

LAC STE. ANNE COUNTY

SANGUDO, ALBERTA

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2018

INDEPENDENT AUDITORS' REPORT

To the Reeve and Council of Lac Ste. Anne County

Opinion

We have audited the accompanying financial statements of Lac Ste. Anne County (the "County"), which comprise the statement of financial position as at December 31, 2018, and the statements of operations, change in net financial assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Lac Ste. Anne County as at December 31, 2018, and the results of its operations and accumulated surplus, changes in its net financial assets 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 *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the County in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our ethical responsibilities in accordance with these requirements. We believe 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 Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian public sector accounting standards, and for such control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the County'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 County or to cease operations, or has no realistic alternative but to do so.

Auditors' Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but it 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 financial statements.

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

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Auditors' Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but it 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 financial statements.

As part of in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the 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 County's internal control.
- Evaluate the appropriateness of accounting policies 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 County's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the 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 auditors' report. However, future events or conditions may cause the County to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the 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 significant deficiencies in internal control that we identify during our audit.

METRIX GROUP LLP

Chartered Professional Accountants

Edmonton, Alberta

April 25, 2019

LAC STE. ANNE COUNTY
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2018

	<u>2018</u>	<u>2017</u>
FINANCIAL ASSETS		
Cash	\$ 4,267,685	\$ 5,282,348
Accounts receivable (Note 2)	6,394,143	6,731,236
Loans receivable (Note 3)	2,701,998	2,324,844
Long-term investments (Note 4)	<u>1,073,272</u>	<u>1,069,179</u>
	<u>14,437,098</u>	<u>15,407,607</u>
LIABILITIES		
Accounts payable and accrued liabilities (Note 7)	1,562,613	1,227,917
Deposit liabilities (Note 8)	2,418,978	1,539,478
Deferred revenue (Note 9)	1,232,367	1,512,117
Long-term debt (Note 10)	<u>4,103,181</u>	<u>4,995,099</u>
	<u>9,317,139</u>	<u>9,274,611</u>
NET FINANCIAL ASSETS	<u>5,119,959</u>	<u>6,132,996</u>
NON-FINANCIAL ASSETS		
Inventory for consumption (Note 5)	764,692	691,799
Prepaid expenses	472,753	438,869
Tangible capital assets (Schedule 1)	<u>60,500,957</u>	<u>57,654,386</u>
	<u>61,738,402</u>	<u>58,785,054</u>
ACCUMULATED SURPLUS (Note 12)	<u>\$ 66,858,361</u>	<u>\$ 64,918,050</u>
CONTINGENCIES (Note 15)		

ON BEHALF OF COUNTY COUNCIL:

Reeve

County Manager

LAC STE. ANNE COUNTY
STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS
FOR THE YEAR ENDED DECEMBER 31, 2018

	Budget <u>2018</u> (Note 19)	Actual <u>2018</u>	Actual <u>2017</u>
Revenue			
Net taxation (Schedule 2)	\$ 15,399,671	\$ 15,594,753	\$ 14,238,489
Sales and user charges	3,142,225	3,090,951	2,167,548
Government transfers for operating (Schedule 3)	4,244,423	864,370	2,106,666
Penalties and costs on taxes	338,000	371,233	406,572
Return on investments	149,500	182,008	154,348
Rentals	156,660	152,123	152,954
Licenses and permits	<u>97,250</u>	<u>115,395</u>	<u>99,002</u>
	<u>23,527,729</u>	<u>20,370,833</u>	<u>19,325,579</u>
Expenses			
Public works	12,053,641	12,740,326	13,778,880
General administration	3,843,057	3,661,799	3,219,235
Protective services	2,407,240	2,099,106	2,054,657
Agricultural services	1,168,444	1,049,667	895,699
Parks and recreation	1,025,017	1,045,339	949,064
Waste management	1,070,253	807,966	966,621
Planning, land and economic development	861,734	768,966	917,154
Council and other legislative	499,848	518,136	390,431
Water and wastewater	1,563,590	498,178	263,305
Family and community support services	<u>527,112</u>	<u>456,062</u>	<u>411,768</u>
	<u>25,019,936</u>	<u>23,645,545</u>	<u>23,846,814</u>
Deficiency Before Other Items	<u>(1,492,207)</u>	<u>(3,274,712)</u>	<u>(4,521,235)</u>
Other Items			
Government transfers for capital (Schedule 3)	4,507,157	4,271,029	6,172,950
Gain on disposal of tangible capital assets	642,500	578,894	381,868
Contributed tangible capital assets	<u>-</u>	<u>365,100</u>	<u>-</u>
	<u>5,149,657</u>	<u>5,215,023</u>	<u>6,554,818</u>
Excess of Revenue over Expenses	3,657,450	1,940,311	2,033,583
Accumulated Surplus, Beginning of Year	<u>64,918,050</u>	<u>64,918,050</u>	<u>62,884,467</u>
Accumulated Surplus, End of Year	<u>\$ 68,575,500</u>	<u>\$ 66,858,361</u>	<u>\$ 64,918,050</u>

The accompanying notes are an integral part of these financial statements.

LAC STE. ANNE COUNTY
STATEMENT OF CHANGES IN NET FINANCIAL ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2018

	<u>2018</u>	<u>2017</u>
Excess of Revenue over Expenses	\$ <u>1,940,311</u>	\$ <u>2,033,583</u>
Acquisition of tangible capital assets	(6,569,625)	(8,961,962)
Contributed tangible capital assets	(365,100)	-
Proceeds on disposal of tangible capital assets	747,146	587,116
Amortization of tangible capital assets	3,919,902	4,269,939
Gain on disposal of tangible capital assets	<u>(578,894)</u>	<u>(381,868)</u>
	<u>(2,846,571)</u>	<u>(4,486,775)</u>
Use (acquisition) of inventory for consumption	(72,893)	1,009,594
Use (acquisition) of prepaid expenses	<u>(33,884)</u>	<u>423,227</u>
	<u>(106,777)</u>	<u>1,432,821</u>
Increase In Net Financial Assets	(1,013,037)	(1,020,371)
Net Financial Assets, Beginning of Year	<u>6,132,996</u>	<u>7,153,367</u>
Net Financial Assets, End of Year	\$ <u>5,119,959</u>	\$ <u>6,132,996</u>

LAC STE. ANNE COUNTY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2018

	<u>2018</u>	<u>2017</u>
Operating Activities		
Excess of revenue over expenses	\$ 1,940,311	\$ 2,033,583
Non-cash items included in excess of revenue over expenses:		
Amortization of tangible capital assets	3,919,902	4,269,939
Contributed tangible capital assets	(365,100)	-
Gain on disposal of tangible capital assets	<u>(578,894)</u>	<u>(381,868)</u>
	<u>4,916,219</u>	<u>5,921,654</u>
Change in non-cash working capital balances:		
Accounts receivable	337,093	(2,318,812)
Loans receivable	(377,154)	122,957
Inventory for consumption	(72,893)	1,009,594
Prepaid expenses	(33,884)	423,227
Accounts payable and accrued liabilities	334,696	(897,350)
Deposit liabilities	879,500	66,372
Deferred revenue	<u>(279,750)</u>	<u>(2,876,711)</u>
	<u>787,608</u>	<u>(4,470,723)</u>
	<u>5,703,827</u>	<u>1,450,931</u>
Financing Activities		
Long-term debt proceeds	-	2,410,000
Long-term debt principal repayments	<u>(891,918)</u>	<u>(1,166,008)</u>
	<u>(891,918)</u>	<u>1,243,992</u>
Capital Activities		
Acquisition of tangible capital assets	(6,569,625)	(8,961,962)
Proceeds on sale of tangible capital assets	<u>747,146</u>	<u>587,116</u>
	<u>(5,822,479)</u>	<u>(8,374,846)</u>
Investing Activities		
Change in long-term investments	<u>(4,093)</u>	<u>(3,283)</u>
Change in Cash for the Year	(1,014,663)	(5,683,206)
Cash, Beginning of Year	<u>5,282,348</u>	<u>10,965,554</u>
Cash, End of Year	<u>\$ 4,267,685</u>	<u>\$ 5,282,348</u>

The accompanying notes are an integral part of these financial statements.

LAC STE. ANNE COUNTY

SCHEDULE 1

SCHEDULE OF TANGIBLE CAPITAL ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2018

	Land	Land Improvements	Buildings	Engineered Structures	Machinery and Equipment	Vehicles	2018	2017
COST:								
Balance, Beginning of Year	\$ 11,429,468	\$ 2,939,082	\$ 16,462,860	\$ 109,802,001	\$ 10,755,608	\$ 7,709,269	\$ 159,098,288	\$ 151,228,417
Acquisition of tangible capital assets	273,000	427,855	142,468	3,960,045	1,434,220	697,137	6,934,725	8,961,962
Disposal of tangible capital assets	-	-	(463,694)	(1,277,681)	(1,149,150)	(419,408)	(3,309,933)	(1,092,091)
Balance, End of Year	11,702,468	3,366,937	16,141,634	112,484,365	11,040,678	7,986,998	162,723,080	159,098,288
ACCUMULATED AMORTIZATION:								
Balance, Beginning of Year	-	1,230,452	2,782,685	85,211,981	6,320,357	5,898,427	101,443,902	98,060,807
Annual amortization	-	106,263	410,724	1,545,014	1,512,464	345,437	3,919,902	4,269,939
Accumulated amortization on disposals	-	-	(443,673)	(1,253,789)	(1,024,811)	(419,408)	(3,141,681)	(886,844)
Balance, End of Year	-	1,336,715	2,749,736	85,503,206	6,808,010	5,824,456	102,222,123	101,443,902
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	\$ 11,702,468	\$ 2,030,222	\$ 13,391,898	\$ 26,981,159	\$ 4,232,668	\$ 2,162,542	\$ 60,500,957	\$ 57,654,386

Cost includes construction in progress of \$1,282,164 (2017 - \$1,892,151). These amounts are not amortized until the asset is complete and in use.

LAC STE. ANNE COUNTY

SCHEDULE 2

SCHEDULE OF PROPERTY TAXES

FOR THE YEAR ENDED DECEMBER 31, 2018

	<u>2018</u> (Budget) (Note19)	<u>2018</u> (Actual)	<u>2017</u> (Actual)
Taxation			
Residential	\$ 11,204,547	\$ 11,163,354	\$ 10,700,842
Linear	5,796,875	5,794,423	5,033,125
Machinery and equipment	1,218,226	1,282,540	1,194,239
Commercial	1,144,908	911,304	1,251,312
Farmland	748,743	748,844	737,343
Grants in lieu of taxes	21,595	21,595	21,204
Recreation facility and program assistance tax	285,400	286,950	279,650
Wastewater maintenance tax	235,000	243,982	246,680
Aggregate levy	100,000	252,768	117,120
Local improvement	4,940	4,939	5,031
Small business tax	-	256,682	-
School requisitions over/under levy	<u>-</u>	<u>(11,907)</u>	<u>12,455</u>
	<u>20,760,234</u>	<u>20,955,474</u>	<u>19,599,001</u>
Deduct:			
Alberta School Foundation Fund	4,945,560	4,945,557	4,954,991
Lac Ste. Anne Foundation	403,600	403,635	405,521
Designated Industrial	<u>11,403</u>	<u>11,529</u>	<u>-</u>
	<u>5,360,563</u>	<u>5,360,721</u>	<u>5,360,512</u>
Net Taxation	<u>\$ 15,399,671</u>	<u>\$ 15,594,753</u>	<u>\$ 14,238,489</u>

LAC STE. ANNE COUNTY
SCHEDULE OF GOVERNMENT TRANSFERS
FOR THE YEAR ENDED DECEMBER 31, 2018

SCHEDULE 3

	<u>2018</u> (Budget) (Note 19)	<u>2018</u> (Actual)	<u>2017</u> (Actual)
Government transfers for operating			
Provincial	\$ <u>4,244,423</u>	\$ <u>864,370</u>	\$ <u>2,106,666</u>
 Government transfers for capital			
Provincial	4,507,157	3,640,633	6,172,950
Local	<u>-</u>	<u>630,396</u>	<u>-</u>
	<u>4,507,157</u>	<u>4,271,029</u>	<u>6,172,950</u>
 Total Government Transfers	 <u>\$ 8,751,580</u>	 <u>\$ 5,135,399</u>	 <u>\$ 8,279,616</u>

LAC STE. ANNE COUNTY

SCHEDULE 4

CONSOLIDATED SCHEDULE OF SEGMENTED INFORMATION

FOR THE YEAR ENDED DECEMBER 31, 2018

	Public Works	General Administration	Protective Services	Planning and Development	Waste Management	Parks and Recreation	Other	Total
REVENUE								
Net taxation	\$ -	\$ 15,056,881	\$ -	\$ -	\$ -	\$ 286,950	\$ 248,922	\$ 15,594,753
Sales and user charges	665,842	167,325	465,216	439,799	701,750	270,723	380,296	3,090,951
Government transfers for operating	146,540	8,284	-	-	-	6,386	703,160	864,370
Penalties and costs on taxes	-	371,233	-	-	-	-	-	371,233
Return on investments	11,061	157,413	10,383	3,151	-	-	-	182,008
Rentals	-	72,973	75,981	-	-	-	3,169	152,123
Licenses and permits	23,983	19,661	51,551	20,200	-	-	-	115,395
	<u>847,426</u>	<u>15,855,770</u>	<u>603,131</u>	<u>463,150</u>	<u>701,750</u>	<u>564,059</u>	<u>1,335,547</u>	<u>20,370,833</u>
EXPENSES								
Salaries, wages and benefits	3,048,364	1,800,466	951,584	518,259	325,319	105,776	1,174,147	7,923,915
Materials, goods and utilities	4,635,392	472,838	412,107	15,419	34,130	134,759	343,562	6,048,207
Contracted and general services	2,134,502	733,708	470,588	235,288	47,977	126,768	834,738	4,583,569
Amortization of tangible capital assets	2,920,503	435,496	257,954	-	98,228	66,321	141,401	3,919,903
Transfers to governments	467	22,779	-	-	302,312	611,715	21,133	958,406
Provision for allowances	-	95,000	-	-	-	-	-	95,000
Interest on long-term debt	1,098	66,454	6,872	-	-	-	7,062	81,486
Bank charges and short-term interest	-	35,059	-	-	-	-	-	35,059
	<u>12,740,326</u>	<u>3,661,800</u>	<u>2,099,105</u>	<u>768,966</u>	<u>807,966</u>	<u>1,045,339</u>	<u>2,522,043</u>	<u>23,645,545</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES BEFORE OTHER ITEMS	\$ (11,892,900)	\$ 12,193,970	\$ (1,495,974)	\$ (305,816)	\$ (106,216)	\$ (481,280)	\$ (1,186,496)	\$ (3,274,712)

The accompanying notes are an integral part of these financial statements.

LAC STE. ANNE COUNTY

SCHEDULE 5

SCHEDULE OF EXPENDITURES BY OBJECT

FOR THE YEAR ENDED DECEMBER 31, 2018

	<u>2018</u> (Budget) (Note 19)	<u>2018</u> (Actual)	<u>2017</u> (Actual)
Salaries, wages and benefits	\$ 8,575,234	\$ 7,923,915	\$ 7,574,359
Materials, goods and utilities	5,437,088	6,048,207	6,590,665
Contracted and general services	4,801,268	4,583,569	4,502,319
Amortization	4,144,628	3,919,903	4,269,939
Transfers to governments, agencies and organizations	1,834,753	958,406	748,135
Provision for allowances	5,000	95,000	90,000
Interest on long-term debt	191,965	81,486	50,228
Bank charges and short-term interest	<u>30,000</u>	<u>35,059</u>	<u>21,169</u>
	<u>\$ 25,019,936</u>	<u>\$ 23,645,545</u>	<u>\$ 23,846,814</u>

See accompanying notes to the financial statements.

LAC STE. ANNE COUNTY

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018

1. SIGNIFICANT ACCOUNTING POLICIES

These financial statements are the representations of the County's management prepared in accordance with Canadian public sector accounting standards. Significant aspects of the accounting policies adopted by the County are as follows:

(a) Reporting Entity

These financial statements reflect the assets, liabilities, revenues, and expenditures, and changes in equity balances and cash flows of the County.

(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 and 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.

(c) Use of Estimates

The preparation of financial statements in conformity with Canadian public sector accounting standards 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 management uncertainty exists, the financial statements have been prepared within reasonable limits of materiality. Actual results could differ from those estimates.

(d) Cash

Cash includes chequing and savings accounts and cash on hand amounts that are readily converted into known amounts of cash and are subject to an insignificant change in value.

(e) Investments

Investments are recorded at amortized cost. Investment premiums and discounts are amortized on a 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) Loans receivable

Loans receivable are recorded at cost. Interest revenue is recognized as revenue in the year it is earned.

(g) Local Improvements

Construction and borrowing costs associated with local improvement projects are recovered through annual special levies that are approved by bylaw. These levies are collectible from the affected property owners and are levied over the estimated lifetime of the project. Revenues from local improvement levies are recognized in full in the period in which the local improvement project is completed.

(h) Government Transfers

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

LAC STE. ANNE COUNTY

NOTES TO FINANCIAL STATEMENTS (CONT'D)

DECEMBER 31, 2018

1. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(i) Requisition of Over-Levies and Under-Levies

Over-levies and under-levies arise from the difference between the actual 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. In situations 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.

(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 cost, less residual value, of the tangible capital assets is amortized on a straight-line basis over the estimated useful life as follows:

Land improvements	15-50 years
Buildings	25-50 years
Engineered structures	5-90 years
Machinery and equipment	5-40 years
Vehicles	3-20 years

One-half of the annual amortization is charged in the year of acquisition and in the year of disposal. 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 or net realizable value with cost determined by the average cost method.

LAC STE. ANNE COUNTY

NOTES TO FINANCIAL STATEMENTS (CONT'D)

DECEMBER 31, 2018

2. ACCOUNTS RECEIVABLE

	<u>2018</u>	<u>2017</u>
Government transfers	\$ 2,843,864	\$ 3,888,274
Property taxes	1,958,513	1,544,927
Trade	1,675,269	1,142,000
Goods and Services Tax	245,539	409,058
Accrued interest	<u>48,782</u>	<u>39,444</u>
	6,771,967	7,023,703
Less: Allowance for doubtful accounts	<u>(377,824)</u>	<u>(292,467)</u>
	<u>\$ 6,394,143</u>	<u>\$ 6,731,236</u>

3. LOAN RECEIVABLES

	<u>2018</u>	<u>2017</u>
Lac Ste. Anne Foundation, unsecured, repayable in semi-annual payments of \$112,072 including interest at 4.779%, due September 15, 2031.	\$ 2,181,998	\$ 2,300,732
Town of Onoway, unsecured, non-interest bearing and is repayable in annual installments of \$100,000, due December 31, 2022.	500,000	-
Darwell Public Library Society, unsecured, non-interest bearing and is repayable in annual payments of \$2,500, due January 15, 2026.	20,000	22,500
Rich Valley Agricultural Society, unsecured, non-interest bearing and is repayable in monthly payments of \$200, due December 31, 2018.	<u>-</u>	<u>1,612</u>
	<u>\$ 2,701,998</u>	<u>\$ 2,324,844</u>

LAC STE. ANNE COUNTY

NOTES TO FINANCIAL STATEMENTS (CONT'D)

DECEMBER 31, 2018

4. LONG-TERM INVESTMENTS

	<u>2018</u>	<u>2017</u>
Guaranteed Investment Certificates, earning interest at rates from 1.8% - 2.55%, maturing from 2019 - 2020.	\$ 484,000	\$ 752,500
Investment account cash	468,537	200,000
Servus Credit Union Ltd. common shares.	120,605	116,549
Alberta Municipal Financing Corporation	<u>130</u>	<u>130</u>
	<u>\$ 1,073,272</u>	<u>\$ 1,069,179</u>

5. INVENTORY FOR CONSUMPTION

	<u>2018</u>	<u>2017</u>
Gravel	\$ 209,207	\$ 139,224
Parts, culverts and other	<u>555,485</u>	<u>552,575</u>
	<u>\$ 764,692</u>	<u>\$ 691,799</u>

6. BANK INDEBTEDNESS

The current account overdraft and bank indebtedness are payable on demand with interest payable monthly at prime minus 0.25%. The County has an authorized current account overdraft limit of \$10,000,000 and an authorized demand term loan limit of \$5,300,000 at December 31, 2018. There are no balances outstanding at December 31, 2018.

LAC STE. ANNE COUNTY

NOTES TO FINANCIAL STATEMENTS (CONT'D)

DECEMBER 31, 2018

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	<u>2018</u>	<u>2017</u>
Trade	\$ 946,224	\$ 703,614
Earned vacation liability	358,255	306,346
Construction holdbacks	136,468	93,037
Community Adult Learning Council	88,010	89,010
Accrued interest on long-term debt	<u>33,656</u>	<u>35,910</u>
	<u>\$ 1,562,613</u>	<u>\$ 1,227,917</u>

8. DEPOSIT LIABILITIES

	<u>2018</u>	<u>2017</u>
Road damage deposits	\$ 1,546,500	\$ 791,500
Development trust	641,658	517,158
Tax sale surplus	<u>230,820</u>	<u>230,820</u>
	<u>\$ 2,418,978</u>	<u>\$ 1,539,478</u>

9. DEFERRED REVENUE

Deferred revenue consists of the following amounts, which have been restricted by third parties for a specified purpose. These amounts are recognized as revenue in the period in which the related expenditures are incurred.

	<u>2018</u>	<u>2017</u>
Provincial government transfers		
Municipal sustainability initiative grant	\$ 696,488	\$ -
Collaboration and partnership grants	196,238	196,238
Alberta Agriculture	118,362	314,184
Other provincial grants	96,696	188,471
Family and community support services grant	58,678	115,884
Federal gas tax fund grant	-	561,957
Other	<u>65,905</u>	<u>135,383</u>
	<u>\$ 1,232,367</u>	<u>\$ 1,512,117</u>

LAC STE. ANNE COUNTY
NOTES TO FINANCIAL STATEMENTS (CONT'D)
DECEMBER 31, 2018

10. LONG-TERM DEBT

	<u>2018</u>	<u>2017</u>
Debenture debt held by Alberta Capital Finance Authority, repayable in semi-annual installments of \$112,072 including interest at 4.779%; due September 15, 2031. Relates to Lac Ste. Anne Foundation.	\$ 2,151,851	\$ 2,268,944
Loan with Servus Credit Union, repayable in monthly principal payments of \$40,175 plus interest at prime minus 0.25%; due August 1, 2022. Relates to administration building.	1,767,200	2,249,300
Debenture debt held by Alberta Capital Finance Authority, repayable in annual installments of \$16,374 including interest at 6.125%; due July 2, 2027. Relates to Darwell wastewater system.	110,767	119,803
Debenture debt held by Alberta Capital Finance Authority, repayable in semi-annual installments of \$74,809 including interest at 3.942%; due June 15, 2019. Relates to Darwell firehall/public works facility.	73,363	215,863
Debenture debt held by Alberta Capital Finance Authority, repayable in semi-annual installments of \$142,377 including interest at 1.684%; due June 17, 2018. Relates to gravel purchase.	<u> -</u>	<u>141,189</u>
	<u>\$ 4,103,181</u>	<u>\$ 4,995,099</u>

Repayments of principal and interest over the next five years are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 687,809	\$ 159,089	\$ 846,898
2020	620,970	135,797	756,767
2021	627,817	113,418	741,235
2022	473,803	91,450	565,253
2023	160,445	80,073	240,518
Thereafter	<u>1,532,337</u>	<u>326,312</u>	<u>1,858,649</u>
	<u>\$ 4,103,181</u>	<u>\$ 906,139</u>	<u>\$ 5,009,320</u>

LAC STE. ANNE COUNTY

NOTES TO FINANCIAL STATEMENTS (CONT'D)

DECEMBER 31, 2018

11. EQUITY IN TANGIBLE CAPITAL ASSETS

	<u>2018</u>	<u>2017</u>
Tangible capital assets (Schedule 1)	\$ 162,723,080	\$ 159,098,288
Accumulated amortization (Schedule 1)	(102,222,123)	(101,443,902)
Long-term debt for tangible capital asset purposes	<u>(1,951,330)</u>	<u>(2,584,966)</u>
	<u>\$ 58,549,627</u>	<u>\$ 55,069,420</u>

12. ACCUMULATED SURPLUS

	<u>2018</u>	<u>2017</u>
Unrestricted surplus (deficit)	\$ <u>(49,275)</u>	\$ <u>968,578</u>
Restricted surplus		
Infrastructure	6,429,680	6,327,109
Community	1,237,007	1,392,080
Administrative	<u>691,322</u>	<u>1,160,863</u>
	<u>8,358,009</u>	<u>8,880,052</u>
Equity in tangible capital assets (Note 11)	<u>58,549,627</u>	<u>55,069,420</u>
	<u>\$ 66,858,361</u>	<u>\$ 64,918,050</u>

LAC STE. ANNE COUNTY
NOTES TO FINANCIAL STATEMENTS (CONT'D)

DECEMBER 31, 2018

13. SALARIES AND BENEFITS DISCLOSURE

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:

	<u>Salary (1)</u>	<u>Benefits and Allowances (2)</u>	<u>Total</u>	
			<u>2018</u>	<u>2017</u>
Reeve				
Division 5	\$ 56,000	\$ 11,849	\$ 67,849	\$ 12,005
Division 2	-	-	-	46,466
Councillors				
Division 1	44,000	10,459	54,459	50,331
Division 2	50,000	11,111	61,111	10,774
Division 3	44,000	9,070	53,070	50,112
Division 4	44,000	9,070	53,070	9,347
Division 6	44,075	10,462	54,537	50,331
Division 7	44,000	4,962	48,962	53,907
Chief Administrative Officer	184,122	35,218	219,340	204,067
Designated Officers	-	-	-	-

(1) Salary includes regular base pay and any other direct cash remuneration.

(2) Benefits and allowances include the employer's share of the employee benefits and contributions or payments made on behalf of employees including pension and health care benefits.

LAC STE. ANNE COUNTY
NOTES TO FINANCIAL STATEMENTS (CONT'D)
DECEMBER 31, 2018

14. DEBT LIMITS

Section 276(2) of the *Municipal Government Act* requires that debt and debt limits as defined by Alberta Regulation 255/2000 for the County be disclosed as follows:

	<u>2018</u>	<u>2017</u>
Total debt limit	\$ 30,556,250	\$ 28,988,369
Total debt	<u>(4,103,181)</u>	<u>(4,995,099)</u>
Amount of total debt limit unused	<u>26,453,069</u>	<u>23,993,270</u>
Debt servicing limit	5,092,708	4,831,395
Debt servicing	<u>(846,898)</u>	<u>(1,078,777)</u>
Amount of debt servicing limit unused	<u>\$ 4,245,810</u>	<u>\$ 3,752,618</u>

The debt limit is calculated at 1.50 times revenue of the County (as defined in the Alberta Regulation 255/2000) and the debt service limit is calculated as 0.25 times such revenue. Incurring debt beyond these limitations requires approval by the Minister of Municipal Affairs. These thresholds are a conservative guideline used by Alberta Municipal Affairs to identify municipalities that could be at a financial risk if further debt is acquired. The calculation taken alone does not represent the financial stability of the County. Rather, the financial statements must be interpreted as a whole.

15. CONTINGENCIES

The County is a member of the Genesis Reciprocal Insurance Exchange. Under the terms of membership, the County 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.

16. LOCAL AUTHORITIES PENSION PLAN

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

The County is required to make current service contributions to the LAPP of 10.39% of pensionable earnings up to the Canada Pension Plan year's maximum pensionable earnings and 14.84% on pensionable earnings above this amount. Employees of the County are required to make current service contributions of 9.39% of pensionable earnings up to the year's maximum pensionable earnings and 13.84% on pensionable earnings above this amount.

Total current and past service contributions made by the County to the LAPP in 2018 were \$550,098 (2017 - \$574,923). Total current and past service contributions made by the employees of the County to the LAPP in 2018 were \$503,320 (2017 - \$529,890).

At December 31, 2017, the LAPP disclosed an actuarial surplus of \$4.8 billion (2016 - \$637 million deficit).

LAC STE. ANNE COUNTY
NOTES TO FINANCIAL STATEMENTS (CONT'D)
DECEMBER 31, 2018

17. FINANCIAL INSTRUMENTS

The County's financial instruments consist of cash, accounts receivables, loans receivable, long-term investments, accounts payable and accrued liabilities, deposit liabilities and long-term debt. It is management's opinion that the County is not exposed to significant interest rate, liquidity, currency, credit, market or other price risk arising from these financial instruments. Unless otherwise noted, the fair value of these financial instruments approximates their carrying value.

18. SEGMENTED INFORMATION

The County provides a range of services to its residents. 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. For additional information see the Schedule of Segment Disclosure (Schedule 4).

19. BUDGET

The budget figures presented in these financial statements are based on the 2018 final budget adopted by Council on April 26, 2018.

20. APPROVAL OF FINANCIAL STATEMENTS

These financial statements were approved by Council and Management.