

TOWN OF ST. PAUL

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED

DECEMBER 31, 2014

**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, 2014, 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, 2014, 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 27, 2015

JMD Group

CHARTERED ACCOUNTANTS

TOWN OF ST. PAUL
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2014

	<u>2014</u>	<u>2013</u>
Financial assets		
Cash	\$ 4,589,268	\$ 3,818,298
Taxes and grants in place receivable (note 2)	200,712	231,810
Trade and other receivables	900,982	698,870
Receivables from other governments	30,877	130,434
Loans receivable (note 3)	700,291	756,595
Land held for resale	983,438	373,873
Credit union shares	<u>16,555</u>	<u>15,920</u>
	<u>7,422,123</u>	<u>6,025,800</u>
Liabilities		
Accounts payable and accrued liabilities (note 4)	1,776,309	1,396,782
Deposit liabilities	--	10,000
Deferred revenue (note 5)	350,652	407,834
Long-term debt (note 6)	<u>4,651,528</u>	<u>3,119,956</u>
	<u>6,778,489</u>	<u>4,934,572</u>
Net financial assets	<u>643,634</u>	<u>1,091,228</u>
Non-financial assets		
Tangible capital assets (schedule 2)	57,529,119	54,705,565
Consumable inventory	222,992	235,574
Prepaid expenses	<u>8,750</u>	<u>--</u>
	<u>57,760,861</u>	<u>54,941,139</u>
Accumulated surplus (note 9)	<u>\$ 58,404,495</u>	<u>\$ 56,032,367</u>

Contingencies (note 12)

APPROVED BY:

Mayor

Chief Administrative Officer

TOWN OF ST. PAUL
CONSOLIDATED STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2014

	Budget (unaudited)	2014	2013
Revenue			
Net municipal taxes (schedule 3)	\$ 6,286,420	\$ 5,915,247	\$ 5,475,449
Sales and user fees	2,887,905	3,213,315	3,174,740
Government transfers for operating (schedule 4)	1,314,139	1,381,539	1,651,304
Franchise and concession contracts	800,000	831,032	786,215
Investment income	99,111	117,306	104,670
Penalties and costs on taxes	70,000	65,538	71,329
Rental revenue	523,140	642,538	551,670
Licenses and permits	121,900	166,420	148,736
Fines issued	60,500	107,553	75,294
Donations and costs recovered	<u>17,508</u>	<u>63,868</u>	<u>11,779</u>
	<u>12,180,623</u>	<u>12,504,356</u>	<u>12,051,186</u>
Expenses			
Legislative	217,916	233,238	205,720
Administration	1,292,464	1,158,806	1,163,656
Protective services	2,196,703	2,325,253	2,078,499
Transportation	3,916,008	3,772,939	3,277,820
Water and wastewater	1,588,299	1,437,916	1,677,896
Waste management	402,789	477,470	545,565
Public health and welfare	613,188	533,731	507,248
Planning and development	45,000	42,170	374,879
Recreation and culture	<u>2,929,839</u>	<u>2,918,155</u>	<u>2,656,583</u>
	<u>13,202,206</u>	<u>12,899,678</u>	<u>12,487,866</u>
Shortfall of revenues over expenses before other	(1,021,583)	(395,322)	(436,680)
Other			
Gain on disposal of tangible capital assets	--	8,803	8,914
Developer levies and other revenues for capital	--	563,448	224,912
Government transfers for capital (schedule 4)	<u>2,247,413</u>	<u>2,195,199</u>	<u>784,245</u>
Excess of revenues over expenses	1,225,830	2,372,128	581,391
Accumulated surplus, beginning of year	<u>56,032,367</u>	<u>56,032,367</u>	<u>55,450,976</u>
Accumulated surplus, end of year	\$ <u>57,258,197</u>	\$ <u>58,404,495</u>	\$ <u>56,032,367</u>

TOWN OF ST. PAUL
CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2014

	<u>Budget</u> (unaudited)	<u>2014</u>	<u>2013</u>
Excess of revenues over expenses	\$ <u>1,225,830</u>	\$ <u>2,372,128</u>	\$ <u>581,391</u>
Proceeds on disposal of tangible capital assets	--	14,881	39,438
Acquisition of tangible capital assets	(3,332,410)	(5,095,415)	(2,025,612)
Gain on disposal of tangible capital assets	--	(8,803)	(8,914)
Amortization of tangible capital assets	<u>2,261,724</u>	<u>2,265,783</u>	<u>2,174,439</u>
	(1,070,686)	(2,823,554)	179,351
Acquisition of consumable inventory	<u>100,000</u>	(105,205)	(156,286)
Use of consumable inventory	<u>100,000</u>	<u>117,787</u>	<u>118,680</u>
	--	<u>12,582</u>	<u>(37,606)</u>
Acquisition of prepaid expenses	--	(8,750)	--
Use of prepaid expenses	--	--	<u>3,200</u>
	--	<u>(8,750)</u>	<u>3,200</u>
Increase (decrease) in net financial assets	155,144	(447,594)	(726,336)
Net financial assets, beginning of year	<u>1,091,228</u>	<u>1,091,228</u>	<u>364,892</u>
Net financial assets, end of year	\$ <u>1,246,372</u>	\$ <u>643,634</u>	\$ <u>1,091,228</u>

TOWN OF ST. PAUL
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2014

	<u>2014</u>	<u>2013</u>
Net inflow (outflow) of cash related to the following activities:		
Operating		
Excess of revenues over expenses	\$ 2,372,128	\$ 581,391
Non-cash item included:		
Amortization of tangible capital assets	2,265,783	2,174,439
Gain on disposal of tangible capital assets	(8,803)	(8,914)
Non-cash charges to operations (net change):		
Decrease (increase) in		
Taxes and grants in place receivable	31,098	2,383
Trade and other receivables	(202,112)	(103,933)
Receivables from other governments	99,557	771,470
Consumable inventory	12,582	(37,606)
Land held for resale	(609,565)	330,000
Prepaid expenses	(8,750)	3,200
Increase (decrease) in		
Accounts payable and accrued liabilities	379,527	(77,635)
Deposit liabilities	(10,000)	5,000
Deferred revenue	(57,182)	(121,772)
	<u>4,264,263</u>	<u>3,518,023</u>
Investing		
Increase in Credit Union shares	<u>(635)</u>	<u>(611)</u>
Capital		
Acquisition of tangible capital assets	(5,095,415)	(2,025,612)
Proceeds on disposal of tangible capital assets	<u>14,881</u>	<u>39,438</u>
	<u>(5,080,534)</u>	<u>(1,986,174)</u>
Financing		
Loans receivable collected	56,304	53,966
Proceeds from loans	2,252,456	--
Long-term debt repaid	<u>(720,884)</u>	<u>(210,389)</u>
	<u>1,587,876</u>	<u>(156,423)</u>
Change in cash during the year	770,970	1,374,815
Cash, beginning of year	<u>3,818,298</u>	<u>2,443,483</u>
Cash, end of year	\$ <u>4,589,268</u>	\$ <u>3,818,298</u>

TOWN OF ST. PAUL
SCHEDULE 1 – CHANGES IN ACCUMULATED SURPLUS
FOR THE YEAR ENDED DECEMBER 31, 2014

	Unrestricted Surplus	Restricted Surplus	Equity in Tangible Capital Assets	2014	2013
Balance, beginning of year	\$ 2,176,301	\$ 1,523,995	\$ 52,332,071	\$ 56,032,367	\$ 55,450,976
Excess of revenues over expenses	2,372,128	--	--	2,372,128	581,391
Funds designated for future use	(67,810)	67,810	--	--	--
Current year funds used for tangible capital assets	(3,252,524)	--	3,252,524	--	--
Disposal of tangible capital assets	6,078	--	(6,078)	--	--
Annual amortization expense	2,265,783	--	(2,265,783)	--	--
Capital long-term debt repaid	(662,357)	--	662,358	--	--
Change in accumulated surplus	661,297	67,810	1,643,021	2,372,128	581,391
Balance, end of year	\$ 2,837,598	\$ 1,591,805	\$ 53,975,092	\$ 58,404,495	\$ 56,032,367

TOWN OF ST. PAUL
SCHEDULE 2 - TANGIBLE CAPITAL ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2014

Cost	Land	Land Improvements	Buildings	Engineered Structures	Machinery & Equipment	Vehicles	Construction In Progress	Total
Balance, beginning of year	\$ 1,428,290	\$ 2,979,890	\$ 22,178,444	\$ 72,610,695	\$ 2,652,691	\$ 2,453,653	\$ 43,279	\$ 104,346,942
Acquisitions	--	88,002	320,810	2,820,559	537,024	264,925	1,064,095	5,095,415
Disposals	--	--	--	--	(8,103)	(77,500)	--	(85,603)
Balance, end of year	<u>1,428,290</u>	<u>3,067,892</u>	<u>22,499,254</u>	<u>75,431,254</u>	<u>3,181,612</u>	<u>2,641,078</u>	<u>1,107,374</u>	<u>109,356,754</u>
Accumulated amortization								
Balance, beginning of year	--	852,293	8,283,844	38,278,779	1,200,827	1,025,634	--	49,641,377
Annual amortization	--	175,108	442,078	1,375,668	112,319	160,610	--	2,265,783
Accumulated amortization on disposals	--	--	--	--	(2,025)	(77,500)	--	(79,525)
Balance, end of year	<u>--</u>	<u>1,027,401</u>	<u>8,725,922</u>	<u>39,654,447</u>	<u>1,311,121</u>	<u>1,108,744</u>	<u>--</u>	<u>51,827,635</u>
Net book value of tangible capital assets	<u>\$ 1,428,290</u>	<u>\$ 2,040,491</u>	<u>\$ 13,773,332</u>	<u>\$ 39,776,807</u>	<u>\$ 1,870,491</u>	<u>\$ 1,532,334</u>	<u>\$ 1,107,374</u>	<u>\$ 57,259,119</u>
2013 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>

TOWN OF ST. PAUL
SCHEDULE 3 - PROPERTY TAXES LEVIED
FOR THE YEAR ENDED DECEMBER 31, 2014

	Budget (Unaudited)	2014	2013
Taxation			
Real property taxes	\$ 7,724,961	\$ 7,379,610	\$ 6,939,928
Government grants in place of taxes	300,000	277,327	298,279
Linear property taxes	<u>167,000</u>	<u>166,823</u>	<u>161,994</u>
	<u>8,191,961</u>	<u>7,823,760</u>	<u>7,400,201</u>
Requisitions			
Alberta School Foundation	1,789,019	1,791,992	1,737,856
M.D. of St. Paul Foundation	<u>116,522</u>	<u>116,521</u>	<u>186,896</u>
	<u>1,905,541</u>	<u>1,908,513</u>	<u>1,924,752</u>
Net taxes for general municipal purposes	<u>\$ 6,286,420</u>	<u>\$ 5,915,247</u>	<u>\$ 5,475,449</u>

SCHEDULE 4 - GOVERNMENT TRANSFERS

Transfers for operations			
Federal	\$ 3,000	\$ 9,776	\$ 3,000
Provincial	905,815	888,203	1,266,476
Local government	<u>405,324</u>	<u>483,560</u>	<u>381,828</u>
	<u>1,314,139</u>	<u>1,381,539</u>	<u>1,651,304</u>
Transfers for capital			
Provincial	2,247,413	2,187,699	784,245
Local government	<u>--</u>	<u>7,500</u>	<u>--</u>
	<u>2,247,413</u>	<u>2,195,199</u>	<u>784,245</u>
	<u>\$ 3,561,552</u>	<u>\$ 3,576,738</u>	<u>\$ 2,435,549</u>

SCHEDULE 5 - EXPENSES BY TYPE

Expenses			
Salaries, wages and benefits	\$ 4,524,884	\$ 4,588,763	\$ 4,241,600
Contracted and general services	1,472,147	1,243,382	1,284,373
Materials, goods, supplies and utilities	3,150,658	2,945,693	3,130,379
Contracts with other governments	1,350,000	1,514,539	1,338,084
Transfers to other governments	--	30,375	3,000
Transfers to local boards and agencies	64,000	58,237	19,148
Transfers to individuals and organizations	161,855	105,419	114,123
Bank charges	200	104	20
Interest on long-term debt	136,738	135,451	143,044
Provision for allowances and tax rebates	80,000	11,932	39,656
Amortization	<u>2,261,724</u>	<u>2,265,783</u>	<u>2,174,439</u>
Total expenses	<u>\$ 13,202,206</u>	<u>\$ 12,899,678</u>	<u>\$ 12,487,866</u>

TOWN OF ST. PAUL
SCHEDULE 6 – SEGMENTED DISCLOSURE
FOR THE YEAR ENDED DECEMBER 31, 2014

Revenue	General Government	Protective Services	Transportation Services	Environment Services	Public Health, Planning and Development	Recreation and Culture	Total
Net municipal taxes	\$ 5,915,247	\$ --	\$ --	\$ --	\$ --	\$ --	\$ 5,915,247
Sales and user fees	77,185	105,751	187,522	2,280,216	256,503	306,138	3,213,315
Government transfers for operations	1,137	606,859	99,336	172,416	230,321	271,470	1,381,539
Government transfers for capital	--	7,500	1,053,340	178,740	902,909	52,710	2,195,199
Rental revenue	6,979	--	38,832	--	106,718	490,009	642,538
Investment income	117,283	--	--	--	--	23	117,306
Other revenues for operations	1,056,524	112,882	--	--	1,137	63,868	1,234,411
Other revenues for capital	--	--	--	563,448	--	--	563,448
Gain on disposal of assets	--	--	4,303	4,500	--	--	8,803
	<u>7,174,355</u>	<u>832,992</u>	<u>1,383,333</u>	<u>3,199,320</u>	<u>1,497,588</u>	<u>1,184,218</u>	<u>15,271,806</u>
Expenses							
Salaries, wages and benefits	783,090	484,769	1,471,618	420,769	207,882	1,220,635	4,588,763
Contract and general services	344,082	1,640,716	95,173	313,110	124,307	240,533	2,757,921
Materials, goods, supplies and utilities	93,952	114,036	957,518	659,518	108,491	1,012,178	2,945,693
Transfers to others	103,145	30,375	58,237	--	2,274	--	194,031
Interest on long-term debt	37,400	--	67,245	28,819	1,987	--	135,451
Other expenses	<u>12,036</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>12,036</u>
	<u>1,373,705</u>	<u>2,269,896</u>	<u>2,649,791</u>	<u>1,422,216</u>	<u>444,941</u>	<u>2,473,346</u>	<u>10,633,895</u>
Net revenue before amortization	5,800,650	(1,436,904)	(1,266,458)	1,777,104	1,052,647	(1,289,128)	4,637,911
Amortization expense	<u>(18,339)</u>	<u>(55,357)</u>	<u>(1,123,148)</u>	<u>(493,170)</u>	<u>(130,960)</u>	<u>(444,809)</u>	<u>(2,265,783)</u>
Net revenue	<u>\$ 5,782,311</u>	<u>\$ (1,492,261)</u>	<u>\$ (2,389,606)</u>	<u>\$ 1,283,934</u>	<u>\$ 921,687</u>	<u>\$ (1,733,937)</u>	<u>\$ 2,372,128</u>

TOWN OF ST. PAUL
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

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, 2014

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, 2014

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 recorded 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, 2014

2. Taxes and Grants in Place Receivable	<u>2014</u>	<u>2013</u>
Current taxes and grants in place	\$ 186,549	\$ 87,563
Non-current taxes and grants in place	23,878	259,247
Less: allowance	<u>(9,715)</u>	<u>(115,000)</u>
	<u>\$ 200,712</u>	<u>\$ 231,810</u>
 3. Loans Receivable	 <u>2014</u>	 <u>2013</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
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.	282,709	306,066
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>417,582</u>	<u>440,396</u>
Total loans receivable	700,291	756,595
Less: current portion	<u>(48,633)</u>	<u>(56,303)</u>
	<u>\$ 651,658</u>	<u>\$ 700,292</u>
 4. Accounts Payable and Accrued Liabilities	 <u>2014</u>	 <u>2013</u>
Wages payable	\$ 113,830	\$ 110,629
Vacation and overtime liability	348,535	300,380
Trade payables	1,272,223	941,417
Accrued debenture interest	<u>41,721</u>	<u>44,356</u>
	<u>\$ 1,776,309</u>	<u>\$ 1,396,782</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, 2014

5. Deferred Revenue	<u>2014</u>	<u>2013</u>
Federal Gas Tax	\$ 76,087	\$ 5,282
ACP Area Structural Plan	154,261	--
Donations for protective services equipment	9,242	9,242
FCSS projects	10,151	6,332
Public Safety grant	16,800	12,000
Early Child Development Mapping	14,216	34,837
MSI - Capital	33,496	240,000
MSI - Operating	<u>36,399</u>	<u>100,141</u>
	<u>\$ 350,652</u>	<u>\$ 407,834</u>

Funding from various grant programs, organizations and individuals in the amount of \$350,652 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 2015.

6. Long-Term Debt	<u>2014</u>	<u>2013</u>
Tax supported debentures - capital	\$ 2,199,846	\$ 2,373,494
Self supported debentures - operating	700,291	746,462
Tax supported mortgage - operating	397,210	--
Tax supported supplier loan - capital	<u>1,354,181</u>	<u>--</u>
	<u>\$ 4,651,528</u>	<u>\$ 3,119,956</u>

Principal and interest repayments are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 440,092	\$ 134,108	\$ 574,200
2016	451,905	122,295	574,200
2017	464,216	109,984	574,200
2018	477,049	97,151	574,200
2019	490,425	83,775	574,200
Thereafter	<u>2,327,841</u>	<u>227,623</u>	<u>2,555,464</u>
	<u>\$ 4,651,528</u>	<u>\$ 774,936</u>	<u>\$ 5,426,464</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 mortgage is repayable to an individual and bears interest at 2% and matures in 2020. Monthly payments are \$6,852.

TOWN OF ST. PAUL
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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6. Long-Term Debt (continued)

The supplier loan is non-interest bearing and is repayable in 10 equal annual instalments of \$135,418.

The average annual interest rate is 4.019 for 2014 (4.44925% for 2013).

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

Interest on long-term debt amounted to \$135,451 (2013 - \$143,044).

The town's total cash payment for interest on long-term debt was \$138,086 (2013 - \$146,167).

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>2014</u>	<u>2013</u>
Total debt limit	\$ 19,626,160	\$ 18,427,518
Total debt	<u>(4,923,486)</u>	<u>(3,340,363)</u>
Amount under total debt limit	\$ <u>14,702,674</u>	\$ <u>15,087,155</u>
Debt servicing limit	\$ 3,271,027	\$ 3,071,253
Debt servicing	<u>(398,688)</u>	<u>(271,857)</u>
Amount under debt servicing limit	\$ <u>2,872,339</u>	\$ <u>2,799,396</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>2014</u>	<u>2013</u>
Tangible capital assets (schedule 2)	\$ 109,356,754	\$ 104,346,942
Accumulated amortization (schedule 2)	(51,827,635)	(49,641,377)
Capital long-term debt (note 6)	<u>(3,554,027)</u>	<u>(2,373,494)</u>
	\$ <u>53,975,092</u>	\$ <u>52,332,071</u>

TOWN OF ST. PAUL
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

9. Accumulated Surplus

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

	<u>2014</u>	<u>2013</u>
Unrestricted surplus	\$ <u>2,837,598</u>	\$ <u>2,176,301</u>
Restricted surplus		
General capital	1,000,000	1,000,000
Water	336,384	336,384
Fire truck	106,351	106,351
Fire equipment	67,810	--
Parks	<u>81,260</u>	<u>81,260</u>
	<u>1,591,805</u>	<u>1,523,995</u>
Equity in tangible capital assets (note 8)	<u>53,975,092</u>	<u>52,332,071</u>
	\$ <u>58,404,495</u>	\$ <u>56,032,367</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>2014</u>			<u>2013</u>
	Salary ^(a)	Benefits & Allowances ^(b)	Total	Total
Mayor - Andersen	\$ 42,850	\$ 6,831	\$ 49,681	\$ 44,222
Councillors – Wiebe	23,610	2,598	26,208	24,923
Kwiatkowski	25,455	5,699	31,154	25,160
Padlesky	22,545	2,468	25,013	23,942
Noel	24,185	1,550	25,735	27,541
Bogdan	21,685	1,112	22,797	4,326
Gervais	29,990	2,675	32,665	4,373
Gratton	--	--	--	19,699
Chief Administrative Officer	127,394	25,044	152,438	144,602

(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
FOR THE YEAR ENDED DECEMBER 31, 2014

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 \$850,879 and the overdraft balance was \$121,067. 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 \$1,041; therefore the town's guarantee would be limited to \$303. 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.

13. Commitments

- (a) The Town has signed an agreement with North East Muni-Corr Ltd. for the purchase of two parcels of land. The agreement is non-interest bearing and is being repaid in ten annual installments of \$30,000 commencing June 2015. Title for the properties will not be transferred to the Town until the final payment is received.
- (b) The Town has signed an agreement with the Elk Point/St. Paul Regional Water Commission for the repayment of the debenture that the commission will be taking out for the upgrade to the St. Paul water treatment plant. The amount of the debenture and repayment terms are not currently known. The commission is responsible for 7.85% of the costs of the upgrade.

TOWN OF ST. PAUL
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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14. 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 231,000 people and 418 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 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. Employees of the town are required to make current service contributions of 10.39% of pensionable salary up to the year's maximum pensionable salary and 14.84% on pensionable salary above this amount.

Total current service contributions by the town to the LAPP in 2014 were \$314,640 (2013 - \$271,755). Total current service contributions by the employees of the town to the LAPP in 2014 were 288,551 (2013 - \$247,024).

At December 31, 2013, the LAPP disclosed an actuarial deficiency of \$4.862 billion.

15. 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

16. Approval of Financial Statements

These financial statements were approved by Council and management.

TOWN OF ST. PAUL
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

17. Budget Amounts

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

18. Recent Accounting Pronouncements Published But Not Yet Adopted

PSAB Section 3260, Liability for Contaminated Sites

Beginning with the 2015 fiscal year municipalities will be required to account for and report liabilities associated with the remediation of inactive contaminated sites within their municipality.

Specifically, the new section:

- defines which activities would be included in a liability for remediation;
- establishes when to recognize and how to measure a liability for remediation; and
- provides the related financial statement presentation and disclosure requirements.

PSAB Section 3041, Portfolio Investments

This standard is effective for the 2016 fiscal year and addresses the distinction between temporary and portfolio investments.

PSAB Section 3450, Financial Instruments

PS3450 establishes recognition, measurement and disclosure requirements for derivative and non-derivative financial instruments, effective for the 2016 fiscal year.