

BIG LAKES COUNTY
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

INDEPENDENT AUDITORS' REPORT

To the Reeve and Council of Big Lakes County

We have audited the consolidated statement of financial position of Big Lakes County as at December 31, 2016 and the consolidated statements of operations and accumulated surplus, changes in net financial assets, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, these consolidated financial statements present fairly, in all material respects, the consolidated financial position of Big Lakes County as at December 31, 2016 and the results of its consolidated operations, the consolidated changes in its net financial assets, and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Edmonton, Alberta
April 26, 2017


Hawkings Epp Dumont LLP
Chartered Accountants

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**MANAGEMENT'S RESPONSIBILITY
FOR FINANCIAL REPORTING**

To the Reeve and Members of Council of Big Lakes County
High Prairie, Alberta

The integrity, relevance and comparability of the data in the accompanying consolidated financial statements are the responsibility of management.

The consolidated financial statements are prepared by management, in accordance with Canadian public sector accounting standards. They necessarily include some amounts that are based on the best estimates and judgments of management.

To assist in its responsibility, management maintains accounting, budget and other controls to provide reasonable assurance that transactions are appropriately authorized, that assets are properly accounted for and safeguarded, and that financial records are reliable for preparation of the consolidated financial statements.

Hawkings Epp Dumont LLP, Chartered Accountants, have been appointed by the Big Lakes County Council to express an opinion on the Big Lakes County consolidated financial statements.



Roy Bideau
Chief Administrative Officer



Mark Schonken, CPA, CA
Executive Director of Corporate Services

BIG LAKES COUNTY
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2016

	<u>2016</u>	<u>2015</u>
FINANCIAL ASSETS		
Cash and cash equivalents (Note 2)	\$ 47,918,227	\$ 40,683,159
Receivables (Note 3)	1,847,943	2,431,194
Loan receivable (Note 4)	410,399	512,290
Land held for resale	<u>214,025</u>	<u>214,025</u>
	<u>50,390,594</u>	<u>43,840,668</u>
LIABILITIES		
Accounts payable and accrued liabilities (Note 5)	3,867,739	2,458,812
Deposits	114,730	114,830
Deferred revenue (Note 6)	1,963,631	1,061,516
Long-term debt (Note 7)	<u>4,702,421</u>	<u>5,403,275</u>
	<u>10,648,521</u>	<u>9,038,433</u>
NET FINANCIAL ASSETS	<u>39,742,073</u>	<u>34,802,235</u>
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 8)	277,701,911	280,196,406
Inventories for consumption (Note 9)	1,562,758	2,299,468
Prepaid expenses and other assets	<u>170,263</u>	<u>145,713</u>
	<u>279,434,932</u>	<u>282,641,587</u>
ACCUMULATED SURPLUS (NOTE 10)	<u>\$ 319,177,005</u>	<u>\$ 317,443,822</u>
Contingencies (Note 21)		

ON BEHALF OF COUNCIL:





BIG LAKES COUNTY

CONSOLIDATED STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS

FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>2016</u> (Budget) (Note 24)	<u>2016</u> (Actual)	<u>2015</u> (Actual)
REVENUE			
Net municipal property taxes (Schedule 2)	\$ 24,508,090	\$ 24,485,070	\$ 25,820,046
User fees and sales of goods	2,331,517	2,643,569	2,319,488
Government transfers for operating (Schedule 3)	708,995	859,203	901,271
Interest and investment income	402,000	551,784	692,926
Oil well drilling taxes	100,000	222,236	183,807
Penalties and costs on taxes	112,000	168,312	112,226
Rentals	52,615	53,903	33,627
Other	42,566	24,576	74,580
Fines, licenses and permits	<u>12,000</u>	<u>18,493</u>	<u>10,202</u>
	<u>28,269,783</u>	<u>29,027,146</u>	<u>30,148,173</u>
EXPENSES			
Transportation services	15,747,895	13,377,833	14,022,732
Water and wastewater services	3,784,856	4,296,198	3,366,865
Administration services	3,163,024	3,689,841	3,068,595
Intermunicipal cost sharing (Note 17 (a))	2,971,450	2,971,450	2,600,000
Recreation and culture services	2,124,120	2,096,599	1,985,090
Protective services	1,507,788	1,399,086	1,327,674
Agriculture and development services	1,552,579	1,355,200	1,453,514
Family and Community Support Services	741,347	608,829	539,903
Waste management and disposal services	759,147	600,725	590,064
Council and other legislative services	<u>550,000</u>	<u>521,698</u>	<u>524,291</u>
	<u>32,902,206</u>	<u>30,917,459</u>	<u>29,478,728</u>
ANNUAL SURPLUS (DEFICIT) BEFORE OTHER REVENUE	<u>(4,632,423)</u>	<u>(1,890,313)</u>	<u>669,445</u>
OTHER REVENUE (EXPENSES)			
Restructuring (Note 14)	-	2,337,735	-
Government transfers for capital (Schedule 3)	8,977,998	1,529,652	1,922,184
Gain (loss) on disposal of tangible capital assets	<u>-</u>	<u>(243,891)</u>	<u>(469,434)</u>
	<u>8,977,998</u>	<u>3,623,496</u>	<u>1,452,750</u>
ANNUAL SURPLUS	4,345,575	1,733,183	2,122,195
ACCUMULATED SURPLUS, BEGINNING OF YEAR	<u>317,443,822</u>	<u>317,443,822</u>	<u>315,321,627</u>
ACCUMULATED SURPLUS, END OF YEAR	\$ <u><u>321,789,397</u></u>	\$ <u><u>319,177,005</u></u>	\$ <u><u>317,443,822</u></u>

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

BIG LAKES COUNTY
CONSOLIDATED STATEMENT OF CHANGES IN NET FINANCIAL ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>2016</u> (Budget) (Note 24)	<u>2016</u> (Actual)	<u>2015</u> (Actual)
ANNUAL SURPLUS	\$ 4,345,575	\$ 1,733,183	\$ 2,122,195
Acquisition of tangible capital assets	(24,516,306)	(3,304,556)	(10,096,546)
Tangible capital assets - restructuring (Note 14)	-	(2,337,735)	-
Proceeds on disposal of tangible capital assets	-	147,867	183,671
Amortization of tangible capital assets	7,984,510	7,745,028	7,559,645
Loss on disposal of tangible capital assets	<u>-</u>	<u>243,891</u>	<u>469,434</u>
	<u>(16,531,796)</u>	<u>2,494,495</u>	<u>(1,883,796)</u>
(Acquisition) use of inventories for consumption	-	736,710	(1,157,214)
(Acquisition) use of prepaid expenses	<u>-</u>	<u>(24,550)</u>	<u>35,380</u>
	<u>-</u>	<u>712,160</u>	<u>(1,121,834)</u>
INCREASE (DECREASE) IN NET FINANCIAL ASSETS	(12,186,221)	4,939,838	(883,435)
NET FINANCIAL ASSETS, BEGINNING OF YEAR	<u>34,802,235</u>	<u>34,802,235</u>	<u>35,685,670</u>
NET FINANCIAL ASSETS, END OF YEAR	<u>\$22,616,014</u>	<u>\$39,742,073</u>	<u>\$34,802,235</u>

BIG LAKES COUNTY
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>2016</u>	<u>2015</u>
OPERATING ACTIVITIES		
Annual surplus	\$ 1,733,183	\$ 2,122,195
Non-cash items included in annual surplus		
Loss on disposal of tangible capital assets	243,891	469,434
Amortization of tangible capital assets	7,745,028	7,559,645
Restructuring (<i>Note 14</i>)	(2,337,735)	-
Change in non-cash working capital balances		
Receivables	583,251	1,048,893
Prepaid expenses	(24,550)	35,380
Inventories for consumption	736,710	(1,157,214)
Accounts payable and accrued liabilities	1,408,927	(984,552)
Deposit liabilities	(100)	(77,230)
Deferred revenue	902,115	625,116
Land held for resale	-	2,550
Loan receivable	101,891	98,891
	<u>11,092,611</u>	<u>9,743,108</u>
FINANCING ACTIVITIES		
Long-term debt repayments	<u>(700,854)</u>	<u>(675,333)</u>
CAPITAL ACTIVITIES		
Purchase of tangible capital assets	(3,304,556)	(10,096,546)
Proceeds on disposal of tangible capital assets	147,867	183,671
	<u>(3,156,689)</u>	<u>(9,912,875)</u>
INCREASE IN CASH AND CASH EQUIVALENTS DURING YEAR	7,235,068	(845,100)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>40,683,159</u>	<u>41,528,259</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 47,918,227</u>	<u>\$ 40,683,159</u>

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

BIG LAKES COUNTY

Schedule 1

CONSOLIDATED SCHEDULE OF EQUITY IN CAPITAL ASSETS

FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>2016</u>	<u>2015</u>
BALANCE, BEGINNING OF YEAR	\$ 274,793,131	\$ 272,234,002
Purchase of Tangible Capital Assets	3,304,556	10,096,546
Cost of Tangible Capital Assets Disposed of	(1,059,491)	(1,561,080)
Accumulated Amortization of Tangible Capital Assets Disposed of	667,733	907,975
Restructuring (Note 14)	2,337,735	-
Amortization of Tangible Capital Assets	(7,745,028)	(7,559,645)
Long-term Debt Repayments	<u>700,854</u>	<u>675,333</u>
BALANCE, END OF YEAR	\$ <u>272,999,490</u>	\$ <u>274,793,131</u>

Equity in Tangible Capital Assets is Comprised of the Following:

Tangible capital assets (net book value)	\$ 277,701,911	\$ 280,196,406
Capital long-term debt	<u>(4,702,421)</u>	<u>(5,403,275)</u>
	\$ <u>272,999,490</u>	\$ <u>274,793,131</u>

BIG LAKES COUNTY

Schedule 2

CONSOLIDATED SCHEDULE OF PROPERTY TAXES LEVIED

FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>2016</u> (Budget) (Note 24)	2016 (Actual)	<u>2015</u> (Actual)
TAXATION			
Real property taxes	\$ 15,683,252	\$ 15,647,645	\$ 15,666,592
Linear property taxes	14,203,809	14,033,297	15,295,327
Government grants in place of property taxes	652,810	623,058	649,501
Local improvement taxes	<u>-</u>	<u>212,802</u>	<u>31,395</u>
	<u>30,539,871</u>	<u>30,516,802</u>	<u>31,642,815</u>
REQUISITIONS			
Alberta School Foundation Fund	5,736,931	5,736,649	5,535,361
Heart River Housing	<u>294,850</u>	<u>295,083</u>	<u>287,408</u>
	<u>6,031,781</u>	<u>6,031,732</u>	<u>5,822,769</u>
NET MUNICIPAL TAXES	<u><u>\$ 24,508,090</u></u>	<u><u>\$ 24,485,070</u></u>	<u><u>\$ 25,820,046</u></u>

BIG LAKES COUNTY

Schedule 3

CONSOLIDATED SCHEDULE OF GOVERNMENT TRANSFERS

FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>2016</u> (Budget) (Note 24)	<u>2016</u> (Actual)	<u>2015</u> (Actual)
TRANSFERS FOR OPERATING			
Provincial government	\$ 524,715	\$ 666,019	\$ 717,094
Local governments	<u>184,280</u>	<u>193,184</u>	<u>184,177</u>
	<u>708,995</u>	<u>859,203</u>	<u>901,271</u>
TRANSFERS FOR CAPITAL			
Provincial government	8,967,998	1,529,652	1,922,184
Local governments	<u>10,000</u>	<u>-</u>	<u>-</u>
	<u>8,977,998</u>	<u>1,529,652</u>	<u>1,922,184</u>
TOTAL GOVERNMENT TRANSFERS	<u>\$ 9,686,993</u>	<u>\$ 2,388,855</u>	<u>\$ 2,823,455</u>

BIG LAKES COUNTY

Schedule 4

CONSOLIDATED SCHEDULE OF SEGMENT DISCLOSURES

FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>Administration Services</u>	<u>Transportation Services</u>	<u>Protective Services</u>	<u>Utility Services</u>	<u>Recreation and Culture Services</u>	<u>All Other</u>	<u>Total</u>
REVENUE							
Taxation	\$ 3,377,228	\$ 6,616,579	\$ 1,018,322	\$ 1,778,607	\$ 1,992,575	\$ 9,701,759	\$ 24,485,070
User fees and sales of goods	17,963	613,194	39,768	1,814,054	857	157,733	2,643,569
Government transfers	9,410	20,211	102,437	159,239	102,401	465,505	859,203
All other	<u>3,244</u>	<u>38,795</u>	<u>4,448</u>	<u>9,259</u>	<u>766</u>	<u>982,792</u>	<u>1,039,304</u>
	<u>3,407,845</u>	<u>7,288,779</u>	<u>1,164,975</u>	<u>3,761,159</u>	<u>2,096,599</u>	<u>11,307,789</u>	<u>29,027,146</u>
EXPENSES							
Materials, goods, and contracted and general services	1,593,727	4,150,871	583,291	2,410,239	374,757	1,294,655	10,407,540
Salaries, wages, and benefits	1,560,969	2,613,998	289,108	930,489	207,276	1,172,371	6,774,211
Transfers to other governments	-	-	115,806	11,896	1,514,030	2,974,450	4,616,182
Repairs and maintenance	139,373	232,549	103,106	242,585	-	11,505	729,118
Utilities	48,393	44,997	35,305	134,204	-	-	262,899
Interest on long-term debt	-	191,716	-	10,830	-	-	202,546
Insurance	65,383	54,648	38,359	20,916	536	93	179,935
Amortization	<u>281,994</u>	<u>6,089,054</u>	<u>234,113</u>	<u>1,135,765</u>	<u>-</u>	<u>4,102</u>	<u>7,745,028</u>
	<u>3,689,839</u>	<u>13,377,833</u>	<u>1,399,088</u>	<u>4,896,924</u>	<u>2,096,599</u>	<u>5,457,176</u>	<u>30,917,459</u>
NET REVENUE (DEFICIT)	\$ <u><u>(281,994)</u></u>	\$ <u><u>(6,089,054)</u></u>	\$ <u><u>(234,113)</u></u>	\$ <u><u>(1,135,765)</u></u>	\$ <u><u>-</u></u>	\$ <u><u>5,850,613</u></u>	\$ <u><u>(1,890,313)</u></u>

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

BIG LAKES COUNTY

Schedule 5

CONSOLIDATED SCHEDULE OF SEGMENT DISCLOSURES

FOR THE YEAR ENDED DECEMBER 31, 2015

	<u>Administration Services</u>	<u>Transportation Services</u>	<u>Protective Services</u>	<u>Utility Services</u>	<u>Recreation and Culture Services</u>	<u>All Other</u>	<u>Total</u>
REVENUE							
Taxation	\$ 2,757,653	\$ 7,458,451	\$ 999,017	\$ 1,234,863	\$ 1,866,617	\$ 11,503,445	\$ 25,820,046
User fees and sales of goods	16,134	577,184	(708)	1,592,777	620	133,481	2,319,488
Government transfers	-	27,854	100,000	-	116,993	656,424	901,271
All other	<u>3,099</u>	<u>38,399</u>	<u>2,452</u>	<u>12,815</u>	<u>860</u>	<u>1,049,743</u>	<u>1,107,368</u>
	<u>2,776,886</u>	<u>8,101,888</u>	<u>1,100,761</u>	<u>2,840,455</u>	<u>1,985,090</u>	<u>13,343,093</u>	<u>30,148,173</u>
EXPENSES							
Materials, goods, and contracted and general services	1,198,067	4,731,187	519,667	1,818,622	351,028	1,359,712	9,978,283
Salaries, wages, and benefits	1,422,497	2,729,215	304,340	747,999	104,275	1,143,312	6,451,638
Transfers to other governments	-	3,348	132,110	22,832	1,529,241	2,602,500	4,290,031
Repairs and maintenance	41,232	332,115	74,503	92,378	-	8,282	548,510
Utilities	48,203	40,750	32,064	126,322	-	-	247,339
Interest on long-term debt	-	217,682	-	11,855	-	-	229,537
Insurance	66,887	47,591	38,077	20,447	546	197	173,745
Amortization	<u>291,709</u>	<u>5,920,846</u>	<u>226,916</u>	<u>1,116,475</u>	<u>-</u>	<u>3,699</u>	<u>7,559,645</u>
	<u>3,068,595</u>	<u>14,022,734</u>	<u>1,327,677</u>	<u>3,956,930</u>	<u>1,985,090</u>	<u>5,117,702</u>	<u>29,478,728</u>
NET REVENUE (DEFICIT)	\$ <u><u>(291,709)</u></u>	\$ <u><u>(5,920,846)</u></u>	\$ <u><u>(226,916)</u></u>	\$ <u><u>(1,116,475)</u></u>	\$ <u><u>-</u></u>	\$ <u><u>8,225,391</u></u>	\$ <u><u>669,445</u></u>

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

BIG LAKES COUNTY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2016

1. SIGNIFICANT ACCOUNTING POLICIES

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

(a) Reporting Entity

These consolidated financial statements include the assets, liabilities, revenue and expenses and changes in net financial assets of the County. This entity is comprised of all the organizations that are owned or controlled by the County and are, therefore, accountable to the Council for the administration of their financial affairs and resources. They include the County Library Board financial statements.

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

(b) Basis of Accounting

The County follows the accrual basis of accounting. Revenues are recognized in the year in which they are earned and measurable.

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

Expenses are recognized as they are incurred and measurable based upon receipt of goods or services and/or the legal obligation to pay.

(c) Cash and Cash Equivalents

Cash and cash equivalents include items that are readily convertible to known amounts of cash and are subject to an insignificant risk of change in value.

(d) Investments

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

(e) Inventories for Consumption

Inventories of materials and supplies for consumption are recorded at the lower of cost or net realizable value with cost determined using the average cost method.

(f) Land Held for Resale

Land held for resale is recorded at the lower of cost or net realizable value. Cost includes costs for land acquisition and improvements required to prepare the land for servicing. Related development costs incurred to provide infrastructure such as water and wastewater services, roads, sidewalks and street lighting are recorded as tangible capital assets under their respective function. The cost of land is written off against equity in land held for resale as it is sold.

(CONT'D)

BIG LAKES COUNTY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2016

1. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(g) Loans Receivable

Loans receivable are recorded at cost. Interest revenue is recognized as revenue in the year it is earned.

(h) Tangible Capital Assets

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

Buildings	20 - 50 years
Engineered structures	
Paved roadways	
Top	20 years
Base	80 years
Gravel roadways	
Top	15 years
Base	30 years
Concrete	25 years
Bridges	12 - 58 years
Wastewater systems	50 & 75 years
Water systems	50 & 75 years
Machinery and equipment	5 - 20 years
Vehicles	5 - 25 years

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

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

(i) Tax Revenue

Property taxes are recognized in the year in which they are levied.

Construction and borrowing costs associated with local improvement projects are recovered through annual special property tax assessments during the period of the related borrowings. These levies are collectible from property owners for work performed by the County.

(j) Requisition 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 amount, the under-levy is accrued as a receivable and as property tax revenue.

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

(CONT'D)

BIG LAKES COUNTY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2016

1. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(k) Use of Estimates

The preparation of the consolidated financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenue and expenses during the period. Where measurement uncertainty exists, the consolidated financial statements have been prepared within reasonable limits of materiality. Actual results could differ from those estimates.

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

2. CASH AND CASH EQUIVALENTS

	<u>2016</u>	<u>2015</u>
Operating bank accounts	\$ 18,047,364	\$ 6,168,950
Guaranteed Investment Certificates	15,506,134	34,511,395
Savings accounts	14,362,215	-
Cash on hand	<u>2,514</u>	<u>2,814</u>
	<u>\$ 47,918,227</u>	<u>\$ 40,683,159</u>

Guaranteed Investment Certificates, bear interest at rates ranging from 1.35% to 1.70% per annum and mature at dates between September 2017 - September 2021.

Included in cash and cash equivalents are restricted amounts aggregating \$1,963,631 (2015 - \$1,036,078) to be used for specific capital and other projects, as detailed in *Note 6*.

3. RECEIVABLES

	<u>2016</u>	<u>2015</u>
Taxes and grants in place of taxes	\$ 1,325,721	\$ 759,207
Trade and other	1,008,673	1,792,905
Goods and Services Tax	190,790	155,771
Utilities	<u>180,026</u>	<u>138,602</u>
	2,705,210	2,846,485
Less: Allowance for doubtful accounts	<u>(857,267)</u>	<u>(415,291)</u>
	<u>\$ 1,847,943</u>	<u>\$ 2,431,194</u>

4. LOAN RECEIVABLE

The County passed Bylaw 04-2010 on March 10, 2010 authorizing Council to lend \$1,000,000 to Heart River Housing for the purposes of lodge and renovation projects at the Pleasantview Lodge in the Town of High Prairie and the Red Willow Lodge in the Town of Valleyview. The loan is unsecured, bears interest at 0.50% above the Royal Bank five year term Guaranteed Investment Certificate rate which is currently 3.00%, and is payable in quarterly blended amounts of \$29,030, due August 15, 2020.

BIG LAKES COUNTY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2016

5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	<u>2016</u>	<u>2015</u>
Trade and other accounts payable	\$ 3,459,166	\$ 2,061,820
Earned vacation liability	393,096	379,067
Accrued interest on long-term debt	<u>15,477</u>	<u>17,925</u>
	<u>\$ 3,867,739</u>	<u>\$ 2,458,812</u>

6. DEFERRED REVENUE

Deferred revenue is comprised of the following amounts, which have been received from third parties for a specified purpose. Additions are comprised of both contributions and interest earned during the year. These amounts are recognized as revenue in the period in which the related costs are incurred.

	<u>2015</u>	<u>Additions</u>	<u>Revenue Recognized</u>	<u>2016</u>
Municipal Sustainability Initiative	\$ 823,187	\$ 2,081,313	\$(1,325,709)	\$ 1,578,791
Federal Gas Tax Fund	191,655	208,158	(36,670)	363,143
Other	21,236	25,537	(25,076)	21,697
Prepaid local improvements	<u>25,438</u>	<u>-</u>	<u>(25,438)</u>	<u>-</u>
	<u>\$ 1,061,516</u>	<u>\$ 2,315,008</u>	<u>\$(1,412,893)</u>	<u>\$ 1,963,631</u>

7. LONG-TERM DEBT

	<u>2016</u>	<u>2015</u>
Alberta Capital Financing Authority debentures	<u>\$ 4,702,421</u>	<u>\$ 5,403,275</u>

Debenture debt is issued on the credit and security of the County at large, bears interest at rates ranging from 3.344% to 6.000% per annum and matures in years 2019 through 2027.

The County's cash payments for interest in 2016 were \$204,775 (2015 - \$226,140).

Principal and interest payments are due as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 727,353	\$ 178,275	\$ 905,628
2018	754,871	150,757	905,628
2019	783,446	122,182	905,628
2020	451,197	95,509	546,706
2021	469,809	76,896	546,705
Thereafter	<u>1,515,745</u>	<u>113,658</u>	<u>1,629,403</u>
	<u>\$ 4,702,421</u>	<u>\$ 737,277</u>	<u>\$ 5,439,698</u>

BIG LAKES COUNTY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2016

8. TANGIBLE CAPITAL ASSETS

	<u>2016</u> Net Book Value	<u>2015</u> Net Book Value
Engineered structures		
Roadways and bridges	\$ 210,400,493	\$ 215,359,279
Water systems	19,818,404	18,027,534
Wastewater systems	17,883,296	18,407,755
Drainage systems	4,274,031	4,439,029
Airport	<u>590,675</u>	<u>635,669</u>
	252,966,899	256,869,266
Buildings	10,446,172	10,748,518
Land	4,569,735	4,553,867
Machinery and equipment	4,009,881	4,041,183
Vehicles	2,082,985	2,037,801
Construction in progress	2,203,610	600,757
Land improvements	<u>1,422,629</u>	<u>1,345,014</u>
	<u>\$ 277,701,911</u>	<u>\$ 280,196,406</u>

	Cost Beginning of Year	Additions	Disposals	Transfers	Cost End of Year
Engineering structures					
Roadways and bridges	\$ 300,380,440	\$ -	\$ -	\$ (160,444)	\$ 300,219,996
Water systems	27,983,330	2,277,824	-	-	30,261,154
Wastewater systems	23,061,083	-	-	-	23,061,083
Drainage systems	7,319,078	-	-	-	7,319,078
Airport	<u>4,195,311</u>	<u>-</u>	<u>-</u>	<u>160,444</u>	<u>4,355,755</u>
	362,939,242	2,277,824	-	-	365,217,066
Machinery and equipment	8,362,418	1,055,241	(992,207)	-	8,425,452
Vehicles	4,375,826	414,327	-	-	4,790,153
Buildings	15,282,049	51,000	-	-	15,333,049
Land	4,553,867	15,868	-	-	4,569,735
Land improvements	2,095,678	157,894	-	-	2,253,572
Construction in progress	<u>600,757</u>	<u>1,670,137</u>	<u>(67,284)</u>	<u>-</u>	<u>2,203,610</u>
	<u>\$ 398,209,837</u>	<u>\$ 5,642,291</u>	<u>\$ (1,059,491)</u>	<u>\$ -</u>	<u>\$ 402,792,637</u>

	Accumulated Amortization Beginning of Year	Current Amortization	Disposals	Transfers	Accumulated Amortization End of Year
Engineered structures					
Roadways and bridges	\$ 85,021,161	\$ 4,805,062	\$ -	\$ (6,720)	\$ 89,819,503
Water systems	9,955,796	486,954	-	-	10,442,750
Wastewater systems	4,653,328	524,459	-	-	5,177,787
Drainage systems	2,880,049	164,998	-	-	3,045,047
Airport	<u>3,559,642</u>	<u>198,718</u>	<u>-</u>	<u>6,720</u>	<u>3,765,080</u>
	106,069,976	6,180,191	-	-	112,250,167
Machinery and equipment	4,321,235	762,069	(667,733)	-	4,415,571
Vehicles	2,338,025	369,143	-	-	2,707,168
Buildings	4,533,531	353,346	-	-	4,886,877
Land improvements	<u>750,664</u>	<u>80,279</u>	<u>-</u>	<u>-</u>	<u>830,943</u>
	<u>\$ 118,013,431</u>	<u>\$ 7,745,028</u>	<u>\$ (667,733)</u>	<u>\$ -</u>	<u>\$ 125,090,726</u>

BIG LAKES COUNTY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2016

9. INVENTORIES FOR CONSUMPTION

	<u>2016</u>	<u>2015</u>
Gravel	\$ 1,351,692	\$ 2,120,458
Material and supplies	<u>211,066</u>	<u>179,010</u>
	<u>\$ 1,562,758</u>	<u>\$ 2,299,468</u>

10. ACCUMULATED SURPLUS

	<u>2016</u>	<u>2015</u>
Unrestricted surplus	\$ 8,133,379	\$ 10,279,425
Restricted surplus		
Operating reserves (Note 13)	9,504,282	10,078,020
Capital reserves (Note 13)	28,539,854	22,293,246
Equity in tangible capital assets (Schedule 1)	<u>272,999,490</u>	<u>274,793,131</u>
	<u>\$ 319,177,005</u>	<u>\$ 317,443,822</u>

11. CREDIT FACILITY

The County has access to a revolving line of credit with a limit of \$6,000,000, bearing interest at prime rate. At December 31, 2016, the balance owing was \$NIL (2015 - \$NIL).

12. CONTINGENCIES

In June 1994, the County entered into an agreement with Alberta Transportation to take over the responsibilities related to the transportation function of the former Improvement District. Under this agreement, the County has assumed a contingent liability estimated at \$324,953, related to gravel pits and stock pile reclamation. This contingency has not been accrued in these financial statements; however, should the liability be realized, the County has established a reserve to fund these costs.

BIG LAKES COUNTY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2016

13. RESERVES

	<u>2016</u>	<u>2015</u>
OPERATING RESERVES		
Working capital	\$ 6,093,854	\$ 6,418,752
Infrastructure Sustainability Fund	1,000,000	1,198,856
Resurfacing	960,786	960,786
Community facilities	395,236	396,836
Contingency	243,913	243,913
Medical equipment	208,500	158,500
Winter maintenance control	104,387	104,387
Community Enhancement Fund	100,000	100,000
Culture	99,479	99,479
Enhanced policing	82,000	82,000
Recreation	79,285	177,669
Family and Community Support Services	72,042	72,042
Water offsite levies	39,400	39,400
Sewer offsite levies	<u>25,400</u>	<u>25,400</u>
	<u>\$ 9,504,282</u>	<u>\$ 10,078,020</u>
CAPITAL RESERVES		
Water	\$ 9,708,002	\$ 7,521,248
Transportation	7,753,209	4,766,235
Sewer	3,216,378	3,399,540
Equipment replacement	2,224,359	1,584,616
Gravel source and pit reclamation	1,712,334	1,492,334
Fire equipment	1,291,641	1,129,141
Fire facility	1,181,367	1,081,367
Building	602,199	452,199
Recreation and cultural	255,710	255,710
Waste transfer stations	239,684	239,684
High Prairie airport reserve	100,000	-
Computer equipment	93,079	246,895
Big Meadow Water Co-op	78,917	78,917
ASB equipment	77,432	37,764
Other	5,543	5,543
Landfill site reclamation	<u>-</u>	<u>2,053</u>
	<u>\$ 28,539,854</u>	<u>\$ 22,293,246</u>

BIG LAKES COUNTY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2016

14. RESTRUCTURING

Under the terms of an Asset Purchase Agreement dated April 30, 2016, the County purchased all the assets of Riverbend Water Co-op Ltd. for a purchase price of \$1 payable upon execution of the Agreement. The County agreed to use its best efforts to supply a regular uninterrupted supply of water with adequate pressure. The County did not assume and shall not be liable or responsible for any known or unknown liabilities, debts or obligations of the Riverbend Water Co-op Ltd.

The carrying value of the assets and liabilities purchased by the County were as follows:

Cash	\$	50,047
Tangible Capital Assets		
Land		12,988
Water lines		2,063,597
Water reservoir and pumphouse		214,227
Accounts payable and accrued liabilities		<u>(3,124)</u>
	\$	<u><u>2,337,735</u></u>

15. SALARY AND BENEFITS DISCLOSURE

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

	<u>Salary</u>	<u>Benefits and Allowances</u>	<u>2016</u>	Total	<u>2015</u>
Councillors:					
Ward 1 - Marx	\$ 19,750	\$ 12,000	\$ 31,750	\$	30,714
Ward 2 - Sutherland	15,200	10,800	26,000		25,239
Ward 3 - Matthews(Reeve)	32,750	15,600	48,350		40,600
Ward 4 - Killeen	14,850	10,800	25,650		27,300
Ward 5 - Nygaard	20,750	10,800	31,550		30,404
Ward 6 - Podollan	9,974	10,800	20,774		23,600
Ward 7 - Dupres	-	-	-		16,428
Ward 7 - Matula	17,700	10,800	28,500		5,859
Ward 8 - Charrois	19,000	10,800	29,800		27,408
Ward 9 - Stewart	<u>24,750</u>	<u>10,800</u>	<u>35,550</u>		<u>31,200</u>
	<u>\$ 174,724</u>	<u>\$ 103,200</u>	<u>\$ 277,924</u>		<u>\$ 258,752</u>
Designated officers (4)	<u>\$ 384,567</u>	<u>\$ 7,369</u>	<u>\$ 391,936</u>		<u>\$ 380,637</u>
Chief Administrative Officer	<u>\$ 178,213</u>	<u>\$ 3,157</u>	<u>\$ 181,370</u>		<u>\$ 207,858</u>

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

Benefits and allowances include the employer's share of all employee benefits and contributions or payments made on behalf of employees including pension, retiring allowance, health care, dental coverage, vision coverage, group life insurance, accidental disability and dismemberment insurance, long and short-term disability plans, and professional membership and tuition.

BIG LAKES COUNTY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2016

16. LOCAL AUTHORITIES PENSION PLAN

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

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

The County is required to make current service contributions to the LAPP of 11.39% of pensionable earnings up to the year's maximum pensionable earnings under the Canada Pension Plan and 15.84% on pensionable earnings above this amount. Employees of the County are required to make current service contributions of 10.39% of pensionable earnings up to the year's maximum pensionable earnings and 14.84% on pensionable earnings above this amount.

Total current service contributions by the County to the LAPP in 2016 were \$531,136 (2015 - 530,086). Total current service contributions by the employees of the County to the LAPP in 2016 were \$488,794 (2015 - \$488,114).

At December 31, 2015 the Plan disclosed an actuarial deficit of \$923.4 million (2014 - \$2,454.6 million).

17. CONTRACTUAL OBLIGATIONS

(a) Town of Swan Hills Viability Agreement

Under the terms of this agreement the County is required to provide conditional and unconditional grants to the Town of Swan Hills for 20 years with extensions as mutually agreed upon ending on December 31, 2034. The agreement will be open for review on the fifth and every proceeding five year anniversary or as mutually agreed by the parties.

In the years 2016 to 2034 the County is required to provide a total of \$1,950,000 annually of which the Town must commit to spending \$1,000,000 of this on capital infrastructure projects annually. The County agrees to indexing as per the Canada Consumer Price Index for Alberta on a yearly base for 2016 and to 2034.

(b) Town of High Prairie Cost-Sharing Agreement

Under the terms of this agreement the County is committed to pay 50% of the net operating costs of the High Prairie Municipal Library Board, High Prairie and District Fire Department, High Prairie and District Recreation Board, 90% of the High Prairie and District Municipal Airport, 20% of the reclamation costs and annual monitoring costs of the High Prairie Landfill Site, and 50% of the annual recycling contract and toxic waste roundup. This agreement is to be for five years ending December 31, 2019.

Furthermore, the County has committed financial support to the Town of High Prairie up to a maximum of \$1,000,000 annually for capital projects that are mutually beneficial.

BIG LAKES COUNTY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2016

18. DEBT LIMITS

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:

	<u>2016</u>	<u>2015</u>
Total debt limit	\$ 43,540,719	\$ 45,222,260
Total debt (Note 7)	<u>(4,702,421)</u>	<u>(5,403,275)</u>
Amount of debt limit unused	<u>\$ 38,838,298</u>	<u>\$ 39,818,985</u>
Service on debt limit	\$ 7,256,787	\$ 7,537,043
Service on debt (Note 7)	<u>(905,628)</u>	<u>(905,628)</u>
Amount of service on debt limit unused	<u>\$ 6,351,159</u>	<u>\$ 6,631,415</u>

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

19. FINANCIAL INSTRUMENTS

The County's financial instruments consist of cash and cash equivalents, receivables, loan receivable, accounts payable and accrued liabilities, and long-term debt. It is management's opinion that the County is not exposed to significant interest or currency risk arising from these financial instruments.

The County is subject to credit risk with respect to receivables and loan receivable. Credit risk arises from the possibility that the County's customers may experience financial difficulty and be unable to fulfill their obligations. The large number and diversity of customers minimizes the County's credit risk.

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

20. RELATED PARTY TRANSACTIONS

Accounts payable includes \$29,659 due to (2015 - \$44,942 due to) the High Prairie and District Regional Solid Waste Management Authority.

Other revenue includes management fees of \$10,000 (2015 - \$10,000) from the High Prairie and District Regional Solid Waste Management Authority.

These transactions are recorded at their exchange amounts as agreed to by the related party.

BIG LAKES COUNTY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2016

21. FUNDS HELD IN TRUST

As trust assets are not owned by the County, the trusts have been excluded from the financial statements. A summary of trust funds held by the County is as follows:

	<u>2016</u>	<u>2015</u>
Tax sale surplus	\$ <u>34,023</u>	\$ <u>33,771</u>

Trust funds administered by the County have not been included in the Statement of Financial Position nor have their operations been included in the Statement of Operations.

22. SEGMENTED INFORMATION

The County provides a wide range of services to its citizens. For each reported segment, revenues and expenses represent both amounts that are directly attributable to the segment and amounts that are allocated on a reasonable basis. The accounting policies used in these segments are consistent with those followed in the preparation of the financial statements as disclosed in Note 1. For additional information see the Schedule of Segment Disclosure (Schedule 4).

23. ACCOUNTING POLICY ADOPTION

Public Sector Accounting Board *PS - 3430 Restructuring Transactions* is effective for fiscal years starting on or after April 1, 2018. PS3430 establishes standards on how to account for and report restructuring transactions by both transferors and recipients of assets and / or liabilities, together with the related program or operating responsibilities. The County early-adopted this accounting standard retroactively as of January 1, 2016.

24. BUDGET FIGURES

The budget figures presented in these financial statements are based on the budget approved by Council on April 30, 2016.

	<u>Original</u>	<u>Amendments</u>	<u>Amended</u>
REVENUE			
Approved operating budget	28,269,783	-	28,269,783
EXPENSES			
Approved operating budget	<u>32,902,206</u>	-	<u>32,902,206</u>
ANNUAL OPERATING SURPLUS (DEFICIT)	\$ <u>(4,632,423)</u>	\$ <u>-</u>	\$ <u>(4,632,423)</u>
	<u>Original</u>	<u>Amendments</u>	<u>Amended</u>
ANNUAL CAPITAL BUDGET	\$ <u>24,409,216</u>	\$ <u>107,090</u>	\$ <u>24,516,306</u>

BIG LAKES COUNTY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2016

25. COMPARATIVE FIGURES

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

26. APPROVAL OF FINANCIAL STATEMENTS

These financial statements were approved by Council.