

Woodlands County

Financial statements

December 31, 2018



Independent auditor's report

To the Members of Council of
Woodlands County

Opinion

We have audited the financial statements of **Woodlands County** [the "County"], which comprise the statement of financial position as at December 31, 2018, and the statement of operations, statement of change in net debt and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the County as at December 31, 2018, and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for opinion

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

Responsibilities of management and those charged with governance for the financial statements

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

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

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

Auditor's responsibilities for the audit of the financial statements

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



As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control.
- Evaluate the appropriateness of accounting policies 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 County's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our 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 County to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Edmonton, Canada
April 16, 2019

Ernst & Young LLP

Chartered Professional Accountants



Woodlands County

Statement of financial position

As at December 31

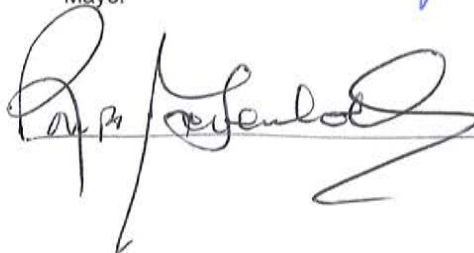
	2018	2017
	\$	\$
Financial assets		
Cash	—	863,806
Temporary investments	5,019,608	5,042,039
Receivables		
Taxes <i>[note 2]</i>	3,910,806	869,350
Trade and other	2,154,679	1,148,038
Loans <i>[note 3]</i>	2,550,733	2,718,050
Long-term investments <i>[note 4]</i>	70	420,149
	<u>13,635,896</u>	<u>11,061,432</u>
Liabilities		
Bank indebtedness <i>[note 5]</i>	473,151	—
Accounts payable and accrued liabilities	3,656,805	3,155,169
Deferred revenue	85,112	16,247
Over-levies	6,886	21,085
Long-term debt <i>[note 6]</i>	10,789,835	11,812,043
	<u>15,011,789</u>	<u>15,004,544</u>
Net debt	<u>(1,375,893)</u>	<u>(3,943,112)</u>
Non-financial assets		
Tangible capital assets <i>[schedule 1]</i>	95,230,811	100,377,775
Inventories <i>[note 7]</i>	1,157,374	1,517,670
Prepaid expenses	355,526	372,698
	<u>96,743,711</u>	<u>102,268,143</u>
Accumulated surplus <i>[schedule 5 and note 8]</i>	<u>95,367,818</u>	<u>98,325,031</u>

Commitments and contingencies *[note 9]*

See accompanying notes

On behalf of the County:

Mayor



Chief Administrative Officer

Woodlands County

Statement of operations

Year ended December 31

	Budget	2018	2017
	\$	\$	\$
Revenues			
Net municipal property taxes <i>[schedule 2]</i>	18,508,378	18,468,643	18,010,042
Government transfers for operations <i>[schedule 3]</i>	769,729	716,661	1,405,163
User fees and sales of goods	1,336,919	1,726,336	1,269,043
Investment and other income	216,694	605,481	391,663
Penalties and costs on taxes	100,000	566,764	36,131
Development levies	430	15,505	12,185
Gain on disposal of tangible capital assets	—	4,213	30,359
	<u>20,932,150</u>	<u>22,103,603</u>	<u>21,154,586</u>
Expenses <i>[schedule 4]</i>			
Transportation	5,817,989	8,213,633	5,219,251
Administration	3,184,120	2,685,055	3,396,241
Recreation and culture	2,589,481	2,376,474	2,237,856
Protective services	2,393,816	1,878,341	1,831,399
Utilities and waste management	1,552,421	1,524,112	1,303,852
Planning and development	969,295	957,758	1,061,254
Agriculture services	840,242	594,002	626,012
Legislative	618,282	1,572,241	600,962
Community services	410,523	394,727	360,171
Amortization of tangible capital assets	7,108,672	7,444,877	7,323,629
	<u>25,484,841</u>	<u>27,641,220</u>	<u>23,960,627</u>
Shortfall of revenues over expenses before other	(4,552,691)	(5,537,617)	(2,806,041)
Other			
Government transfers for capital <i>[schedule 3]</i>	1,588,398	2,580,404	1,312,012
Shortfall of revenues over expenses for the year	<u>(2,964,293)</u>	<u>(2,957,213)</u>	<u>(1,494,029)</u>
Accumulated surplus, beginning of year	98,325,031	98,325,031	99,819,060
Accumulated surplus, end of year	<u>95,360,738</u>	<u>95,367,818</u>	<u>98,325,031</u>

See accompanying notes

Woodlands County

Statement of change in net debt

Year ended December 31

	Budget	2018	2017
	\$	\$	\$
Shortfall of revenues over expenses for the year	(2,964,293)	(2,957,213)	(1,494,029)
Acquisition of tangible capital assets	(5,041,229)	(2,331,300)	(6,727,238)
Proceeds on disposal of tangible capital assets	—	37,600	100,000
Amortization of tangible capital assets	7,108,672	7,444,877	7,323,629
Gain on disposal of tangible capital assets	—	(4,213)	(30,359)
	<u>2,067,443</u>	<u>5,146,964</u>	<u>666,032</u>
Decrease in inventories	—	360,296	414,900
Decrease (increase) in prepaid expenses	—	17,172	(26,758)
	<u>—</u>	<u>377,468</u>	<u>388,142</u>
Decrease (increase) in net debt	(896,850)	2,567,219	(439,855)
Net debt, beginning of year	(3,943,112)	(3,943,112)	(3,503,257)
Net debt, end of year	<u>(4,839,962)</u>	<u>(1,375,893)</u>	<u>(3,943,112)</u>

See accompanying notes

Woodlands County

Statement of cash flows

Year ended December 31

	2018	2017
	\$	\$
Operating activities		
Shortfall of revenues over expenses for the year	(2,957,213)	(1,494,029)
Add (deduct) items not affecting cash		
Amortization of tangible capital assets	7,444,877	7,323,629
Gain on disposal of tangible capital assets	(4,213)	(30,359)
Increase in taxes receivable	(3,041,456)	(44,222)
Decrease (increase) in trade and other receivables	(1,006,641)	128,582
Decrease in loans receivable	167,317	126,168
Decrease (increase) in prepaid expenses	17,172	(26,758)
Decrease in inventories	360,296	414,900
Increase (decrease) in accounts payable and accrued liabilities	243,326	(28,875)
Increase (decrease) in deferred revenue	68,865	(9,724)
Decrease in over/under-levies	(14,199)	(62,486)
Cash provided by operating activities	1,278,131	6,296,826
Capital activities		
Acquisition of tangible capital assets	(2,073,019)	(6,727,238)
Proceeds on disposal of tangible capital assets	37,600	100,000
Cash used in capital activities	(2,035,419)	(6,627,238)
Investing activities		
Proceeds on sale of long-term investments	420,079	96,582
Proceeds on sale of temporary investments	22,431	997,156
Cash provided by investing activities	442,510	1,093,738
Financing activities		
Proceeds from bank indebtedness	473,151	—
Proceeds from long-term debt	—	1,479,000
Repayment of long-term debt	(1,022,179)	(3,148,008)
Cash used in financing activities	(549,028)	(1,669,008)
Net decrease in cash during the year	(863,806)	(905,682)
Cash, beginning of year	863,806	1,769,488
Cash, end of year	—	863,806

See accompanying notes

Schedule of tangible capital assets

Year ended December 31

	2018						2017	
	Land \$	Land improvements \$	Buildings \$	Engineered structures \$	Machinery and equipment \$	Vehicles \$	Total \$	Total \$
Cost								
Balance, beginning of the year	2,216,470	2,880,563	11,849,244	252,136,467	8,070,407	6,063,679	283,216,820	276,656,721
Acquisition of tangible capital assets	—	99,040	1,044,997	701,078	228,869	257,326	2,331,300	6,727,238
Disposal of tangible capital assets	—	—	—	—	—	(153,237)	(153,237)	(167,138)
Balance, end of the year	2,216,470	2,979,603	12,894,241	252,837,535	8,299,266	6,167,768	285,394,883	283,216,821
Accumulated amortization								
Balance, beginning of the year	—	759,219	2,313,861	173,937,598	3,476,574	2,351,794	182,839,046	175,612,914
Annual amortization	—	106,713	253,837	6,001,329	769,199	313,799	7,444,877	7,323,629
Accumulated amortization on disposals	—	—	—	—	—	(119,851)	(119,851)	(97,497)
Balance, end of the year	—	865,932	2,567,698	179,938,927	4,245,773	2,545,742	190,164,072	182,839,046
Net book value of tangible capital assets								
	2,216,470	2,113,671	10,326,543	72,898,608	4,053,493	3,622,026	95,230,811	100,377,775
2017 net book value of tangible capital assets								
	2,216,470	2,121,344	9,535,383	78,198,859	4,593,834	3,711,885	100,377,775	

See accompanying notes

Schedule of net municipal property taxes

Year ended December 31

	Budget	2018	2017
	\$	\$	\$
Taxation			
Residential and farmland property	3,589,608	3,645,574	3,472,893
Linear property taxes	9,463,335	9,947,822	10,918,283
Commercial and industrial taxes	11,423,135	10,864,268	9,818,498
Government grants in place of property taxes	11,827	11,709	11,160
	<u>24,487,905</u>	<u>24,469,373</u>	<u>24,220,834</u>
Requisitions			
Alberta School Foundation Fund	(5,449,024)	(5,444,045)	(5,695,296)
Seniors Foundation	(478,906)	(504,970)	(515,496)
Designated Industrial Property	(51,597)	(51,715)	—
	<u>(5,979,527)</u>	<u>(6,000,730)</u>	<u>(6,210,792)</u>
Net municipal property taxes	<u>18,508,378</u>	<u>18,468,643</u>	<u>18,010,042</u>

See accompanying notes

Schedule of government transfers

Year ended December 31

	Budget	2018	2017
	\$	\$	\$
Transfers for operations			
Provincial government	754,229	666,636	1,317,960
Other local government	15,500	50,025	87,203
	<u>769,729</u>	<u>716,661</u>	<u>1,405,163</u>
Transfers for capital			
Provincial government	1,588,398	2,580,404	1,312,012
Total government transfers	<u>2,358,127</u>	<u>3,297,065</u>	<u>2,717,175</u>

See accompanying notes

Schedule of expenses by object

Year ended December 31

	Budget	2018	2017
	\$	\$	\$
Salaries, wages and benefits	6,881,202	6,788,074	6,397,482
Contracted and general services	3,704,409	5,864,020	3,538,454
Materials, goods and utilities	3,243,739	2,714,463	2,231,162
Transfers to other local governments	3,374,157	2,899,814	3,427,974
Transfers to individuals and organizations	912,482	801,996	779,060
Amortization of tangible capital assets	7,108,672	7,444,877	7,323,629
Provision for allowances	5,500	882,973	808
Bank charges and short-term interest	30,000	25,672	21,865
Interest on long-term debt	224,680	219,331	240,193
	<u>25,484,841</u>	<u>27,641,220</u>	<u>23,960,627</u>

See accompanying notes

Schedule of changes in accumulated surplus

Year ended December 31

	2018				2017	
	Budget –	Unrestricted deficit	Reserves	Equity in tangible capital assets	Total	Total
	Unrestricted deficit					
	\$	\$	\$	\$	\$	\$
Accumulated surplus (deficit), beginning of the year	(16,433,934)	(4,344,840)	11,652,044	91,017,827	98,325,031	99,819,060
Excess (shortfall) of revenues over expenses	2,647,560	(2,957,213)	—	—	(2,957,213)	(1,494,029)
Transfers to reserves	(6,291,131)	(7,851,812)	7,851,812	—	—	—
Transfers from reserves	7,973,168	7,010,023	(7,010,023)	—	—	—
Acquisition of tangible capital assets	(5,041,229)	(2,331,300)	—	2,331,300	—	—
Disposal of tangible capital assets	—	33,387	—	(33,387)	—	—
Amortization of tangible capital assets	—	7,444,877	—	(7,444,877)	—	—
Repayment of long-term capital debt	—	(848,500)	—	848,500	—	—
Proceeds from long-term capital debt	—	—	—	—	—	—
Accumulated surplus (deficit), end of the year	(17,145,566)	(3,845,378)	12,493,833	86,719,363	95,367,818	98,325,031

See accompanying notes

Schedule of segmented information

Year ended December 31

	2018									
	Transportation \$	Administration \$	Recreation and culture \$	Protective services \$	Utilities and waste management \$	Planning and development \$	Agriculture services \$	Legislative \$	Community services \$	Total \$
Revenues										
Net municipal property taxes	-	-	-	-	-	-	-	(18,468,643)	-	(18,468,643)
Government transfers for operations	(302,203)	-	(85,156)	3,500	-	-	(210,056)	-	(122,746)	(716,661)
User fees and sales of goods	(1,151,172)	(181,152)	(6,784)	(83,771)	(227,850)	(24,817)	(5,286)	(45,524)	-	(1,726,336)
Investment and other income	(107,208)	-	-	-	-	-	(8,956)	(489,317)	-	(605,481)
Penalties and costs on taxes	-	-	-	-	-	-	-	(566,764)	-	(566,764)
Development levies	-	-	-	-	-	(15,505)	-	-	-	(15,505)
Gain on disposal of tangible capital assets	(4,213)	-	-	-	-	-	-	-	-	(4,213)
	<u>(1,564,796)</u>	<u>(181,152)</u>	<u>(91,940)</u>	<u>(80,271)</u>	<u>(227,850)</u>	<u>(40,322)</u>	<u>(224,278)</u>	<u>(19,570,248)</u>	<u>(122,746)</u>	<u>(22,103,603)</u>
Expenses										
Salaries, wages and benefits	2,803,472	1,187,199	421,188	561,708	528,918	535,864	279,343	466,505	3,878	6,788,075
Contracted and general services	3,309,001	905,840	171,691	306,758	497,568	234,149	157,831	219,979	61,202	5,864,019
Materials, goods and utilities	1,985,597	116,735	64,613	208,449	140,019	40,468	99,328	11,725	47,528	2,714,462
Transfers to individuals and organizations	-	15,000	604,387	15,262	-	-	57,500	3,600	106,247	801,996
Transfers to other local governments	-	417,591	1,114,066	786,164	258,843	147,278	-	-	175,871	2,899,813
Interest on long-term debt	115,562	4,402	530	-	98,837	-	-	-	-	219,331
Other expenses (recoveries)	-	38,287	-	-	(74)	-	-	870,432	-	908,645
	<u>8,213,632</u>	<u>2,685,054</u>	<u>2,376,475</u>	<u>1,878,341</u>	<u>1,524,111</u>	<u>957,759</u>	<u>594,002</u>	<u>1,572,241</u>	<u>394,726</u>	<u>20,196,341</u>
Excess (shortfall) of revenues over expenses										
before amortization and other expenses	(6,648,836)	(2,503,902)	(2,284,535)	(1,798,070)	(1,296,261)	(917,437)	(369,724)	17,998,007	(271,980)	1,907,262
Amortization of tangible capital assets	6,616,510	184,475	94,232	185,970	314,460	1,778	47,452	-	-	7,444,877
Government transfers for capital	(2,580,404)	-	-	-	-	-	-	-	-	(2,580,404)
Excess (shortfall) of revenues over expenses	<u>(10,684,942)</u>	<u>(2,688,377)</u>	<u>(2,378,767)</u>	<u>(1,984,040)</u>	<u>(1,610,721)</u>	<u>(919,215)</u>	<u>(417,176)</u>	<u>17,998,007</u>	<u>(271,980)</u>	<u>(2,957,211)</u>
2017 excess (shortfall) of revenues over expenses	(9,886,705)	(3,329,619)	(1,626,240)	(1,844,842)	(1,363,572)	(1,027,635)	(388,627)	18,210,635	(237,425)	(1,494,029)

See accompanying notes

Woodlands County

Notes to financial statements

December 31, 2018

1. Significant accounting policies

The financial statements of Woodlands County [the "County"] are the representations of management prepared in accordance with generally accepted accounting principles for local governments established by the Public Sector Accounting Board ["PSAB"] of the Chartered Professional Accountants of Canada. Significant aspects of the accounting policies adopted by the County are as follows:

Basis of accounting

The financial statements are prepared using the accrual basis of accounting. The accrual basis of accounting records revenue as it is earned and measurable. Expenses are recognized in the period goods and services are acquired and a liability is incurred or transfers are due.

Funds from external parties and earnings thereon restricted by agreement or legislation are accounted for as deferred revenue until used for the purpose specified.

Government transfers, contributions and other amounts are received from third parties pursuant to legislation, regulation or agreement and may only be used for certain programs, in the completion of specific work, or for the purchase of tangible capital assets. In addition, certain user charges and fees are collected for which the related services have yet to be performed. Revenue is recognized in the period when the related expenses are incurred, services performed or the tangible capital assets are acquired.

Schedule 2, Net municipal property taxes, includes requisitions for education and other external organizations that are not part of the municipal reporting entity.

Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires administration to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Where measurement uncertainty exists, the financial statements have been prepared within reasonable limits of materiality. Actual results could differ from those estimates.

Temporary investments

Term deposits with initial maturity dates of between 90 and 365 days are presented as temporary investments.

Loans receivable

Loans receivable are recorded at cost. A valuation allowance for uncollectible amounts is recorded in the period in which collectability is assessed to be uncertain. Interest revenue is recorded in the period in which the interest is earned.

Woodlands County

Notes to financial statements

December 31, 2018

Long-term investments

Investments are recorded at amortized cost. Investment premiums and discounts are amortized to revenue over the term of the respective investments. Where there has been a loss in value that is other than a temporary decline, the respective investment is written down to recognize the loss.

Over-levies and under-levies

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

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

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

Pension expenses

The County participates in a multi-employer defined benefit pension plan. This plan is accounted for as a defined contribution plan whereby contributions are expensed as incurred.

Tax revenue

Tax revenue is recognized when the tax has been authorized by bylaw and the taxable event has occurred.

Requisitions operate as a flow-through and are excluded from municipal revenue.

Government transfers

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

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

Non-financial assets

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the normal course of operations. The change in non-financial assets during the year, together with the excess of revenues over expenses, provides the change in net financial assets for the year.

Woodlands County

Notes to financial statements

December 31, 2018

[a] Tangible capital assets

Tangible capital assets are recorded at cost, which includes all amounts directly attributable to acquisition, construction, development or betterment of the asset. The cost, less residual value, of the tangible capital assets is amortized on a straight-line basis over their estimated useful lives as follows:

	Years
Land improvements	15-40
Buildings	25-50
Engineered structures	
Roadway system	0-50
Water and waste water systems	30-75
Machinery and equipment	5-20
Vehicles	10-25

No annual amortization is charged in the year of acquisition and the full annual amortization is charged in the year of disposal.

[b] Contributions of tangible capital assets

Tangible capital assets received as contributions are recorded at fair value at the date of receipt and also are recorded as revenue.

[c] Leases

Leases are classified as capital or operating leases. Leases that transfer substantially the entire benefits and risks incidental to ownership of property are accounted for as capital leases. All other leases are accounted for as operating leases and the related lease payments are charged to expenses as incurred.

[d] Inventories

Inventories comprise materials and supplies for consumption and are valued at the lower of cost and replacement cost, with cost determined by the average cost method.

Equity in tangible capital assets

Equity in tangible capital assets represents the County's net investment in its tangible capital assets after deducting the portion financed by third parties through debenture, bond and mortgage debts, long-term capital borrowing, capitalized leases and other capital liabilities.

Woodlands County

Notes to financial statements

December 31, 2018

2. Taxes receivable

	2018	2017
	\$	\$
Current taxes	3,466,705	714,410
Non-current taxes	444,101	154,940
	<u>3,910,806</u>	<u>869,350</u>

3. Loans receivable

	2018	2017
	\$	\$
Lac Ste. Anne Foundation	2,310,733	2,423,467
Whitecourt Woodlands Winter Recreation Park Society	240,000	280,000
The Friends of Whitecourt Society	-	14,583
	<u>2,550,733</u>	<u>2,718,050</u>

The loan receivable from Lac Ste. Anne Foundation includes accrued interest of \$32,316 [2017 – \$33,893].

The County passed Bylaw 216/06 on July 4, 2006 authorizing Council to lend \$3,250,000 to the Lac Ste. Anne Foundation for the purpose of assisting the Foundation to undertake and complete the construction of the Seniors' Lodge in Onoway, Alberta. The loan was advanced during 2007 and is repayable in 50 semi-annual installments of \$113,333, including interest of 4.89% per annum, commencing March 15, 2008. The loan was financed by an equivalent borrowing from the Alberta Capital Finance Authority [see note 6].

The County passed motion C-15-648-15 on October 20, 2015 authorizing Council to lend \$280,000 to the Whitecourt Woodlands Winter Recreation Park Society for the purpose of assisting this community group. The loan is non-interest bearing and repayable in 14 annual installments of \$20,000 commencing November 1, 2016.

The County passed Bylaw 243/07 on January 16, 2007 authorizing Council to lend money to The Friends of Whitecourt Society for the purpose of assisting the Society in inducing physicians to relocate to the Town of Whitecourt. Loans have been made in increments of \$25,000, are non-interest bearing and are generally repayable in three annual installments of \$8,333 commencing on the anniversary of the advance of each loan, although repayments may be made earlier in differing amounts.

Woodlands County

Notes to financial statements

December 31, 2018

4. Long-term investments

	2018		2017	
	Cost	Market value	Cost	Market value
	\$	\$	\$	\$
Bonds and notes				
Canadian banks	–	–	420,079	420,079
Alberta Capital Finance Authority – shares at cost	70	70	70	70
	70	70	420,149	420,149

5. Bank indebtedness

Bank indebtedness consists of outstanding cheques on the bank account and a revolving line of credit.

The revolving line of credit is due on demand, bearing interest at prime minus 0.25% per annum, with an authorized limit of \$4,500,000.

Woodlands County

Notes to financial statements

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6. Long-term debt

	2018	2017
	\$	\$
Water and Sewer Extension		
Alberta Capital Finance Authority, 3.84%, due September 2030	1,238,529	1,318,415
Town of Whitecourt Multi-Plex		
Alberta Capital Finance Authority, 4.04%, due March 2018	-	62,521
Water and Sewer Extension	1,285,050	
Alberta Capital Finance Authority, 2.35%, due June 2031	822,553	1,372,540
Alberta Capital Finance Authority, 2.15%, due September 2031		876,851
County Administration and Workshop Expansions	1,713,400	
Alberta Capital Finance Authority, 2.35%, due June 2031	1,951,750	1,830,053
Alberta Capital Finance Authority, 2.15%, due September 2031	303,737	2,080,588
Alberta Capital Finance Authority, 1.26%, due September 2021	711,045	402,501
Alberta Capital Finance Authority, 2.27%, due September 2022		879,000
Lac Ste. Anne Foundation		
Alberta Capital Finance Authority, 4.89%, due September 2032	2,278,416	2,389,574
Airport		
Alberta Capital Finance Authority, 2.27%, due September 2022	485,355	600,000
	10,789,835	11,812,043

Interest on long-term debt was \$219,331 [2017 – \$240,193], and the County's total cash payment for interest on long-term debt was \$224,677 [2017 – \$249,706] for the year ended December 31, 2018.

Principal and interest repayment requirements on long-term debt over the next five years and thereafter are as follows:

	Principal	Interest	Total
	\$	\$	\$
2019	984,751	313,839	1,298,590
2020	1,010,600	287,980	1,298,580
2021	1,037,230	261,350	1,298,580
2022	960,839	234,207	1,195,046
2023	671,438	209,060	880,498
Thereafter [cumulative 2024 through 2032]	6,124,977	876,700	7,001,677
	10,789,835	2,183,136	12,972,971

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Section 276(2) of the *Municipal Government Act* requires that debt and debt limits as defined by Alberta Regulation 255/00 for the County be disclosed as follows:

	2018	2017
	\$	\$
Total debt limit	33,149,085	31,777,418
Total debt	11,107,796	11,812,043
Amount of debt limit unused	22,041,289	19,965,375
Debt servicing limit	5,524,848	5,296,236
Debt servicing	1,616,551	1,362,364
Amount of debt servicing limit unused	3,908,297	3,933,872

The debt limit is calculated at 1.5 times revenue of the municipality [as defined in Alberta Regulation 255/00] and the debt service limit is calculated at 0.25 times such revenue. Incurring debt beyond these limitations requires approval by the Minister of Municipal Affairs. These thresholds are guidelines used by Alberta Municipal Affairs to identify municipalities that could be at financial risk if further debt is acquired. The calculation taken alone does not represent the financial stability of the municipality. Rather, the financial statements must be interpreted as a whole.

7. Inventories

	2018	2017
	\$	\$
Gravel supplies	825,999	1,217,028
Public works and general municipal materials and supplies	331,375	300,642
	1,157,374	1,517,670

Woodlands County

Notes to financial statements

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8. Accumulated surplus

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

	2018	2017
	\$	\$
Unrestricted deficit	(3,845,378)	(4,344,840)
Restricted surplus		
Working capital	2,747,333	2,747,333
General capital	433,884	400,742
Fire protection	1,207,995	1,105,981
Infrastructure services	4,089,790	2,695,706
General operating	2,092,433	2,579,335
Property tax stabilization	656,122	656,122
Recreation boards, parks and facilities	306,452	272,113
Water line replacement	-	234,447
Sewer	343,000	318,000
Planning/land use	205,719	205,719
Economic/agricultural	66,260	91,700
Family and community support services	344,845	344,845
	12,493,833	11,652,044
Equity in tangible capital assets		
Tangible capital assets, net book value <i>[schedule 1]</i>	95,230,811	100,377,775
Long-term debt on tangible capital assets <i>[note 6]</i>	(8,511,448)	(9,359,948)
	86,719,363	91,017,827
	95,367,818	98,325,031

9. Commitments and contingencies

The County is committed to sharing the capital and operating costs of the Whitecourt Regional Waste Management Authority [the "Authority"] with the Town of Whitecourt. The Authority is responsible for the management of a regional landfill site serving the County and Town of Whitecourt. Capital and operating costs for the Authority are shared by the County and the Town of Whitecourt on a pro-rated per capita basis, calculated on the current population of the Town of Whitecourt and the County. The County's share of the Authority's capital and operating costs for the year ended December 31, 2018 was \$258,843 [2017 – \$297,163], which was 31.79% [2017 – 30.37%] of the total operating deficit of the Authority.

The County is committed to sharing the capital and operating costs for certain functions with the Town of Whitecourt on a pro-rated per capita basis, calculated on the current population of the Town of Whitecourt and the County. The County's commitment under these cost-sharing arrangements varies from year to year; however, the cost-sharing amounts for the year ended December 31, 2018 between the two parties have not been finalized, are

Woodlands County

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under dispute, and may require remediation. The County has accrued its best estimate of the resolution of the final cost amounts; however, as this is an estimate, the final amounts may vary and variations may be material.

The County is a member of the Alberta Municipal Insurance Exchange ["MUNIX"]. Under the terms of the membership, the County could become liable for its proportionate share of any claim losses in excess of the funds held by MUNIX. Any liability incurred would be accounted for as a current transaction in the year the losses are determined.

In the normal conduct of operations, various legal claims are pending against the County in connection with road maintenance and construction and other matters. The County carries liability insurance, subject to certain deductibles and policy limits, against such claims. Administration believes that the County has recognized adequate provisions for probable and reasonably estimable liabilities associated with these claims, and that their ultimate resolutions will not materially exceed insurance coverage nor have a material adverse effect on the financial position of the County or its financial activities.

10. Liability for contaminated sites

The County adopted PSAB Standard PS3260, *Liability for Contaminated Sites*, on a retroactive basis effective April 1, 2014. The County has not identified any financial liabilities as a result of the adoption of this standard.

11. Salary and benefits disclosure

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

	2018			2017		
	No. of persons	Salary ¹ \$	Benefits ² \$	Total \$	No. of persons	Salary and benefits \$
Councillors						
Anselmo – Sylvia Bonnett		47,600	6,082	53,682		50,511
Whitecourt West – Chad Merrifield		–	–	–		50,329
Whitecourt Central – Ron Govenlock		52,200	6,693	58,893		47,588
Whitecourt East – Jim Rennie [Mayor]		109,800	5,625	115,425		114,507
Blue Ridge – Dan Pritchard		–	–	–		55,635
Goose Lake – Dale McQueen		51,000	1,790	52,790		44,587
Fort Assiniboine/Timeu – Dale Kluin		45,300	1,565	46,865		39,548
Blue Ridge – Councillor Prestidge		62,700	8,534	71,234		5,738
Whitecourt West– John Burrows		55,500	7,778	63,278		7,107
Chief Administrative Officer	1	\$169,957	31,981	201,937	1	260,417
Interim Chief Administrative Officer	1	72,529	1,905	74,434	1	–
Designated Officer	1	93,476	20,718	114,194	1	115,632

[1] Salary includes regular base pay, bonuses, overtime, severance payments, gross honoraria and any other direct cash remuneration.

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- [2] Employer's share of all employee benefits and contributions or payments made on behalf of employees including pension, health care, dental coverage, vision coverage, group life insurance, accidental disability and dismemberment insurance, long-term disability plans, Workers' Compensation Board, Canada Pension Plan and Employment Insurance.

12. Local authorities pension plan

Employees of the County participate in the Local Authorities Pension Plan ["LAPP" or the "Plan"], which is covered by the *Public Sector Pension Plans Act*. The Plan serves about 259,714 people and 420 employers. It is financed by employer and employee contributions and investment earnings of the LAPP Fund.

The County is required to make current service contributions to the Plan of 11.39% of pensionable earnings up to the Canada Pension Plan's Yearly Maximum Pensionable Earnings and 15.84% for the excess. Employees of the County are required to make current service contributions to the Plan of 10.39% of pensionable earnings up to the Canada Pension Plan's Yearly Maximum Pensionable Earnings and 14.84% for the excess.

Total current and past service contributions made by the County to the LAPP in 2018 were \$478,555 [2017 – \$496,494]. Total current and past service contributions made by the employees of the County to the LAPP in 2018 were \$437,699 [2017 – \$457,036].

As at December 31, 2017, the Plan disclosed an actuarial surplus of \$4,835,515,000.

13. Financial instruments and risk management

The County's financial instruments consist of cash, temporary investments, receivables, loans receivable, long-term investments, accounts payable and accrued liabilities, over-levies and long-term debt. It is the administration's opinion that the County is not exposed to significant interest rate or currency risks arising from these financial instruments. Unless otherwise noted, the fair values of these financial instruments approximate their carrying values.

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

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The County is exposed to interest rate price risk in respect of investments and long-term debt, which bear interest at fixed interest rates.

14. Segmented information

Segmented information has been identified based upon services provided by the County. County services are provided by departments and their activities are reported by functional area in schedule 6 to the financial statements. The lines of service disclosed in the segmented information are as follows:

Woodlands County

Notes to financial statements

December 31, 2018

[a] Transportation

Transportation provides and maintains a safe and reliable road network for the travelling public. Transportation is responsible for winter and summer road maintenance as well as bridge maintenance. The County's road construction program operates through the summer months.

[b] Administration

Administration is responsible for the administration of the municipality as a whole. Administration includes assessment services, financial services, records management and general administration.

[c] Recreation and culture

Recreation and culture provides recreational and cultural services, activities that promote the health and well-being of its citizens, and activities related to parks and cemetery maintenance and operation.

[d] Protective services

Protective services comprises of enhanced policing, enforcement services, fire, disaster and emergency management. The purpose of enhanced policing is to provide additional manpower targeted towards specific enforcement initiatives. Enforcement services provides enforcement in the areas of Provincial Acts and Municipal Bylaws. Fire is responsible to provide fire suppression services, fire prevention programs, training and education related to prevention, and detection or extinguishment of fires. The mandate of emergency management is to help maintain safe communities and manage risk.

[e] Utilities and waste management

The County is responsible for environmental programs such as the engineering and operation of water and wastewater systems and waste management. This includes water conservation, efficiency, and protection and promoting green construction, energy and technology, identifying natural areas for preservation, restoration and rehabilitation, and promoting awareness regarding environmental protection, conservancy, recycling and other initiatives.

[f] Planning and development

Planning and development manages current and long-term planning, and subdivision development permits.

[g] Agriculture services

Agriculture services develops and promotes agricultural policies that will control vegetation growth on County land, control pests that have a detrimental effect on the agricultural industry and work towards preservation of the County's agricultural environment. The department also provides information on agricultural concerns.

[h] Legislative

County Council makes decisions regarding service delivery and service levels on behalf of the municipality in order to balance the needs and wants of County residents in a financially responsible manner.

Woodlands County

Notes to financial statements

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[i] Community services

Community services focuses on promoting healthy lifestyles for County residents. The department provides a variety of community and recreational activities designed for all ages and awards grants to community associations that provide social or recreational services for County residents.

15. Approval of financial statements

Council and administration have approved these financial statements.