

Town of Westlock

Financial Statements

December 31, 2019

Town of Westlock

December 31, 2019

CONTENTS

	<u>Page</u>
Financial Statements	
Management's Responsibility for Financial Reporting	1
Independent Audit Report	2 - 3
Consolidated Statement of Financial Position	4
Consolidated Statement of Operations	5
Consolidated Statement of Changes in Net Financial Assets	6
Consolidated Statement of Cash Flows	7
Schedule of Changes in Accumulated Surplus, Schedule 1	8
Consolidated Schedule of Tangible Capital Assets, Schedule 2	9
Consolidated Schedule of Property and Other Taxes, Schedule 3	10
Consolidated Schedule of Government Transfers, Schedule 4	11
Consolidated Schedule of Expenses by Object, Schedule 5	12
Consolidated Schedule of Segmented Disclosure, Schedule 6	13
Notes to Consolidated Statements	14 - 26

Town of Westlock

Management's Responsibility for Financial Reporting

Management of the Town of Westlock is responsible for the preparation, accuracy, objectivity and integrity of the accompanying consolidated financial statements and all other information contained within this Financial Report. Management believes that the consolidated financial statements present fairly the Town's financial position as at December 31, 2019 and the results of its operations for the year then ended.

The consolidated financial statements have been prepared in compliance with legislation, and in accordance with Canadian public sector accounting standards (PSAS).

The consolidated financial statements include certain amounts based on estimates and judgments. Such amounts have been determined on a reasonable basis in order to ensure that the consolidated financial statements are presented fairly in all material respects.

In fulfilling its responsibilities and recognizing the limits inherent in all systems, management has designed and maintains a system of internal controls to produce reliable information and to meet reporting requirements on a timely basis. The system is designed to provide management with reasonable assurance that transactions are properly authorized and assets are properly accounted for and safeguarded.

These systems are monitored and evaluated by management and reliable financial information is available for preparation of the consolidated financial statements.

The Town Council carries out its responsibilities for review of the consolidated financial statements principally through its regular meetings of Council. Council meets regularly with management and with external auditors to discuss the results of audit examinations and financial reporting matters.

The external auditors have full access to Council with and without the presence of management. The Town Council has approved the consolidated financial statements.

The consolidated financial statements have been audited by Doyle & Company, Chartered Professional Accountants, independent external auditors appointed by the Town. The accompanying Independent Auditor's Report outlines their responsibilities, the scope of their examination and their opinion on the Town's consolidated financial statements.

**Chief Administrative Officer
Date:
Town of Westlock**

Director of Finance
Date:
Town of Westlock

Allan J. Grykuliak, CPA, CA*
 Scott T. Mockford, CPA, CA*
 Allen Lee, CPA, CMA*
 Jason Bondarevich, CPA, CA*
 *Operates as a professional Corporation

11210 – 107 Avenue N.W.
 Edmonton, Alberta T5H 0Y1
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INDEPENDENT AUDITORS' REPORT

To the Members of Council of the Town of Westlock

Opinion

We have audited the Consolidated Financial Statements of the **Town of Westlock**, which comprise the statement of financial position as at December 31, 2019, and the results of its operations, changes in its net financial assets and cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying Consolidated Financial Statements present fairly, in all material respects, the financial position of the **Town of Westlock** as at December 31, 2019, the results of its operations, changes in its net financial assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Town in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with 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 Consolidated Financial Statements

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

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

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

Auditor's Responsibility for the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the Consolidated Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these 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 from one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

DOYLE & COMPANY
CHARTERED PROFESSIONAL
ACCOUNTANTS

Allan J. Grykuliak, CPA, CA*
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INDEPENDENT AUDITORS' REPORT - continued

- 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 Town'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 Town's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's 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 auditor's report. However, future events or conditions may cause the Town to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

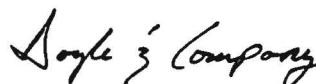
Report on Other Legal and Regulatory Requirements

Debt Limit Regulation

In accordance with Alberta Regulation 255/2000, we confirm that the municipality is in compliance with the Debt Limit Regulation. A detailed account of the Town's debt limit can be found in notes 5 and 6.

Supplementary Accounting Principles and Standards Regulation

In accordance with Alberta Regulation 313/2000, we confirm that the municipality is in compliance with the Supplementary Accounting Principles and Standards Regulation and note the information required can be found in note 10.



Edmonton, Alberta
April 27, 2020

Chartered Professional Accountants

Town of Westlock

Consolidated Statement of Financial Position

December 31, 2019

	2019	2018
FINANCIAL ASSETS		
Cash and temporary investments, Note 2	\$ 11,419,965	\$ 7,099,216
Taxes receivable, Note 3	369,206	224,908
Trade and other receivables, Note 3	1,574,278	2,815,622
Land for resale inventory	546,148	546,148
	13,909,597	10,685,894
LIABILITIES		
Accounts payable and accrued liabilities	1,630,956	1,952,144
Employee benefit obligations, Note 4	223,422	222,356
Deposit liabilities	105,980	86,602
Deferred revenue, Note 16	4,510,236	1,856,096
Prepaid frontages	1,898	6,930
Long term debt, Note 5	7,909,427	8,935,906
	14,381,919	13,060,034
NET FINANCIAL ASSETS (DEBT)	(472,322)	(2,374,140)
NON-FINANCIAL ASSETS		
Tangible capital assets, Schedule 2	51,181,680	51,823,485
Inventory for consumption	161,943	155,439
Prepaid expenses	30,598	26,149
	51,374,221	52,005,073
ACCUMULATED SURPLUS (Schedule 1, Note 8)	\$ 50,901,899	\$ 49,630,933

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

Town of Westlock
Consolidated Statement of Operations
For the Year Ended December 31, 2019

	Budget (Unaudited)	2019	2018
REVENUE			
Net municipal taxes, Schedule 3	\$ 7,227,057	\$ 7,192,282	\$ 6,985,889
User fees and sales of goods	4,687,874	4,671,198	4,595,141
Government transfers for operating, Schedule 4	1,069,935	1,136,780	1,250,174
Penalties and costs of taxes	101,500	118,932	115,297
Franchise Fees	1,128,945	1,161,154	1,121,218
License and Permits	118,600	80,254	94,982
Investment income	75,000	159,623	103,645
Fines and Costs	107,000	65,428	76,543
Rental Revenue	627,944	595,764	619,604
Other revenue	80,275	130,076	191,558
Total Revenue	15,224,130	15,310,491	15,154,051
EXPENSES			
Legislative	330,888	331,349	290,158
Administration	1,823,280	1,665,520	1,729,563
Protective Services	1,370,672	1,283,314	1,006,448
Transportation Services	3,173,761	3,195,476	3,219,888
Water supply and distribution	2,543,499	2,312,448	2,251,224
Wastewater treatment and disposal	476,952	371,135	550,659
Waste management	637,497	589,279	475,869
Family and community support and Public Health	696,573	684,349	724,988
Land use planning, zoning, land and development	1,270,720	1,200,680	1,106,017
Parks and recreation	4,032,054	3,820,681	3,858,245
Culture	267,545	294,577	250,156
Loss on disposal of assets	42,991	-	-
Total Expenses	16,623,441	15,791,799	15,463,215
EXCESS (SHORTFALL) OF REVENUE OVER EXPENSES - BEFORE OTHER			
	(1,399,311)	(481,308)	(309,164)
OTHER			
Government transfers for Capital, Schedule 4	3,658,258	1,752,274	2,792,382
EXCESS OF REVENUE OVER EXPENDITURES	2,268,947	1,270,966	2,483,218
ACCUMULATED SURPLUS, BEGINNING OF YEAR	-	49,630,933	47,147,715
ACCUMULATED SURPLUS - END OF YEAR	\$ -	\$ 50,901,899	\$ 49,630,933

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

Town of Westlock

Consolidated Statement of Changes in Net Financial Assets

For the Year Ended December 31, 2019

	Budget (Unaudited)	2019	2018
EXCESS (SHORTFALL) OF REVENUE OVER EXPENSES	\$ 2,258,947	\$ 1,270,966	\$ 2,483,218
Purchase of tangible capital assets	(2,559,331)	(2,260,779)	(5,028,619)
Proceeds on disposal of tangible capital assets	-	34,500	-
Amortization of tangible assets	2,825,093	2,825,093	2,731,371
(Gain) loss on sale of tangible capital assets	-	42,991	-
	2,524,709	1,912,771	185,970
Use (acquisition) of supply inventories	-	(6,504)	(8,401)
Use (acquisition) of prepaid assets	-	(4,449)	1,283
(INCREASE) DECREASE IN NET DEBT	2,524,709	1,901,818	178,852
NET FINANCIAL ASSETS (DEBT), BEGINNING OF YEAR	-	(2,374,140)	(2,552,992)
NET FINANCIAL ASSETS (DEBT), END OF YEAR	\$ 2,524,709	\$ (472,322)	\$ (2,374,140)

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

Town of Westlock

Consolidated Statement of Cash Flows

For the Year Ended December 31, 2019

	2019	2018
OPERATING ACTIVITIES		
Excess of revenue over expenses	\$ 1,270,966	\$ 2,483,218
Item not affecting cash		
Amortization of tangible capital assets	2,825,093	2,731,371
Loss (gain) on disposal of tangible capital assets	42,991	-
	4,139,050	5,214,589
Changes in non-cash working capital:		
Taxes and grants in place of taxes	(144,298)	(11,537)
Trade and other receivables	1,241,344	(1,856,283)
Inventory for consumption	(6,504)	(8,399)
Land held for resale	-	65,000
Prepaid expenses	(4,449)	1,283
Accounts payable and accrued liabilities	(320,122)	805,501
Deposit liabilities	19,378	(1,990)
Deferred revenue	2,654,140	(387,645)
Prepaid frontages	(5,032)	(6,468)
TOTAL CASH FLOWS FROM OPERATING ACTIVITIES	7,573,507	3,814,051
CASH FLOWS FROM FINANCING ACTIVITIES:		
Long term debt issued	-	1,727,290
Long term debt repaid	(1,026,479)	(1,054,873)
NET CASH USED BY FINANCING ACTIVITIES	(1,026,479)	672,417
CAPITAL ACTIVITIES		
Acquisition of tangible capital assets	(2,260,779)	(5,028,621)
Sale of tangible capital assets	34,500	-
NET CASH USED BY CAPITAL ACTIVITIES	(2,226,279)	(5,028,621)
Net cash increase (decreases) in cash and cash equivalents	4,320,749	(542,153)
Cash and cash equivalents at beginning of period	7,099,216	7,641,369
Cash and cash equivalents at end of period	\$ 11,419,965	\$ 7,099,216

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

Town of Westlock

Schedule of Changes in Accumulated Surplus, Schedule 1

For the Year Ended December 31, 2019

	Unrestricted Surplus	Restricted Surplus, Note 15	Tangible Capital Assets	Equity in Tangible Capital Assets	2019	2018
BALANCE, BEGINNING OF YEAR	\$ 1,596,721	\$ 5,146,633	\$ 42,887,579	\$ 49,630,933	\$ 47,147,715	
Excess (deficiency) of revenues over expenses	1,270,966	-	-	1,270,966	2,483,218	
Unrestricted funds designated for future use	(928,685)	928,685	-	-	-	-
Restricted funds used for tangible capital assets	-	(543,932)	543,932	-	-	-
Current year funds used for tangible capital assets	(1,716,849)	-	1,716,849	-	-	-
Restricted funds used for operating	48,094	(48,094)	-	-	-	-
Disposal of tangible capital assets	77,491	-	(77,491)	-	-	-
Annual amortization expense	2,825,093	-	(2,825,093)	-	-	-
Long term debt repaid	(1,026,479)	-	1,026,479	-	-	-
Change in accumulated surplus	549,631	336,659	384,676	1,270,966	2,483,218	
BALANCE, END OF YEAR	\$ 2,146,352	\$ 5,483,292	\$ 43,272,255	\$ 50,901,899	\$ 49,630,933	

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

Town of Westlock

Consolidated Schedule of Tangible Capital Assets, Schedule 2

For the Year Ended December 31, 2019

	Land	Land Improvements	Buildings	Engineered Structures	Machinery & Equipment	Vehicles	2019	2018
COST								
BALANCE, BEGINNING OF YEAR	\$ 1,286,562	\$ 1,204,398	\$ 31,391,061	\$ 49,230,353	\$ 5,199,770	\$ 1,410,209	\$ 89,722,353	\$ 84,693,732
Acquisitions	-	53,184	25,078	1,482,395	278,361	40,272	1,879,290	4,810,033
Construction in Progress	-	-	60,381	189,500	-	131,609	381,490	218,588
Disposals of tangible capital assets	-	-	-	-	(129,151)	(39,716)	(168,867)	-
BALANCE, END OF YEAR	1,286,562	1,257,582	31,476,520	50,902,248	5,348,980	1,542,374	91,814,266	89,722,353
ACCUMULATED AMORTIZATION:								
BALANCE, BEGINNING OF YEAR	-	800,997	11,844,648	21,429,409	3,247,197	576,617	37,898,868	35,167,497
Annual Amortization	-	38,627	1,045,164	1,208,982	440,071	92,248	2,825,092	2,731,371
Accumulated amortization on disposals	-	-	-	-	(51,660)	(39,716)	(91,376)	-
BALANCE, END OF YEAR	-	839,624	12,889,812	22,638,391	3,635,608	629,149	40,632,584	37,898,868
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS								
	\$ 1,286,562	\$ 417,958	\$ 18,586,708	\$ 28,263,857	\$ 1,713,372	\$ 913,225	\$ 51,181,682	\$ 51,823,485

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

Town of Westlock

Consolidated Schedule of Property and Other Taxes, Schedule 3

For the Year Ended December 31, 2019

	Budget (Unaudited)	2019	2018
TAXATION			
Residential Taxes	\$ 5,342,727	\$ 5,388,358	\$ 5,235,892
Non-Residential Taxes	3,679,287	3,661,399	3,602,613
Grant in Place of Taxes	73,817	71,352	72,284
Linear Property Taxes	158,897	176,660	148,979
Special Assessments and Local Improvement Levies	64,614	49,572	6,468
Farmland	21,691	22,383	20,144
	9,341,033	9,369,724	9,086,380
REQUISITIONS			
School Board Foundations	1,791,518	1,837,010	1,776,867
Seniors Foundation	322,208	339,745	323,371
Designated Property Tax Requisition	250	687	253
	2,113,976	2,177,442	2,100,491
NET MUNICIPAL TAXES	\$ 7,227,057	\$ 7,192,282	\$ 6,985,889

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

Town of Westlock

Consolidated Schedule of Government Transfers, Schedule 4

For the Year Ended December 31, 2019

	Budget (Unaudited)	2019	2018
TRANSFERS FOR OPERATING			
Provincial Government	\$ 682,217	\$ 756,660	\$ 873,832
Other Local Governments	378,786	374,090	372,210
Federal Grants for Operating	8,932	5,030	4,132
	1,069,935	1,135,780	1,250,174
TRANSFERS FOR CAPITAL			
Provincial Government	3,658,258	1,625,819	364,664
Federal Government	-	126,456	2,143,118
Other Local Governments	-	-	284,600
	3,658,258	1,752,275	2,792,382
TOTAL GOVERNMENT TRANSFERS	\$ 4,728,193	\$ 2,888,055	\$ 4,042,556

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

Town of Westlock

Consolidated Schedule of Expenses by Object, Schedule 5

For the Year Ended December 31, 2019

	Budget (Unaudited)	2019	2018
CONSOLIDATED EXPENSES BY OBJECT			
Salaries, wages and benefits	\$ 5,762,020	\$ 5,424,283	\$ 5,474,790
Contracted and general services	3,699,083	3,492,697	3,277,608
Materials, goods and utilities	3,618,664	3,303,195	3,310,388
Transfers to local boards and agencies	170,900	171,822	170,227
Interest and bank charges	21,600	25,122	25,661
Interest on Long Term Debt	287,236	279,323	256,923
Transfers to individuals and organizations	234,345	220,229	149,600
Amortization of tangible assets	2,825,093	2,825,093	2,731,371
Other operating expenses	4,500	7,044	66,647
Loss on disposal of tangible capital asset	-	42,991	-
	\$ 16,623,441	\$ 15,791,799	\$ 15,463,215

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

Town of Westlock

Consolidated Schedule of Segmented Disclosure, Schedule 6

For the Year Ended December 31, 2019

	General Government	Protective Services	Transportation Services	Planning & Development	Recreation & Culture	Environmental Services	Other	2019	2018
Net municipal taxes	\$ 7,192,281	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7,192,281	\$ 6,985,888
Government Transfers	86,121	240,808	1,121,026	-	415,031	551,481	473,586	2,888,053	4,042,555
User fees and sales of goods	11,783	44,087	85,407	8,008	500,621	3,861,653	159,639	4,671,198	4,595,143
Investment income	159,623	-	-	-	-	-	-	159,623	103,645
Other Revenue	1,294,515	75,097	-	294,151	461,087	13,892	12,866	2,151,608	2,219,202
	8,744,323	359,992	1,206,433	302,159	1,376,739	4,427,026	646,091	17,062,763	17,946,433
EXPENSES									
Salaries, wages and benefits	919,619	280,297	922,557	552,881	1,687,275	531,173	530,481	5,424,283	5,474,791
Contracted and general services	554,251	789,789	536,824	271,424	619,768	619,744	100,896	3,492,696	3,277,607
Materials, goods and utilities	105,291	114,458	541,167	128,294	767,620	1,603,857	42,506	3,303,193	3,310,388
Transfers to individual or local boards	41,384	57,145	53,350	-	162,972	68,700	8,500	392,051	319,827
Interest on Long Term Debt	-	-	24,179	30,902	170,801	53,441	-	279,323	256,923
Other expenses	15,556	1,623	42,991	-	6,470	8,518	-	75,158	92,308
	1,636,101	1,243,312	2,121,068	983,501	3,414,906	2,885,433	682,383	12,966,704	12,731,844
NET REVENUE, BEFORE AMORTIZATION	7,108,222	(883,320)	(914,635)	(681,342)	(2,038,167)	1,541,593	(36,292)	4,096,059	5,214,589
Amortization expense	360,766	40,003	1,117,399	217,179	700,352	387,428	1,966	2,825,093	2,731,371
NET REVENUE	\$ 6,747,456	\$ (923,323)	\$ (2,032,034)	\$ (898,521)	\$ (2,738,519)	\$ 1,154,165	\$ (38,258)	\$ 1,270,966	\$ 2,483,218
2018 COMPARATIVE NET REVENUE	\$ 6,327,660	\$ (644,515)	\$ (2,784,445)	\$ (588,498)	\$ (2,743,458)	\$ 2,971,972	\$ (55,498)	\$ 2,483,218	

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

Town of Westlock

Notes to Consolidated Statements

For the Year Ended December 31, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements of the Town of Westlock are the representations of management prepared in accordance with public sector accounting standards for local governments established by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada. Significant aspects of the accounting policies adopted by the Town are as follows:

a) Reporting Entity

The consolidated financial statements reflect the assets, liabilities, revenues and expenditures, changes in fund balances and change in financial position of the reporting entity. This entity is comprised of the municipal operations plus all of the organizations that are owned or controlled by the Town and are, therefore, accountable to the Town Council for the administration of their financial affairs and resources. Included with the municipality are the following:

Westlock and District Family and Community Support Services

The schedule of taxes levied also includes requisitions for education and other external organizations that are not part of the municipal reporting entity.

Interdepartmental and organizational transactions and balances are eliminated.

b) Basis of Accounting

The financial statements are prepared using the accrual basis of accounting. The accrual basis of accounting records revenue as it is earned and measurable. Expenses are recognized as they are incurred and measurable based upon receipt of goods or services and/or the legal obligation to pay.

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, service performed or the tangible capital assets are acquired.

c) Use of Estimates

The preparation of financial statements in conformity with the Canadian Public Sector Accounting Standards requires management 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.

Town of Westlock

Notes to Consolidated Statements

For the Year Ended December 31, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

d) 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.

e) Inventories for Resale

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

f) 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.

g) Prepaid Local Improvement Charges

Construction and borrowing costs associated with local improvement projects are recovered through annual special assessments during the period of related borrowings. These levies are collectable from property owners for work performed by the municipality.

Where a taxpayer has elected to prepay the outstanding local improvement charges, such amounts are recorded as deferred revenue. Deferred revenue is amortized to a revenue on a straight line basis over the remaining term of the related borrowings.

In the event that the prepaid amounts are applied against the related borrowings, the deferred revenue is amortized to revenue by an amount equal to the debt repayment.

h) 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.

Town of Westlock

Notes to Consolidated Statements

For the Year Ended December 31, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

i) 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.

j) 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 consolidated Change in Net Financial Assets (Debt) for the year.

k) 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:

Land Improvements	15 to 20 years
Buildings	25 to 50 years
Machinery and Equipment	5 to 20 years
Vehicles	3 to 20 years
Engineered Structures	15 to 75 years

Amortization was charged at a rate of 50% in the year of acquisition. No amortization is charged in the year of disposal. Assets under construction are not amortized until the asset is available for productive use.

l) 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.

m) Leases

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

Town of Westlock

Notes to Consolidated Statements

For the Year Ended December 31, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

n) Inventory for Consumption

Inventories of materials and supplies for consumption are valued at the lower of cost or net realizable value.

2. CASH AND TEMPORARY INVESTMENTS

	2019	2018
Investments - GIC's, Savings and Money Market Funds	\$ -	\$ 133,625
Bank accounts	11,409,615	6,962,721
Petty Cash, Floats, Spirit Centre ATM	10,350	2,870
	\$11,419,965	\$ 7,099,216

3. RECEIVABLES

	2019	2018
Property Taxes		
Current taxes and grants in place of taxes	\$ 235,828	\$ 183,987
Arrears taxes	68,464	40,921
Education Requisition Under-Levy	64,914	-
	\$ 369,206	\$ 224,908
Other		
Local improvement levies	42,298	88,799
Trade accounts	1,484,671	2,635,364
GST Receivable	56,969	105,363
Allowance for doubtful accounts	(9,660)	(13,904)
	1,574,278	2,815,622
	\$ 1,943,484	\$ 3,040,530

4. EMPLOYEE BENEFIT OBLIGATIONS

	2019	2018
Vacation and overtime	\$ 223,422	\$ 222,356

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 or are entitled to these benefits within the next budgetary year.

Town of Westlock

Notes to Consolidated Statements

For the Year Ended December 31, 2019

5. LONG TERM DEBT

	2019	2018
Tax and utility supported debentures due to Alberta Capital Finance Authority	\$ 7,909,427	\$ 8,935,906

The current portion of the long term debt amounts to \$1,054,873.

Principal and interest repayment terms are as follows:

	Principal	Interest	Total
2020	\$ 956,524	\$ 257,962	\$ 1,214,486
2021	907,917	233,638	1,141,555
2022	479,943	212,402	692,345
2023	497,592	194,753	692,345
2024	515,897	176,448	692,345
Thereafter	4,551,554	826,153	5,377,707
	\$ 7,909,427	\$ 1,901,356	\$ 9,810,783

Debenture debt is repayable to the Alberta Capital Finance Authority and bears interest at rates ranging from 1.2625% to 5.387% per annum and matures in periods 2020 through 2043.

Debenture debt is issued on the credit and security of the Town of Westlock at large. The Town's total cash payments for Interest on long term debt amounted to \$279,322 (2018 - \$256,923).

6. 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 Town of Westlock be disclosed as follows:

	2019	2018
Total debt limit	\$ 22,965,737	\$ 22,731,077
Total debt	7,909,427	8,935,906
Amount of debt limit unused	15,056,310	13,795,171
Debt servicing limit	3,827,623	3,788,513
Debt servicing used	1,214,486	1,311,321
Amount of debt servicing limit unused	\$ 2,613,137	\$ 2,477,192

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

Town of Westlock

Notes to Consolidated Statements

For the Year Ended December 31, 2019

6. DEBT LIMITS

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.

7. EQUITY IN TANGIBLE CAPITAL ASSETS

	2019	2018
Tangible capital assets, Schedule 2	\$ 91,814,266	\$ 89,722,353
Accumulated amortization, Schedule 2	(40,632,584)	(37,898,868)
Long term debt, Note 5	(7,909,427)	(8,935,906)
	\$ 43,272,255	\$ 42,887,579

8. ACCUMULATED SURPLUS

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

	2019	2018
Unrestricted Surplus	\$ 2,146,352	\$ 1,596,721
Reserves , Note 15	5,483,292	5,146,633
Equity in tangible capital assets, Note 7	43,272,255	42,887,579
	\$ 50,901,899	\$ 49,630,933

9. SEGMENTED DISCLOSURE

The Town of Westlock provides a range of services to its ratepayers. For each reported segment, revenue 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 6). Revenues for the activities are allocated as follows:

Taxation:	Allocated to General Government
Sale of Service:	Allocated to segment based on service and to general government if not specific
Grants:	Allocated to segment based on service provided and to general government if not specific
Interest:	Allocated to general government

Town of Westlock

Notes to Consolidated Statements

For the Year Ended December 31, 2019

9. SEGMENTED DISCLOSURE

The nature of the segments and the activities they encompass are as follows:

General Government - This function consists of expenditures which are made primarily to operate the municipality rather than provide services, such as the operation of the governing body, handling of finance and similar items which are common to or affect all of the services provided by the municipality.

Legislative Services - This function encompasses activities for Mayor and Council for the benefit of the municipality as a whole.

Administration - This function encompasses all activities required primarily to administer the municipality as a whole rather than to provide services, although it does include municipal offices services provided to the public. This function includes the CAO, and administration services, including safety, human resources, accounting activities, property taxation and assessment, finance, municipal census, external auditing, municipal memberships, public liability insurance, general administration and record services.

Protective Services - This category of functions provide for the public safety of citizens, currently, in three main programs, Fire, Emergency Services and Community Enforcement.

Fire Protection Services - This function embodies all activities required to provide fire protection and prevention for the municipality, either through its own fire fighting force and through joint service arrangements with neighbouring communities. Expenditures include all fire fighting, investigations, prevention programs, training programs, fire hall repairs and maintenance, fire equipment acquisition and repairs, and the costs associated with the volunteer fire fighters.

Emergency Measures and Disaster Services - This function includes all activities required to plan and carry out various emergency measures connected with preparation for and handling of disasters of all kinds.

Community Enforcement - This function includes all activities required to provide protection of persons and property which have not been included in any of the above protective service functions. Typical types of activities include building, parking and traffic bylaw enforcement, animal control and weed control.

Transportation Services - This category of functions consists of expenditures with are made in connection with public transportation services and includes construction and maintenance of roads, streets and laneways and related facilities such as storm drainage systems, fleet services, street lighting, traffic services, and public transit. As well, this category is responsible for the administration and engineering costs associated with these services and facilities.

Common Services - This function includes those activities which relate to or benefit several transportation facilities. The activities include the engineering services, buildings, yards, workshops and garages as well as the overall administration of the transportation service.

Road Transportation - This function includes all activities required to provide for roads, streets, laneways, snow clearing, street lighting, traffic signals and sidewalks. This function also includes expenses incurred in maintaining public parking facilities.

Fleet and Equipment Pool - This function includes fuel, insurance, repairs and maintenance for a central

Town of Westlock

Notes to Consolidated Statements

For the Year Ended December 31, 2019

9. SEGMENTED DISCLOSURE

pool of equipment and vehicles used as required by all departments within the municipality.

Airport Services - This function includes an annual contribution to the Westlock Airport to Westlock County for the operation of the hangar, runway and other facilities and structures of the system.

Public Transit - This function includes all activities involved in the operation of the Community Assistance Bus. The expenditures would typically include administration of the service, operators, fuel and maintenance.

Storm Sewers and Drainage - This function includes the activities involved in providing and maintaining a system of storm sewers and drainage facilities for the municipality. The expenses include maintenance, ditching, cleaning, flushing, and any other associated activity.

Environmental Services - This category of function consists of programs which provide utility services in the municipality which come under rigid environmental controls.

Water Supply and Distribution - This function covers the water utility operations including the purchasing treated water from the Westlock Regional Water Services Commission, utility billing and collection services, provisioning of the water supply through transmission lines and reservoir systems, and repairs and maintenance to the system. This function is self sustaining as it is maintained solely from the utility billings which includes a reserve for future capital plans and debt repayment.

Sanitary Sewer Service and Treatment - This function includes all activities for the collection, treatment and disposal of sanitary sewage. Expenses include all administration, operation and maintenance of lagoons, lift station, lines, structures and equipment as appropriate for this function. This function is self sustaining as it is maintained solely from the utility billings which includes a reserve for future capital plans and debt repayment.

Garbage Collection and Disposal - This function covers all activities involved in the collection and disposal of garbage, recycling and organics. Administration (including billing and collection), contracted services, tippage, and maintaining a building are included in this activity.

Other (Public Health and Community Wellness) - This category of functions include expenditures which are incurred to carry out services relating to the health of individuals.

Family and Community Support Services - This function includes activities in developing community awareness to strengthen and preserve human initiative and preclude individual or family breakdown. This includes activities such as parent and child development, fetal alcohol spectrum disorder programming, youth and senior programming and any other associated activities which may be considered primarily as social and health services rather than cultural services.

Day Care - The municipality maintains ownership of a building which is currently leased at no cost to the Westlock Childcare Society. The Society is responsible for all maintenance and insurances on the building.

Cemetery - This function covers all activities associated with the administration, maintenance and operation of the municipal cemetery, including grave opening and closings, columbariums, and perpetual care of the gravesites.

Town of Westlock

Notes to Consolidated Statements

For the Year Ended December 31, 2019

9. SEGMENTED DISCLOSURE

Planning and Development Services - This category of functions consists of programs which are undertaken for the physical development of the municipality.

Municipal Planning and Development - The function is intended for activities involving regional and municipal planning commissions, a development appeal board, development control officers, any research or studies involving planning, permits, building inspections, administration and other activities relating to development projects being done.

Economic Development and Tourism - The function includes activities related to the promotion of the municipality to external groups and individuals through advertising, Visitor Information Centre that provides information about the municipality and related activities associated with the promotion of the municipality.

Subdivision Land and Developments - Where the municipality is involved in the holding of land for resale, this function is intended to encompass all activities relating to the development and sale of such lands.

Public Housing - This function is intended to encompass all activities involved in the provision of low-cost municipal housing made available to individuals and families. The municipality currently administers one building, Westlock Place. Expenditures include repairs and maintenance, insurance and debt repayment.

Recreation and Cultural Services - This function covers services of social and cultural nature. Program costs are segregated from the related expenditure on facilities using subfunctions where programs are carried out.

Recreation/Parks Facilities and Programs - Facilities maintained in this category are the Westlock Rotary Spirit Centre, Westlock Aquatic Centre, municipal parks are sport fields, and the programming that occurs at all sites. The expenditures include activities related to the conducting of activities for recreation such as facility and equipment repairs and maintenance, maintenance of outdoor spaces, walking trail maintenance, health and fitness programming.

Culture: Library and Museum - This function covers the municipal contribution to the Westlock Regional Library and Yellowhead Regional Library membership by which the Regional Library accesses its book collection. The municipality also owns the buildings occupied by the Westlock Regional Library and the Pioneer Museum and is responsible for the expenses related to insurance, repairs and maintenance of the buildings.

Town of Westlock

Notes to Consolidated Statements

For the Year Ended December 31, 2019

10. SALARY AND BENEFIT DISCLOSURE

	Salary ¹	Benefits & Allowances ^{2,3}	2019	2018
Mayor Ralph Leriger	\$ 41,322	\$ 6,264	\$ 47,586	\$ 42,434
Councillors:				
Clem Fagnan	25,893	4,317	30,210	28,067
Murtaza Jamaly	27,967	4,742	32,709	31,293
John Shoemaker	22,654	1,010	23,664	21,766
Curtis Snell	24,982	5,931	30,913	29,230
David Truckey	29,687	5,682	35,369	29,717
Randy Wold	28,322	5,612	33,934	27,677
	\$ 200,827	\$ 33,558	\$ 234,385	\$ 210,184
Chief Administrative Officer (2 Employees)	\$ 233,570	\$ 25,163	\$ 258,733	\$ 223,194

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, health care, dental coverage, vision coverage, group life insurance, long and short term disability plans, professional memberships and tuition.

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

11. LOCAL AUTHORITIES PENSION PLAN

Employees of the Town participate in the Local Authorities Pension Plan (LAPP), which is one of the plans covered by the Alberta Public Sector Pension Plans Act. The LAPP is financed by 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 Town is required to make current service contributions to the LAPP of 9.39% of pensionable earnings up to the year's maximum pensionable earnings under the Canada Pension Plan and 13.84% on pensionable earnings above this amount. Employees of the Town are required to make current service contributions of 8.39% of pensionable salary up to the year's maximum pensionable salary and 12.84% on pensionable salary above this amount.

Total current service contributions by the Town to the LAPP in 2019 was \$304,111 (2018-\$337,981). The total current service contributions by the employees of the Town to the LAPP in 2019 was \$273,705 (2018-\$310,029).

Total current service contributions by the town to the LAPP in 2020 were \$49,554. Total current service contributions by the employees of the town to the LAPP in 2020 were \$44,637.

Town of Westlock

Notes to Consolidated Statements

For the Year Ended December 31, 2019

11. LOCAL AUTHORITIES PENSION PLAN

At December 31, 2018 the LAPP disclosed an actuarial surplus of \$3.47 billion.

12. CONTINGENCIES

The Town of Westlock is a member of the Alberta Municipal Insurance Exchange (MUNIX). Under the terms of the membership, the Town of Westlock 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.

13. FINANCIAL INSTRUMENTS

The Town of Westlock's financial instruments consist of cash and temporary investments, accounts receivable, accounts payable and accrued liabilities, deposit liabilities and long term debt. It is management's opinion that the Town of Westlock is not exposed to significant interest or currency risks arising from these financial instruments.

The Town of Westlock is subject to credit risk with respect to taxes and grants in place of taxes receivable and trade and other receivables. Credit risk arises from the possibility that taxpayers and entities to which the Town of Westlock provides services may experience financial difficulty and be unable to fulfil 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 approximate fair value.

14. COMMITMENTS

The Town is committed to purchasing \$1,572,250 of water in 2020 from the Westlock Regional Water Commission in accordance with Schedule A of the Water Supply Agreement. Future volume commitments are agreed on each year by way of a letter from the Town to the Westlock Regional Water Commission. Future pricing will not be lower than the current rate of \$2.35/cubic metre, \$2.40 after April 1, 2020.

The Town is also committed to an operating leases on office equipment as follows:

	Annual Commitment	Total Remaining	Expiry
Xerox - Photocopiers	\$20,357	\$ 81,427	2023
Pitney Bowes, Office equipment, and maintenance services	\$7,909	\$ 1,977	2020
RCAP/Sunco - Phone equipment and maintenance services	\$18,918	\$ 37,836	2021
Total			\$ 121,240

Town of Westlock

Notes to Consolidated Statements

For the Year Ended December 31, 2019

15. RESTRICTED SURPLUS

	2019	2018
Building Reserve	\$ 130,110	\$ 70,110
Cemetery Reserve	129,219	159,339
Emergency Equipment Reserve	304,968	366,272
Environmental Surcharge Reserve	468,389	445,270
General Operating Reserve	272,305	208,603
Infrastructure Surcharge Reserve	1,113,135	934,471
Land Development Reserve	51,310	51,310
Machinery/Fleet Replacement Reserve	26,008	51,782
Municipal Parkland Reserve	-	-
Recreation Reserve	31,176	14,826
Storm Sewer Reserve	-	24,547
Street Construction Reserve	499,571	473,131
Utility Offsite Levy Reserve	-	-
Water/Sewer Reserve	2,457,101	2,346,972
Total	\$ 5,483,292	\$ 5,146,633

16. DEFERRED REVENUE

	2019	2018
Deferred Revenue		
General Municipal Deferred Revenue-Operating	\$ 35,346	\$ 39,811
General Municipal Deferred Revenue - Capital	4,311,264	1,678,230
Recreation Unearned Revenue	113,457	99,588
Westlock Regional Waste Overcollection of Requisition	8,650	-
	4,468,717	1,817,629
FCSS - Deferred Revenue		
EC Mapping	7,248	-
Christmas Spirit/Santa's Anonymous	23,323	15,062
Caring for Families	10,231	10,447
FASD	-	8,610
Provincial FCSS Grant	717	4,348
	41,519	38,467
Total	\$ 4,510,236	\$ 1,856,096

Town of Westlock

Notes to Consolidated Statements

For the Year Ended December 31, 2019

17. CONTAMINATED SITES LIABILITY

On January 1, 2015, the Town adopted PS3260 Liability for Contaminated Sites. The standard was applied on a retroactive basis and did not result in any adjustments to the financial liabilities, tangible capital assets or accumulated surplus of the Town. The Town currently owns land in Westlock County that is a closed landfill site. The Town has received an estimate for a study to be completed on closure and post-closure liability and the study costs are listed in the 3 year capital plan at the cost of \$110,000.

18. APPROVAL OF FINANCIAL STATEMENTS

Council and Management have approved these financial statements.