

**County of Wetaskiwin No. 10
Consolidated Financial Statements
For the year ended December 31, 2017**

County of Wetaskiwin No. 10
Consolidated Financial Statements
For the year ended December 31, 2017

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Independent Auditor's Report

To the Reeve and Councilors of the
County of Wetaskiwin No. 10

We have audited the accompanying consolidated financial statements of the County of Wetaskiwin No. 10, which comprise the consolidated statement of financial position as at December 31, 2017, and the consolidated 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.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the County of Wetaskiwin No. 10 as at December 31, 2017 and the results of its operations, changes in net financial assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Lacombe, Alberta
April 17, 2018

BDO Canada LLP
Chartered Professional Accountants

County of Wetaskiwin No. 10
Consolidated Statement of Financial Position

December 31	2017	2016
Financial assets		
Cash and cash equivalents (Note 1)	\$ 28,289,882	\$ 33,188,404
Taxes receivable (net of allowance of \$685,135)	1,485,308	1,281,002
Accounts receivable (Note 2)	5,476,640	2,427,437
Patronage reserves	13,237	13,106
Debt recoverable (Note 3)	<u>6,838,842</u>	<u>7,074,562</u>
	<u>42,103,909</u>	<u>43,984,511</u>
Liabilities		
Accounts payable and accrued liabilities	3,243,215	2,237,285
Deposit liabilities	1,075,128	1,109,178
Employee benefits plan liability (Note 4)	951,319	825,777
Deferred revenue (Note 6)	7,173,364	10,178,824
Long-term debt (Notes 7 & 8)	<u>8,455,069</u>	<u>9,029,004</u>
	<u>20,898,095</u>	<u>23,380,068</u>
Net financial assets	<u>21,205,814</u>	<u>20,604,443</u>
Non-financial assets		
Tangible capital assets (Note 9)	91,256,267	80,186,868
Prepaid expenses and inventories of supplies (Note 10)	10,017,754	10,375,414
Membership fee (Note 11)	<u>400,000</u>	<u>400,000</u>
	<u>101,674,021</u>	<u>90,962,282</u>
Accumulated surplus (Note 12)	<u>\$ 122,879,835</u>	<u>\$ 111,566,725</u>

Commitments and contingencies (Note 17)
 Liability for contaminated sites (Note 18)
 Funds held in trust (Note 19)

County of Wetaskiwin No. 10
Consolidated Statement of Operations

For the year ended December 31	Budget 2017	2017	2016
	(Note 20)		
Revenue			
Taxation (Note 14)	\$ 18,689,752	\$ 18,633,055	\$ 19,881,614
Government transfers (Note 15)	20,557,723	13,208,922	5,010,419
User fees and service charges	5,639,945	2,932,825	2,997,184
Permits, licenses and fines	388,000	426,243	320,460
Investment income	803,664	596,641	519,181
Sales to other governments	1,339,961	472,046	438,113
Rentals	297,223	297,544	277,925
Other	2,702,583	518,641	327,930
Gain on disposal of tangible capital assets	-	413,118	91,794
	<u>50,418,851</u>	<u>37,499,035</u>	<u>29,864,620</u>
Expenses			
General Government	4,868,375	5,248,737	4,749,032
Protective Services	1,581,619	1,548,563	1,537,408
Public Works	13,715,199	13,227,898	12,236,251
Utilities	2,154,896	2,193,601	2,122,945
Cemetery	47,983	44,630	34,200
Family and Community Support Services	509,992	444,625	441,243
Recreation and Cultural Services	1,871,711	1,900,508	1,462,417
Planning and Development	825,980	760,537	715,190
Agriculture Service Board	803,378	816,826	869,483
	<u>26,379,133</u>	<u>26,185,925</u>	<u>24,168,169</u>
Annual surplus	24,039,718	11,313,110	5,696,451
Accumulated surplus, beginning of year	<u>111,566,725</u>	<u>111,566,725</u>	<u>105,870,274</u>
Accumulated surplus, end of year	<u>\$135,606,443</u>	<u>\$ 122,879,835</u>	<u>\$111,566,725</u>

County of Wetaskiwin No. 10
Consolidated Statement of Change in Net Financial Assets

For the year ended December 31	Budget 2017	2017	2016
	(Note 20)		
Annual surplus	\$ 24,039,718	\$ 11,313,110	\$ 5,696,451
Acquisition of tangible capital assets	(28,446,439)	(15,807,804)	(7,516,628)
Amortization of tangible capital assets	4,140,342	4,140,342	4,000,758
Gain on sale of tangible capital assets	-	(413,118)	(91,794)
Proceeds on sale of tangible capital assets	274,482	1,011,181	227,197
	<u>8,103</u>	<u>243,711</u>	<u>2,315,984</u>
Change in prepaid expenses and inventory of supplies	<u>-</u>	<u>357,660</u>	<u>(1,084,652)</u>
Net change in net financial assets	8,103	601,371	1,231,332
Net financial assets, beginning of year	<u>20,604,443</u>	<u>20,604,443</u>	<u>19,373,111</u>
Net financial assets, end of year	<u>\$ 20,612,546</u>	<u>\$ 21,205,814</u>	<u>\$ 20,604,443</u>

County of Wetaskiwin No. 10
Consolidated Statement of Cash Flows

For the year ended December 31	2017	2016
Operating transactions		
Annual surplus	\$ 11,313,110	\$ 5,696,451
Items not involving cash		
Amortization	4,140,342	4,000,758
Gain on disposal of tangible capital assets	(413,118)	(91,794)
Changes in non-cash operating balances		
Taxes receivable	(204,306)	(166,941)
Accounts receivable	(3,049,203)	802,386
Prepaid expenses and inventories of supplies	357,660	(1,084,652)
Accounts payable and accrued liabilities	1,005,929	(941,564)
Employee benefits plan liability	125,542	3,059
Deferred revenue	(3,005,460)	4,292,623
Deposit liabilities	(34,050)	(758,089)
	10,236,446	11,752,237
Capital transactions		
Acquisition of tangible capital assets	(15,807,804)	(7,516,628)
Proceeds on sale of tangible capital assets	1,011,181	227,197
	(14,796,623)	(7,289,431)
Investing transactions		
Debt recoverable payments received	235,720	225,705
Change in patronage reserves	(131)	(344)
Change in restricted amounts	2,924,394	(4,361,701)
	3,159,983	(4,136,340)
Financing transactions		
Repayment of long-term debt	(573,934)	(558,382)
Net change in cash and cash equivalents	(1,974,128)	(231,916)
Cash and cash equivalents, beginning of year	24,232,360	24,464,276
Cash and cash equivalents, end of year	\$ 22,258,232	\$ 24,232,360
Consists of:		
Cash and cash equivalents	28,289,882	33,188,404
Less: restricted portion of cash and cash equivalents (Note 1)	(6,031,650)	(8,956,044)
	\$ 22,258,232	\$ 24,232,360

County of Wetaskiwin No. 10
Summary of Significant Accounting Policies

December 31, 2017

**Management's
Responsibility for the
Financial Statements**

The financial statements of the County of Wetaskiwin No. 10 (the Municipality) are the responsibility of management. They have been prepared in accordance with Canadian public sector accounting standards established by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada. The Municipality is a municipality in the Province of Alberta and operates under the provisions of the Municipal Government Act of the Province of Alberta. The Municipality provides municipal services such as fire, public works, planning, parks, recreation and other general government services.

Basis of Consolidation

The financial statements reflect the assets, liabilities, revenues, expenditures and accumulated surplus of the Municipality. The Municipality is comprised of the municipal operations plus any organizations that are owned or controlled by the Municipality and are, therefore, accountable to Council for the administration of their financial affairs and resources.

Funds held in trust by the Municipality, and their related operations, are not included in these financial statements. The financial activity and position of the trust funds are reported separately in Note 19.

Interdepartmental and organizational transactions and balances are eliminated.

**Cash and Cash
Equivalents**

Management considers all highly liquid investments with maturity of three months or less at acquisition to be cash equivalents. Investments are recorded at cost. Investment premiums and discounts are amortized on the net present value basis over the term of the respective investments. Any permanent decline in value is recognized in the year of decline.

Debt Recoverable

Debt recoverable consists of amounts that are recoverable under a loan made to the Wetaskiwin and Area Lodge Authority. These debt recoverable amounts are recorded at a value equivalent to the offsetting outstanding long-term debt balances as at December 31.

Inventories

Inventories of materials and supplies for consumption are valued at specific cost.

Inventories of gravel are valued at the lower of cost or net realizable value with cost determined by the average cost method.

County of Wetaskiwin No. 10
Summary of Significant Accounting Policies

December 31, 2017

Tangible Capital Assets

Tangible capital assets are recorded at cost less accumulated amortization. Cost includes all costs directly attributable to acquisition or construction of the tangible capital asset including transportation costs, installation costs, design and engineering fees, legal fees and site preparation costs. Contributed tangible capital assets are recorded at fair value at the time of the donation, with a corresponding amount recorded as revenue. Amortization is recorded on a straight-line basis over the estimated life of the tangible capital asset commencing once the asset is available for productive use as follows:

Buildings and land improvements	15 to 50 years
Equipment	5 to 40 years
Vehicles	10 to 25 years
Water and other utility systems	45 to 75 years
Roads and bridges	5 to 40 years

Leased Assets

Leases entered into that transfer substantially all the benefits and risks associated with ownership are recorded as the acquisition of a tangible capital asset and the incurrence of an obligation. The asset is amortized in a manner consistent with tangible capital assets owned by the Municipality, and the obligation, including interest thereon, is liquidated over the term of the lease. All other leases are accounted for as operating leases, and the rental costs are expensed as incurred.

Collection of Taxes on Behalf of Other Taxation Authorities

The Municipality collects taxation revenue on behalf of other entities. Such levies, other revenues, expenses, assets and liabilities with respect to the operations of entities are not reflected in these financial statements.

The entities the Municipality collects taxation revenue on behalf of are as follows:

- Alberta School Foundation Fund
- Wetaskiwin and Area Lodge Authority

Over and Under Levies

Over and under levies arise from the difference between the actual levy made to cover each requisition and the actual amount requisitioned or receivable. The excess or under collection is accrued as a liability and property tax revenue is reduced or increased accordingly. Requisition tax rates in the subsequent year are adjusted for any over or under levies of the prior year.

Retirement Benefits and Other Employee Benefit Plans

The Municipality's contributions to its multi-employer defined benefit plan are expensed as incurred on an accrual basis.

County of Wetaskiwin No. 10
Summary of Significant Accounting Policies

December 31, 2017

- Government Transfers** Government transfers, which include legislative grants, are recognized in the financial statements in the period in which events giving rise to the transfers occur, providing the transfers are authorized, any eligibility criteria have been met, and reasonable estimates of the amount(s) can be made.
- Revenue Recognition** Taxes are recognized as revenue in the year they are levied.
- Charges for sewer and water usage are recorded as user fees and are recognized when the service has been provided. Connection fee revenues are recognized when the connection has been established.
- Funds received for specific purposes which are externally restricted by legislation, regulation or agreement and are not available for general municipal purposes are accounted for as deferred revenue on the consolidated statement of financial position. The revenue is recognized in the consolidated statement of operations in the year in which it is used for the specified purpose.
- Grants for the acquisition of tangible capital assets are recognized as revenue in the period in which eligible expenditures are made.
- Sales of service and other revenue is recognized on an accrual basis.
- Liability for Contaminated Sites** A contaminated site is a site at which substances occur in concentrations that exceed the maximum acceptable amounts under an environmental standard. Sites that are currently in productive use are only considered a contaminated site if an unexpected event results in contamination. A liability for remediation of contaminated sites is recognized when the organization is directly responsible or accepts responsibility; it is expected that future economic benefits will be given up; and a reasonable estimate of the amount can be made. The liability includes all costs directly attributable to remediation activities including post remediation operations, maintenance and monitoring. The liability is recorded net of any expected recoveries.
- Use of Estimates** The preparation of financial statements in accordance with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future.

County of Wetaskiwin No. 10
Notes to Consolidated Financial Statements

December 31, 2017

1. Cash and Cash Equivalents

	2017	2016
Cash balances	\$ 852	\$ 715
Cash balances yielding prime less 1.75% on a monthly basis	28,289,030	25,629,895
Variable rate high interest savings accounts	-	7,557,794
	\$ 28,289,882	\$ 33,188,404

The Municipality has an undrawn line of credit with a limit of \$5 million that carries an interest rate of prime. The line of credit is secured by borrowing bylaws pledging grants under the particular projects or tax revenues of the Municipality.

The Municipality has an undrawn capital loan with a limit of \$5.3 million that carries an interest rate of prime. The capital loan is secured by borrowing bylaws pledging grants under the particular projects or tax revenues of the Municipality.

The variable rate high interest savings accounts have a market value equal to cost. The high rate savings accounts currently pay interest monthly at 1.2%.

Included in the above amounts are the following amounts received from the Province of Alberta and Government of Canada as conditional grants held exclusively for future projects.

	2017	2016
Internship	\$ 5,114	\$ 14,333
Federal Gas Tax (FGT)	844,250	834,976
Agriculture Services	128,104	127,289
Municipal Sustainability Initiative (MSI)	3,592,823	7,951,961
FCSS Grant	22,000	27,485
Disaster Services grant	4,200	-
ICF Grant	5,661	-
Building Canada Grant	1,429,498	-
	\$ 6,031,650	\$ 8,956,044

County of Wetaskiwin No. 10
Notes to Consolidated Financial Statements

December 31, 2017

2. Accounts Receivable

	2017	2016
Trade accounts receivable	\$ 1,303,269	\$ 2,058,502
Grants receivable	4,308,371	445,935
Allowance for uncollectible	(135,000)	(77,000)
	\$ 5,476,640	\$ 2,427,437

3. Debt Recoverable

Debt recoverable relates to amounts borrowed by the Municipality and loaned to the Wetaskiwin and Area Lodge Authority (WALA) in accordance with section 264 of the MGA.

The debt recoverable is repayable in semi-annual payments \$271,832 of principal and interest on March 15 and September 15 of each year. The debt recoverable bears interest at 4.389% compounded semi-annually. The mortgage is due March 15, 2036.

The debt recoverable is secured by an assignment of insurance proceeds, an assignment of rents and leases, a general security agreement, land and buildings.

WALA has the right to requisition its members, consisting of the County of Wetaskiwin, the City of Wetaskiwin and the Town of Millet for their annual shares of budgeted operating deficits and for their annual shares of the semi-annual debt recovery payments. The annual share is calculated annually based on the equalized assessment for that year. As of December 31, 2017, the Municipality's annual contribution is 61% of the total requisition.

Estimated principal and interest repayments on debt recoverable over the next five and subsequent years are as follows:

	Principal	Interest	Total
2018	\$ 246,179	\$ 297,485	\$ 543,664
2019	257,103	286,561	543,664
2020	268,511	275,153	543,664
2021	280,425	263,239	543,664
2022	292,868	250,796	543,664
Thereafter	5,493,756	1,518,165	7,011,921
	\$ 6,838,842	\$ 2,891,399	\$ 9,730,241

The gross interest received relating to the above debt recoverable was \$307,944 (2016 - \$317,959).

County of Wetaskiwin No. 10
Notes to Consolidated Financial Statements

December 31, 2017

4. Employee Benefits Plan Liability

	<u>2017</u>	<u>2016</u>
Sick leave benefits - accrued liability	\$ 530,811	\$ 435,849
Vacation	394,571	352,544
Overtime	<u>25,937</u>	<u>37,384</u>
	<u>\$ 951,319</u>	<u>\$ 825,777</u>

The employee benefits plan liability includes accrued 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.

The employee benefits plan liability also includes paid sick leave that can accumulate to a maximum of 90 days. Sick leave will only be paid out if employees meet the conditions outlined in the policy for utilization of sick leave and will not be paid out upon the termination or retirement of an employee. The amount above has been estimated by using past utilization of sick leave in excess of the annual entitlement and projecting the past utilization to the future using an estimated average age to retirement of 12 years, an inflation factor of 2.50% and a discount rate of 4.893%.

County of Wetaskiwin No. 10
Notes to Consolidated Financial Statements

December 31, 2017

5. Local Authorities Pension Plan

Certain employees of the Municipality are eligible to be members of the Local Authorities Pension Plan (LAPP), a multi-employer pension plan which is covered by the Public Sector Pension Plans Act. The LAPP serves about 133,000 people and 389 employers. The LAPP is financed by employer and employee contributions and by investment earnings of the LAPP Fund.

The Municipality is required to make current service contributions to the LAPP of 11.39% of pensionable earnings up to the year's maximum potential earnings under the Canada Pension Plan and 15.84% on pensionable earnings above this amount to an annual maximum pensionable earnings of \$162,312. Employees of the Municipality are required to make current service contributions of 10.39% of pensionable earnings up to the year's maximum potential earnings under the Canada Pension Plan and 14.84% on pensionable earnings above this amount to an annual maximum pensionable earnings of \$162,312.

The plan provides defined pension benefits to employees based on their length of service and rates of pay. Contributions for the year were:

	<u>2017</u>	<u>2016</u>
Employer contributions	695,785	698,886
Employee contributions	644,944	653,317
	<u>\$ 1,340,729</u>	<u>\$ 1,352,203</u>

As this is a multi-employer pension plan, these contributions are the Municipality's pension benefit expense. No pension liability for this type of plan is included in the Municipality's financial statements. The most recent valuation as at December 31, 2016 indicates a deficit of \$0.64 billion (2015 - \$0.92 billion) for basic pension benefits. The actuary does not attribute portions of the unfunded liability to individual employers.

County of Wetaskiwin No. 10
Notes to Consolidated Financial Statements

December 31, 2017

6. Deferred Revenue

	Opening balance	Contributions received	Externally restricted investment income	Revenue recognized	Ending balance
Internship	\$ 14,333	\$ 20,455	\$ -	(29,674)	\$ 5,114
FGT	834,976	-	9,274	-	844,250
Agriculture Services	127,289	-	9,415	(8,600)	128,104
MSI	7,951,961	1,782,445	68,081	(6,209,664)	3,592,823
Building Canada Grant	-	1,804,935	-	(375,437)	1,429,498
ICF Grant	-	80,000	-	(74,339)	5,661
Disaster Grant	-	4,200	-	-	4,200
FCSS	27,485	-	22,000	(27,485)	22,000
Water Rescue Donations	117,853	32,920	-	(36,776)	113,997
Credit Letter	107,900	-	-	(107,900)	-
Prepaid Local Improvement Property Owners Contributions	35,615	-	-	(3,942)	31,673
	961,412	127,004	9,829	(102,201)	996,044
	<u>\$ 10,178,824</u>	<u>\$ 3,851,959</u>	<u>\$ 118,599</u>	<u>\$ (6,976,018)</u>	<u>\$ 7,173,364</u>

Grants

Under various grant agreements with the Government of Canada and the Province of Alberta, the Municipality is required to account for grants provided and to complete the projects or programs in accordance with standards detailed in the various agreements. If these requirements are not adhered to, grants provided will become repayable to the source government. Unexpended funds are repayable to the source government upon final accounting. Funds are deferred until related expenditures under the specific grant agreements have been incurred.

Prepaid Local Improvements

Under development agreements related to the Mulhurst sewer and Winfield water, various landowners have prepaid their local improvement levy. The levy is amortized into revenues straight-line over 25 years.

Property Owner Contributions

Under development agreements for developments in the Pigeon Lake Watershed, developers are required to contribute funds for the purpose of future expansion of the existing sewer system. These funds will be used to finance future capital expansions and recognized as revenue at that time.

County of Wetaskiwin No. 10
Notes to Consolidated Financial Statements

December 31, 2017

7. Long-term Debt

Long-term debt reported on the statement of financial position is comprised of the following:

	2017	2016
Self supported debentures, due 2020 to 2035.	\$ 1,616,227	\$ 1,954,442
Wetaskiwin and Area Lodge Authority Debenture, 4.389% due March 15, 2036, blended semi-annual payments of \$271,832. Secured by a note receivable. See Note 3.	6,838,842	7,074,562
	8,455,069	9,029,004

Debenture debt is repayable to the Alberta Municipal Financing Corporation and bears interest at rates ranging from 1.088% to 8.625%. The weighted average interest rate, excluding the WALA debenture, for 2017 is 5.44%. Debenture debt is issued on the security of the Municipality at large.

Estimated principal and interest repayments on debenture debt over the next five and subsequent years are as follows:

	Principal	Interest	Total
2018	\$ 590,121	\$ 339,168	\$ 929,289
2019	606,972	322,317	929,289
2020	624,522	304,767	929,289
2021	312,411	287,325	599,736
2022	326,328	273,408	599,736
Thereafter	5,994,715	1,675,125	7,669,840
	\$ 8,455,069	\$ 3,202,110	\$ 11,657,179

The gross interest paid relating to the above long-term debt was \$355,355 (2016 - \$370,907).

County of Wetaskiwin No. 10
Notes to Consolidated Financial Statements

December 31, 2017

8. Debt Limits

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

	<u>2017</u>	<u>2016</u>
Total debt limit	\$ 37,912,311	\$ 40,222,328
Total debt	<u>1,616,227</u>	<u>1,954,442</u>
Total debt limit available	<u>\$ 36,296,084</u>	<u>\$ 38,267,886</u>
Debt servicing limit	\$ 6,318,719	\$ 6,703,721
Debt servicing	<u>385,625</u>	<u>385,627</u>
Total debt servicing limit available	<u>\$ 5,933,094</u>	<u>\$ 6,318,094</u>

The debt limit is calculated at 1.5 times revenue of the Municipality (as defined in Alberta Regulation 255/2000) 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.

County of Wetaskiwin No. 10
Notes to Consolidated Financial Statements

December 31, 2017

9. Tangible Capital Assets

	For the year ended December 31, 2017							
	Land	Buildings	Equipment	Vehicles	Water and other utility systems	Roads	Bridges	Total
Cost, beginning of year	\$ 3,728,826	\$ 9,988,516	\$ 14,039,758	\$ 8,702,601	\$ 30,600,337	\$ 99,450,488	\$ 23,364,571	\$ 189,875,097
Additions	514,495	408,588	693,370	373,710	3,772,982	7,577,395	2,467,264	15,807,804
Disposals	(142,645)	-	(852,191)	(541,770)	-	(339,703)	-	(1,876,309)
Cost, end of year	4,100,676	10,397,104	13,880,937	8,534,541	34,373,319	106,688,180	25,831,835	203,806,592
Accumulated amortization, beginning of year	-	3,267,549	6,824,363	3,675,975	4,145,784	81,794,650	9,979,908	109,688,229
Amortization	-	216,434	1,160,445	499,942	641,667	1,158,816	463,038	4,140,342
Disposals	-	-	(486,932)	(451,611)	-	(339,703)	-	(1,278,246)
Accumulated amortization, end of year	-	3,483,983	7,497,876	3,724,306	4,787,451	82,613,763	10,442,946	112,550,325
Net carrying amount, end of year	\$ 4,100,676	\$ 6,913,121	\$ 6,383,061	\$ 4,810,235	\$ 29,585,868	\$ 24,074,417	\$ 15,388,889	\$ 91,256,267

County of Wetaskiwin No. 10
Notes to Consolidated Financial Statements

December 31, 2017

9. Tangible Capital Assets (continued)

	For the year ended December 31, 2016							
	Land	Buildings	Equipment	Vehicles	Water and other utility systems	Roads	Bridges	Total
Cost, beginning of year	\$ 3,616,148	\$ 8,488,045	\$ 13,170,459	\$ 8,030,462	\$ 28,755,577	\$ 97,680,049	\$ 23,065,055	\$ 182,805,795
Additions	112,678	1,500,471	1,252,946	735,818	1,844,760	1,770,439	299,516	7,516,628
Disposals	-	-	(383,647)	(63,679)	-	-	-	(447,326)
Cost, end of year	<u>3,728,826</u>	<u>9,988,516</u>	<u>14,039,758</u>	<u>8,702,601</u>	<u>30,600,337</u>	<u>99,450,488</u>	<u>23,364,571</u>	<u>189,875,097</u>
Accumulated amortization, beginning of year	-	3,063,730	5,937,575	3,216,045	3,571,933	80,704,169	9,505,942	105,999,394
Amortization	-	203,819	1,135,032	523,609	573,851	1,090,481	473,966	4,000,758
Disposals	-	-	(248,244)	(63,679)	-	-	-	(311,923)
Accumulated amortization, end of year	-	<u>3,267,549</u>	<u>6,824,363</u>	<u>3,675,975</u>	<u>4,145,784</u>	<u>81,794,650</u>	<u>9,979,908</u>	<u>109,688,229</u>
Net carrying amount, end of year	<u>\$ 3,728,826</u>	<u>\$ 6,720,967</u>	<u>\$ 7,215,395</u>	<u>\$ 5,026,626</u>	<u>\$ 26,454,553</u>	<u>\$ 17,655,838</u>	<u>\$ 13,384,663</u>	<u>\$ 80,186,868</u>

There were assets under construction at year end totalling \$8,341,747 (2016 - 1,086,599) that will not be amortized until they are ready for use. There were no assets under capital lease at year end (2016 - \$nil).

County of Wetaskiwin No. 10
Notes to Consolidated Financial Statements

December 31, 2017

10. Prepaid Expenses and Inventories of Supplies

	<u>2017</u>	<u>2016</u>
Crushed gravel	\$ 5,310,448	\$ 5,633,039
Undeveloped gravel pits	4,321,615	4,321,615
Materials and supplies	275,611	307,867
Prepaid expenses	<u>110,080</u>	<u>112,893</u>
	<u>\$ 10,017,754</u>	<u>\$ 10,375,414</u>

11. Membership Fee

The Municipality acquired a non-controlling interest in West Dried Meat Lake Regional Solid Waste Authority July 2, 1996. The purpose of the Authority is to administer and maintain a solid waste landfill. The non-controlling interest entitles the Municipality to one vote in the operations of the Authority and the requirement to pay an annual requisition to deliver solid waste. There are currently five members, including the Municipality. In case of dissolution, members are entitled to 20% of the remaining net assets of the Authority. The remaining net assets would be determined after settling all remaining environmental liability. The membership agreement has no expiry date.

The membership fee has been accounted for at historical cost.

The estimated value of the Municipality's interest in the Authority is 3.69 million.

County of Wetaskiwin No. 10
Notes to Consolidated Financial Statements

December 31, 2017

12. Accumulated Surplus

	2017	2016
Investment in tangible capital assets	\$ 91,256,267	\$ 80,186,868
Operating and capital deficit	(3,269,119)	(2,641,375)
Membership fee	400,000	400,000
Perry Pit purchase	2,539,000	2,539,000
Debenture debt	(8,455,070)	(9,029,004)
Debt recoverable (Note 3)	6,838,842	7,074,562
	89,309,920	78,530,051
 Operating Reserve Funds		
Administration	2,558,254	3,405,575
Enforcement	131,469	131,469
Fire	1,201,970	1,155,944
Public Works	14,263,457	14,574,327
Water	253,730	222,339
Sewer	1,094,466	970,816
Solid Waste Services	357,167	357,167
Planning and Development	78,025	88,625
Agricultural Service Board	126,263	126,263
Recreation	258,279	252,538
Parks	25,000	25,000
	20,348,080	21,310,063
 Capital Reserve Funds		
Administration	179,732	219,732
Fire	1,031,956	1,208,078
Public Works	11,372,908	9,636,562
Water	8,500	8,500
Sewer	67,661	67,661
Solid Waste Services	363,223	363,223
Recreation	197,855	222,855
	13,221,835	11,726,611
	33,569,915	33,036,674
	\$122,879,835	\$111,566,725

County of Wetaskiwin No. 10
Notes to Consolidated Financial Statements

December 31, 2017

13. Change in Accumulated Surplus

	Unrestricted surplus (deficit)	Membership Fee and Perry Pit Purchase	Reserve funds	Equity in tangible capital assets	2017	2016
Balance, beginning of year	\$ (2,641,375)	\$ 2,939,000	\$ 33,036,674	\$ 78,232,426	\$ 111,566,725	\$ 105,870,274
Excess of revenue over expenses	11,313,110	-	-	-	11,313,110	5,696,451
Net operating transfers to restricted surplus	(4,059,075)	-	4,059,075	-	-	-
Debenture principal payments	(573,934)	-	-	573,934	-	-
Debenture principal paid on WALA loan	235,720	-	-	(235,720)	-	-
Capital transfers from restricted surplus	3,525,834	-	(3,525,834)	-	-	-
Acquisition of capital	(15,807,804)	-	-	15,807,804	-	-
Debenture proceeds	-	-	-	-	-	-
Disposals and write-down of assets	598,063	-	-	(598,063)	-	-
Amortization	4,140,342	-	-	(4,140,342)	-	-
Change in accumulated surplus	\$ (627,744)	\$ -	\$ 533,241	\$ 11,407,613	\$ 11,313,110	\$ 5,696,451
Balance, end of year	\$ (3,269,119)	\$ 2,939,000	\$ 33,569,915	\$ 89,640,039	\$ 122,879,835	\$ 111,566,725

County of Wetaskiwin No. 10
Notes to Consolidated Financial Statements

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14. Taxation - Net

	Budget 2017 (Note 20)	2017	2016
Real property taxes	\$ 14,432,258	\$ 14,365,547	\$ 13,996,943
Machinery and equipment	2,623,695	2,623,696	2,897,181
Linear property taxes	9,820,650	9,820,649	11,095,608
Government grants in lieu of property taxes	41,102	41,102	40,260
	<u>26,917,705</u>	<u>26,850,994</u>	<u>28,029,992</u>
Requisitions			
Alberta School Foundation Fund	7,657,012	7,646,999	7,572,890
Wetaskiwin and Area Lodge Authority	570,941	570,940	575,488
	<u>8,227,953</u>	<u>8,217,939</u>	<u>8,148,378</u>
Available for general municipal purposes	<u>\$ 18,689,752</u>	<u>\$ 18,633,055</u>	<u>\$ 19,881,614</u>

15. Government Transfers

	Budget 2017 (Note 20)	2017	2016
General Government	\$ 134,438	\$ 578,158	\$ 462,826
Protective Services	31,651	30,776	4,550
Public Works	9,361,350	8,653,430	1,072,487
Utilities	9,856,860	2,765,783	1,805,152
Family and Community Support Services	357,300	321,653	302,330
Agriculture Service	251,315	242,875	230,709
Recreation and Cultural Services	564,809	616,247	1,132,365
	<u>\$ 20,557,723</u>	<u>\$ 13,208,922</u>	<u>\$ 5,010,419</u>

County of Wetaskiwin No. 10
Notes to Consolidated Financial Statements

December 31, 2017

16. Expenses by Object

	Budget 2017 (Note 20)	2017	2016
Salaries and wages	\$ 9,366,791	\$ 9,539,766	\$ 9,439,073
Contracted and general services	6,132,649	5,211,259	4,381,215
Goods, materials and supplies	4,833,425	4,986,900	4,559,048
Transfers to other organizations	1,542,071	1,553,421	1,405,794
Interest	360,855	360,875	373,493
Cancellations and uncollectible	3,000	393,362	8,788
Amortization	4,140,342	4,140,342	4,000,758
	<u>\$ 26,379,133</u>	<u>\$ 26,185,925</u>	<u>\$ 24,168,169</u>

17. Commitments and Contingencies

The Municipality has been named as a defendant in various actions seeking damages from the Municipality and other unrelated parties. These claims have been forwarded to the Municipality's insurers who are defending the claims. No liability to the Municipality is foreseen in any of these claims.

The Municipality has entered into two gravel supply and haul contracts for the road graveling program for 2018 to 2019. Estimated payments for 2018 are \$1,300,380.

18. Liability for Contaminated Sites

Management has completed a comprehensive review of all properties owned and controlled by the Municipality and has concluded that they own no properties that would require disclosure under this standard.

19. Funds Held in Trust

At the year end, the Municipality held \$115,388 (2016 - \$135,392) in trust which is proceeds from tax sale surplus. These funds are not included in these financial statements.

The Municipality performs administrative functions and held \$314,822 (2016 - \$297,170) in trust for the Joint Economic Development Initiative (JEDI), a society. These funds are not included in these financial statements.

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Notes to Consolidated Financial Statements

December 31, 2017

20. Budget

The Budget adopted by Council on April 19, 2017 was not prepared on a basis consistent with that used to report actual results (Public Sector Accounting Standards). The budget was prepared on a modified accrual basis while Public Sector Accounting Standards now require a full accrual basis. The budget figures anticipated use of surpluses accumulated in previous years to reduce current year expenditures in excess of current year revenues for a budgeted surplus of \$148. In addition, the budget did not include an amortization expense. As a result, the budget figures presented in the statements of operations and change in net financial assets represent the Budget adopted by Council on April 19, 2017 with adjustments as follows:

	2017
Budget surplus for the year	\$ 148
Add:	
Capital expenditures	28,446,439
Debenture principal payments	573,934
Budgeted transfers to accumulated surplus	1,386,371
Budgeted transfers to capital	2,326,377
Budgeted capital over expenditure	(160,194)
Less:	
Budgeted transfers from accumulated surplus	(4,118,533)
Proceeds of disposition	(274,482)
Amortization	(4,140,342)
Budget surplus per statement of operations	\$ 24,039,718

	Budget	Amortization Allocation	Budget per Financial Statements	Actual per Financial Statements
Total Revenues	\$ 50,418,851	\$ -	\$ 50,418,851	\$ 37,499,035
General Government	4,630,412	237,963	4,868,375	5,248,737
Protective Services	1,410,596	171,023	1,581,619	1,548,563
Public Works	10,651,646	3,063,553	13,715,199	13,227,898
Utilities	1,502,803	652,093	2,154,896	2,193,601
Cemetery	47,983	-	47,983	44,630
Family and Community Support Services	509,992	-	509,992	444,625
Recreation and Cultural Services	1,856,001	15,710	1,871,711	1,900,508
Planning and Development	825,980	-	825,980	760,537
Agriculture Service Board	803,378	-	803,378	816,826
Total Expenditures	22,238,791	4,140,342	26,379,133	26,185,925
Excess of revenues over expenditures	28,180,060		24,039,718	11,313,110

December 31, 2017

21. Segmented Information

The Municipality is a diversified municipal government institution that provides a wide range of services to its citizens. Distinguishable functional segments have been separately disclosed in the segmented information. The nature of the segments and the activities they encompass are as follows:

General Government

Provides legislative and administrative oversight.

Protective Services

Provides police, fire, ambulance, and bylaw services.

Public Works

Manages the Municipality's fleet of equipment as well as maintains and improves the Municipality's infrastructure.

Utilities

Provides water, wastewater and solid waste services.

Cemetery

Provides support and funding for various cemetery groups in the Municipality.

Family and Community Support Services

Provides family and community support services.

Recreation and Cultural Services

Provides funding to recreation groups including other local municipalities within the Municipality.

Planning and Development

Provides services related to all property development plans through its application process.

Agriculture Service

Provides services for weed and pest control as well as horticulture and soil conservation.

The accounting policies of the segments are the same as those described in the summary of significant accounting policies. In measuring and reporting segment revenue from transactions with other segments, inter-segment transfers have been eliminated. The revenues and expenses and equity in government business enterprises and government business partnerships that are directly attributable to a particular segment are allocated to that segment. Amounts that are directly attributable to a number of segments have been allocated on a reasonable basis.

Taxation has been allocated to general government.

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Notes to Consolidated Financial Statements

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21. Segmented Information (continued)

For the year ended December 31	General Government	Protective Services	Public Works	Utilities	Family and Community Support Services	Recreation and Cultural Services	Planning and Development	Agriculture Service	2017 Total
Revenue									
Taxation	\$ 18,633,055	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 18,633,055
Government grants	578,158	30,776	8,653,430	2,765,783	321,653	616,247	-	242,875	13,208,922
User fees and service charges	134,207	137,363	1,587,269	981,747	28,918	-	-	63,321	2,932,825
Permits, licenses and fines	181,062	169,531	-	-	-	-	75,650	-	426,243
Investment income	596,641	-	-	-	-	-	-	-	596,641
Sales to other governments	74,644	-	28,216	357,911	-	-	11,275	-	472,046
Rentals	58,249	-	-	-	-	239,295	-	-	297,544
Gains and contributed assets	413,118	-	-	-	-	-	-	-	413,118
Other	372,057	45,370	-	-	-	-	101,214	-	518,641
	<u>21,041,191</u>	<u>383,040</u>	<u>10,268,915</u>	<u>4,105,441</u>	<u>350,571</u>	<u>855,542</u>	<u>188,139</u>	<u>306,196</u>	<u>37,499,035</u>
Expenses									
Salaries and wages	2,817,156	952,304	3,352,357	823,577	320,694	259,988	478,315	535,375	9,539,766
Contracted and general services	1,204,695	176,348	2,678,667	500,393	35,851	433,343	100,157	81,805	5,211,259
Goods, materials and supplies	210,150	85,191	4,133,321	217,538	10,544	164,480	506	165,170	4,986,900
Transfers to other organizations	24,536	163,697	-	-	122,166	1,026,987	181,559	34,476	1,553,421
Interest	360,875	-	-	-	-	-	-	-	360,875
Cancellations and uncollectible	393,362	-	-	-	-	-	-	-	393,362
Amortization	237,963	171,023	3,063,553	652,093	-	15,710	-	-	4,140,342
	<u>5,248,737</u>	<u>1,548,563</u>	<u>13,227,898</u>	<u>2,193,601</u>	<u>489,255</u>	<u>1,900,508</u>	<u>760,537</u>	<u>816,826</u>	<u>26,185,925</u>
Net surplus (deficit)	<u>\$ 15,792,454</u>	<u>\$ (1,165,523)</u>	<u>\$ (2,958,983)</u>	<u>\$ 1,911,840</u>	<u>\$ (138,684)</u>	<u>\$ (1,044,966)</u>	<u>\$ (572,398)</u>	<u>\$ (510,630)</u>	<u>\$ 11,313,110</u>

County of Wetaskiwin No. 10
Notes to Consolidated Financial Statements

December 31, 2017

21. Segmented Information (continued)

For the year ended December 31	General Government	Protective Services	Public Works	Utilities	Family and Community Support Services	Recreation and Cultural Service	Planning and Development	Agriculture Service	2016 Total
Revenue									
Taxation	\$ 19,881,613	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 19,881,613
Government grants	462,826	4,550	1,072,487	1,805,152	302,330	1,132,365	-	230,709	5,010,419
User fees and service charges	114,092	179,481	1,730,263	888,066	28,330	-	-	56,953	2,997,185
Permits, licenses and fines	69,030	189,180	-	-	-	-	62,250	-	320,460
Investment income	519,181	-	-	-	-	-	-	-	519,181
Sales to other governments	75,415	-	54,983	283,186	-	-	20,941	3,588	438,113
Rentals	47,509	-	-	-	-	230,416	-	-	277,925
Gains and contributed assets	-	-	91,794	-	-	-	-	-	91,794
Other	272,609	23,226	-	-	-	-	32,095	-	327,930
	<u>21,442,275</u>	<u>396,437</u>	<u>2,949,527</u>	<u>2,976,404</u>	<u>330,660</u>	<u>1,362,781</u>	<u>115,286</u>	<u>291,250</u>	<u>29,864,620</u>
Expenses									
Salaries and wages	2,768,499	924,459	3,215,198	870,957	348,111	254,472	506,124	551,253	9,439,073
Contracted and general services	1,168,200	153,982	2,202,832	495,966	22,983	209,082	56,561	71,609	4,381,215
Goods, materials and supplies	188,907	88,260	3,822,063	171,744	4,563	135,200	301	148,010	4,559,048
Transfers to other organizations	11,032	196,208	-	-	99,786	847,953	152,204	98,611	1,405,794
Interest on long-term debt	373,493	-	-	-	-	-	-	-	373,493
Cancellations and uncollectible	8,788	-	-	-	-	-	-	-	8,788
Amortization	230,113	174,500	2,996,158	584,277	-	15,710	-	-	4,000,758
	<u>4,749,032</u>	<u>1,537,409</u>	<u>12,236,251</u>	<u>2,122,944</u>	<u>475,443</u>	<u>1,462,417</u>	<u>715,190</u>	<u>869,483</u>	<u>24,168,169</u>
Net surplus (deficit)	\$ 16,693,243	\$ (1,140,972)	\$ (9,286,724)	\$ 853,460	\$ (144,783)	\$ (99,636)	\$ (599,904)	\$ (578,233)	\$ 5,696,451

County of Wetaskiwin No. 10
Notes to Consolidated Financial Statements

December 31, 2017

22. 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	Benefits & Allowances	Total 2017	Total 2016
Councillors:				
Division 1	\$ 44,768	\$ 5,763	\$ 50,531	\$ 50,233
Division 2	45,752	11,266	57,018	56,742
Division 3	44,768	10,785	55,553	57,377
Division 4	44,768	10,521	55,289	56,742
Division 5	44,768	11,162	55,930	56,742
Division 6 Reeve	53,398	12,638	66,036	65,768
Division 7	45,752	11,900	57,652	57,377
Chief Administrative Officer	205,300	10,025	215,325	215,311
Designated Officers (3)	355,604	81,334	436,938	436,751

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

Benefits and allowances figures include the employer's share of all employee benefits and contributions or payments made on behalf of employees including pension, health care, dental coverage, group life insurance, accidental disability and dismemberment insurance, long and short term disability plans, and professional memberships, as well as the employer's share of the costs of additional taxable benefits.

23. Comparative Figures

Comparative figures have been adjusted for current period presentation.

24. Approval of Financial Statements

Council and Management have approved these financial statements.
