SYNERGY
CHARTERED PROFESSIONAL ACCOUNTANTS

CPA CHARTERED PROFESSIONAL ACCOUNTANTS

Ph: 1.780.632.6788 Fax: 1.780.632.6785 Toll Free: 1.888.515.6788
Box 157, 4918 50 Avenue, Vegreville, Alberta T9C 1R2

INDEPENDENT AUDITOR'S REPORT

To the Members of County of St. Paul No. 19

Opinion

We have audited the consolidated financial statements of County of St. Paul No. 19 (the Municipality), which comprise the consolidated statement of financial position as at December 31, 2018, and the consolidated statements of operations and accumulated surplus, changes in net financial assets (debt) and cash flows for the year then ended, and notes to the consolidated 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 Municipality as at December 31, 2018, and the results of its operations 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 Municipality 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 those 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 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 consolidated 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 Municipality'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 liquidate the Municipality or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of 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 consolidated 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 consolidated 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 Municipality'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 Municipality'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 consolidated 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 Municipality to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated 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.

Vegreville, Alberta
April 9, 2019

Synergy
Chartered Professional Accountants

COUNTY OF ST. PAUL NO. 19
Consolidated Statement of Financial Position
Year Ended December 31, 2018

	2018	2017
FINANCIAL ASSETS		
Cash and cash equivalents *(Note 4)*	**$ 9,285,739**	$ 8,998,881
Taxes and grants in place of taxes receivable *(Note 5)*	**757,246**	717,072
Receivable from other governments	**5,135,491**	2,250,105
Trade and other receivables	**1,521,100**	1,500,962
Debt charges recoverable *(Note 6)*	**1,489,000**	1,613,952
Inventory of land held for resale	**33,364**	33,364
	18,221,940	15,114,336
LIABILITIES		
Accounts payable and accrued liabilities	**2,905,055**	2,698,032
Employee benefit obligations *(Note 7)*	**221,940**	154,148
Deposit liabilities *(Note 8)*	**64,022**	64,022
Deferred revenue *(Note 9)*	**328,638**	1,220,354
Long term debt *(Note 10)*	**10,743,421**	11,623,816
	14,263,076	15,760,372
NET FINANCIAL ASSETS (DEBT)	**3,958,864**	(646,036)
NON-FINANCIAL ASSETS		
Tangible capital assets*(Schedule 1)*	**116,785,455**	108,665,227
Inventory for consumption *(Note 11)*	**3,685,633**	3,628,903
Prepaid expenses	**262,571**	237,647
	120,733,659	112,531,777
ACCUMULATED SURPLUS *(Note 12) (Schedule 2)*	**$124,692,523**	$111,885,741

Commitments and subsequent events, and contingencies (Note 13) and (Note 14)

ON BEHALF OF THE COUNTY OF ST. PAUL NO. 19

_____ *Reeve*

_____ *Chief Administrative Officer*

COUNTY OF ST. PAUL NO. 19

Consolidated Statement of Operations and Accumulated Surplus

Year Ended December 31, 2018

	Budget (Unaudited)	**2018**	2017
REVENUES			
Net municipal taxes *(Schedule 3)*	$ 22,210,336	**$ 22,259,725**	$ 21,319,811
User fees and sales of goods	1,488,118	**2,716,696**	1,988,797
Government transfers for operating *(Schedule 4)*	1,286,515	**1,153,232**	808,876
Investment income	133,594	**358,927**	214,946
Penalties and costs of taxes	116,779	**182,992**	158,459
Licenses and permits	121,500	**205,148**	289,977
Rentals and leases	45,106	**68,182**	56,582
Other	733,530	**731,998**	1,423,490
Total Revenue	26,135,478	**27,676,900**	26,260,938
EXPENSES			
Legislative	547,091	**566,162**	496,014
Administration	3,642,830	**3,287,627**	2,914,745
Bylaws enforcement	1,252,309	**1,112,828**	1,065,758
Roads, streets, walks, lighting	16,321,375	**15,623,720**	16,093,339
Water supply and distribution	2,525,772	**1,731,963**	736,998
Wastewater treatment and disposal	463,086	**295,292**	216,536
Waste management	1,386,319	**1,395,575**	1,249,581
Family and community support	356,655	**416,112**	383,729
Agriculture services	898,161	**840,700**	814,987
Subdivision land development	544,018	**472,999**	308,704
Parks and recreation	1,267,015	**1,182,796**	1,218,202
Library	227,617	**225,955**	230,208
Total Expenses	29,432,248	**27,151,729**	25,728,801
EXCESS (SHORTFALL) OF REVENUE OVER EXPENSES - BEFORE OTHER	(3,296,770)	**525,171**	532,137
OTHER			
Contributed assets *(Note 15)*	-	**694,059**	-
Government Transfers for Capital *(Schedule 5)*	13,471,087	**11,587,552**	6,435,709
Total Other	13,471,087	**12,281,611**	6,435,709
EXCESS OF REVENUE OVER EXPENSES	10,174,317	**12,806,782**	6,967,846
ACCUMULATED SURPLUS - BEGINNING OF YEAR	111,885,741	**111,885,741**	104,917,895
ACCUMULATED SURPLUS - END OF YEAR	$122,060,058	**$124,692,523**	$111,885,741

COUNTY OF ST. PAUL NO. 19

Consolidated Statement of Change in Net Financial Assets (Debt)

Year Ended December 31, 2018

	Budget (Unaudited)	**2018**	2017
EXCESS OF REVENUES OVER EXPENSES	$ 10,174,317	**$ 12,806,782**	$ 6,967,846
Amortization of tangible capital assets	5,442,697	**4,986,292**	4,837,538
Amortization added to tangible capital assets	48,202	**493,941**	435,424
Proceeds on disposal of tangible capital assets	-	**849,967**	645,155
Loss/(gain) on sale of tangible capital assets	(97,342)	**(2,111)**	54,553
Acquisition of tangible capital assets	(17,072,090)	**(14,448,316)**	(12,232,443)
Change in inventories and prepaid expenses	-	**(81,655)**	(559,239)
(INCREASE) DECREASE IN NET DEBT	(1,504,216)	**4,604,900**	148,834
NET FINANCIAL ASSETS (DEBT), BEGINNING OF YEAR	(646,036)	**(646,036)**	(794,870)
NET FINANCIAL ASSETS (DEBT), END OF YEAR	$ (2,150,252)	**$ 3,958,864**	$ (646,036)

COUNTY OF ST. PAUL NO. 19
Consolidated Statement of Cash Flows
Year Ended December 31, 2018

	2018	2017
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING		
Excess of revenue over expenses	**$ 12,806,782**	$ 6,967,846
Non-cash items included in excess of revenue over expenses:		
Amortization of tangible capital assets	**4,986,292**	4,837,538
Amortization added to tangible capital assets	**493,941**	435,424
Loss/(gain) on sale of tangible capital assets	**(2,111)**	54,553
	18,284,904	12,295,361
Changes in non-cash working capital:		
Taxes and grants in place of taxes receivable	**(40,174)**	(36,069)
Receivable from other governments	**(2,885,386)**	(1,063,551)
Trade and other receivables	**(20,138)**	(167,724)
Accounts payable and accrued liabilities	**207,020**	(793,259)
Employee benefit obligations	**67,792**	(10,301)
Deferred revenue	**(891,716)**	254,283
Inventory for consumption	**(56,730)**	(539,854)
Prepaid expenses	**(24,924)**	(19,384)
	(3,644,256)	(2,375,859)
Cash flow from operating transactions	**14,640,648**	9,919,502
CAPITAL		
Purchase of tangible capital assets	**(14,448,316)**	(12,232,443)
Proceeds on disposal of tangible capital assets	**849,967**	645,155
Cash flow used by capital transactions	**(13,598,349)**	(11,587,288)
FINANCING		
Proceeds from long term financing	**720,120**	1,100,500
Repayment of long term debt	**(1,600,514)**	(901,634)
Repayment of loans receivable	**124,952**	118,516
Cash flow from (used by) financing transactions	**(755,442)**	317,382
INVESTING		
Change in restricted cash or cash equivalents	**891,717**	(254,284)
CHANGE IN CASH AND CASH EQUIVALENTS DURING THE YEAR	**1,178,574**	(1,604,688)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	**7,714,505**	9,319,193
CASH AND CASH EQUIVALENTS, END OF YEAR	**8,893,079**	7,714,505
CASH FLOWS SUPPLEMENTARY INFORMATION		
Interest received	**$ 355,907**	$ 212,005
Interest paid	**$ 424,113**	$ 416,642
CASH CONSISTS OF:		
Cash and cash equivalents *(Note 4)*	**$ 9,285,739**	$ 8,998,881
Restricted cash and cash equivalents *(Note 4)*	**(392,660)**	(1,284,376)
	$ 8,893,079	$ 7,714,505

COUNTY OF ST. PAUL NO. 19

Consolidated Schedule of Tangible Capital Assets *(Schedule 1)*

Year Ended December 31, 2018

	Land	Land Improvements	Buildings	Engineered Structures	Machinery & Equipment	Vehicles	Assets under construction	2018	2017
COST									
BALANCE, BEGINNING OF YEAR	$ 8,784,043	$ 593,108	$ 8,837,835	$126,127,865	$ 23,804,882	$ 8,927,948	$ 3,587,985	$180,663,666	$170,314,041
Acquisition of tangible capital assets	32,770	158,841	-	1,223,875	1,902,148	1,065,697	10,064,985	14,448,316	12,232,443
Construction-in-progress	-	-	-	2,557,604	-	-	(2,557,604)	-	-
Disposal of tangible capital assets	-	-	-	(210,607)	(1,465,739)	(579,917)	-	(2,256,263)	(1,882,818)
BALANCE, END OF YEAR	$ 8,816,813	$ 751,949	$ 8,837,835	$129,698,737	$ 24,241,291	$ 9,413,728	$ 11,095,366	$192,855,719	$180,663,666
ACCUMULATED AMORTIZATION									
BALANCE, BEGINNING OF YEAR	$ -	$ 217,766	$ 1,527,971	$ 57,995,839	$ 8,200,544	$ 4,056,319	$ -	$ 71,998,439	$ 67,908,588
Annual amortization	-	32,290	183,772	3,202,164	1,467,792	594,215	-	5,480,233	5,272,962
Accumulated amortization on disposals	-	-	-	(205,045)	(694,500)	(508,863)	-	(1,408,408)	(1,183,111)
BALANCE, END OF YEAR	$ -	$ 250,056	$ 1,711,743	$ 60,992,958	$ 8,973,836	$ 4,141,671	$ -	$ 76,070,264	$ 71,998,439
NET BOOK VALUE OF TANGIBLE CAPITAL ASSET	$ 8,816,813	$ 501,893	$ 7,126,092	$ 68,705,779	$ 15,267,455	$ 5,272,057	$ 11,095,366	$116,785,455	$108,665,227
2017 NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	$ 8,784,043	$ 375,342	$ 7,309,864	$ 68,132,026	$ 15,604,338	$ 4,871,629	$ 3,587,985	$108,665,227	$ -

COUNTY OF ST. PAUL NO. 19

Consolidated Schedule of Changes in Accumulated Surplus ***(Schedule 2)***

Year Ended December 31, 2018

	Unrestricted Surplus	Restricted Surplus	Equity in Tangible Capital Assets	**2018**	2017
BALANCE BEGINNING OF YEAR	$ 6,637,245	$ 6,065,489	$ 99,183,007	**$111,885,741**	$104,917,895
Excess of revenues over expenses	12,806,782	-	-	**12,806,782**	6,967,846
Unrestricted funds designated for future use	(4,572,388)	4,572,388	-	**-**	-
Restricted funds used for operations	653,141	(653,141)	-	**-**	-
Current year funds used for tangible capital assets	(14,448,316)	-	14,448,316	**-**	-
Long term debt repaid	(1,374,653)	-	1,374,653	**-**	-
Capital debt proceeds	720,120	-	(720,120)	**-**	-
Annual amortization expense	5,480,233	-	(5,480,233)	**-**	-
Disposal of tangible capital assets	849,967	-	(849,967)	**-**	-
Gain/loss on sale of capital assets	(2,111)	-	2,111	**-**	-
CHANGE IN ACCUMULATED SURPLUS	112,775	3,919,247	8,774,760	**12,806,782**	6,967,846
BALANCE END OF YEAR	$ 6,750,020	$ 9,984,736	$107,957,767	**$124,692,523**	$111,885,741

COUNTY OF ST. PAUL NO. 19

Consolidated Schedule of Property and Other Taxes ***(Schedule 3)***

Year Ended December 31, 2018

	Budget (Unaudited)	**2018**	2017
TAXATION			
Residential land and improvements	$ 6,111,990	**$ 6,094,757**	$ 5,641,451
Farmland	1,211,244	**1,210,984**	1,201,716
Non-residential land and improvements	2,393,471	**2,376,308**	2,283,798
Machinery and equipment	7,963,295	**7,926,010**	7,663,203
Linear property	9,333,463	**9,320,662**	9,062,274
	27,013,463	**26,928,721**	25,852,442
REQUISITIONS			
Alberta School Foundation	4,460,957	**4,366,525**	4,261,648
M.D. of St. Paul Foundation	272,170	**272,170**	270,983
Designated Industrial Property	70,000	**30,301**	-
	4,803,127	**4,668,996**	4,532,631
NET MUNICIPAL TAXES	$ 22,210,336	**$ 22,259,725**	$ 21,319,811

COUNTY OF ST. PAUL NO. 19

Consolidated Schedule of Government Transfers for Operating ***(Schedule 4)***

Year Ended December 31, 2018

	Budget (Unaudited)	**2018**	2017
TRANSFERS FOR OPERATING			
Provincial grants-operating	$ 1,021,773	**$ 889,496**	$ 639,612
Local government grants-operating	264,742	**246,864**	143,838
Federal grants-operating	-	**16,872**	25,426
	$ 1,286,515	**$ 1,153,232**	$ 808,876

Consolidated Schedule of Government Transfers for Capital ***(Schedule 5)***

	Budget (Unaudited)	**2018**	2017
TRANSFERS FOR CAPITAL			
Provincial grants-capital	$ 9,249,449	**$ 7,108,970**	$ 5,606,182
Federal grants-capital	4,212,638	**4,459,407**	643,838
Local government grants-capital	9,000	**19,175**	185,689
	$ 13,471,087	**$ 11,587,552**	$ 6,435,709

Consolidated Schedule of Consolidated Expenses by Object ***(Schedule 6)***

	Budget (Unaudited)	**2018**	2017
CONSOLIDATED EXPENSES BY OBJECT			
Salaries, wages and benefits	$ 9,014,965	**$ 8,839,254**	$ 8,185,571
Contract and general services	4,633,152	**4,273,971**	2,625,558
Goods and supplies	6,579,438	**6,023,420**	7,778,249
Provision for allowances	14,000	**37,398**	131,074
Transfers to other governments	587,800	**490,934**	464,718
Transfers to local boards	2,821,951	**2,084,362**	1,238,448
Bank charges and short term interest	14,711	**14,251**	16,203
Interest on capital long term debt	327,843	**311,579**	295,850
Interest on operating long term debt	93,033	**92,379**	101,039
Amortization expense	5,442,697	**4,986,292**	4,837,538
Loss/(gain) on sale of tangible capital assets	(97,342)	**(2,111)**	54,553
	$ 29,432,248	**$ 27,151,729**	$ 25,728,801

COUNTY OF ST. PAUL NO. 19

Consolidated Schedule of Segmented Disclosures *(Schedule 7)*

Year Ended December 31, 2018

	General Government	Protective Services	Transportation Services	Planning & Development	Recreation, Culture & Family	Environmental Services	2018
REVENUES							
Net municipal taxes	$ 22,259,725	$ -	$ -	$ -	$ -	$ -	$ 22,259,725
User fees and sales of goods	17,528	124,496	1,723,842	14,873	205,709	630,248	2,716,696
Government transfers	155,855	169,547	4,293,887	349,052	473,362	7,299,081	12,740,784
Investment income	358,927	-	-	-	-	-	358,927
Other revenues	558,333	26,482	451,105	152,400	-	-	1,188,320
Contributed assets	-	694,059	-	-	-	-	694,059
	23,350,368	1,014,584	6,468,834	516,325	679,071	7,929,329	39,958,511
EXPENSES							
Salaries and wages	1,643,711	209,736	5,113,092	591,921	529,888	750,906	8,839,254
Contract and general services	1,690,435	193,209	1,218,384	304,001	300,453	567,489	4,273,971
Goods and supplies	89,374	159,240	4,881,066	341,085	158,296	394,359	6,023,420
Transfers to local boards/other governments	231,267	303,409	73,074	-	763,309	1,204,237	2,575,296
Long-term debt interest	-	57,267	180,615	-	-	73,697	311,579
Other expenses	144,028	-	(11,558)	9,447	-	-	141,917
	3,798,815	922,861	11,454,673	1,246,454	1,751,946	2,990,688	22,165,437
	19,551,553	91,723	(4,985,839)	(730,129)	(1,072,875)	4,938,641	17,793,074
Amortization expense	54,972	189,968	4,169,047	67,246	72,916	432,143	4,986,292
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	$ 19,496,581	$ (98,245)	$ (9,154,886)	$ (797,375)	$ (1,145,791)	$ 4,506,498	$ 12,806,782

1. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements of the County of St. Paul No. 19 are the representations of management prepared in accordance with generally accepted accounting principles for local governments established by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada. Significant aspects of the accounting polices adopted by the municipality are as follows:

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 municipality and are, therefore, accountable to the municipal Council for the administration of their financial affairs and resources.

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

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

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.

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1. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles for local governments established by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenditure during the period. Where measurement uncertainty exists, the financial statements have been prepared within reasonable limits of materiality. Actual results could differ from those estimates.

Accounts receivable are stated after evaluation as to their delectability and an appropriate allowance for doubtful accounts is provided where considered necessary. The amounts recorded for valuation or tangible capital assets, the useful lives and related amortization of tangible capital assets are areas where management makes significant estimates and assumptions in determining the amount to be recorded in the financial statements.

Internally constructed tangible capital assets, mainly consisting of roads, are costed by using internal documents to determine the costs of the various components of the construction. Such documents include costing reports for projects, machines, timesheets etc. Gravel inventory is costed by a similar method using internal documents to determine the cost of crushing. As uncertainty inherently exists in the accurateness of these documents, actual results could differ from the accumulated costs.

Tax revenue

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

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

Property tax revenue is based on market value of assessments determined in accordance with the Municipal Government Act. Tax rates are established annually. Taxation revenues are recorded at the time tax notices are issued. Assessments are subject to appeal.

Construction and borrowing costs associated with local improvement projects are recovered through annual special property tax assessment during the period of the related borrowings. These levies are collectible from property owners for work performed by the County and are recognized as revenue in the year they are levied.

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.

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1. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Cash and cash equivalents

Cash includes cash and cash equivalents. Cash equivalents are investments in treasury bills and are valued at cost plus accrued interest. The carrying amounts approximate fair value because they have maturities at the date of purchase of less than ninety days.

Debt charges recoverable

Debt charges recoverable consist of amounts that are recoverable from municipal agencies or other local governments with respect to outstanding debentures. These recoveries are recorded at a value that equals the offsetting portion of the un-matured long term debt.

Inventory of land held for resale

Land held for resale is recorded at the lower of cost or net realizable value. Cost includes costs for land acquisition and improvements required to prepare the land for servicing such as clearing, stripping and levelling 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.

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.

Deferred revenue

Deferred revenue is comprised of funds that the use of which are externally restricted. These funds are recognized as revenue in the period they are used for in the purpose specified.

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.

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1. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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

	YEARS
Land improvements	15-25
Buildings	10-50
Engineered structures	
Roads	20-40
Bridges	24-129
Water system	30-75
Wastewater system	45-75
Machinery and equipment	2-15
Vehicles	10-25

One-half of the annual amortization is recorded in the year of acquisition, or in the year the asset is put into service or constructed. No amortization is calculated in the year of disposal.

b) **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.

c) **Inventories**
Inventories of materials and supplies for consumption are valued at the lower of cost or replacement cost with the cost being determined by the average cost method. Gravel inventory is valued at the amount of royalty and the costs of crushing.

d) **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.

Impairment of long-lived assets

The municipality tests for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. Recoverability is assessed by comparing the carrying amount to the projected future net cash flows the long-lived assets are expected to generate through their direct use and eventual disposition. When a test for impairment indicates that the carrying amount of an asset is not recoverable, an impairment loss is recognized to the extent the carrying value exceeds its fair value.

Budget figures

Budget figures are included for information purposes only and are not audited.

2. ADOPTION OF RECENT ACCOUNTING PRONOUNCEMENTS

The following accounting standards have been issued by the Chartered Professional Accountants of Canada (CPA Canada). These sections are effective for fiscal periods beginning on or after April 1, 2017 and have been applied retrospectively.

Section PS 3210 - Assets

This section provides guidance for applying the definition of assets set out in Financial Statement Concepts, Section PS 1000, and establishes general disclosure standards for assets.

Section PS 3320 - Contingent Assets

This section defines and establishes disclosure standards on contingent assets.

Section PS 3380 - Contractual Rights

This section defines and establishes disclosure standards on contractual rights.

Section PS 2200 - Related Party Disclosure

This section defines a related party and establishes disclosures required for related party transactions.

Section PS 3420 - Inter-entity Transactions

This section establishes standards on how to account for and report transactions between public sector entities that comprise a government's reporting entity from both a provider and a recipient perspective.

3. RECENT ACCOUNTING PRONOUNCEMENTS PUBLISHED BUT NOT ADOPTED

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

Section PS 3450 - Financial Instruments

This section establishes recognition, measurement and disclosure requirements for derivative and non-derivative financial instruments. The standard requires fair value measurement of derivatives and equity instruments. All other financial instruments can be measured at cost/amortized cost or fair value at the election of the government. Unrealized gains and losses are presented in a new statement of re-measurement gains and losses. There is a requirement to disclose the nature and extent of risks arising from financial instruments and clarification is given for the de-recognition of financial liabilities. This standard is applicable for fiscal years beginning on or after April 1, 2019.

Section PS 1201 - Financial Statement Presentation

This section requires a new statement of re-measurement gains and losses separate from the statement of operations. Included in this new statement are the unrealized gains and losses arising for the re-measurement of financial instruments and items denominated in foreign currencies as well as government's proportionate share of other comprehensive income that arises when a government includes the results of government business enterprises and partnerships. This standard is applicable for fiscal years beginning on or after April 1, 2019.

(continues)

3. RECENT ACCOUNTING PRONOUNCEMENTS PUBLISHED BUT NOT ADOPTED *(continued)*

Section PS 2601 - Foreign Currency Translation

This section requires that monetary assets and liabilities denominated in a foreign currency be adjusted to reflect the exchange rates in effect at the financial statement date. Unrealized gains and losses are to be presented in the new statement of re-measurement gains and losses. This section replaces PS2600 and is applicable for years beginning on or after April 1, 2019.

Section PS 3041 - Portfolio Investments

This section removes the distinction between temporary and portfolio investments. This section now includes pooled investments in its scope and was amended to conform to Financial Instruments PS3450. Upon adoption of PS3450 and PS3041 Temporary Investments PS3030 will no longer apply. This standard is applicable for fiscal years beginning on or after April 1, 2019.

Section PS 3430 - Restructuring Transactions

This section defines a restructuring transaction and establishes standards for recognizing and measuring assets and liabilities transferred in a restructuring transaction. This standard is applicable for fiscal years beginning on or after April 1, 2018.

Section PS 3280 - Asset Retirement Obligation

The section is intended to provide guidance on accounting for ARO's and will apply in years beginning on or after April 1, 2021.

Section PS 3400 - Revenue

This section will provide greater clarity on the difference between the exchange and non-exchange transactions. Applies in years beginning on or after April 1, 2022.

4. CASH AND CASH EQUIVALENTS

	2018	2017
Cash	**$ 9,285,739**	$ 8,998,881

The County has an authorized revolving loan with a limit of $7,000,000 and bears interest at prime plus 0.5%. The balance outstanding at December 31, 2018 was NIL (2017 - NIL)

Council has designated funds of $9,984,736 (2017 - $6,065,489) included in the above amounts for reserves, and the shortfall is expected to be fully funded by receivables from other governments.

Included in cash is a restricted amount of $392,660 (2017 - $1,284,376) comprised of $64,022 (2017 - $64,022) of deposit liabilities and $328,638 (2017 - $1,220,354) of deferred revenue received from various sources and held exclusively for approved projects *(Note 8)* and *(Note 9)* respectively.

5. TAXES AND GRANTS IN PLACE OF TAXES RECEIVABLE

	2018	2017
Current	**$ 558,540**	$ 565,930
Arrears	**370,486**	302,900
Subtotal	**929,026**	868,830
Less: allowance for doubtful accounts	**(171,780)**	(151,758)
	$ 757,246	$ 717,072

6. DEBT CHARGES RECOVERABLE

	2018	2017
Current debt charges recoverable	**$ 131,742**	$ 124,953
Non-current debt charges recoverable	**1,357,258**	1,488,999
	$ 1,489,000	$ 1,613,952

Principal and interest repayments are as follows:

	Principal	Interest	Total
2019	$ 131,742	$ 75,056	$ 206,798
2020	138,904	67,894	206,798
2021	146,458	60,340	206,798
2022	154,428	52,370	206,798
2023	162,835	43,963	206,798
Thereafter	754,633	181,880	936,513
	$ 1,489,000	$ 481,503	$ 1,970,503

In prior years, the County has assumed debenture financing on behalf of the M.D. of St. Paul Foundation totaling $3,016,983. However, $3,016,983 plus interest is recoverable from the M.D. of St. Paul Foundation with respect to this financing. Amounts are recoverable in annual blended instalments maturing between December 1, 2023 and December 17, 2032.

7. EMPLOYEE BENEFIT OBLIGATIONS

	2018	2017
Vacation	**$ 109,205**	$ 118,316
Overtime	**112,735**	35,832
	$ 221,940	$ 154,148

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

8. DEPOSIT LIABILITIES

	2018	2017
Tax sale surplus	**$ 64,022**	$ 64,022

Consists of surplus funds received from land sold at public auction. These funds are payable to the previous ratepayer under the the guidelines set out in the Municipal Government Act.

9. DEFERRED REVENUE

Deferred revenue is comprised of the funds noted below, the use of which are externally restricted. These funds are recognized as revenue in the period they are used for in the purpose specified.

	2018	2017
Alberta Community Partnership - Rural Intermunicipal Collaboration Framework	**$ 192,000**	$ -
MCS Net prepaid lease	**56,875**	68,250
Federal Small Communities Fund - Federal portion	**26,664**	-
Federal Small Communities Fund - Provincial portion	**26,664**	-
Subdivision warranty	**10,000**	10,000
FCSS Early Childhood Coalition	**6,502**	5,755
New Horizons Grant	**4,368**	-
Bridges grant	**3,514**	3,514
Alberta Community Partnership - Municipal Intern	**2,020**	12,350
Prepaid land lease	**31**	31
Municipal Sustainability Initiative - Capital	**-**	695,219
Alberta Community Partnership - Rural Intermunicipal Development Plan	**-**	182,713
Federal Gas Tax Fund	**-**	164,666
Strategic Transportation Infrastructure Program	**-**	34,156
Community and Regional Economic Support	**-**	23,700
Cooperatives community grant	**-**	20,000
	$ 328,638	$ 1,220,354

Funding from various grant programs, organizations and individuals remained unspent at the end of the current year. The use of these funds is restricted to eligible operating and capital projects as approved under the funding agreements or as indicated by the donors. Most of the projects are scheduled for completion in 2019.

10. LONG TERM DEBT

	2018	2017
Self supported debentures	**$ 9,254,421**	$ 10,009,864
Debentures recoverable *(Note 6)*	**1,489,000**	1,613,952
	$ 10,743,421	$ 11,623,816

Principal and interest repayments are as follows:

	Principal	Interest	Total
2019	$ 836,488	$ 375,063	$ 1,211,551
2020	867,044	344,507	1,211,551
2021	898,793	312,758	1,211,551
2022	931,784	279,767	1,211,551
2023	853,350	246,105	1,099,455
Thereafter	6,355,962	1,232,692	7,588,654
	$ 10,743,421	$ 2,790,892	$ 13,534,313

Debenture debt is repayable to the Alberta Capital Finance Authority and bears interest at rates ranging from 2.226% to 5.875% per annum, matures in periods 2022 through 2048. The average annual interest rate is 3.67% (2017 - 3.71%).

Debenture debt is issued on the credit and security of the municipality at large.

Interest on long term debt amounted to $403,958 (2017 - $396,889).

The municipality's total cash payments for interest were $418,208 (2017 - $413,092).

DEBT LIMITS

Section 276(2) of the Municipal Government Act requires that debt and debt limits as defined by Alberta Regulation 255/00 for the County of St. Paul No. 19 be disclosed as follows:

	2018	2017
Total debt limit	**$ 41,515,350**	$ 39,391,407
Total debt (including loan guarantees)	**(9,379,002)**	(10,202,106)
Amount of debt limit unused	**$ 32,136,348**	$ 29,189,301
Debt servicing limit	**$ 6,919,225**	$ 6,565,235
Debt servicing	**(1,004,753)**	(1,144,452)
Amount of debt servicing limit unused	**$ 5,914,472**	$ 5,420,783

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

11. INVENTORY FOR CONSUMPTION

Municipal inventories consist of the following:

	2018	2017
Public Works gravel	**$ 2,989,540**	$ 3,055,857
Public Works coldmix	**135,465**	123,325
Public Works sand and salt	**157,305**	8,138
Public Works miscellaneous	**369,610**	415,463
Agricultural services	**33,713**	26,120
	$ 3,685,633	$ 3,628,903

12. ACCUMULATED SURPLUS

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

	2018	2017
Unrestricted surplus	**$ 6,750,020**	$ 6,637,245
Restricted surplus		
Reserve for future expenditures	**8,450,000**	4,750,000
FCSS	**79,687**	83,664
Debt reduction	**209,600**	850,000
Transportation	**41,512**	46,211
Community reserve	**694,059**	-
Fire	**106,473**	78,368
Fire capital replacement	**232,000**	96,000
Public reserve trust	**171,405**	161,246
Restricted surplus	**9,984,736**	6,065,489
Equity in tangible capital assets		
Tangible capital assets *(Schedule 1)*	**192,855,719**	180,663,666
Accumulated amortization *(Schedule 1)*	**(76,070,264)**	(71,998,439)
Long term debt - capital	**(8,827,688)**	(9,482,220)
Equity in tangible capital assets	**107,957,767**	99,183,007
	$124,692,523	$111,885,741

13. COMMITMENTS AND SUBSEQUENT EVENTS

The municipality has committed to purchasing capital heavy equipment totaling $681,000, net of trade, to be funded by operations.

Following the St. Paul & District Ambulance Service Society Board's decision *(Note 15)*, the municipality has committed to acquiring a building at the recorded net book value of the Society. The municipality will be assessing their options in regards to the continued ownership and/or lease of the building. The value of the any future transaction will be accounted for as total contributed asset and increase the municipality's revenue at that time.

The municipality has long term leases with respect to its office equipment and vehicles. The leases contain renewal options and provides maintenance service & minor supplies. Future minimum lease payments as at December 31, 2018, are as follows:

2019	$ 124,278
2020	35,734
2021	25,659
2022	22,815
2023	8,177
	$ 216,663

14. CONTINGENCIES

The municipality has guaranteed one half of a prime plus 2.0% Servus Credit Union line of credit for the Elk Point Regional Allied Arts Society. As at December 31, 2018, the line of credit balance was NIL (2017 - NIL), therefore the municipality's guarantee would be limited to NIL (2017 - NIL).

The municipality has guaranteed one half of a prime plus 2.0% Servus Credit Union term loan for the Elk Point Regional Allied Arts Society. As at December 31, 2018, the loan balance was $174,161 (2017 - $192,243), therefore the municipality's guarantee would be limited to $87,081 (2017 - $96,122).

15. CONTRIBUTED ASSETS

During the year, the municipality acquired the liquid assets of the St. Paul & District Ambulance Service Society, equal to their fair value. These funds were acquired upon the independent decision of the Society's Board to proceed with dissolution. Total contributed assets of $694,059 have been recorded as income and are reflected in the Statement of Operations and Accumulated Surplus.

16. RELATED PARTY TRANSACTIONS

There were no reportable related party transactions for the 2018 year.

17. SALARY, CONTRACTS AND BENEFITS DISCLOSURE

Disclosure of salaries, contracts and benefits for municipal officials, the chief administrative officer and designated officers as required by Alberta Regulation 313/2000 is as follows:

		Salary	Benefits & Allowances	**2018**	2017
Reeve	Upham	$ 80,256	$ 7,866	**$ 88,122**	$ 73,388
Deputy Reeve	Fodness	66,456	7,505	**73,961**	58,323
Councilors	Amyotte	60,406	6,776	**67,182**	57,086
	Hedrick	52,331	6,290	**58,621**	10,959
	Martin	49,496	6,124	**55,620**	54,065
	Wirsta	60,531	6,718	**67,249**	10,294
	Younghans	42,576	5,788	**48,364**	11,125
	Dach	-	-	**-**	46,719
	Ockerman	-	-	**-**	31,602
	Sloan	-	-	**-**	32,883
CAO	Sheila Kitz	172,210	33,298	**205,508**	205,319
Designated Officers	6 positions	524,350	62,741	**587,091**	568,678

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, accidental disability and dismemberment insurance, long and short term disability plans, professional memberships and tuition.

3. If an automobile is provided, no amount is included in the benefits and allowances figure.

4. Benefits and allowances figures also include the employer's 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.

18. LOCAL AUTHORITIES PENSION PLAN

Employees of the municipality participate in the Local Authorities Pension Plan (LAPP), which is one of the plans covered by the *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 service are recorded as expenditures in the year in which they become due.

The municipality 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.

Total current service contributions by the municipality to the LAPP in 2018 were $733,608 (2017 - $715,489). Total current service contributions by the employees of the municipality to the Local Authorities Pension Plan in 2018 were $671,709 (2017 - $658,542).

At December 31, 2017, the LAPP disclosed an actuarial deficiency of $4.84 billion.

19. SEGMENTED DISCLOSURE

The County provides a range of services to its ratepayers. For each reported segment, revenues and expenses represent both amounts that are directly attributable to the segment and amounts that are allocated on a reasonable basis. The accounting policies used in these segments are consistent with those followed in the preparation of the financial statements as disclosed in Note 1.

Refer to the Schedule of Segmented Disclosure (Schedule 7).

20. FINANCIAL INSTRUMENTS

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

The municipality 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 municipality 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.

21. APPROVAL OF FINANCIAL STATEMENTS

Council and Management have approved these financial statements.