnes)	\$ 1,005,009	\$ 857,653
Equipment parts & chemical	351,210	375,661
	\$ 1,356,219	\$ 1,233,314

53,177 (2017-127,853) tonnes of gravel on hand at December 31, 2018 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:

	2018	2017
Total debt limit	\$ 25,132,740	\$ 22,343,994
Total debt	9,686,695	10,890,810
Amount of debt limit unused	15,446,045	11,453,184
Debt servicing limit	4,188,790	3,723,999
Debt servicing	1,353,977	1,526,825
Amount of debt servicing limit unused	\$ 2,834,813	\$ 2,197,174

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

	2018	2017
Tangible capital assets (<i>Schedule 2</i>)	\$ 148,379,882	\$ 146,237,365
Accumulated amortization (<i>Schedule 2</i>)	(118,344,403)	(116,847,305)
Long term debt (<i>Note 11</i>)	(3,290,154)	(4,210,340)
	\$ 26,745,325	\$ 25,179,720

WESTLOCK COUNTY
Notes to Financial Statements
December 31, 2018

15. ACCUMULATED SURPLUS

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

	2018	2017
Unrestricted surplus	\$ 867,322	\$ 867,274
Restricted surplus		
Operating Reserves	4,572,025	6,024,149
Capital Reserves	6,667,784	4,946,720
Equity in tangible capital assets	26,745,325	25,179,720
	\$ 38,852,456	\$ 37,017,863

16. GOVERNMENT TRANSFERS FOR CAPITAL

Of the \$1,655,605 government transfers for capital, \$0 (2017 - \$0) are Federal capital grants, \$1,655,605 (2017 - \$1,846,509) are Provincial capital grants, and \$0 (2017 - \$0) are grants from other municipalities.

17. RELATED PARTY TRANSACTIONS

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

	2018	2017
Westlock Regional Waste Management Commission		
Landfill usage expense	\$ (207,924)	\$ (219,726)
Administration fee revenue	20,000	18,000
Other revenue (hired services and repairs)	9,005	17,876
	(178,919)	(183,850)
Westlock Regional Water Services Commission		
Water usage fees	\$ (101,466)	\$ (95,589)
Amounts due from (to) related parties		
Westlock Regional Waste Management Commission	\$ (22,504)	\$ (28,644)
Westlock Regional Water Services Commission	(8,253)	(8,183)
Due from (to) related parties	(30,757)	(36,827)

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 Financial Statements
December 31, 2018

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	2018 Total	2017 Total
Councillors:				
Division 1	\$ 38,265	\$ 5,488	\$ 43,753	\$ 41,962
Division 2	38,265	6,850	45,115	42,927
Division 3	42,091	5,630	47,721	43,554
Division 4	36,965	5,555	42,520	43,277
Division 5	38,265	4,200	42,465	45,143
Division 6	38,265	6,850	45,115	41,856
Division 7	38,265	6,681	44,946	41,407
Chief Administrative Officer	179,659	40,429	220,088	210,319
	<u>\$ 450,040</u>	<u>\$ 81,683</u>	<u>\$ 531,723</u>	<u>\$ 510,445</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.

WESTLOCK COUNTY
Notes to Financial Statements
December 31, 2018

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 10.39% of pensionable earnings up to the year's maximum pensionable earnings under the Canada Pension Plan and 14.84% on pensionable earnings above this amount.

Total current service contributions by the County to the LAPP in 2018 were \$362,353 (2017 - \$376,027). Total current service contributions by the employees of the County to the Local Authorities Pension Plan in 2018 were \$330,771 (2017 - \$346,042).

At December 31, 2017, the LAPP disclosed an actuarial surplus of \$4.84 billion.

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.

At December 31, 2018, Westlock County has set aside \$192,955 in reserves to fund future gravel pit remediation costs.

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, 2018, the Waste Management Commission had accrued \$79,369 (2017-\$71,368) for its post closure liability, and had put aside \$0 (2017-\$0) 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 Rural Municipalities of Alberta, hence there is no credit limit.

WESTLOCK COUNTY
Notes to Financial Statements
December 31, 2018

23. BUDGET DATA

The budget data presented in these financial statements is based upon the 2018 operating and capital budgets approved by Council. Amortization was not contemplated on development of the budget, however, has been included in the budget presented in the financial statements. The amortization expense included is based on the 2018 actual amortization expense. The chart below reconciles the approved budget to the budget figures reported in these consolidated financial statements.

Revenue	
Operating budget	\$ 20,503,070
Capital budget	5,372,208
Less	
Transfers from other funds:	
Operating	\$ (755,657)
Capital	(1,223,267)
Proceeds on sale of tangible capital assets	(79,000)
Loan recovery from other organizations	<u>(508,313)</u>
Total Revenue	\$ 23,309,041
Expenses	
Operating budget	\$ 20,503,070
Capital budget	5,372,208
Add	
Amortization expense	\$ 1,691,323
Less	
Transfers from other funds:	
Operating	\$ (931,770)
Capital	(5,372,208)
Loan recovery from other organizations	(508,313)
Debt principal payments	<u>(920,186)</u>
Total Expenses	\$ 19,834,124
Excess of revenues over expenditures	\$ <u>3,474,917</u>

24. APPROVAL OF FINANCIAL STATEMENTS

Council and Management have approved these financial statements.
