

BIG LAKES COUNTY
Consolidated Financial Statements
For the Year Ended December 31, 2018

INDEPENDENT AUDITORS' REPORT

To the Reeve and Council of Big Lakes County

We have audited the accompanying consolidated financial statements of Big Lakes County (the County), which comprise the consolidated statement of financial position as at December 31, 2018, 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.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the County as at December 31, 2018, the consolidated results of its operations and accumulated surplus, changes in its net financial assets 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 *Auditors' Responsibilities for the Audit of the Consolidated 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 those requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the financial statements and our auditors' report thereon. The Annual Report is expected to be made available to us after the date of this auditors' report.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with 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.

Independent Auditors' Report to the Reeve and Council of Big Lakes County (*continued*)

In preparing the consolidated financial statements, management is responsible for assessing the County's ability to continue as a going concern, disclosing, as applicable, matters relating 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.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 consolidated 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 consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 auditors' report to the related disclosures in the consolidated 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 auditors' 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 consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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.

METRIX GROUP LLP

Chartered Professional Accountants

April 10, 2019
Edmonton, Alberta

**MANAGEMENT'S RESPONSIBILITY
FOR FINANCIAL REPORTING**

To the Reeve and 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.

Metrix Group LLP, Chartered Professional Accountants, have been appointed by the Big Lakes County Council to express an opinion on the Big Lakes County consolidated financial statements.

Jordan Panasiuk
Chief Administrative Officer

Heather Nanninga, CPA, CA
Director of Corporate Services

BIG LAKES COUNTY
Consolidated Statement of Financial Position
As at December 31, 2018

	2018	2017
FINANCIAL ASSETS		
Cash and cash equivalents <i>(Note 2)</i>	33,822,632	41,875,678
Receivables <i>(Note 3)</i>	12,930,937	8,992,665
Loan receivable <i>(Note 4)</i>	197,249	305,417
Land held for resale	249,025	214,025
	47,199,843	51,387,785
LIABILITIES		
Accounts payable and accrued liabilities <i>(Note 5)</i>	5,228,855	4,454,042
Deposits	137,224	132,496
Deferred revenue <i>(Note 6)</i>	2,035,335	1,657,242
Long-term debt <i>(Note 7)</i>	3,220,197	3,975,068
	10,621,611	10,218,848
NET FINANCIAL ASSETS	36,578,232	41,168,937
NON-FINANCIAL ASSETS		
Tangible capital assets <i>(Note 9)</i>	288,988,268	284,167,892
Inventories for consumption <i>(Note 8)</i>	553,638	888,384
Prepaid expenses and other assets	183,970	194,431
	289,725,876	285,250,707
ACCUMULATED SURPLUS (NOTE 10)	\$ 326,304,108	\$ 326,419,644

Contingencies *(Note 13)*

ON BEHALF OF COUNCIL:

BIG LAKES COUNTY
Consolidated Statement of Operations and Accumulated Surplus
For the Year Ended December 31, 2018

	2018 (Budget) <i>(Note 22)</i>	2018 (Actual)	2017 (Actual)
REVENUE			
Net taxation <i>(Schedule 2)</i>	\$ 21,459,092	\$ 21,473,792	\$ 21,295,453
User fees and sales of goods	2,553,283	2,642,236	2,590,753
Government transfers for operating <i>(Schedule 3)</i>	1,214,965	944,183	857,737
Interest and investment income	402,000	729,772	416,474
Oil well drilling taxes	250,000	369,549	475,154
Penalties and costs on taxes	206,000	340,640	295,727
Rentals	38,800	50,065	52,627
Other	30,800	22,633	26,955
Fines, licenses and permits	18,000	12,099	21,356
	26,172,940	26,584,969	26,032,236
EXPENSES			
Transportation services	16,311,412	15,043,363	13,899,223
Water and wastewater services	3,606,601	3,382,011	3,485,670
Administration services <i>(Note 3)</i>	3,609,951	4,762,582	2,984,791
Intermunicipal cost sharing <i>(Note 16 (a))</i>	3,000,798	3,052,945	2,168,390
Recreation and culture services	2,336,869	2,058,532	1,948,740
Protective services	1,750,926	1,734,134	1,301,139
Agriculture and development services	1,522,531	1,293,621	1,057,624
Family and Community Support Services	708,364	628,598	609,420
Waste management and disposal services	775,438	626,771	605,048
Council and other legislative services	665,000	577,730	637,565
	34,287,890	33,160,287	28,697,610
ANNUAL DEFICIT BEFORE OTHER REVENUE (EXPENSES)	(8,114,950)	(6,575,318)	(2,665,374)
OTHER REVENUE (EXPENSES)			
Government transfers for capital <i>(Schedule 3)</i>	16,223,290	6,622,642	9,658,674
Gain (loss) on disposal of tangible capital assets	(117,150)	(162,860)	94,435
Restructuring - transfers of tangible capital assets	-	-	154,904
	16,106,140	6,459,782	9,908,013
ANNUAL SURPLUS (DEFICIT)	7,991,190	(115,536)	7,242,639
ACCUMULATED SURPLUS, BEGINNING OF YEAR	326,419,644	326,419,644	319,177,005
ACCUMULATED SURPLUS, END OF YEAR	\$334,410,834	\$326,304,108	\$326,419,644

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, 2018

	2018 (Budget) <i>(Note 22)</i>	2018 (Actual)	2017 (Actual)
ANNUAL SURPLUS (DEFICIT)	\$ 7,991,190	\$ (115,536)	\$ 7,242,639
Acquisition of tangible capital assets	(30,355,742)	(13,257,241)	(14,344,037)
Tangible capital assets - restructuring	-	-	(154,904)
Proceeds on disposal of tangible capital assets	-	301,080	393,469
Amortization of tangible capital assets	7,733,750	7,972,925	7,733,926
(Gain) loss on disposal of tangible capital assets	(117,150)	162,860	(94,435)
	(22,739,142)	(4,820,376)	(6,465,981)
(Acquisition) use of inventories for consumption	-	334,746	674,374
(Acquisition) use of prepaid expenses	-	10,461	(24,168)
	-	345,207	650,206
INCREASE (DECREASE) IN NET FINANCIAL ASSETS	(14,747,952)	(4,590,705)	1,426,864
NET FINANCIAL ASSETS, BEGINNING OF YEAR	41,168,937	41,168,937	39,742,073
NET FINANCIAL ASSETS, END OF YEAR	\$ 26,420,985	\$ 36,578,232	\$ 41,168,937

BIG LAKES COUNTY
Consolidated Statement of Cash Flows
For the Year Ended December 31, 2018

	2018	2017
OPERATING ACTIVITIES		
Annual surplus (deficit)	\$ (115,536)	\$ 7,242,639
Non-cash items included in annual surplus		
Loss on disposal of tangible capital assets	162,860	(94,435)
Amortization of tangible capital assets	7,972,925	7,733,926
Restructuring - transfers of tangible capital assets	-	(154,904)
Change in non-cash working capital balances		
Receivables	(3,938,272)	(7,144,722)
Prepaid expenses	10,461	(24,168)
Inventories for consumption	334,746	674,374
Accounts payable and accrued liabilities	774,813	586,303
Deposit liabilities	4,728	17,766
Deferred revenue	378,093	(306,389)
Land held for resale	(35,000)	-
Loan receivable	108,168	104,982
	5,657,986	8,635,372
FINANCING ACTIVITIES		
Long-term debt repayments	(754,871)	(727,353)
CAPITAL ACTIVITIES		
Purchase of tangible capital assets	(13,257,241)	(14,344,037)
Proceeds on disposal of tangible capital assets	301,080	393,469
	(12,956,161)	(13,950,568)
INCREASE IN CASH AND CASH EQUIVALENTS DURING YEAR	(8,053,046)	(6,042,549)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	41,875,678	47,918,227
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 33,822,632	\$ 41,875,678

BIG LAKES COUNTY
Schedule of Equity in Tangible Capital Assets
For the Year Ended December 31, 2018

Schedule 1

	2018	2017
BALANCE, BEGINNING OF YEAR	\$280,192,824	\$272,999,490
Purchase of tangible capital assets	13,257,241	14,344,037
Cost of tangible capital assets disposed of	(1,649,570)	(1,013,129)
Accumulated amortization of tangible capital assets disposed of	1,185,630	714,095
Restructuring - transfers of tangible capital assets	-	154,904
Amortization of tangible capital assets	(7,972,925)	(7,733,926)
Long-term debt repayments	754,871	727,353
BALANCE, END OF YEAR	\$285,768,071	\$280,192,824
Equity in Tangible Capital Assets is Comprised of the Following:		
Tangible capital assets (net book value)	\$288,988,268	\$284,167,892
Capital long-term debt	(3,220,197)	(3,975,068)
	\$285,768,071	\$280,192,824

BIG LAKES COUNTY
Schedule of Net Taxation
For the Year Ended December 31, 2018

Schedule 2

	2018 (Budget)	2018 (Actual)	2017 (Actual)
TAXATION			
Real property taxes	14,082,446	14,075,765	14,332,002
Linear property taxes	11,371,979	11,371,987	11,546,807
Government grants in place of property taxes	1,105,412	1,105,483	982,319
Designated industrial property taxes	43,701	43,701	-
Local improvement taxes	-	22,039	22,888
	26,603,538	26,618,975	26,884,016
REQUISITIONS			
Alberta School Foundation Fund	4,817,489	4,818,226	5,303,989
Heart River Housing	283,256	283,256	284,574
Designated industrial property	43,701	43,701	-
	5,144,446	5,145,183	5,588,563
NET MUNICIPAL TAXES	\$ 21,459,092	\$ 21,473,792	\$ 21,295,453

BIG LAKES COUNTY
Schedule of Government Transfers
For the Year Ended December 31, 2018

Schedule 3

	2018 (Budget)	2018 (Actual)	2017 (Actual)
TRANSFERS FOR OPERATING			
Provincial government	1,020,884	750,102	697,871
Local governments	194,081	194,081	159,866
	1,214,965	944,183	857,737
TRANSFERS FOR CAPITAL			
Provincial government	16,123,290	6,353,198	7,980,346
Federal government	-	269,444	1,678,328
Local governments	100,000	-	-
	16,223,290	6,622,642	9,658,674
TOTAL GOVERNMENT TRANSFERS	\$ 17,438,255	\$ 7,566,825	\$ 10,516,411

BIG LAKES COUNTY
Schedule of Segmented Information
For the Year Ended December 31, 2018

Schedule 4

	Administration Services	Transportation Services	Protective Services	Utility Services	Recreation and Culture Services	All Other	Total
REVENUE							
Taxation	2,859,066	8,097,902	1,328,624	1,179,202	1,959,137	6,049,861	21,473,792
User fees and sales of goods	16,688	645,312	49,760	1,620,025	540	214,953	2,547,278
Government transfers	22,969	19,876	100,000	-	97,627	703,710	944,182
All other	98,237	36,681	2,422	7,069	1,228	1,474,080	1,619,717
	2,996,960	8,799,771	1,480,806	2,806,296	2,058,532	8,442,604	26,584,969
EXPENSES							
Materials, goods, and contracted and general services	2,530,069	5,470,096	790,701	1,579,092	532,882	1,097,155	11,999,995
Salaries, wages, and benefits	1,806,591	2,836,227	362,520	867,754	254,884	1,266,953	7,394,929
Transfers to other governments	-	-	135,845	17,244	1,270,231	3,170,535	4,593,855
Utilities	59,879	170,985	49,685	174,708	-	-	455,257
Repairs and maintenance	37,305	124,661	100,224	138,296	-	10,020	410,506
Insurance	63,118	54,312	41,831	20,820	535	332	180,948
Interest on long-term debt	-	143,490	-	8,382	-	-	151,872
Amortization	265,622	6,243,592	253,328	1,202,485	-	7,898	7,972,925
	4,762,584	15,043,363	1,734,134	4,008,781	2,058,532	5,552,893	33,160,287
NET REVENUE (DEFICIT)	\$ (1,765,624)	\$ (6,243,592)	\$ (253,328)	\$ (1,202,485)	\$ -	\$ 2,889,711	\$ (6,575,318)

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

BIG LAKES COUNTY
Schedule of Segmented Information
For the Year Ended December 31, 2017

Schedule 5

	Administration Services	Transportation Services	Protective Services	Utility Services	Recreation and Culture Services	All Other	Total
REVENUE							
Taxation	2,636,975	7,219,471	925,441	1,073,511	1,842,214	7,597,841	21,295,453
User fees and sales of goods	20,223	542,025	74,150	1,835,023	332	119,000	2,590,753
Government transfers	64,261	35,068	65,785	-	103,607	589,016	857,737
All other	3,415	38,596	3,081	10,405	2,587	1,230,209	1,288,293
	2,724,874	7,835,160	1,068,457	2,918,939	1,948,740	9,536,066	26,032,236
EXPENSES							
Materials, goods, and contracted and general services	879,909	4,342,669	424,629	1,614,002	478,535	982,414	8,722,158
Salaries, wages, and benefits	1,725,532	2,860,345	361,469	931,410	164,586	1,200,429	7,243,771
Transfers to other governments	-	-	122,866	23,770	1,305,081	2,281,853	3,733,570
Repairs and maintenance	4,389	243,969	69,013	151,105	-	2,640	471,116
Utilities	54,897	163,460	52,417	165,543	-	-	436,317
Insurance	60,147	60,996	38,063	23,843	538	178	183,765
Interest on long-term debt	-	163,721	-	9,266	-	-	172,987
Amortization	259,917	6,064,064	232,684	1,171,781	-	5,480	7,733,926
	2,984,791	13,899,224	1,301,141	4,090,720	1,948,740	4,472,994	28,697,610
NET REVENUE (DEFICIT)	\$ (259,917)	\$ (6,064,064)	\$ (232,684)	\$ (1,171,781)	\$ -	\$ 5,063,072	\$ (2,665,374)

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

BIG LAKES COUNTY
Notes to Consolidated Financial Statements
For the Year Ended December 31, 2018

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. These consolidated financial statements include the Big Lakes County Library Board financial statements.

The schedule of taxes levied includes requisitions for education and seniors' 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
For the Year Ended December 31, 2018

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 - 30 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
For the Year Ended December 31, 2018

1. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(k) *Contaminated Sites*

Contaminated sites are defined as the result of contamination being introduced in air, soil, water or sediment of a chemical, organic, or radioactive material or live organism that exceeds an environmental standard. A liability for remediation on contaminated sites is recognized, net of any recoveries, when an environmental standard exists, contamination exceeds the environmental standard, the County is directly responsible for or accepts responsibility for the liability, future economic benefits will be given up, and a reasonable estimate of the liability can be made.

(l) *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, the useful lives of tangible capital assets and liabilities for remediation on contaminated sites.

2. CASH AND CASH EQUIVALENTS

	2018	2017
Guaranteed Investment Certificates	\$ 33,450,073	\$ 30,089,047
Operating bank accounts	320,781	6,754,873
Savings accounts	48,923	5,029,144
Cash on hand	2,855	2,614
	\$ 33,822,632	\$ 41,875,678

Guaranteed Investment Certificates bear interest at rates ranging from 1.50% to 2.82% per annum and mature at dates between February 2019 - September 2021.

Included in cash and cash equivalents are restricted amounts aggregating \$2,035,335 (2017 - \$1,657,242) to be used for specific capital and other projects, as detailed in *Note 6*.

3. RECEIVABLES

	2018	2017
Trade and other	\$ 9,668,595	\$ 7,121,970
Taxes and grants in place of taxes	4,268,953	1,750,263
Goods and Services Tax	518,542	212,855
Utilities	162,209	133,409
	14,618,299	9,218,497
Less: Allowance for doubtful accounts	(1,687,362)	(225,832)
	\$ 12,930,937	\$ 8,992,665

The allowance for doubtful accounts is included in Administration Services expenses on the Consolidated Statement of Operations and Accumulated Surplus.

BIG LAKES COUNTY
Notes to Consolidated Financial Statements
For the Year Ended December 31, 2018

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.

5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2018	2017
Trade and other accounts payable	\$ 4,779,083	\$ 3,989,096
Earned vacation liability	438,469	454,757
Accrued interest on long-term debt	11,303	10,189
	\$ 5,228,855	\$ 4,454,042

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.

	2017	Additions	Revenue Recognized	2018
Municipal Sustainability Initiative	\$ 1,122,051	\$ 12,751	\$ -	\$ 1,134,802
Federal Gas Tax Fund	391,206	226,297	-	617,503
Alberta Community Partnership Community and Regional Economic Support	92,550	180,522	(132,982)	140,090
Other	30,964	170,265	(93,128)	108,101
Visitor Friendly Assessment	20,471	28,024	(20,157)	28,338
	-	45,000	(38,499)	6,501
	\$ 1,657,242	\$ 662,859	\$ (284,766)	\$ 2,035,335

BIG LAKES COUNTY
Notes to Consolidated Financial Statements
For the Year Ended December 31, 2018

7. LONG-TERM DEBT

	2018	2017
Alberta Capital Financing Authority debentures	\$ 3,220,197	\$ 3,975,068

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 2018 were \$150,757 (2017 - \$178,275).

Principal and interest payments are due as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 783,446	\$ 122,182	\$ 905,628
2020	451,197	95,509	546,706
2021	469,809	76,897	546,706
2022	489,196	57,510	546,706
2023	509,392	37,314	546,706
Thereafter	517,157	18,834	535,991
	\$ 3,220,197	\$ 408,246	\$ 3,628,443

8. INVENTORIES FOR CONSUMPTION

	2018	2017
Gravel	\$ 307,054	\$ 652,989
Material and supplies	246,584	235,395
	\$ 553,638	\$ 888,384

BIG LAKES COUNTY
Notes to Consolidated Financial Statements
For the Year Ended December 31, 2018

9. TANGIBLE CAPITAL ASSETS

			2018 Net Book Value			2017 Net Book Value
Engineered structures						
Roadways and bridges			\$ 211,659,054			\$ 206,365,176
Water systems			21,839,439			20,128,592
Wastewater systems			17,219,537			17,750,584
Drainage systems			3,944,035			4,109,033
Airport			510,303			550,489
			255,172,368			248,903,874
Buildings			12,681,479			10,229,933
Construction in progress			7,181,560			11,661,301
Machinery and equipment			5,275,492			5,409,118
Land			4,710,140			4,589,534
Vehicles			2,688,734			2,035,167
Land improvements			1,278,495			1,338,965
			\$ 288,988,268			\$ 284,167,892
	Cost Beginning of Year	Additions	Disposals	Transfers	Cost End of Year	
Engineering structures						
Roadways and bridges	\$ 300,997,382	\$ 10,335,339	\$ (389,373)	\$ -	\$ 310,943,348	
Water systems	31,065,187	2,211,041	-	-	33,276,228	
Wastewater systems	23,450,825	-	-	-	23,450,825	
Drainage systems	7,319,078	-	-	-	7,319,078	
Airport	4,355,755	-	-	-	4,355,755	
	367,188,227	12,546,380	(389,373)	-	379,345,234	
Machinery and equipment	10,100,417	428,495	-	-	10,528,912	
Vehicles	5,011,244	1,628,418	(1,089,018)	-	5,550,644	
Buildings	15,474,154	2,818,564	-	-	18,292,718	
Land	4,589,534	120,606	-	-	4,710,140	
Land improvements	2,253,572	23,340	-	-	2,276,912	
Construction in progress	11,661,301	(4,308,562)	(171,179)	-	7,181,560	
	\$ 416,278,449	\$ 13,257,241	\$ (1,649,570)	\$ -	\$ 427,886,120	
	Accumulated Amortization Beginning of Year	Current Amortization	Disposals	Transfers	Accumulated Amortization End of Year	
Engineered structures						
Roadways and bridges	\$ 94,632,206	\$ 4,880,372	\$ (228,284)	\$ -	\$ 99,284,294	
Water systems	10,936,595	500,194	-	-	11,436,789	
Wastewater systems	5,700,241	531,047	-	-	6,231,288	
Airport	3,805,266	40,186	-	-	3,845,452	
Drainage systems	3,210,045	164,998	-	-	3,375,043	
	118,284,353	6,116,797	(228,284)	-	124,172,866	
Machinery and equipment	4,691,299	562,121	-	-	5,253,420	
Buildings	5,244,221	367,018	-	-	5,611,239	
Vehicles	2,976,077	843,179	(957,346)	-	2,861,910	
Land improvements	914,607	83,810	-	-	998,417	
	\$ 132,110,557	\$ 7,972,925	\$ (1,185,630)	\$ -	\$ 138,897,852	

BIG LAKES COUNTY
Notes to Consolidated Financial Statements
For the Year Ended December 31, 2018

10. ACCUMULATED SURPLUS

	2018	2017
Unrestricted surplus	\$ 11,442,239	\$ 12,308,116
Restricted surplus		
Operating reserves (Note 11)	8,135,003	8,553,430
Capital reserves (Note 11)	20,958,795	25,365,274
Equity in tangible capital assets (Schedule 1)	285,768,071	280,192,824
	\$326,304,108	\$326,419,644

11. RESTRICTED SURPLUS

	2018	2017
Operating Reserves		
Working capital	\$ 5,543,854	\$ 6,043,854
Resurfacing	960,786	960,786
Community facilities	384,142	384,142
Contingency	293,913	293,913
Medical equipment	258,500	258,500
Recreation	157,595	79,650
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
Family and Community Support Services	81,547	79,919
Water offsite levies	39,400	39,400
Sewer offsite levies	25,400	25,400
Planning and development	4,000	2,000
	\$ 8,135,003	\$ 8,553,430
Capital Reserves		
Sewer	\$ 4,016,234	\$ 4,022,283
Transportation	3,817,159	4,815,403
Equipment replacement	3,519,961	2,667,247
Water	3,373,554	7,590,093
Gravel source and pit reclamation	2,152,334	1,932,334
Fire facility	1,301,904	1,265,437
Fire equipment	974,284	1,454,141
Building	602,199	602,199
Economic Development	287,403	-
Computer equipment	270,098	267,381
Recreation and cultural	255,710	255,710
Waste transfer stations	239,684	239,684
Big Meadow Water Co-op	78,917	78,917
ASB equipment	65,029	96,519
Other	5,543	5,543
High Prairie airport reserve	(1,218)	72,383
	\$ 20,958,795	\$ 25,365,274

BIG LAKES COUNTY
Notes to Consolidated Financial Statements
For the Year Ended December 31, 2018

12. 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, 2018, the balance owing was \$NIL (2017 - \$NIL).

13. 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.

14. 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:

	Benefits and Salary	Total Allowances	2018	2017
Councillors:				
Ward 3 - Matthews	53,250	15,000	68,250	61,500
Ward 6 - Simard (Reeve)	38,850	11,600	50,450	4,550
Ward 9 - Stewart	39,300	10,800	50,100	49,100
Ward 7 - Bissell	35,800	10,800	46,600	6,800
Ward 1 - Marx	34,050	11,800	45,850	46,650
Ward 2 - Welch	29,425	10,800	40,225	6,550
Ward 4 - Killeen	29,300	10,800	40,100	38,200
Ward 5 - Nygaard	29,300	10,800	40,100	42,025
Ward 8 - Charrois	28,550	10,800	39,350	32,850
Ward 2 - Sutherland	-	-	-	28,550
Ward 6 - Podollan	-	-	-	28,550
Ward 7 - Matula	-	-	-	29,400
	\$ 317,825	\$ 103,200	\$ 421,025	\$ 374,725
Designated officers (7) (2017 - 8)	\$ 771,828	\$ 4,546	\$ 776,374	\$ 789,020
Chief Administrative Officer	\$ 233,389	\$ 2,202	\$ 235,591	\$ 196,498

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
For the Year Ended December 31, 2018

15. 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 10.39% of pensionable earnings up to the year's maximum pensionable earnings under the Canada Pension Plan and 14.84% on pensionable earnings above this amount. Employees of the County are required to make current service contributions of 9.39% of pensionable earnings up to the year's maximum pensionable earnings and 13.84% on pensionable earnings above this amount.

Total current service contributions by the County to the LAPP in 2018 were \$588,736 (2017 - \$573,971). Total current service contributions by the employees of the County to the LAPP in 2018 were \$538,609 (2017 - \$528,604).

At December 31, 2017 the Plan disclosed an actuarial surplus of \$4,835.5 million (2016 - deficit of \$637.4 million).

16. 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 2017 to 2034, the County agrees to pay the Town of Swan Hills \$950,000 annually for projects to be determined by the Town of Swan Hills. Additionally, starting in 2017, the County agrees to pay an annual capital grant to the Town of Swan Hills based on the following formula: the County's the total linear assessment for that year shall be compared with the 2016 total linear assessment for the County, and the percentage increase or decrease, as the case may be, shall be the percentage increase or decrease of this capital grant with the base amount of \$1,000,000 for that year.

(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 annually for capital projects that are mutually beneficial based on the following formula: the County's the total linear assessment for that year shall be compared with the 2016 total linear assessment for the County, and the percentage increase or decrease, as the case may be, shall be the percentage increase or decrease of this capital grant with the base amount of \$1,000,000 for that year.

BIG LAKES COUNTY
Notes to Consolidated Financial Statements
For the Year Ended December 31, 2018

17. 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:

	2018	2017
Total debt limit	\$ 39,877,454	\$ 39,048,354
Total debt (Note 7)	(3,220,197)	(3,975,068)
Amount of debt limit unused	\$ 36,657,257	\$ 35,073,286
Service on debt limit	\$ 6,646,242	\$ 6,508,059
Service on debt (Note 7)	(905,628)	(905,628)
Amount of service on debt limit unused	\$ 5,740,614	\$ 5,602,431

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.

18. 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 approximate their carrying values.

19. RELATED PARTY TRANSACTIONS

Accounts payable includes \$52,253 due to (2017 - \$23,027 due to) the High Prairie and District Regional Solid Waste Management Authority.

Other revenue includes management fees of \$10,000 (2017 - \$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 parties.

BIG LAKES COUNTY
Notes to Consolidated Financial Statements
For the Year Ended December 31, 2018

20. 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:

	2018	2017
Tax sale surplus	34,864	34,369

21. 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).

22. BUDGET FIGURES

The 2018 budget data presented in these financial statements is based on the operating and capital budgets approved by Council on June 18, 2018. The chart below reconciles the approved financial plan to the figures reported in these financial statements.

	2018 (Budget)	2018 (Actual)
Annual Surplus	\$ 7,991,190	\$ (115,536)
Add back (deduct):		
Amortization expense	7,733,750	7,972,924
Transfers from capital reserves	13,863,452	4,406,479
Transfers from / (to) operating reserves	1,522,221	418,427
Purchase of tangible capital assets	(30,355,742)	(13,257,241)
Principal debt repayments	(754,871)	(754,871)
	\$ -	\$ (1,329,818)

23. APPROVAL OF FINANCIAL STATEMENTS

These financial statements were approved by Council.