

COUNTY OF PAINTEARTH NO. 18
FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

**COUNTY OF PAINEARTH NO. 18
FINANCIAL STATEMENTS
DECEMBER 31, 2017**

CONTENTS

	Page
INDEPENDENT AUDITOR'S REPORT	2
FINANCIAL STATEMENTS	
Consolidated Statement of Financial Position	3
Consolidated Statement of Operations	4
Consolidated Statement of Changes in Net Financial Assets	5
Consolidated Statement of Cash Flows	6
Schedule of Tangible Capital Assets	7
Schedule of Property and Other Taxes	8
Schedule of Government Transfers	8
Schedule of Consolidated Expenses by Object	9
Schedule of Changes in Accumulated Surplus	10
Notes to Financial Statements	11 - 21



410-2 nd Avenue West Box 2110, Hanna Alberta T0J 1P0 (403) 854-4421	Unit 103B, 1205 Bow Valley Trail Canmore Alberta T1W 1P5 (403) 675-3300	5015 Victoria Avenue Coronation Alberta T0C 1C0 (403) 578-4014	103 - 2 nd Avenue Oyen Alberta T0J 2J0 (403) 664-3444	407 Main Street Three Hills Alberta T0M 2A0 (403) 443-7720
---	--	---	---	---

**CHARTERED PROFESSIONAL
ACCOUNTANTS**

Jeff M. Faupel, B. Mgmt, CPA, CA *
Monica N. Faupel, B. Mgmt, CPA, CA *

Toll Free: 1 (800) 267-5601
Fax: (403) 854-2023

INDEPENDENT AUDITOR'S REPORT

To the Members of Council:

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of the County of Paintearth No. 18, which comprise the statement of financial position as at December 31, 2017 and the statement of operations, change in net financial assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the County of Paintearth No. 18 as at December 31, 2017, 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.

**HANNA, ALBERTA
MARCH 15, 2018**


CHARTERED PROFESSIONAL ACCOUNTANTS

COUNTY OF PAINT EARTH NO. 18
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2017

	2017	2016
FINANCIAL ASSETS		
Cash and temporary investments (Note 2)	\$ 19,053,307	\$ 17,479,871
Receivables		
Taxes and grants in place of taxes (Note 3)	179,945	1,130,096
Trade and other receivables	139,059	357,463
Receivables from other governments	1,833,987	364,055
Land inventory held for resale	947,064	947,064
Investments (Note 4)	<u>50</u>	<u>50</u>
	<u>22,153,412</u>	<u>20,278,599</u>
LIABILITIES		
Accounts payable and accrued liabilities	1,815,508	1,982,738
Deferred revenue (Note 5)	1,062,279	618,320
Gravel reclamation payable	293,186	196,241
Long-term debt (Note 6)	<u>1,744,027</u>	<u>1,744,027</u>
	<u>4,915,000</u>	<u>4,541,326</u>
NET FINANCIAL ASSETS	<u>17,238,412</u>	<u>15,737,273</u>
NON-FINANCIAL ASSETS		
Tangible capital assets	45,697,162	47,350,154
Inventory for consumption	9,356,502	9,114,776
Prepaid expenses	333,065	312,788
Gravel reserves for development	<u>1,435,435</u>	<u>1,435,435</u>
	<u>56,822,164</u>	<u>58,213,153</u>
ACCUMULATED SURPLUS	<u>\$ 74,060,576</u>	<u>\$ 73,950,426</u>

COMMITMENTS (SEE NOTE 12)

COUNTY OF PAINT EARTH NO. 18
CONSOLIDATED STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2017

	Budget (Unaudited)	2017	2016
REVENUE			
Net municipal taxes (Schedule 2)	\$ 13,662,838	\$ 13,593,963	\$ 14,202,104
User fees and sale of goods	162,850	176,599	486,672
Government transfers for operating (Schedule 3)	390,500	397,364	532,907
Investment income	150,000	241,240	179,119
Penalties and costs on taxes	100,000	263,058	199,710
Licenses and permits	28,000	181,816	28,831
Other	13,500	29,355	210,619
Gain on disposal of tangible capital assets	<u> </u>	<u>7,178</u>	<u>12,515</u>
Total Revenue	<u>14,507,688</u>	<u>14,890,573</u>	<u>15,852,477</u>
EXPENSES			
Legislative	348,400	261,345	297,409
Administration	2,060,900	3,235,257	1,647,082
Protective services	435,326	412,493	365,649
Transportation	10,121,693	9,951,823	7,859,441
Water supply and distribution	705,925	670,389	862,706
Wastewater treatment and disposal	75	72	72
Public health and welfare	118,200	98,708	132,203
Land use planning, zoning and development	205,700	251,318	288,575
Economic/agricultural development	701,300	657,917	726,770
Parks and recreation	366,150	393,571	484,675
Culture	<u>38,900</u>	<u>31,608</u>	<u>31,283</u>
Total Expenses	<u>15,102,569</u>	<u>15,964,501</u>	<u>12,695,865</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES - BEFORE OTHER			
	594,881	(1,073,928)	3,156,612
Government transfers for capital (Schedule 3)	<u>2,528,324</u>	<u>1,184,078</u>	<u>1,429,351</u>
EXCESS OF REVENUE OVER EXPENSES	1,933,443	110,150	4,585,963
ACCUMULATED SURPLUS, BEGINNING OF YEAR	<u>73,950,426</u>	<u>73,950,426</u>	<u>69,364,463</u>
ACCUMULATED SURPLUS, END OF YEAR	<u>\$ 75,883,869</u>	<u>\$ 74,060,576</u>	<u>\$ 73,950,426</u>

COUNTY OF PAINT EARTH NO. 18
CONSOLIDATED STATEMENT OF CHANGES IN NET FINANCIAL ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2017

	Budget (Unaudited)	2017	2016
EXCESS OF REVENUE OVER EXPENSES			
	\$ 1,933,443	\$ 110,150	\$ 4,585,963
Acquisition of tangible capital assets	(4,389,079)	(1,726,242)	(2,839,675)
Proceeds on sale of tangible capital assets	457,500	648,141	338,226
Amortization of tangible capital assets	1,934,062	2,394,075	2,234,870
Loss on sale of tangible capital assets	<u> </u>	<u>337,017</u>	<u>169,764</u>
	<u>(1,997,517)</u>	<u>1,652,991</u>	<u>(96,815)</u>
Change in in prepaid expenses	<u> </u>	(20,276)	(18,622)
Change in inventory for consumption	<u> </u>	<u>(241,726)</u>	<u>(1,140,036)</u>
	<u> </u>	<u>(262,002)</u>	<u>(1,158,658)</u>
INCREASE IN NEW ASSETS	64,074	1,501,139	3,330,490
NET FINANCIAL ASSETS, BEGINNING OF YEAR	<u>15,737,273</u>	<u>15,737,273</u>	<u>12,406,783</u>
NET FINANCIAL ASSETS, END OF YEAR	<u>\$ 15,673,199</u>	<u>\$ 17,238,412</u>	<u>\$ 15,737,273</u>

COUNTY OF PAINT EARTH NO. 18
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2017

	2017	2016
NET INFLOW(OUTFLOWS) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING		
Excess of revenues over expenses	\$ 110,150	\$ 4,585,963
Non-cash items included in excess(shortfall) of revenues over expenses:		
Amortization	2,394,075	2,234,870
Gain or loss on disposal of tangible capital assets	<u>337,017</u>	<u>169,764</u>
	2,841,242	6,990,597
Changes in net financial asset(debt) items:		
Decrease (increase) in taxes and grants in place of taxes receivables	950,151	(421,016)
Decrease(increase) in trade and other receivables	218,404	(189,836)
Decrease(increase) in receivables from other governments	(1,469,932)	(95,840)
Decrease (increase) in land inventory held for resale		(5,008)
Decrease (increase) in inventory	(241,726)	(1,140,036)
Decrease(increase) in prepaid expenses	(20,276)	(18,622)
Increase(decrease) in accounts payable and accrued liabilities	(70,286)	404,790
Increase(decrease) in deposit liabilities		(14,000)
Increase(decrease) in deferred revenue	<u>443,959</u>	<u>212,395</u>
Cash provided by (applied to) operating transactions	<u>2,651,536</u>	<u>5,723,424</u>
CAPITAL		
Acquisition of tangible capital assets	(1,726,241)	(2,839,676)
Proceeds on sale of tangible capital assets	<u>648,141</u>	<u>338,226</u>
Cash provided by (applied to) capital transactions	<u>(1,078,100)</u>	<u>(2,501,450)</u>
FINANCING		
Long term debt repaid		<u>(466,667)</u>
CHANGE IN CASH AND EQUIVALENTS DURING THE YEAR	1,573,436	2,755,307
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>17,479,871</u>	<u>14,724,564</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 19,053,307</u>	<u>\$ 17,479,871</u>

COUNTY OF PAINTEARTH NO. 18
SCHEDULE OF TANGIBLE CAPITAL ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2017

Schedule 1

	Land	Land Improvements	Buildings	Engineered Structures	Machinery & Equipment	Vehicles	2017	2016
COST:								
BALANCE, BEGINNING OF YEAR	\$ 1,801,022	\$ 784,917	\$ 5,068,897	\$ 49,809,377	\$ 13,097,120	\$ 4,936,019	\$ 75,497,352	\$ 73,752,457
Acquisition of tangible capital assets	65,746			267,745	1,192,452	175,002	1,700,945	2,828,179
Construction-in-progress				25,297			25,297	11,496
Disposal of tangible capital assets	(3,194)				(1,308,732)	(108,105)	(1,420,031)	(1,094,780)
BALANCE, END OF YEAR	<u>1,863,574</u>	<u>784,917</u>	<u>5,068,897</u>	<u>50,102,419</u>	<u>12,980,840</u>	<u>5,002,916</u>	<u>75,803,563</u>	<u>75,497,352</u>
ACCUMULATED AMORTIZATION:								
BALANCE, BEGINNING OF YEAR	52,547	278,949	950,289	19,950,379	4,525,035	2,389,999	28,147,198	26,499,118
Annual amortization	30,968	28,613	101,030	1,190,134	652,844	390,486	2,394,075	2,234,870
Accumulated amortization adjustments					(356,504)	(78,368)	(434,872)	(586,790)
BALANCE, END OF YEAR	<u>83,515</u>	<u>307,562</u>	<u>1,051,319</u>	<u>21,140,513</u>	<u>4,821,375</u>	<u>2,702,117</u>	<u>30,106,401</u>	<u>28,147,198</u>
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	<u>\$ 1,780,059</u>	<u>\$ 477,355</u>	<u>\$ 4,017,578</u>	<u>\$ 28,961,906</u>	<u>\$ 8,159,465</u>	<u>\$ 2,300,799</u>	<u>\$ 45,697,162</u>	<u>\$ 47,350,154</u>

COUNTY OF PAINT EARTH NO. 18
SCHEDULE OF PROPERTY AND OTHER TAXES
FOR THE YEAR ENDED DECEMBER 31, 2017

Schedule 2

	Budget (Unaudited)	2017	2016
TAXATION			
Residential land and improvement taxes	\$ 6,335,829	\$ 6,317,547	\$ 6,459,567
Non-residential linear property taxes	<u>10,081,549</u>	<u>10,030,956</u>	<u>10,568,184</u>
	<u>16,417,378</u>	<u>16,348,503</u>	<u>17,027,751</u>
REQUISITIONS			
Alberta School Foundation Fund	2,229,441	2,229,441	2,299,548
Seniors requisition	<u>525,099</u>	<u>525,099</u>	<u>526,099</u>
	<u>2,754,540</u>	<u>2,754,540</u>	<u>2,825,647</u>
NET MUNICIPAL TAXES	<u>\$ 13,662,838</u>	<u>\$ 13,593,963</u>	<u>\$ 14,202,104</u>

SCHEDULE OF GOVERNMENT TRANSFERS
FOR THE YEAR ENDED DECEMBER 31, 2017

Schedule 3

	Budget (Unaudited)	2017	2016
TRANSFERS FOR OPERATING			
Provincial government	\$ <u>390,500</u>	\$ <u>397,364</u>	\$ <u>532,907</u>
TRANSFERS FOR CAPITAL			
Provincial government	<u>2,528,324</u>	<u>1,184,078</u>	<u>1,429,351</u>
TOTAL GOVERNMENT TRANSFERS	<u>\$ 2,918,824</u>	<u>\$ 1,581,442</u>	<u>\$ 1,962,258</u>

COUNTY OF PAINT EARTH NO. 18
SCHEDULE OF CONSOLIDATED EXPENSES BY OBJECT
FOR THE YEAR ENDED DECEMBER 31, 2017

Schedule 4

	Budget (Unaudited)	2017	2016
CONSOLIDATED EXPENSES BY OBJECT			
Salaries, wages and benefits	\$ 5,619,535	\$ 5,216,581	\$ 5,172,795
Contracted and general services	1,505,409	1,104,850	1,136,195
Materials, goods, supplies and utilities	4,759,224	4,595,008	2,836,891
Provision for allowances	81,500	1,566,456	(40,666)
Transfers to other government		4,169	203,077
Transfers to local boards and agencies	144,000	131,870	147,395
Transfers to individuals and organizations	596,826	555,686	714,582
Bank charges and short term interest	75,000	51,611	57,132
Amortization of tangible capital assets	2,271,075	2,394,075	2,234,869
Loss on disposal of tangible capital assets	50,000	344,195	182,279
Other expenses			51,316
	<u>\$ 15,102,569</u>	<u>\$ 15,964,501</u>	<u>\$ 12,695,865</u>

COUNTY OF PAINTEARTH NO. 18
SCHEDULE OF CHANGES IN ACCUMULATED SURPLUS
FOR THE YEAR ENDED DECEMBER 31, 2017

Schedule 5

	Unrestricted Surplus	Restricted Surplus	Equity in Tangible Capital Assets	2017	2016
BALANCE, BEGINNING OF YEAR	\$	26,600,272	\$ 47,350,154	\$ 73,950,426	\$ 69,364,463
Excess of revenues over expenses	110,150			110,150	4,585,963
Unrestricted funds designated for future use	(1,763,142)	1,763,142			
Current year funds used for tangible capital assets	(1,726,242)		1,726,242		
Disposal of tangible capital assets	985,159		(985,159)		
Annual amortization expense	2,394,075		(2,394,075)		
Change in accumulated surplus		1,763,142	(1,652,992)	110,150	4,585,963
BALANCE, END OF YEAR	\$	28,363,414	\$ 45,697,162	\$ 74,060,576	\$ 73,950,426

COUNTY OF PAINTEARTH NO. 18
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

1. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements of the County of Paintearth No. 18 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 policies adopted by the County are as follows:

a) Reporting Entity

The consolidated financial statements reflect the assets, liabilities, revenues and expenditures, changes in fund balances and change in financial position of the reporting entity. This entity is comprised of the municipal operations plus all of the organizations that are owned or controlled by the County and are, therefore, accountable to the County 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 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) 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 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.

Significant financial statement areas requiring the use of management estimates include:

- Employee benefits obligation;
- Useful life of tangible capital assets;
- Accrued liabilities;
- Fair value of contributed tangible capital assets;
- Gravel reclamation payable

COUNTY OF PAINT EARTH NO. 18
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

1.. SIGNIFICANT ACCOUNTING POLICIES (continued)

d) Cash and Cash Equivalents

Cash and cash equivalents are comprised of cash on deposits with financial institutions and highly liquid investments.

e) 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.

f) 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 un-matured long-term debt, less actuarial requirements for the retirement of any sinking fund debentures.

g) 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.

h) Inventories 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 tangible capital assets under the respective function.

i) Prepaid Local Improvement Charges

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

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

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

COUNTY OF PAINT EARTH NO. 18
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

1.. SIGNIFICANT ACCOUNTING POLICIES (continued)

j) Landfill Closure and Post-Closure Liability

Pursuant to the Alberta Environmental Protection and Enhancement Act, the County is required to fund the closure of its landfill site and provide for post-closure care of the facility. Closure and post-closure activities include the final clay cover, landscaping, as well as surface and ground water monitoring, leachate control, and visual inspection. The requirement is being provided for over the estimated remaining life of the landfill site based on usage.

k) Net Municipal Taxes

Property tax revenue is based on market value assessments determined in accordance with the Municipal Government Act (MGA) and tax rates established by Council. Taxation revenues are recorded at the time the tax billings are issued. Assessments may change due to appeal or as a result of adjustments made by assessors to correct errors or omissions. Gain or losses on assessment changes or appeals are recorded as adjustments to tax revenue and receivables when a written decision is received from the authorized board or a change is generated by the authorized assessor.

l) 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.

m) Non-Financial Assets

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the normal course of operations. The change in non-financial assets during the year, together with the excess of revenues over expenses, provides the consolidated Change in Net Financial Assets (Debt) for the year.

COUNTY OF PAINT EARTH NO. 18
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

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	15-25
Buildings	25-50
Engineering structures	
Water system	45-75
Wastewater system	45-75
Other engineered structures	10-75
Machinery and equipment	5-20
Heavy equipment	Unit of output(hours)
Vehicles	10-25

In the year of acquisition of a tangible capital asset, annual amortization is charged based on the number of months owned and in the year of disposal no amortization is charged. .

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.

COUNTY OF PAINT EARTH NO. 18
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

2. CASH AND TEMPORARY INVESTMENTS

	2017	2016
Cash	\$ 19,003,925	\$ 17,431,225
Temporary investments	49,382	48,646
	\$ 19,053,307	\$ 17,479,871

The temporary investment balance represents a guaranteed income certificates that bears interest at rates between 1.85% and 1.90% and matures between May 13, 2018 and October 31, 2018 .

Included in the cash account are restricted amount of \$115,375 (2016 - \$618,320) which relates to conditional grant revenues that have not yet been expended on the purposes intended.

The temporary investment balance is fully restricted as it represents the surplus funds received in relation to a tax sale under section 427(1) of the Municipal Government Act.

An ATB Financial operating line of credit is available in the amount of \$2,000,000, interest calculated at prime rate. The County had not utilized this line of credit as of December 31, 2017.

3. TAXES AND GRANTS IN PLACE OF TAXES RECEIVABLE

	2017	2016
Current taxes and grants in place receivables	\$ 142,092	\$ 479,642
Arrears taxes	41,221	653,365
	183,313	1,133,007
Less: allowance for doubtful accounts	(3,368)	(2,911)
	\$ 179,945	\$ 1,130,096

4. INVESTMENTS

	2017		2016	
	Cost	Market Value	Cost	Market Value
AAMD&C	\$ 50	\$ 50	\$ 50	\$ 50

COUNTY OF PAINT EARTH NO. 18
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

5. DEFERRED REVENUE

	2017	2016
Municipal Sustainability Initiative	\$ 946,904	\$ 617,875
Federal Gas Tax Fund	109,930	
Paintearth Economic Partnership Society Grant	5,000	
Burma Park Donation	445	445
	\$ 1,062,279	\$ 618,320

Municipal Sustainability Initiative

The use of these funds is restricted to eligible capital projects, as approved under the funding agreement. Unexpended funds related to these advances are supported by cash held exclusively for this funding (refer to Note 2).

Federal Gas Tax Fund

The use of these funds is restricted to eligible capital projects, as approved under the funding agreement. Unexpended funds related to these advances are supported by cash held exclusively for this funding (refer to Note 2).

6. LONG TERM DEBT

	2017	2016
Tax supported loans	\$ 1,744,027	\$ 1,744,027

The current portion of the long-term debt amounts to \$933,334 (2016 - \$466,667). The financial institution did not remove the annual payment at the end of the year which results in 2 payment due and payable in 2018.

Principal and interest repayments are as follows:

	Principal	Interest	Total
2018	\$ 933,334	\$ 47,089	\$ 980,423
2019	466,667	34,489	501,156
2020	344,026	21,889	365,915
	\$ 1,744,027	\$ 103,467	\$ 1,847,494

ATB Financial loan bears interest at prime rate is and is repayable in annual instalments of principal and interest, maturing July 31, 2020.

The County's total cash payments for interest in 2017 was \$50,374 (2016 - \$56,231).

COUNTY OF PAINT EARTH NO. 18
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

7. DEBT LIMITS

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

	<u>2017</u>	<u>2016</u>
Total debt limit	\$ 22,335,860	\$ 23,778,716
Total debt	<u>1,744,027</u>	<u>1,744,027</u>
Amount of debit limit unused	<u>\$ 20,591,833</u>	<u>\$ 22,034,689</u>
Debt servicing limit	\$ 3,722,643	\$ 3,963,119
Debt servicing	<u>980,423</u>	<u>526,356</u>
Amount of debt servicing limit unused	<u>\$ 2,742,220</u>	<u>\$ 3,436,763</u>

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

8. EQUITY IN TANGIBLE CAPITAL ASSETS

	<u>2017</u>	<u>2016</u>
Tangible capital assets	\$ 75,803,563	\$ 75,497,352
Accumulated amortization	<u>(30,106,401)</u>	<u>(28,147,198)</u>
	<u>\$ 45,697,162</u>	<u>\$ 47,350,154</u>

COUNTY OF PAINT EARTH NO. 18
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

9. ACCUMULATED SURPLUS

	<u>2017</u>	<u>2016</u>
Restricted surplus:		
Operating:		
General legislative	\$ 1,097,682	\$ 1,097,682
General administration	268,817	268,817
Roads, streets, walks, lighting	4,837,572	4,837,572
Culture	10,000	10,000
Subdivision land and development	1,918,764	1,918,764
Operating contingency	2,043,142	280,000
Capital:		
Administration	606,562	606,562
Fire fighting & preventive services	1,040,224	1,040,224
Roads, streets, walks, lighting	9,287,252	9,287,252
Water and wastewater	5,662,482	5,662,482
Economic development	79,289	79,289
Agricultural services	1,069,824	1,069,824
Recreation, parks and culture	441,804	441,804
Equity in tangible capital assets	<u>45,697,162</u>	<u>47,350,154</u>
	<u>\$ 74,060,576</u>	<u>\$ 73,950,426</u>

COUNTY OF PAINT EARTH NO. 18
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

10. SALARY AND BENEFITS

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

	2017			2016
	<u>Salary</u>	<u>Benefits & allowances</u>	<u>Total</u>	<u>Total</u>
Councillors:				
Reeve Schulmeister	\$ 2,430	\$	\$ 2,430	\$
Councillor Blumhagen	18,690	8,320	27,010	21,860
Councillor Elliott	26,390	8,842	35,232	28,472
Councillor Glazier	31,190	13,411	44,601	34,989
Councillor Hewitt	17,605	6,773	24,378	20,588
Councillor Norton	1,820		1,820	
Councillor Wiart	2,690	696	3,386	
Councillor Bunbury	17,760	3,402	21,162	18,885
Councillor Dahmer	12,660	6,307	18,967	17,339
Councillor Weber	15,200	4,750	19,950	20,913
Chief Administrative Officer	173,295	31,726	205,021	207,087
Designated Officer - Assessors (2 Positions)	134,668		134,668	132,786

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.

COUNTY OF PAINT EARTH NO. 18
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

11. LOCAL AUTHORITIES PENSION PLAN

Employees of the County participate in the Local Authorities Pension Plan (LAPP), which is one of the plans covered by the 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 County is required to make current service contributions to the LAPP of 11.39% of pensionable earnings up to the year's maximum pensionable earnings under the Canada Pension Plan and 15.84% on pensionable earnings above this amount.

Total current service contributions by the County to the LAPP in 2017 were \$406,301 (2016 - \$368,145). Total current service contributions by the employees of the County to the Local Authorities Pension Plan in 2017 were \$376,698 (2016 - \$357,681).

At December 31, 2016 the LAPP disclosed an actuarial deficit of \$637 million. This amount is not specifically allocated to the participating government organizations. The 2017 actuarial balance was not available at the date these financial statements were released.

12. COMMITMENTS

The Shirley McClellan Regional Water Services Commission is constituted under the Municipal Government Act and was approved by the Province of Alberta Order in Council on October 10, 2007 of which the County, as a member, has a 11.63% equity involvement. The County is committed to funding its share of any net capital requirements.

The County, as per a Ministerial Order is a member of the Castor & District Housing Authority and is required to provide requisition amounts to fund the operational and capital requirements of the Housing Authority.

The County has entered into a 3 year agreement to purchase 30,000 tonne per year of Alberta Transportation 4-20 spec road gravel at an agreed price of \$11.78 plus GST per tonne.

The County is committed to the development of 42 acres of land intended as an industrial subdivision, the full estimated cost of which is not fully determinable at this time.

13. FINANCIAL INSTRUMENTS

The County's financial instruments consist of cash, accounts receivable, investments, deferred revenue, accounts payable and long term debt. It is management's opinion that the County is not exposed to significant interest or currency risks arising from these financial instruments.

The County is subject to credit risk with respect to taxes and grants in place of taxes receivables and trade and other receivables. Credit risk arises from the possibility that taxpayers and entities to which the County provides services may experience financial difficulty and be unable to fulfill their obligations. The large number and diversity of taxpayers and customers minimizes the credit risk.

Unless otherwise noted, the carrying value of the financial instrument approximates fair value.

COUNTY OF PAINT EARTH NO. 18
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

14. BUDGET AMOUNTS

The 2017 budget for the County was approved by council and has been reported in the consolidated financial statements for information purposes only. These budget amounts have not been audited, reviewed, or otherwise verified.

15. APPROVAL OF FINANCIAL STATEMENTS

Council and management have approved these financial statements.
