

**TOWN OF ST. PAUL**

**CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED**

**DECEMBER 31, 2018**



---

## INDEPENDENT AUDITOR'S REPORT

---

To the Members of Council:

### *Opinion*

We have audited the consolidated financial statements of the Town of St. Paul, which comprise the consolidated statement of financial position as at December 31, 2018, and the consolidated statements of operations, change in net financial assets, and cash flows and schedules 1 to 6 for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Municipality as at December 31, 2018, and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

### *Basis for Opinion*

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Municipality in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with those requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

Management is responsible for the preparation and fair presentation of the 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 misstatements, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Municipality's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless management either intends to liquidate the Municipality or to cease operations, or has no realistic alternative but to do so.

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

### *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements*

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements. As part of the audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Municipality's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Municipality's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Municipality to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

St. Paul, Alberta  
April 8, 2019

  
CHARTERED ACCOUNTANTS

**TOWN OF ST. PAUL**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT DECEMBER 31, 2018**

	<u>2018</u>	<u>2017</u>
<b>Financial assets</b>		
Cash	\$ 6,605,013	\$ 5,399,293
Taxes and grants in place receivable (note 2)	381,228	345,918
Trade and other receivables	800,283	833,641
Receivables from other governments	338,432	1,650,135
Loans receivable (note 3)	489,614	546,463
Land held for resale	983,438	983,438
Inventory for resale	11,305	29,403
Credit union shares	<u>19,029</u>	<u>18,389</u>
	<u>9,628,342</u>	<u>9,806,680</u>
<b>Liabilities</b>		
Accounts payable and accrued liabilities (note 4)	1,852,813	2,370,147
Deposit liabilities	15,369	2,369
Deferred revenue (note 5)	1,278,471	270,066
Long-term debt (note 6)	<u>4,978,678</u>	<u>5,092,137</u>
	<u>8,125,331</u>	<u>7,734,719</u>
<b>Net financial assets</b>	<u>1,503,011</u>	<u>2,071,961</u>
<b>Non-financial assets</b>		
Tangible capital assets (schedule 2)	63,370,399	64,099,091
Consumable inventory	212,569	215,206
Prepaid expenses	<u>29,606</u>	<u>36,009</u>
	<u>63,612,574</u>	<u>64,350,306</u>
<b>Accumulated surplus (schedule 1, note 9)</b>	<b>\$ <u>65,115,585</u></b>	<b>\$ <u>66,422,267</u></b>
<b>Contingency (note 12)</b>		

APPROVED BY:

  
 \_\_\_\_\_  
 Mayor

  
 \_\_\_\_\_  
 Chief Administrative Officer

**TOWN OF ST. PAUL  
CONSOLIDATED STATEMENT OF OPERATIONS  
FOR THE YEAR ENDED DECEMBER 31, 2018**

	<u>Budget</u> (unaudited)	<u>2018</u>	<u>2017</u>
<b>Revenue</b>			
Net municipal taxes (schedule 3)	\$ 7,226,289	\$ 6,991,562	\$ 6,873,690
Sales and user fees	3,835,268	3,838,458	3,804,825
Government transfers for operating (schedule 4)	2,031,132	1,816,050	3,579,715
Franchise and concession contracts	905,000	958,899	907,326
Investment income	107,850	169,872	140,849
Penalties and costs on taxes	85,250	98,328	85,302
Rental revenue	610,665	692,186	624,195
Licenses and permits	101,150	143,526	96,138
Fines issued	79,375	66,176	129,974
Donations and costs recovered	<u>12,442</u>	<u>36,452</u>	<u>35,883</u>
	<b><u>14,994,421</u></b>	<b><u>14,811,509</u></b>	<b><u>16,277,897</u></b>
<b>Expenses</b>			
Legislative	392,575	270,727	302,160
Administration	1,577,200	1,641,239	1,864,669
Protective services	2,815,451	2,728,725	2,606,419
Transportation	4,303,785	4,964,460	5,972,408
Water and wastewater	1,421,900	2,164,726	1,568,327
Waste management	377,100	283,109	896,523
Public health and welfare	533,536	744,235	669,718
Planning and development	421,515	393,428	37,629
Recreation and culture	<u>3,339,503</u>	<u>3,942,704</u>	<u>3,822,634</u>
	<b><u>15,182,565</u></b>	<b><u>17,133,353</u></b>	<b><u>17,740,487</u></b>
<b>Excess (deficiency) of revenues over expenses before other</b>	<b>(188,144)</b>	<b>(2,321,844)</b>	<b>(1,462,590)</b>
<b>Other</b>			
Contributed tangible capital assets	--	--	5,607,276
Gain on sale of tangible capital assets	--	33,950	--
Government transfers for capital (schedule 4)	<u>3,329,242</u>	<u>981,212</u>	<u>1,335,733</u>
<b>Excess (deficiency) of revenues over expenses</b>	<b>3,141,098</b>	<b>(1,306,682)</b>	<b>5,480,419</b>
<b>Accumulated surplus, beginning of year</b>	<b><u>66,422,267</u></b>	<b><u>66,422,267</u></b>	<b><u>60,941,848</u></b>
<b>Accumulated surplus, end of year</b>	<b><u>\$ 69,563,365</u></b>	<b><u>\$ 65,115,585</u></b>	<b><u>\$ 66,422,267</u></b>

**TOWN OF ST. PAUL**  
**CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL ASSETS**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

	<u>Budget</u> (unaudited)	<u>2018</u>	<u>2017</u>
<b>Excess (deficiency) of revenues over expenses</b>	<b>\$ <u>3,141,098</u></b>	<b>\$ (1,306,682)</b>	<b>\$ <u>5,480,419</u></b>
Acquisition of tangible capital assets	(5,218,189)	(1,879,324)	(1,999,095)
Contributed tangible capital asset	--	--	(5,607,276)
Proceeds on disposal	--	36,450	--
Gain on sale	--	(33,950)	--
Expense construction in progress	--	--	560,968
Amortization of tangible capital assets	<u>--</u>	<u>2,605,516</u>	<u>2,482,019</u>
	<b>(5,218,189)</b>	<b>728,692</b>	<b>(4,563,384)</b>
Acquisition of consumable inventory	(100,000)	(104,966)	(127,662)
Use of consumable inventory	<u>100,000</u>	<u>107,603</u>	<u>87,545</u>
	<u>--</u>	<u>2,637</u>	<u>(40,117)</u>
Acquisition of prepaid expenses	(15,000)	(17,592)	(36,009)
Use of prepaid expenses	<u>25,000</u>	<u>23,995</u>	<u>3,831</u>
	<u>10,000</u>	<u>6,403</u>	<u>(32,178)</u>
<b>Increase (decrease) in net financial assets</b>	<b>(2,067,091)</b>	<b>(568,950)</b>	<b>844,740</b>
<b>Net financial assets, beginning of year</b>	<b><u>2,071,961</u></b>	<b><u>2,071,961</u></b>	<b><u>1,227,221</u></b>
<b>Net financial assets, end of year</b>	<b>\$ <u><u>4,870</u></u></b>	<b>\$ <u><u>1,503,011</u></u></b>	<b>\$ <u><u>2,071,961</u></u></b>

**TOWN OF ST. PAUL**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

	<u>2018</u>	<u>2017</u>
<b>Net inflow (outflow) of cash related to the following activities:</b>		
<b>Operating</b>		
Excess (deficiency) of revenues over expenses	\$ (1,306,682)	\$ 5,480,419
Non-cash item included:		
Amortization of tangible capital assets	2,605,516	2,482,019
Gain on sale of tangible capital assets	(33,950)	--
Expense construction in progress	--	560,968
Contributed tangible capital asset	--	(5,607,276)
Non-cash charges to operations (net change):		
Decrease (increase) in		
Taxes and grants in place receivable	(35,310)	(56,350)
Trade and other receivables	33,358	52,647
Receivables from other governments	1,311,703	(1,443,460)
Consumable inventory	2,637	(40,117)
Inventory for resale	18,098	(14,464)
Prepaid expenses	6,403	(32,178)
Increase (decrease) in		
Accounts payable and accrued liabilities	(517,334)	773,744
Deposit liabilities	13,000	2,125
Deferred revenue	<u>1,008,405</u>	<u>(1,166,921)</u>
	<u>3,105,844</u>	<u>991,156</u>
<b>Investing</b>		
Increase in Credit Union shares	<u>(640)</u>	<u>(618)</u>
<b>Capital</b>		
Acquisition of tangible capital assets	(1,879,324)	(1,999,095)
Proceeds on disposal of tangible capital assets	<u>36,450</u>	<u>--</u>
	<u>(1,842,874)</u>	<u>(1,999,095)</u>
<b>Financing</b>		
Loans receivable collected	56,849	53,965
Proceeds from loans	500,000	897,000
Long-term debt repaid	<u>(613,459)</u>	<u>(569,406)</u>
	<u>(56,610)</u>	<u>381,559</u>
<b>Change in cash during the year</b>	1,205,720	(626,998)
<b>Cash, beginning of year</b>	<u>5,399,293</u>	<u>6,026,291</u>
<b>Cash, end of year</b>	\$ <u>6,605,013</u>	\$ <u>5,399,293</u>

**TOWN OF ST. PAUL**  
**SCHEDULE 1 – CHANGES IN ACCUMULATED SURPLUS**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

	Unrestricted Surplus	Restricted Surplus	Equity in Tangible Capital Assets	2018	2017
<b>Balance, beginning of year</b>	\$ 3,832,048	\$ 2,869,138	\$ 59,721,081	\$ 66,422,267	\$ 60,941,848
Excess (deficiency) of revenues over expenses	(1,306,682)	--	--	(1,306,682)	5,480,419
Funds designated for future use	(577,074)	577,074	--	--	--
Funds used for tangible capital assets	(1,376,540)	(2,784)	1,379,324	--	--
Net book value of tangible capital assets disposed of	2,500	--	(2,500)	--	--
Annual amortization expense	2,605,516	--	(2,605,516)	--	--
Capital long-term debt repaid	(476,999)	--	476,999	--	--
<b>Change in accumulated surplus</b>	(1,129,279)	574,290	(751,693)	(1,306,682)	5,480,419
<b>Balance, end of year</b>	\$ 2,702,769	\$ 3,443,428	\$ 58,969,388	\$ 65,115,585	\$ 66,422,267



**TOWN ST. PAUL**  
**SCHEDULE 2 - TANGIBLE CAPITAL ASSETS**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

	Land	Land Improvements	Buildings	Engineered Structures	Machinery & Equipment	Vehicles	Construction In Progress	Total
<b>Cost</b>								
Balance, beginning of year	\$ 3,045,267	\$ 3,392,897	\$ 25,872,573	\$ 82,980,863	\$ 4,129,555	\$ 3,625,514	\$ --	\$ 123,046,669
Acquisitions	--	--	568,355	--	382,526	43,387	885,056	1,879,324
Disposals	--	--	--	--	(218,638)	(37,705)	--	(256,343)
Balance, end of year	<u>3,045,267</u>	<u>3,392,897</u>	<u>26,440,928</u>	<u>82,980,863</u>	<u>4,293,443</u>	<u>3,631,196</u>	<u>885,056</u>	<u>124,669,650</u>
<b>Accumulated amortization</b>								
Balance, beginning of year	--	1,623,709	10,155,241	43,851,261	1,650,291	1,667,076	--	58,947,578
Annual amortization	--	208,051	484,236	1,476,608	214,121	222,500	--	2,605,516
Accumulated amortization on disposals	--	--	--	--	(218,638)	(35,205)	--	(253,843)
Balance, end of year	<u>--</u>	<u>1,831,760</u>	<u>10,639,477</u>	<u>45,327,869</u>	<u>1,645,774</u>	<u>1,854,371</u>	<u>--</u>	<u>61,299,251</u>
<b>Net book value of tangible capital assets</b>	<u>\$ 3,045,267</u>	<u>\$ 1,561,137</u>	<u>\$ 15,801,451</u>	<u>\$ 37,652,994</u>	<u>\$ 2,647,669</u>	<u>\$ 1,776,825</u>	<u>\$ 885,056</u>	<u>\$ 63,370,399</u>
<b>2017 Net book value of tangible capital assets</b>	<u>\$ 3,045,267</u>	<u>\$ 1,769,188</u>	<u>\$ 15,717,332</u>	<u>\$ 39,129,602</u>	<u>\$ 2,479,264</u>	<u>\$ 1,958,438</u>	<u>\$ --</u>	<u>\$ 64,099,091</u>

**TOWN OF ST. PAUL  
SCHEDULE 3 - PROPERTY TAXES LEVIED  
FOR THE YEAR ENDED DECEMBER 31, 2018**

	<u>Budget</u> (Unaudited)	<u>2018</u>	<u>2017</u>
<b>Taxation</b>			
Real property taxes	\$ 8,863,893	\$ 8,679,638	\$ 8,549,677
Government grants in place of taxes	268,000	267,980	229,183
Linear property taxes	<u>176,800</u>	<u>176,857</u>	<u>176,787</u>
	<u>9,308,693</u>	<u>9,124,475</u>	<u>8,955,647</u>
<b>Requisitions</b>			
Alberta School Foundation	1,979,095	2,030,595	1,979,095
M.D. of St. Paul Foundation	103,000	102,009	102,862
Designated Industrial Property	<u>309</u>	<u>309</u>	<u>--</u>
	<u>2,082,404</u>	<u>2,132,913</u>	<u>2,081,957</u>
<b>Net taxes for general municipal purposes</b>	<b>\$ <u>7,226,289</u></b>	<b>\$ <u>6,991,562</u></b>	<b>\$ <u>6,873,690</u></b>

**SCHEDULE 4 - GOVERNMENT TRANSFERS**

<b>Transfers for operations</b>			
Federal	\$ 1,900	\$ 96,047	\$ 58,351
Provincial	1,234,373	962,740	2,838,203
Local government	<u>794,859</u>	<u>757,263</u>	<u>683,161</u>
	<u>2,031,132</u>	<u>1,816,050</u>	<u>3,579,715</u>
<b>Transfers for capital</b>			
Federal	600,000	--	--
Provincial	2,729,242	981,212	1,325,733
Local government	<u>--</u>	<u>--</u>	<u>10,000</u>
	<u>3,329,242</u>	<u>981,212</u>	<u>1,335,733</u>
	<b>\$ <u>5,360,374</u></b>	<b>\$ <u>2,797,262</u></b>	<b>\$ <u>4,915,448</u></b>

**SCHEDULE 5 - EXPENSES BY TYPE**

<b>Expenses</b>			
Salaries, wages and benefits	\$ 5,972,820	\$ 6,431,535	\$ 5,523,450
Contracted and general services	3,236,475	2,512,199	2,511,020
Materials, goods, supplies and utilities	3,575,669	3,365,199	5,115,374
Contracts with other governments	1,897,897	1,704,174	1,566,799
Cost share agreements	137,350	154,282	130,006
Transfers to local boards and agencies	3,500	3,400	22,793
Transfers to individuals and organizations	131,000	62,823	110,013
Bank charges	3,500	10,357	5,270
Interest on long-term debt	127,854	147,000	128,195
Other expenses and tax rebates	96,500	136,868	145,548
Amortization	<u>--</u>	<u>2,605,516</u>	<u>2,482,019</u>
<b>Total expenses</b>	<b>\$ <u>15,182,565</u></b>	<b>\$ <u>17,133,353</u></b>	<b>\$ <u>17,740,487</u></b>

**TOWN OF ST. PAUL**  
**SCHEDULE 6 – SEGMENTED DISCLOSURE**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

	General Government	Protective Services	Transportation Services	Environment Services	Public Health, Planning and Development	Recreation and Culture	Total
<b>Revenue</b>							
Net municipal taxes	\$ 6,991,562	\$ --	\$ --	\$ --	\$ --	\$ --	\$ 6,991,562
Sales and user fees	28,627	58,388	65,691	2,867,270	61,827	756,655	3,838,458
Government transfers for operations	7,163	670,732	117,357	158,646	382,894	479,258	1,816,050
Government transfers for capital	7,142	16,650	522,380	--	3,090	431,950	981,212
Rental revenue	13,932	--	14,561	--	297,421	366,272	692,186
Investment income	169,805	--	--	--	--	67	169,872
Other revenues for operations	<u>1,116,718</u>	<u>70,257</u>	<u>33,949</u>	<u>--</u>	<u>84,308</u>	<u>32,099</u>	<u>1,337,331</u>
	<u>8,334,949</u>	<u>816,027</u>	<u>753,938</u>	<u>3,025,916</u>	<u>829,540</u>	<u>2,066,301</u>	<u>15,826,671</u>
<b>Expenses</b>							
Salaries, wages and benefits	1,105,200	637,009	1,878,657	483,549	386,707	1,940,413	6,431,535
Contract and general services	497,566	1,755,164	230,908	702,635	372,996	657,104	4,216,373
Materials, goods, supplies and utilities	68,679	103,869	1,668,143	505,026	195,021	824,461	3,365,199
Transfers to others	61,823	154,282	--	--	4,400	--	220,505
Interest on long-term debt	26,434	--	70,768	23,932	2,488	23,378	147,000
Other expenses	<u>147,225</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>147,225</u>
	<u>1,906,927</u>	<u>2,650,324</u>	<u>3,848,476</u>	<u>1,715,142</u>	<u>961,612</u>	<u>3,445,356</u>	<u>14,527,837</u>
<b>Net revenue before amortization</b>	6,428,022	(1,834,297)	(3,094,538)	1,310,774	(132,072)	(1,379,055)	1,298,834
Amortization expense	<u>(5,039)</u>	<u>(78,401)</u>	<u>(1,115,984)</u>	<u>(732,693)</u>	<u>(176,051)</u>	<u>(497,348)</u>	<u>(2,605,516)</u>
<b>Net revenue</b>	<u>\$ 6,422,983</u>	<u>\$ (1,912,698)</u>	<u>\$ (4,210,522)</u>	<u>\$ 578,081</u>	<u>\$ (308,123)</u>	<u>\$ (1,876,403)</u>	<u>\$ (1,306,682)</u>

**TOWN OF ST. PAUL**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

**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, 2018**

**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 and Land Held for Resale

Inventory held for resale is recorded at the lower of cost and net realizable value with cost determined by the average cost method.

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.

**TOWN OF ST. PAUL**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

**1. Significant Accounting Policies – continued**

**(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.

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) Consumable Inventory**

Consumable inventory is 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, 2018**

**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.

<b>2. Taxes and Grants in Place Receivable</b>	<u>2018</u>	<u>2017</u>
Current taxes and grants in place	\$ 290,288	\$ 270,925
Non-current taxes and grants in place	102,940	86,993
Less: allowance	<u>(12,000)</u>	<u>(12,000)</u>
	<u>\$ 381,228</u>	<u>\$ 345,918</u>
 <b>3. Loans Receivable</b>	 <u>2018</u>	 <u>2017</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.	\$ 174,727	\$ 204,076
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>314,887</u>	<u>342,387</u>
Total loans receivable	489,614	546,463
Less: current portion	<u>(59,888)</u>	<u>(56,849)</u>
	<u>\$ 429,726</u>	<u>\$ 489,614</u>
 <b>4. Accounts Payable and Accrued Liabilities</b>	 <u>2018</u>	 <u>2017</u>
Wages and benefits payable	\$ 276,592	\$ 178,901
Vacation and overtime liability	325,080	282,522
Trade payables	1,213,867	1,875,204
Accrued interest	<u>37,274</u>	<u>33,520</u>
	<u>\$ 1,852,813</u>	<u>\$ 2,370,147</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 and benefits payable 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, 2018**

<b>5. Deferred Revenue</b>	<u>2018</u>	<u>2017</u>
Fire Training Grant	\$ 1,320	\$ 8,449
FCSS Funding and project revenue	9,146	40,841
Early Child Development Mapping	8,210	12,195
Donations for skateboard park	131,874	17,281
Alberta Community Partnership - skateboard park	50,000	50,000
ACP - Parks and recreation needs assessment	12,299	72,000
Golf memberships	43,673	29,692
Other revenue	41,949	39,608
MSI - Capital	808,157	--
Water Treatment Plant Emergency Funds	35,000	--
ACP Stormwater Management	<u>136,843</u>	<u>--</u>
	<b>\$ <u>1,278,471</u></b>	<b>\$ <u>270,066</u></b>

Funding from various grant programs, organizations and individuals in the amount of \$1,278,471 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 2019.

<b>6. Long-Term Debt</b>	<u>2018</u>	<u>2017</u>
Tax supported debentures - capital	\$ 2,291,490	\$ 2,530,260
Self-supported debenture - operating	489,614	546,463
Utility supported debenture - capital	500,000	--
Tax supported mortgage - operating	88,053	167,664
Tax supported Credit Union loan - capital	617,012	689,823
Tax supported supplier loans - capital	<u>992,509</u>	<u>1,157,927</u>
	<b>\$ <u>4,978,678</u></b>	<b>\$ <u>5,092,137</u></b>

Principal and interest repayments are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 627,951	\$ 148,043	\$ 775,994
2020	589,212	130,622	719,834
2021	599,977	113,003	712,980
2022	618,345	94,635	712,980
2023	637,508	75,473	712,981
Thereafter	<u>1,905,685</u>	<u>303,565</u>	<u>2,209,250</u>
	<b>\$ <u>4,978,678</u></b>	<b>\$ <u>865,341</u></b>	<b>\$ <u>5,844,019</u></b>



**TOWN OF ST. PAUL**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

**6. Long-Term Debt (continued)**

Debenture debt is repayable to Alberta Capital Finance Authority, bears interest at rates ranging from 2.915% to 5.875% per annum, and matures in periods 2023 through 2038.

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 payments of \$135,418 and \$30,000.

The average annual interest rate is 4.0338% for 2018 (5.2228% for 2017).

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

Interest on long-term debt amounted to \$147,000 (2017 - \$128,195).

The town's total cash payment for interest on long-term debt was \$146,245 (2017 - \$130,794).

**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>2018</u>	<u>2017</u>
Total debt limit	\$ 22,268,188	\$ 24,418,930
Total debt	<u>(4,489,062)</u>	<u>(4,545,674)</u>
Amount under total debt limit	<u>\$ 17,779,126</u>	<u>\$ 19,873,256</u>
Debt servicing limit	\$ 3,711,365	\$ 4,069,822
Debt servicing	<u>(691,296)</u>	<u>(675,750)</u>
Amount under debt servicing limit	<u>\$ 3,020,069</u>	<u>\$ 3,394,072</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, 2018**

<b>8. Equity in Tangible Capital Assets</b>	<u>2018</u>	<u>2017</u>
Tangible capital assets (schedule 2)	\$ 124,669,650	\$ 123,046,669
Accumulated amortization (schedule 2)	(61,299,251)	(58,947,578)
Debentures – capital (note 6)	(2,791,490)	(2,530,260)
Credit Union loan – capital (note 6)	(617,012)	(689,823)
Supplier loans - capital (note 6)	<u>(992,509)</u>	<u>(1,157,927)</u>
	<u>\$ 58,969,388</u>	<u>\$ 59,721,081</u>

**9. Accumulated Surplus**

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

	<u>2018</u>	<u>2017</u>
Unrestricted surplus	\$ <u>2,702,769</u>	\$ <u>3,832,048</u>
Restricted surplus		
General capital	694,787	2,086,707
Safety	81,154	43,177
Fire truck and equipment	115,594	115,594
Fire equipment – joint use	182,172	162,515
Public works	46,951	10,501
Water	336,384	336,384
Animal shelter	25,000	--
Water treatment plant – working capital	90,126	--
Water treatment plant – rate stabilization	60,000	--
Unspent debentures	1,397,000	--
Downtown beautification	10,000	10,000
Land use bylaw	23,000	23,000
Driving range	300,000	--
Parks	<u>81,260</u>	<u>81,260</u>
	<u>3,443,428</u>	<u>2,869,138</u>
Equity in tangible capital assets (note 8)	<u>58,969,388</u>	<u>59,721,081</u>
	<u>\$ 65,115,585</u>	<u>\$ 66,422,267</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, 2018**

**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:

		2018			2017
		Salary <sup>(a)</sup>	Benefits & Allowances <sup>(b)</sup>	Total	Total
Mayor -	Miller	\$ 49,860	\$ 3,520	\$ 53,380	\$ 11,386
	Anderson	--	--	--	38,645
Councillors -	Noel	29,830	2,562	32,392	30,272
	Taylor	26,725	2,345	29,070	8,555
	Eamon	27,760	2,313	30,073	8,072
	Ward	28,350	2,320	30,670	8,992
	deMoissac	27,900	2,338	30,238	8,811
	Boisvert	31,230	2,219	33,449	8,909
	Wiebe	--	--	--	26,131
	Kwiatkowski	--	--	--	24,687
	Padlesky	--	--	--	24,952
	Bogdan	--	--	--	23,728
	Gervais	--	--	--	28,159
		<u>\$ 221,655</u>	<u>\$ 17,617</u>	<u>\$ 239,272</u>	<u>\$ 251,299</u>
CAO -	Habiak	\$ --	\$ --	\$ --	\$ 178,350
	Heyman	\$ 143,993	\$ 20,666	\$ 164,659	--
Designated officer (1) – Contract position				\$ 58,150	\$ 51,480

(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. Comparative figures have been revised to exclude council travel.

**12. Contingency**

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.

**TOWN OF ST. PAUL**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

**13. Commitment**

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.

**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 259,714 people and 420 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 10.39% of pensionable earnings up to the year's maximum pensionable earnings under the Canada Pension Plan and 14.84% on pensionable earnings above this amount. Employees of the town are required to make current service contributions of 9.39% of pensionable salary up to the year's maximum pensionable salary and 13.84% on pensionable salary above this amount.

Total current service contributions by the town to the LAPP in 2018 were \$397,170 (2017 - \$340,594). Total current service contributions by the employees of the town to the LAPP in 2018 were \$361,520 (2017 - \$301,694).

At December 31, 2017, the LAPP disclosed an actuarial surplus of \$4.84 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 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.

The town is subject to interest rate risk with respect to its long term debt. Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates.

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

**TOWN OF ST. PAUL**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

**16. Contaminated Sites Liability**

The town has adopted PS3260 Liability for Contaminated Sites. The town did not identify any financial liabilities in 2018 (2017 – nil) as a result of this standard.

**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. Amortization expense is not budgeted.

**19. Recent Accounting Pronouncements Published But Not Yet Adopted**

(a) PSAS Section 1201, Financial Statement Presentation

Revised standard is effective beginning on or after April 1, 2021, when Sections PS2601 and PS 3450 are adopted.

(b) PSAS Section 2601, Foreign Currency Transaction

PS2601 establishes standards on how to account for and report transactions that are denominated in foreign currency in government financial statements. It applies to years beginning on or after April 1, 2021.

(c) PSAS Section 3041, Portfolio Investments

This standard addresses the distinction between temporary and portfolio investments. The standard is effective beginning on or after April 1, 2021, when sections PS1201, PS2601 and PS3450 are adopted.

(d) PSAS Section 3280, Asset Retirement Obligations

This standard is intended to provide guidance on accounting for asset retirement obligations and will apply in years beginning on or after April 1, 2021.

(e) PSAS Section 3400, Revenue

This standard will provide greater clarity on the difference between exchange and non-exchange transactions. It applies in years beginning on or after April 1, 2022.

(f) PSAS Section 3450, Financial Instruments

This standard establishes recognition, measurement and disclosure requirements for derivative and non- derivative financial instruments. It applies to years beginning on or after April 1, 2021.