

COUNTY OF PAINTEARTH NO. 18
FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

**COUNTY OF PAINT EARTH NO. 18
FINANCIAL STATEMENTS
DECEMBER 31, 2018**

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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:

Opinion

We have audited the consolidated financial statements of the County of Paintearth No. 18, which comprise of the statement of financial position as at, December 31, 2018 and the results of its operations and changes in its net financial assets and cash flows for the year then ended, and the 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 County of Paintearth No. 18 as at December 31, 2018, the results of its operations, changes in net financial assets and its cash flows for the year 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 County of Paintearth No. 18 in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

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

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

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

Auditor's Responsibility for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 the 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:



410-2nd 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 - 2nd Avenue
Oyen
Alberta T0J 2J0
(403) 664-3444

508 Main Street
Three Hills
Alberta T0M 2A0
(403) 443-7720

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- 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 controls.
- Obtain an understanding of internal controls 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 county's internal controls.
- 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 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 the auditor's report. However future events or conditions may cause the county to cease to continue to be 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the Entities or business activities within the Group to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

Report on Other Legal and Regulatory Requirements

- Debt Limit Regulation: In accordance with Alberta Regulation 255/2000, we confirm that the municipality is in compliance with the Debt Limit Regulation. A detailed account of the county's debt limit can be found in Note 8.
- Supplementary Accounting Principles and Standards Regulation: In accordance with Alberta Regulation 313/2000, we confirm that the municipality is in compliance with the Supplementary Accounting Principles and Standards Regulation and note the information required can be found in Note 1.

**HANNA, ALBERTA
FEBRUARY 27, 2019**

CHARTERED PROFESSIONAL ACCOUNTANTS

COUNTY OF PAINT EARTH NO. 18
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2018

	2018	2017
FINANCIAL ASSETS		
Cash and temporary investments (Note 2)	\$ 23,851,567	\$ 19,053,307
Receivables		
Taxes and grants in place of taxes (Note 3)	836,927	228,220
Trade and other receivables	301,734	139,059
Receivables from other governments	510,133	1,833,987
Land inventory held for resale	947,064	947,064
Investments (Note 4)	<u>50</u>	<u>50</u>
	<u>26,447,475</u>	<u>22,201,687</u>
LIABILITIES		
Accounts payable and accrued liabilities	966,769	1,181,166
Deferred revenue (Note 5)	3,826,946	1,062,279
Employee benefit obligations (Note 6)	667,238	682,617
Gravel reclamation payable	459,504	293,186
Long-term debt (Note 7)	<u>810,693</u>	<u>1,744,027</u>
	<u>6,731,150</u>	<u>4,963,275</u>
NET FINANCIAL ASSETS	<u>19,716,325</u>	<u>17,238,412</u>
NON-FINANCIAL ASSETS		
Tangible capital assets	44,958,607	45,697,162
Inventory for consumption	10,077,668	9,356,502
Prepaid expenses	430,465	333,065
Gravel reserves for development	<u>1,435,435</u>	<u>1,435,435</u>
	<u>56,902,175</u>	<u>56,822,164</u>
ACCUMULATED SURPLUS	<u>\$ 76,618,500</u>	<u>\$ 74,060,576</u>

COMMITMENTS (SEE NOTE 14)

COUNTY OF PAINT EARTH NO. 18
CONSOLIDATED STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2018

	Budget (Unaudited)	2018	2017
REVENUE			
Net municipal taxes (Schedule 2)	\$ 12,893,635	\$ 13,806,010	\$ 13,593,963
User fees and sale of goods	210,930	398,121	176,599
Government transfers for operating (Schedule 3)	396,500	1,117,347	397,364
Investment income	150,000	448,298	241,240
Penalties and costs on taxes	100,000	125,858	263,058
Licenses and permits	74,000	148,456	181,816
Gain on disposal of tangible capital assets	15,000	20,724	7,178
Other	<u>13,700</u>	<u>24,590</u>	<u>29,355</u>
Total Revenue	<u>13,853,765</u>	<u>16,089,404</u>	<u>14,890,573</u>
EXPENSES			
Legislative	335,400	285,472	261,345
Administration	2,087,400	2,278,799	3,235,257
Protective services	450,434	457,500	412,493
Transportation	10,494,202	8,794,033	9,951,823
Water supply and distribution	731,330	744,532	670,389
Wastewater treatment and disposal	75	72	72
Public health and welfare	109,200	98,708	98,708
Land use planning, zoning and development	330,900	427,690	251,318
Economic/agricultural development	808,200	679,956	657,917
Parks and recreation	450,764	396,408	393,571
Culture	<u>40,000</u>	<u>32,363</u>	<u>31,608</u>
Total Expenses	<u>15,837,905</u>	<u>14,195,533</u>	<u>15,964,501</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES - BEFORE OTHER	1,984,140	1,893,871	(1,073,928)
Government transfers for capital (Schedule 3)	<u>2,528,324</u>	<u>664,053</u>	<u>1,184,078</u>
EXCESS OF REVENUE OVER EXPENSES	544,184	2,557,924	110,150
ACCUMULATED SURPLUS, BEGINNING OF YEAR	<u>74,060,576</u>	<u>74,060,576</u>	<u>73,950,426</u>
ACCUMULATED SURPLUS, END OF YEAR	<u>\$ 74,604,760</u>	<u>\$ 76,618,500</u>	<u>\$ 74,060,576</u>

COUNTY OF PAINT EARTH NO. 18
CONSOLIDATED STATEMENT OF CHANGES IN NET FINANCIAL ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2018

	Budget (Unaudited)	2018	2017
EXCESS OF REVENUE OVER EXPENSES			
	\$ 544,184	\$ 2,557,924	\$ 110,150
Acquisition of tangible capital assets	(2,567,800)	(2,088,434)	(1,726,242)
Proceeds on sale of tangible capital assets	424,000	500,122	648,141
Amortization of tangible capital assets	2,285,075	2,233,970	2,394,075
Loss on sale of tangible capital assets	60,000	92,897	337,017
	<u>201,275</u>	<u>738,555</u>	<u>1,652,991</u>
Change in in prepaid expenses		(97,400)	(20,276)
Change in inventory for consumption		(721,166)	(241,726)
		<u>(818,566)</u>	<u>(262,002)</u>
INCREASE IN NEW ASSETS	745,459	2,477,913	1,501,139
NET FINANCIAL ASSETS, BEGINNING OF YEAR	<u>17,238,412</u>	<u>17,238,412</u>	<u>15,737,273</u>
NET FINANCIAL ASSETS, END OF YEAR	<u>\$ 17,983,871</u>	<u>\$ 19,716,325</u>	<u>\$ 17,238,412</u>

COUNTY OF PAINT EARTH NO. 18
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2018

	2018	2017
NET INFLOW(OUTFLOWS) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING		
Excess of revenues over expenses	\$ 2,557,924	\$ 110,150
Non-cash items included in excess(shortfall) of revenues over expenses:		
Amortization	2,233,970	2,394,075
Gain or loss on disposal of tangible capital assets	<u>92,897</u>	<u>337,017</u>
	4,884,791	2,841,242
Changes in net financial asset(debt) items:		
Decrease (increase) in taxes and grants in place of taxes receivables	(608,707)	950,151
Decrease(increase) in trade and other receivables	(162,675)	218,404
Decrease(increase) in receivables from other governments	1,323,854	(1,469,932)
Decrease (increase) in inventory	(721,166)	(241,726)
Decrease(increase) in prepaid expenses	(97,400)	(20,276)
Increase(decrease) in accounts payable and accrued liabilities	(63,458)	(70,286)
Increase(decrease) in deferred revenue	<u>2,764,667</u>	<u>443,959</u>
Cash provided by (applied to) operating transactions	<u>7,319,906</u>	<u>2,651,536</u>
CAPITAL		
Acquisition of tangible capital assets	(2,088,434)	(1,726,241)
Proceeds on sale of tangible capital assets	<u>500,122</u>	<u>648,141</u>
Cash provided by (applied to) capital transactions	<u>(1,588,312)</u>	<u>(1,078,100)</u>
FINANCING		
Long term debt repaid	<u>(933,334)</u>	<u> </u>
CHANGE IN CASH AND EQUIVALENTS DURING THE YEAR	4,798,260	1,573,436
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>19,053,307</u>	<u>17,479,871</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 23,851,567</u>	<u>\$ 19,053,307</u>

COUNTY OF PAINTEARTH NO. 18
SCHEDULE OF TANGIBLE CAPITAL ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2018

Schedule 1

	Land	Land Improvements	Buildings	Engineered Structures	Machinery & Equipment	Vehicles	2018	2017
COST:								
BALANCE, BEGINNING OF YEAR	\$ 1,863,574	\$ 784,917	\$ 5,068,897	\$ 50,102,419	\$ 12,980,840	\$ 5,002,916	\$ 75,803,563	\$ 75,497,352
Acquisition of tangible capital assets			33,999	28,605	1,448,228	559,267	2,070,099	1,700,945
Construction-in-progress				18,335	(999,006)	(261,344)	18,335	25,297
Disposal of tangible capital assets							(1,260,350)	(1,420,031)
BALANCE, END OF YEAR	<u>1,863,574</u>	<u>784,917</u>	<u>5,102,896</u>	<u>50,149,359</u>	<u>13,430,062</u>	<u>5,300,839</u>	<u>76,631,647</u>	<u>75,803,563</u>
ACCUMULATED AMORTIZATION:								
BALANCE, BEGINNING OF YEAR	83,515	307,562	1,051,319	21,140,513	4,821,375	2,702,117	30,106,401	28,147,198
Annual amortization	33,543	28,613	99,895	1,005,193	684,428	382,298	2,233,970	2,394,075
Accumulated amortization adjustments					(438,944)	(228,387)	(667,331)	(434,872)
BALANCE, END OF YEAR	<u>117,058</u>	<u>336,175</u>	<u>1,151,214</u>	<u>22,145,706</u>	<u>5,066,859</u>	<u>2,856,028</u>	<u>31,673,040</u>	<u>30,106,401</u>
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	<u>\$ 1,746,516</u>	<u>\$ 448,742</u>	<u>\$ 3,951,682</u>	<u>\$ 28,003,653</u>	<u>\$ 8,363,203</u>	<u>\$ 2,444,811</u>	<u>\$ 44,958,607</u>	<u>\$ 45,697,162</u>

COUNTY OF PAINT EARTH NO. 18
SCHEDULE OF PROPERTY AND OTHER TAXES
FOR THE YEAR ENDED DECEMBER 31, 2018

Schedule 2

	Budget (Unaudited)	2018	2017
TAXATION			
Residential land and improvement taxes	\$ 6,201,263	\$ 6,264,424	\$ 6,317,547
Non-residential linear property taxes	<u>9,530,372</u>	<u>10,095,685</u>	<u>10,030,956</u>
	<u>15,731,635</u>	<u>16,360,109</u>	<u>16,348,503</u>
REQUISITIONS			
Alberta School Foundation Fund	2,302,000	2,010,173	2,229,441
Seniors requisition	<u>536,000</u>	<u>543,926</u>	<u>525,099</u>
	<u>2,838,000</u>	<u>2,554,099</u>	<u>2,754,540</u>
NET MUNICIPAL TAXES	<u>\$ 12,893,635</u>	<u>\$ 13,806,010</u>	<u>\$ 13,593,963</u>

SCHEDULE OF GOVERNMENT TRANSFERS
FOR THE YEAR ENDED DECEMBER 31, 2018

Schedule 3

	Budget (Unaudited)	2018	2017
TRANSFERS FOR OPERATING			
Provincial government	\$ <u>396,500</u>	\$ <u>1,117,347</u>	\$ <u>397,364</u>
TRANSFERS FOR CAPITAL			
Provincial government	<u>2,528,324</u>	<u>664,053</u>	<u>1,184,078</u>
TOTAL GOVERNMENT TRANSFERS	<u>\$ 2,924,824</u>	<u>\$ 1,781,400</u>	<u>\$ 1,581,442</u>

COUNTY OF PAINT EARTH NO. 18
SCHEDULE OF CONSOLIDATED EXPENSES BY OBJECT
FOR THE YEAR ENDED DECEMBER 31, 2018

Schedule 4

	Budget (Unaudited)	2018	2017
CONSOLIDATED EXPENSES BY OBJECT			
Salaries, wages and benefits	\$ 5,564,814	\$ 5,039,378	\$ 5,159,180
Contracted and general services	1,675,306	2,160,721	1,175,521
Materials, goods, supplies and utilities	4,968,610	3,913,497	4,591,209
Provision for allowances	101,500	(98,358)	1,566,456
Transfers to other government		4,198	4,169
Transfers to local boards and agencies	144,000	169,698	131,870
Transfers to individuals and organizations	688,600	612,838	546,215
Bank charges and short term interest	75,000	45,969	51,611
Amortization of tangible capital assets	2,560,075	2,233,971	2,394,075
Loss on disposal of tangible capital assets	60,000	113,621	344,195
	<u>\$ 15,837,905</u>	<u>\$ 14,195,533</u>	<u>\$ 15,964,501</u>

COUNTY OF PAINTEARTH NO. 18
SCHEDULE OF CHANGES IN ACCUMULATED SURPLUS
FOR THE YEAR ENDED DECEMBER 31, 2018

Schedule 5

	Unrestricted Surplus	Restricted Surplus	Equity in Tangible Capital Assets	2018	2017
BALANCE, BEGINNING OF YEAR	\$	28,363,414	\$ 45,697,162	\$ 74,060,576	\$ 73,950,426
Excess of revenues over expenses	2,557,924			2,557,924	110,150
Unrestricted funds designated for future use	(2,557,924)	2,557,924			
Current year funds used for tangible capital assets	(2,088,434)		2,088,434		
Disposal of tangible capital assets	593,019		(593,019)		
Annual amortization expense	2,233,970		(2,233,970)		
Change in accumulated surplus	738,555	2,557,924	(738,555)	2,557,924	110,150
BALANCE, END OF YEAR	\$ 738,555	\$ 30,921,338	\$ 44,958,607	\$ 76,618,500	\$ 74,060,576

COUNTY OF PAINTEARTH NO. 18
SCHEDULE OF SEGMENTED DISCLOSURE
FOR THE YEAR ENDED DECEMBER 31, 2018

Schedule 6

	General Government	Protective Services	Transportation Services	Water / Wastewater	Public Health & Welfare	Planning Development	Agricultural Development	Recreation & Culture	Total
REVENUE									
Net municipal taxes	\$ 13,806,010	\$	\$	\$	\$	\$	\$	\$	\$ 13,806,010
User fees and sales of goods	78,270	35,303	14,150	208,519			39,366	22,513	398,121
Government transfers	1,519,476	5,000		1,000	72,566		183,358		1,781,400
Investment income	448,298								448,298
Penalties	125,858								125,858
Licenses and permits	126,840	7,341				14,275	15,706		148,456
Gain on disposal				824					20,724
Other revenues	23,766		5,018						24,590
	<u>16,128,518</u>	<u>47,644</u>	<u>19,168</u>	<u>210,343</u>	<u>72,566</u>	<u>14,275</u>	<u>238,430</u>	<u>22,513</u>	<u>16,753,457</u>
EXPENSES									
Salaries & wages	1,028,790	121,814	3,275,115	153,705		111,182	333,948	14,824	5,039,378
Contract & general services	1,333,581	112,247	377,372	105,844		168,547	54,009	9,121	2,160,721
Goods & supplies	74,290	5,258	3,429,465	215,167		3,839	174,727	10,751	3,913,497
Provision for allowance	(98,358)								(98,358)
Other government transfers				4,198					4,198
Transfers to local boards	14,698	155,000							169,698
Transfers to organizations	20,550	6,306			98,708	103,812	9,500	373,962	612,838
Bank charges and interest	45,969								45,969
Loss on sale of TCA	2,269	666	101,565				9,121		113,621
	<u>2,421,789</u>	<u>401,291</u>	<u>7,183,517</u>	<u>478,914</u>	<u>98,708</u>	<u>387,380</u>	<u>581,305</u>	<u>408,658</u>	<u>11,961,562</u>
NET REVENUE, BEFORE AMORTIZATION	<u>13,706,729</u>	<u>(353,647)</u>	<u>(7,164,349)</u>	<u>(268,571)</u>	<u>(26,142)</u>	<u>(373,105)</u>	<u>(342,875)</u>	<u>(386,145)</u>	<u>4,791,895</u>
Amortization expense	142,482	56,209	1,610,516	265,690		40,310	98,651	20,113	2,233,971
NET REVENUE	<u>\$ 13,564,247</u>	<u>\$ (409,856)</u>	<u>\$ (8,774,865)</u>	<u>\$ (534,261)</u>	<u>\$ (26,142)</u>	<u>\$ (413,415)</u>	<u>\$ (441,526)</u>	<u>\$ (406,258)</u>	<u>\$ 2,557,924</u>

COUNTY OF PAINTEARTH NO. 18
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

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, 2018

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, 2018

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, 2018

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, 2018

2. CASH AND TEMPORARY INVESTMENTS

	2018	2017
Cash	\$ 23,801,270	\$ 19,003,925
Temporary investments	50,297	49,382
	\$ 23,851,567	\$ 19,053,307

The temporary investment balance represents a guaranteed income certificates that bears interest at rates between 2.95% and 2.99% and matures between October 31, 2019 and May 13, 2021 .

Included in the cash account are restricted amount of \$3,569,282 (2017 - \$115,375) 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, 2018.

3. TAXES AND GRANTS IN PLACE OF TAXES RECEIVABLE

	2018	2017
Current taxes and grants in place receivables	\$ 786,665	\$ 174,795
Arrears taxes	54,158	56,793
	840,823	231,588
Less: allowance for doubtful accounts	(3,896)	(3,368)
	\$ 836,927	\$ 228,220

4. INVESTMENTS

	2018		2017	
	Cost	Market Value	Cost	Market Value
AAMD&C	\$ 50	\$ 50	\$ 50	\$ 50

COUNTY OF PAINTEARTH NO. 18
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

5. DEFERRED REVENUE

	2018	2017
Municipal Sustainability Initiative	\$ 2,303,176	\$ 946,904
Federal Gas Tax Fund	227,349	109,930
Paintearth Economic Partnership Society Grant	5,000	5,000
Burma Park Donation	445	445
Alberta Economic Development And Trade	1,290,976	
	\$ 3,826,946	\$ 1,062,279

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).

Alberta Economic Development and Trade

The use of these funds is restricted to eligible 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. EMPLOYEE BENEFIT OBLIGATIONS

	2018	2017
Vested sick leave payable	\$ 637,978	\$ 654,560
Long service recognition payable	29,260	28,057
	\$ 667,238	\$ 682,617

Vested sick leave payable

The vested sick leave liability is comprised of paid sick days that employees have not used and are being deferred to future years.

Long service recognition payable

The long service recognition payable is comprised of the liability associated with long term service of County employees.

COUNTY OF PAINT EARTH NO. 18
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

7. LONG TERM DEBT

	<u>2018</u>	<u>2017</u>
Tax supported loans	\$ <u>810,693</u>	\$ <u>1,744,027</u>

The current portion of the long-term debt amounts to \$466,667 (2017 - \$933,334).

Principal and interest repayments are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 466,667	\$ 34,489	\$ 501,156
2020	<u>344,026</u>	<u>21,889</u>	<u>365,915</u>
	<u>\$ 810,693</u>	<u>\$ 56,378</u>	<u>\$ 867,071</u>

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 2018 was \$45,958 (2017 - \$50,374).

8. 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>2018</u>	<u>2017</u>
Total debt limit	\$ 24,134,106	\$ 22,335,860
Total debt	<u>810,693</u>	<u>1,744,027</u>
Amount of debit limit unused	<u>\$ 23,323,413</u>	<u>\$ 20,591,833</u>
Debt servicing limit	\$ 4,022,351	\$ 3,722,643
Debt servicing	<u>501,156</u>	<u>980,423</u>
Amount of debt servicing limit unused	<u>\$ 3,521,195</u>	<u>\$ 2,742,220</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.

COUNTY OF PAINTEARTH NO. 18
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

9. EQUITY IN TANGIBLE CAPITAL ASSETS

	2018	2017
Tangible capital assets	\$ 76,631,647	\$ 75,803,563
Accumulated amortization	(31,673,040)	(30,106,401)
	\$ 44,958,607	\$ 45,697,162

10. ACCUMULATED SURPLUS

	2018	2017
Unrestricted surplus	\$ 738,555	\$
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	2,018,764	1,918,764
Operating contingency	1,043,142	2,043,142
Capital:		
Administration	606,562	606,562
Fire fighting & preventive services	1,050,224	1,040,224
Roads, streets, walks, lighting	12,725,176	9,287,252
Water and wastewater	5,672,482	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	44,958,607	45,697,162
	\$ 76,618,500	\$ 74,060,576

11. SEGMENTED DISCLOSURE

The County of Paintearth provides a range of services to its ratepayers. For each reported segment, revenues and expenses represents 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 the followed in the preparation of the financial statements as disclosed in Note 1.

Refer to Schedule of Segmented Disclosure (Schedule 6)

COUNTY OF PAINT EARTH NO. 18
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

12. 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:

	2018			2017
	<u>Salary</u>	<u>Benefits & allowances</u>	<u>Total</u>	<u>Total</u>
Councillors:				
Reeve Schulmeister	\$ 27,990	\$ 6,619	\$ 34,609	\$ 2,430
Councillor Blumhagen	23,800	8,677	32,477	27,010
Councillor Elliott	24,600	8,483	33,083	35,232
Councillor Glazier	33,075	13,920	46,995	44,601
Councillor Hewitt	18,480	7,063	25,543	24,378
Councillor Norton	16,450	4,214	20,664	1,820
Councillor Wiart	19,420	4,081	23,501	3,386
Councillor Bunbury				21,162
Councillor Dahmer				18,967
Councillor Weber				19,950
Chief Administrative Officer	48,317	16,490	64,807	
Former Chief Administrative Officer	79,422	14,566	93,988	205,021
Acting Chief Administrative Officer (3 months)	31,122	5,674	36,796	
Designated Officer - Assessors (2 Positions)	138,453		138,453	134,668

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 PAINTEARTH NO. 18
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

13. 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 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 county to the LAPP in 2018 were \$368,367 (2017 - \$406,301). Total current service contributions by the employees of the county to the Local Authorities Pension Plan in 2018 were \$337,299 (2017 - \$356,698).

At December 31, 2017 the LAPP disclosed an actuarial surplus of \$4.84 billion. This amount is not specifically allocated to the participating government organizations. The 2018 actuarial balance was not available at the date these financial statements were released.

14. 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 has entered into an agreement with the Alberta Economic Development and Trade to administer the coal communities transition funding received for the purpose of various determined projects elements.

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.

15. 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, 2018

16. BUDGET AMOUNTS

The 2018 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.

17. APPROVAL OF FINANCIAL STATEMENTS

Council and management have approved these financial statements.
