

TOWN OF ST. PAUL
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED
DECEMBER 31, 2016



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, 2016, and the consolidated statements of operations, change in net financial assets, cash flows and schedules 1 to 6 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, 2016, 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 10, 2017

4925-50 Avenue
St. Paul, Alberta
Ph: (780) 645-4611
Fax: (780) 645-6644

JMD Group LLP
CHARTERED ACCOUNTANTS

Mailing Address:
Box 1452,
St. Paul, AB T0A 3A0
Email: jmdadmin@mcsnet.ca

TOWN OF ST. PAUL
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2016

	<u>2016</u>	<u>2015</u>
Financial assets		
Cash	\$ 6,026,291	\$ 2,738,166
Taxes and grants in place receivable (note 2)	289,568	274,627
Trade and other receivables	886,288	878,313
Receivables from other governments	206,675	1,805,773
Loans receivable (note 3)	600,428	651,657
Land held for resale	983,438	983,438
Credit union shares	<u>17,771</u>	<u>17,173</u>
	<u>9,010,459</u>	<u>7,349,147</u>
Liabilities		
Accounts payable and accrued liabilities (note 4)	1,596,403	1,405,987
Deposit liabilities	244	560
Deferred revenue (note 5)	1,436,987	163,144
Long-term debt (note 6)	<u>4,764,543</u>	<u>4,481,436</u>
	<u>7,798,177</u>	<u>6,051,127</u>
Net financial assets	<u>1,212,282</u>	<u>1,298,020</u>
Non-financial assets		
Tangible capital assets (schedule 2)	59,535,707	58,154,665
Consumable inventory	190,028	233,453
Prepaid expenses	<u>3,831</u>	<u>53,401</u>
	<u>59,729,566</u>	<u>58,441,519</u>
Accumulated surplus (note 9)	\$ <u>60,941,848</u>	\$ <u>59,739,539</u>
Contingencies (note 12)		

APPROVED BY:

(originals signed by:)

 Mayor

(originals signed by:)

 Chief Administrative Officer

**TOWN OF ST. PAUL
CONSOLIDATED STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2016**

	Budget (unaudited)	2016	2015
Revenue			
Net municipal taxes (schedule 3)	\$ 6,913,683	\$ 6,898,930	\$ 6,272,853
Sales and user fees	3,402,541	3,608,816	3,239,372
Government transfers for operating (schedule 4)	1,082,887	1,172,508	1,384,614
Franchise and concession contracts	825,000	838,590	828,202
Investment income	144,700	108,466	95,199
Penalties and costs on taxes	65,300	110,139	66,678
Rental revenue	637,460	604,326	609,435
Licenses and permits	126,405	205,155	124,199
Fines issued	340,500	236,176	353,375
Donations and costs recovered	<u>60,033</u>	<u>21,429</u>	<u>21,765</u>
	<u>13,598,509</u>	<u>13,804,535</u>	<u>12,995,692</u>
Expenses			
Legislative	277,890	300,150	278,345
Administration	1,545,201	1,313,482	1,250,084
Protective services	2,881,107	2,553,988	2,751,276
Transportation	4,057,385	3,556,071	3,550,765
Water and wastewater	1,546,206	1,474,071	1,412,687
Waste management	491,250	433,745	498,783
Public health and welfare	625,899	616,303	584,505
Planning and development	37,500	74,032	40,852
Recreation and culture	<u>3,807,095</u>	<u>3,571,849</u>	<u>3,332,271</u>
	<u>15,269,533</u>	<u>13,893,691</u>	<u>13,699,568</u>
Deficiency of revenues over expenses before other	(1,671,024)	(89,156)	(703,876)
Other			
Loss on disposal of tangible capital assets	--	--	(20,586)
Developer levies and other revenues for capital	--	--	120,731
Contributed tangible capital assets	--	756,975	--
Government transfers for capital (schedule 4)	<u>828,000</u>	<u>534,490</u>	<u>1,938,775</u>
Excess (deficiency) of revenues over expenses	(843,024)	1,202,309	1,335,044
Accumulated surplus, beginning of year	<u>59,739,539</u>	<u>59,739,539</u>	<u>58,404,495</u>
Accumulated surplus, end of year	\$ <u>58,896,515</u>	\$ <u>60,941,848</u>	\$ <u>59,739,539</u>

TOWN OF ST. PAUL
CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2016

	Budget (unaudited)	2016	2015
Excess (deficiency) of revenues over expenses	\$ <u>(843,024)</u>	\$ <u>1,202,309</u>	\$ <u>1,335,044</u>
Proceeds on disposal of tangible capital assets	--	--	188,136
Acquisition of tangible capital assets	(2,126,484)	(3,046,770)	(3,138,937)
Contributed tangible capital asset	--	(756,975)	--
Loss on disposal of tangible capital assets	--	--	20,586
Amortization of tangible capital assets	<u>2,308,465</u>	<u>2,422,703</u>	<u>2,304,669</u>
	<u>181,981</u>	<u>(1,381,042)</u>	<u>(625,546)</u>
Acquisition of consumable inventory	(100,000)	(95,014)	(121,957)
Use of consumable inventory	<u>100,000</u>	<u>138,439</u>	<u>111,496</u>
	<u>--</u>	<u>43,425</u>	<u>(10,461)</u>
Acquisition of prepaid expenses	--	(3,831)	(53,401)
Use of prepaid expenses	<u>53,401</u>	<u>53,401</u>	<u>8,750</u>
	<u>53,401</u>	<u>49,570</u>	<u>(44,651)</u>
Increase (decrease) in net financial assets	(607,642)	(85,738)	654,386
Net financial assets, beginning of year	<u>1,298,020</u>	<u>1,298,020</u>	<u>643,634</u>
Net financial assets, end of year	\$ <u>690,378</u>	\$ <u>1,212,282</u>	\$ <u>1,298,020</u>

TOWN OF ST. PAUL
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>2016</u>	<u>2015</u>
Net inflow (outflow) of cash related to the following activities:		
Operating		
Excess of revenues over expenses	\$ 1,202,309	\$ 1,335,044
Non-cash item included:		
Amortization of tangible capital assets	2,422,703	2,304,669
Loss on disposal of tangible capital assets	--	20,586
Contributed tangible capital asset	(756,975)	--
Non-cash charges to operations (net change):		
Decrease (increase) in		
Taxes and grants in place receivable	(14,941)	(73,915)
Trade and other receivables	(7,975)	22,669
Receivables from other governments	1,599,098	(1,774,896)
Consumable inventory	43,425	(10,461)
Prepaid expenses	49,570	(44,651)
Increase (decrease) in		
Accounts payable and accrued liabilities	190,416	(370,322)
Deposit liabilities	(316)	560
Deferred revenue	<u>1,273,843</u>	<u>(187,508)</u>
	<u>6,001,157</u>	<u>1,221,775</u>
Investing		
Increase in Credit Union shares	<u>(598)</u>	<u>(618)</u>
Capital		
Acquisition of tangible capital assets	(3,046,770)	(3,138,937)
Proceeds on disposal of tangible capital assets	<u>--</u>	<u>188,136</u>
	<u>(3,046,770)</u>	<u>(2,950,801)</u>
Financing		
Loans receivable collected	51,229	48,634
Proceeds from loans	815,000	230,000
Long-term debt repaid	<u>(531,893)</u>	<u>(400,092)</u>
	<u>334,336</u>	<u>(121,458)</u>
Change in cash during the year	3,288,125	(1,851,102)
Cash, beginning of year	<u>2,738,166</u>	<u>4,589,268</u>
Cash, end of year	<u>\$ 6,026,291</u>	<u>\$ 2,738,166</u>

TOWN OF ST. PAUL
SCHEDULE 1 – CHANGES IN ACCUMULATED SURPLUS
FOR THE YEAR ENDED DECEMBER 31, 2016

	Unrestricted Surplus	Restricted Surplus	Equity in Tangible Capital Assets	2016	2015
Balance, beginning of year	<u>\$ 3,420,996</u>	<u>\$ 1,671,444</u>	<u>\$ 54,647,099</u>	<u>\$ 59,739,539</u>	<u>\$ 58,404,495</u>
Excess of revenues over expenses	1,202,309	--	--	1,202,309	1,335,044
Funds designated for future use	(81,044)	81,044	--	--	--
Current year funds used for tangible capital assets	(2,231,770)	--	2,231,770	--	--
Contributed tangible capital assets	(756,975)	--	756,975	--	--
Annual amortization expense	2,422,703	--	(2,422,703)	--	--
Capital long-term debt repaid	<u>(404,158)</u>	<u>--</u>	<u>404,158</u>	<u>--</u>	<u>--</u>
Change in accumulated surplus	<u>151,065</u>	<u>81,044</u>	<u>970,200</u>	<u>1,202,309</u>	<u>1,335,044</u>
Balance, end of year	<u>\$ 3,572,061</u>	<u>\$ 1,752,488</u>	<u>\$ 55,617,299</u>	<u>\$ 60,941,848</u>	<u>\$ 59,739,539</u>

TOWN OF ST. PAUL
SCHEDULE 2 - TANGIBLE CAPITAL ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2016

Cost	<u>Land</u>	<u>Land Improvements</u>	<u>Buildings</u>	<u>Engineered Structures</u>	<u>Machinery & Equipment</u>	<u>Vehicles</u>	<u>Construction In Progress</u>	<u>Total</u>
Balance, beginning of year	\$ 1,834,750	\$ 3,370,494	\$ 24,078,397	\$ 76,630,029	\$ 3,355,640	\$ 2,683,376	\$ 244,835	\$ 112,197,521
Acquisitions	889,042	--	1,166,018	569,539	238,111	624,902	316,133	3,803,745
Disposals	--	--	--	--	--	--	--	--
Balance, end of year	<u>2,723,792</u>	<u>3,370,494</u>	<u>25,244,415</u>	<u>77,199,568</u>	<u>3,593,751</u>	<u>3,308,278</u>	<u>560,968</u>	<u>116,001,266</u>
Accumulated amortization								
Balance, beginning of year	--	1,207,524	9,173,533	41,029,184	1,342,912	1,289,703	--	54,042,856
Annual amortization	--	210,374	479,194	1,406,409	146,658	180,068	--	2,422,703
Accumulated amortization on disposals	--	--	--	--	--	--	--	--
Balance, end of year	--	<u>1,417,898</u>	<u>9,652,727</u>	<u>42,435,593</u>	<u>1,489,570</u>	<u>1,469,771</u>	--	<u>56,465,559</u>
Net book value of tangible capital assets	<u>\$ 2,723,792</u>	<u>\$ 1,952,596</u>	<u>\$ 15,591,688</u>	<u>\$ 34,763,975</u>	<u>\$ 2,104,181</u>	<u>\$ 1,838,507</u>	<u>\$ 560,968</u>	<u>\$ 59,535,707</u>
2015 Net book value of tangible capital assets	<u>\$ 1,834,750</u>	<u>\$ 2,162,970</u>	<u>\$ 14,904,864</u>	<u>\$ 35,600,845</u>	<u>\$ 2,012,728</u>	<u>\$ 1,393,673</u>	<u>\$ 244,835</u>	<u>\$ 58,154,665</u>

TOWN OF ST. PAUL
SCHEDULE 3 - PROPERTY TAXES LEVIED
FOR THE YEAR ENDED DECEMBER 31, 2016

	Budget (Unaudited)	2016	2015
Taxation			
Real property taxes	\$ 8,514,228	\$ 8,507,244	\$ 7,799,380
Government grants in place of taxes	244,740	237,411	272,282
Linear property taxes	<u>179,000</u>	<u>178,818</u>	<u>174,751</u>
	<u>8,937,968</u>	<u>8,923,473</u>	<u>8,246,413</u>
Requisitions			
Alberta School Foundation	1,916,280	1,916,538	1,860,462
M.D. of St. Paul Foundation	<u>108,005</u>	<u>108,005</u>	<u>113,098</u>
	<u>2,024,285</u>	<u>2,024,543</u>	<u>1,973,560</u>
Net taxes for general municipal purposes	<u>\$ 6,913,683</u>	<u>\$ 6,898,930</u>	<u>\$ 6,272,853</u>

SCHEDULE 4 - GOVERNMENT TRANSFERS

Transfers for operations			
Federal	\$ 3,500	\$ 4,960	\$ 7,998
Provincial	665,402	689,066	885,625
Local government	<u>413,985</u>	<u>478,482</u>	<u>490,991</u>
	1,082,887	1,172,508	1,384,614
Transfers for capital			
Provincial	<u>828,000</u>	<u>534,490</u>	<u>1,938,775</u>
	<u>\$ 1,910,887</u>	<u>\$ 1,706,998</u>	<u>\$ 3,323,389</u>

SCHEDULE 5 - EXPENSES BY TYPE

Expenses			
Salaries, wages and benefits	\$ 5,247,688	\$ 4,995,818	\$ 4,889,208
Contracted and general services	1,831,229	1,462,027	1,359,089
Materials, goods, supplies and utilities	3,640,446	3,033,884	3,001,024
Contracts with other governments	1,655,000	1,496,345	1,594,063
Transfers to other governments	139,552	98,249	48,732
Transfers to local boards and agencies	30,000	24,739	19,423
Transfers to individuals and organizations	189,550	150,548	125,765
Bank charges	--	2,191	77
Interest on long-term debt	136,603	143,376	130,558
Provision for allowances and tax rebates	11,000	--	78,644
Other expenses	80,000	63,811	148,316
Amortization	<u>2,308,465</u>	<u>2,422,703</u>	<u>2,304,669</u>
Total expenses	<u>\$ 15,269,533</u>	<u>\$ 13,893,691</u>	<u>\$ 13,699,568</u>

TOWN OF ST. PAUL
SCHEDULE 6 – SEGMENTED DISCLOSURE
FOR THE YEAR ENDED DECEMBER 31, 2016

	General Government	Protective Services	Transportation Services	Environment Services	Public Health, Planning and Development	Recreation and Culture	Total
Revenue							
Net municipal taxes	\$ 6,898,930	\$ --	\$ --	\$ --	\$ --	\$ --	\$ 6,898,930
Sales and user fees	53,494	108,192	111,363	2,648,388	28,452	658,927	3,608,816
Government transfers for operations	15,902	598,900	10,000	--	298,883	248,823	1,172,508
Government transfers for capital	--	--	11,300	46,451	313,550	163,189	534,490
Rental revenue	12,735	--	20,356	--	213,589	357,646	604,326
Investment income	108,340	--	--	--	--	126	108,466
Other revenues for operations	1,149,143	240,916	--	--	1,002	20,428	1,411,489
Contributed tangible capital asset	--	--	--	--	--	756,975	756,975
	<u>8,238,544</u>	<u>948,008</u>	<u>153,019</u>	<u>2,694,839</u>	<u>855,476</u>	<u>2,206,114</u>	<u>15,096,000</u>
Expenses							
Salaries, wages and benefits	899,188	558,172	1,346,778	422,904	198,366	1,570,410	4,995,818
Contract and general services	326,314	1,708,774	73,101	359,152	160,535	330,496	2,958,372
Materials, goods, supplies and utilities	153,480	130,302	935,096	522,430	129,153	1,163,423	3,033,884
Transfers to others	117,023	98,249	22,739	--	35,525	--	273,536
Interest on long-term debt	32,205	--	56,541	24,232	5,599	24,799	143,376
Other expenses	<u>66,002</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>66,002</u>
	<u>1,594,212</u>	<u>2,495,497</u>	<u>2,434,255</u>	<u>1,328,718</u>	<u>529,178</u>	<u>3,089,128</u>	<u>11,470,988</u>
Net revenue before amortization	6,644,332	(1,547,489)	(2,281,236)	1,366,121	326,298	(883,014)	3,625,012
Amortization expense	<u>(19,420)</u>	<u>(58,491)</u>	<u>(1,121,816)</u>	<u>(579,098)</u>	<u>(161,157)</u>	<u>(482,721)</u>	<u>(2,422,703)</u>
Net revenue	<u>\$ 6,624,912</u>	<u>\$ (1,605,980)</u>	<u>\$ (3,403,052)</u>	<u>\$ 787,023</u>	<u>\$ 165,141</u>	<u>\$ (1,365,735)</u>	<u>\$ 1,202,309</u>

TOWN OF ST. PAUL
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

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, 2016

1. Significant Accounting Policies – continued

(d) Investments

Investments consist of Credit Union equity which is initially recorded at fair value and subsequently measured at amortized cost.

(e) 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.

(f) 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.

(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) Tax Revenue

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

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

(i) 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.

TOWN OF ST. PAUL
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

1. Significant Accounting Policies – continued

(i) Government Transfers - continued

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.

(j) 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, 2016

1. Significant Accounting Policies – continued

(k) Contaminated Sites Liability

Contaminated sites are a result of contamination being introduced into air, soil, water or sediment of a chemical, organic or radioactive material or live organism that exceeds an environmental standard. The liability is recorded net of any expected recoveries. A liability for remediation of a contaminated site is recognized when a site is not in productive use and is management's estimate of the cost of post-remediation including operation, maintenance and monitoring.

2. Taxes and Grants in Place Receivable	<u>2016</u>	<u>2015</u>
Current taxes and grants in place	\$ 287,856	\$ 221,368
Non-current taxes and grants in place	13,712	65,259
Less: allowance	<u>(12,000)</u>	<u>(12,000)</u>
	<u>\$ 289,568</u>	<u>\$ 274,627</u>
 3. Loans Receivable	 <u>2016</u>	 <u>2015</u>
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.	\$ 231,797	\$ 257,979
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>368,631</u>	<u>393,678</u>
Total loans receivable	600,428	651,657
Less: current portion	<u>(53,965)</u>	<u>(51,229)</u>
	<u>\$ 546,463</u>	<u>\$ 600,428</u>
 4. Accounts Payable and Accrued Liabilities	 <u>2016</u>	 <u>2015</u>
Wages payable	\$ 169,824	\$ 129,116
Vacation and overtime liability	261,686	292,919
Trade payables	1,128,775	945,781
Accrued debenture interest	<u>36,118</u>	<u>38,171</u>
	<u>\$ 1,596,403</u>	<u>\$ 1,405,987</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, 2016

5. Deferred Revenue	<u>2016</u>	<u>2015</u>
MSI - Capital	\$ 927,893	\$ --
MSI - Operating	153,380	--
ACP Area Structural Plan	122,220	--
Alberta Innovates – Waste to Value	120,471	--
Federal Gas Tax	32,768	90,519
FCSS projects and increased funding	24,892	25,129
Early Child Development Mapping	22,500	22,500
Donations for skateboard park	16,341	15,754
Donations for protective services equipment	9,242	9,242
Donations for driving range	<u>7,280</u>	<u>--</u>
	<u>\$ 1,436,987</u>	<u>\$ 163,144</u>

Funding from various grant programs, organizations and individuals in the amount of \$1,436,987 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 2017.

6. Long-Term Debt	<u>2016</u>	<u>2015</u>
Tax supported debentures - capital	\$ 1,830,050	\$ 2,018,803
Self supported debentures - operating	600,428	651,657
Tax supported mortgage - operating	245,707	322,213
Tax supported Credit Union loan – capital	765,013	--
Tax supported supplier loans - capital	<u>1,323,345</u>	<u>1,488,763</u>
	<u>\$ 4,764,543</u>	<u>\$ 4,481,436</u>

Principal and interest repayments are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 570,501	\$ 129,700	\$ 700,201
2018	585,419	114,782	700,201
2019	600,937	99,264	700,201
2020	541,079	83,746	624,825
2021	549,373	68,600	617,973
Thereafter	<u>1,917,234</u>	<u>119,806</u>	<u>2,037,040</u>
	<u>\$ 4,764,543</u>	<u>\$ 615,898</u>	<u>\$ 5,380,441</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.

TOWN OF ST. PAUL
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

6. Long-Term Debt (continued)

The 2% private mortgage is repayable in blended monthly payments of principal and interest of \$6,852 and matures in 2020.

The prime rate Credit Union loan is repayable in blended monthly payments of principal and interest of \$8,000 and matures in March 2021.

The supplier loans are non-interest bearing and are repayable in equal annual instalments of \$135,418 and \$30,000.

The average annual interest rate is 5.1436% for 2016 (4.2114% for 2015).

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

Interest on long-term debt amounted to \$143,376 (2015 - \$130,558).

The town's total cash payment for interest on long-term debt was \$145,428 (2015 - \$134,108).

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>2016</u>	<u>2015</u>
Total debt limit	\$ 21,842,265	\$ 19,643,756
Total debt	<u>(4,164,115)</u>	<u>(4,331,543)</u>
Amount under total debt limit	\$ <u>17,678,150</u>	\$ <u>15,312,213</u>
Debt servicing limit	\$ 3,640,377	\$ 3,273,959
Debt servicing	<u>(615,502)</u>	<u>(1,343,479)</u>
Amount under debt servicing limit	\$ <u>3,024,875</u>	\$ <u>1,930,480</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.

TOWN OF ST. PAUL
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

8. Equity in Tangible Capital Assets	<u>2016</u>	<u>2015</u>
Tangible capital assets (schedule 2)	\$ 116,001,266	\$ 112,197,521
Accumulated amortization (schedule 2)	(56,465,559)	(54,042,856)
Debentures – capital (note 6)	(1,830,050)	(2,018,803)
Credit Union loan – capital (note 6)	(765,013)	--
Supplier loans - capital (note 6)	<u>(1,323,345)</u>	<u>(1,488,763)</u>
	<u>\$ 55,617,299</u>	<u>\$ 54,647,099</u>

9. Accumulated Surplus

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

	<u>2016</u>	<u>2015</u>
Unrestricted surplus	\$ <u>3,572,061</u>	\$ <u>3,420,996</u>
Restricted surplus		
General capital	1,000,000	1,000,000
Land use bylaw	23,000	--
Water	336,384	336,384
Sewer	10,000	--
Fire truck and equipment	106,351	106,351
Fire equipment – joint use	152,316	91,450
Safety	43,177	55,999
Parks	<u>81,260</u>	<u>81,260</u>
	<u>1,752,488</u>	<u>1,671,444</u>
Equity in tangible capital assets (note 8)	<u>55,617,299</u>	<u>54,647,099</u>
	<u>\$ 60,941,848</u>	<u>\$ 59,739,539</u>

10. 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.

TOWN OF ST. PAUL
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

11. 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:

	2016			2015
	Salary ^(a)	Benefits & Allowances ^(b)	Total	Total
Mayor - Andersen	\$ 44,075	\$ 9,476	\$ 53,551	\$ 53,538
Councillors – Wiebe	32,055	4,925	36,980	34,519
Kwiatkowski	31,385	4,631	36,016	36,337
Padlesky	30,890	4,951	35,841	33,547
Noel	29,985	2,660	32,645	34,707
Bogdan	27,690	3,036	30,726	26,498
Gervais	36,110	7,002	43,112	40,218
Chief Administrative Officer (2)	158,991	37,053	196,044	184,502

(a) Salary includes regular base pay, 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.

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 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 deficit is incurred.

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 paid in annual installments of \$30,000. Although title for the properties will not be transferred to the Town until the final payment is made, the Town has recorded the land as an asset and the payable as a long-term debt.

TOWN OF ST. PAUL
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

13. Commitments (continued)

- (b) The Town has signed an agreement with the Elk Point/St. Paul Regional Water Commission. The town's commitment will be determined when the project is completed.

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 224,000 people and 428 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 2016 were \$313,986 (2015 - \$328,034). Total current service contributions by the employees of the town to the LAPP in 2016 were \$287,830 (2015 - \$300,891).

At December 31, 2015, the LAPP disclosed an actuarial deficiency of \$923 million.

15. Contaminated Sites Liability

The town has adopted PS3260 Liability for Contaminated Sites. The town did not identify any financial liabilities in 2016 (2015 - nil) as a result of this standard.

TOWN OF ST. PAUL
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

16. 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

17. Approval of Financial Statements

These financial statements were approved by Council and management.

18. Budget Amounts

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

19. Recent Accounting Pronouncements Published But Not Yet Adopted

(a) PSAB Section 1201, Financial Statement Presentation

Revised standard is effective in 2019, when Sections PS2601 and PS 3450 are adopted.

(b) PSAB Section 2601, Foreign Currency Transactions

PS2601 establishes standards on how to account for and report transactions that are denominated in foreign currency in government financial statements and is effective in 2019.

(c) PSAB Section 3041, Portfolio Investments

This standard is effective for the 2019 fiscal year and addresses the distinction between temporary and portfolio investments.

(d) PSAB Section 3450, Financial Instruments

PS3450 establishes recognition, measurement and disclosure requirements for derivative and non-derivative financial instruments, effective for the 2019 fiscal year.