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## **COUNTY OF STETTLER #6**

### **FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED DECEMBER 31, 2015**

# COUNTY OF STETTLER #6

## FINANCIAL STATEMENTS

AS AT DECEMBER 31, 2015

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## INDEPENDENT AUDITORS' REPORT

TO: The Reeve and Council

We have audited the accompanying financial statements of the County of Stettler #6, which comprise the statement of financial position as at December 31, 2015, and the statements of operations, changes in net financial assets/debt and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

### Management's Responsibility for the Financial Statements

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

### Auditors' Responsibility

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

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

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

### Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the County of Stettler #6 as at December 31, 2015, and its financial performance and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

### Emphasis of Matter

A significant area requiring the use of management's estimates was the gravel inventory and the gravel reclamation valuations. Significant changes in the value of gravel and its reclamation costs could result in changes in inventory and liability amounts.

Stettler, Alberta

*March 22, 2016*


*Gitzel & Company*  
CHARTERED PROFESSIONAL ACCOUNTANTS

**COUNTY OF STETTLER #6**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT DECEMBER 31, 2015**

	<b>2015</b>	<b>2014</b>
<b>FINANCIAL ASSETS</b>		
Cash and short-term investments (Note 3)	\$ 12,608,484	\$ 15,807,519
Taxes receivable (Note 4)	688,167	426,700
Trade and other receivables (Note 5)	1,400,216	3,512,558
Local Improvement levies receivable (Note 6)	722,067	776,364
Land held for resale	250,000	250,000
Debt charges recoverable (Note 7)	2,931,844	842,080
Long-term investments (Note 8)	<u>1,857,783</u>	<u>1,859,570</u>
	<u>20,458,561</u>	<u>23,474,791</u>
 <b>LIABILITIES</b>		
Accounts payable and accrued liabilities	1,172,203	3,101,880
Deposit liabilities	26,425	26,920
Employee benefit obligations (Note 9)	313,775	276,122
Deferred revenue (Note 10)	16,497	292,782
Bank term debt (Note 11)	4,205,428	2,374,138
Other long term liabilities (Note 12)	3,414,963	3,308,262
Debenture term debt (Note 13)	<u>721,233</u>	<u>842,080</u>
	<u>9,870,524</u>	<u>10,222,184</u>
 <b>NET FINANCIAL ASSETS (DEBT)</b>	 <u>10,588,037</u>	 <u>13,252,607</u>
 <b>NON-FINANCIAL ASSETS</b>		
Inventory of materials and supplies	6,728,816	5,507,659
Tangible capital assets (Schedule 2)	89,285,009	86,598,630
Prepaid expenses	<u>221,264</u>	<u>682,946</u>
	<u>96,235,089</u>	<u>92,789,235</u>
 <b>ACCUMULATED SURPLUS (Schedule 1)</b>	 \$ <u>106,823,126</u>	 \$ <u>106,041,842</u>

Contingencies - See Note 19

**APPROVED ON BEHALF OF THE BOARD:**



# COUNTY OF STETTLER #6

## STATEMENT OF OPERATIONS

FOR THE YEAR ENDED DECEMBER 31, 2015

	Budget (Unaudited)	2015	2014
<b>REVENUES</b>			
Net municipal property taxes (Schedule 3)	\$ 15,969,075	\$ 15,970,288	\$ 15,516,405
Sales and user fees	2,272,176	2,215,423	1,343,563
Government transfers (Schedule 4)	485,618	402,919	563,656
Investment income	154,873	230,465	184,712
Penalties and costs on taxes	40,000	129,617	79,339
Rentals	100,000	116,069	111,500
Licenses, permits and fines	39,000	38,239	50,969
Other	1,500	25,469	3,368
Recovery of amortization to capital projects	60,000	-	67,206
Gain on disposal of tangible capital assets	-	<u>31,153</u>	<u>30,081</u>
Total revenue	<u>19,122,242</u>	<u>19,159,642</u>	<u>17,950,799</u>
<b>EXPENSES (Schedule 5)</b>			
Legislative	375,200	352,536	339,663
Administration	2,806,993	2,521,178	2,578,391
Protective services	1,143,271	1,039,103	1,014,644
Roads, streets, walks, lighting	18,105,056	14,062,982	12,301,259
Water and wastewater	1,432,049	1,208,166	1,245,845
Waste management	306,356	282,632	251,893
Family and community support	199,115	204,391	191,266
Ag services	727,350	689,055	615,591
Subdivision land and development	854,393	728,827	726,545
Recreation, parks and culture	973,869	956,989	637,458
Provision for allowances	-	470,511	-
Other	<u>19,500</u>	<u>74,220</u>	<u>73,716</u>
Total expenses	<u>26,943,152</u>	<u>22,590,590</u>	<u>19,976,271</u>
<b>EXCESS (SHORTFALL) OF REVENUES OVER EXPENSES – BEFORE OTHER</b>	<u>(7,820,910)</u>	<u>(3,430,948)</u>	<u>(2,025,472)</u>
<b>OTHER</b>			
Government transfers for capital (Schedule 4)	3,707,749	4,157,232	3,074,625
Local improvements levies for capital	<u>150,000</u>	<u>55,000</u>	<u>200,000</u>
	<u>\$ 3,857,749</u>	<u>4,212,232</u>	<u>3,274,625</u>
<b>EXCESS (SHORTFALL) OF REVENUES OVER EXPENSES</b>	(3,963,161)	781,284	1,249,153
<b>ACCUMULATED SURPLUS, - BEGINNING OF YEAR -</b>		<u>106,041,842</u>	<u>104,792,689</u>
<b>ACCUMULATED SURPLUS, END OF YEAR</b>		<u>\$ 106,823,126</u>	<u>\$ 106,041,842</u>

# COUNTY OF STETTLER #6

## STATEMENT OF CHANGES IN FINANCIAL ASSETS (DEBT)

FOR THE YEAR ENDED DECEMBER 31, 2015

	2015	2014
<b>EXCESS (SHORTFALL) OF REVENUES OVER EXPENSES</b>	\$ <u>781,284</u>	\$ <u>1,249,153</u>
Acquisition of tangible capital assets	(8,701,517)	(4,869,887)
Proceeds on disposal of tangible capital assets	317,001	373,056
Amortization of tangible capital assets	3,596,333	3,520,345
Net (gain) loss on sale of tangible capital assets	<u>2,101,804</u>	<u>(14,135)</u>
	<u>(2,686,379)</u>	<u>(990,621)</u>
Net use (acquisition) of supplies inventories	(1,221,157)	(473,611)
Net use (acquisition) of prepaid assets	<u>461,682</u>	<u>(405,743)</u>
	<u>(759,475)</u>	<u>(879,354)</u>
<b>INCREASE (DECREASE) IN NET FINANCIAL ASSETS</b>	(2,664,570)	(620,822)
<b>NET FINANCIAL ASSETS (DEBT) - BEGINNING OF YEAR</b>	<u>13,252,607</u>	<u>13,873,429</u>
<b>NET FINANCIAL ASSETS (DEBT) - END OF YEAR</b>	\$ <u><u>10,588,037</u></u>	\$ <u><u>13,252,607</u></u>

# COUNTY OF STETTLER #6

## STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2015

	2015	2014
<b>OPERATING ACTIVITIES</b>		
Excess (shortfall) of revenues over expenses	\$ 781,284	\$ 1,249,153
Non-cash items included in excess (shortfall of revenues over expenses):		
Amortization of tangible capital assets	3,596,333	3,520,345
Net (gain) loss on disposal of tangible capital assets	2,101,804	(14,135)
Non-cash changes to operations (net change):		
Taxes receivables	(261,467)	(157,331)
Trade and other receivables	2,112,342	(729,868)
Improvement levies receivable	54,297	(100,201)
Other financial assets	1,787	2,021
Payables and accrued liabilities	(1,892,519)	1,508,209
Deferred revenue	(276,285)	227,469
Other liabilities	106,701	128,811
Inventory	(1,221,157)	(473,611)
Prepaid expenses	461,682	(405,743)
Net cash provided by (used in) operating activities	<u>5,564,802</u>	<u>4,755,119</u>
<b>CAPITAL ACTIVITIES</b>		
Acquisition of tangible capital assets	(8,701,517)	(4,869,887)
Proceeds on sale of tangible capital assets	<u>317,001</u>	<u>373,056</u>
Net cash provided by (used) in capital activities	<u>(8,384,516)</u>	<u>(4,496,831)</u>
<b>INVESTING ACTIVITIES</b>		
Decrease (increase) in restricted cash and short-term investments	192,565	(192,565)
Loan to development	(2,210,611)	-
Repayment of loan to Stettler Housing Authority	<u>120,847</u>	<u>113,688</u>
Net cash provided by (used in) investing activities	<u>(1,897,199)</u>	<u>(78,877)</u>
<b>FINANCING ACTIVITIES</b>		
Bank term debt borrowed	2,201,298	-
Bank term debt repaid	(370,008)	(370,008)
Debenture repayment for Stettler Housing Authority	<u>(120,847)</u>	<u>(113,688)</u>
Net cash provided by (used in) financing activities	<u>1,710,443</u>	<u>(483,696)</u>
<b>CHANGE IN CASH AND EQUIVALENTS DURING THE YEAR</b>	<b>(3,006,470)</b>	<b>(304,285)</b>
<b>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</b>	<u>15,614,954</u>	<u>15,919,239</u>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<u>12,608,484</u>	<u>15,614,954</u>
<b>CASH AND CASH EQUIVALENTS IS MADE UP OF:</b>		
Cash and short-term investments	12,608,484	15,807,519
Less: restricted portion of cash (Note 3)	<u>-</u>	<u>192,565</u>
	<u>\$ 12,608,484</u>	<u>\$ 15,614,954</u>

**COUNTY OF STETTLER #6**

**SCHEDULE 1 - CHANGES IN ACCUMULATED SURPLUS**

**FOR THE YEAR ENDED DECEMBER 31, 2015**

	Unrestricted Surplus	Restricted Surplus	Equity in Tangible Capital Assets	2015	2014
<b>BALANCE - BEGINNING OF YEAR</b>	\$ <u>5,987,244</u>	\$ <u>13,455,968</u>	\$ <u>86,598,630</u>	\$ <u>106,041,842</u>	\$ <u>104,792,689</u>
Excess (deficiency) of revenues over expenses	781,284	-	-	781,284	1,249,153
Unrestricted funds designated for future use	(2,695,071)	2,695,071	-	-	-
Restricted funds used for operations	3,111,568	(3,111,568)	-	-	-
Restricted funds used for tangible capital assets	-	(2,177,001)	2,177,001	-	-
Current year funds used for tangible capital assets	(6,524,516)	-	6,524,516	-	-
Disposal of tangible capital assets	2,101,804	317,001	(2,418,805)	-	-
Annual amortization expense	<u>3,596,333</u>	<u>-</u>	<u>(3,596,333)</u>	<u>-</u>	<u>-</u>
<b>BALANCE - END OF YEAR</b>	\$ <u><u>6,358,646</u></u>	\$ <u><u>11,179,471</u></u>	\$ <u><u>89,285,009</u></u>	\$ <u><u>106,823,126</u></u>	\$ <u><u>106,041,842</u></u>



## COUNTY OF STETTLER #6

### SCHEDULE 2 – SCHEDULE OF TANGIBLE CAPITAL ASSETS

FOR THE YEAR ENDED DECEMBER 31, 2015

	Land	Land Improvements	Buildings	Engineered Structures	Machinery and Equipment	Vehicles	2015	2014
<b>COST:</b>								
BALANCE - BEGINNING OF YEAR	\$ 1,268,694	\$ 216,417	\$ 3,418,995	\$ 144,452,055	\$ 12,310,254	\$ 6,403,000	\$ 168,069,415	\$ 164,083,584
Acquisition of tangible capital assets	-	111,525	-	9,210,471	1,340,266	434,783	11,097,045	2,935,417
Construction in progress	-	-	-	(2,395,528)	-	-	(2,395,528)	1,934,470
Disposal of tangible capital assets	-	-	-	(2,911,679)	(814,288)	(96,555)	(3,822,522)	(884,056)
BALANCE - END OF YEAR	<u>1,268,694</u>	<u>327,942</u>	<u>3,418,995</u>	<u>148,355,319</u>	<u>12,836,232</u>	<u>6,741,228</u>	<u>172,948,410</u>	<u>168,069,415</u>
<b>ACCUMULATED AMORTIZATION:</b>								
BALANCE - BEGINNING OF YEAR	-	66,632	864,244	72,039,993	5,511,374	2,988,542	81,470,785	78,475,575
Annual amortization	-	10,124	75,862	2,128,081	1,003,148	379,118	3,596,333	3,520,345
Accumulated amortization on disposals	-	-	-	(787,402)	(535,441)	(80,874)	(1,403,717)	(525,135)
BALANCE - END OF YEAR	<u>-</u>	<u>76,756</u>	<u>940,106</u>	<u>73,380,672</u>	<u>5,979,081</u>	<u>3,286,786</u>	<u>83,663,401</u>	<u>81,470,785</u>
<b>NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS</b>	<u>1,268,694</u>	<u>251,186</u>	<u>2,478,889</u>	<u>74,974,647</u>	<u>6,857,151</u>	<u>3,454,442</u>	<u>89,285,009</u>	<u>\$ 86,598,630</u>
<b>2014 NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS</b>	<u>\$ 1,268,694</u>	<u>\$ 149,785</u>	<u>\$ 2,554,751</u>	<u>\$ 72,412,062</u>	<u>\$ 6,798,880</u>	<u>\$ 3,414,458</u>	<u>\$ 86,598,630</u>	

# COUNTY OF STETTLER #6

## SCHEDULE 3 – PROPERTY AND OTHER TAXES

FOR THE YEAR ENDED DECEMBER 31, 2015

	Budget (Unaudited)	2015	2014
<b>TAXATION</b>			
Real property taxes	\$ 10,046,688	\$ 10,046,529	\$ 9,653,677
Linear property taxes	10,832,226	10,831,041	10,656,938
Special assessments and local improvement taxes	<u>-</u>	<u>-</u>	<u>4,162</u>
	<u>20,878,914</u>	<u>20,877,570</u>	<u>20,314,777</u>
<b>REQUISITIONS</b>			
Seniors' Lodges	529,485	529,485	484,404
Alberta School Foundation Fund	<u>4,380,354</u>	<u>4,377,797</u>	<u>4,313,968</u>
	<u>4,909,839</u>	<u>4,907,282</u>	<u>4,798,372</u>
<b>NET MUNICIPAL TAXES</b>	\$ <u>15,969,075</u>	\$ <u>15,970,288</u>	\$ <u>15,516,405</u>

# COUNTY OF STETTLER #6

## SCHEDULE 4 – GOVERNMENT TRANSFERS

FOR THE YEAR ENDED DECEMBER 31, 2015

	Budget (Unaudited)	2015	2014
<b>TRANSFER FOR OPERATING</b>			
Provincial government	\$ 454,798	\$ 367,678	\$ 528,621
Other local government	<u>30,820</u>	<u>35,241</u>	<u>35,035</u>
	<u>485,618</u>	<u>402,919</u>	<u>563,656</u>
<b>TRANSFERS FOR CAPITAL</b>			
Federal government	-	166,583	-
Provincial government	3,557,749	3,840,649	3,074,625
Other local government	<u>150,000</u>	<u>150,000</u>	<u>-</u>
	<u>3,707,749</u>	<u>4,157,232</u>	<u>3,074,625</u>
	\$ <u>4,193,367</u>	\$ <u>4,560,151</u>	\$ <u>3,638,281</u>

# COUNTY OF STETTLER #6

## SCHEDULE 5 –EXPENDITURES BY OBJECT

FOR THE YEAR ENDED DECEMBER 31, 2015

	Budget (Unaudited)	2015	2014
<b>EXPENDITURES</b>			
Salaries, wages and benefits	\$ 7,780,725	\$ 7,356,074	\$ 6,716,160
Contracted and general services	8,927,505	3,622,264	4,361,524
Materials, goods, supplies and utilities	4,893,450	3,535,182	3,882,123
Provision for allowances	10,000	471,631	-
Interest on term debt	120,000	154,802	170,128
Bank charges and short term interest	60,000	54,231	41,660
Transfers to other governments, boards and agencies	1,707,870	1,667,116	1,268,385
Amortization of tangible capital assets	3,443,602	3,596,333	3,520,345
Loss on disposal of tangible capital assets	<u>-</u>	<u>2,132,957</u>	<u>15,946</u>
<b>TOTAL EXPENDITURES</b>	\$ <u>26,943,152</u>	\$ <u>22,590,590</u>	\$ <u>19,976,271</u>

# COUNTY OF STETTLER #6

## SCHEDULE 6 - SEGMENTED DISCLOSURE

FOR THE YEAR ENDED DECEMBER 31, 2015

	General Government	Protective Services	Transportation Services	Water and Wastewater	Agricultural Services	Planning & Development	Recreation & Culture	Other	Total
<b>REVENUE</b>									
Net municipal taxes	\$ 15,970,288	\$ -	\$ -	\$ 55,000	\$ -	\$ -	\$ -	\$ -	\$ 16,025,288
Sales and user fees	377,980	181,416	86,143	414,098	42,718	1,112,232	836	-	2,215,423
Government transfers	-	21,921	3,313,164	483,166	168,359	192,543	232,119	148,879	4,560,151
Investment income	156,210	-	-	15,535	-	-	-	58,720	230,465
Other revenues	<u>277,001</u>	<u>12,979</u>	<u>135</u>	<u>-</u>	<u>-</u>	<u>17,400</u>	<u>1,879</u>	<u>-</u>	<u>309,392</u>
	<u>16,781,479</u>	<u>216,316</u>	<u>3,399,442</u>	<u>967,799</u>	<u>211,077</u>	<u>1,322,175</u>	<u>234,834</u>	<u>207,599</u>	<u>23,340,722</u>
<b>EXPENSES</b>									
Salaries, wages and benefits	1,720,420	280,903	4,121,853	562,940	268,813	372,282	27,460	1,403	7,356,074
Contract and general services	818,023	173,114	2,378,630	139,485	82,488	12,062	7,337	11,125	3,622,260
Materials, goods, supplies and Utilities	134,413	223,762	2,408,340	159,055	273,512	315,489	3,335	17,276	3,535,182
Transfers	94,234	134,209	-	41,716	3,000	2,381	918,857	472,719	1,667,116
Provisions for allowances	471,631	-	-	-	-	-	-	-	471,631
Interest and charges	<u>54,231</u>	<u>-</u>	<u>96,082</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>58,720</u>	<u>209,033</u>
	<u>3,292,952</u>	<u>811,988</u>	<u>9,004,905</u>	<u>903,196</u>	<u>627,813</u>	<u>702,214</u>	<u>956,989</u>	<u>561,243</u>	<u>16,861,300</u>
<b>NET REVENUE, BEFORE AMORTIZATION</b>	<u>13,488,527</u>	<u>(595,672)</u>	<u>(5,605,463)</u>	<u>64,603</u>	<u>(416,736)</u>	<u>619,961</u>	<u>(722,155)</u>	<u>(353,644)</u>	<u>6,479,421</u>
Gain (Loss) on disposal of capital assets	-	-	(2,101,804)	-	-	-	-	-	(2,101,804)
Amortization expense	<u>(51,273)</u>	<u>(227,115)</u>	<u>(2,925,120)</u>	<u>(304,970)</u>	<u>(61,242)</u>	<u>(26,613)</u>	<u>-</u>	<u>-</u>	<u>(3,596,333)</u>
<b>NET REVENUE</b>	<u>\$ 13,437,254</u>	<u>\$ (822,787)</u>	<u>\$ (10,632,387)</u>	<u>\$ (240,367)</u>	<u>\$ (477,978)</u>	<u>\$ 593,348</u>	<u>\$ (722,155)</u>	<u>\$ (353,644)</u>	<u>\$ 781,286</u>

STETTLER & COMPANY  
CHARTERED PROFESSIONAL ACCOUNTANTS

# COUNTY OF STETTLER #6

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015

### 1. SIGNIFICANT ACCOUNTING POLICIES

The financial statements are the representations of management prepared in accordance with generally accepted accounting principles for local governments established by the Public Sector Accounting and Auditing Board of the Chartered Professional Accountants of Canada.

The financial statements have, in management's opinion, been properly prepared within reasonable limits of materiality and within the framework of significant accounting policies adopted as follows:

#### (a) Reporting Entity

The financial statements reflect the assets, liabilities, revenues and expenditures, and changes in financial position of the reporting entity which comprises all the organizations that are accountable for the administration of their financial affairs and resources to the council and are owned or controlled by the municipality.

The schedule of taxes levied also includes operating requisitions for many educational, health care, social and other external organizations that are not part of the municipal reporting entity.

The statements exclude trust assets that are administered for the benefit of external parties. Interdepartmental and organizational transactions and balances are eliminated.

#### (b) Basis of Accounting

The basis of accounting followed in the financial statement presentation includes revenues in the period in which the transactions or events occurred that gave rise to the revenues and expenditures in the period the goods and services are acquired and a liability is incurred with the exception of pension expenditures as disclosed in Note 1.h.

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

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

#### (c) Use of Estimates

The preparation of financial statements in conformity with Canadian public sector accounting principles 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 financial statements, and the reported amounts of revenue and expenditure during the period. Where measurement uncertainty exists, the financial statements have been prepared within reasonable limits of materiality. Actual results could differ from those estimates.

# COUNTY OF STETTLER #6

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015

### 1. SIGNIFICANT ACCOUNTING POLICIES - Continued

#### (c) Use of Estimates - Continued

Amortization is based on the estimated useful lives of property and equipment. These estimates and assumptions are reviewed periodically and, as adjustments become necessary, they are reported in earnings in the periods in which they become known.

A significant area requiring the use of management's estimates was the gravel inventory and the gravel reclamation valuations. Significant changes in the value of gravel and its reclamation costs could result in changes in inventory and liability amounts.

#### (d) Tax Revenue

Tax revenues are recognized when the tax has been authorized by bylaw and the taxable event has occurred.

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

#### (e) Contaminated Sites Liability

Contaminated sites are a result of contamination being introduced into air, soil, water or sediment of a chemical, organic or radioactive material or live organism that exceeds an environmental standard. The liability is recorded net of any expected recoveries. A liability for remediation of a contaminated site is recognized when a site is not in productive use and is management's estimate of the cost of post – remediation including operation, maintenance and monitoring.

#### (f) Government Transfers

Government transfers are recognized in the financial statements as revenues in the period that 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.

#### (g) Interest on Long-Term Debt

Interest on long-term debt is recorded as an expenditure as payment is made and is accrued for long-term debt interest payable at the end of the year.

#### (h) Pension Expenditure

The county participates in a multi-employer defined benefit pension plan. The plan is accounted for as a defined contribution plan.

Contributions for current and past service pension benefits are recorded as expenditures in the year in which they become due.

# COUNTY OF STETTLER #6

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015

### 1. SIGNIFICANT ACCOUNTING POLICIES – Continued

(i) Taxes and Grants in Place of Taxes Receivables

Current and arrears taxes and grants in place of taxes receivables consist of current tax levies and tax levies of prior years which remain outstanding at December 31st.

(j) Investments

Investments are recorded at cost.

(k) Allowances for Operating Assets

Allowances for asset valuations are netted against the related asset. Increases in allowances are recorded as an expenditure while decreases in allowances are recorded as a revenue.

(l) 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. When the actual levy is less than the requisition amount, the under-levy is accrued as a receivable and as property taxes.

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

(m) Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand, accounts with banks and short-term, highly liquid investments.

(n) Non-Financial Assets

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



# COUNTY OF STETTLER #6

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015

### 1. SIGNIFICANT ACCOUNTING POLICIES – Continued

#### (n) Non-Financial Assets – Continued

##### (i) 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 the estimated useful life as follows:

	YEARS
Land improvements	15 - 25
Buildings	25 - 50
Engineered structures	
Roads	15 - 30
Bridges	Variable
Water system	45
Wastewater system	45
Other engineered structures	75
Machinery and equipment	5 - 40
Vehicles	10 - 25

The annual amortization charge in the year of acquisition is pro-rated based on the number of months that the asset was in use during the year. Assets are not amortized in the year of disposal. Assets under construction are not amortized until the asset is available for productive use.

##### (ii) Inventories of Materials and Supplies

Inventories of materials and supplies are valued at the lower of cost and net realizable value with cost determined by the average cost method.

### 2. RECENT ACCOUNTING PRONOUNCEMENTS PUBLISHED BUT NOT YET ADOPTED

The following accounting standards have been issued by the Chartered Professional Accountants of Canada but are not yet effective. The town is currently evaluating the effect of adopting these standards on their financial statements.

#### (a) Section PS 3041 - Portfolio Investments

This new section establishes standards on how to account for and report portfolio investments in government financial statements. This standard is effective for the 2016 fiscal year.

#### (b) Section PS 3450 – Financial Instruments

This section establishes standards on how to account for and report all types of financial instruments including derivatives. This standard is effective for the 2016 fiscal year.

# COUNTY OF STETTLER #6

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015

### 3. CASH AND SHORT-TERM INVESTMENTS

	2015	2014
Cash	\$ <u>12,608,484</u>	\$ <u>15,807,519</u>
Included in cash are the following restricted amounts:		
Received from Provincial or Federal grants and held exclusively for capital projects (Note 10)	\$ _____ -	\$ <u>192,565</u>

### 4. TAXES AND GRANTS IN PLACE OF TAXES RECEIVABLE

	2015	2014
Current	\$ 860,667	\$ 379,992
Arrears	252,938	46,708
Allowance for uncollectable taxes	<u>(425,438)</u>	-
	\$ <u>688,167</u>	\$ <u>426,700</u>

### 5. TRADE AND OTHER RECEIVABLES

	2015	2014
Receivable from other governments	\$ 946,748	\$ 296,373
Trade and other receivables	419,674	3,192,160
Reserve for property acquired	<u>33,794</u>	<u>24,025</u>
	\$ <u>1,400,216</u>	\$ <u>3,512,558</u>

### 6. LOCAL IMPROVEMENT LEVIES RECEIVABLE

	2015	2014
Local improvement levies	\$ 722,067	\$ 776,364

Levies are receivable with various repayment schedules and interest rates from 2.128% to 4.227%.

### 7. DEBT CHARGES RECOVERABLE

	2015	2014
County of Stettler Housing Authority	\$ 721,233	\$ 842,080
Loan for local development	<u>2,210,611</u>	-
	<u>2,931,844</u>	<u>842,080</u>

The loan to County of Stettler Housing Authority is repayable in annual payments of \$174,196 including interest ranging from 6.125% to 6.5%.

The loan for local development is repayable with the sale of specific subdivision lots including interest at Royal Bank Prime minus 0.25%.

# COUNTY OF STETTLER #6

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015

### 8. LONG TERM INVESTMENTS

	2015	2014
Investment in Shirley McClellan Regional Water Services Commission – at cost	\$ 1,852,133	\$ 1,852,133
Other patronage and shares	<u>5,650</u>	<u>7,437</u>
	<u>\$ 1,857,783</u>	<u>\$ 1,859,570</u>

### 9. EMPLOYEE BENEFIT OBLIGATIONS

	2015	2014
Vacation and wage accruals	\$ <u>313,775</u>	\$ <u>276,122</u>

The vacation liability is comprised of the vacation that employees are deferring to future years. Employees have earned the benefits and are entitled to these benefits within the next budgetary year.

### 10. DEFERRED REVENUE

	2015	2014
Buffalo Lake deposits	\$ -	\$ 100,217
Regional Collaboration Program	-	192,565
Other	<u>16,497</u>	<u>-</u>
	<u>\$ 16,497</u>	<u>\$ 292,782</u>

Funding in the amount of \$NIL (2014 - \$192,565) is from capital grants. The use of these funds is restricted to eligible capital projects, as approved under the funding agreement, which are scheduled for completion in 2015. Cash of \$NIL (2014 - \$192,565) held exclusively for these projects supports unexpended funds related to the advance. (Note 3)

### 11. BANK TERM DEBT

	2015	2014
Gravel loan - repayable at \$30,834 per month plus interest at 4.37%, matures in 2021	\$ 2,004,130	\$ 2,374,138
Subdivision development loan – repayable at the earlier of specific subdivision lots or September 30, 2018 plus interest monthly at Royal Bank Prime minus 0.25%	<u>2,201,298</u>	<u>-</u>
	<u>\$ 4,205,428</u>	<u>\$ 2,374,138</u>

# COUNTY OF STETTLER #6

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015

### 11. BANK TERM DEBT - Continued

Principal repayments are due as follows:

	Principal
2016	\$ 370,008
2017	370,008
2018	2,571,306
2019	370,008
2020	370,008
2021	<u>154,090</u>
	<u>\$ 4,205,428</u>

The bank term debts were borrowed for the purposes of acquiring a long term supply of gravel and supporting development within the county.

Bank debt is issued on the credit and security of the municipality.

Interest on bank term debt totaled \$104,952 (2014 - \$112,912).

### 12. OTHER LONG-TERM LIABILITIES

	2015	2014
Gravel reclamation liability	\$ 1,717,963	\$ 1,557,965
Payable to Shirley McClellan Water Services Commission	<u>1,697,000</u>	<u>1,750,297</u>
	<u>\$ 3,414,963</u>	<u>\$ 3,308,262</u>

#### Gravel Reclamation Liability

Alberta environmental law requires closure and post-closure care of gravel sites, which includes final covering and landscaping, and ongoing environmental monitoring, site inspections and maintenance. This cost has been allocated over the usable tonnes of gravel at these sites and is being accrued at the rate of \$1.00 per tonne and is reduced by reclamation work performed during the year.

Payable to Shirley McClellan Water Services Commission is due at \$106,724 per year including interest at 3.0757%.

### 13. DEBENTURE TERM DEBT

	2015	2014
Debentures held on behalf of County of Stettler Housing Authority	<u>\$ 721,233</u>	<u>\$ 842,080</u>

**COUNTY OF STETTLER #6**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2015**

**13. DEBENTURE TERM DEBT - Continued**

Principal and interest repayments are due as follows:

	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2016	\$ 128,456	\$ 45,739	\$ 174,195
2017	136,546	37,650	174,196
2018	145,145	29,051	174,196
2019	154,286	19,910	174,196
2021	75,932	10,192	86,124
Thereafter	<u>80,868</u>	<u>5,257</u>	<u>86,125</u>
	<u>\$ 721,233</u>	<u>\$ 147,799</u>	<u>\$ 869,032</u>

The debenture term debt was borrowed for the purpose of a loan to the County of Stettler Housing Authority.

Debenture debt is repayable to Alberta Capital Finance Authority and bears interest at rates ranging from 6.125% to 6.5% per annum, and mature in periods 2019 through 2021. The average annual interest rate is 6.3% for 2015. Debenture debt is issued on the credit and security of the municipality.

Interest on debenture term debt amounted to \$49,850 (2014 - \$57,216).

**14. 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 municipality be disclosed as follows:

	<b>2015</b>	<b>2014</b>
Total debt limit	\$ 29,046,963	\$ 27,226,199
Total debt	<u>4,926,661</u>	<u>3,216,218</u>
Amount total debt limit available	<u>24,120,302</u>	<u>24,009,981</u>
Service on debt limit	4,841,161	4,537,700
Service on debt	<u>1,532,545</u>	<u>640,542</u>
Amount service on debt limit available	<u>\$ 3,308,616</u>	<u>\$ 3,897,158</u>

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

## COUNTY OF STETTLER #6

### NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015

#### 15. RESERVES

Reserves for operating and capital activities changed as follows:

	2014	Increases	Decreases	2015
<b>OPERATING RESERVES:</b>				
Public Trust	\$ 136,098	\$ 9,366	\$ -	\$ 145,464
General	4,851,441	-	1,830,000	3,021,441
Disaster projects	175,000	-	-	175,000
Bridges	762,916	62,835	-	825,751
Gravel	1,120,000	-	1,120,000	-
Digital services	10,000	-	-	10,000
Road plan registration	100,000	-	-	100,000
Agricultural services	10,000	-	-	10,000
Planning and development	110,000	-	34,020	75,980
Rural development fund	204,116	64,850	10,678	258,288
Municipal reserve	-	972,136	-	972,136
Doctor recruitment	69,275	-	59,234	10,041
F.C.S.S.	17,110	-	-	17,110
Recreation	44,839	428	-	45,267
Recreation – Special Projects	370,516	50,000	57,636	362,880
Recreation – Extra Projects	320,000	125,000	-	445,000
	<u>8,301,311</u>	<u>1,284,615</u>	<u>3,111,568</u>	<u>6,474,358</u>
<b>CAPITAL RESERVES:</b>				
Administration	1,292,229	-	-	1,292,229
Fire	265,934	188,000	-	453,934
Protective services	40,000	-	40,000	-
Public works	2,147,317	1,200,000	1,786,000	1,561,317
Water/Sewer projects	1,342,177	1,456	34,000	1,309,633
Agriculture services	67,000	21,000	-	88,000
	<u>5,154,657</u>	<u>1,410,456</u>	<u>1,860,000</u>	<u>4,705,113</u>
<b>TOTAL</b>	<b>\$ <u>13,455,968</u></b>	<b>\$ <u>2,695,071</u></b>	<b>\$ <u>4,971,568</u></b>	<b>\$ <u>11,179,471</u></b>

#### 16. EQUITY IN TANGIBLE CAPITAL ASSETS

	2015	2014
Tangible capital assets (Schedule 2)	\$ <u>89,285,009</u>	\$ <u>86,598,630</u>

## COUNTY OF STETTLER #6

### NOTES TO THE FINANCIAL STATEMENTS

#### FOR THE YEAR ENDED DECEMBER 31, 2015

#### 17. SALARY & BENEFITS DISCLOSURE

Disclosure of salaries and benefits for elected municipal officials, the chief administrative officer and designated officers as required by provincial regulation is as follows:

		Benefits		2015	2014
		Salary(1)	Allowances(2&3)		
<b>Elected Officials</b>					
Byemoor-Endiang	Les Stulberg	\$ 40,550	\$ 4,233	\$ 44,783	\$ 41,144
Big Valley	Dave Grover	31,136	4,182	35,318	34,662
Erskine South-Warden	James Nibourg	40,261	4,245	44,506	36,591
Stettler	Ernie Gendre	25,742	4,127	29,869	24,686
Botha-Gadsby	Greggory Jackson	28,773	4,186	32,959	29,534
Erskine-Buffalo Lake	Joe Gendre	36,179	4,207	40,386	34,483
Donalda-Red Willow	Wayne Nixon	41,021	3,994	45,015	43,827
<b>Chief Administrative Officer</b>					
Tim Fox		198,884	39,334	238,218	230,632
Other Designated Officer		\$ 93,459	\$ 19,578	\$ 113,037	\$ 106,016

(1) Salary includes regular base pay, bonuses, overtime, lump sum payments, gross honoraria and any other direct cash remuneration.

(2) Employer's share of all employee benefits and contributions or payments made on behalf of employees including pension, dental coverage, vision coverage, group life insurance, accidental disability and dismemberment insurance, long and short term disability plans, professional memberships and tuition.

(3) Benefits and allowances figures also include the Employer's share of the costs of additional taxable benefits including special leave with pay, financial planning services, retirement planning services, concessionary loans, travel allowances, car allowances and club memberships.

#### 18. LOCAL AUTHORITIES PENSION PLAN

Employees of the County of Stettler #6 participate in the Local Authorities Pension Plan (LAPP), which is covered by the Public Sector Pension Plans Act. The plan serves about 237,612 people and 423 employers. It is financed by employer and employee contributions and investment earnings of the LAPP Fund.

In 2015 the County of Stettler #6 was required to make current service contributions to the Plan of 11.39% of pensionable earnings up to the CPP maximum pensionable earnings and 15.84% of any excess earnings. Employees of the County of Stettler were required to make current service contributions of 10.39% of pensionable salary up to the year's maximum pensionable salary and 14.84% on salary above this amount.

Total current and past service contributions by the County of Stettler #6 to the Local Authorities Pension Plan in 2015 were \$635,736 (2014 - \$591,714). Total current and past service contributions by the employees of the County of Stettler #6 to the Local Authorities Pension Plan in 2015 were \$586,918 (2014 - \$546,153).

At December 31, 2014, the Plan disclosed an actuarial deficiency of \$2.5 billion for the Plan.

# COUNTY OF STETTLER #6

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015

### 19. CONTINGENCIES

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

The County of Stettler and all other incorporated municipalities within the geographical boundaries of the County of Stettler provide funds for the operation of the Stettler Waste Management Authority. The Authority is accumulating reserves to fund any future site cleanup obligations. The member municipalities may be liable for future costs in excess of the reserves.

The Town of Stettler and the County of Stettler through joint agreement provide funds for the operation of the Stettler Family and Community Support services. The amounts presented in this financial statement represent only the County of Stettler portion of contributions made to F.C.S.S.

The County of Stettler is also a member of the Shirley McClellan Regional Water Services Commission. Members are responsible for funding the water services provided through this Commission. These statements represent only the contributions made for current water usage.

The County, along with other municipalities in the geographical area, receives requisitions from the County of Stettler Housing Authority. The Authority unilaterally determines these amounts and they may vary dependent upon projected funding requirements.

### 20. COMMITMENTS

The County was committed to the purchase of Construction Equipment for \$1,257,624.

At year end the County is committed to contracts providing administrative services for:

Shirley McClellan Regional Water Services Commission  
Stettler Waste Management Authority  
Stettler Ambulance Authority

### 21. FINANCIAL INSTRUMENTS

A financial instrument is any contract that gives rise to a financial asset of one party and a financial liability or equity instrument of another party.

The county's financial instruments consist of cash, receivables, long term investments, accounts payable, deposit liabilities, royalties payable, reclamation liabilities, and capital lease obligation. In management's opinion these financial instruments are not exposed to significant interest rate or currency risks.

The county is exposed to various risks through its financial instruments. The following analysis provides a measure of the county's risk exposure and concentrations at the balance sheet date.



# COUNTY OF STETTLER #6

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015

### 21. FINANCIAL INSTRUMENTS - Continued

#### Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types or risk: currency risk, interest rate risk and other price risk. It is management's opinion that the county is not exposed to significant currency or other price risk.

#### Credit Risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The county is subject to credit risk with respect to taxes and grants in place of taxes receivables and trade and other receivables. Credit risk arises from the possibility that taxpayers and entities to which the county provides services may experience financial difficulty and be unable to fulfill their obligations. The large number and diversity of taxpayers and customers minimizes the credit risk. The carrying value of accounts receivable reflects management's assessment of credit risk.

#### Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The County is exposed to interest rate risk on temporary bank indebtedness, as the interest rate will fluctuate with change in the prime lending rate.

The fixed rate debentures are subject to interest rate price risk, as the value will fluctuate as a result of changes in market rates.

#### Operating Line of Credit

At December 31, 2015 the municipality had a short-term bank line of credit aggregating \$3,100,000 (2014 - \$625,862) of which \$NIL (2014 - \$ NIL) has been drawn down. Lines of credit are revolving operating and term facilities that bear interest at the prime rate less 0.5%. They are reviewed annually and are supported by a bylaw approved by council.

Unless otherwise noted, the carrying value of the financial instrument approximates fair value.

### 22. BUDGET AMOUNTS

Budget figures for the year ended December 31, 2015 were approved by Council on May 13, 2015 and are for information purposes. These amounts have not been audited.

### 23. APPROVAL OF FINANCIAL STATEMENTS

Council and Management have approved these financial statements.