

**COUNTY OF PAINT EARTH NO. 18
FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016**

**COUNTY OF PAINTEARTH NO. 18
FINANCIAL STATEMENTS
DECEMBER 31, 2016**

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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 County of Paintearth No. 18, which comprise the statement of financial position as at December 31, 2016 and the statement 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 judgement, 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 County of Paintearth No. 18 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.

**HANNA, ALBERTA
FEBRUARY 24, 2017**


CHARTERED PROFESSIONAL ACCOUNTANTS

COUNTY OF PAINT EARTH NO. 18
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2016

	2016	2015 (Restated)
FINANCIAL ASSETS		
Cash and temporary investments (Note 2)	\$ 17,479,871	\$ 14,724,564
Receivables		
Taxes and grants in place of taxes (Note 3)	1,130,096	709,079
Trade and other receivables	357,463	167,627
Receivables from other governments	364,055	268,215
Land inventory held for resale	947,064	942,056
Investments (Note 4)	<u>50</u>	<u>50</u>
	<u>20,278,599</u>	<u>16,811,591</u>
LIABILITIES		
Accounts payable and accrued liabilities	1,982,738	1,500,933
Deposit liabilities		14,000
Deferred revenue (Note 5)	618,320	405,925
Gravel reclamation payable	196,241	273,256
Long-term debt (Note 6)	<u>1,744,027</u>	<u>2,210,694</u>
	<u>4,541,326</u>	<u>4,404,808</u>
NET FINANCIAL ASSETS	<u>15,737,273</u>	<u>12,406,783</u>
NON-FINANCIAL ASSETS		
Tangible capital assets	47,350,154	47,253,339
Inventory for consumption	9,114,776	7,974,740
Prepaid expenses	312,788	294,166
Gravel reserves for development	<u>1,435,435</u>	<u>1,435,435</u>
	<u>58,213,153</u>	<u>56,957,680</u>
ACCUMULATED SURPLUS	<u>\$ 73,950,426</u>	<u>\$ 69,364,463</u>

COMMITMENTS (SEE NOTE 12)

COUNTY OF PAINT EARTH NO. 18
CONSOLIDATED STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2016

	Budget (Unaudited)	2016	2015 (Restated)
REVENUE			
Net municipal taxes (Schedule 2)	\$ 14,395,489	\$ 14,202,104	\$ 14,691,982
User fees and sale of goods	298,590	486,672	292,610
Government transfers for operating (Schedule 3)	380,000	532,907	502,585
Investment income	140,000	179,119	148,138
Penalties and costs on taxes	75,000	199,710	196,911
Licenses and permits	39,000	28,831	59,627
Other	16,100	210,619	16,319
Gain on disposal of tangible capital assets	<u> </u>	<u>12,515</u>	<u>19,071</u>
Total Revenue	<u>15,344,179</u>	<u>15,852,477</u>	<u>15,927,243</u>
EXPENSES			
Legislative	332,900	297,409	303,264
Administration	2,122,298	1,647,082	2,269,709
Protective services	366,668	365,649	365,156
Transportation	10,193,908	7,859,441	8,412,788
Water supply and distribution	696,410	862,706	594,748
Wastewater treatment and disposal	75	72	72
Public health and welfare	148,200	132,203	121,680
Land use planning, zoning and development	229,500	288,575	209,513
Economic/agricultural development	698,000	726,770	622,192
Parks and recreation	364,500	484,675	338,918
Culture	<u>38,900</u>	<u>31,283</u>	<u>30,979</u>
Total Expenses	<u>15,191,359</u>	<u>12,695,865</u>	<u>13,269,019</u>
EXCESS OF REVENUE OVER EXPENSES - BEFORE OTHER			
	152,820	3,156,612	2,658,224
Government transfers for capital (Schedule 3)	<u>2,528,324</u>	<u>1,429,351</u>	<u>1,669,754</u>
EXCESS OF REVENUE OVER EXPENSES	2,681,144	4,585,963	4,327,978
ACCUMULATED SURPLUS, BEGINNING OF YEAR	<u>69,364,463</u>	<u>69,364,463</u>	<u>65,036,485</u>
ACCUMULATED SURPLUS, END OF YEAR	<u>\$ 72,045,607</u>	<u>\$ 73,950,426</u>	<u>\$ 69,364,463</u>

COUNTY OF PAINT EARTH NO. 18
CONSOLIDATED STATEMENT OF CHANGES IN NET FINANCIAL ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2016

	Budget (Unaudited)	2016	2015 (Restated)
EXCESS OF REVENUE OVER EXPENSES			
	\$ 2,681,144	\$ 4,585,963	\$ 4,327,978
Acquisition of tangible capital assets	(4,389,079)	(2,839,675)	(2,649,401)
Proceeds on sale of tangible capital assets	457,500	338,226	238,835
Amortization of tangible capital assets	1,934,062	2,234,870	1,812,962
(Gain) loss on sale of tangible capital assets	<u> </u>	<u>169,764</u>	<u>74,391</u>
	<u>(1,997,517)</u>	<u>(96,815)</u>	<u>(523,213)</u>
Change in in prepaid expenses		(18,622)	7,802
Change in inventory for consumption		<u>(1,140,036)</u>	<u>478,024</u>
		<u>(1,158,658)</u>	<u>485,826</u>
DECREASE IN NET DEBT	683,627	3,330,490	4,290,591
NET FINANCIAL ASSETS, BEGINNING OF YEAR	<u>12,406,783</u>	<u>12,406,783</u>	<u>8,116,192</u>
NET FINANCIAL ASSETS, END OF YEAR	<u>\$ 13,090,410</u>	<u>\$ 15,737,273</u>	<u>\$ 12,406,783</u>

COUNTY OF PAINT EARTH NO. 18
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2016

	2016	2015 (Restated)
NET INFLOW(OUTFLOWS) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING		
Excess of revenues over expenses	\$ 4,585,963	\$ 4,327,978
Non-cash items included in excess(shortfall) of revenues over expenses:		
Amortization	2,234,870	1,812,962
Gain or loss on disposal of tangible capital assets	<u>169,764</u>	<u>74,391</u>
	6,990,597	6,215,331
Changes in net financial asset(debt) items:		
Decrease (increase) in taxes and grants in place of taxes receivables	(421,016)	808,338
Decrease(increase) in trade and other receivables	(189,836)	(23,940)
Decrease(increase) in receivables from other governments	(95,840)	319,474
Decrease (increase) in land inventory held for resale	(5,008)	(132,970)
Decrease (increase) in inventory	(1,140,036)	478,053
Decrease(increase) in prepaid expenses	(18,622)	7,802
Decrease (increase) in long term investments		1,449
Increase(decrease) in accounts payable and accrued liabilities	404,790	(211,169)
Increase(decrease) in deposit liabilities	(14,000)	14,000
Increase(decrease) in deferred revenue	<u>212,395</u>	<u>(42,468)</u>
Cash provided by (applied to) operating transactions	<u>5,723,424</u>	<u>7,433,900</u>
CAPITAL		
Acquisition of tangible capital assets	(2,839,676)	(2,649,401)
Proceeds on sale of tangible capital assets	<u>338,226</u>	<u>238,835</u>
Cash provided by (applied to) capital transactions	<u>(2,501,450)</u>	<u>(2,410,566)</u>
FINANCING		
Long term debt repaid	<u>(466,667)</u>	<u>(466,667)</u>
CHANGE IN CASH AND EQUIVALENTS DURING THE YEAR	2,755,307	4,556,667
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>14,724,564</u>	<u>10,167,897</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 17,479,871</u>	<u>\$ 14,724,564</u>
Cash and cash equivalents is made up of:		
Cash and temporary investments (Note 2)	<u>\$ 17,479,871</u>	<u>\$ 14,724,564</u>

COUNTY OF PAINTEARTH NO. 18
SCHEDULE OF TANGIBLE CAPITAL ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2016

Schedule 1

	Land	Land Improvements	Buildings	Engineered Structures	Machinery & Equipment	Vehicles	2016	2015 (Restated)
COST:								
BALANCE, BEGINNING OF YEAR	\$ 1,378,839	\$ 724,013	\$ 5,068,897	\$ 49,183,634	\$ 12,523,089	\$ 4,873,985	\$ 73,752,457	\$ 72,064,639
Acquisition of tangible capital assets	394,325	60,904	642,105	1,457,991	272,854	2,828,179	2,402,223	2,402,223
Construction-in-progress	11,496				(883,960)	11,496	247,178	247,178
Disposal of tangible capital assets						(210,820)	(1,094,780)	(961,583)
BALANCE, END OF YEAR	<u>1,784,660</u>	<u>784,917</u>	<u>5,068,897</u>	<u>49,825,739</u>	<u>13,097,120</u>	<u>4,936,019</u>	<u>75,497,352</u>	<u>73,752,457</u>
ACCUMULATED AMORTIZATION:								
BALANCE, BEGINNING OF YEAR	37,434	252,735	847,216	18,900,570	4,323,727	2,137,436	26,499,118	25,334,513
Annual amortization	15,113	26,214	103,073	1,049,809	648,603	392,058	2,234,870	1,812,962
Accumulated amortization adjustments					(447,295)	(139,495)	(586,790)	(648,357)
BALANCE, END OF YEAR	<u>52,547</u>	<u>278,949</u>	<u>950,289</u>	<u>19,950,379</u>	<u>4,525,035</u>	<u>2,389,999</u>	<u>28,147,198</u>	<u>26,499,118</u>
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	<u>\$ 1,732,113</u>	<u>\$ 505,968</u>	<u>\$ 4,118,608</u>	<u>\$ 29,875,360</u>	<u>\$ 8,572,085</u>	<u>\$ 2,546,020</u>	<u>\$ 47,350,154</u>	<u>\$ 47,253,339</u>

COUNTY OF PAINT EARTH NO. 18
SCHEDULE OF PROPERTY AND OTHER TAXES
FOR THE YEAR ENDED DECEMBER 31, 2016

Schedule 2

	Budget (Unaudited)	2016	2015
TAXATION			
Residential land and improvement taxes	\$ 6,440,329	\$ 6,459,567	\$ 6,555,508
Non-residential linear property taxes	<u>10,716,757</u>	<u>10,568,184</u>	<u>10,898,071</u>
	<u>17,157,086</u>	<u>17,027,751</u>	<u>17,453,579</u>
REQUISITIONS			
Alberta School Foundation Fund	2,244,764	2,299,548	2,244,764
Seniors requisition	<u>516,833</u>	<u>526,099</u>	<u>516,833</u>
	<u>2,761,597</u>	<u>2,825,647</u>	<u>2,761,597</u>
NET MUNICIPAL TAXES	<u>\$ 14,395,489</u>	<u>\$ 14,202,104</u>	<u>\$ 14,691,982</u>

SCHEDULE OF GOVERNMENT TRANSFERS
FOR THE YEAR ENDED DECEMBER 31, 2016

Schedule 3

	Budget (Unaudited)	2016	2015
TRANSFERS FOR OPERATING			
Provincial government	\$ <u>380,000</u>	\$ <u>532,907</u>	\$ <u>502,585</u>
TRANSFERS FOR CAPITAL			
Provincial government	<u>2,528,324</u>	<u>1,429,351</u>	<u>1,669,754</u>
TOTAL GOVERNMENT TRANSFERS	<u>\$ 2,908,324</u>	<u>\$ 1,962,258</u>	<u>\$ 2,172,339</u>

COUNTY OF PAINT EARTH NO. 18
SCHEDULE OF CONSOLIDATED EXPENSES BY OBJECT
FOR THE YEAR ENDED DECEMBER 31, 2016

Schedule 4

	Budget (Unaudited)	2016	2015 (Restated)
CONSOLIDATED EXPENSES BY OBJECT			
Salaries, wages and benefits	\$ 5,732,587	\$ 5,172,796	\$ 4,816,749
Contracted and general services	1,427,367	1,136,195	1,045,076
Materials, goods, supplies and utilities	4,781,504	2,836,891	4,071,148
Provision for allowances	81,500	(40,666)	602,937
Transfers to other government		203,077	
Transfers to local boards and agencies	82,700	147,395	66,107
Transfers to individuals and organizations	650,126	714,582	687,940
Bank charges and short term interest	132,000	57,133	72,428
Amortization of tangible capital assets	2,253,575	2,234,869	1,812,962
Loss on disposal of tangible capital assets	50,000	182,279	93,462
Other expenses		51,314	210
	<u>\$ 15,191,359</u>	<u>\$ 12,695,865</u>	<u>\$ 13,269,019</u>

COUNTY OF PAINTEARTH NO. 18
SCHEDULE OF CHANGES IN ACCUMULATED SURPLUS
FOR THE YEAR ENDED DECEMBER 31, 2016

Schedule 5

	Unrestricted Surplus	Restricted Surplus	Equity in Tangible Capital Assets	2016	2015 (Restated)
BALANCE, BEGINNING OF YEAR	\$	22,111,124	\$ 47,253,339	\$ 69,364,463	\$ 65,036,483
Excess of revenues over expenses	4,585,963			4,585,963	4,327,980
Unrestricted funds designated for future use	(4,489,148)	4,489,148			
Current year funds used for tangible capital assets	(2,839,675)		2,839,675		
Disposal of tangible capital assets	507,991		(507,991)		
Annual amortization expense	2,234,869		(2,234,869)		
Change in accumulated surplus		4,489,148	96,815	4,585,963	4,327,980
BALANCE, END OF YEAR	\$	26,600,272	\$ 47,350,154	\$ 73,950,426	\$ 69,364,463

COUNTY OF PAINTEARTH NO. 18
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

1. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements of the County of Paintearth No. 18 are the representations of management prepared in accordance with generally accepted accounting principles for local governments established by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada. Significant aspects of the accounting policies adopted by the County are as follows:

a) Reporting Entity

The consolidated financial statements reflect the assets, liabilities, revenues and expenditures, changes in fund balances and change in financial position of the reporting entity. This entity is comprised of the municipal operations plus all of the organizations that are owned or controlled by the County and are, therefore, accountable to the County Council for the administration of their financial affairs and resources.

The schedule of taxes levied also includes requisitions for education, health, social and other external organizations that are not part of the municipal reporting entity.

The statements exclude trust assets that are administered for the benefit of external parties. Interdepartmental and organizational transactions and balances are eliminated.

b) Basis of Accounting

The financial statements are prepared using the accrual basis of accounting. The accrual basis of accounting records revenue as it is earned and measurable. Expenses are recognized as they are incurred and measurable based upon receipt of goods or services and/or the legal obligation to pay.

Funds from external parties and earnings thereon restricted by agreement or legislation are accounted for as deferred revenue until used for the purpose specified.

Government transfers, contributions and other amounts are received from third parties pursuant to legislation, regulation or agreement and may only be used for certain programs, in the completion of specific work, or for the purchase of tangible capital assets. In addition, certain user charges and fees are collected for which the related services have yet to be performed. Revenue is recognized in the period when the related expenses are incurred, services performed or the tangible capital assets are acquired.

c) Use of Estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenditure during the period. Where measurement uncertainty exists, the financial statements have been prepared within reasonable limits of materiality. Actual results could differ from those estimates.

Significant financial statement areas requiring the use of management estimates include:

- Employee benefits obligation;
- Useful life of tangible capital assets;
- Accrued liabilities;
- Fair value of contributed tangible capital assets;
- Gravel reclamation payable

COUNTY OF PAINT EARTH NO. 18
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

d) Cash and Cash Equivalents

Cash and cash equivalents are comprised of cash on deposits with financial institutions and highly liquid investments.

e) Investments

Investments are recorded at amortized cost. Investment premiums and discounts are amortized on the net present value basis over the term of the respective investments. When there has been a loss in value that is other than a temporary decline, the respective investment is written down to recognize the loss.

f) Debt Charges Recoverable

Debt charges recoverable consist of amounts that are recoverable from municipal agencies or other local governments with respect to outstanding debentures or other long-term debt pursuant to annexation orders or joint capital undertakings. These recoveries are recorded at a value that equals the offsetting portion of the un-matured long-term debt, less actuarial requirements for the retirement of any sinking fund debentures.

g) Requisition Over-levy and Under-levy

Over-levies and under-levies arise from the difference between the actual property tax levy made to cover each requisition and the actual amount requisitioned.

If the actual levy exceeds the requisition, the over-levy is accrued as a liability and property tax revenue is reduced. Where the actual levy is less than the requisition amount, the under-levy is accrued as a receivable and as property tax revenue.

Requisition tax rates in the subsequent year are adjusted for any over-levies or under-levies of the prior year.

h) Inventories for Resale

Land held for resale is recorded at the lower of cost or net realizable value. Cost includes costs for land acquisition and improvements required to prepare the land for servicing such as clearing, stripping and levelling charges. Related development costs incurred to provide infrastructure such as water and wastewater services, roads, sidewalks and street lighting are recorded as tangible capital assets under the respective function.

i) Prepaid Local Improvement Charges

Construction and borrowing costs associated with local improvement projects are recovered through annual special assessments during the period of the related borrowings. These levies are collectable from property owners for work performed by the municipality.

Where a taxpayer has elected to prepay the outstanding local improvement charges, such amounts are recorded as deferred revenue. Deferred revenue is amortized to revenue on a straight line basis over the remaining term of the related borrowings.

In the event that the prepaid amounts are applied against the related borrowings, the deferred revenue is amortized to revenue by an amount equal to the debt repayment.

COUNTY OF PAINT EARTH NO. 18
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

1.. SIGNIFICANT ACCOUNTING POLICIES (continued)

j) Landfill Closure and Post-Closure Liability

Pursuant to the Alberta Environmental Protection and Enhancement Act, the County is required to fund the closure of its landfill site and provide for post-closure care of the facility. Closure and post-closure activities include the final clay cover, landscaping, as well as surface and ground water monitoring, leachate control, and visual inspection. The requirement is being provided for over the estimated remaining life of the landfill site based on usage.

k) Net Municipal Taxes

Property tax revenue is based on market value assessments determined in accordance with the Municipal Government Act (MGA) and tax rates established by Council. Taxation revenues are recorded at the time the tax billings are issued. Assessments may change due to appeal or as a result of adjustments made by assessors to correct errors or omissions. Gain or losses on assessment changes or appeals are recorded as adjustments to tax revenue and receivables when a written decision is received from the authorized board or a change is generated by the authorized assessor.

l) Government Transfers

Government transfers are the transfer of assets from senior levels of government that are not the result of an exchange transaction, are not expected to be repaid in the future, or the result of a direct financial return.

Government transfers are recognized in the financial statements as revenue in the period in which events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met, and reasonable estimates of the amounts can be determined.

m) Non-Financial Assets

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

COUNTY OF PAINT EARTH NO. 18
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

1.. SIGNIFICANT ACCOUNTING POLICIES (continued)

i. Tangible Capital Assets

Tangible capital assets are recorded at cost which includes all amounts that are directly attributable to acquisition, construction, development or betterment of the asset. The cost, less residual value, of the tangible capital assets is amortized on a straight-line basis over the estimated useful life as follows:

	YEARS
Land improvements	15-25
Buildings	25-50
Engineering structures	
Water system	45-75
Wastewater system	45-75
Other engineered structures	10-75
Machinery and equipment	5-20
Heavy equipment	Unit of output(hours)
Vehicles	10-25

In the year of acquisition of a capital asset, annual amortization is charged based on the number of months owned and in the year of disposal no amortization is charged. .

Assets under construction are not amortized until the asset is available for productive use.

ii. Contributions of Tangible Capital Assets

Tangible capital assets received as contributions are recorded at fair value at the date of receipt and also are recorded as revenue.

iii. Leases

Leases are classified as capital or operating leases. Leases which transfer substantially all of the benefits and risks incidental to ownership of property are accounted for as capital leases. All other leases are accounted for as operating leases and the related lease payments are charged to expenses as incurred.

iv. Inventories

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

v. Cultural and Historical Tangible Capital Assets

Works of art for display are not recorded as tangible capital assets but are disclosed.

COUNTY OF PAINT EARTH NO. 18
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

2. CASH AND TEMPORARY INVESTMENTS

	2016	2015
Cash	\$ 17,431,225	\$ 14,676,554
Temporary investments	48,646	48,010
	\$ 17,479,871	\$ 14,724,564

The temporary investment balance represents a guaranteed income certificates that bears interest at rates between 1.50% and 1.90% and matures between October 28, 2017 and May 13, 2018.

Included in the cash account are restricted amount of \$618,320 (2015 - \$405,925) which relates to conditional grant revenues that have not yet been expended on the purposes intended.

The temporary investment balance is fully restricted as it represents the surplus funds received in relation to a tax sale under section 427(1) of the Municipal Government Act.

An ATB Financial operating line of credit is available in the amount of \$2,000,000, interest calculated at prime rate. The County had not utilized this line of credit as of December 31, 2016.

3. TAXES AND GRANTS IN PLACE OF TAXES RECEIVABLE

	2016	2015
Current taxes and grants in place receivables	\$ 479,642	\$ 469,724
Arrears taxes	653,365	241,870
	1,133,007	711,594
Less: allowance for doubtful accounts	(2,911)	(2,515)
	\$ 1,130,096	\$ 709,079

4. INVESTMENTS

	2016		2015	
	Cost	Market Value	Cost	Market Value
AAMD&C	\$ 50	\$ 50	\$ 50	\$ 50

COUNTY OF PAINT EARTH NO. 18
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

5. DEFERRED REVENUE

	2016	2015
Municipal Sustainability Initiative	\$ 617,875	\$ 405,480
Burma Park Donation	445	445
	\$ 618,320	\$ 405,925

Municipal Sustainability Initiative

The use of these funds is restricted to eligible capital projects, as approved under the funding agreement. Unexpended funds related to these advances are supported by cash held exclusively for this funding (refer Note 2).

6. LONG TERM DEBT

	2016	2015
Tax supported loans	\$ 1,744,027	\$ 2,210,694

The current portion of the long-term debt amounts to \$466,667 (2015 - \$466,667)

Principal and interest repayments are as follows:

	Principal	Interest	Total
2017	\$ 466,667	\$ 47,089	\$ 513,756
2018	466,667	34,489	501,156
2019	466,667	21,889	488,556
2020	344,026	9,289	353,315
	\$ 1,744,027	\$ 112,756	\$ 1,856,783

ATB Financial loan bears interest at prime rate is and is repayable in annual instalments of principal and interest, maturing July 31, 2020.

The County's total cash payments for interest in 2016 were \$56,231 (2015 - \$72,314).

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7. DEBT LIMITS

Section 276(2) of the Municipal Government Act requires that debt and debt limits as defined by Alberta Regulation 255/00 for the County be disclosed as follows:

	2016	2015
Total debt limit	\$ 23,778,716	\$ 23,890,865
Total debt	1,744,027	2,210,694
Amount of debit limit unused	\$ 22,034,689	\$ 21,680,171
Debt servicing limit	\$ 3,963,119	\$ 3,981,811
Debt servicing	513,756	526,356
Amount of debt servicing limit unused	\$ 3,449,363	\$ 3,455,455

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

	2016	2015
		(Restated)
Tangible capital assets	\$ 75,497,352	\$ 73,752,457
Accumulated amortization	(28,147,198)	(26,499,118)
	\$ 47,350,154	\$ 47,253,339

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9. ACCUMULATED SURPLUS

	<u>2016</u>	<u>2015</u> (Restated)
Restricted surplus:		
Operating:		
General legislative	\$ 1,097,682	\$ 1,090,812
General administration	268,817	209,180
Roads, streets, walks, lighting	4,837,572	3,837,572
Culture	10,000	10,000
Subdivision land and development	1,918,764	1,902,275
Operating contingency	280,000	130,000
Capital:		
Administration	606,562	473,821
Fire fighting & preventive services	1,040,224	957,766
Roads, streets, walks, lighting	9,287,252	7,019,937
Water and wastewater	5,662,482	5,298,244
Economic development	79,289	68,296
Agricultural services	1,069,824	946,152
Recreation, parks and culture	441,804	167,069
Equity in Tangible Capital Assets	<u>47,350,154</u>	<u>47,253,339</u>
	<u>\$ 73,950,426</u>	<u>\$ 69,364,463</u>

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10. SALARY AND BENEFITS

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

	2016			2015
	<u>Salary</u>	<u>Benefits & allowances</u>	<u>Total</u>	<u>Total</u>
Councillors:				
Reeve Glazier	\$ 29,728	\$ 5,261	\$ 34,989	\$ 36,633
Councillor Bunbury	17,948	937	18,885	19,082
Councillor Dahmer	13,518	3,821	17,339	20,076
Councillor Elliott	23,805	4,667	28,472	26,959
Councillor Hewitt	16,598	3,990	20,588	22,874
Councillor Weber	17,390	3,523	20,913	22,792
Councillor Blumhagen	17,808	4,052	21,860	19,491
Chief Administrative Officer	175,062	32,025	207,087	206,222
Designated Officer - Assessors (2 Positions)	132,786		132,786	130,482

1. Salary includes regular base pay, bonuses, overtime, lump sum payments, gross honoraria and any other direct cash remuneration.

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

11. LOCAL AUTHORITIES PENSION PLAN

Employees of the County participate in the Local Authorities Pension Plan (LAPP), which is one of the plans covered by the Public Sector Pension Plans Act. The LAPP is financed by employer and employee contributions and by investment earnings of the LAPP Fund.

Contributions for current service are recorded as expenditures in the year in which they become due.

The County is required to make current service contributions to the LAPP of 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.

Total current service contributions by the County to the LAPP in 2016 were \$388,145 (2015 - \$368,564). Total current service contributions by the employees of the County to the Local Authorities Pension Plan in 2016 were \$357,681 (2015 - \$344,171).

At December 31, 2015, the LAPP disclosed an actuarial deficiency of \$923 million. This amount is not specifically allocated to the participating government organizations. The 2016 actuarial balance was not available at the date these financial statements were released.

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12.COMMITMENTS

The Shirley McClellan Regional Water Services Commission is constituted under the Municipal Government Act and was approved by the Province of Alberta Order in Council on October 10, 2007 of which the County, as a member, has a 9.96% equity involvement. The County is committed to funding its share of any net capital requirements.

The County is a member of the Alberta Local Authorities Reciprocal Insurance Exchange (ALARIE) which dissolved on December 31, 2002. ALARIE has accumulated certain funds in excess of the cost of purchasing liability insurance and any residual balance remaining will be refunded to the participants. The County has received notification in late 2016 of this refund amount and has recognized as a receivable \$168,811. As at December 31, 2016, the amount has not been received.

The County, as per a Ministerial Order is a member of the Castor & District Housing Authority and is required to provide requisition amounts to fund the operational and capital requirements of the Housing Authority.

The County is committed to the development of 42 acres of land intended as an industrial subdivision, the full estimated cost of which is not fully determinable at this time.

13.FINANCIAL INSTRUMENTS

The County's financial instruments consist of cash, accounts receivable, investments, deferred revenue, accounts payable and long term debt. It is management's opinion that the County is not exposed to significant interest or currency risks arising from these financial instruments.

The County is subject to credit risk with respect to taxes and grants in place of taxes receivables and trade and other receivables. Credit risk arises from the possibility that taxpayers and entities to which the County provides services may experience financial difficulty and be unable to fulfill their obligations. The large number and diversity of taxpayers and customers minimizes the credit risk.

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

14.PRIOR PERIOD ADJUSTMENTS

The County has restated its financial statement to reflect a change in the useful life of certain tangible capital assets utilized by the County. As a result of this change, tangible capital assets has decreased by \$543,655, amortization have increased by \$36,265 and accumulated surplus has decreased by \$543,655.

15.APPROVAL OF FINANCIAL STATEMENTS

Council and management have approved these financial statements.
