

**County of Wetaskiwin No. 10
Consolidated Financial Statements
For the year ended December 31, 2018**

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Consolidated Financial Statements
For the year ended December 31, 2018**

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Independent Auditor's Report

To the Members of Council of County of Wetaskiwin No. 10

Opinion

We have audited the consolidated financial statements of County of Wetaskiwin No. 10 and its controlled or owned organizations (the Group), which comprise the consolidated statement of financial position as at December 31, 2018, and the consolidated statement of operations, consolidated statement of changes in net financial assets, and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2018 and its consolidated financial performance and its cash flows for the year then ended in accordance with 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 Group in accordance with the ethical requirements that are relevant to our audit of the consolidated 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 Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with 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 consolidated financial statements, management is responsible for assessing the Group'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 Group or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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.

Independent Auditor's Report - continued

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 consolidated 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used 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 Group'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 Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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.

Lacombe, Alberta
April 23, 2019

BDO Canada LLP
Chartered Professional Accountants

County of Wetaskiwin No. 10
Consolidated Statement of Financial Position

December 31	2018	2017
Financial assets		
Cash and cash equivalents (Note 1)	\$ 30,109,558	\$ 28,289,882
Taxes receivable (net of allowance of \$738,229)	1,687,727	1,485,308
Accounts receivable (Note 2)	8,111,637	5,476,640
Patronage reserves	13,362	13,237
Debt recoverable (Note 3)	<u>6,592,663</u>	<u>6,838,842</u>
	<u>46,514,947</u>	<u>42,103,909</u>
Liabilities		
Accounts payable and accrued liabilities	3,344,072	3,243,215
Deposit liabilities	1,074,238	1,075,128
Employee benefits plan liability (Note 4)	1,096,743	951,319
Deferred revenue (Note 6)	10,519,783	7,173,364
Long-term debt (Notes 7 & 8)	<u>7,864,949</u>	<u>8,455,069</u>
	<u>23,899,785</u>	<u>20,898,095</u>
Net financial assets	<u>22,615,162</u>	<u>21,205,814</u>
Non-financial assets		
Tangible capital assets (Note 9)	98,532,747	91,256,267
Prepaid expenses and inventories of supplies (Note 10)	9,402,399	10,017,754
Membership fee (Note 11)	<u>400,000</u>	<u>400,000</u>
	<u>108,335,146</u>	<u>101,674,021</u>
Accumulated surplus (Note 12)	<u>\$ 130,950,308</u>	<u>\$ 122,879,835</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 2018	2018	2017
	(Note 20)		
Revenue			
Taxation (Note 14)	\$ 19,063,011	\$ 18,808,219	\$ 18,633,055
Government transfers (Note 15)	12,636,545	9,639,972	13,208,922
User fees and service charges	2,396,693	2,774,655	2,932,825
Permits, licenses and fines	446,000	641,010	426,243
Investment income	823,664	702,763	596,641
Sales to other governments	1,239,585	934,429	472,046
Rentals	316,094	272,615	297,544
Other	1,068,641	1,583,176	518,641
Gain on disposal of tangible capital assets	-	58,983	413,118
	37,990,233	35,415,822	37,499,035
Expenses			
General Government	5,210,923	5,003,143	5,248,737
Protective Services	1,684,615	1,580,879	1,548,563
Public Works	14,457,379	14,763,769	13,227,898
Utilities	2,067,839	2,289,108	2,193,601
Cemetery	53,304	47,762	44,630
Family and Community Support Services	498,619	508,773	444,625
Recreation and Cultural Services	1,672,468	1,330,128	1,900,508
Planning and Development	960,541	919,419	760,537
Agriculture Service Board	892,402	902,368	816,826
	27,498,090	27,345,349	26,185,925
Annual surplus	10,492,143	8,070,473	11,313,110
Accumulated surplus, beginning of year	122,879,835	122,879,835	111,566,725
Accumulated surplus, end of year	\$ 133,371,978	\$ 130,950,308	\$ 122,879,835

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

For the year ended December 31	Budget 2018	2018	2017
	(Note 20)		
Annual surplus	\$ 10,492,143	\$ 8,070,473	\$ 11,313,110
Acquisition of tangible capital assets	(17,061,018)	(12,372,283)	(15,807,804)
Amortization of tangible capital assets	4,700,565	4,700,565	4,140,342
Gain on sale of tangible capital assets	-	(58,983)	(413,118)
Proceeds on sale of tangible capital assets	567,340	454,221	1,011,181
	<u>(1,300,970)</u>	793,993	<u>243,711</u>
Change in prepaid expenses and inventory of supplies	-	615,355	357,660
Net change in net financial assets	(1,300,970)	1,409,348	601,371
Net financial assets, beginning of year	<u>21,205,814</u>	21,205,814	<u>20,604,443</u>
Net financial assets, end of year	\$ 19,904,844	\$ 22,615,162	\$ 21,205,814

County of Wetaskiwin No. 10
Consolidated Statement of Cash Flows

For the year ended December 31	2018	2017
Operating transactions		
Annual surplus	\$ 8,070,473	\$ 11,313,110
Items not involving cash		
Amortization	4,700,565	4,140,342
Gain on disposal of tangible capital assets	(58,983)	(413,118)
Changes in non-cash operating balances		
Taxes receivable	(202,419)	(204,306)
Accounts receivable	(2,634,997)	(3,049,203)
Prepaid expenses and inventories of supplies	615,355	357,660
Accounts payable and accrued liabilities	100,858	1,005,929
Employee benefits plan liability	145,424	125,542
Deposit liabilities	(890)	(34,050)
	<u>10,735,386</u>	<u>13,241,906</u>
Capital transactions		
Acquisition of tangible capital assets	(12,372,283)	(15,807,804)
Proceeds on sale of tangible capital assets	454,221	1,011,181
	<u>(11,918,062)</u>	<u>(14,796,623)</u>
Investing transactions		
Deferred revenue	3,346,419	(3,005,460)
Debt recoverable payments received	246,179	235,720
Change in patronage reserves	(125)	(131)
Change in restricted amounts	(3,228,103)	2,924,394
	<u>364,370</u>	<u>154,523</u>
Financing transactions		
Repayment of long-term debt	(590,121)	(573,934)
Net change in cash and cash equivalents	(1,408,427)	(1,974,128)
Cash and cash equivalents, beginning of year	22,258,232	24,232,360
Cash and cash equivalents, end of year	\$ 20,849,805	\$ 22,258,232
Consists of:		
Cash and cash equivalents	30,109,558	28,289,882
Less: restricted portion of cash and cash equivalents (Note 1)	(9,259,753)	(6,031,650)
	<u>\$ 20,849,805</u>	<u>\$ 22,258,232</u>

County of Wetaskiwin No. 10
Summary of Significant Accounting Policies

December 31, 2018

**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.

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, 2018

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
- Province of Alberta - Designated Industrial Property Levy

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, 2018

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	<p>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.</p> <p>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.</p> <p>Grants for the acquisition of tangible capital assets are recognized as revenue in the period in which eligible expenditures are made.</p> <p>Sales of service and other revenue is recognized on an accrual basis.</p>
Taxation Revenue	Taxes are recorded at estimated amounts when they meet the definition of an asset, have been authorized and the taxable event occurs. For property taxes, the taxable event is the period for which the tax is levied. As taxes recorded are initially based on management's best estimate of the taxes that will be received, it is possible that changes in future conditions, such as reassessments due to audits, appeals and court decisions, could result in a change in the amount of tax revenue recognized. Taxes receivable are recognized net of an allowance for anticipated uncollectable amounts.
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, 2018

1. Cash and Cash Equivalents

	2018	2017
Cash balances	\$ 756	\$ 852
Cash balances yielding prime less 1.75% on a monthly basis	30,108,802	28,289,030
	\$ 30,109,558	\$ 28,289,882

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.

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.

	2018	2017
Internship	\$ 14,333	\$ 5,114
Federal Gas Tax (FGT)	902,771	844,250
Agriculture Services	146,151	128,104
Municipal Sustainability Initiative (MSI)	8,196,498	3,592,823
FCSS Grant	-	22,000
Disaster Services grant	-	4,200
ICF Grant	-	5,661
Building Canada Grant	-	1,429,498
	\$ 9,259,753	\$ 6,031,650

County of Wetaskiwin No. 10
Notes to Consolidated Financial Statements

December 31, 2018

2. Accounts Receivable

	2018	2017
Trade accounts receivable	\$ 1,922,509	\$ 1,303,269
Grants receivable	6,271,128	4,308,371
Allowance for uncollectible	(82,000)	(135,000)
	\$ 8,111,637	\$ 5,476,640

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, 2018, 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
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
2023	305,863	237,801	543,664
Thereafter	5,187,893	1,280,364	6,468,257
	\$ 6,592,663	\$ 2,593,914	\$ 9,186,577

The gross interest received relating to the above debt recoverable was \$291,399 (2017 - \$307,944).

County of Wetaskiwin No. 10
Notes to Consolidated Financial Statements

December 31, 2018

4. Employee Benefits Plan Liability

	<u>2018</u>	<u>2017</u>
Sick leave benefits - accrued liability	\$ 733,989	\$ 530,811
Vacation	336,643	394,571
Overtime	<u>26,111</u>	<u>25,937</u>
	<u>\$ 1,096,743</u>	<u>\$ 951,319</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, 2018

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>2018</u>	<u>2017</u>
Employer contributions	690,378	695,785
Employee contributions	626,511	644,944
	<u>\$ 1,316,889</u>	<u>\$ 1,340,729</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, 2017 indicates a surplus of \$4.84 billion (2016 - deficit - \$0.64 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, 2018

6. Deferred Revenue

	Opening balance	Contributions received	Externally restricted investment income	Revenue recognized	Ending balance
Internship	\$ 5,114	\$ 43,000	\$ -	(33,781)	\$ 14,333
FGT	844,250	587,731	18,448	(547,658)	902,771
Agriculture					
Services	128,104	256,099	-	(238,052)	146,151
MSI	3,592,823	6,427,211	117,712	(1,941,248)	8,196,498
Building	1,429,498	-	-	(1,429,498)	-
Canada Grant					
ICF Grant	5,661	-	-	(5,661)	-
Disaster	4,200	-	-	(4,200)	-
Grant					
FCSS	22,000	329,815	-	(351,815)	-
Water Rescue					
Donations	113,997	10,500	-	(11,351)	113,146
Prepaid Local					
Improvement	31,673	-	-	(3,943)	27,730
Property					
Owners					
Contributions	996,044	123,110	-	-	1,119,154
	<u>\$ 7,173,364</u>	<u>\$ 7,777,466</u>	<u>\$ 136,160</u>	<u>\$ (4,567,207)</u>	<u>\$ 10,519,783</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, 2018

7. Long-term Debt

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

	2018	2017
Self supported debentures, due 2020 to 2035.	\$ 1,272,287	\$ 1,616,227
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.	6,592,662	6,838,842
	7,864,949	8,455,069

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
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
2023	335,403	258,871	594,274
Thereafter	5,659,313	1,416,254	7,075,567
	\$ 7,864,949	\$ 2,862,942	\$ 10,727,891

The gross interest paid relating to the above long-term debt was \$330,084 (2017 - \$355,355).

County of Wetaskiwin No. 10
Notes to Consolidated Financial Statements

December 31, 2018

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:

	2018	2017
Total debt limit	\$41,278,562	\$ 37,912,311
Total debt	1,272,287	1,616,227
Total debt limit available	\$40,006,275	\$ 36,296,084
Debt servicing limit	\$ 6,879,760	\$ 6,318,719
Debt servicing	385,625	385,625
Total debt servicing limit available	\$ 6,494,135	\$ 5,933,094

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.

December 31, 2018

9. Tangible Capital Assets

	For the year ended December 31, 2018							
	Land	Buildings	Equipment	Vehicles	Water and other utility systems	Roads	Bridges	Total
Cost, beginning 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
Additions	-	-	1,115,645	864,236	6,699,350	2,380,589	1,312,463	12,372,283
Disposals	-	-	(777,000)	(256,701)	-	-	-	(1,033,701)
Write downs	-	-	-	-	-	(84,486)	-	(84,486)
Cost, end of year	<u>4,100,676</u>	<u>10,397,104</u>	<u>14,219,582</u>	<u>9,142,076</u>	<u>41,072,669</u>	<u>108,984,283</u>	<u>27,144,298</u>	<u>215,060,688</u>
Accumulated amortization, beginning of year	-	3,483,983	7,497,876	3,724,306	4,787,451	82,613,763	10,442,946	112,550,325
Amortization	-	221,274	1,239,962	644,532	654,070	1,372,478	568,249	4,700,565
Disposals	-	-	(384,061)	(254,402)	-	-	-	(638,463)
Write-downs	-	-	-	-	-	(84,486)	-	(84,486)
Accumulated amortization, end of year	<u>-</u>	<u>3,705,257</u>	<u>8,353,777</u>	<u>4,114,436</u>	<u>5,441,521</u>	<u>83,901,755</u>	<u>11,011,195</u>	<u>116,527,941</u>
Net carrying amount, end of year	<u>\$ 4,100,676</u>	<u>\$ 6,691,847</u>	<u>\$ 5,865,805</u>	<u>\$ 5,027,640</u>	<u>\$ 35,631,148</u>	<u>\$ 25,082,528</u>	<u>\$ 16,133,103</u>	<u>\$ 98,532,747</u>

County of Wetaskiwin No. 10
Notes to Consolidated Financial Statements

December 31, 2018

9. Tangible Capital Assets (continued)

	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

There were assets under construction at year end totalling \$12,373,135 (2017 - \$8,341,747) that will not be amortized until they are ready for use. There were no assets under capital lease at year end (2017 - \$nil).

County of Wetaskiwin No. 10
Notes to Consolidated Financial Statements

December 31, 2018

10. Prepaid Expenses and Inventories of Supplies

	2018	2017
Crushed gravel	\$ 4,576,410	\$ 5,310,448
Undeveloped gravel pits	4,321,615	4,321,615
Materials and supplies	389,428	275,611
Prepaid expenses	114,946	110,080
	\$ 9,402,399	\$ 10,017,754

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, 2018

12. Accumulated Surplus

	2018	2017
Investment in tangible capital assets	\$ 98,532,747	\$ 91,256,267
Operating and capital deficit	(4,488,363)	(3,269,119)
Membership fee	400,000	400,000
Perry Pit purchase	2,539,000	2,539,000
Debenture debt	(7,864,949)	(8,455,070)
Debt recoverable (Note 3)	6,592,663	6,838,842
	95,711,098	89,309,920
 Operating Reserve Funds		
Administration	2,486,780	2,558,254
Enforcement	83,522	131,469
Fire	1,192,764	1,201,970
Public Works	13,679,532	14,263,457
Water	293,164	253,730
Sewer	1,230,325	1,094,466
Solid Waste Services	357,167	357,167
Planning and Development	72,025	78,025
Agricultural Service Board	124,013	126,263
Recreation	280,113	258,279
Parks	25,000	25,000
	19,824,405	20,348,080
 Capital Reserve Funds		
Administration	163,289	179,732
Fire	1,163,063	1,031,956
Public Works	13,473,714	11,372,908
Water	8,500	8,500
Sewer	67,661	67,661
Solid Waste Services	363,223	363,223
Recreation	175,355	197,855
	15,414,805	13,221,835
	35,239,210	33,569,915
	\$ 130,950,308	\$ 122,879,835

County of Wetaskiwin No. 10
Notes to Consolidated Financial Statements

December 31, 2018

13. Change in Accumulated Surplus

	Unrestricted surplus (deficit)	Membership Fee and Perry Pit Purchase	Reserve funds	Equity in tangible capital assets	2018	2017
Balance, beginning of year	\$ (3,269,119)	\$ 2,939,000	\$ 33,569,915	\$ 89,640,039	\$ 122,879,835	\$ 111,566,725
Excess of revenue over expenses	8,070,473	-	-	-	8,070,473	11,313,110
Net operating transfers to restricted surplus	(4,232,068)	-	4,232,068	-	-	-
Debenture principal payments	(590,121)	-	-	590,121	-	-
Debenture principal paid on WALA loan	246,179	-	-	(246,179)	-	-
Capital transfers from restricted surplus	2,562,773	-	(2,562,773)	-	-	-
Acquisition of capital	(12,372,283)	-	-	12,372,283	-	-
Debenture proceeds	-	-	-	-	-	-
Disposals and write-down of assets	395,238	-	-	(395,238)	-	-
Amortization	4,700,565	-	-	(4,700,565)	-	-
Change in accumulated surplus	\$ (1,219,244)	\$ -	\$ 1,669,295	\$ 7,620,422	\$ 8,070,473	\$ 11,313,110
Balance, end of year	\$ (4,488,363)	\$ 2,939,000	\$ 35,239,210	\$ 97,260,461	\$ 130,950,308	\$ 122,879,835

County of Wetaskiwin No. 10
Notes to Consolidated Financial Statements

December 31, 2018

14. Taxation - Net

	Budget 2018 (Note 20)	2018	2017
Real property taxes	\$ 14,848,282	\$14,624,241	\$ 14,365,547
Machinery and equipment	2,648,166	2,648,166	2,623,696
Linear property taxes	9,680,948	9,680,948	9,820,649
Government grants in lieu of property taxes	42,271	42,271	41,102
	<u>27,219,667</u>	<u>26,995,626</u>	<u>26,850,994</u>
Requisitions			
Alberta School Foundation Fund	7,598,345	7,602,595	7,646,999
Wetaskiwin and Area Lodge Authority	558,311	558,312	570,940
Designated Industrial Property	-	26,500	-
	<u>8,156,656</u>	<u>8,187,407</u>	<u>8,217,939</u>
Available for general municipal purposes	<u>\$ 19,063,011</u>	<u>\$18,808,219</u>	<u>\$ 18,633,055</u>

15. Government Transfers

	Budget 2018 (Note 20)	2018	2017
General Government	\$ 330,370	\$ 198,853	\$ 578,158
Protective Services	4,250	4,200	30,776
Public Works	3,083,114	3,602,750	8,653,430
Utilities	8,156,958	5,152,665	2,765,783
Family and Community Support Services	351,815	351,815	321,653
Agriculture Service	251,315	220,005	242,875
Recreation and Cultural Services	458,723	109,684	616,247
	<u>\$ 12,636,545</u>	<u>\$ 9,639,972</u>	<u>\$ 13,208,922</u>

County of Wetaskiwin No. 10
Notes to Consolidated Financial Statements

December 31, 2018

16. Expenses by Object

	Budget 2018 (Note 20)	2018	2017
Salaries and wages	\$ 9,554,595	\$ 10,018,159	\$ 9,539,766
Contracted and general services	6,461,289	5,505,995	5,211,259
Goods, materials and supplies	4,694,663	5,391,100	4,986,900
Transfers to other organizations	1,739,110	1,391,026	1,553,421
Interest	344,868	338,503	360,875
Cancellations and uncollectible	3,000	1	393,362
Amortization	4,700,565	4,700,565	4,140,342
	\$ 27,498,090	\$ 27,345,349	\$ 26,185,925

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 2019. Estimated payments for 2019 are \$1,300,000.

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.

County of Wetaskiwin No. 10
Notes to Consolidated Financial Statements

December 31, 2018

19. Funds Held in Trust

At the year end, the Municipality held \$115,445 (2017 - \$115,388) 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 \$414,281 (2017 - \$392,237) in trust for the Joint Economic Development Initiative (JEDI), a society. These funds are not included in these financial statements.

The Municipality performs administrative functions and held \$416,053 (2017 - \$nil) in trust for the North East Pigeon Lake Regional Commission (NEPL), a commission. These funds are not included in these financial statements

County of Wetaskiwin No. 10
Notes to Consolidated Financial Statements

December 31, 2018

20. Budget

The Budget adopted by Council on April 17, 2018 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 \$22. 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 17, 2018 with adjustments as follows:

	2018
Budget surplus for the year	\$ 22
Add:	
Capital expenditures	17,061,018
Debenture principal payments	590,122
Budgeted transfers to accumulated surplus	1,202,731
Budgeted transfers to capital	2,265,285
Budgeted capital over expenditure	(166,004)
Less:	
Budgeted transfers from accumulated surplus	(5,193,126)
Proceeds of disposition	(567,340)
Amortization	(4,700,565)
Budget surplus per statement of operations	\$ 10,492,143

	Budget	Amortization Allocation	Budget per Financial Statements	Actual per Financial Statements
Total Revenues	\$ 37,990,233	\$ -	\$ 37,990,233	\$ 35,415,822
General Government	4,962,634	248,289	5,210,923	5,003,143
Protective Services	1,456,563	228,052	1,684,615	1,580,879
Public Works	10,913,361	3,544,018	14,457,379	14,763,769
Utilities	1,403,343	664,496	2,067,839	2,289,108
Cemetery	53,304	-	53,304	47,762
Family and Community Support Services	498,619	-	498,619	508,773
Recreation and Cultural Services	1,656,758	15,710	1,672,468	1,330,128
Planning and Development	960,541	-	960,541	919,419
Agriculture Service Board	892,402	-	892,402	902,368
Total Expenditures	22,797,525	4,700,565	27,498,090	27,345,349
Excess of revenues over expenditures	15,192,708		10,492,143	8,070,473

December 31, 2018

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.

County of Wetaskiwin No. 10
Notes to Consolidated Financial Statements

December 31, 2018

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	2018 Total
Revenue									
Taxation	\$ 18,808,219	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 18,808,219
Government grants	198,853	4,200	3,602,750	5,152,665	351,815	109,684	-	220,005	9,639,972
User fees and service charges	150,822	155,236	1,370,676	2,000,358	30,305	-	-	75,610	3,783,007
Permits, licenses and fines	404,851	178,359	-	-	-	-	57,800	-	641,010
Investment income	702,763	-	-	-	-	-	-	-	702,763
Sales to other governments	175,983	-	8,501	740,764	-	-	9,181	-	934,429
Rentals	40,076	-	-	-	-	232,539	-	-	272,615
Gains and contributed assets	58,983	-	-	-	-	-	-	-	58,983
Other	405,154	24,544	-	-	-	-	145,126	-	574,824
	<u>20,945,704</u>	<u>362,339</u>	<u>4,981,927</u>	<u>7,893,787</u>	<u>382,120</u>	<u>342,223</u>	<u>212,107</u>	<u>295,615</u>	<u>35,415,822</u>
Expenses									
Salaries and wages	3,006,978	905,219	3,453,184	900,119	334,645	275,684	519,999	622,331	10,018,159
Contracted and general services	1,171,213	156,903	3,347,061	475,531	38,021	158,893	84,912	73,461	5,505,995
Goods, materials and supplies	216,470	127,009	4,419,504	248,963	1,875	203,803	402	173,074	5,391,100
Transfers to other organizations	21,688	163,697	-	-	181,994	676,038	314,106	33,503	1,391,026
Interest	338,503	-	-	-	-	-	-	-	338,503
Cancellations and uncollectible	1	-	-	-	-	-	-	-	1
Amortization	248,289	228,052	3,544,018	664,496	-	15,710	-	-	4,700,565
	<u>5,003,142</u>	<u>1,580,880</u>	<u>14,763,767</u>	<u>2,289,109</u>	<u>556,535</u>	<u>1,330,128</u>	<u>919,419</u>	<u>902,369</u>	<u>27,345,349</u>
Net surplus (deficit)	\$ 15,942,562	\$ (1,218,541)	\$ (9,781,840)	\$ 5,604,678	\$ (174,415)	\$ (987,905)	\$ (707,312)	\$ (606,754)	\$ 8,070,473

County of Wetaskiwin No. 10
Notes to Consolidated Financial Statements

December 31, 2018

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	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
	21,041,191	383,040	10,268,915	4,105,441	350,571	855,542	188,139	306,196	37,499,035
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 on long-term debt	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
	5,248,737	1,548,563	13,227,898	2,193,601	489,255	1,900,508	760,537	816,826	26,185,925
Net surplus (deficit)	\$ 15,792,454	\$ (1,165,523)	\$ (2,958,983)	\$ 1,911,840	\$ (138,684)	\$ (1,044,966)	\$ (572,398)	\$ (510,630)	\$ 11,313,110

County of Wetaskiwin No. 10
Notes to Consolidated Financial Statements

December 31, 2018

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 2018	Total 2017
Councillors:				
Division 1	\$ 47,590	\$ 11,748	\$ 59,338	\$ 50,531
Division 2	49,258	11,912	61,170	57,018
Division 3	47,590	7,116	54,706	55,553
Division 4	47,590	7,752	55,342	55,289
Division 5	47,590	11,748	59,338	55,930
Division 6 Reeve	53,875	13,013	66,888	66,036
Division 7	47,590	12,384	59,974	57,652
Chief Administrative Officer	205,503	33,848	239,351	215,325
Designated Officers (3)	380,299	82,098	462,397	436,939

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.
