

# **FOOTHILLS COUNTY**

## **Consolidated Financial Statements**

**For the year ended December 31, 2018**

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**FOOTHILLS COUNTY**  
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**For the year ended December 31, 2018**

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## INDEPENDENT AUDITOR'S REPORT

To: The Mayor and Members of Council of  
the Foothills County

### *Opinion*

We have audited the consolidated financial statements of the Foothills County which comprise the consolidated statement of financial position as at December 31, 2018, and the consolidated statements of operations, change in net financial assets and cash flow for the year 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 Foothills County as at December 31, 2018, the results of its operations, change 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 Financial Statements section of our report. We are independent of the Foothills County in accordance with the ethical requirements that are relevant to our audit of the consolidated 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.

### *Other Matter*

Effective January 1, 2019, the Municipal District of Foothills No. 31 changed its name to Foothills County.

### *Responsibilities of Management and Those Charged with Governance for the Financial Statements*

Management is responsible for the preparation and fair presentation of the 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 financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Foothills County'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 Foothills County or to cease operations, or has no realistic alternative but to do so.

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

### *Auditor's Responsibilities for the Audit of the 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:

## INDEPENDENT AUDITOR'S REPORT, continued

- 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 Foothills County'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 Foothills County'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 County 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.

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.

### *Report on Other Legal and Regulatory Requirements*

- Debt Limit Regulation:  
In accordance with Alberta Regulation 255/2000, we confirm that the Foothills County is in compliance with the Debt Limit Regulation. A detailed account of the County's debt limit can be found in note 15.
- Supplementary Accounting Principles and Standards Regulation:  
In accordance with Alberta Regulation 313/2000, we confirm that the Foothills County is in compliance with the Supplementary Accounting Principles and Standards Regulation and note the information required can be found in note 18.

Lethbridge, Alberta

April 24, 2019



Chartered Professional Accountants

## **MANAGEMENT REPORT**

The consolidated financial statements are the responsibility of the management of the Foothills County.

These consolidated 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 consolidated financial statements are presented fairly, in all material respects.

The Foothills 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 Foothills County's assets are properly accounted for and adequately safeguarded.

The elected Council of the Foothills County is responsible for ensuring that management fulfils its responsibilities for financial statements. Council carries out its responsibility principally through the Finance and Administration and General Services committees.

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 re-appointment of the external auditors. Council reviews the monthly financial reports.

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

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Director of Corporate Services

**FOOTHILLS COUNTY**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**As at December 31, 2018**

	2018	2017
<b>Financial assets</b>		
Cash and temporary investments (note 2)	\$ 29,538,119	\$ 19,347,990
Taxes and grants in place of taxes receivable (note 3)	2,892,743	2,868,484
Trade and other receivables (note 4)	7,727,034	13,235,744
Land held for resale	179,126	248,126
Investments (note 5)	470,385	469,544
	<u>40,807,407</u>	<u>36,169,888</u>
<b>Liabilities</b>		
Accounts payable and accrued liabilities	6,071,313	4,840,623
Employee benefit obligations (note 6)	811,696	703,473
Deposits	2,870,433	3,007,197
Provision for gravel pit reclamation	1,157,251	1,221,194
Deferred revenue (note 7)	4,448,811	7,637,200
Long-term debt (note 8)	12,255,303	11,925,304
	<u>27,614,807</u>	<u>29,334,991</u>
<b>Net financial assets</b>	<u>13,192,600</u>	<u>6,834,897</u>
<b>Non-financial assets</b>		
Prepaid expenses	369,906	349,486
Inventory for consumption	4,181,730	3,141,840
Tangible capital assets (schedule 2)	222,136,712	221,320,331
	<u>226,688,348</u>	<u>224,811,657</u>
<b>Accumulated surplus</b> (note 9 and schedule 1)	<u>\$ 239,880,948</u>	<u>\$ 231,646,554</u>

*Commitments and contingencies* (note 17)

Approved on behalf of Council:

Councillor \_\_\_\_\_

Councillor \_\_\_\_\_

**FOOTHILLS COUNTY**  
**CONSOLIDATED STATEMENT OF OPERATIONS**  
For the year ended December 31, 2018

	Budget (Unaudited)	2018	2017
<b>Revenue</b>			
Net municipal taxes (note 10)	\$ 33,353,806	\$ 33,318,797	\$ 32,537,506
User fees and sales of goods	2,978,376	4,163,804	3,574,061
Government transfers for operating (note 11)	1,933,008	2,790,690	1,830,187
Investment income	275,000	492,528	231,849
Penalties and costs of taxes	1,176,800	683,928	1,068,228
Licenses and permits	1,166,500	1,213,624	1,293,390
Gain on disposal of capital assets	-	324,913	-
Fines	180,250	235,480	197,232
Rental	461,100	498,372	491,442
Other	125,250	1,122,216	850,535
	41,650,090	44,844,352	42,074,430
<b>Expenses (note 12)</b>			
Legislative	701,393	703,366	719,500
Administration	7,964,296	6,708,073	6,647,754
Protective services	5,991,550	6,053,403	5,484,880
Ambulance services and first aid	193,250	193,249	191,278
Roads, streets, walks, lighting	29,699,495	26,479,068	27,847,662
Airport	65,400	70,892	45,452
Water supply and distribution	1,649,579	1,701,582	1,473,382
Wastewater treatment and disposal	348,970	306,222	305,677
Waste management	336,931	380,931	345,223
Family and community support services	567,846	553,927	559,050
Cemeteries and crematoriums	286,480	238,260	180,265
Land use planning, zoning and development	2,296,382	1,963,589	1,971,483
Economic and agricultural development	1,039,712	1,086,510	925,556
Recreation boards	1,785,000	1,694,629	1,885,157
Parks and recreation	1,648,781	1,666,989	1,572,069
Culture - libraries, museums, halls	442,600	394,405	386,860
	55,017,665	50,195,095	50,541,248
<b>Deficiency of revenue over expenses before other</b>	<b>(13,367,575)</b>	<b>(5,350,743)</b>	<b>(8,466,818)</b>
<b>Other</b>			
Government transfers for capital (note 11)	8,364,200	12,106,700	9,198,125
Contributed assets (note 20)	-	1,478,437	3,452,765
	8,364,200	13,585,137	12,650,890
<b>(Deficiency) excess of revenue over expenses</b>	<b>(5,003,375)</b>	<b>8,234,394</b>	<b>4,184,072</b>
<b>Accumulated surplus, beginning of year</b>	<b>231,646,554</b>	<b>231,646,554</b>	<b>227,462,482</b>
<b>Accumulated surplus, end of year</b>	<b>\$ 226,643,179</b>	<b>\$ 239,880,948</b>	<b>\$ 231,646,554</b>

**FOOTHILLS COUNTY**  
**CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL ASSETS**  
**For the year ended December 31, 2018**

	Budget (Unaudited)	2018	2017
<b>(Deficiency) excess of revenue over expenses</b>	<b>\$ (5,003,375)</b>	<b>\$ 8,234,394</b>	<b>\$ 4,184,072</b>
Acquisition of tangible capital assets	(10,393,060)	(16,185,134)	(10,549,649)
Amortization of tangible capital assets	14,727,686	14,696,525	14,807,926
Contributed assets	-	(1,478,437)	(3,452,765)
Loss on disposal of tangible capital assets	-	1,704,874	4,703,496
Proceeds on disposal of tangible capital assets	250,000	445,790	455,431
	4,584,626	(816,382)	5,964,439
Net change in inventory for consumption	-	(1,039,889)	(78,222)
Net change in prepaid expense	-	(20,420)	(8,567)
	-	(1,060,309)	(86,789)
<b>Change in net financial assets (debt)</b>	<b>(418,749)</b>	<b>6,357,703</b>	<b>10,061,722</b>
<b>Net financial assets (debt), beginning of year</b>	<b>6,834,897</b>	<b>6,834,897</b>	<b>(3,226,825)</b>
<b>Net financial assets, end of year</b>	<b>\$ 6,416,148</b>	<b>\$ 13,192,600</b>	<b>\$ 6,834,897</b>



**FOOTHILLS COUNTY**  
**CONSOLIDATED STATEMENT OF CASH FLOW**  
For the year ended December 31, 2018

	2018	2017
<b>Operating transactions</b>		
Excess of revenue over expenses	\$ 8,234,394	\$ 4,184,072
Adjustments for items which do not affect cash		
Loss on disposal of tangible capital assets	1,704,874	4,703,496
Amortization of tangible capital assets	14,696,525	14,807,926
Contributed assets	(1,478,437)	(3,452,765)
	23,157,356	20,242,729
Net change in non-cash working capital items		
Taxes and grants in place of taxes receivable	(24,259)	113,325
Trade and other receivables	5,508,710	(3,402,305)
Land held for resale	69,000	506,303
Investments	(841)	(32)
Inventory for consumption	(1,039,889)	(78,222)
Prepaid expenses	(20,420)	(8,567)
Accounts payable and accrued liabilities	1,230,690	930,477
Employee benefit obligations	108,223	(131,911)
Deposits	(136,764)	215,425
Deferred revenue	(3,188,389)	(1,750,819)
Provision for gravel pit reclamation	(63,943)	(60,843)
Cash provided by operating transactions	25,599,474	16,575,560
<b>Capital transactions</b>		
Proceeds on disposal of tangible capital assets	445,790	455,431
Acquisition of tangible capital assets	(16,185,134)	(10,549,649)
Cash applied to capital transactions	(15,739,344)	(10,094,218)
<b>Financing transactions</b>		
Proceeds of long-term debt	1,211,250	-
Repayment of long-term debt	(881,251)	(3,643,659)
Cash provided by (applied to) financing transactions	329,999	(3,643,659)
<b>Increase in cash and temporary investments</b>	10,190,129	2,837,683
<b>Cash and temporary investments, beginning of year</b>	19,347,990	16,510,307
<b>Cash and temporary investments, end of year</b>	\$ 29,538,119	\$ 19,347,990

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**FOOTHILLS COUNTY**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**For the year ended December 31, 2018**

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**1. Significant accounting policies**

The consolidated financial statements of the Foothills County are the representations of management prepared in accordance with public sector accounting standards for local government established by the Chartered Professional Accountants of Canada. Significant aspects of the accounting policies adopted by the Foothills County are as follows:

(a) Reporting entity

The consolidated 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 of the organizations that are owned or controlled by the Foothills County 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 statements exclude trust assets that are administered for the benefit of external parties. Interdepartmental and organizational transactions and balances are eliminated.

(b) Basis of accounting

The 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, services performed or the tangible capital assets are acquired.

(c) Inventories 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. Related 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 function.

(d) Investments

Investments are recorded at amortized cost. Investment premiums and discounts are amortized on the net present value basis over the term of the respective investments. 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.

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**FOOTHILLS COUNTY**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**For the year ended December 31, 2018**

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**1. Significant accounting policies, continued**

- (e) 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.

- (f) 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.

- (g) 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.

- (h) 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.

- (i) Use of estimates  
The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expense 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.

- (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 for the year.

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**FOOTHILLS COUNTY**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**For the year ended December 31, 2018**

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**1. Significant accounting policies, continued**

(i) Tangible capital assets

Tangible capital assets are recorded at cost which includes all amounts that are directly attributable to acquisition, construction, development or betterment of the asset. The cost, less residual value, of the tangible capital assets is amortized on a straight-line basis over the estimated useful life as follows:

	Years
Land improvements	25
Buildings	25-40
Engineered structures	5-70
Machinery and equipment	10-20
Vehicles	8-20

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

(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 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.

(iv) Inventories

Inventories held for consumption are recorded at the lower of cost and replacement cost.

(v) Cultural and historical tangible capital assets

Works of art for display are not recorded as tangible capital assets but are disclosed.

(k) 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.

**FOOTHILLS COUNTY**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
For the year ended December 31, 2018

**2. Cash and temporary investments**

	2018	2017
Cash	\$ 8,785,032	\$ 5,036,265
Temporary investments	20,753,087	14,311,725
	<u>\$ 29,538,119</u>	<u>\$ 19,347,990</u>

The temporary investments are comprised of guaranteed investment certificates, and term deposits, with interest rates ranging between 1.30% and 2.53% and maturity dates between January 2019 and May 2020. The carrying value of the temporary investments approximates fair value.

Under its credit facility with TD Canada Trust, the County holds a line of credit to a maximum of \$500,000. The line of credit is due on demand and bears interest at the prime rate less 0.25%. As at December 31, 2018 the line of credit was undrawn.

**3. Taxes and grants in place of taxes receivables**

	2018	2017
Taxes and grants in place of taxes receivable	\$ 2,570,100	\$ 2,372,250
Arrears	1,863,797	1,382,815
	4,433,897	3,755,065
Allowance for doubtful accounts	(1,541,154)	(886,581)
	<u>\$ 2,892,743</u>	<u>\$ 2,868,484</u>

**4. Trade and other receivables**

	2018	2017
Due from provincial government	\$ 1,274,478	\$ 7,219,732
Medical Center receivable	4,694,915	4,714,662
Trade receivables	770,384	557,957
Other receivables	508,796	345,241
Goods and Services Tax (GST)	433,356	304,200
Utilities	216,014	265,648
Allowance for doubtful accounts	(170,909)	(171,696)
	<u>\$ 7,727,034</u>	<u>\$ 13,235,744</u>

**FOOTHILLS COUNTY**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
For the year ended December 31, 2018

**5. Investments**

	2018	2017
Portfolio investments	\$ 13,091	\$ 12,250
Sheep River Regional Utility Corp.	457,294	457,294
	<u>\$ 470,385</u>	<u>\$ 469,544</u>

The County purchased 10 class A common shares in Sheep River Regional Utility Corp. (SRRUC) for 10% ownership in the amount of \$1.

SRRUC was formed in partnership with the Towns of Black Diamond, Turner Valley, the Foothills County and the Village of Longview. SRRUC is responsible for distribution of water to its partnering municipalities.

Effective July 27, 2016, the County advanced a shareholder loan to SRRUC in the amount of \$457,293 to contribute to the purchase of a water system asset. The loan is non-interest bearing and has no specific terms of repayment. The loan is secured by a general security agreement, land mortgage over SRRUC's assets, and other security, resolutions, and certificates.

**6. Employee benefit obligations**

	2018	2017
Vacation	\$ 486,254	\$ 461,614
Post employment benefits	306,637	232,860
Overtime	18,805	8,999
	<u>\$ 811,696</u>	<u>\$ 703,473</u>

**Vacation**

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

**Post-employment benefits**

The County provides a service recognition benefit for its employees. Retiring employees over the age of 55 with over 10 years of service to the County are eligible to receive 1% of salary for each year of employment. Councilors who have served more than two terms (six years) receive 1% of salary for each year served.

**Overtime**

The overtime liability is comprised of overtime hours that employees have earned and are entitled to within the next budgetary year.

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**FOOTHILLS COUNTY**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
For the year ended December 31, 2018

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**7. Deferred revenue**

	2018	2017
Municipal Sustainability Initiative	\$ 1,387,177	\$ 333,362
Flood Recovery Erosion Control	1,348,445	6,009,791
Federal Gas Tax Fund	430,520	-
Hoeh Dike Reinforcement grants	256,435	2,727
The Calgary Foundation - Arena Projects	300,000	300,000
Provincial Stockpile and Emergency Management	201,711	-
Emergency service study	200,000	200,000
Flood Mapping & Modelling grant	94,372	-
Bridge Grants	85,881	85,881
Municipal Sponsorship Program	76,911	76,911
Emergency Preparedness	38,496	38,496
Flood Readiness Initiative	24,047	-
River Modelling Grant	3,648	3,648
Flood Donations	1,168	1,168
Industrial Lands Project Grant	-	25,493
Millarville Reservoir ACRP Grant	-	463,626
Alberta Community Partnership Grants	-	95,893
Blackie Prepaid Local Improvement	-	204
	<b>\$ 4,448,811</b>	<b>\$ 7,637,200</b>

Funding in the amount of \$9,434,412 (2017 - \$8,144,089) was received in the current year from various provincial grant programs. The use of these funds is restricted to eligible projects under the various programs.

**FOOTHILLS COUNTY**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
For the year ended December 31, 2018

**8. Long-term debt**

	2018	2017
Charles Clark Medical Centre	\$ 4,261,445	\$ 4,378,627
Heritage Pointe Fire Hall	3,236,447	3,364,129
Aldersyde shop	1,949,233	2,145,816
Fire Hall Land	1,302,296	1,452,469
Wind Walk Water License	1,211,250	-
Heavy equipment	294,632	584,263
	<u>\$ 12,255,303</u>	<u>\$ 11,925,304</u>
Current portion	<u>\$ 1,136,095</u>	<u>\$ 881,251</u>

Principal and interest repayments are due as follows:

	Principal	Interest	Total
2019	\$ 1,136,095	\$ 399,274	\$ 1,535,369
2020	868,748	368,185	1,236,933
2021	897,005	339,928	1,236,933
2022	926,273	310,659	1,236,932
2023	956,591	280,342	1,236,933
Thereafter	7,470,591	2,006,400	9,476,991
	<u>\$ 12,255,303</u>	<u>\$ 3,704,788</u>	<u>\$ 15,960,091</u>

Debenture debt is repayable to Alberta Capital Finance Authority and is issued on the credit and security of the Foothills County at large. The average annual interest rate is 2.94% for 2018 (2017 - 2.76%).

The Charles Clark Medical Centre loan is considered to be an operating loan.

Interest on long-term debt amounted to \$387,289 (2017 - \$443,581).

The Foothills County's total cash payments for interest in 2018 were \$390,688 (2017 - \$451,697).



**FOOTHILLS COUNTY**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
For the year ended December 31, 2018

**9. Accumulated surplus**

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

	2018	2017
Unrestricted surplus	\$ 4,184,305	\$ 3,209,249
Internally restricted surplus (reserves) (note 13)	21,553,789	14,663,651
Equity in tangible capital assets (note 14)	214,142,854	213,773,654
	<u>\$ 239,880,948</u>	<u>\$ 231,646,554</u>

**10. Net municipal property taxes**

	Budget (Unaudited)	2018	2017
<b>Taxation</b>			
Real property taxes	\$ 40,839,697	\$ 40,772,376	\$ 39,998,099
Commercial/industrial property taxes	8,100,405	8,101,465	7,482,791
Farmland property taxes	1,671,528	1,702,780	1,706,441
Power, pipe, cable t.v. and railway	4,459,261	4,459,255	4,625,677
Federal grants in place of property taxes	36,829	36,829	36,255
Provincial grants in place of property taxes	15,005	15,008	18,078
	<u>55,122,725</u>	<u>55,087,713</u>	<u>53,867,341</u>
<b>Requisitions</b>			
Alberta School Foundation Fund	18,851,968	18,851,968	18,551,738
Separate School Board	1,909,720	1,909,720	1,789,717
Seniors' Foundation	989,368	989,368	988,380
Designated Industrial Property	17,863	17,860	-
	<u>21,768,919</u>	<u>21,768,916</u>	<u>21,329,835</u>
	<u>\$ 33,353,806</u>	<u>\$ 33,318,797</u>	<u>\$ 32,537,506</u>

**FOOTHILLS COUNTY**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
For the year ended December 31, 2018

**11. Government transfers**

	Budget (Unaudited)	2018	2017
<b>Transfers for operating:</b>			
Provincial government	\$ 1,933,008	\$ 2,352,296	\$ 1,468,830
Local government	-	438,394	361,357
	1,933,008	2,790,690	1,830,187
<b>Transfers for capital:</b>			
Provincial government	8,364,200	12,106,700	9,198,125
	\$ 10,297,208	\$ 14,897,390	\$ 11,028,312

**12. Expenses by object**

	Budget (Unaudited)	2018	2017
Salaries, wages and benefits	\$ 17,478,018	\$ 15,547,185	\$ 14,587,836
Contracted and general services	7,321,487	6,021,115	5,669,675
Materials, goods, supplies and utilities	8,261,614	4,752,602	3,415,830
Bank charges and short-term interest	45,250	48,337	47,659
Interest on long-term debt	393,657	387,289	443,581
Other expenditures	2,233,300	1,971,755	2,272,577
Transfers to organizations and others	4,186,750	4,244,914	4,237,195
Purchases from other governments	369,903	495,586	355,473
Amortization of tangible capital assets	14,727,686	14,696,525	14,807,926
Loss on disposal of tangible capital assets	-	2,029,787	4,703,496
	\$ 55,017,665	\$ 50,195,095	\$ 50,541,248

**13. 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 expenses.

**Public reserve**

Funds in this reserve are acquired through sale of public reserve land or through cash in lieu of land payments. Under the Municipal Government Act, certain subdivisions are required to contribute land for school and recreational purposes.

**Public transportation**

This reserve consists of unexpended public transportation grant funds. These funds are intended to assist in the provision of transportation of seniors and disabled residents.

**13. Reserves, continued**

**Fire operating**

This reserve is the result of a surplus in the fire operating account. This reserve can be used at the discretion of Council to offset future deficits in the fire operations or for any other fire related purpose.

**Family and Community Support Services (FCSS) reserve**

This reserve is the result of unexpended grant funds that will be used at the discretion of Council under the recommendation of the FCSS board to fund future Family and Community Support Services projects.

**Blackie water and sewer**

This reserve was transferred from the Village of Blackie and will be used to fund future water and sewer improvements in the former Village.

**Cayley water system**

This reserve consists of off site levies and profit from the development and sale of lots in Cayley. Funds will be used for future water supply upgrades.

**Provincial 75th Anniversary grant**

In 1980 the Province of Alberta gave each municipality a grant as part of the Provincial 75th anniversary celebration. Council at that time set up funds as a reserve. The funds from this grant are used to fund operations during the year and reduce the requirement for borrowing until taxes are collected. Excess funds are invested and the interest income is recorded as general revenue.

**Blackie cemetery**

In 2002, a donation that is to be used for improvements and maintenance at the Blackie cemetery was received from a Blackie business.

**Aldersyde water system**

These funds are being set aside for future upgrades as required to the Aldersyde water system.

**Calgary annexation compensation**

Funds in this reserve came from the compensation paid by the City of Calgary for lost revenue from land annexed into the City of Calgary in 2005. These funds will be used to fund future projects as determined by Council.

**Foothills cemetery**

In 2010, the Foothills County assumed responsibility for the operations of the Foothills cemetery. The reserves include provisions for future operating expenditures, future capital construction, perpetual maintenance and columbarium construction. These reserves can only be used for the Foothills cemetery upon approval of the cemetery Board.

**Reserve for future expenses:**

A reserve has been set up to cover future costs on projects not completed in 2014 and to cover debenture and interest charges on projects financed through grants where all grant money has been received.

**FOOTHILLS COUNTY**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
For the year ended December 31, 2018

**13. Reserves, continued**

**Flood projects**

A reserve has been set up from insurance proceeds that were received for the Wallace building and Hogg park. These funds will be used once the project progresses.

**Gladys Creek and Pine Creek Cemetery**

In 2018 Foothills County assumed responsibility for the operations of the Pine Creek Cemetery and the Gladys Union Cemetery. These reserves are the result of these Societies dissolving and turning over the balance in their bank accounts to the Foothills County. These reserves can be used at the discretion of Council to enhance these cemeteries.

	2018	2017
Public reserve	\$ 2,684,142	\$ 1,884,642
Public transportation	27,738	27,600
Fire operating	13,067	13,067
FCSS reserve	6,985	6,985
Blackie water and sewer	11,000	11,000
Cayley water system	368,612	368,612
Provincial 75th Anniversary grant	3,111,430	3,111,430
Blackie cemetery	3,748	3,748
Aldersyde water system	3,006,735	6,735
Calgary annexation compensation reserve	1,300,000	1,300,000
Foothills cemetery	498,450	434,741
Reserve for future expenses	10,020,428	7,020,428
Flood projects	474,663	474,663
Gladys Creek cemetery	9,297	-
Pine Creek cemetery	17,494	-
	<b>\$ 21,553,789</b>	<b>\$ 14,663,651</b>

**14. Equity in tangible capital assets**

	2018	2017
Tangible capital assets (schedule 2)	\$ 456,690,862	\$ 444,724,189
Accumulated amortization (schedule 2)	(234,554,150)	(223,403,858)
Long-term debt (note 8)	(12,255,303)	(11,925,304)
Operating debt (note 8)	4,261,445	4,378,627
	<b>\$ 214,142,854</b>	<b>\$ 213,773,654</b>

**FOOTHILLS COUNTY**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
For the year ended December 31, 2018

**15. 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 Foothills County be disclosed as follows:

	2018	2017
Total debt limit	\$ 67,266,527	\$ 63,111,648
Total debt	12,255,303	11,925,304
	\$ 55,011,224	\$ 51,186,344
Debt servicing limit	\$ 11,211,088	\$ 10,518,608
Debt servicing	1,535,369	1,274,909
	\$ 9,675,719	\$ 9,243,699

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.

**16. Local authorities pension plan**

Employees of the Foothills 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 about 259,000 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 service are recorded as expenditures in the year in which they become due.

The Foothills 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 Foothills 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 Foothills County to the LAPP in 2018 were \$1,126,713 (2017 - \$1,111,894). Total current service contributions by the employees of the Foothills County to the LAPP in 2018 were \$1,024,976 (2017 - \$1,023,183).

At December 31, 2017, the LAPP disclosed an actuarial surplus of \$4.835 billion.

**FOOTHILLS COUNTY**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
For the year ended December 31, 2018

**17. Commitments and contingencies**

The Foothills County is a member of the Alberta Municipal Insurance Exchange (MUNIX) which provides liability insurance. The investment in this program is not reflected as an asset in the accompanying financial statements.

Under the terms of membership, the Foothills County 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.

In 2007 the County entered into an agreement with Lafarge Canada Inc. Under this agreement Lafarge Canada Inc. will have unrestricted use (subject to bans and speed limits imposed) of a designated haul road and the County will be responsible for the road's upkeep. In consideration of the cost involved to maintain the road, Lafarge Canada Inc. has agreed to pay through gravel the equivalent of \$1,300,000 or 1 million tonnes of gravel, over 25 years.

**18. 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:

	(1)	(2)		
	Salary	Benefits & allowances	2018	2017
Council				
Division 1	\$ 72,466	\$ 6,923	\$ 79,389	\$ 84,341
Division 2	81,959	7,233	89,192	81,034
Division 3	86,302	7,294	93,596	94,836
Division 4	105,754	7,294	113,048	99,424
Division 5	72,466	6,920	79,386	101,259
Division 6	100,733	4,700	105,433	100,396
Division 7	66,391	6,779	73,170	97,679
Chief Administrative Officer	202,373	8,923	211,296	210,913
Designated Officers - 5	\$ 565,624	\$ 111,140	\$ 676,764	\$ 663,823

(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.

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**FOOTHILLS COUNTY**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**For the year ended December 31, 2018**

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**19. Financial instruments**

The Foothills County's financial instruments consist of cash and temporary investments, accounts receivable, investments, debt charges recoverable, bank indebtedness, accounts payable and accrued liabilities, deposit liabilities, requisition over-levy, and long-term debt. It is management's opinion that the Foothills County is not exposed to significant interest or risk arising from these financial instruments.

The Foothills 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 Foothills County 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 approximates fair value.

**20. Contributed assets**

During the year, the County assumed control of roads and infrastructure in subdivisions built by developers in the area and assumed the Cottonwood Water Treatment Plant building. The transaction has been recorded at the fair market value at the date of assumption and the contribution has been recognized as revenue during the year.

**21. Budget amounts**

The 2018 budget for the Foothills County was approved by Council on April 11, 2018 and has been reported in the consolidated financial statements for information purposes only. These budget amounts have not been audited, reviewed, or otherwise verified.

The approved budget contained reserve transfers, capital additions and principal payments on debt as expenditures. Since these items are not included in the amounts reported in the consolidated financial statements, they have been excluded from the budget amounts presented in these financial statements.

Budgeted deficit per financial statements		\$ (5,003,375)
Less:	Capital expenditures	(10,393,060)
	Long-term debt repayments	(1,031,251)
Add:	Amortization of tangible capital assets	14,727,686
	Proceeds on disposal of tangible capital assets	400,000
	Proceeds on long-term debt acquired	1,300,000
<u>Equals:   Balanced budget</u>		<u>\$       -</u>

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**FOOTHILLS COUNTY**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
For the year ended December 31, 2018

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**22. Contaminated sites liability**

The Foothills County has adopted PS3260 liability for contaminated sites. The County did not identify any financial liabilities in 2018 (2017 - nil) as a result of this standard.

**23. Segmented disclosure**

The Foothills 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).

**24. Subsequent events**

Subsequent to year end, the County purchased the Fish Creek Water Treatment Plant and Reservoir for \$1.5 million.

**25. Approval of financial statements**

These financial statements were approved by Council and Management.

**26. Comparative figures**

Where necessary the comparative figures for the 2017 year have been reclassified to conform with 2018 financial statement presentation.



**FOOTHILLS COUNTY**  
**SCHEDULES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
For the year ended December 31, 2018

**Schedule of changes in accumulated surplus**

**Schedule 1**

	Unrestricted	Restricted	Equity in tangible capital assets	2018	2017
Balance, beginning of year	\$ 3,209,248	\$ 14,663,651	\$ 213,773,655	\$ 231,646,554	\$ 227,462,482
Excess of revenue over expenses	8,234,394	-	-	8,234,394	4,184,072
Unrestricted funds designated for future use	(6,902,241)	6,902,241	-	-	-
Restricted funds used for operations	12,103	(12,103)	-	-	-
Current year funds used for tangible capital assets	(16,185,134)	-	16,185,134	-	-
Contributed tangible capital assets	(1,478,437)	-	1,478,437	-	-
Amortization of tangible capital assets	14,696,525	-	(14,696,525)	-	-
Long-term debt repaid	(764,068)	-	764,068	-	-
Proceeds of long-term debt	1,211,250	-	(1,211,250)	-	-
Proceeds on disposal of tangible capital assets	445,791	-	(445,791)	-	-
Loss on disposal of tangible capital assets	1,704,874	-	(1,704,874)	-	-
Change in accumulated surplus	975,057	6,890,138	369,199	8,234,394	4,184,072
<b>Balance, end of year</b>	<b>\$ 4,184,305</b>	<b>\$ 21,553,789</b>	<b>\$ 214,142,854</b>	<b>\$ 239,880,948</b>	<b>\$ 231,646,554</b>

**FOOTHILLS COUNTY**  
**SCHEDULES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
For the year ended December 31, 2018

**Schedule of tangible capital assets**

**Schedule 2**

	Land	Land improvements	Buildings	Engineered structures	Machinery and equipment	Vehicles	2018	2017
<b>Cost:</b>								
Balance, beginning of year	\$ 12,188,562	\$ 2,460,685	\$ 42,366,144	\$ 348,775,478	\$ 24,101,547	\$ 14,831,773	\$ 444,724,189	\$ 442,347,592
Acquisitions	4,114,460	98,324	390,000	6,111,884	2,083,585	2,055,589	14,853,842	13,864,155
Work-in-progress	-	-	-	2,380,553	-	429,176	2,809,729	138,260
Disposals	(1,371,850)	(18,787)	-	(2,075,324)	(1,267,592)	(963,345)	(5,696,898)	(11,625,818)
Balance, end of year	14,931,172	2,540,222	42,756,144	355,192,591	24,917,540	16,353,193	456,690,862	444,724,189
<b>Accumulated amortization:</b>								
Balance, beginning of year	-	581,079	8,096,002	195,149,950	11,715,197	7,861,629	223,403,858	215,062,821
Annual amortization	-	114,126	1,101,581	10,982,555	1,430,981	1,067,282	14,696,525	14,807,927
Disposals	-	-	-	(1,436,175)	(1,165,700)	(944,358)	(3,546,233)	(6,466,890)
Balance, end of year	-	695,205	9,197,583	204,696,330	11,980,478	7,984,553	234,554,150	223,403,858
<b>Net book value</b>	<b>\$ 14,931,172</b>	<b>\$ 1,845,017</b>	<b>\$ 33,558,561</b>	<b>\$ 150,496,261</b>	<b>\$ 12,937,062</b>	<b>\$ 8,368,640</b>	<b>\$ 222,136,712</b>	<b>\$ 221,320,331</b>
<b>2017 net book value</b>	<b>\$ 12,188,562</b>	<b>\$ 1,879,605</b>	<b>\$ 34,270,142</b>	<b>\$ 153,625,528</b>	<b>\$ 12,386,350</b>	<b>\$ 6,970,144</b>	<b>\$ 221,320,331</b>	

**FOOTHILLS COUNTY**  
**SCHEDULE TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
For the year ended December 31, 2018

**Schedule of segmented disclosure**

**Schedule 3**

	General government	Protective services	Transportation services	Environmental services	Public health services	Planning and development	Recreation and culture	Total
<b>Revenue</b>								
Net municipal taxes	\$ 33,318,797	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 33,318,797
User fees and sales of goods	531,556	533,501	1,209,135	1,449,541	76,240	72,034	291,797	4,163,804
Government transfers for operating	1,411,623	284,098	151,282	95,893	664,435	183,359	-	2,790,690
Investment income	492,528	-	-	-	-	-	-	492,528
Penalties and costs of taxes	683,928	-	-	-	-	-	-	683,928
Licenses and permits	200	-	-	-	-	1,213,424	-	1,213,624
Gain on disposal of capital assets	-	-	324,913	-	-	-	-	324,913
Rental	52,262	-	-	-	-	1,301	444,809	498,372
Other	62,235	30,000	202,282	-	-	811,602	16,097	1,122,216
Fines	-	235,480	-	-	-	-	-	235,480
	36,553,129	1,083,079	1,887,612	1,545,434	740,675	2,281,720	752,703	44,844,352
<b>Expenses</b>								
Salaries, wages and benefits	3,258,059	3,015,219	5,940,077	533,531	114,444	2,359,075	326,780	15,547,185
Contracted and general services	1,693,084	441,596	2,620,939	494,341	93,640	437,056	240,459	6,021,115
Materials, goods, supplies and utilities	118,708	413,574	3,533,440	126,149	18,593	237,133	305,005	4,752,602
Bank charges and short-term interest	48,337	-	-	-	-	-	-	48,337
Interest on long-term debt	156,039	128,064	103,186	-	-	-	-	387,289
Other expenditures	1,971,755	-	-	-	-	-	-	1,971,755
Transfers to organizations and others	-	1,437,373	-	189,381	524,126	5,000	2,089,034	4,244,914
Purchases from other governments	2,210	86,379	-	398,603	-	8,394	-	495,586
Amortization of tangible capital assets	163,247	724,449	12,341,315	646,730	22,597	3,441	794,746	14,696,525
Loss on disposal of tangible capital assets	-	-	2,011,000	-	18,787	-	-	2,029,787
	7,411,439	6,246,654	26,549,957	2,388,735	792,187	3,050,099	3,756,024	50,195,095
<b>Excess (deficiency) of revenue over expenses before other</b>	29,141,690	(5,163,575)	(24,662,345)	(843,301)	(51,512)	(768,379)	(3,003,321)	(5,350,743)
<b>Other</b>								
Government transfers for capital	405,570	441,531	9,455,272	1,804,327	-	-	-	12,106,700
Contributed assets	-	15,995	1,072,442	390,000	-	-	-	1,478,437
	405,570	457,526	10,527,714	2,194,327	-	-	-	13,585,137
<b>Excess (deficiency) of revenue over expenses</b>	\$ 29,547,260	\$ (4,706,049)	\$ (14,134,631)	\$ 1,351,026	\$ (51,512)	\$ (768,379)	\$ (3,003,321)	\$ 8,234,394