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COUNTY OF STETTLER #6

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2017

COUNTY OF STETTLER #6

FINANCIAL STATEMENTS

AS AT DECEMBER 31, 2017

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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, 2017, 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, 2017, 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
April 11, 2018

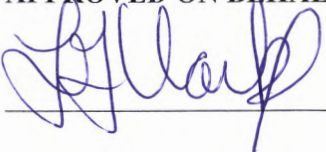
Gitzel & Company
CHARTERED PROFESSIONAL ACCOUNTANTS

COUNTY OF STETTLER #6
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2017

	2017	2016
FINANCIAL ASSETS		
Cash and short-term investments (Note 3)	\$ 7,250,614	\$ 10,259,239
Taxes receivable (Note 4)	1,419,442	681,016
Trade and other receivables (Note 5)	1,564,989	2,259,933
Local Improvement levies receivable (Note 6)	629,334	668,599
Land held for resale	1,308,082	707,890
Debt charges recoverable (Note 7)	910,255	2,727,791
Long-term investments (Note 8)	<u>2,853,347</u>	<u>2,853,325</u>
	<u>15,936,063</u>	<u>20,157,793</u>
 LIABILITIES		
Accounts payable and accrued liabilities	1,032,048	3,850,342
Deposit liabilities	22,375	20,675
Employee benefit obligations (Note 9)	147,355	128,098
Deferred revenue (Note 10)	621,099	-
Bank term debt (Note 11)	1,330,142	3,708,245
Other long term liabilities (Note 12)	4,234,686	4,320,459
Debenture term debt (Note 13)	<u>456,231</u>	<u>592,777</u>
	<u>7,843,936</u>	<u>12,620,596</u>
 NET FINANCIAL ASSETS (DEBT)	 <u>8,092,127</u>	 <u>7,537,197</u>
 NON-FINANCIAL ASSETS		
Tangible capital assets (Schedule 2)	98,038,895	94,411,501
Inventory of materials and supplies	5,694,409	6,452,871
Prepaid expenses	<u>233,927</u>	<u>187,994</u>
	<u>103,967,231</u>	<u>101,052,366</u>
 ACCUMULATED SURPLUS (Schedule 1)	 \$ <u>112,059,358</u>	 \$ <u>108,589,563</u>

Contingencies - See Note 19

APPROVED ON BEHALF OF THE BOARD:



COUNTY OF STETTLER #6

STATEMENT OF OPERATIONS

FOR THE YEAR ENDED DECEMBER 31, 2017

	Budget (Unaudited)	2017	2016
REVENUES			
Net municipal property taxes (Schedule 3)	\$ 14,350,187	\$ 14,369,587	\$ 15,508,589
Sales and user fees	1,095,566	1,294,574	1,343,279
Government transfers (Schedule 4)	575,977	601,276	596,334
Investment income	115,560	79,339	132,310
Penalties and costs on taxes	40,000	326,460	245,949
Rentals	100,000	111,946	117,103
Licenses, permits and fines	26,000	41,042	40,272
Other	7,300	4,127	26,061
Recovery of amortization to capital projects	-	128,148	-
Gain on disposal of tangible capital assets	-	-	33,230
Total revenue	16,310,590	16,956,499	18,043,127
EXPENSES (Schedule 5)			
Legislative	386,300	347,583	321,650
Administration	2,686,360	2,497,803	2,524,232
Protective services	1,152,205	981,516	989,654
Roads, streets, walks, lighting	11,494,113	10,726,973	11,193,645
Water and wastewater	1,469,639	1,496,178	1,365,576
Waste management	380,642	395,553	326,378
Family and community support	234,554	228,647	226,400
Ag services	745,550	644,859	669,918
Subdivision land and development	705,350	529,701	463,476
Recreation, parks and culture	939,434	926,325	962,525
Provision for allowances	5,000	162,470	1,299,412
Other	57,100	50,644	57,521
Total expenses	20,256,247	18,988,252	20,400,387
EXCESS (SHORTFALL) OF REVENUES OVER EXPENSES – BEFORE OTHER	(3,945,657)	(2,031,753)	(2,357,260)
OTHER			
Government transfers for capital (Schedule 4)	3,831,096	3,169,342	4,068,697
Local improvements levies for capital	63,200	290,920	55,000
	3,894,296	3,460,262	4,123,697
EXCESS (SHORTFALL) OF REVENUES OVER EXPENSES	\$ (51,361)	1,428,509	1,766,437
ACCUMULATED SURPLUS - BEGINNING OF YEAR		108,589,563	106,823,126
DISSOLUTION OF THE VILLAGE OF BOTHA INTO THE COUNTY OF STETTLER (Note24)		2,041,286	-
ACCUMULATED SURPLUS - END OF YEAR		\$ 112,059,358	\$ 108,589,563

COUNTY OF STETTLER #6

STATEMENT OF CHANGES IN FINANCIAL ASSETS (DEBT)

FOR THE YEAR ENDED DECEMBER 31, 2017

	2017	2016
EXCESS (SHORTFALL) OF REVENUES OVER EXPENSES	\$ <u>1,428,509</u>	\$ <u>1,766,437</u>
Acquisition of tangible capital assets from the Village of Botha (Note 24)	(1,725,888)	-
Acquisition of tangible capital assets	(5,680,613)	(8,924,642)
Proceeds on disposal of tangible capital assets	8,420	60,000
Amortization of tangible capital assets	3,753,851	3,771,380
Net (gain) loss on sale of tangible capital assets	<u>16,836</u>	<u>(33,230)</u>
	<u>(3,627,394)</u>	<u>(5,126,492)</u>
Net use (acquisition) of supplies inventories	758,462	275,945
Net use (acquisition) of prepaid assets	<u>(45,933)</u>	<u>33,270</u>
	<u>712,529</u>	<u>309,215</u>
INCREASE (DECREASE) IN NET FINANCIAL ASSETS	(1,486,356)	(3,050,840)
NET FINANCIAL ASSETS (DEBT) - BEGINNING OF YEAR	7,537,197	10,588,037
DISSOLUTION OF THE VILLAGE OF BOTHA INTO THE COUNTY OF STETTLER (Note 24)	<u>2,041,286</u>	<u>-</u>
NET FINANCIAL ASSETS (DEBT) - END OF YEAR	\$ <u><u>8,092,127</u></u>	\$ <u><u>7,537,197</u></u>

COUNTY OF STETTLER #6

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2017

	2017	2016
OPERATING ACTIVITIES		
Excess (shortfall) of revenues over expenses	\$ 1,428,509	\$ 1,766,437
Non-cash items included in excess (shortfall) of revenues over expenses:		
Amortization of tangible capital assets	3,753,851	3,771,380
Net (gain) loss on disposal of tangible capital assets	16,836	(33,230)
Non-cash changes to operations (net change):		
Taxes receivables	(738,426)	7,151
Trade and other receivables	694,944	(859,717)
Improvement levies receivable	39,265	53,468
Land held for resale	(600,192)	(457,890)
Other financial assets	(22)	(22)
Payables and accrued liabilities	(2,818,294)	2,678,139
Deferred revenue	621,099	(16,497)
Other liabilities	20,957	(191,427)
Inventory of materials and supplies	758,462	275,945
Prepaid expenses	(45,933)	33,270
Net cash provided by (used in) operating activities	<u>3,131,056</u>	<u>7,027,007</u>
CAPITAL ACTIVITIES		
Acquisition of tangible capital assets	(5,680,613)	(8,924,642)
Proceeds on sale of tangible capital assets	8,420	60,000
Net cash provided by (used) in capital activities	<u>(5,672,193)</u>	<u>(8,864,642)</u>
INVESTING ACTIVITIES		
Decrease (increase) in restricted cash and short-term investments	(253,186)	-
Net financial assets acquired from the Village of Botha (Note 24)	315,398	-
Repayment of loan (advances) to development	1,680,990	75,597
Investment in SMRWSC	-	(995,520)
Repayment of loan to Stettler Housing Authority	136,546	128,456
Net cash provided by (used in) investing activities	<u>1,879,748</u>	<u>(791,467)</u>
FINANCING ACTIVITIES		
Bank term debt borrowed	-	-
Bank term debt repaid	(2,378,103)	(497,183)
Debenture repayment for Stettler Housing Authority	(136,546)	(128,456)
Improvements levied – SMRWSC	-	951,856
Payment of local improvement levies – SMRWSC	(85,773)	(46,360)
Net cash provided by (used in) financing activities	<u>(2,600,422)</u>	<u>279,857</u>
CHANGE IN CASH AND EQUIVALENTS DURING THE YEAR	(3,261,811)	(2,349,245)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>10,259,239</u>	<u>12,608,484</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>6,997,428</u>	<u>10,259,239</u>
CASH AND CASH EQUIVALENTS IS MADE UP OF:		
Cash and short-term investments	7,250,614	10,259,239
Less: restricted portion of cash (Note 3)	(253,186)	-
	<u>\$ 6,997,428</u>	<u>\$ 10,259,239</u>

COUNTY OF STETTLER #6

SCHEDULE 1 - CHANGES IN ACCUMULATED SURPLUS

FOR THE YEAR ENDED DECEMBER 31, 2017

	Unrestricted Surplus	Restricted Surplus	Equity in Tangible Capital Assets	2017	2016
BALANCE - BEGINNING OF YEAR	\$ <u>6,874,663</u>	\$ <u>7,303,399</u>	\$ <u>94,411,501</u>	\$ <u>108,589,563</u>	\$ <u>106,823,126</u>
Dissolution of the Village of Botha into the County of Stettler (Note 24)	280,398	35,000	1,725,888	2,041,286	-
Excess (deficiency) of revenues over expenses	1,428,509	-	-	1,428,509	1,766,437
Unrestricted funds designated for future use	(529,347)	529,347	-	-	-
Restricted funds used for operations	1,128,258	(1,128,258)	-	-	-
Restricted funds used for tangible capital assets	-	(254,011)	254,011	-	-
Current year funds used for tangible capital assets	(5,426,602)	-	5,426,602	-	-
Disposal of tangible capital assets	16,836	8,420	(25,256)	-	-
Annual amortization expense	<u>3,753,851</u>	<u>-</u>	<u>(3,753,851)</u>	<u>-</u>	<u>-</u>
Change in accumulated surplus	<u>651,903</u>	<u>(809,502)</u>	<u>3,627,394</u>	<u>3,469,795</u>	<u>1,766,437</u>
BALANCE - END OF YEAR	\$ <u><u>7,526,566</u></u>	\$ <u><u>6,493,897</u></u>	\$ <u><u>98,038,895</u></u>	\$ <u><u>112,059,358</u></u>	\$ <u><u>108,589,563</u></u>

COUNTY OF STETTLER #6

SCHEDULE 2 – SCHEDULE OF TANGIBLE CAPITAL ASSETS

FOR THE YEAR ENDED DECEMBER 31, 2017

	Land	Land Improvements	Buildings	Engineered Structures	Machinery and Equipment	Vehicles	2017	2016
COST:								
BALANCE - BEGINNING OF YEAR	\$ 1,268,693	\$ 327,942	\$ 7,985,823	\$ 151,190,007	\$ 14,223,855	\$ 6,699,645	\$ 181,695,965	\$ 172,948,453
Dissolution of the Village of Botha into the County of Stettler (Note 24)	13,644	10,961	841,103	3,492,159	81,849	-	4,439,716	-
Acquisition of tangible capital assets	-	63,294	4,778,187	586,383	154,527	98,222	5,680,613	2,332,724
Reclassification of assets	-	10,401	138,270	(148,671)	(247,522)	247,522	-	-
Construction in progress	-	-	-	-	-	-	-	6,591,918
Disposal of tangible capital assets	-	-	(107,827)	-	(90,299)	(134,636)	(332,762)	(177,130)
BALANCE - END OF YEAR	<u>1,282,337</u>	<u>412,598</u>	<u>13,635,556</u>	<u>155,119,878</u>	<u>14,122,410</u>	<u>6,910,753</u>	<u>191,483,532</u>	<u>181,695,965</u>
ACCUMULATED AMORTIZATION:								
BALANCE - BEGINNING OF YEAR	-	91,266	1,016,021	75,591,516	7,022,896	3,562,764	87,284,463	83,663,443
Dissolution of the Village of Botha into the County of Stettler (Note 24)	-	9,316	516,432	2,135,085	52,995	-	2,713,828	-
Annual amortization	-	15,401	165,243	2,172,136	1,057,803	343,268	3,753,851	3,771,380
Reclassification of assets	-	753	-	(756)	25,507	(25,504)	-	-
Accumulated amortization on disposals	-	-	(98,112)	-	(83,913)	(125,480)	(307,505)	(150,360)
BALANCE - END OF YEAR	<u>-</u>	<u>116,736</u>	<u>1,599,584</u>	<u>79,897,981</u>	<u>8,075,288</u>	<u>3,755,048</u>	<u>93,444,637</u>	<u>87,284,463</u>
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	<u>1,282,337</u>	<u>295,862</u>	<u>12,035,972</u>	<u>75,221,897</u>	<u>6,047,122</u>	<u>3,155,705</u>	<u>98,038,895</u>	<u>\$ 94,411,502</u>
2016 NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	<u>\$ 1,268,693</u>	<u>\$ 236,676</u>	<u>\$ 6,969,802</u>	<u>\$ 75,598,491</u>	<u>\$ 7,200,959</u>	<u>\$ 3,136,881</u>	<u>\$ 94,411,502</u>	

COUNTY OF STETTLER #6

SCHEDULE 3 – PROPERTY AND OTHER TAXES

FOR THE YEAR ENDED DECEMBER 31, 2017

	Budget (Unaudited)	2017	2016
TAXATION			
Real property taxes	\$ 10,351,781	\$ 10,378,980	\$ 10,199,372
Linear property taxes	<u>8,868,747</u>	<u>8,870,232</u>	<u>10,302,210</u>
	<u>19,220,528</u>	<u>19,249,212</u>	<u>20,501,582</u>
 REQUISITIONS			
Seniors' Lodges	587,158	587,129	574,682
Alberta School Foundation Fund	<u>4,283,183</u>	<u>4,292,496</u>	<u>4,418,311</u>
	<u>4,870,341</u>	<u>4,879,625</u>	<u>4,992,993</u>
 NET MUNICIPAL TAXES	\$ <u>14,350,187</u>	\$ <u>14,369,587</u>	\$ <u>15,508,589</u>

COUNTY OF STETTLER #6

SCHEDULE 4 – GOVERNMENT TRANSFERS

FOR THE YEAR ENDED DECEMBER 31, 2017

	Budget (Unaudited)	2017	2016
TRANSFER FOR OPERATING			
Provincial government	\$ 545,162	\$ 567,503	\$ 561,973
Other local government	<u>30,815</u>	<u>33,773</u>	<u>34,361</u>
	<u>575,977</u>	<u>601,276</u>	<u>596,334</u>
TRANSFERS FOR CAPITAL			
Federal government	187,750	187,750	630,583
Provincial government	<u>3,643,346</u>	<u>2,981,592</u>	<u>3,438,114</u>
	<u>3,831,096</u>	<u>3,169,342</u>	<u>4,068,697</u>
	\$ <u>4,407,073</u>	\$ <u>3,770,618</u>	\$ <u>4,665,031</u>

COUNTY OF STETTLER #6

SCHEDULE 5 –EXPENDITURES BY OBJECT

FOR THE YEAR ENDED DECEMBER 31, 2017

	Budget (Unaudited)	2017	2016
EXPENDITURES			
Salaries, wages and benefits	\$ 7,505,220	\$ 7,067,737	\$ 6,995,551
Contracted and general services	3,455,223	2,968,886	3,691,528
Materials, goods, supplies and utilities	3,802,645	3,228,700	2,811,192
Provision for allowances	6,500	162,470	1,299,412
Interest on term debt	107,600	97,327	121,978
Bank charges and short term interest	13,000	18,633	55,354
Transfers to other governments, boards and agencies	1,770,059	1,673,812	1,653,992
Amortization of tangible capital assets	3,596,000	3,753,851	3,771,380
Loss on disposal of tangible capital assets	<u>-</u>	<u>16,836</u>	<u>-</u>
TOTAL EXPENDITURES	\$ <u>20,256,247</u>	\$ <u>18,988,252</u>	\$ <u>20,400,387</u>

COUNTY OF STETTLER #6

SCHEDULE 6 - SEGMENTED DISCLOSURE

FOR THE YEAR ENDED DECEMBER 31, 2017

	General Government	Protective Services	Transportation Services	Water and Wastewater	Agricultural Services	Planning & Development	Recreation & Culture	Other	Total
REVENUE									
Net municipal taxes	\$ 14,369,587	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 14,369,587
Sales and user fees	365,520	151,186	130,195	723,482	57,043	108,621	1,312	3,135	1,540,494
Government transfers	-	21,368	2,793,842	375,500	189,093	-	223,069	167,746	3,770,618
Investment income	45,641	-	-	-	-	-	-	33,698	79,339
Other revenues	<u>460,637</u>	<u>6,288</u>	<u>128,148</u>	<u>45,000</u>	<u>-</u>	<u>14,700</u>	<u>1,950</u>	<u>-</u>	<u>656,723</u>
	<u>15,241,385</u>	<u>178,842</u>	<u>3,052,185</u>	<u>1,143,982</u>	<u>246,136</u>	<u>123,321</u>	<u>226,331</u>	<u>204,579</u>	<u>20,416,761</u>
EXPENSES									
Salaries, wages and benefits	1,766,425	196,681	3,776,175	572,833	307,434	419,474	27,128	1,587	7,067,737
Contract and general services	867,021	153,324	1,642,454	175,950	87,933	24,142	5,429	12,633	2,968,886
Materials, goods, supplies and Utilities	143,945	244,482	2,252,608	269,452	189,353	57,992	4,105	66,763	3,228,700
Transfers	426	159,830	-	60,729	3,000	-	889,663	560,164	1,673,812
Provisions for allowances	162,470	-	-	-	-	-	-	-	162,470
Interest and charges	<u>18,633</u>	<u>-</u>	<u>63,629</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>33,698</u>	<u>115,960</u>
	<u>2,958,920</u>	<u>754,317</u>	<u>7,734,866</u>	<u>1,078,964</u>	<u>587,720</u>	<u>501,608</u>	<u>926,325</u>	<u>674,845</u>	<u>15,217,565</u>
NET REVENUE, BEFORE									
AMORTIZATION	<u>12,282,465</u>	<u>(575,475)</u>	<u>(4,682,681)</u>	<u>65,018</u>	<u>(341,584)</u>	<u>(378,287)</u>	<u>(699,994)</u>	<u>(470,266)</u>	<u>5,199,196</u>
Gain (Loss) on disposal of capital assets	-	(8,656)	(8,180)	-	-	-	-	-	(16,836)
Amortization expense	<u>(48,933)</u>	<u>(218,544)</u>	<u>(2,983,927)</u>	<u>(417,215)</u>	<u>(57,139)</u>	<u>(28,093)</u>	<u>-</u>	<u>-</u>	<u>(3,753,851)</u>
	<u>(48,933)</u>	<u>(227,200)</u>	<u>(2,992,107)</u>	<u>(417,215)</u>	<u>(57,139)</u>	<u>(28,093)</u>	<u>-</u>	<u>-</u>	<u>(3,770,687)</u>
NET REVENUE	\$ <u>12,233,532</u>	\$ <u>(802,675)</u>	\$ <u>(7,674,788)</u>	\$ <u>(352,197)</u>	\$ <u>(398,723)</u>	\$ <u>(406,380)</u>	\$ <u>(699,994)</u>	\$ <u>(470,266)</u>	\$ <u>1,428,509</u>

COUNTY OF STETTLER #6

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2017

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, 2017

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, 2017

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) 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.

(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:

COUNTY OF STETTLER #6

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2017

1. SIGNIFICANT ACCOUNTING POLICIES – Continued

(m) Non-Financial Assets – Continued

(i) Tangible Capital Assets - Continued

	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.

(n) Cash and Cash Equivalents

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

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 county is currently evaluating the effect of adopting these standards on their financial statements.

(a) Section PS 1201 - Financial Statement Presentation

This revised standard is effective in 2019, when sections PS 2601 and PS 3450 are adopted.

(b) Section PS 2601 - Foreign Currency Translation

This section establishes standards on how to account for and report transactions that are denominated in foreign currency in government financial statement and is effective for fiscal years beginning on or after April 1, 2019.

COUNTY OF STETTLER #6

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2017

2. RECENT ACCOUNTING PRONOUNCEMENTS PUBLISHED BUT NOT YET ADOPTED
- Continued

(c) 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 2019 fiscal year.

(d) Section PS 3450 – Financial Instruments

This section establishes recognition, measurement and disclosure requirements for derivative and non-derivative financial instruments, effective for the 2019 fiscal year.

(e) Section PS 3280 – Asset Retirement Obligations

This section establishes standards on how to account for Asset Retirement Obligations and will apply in years beginning on or after April 1, 2021.

3. CASH AND SHORT-TERM INVESTMENTS

	2017	2016
Cash	\$ <u>7,250,614</u>	\$ <u>10,259,239</u>

Included in cash are the following restricted amounts:

Received from Provincial grants and held exclusively for Capital projects (Note 10)	\$ <u>253,186</u>	\$ <u>-</u>
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4. TAXES AND GRANTS IN PLACE OF TAXES RECEIVABLE

	2017	2016
Current	\$ 1,198,460	\$ 1,354,322
Arrears	877,884	1,007,319
Allowance for uncollectable taxes	<u>(656,902)</u>	<u>(1,680,625)</u>
	\$ <u>1,419,442</u>	\$ <u>681,016</u>

5. TRADE AND OTHER RECEIVABLES

	2017	2016
Receivable from other governments	\$ 970,336	\$ 1,733,912
Trade and other receivables	560,859	492,227
Reserve for property acquired	<u>33,794</u>	<u>33,794</u>
	\$ <u>1,564,989</u>	\$ <u>2,259,933</u>

COUNTY OF STETTLER #6

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2017

6. LOCAL IMPROVEMENT LEVIES RECEIVABLE

	2017	2016
Local improvement levies	\$ <u>629,334</u>	\$ <u>668,599</u>

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

7. DEBT CHARGES RECOVERABLE

	2017	2016
County of Stettler Housing Authority	\$ 456,231	\$ 592,777
Loan for local development	<u>454,024</u>	<u>2,135,014</u>
	<u>910,255</u>	<u>2,727,791</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%.

8. LONG TERM INVESTMENTS

	2017	2016
Investment in Shirley McClellan Regional Water Services Commission – at cost	\$ 2,847,653	\$ 2,847,653
Other patronage and shares	<u>5,694</u>	<u>5,672</u>
	\$ <u>2,853,347</u>	\$ <u>2,853,325</u>

9. EMPLOYEE BENEFIT OBLIGATIONS

	2017	2016
Vacation and wage accruals	\$ <u>147,355</u>	\$ <u>128,098</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.

COUNTY OF STETTLER #6

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2017

10. DEFERRED REVENUE

	2017	2016
Gas Tax Fund grant	\$ 101,359	\$ -
Municipal Sustainability Initiative – Capital	485,659	-
Alberta community partnership	<u>34,081</u>	<u>-</u>
	<u>\$ 621,099</u>	<u>\$ -</u>

Funding in the amount of \$587,018 (2016 - \$NIL) 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 2018. Unexpended funds related to the advance are supported by cash of \$253,186 (2016 - \$NIL) and accounts receivable of \$333,832 (2016 - \$NIL) held exclusively for these projects (Note 3).

11. BANK TERM DEBT

	2017	2016
Gravel loan - repayable at \$30,834 per month plus interest at 4.37%, matures in 2021	\$ 1,264,114	\$ 1,634,122
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%	-	2,074,123
Botha subdivision development loan, due \$22,917 annually plus interest at prime + 0% due monthly, maturing August 2019	<u>66,028</u>	<u>-</u>
	<u>\$ 1,330,142</u>	<u>\$ 3,708,245</u>

Principal repayments are due as follows:

	Principal
2018	\$ 392,925
2019	392,925
2020	390,203
2021	<u>154,089</u>
	<u>\$ 1,330,142</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 the gravel loan bank term debt totaled \$63,629.

Interest on the subdivision development loan totaled \$32,759, of which \$32,057 was charged back to the loan receivable.

COUNTY OF STETTLER #6

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2017

12. OTHER LONG-TERM LIABILITIES

	2017	2016
Gravel reclamation liability	\$ 1,717,963	\$ 1,717,963
Payable to Shirley McClellan Water Services Commission:		
- Phase 1	1,850,099	1,916,209
- Phase 2 and 3	<u>666,624</u>	<u>686,287</u>
	<u>\$ 4,234,686</u>	<u>\$ 4,320,459</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:

- Phase 1 is due at \$124,544 per year including interest at 3.0757%
- Phase 2 is due at \$37,712 per year including interest at 2.649%

13. DEBENTURE TERM DEBT

	2017	2016
Debentures held on behalf of County of Stettler Housing Authority	\$ <u>456,231</u>	\$ <u>592,777</u>

Principal and interest repayments are due as follows:

	Principal	Interest	Total
2018	\$ 145,145	\$ 29,051	\$ 174,196
2019	154,286	19,910	174,196
2021	75,932	10,192	86,124
2022	<u>80,868</u>	<u>5,256</u>	<u>86,124</u>
	<u>\$ 456,231</u>	<u>\$ 64,409</u>	<u>\$ 520,640</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 2022. The average annual interest rate is 6.3% for 2017. Debenture debt is issued on the credit and security of the municipality.

Interest on debenture term debt amounted to \$33,698 (2016 - \$42,021).

COUNTY OF STETTLER #6

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2017

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:

	2017	2016
Total debt limit	\$ 25,871,129	\$ 27,147,191
Total debt	<u>1,786,373</u>	<u>4,301,022</u>
Amount total debt limit available	<u>24,084,756</u>	<u>22,846,169</u>
Service on debt limit	4,311,855	4,524,532
Service on debt	<u>616,820</u>	<u>1,844,233</u>
Amount service on debt limit available	\$ <u>3,695,035</u>	\$ <u>2,680,299</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.

15. EQUITY IN TANGIBLE CAPITAL ASSETS

	2017	2016
Tangible capital assets (Schedule 2)	\$ <u>98,038,895</u>	\$ <u>94,411,501</u>

COUNTY OF STETTLER #6

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2017

16. RESERVES

Reserves for operating and capital activities changed as follows:

	2016	Increases	Decreases	2017
OPERATING RESERVES:				
Public Trust	\$ 170,821	\$ 14,511	\$ -	\$ 185,332
General	1,848,161	-	450,000	1,398,161
Botha	-	35,000	-	35,000
Disaster projects	175,000	-	-	175,000
Bridges	955,751	130,000	138,791	946,960
Gravel	-	110,000	-	110,000
Digital services	28,000	-	-	28,000
Road plan registration	100,000	-	-	100,000
Agricultural services	10,000	-	-	10,000
Planning and development	75,980	31,616	-	107,596
Rural development fund	314,210	78,730	14,994	377,946
Municipal reserve	980,660	10,814	-	991,474
Doctor recruitment	44,609	12,034	-	56,643
F.C.S.S.	17,110	-	-	17,110
Recreation	45,664	504	-	46,168
Recreation – Special Projects	347,263	50,000	54,473	342,790
Recreation – Extra Projects	<u>470,000</u>	<u>50,000</u>	<u>470,000</u>	<u>50,000</u>
	<u>5,583,229</u>	<u>523,209</u>	<u>1,128,258</u>	<u>4,978,180</u>
CAPITAL RESERVES:				
Administration	2,229	-	-	2,229
Fire	441,662	-	-	441,662
Protective services	20,000	20,000	-	40,000
Water/Sewer projects	1,168,279	138	245,591	922,826
Agriculture services	<u>88,000</u>	<u>21,000</u>	<u>-</u>	<u>109,000</u>
	<u>1,720,170</u>	<u>41,138</u>	<u>245,591</u>	<u>1,515,717</u>
TOTAL	\$ <u>7,303,399</u>	\$ <u>564,347</u>	\$ <u>1,373,849</u>	\$ <u>6,493,897</u>

COUNTY OF STETTLER #6

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2017

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:

Division / Ward	Elected Official	Benefits		2017	2016
		Salary (1)	Allowances(2&3)		
Big Valley	Grover, Dave	\$ 32,782	\$ 3,751	\$ 36,533	\$ 31,447
Botha – Gadsby	Jackson, Gregory	18,681	3,126	21,807	32,613
Botha – Gadsby	Clarke, Larry	8,099	625	8,724	-
Byemoor – Endiang	Stulberg, Les	37,737	3,751	41,488	42,477
Donalda – Red Willow	Nixon, Wayne	35,901	2,028	37,929	34,232
Erskine – Buffalo Lake	Gendre, Joe	20,624	3,126	23,750	32,427
Erskine – Buffalo Lake	Neitz, Cheri	6,474	625	7,099	-
Erskine – South-Warden	Nibourg, James	36,574	3,751	40,325	37,004
Stettler	Gendre, Ernie	25,230	3,751	28,981	29,903
Chief Administrative Officer: Fox, Tim		214,538	11,421	225,959	237,950
Other Designated Officers		\$ 99,906	\$ 18,897	\$ 118,803	\$ 111,493

(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 253,862 people and 417 employers. It is financed by employer and employee contributions and investment earnings of the LAPP Fund.

In 2017 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.

COUNTY OF STETTLER #6

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2017

18. LOCAL AUTHORITIES PENSION PLAN - Continued

Total current and past service contributions by the County of Stettler #6 to the Local Authorities Pension Plan in 2017 were \$614,193 (2016 - \$661,432). Total current and past service contributions by the employees of the County of Stettler #6 to the Local Authorities Pension Plan in 2017 were \$566,713 (2016 - \$610,527).

At December 31, 2016, the Plan disclosed an actuarial deficiency of \$637 million for the Plan.

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 and the county's proportionate share of the debentures payable.

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

At year end the County is committed to the following:

- Gravel haul contracts of varying length
- An electricity provider contract at specified rates to December 31, 2021
- Contracts providing administrative services for:
 - Shirley McClellan Regional Water Services Commission
 - Stettler Waste Management Authority
 - Stettler Ambulance Authority

COUNTY OF STETTLER #6

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2017

21. FINANCIAL INSTRUMENTS

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.

Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of the changes in market prices. Market risk comprises three types of 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.

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 rates.

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

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

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's accounts receivable are subject to normal industry credit risks. The carrying value of accounts receivable reflects management's assertion of the credit risk associated with these customers.

Operating Line of Credit

At December 31, 2017 the municipality had short-term bank credit facilities aggregating \$3,100,000 (2016 - \$3,100,000) of which \$NIL (2016 - \$ 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 instruments approximate fair value.

22. BUDGET AMOUNTS

Budget figures for the year ended December 31, 2017 were approved by Council on May 10, 2017 and are for information purposes. These amounts have not been audited.

COUNTY OF STETTLER #6
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

23. APPROVAL OF FINANCIAL STATEMENTS

Council and Management have approved these financial statements.

24. ACQUISITION OF VILLAGE OF BOTHA

During the year the Village of Botha dissolved into the County.

	Total
Accumulated surplus acquired:	
Unrestricted surplus	\$ 280,398
Restricted surplus	35,000
Equity in TCA	<u>1,725,888</u>
Total	<u>2,041,286</u>
 Net Financial assets and prepaid expenses:	
Net Financial assets acquired	309,720
Prepaid expenses acquired	<u>5,678</u>
Total	<u>315,398</u>
 Tangible Capital Assets acquired:	
Cost	4,439,716
Accumulated amortization	<u>(2,713,828)</u>
Net book value	<u>\$ 1,725,888</u>