

Financial Statements of

WHEATLAND COUNTY

Year ended December 31, 2018

MANAGEMENT REPORT

The financial statements are the responsibility of the management of Wheatland County (the "County").

These financial statements have been prepared from information provided by management. Financial statements are not precise since they include certain amounts based on estimates and judgments. Management has determined such amounts on a reasonable basis in order to ensure that the financial statements are presented fairly, in all material respects.

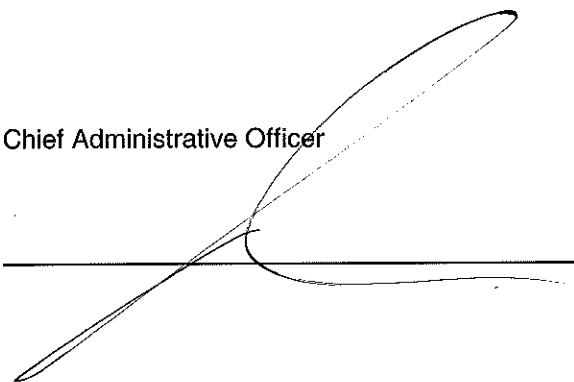
The County maintains systems of internal accounting and administrative controls that are designed to provide reasonable assurance that the financial information is relevant, reliable and accurate and that the County's assets are properly accounted for and adequately safeguarded.

The elected Council of Wheatland County is responsible for ensuring that management fulfils its responsibilities for financial statements. Council carries out its responsibility principally through the Council as a whole.

The Council meets annually with management and the external auditors to discuss internal controls over the financial reporting process, auditing matters and financial reporting issues, and to satisfy itself that each party is properly discharging its responsibilities. Council also considers the engagement or reappointment of the external auditors. Council reviews the monthly financial reports.

The financial statements have been audited by KPMG LLP, Chartered Professional Accountants, external auditors, in accordance with Canadian generally accepted auditing standards on behalf of the Council, residents and ratepayers of the County. KPMG LLP has full and free access to the Council.

Chief Administrative Officer

A large, stylized handwritten signature in black ink, written over a horizontal line. The signature is fluid and cursive, with a long horizontal stroke extending to the right.

INDEPENDENT AUDITORS' REPORT

To the Members of Council of Wheatland County

Opinion

We have audited the financial statements of the Wheatland County (the "Entity"), which comprise:

- the statement of financial position as at December 31, 2018
- the statement of operations for the year then ended
- the statement of changes in net financial assets for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at December 31, 2018, and its results of operations, its remeasurement gains and losses, its changes in net financial assets, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "Auditors' Responsibilities for the Audit of the Financial Statements" section of our auditors' report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other responsibilities in accordance with these requirements.

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

Responsibilities of Management and Those Charged with Governance 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.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity's to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Chartered Professional Accountants

Calgary, Canada
April 2, 2019

WHEATLAND COUNTY

Statement of Financial Position

December 31, 2018, with comparative information for 2017

	2018	2017
Financial Assets		
Cash and short-term investments (note 3)	\$ 64,804,260	\$ 60,465,398
Taxes and grants in place of taxes receivable (note 4)	1,351,315	1,381,069
Trade and other receivables	5,805,423	10,233,737
Land held for resale	244,568	244,568
Loan receivable (note 5)	85,831	96,805
Debt charges recoverable (note 6)	1,615,561	1,772,750
	<u>73,906,958</u>	<u>74,194,327</u>
Liabilities		
Accounts payable and accrued liabilities	11,749,318	4,436,522
Deferred revenue (note 8)	6,221,341	1,015,691
Long-term debt (note 9)	1,989,915	2,194,709
Provision for reclamation (note 23)	2,026,337	1,650,372
Employee benefit obligations (note 7)	1,364,547	1,311,485
	<u>23,351,458</u>	<u>10,608,779</u>
Net financial assets	50,555,500	63,585,548
Non-Financial Assets		
Tangible capital assets (Schedule 2)	225,837,724	219,902,470
Inventory for consumption	14,351,852	9,616,706
Prepaid expenses	327,526	313,008
	<u>240,517,102</u>	<u>229,832,184</u>
Commitments and contingencies (note 19)		
Accumulated surplus (note 10, Schedule 1)	<u>\$ 291,072,602</u>	<u>\$ 293,417,732</u>

See accompanying notes to financial statements.

Approved on behalf of the Council

Reeve

Councilor

WHEATLAND COUNTY

Statement of Operations

Year ended December 31, 2018, with comparative information for 2017

	Budget (note 24)	2018	2017
Revenue (Schedule 3):			
Net property taxes (note 13)	\$ 30,675,221	\$ 30,604,503	\$ 30,666,853
User fees and sales of goods	1,737,315	1,770,207	1,708,910
Investment income	792,314	1,510,548	1,264,588
Licenses and permits	483,400	770,240	497,349
Government transfers for operating (note 14)	668,859	745,782	3,495,120
Penalties and costs of taxes	107,825	216,656	269,762
Other revenue	48,903	108,005	43,679
Development levies	135,000	57,052	120,786
Rentals	44,800	44,098	51,019
	34,693,637	35,827,091	38,118,066
Expenses (note 15, Schedule 3):			
Legislative	713,326	537,954	500,321
Administrative	5,351,691	4,431,177	4,272,222
Police, fire, disaster, ambulance and bylaw enforcement	3,127,618	2,409,530	3,253,354
Roads, streets, walks and lighting	27,862,289	25,339,361	27,829,616
Water supply and distribution	1,718,659	1,401,595	2,372,215
Wastewater treatment and disposal	651,598	568,067	549,279
Waste management	1,107,497	1,162,899	1,088,044
Recreation and culture	792,158	749,771	3,730,232
Subdivision land and development	1,527,254	1,426,842	1,272,375
Economic and agricultural development	1,475,477	1,282,300	1,199,000
Public health and welfare services	134,759	127,613	105,335
	44,462,326	39,437,109	46,171,993
Deficiency of revenue over expenses before the undernoted items	(9,768,689)	(3,610,018)	(8,053,927)
Government transfers for capital (note 14)	675,000	621,669	6,199,906
Contributed assets	—	643,219	114,180
	675,000	1,264,888	6,314,086
Deficiency of revenue over expenses	(9,093,689)	(2,345,130)	(1,739,841)
Accumulated surplus, beginning of year	293,417,732	293,417,732	295,157,573
Accumulated surplus, end of year	\$ 284,324,043	291,072,602	\$ 293,417,732

See accompanying notes to financial statements.

WHEATLAND COUNTY

Statement of Change in Net Financial Assets (Debt)

Year ended December 31, 2018, with comparative information for 2017

	Budget (note 24)	2018	2017
Deficiency of revenue over expenses	\$ (9,093,689)	\$ (2,345,130)	\$ (1,739,841)
Acquisition of tangible capital assets	(39,803,153)	(22,768,108)	(18,620,661)
Amortization of tangible capital assets	15,824,998	16,250,205	16,430,275
Proceeds on disposal of tangible capital assets	800,000	1,684,812	687,547
Contributed assets	—	(643,219)	(114,180)
(Gain) loss on disposal of tangible capital assets	—	(458,944)	90,363
	(32,271,844)	(8,280,384)	(3,266,497)
Net change in inventory for consumption	—	(4,735,146)	868,136
Net change in prepaid expenses	—	(14,518)	32,873
Decrease in net financial assets	(32,271,844)	(13,030,048)	(2,365,488)
Net financial assets, beginning of year	63,585,548	63,585,548	65,951,036
Net financial assets, end of year	\$ 31,313,704	\$ 50,555,500	\$ 63,585,548

See accompanying notes to financial statements.

WHEATLAND COUNTY

Statement of Cash Flows

Year ended December 31, 2018, with comparative information for 2017

	2018	2017
Cash provided by (used in):		
Operating activities:		
Deficiency of revenue over expenses	\$ (2,345,130)	\$ (1,739,841)
Change in non-cash items:		
Amortization of tangible capital assets	16,250,205	16,430,275
(Gain) loss on disposal of tangible capital assets	(458,944)	90,363
Contributed assets	(643,219)	(114,180)
Decrease in taxes and grants in place of taxes receivable	29,754	61,937
Decrease (increase) in trade and other receivables	4,428,314	(8,036,896)
Decrease in loans receivable	10,974	9,101
(Increase) decrease in inventory for consumption	(4,735,146)	868,136
(Increase) decrease in prepaid expenses	(14,518)	32,873
Increase in accounts payable and accrued liabilities	7,312,796	1,633,336
Increase (decrease) in deferred revenue and deposits	5,205,650	(5,650,947)
Increase in provision for reclamation	375,965	111,179
Increase in employee benefit obligations	53,062	87,970
	25,469,763	3,783,306
Capital activities:		
Acquisition of tangible capital assets	(22,768,108)	(18,620,661)
Proceeds on disposal of tangible capital assets	1,684,812	687,547
	(21,083,296)	(17,933,114)
Financing activities:		
Debt charges recovered	157,189	153,139
Long-term debt repaid	(204,794)	(196,489)
	(47,605)	(43,350)
Increase (decrease) in cash and short-term investments	4,338,862	(14,193,158)
Cash and short-term investments, beginning of year	60,465,398	74,658,556
Cash and short-term investments, end of year	\$ 64,804,260	\$ 60,465,398

See accompanying notes to financial statements.

WHEATLAND COUNTY

Notes to Financial Statements

Year ended December 31, 2018, with comparative information for 2017

1. Significant accounting policies:

The financial statements of Wheatland County (the "County") are the representations of management prepared in accordance with Canadian public sector accounting standards established by the Public Sector Accounting Board of CPA Canada. Significant accounting policies adopted by the County are as follows:

(a) Reporting entity:

The financial statements reflect the assets, liabilities, revenue and expenses, changes in fund balances and change in financial position of the reporting entity which comprises all accounts for the departments that are included in the County's operations, and are therefore accountable to the Council for the administration of their financial affairs and resources.

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

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

(b) Basis of accounting:

The financial statements are prepared using the accrual basis of accounting. Revenue is recorded when it is earned and measureable. Expenses are recognized as they are incurred and measureable based upon receipt of goods or services and/or a legal obligation to pay is established.

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 complete 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) Cash and short-term investments:

Cash is comprised of cash deposits held with Canadian chartered banking institutions.

Short-term 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. Interest is accrued on the book value of the investments at a rate equivalent to the effective yield of each investment.

WHEATLAND COUNTY

Notes to Financial Statements, page 2

Year ended December 31, 2018, with comparative information for 2017

1. Significant accounting policies (continued):

(d) Debt charges recoverable:

Debt charges recoverable consist of amounts that are recoverable from municipal agencies or other local governments with respect to outstanding debentures or other long-term debt pursuant to annexation orders or joint capital undertakings. These recoveries are recorded at a value that equals the offsetting portion of the unmatured long-term debt, less actuarial requirements for the retirement of any sinking fund debentures.

(e) Land held for resale:

Land held for resale is recorded at the lower of cost and net realizable value. Cost includes costs for land acquisition and improvements required to prepare the land for servicing such as clearing, stripping, and leveling charges. Retained development costs incurred to provide infrastructure such as water and waste water services, roads, sidewalks, and street lighting are recorded as physical assets under their respective junction.

(f) Requisition over-levy and under-levy:

Over-levies and under-levies arise from the difference between the actual property tax 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.

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

(g) Government transfers:

Government transfers are the transfer of assets from senior levels of government that are not the result of an exchange transaction, are not expected to be repaid in the future, or the result of a direct financial return.

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

(h) 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.

WHEATLAND COUNTY

Notes to Financial Statements, page 3

Year ended December 31, 2018, with comparative information for 2017

1. Significant accounting policies (continued):

(i) Use of estimates:

The preparation of 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 financial statements, and the reported amounts of revenue and expenses during the period. Significant items subject to such estimates and assumptions include the estimated useful lives of tangible capital assets, provision for reclamation, and the allowance for doubtful taxes. Where measurement uncertainty exists, the financial statements have been prepared within reasonable limits of materiality. Actual results could differ from those estimates.

(j) Deferred revenue:

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 tangible capital assets acquired.

(k) 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 revenue over expenses, provides the change in net financial assets 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 assets. 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	15-30
Buildings	25-50
Engineered structures	20-55
Machinery and equipment	5-40
Vehicles	5-15

One-half of the annual amortization is charged in the year of acquisition and in the year of disposal. Assets under construction are not amortized until the asset is available for productive use.

WHEATLAND COUNTY

Notes to Financial Statements, page 4

Year ended December 31, 2018, with comparative information for 2017

1. Significant accounting policies (continued):

(k) Non-financial assets (continued):

(ii) Contributions of tangible capital assets:

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

(iii) Leases:

Leases are classified as capital or operating leases. Leases which transfer substantially all of the benefit and risks incidental to ownership are accounted for as capital lease. All other leases are accounted for as operating leases and the related lease payments are charged to expenses as incurred.

(iv) Inventory for consumption:

Inventories held for consumption are recorded at the lower of cost and replacement cost, with cost determined by the average cost method.

(v) Cultural and historical tangible capital assets:

Works of art and cultural and historical assets are not recorded as assets in these financial statements.

(l) Provision for reclamation:

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 the maximum acceptable concentrations under an environmental standard. This standard relates to sites that are not in productive use and sites in productive use where an unexpected event resulted in contamination. A liability for remediation of contaminated sites is recognized when all of the following criteria are met:

- an environmental standard exists;
- contamination exceeds the environmental standard;
- the County is directly responsible or accepts responsibility;
- the County expects the future economic benefits will be given up; and
- a reasonable estimate of the amount can be made.

WHEATLAND COUNTY

Notes to Financial Statements, page 5

Year ended December 31, 2018, with comparative information for 2017

2. Future accounting pronouncements:

The Public Sector Accounting Board recently announced the following accounting pronouncements:

(a) Financial instruments:

This accounting pronouncement establishes standards on how to account for and report all types of financial instruments including derivatives. Financial instruments include primary instruments and derivative instruments. It is effective for fiscal years beginning on or after April 1, 2019 for governments, with early adoption encouraged. This section must be adopted at the same time as foreign currency translation.

(b) Foreign currency translation:

This accounting pronouncement establishes standards on how to account for and report transactions that are denominated in a foreign currency in government financial statements. It is effective for fiscal years beginning on or after April 1, 2019 for governments, with early adoption encouraged. This section must be adopted at the same time as financial instruments.

(c) Asset retirement obligations:

In August 2018, the Public Sector Accounting Board issued this accounting standard that addressing the reporting of legal obligations associated with the retirement of tangible capital assets. This new standard takes effect for annual reporting periods beginning on or after April 1, 2021 with early adoption permitted.

(d) Revenue:

This Section establishes standards on how to account for and report on revenue. Specifically, it differentiates between revenue arising from transactions that include performance obligations, referred to as "exchange transactions", and transactions that do not have performance obligations, referred to as "non-exchange transactions". This new standard takes effect for annual reporting periods beginning on or after April 1, 2022.

Management is assessing the impact of the adoption of these standards which is not known or reasonably estimable at this time.

WHEATLAND COUNTY

Notes to Financial Statements, page 6

Year ended December 31, 2018, with comparative information for 2017

3. Cash and short-term investments:

	2018	2017
Cash	\$ 4,026,843	\$ 1,397,467
Short-term investments, including accrued interest	60,882,822	59,171,881
Cash and short-term investments held in trust (note 17)	(105,405)	(103,950)
	<u>\$64,804,260</u>	<u>\$ 60,465,398</u>

Short-term investments are guaranteed investment certificates with maturities of one year or less with interest rates of 2.50% to 3.10% (2017 – 1.71% to 1.90%).

4. Taxes and grants in place of taxes receivables:

	2018	2017
Current	\$ 1,000,619	\$ 776,660
Arrears	654,345	1,017,286
	<u>1,654,964</u>	<u>1,793,946</u>
Allowance for doubtful taxes	(303,649)	(412,877)
	<u>\$ 1,351,315</u>	<u>\$ 1,381,069</u>

5. Loan receivable:

The County has issued an unsecured loan in the amount of \$108,360 (2017 – \$108,360) to the Dalum Fire Association that accrues interest at a rate of 2% per annum (2017 – 2% per annum). As at December 31, 2018, the balance on the loan is \$85,831 (2017 – \$96,805). Blended payments of \$997 are due monthly over ten years, and the loan has a maturity date of September 30, 2026.

WHEATLAND COUNTY

Notes to Financial Statements, page 7

Year ended December 31, 2018, with comparative information for 2017

6. Debt charges recoverable:

	2018	2017
Current debt charges recoverable	\$ 161,345	\$ 157,189
Non-current debt charges recoverable	1,454,216	1,615,561
	<u>\$ 1,615,561</u>	<u>\$ 1,772,750</u>

The principal balance plus interest at 2.627% per annum (2017 – 2.658% per annum), is recoverable from Strathmore Seed Cleaning Plant in semi-annual installments of \$101,367 including interest until maturity on December 17, 2027.

	Principal	Interest	Total
2019	161,345	41,388	202,733
2020	165,612	37,122	202,734
2021	169,991	32,742	202,733
2022	174,486	28,248	202,734
2023	179,100	23,634	202,734
Thereafter	765,027	45,907	810,934
	<u>\$ 1,615,561</u>	<u>\$ 209,041</u>	<u>\$ 1,824,602</u>

WHEATLAND COUNTY

Notes to Financial Statements, page 8

Year ended December 31, 2018, with comparative information for 2017

7. Employee benefit obligations:

	2018	2017
Early retirement incentive	\$ 713,618	\$ 652,852
Accrued salaries, vacation, and overtime	650,929	658,633
	<u>\$ 1,364,547</u>	<u>\$ 1,311,485</u>

(a) Vacation and overtime:

The vacation and overtime liability is comprised of the vacation and overtime that employees are deferring to future years. Employees have either earned the benefits (and they are vested) or are entitled to these benefits within the next budgetary year.

(b) Early retirement incentive:

The County provides an early retirement incentive plan. Employees who have at least five years of service and are over the age of 55 are eligible to be paid 3% of their annual salary for every year of service, up to a maximum of 50% of their annual salary.

Council passed a motion restricting participation in the program for new employees of Wheatland County. Employees hired on or after January 2, 2013 are not eligible for this program.

8. Deferred revenue:

	2018	2017
Municipal Sustainability Initiative – capital	\$ 4,659,569	\$ –
Offsite levies	602,144	602,144
Federal Gas Tax Fund – capital	511,030	–
Other operating	448,598	411,928
Basic Municipal Transportation grant – capital	–	1,619
	<u>\$ 6,221,341</u>	<u>\$ 1,015,691</u>

WHEATLAND COUNTY

Notes to Financial Statements, page 9

Year ended December 31, 2018, with comparative information for 2017

9. Long term debt:

	2018	2017
Special levy and utility supported debentures	\$ 374,354	\$ 421,959
Self-supported debentures – operating	1,615,561	1,772,750
	1,989,915	2,194,709
Less current portion	208,988	203,164
	\$ 1,780,927	\$ 1,991,545

Principal and interest repayments are due as follows:

	Principal	Interest	Total
2019	208,988	58,285	267,273
2020	215,796	51,477	267,273
2021	214,059	44,414	258,473
2022	220,804	37,669	258,473
2023	227,789	30,684	258,473
Thereafter	902,479	67,322	969,801
	\$ 1,989,915	\$ 289,851	\$ 2,279,766

Debenture debt is repayable to Alberta Capital Finance Authority and bears interest at rates ranging from 2.63% to 6.63% per annum (2017 – 2.63% to 6.63% per annum) and matures in periods 2020 to 2033. Debenture debt is issued on the credit and security of the County at large.

The County has an operating loan facility of up to \$2,000,000, repayable on demand with interest at the bank's prime rate minus 0.5% per annum. The facility was not used at December 31, 2018 or 2017.

10. Accumulated surplus:

Accumulated surplus consists of internally restricted and unrestricted amounts and equity in tangible capital assets as follows:

	2018	2017
Unrestricted surplus	\$ 16,806,284	\$ 23,323,839
Internally restricted surplus (reserves) (note 11)	48,802,948	50,613,382
Equity in tangible capital assets (note 12)	225,463,370	219,480,511
	\$ 291,072,602	\$ 293,417,732

WHEATLAND COUNTY

Notes to Financial Statements, page 10

Year ended December 31, 2018, with comparative information for 2017

11. Reserves:

Council has set up reserves for various purposes. These reserves are either required by legislation or set up at the discretion of Council to provide funding for future expenditures.

	2018	2017
Transportation – paved roadways	\$ 11,880,901	\$ 12,021,146
Transportation – unpaved roadways	11,284,645	13,674,614
Municipal equipment	6,200,772	6,764,477
Fire capital	4,470,331	4,094,011
Transportation – bridges/culverts	3,770,738	4,214,541
Gravel reclamation	1,531,867	1,411,316
Brownfields	1,016,835	1,010,000
Capital continuity	963,800	189,364
Operating continuity	929,098	624,780
Municipal reserve	894,507	831,826
Agriculture Service Board	743,969	648,628
Utilities – Gleichen	603,525	618,094
Facility infrastructure	598,403	346,061
Tax stabilization	407,678	404,938
Recreation	386,015	755,000
Carseland Fire Capital	285,797	280,896
Cluny community infrastructure	267,786	265,986
Wheatland West Fire	252,442	250,745
Professional development	246,495	244,838
Emergency preparedness	237,747	236,149
Land development	236,963	235,370
Waste	199,915	68,721
Utilities – Speargrass	198,126	173,621
Storm drainage	196,283	194,964
Community aggregate payment levy	195,890	194,573
Information services	190,880	115,856
Safety	106,387	80,840
Perpetual Care Fund – Gleichen	104,508	103,805
Utilities - Carseland	103,141	254,800
Standard site	77,259	76,740
Utilities – Cluny	73,258	60,796
Utilities – Rosebud	66,405	58,461
Rosebud water and wastewater	37,812	37,558
Gleichen community infrastructure	36,558	36,312
Community enhancement	3,092	30,456
Library	2,277	2,262
Cenotaph	603	599
Perpetual Care Fund – Gleichen Catholic	240	238
	\$ 48,802,948	\$ 50,613,382

WHEATLAND COUNTY

Notes to Financial Statements, page 11

Year ended December 31, 2018, with comparative information for 2017

12. Equity in tangible capital assets:

	2018	2017
Tangible capital assets (Schedule 2)	\$ 611,777,861	\$ 591,453,648
Accumulated amortization (Schedule 2)	(385,940,137)	(371,551,178)
Capital long term debt	(374,354)	(421,959)
	<u>\$ 225,463,370</u>	<u>\$ 219,480,511</u>

13. Net municipal property taxes:

	Budget (note 24)	2018	2017
Taxation:			
Real property taxes	\$ 24,672,953	\$ 24,957,092	\$ 24,623,574
Linear property taxes	17,286,200	16,631,643	16,952,749
Government grants in place of property taxes	39,000	42,859	42,293
Community aggregate levy	25,000	56,898	49,839
	<u>42,023,153</u>	<u>41,688,492</u>	<u>41,668,455</u>
Requisitions:			
Alberta School Foundation Fund	10,426,587	10,415,215	10,412,991
Wheatland Foundation and Housing Management Body	277,898	273,716	269,804
Drumheller Solid Waste Management Association	323,447	323,447	318,807
Designated Industrial Properties	320,000	71,611	—
	<u>11,347,932</u>	<u>11,083,989</u>	<u>11,001,602</u>
	<u>\$ 30,675,221</u>	<u>\$ 30,604,503</u>	<u>\$ 30,666,853</u>

WHEATLAND COUNTY

Notes to Financial Statements, page 12

Year ended December 31, 2018, with comparative information for 2017

14. Government transfers:

	Budget (note 24)	2018	2017
Transfers for operating:			
Provincial unconditional grants	\$ 668,859	\$ 745,782	\$ 3,471,120
Other local government transfers	—	—	24,000
	668,859	745,782	3,495,120
Transfers for capital:			
Provincial unconditional grants	675,000	621,669	6,199,906
	\$ 1,343,859	\$ 1,367,451	\$ 9,695,026

15. Expenses by object:

	2018	2017
Salaries, wages and benefits	\$ 11,576,692	\$ 12,920,178
Contracted and general services	7,001,561	3,789,708
Materials, goods, supplies and utilities	3,041,713	5,347,079
Bank charges and short term interest	13,795	4,651
Interest on long term debt	17,842	20,447
Transfers to organizations and others	2,085,593	6,831,278
Provision for allowances	(91,347)	738,014
Amortization of tangible capital assets	16,250,204	16,430,275
(Gain) loss on disposal of tangible capital assets	(458,944)	90,363
	\$ 39,437,109	\$ 46,171,993

WHEATLAND COUNTY

Notes to Financial Statements, page 13

Year ended December 31, 2018, with comparative information for 2017

16. Debt limits:

Section 276 (2) of the Municipal Government Act requires that debt and debt limits as defined by Alberta Regulation 255/00 for the County be disclosed as follows:

	2018	2017
Total debt limits	\$ 53,740,637	\$ 57,177,099
Total debt (note 9)	1,989,915	2,194,709
	\$ 51,750,722	\$ 54,982,390

	2018	2017
Debt servicing limit	\$ 8,956,773	\$ 9,529,517
Debt servicing (note 9)	267,273	268,170
	\$ 8,689,500	\$ 9,261,347

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 which 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.

17. Trust funds:

Trust funds administered by the County on behalf of others consist of the following:

	2018	2017
Madsen charity	\$ 53,784	\$ 53,041
Madsen scholarship	41,014	40,447
Thurston School	7,906	7,797
Seniors and physically challenged	2,701	2,665
	\$ 105,405	\$ 103,950

The above trust funds are not recorded in the financial statements.

WHEATLAND COUNTY

Notes to Financial Statements, page 14

Year ended December 31, 2018, with comparative information for 2017

18. 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 Alberta Public Sector Pensions Plans Act. The plan serves approximately 260,000 people and 420 employers. The LAPP is financed by the employer and employee contributions and by investment earnings of the LAPP fund.

Contributions for current services are recorded as expenditures in the year in which they become due.

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

Total current service contributions by the County to the LAPP in 2018 were \$831,810 (2017 – \$932,784). Total current service contributions by the employees of the County to the LAPP in 2018 were \$771,840 (2017 – \$840,647).

19. Commitments and contingencies:

Wheatland County is a member of the Jubilee Reciprocal Insurance Exchange (JRIE) and the Genesis Reciprocal Insurance Exchange (GRIE) which provide liability insurance. The investment in these programs is not reflected as an asset in the accompanying financial statements. Under the terms of membership, the County could become liable for its proportionate share of any claim losses in excess of the funds held by either exchange. Any liability incurred would be accounted for as a current transaction in the year the losses are determined.

From time to time, the County is subject to claims and other lawsuits that arise in the ordinary course of business, some of which may seek damages in substantial amounts. Liability for these claims and lawsuits are recorded to the extent that the probability of a loss is likely and it is estimable. At the time of the financial statement preparation, there has been no resolution or indication that the settlement of these actions will result in any material liabilities.

20. Financial instruments:

It is management's opinion that the County is not exposed to significant liquidity risk or interest or currency risk arising from its financial instruments. 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. Unless otherwise noted, the carrying value of the financial instrument approximates fair value.

WHEATLAND COUNTY

Notes to Financial Statements, page 15

Year ended December 31, 2018, with comparative information for 2017

21. 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:

	Salary (1)	Benefits & allowances (2)	2018	2017
Council:				
Koester	\$ 33,231	\$ 37,976	\$ 71,207	\$ 68,577
Link	29,597	39,431	69,028	7,826
Armstrong	29,246	36,058	65,304	63,481
Ikert	29,246	33,074	62,320	7,153
Klassen	30,583	28,397	58,980	7,474
Biggar	27,619	31,198	58,817	6,089
Wilson	29,246	25,710	54,956	7,036
Knight	—	—	—	51,921
Booth	—	—	—	47,071
Harwood	—	—	—	44,130
Bland	—	—	—	43,258
Vander Velde	—	—	—	39,891
Chief Administrative Officer				
Parkin	201,569	32,978	234,547	212,316

- (1) Salary includes regular base pay, bonuses, overtime, lump sum payments, gross honoraria and any other direct cash remuneration.
- (2) Benefits and allowances include the employer's share of all employee benefits and contributions or payments made on behalf of employees including pension, health care, dental coverage, vision coverage, group life insurance, accidental disability and dismemberment insurance, long and short term disability plans, professional memberships, and tuition. 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.

22. Works of Art and Historical Treasures:

The County manages and controls works of art and non-operational historical cultural assets including the Gleichen Water Tower. These assets are not recorded as tangible capital assets and are not amortized, which is consistent with Canadian public sector accounting standards. As at December 31, 2018, the County has incurred cumulative costs of \$509,641 (2017 – \$509,641) to maintain these assets.

WHEATLAND COUNTY

Notes to Financial Statements, page 16

Year ended December 31, 2018, with comparative information for 2017

23. Provision for reclamation:

	2018	2017
Balance, beginning of year	\$ 1,650,372	\$ 1,539,193
Inflation and other adjustments	375,965	111,179
Balance, end of year	\$ 2,026,337	\$ 1,650,372

Management considers that the requirements to record a liability for remediation of contaminated sites is required for a specific site location, as well as its gravel pits.

In the current year, management has changed its estimate on the liability for the specific site due to a change in methodology for the calculation, change in facts and circumstances, and new information. An external expert was used this year in determining the estimate of the contamination liability. This change in estimate has been applied prospectively and increased the provision for reclamation and the roads, streets, walks and lighting caption in the statement of operations by \$1,391,740.

Management further amended the internal process for estimating the reclamation of the gravel pits in the current year resulting in an identification of an over-accrual of \$992,293 for these sites. This was determined to be an immaterial error in the prior year assessments by management as it was not a result of change in facts and circumstances or new information. This amount has been corrected in the current period as a decrease to the provision for reclamation and the roads, streets, walks and lighting caption in the statement of operations.

24. Budget data:

The 2018 budget for the County was approved by Council on April 3, 2018.

WHEATLAND COUNTY

Notes to Financial Statements, page 17

Year ended December 31, 2018, with comparative information for 2017

25. Segmented disclosure:

The County provides a range of services to its ratepayers. 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. Refer to the schedule of segmented disclosure (Schedule 3).

The segments have been selected based on the Financial Information Return segmentation reported annually to Alberta Municipal Affairs. Segments include:

- General Government is comprised of Legislative and Administrative services
- Protective Services is comprised of Police, Fire, Disaster, Ambulance, and Bylaw services
- Transportation Services is comprised of Roads, Streets, Walks, and Lighting services
- Environmental Services is comprised of Water Supply and Distribution, Wastewater Treatment and Disposal, and Waste Management services
- Public Health Services is comprised of Public Health and Welfare services
- Planning and Development is comprised of Subdivision Land and Development, and Economic and Agricultural Development services
- Recreation and Culture is comprised of Library, and Parks and Recreation services

WHEATLAND COUNTY

Schedule of Changes in Accumulated Surplus

Schedule 1

Year ended December 31, 2018, with comparative information for 2017

	Unrestricted	Restricted	Equity in Tangible Capital Assets	2018	2017
Balance, beginning of year	\$23,323,839	\$50,613,382	\$219,480,511	\$293,417,732	\$ 295,157,573
Deficiency of revenue over expenses	(2,345,130)	—	—	(2,345,130)	(1,739,841)
Net restricted funds used for operations	1,810,434	(1,810,434)	—	—	—
Current year funds used for tangible capital assets	(22,768,108)	—	22,768,108	—	—
Contributed tangible capital assets	(643,219)	—	643,219	—	—
Disposal of tangible capital assets	1,225,868	—	(1,225,868)	—	—
Amortization of tangible capital assets	16,250,205	—	(16,250,205)	—	—
Long-term debt repaid	(47,605)	—	47,605	—	—
Change in accumulated surplus	(6,517,555)	(1,810,434)	5,982,859	(2,345,130)	(1,739,841)
Balance, end of year	\$16,806,284	\$48,802,948	\$225,463,370	\$291,072,602	\$ 293,417,732

WHEATLAND COUNTY

Schedule of Tangible Capital Assets

Schedule 2

Year ended December 31, 2018, with comparative information for 2017

	Land	Land improvements	Buildings	Engineered structures	Machinery and equipment	Vehicles	Construction progress	2018	2017
Costs:									
Balance, beginning of year	\$13,146,458	\$ 3,859,524	\$15,249,794	\$517,766,739	\$27,257,314	\$11,212,236	\$ 2,961,583	\$ 591,453,648	\$ 574,670,396
Acquisitions	787,913	214,311	1,236,905	17,588,037	5,128,423	1,318,420	98,901	26,372,910	20,352,264
Disposals	-	-	-	-	(2,899,823)	(187,291)	(2,961,583)	(6,048,697)	(3,569,012)
Balance, end of year	13,934,371	4,073,835	16,486,699	535,354,776	29,485,914	12,343,365	98,901	611,777,861	591,453,648
Accumulated amortization:									
Balance, beginning of year	-	1,384,394	3,136,206	349,484,315	12,200,960	5,345,303	-	371,551,178	356,294,582
Annual amortization	-	184,534	323,657	12,116,338	2,633,658	992,018	-	16,250,205	16,430,275
Disposals	-	-	-	-	(1,699,409)	(161,837)	-	(1,861,246)	(1,173,679)
Balance, end of year	-	1,568,928	3,459,863	361,600,653	13,135,209	6,175,484	-	385,940,137	371,551,178
Net book value	\$13,934,371	\$ 2,504,907	\$13,026,836	\$173,754,123	\$16,350,705	\$ 6,167,881	\$ 98,901	\$ 225,837,724	\$ 219,902,470
2017 net book value	\$13,146,458	\$ 2,475,130	\$12,113,588	\$168,282,424	\$15,056,354	\$ 5,866,933	\$ 2,961,583	\$ 219,902,470	-

WHEATLAND COUNTY

Schedule of Segmented Disclosure

Schedule 3

Year ended December 31, 2018

	General government	Protective services	Transportation services	Environmental services	Public health services	Planning and development	Recreation and culture	Total
Revenue								
Net property taxes	\$30,927,950	\$	\$	\$ (323,447)	\$	\$	\$	\$30,604,503
User fees and sales of goods	409,733	242,894	200,166	867,097	6,122	43,981	214	1,770,207
Investment income	1,510,548	-	-	-	-	-	-	1,510,548
Licenses and permits	518,683	5,790	-	-	-	245,767	-	770,240
Government transfers for operating	119,468	288,249	-	298,065	-	40,000	-	745,782
Penalties and costs of taxes	216,656	-	-	-	-	-	-	216,656
Development levies	-	-	-	-	-	57,052	-	57,052
Rentals	40,766	-	-	3,332	-	-	-	44,098
Other	402	-	10,431	92,453	-	-	4,719	108,005
	33,744,206	536,933	210,597	937,500	6,122	386,800	4,933	35,827,091
Expenses:								
Salaries, wages and benefits	2,308,201	997,521	5,829,564	701,720	-	1,647,912	91,774	11,576,692
Contracted and general services	1,434,571	531,420	2,799,868	1,385,618	3,826	827,769	18,489	7,001,561
Materials, goods, supplies and utilities	232,879	135,260	2,278,044	200,629	-	194,001	900	3,041,713
Bank charges and short term interest	13,795	-	-	-	-	-	-	13,795
Interest on long term debt	-	-	-	17,842	-	-	-	17,842
Transfers to organization and others	568,316	710,834	-	35,151	122,816	20,735	627,741	2,085,593
Provision for allowances	(95,493)	-	-	-	-	4,146	-	(91,347)
Amortization of tangible capital assets	506,862	34,495	14,890,829	791,601	971	14,579	10,867	16,250,204
Gain on disposal of tangible capital assets	-	-	(458,944)	-	-	-	-	(458,944)
	4,969,131	2,409,530	25,339,361	3,132,561	127,613	2,709,142	749,771	39,437,109
Excess (deficiency) of revenue over expenses before other items	28,775,075	(1,872,597)	(25,128,764)	(2,195,061)	(121,491)	(2,322,342)	(744,838)	(3,610,018)
Other								
Government transfers for capital	-	-	621,669	-	-	-	-	621,669
Contributed assets	-	366,094	277,125	-	-	-	-	643,219
	-	366,094	898,794	-	-	-	-	1,264,888
Excess (deficiency) of revenue over expenses	\$28,775,075	\$ (1,506,503)	\$ (24,229,970)	\$ (2,195,061)	\$ (121,491)	\$ (2,322,342)	\$ (744,838)	\$ (2,345,130)

WHEATLAND COUNTY

Schedule of Segmented Disclosure

Schedule 3

Year ended December 31, 2017

	General government	Protective services	Transportation services	Environmental services	Public health services	Planning and development	Recreation and culture	Total
Revenue								
Net property taxes	\$30,666,853	\$	\$	\$	\$	\$	\$	\$30,666,853
User fees and sales of goods	93,433	351,756	215,718	841,512	10,920	145,970	49,601	1,708,910
Investment income	1,264,588	-	-	-	-	-	-	1,264,588
Government transfers for operating	82,076	4,116	2,077	50,837	-	356,014	3,000,000	3,495,120
Licenses and permits	194,282	5,850	-	-	-	297,217	-	497,349
Penalties and costs of taxes	269,762	-	-	-	-	-	-	269,762
Development levies	-	-	-	-	-	120,786	-	120,786
Rentals	49,869	-	-	-	-	1,150	-	51,019
Other	11,839	73,742	(4,397)	18,891	-	(48,874)	(7,522)	43,679
	32,632,702	435,464	213,398	911,240	10,920	872,263	3,042,079	38,118,066
Expenses:								
Salaries, wages and benefits	1,935,649	953,108	6,970,581	981,252	-	2,071,165	8,423	12,920,178
Contracted and general services	877,384	296,516	1,013,357	907,220	850	649,100	45,281	3,789,708
Materials, goods, supplies and utilities	268,642	137,087	4,523,845	276,411	18	141,048	28	5,347,079
Bank charges and short term interest	4,651	-	-	-	-	-	-	4,651
Interest on long term debt	-	-	-	20,447	-	-	-	20,447
Transfers to organization and others	122,665	1,858,492	-	1,070,128	55,538	-	3,724,455	6,831,278
Provision for allowances	724,015	1,220	-	7,952	-	4,827	-	738,014
Amortization of tangible capital assets	430,361	6,932	15,233,358	746,129	971	12,524	-	16,430,275
Loss on disposal of tangible capital assets	1,436	-	88,927	-	-	-	-	90,363
	4,364,803	3,253,355	27,830,068	4,009,539	57,377	2,878,664	3,778,187	46,171,993
Excess (deficiency) of revenue over expenses before other items	28,267,899	(2,817,891)	(27,616,670)	(3,098,299)	(46,457)	(2,006,401)	(736,108)	(8,053,927)
Other								
Government transfers for capital	60,179	-	5,268,454	532,970	-	-	338,303	6,199,906
Contributed assets	-	-	114,180	-	-	-	-	114,180
	60,179	-	5,382,634	532,970	-	-	338,303	6,314,086
Excess of expenses over revenue	\$28,328,078	\$ (2,817,891)	\$ (22,234,036)	\$ (2,565,329)	\$ (46,457)	\$ (2,006,401)	\$ (397,805)	\$ (1,739,841)