

TOWN OF ST. PAUL

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED

DECEMBER 31, 2013

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 Town of St. Paul, which comprise the consolidated statement of financial position as at December 31, 2013, and the consolidated statements 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 Town of St. Paul as at December 31, 2013, 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.

ST. PAUL, ALBERTA
April 14, 2014

CHARTERED ACCOUNTANTS

**TOWN OF ST. PAUL
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2013**

	<u>2013</u>	<u>2012</u>
Financial assets		
Cash	\$ 3,818,298	\$ 2,443,483
Taxes and grants in place receivable (note 2)	231,810	234,193
Trade and other receivables	698,870	594,937
Receivables from other governments	130,434	901,904
Loans receivable (note 3)	756,595	810,561
Land held for resale	373,873	703,873
Credit union shares	<u>15,920</u>	<u>15,309</u>
	<u>6,025,800</u>	<u>5,704,260</u>
Liabilities		
Accounts payable and accrued liabilities (note 4)	1,396,782	1,474,417
Deposit liabilities	10,000	5,000
Deferred revenue (note 5)	407,834	529,606
Long-term debt (note 6)	<u>3,119,956</u>	<u>3,330,345</u>
	<u>4,934,572</u>	<u>5,339,368</u>
Net financial assets	<u>1,091,228</u>	<u>364,892</u>
Non-financial assets		
Tangible capital assets (schedule 2)	54,705,565	54,884,916
Consumable inventory	235,574	197,968
Prepaid expenses	<u>--</u>	<u>3,200</u>
	<u>54,941,139</u>	<u>55,086,084</u>
Accumulated surplus (note 9)	<u>\$ 56,032,367</u>	<u>\$ 55,450,976</u>
Contingencies (note 12)		

APPROVED BY:

Mayor

Chief Administrative Officer

**TOWN OF ST. PAUL
CONSOLIDATED STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2013**

	<u>Budget</u> (unaudited)	<u>2013</u>	<u>2012</u>
Revenue			
Net municipal taxes (schedule 3)	\$ 5,768,606	\$ 5,475,449	\$ 5,216,486
Sales and user fees	2,852,625	3,174,740	2,535,513
Government transfers for operating (schedule 4)	1,876,592	1,651,304	1,336,877
Franchise and concession contracts	700,000	786,215	681,770
Investment income	82,031	104,670	106,524
Penalties and costs on taxes	60,000	71,329	50,421
Rental revenue	377,100	551,670	291,788
Licenses and permits	121,550	148,736	155,514
Fines issued	45,500	75,294	42,849
Donations and costs recovered	<u>9,330</u>	<u>11,779</u>	<u>13,565</u>
	<u>11,893,334</u>	<u>12,051,186</u>	<u>10,431,307</u>
Expenses			
Legislative	209,500	205,720	211,621
Administration	1,185,406	1,163,656	1,039,218
Protective services	2,001,234	2,078,499	1,804,145
Transportation	3,173,130	3,277,820	3,200,085
Water and wastewater	1,722,278	1,677,896	1,566,592
Waste management	571,417	545,565	469,527
Public health and welfare	626,288	507,248	418,620
Planning and development	31,500	374,879	34,797
Recreation and culture	<u>2,536,352</u>	<u>2,656,583</u>	<u>2,424,786</u>
	<u>12,057,105</u>	<u>12,487,866</u>	<u>11,169,391</u>
Shortfall of revenues over expenses before other	(163,771)	(436,680)	(738,084)
Other			
Gain on disposal of tangible capital assets	--	8,914	30,881
Other revenues for capital	--	224,912	--
Government transfers for capital (schedule 4)	<u>1,425,784</u>	<u>784,245</u>	<u>4,484,478</u>
Excess of revenues over expenses	1,262,013	581,391	3,777,275
Accumulated surplus, beginning of year	<u>55,450,976</u>	<u>55,450,976</u>	<u>51,673,701</u>
Accumulated surplus, end of year	\$ <u>56,712,989</u>	\$ <u>56,032,367</u>	\$ <u>55,450,976</u>

TOWN OF ST. PAUL
CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2013

	<u>Budget</u> (unaudited)	<u>2013</u>	<u>2012</u>
Excess of revenues over expenses	\$ <u>1,262,013</u>	\$ <u>581,391</u>	\$ <u>3,777,275</u>
Proceeds on disposal of tangible capital assets	--	39,438	49,750
Acquisition of tangible capital assets	(2,812,717)	(2,025,612)	(6,672,982)
Gain on disposal of tangible capital assets	--	(8,914)	(30,881)
Amortization of tangible capital assets	<u>2,164,744</u>	<u>2,174,439</u>	<u>2,084,313</u>
	<u>(647,973)</u>	<u>179,351</u>	<u>(4,569,800)</u>
Acquisition of consumable inventory	(121,200)	(156,286)	(118,602)
Use of consumable inventory	<u>118,000</u>	<u>118,680</u>	<u>119,048</u>
	<u>(3,200)</u>	<u>(37,606)</u>	<u>446</u>
Acquisition of prepaid expenses	--	--	(3,200)
Use of prepaid expenses	<u>3,200</u>	<u>3,200</u>	<u>1,000</u>
	<u>3,200</u>	<u>3,200</u>	<u>(2,200)</u>
Increase (decrease) in net financial assets	614,040	726,336	(794,279)
Net financial assets, beginning of year	<u>364,892</u>	<u>364,892</u>	<u>1,159,171</u>
Net financial assets, end of year	\$ <u><u>978,932</u></u>	\$ <u><u>1,091,228</u></u>	\$ <u><u>364,892</u></u>

TOWN OF ST. PAUL
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2013

	<u>2013</u>	<u>2012</u>
Net inflow (outflow) of cash related to the following activities:		
Operating		
Excess of revenues over expenses	\$ 581,391	\$ 3,777,275
Non-cash item included:		
Amortization of tangible capital assets	2,174,439	2,084,313
Gain on disposal of tangible capital assets	(8,914)	(30,881)
Non-cash charges to operations (net change):		
Decrease (increase) in		
Taxes and grants in place receivable	2,383	30,649
Trade and other receivables	(103,933)	98,450
Receivables from other governments	771,470	(819,951)
Consumable inventory	(37,606)	446
Land held for resale	330,000	(330,000)
Prepaid expenses	3,200	(2,200)
Increase (decrease) in		
Accounts payable and accrued liabilities	(77,635)	416,018
Deposit liabilities	5,000	(1,575)
Deferred revenue	<u>(121,772)</u>	<u>(1,355,285)</u>
	<u>3,518,023</u>	<u>3,867,259</u>
Investing		
Increase in Credit Union shares	<u>(611)</u>	<u>(585)</u>
Capital		
Acquisition of tangible capital assets	(2,025,612)	(6,672,982)
Proceeds on disposal of tangible capital assets	<u>39,438</u>	<u>49,750</u>
	<u>(1,986,174)</u>	<u>(6,623,232)</u>
Financing		
Loans receivable collected	53,966	51,749
Long-term debt repaid	<u>(210,389)</u>	<u>(201,368)</u>
	<u>(156,423)</u>	<u>(149,619)</u>
Change in cash during the year	1,374,815	(2,906,177)
Cash, beginning of year	<u>2,443,483</u>	<u>5,349,660</u>
Cash, end of year	\$ <u>3,818,298</u>	\$ <u>2,443,483</u>

TOWN OF ST. PAUL
SCHEDULE 1 – CHANGES IN ACCUMULATED SURPLUS
FOR THE YEAR ENDED DECEMBER 31, 2013

	Unrestricted Surplus	Restricted Surplus	Equity in Tangible Capital Assets	2013	2012
Balance, beginning of year	\$ 2,082,115	\$ 1,023,995	\$ 52,344,866	\$ 55,450,976	\$ 51,673,701
Excess of revenues over expenses	581,391	--	--	581,391	3,777,275
Funds designated for future use	(500,000)	500,000	--	--	--
Current year funds used for tangible capital assets	(2,025,612)	--	2,025,612	--	--
Disposal of tangible capital assets	30,524	--	(30,524)	--	--
Annual amortization expense	2,174,439	--	(2,174,439)	--	--
Capital long-term debt repaid	(166,556)	--	166,556	--	--
Change in accumulated surplus	94,186	500,000	(12,795)	581,391	3,777,275
Balance, end of year	\$ 2,176,301	\$ 1,523,995	\$ 52,332,071	\$ 56,032,367	\$ 55,450,976

TOWN OF ST. PAUL
SCHEDULE 2 - TANGIBLE CAPITAL ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2013

Cost	Land	Land Improvements	Buildings	Engineered Structures	Machinery & Equipment	Vehicles	Construction In Progress	Total
Balance, beginning of year	\$ 1,286,290	\$ 2,290,375	\$ 21,938,143	\$ 71,999,627	\$ 2,573,953	\$ 2,294,202	\$ 51,812	\$ 102,434,402
Acquisitions	142,000	689,515	240,301	611,068	161,810	189,451	253,033	2,287,178
Disposals	--	--	--	--	(83,072)	(30,000)	(261,566)	(374,638)
Balance, end of year	<u>1,428,290</u>	<u>2,979,890</u>	<u>22,178,444</u>	<u>72,610,695</u>	<u>2,652,691</u>	<u>2,453,653</u>	<u>43,279</u>	<u>104,346,942</u>
Accumulated amortization								
Balance, beginning of year	--	737,840	7,847,456	36,904,164	1,148,373	911,653	--	47,549,486
Annual amortization	--	114,453	436,388	1,374,615	105,002	143,981	--	2,174,439
Accumulated amortization on disposals	--	--	--	--	(52,548)	(30,000)	--	(82,548)
Balance, end of year	--	<u>852,293</u>	<u>8,283,844</u>	<u>38,278,779</u>	<u>1,200,827</u>	<u>1,025,634</u>	--	<u>49,641,377</u>
Net book value of tangible capital assets	<u>\$ 1,428,290</u>	<u>\$ 2,127,597</u>	<u>\$ 13,894,600</u>	<u>\$ 34,331,916</u>	<u>\$ 1,451,864</u>	<u>\$ 1,428,019</u>	<u>\$ 43,279</u>	<u>\$ 54,705,565</u>
2012 Net book value of tangible capital assets	<u>\$ 1,286,290</u>	<u>\$ 1,552,535</u>	<u>\$ 14,090,687</u>	<u>\$ 35,095,463</u>	<u>\$ 1,425,580</u>	<u>\$ 1,382,549</u>	<u>\$ 51,812</u>	<u>\$ 54,884,916</u>

TOWN OF ST. PAUL
SCHEDULE 3 - PROPERTY TAXES LEVIED
FOR THE YEAR ENDED DECEMBER 31, 2013

	Budget (Unaudited)	2013	2012
Taxation			
Real property taxes	\$ 7,230,187	\$ 6,939,928	\$ 6,421,093
Government grants in place of taxes	298,279	298,279	281,497
Linear property taxes	<u>161,620</u>	<u>161,994</u>	<u>153,168</u>
	<u>7,690,086</u>	<u>7,400,201</u>	<u>6,855,758</u>
Requisitions			
Alberta School Foundation	1,734,584	1,737,856	1,505,599
M.D. of St. Paul Foundation	<u>186,896</u>	<u>186,896</u>	<u>133,673</u>
	<u>1,921,480</u>	<u>1,924,752</u>	<u>1,639,272</u>
Net taxes for general municipal purposes	\$ <u>5,768,606</u>	\$ <u>5,475,449</u>	\$ <u>5,216,486</u>

SCHEDULE 4 - GOVERNMENT TRANSFERS

Transfers for operations			
Federal	\$ 9,400	\$ 3,000	\$ 8,548
Provincial	1,488,257	1,266,476	984,143
Local government	<u>378,935</u>	<u>381,828</u>	<u>344,186</u>
	<u>1,876,592</u>	<u>1,651,304</u>	<u>1,336,877</u>
Transfers for capital			
Provincial	1,425,784	784,245	3,462,836
Local government	<u>--</u>	<u>--</u>	<u>1,021,642</u>
	<u>1,425,784</u>	<u>784,245</u>	<u>4,484,478</u>
	\$ <u>3,302,376</u>	\$ <u>2,435,549</u>	\$ <u>5,821,355</u>

SCHEDULE 5 - EXPENSES BY TYPE

Expenses			
Salaries, wages and benefits	\$ 3,938,959	\$ 4,241,600	\$ 3,690,054
Contracted and general services	1,423,722	1,284,373	1,114,716
Materials, goods, supplies and utilities	2,915,812	3,130,379	2,693,801
Purchases from other governments	1,250,000	1,338,084	1,240,289
Transfers to local boards and agencies	20,500	22,148	23,138
Transfers to individuals and organizations	122,000	114,123	103,784
Bank charges	200	20	13
Interest on long-term debt	146,168	143,044	152,207
Provision for allowances and tax rebates	75,000	39,656	67,076
Amortization	<u>2,164,744</u>	<u>2,174,439</u>	<u>2,084,313</u>
Total expenses	\$ <u>12,057,105</u>	\$ <u>12,487,866</u>	\$ <u>11,169,391</u>

TOWN OF ST. PAUL
SCHEDULE 6 – SEGMENTED DISCLOSURE
FOR THE YEAR ENDED DECEMBER 31, 2013

	General Government	Protective Services	Transportation Services	Environment Services	Public Health, Planning and Development	Recreation and Culture	Total
Revenue							
Net municipal taxes	\$ 5,475,449	\$ --	\$ --	\$ --	\$ --	\$ --	\$ 5,475,449
Sales and user fees	53,308	44,790	185,498	2,186,510	446,101	258,533	3,174,740
Government transfers for operations	--	648,613	376,844	61,923	204,730	359,194	1,651,304
Government transfers for capital	--	--	563,042	--	43,387	177,816	784,245
Rental revenue	5,880	--	18,296	--	91,833	435,661	551,670
Investment income	104,534	--	--	--	--	136	104,670
Other revenues for operations	1,001,215	80,359	--	--	--	11,779	1,093,353
Other revenues for capital	--	--	--	--	--	224,912	224,912
Gain on disposal of assets	--	--	238	--	--	8,676	8,914
	<u>6,640,386</u>	<u>773,762</u>	<u>1,143,918</u>	<u>2,248,433</u>	<u>786,051</u>	<u>1,476,707</u>	<u>13,069,257</u>
Expenses							
Salaries, wages and benefits	708,160	455,672	1,065,680	711,955	186,818	1,113,315	4,241,600
Contract and general services	346,655	1,462,722	114,310	359,062	130,241	209,467	2,622,457
Materials, goods, supplies and utilities	108,686	102,652	894,063	632,012	431,770	961,196	3,130,379
Transfers to others	108,060	3,000	19,148	--	6,063	--	136,271
Interest on long-term debt	39,800	--	72,271	30,973	--	--	143,044
Other expenses	<u>39,676</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>39,676</u>
	<u>1,351,037</u>	<u>2,024,046</u>	<u>2,165,472</u>	<u>1,734,002</u>	<u>754,892</u>	<u>2,283,978</u>	<u>10,313,427</u>
Net revenue before amortization	5,289,349	(1,250,284)	(1,021,554)	514,431	31,159	(807,271)	2,755,830
Amortization expense	<u>(18,339)</u>	<u>(54,453)</u>	<u>(1,112,348)</u>	<u>(489,459)</u>	<u>(127,235)</u>	<u>(372,605)</u>	<u>(2,174,439)</u>
Net revenue	<u>\$ 5,271,010</u>	<u>\$ (1,304,737)</u>	<u>\$ (2,133,902)</u>	<u>\$ 24,972</u>	<u>\$ (96,076)</u>	<u>\$ (1,179,876)</u>	<u>\$ 581,391</u>

TOWN OF ST. PAUL
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

1. Significant Accounting Policies

The consolidated financial statements of the Town of St. Paul are the representations of management prepared in accordance with Canadian generally accepted accounting principles for local governments established by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants. Significant aspects of the accounting policies adopted by the town are as follows:

(a) Reporting Entity

The consolidated financial statements reflect the assets, liabilities, revenues and expenses, and change in financial position of the reporting entity. This entity is comprised of the municipal operations plus all of the organizations that are owned or controlled by the town and are, therefore, accountable to the town Council for the administration of their financial affairs and resources. These statements include the St. Paul Municipal Library.

The schedule of taxes levied also includes requisitions for education 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) Cash

Cash is defined as petty cash and cash in chequing accounts adjusted for outstanding cheques and deposits.

TOWN OF ST. PAUL
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

1. Significant Accounting Policies – continued

(d) 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 expenses 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.

(e) 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 leveling charges. Related development costs incurred to provide infrastructure such as water and wastewater services, roads, sidewalks and street lighting are recorded as physical assets under their respective function.

(f) 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.

(g) 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.

TOWN OF ST. PAUL
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

1. Significant Accounting Policies – continued

(h) Non-Financial Assets

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

(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 costs, less residual value, of the tangible capital assets are amortized on a straight-line basis over their estimated useful lives as follows:

	<u>Years</u>
Land improvements	10-25
Buildings	50
Engineered structures	
Roadway system	20-30
Water distribution system	40-75
Wastewater treatment system	40-75
Storm sewers	75
Machinery and equipment	10-25
Vehicles	10-15

No amortization is charged in the year of acquisition. 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 recoded as revenue.

(iii) Inventories

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

TOWN OF ST. PAUL
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

2. Taxes and Grants in Place Receivable	<u>2013</u>	<u>2012</u>
Current taxes and grants in place	\$ 87,563	\$ 174,208
Non-current taxes and grants in place	259,247	204,985
Less: allowance	(115,000)	(145,000)
	<u>\$ 231,810</u>	<u>\$ 234,193</u>
 3. Loans Receivable	 <u>2013</u>	 <u>2012</u>
5.75% debenture due from the M.D. of St. Paul Foundation payable in annual installments of \$10,133 plus interest, maturing June, 2014.	\$ 10,133	\$ 20,267
5.875% debenture due from the M.D. of St. Paul Foundation payable in equal annual installments of \$41,339 including principal and interest, maturing on March 17, 2023.	306,066	328,127
4.726% debenture due from the M.D. of St. Paul Foundation payable in equal semi-annual installments of \$21,680 including principal and interest, maturing on December 17, 2027.	<u>440,396</u>	<u>462,167</u>
Total loans receivable	756,595	810,561
Less: current portion	(56,303)	(53,966)
	<u>\$ 700,292</u>	<u>\$ 756,595</u>
 4. Accounts Payable and Accrued Liabilities	 <u>2013</u>	 <u>2012</u>
Wages payable	\$ 110,629	\$ 85,565
Vacation and overtime liability	300,380	276,955
Trade payables	941,417	1,064,418
Accrued debenture interest	<u>44,356</u>	<u>47,479</u>
	<u>\$ 1,396,782</u>	<u>\$ 1,474,417</u>

The vacation and overtime liability is comprised of the vacation and overtime that employees have earned and are deferring to future years. The wages payable liability is the wages and benefits accrued from the last pay period to December 31.

TOWN OF ST. PAUL
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

5. Deferred Revenue	<u>2013</u>	<u>2012</u>
Federal Gas Tax	\$ 5,282	\$ 433,193
Splash park donations	--	68,135
Basic Municipal Transportation	--	16,204
Donations for protective services equipment	9,242	9,242
FCSS projects	6,332	2,832
Public Safety grant	12,000	--
Early Child Development Mapping	34,837	--
MSI - Capital	240,000	--
MSI - Operating	<u>100,141</u>	<u>--</u>
	\$ <u>407,834</u>	\$ <u>529,606</u>

Funding from various grant programs, organizations and individuals in the amount of \$407,834 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 2014.

6. Long-Term Debt	<u>2013</u>	<u>2012</u>
Tax supported debentures - capital	\$ 2,373,494	\$ 2,540,050
Self supported debentures - operating	<u>746,462</u>	<u>790,295</u>
	\$ <u>3,119,956</u>	\$ <u>3,330,345</u>

Principal and interest repayments are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 219,818	\$ 136,737	\$ 356,555
2015	229,676	126,879	356,555
2016	239,981	116,574	356,555
2017	250,755	105,800	356,555
2018	262,019	94,537	356,556
Thereafter	<u>1,917,707</u>	<u>310,369</u>	<u>2,228,076</u>
	\$ <u>3,119,956</u>	\$ <u>890,896</u>	\$ <u>4,010,852</u>

Debenture debt is repayable to the Alberta Capital Finance Authority and bears interest at rates ranging from 4.214% to 5.875% per annum and mature in periods 2023 through 2027.

The average annual interest rate is 4.4925% for 2013 (4.48% for 2012).

Debenture debt is issued on the credit and security of the Town of St. Paul at large.

Interest on long-term debt amounted to \$143,044 (2012 - \$152,207).

The town's total cash payment for interest on long-term debt was \$146,167 (2012 - \$155,187).

TOWN OF ST. PAUL
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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 Town of St. Paul be disclosed as follows:

	<u>2013</u>	<u>2012</u>
Total debt limit	\$ 18,427,518	\$ 17,225,745
Total debt	<u>(3,340,363)</u>	<u>(3,530,543)</u>
Amount under total debt limit	\$ <u>15,087,155</u>	\$ <u>13,695,202</u>
Debt servicing limit	\$ 3,071,253	\$ 2,870,957
Debt servicing	<u>(271,857)</u>	<u>(271,857)</u>
Amount under debt servicing limit	\$ <u>2,799,396</u>	\$ <u>2,599,100</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>2013</u>	<u>2012</u>
Tangible capital assets (schedule 2)	\$ 104,346,942	\$ 102,434,402
Accumulated amortization (schedule 2)	(49,641,377)	(47,549,486)
Capital long-term debt (note 6)	<u>(2,373,494)</u>	<u>(2,540,050)</u>
	\$ <u>52,332,071</u>	\$ <u>52,344,866</u>

TOWN OF ST. PAUL
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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9. Accumulated Surplus

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

	<u>2013</u>	<u>2012</u>
Unrestricted surplus	\$ <u>2,176,301</u>	\$ <u>2,082,115</u>
Restricted surplus		
General capital	1,000,000	500,000
Water	336,384	336,384
Fire	106,351	106,351
Parks	<u>81,260</u>	<u>81,260</u>
	<u>1,523,995</u>	<u>1,023,995</u>
Equity in tangible capital assets (note 8)	<u>52,332,071</u>	<u>52,344,866</u>
	\$ <u>56,032,367</u>	\$ <u>55,450,976</u>

10. Salary and Benefits Disclosure

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

	<u>2013</u>			<u>2012</u>
	Salary ^(a)	Benefits & Allowances ^(b)	Total	Total
Mayor - Anderson	\$ 36,030	\$ 8,192	\$ 44,222	\$ 41,259
Councillors – Gratton	19,332	367	19,699	28,984
Wiebe	22,605	2,318	24,923	24,792
Kwiatkowski	23,375	1,785	25,160	30,072
Padlesky	22,825	1,117	23,942	24,459
Noel	24,090	3,451	27,541	24,773
Bogdan	3,510	816	4,326	--
Gervais	3,565	808	4,373	--
Ward	--	--	--	13,499
Chief Administrative Officer	121,910	22,692	144,602	139,291

(a) Salary includes regular base pay, overtime, lump sum payments, gross honoraria and any other direct cash remuneration.

(b) Employer's share of all employee benefits and contributions or payments made on behalf of employees including pension, health care, dental coverage, group life insurance, accidental disability and dismemberment insurance, and long and short term disability plans, professional memberships and tuition and council travel.

TOWN OF ST. PAUL
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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11. Segmented Disclosure

The Town of St. Paul 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 Schedule 6 – Segmented Disclosure.

12. Contingencies

- (a) The Town of St. Paul is a member of the Alberta Municipal Insurance Exchange (MUNIX). Under the terms of membership, the Town of St. Paul could become liable for its proportionate share of any claim losses in excess of the funds held by the exchange. Any liability incurred would be accounted for as a current transaction in the year the losses are determined.
- (b) The town has guaranteed \$1,000,000 in loans at the Servus Credit Union for the St. Paul Golf Club. As at December 31, 2013 the loan balance outstanding was \$891,392 and the overdraft balance was \$69,509. The loans are in good standing.
- (c) The town has guaranteed their pro-rata share of a 5.4% Servus Credit Union loan to the M.D. of St. Paul Foundation. The town's share is calculated based on their equalized assessment. As at December 31, 2013 the loan balance was \$20,588; therefore the town's guarantee would be limited to \$5,968. The loan is in good standing.
- (d) The Town of St. Paul is a member of the Evergreen Regional Waste Management Services Commission. Each participating municipality funds a portion of the Commission's deficit based on their proportionate tippage for the year. The expense is accounted for as a current transaction in the year the town is invoiced.

TOWN OF ST. PAUL
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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13. Local Authorities Pension Plan

Employees of the town participate in the Local Authorities Pension Plan (LAPP), which is one of the plans covered by the Alberta Public Sector Pension Plans Act. The LAPP serves about 133,000 people and 389 employers. 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 town is required to make current service contributions to the LAPP of 10.43% of pensionable earnings up to the year's maximum pensionable earnings under the Canada Pension Plan and 14.47% on pensionable earnings above this amount. Employees of the town are required to make current service contributions of 9.43% of pensionable salary up to the year's maximum pensionable salary and 13.47% on pensionable salary above this amount.

Total current service contributions by the town to the LAPP in 2013 were \$271,755 (2012 - \$202,527). Total current service contributions by the employees of the town to the LAPP in 2013 were \$247,024 (2012 - \$182,971).

At December 31, 2012, the LAPP disclosed an actuarial deficiency of \$4.977 billion.

14. Financial Instruments

The town's financial instruments consist of cash, credit union shares, receivables, accounts payable and accrued liabilities, and long-term debt. It is management's opinion that the town is not exposed to significant interest or currency risks arising from these financial instruments.

The town is subject to credit risk with respect to taxes and grants in place receivable and trade and other receivables. Credit risk arises from the possibility that taxpayers and entities to which the town 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 instruments approximates fair value

15. Approval of Financial Statements

These financial statements were approved by Council and management.

16. Comparative Figures

Certain of the 2012 comparative figures have been reclassified to conform to the current year's financial statement presentation.