

WESTLOCK COUNTY
FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

INDEPENDENT AUDITORS' REPORT

To the Reeve and Council of Westlock County

Opinion

We have audited the accompanying financial statements of Westlock County (the County), which comprise the statement of financial position as at December 31, 2019 and the statements of operations, change in net financial assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the County as at December 31, 2019, the results of its operations, changes in net debt, 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 *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the County 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 those requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Matter

The financial statements of the County for the year ended December 31, 2018, were audited by another auditor who expressed an unmodified opinion on those financial statements on April 23, 2019.

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 County'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 liquidate the County or to cease operations, or has no realistic alternative but to do so.

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

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Auditors' Responsibilities 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 auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but it 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 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 County's internal control.
- Evaluate the appropriateness of accounting policies and the reasonableness of accounting estimates and related disclosures made by management.
- 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 County's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' report. However, future events or conditions may cause the County 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 our audit.

METRIX GROUP LLP

Chartered Professional Accountants

Edmonton, Alberta
April 28, 2020

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

Management is responsible for the preparation and presentation of the accompanying financial statements, including responsibility for significant accounting judgments and estimates in accordance with Canadian public sector accounting standards. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibility for the integrity and fairness of the financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded, and financial records are properly maintained to provide reliable information for the preparation of the financial statements.

The elected Reeve and Council of Westlock County are composed entirely of individuals who are neither management nor employees of the County. The Reeve and Council have the responsibility of meeting with management and the external auditors to discuss the internal controls over the financial reporting process, auditing matters, and financial reporting issues. The Reeve and Council are also responsible for the appointment of the County's external auditors.

Metrix Group LLP, an independent firm of Chartered Professional Accountants, is appointed by Council to audit the financial statements and to report directly to them. The external auditors have full and free access to and meet periodically and separately with both the Reeve and Council and management to discuss their audit findings.



Leo Ludwig, CLGM
Chief Administrative Officer



Diane Urkow, CPA, CGA
Director of Corporate Services

April 28, 2020
Westlock, Alberta

WESTLOCK COUNTY
Statement of Financial Position
As at December 31, 2019

	<u>2019</u>	<u>2018</u>
FINANCIAL ASSETS		
Cash and temporary investments (Note 2)	\$ 8,978,176	\$ 10,151,906
Taxes and grants in place of taxes (Note 4)	695,459	687,318
Trade and other receivables (Note 5)	3,410,393	2,218,875
Land held for resale inventory (County Industrial Park and Airport lots)	791,657	791,657
Local improvements receivable (Note 6)	104,029	113,474
Debt charges recoverable (Note 7)	<u>6,103,116</u>	<u>6,396,541</u>
	<u>20,082,830</u>	<u>20,359,771</u>
LIABILITIES		
Accounts payable and accrued liabilities (Note 9)	567,712	1,385,303
Deposit liabilities (Note 10)	108,654	37,056
Deferred revenue (Note 11)	1,937,567	1,960,281
Accrued wages payable (Note 12)	272,885	253,283
Long-term debt (Note 13)	<u>8,627,115</u>	<u>9,686,695</u>
	<u>11,513,933</u>	<u>13,322,618</u>
NET FINANCIAL ASSETS	<u>8,568,897</u>	<u>7,037,153</u>
NON-FINANCIAL ASSETS		
Tangible capital assets (Schedule 1)	30,978,085	30,035,479
Inventory for consumption (Note 14)	1,355,502	1,356,219
Prepaid expenses	<u>418,158</u>	<u>423,605</u>
	<u>32,751,745</u>	<u>31,815,303</u>
ACCUMULATED SURPLUS (SCHEDULE 2, NOTE 15)	<u>\$ 41,320,642</u>	<u>\$ 38,852,456</u>

Contingencies (Note 19)

Commitments (Note 20)

ON BEHALF OF COUNCIL:





WESTLOCK COUNTY
Statement of Operations and Accumulated Surplus
For the Year Ended December 31, 2019

	<u>2019</u> (Budget) (Note 24)	<u>2019</u> (Actual)	<u>2018</u> (Actual)
REVENUE			
Net municipal taxes (<i>Schedule 3</i>)	\$ 11,472,001	\$ 11,424,109	\$ 11,067,610
Government transfers for operating (<i>Schedule 4</i>)	2,081,350	2,292,666	2,580,183
User fees and sales of goods	1,227,164	1,280,089	1,684,352
Penalties and costs of taxes	189,550	399,729	269,839
Other	151,555	264,779	207,361
Investment income	221,000	261,494	182,178
Licenses and permits	169,800	129,822	143,792
Development levies	<u>26,375</u>	<u>35,420</u>	<u>39,406</u>
	<u>15,538,795</u>	<u>16,088,108</u>	<u>16,174,721</u>
EXPENSES			
Transportation services	8,141,712	7,413,434	7,979,923
General administration services	1,704,095	1,566,291	1,511,359
Planning and development services	1,283,879	1,242,251	1,394,201
Recreation services	1,086,003	1,020,831	836,917
Water services	518,976	827,800	894,877
Administration	114,750	797,899	897,829
Solid waste management services	732,806	683,061	507,633
Fire protection services	541,865	650,283	628,479
Legislative services	453,330	392,360	411,710
Enforcement services	383,706	278,226	467,460
Library	193,446	193,446	191,046
Airport	177,280	179,603	213,951
Wastewater treatment and disposal services	122,649	117,155	109,232
Family and Community Support Services	<u>67,775</u>	<u>66,142</u>	<u>66,144</u>
	<u>15,522,272</u>	<u>15,428,782</u>	<u>16,110,761</u>
ANNUAL SURPLUS BEFORE OTHER INCOME	<u>16,523</u>	<u>659,326</u>	<u>63,960</u>
OTHER INCOME			
Government transfers for capital (<i>Schedule 4</i>)	2,357,832	1,722,217	1,655,604
Contributions for tangible assets	-	48,854	60,804
Gain (loss) on disposal of tangible capital assets	<u>-</u>	<u>37,789</u>	<u>54,225</u>
	<u>2,357,832</u>	<u>1,808,860</u>	<u>1,770,633</u>
ANNUAL SURPLUS	2,374,355	2,468,186	1,834,593
ACCUMULATED SURPLUS, BEGINNING OF YEAR	<u>38,852,456</u>	<u>38,852,456</u>	<u>37,017,863</u>
ACCUMULATED SURPLUS, END OF YEAR (SCHEDULE 2, NOTE 15)	<u>\$ 41,226,811</u>	<u>\$ 41,320,642</u>	<u>\$ 38,852,456</u>

WESTLOCK COUNTY
Statement of Change in Net Financial Assets
For the Year Ended December 31, 2019

	<u>2019</u> (Budget) (Note 24)	<u>2019</u> (Actual)	<u>2018</u> (Actual)
ANNUAL SURPLUS	\$ <u>2,374,355</u>	\$ <u>2,468,186</u>	\$ <u>1,834,593</u>
Acquisition of tangible capital assets	(4,318,332)	(2,735,303)	(2,356,272)
Contributed tangible capital assets	-	(48,854)	(58,800)
Proceeds on disposal of tangible capital assets	624,000	191,786	132,555
Amortization of tangible capital assets	-	1,687,555	1,691,323
Loss (gain) on disposal of tangible capital assets	-	(37,789)	(54,225)
	<u>(3,694,332)</u>	<u>(942,605)</u>	<u>(645,419)</u>
Net change in prepaid expenses	-	5,446	(122,905)
Net change in inventory for consumption	-	717	(81,696)
	<u>-</u>	<u>6,163</u>	<u>(204,601)</u>
INCREASE (DECREASE) IN NET FINANCIAL ASSETS	(1,319,977)	1,531,744	984,573
NET FINANCIAL ASSETS, BEGINNING OF YEAR	<u>7,037,153</u>	<u>7,037,153</u>	<u>6,052,580</u>
NET FINANCIAL ASSETS, END OF YEAR	\$ <u><u>5,717,176</u></u>	\$ <u><u>8,568,897</u></u>	\$ <u><u>7,037,153</u></u>

WESTLOCK COUNTY
Statement of Cash Flows
For the Year Ended December 31, 2019

	<u>2019</u>	<u>2018</u>
OPERATING ACTIVITIES		
Cash from operations:		
Annual surplus	\$ 2,468,186	\$ 1,834,593
Non-cash items included in annual surplus:		
Amortization of tangible capital assets	1,687,555	1,691,323
Acquisition of contributed capital assets	(48,854)	(58,800)
Gain on disposal of tangible capital assets	<u>(37,789)</u>	<u>(54,225)</u>
	<u>4,069,098</u>	<u>3,412,891</u>
 Change in non-cash working capital balances:		
Taxes and grants in place of taxes	(8,141)	5,403
Trade and other receivable	(1,182,073)	326,376
Inventory for consumption	717	(122,905)
Prepaid expenses	5,447	(81,696)
Land held for resale	-	172,378
Accounts payable and accrued liabilities	(817,592)	376,460
Employee benefit obligations	19,603	42,603
Deposit liabilities	71,597	(16,999)
Deferred revenue	<u>(22,714)</u>	<u>(36,452)</u>
	<u>(751,083)</u>	<u>665,168</u>
	<u>2,135,942</u>	<u>4,078,059</u>
 FINANCING ACTIVITIES		
Repayment of long-term debt	<u>(766,155)</u>	<u>(1,177,721)</u>
 CAPITAL ACTIVITIES		
Acquisition of tangible capital assets	(2,735,303)	(2,356,272)
Proceeds on disposal of tangible capital assets	<u>191,786</u>	<u>132,555</u>
	<u>(2,543,517)</u>	<u>(2,223,717)</u>
 INVESTING ACTIVITIES		
Proceeds from sales of investments	<u>-</u>	<u>283,929</u>
 CHANGE IN CASH AND TEMPORARY INVESTMENTS, DURING THE YEAR	(1,173,730)	960,550
 CASH AND TEMPORARY INVESTMENTS, BEGINNING OF YEAR	<u>10,151,906</u>	<u>9,191,356</u>
 CASH AND TEMPORARY INVESTMENTS, END OF YEAR (NOTE 2)	\$ <u>8,978,176</u>	\$ <u>10,151,906</u>

WESTLOCK COUNTY

Schedule 1

Schedule of Tangible Capital Assets

For the Year Ended December 31, 2019

	<u>Land</u>	<u>Buildings</u>	<u>Engineered Structures</u>	<u>Machinery and Equipment</u>	<u>Vehicles</u>	<u>Utilities Engineered Structures</u>	<u>2019</u>	<u>2018</u>
COST:								
Balance, Beginning of Year	\$ 2,192,928	\$ 4,296,113	\$ 118,878,317	\$ 9,776,052	\$ 3,759,182	\$ 9,477,290	\$ 148,379,882	\$ 146,237,365
Additions	-	9,072	1,567,782	129,250	746,480	282,719	2,735,303	2,356,272
Contributed assets	-	-	-	32,354	16,500	-	48,854	58,800
Disposals	-	-	(158,521)	(119,084)	(463,629)	-	(741,234)	(272,555)
Balance, End of Year	<u>2,192,928</u>	<u>4,305,185</u>	<u>120,287,578</u>	<u>9,818,572</u>	<u>4,058,533</u>	<u>9,760,009</u>	<u>150,422,805</u>	<u>148,379,882</u>
ACCUMULATED AMORTIZATION:								
Balance, Beginning of Year	-	798,071	108,632,576	3,550,350	1,815,497	3,547,909	118,344,403	116,847,305
Amortization expense	-	83,436	554,881	525,212	201,009	323,017	1,687,555	1,691,323
Disposals	-	-	(158,521)	(18,969)	(409,748)	-	(587,238)	(194,225)
Balance, End of Year	-	<u>881,507</u>	<u>109,028,936</u>	<u>4,056,593</u>	<u>1,606,758</u>	<u>3,870,926</u>	<u>119,444,720</u>	<u>118,344,403</u>
NET BOOK VALUE, END OF YEAR	<u>\$ 2,192,928</u>	<u>\$ 3,423,678</u>	<u>\$ 11,258,642</u>	<u>\$ 5,761,979</u>	<u>\$ 2,451,775</u>	<u>\$ 5,889,083</u>	<u>\$ 30,978,085</u>	<u>\$ -</u>
NET BOOK VALUE, BEGINNING OF YEAR	<u>\$ 2,192,928</u>	<u>\$ 3,498,042</u>	<u>\$ 10,245,741</u>	<u>\$ 6,225,702</u>	<u>\$ 1,943,685</u>	<u>\$ 5,929,381</u>	<u>\$ -</u>	<u>\$ 30,035,479</u>

Included in Engineered Structures cost is work in progress of \$36,620 (2018 - \$25,803). These amounts are not amortized until the asset is completed and in use.

WESTLOCK COUNTY

Schedule 2

Schedule of Changes in Accumulated Surplus

For the Year Ended December 31, 2019

	<u>Unrestricted Surplus</u>	<u>Operating Reserve</u>	<u>Capital Reserve</u>	<u>Equity in Tangible Capital Assets</u>	<u>2019</u>	<u>2018</u>
BALANCE, BEGINNING OF YEAR	\$ <u>867,322</u>	\$ <u>4,572,025</u>	\$ <u>6,667,784</u>	\$ <u>26,745,325</u>	\$ <u>38,852,456</u>	\$ <u>37,017,863</u>
Annual surplus	2,468,186	-	-	-	2,468,186	1,834,593
Current year funds designated for future equipment - net	(1,924,777)	856,521	1,068,256	-	-	-
Restricted funds transfer	1,165,362	(224,848)	(940,514)	-	-	-
Current year funds used for tangible capital assets	(2,735,303)	-	-	2,735,303	-	-
Contributed tangible capital assets	(48,854)	-	-	48,854	-	-
Disposal of tangible capital assets (net of amortization)	153,997	-	-	(153,997)	-	-
Annual amortization expense	1,687,555	-	-	(1,687,555)	-	-
Levied portion of debt recoverable - local improvements	293,425	-	-	(293,425)	-	-
Long term debt repaid	<u>(1,059,580)</u>	<u>-</u>	<u>-</u>	<u>1,059,580</u>	<u>-</u>	<u>-</u>
Change in accumulated surplus	<u>11</u>	<u>631,673</u>	<u>127,742</u>	<u>1,708,760</u>	<u>2,468,186</u>	<u>1,834,593</u>
BALANCE, END OF YEAR (NOTE 15)	\$ <u>867,333</u>	\$ <u>5,203,698</u>	\$ <u>6,795,526</u>	\$ <u>28,454,085</u>	\$ <u>41,320,642</u>	\$ <u>38,852,456</u>

Schedule of Property and Other Taxes

For the Year Ended December 31, 2019

	<u>2019</u> (Budget) (Note 24)	<u>2019</u> (Actual)	<u>2018</u> (Actual)
TAXATION			
Residential & farmland property taxes	\$ 6,543,653	\$ 6,570,060	\$ 6,194,283
Linear and industrial property taxes	4,922,228	4,866,933	4,868,544
Alberta School Foundation levy	2,792,685	2,784,202	2,737,733
Homeland Housing (senior lodging) levy	556,912	555,276	536,550
Designated industrial property levy	6,000	10,995	5,045
Local improvements	<u>6,120</u>	<u>5,040</u>	<u>5,040</u>
	<u>14,827,598</u>	<u>14,792,506</u>	<u>14,347,195</u>
REQUISITIONS			
Alberta School Foundation	2,792,685	2,800,633	2,737,928
Homeland housing (senior lodging)	556,912	556,912	536,641
Designated industrial property	<u>6,000</u>	<u>10,852</u>	<u>5,016</u>
	<u>3,355,597</u>	<u>3,368,397</u>	<u>3,279,585</u>
NET MUNICIPAL TAXES	<u>\$ 11,472,001</u>	<u>\$ 11,424,109</u>	<u>\$ 11,067,610</u>

WESTLOCK COUNTY
Schedule of Government Transfers
For the Year Ended December 31, 2019

Schedule 4

	<u>2019</u> (Budget) (Note 24)	<u>2019</u> (Actual)	<u>2018</u> (Actual)
TRANSFERS FOR OPERATING			
Provincial government	\$ <u>2,081,350</u>	\$ <u>2,292,666</u>	\$ <u>2,580,183</u>
TRANSFERS FOR CAPITAL			
Provincial government	<u>2,357,832</u>	<u>1,722,217</u>	<u>1,655,604</u>
TOTAL GOVERNMENT TRANSFERS	\$ <u><u>4,439,182</u></u>	\$ <u><u>4,014,883</u></u>	\$ <u><u>4,235,787</u></u>

WESTLOCK COUNTY
Schedule of Segmented Information
For the Year Ended December 31, 2019

Schedule 5

	Legislative Administration and General Services	Fire and Enforcement Services	Planning and Development Services	FCSS and Community Services	Airport and Transportation Services	Water Wastewater Treatment and Solid Waste Management	Recreation and Library Services	Total
REVENUE								
Taxation	\$ 11,424,109	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 11,424,109
Government transfers	394,456	273,708	-	-	1,624,502	-	-	2,292,666
User fees and sales of goods	103,852	174,397	29,737	-	158,702	711,159	102,242	1,280,089
All other	433,841	54,414	128,949	-	62,520	18,591	1,613	699,928
Interest income	261,494	-	-	-	-	-	-	261,494
Licenses and permits	-	-	129,822	-	-	-	-	129,822
	<u>12,617,752</u>	<u>502,519</u>	<u>288,508</u>	<u>-</u>	<u>1,845,724</u>	<u>729,750</u>	<u>103,855</u>	<u>16,088,108</u>
EXPENSES								
Salaries, wages, and benefits	1,275,543	325,188	630,672	46	2,337,427	429,826	57,744	5,056,446
Materials, goods, supplies and utilities	150,847	182,889	302,693	-	2,945,355	233,740	25,970	3,841,494
Contracted and general services	489,781	214,309	245,325	11,500	1,211,593	611,613	315,114	3,099,235
Amortization of tangible capital assets	41,236	124,893	55,838	-	1,049,223	338,643	77,722	1,687,555
Other (recovery)	798,240	3,890	6,575	-	5,540	14,194	3,916	832,355
Transfers to other governments	905	64,318	-	54,596	-	-	468,092	587,911
Transfers to local boards and organizations	-	-	1,148	-	-	-	244,846	245,994
Interest on long term debt	-	13,022	-	-	43,897	-	20,873	77,792
	<u>2,756,552</u>	<u>928,509</u>	<u>1,242,251</u>	<u>66,142</u>	<u>7,593,035</u>	<u>1,628,016</u>	<u>1,214,277</u>	<u>15,428,782</u>
ANNUAL SURPLUS BEFORE OTHER INCOME	<u>9,861,200</u>	<u>(425,990)</u>	<u>(953,743)</u>	<u>(66,142)</u>	<u>(5,747,311)</u>	<u>(898,266)</u>	<u>(1,110,422)</u>	<u>659,326</u>
Government transfers for capital	-	-	-	-	1,545,724	176,493	-	1,722,217
Contributed assets	-	42,854	-	-	-	-	6,000	48,854
Gain (loss) on disposal of tangible capital assets	37,789	-	-	-	-	-	-	37,789
ANNUAL SURPLUS	<u>\$ 9,898,989</u>	<u>\$ (383,136)</u>	<u>\$ (953,743)</u>	<u>\$ (66,142)</u>	<u>\$ (4,201,587)</u>	<u>\$ (721,773)</u>	<u>\$ (1,104,422)</u>	<u>\$ 2,468,186</u>

The accompanying notes are an integral part of these financial statements.

WESTLOCK COUNTY
Schedule of Segmented Information
For the Year Ended December 31, 2018

Schedule 5

	Legislative Administration and General Services	Fire and Enforcement Services	Planning and Development Services	FCSS and Community Services	Roads Streets, Walks and Lighting	Water Wastewater Treatment, and Solid Waste Management	Recreation and Library Services	Total
REVENUE								
Taxation	\$ 11,067,610	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 11,067,610
Government transfers	416,297	33,523	-	-	2,130,363	-	-	2,580,183
User fees and sales of goods	145,596	88,661	366,987	-	267,092	706,087	109,929	1,684,352
All other	314,867	45,351	147,893	-	2,036	6,459	-	516,606
Investment income	182,178	-	-	-	-	-	-	182,178
Licenses and permits	-	-	143,792	-	-	-	-	143,792
	<u>12,126,548</u>	<u>167,535</u>	<u>658,672</u>	<u>-</u>	<u>2,399,491</u>	<u>712,546</u>	<u>109,929</u>	<u>16,174,721</u>
EXPENSES								
Salaries, wages, and benefits	1,155,745	309,994	626,577	-	2,401,508	437,708	36,100	4,967,632
Materials, goods, supplies and utilities	148,711	205,249	279,770	-	3,136,460	191,419	31,056	3,992,665
Contracted and general services	618,415	390,514	419,599	9,825	1,601,067	471,240	199,788	3,710,448
Amortization of tangible capital assets	35,648	107,950	61,125	-	992,004	407,203	87,393	1,691,323
Other (recovery)	861,868	-	-	-	5,968	3,878	4,483	876,197
Transfers to other governments	808	68,435	-	56,319	-	-	401,326	526,888
Transfers to local boards and organizations	-	-	7,130	-	-	-	242,846	249,976
Interest on long term debt	-	13,796	-	-	56,865	-	24,971	95,632
	<u>2,821,195</u>	<u>1,095,938</u>	<u>1,394,201</u>	<u>66,144</u>	<u>8,193,872</u>	<u>1,511,448</u>	<u>1,027,963</u>	<u>16,110,761</u>
ANNUAL SURPLUS BEFORE OTHER INCOME	<u>9,305,353</u>	<u>(928,403)</u>	<u>(735,529)</u>	<u>(66,144)</u>	<u>(5,794,381)</u>	<u>(798,902)</u>	<u>(918,034)</u>	<u>63,960</u>
Government transfers for capital	-	365,128	-	-	1,290,476	-	-	1,655,604
Contributed assets	-	60,804	-	-	-	-	-	60,804
Gain (loss) on disposal of tangible capital assets	-	54,225	-	-	-	-	-	54,225
ANNUAL SURPLUS	<u>\$ 9,305,353</u>	<u>\$ (448,246)</u>	<u>\$ (735,529)</u>	<u>\$ (66,144)</u>	<u>\$ (4,503,905)</u>	<u>\$ (798,902)</u>	<u>\$ (918,034)</u>	<u>\$ 1,834,593</u>

WESTLOCK COUNTY

Notes to Financial Statements

Year Ended December 31, 2019

1. SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Westlock County (the "County") are the representations of management prepared in accordance with Canadian public sector accounting standards. Significant aspects of the accounting policies adopted by the County are as follows:

(a) Reporting Entity

The financial statements reflect the assets, liabilities, revenues, expenses, and change in net financial assets and cash flows of the reporting entity. The entity is comprised of the municipal operations of the County and the Westlock Municipal Airport and are, therefore, accountable to the Council for the administration of their financial affairs and resources.

The schedule of taxes levied also includes requisitions for education and seniors foundations that are not part of the municipal reporting entity.

The financial statements exclude trust assets that are administered for the benefit of external parties. Interdepartmental and organizational transactions and balances are eliminated.

(b) Basis of Accounting

The financial statements are prepared using the accrual basis of accounting. The accrual basis of accounting recognizes revenue as it is earned and measurable. Expenses are recognized as they are incurred and measurable based upon receipt of goods and 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.

(c) Land Held for Resale

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 leveling charges. Related development costs incurred to provide infrastructure such as water and wastewater services, roads, sidewalks and street lighting are recorded as physical assets under their respective function.

(d) Investments

Investments are recorded at cost. When there has been a loss in value that is other than a temporary decline, the respective investment is written down to recognize the loss.

(e) Pension Expenses

Contributions for current and past service pension benefits are recorded as expenses in the year in which they become due.

(CONT'D)

1. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(f) Tax Revenue

Property tax revenue is based on assessments determined in accordance with the *Municipal Government Act*. Tax mill rates are established annually. Taxation revenues are recorded at the time tax billings are issued. Assessments are subject to appeal.

Construction and borrowing costs associated with local improvement projects are recovered through annual special property assessments during the period of the related borrowing. These levies are collectible from property owners for work performed by the County. Under the accrual basis of accounting, revenues to be received from local improvement assessments are recognized in full in the period the local improvement project costs are incurred and the passing of the related imposition by-law.

(g) Use of Estimates

The preparation of financial statements in conformity with Canadian public sector accounting standards 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 management uncertainty exists, the financial statements have been prepared within reasonable limits of materiality. Actual results could differ from those estimates.

The County has used estimates to determine an allowance for doubtful accounts, accrued liabilities, employment benefit obligations, and the useful lives of tangible capital assets.

(h) Government Transfers

Government transfers are the transfer of assets from all levels of governments that are not the result of an exchange transaction, are not expected to be repaid in the future, or are the result of a direct financial return.

Government transfers are recognized in the financial statements as revenue in the period that the events giving rise to the transfer occurred, providing the transfers are authorized, any eligibility criteria have been met by the County, and reasonable estimates of the amounts can be made.

(i) Requisition Over-Levies and Under-Levies

Over-levies and under-levies arise from the difference between the actual property tax levy made to cover each requisition and the actual amount requisitioned.

If the actual levy exceeds the requisition, the over-levy is accrued as a liability and property tax revenue is reduced. In situations where the actual levy is less than the requisition amount, the under-levy is accrued as a receivable and as property tax revenue.

Requisition tax rates in the subsequent year are adjusted for any over-levies or under-levies of the prior year.

(j) Allowances for Operating and Physical Assets

Allowances for asset valuations are netted against the related asset. Increases in allowances are recorded as expenditures, while decreases in allowances are recorded as revenues.

(CONT'D)

WESTLOCK COUNTY

Notes to Financial Statements

Year Ended December 31, 2019

1. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(k) 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 change in net financial assets 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 as follows:

Utility Engineering Structures	10 - 75 years
Buildings	50 years
Engineering Structures	10 - 75 years
Machinery & Equipment	4 - 50 years
Vehicles	5 - 25 years

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) Inventory for Consumption

Inventory held for consumption is recorded at the lower of cost and replacement cost with cost determined using the average cost method.

v) Cultural and Historical Tangible Capital Assets

Works of art for display are not recorded as tangible capital assets but are disclosed.

WESTLOCK COUNTY
Notes to Financial Statements
Year Ended December 31, 2019

2. CASH AND TEMPORARY INVESTMENTS

	<u>2019</u>	<u>2018</u>
Cash	\$ 687,705	\$ 1,078,039
Temporary investments	<u>8,290,471</u>	<u>9,073,867</u>
	<u>\$ 8,978,176</u>	<u>\$ 10,151,906</u>

Council has designated funds of \$198,993 (2018 - \$208,520) for future recreation projects.

Temporary investments are short-term deposits with original maturities of three months or less bearing interest at rates ranging from 2.40% to 2.60% maturing during 2020.

3. 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. The County has \$27,321 (2018 - \$28,199) of cash held in trust.

4. TAXES AND GRANTS IN PLACE OF TAXES

	<u>2019</u>	<u>2018</u>
Taxes receivable - current	\$ 942,406	\$ 1,236,772
Taxes receivable - arrears	<u>1,546,676</u>	<u>450,546</u>
	2,489,082	1,687,318
Less: Allowance for doubtful accounts	<u>(1,793,623)</u>	<u>(1,000,000)</u>
	<u>\$ 695,459</u>	<u>\$ 687,318</u>

5. TRADE AND OTHER RECEIVABLES

	<u>2019</u>	<u>2018</u>
Provincial and federal grants receivable	\$ 3,033,485	\$ 1,747,971
Trade and other	226,145	327,659
Receivable from other governments	<u>177,677</u>	<u>168,744</u>
	3,437,307	2,244,374
Less: Allowance for doubtful accounts	<u>(26,914)</u>	<u>(25,499)</u>
	<u>\$ 3,410,393</u>	<u>\$ 2,218,875</u>

6. LOCAL IMPROVEMENTS RECEIVABLE

The County passed Bylaw No. 15-2006 authorizing Council to provide for a local improvement to install a water supply pipeline and sanitary sewer distribution lines to the Hamlet of Dapp. The total cost of the local improvement was \$124,800; and is repayable in 20 annual installments of \$6,240 per annum maturing April 25, 2026.

WESTLOCK COUNTY
Notes to Financial Statements
Year Ended December 31, 2019

7. DEBT CHARGES RECOVERABLE

	<u>2019</u>	<u>2018</u>
Homeland Housing	\$ 5,823,478	\$ 6,072,701
Westlock Seed Cleaning Co-op Ltd.	<u>279,638</u>	<u>323,840</u>
	<u>\$ 6,103,116</u>	<u>\$ 6,396,541</u>

Principal and interest repayments:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 303,242	\$ 205,071	\$ 508,313
2021	313,391	194,922	508,313
2022	323,883	184,430	508,313
2023	306,550	173,739	480,289
2024	317,133	163,156	480,289
Thereafter	<u>4,538,917</u>	<u>1,016,284</u>	<u>5,555,201</u>
	<u>\$ 6,103,116</u>	<u>\$ 1,937,602</u>	<u>\$ 8,040,718</u>

The County assumed debentures on behalf of Homeland Housing and Westlock Seed Cleaning Co-op Ltd. The County is not in a partnership with either entity on the capital projects but agreed to obtain the funding required by the entities and is fully reimbursed for both principal and interest payments.

The related debt is held by Alberta Capital Finance Authority. The interest rates range from 2.226% to 3.411% and mature between 2023 and 2032.

The payments are not disclosed as revenues and expenses by the County as these loans are 100% recoverable from the entities.

8. LINE OF CREDIT

The County has a \$3,000,000 revolving line of credit bearing interest at prime per annum and is due on demand. The line of credit was not in use as of December 31, 2019 (2018 - NIL). Collateral lodged in support of the line of credit includes cash held by the County, and a revolving line of credit agreement.

9. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	<u>2019</u>	<u>2018</u>
Trade payables	\$ 498,105	\$ 1,206,614
Accrued interest payable	69,328	73,894
Other governments	<u>279</u>	<u>104,795</u>
	<u>\$ 567,712</u>	<u>\$ 1,385,303</u>

WESTLOCK COUNTY
Notes to Financial Statements
Year Ended December 31, 2019

10. DEPOSIT LIABILITIES

	<u>2019</u>	<u>2018</u>
Road use deposit	\$ 104,965	\$ 32,806
Utility security deposit	2,850	2,550
Land sale deposit	439	-
Pickardville Lagoon security deposit	400	400
Road closures security deposit	-	1,000
Fawcett security deposit	-	300
	<u> </u>	<u> </u>
	<u>\$ 108,654</u>	<u>\$ 37,056</u>

11. DEFERRED REVENUE

Deferred revenue consists of the following amounts, which have been restricted by third parties for a specified purpose. These amounts are recognized as revenue in the period in which the related expenditures are incurred.

	<u>2018</u>	Additions	Revenue Recognized	<u>2019</u>
Municipal Sustainability Initiative	\$ 1,764,025	\$ 1,627,494	\$ (2,092,401)	\$ 1,299,118
Gas Tax Funding	125,094	815,864	(344,240)	596,718
Other	<u>71,162</u>	<u>54,197</u>	<u>(83,628)</u>	<u>41,731</u>
	<u>\$ 1,960,281</u>	<u>\$ 2,497,555</u>	<u>\$(2,520,269)</u>	<u>\$ 1,937,567</u>

12. ACCRUED WAGES PAYABLE

	<u>2019</u>	<u>2018</u>
Vacation and overtime	\$ 163,520	\$ 80,508
Regular wages payable	<u>109,365</u>	<u>172,775</u>
	<u>\$ 272,885</u>	<u>\$ 253,283</u>

The vacation and overtime liability is comprised of the vacation and overtime that employees are deferring. Employees have either earned the benefits (and are vested) or are entitled to these benefits within the next budgetary year. The County does not provide post-employment benefits to their employees.

WESTLOCK COUNTY
Notes to Financial Statements
Year Ended December 31, 2019

13. LONG-TERM DEBT

	<u>2019</u>	<u>2018</u>
Debenture debt supported by long term investment receivable from Homeland Housing, secured by a mortgage on the Pembina Supportive Housing building.	\$ 5,823,478	\$ 6,072,701
Debenture debt supported by general municipal levies	2,523,999	3,290,154
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.	<u>279,638</u>	<u>323,840</u>
	<u>\$ 8,627,115</u>	<u>\$ 9,686,695</u>

The current portion of the long-term debt amounts to \$1,086,176 (2018 - \$1,204,115).

Principal and interest repayments:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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
2024	388,216	173,366	561,582
Thereafter	<u>4,815,667</u>	<u>1,053,173</u>	<u>5,868,840</u>
	<u>\$ 8,627,115</u>	<u>\$ 2,141,680</u>	<u>\$10,768,795</u>

Debenture debt is repayable to Alberta Capital Finance Authority and consists of nine amounts, bearing interest at rates ranging from 1.238% and 5.662% per annum maturing in the year 2025 and 2037 respectively.

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

Interest on long-term debt amounted to \$77,792 (2018 - \$95,632).

The County's total cash payments for interest is \$294,395 (2018 - \$322,710).

WESTLOCK COUNTY
Notes to Financial Statements
Year Ended December 31, 2019

14. INVENTORY FOR CONSUMPTION

	<u>2019</u>	<u>2018</u>
Gravel	\$ 988,418	\$ 1,005,009
Equipment parts and chemicals	<u>367,084</u>	<u>351,210</u>
	<u>\$ 1,355,502</u>	<u>\$ 1,356,219</u>

15. ACCUMULATED SURPLUS

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

	<u>2019</u>	<u>2018</u>
Unrestricted surplus	<u>\$ 867,333</u>	<u>\$ 867,322</u>
Restricted surplus		
Operating reserves	5,203,698	4,572,025
Capital reserves	<u>6,795,526</u>	<u>6,667,784</u>
	<u>11,999,224</u>	<u>11,239,809</u>
Equity in tangible capital assets	<u>28,454,085</u>	<u>26,745,325</u>
	<u>\$ 41,320,642</u>	<u>\$ 38,852,456</u>

16. DEBT LIMITS

Section 276(2) of the *Municipal Government Act* requires that debt and debt limits as defined by Alberta Regulation 255/2000 for the Municipality be disclosed as follows:

	<u>2019</u>	<u>2018</u>
Total debt limit	\$ 24,132,162	\$ 24,262,082
Total debt	<u>8,627,115</u>	<u>9,686,695</u>
Amount of total debt limit unused	<u>\$ 15,505,047</u>	<u>\$ 14,575,387</u>
Debt servicing limit	\$ 4,022,027	\$ 4,043,680
Debt servicing	<u>1,353,977</u>	<u>1,353,977</u>
Amount of debt servicing limit unused	<u>\$ 2,668,050</u>	<u>\$ 2,689,703</u>

The debt limit is calculated at 1.50 times revenue of the County (as defined in the Alberta Regulation 255/2000) and the debt service limit is calculated as 0.25 times such revenue. Incurring debt beyond these limitations requires approval by the Minister of Municipal Affairs. These thresholds are a conservative guideline used by Alberta Municipal Affairs to identify municipalities that could be at a financial risk if further debt is acquired. The calculation taken alone does not represent the financial stability of the County. Rather, the financial statements must be interpreted as a whole.

17. LOCAL AUTHORITIES PENSION PLAN

Employees of the County participate in the Local Authorities Pension Plan (LAPP), which is covered by the *Public Sector Pension Plans Act*. LAPP is financed by employer and employee contributions and investment earnings of the LAPP Fund.

The County is required to make current service contributions to the Plan of 9.39% of pensionable earnings up to the Canada Pension Plan year's maximum pensionable earnings and 13.84% for the excess. Employees of the County are required to make current service contributions of 8.39% of pensionable earnings up to the year's maximum pensionable earnings and 12.84% on pensionable earnings above this amount.

Total current and past service contributions made by the County to the LAPP in 2019 were \$325,726 (2018 - \$362,353). Total current and past service contributions made by the employees of the County to the LAPP in 2019 were \$294,336 (2018 - \$330,771).

At December 31, 2018, the LAPP disclosed an actuarial surplus of \$3.47 billion (2017 - \$4.84 billion).

18. SALARIES AND BENEFITS DISCLOSURE

Disclosure of remuneration and benefits for elected municipal officials, the chief administrative officer and designated officers as required by Alberta Regulation 313/2000 is as follows:

	<u>Salary (1)</u>	<u>Benefits, Travel and Allowances (2)</u>	<u>2019</u> <u>Total</u>	2018 <u>Total</u>
Elected Officials (3):				
Division 1	\$ 38,294	\$ 5,831	\$ 44,125	\$ 43,753
Division 2	38,294	7,428	45,722	45,115
Division 3	42,123	6,065	48,188	47,721
Division 4	38,294	6,003	44,297	42,520
Division 5	7,364	350	7,714	-
Division 6	38,294	7,428	45,722	45,115
Division 7	<u>38,294</u>	<u>7,265</u>	<u>45,559</u>	<u>44,946</u>
Former Elected Officials				
Division 5	<u>20,031</u>	<u>1,061</u>	<u>21,092</u>	<u>42,465</u>
	<u>\$ 260,988</u>	<u>\$ 41,431</u>	<u>\$ 302,419</u>	<u>\$ 311,635</u>
Chief Administrative Officer				
	<u>\$ 184,963</u>	<u>\$ 40,643</u>	<u>\$ 225,606</u>	<u>\$ 220,088</u>

(1) Salary includes gross honoraria, regular base pay, bonuses, overtime, lump sum payments, and any other direct cash remuneration.

(2) Employer's share of all employee benefits, travel and allowances or payments made on behalf of employees including travel and subsistence, pension, health care, dental coverage, vision coverage, group life disability plans, professional memberships and tuition.

(3) The Reeve is elected from within Council on an annual basis. In 2019 the Division 3 Councillor was elected Reeve (2018 - Division 3).

19. CONTINGENCIES

(a) Landfill closure and post-closure liability

Alberta environmental law requires closure and post-closure care of landfill sites, which includes final covering and landscaping, pumping of ground water and leachates from the site, ongoing environmental monitoring, and site inspections and maintenance.

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 of leachate (chloride) migration. If left unattended, there is a potential for the leachate to get into the underground water that flows through that 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.

20. COMMITMENTS

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

At December 31, 2019, the County has set aside \$175,000 in reserves (2018 - \$150,000) to fund future gravel pit remediation costs.

21. FINANCIAL INSTRUMENTS

The County's financial instruments consist of cash and temporary investments, accounts receivable, investments, accounts payable and accrued liabilities, deposit liabilities, debt recoverable local improvements and long-term debt. It is management's opinion that the County is not exposed to significant interest, currency or credit risk arising from these financial instruments.

The County is subject to credit risk with respect to taxes and grants in place of taxes receivable and trade and other receivables. Credit risk arises from the possibility that taxpayers and entities to which the County provides services may experience financial difficulty and be unable to fulfill their obligations. The large number and diversity of customers minimizes the County's credit risk.

Unless otherwise noted, the carrying value of these financial instruments approximates their fair value.

22. SEGMENTED INFORMATION

The County provides a range of services to its residents. 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. For additional information see the Schedules of Segmented Information.

23. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the current year's financial statement presentation.

WESTLOCK COUNTY
Notes to Financial Statements
Year Ended December 31, 2019

24. BUDGET

The budget presented in these financial statements are based on the budget approved by Council on May 14, 2019. The County compiles a budget on a modified accrual basis. The budget expensed all tangible capital asset purchases rather than including amortization expense. The reconciliation below adjusts excess revenue over expenses to align with the budget process. It should not be used as a replacement for the statement of operations and accumulated surplus. Users should note that this information may not be appropriate for their purposes.

	<u>2019</u> (Budget)	<u>2019</u> (Actual)	<u>2018</u> (Actual)
Annual surplus	<u>2,374,355</u>	<u>2,468,186</u>	<u>1,834,593</u>
Add:			
Amortization expense	-	1,687,555	1,691,323
Net transfers (to) from reserves	2,086,134	(759,415)	(268,940)
Proceeds on disposals of tangible capital assets	624,000	191,786	132,555
Write down of tangible capital assets	<u>-</u>	<u>-</u>	<u>-</u>
	<u>2,710,134</u>	<u>1,119,926</u>	<u>1,554,938</u>
Deduct:			
Principal debt repayments	766,157	766,155	920,186
Gain (loss) on disposal of tangible capital assets	-	37,789	54,225
Tangible capital asset purchases	<u>4,318,332</u>	<u>2,784,157</u>	<u>2,415,072</u>
	<u>5,084,489</u>	<u>3,588,101</u>	<u>3,389,483</u>
Results of Operations as Budgeted	<u>\$</u>	<u>\$ 11</u>	<u>\$ 48</u>

25. SUBSEQUENT EVENTS

On March 17, 2020, the Government of Alberta declared a public health emergency in response to the coronavirus disease 2019 ("COVID-19") outbreak. The measures implemented by governments, businesses, and other organizations to safeguard against COVID-19 may have a significant effect on the County's future operations. An estimate of the financial effects, if any, cannot be made at this time.

26. APPROVAL OF FINANCIAL STATEMENTS

These financial statements were approved by Council and Management.