

Financial statements

Woodlands County

December 31, 2016



Building a better
working world

Independent auditors' report

To the Members of Council of
Woodlands County

We have audited the accompanying financial statements of **Woodlands County**, which comprise the statement of financial position as at December 31, 2016 and the statements of operations, change in net financial assets (debt) and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Administration's responsibility for the financial statements

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

Auditors' responsibility

Our responsibility is to express an opinion on these 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the 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 administration, as well as evaluating the overall presentation of the 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 financial statements present fairly, in all material respects, the financial position of **Woodlands County** as at December 31, 2016, and the results of its operations and its cash flows for the year then ended, in accordance with Canadian public sector accounting standards.

Edmonton, Canada
May 2, 2017

Ernst & Young LLP

Chartered Professional Accountants



Woodlands County

Statement of financial position

As at December 31

	2016	2015
	\$	\$
Financial assets		
Cash	1,769,488	3,952,468
Temporary investments	6,039,195	—
Receivables		
Taxes and grants in place of taxes <i>[note 2]</i>	825,128	432,292
Trade and other	1,276,620	3,235,983
Loans <i>[note 3]</i>	2,844,218	2,993,519
Under-levies	—	55,764
Long-term investments <i>[note 4]</i>	516,731	500,070
	<u>13,271,380</u>	<u>11,170,096</u>
Liabilities		
Accounts payable and accrued liabilities	3,184,044	2,815,368
Deferred revenue	25,971	20,989
Over-levies	83,571	—
Long-term debt <i>[note 5]</i>	13,481,051	9,079,712
	<u>16,774,637</u>	<u>11,916,069</u>
Net financial assets (debt)	<u>(3,503,257)</u>	<u>(745,973)</u>
Non-financial assets		
Tangible capital assets <i>[Schedule 1]</i>	101,043,807	101,897,833
Inventories <i>[note 6]</i>	1,932,570	1,513,737
Prepaid expenses	345,940	346,075
	<u>103,322,317</u>	<u>103,757,645</u>
Accumulated surplus <i>[Schedule 5 and note 7]</i>	<u>99,819,060</u>	<u>103,011,672</u>

Commitments and contingencies *[note 8]*

See accompanying notes

On behalf of the County:

Mayor

Chief Administrative Officer

Woodlands County

Statement of operations

Year ended December 31

	Budget	2016	2015
	\$	\$	\$
Revenues			
Net municipal property taxes <i>[Schedule 2]</i>	19,127,637	18,939,207	19,825,258
Government transfers for operations <i>[Schedule 3]</i>	2,628,946	753,887	1,287,440
User fees and sales of goods	2,719,116	681,203	729,616
Investment income	263,975	491,661	691,612
Penalties and costs on taxes	51,643	280,382	109,179
Development levies	17,000	6,200	86,016
Gain on disposal of tangible capital assets	—	79,071	78,600
Total revenues	24,808,317	21,231,611	22,807,721
Expenses <i>[Schedule 4]</i>			
Transportation	5,749,715	5,110,996	5,214,034
Administration	3,158,894	3,367,412	3,471,939
Recreation and culture	2,890,559	2,472,824	2,114,538
Protective services	1,884,945	2,066,602	1,500,519
Utilities and waste management	1,603,590	1,352,940	1,134,194
Planning and development	1,415,631	1,117,815	1,057,967
Agriculture services	787,370	715,568	582,751
Legislative	638,999	625,501	613,104
Community services	424,354	394,917	359,689
Amortization of tangible capital assets	—	7,199,648	6,653,539
Total expenses	18,554,057	24,424,223	22,702,274
Excess (shortfall) of revenues over expenses, before other	6,254,260	(3,192,612)	105,447
Other			
Government transfers for capital <i>[Schedule 3]</i>	243,010	—	243,010
Excess (shortfall) of revenues over expenses <i>[Schedule 6]</i>	6,497,270	(3,192,612)	348,457
Accumulated surplus, beginning of the year	103,011,672	103,011,672	102,663,215
Accumulated surplus, end of the year	109,508,942	99,819,060	103,011,672

See accompanying notes

Woodlands County

Statement of change in net financial assets (debt)

Year ended December 31

	Budget	2016	2015
	\$	\$	\$
Excess (shortfall) of revenues over expenses	6,497,270	(3,192,612)	348,457
Acquisition of tangible capital assets	(13,467,301)	(6,430,964)	(8,889,755)
Proceeds on disposal of tangible capital assets	—	164,413	1,360,800
Amortization of tangible capital assets	—	7,199,648	6,653,539
Gain on disposal of tangible capital assets	—	(79,071)	(78,600)
	<u>(13,467,301)</u>	<u>854,026</u>	<u>(954,016)</u>
Increase in inventories	—	(418,833)	(238,404)
Decrease in prepaid expenses	—	135	4,249
	<u>—</u>	<u>(418,698)</u>	<u>(234,155)</u>
Decrease in net financial assets	(6,970,031)	(2,757,284)	(839,714)
Net financial assets (debt), beginning of the year	(745,973)	(745,973)	93,741
Net financial assets (debt), end of the year	<u>(7,716,004)</u>	<u>(3,503,257)</u>	<u>(745,973)</u>

See accompanying notes

Woodlands County

Statement of cash flows

Year ended December 31

	2016	2015
	\$	\$
Operating activities		
Excess (shortfall) of revenues over expenses	(3,192,612)	348,457
Add (deduct) changes in non-cash items:		
Amortization of tangible capital assets	7,199,648	6,653,539
Gain on disposal of tangible capital assets	(79,071)	(78,600)
Gain on sale of long-term investments	—	(210,193)
Amortization of premium on long-term investments	—	(21,011)
Increase in taxes and grants in place of taxes receivable	(392,836)	(168,399)
Decrease in trade and other receivables	1,959,363	1,663,638
Decrease (increase) in loans receivable	149,301	(197,066)
Decrease in prepaid expenses	135	4,250
Increase in inventories	(418,833)	(238,404)
Increase (decrease) in accounts payable and accrued liabilities	368,676	(852,396)
Increase (decrease) in deferred revenue	4,982	(57,842)
Increase (decrease) in over/under-levies	139,335	(120,321)
	<u>5,738,088</u>	<u>6,725,652</u>
Capital activities		
Acquisition of tangible capital assets	(6,430,964)	(8,889,755)
Proceeds on disposal of tangible capital assets	164,413	1,360,800
	<u>(6,266,551)</u>	<u>(7,528,955)</u>
Investing activities		
Proceeds on sale of long-term investments	—	3,686,498
Purchases of long-term investments	(16,661)	—
Proceeds on sale of temporary investments	—	2,002,762
Purchases of temporary investments	(6,039,195)	—
	<u>(6,055,856)</u>	<u>5,689,260</u>
Financing activities		
Proceeds from long-term debt	7,136,700	—
Repayment of long-term debt	(2,735,361)	(2,573,897)
	<u>4,401,339</u>	<u>(2,573,897)</u>
Increase (decrease) in cash	(2,182,980)	2,312,060
Cash, beginning of the year	3,952,468	1,640,408
Cash, end of the year	<u>1,769,488</u>	<u>3,952,468</u>

See accompanying notes

Schedule of tangible capital assets

Year ended December 31

	2016						2015
	Land	Land improvements	Buildings	Engineered structures	Machinery and equipment	Vehicles	Total
	\$	\$	\$	\$	\$	\$	\$
Cost							
Balance, beginning of the year	2,206,030	3,410,160	5,538,878	245,343,673	8,926,825	5,301,992	270,727,558
Reclassifications	1,050	(1,047,697)	—	2,685,662	(1,455,450)	(183,565)	—
Acquisition of tangible capital assets	9,390	59,725	2,334,404	3,442,335	90,971	494,139	6,430,964
Disposal of tangible capital assets	—	—	—	—	—	(501,801)	(501,801)
Balance, end of the year	2,216,470	2,422,188	7,873,282	251,471,670	7,562,346	5,110,765	276,656,721
Accumulated amortization							
Balance, beginning of the year	—	505,407	1,940,008	162,074,448	2,063,667	2,246,195	168,829,725
Reclassifications	—	41,931	—	(20,060)	1,125	(22,996)	—
Annual amortization	—	103,600	128,940	5,905,524	731,108	330,476	7,199,648
Accumulated amortization on disposals	—	—	—	—	—	(416,459)	(416,459)
Balance, end of the year	—	650,938	2,068,948	167,959,912	2,795,900	2,137,216	175,612,914
Net book value of tangible capital assets	2,216,470	1,771,250	5,804,334	83,511,758	4,766,446	2,973,549	101,043,807
2015 Net book value of tangible capital assets	2,207,080	1,815,125	3,598,870	85,974,947	5,406,583	2,895,228	101,897,833

Schedule of net municipal property taxes

Year ended December 31

	Budget	2016	2015
	\$	\$	\$
Taxation			
Residential and farmland property	3,308,033	3,164,636	3,121,144
Linear property taxes	12,437,847	12,422,021	12,943,725
Commercial and industrial taxes	9,885,710	9,856,506	9,947,712
Government grants in place of property taxes	11,169	11,170	14,833
	<u>25,642,759</u>	<u>25,454,333</u>	<u>26,027,414</u>
Requisitions			
Alberta School Foundation Fund	(5,985,719)	(5,985,719)	(5,670,228)
Seniors Foundation	(529,403)	(529,407)	(531,928)
	<u>(6,515,122)</u>	<u>(6,515,126)</u>	<u>(6,202,156)</u>
Net municipal property taxes	<u>19,127,637</u>	<u>18,939,207</u>	<u>19,825,258</u>

See accompanying notes

Schedule of government transfers

Year ended December 31

	Budget	2016	2015
	\$	\$	\$
Transfers for operations			
Provincial government	2,441,426	753,687	1,259,440
Other local government	187,520	200	28,000
	<u>2,628,946</u>	<u>753,887</u>	<u>1,287,440</u>
Transfers for capital			
Provincial government	243,010	—	243,010
Total government transfers	<u>2,871,956</u>	<u>753,887</u>	<u>1,530,450</u>

See accompanying notes

Schedule of expenses by object

Year ended December 31

	Budget	2016	2015
	\$	\$	\$
Salaries, wages and benefits	6,904,689	6,717,221	6,197,325
Contracted and general services	4,181,226	3,606,734	3,239,441
Materials, goods and utilities	2,617,152	1,921,869	2,254,740
Transfers to other local governments	3,473,133	3,807,395	3,321,243
Transfers to individuals and organizations	1,127,370	926,553	771,101
Amortization of tangible capital assets	—	7,199,648	6,653,539
Provision for allowances	—	4,484	32,564
Bank charges and short-term interest	10,830	27,819	29,115
Interest on long-term debt	239,657	212,500	203,206
	<u>18,554,057</u>	<u>24,424,223</u>	<u>22,702,274</u>

See accompanying notes

Schedule of changes in accumulated surplus

Year ended December 31

	2016				2015	
	Budget –	Unrestricted	Reserves	Equity in	Total	Total
	Unrestricted surplus (deficit)	surplus (deficit)		tangible capital assets		
	\$	\$	\$	\$	\$	\$
Accumulated surplus (deficit), beginning of the year	(3,697,778)	(3,697,778)	10,070,547	96,638,903	103,011,672	102,663,215
Excess (shortfall) of revenues over expenses	6,497,270	(3,192,612)	—	—	(3,192,612)	348,457
Transfers to reserves	(2,090,817)	(6,452,708)	6,452,708	—	—	—
Transfers from reserves	3,783,861	1,543,209	(1,543,209)	—	—	—
Acquisition of tangible capital assets	(13,467,301)	(5,899,646)	(531,318)	6,430,964	—	—
Disposal of tangible capital assets	—	85,342	—	(85,342)	—	—
Amortization of tangible capital assets	—	7,199,648	—	(7,199,648)	—	—
Repayment of long-term capital debt	(1,953,150)	(2,051,130)	—	2,051,130	—	—
Proceeds from long-term capital debt	—	7,136,700	—	(7,136,700)	—	—
Accumulated surplus (deficit), end of the year	(10,927,915)	(5,328,975)	14,448,728	90,699,307	99,819,060	103,011,672

See accompanying notes

Schedule of segmented information

Year ended December 31

	2016									
	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	—	—	—	—	—	—	—	(18,939,207)	—	(18,939,207)
Government transfers	(1,000)	—	(383,433)	(44,473)	(19,315)	—	(182,920)	—	(122,746)	(753,887)
User fees and sales of goods	(109,726)	(65,515)	(9,772)	(76,613)	(249,746)	(124,429)	(7,118)	(38,284)	—	(681,203)
Investment and other income	(112,555)	—	—	—	—	—	(11,322)	(367,784)	—	(491,661)
Penalties and costs on taxes	—	—	—	—	—	—	—	(280,382)	—	(280,382)
Development levies	—	—	—	—	—	(6,200)	—	—	—	(6,200)
Gain on disposal of tangible capital assets	(79,071)	—	—	—	—	—	—	—	—	(79,071)
Total revenues	(302,352)	(65,515)	(393,205)	(121,086)	(269,061)	(130,629)	(201,360)	(19,625,657)	(122,746)	(21,231,611)
Expenses										
Salaries, wages and benefits	2,872,869	1,289,983	403,147	557,879	385,105	482,549	296,824	421,589	7,276	6,717,221
Contracted and general services	916,990	882,817	235,454	318,582	419,912	276,971	294,636	197,017	64,355	3,606,734
Materials, goods and utilities	1,235,147	102,615	76,105	181,513	160,151	60,517	95,960	5,878	3,983	1,921,869
Transfers to other local governments	—	1,042,829	1,024,590	999,628	307,671	283,978	—	—	148,699	3,807,395
Transfers to individuals and organizations	—	15,000	688,985	9,000	—	13,800	28,148	1,016	170,604	926,553
Interest on long-term debt	85,990	1,866	44,544	—	80,100	—	—	—	—	212,500
Other expenses	—	32,303	—	—	—	—	—	—	—	32,303
Total expenses	5,110,996	3,367,413	2,472,825	2,066,602	1,352,939	1,117,815	715,568	625,500	394,917	17,224,575
Excess (shortfall) of revenues over expenses before amortization										
	(4,808,644)	(3,301,898)	(2,079,620)	(1,945,516)	(1,083,878)	(987,186)	(514,208)	19,000,157	(272,171)	4,007,036
Amortization of tangible capital assets										
	6,574,489	95,457	77,059	135,058	298,315	1,778	17,492	—	—	7,199,648
Excess (shortfall) of revenues over expenses										
	(11,383,133)	(3,397,355)	(2,156,679)	(2,080,574)	(1,382,193)	(988,964)	(531,700)	19,000,157	(272,171)	(3,192,612)
2015 excess (shortfall) of revenues over expenses										
	(10,572,932)	(3,360,037)	(1,547,484)	(1,581,196)	(1,001,880)	(953,532)	(407,104)	20,026,006	(253,384)	348,457

See accompanying notes

Woodlands County

Notes to financial statements

December 31, 2016

1. Significant accounting policies

The financial statements of Woodlands County [the "County"] are prepared by the County's administration in accordance with Canadian generally accepted accounting principles for local governments recommended by the Public Sector Accounting Board ["PSAB"] of the Chartered Professional Accountants of Canada.

Basis of accounting

Revenues and expenses are recorded on the accrual basis of accounting. The accrual basis of accounting recognizes revenues as they are 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.

Cash and cash equivalents

Cash and cash equivalents consist of cash and term deposits with initial maturity dates of less than 90 days.

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, 2016

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, 2016

[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:

	<u>Years</u>
Land improvements	10-40
Buildings	25-50
Engineered structures	
Roadway system	10-50
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 net realizable value, 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, 2016

2. Taxes and grants in place of taxes receivable

	2016 \$	2015 \$
Current taxes and grants in place of taxes	694,386	361,569
Non-current taxes and grants in place of taxes	130,742	70,723
	825,128	432,292

3. Loans receivable

	2016 \$	2015 \$
Lac Ste. Anne Foundation	2,530,885	2,632,933
Whitecourt Woodlands Winter Recreation Park Society	280,000	280,000
The Friends of Whitecourt Society	33,333	64,586
Whitecourt Woodlands Flying Club	—	16,000
	2,844,218	2,993,519

The loan receivable from Lac Ste. Anne Foundation includes accrued interest of \$35,396 [2015 - \$36,524].

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 5].

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 first installment due in 2016 had not been received as of December 31, 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, 2016

4. Long-term investments

	2016		2015	
	Cost \$	Market value \$	Cost \$	Market value \$
Bonds and notes				
Canadian banks	516,661	516,661	500,000	500,000
Alberta Capital Finance Authority – shares at cost	70	70	70	70
	516,731	516,731	500,070	500,070

Long-term investments have interest rates ranging from approximately 0.8% to 2.45%. Certain investments have maturity dates extending to April 3, 2017.

5. Long-term debt

	2016 \$	2015 \$
Tower & West Mountain Road paving –		
Alberta Capital Finance Authority, 1.6610%, due September 2017	1,910,463	3,789,585
Water and Sewer extension –		
Alberta Capital Finance Authority, 3.8448%, due September 2030	1,395,316	1,469,344
Town of Whitecourt multi-plex –		
Alberta Capital Finance Authority, 4.311%, due March 2017	30,384	89,243
Alberta Capital Finance Authority, 4.68%, due September 2017	226,676	443,103
Alberta Capital Finance Authority, 4.4925%, due December 2017	200,127	391,558
Alberta Capital Finance Authority, 4.04%, due March 2018	183,875	300,470
Water and Sewer extension -		
Alberta Capital Finance Authority, 2.351%, due June 2031	1,458,009	—
Alberta Capital Finance Authority, 2.151%, due September 2031	930,000	—
County Administration and Workshop expansions -		
Alberta Capital Finance Authority, 2.351%, due June 2031	1,944,012	—
Alberta Capital Finance Authority, 2.151%, due September 2031	2,206,700	—
Alberta Capital Finance Authority, 1.2625%, due September 2021	500,000	—
Lac Ste. Anne Foundation –		
Alberta Capital Finance Authority, 4.89%, due September 2032	2,495,489	2,596,409
	13,481,051	9,079,712

Woodlands County

Notes to financial statements

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Interest on long-term debt was \$212,500 [2015 – \$203,206], and the County's total cash payment for interest on long-term debt was \$199,997 [2015 – \$217,580], for the year ended December 31, 2016.

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

	Principal	Interest	Total
	\$	\$	\$
2017	3,148,008	370,456	3,518,464
2018	739,580	308,207	1,047,787
2019	695,700	288,302	984,002
2020	714,950	269,052	984,002
2021	734,831	249,171	984,002
Thereafter	7,447,982	1,314,721	8,762,703
	<u>13,481,051</u>	<u>2,799,909</u>	<u>16,280,960</u>

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:

	2016	2015
	\$	\$
Total debt limit	31,728,810	32,162,524
Total debt	13,481,051	9,079,712
Amount of debt limit unused	<u>18,247,759</u>	<u>23,082,812</u>
Debt servicing limit	5,288,135	5,360,421
Debt servicing	3,518,464	2,921,983
Amount of debt servicing limit unused	<u>1,769,671</u>	<u>2,438,438</u>

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 .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.

Woodlands County

Notes to financial statements

December 31, 2016

6. Inventories

	2016	2015
	\$	\$
Gravel supplies	1,627,273	1,173,427
Public works and general municipal materials and supplies	305,297	340,310
	1,932,570	1,513,737

7. Accumulated surplus

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

	2016	2015
	\$	\$
Unrestricted deficit	(5,328,975)	(3,697,778)
Restricted surplus		
Working capital	2,697,333	1,616,060
General capital	639,481	695,617
Fire protection	2,368,448	2,127,184
Infrastructure services	1,517,416	1,678,208
General operating	4,833,591	1,534,647
Property tax stabilization	656,122	656,122
Recreation boards, parks and facilities	304,744	98,669
Water line replacement	177,211	64,940
Sewer	253,000	173,000
Planning/Land Use	201,434	121,100
Economic/Agricultural	459,948	1,005,000
Family and Community Support Services	340,000	300,000
	14,448,728	10,070,547
Equity in tangible capital assets		
Tangible capital assets, net book value <i>[Schedule 1]</i>	101,043,807	101,897,833
Long-term debt on tangible capital assets <i>[note 5]</i>	(10,344,500)	(5,258,930)
	90,699,307	96,638,903
	99,819,060	103,011,672

Woodlands County

Notes to financial statements

December 31, 2016

8. 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, 2016 was \$304,958 [2015 – \$270,748], which was 30.37% [2015 – 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.

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's nor have a material adverse effect on the financial position of the County or its financial activities.

9. 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.

Woodlands County

Notes to financial statements

December 31, 2016

10. 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:

	2016			2015		
	No. of persons	Salary ¹ \$	Benefits ² \$	Total \$	No. of persons	Salary and benefits \$
Councillors						
Anselmo – Sylvia Bonnett		39,900	4,275	44,175		53,463
Whitecourt West – Chad Merrifield		59,250	5,383	64,633		73,174
Whitecourt Central – Ron Govenlock		48,900	4,984	53,884		61,691
Whitecourt East – Jim Rennie (Mayor)		103,950	3,940	107,890		99,485
Blue Ridge – Dan Pritchard		72,600	5,905	78,505		76,044
Goose Lake – Dale McQueen		41,550	1,452	43,002		49,340
Fort Assiniboine/Timeu – Dale Kluin		37,350	1,301	38,651		40,758
Chief Administrative Officer	1	208,765	52,935	261,700	1	272,312
Designated Officers	1	92,550	23,082	115,632	1	117,200

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

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

11. 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 244,621 people and 426 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.

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Notes to financial statements

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Total current and past service contributions made by the County to the LAPP in 2016 were \$539,867 [2015 – \$515,360]. Total current and past service contributions made by the employees of the County to the LAPP in 2016 were \$497,312 [2015 – \$474,824].

As at December 31, 2015, the Plan disclosed an actuarial deficiency of \$923,416,000.

12. 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.

13. 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:

[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 which promote the health and well-being of its citizens, and activities related to parks and cemetery maintenance and operation.

Woodlands County

Notes to financial statements

December 31, 2016

[d].Protective services

Protective services is comprised 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.

[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.

14. Comparative figures

Certain comparative figures have been reclassified to conform to the presentation adopted for the current year.

15. Approval of financial statements

Council and administration have approved these financial statements.

