

BIG LAKES COUNTY
Consolidated Financial Statements
For the Year Ended December 31, 2017

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, 2017 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, 2017 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.

METRIX GROUP LLP

Chartered Professional Accountants

April 25, 2018
Edmonton, Alberta



**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.

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.

Original signed by

Roy Brideau
Chief Administrative Officer

Original signed by

Heather Nanninga, CPA, CA
Director of Corporate Services

BIG LAKES COUNTY
Consolidated Statement of Financial Position
As at December 31, 2017

	<u>2017</u>	<u>2016</u>
FINANCIAL ASSETS		
Cash and cash equivalents (Note 2)	\$ 41,875,678	\$ 47,918,227
Receivables (Note 3)	8,992,665	1,847,943
Loan receivable (Note 4)	305,417	410,399
Land held for resale	<u>214,025</u>	<u>214,025</u>
	<u>51,387,785</u>	<u>50,390,594</u>
LIABILITIES		
Accounts payable and accrued liabilities (Note 5)	4,454,042	3,867,739
Deposits	132,496	114,730
Deferred revenue (Note 6)	1,657,242	1,963,631
Long-term debt (Note 7)	<u>3,975,068</u>	<u>4,702,421</u>
	<u>10,218,848</u>	<u>10,648,521</u>
NET FINANCIAL ASSETS	<u>41,168,937</u>	<u>39,742,073</u>
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 9)	284,167,892	277,701,911
Inventories for consumption (Note 8)	888,384	1,562,758
Prepaid expenses and other assets	<u>194,431</u>	<u>170,263</u>
	<u>285,250,707</u>	<u>279,434,932</u>
ACCUMULATED SURPLUS (NOTE 10)	<u>\$ 326,419,644</u>	<u>\$ 319,177,005</u>

Contingencies (Note 13)

ON BEHALF OF COUNCIL:

Original signed by

Original signed by

BIG LAKES COUNTY
Consolidated Statement of Operations and Accumulated Surplus
For the Year Ended December 31, 2017

	<u>2017</u> (Budget)	<u>2017</u> (Actual)	<u>2016</u> (Actual)
REVENUE			
Net taxation (<i>Schedule 2</i>)	\$ 21,163,445	\$ 21,295,453	\$ 24,485,070
User fees and sales of goods	2,406,280	2,590,753	2,643,569
Government transfers for operating (<i>Schedule 3</i>)	983,124	857,737	859,203
Oil well drilling taxes	100,000	475,154	222,236
Interest and investment income	400,000	416,474	551,784
Penalties and costs on taxes	126,000	295,727	168,312
Rentals	48,165	52,627	53,903
Other	30,300	26,955	24,576
Fines, licenses and permits	<u>13,000</u>	<u>21,356</u>	<u>18,493</u>
	<u>25,270,314</u>	<u>26,032,236</u>	<u>29,027,146</u>
EXPENSES			
Transportation services	15,623,871	13,899,223	13,377,833
Water and wastewater services	3,808,354	3,485,670	4,296,198
Administration services	3,231,085	2,984,791	3,689,841
Intermunicipal cost sharing (<i>Note 16 (a)</i>)	2,559,780	2,168,390	2,971,450
Recreation and culture services	2,454,847	1,948,740	2,096,599
Protective services	1,590,514	1,301,139	1,399,086
Agriculture and development services	1,683,093	1,057,624	1,355,200
Council and other legislative services	626,882	637,565	521,698
Family and Community Support Services	746,229	609,420	608,829
Waste management and disposal services	<u>872,271</u>	<u>605,048</u>	<u>600,725</u>
	<u>33,196,926</u>	<u>28,697,610</u>	<u>30,917,459</u>
ANNUAL DEFICIT BEFORE OTHER REVENUE (EXPENSES)	<u>(7,926,612)</u>	<u>(2,665,374)</u>	<u>(1,890,313)</u>
OTHER REVENUE (EXPENSES)			
Government transfers for capital (<i>Schedule 3</i>)	20,971,538	9,658,674	1,529,652
Restructuring - transfers of tangible capital assets	-	154,904	2,337,735
Gain (loss) on disposal of tangible capital assets	<u>(18,000)</u>	<u>94,435</u>	<u>(243,891)</u>
	<u>20,953,538</u>	<u>9,908,013</u>	<u>3,623,496</u>
ANNUAL SURPLUS	13,026,926	7,242,639	1,733,183
ACCUMULATED SURPLUS, BEGINNING OF YEAR	<u>319,177,005</u>	<u>319,177,005</u>	<u>317,443,822</u>
ACCUMULATED SURPLUS, END OF YEAR	<u><u>\$332,203,931</u></u>	<u><u>\$326,419,644</u></u>	<u><u>\$319,177,005</u></u>

BIG LAKES COUNTY
Consolidated Statement of Changes in Net Financial Assets
For the Year Ended December 31, 2017

	<u>2017</u> (Budget)	<u>2017</u> (Actual)	<u>2016</u> (Actual)
ANNUAL SURPLUS	\$ <u>13,026,926</u>	\$ <u>7,242,639</u>	\$ <u>1,733,183</u>
Acquisition of tangible capital assets	(37,281,715)	(14,344,037)	(3,304,556)
Tangible capital assets - restructuring	-	(154,904)	(2,337,735)
Proceeds on disposal of tangible capital assets	-	393,469	147,867
Amortization of tangible capital assets	7,493,849	7,733,926	7,745,028
(Gain) loss on disposal of tangible capital assets	<u>-</u>	<u>(94,435)</u>	<u>243,891</u>
	<u>(29,787,866)</u>	<u>(6,465,981)</u>	<u>2,494,495</u>
(Acquisition) use of inventories for consumption	-	674,374	736,710
(Acquisition) use of prepaid expenses	<u>-</u>	<u>(24,168)</u>	<u>(24,550)</u>
	<u>-</u>	<u>650,206</u>	<u>712,160</u>
INCREASE (DECREASE) IN NET FINANCIAL ASSETS	(16,760,940)	1,426,864	4,939,838
NET FINANCIAL ASSETS, BEGINNING OF YEAR	<u>39,742,073</u>	<u>39,742,073</u>	<u>34,802,235</u>
NET FINANCIAL ASSETS, END OF YEAR	\$ <u><u>22,981,133</u></u>	\$ <u><u>41,168,937</u></u>	\$ <u><u>39,742,073</u></u>

BIG LAKES COUNTY
Consolidated Statement of Cash Flows
For the Year Ended December 31, 2017

	<u>2017</u>	<u>2016</u>
OPERATING ACTIVITIES		
Annual surplus	\$ 7,242,639	\$ 1,733,183
Non-cash items included in annual surplus		
Loss on disposal of tangible capital assets	(94,435)	243,891
Amortization of tangible capital assets	7,733,926	7,745,028
Restructuring - transfers of tangible capital assets	(154,904)	(2,337,735)
Change in non-cash working capital balances		
Receivables	(7,144,722)	583,251
Prepaid expenses	(24,168)	(24,550)
Inventories for consumption	674,374	736,710
Accounts payable and accrued liabilities	586,303	1,408,927
Deposit liabilities	17,766	(100)
Deferred revenue	(306,389)	902,115
Loan receivable	104,982	101,891
	<u>8,635,372</u>	<u>11,092,611</u>
FINANCING ACTIVITIES		
Long-term debt repayments	<u>(727,353)</u>	<u>(700,854)</u>
CAPITAL ACTIVITIES		
Purchase of tangible capital assets	(14,344,037)	(3,304,556)
Proceeds on disposal of tangible capital assets	<u>393,469</u>	<u>147,867</u>
	<u>(13,950,568)</u>	<u>(3,156,689)</u>
INCREASE IN CASH AND CASH EQUIVALENTS DURING YEAR	(6,042,549)	7,235,068
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>47,918,227</u>	<u>40,683,159</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ <u>41,875,678</u>	\$ <u>47,918,227</u>

BIG LAKES COUNTY
Schedule of Equity in Tangible Capital Assets
For the Year Ended December 31, 2017

Schedule 1

	<u>2017</u>	<u>2016</u>
BALANCE, BEGINNING OF YEAR	\$272,999,490	\$274,793,131
Purchase of tangible capital assets	14,344,037	3,304,556
Cost of tangible capital assets disposed of	(1,013,129)	(1,059,491)
Accumulated amortization of tangible capital assets disposed of	714,095	667,733
Restructuring - transfers of tangible capital assets	154,904	2,337,735
Amortization of tangible capital assets	(7,733,926)	(7,745,028)
Long-term debt repayments	<u>727,353</u>	<u>700,854</u>
BALANCE, END OF YEAR	<u>\$280,192,824</u>	<u>\$272,999,490</u>
Equity in Tangible Capital Assets is Comprised of the Following:		
Tangible capital assets (net book value)	\$284,167,892	\$277,701,911
Capital long-term debt	<u>(3,975,068)</u>	<u>(4,702,421)</u>
	<u>\$280,192,824</u>	<u>\$272,999,490</u>

BIG LAKES COUNTY
Schedule of Net Taxation
For the Year Ended December 31, 2017

Schedule 2

	<u>2017</u> (Budget)	<u>2017</u> (Actual)	<u>2016</u> (Actual)
TAXATION			
Real property taxes	\$ 14,345,859	\$ 14,332,002	\$ 15,647,645
Linear property taxes	11,423,780	11,546,807	14,033,297
Government grants in place of property taxes	982,369	982,319	623,058
Local improvement taxes	<u>-</u>	<u>22,888</u>	<u>212,802</u>
	<u>26,752,008</u>	<u>26,884,016</u>	<u>30,516,802</u>
REQUISITIONS			
Alberta School Foundation Fund	5,303,989	5,303,989	5,736,649
Heart River Housing	<u>284,574</u>	<u>284,574</u>	<u>295,083</u>
	<u>5,588,563</u>	<u>5,588,563</u>	<u>6,031,732</u>
NET MUNICIPAL TAXES	<u>\$ 21,163,445</u>	<u>\$ 21,295,453</u>	<u>\$ 24,485,070</u>

BIG LAKES COUNTY
Schedule of Government Transfers
For the Year Ended December 31, 2017

Schedule 3

	<u>2017</u> (Budget)	<u>2017</u> (Actual)	<u>2016</u> (Actual)
TRANSFERS FOR OPERATING			
Provincial government	\$ 798,844	\$ 697,871	\$ 666,019
Local governments	<u>184,280</u>	<u>159,866</u>	<u>193,184</u>
	<u>983,124</u>	<u>857,737</u>	<u>859,203</u>
TRANSFERS FOR CAPITAL			
Provincial government	20,506,552	7,980,346	1,529,652
Federal government	-	1,678,328	-
Local governments	<u>464,986</u>	<u>-</u>	<u>-</u>
	<u>20,971,538</u>	<u>9,658,674</u>	<u>1,529,652</u>
TOTAL GOVERNMENT TRANSFERS	<u>\$ 21,954,662</u>	<u>\$ 10,516,411</u>	<u>\$ 2,388,855</u>

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

Schedule 4

	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	119,002	2,590,755
Government transfers	64,261	35,068	65,785	-	103,607	589,015	857,736
All other	<u>3,415</u>	<u>38,596</u>	<u>3,081</u>	<u>10,405</u>	<u>2,587</u>	<u>1,230,208</u>	<u>1,288,292</u>
	<u>2,724,874</u>	<u>7,835,160</u>	<u>1,068,457</u>	<u>2,918,939</u>	<u>1,948,740</u>	<u>9,536,066</u>	<u>26,032,236</u>
EXPENSES							
Materials, goods, and contracted and general services	880,580	4,473,491	419,159	1,632,701	478,535	993,328	8,877,794
Salaries, wages, and benefits	1,725,532	2,813,393	385,969	931,362	164,586	1,299,450	7,320,292
Transfers to other governments	-	-	122,866	23,770	1,305,081	2,172,934	3,624,651
Repairs and maintenance	4,389	272,836	65,211	147,392	-	1,640	491,468
Utilities	54,897	50,723	37,189	150,605	-	-	293,414
Interest on long-term debt	-	163,721	-	9,266	-	-	172,987
Insurance	59,476	60,996	38,063	23,843	538	162	183,078
Amortization	<u>259,917</u>	<u>6,064,064</u>	<u>232,684</u>	<u>1,171,781</u>	<u>-</u>	<u>5,480</u>	<u>7,733,926</u>
	<u>2,984,791</u>	<u>13,899,224</u>	<u>1,301,141</u>	<u>4,090,720</u>	<u>1,948,740</u>	<u>4,472,994</u>	<u>28,697,610</u>
NET REVENUE (DEFICIT)	<u>\$ (259,917)</u>	<u>\$ (6,064,064)</u>	<u>\$ (232,684)</u>	<u>\$ (1,171,781)</u>	<u>\$ -</u>	<u>\$ 5,063,072</u>	<u>\$ (2,665,374)</u>

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

BIG LAKES COUNTY
Schedule of Segmented Information
For the Year Ended December 31, 2016

Schedule 5

	Administration Services	Transportation Services	Protective Services	Utility Services	Recreation and Culture Services	All Other	Total
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>\$ (281,994)</u>	<u>\$ (6,089,054)</u>	<u>\$ (234,113)</u>	<u>\$ (1,135,765)</u>	<u>\$ -</u>	<u>\$ 5,850,613</u>	<u>\$ (1,890,313)</u>

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, 2017

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
For the Year Ended December 31, 2017

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, 2017

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 and the useful lives of tangible capital assets.

2. CASH AND CASH EQUIVALENTS

	<u>2017</u>	<u>2016</u>
Guaranteed Investment Certificates	\$ 30,089,047	\$ 15,506,134
Operating bank accounts	6,754,873	18,047,364
Savings accounts	5,029,144	14,362,215
Cash on hand	<u>2,614</u>	<u>2,514</u>
	<u>\$ 41,875,678</u>	<u>\$ 47,918,227</u>

Guaranteed Investment Certificates, bear interest at rates ranging from 1.35% to 1.70% per annum and mature at dates between September 2018 - September 2021.

Included in cash and cash equivalents are restricted amounts aggregating \$1,657,242 (2016 - \$1,963,631) to be used for specific capital and other projects, as detailed in *Note 6*.

3. RECEIVABLES

	<u>2017</u>	<u>2016</u>
Trade and other	\$ 7,121,970	\$ 1,008,673
Taxes and grants in place of taxes	1,750,263	1,325,721
Goods and Services Tax	212,855	190,790
Utilities	<u>133,409</u>	<u>180,026</u>
	9,218,497	2,705,210
Less: Allowance for doubtful accounts	<u>(225,832)</u>	<u>(857,267)</u>
	<u>\$ 8,992,665</u>	<u>\$ 1,847,943</u>

BIG LAKES COUNTY
Notes to Consolidated Financial Statements
For the Year Ended December 31, 2017

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

	<u>2017</u>	<u>2016</u>
Trade and other accounts payable	\$ 3,989,096	\$ 3,459,166
Earned vacation liability	454,757	393,096
Accrued interest on long-term debt	<u>10,189</u>	<u>15,477</u>
	<u>\$ 4,454,042</u>	<u>\$ 3,867,739</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>2016</u>	<u>Additions</u>	<u>Revenue Recognized</u>	<u>2017</u>
Municipal Sustainability Initiative	\$ 1,578,791	\$ 2,050,466	\$ (2,507,206)	\$ 1,122,051
Federal Gas Tax Fund	363,143	208,838	(180,775)	391,206
Alberta Community Partnership Community and Regional Economic Support	-	180,850	(88,300)	92,550
	-	59,190	(28,226)	30,964
Other	<u>21,697</u>	<u>20,471</u>	<u>(21,697)</u>	<u>20,471</u>
	<u>\$ 1,963,631</u>	<u>\$ 2,519,815</u>	<u>\$ (2,826,204)</u>	<u>\$ 1,657,242</u>

BIG LAKES COUNTY
Notes to Consolidated Financial Statements
For the Year Ended December 31, 2017

7. LONG-TERM DEBT

	<u>2017</u>	<u>2016</u>
Alberta Capital Financing Authority debentures	\$ <u>3,975,068</u>	\$ <u>4,702,421</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 2017 were \$178,275 (2016 - \$204,775).

Principal and interest payments are due as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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
2022	489,196	57,509	546,705
Thereafter	<u>1,026,549</u>	<u>56,148</u>	<u>1,082,697</u>
	\$ <u>3,975,068</u>	\$ <u>559,001</u>	\$ <u>4,534,069</u>

8. INVENTORIES FOR CONSUMPTION

	<u>2017</u>	<u>2016</u>
Gravel	\$ <u>652,989</u>	\$ 1,351,692
Material and supplies	<u>235,395</u>	<u>211,066</u>
	\$ <u>888,384</u>	\$ <u>1,562,758</u>

BIG LAKES COUNTY
Notes to Consolidated Financial Statements
For the Year Ended December 31, 2017

9. TANGIBLE CAPITAL ASSETS

	<u>2017</u> Net Book Value	<u>2016</u> Net Book Value
Engineered structures		
Roadways and bridges	\$ 206,365,176	\$ 210,400,493
Water systems	20,128,592	19,818,404
Wastewater systems	17,750,584	17,883,296
Drainage systems	4,109,033	4,274,031
Airport	<u>550,489</u>	<u>590,675</u>
	248,903,874	252,966,899
Construction in progress	11,661,301	2,203,610
Buildings	10,229,933	10,446,172
Machinery and equipment	5,409,118	4,009,881
Land	4,589,534	4,569,735
Vehicles	2,035,167	2,082,985
Land improvements	<u>1,338,965</u>	<u>1,422,629</u>
	<u>\$ 284,167,892</u>	<u>\$ 277,701,911</u>

	Cost Beginning of Year	Additions	Disposals	Transfers	Cost End of Year
Engineering structures					
Roadways and bridges	\$ 300,219,996	\$ 777,386	\$ -	\$ -	\$ 300,997,382
Water systems	30,261,154	804,033	-	-	31,065,187
Wastewater systems	23,061,083	389,742	-	-	23,450,825
Drainage systems	7,319,078	-	-	-	7,319,078
Airport	<u>4,355,755</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,355,755</u>
	365,217,066	1,971,161	-	-	367,188,227
Machinery and equipment	8,425,452	2,557,116	(882,151)	-	10,100,417
Vehicles	4,790,153	352,069	(130,978)	-	5,011,244
Buildings	15,333,049	141,105	-	-	15,474,154
Land	4,569,735	19,799	-	-	4,589,534
Land improvements	2,253,572	-	-	-	2,253,572
Construction in progress	<u>2,203,610</u>	<u>9,457,691</u>	<u>-</u>	<u>-</u>	<u>11,661,301</u>
	<u>\$ 402,792,637</u>	<u>\$ 14,498,941</u>	<u>\$ (1,013,129)</u>	<u>\$ -</u>	<u>\$ 416,278,449</u>

	Accumulated Amortization Beginning of Year	Current Amortization	Disposals	Transfers	Accumulated Amortization End of Year
Engineered structures					
Roadways and bridges	\$ 89,819,503	\$ 4,812,703	\$ -	\$ -	\$ 94,632,206
Water systems	10,442,750	490,616	-	3,229	10,936,595
Wastewater systems	5,177,787	525,683	-	(3,229)	5,700,241
Drainage systems	3,045,047	164,998	-	-	3,210,045
Airport	<u>3,765,080</u>	<u>40,186</u>	<u>-</u>	<u>-</u>	<u>3,805,266</u>
	112,250,167	6,034,186	-	-	118,284,353
Machinery and equipment	4,415,571	858,845	(583,117)	-	4,691,299
Vehicles	2,707,168	399,887	(130,978)	-	2,976,077
Buildings	4,886,877	357,344	-	-	5,244,221
Land improvements	<u>830,943</u>	<u>83,664</u>	<u>-</u>	<u>-</u>	<u>914,607</u>
	<u>\$ 125,090,726</u>	<u>\$ 7,733,926</u>	<u>\$ (714,095)</u>	<u>\$ -</u>	<u>\$ 132,110,557</u>

BIG LAKES COUNTY
Notes to Consolidated Financial Statements
For the Year Ended December 31, 2017

10. ACCUMULATED SURPLUS

	<u>2017</u>	<u>2016</u>
Unrestricted surplus	\$ 12,308,116	\$ 8,133,379
Restricted surplus		
Operating reserves (Note 11)	8,553,430	9,504,282
Capital reserves (Note 11)	25,365,274	28,539,854
Equity in tangible capital assets (Schedule 1)	<u>280,192,824</u>	<u>272,999,490</u>
	<u>\$326,419,644</u>	<u>\$319,177,005</u>

11. RESTRICTED SURPLUS

	<u>2017</u>	<u>2016</u>
Operating Reserves		
Working capital	\$ 6,043,854	\$ 6,093,854
Resurfacing	960,786	960,786
Community facilities	384,142	395,236
Contingency	293,913	243,913
Medical equipment	258,500	208,500
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	79,650	79,285
Family and Community Support Services	79,919	72,042
Water offsite levies	39,400	39,400
Sewer offsite levies	25,400	25,400
Planning and development	2,000	-
Infrastructure Sustainability Fund	-	1,000,000
	<u>\$ 8,553,430</u>	<u>\$ 9,504,282</u>
Capital Reserves		
Water	\$ 7,590,093	\$ 9,708,002
Transportation	4,815,403	7,753,209
Sewer	4,022,283	3,216,378
Equipment replacement	2,667,247	2,224,359
Gravel source and pit reclamation	1,932,334	1,712,334
Fire equipment	1,454,141	1,291,641
Fire facility	1,265,437	1,181,367
Building	602,199	602,199
Computer equipment	267,381	93,079
Recreation and cultural	255,710	255,710
Waste transfer stations	239,684	239,684
ASB equipment	96,519	77,432
Big Meadow Water Co-op	78,917	78,917
High Prairie airport reserve	72,383	100,000
Other	<u>5,543</u>	<u>5,543</u>
	<u>\$ 25,365,274</u>	<u>\$ 28,539,854</u>

BIG LAKES COUNTY
Notes to Consolidated Financial Statements
For the Year Ended December 31, 2017

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, 2017, the balance owing was \$NIL (2016 - \$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	<u>2017</u>	<u>2016</u>
Councillors:				
Ward 1 - Marx	\$ 34,650	\$ 12,000	\$ 46,650	\$ 31,750
Ward 2 - Welch	4,750	1,800	6,550	-
Ward 2 - Sutherland	19,550	9,000	28,550	26,000
Ward 3 - Matthews(Reeve)	45,900	15,600	61,500	48,350
Ward 4 - Killeen	27,400	10,800	38,200	25,650
Ward 5 - Nygaard	31,225	10,800	42,025	31,550
Ward 6 - Simard	2,750	1,800	4,550	-
Ward 6 - Podollan	19,550	9,000	28,550	20,774
Ward 7 - Bissell	5,000	1,800	6,800	-
Ward 7 - Matula	20,400	9,000	29,400	28,500
Ward 8 - Charrois	22,050	10,800	32,850	29,800
Ward 9 - Stewart	<u>38,300</u>	<u>10,800</u>	<u>49,100</u>	<u>35,550</u>
	<u>\$ 271,525</u>	<u>\$ 103,200</u>	<u>\$ 374,725</u>	<u>\$ 277,924</u>
Designated officers (8) (2016 - 4)	<u>\$ 783,569</u>	<u>\$ 5,451</u>	<u>\$ 789,020</u>	<u>\$ 391,936</u>
Chief Administrative Officer	<u>\$ 193,020</u>	<u>\$ 3,478</u>	<u>\$ 196,498</u>	<u>\$ 181,370</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
For the Year Ended December 31, 2017

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 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 2017 were \$573,971 (2016 - \$531,136). Total current service contributions by the employees of the County to the LAPP in 2017 were \$528,604 (2016 - \$488,794).

At December 31, 2016 the Plan disclosed an actuarial deficit of \$637.4 million (2015 - \$923.4 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, 2017

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:

	<u>2017</u>	<u>2016</u>
Total debt limit	\$ 39,048,354	\$ 43,540,719
Total debt (Note 7)	<u>(3,975,068)</u>	<u>(4,702,421)</u>
Amount of debt limit unused	<u>\$ 35,073,286</u>	<u>\$ 38,838,298</u>
Service on debt limit	\$ 6,508,059	\$ 7,256,787
Service on debt (Note 7)	<u>(905,628)</u>	<u>(905,628)</u>
Amount of service on debt limit unused	<u>\$ 5,602,431</u>	<u>\$ 6,351,159</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.

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 approximates their carrying values.

19. RELATED PARTY TRANSACTIONS

Accounts payable includes \$23,027 due to (2016 - \$29,659 due to) the High Prairie and District Regional Solid Waste Management Authority.

Other revenue includes management fees of \$10,000 (2016 - \$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, 2017

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:

	<u>2017</u>	<u>2016</u>
Tax sale surplus	\$ <u>34,369</u>	\$ <u>34,023</u>

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. APPROVAL OF FINANCIAL STATEMENTS

These financial statements were approved by Council.