



2019

Audited Financial Statements

For the year ending December 31, 2019



Sturgeon County

2019 Financial Statements

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INDEPENDENT AUDITORS' REPORT

To the Mayor and Council of the Municipality of Sturgeon County

Opinion

We have audited the accompanying financial statements of Sturgeon County (the County), which comprise the statement of financial position as at December 31, 2019 and the statements of operations and accumulated surplus, changes 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 the County as at December 31, 2019 and the results of its operations, changes in 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.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the financial statements and our auditors' report thereon. The Annual Report is expected to be made available to us after the date of this auditors' report. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

Management is responsible for the preparation and fair presentation of these 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 financial statements that are free from material misstatement, whether due to fraud or error.



Independent Auditors' Report (continued)

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.

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

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 an audit conducted 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 28, 2020

Sturgeon County

Statement of Financial Position

December 31 st	2019	2018
Financial Assets		
Cash and short-term investments (Note 3)	\$ 46,699,377	\$ 53,597,777
Accounts receivable (Note 4)	10,914,742	8,909,842
Loans Receivable (Note 5)	3,312,317	3,464,675
Investments (Note 6)	29,172,193	18,810,869
Total financial assets	90,098,629	84,783,163
Liabilities		
Accounts payable and accrued liabilities (Note 10)	16,227,122	15,700,420
Long-term debt (Note 11)	27,383,965	30,814,015
Deferred revenue (Note 12)	36,999,683	34,276,117
Total liabilities	80,610,770	80,790,552
Net Financial Assets (Note 18)	9,487,859	3,992,611
Non-Financial Assets		
Prepaid expenses	668,330	642,360
Inventory for consumption (Note 8)	1,889,586	2,182,580
Tangible capital assets (Schedule 6) (Note 9)	290,688,916	274,646,505
Total non-financial assets	293,246,832	277,471,445
Accumulated Surplus (Schedule 1)	\$ 302,734,691	\$ 281,464,056

The accompanying schedules, summary of significant accounting policies and notes are an integral part of these financial statements.

Sturgeon County

Statement of Operations and Accumulated Surplus

For the year ended December 31 st	Budget	2019	2018
	<i>(unaudited)</i>		
Revenues			
Net municipal taxes (Schedule 3)	\$ 80,422,327	\$ 50,308,830	\$ 49,752,395
Special levies	1,058,425	976,488	1,029,951
Government transfers for operating (Schedule 4)	1,427,155	1,560,163	1,782,277
User fees and sales of goods	9,488,343	9,845,875	9,313,275
Return on investments	580,930	1,664,320	1,063,192
Licenses and permits	897,910	825,398	1,015,872
Inter-municipal agreements	517,329	530,444	686,400
Penalties on taxes and service charges	398,000	648,666	427,436
Other revenue	1,178,615	6,562,610	3,107,667
	95,969,034	72,922,794	68,178,465
Expenses (Schedule 5)			
Transportation	22,833,269	25,256,703	21,605,659
Administration and Building Services	13,757,716	13,295,245	12,519,549
Utilities	7,232,230	8,255,180	7,779,287
Planning, Economic Development, and Engineering	6,679,972	6,117,762	6,447,724
Protective Services	4,563,321	4,585,009	4,002,428
Community Services	4,086,459	3,955,035	3,248,575
Agriculture Services	2,764,147	2,687,710	2,279,637
Council	793,043	770,535	764,916
Fleet	3,800	(12,653)	3,233
	62,713,957	64,910,526	58,651,008
Annual surplus before other income	33,255,077	8,012,268	9,527,457
Other income (expense)			
Government transfers for capital (Schedule 4)	6,000,000	3,437,176	6,173,827
Contributed tangible capital assets (Note 9)	-	9,183,065	8,544,334
Unrealized foreign exchange gain (loss)	-	(270,367)	457,377
Other contributions for capital	-	789,235	-
Developer off site levies	680,000	119,258	29,199
	6,680,000	13,258,367	15,204,737
Annual surplus	39,935,077	21,270,635	24,732,194
Accumulated surplus at beginning of year	281,464,056	281,464,056	256,731,862
Accumulated surplus at end of year (Schedule 1)	\$ 321,399,133	\$ 302,734,691	\$ 281,464,056

The accompanying schedules, summary of significant accounting policies and notes are an integral part of these financial statements.

Sturgeon County

Statement of Cash Flow

For the year ended December 31 st	2019	2018
Cash provided by (used in)		
Operating activities		
Annual surplus	\$ 21,270,635	\$ 24,732,194
Non-cash items included in annual surplus:		
Contributed tangible capital assets	(9,183,065)	(8,544,334)
Amortization of tangible capital assets	10,156,475	9,447,978
Loss on disposal of tangible capital assets	382,455	890,683
Amortization of bonds	59,166	41,295
Gain on sale of investments	(156,325)	-
Valuation adjustment of tangible capital assets	159,144	-
	22,688,485	26,567,816
Changes in non-cash working capital		
Accounts receivable	(2,004,900)	277,112
Loans receivable	152,358	147,949
Prepaid expenses	(25,970)	(116,222)
Accounts payable and accrued liabilities	526,702	(2,303,497)
Deferred revenue	2,723,566	1,109,130
Inventory for consumption	292,994	160,827
Cash provided by operating activities	24,353,235	25,843,115
Capital activities		
Acquisition of tangible capital assets	(17,789,654)	(15,413,810)
Proceeds on disposal of tangible capital assets	232,234	516,217
Cash used in capital activities	(17,557,420)	(14,897,593)
Investing activities		
Acquisitions of investments	(16,020,695)	(11,203,433)
Disposals of investments	5,756,530	-
Cash used in investing activities	(10,264,165)	(11,203,433)
Financing activities		
Long-term debt issued	-	1,296,500
Long-term debt repaid	(3,430,050)	(3,184,849)
Cash provided by (used in) financing activities	(3,430,050)	(1,888,349)
Decrease in cash during the year	(6,898,400)	(2,146,260)
Cash and short-term investments, beginning of year	53,597,777	55,744,037
Cash and short-term investments, end of year	\$ 46,699,377	\$ 53,597,777

The accompanying schedules, summary of significant accounting policies and notes are an integral part of these financial statements.

Sturgeon County

Statement of Change in Net Financial Assets

For the year ended December 31 st	Budget <i>(unaudited)</i>	2019	2018
Annual surplus	\$ 39,935,077	\$ 21,270,635	\$ 24,732,194
Acquisition of tangible capital assets	(33,827,143)	(17,789,654)	(15,413,810)
Contributed tangible capital assets	-	(9,183,065)	(8,544,334)
Amortization of tangible capital assets	8,805,175	10,156,475	9,447,978
Loss on disposal of tangible capital assets	-	382,455	890,683
Proceeds on sale of tangible capital assets	201,000	232,234	516,217
Valuation adjustment of tangible capital assets	-	159,144	-
	<u>(24,820,968)</u>	<u>(16,042,411)</u>	<u>(13,103,266)</u>
Acquisition of supplies inventory	-	(1,889,586)	(2,182,580)
Acquisition of prepaid expense	-	(668,330)	(642,360)
Consumption of supplies inventory	-	2,182,580	2,343,406
Use of prepaid expense	-	642,360	526,138
	<u>-</u>	<u>267,024</u>	<u>44,604</u>
Change in net debt	15,114,109	5,495,248	11,673,532
Net debt at beginning of year	3,992,611	3,992,611	(7,680,921)
Net financial assets at end of year (Note 18)	\$ 19,106,720	\$ 9,487,859	\$ 3,992,611

The accompanying schedules, summary of significant accounting policies and notes are an integral part of these financial statements.

Sturgeon County

Schedule of Accumulated Surplus

Schedule 1

For the year ended December 31 st	2019	2018
Deficit from operations	\$ (10,545,261)	\$ (11,477,612)
Internally designated (Note 13 Reserve funds)		
Operating	17,138,734	17,290,859
Capital	24,320,054	23,007,276
Total reserves	41,458,788	40,298,136
Equity in tangible capital assets (Schedule 2)	271,821,164	252,643,532
Accumulated Surplus	\$ 302,734,691	\$ 281,464,056

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Sturgeon County

Schedule of Equity in Tangible Capital Assets

Schedule 2

For the year ended December 31 st		2019	2018
Equity balance at beginning of year		\$ 252,643,532	\$ 238,526,855
Acquisition of capital assets			
Roadway network		16,790,764	11,625,419
Land		313,003	150,625
Land improvements		304,211	1,361,879
Vehicles		1,350,566	923,492
Buildings		-	470,161
Engineering structures		7,271,492	7,076,456
Machinery & equipment		942,683	2,350,112
Total acquisitions/contributed assets		26,972,719	23,958,144
Disposal of capital assets (cost)			
Machinery & equipment		943,500	1,117,633
Vehicles		441,365	321,988
Engineering structures		570	-
Work in progress (buildings)		-	659,689
Roadway network		-	165,406
		1,385,435	2,264,716
Net additions & disposals		25,587,284	21,693,428
Annual amortization		(10,156,475)	(9,447,978)
Accumulated amortization related to disposed assets		611,603	857,815
Adjustments			
Capital Financing			
Capital debt utilized		100,748	(1,787,370)
Capital debt repayment		3,034,472	2,800,782
Change in equity balance		19,177,632	14,116,677
Equity balance at end of year		\$ 271,821,164	\$ 252,643,532
Equity in tangible capital assets consists of:			
Capital assets (cost)		\$ 443,273,244	\$ 417,685,960
Accumulated amortization		(152,584,328)	(143,039,456)
Long-term debt utilized		(18,867,752)	(22,002,972)
		\$ 271,821,164	\$ 252,643,532

Sturgeon County

Schedule of Municipal Taxes Levied

Schedule 3

For the year ended December 31 st	Budget	2019	2018
	<i>(unaudited)</i>		
Taxation			
Real property taxes	\$ 82,390,904	\$ 51,997,616	\$ 51,098,358
Linear property taxes	10,258,836	10,579,188	10,384,671
Government grants in place of property taxes	5,331,077	5,815,758	5,331,077
	<u>97,980,817</u>	<u>68,392,562</u>	<u>66,814,106</u>
Requisitions			
Alberta School Foundation Fund	15,643,274	16,331,212	15,480,581
Homeland Housing	683,284	680,093	642,749
Greater St. Albert RCSSD #734	888,506	710,135	675,375
Elk Island CSRD #41	192,928	208,701	196,592
Designated Industrial Property	150,498	153,591	66,414
	<u>17,558,490</u>	<u>18,083,732</u>	<u>17,061,711</u>
Net municipal property taxes	\$ 80,422,327	\$ 50,308,830	\$ 49,752,395

Sturgeon County

Schedule of Government Transfers

Schedule 4

For the year ended December 31 st	Budget <i>(unaudited)</i>	2019	2018
For Operations			
Federal transfers			
Shared-cost agreements and grants	\$ 2,500	\$ 80,005	\$ 67,538
Provincial transfers			
Shared-cost agreements and grants	1,424,655	1,480,158	1,714,739
Total operating transfers	1,427,155	1,560,163	1,782,277
For Tangible Capital Assets			
Provincial transfers	5,050,000	2,457,904	5,030,277
Federal transfers	950,000	979,272	1,143,550
Total capital transfers	6,000,000	3,437,176	6,173,827
Total government grants	\$ 7,427,155	\$ 4,997,339	\$ 7,956,104

Sturgeon County

Schedule of Segment Disclosure by Object

Schedule 5

For the year ended December 31st

2019

	Transportation	Administration and Building Services	Utilities	Planning, Economic Development, and Engineering	Protective Services	Community Services	Agriculture Services	Council	Fleet	Total
Revenues										
Net municipal taxes	28,510,101	8,396,188	313,445	3,906,883	2,698,735	3,579,241	2,347,619	556,617	-	50,308,830
Special levies	-	976,488	-	-	-	-	-	-	-	976,488
Government transfers	600,000	253,108	-	7,600	-	498,884	200,571	-	-	1,560,163
User fees and sales of goods	404,626	113,012	8,926,976	55,675	230,205	62,132	53,249	-	-	9,845,875
Return on investments	-	1,648,768	-	15,552	-	-	-	-	-	1,664,320
Licenses and permits	-	9,636	1,990	798,257	15,515	-	-	-	-	825,398
Inter-municipal agreements	-	218,040	-	-	306,477	-	-	-	5,927	530,444
Penalties on taxes and service charges	-	627,082	21,584	-	-	-	-	-	-	648,666
Other revenue	216,556	5,791,479	13,993	197,328	273,619	12,722	50,011	-	6,902	6,562,610
	\$ 29,731,283	\$ 18,033,801	\$ 9,277,988	\$ 4,981,295	\$ 3,524,551	\$ 4,152,979	\$ 2,651,450	\$ 556,617	\$ 12,829	\$ 72,922,794
Expenses										
Contracted and general services	4,527,901	2,845,802	257,399	1,258,420	496,123	345,660	956,943	107,434	(339,081)	10,456,601
Salaries, wages and benefits	5,644,439	7,653,188	1,226,648	4,683,461	2,552,168	882,873	1,197,432	661,189	1,060,666	25,562,064
Materials, goods and utilities	4,606,239	677,517	4,735,901	42,547	424,517	68,987	262,962	1,176	1,222,871	12,042,717
Amortization	7,672,123	173,405	1,335,751	2,489	492,192	288,051	125,820	-	66,644	10,156,475
Grants	-	898,851	-	39,148	83,311	1,997,244	-	-	-	3,018,554
Loss/(gain) on disposal of tangible capital assets	544,969	(158,574)	-	-	-	-	(6,918)	-	2,978	382,455
Purchases from other governments	60	84,894	369,751	1,093	329,052	349,666	5,531	1,235	346,759	1,488,041
Interest on long-term debt	359,800	262,469	157,682	-	-	-	-	-	-	779,951
Provision for allowances	-	1,022,294	1,374	-	-	-	-	-	-	1,023,668
Internal Allocations	1,901,172	(164,601)	170,674	90,604	207,646	22,554	145,940	(499)	(2,373,490)	-
	\$ 25,256,703	\$ 13,295,245	\$ 8,255,180	\$ 6,117,762	\$ 4,585,009	\$ 3,955,035	\$ 2,687,710	\$ 770,535	\$ (12,653)	\$ 64,910,526
Annual surplus/(deficit) before other income	\$ 4,474,580	\$ 4,738,556	\$ 1,022,808	\$ (1,136,467)	\$ (1,060,458)	\$ 197,944	\$ (36,260)	\$ (213,918)	\$ 25,482	\$ 8,012,268

Sturgeon County

Schedule of Segment Disclosure by Object

Schedule 5

For the year ended December 31st

2018

	Transportation	Administration and Building Services	Utilities	Planning, Economic Development, and Engineering	Protective Services	Community Services	Agriculture Services	Council	Fleet	Total
Revenues										
Net municipal taxes	22,378,731	11,261,414	411,202	6,003,475	3,402,494	2,489,245	3,037,357	768,477	-	49,752,395
Special levies	-	1,029,951	-	-	-	-	-	-	-	1,029,951
Government transfers	550,354	460,716	-	86,902	-	492,745	191,560	-	-	1,782,277
User fees and sales of goods	348,578	108,186	8,432,064	50,750	260,322	61,432	51,943	-	-	9,313,275
Return on investments	-	1,050,140	-	13,052	-	-	-	-	-	1,063,192
Licenses and permits	-	55,449	-	946,533	13,890	-	-	-	-	1,015,872
Inter-municipal agreements	80,000	296,856	-	-	302,489	-	-	-	7,055	686,400
Penalties on taxes and service charges	-	408,073	19,363	-	-	-	-	-	-	427,436
Other revenue	307,288	2,057,781	135,948	184,377	295,799	79,291	43,762	-	3,421	3,107,667
	\$ 23,664,951	\$ 16,728,566	\$ 8,998,577	\$ 7,285,089	\$ 4,274,994	\$ 3,122,713	\$ 3,324,622	\$ 768,477	\$ 10,476	\$ 68,178,465
Expenses										
Contracted and general services	3,259,035	2,793,078	192,470	1,629,121	549,861	402,506	797,691	90,772	64,470	9,779,004
Salaries, wages and benefits	4,805,997	6,628,491	1,106,490	4,582,554	2,141,800	1,043,175	1,024,151	655,997	1,092,859	23,081,514
Materials, goods and utilities	4,198,545	659,499	4,353,701	35,420	272,916	76,769	231,893	17,674	879,118	10,725,535
Amortization	6,928,792	224,714	1,301,098	622	485,065	272,167	173,686	-	61,834	9,447,978
Grants	-	1,147,851	-	109,394	82,295	1,109,352	-	-	-	2,448,892
Loss/(gain) on disposal of tangible capital assets	309,500	659,689	-	-	(10,546)	-	(67,960)	-	-	890,683
Purchases from other governments	-	42,202	477,256	9,815	257,495	327,159	1,160	473	17,534	1,133,094
Interest on long-term debt	410,027	276,439	179,908	-	-	-	-	-	-	866,374
Provision for allowances	-	275,284	2,650	-	-	-	-	-	-	277,934
Internal Allocations	1,693,763	(187,698)	165,714	80,798	223,542	17,447	119,016	-	(2,112,582)	-
	\$ 21,605,659	\$ 12,519,549	\$ 7,779,287	\$ 6,447,724	\$ 4,002,428	\$ 3,248,575	\$ 2,279,637	\$ 764,916	\$ 3,233	\$ 58,651,008
Annual surplus/(deficit) before other income	\$ 2,059,292	\$ 4,209,017	\$ 1,219,290	\$ 837,365	\$ 272,566	\$ (125,862)	\$ 1,044,985	\$ 3,561	\$ 7,243	\$ 9,527,457

Sturgeon County

Schedule of Tangible Capital Assets

Schedule 6

For the year ended December 31st

2019

	Engineering Structures	Road Network	Machinery & Equipment	Buildings	Vehicles	Land	Land Improvements	Work in Progress	2019	2018
Cost										
Balance, beginning of year	\$ 85,421,709	\$ 255,713,058	\$ 15,967,179	\$ 12,322,966	\$ 10,289,380	\$ 27,204,820	\$ 5,695,271	\$ 5,071,577	\$ 417,685,960	\$ 395,992,532
Add:										
Additions during the year	5,592,180	4,782,591	818,618		1,350,566	63,981	304,211	14,060,572	26,972,719	23,958,144
Less:										
Disposals during the year	(570)		(943,500)		(441,365)				(1,385,435)	(2,264,716)
Transfers	786,863	7,374,676				349,546		(8,511,085)	-	-
Balance, end of year	\$ 91,800,182	\$ 267,870,325	\$ 15,842,297	\$ 12,322,966	\$ 11,198,581	\$ 27,618,347	\$ 5,999,482	\$ 10,621,064	\$ 443,273,244	\$ 417,685,960
Accumulated Amortization										
Balance, beginning of year	\$ 17,592,376	\$ 110,552,026	\$ 5,377,265	\$ 3,857,141	\$ 4,361,938	\$ -	\$ 1,298,710	\$ -	\$ 143,039,456	\$ 134,449,293
Add:										
Amortization	1,453,382	6,596,713	911,884	289,850	622,660	-	281,986		10,156,475	9,447,978
Less:										
Accumulated amortization on disposals			(314,616)		(296,987)				(611,603)	(857,815)
Balance, end of year	\$ 19,045,758	\$ 117,148,739	\$ 5,974,533	\$ 4,146,991	\$ 4,687,611	\$ -	\$ 1,580,696	\$ -	\$ 152,584,328	\$ 143,039,456
Net Book Value	\$ 72,754,424	\$ 150,721,586	\$ 9,867,764	\$ 8,175,975	\$ 6,510,970	\$ 27,618,347	\$ 4,418,786	\$ 10,621,064	\$ 290,688,916	\$ 274,646,504

Sturgeon County

Schedule of Tangible Capital Assets

Schedule 6

For the year ended December 31st

2018

	Engineering Structures	Road Network	Machinery & Equipment	Buildings	Vehicles	Land	Land Improvements	Work in Progress	2018	2017
Cost										
Balance, beginning of year	\$ 68,654,047	\$ 240,450,635	\$ 14,755,700	\$ 12,322,966	\$ 9,687,876	\$ 27,054,195	\$ 4,297,102	\$ 18,770,011	\$ 395,992,532	\$ 377,835,355
Add:										
Additions during the year	4,775,618	2,707,479	2,329,112	-	923,492	150,625	1,342,596	11,729,222	23,958,144	24,088,738
Less:										
Disposals during the year		(165,406)	(1,117,633)		(321,988)			(659,689)	(2,264,716)	(5,931,561)
Transfers	11,992,044	12,720,350					55,573	(24,767,967)	-	-
Balance, end of year	\$ 85,421,709	\$ 255,713,058	\$ 15,967,179	\$ 12,322,966	\$ 10,289,380	\$ 27,204,820	\$ 5,695,271	\$ 5,071,577	\$ 417,685,960	\$ 395,992,532
Accumulated Amortization										
Balance, beginning of year	\$ 16,238,131	\$ 104,764,289	\$ 4,769,404	\$ 3,567,291	\$ 4,077,593	\$ -	\$ 1,032,585	\$ -	\$ 134,449,293	\$ 127,965,454
Add:										
Amortization	1,354,245	5,917,955	1,027,345	289,850	592,458		266,125	-	9,447,978	8,385,880
Less:										
Accumulated amortization on disposals	-	(130,218)	(419,484)		(308,113)	-	-	-	(857,815)	(1,902,041)
Balance, end of year	\$ 17,592,376	\$ 110,552,026	\$ 5,377,265	\$ 3,857,141	\$ 4,361,938	\$ -	\$ 1,298,710	\$ -	\$ 143,039,456	\$ 134,449,293
Net Book Value	\$ 67,829,333	\$ 145,161,032	\$ 10,589,914	\$ 8,465,825	\$ 5,927,442	\$ 27,204,820	\$ 4,396,561	\$ 5,071,577	\$ 274,646,504	\$ 261,543,239

1. Significant Accounting Policies

The financial statements of Sturgeon County are the representations of management prepared in accordance with the generally accepted accounting principles established by the Public Sector Accounting Board of CPA Canada. Significant aspects of the accounting policies adopted by Sturgeon County are as follows:

a) Reporting Entity

The financial statements reflect the assets, liabilities, revenues and expenditures, changes in fund balances and changes in financial position of Sturgeon County.

The schedule of taxes levied 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 public sector accounting standards, requires management to make estimates and assumptions such as amortization of tangible capital assets, post retirement benefits, gravel inventory, reclamation liability, and allowances for doubtful accounts 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.

d) Cash and Short-term Investments

Short term investments are conventional liquid term deposits that mature in three months or less from the acquisition date.

e) Loans Receivable

The basis of initial valuation of the loans are that they are based on an original lending amount. Where there is no longer reasonable assurance of timely collection of the full amount of principal and interest of a loan, a provision for credit loss is made and the carrying amount of the loan is reduce to its estimated realizable amount.

1. Significant Accounting Policies

f) Investments

Investments are recorded at amortized cost. Investment premiums and discounts are amortized 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.

g) 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.

h) 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 Sturgeon County's actual tax levy exceeds an external organization's requisition, the over-levy is accrued as a liability and property tax revenue is reduced. Where the actual tax levy is less than an external organization's 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/under levies of the prior year.

i) Land held for resale

Land held for resale is recorded at the lower of cost or net realizable value. Cost includes costs for land acquisition and improvements required to prepare the land for servicing such as clearing, stripping and levelling 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 the respective function.

j) Tax Revenue

Property tax revenue is based on market value assessments determined in accordance with the *Municipal Government Act*. Tax mill rates are established annually. Taxation revenues are recorded at the time tax billings are issued. Assessments are subject to appeal.

Construction and borrowing costs associated with local improvement projects are recovered through annual special property tax assessments during the period of the related borrowings. These levies are collectible from property owners for work performed by Sturgeon County are recognized as revenue in the year they are levied.

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.

1. Significant Accounting Policies

l) Government Transfers

Government transfers are recognized in the financial statements as revenues 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 municipality, and reasonable estimates of the amounts can be determined.

m) Pension Expenses

Sturgeon County participates in a multi - employer defined benefit pension plan. This plan is accounted for as a defined contribution plan.

n) Post Retirement Benefit Plans

Sturgeon County accrues its obligations for post retirement employee benefit plans. The cost of non-pension post-retirement benefits earned by employees is determined by management's best estimate based on service, salary escalation, retirement ages of employees and expected health care costs. The present value of the cost of providing employees with future benefits programs is recognized as employees earn these entitlements through services rendered. The benefit plans are unfunded. Sturgeon County pays the benefits as they became due.

o) Deferred Revenue

Government transfers, contributions and other amounts are received from third parties pursuant to legislation, regulation or agreement and may only be used in the conduct of certain programs, in the completion of specific work, or for the purchase of tangible capital assets. In addition, certain user fees and charges 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.

p) Foreign Exchange

Monetary items denominated in foreign currency are translated to Canadian dollars at exchange rates in effect at December 31. Gains (losses) on foreign currency translation are included as revenues (expenses).

q) Allowances for Operating and Tangible Capital Assets

Allowances for asset valuations are netted against the related asset and are segregated between operating and capital purposes. Increases in allowances are recorded as an expenditure while decreases in allowances are recorded as a decrease of expenditures in the respective operating and capital fund. Sturgeon County uses estimates to determine accrued liabilities and tangible capital assets useful life.

r) 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 life extending beyond the current year and are not intended for sale in the ordinary 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.

s) 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.

Sturgeon County

Notes to Financial Statements

December 31, 2019

1. Significant Accounting Policies

t) *Tangible Capital Assets*

Capital assets are reported at cost which includes all amounts that are directly attributable to acquisition, construction, development or betterment of the asset, interest charges are not capitalized. Engineering structures, road network, vehicles, buildings, and machinery & equipment are amortized over their useful lives in a manner that reflects the consumption of their future economic benefits. The cost, less residual value, of the tangible capital assets is amortized on either the straight-line basis or declining balance. Useful life for each class of depreciable asset are:

Roadway network		
-roads	Straight Line	10 - 60 years
-bridges	Straight Line	40 - 75 years
-swales, curb & gutter	Straight Line	30 - 50 years
-railway	Straight Line	50 years
Engineering structures		
-forcemain/collection/supply/distribution lines	Straight Line	75 years
-storm water systems	Straight Line	75 years
-plants, facilities, reservoirs & lagoons	Straight Line	40 years
-equipment & pump and lift stations	Straight Line	15 - 40 years
Land improvements		
-landscaping/asphalt paths	Straight Line	25 years
-fences/ball diamonds	Straight Line	20 years
-gravel paths/parking lots	Straight Line	15 - 20 years
-playground structures	Straight Line	10 years
Buildings		
-brick/steel frame	Straight Line	40 years
-wood/portable structures	Straight Line	25 years
-leasehold improvements	Straight Line	as per lease agreement
Machinery & equipment		
- heavy	Straight Line	10 years
- light & various	Straight Line	4 - 20 years
- office & computer	Declining Balance	5 years
Vehicles		
- light	Declining Balance	10 years
- heavy & fire	Straight Line	15 - 20 years
- trailers	Straight Line	15 years

For all assets other than roads, a full year of amortization is charged in the year of acquisition and none is charged in the year disposal. For roads, no amortization is charged in the year of construction and a full year is charged in the year of reconstruction. Assets under construction are not amortized until the asset is available for productive use.

u) *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.

v) *Inventories*

Inventories of materials and supplies are valued at the lower of cost or net realizable value.

2. Segmented Information

Sturgeon County is a diversified municipal government that provides a wide range of services to its citizens, including bylaw enforcement, fire, utilities, and recreational programming. The segment reporting format reflects Sturgeon County's management and internal reporting structure and is divided into eight segments as follows:

Transportation

Transportation's mandate is to provide and maintain a safe and reliable road network for the travelling public. Transportation is responsible for winter and summer road maintenance as well as bridge maintenance. Sturgeon County's road construction program operates through the summer months.

Utilities

The utilities department provides drinking water to approximately 2,467 customers in Sturgeon County. The department is also responsible for the collection and delivery to a treatment facility of wastewater.

Protective Services

Protective Services is responsible for providing fire protection, disaster services and bylaw enforcement to the residents of Sturgeon County. Fire Services is directly responsible for two fire departments in Sturgeon County (the Districts of Calahoo and Namao) and collaborates with five fire departments in the urban centers located within Sturgeon County's borders. Bylaw Enforcement enforces all bylaws of Sturgeon County and assists local RCMP when required.

Community Services

Community Services focuses on promoting healthy lifestyles for Sturgeon residents. The department provides a variety of community and recreational activities designed for all ages, counselling for families that are experiencing difficulties and grants to community associations that provide a social or recreational service for Sturgeon County residents. The transit service is included for Sturgeon County seniors and Edmonton Garrison commuters.

Planning, Economic Development & Engineering

The planning department ensures development within Sturgeon County is well thought out, safe and reflective of Sturgeon County's visions and strategies. Economic Development focuses its efforts on attracting new business, developing a strong relationship with existing business and developing partnerships with neighbouring municipalities. Engineering provides related services to all departments within Sturgeon County.

Agriculture Services

Agriculture Services develops and promotes agricultural policies that will control vegetation growth on Sturgeon County land, control pests that have a detrimental effect on the agricultural industry and work towards preservation of Sturgeon County's agricultural environment. The department also provides information on agricultural concerns.

Administration & Building Services

Administration includes assessment services, financial services, human resources, information and geographic systems, records management, general administration, building/site management, legislative services and communications.

Fleet

Fleet and Building Services provides preventative maintenance and repairs to Sturgeon County's fixed and mobile assets.

Council

Council is the elected representatives and support staff.

Sturgeon County

Notes to Financial Statements

December 31, 2019

3. Cash and Short-term Investments

	2019	2018
Cash	\$ 12,282,928	\$ 9,079,895
Short-term investments *3 months or less	34,416,449	44,517,882
	<u>\$ 46,699,377</u>	<u>\$ 53,597,777</u>

Included in cash and short-term investments is \$424,115, (2018 - \$702,882) of funds restricted for municipal parks. Short-term investments are high interest saving account and term deposits that have stated interest rate(s) of 2.10% (2018 - 2.05% - 2.10%) and mature in three months or less from the acquisition date.

4. Accounts Receivable

	2019	2018
Taxes and grants in place of taxes	\$ 3,208,681	\$ 1,837,433
Trade and other	2,661,075	2,536,734
Local improvement taxes **	597,968	862,534
Receivable from other governments	4,902,786	4,068,142
Allowance for doubtful accounts	(455,768)	(395,001)
	<u>\$ 10,914,742</u>	<u>\$ 8,909,842</u>

** Local Improvement Taxes

	2019	2018
Local Improvement Bylaw 1076-06, expiring 2020	24,400	48,801
Local Improvement Bylaw 1077-06, expiring 2020	65,398	130,795
Local Improvement Bylaw 1111-07, expiring 2021	45,539	68,309
Local Improvement Bylaw 1147-08, expiring 2022	453,676	604,928
Local Improvement Bylaw 1353-15, expiring 2030	8,955	9,701
	<u>\$ 597,968</u>	<u>\$ 862,534</u>

5. Loans Receivable

	2019	2018
West Sturgeon Aging in Place Foundation* (Note 11)	\$ 3,312,317	\$ 3,448,303
Morinville Municipal Seed Cleaning Co-op**	-	16,372
	<u>\$ 3,312,317</u>	<u>\$ 3,464,675</u>

* The West Sturgeon Aging in Place Foundation loan receivable is secured by a mortgage and assignment of rents. This loan receivable bears interest at a rate equal to the corresponding Alberta Capital Finance Authority (ACFA) of 3.0757% with repayment in semi-annual installments of \$120,504, maturing 2037.

** The Morinville Municipal Seed Cleaning Co-op receivable is an unsecured loan agreement that has a rate equal to the ACFA of 2.000% with annual repayments of \$16,700, including principal plus interest, maturing in 2019.

The basis of initial valuation of the loans are that they are based on an original lending amount. No valuation adjustments, write-offs or recoveries are made in 2019. Interest is recorded on an accrual basis.

Sturgeon County

Notes to Financial Statements

December 31, 2019

6. Investments

	2019	2018
Corporate Bonds	\$ 15,699,803	\$ 11,620,337
Long-term Notes	13,101,887	6,738,031
Servus Credit Union Member Equity	200,000	207,000
Alcomdale Local Development Co-op (1 share)	1,500	1,500
River Valley Alliance (1 share)	1,000	1,000
Alberta Municipal Finance Corporation (18 shares)	-	180
United Farmers of Alberta (15 shares)	75	75
MuniSerp Retirement Plan	167,928	242,746
	<u>\$ 29,172,193</u>	<u>\$ 18,810,869</u>

Corporate Bonds are made up of 13 bonds with interest rate(s) of 2.57% - 4.86%. Market value of these investments total \$15,715,144 and is based on quoted market values received as at December 31, 2019.

Maturity dates range from 2020 - 2027. All bonds are recorded at their amortized cost.

7. Bank indebtedness

Sturgeon County has a revolving line of credit with Servus Credit Union with a maximum limit of \$600,000. Interest accrues monthly on the outstanding balance at a rate of prime.

As at December 31, 2019, the interest rate was 2%. As at December 31, 2019 Sturgeon County had not drawn any funds (2018 - \$ nil) on the line of credit.

8. Inventory for Consumption

	2019	2018
Gravel	\$ 977,003	\$ 1,266,547
Parts & other	530,578	550,247
Chemicals, fuel, & oil	256,629	199,465
Sand, salt, & seeds	125,376	166,321
	<u>\$ 1,889,586</u>	<u>\$ 2,182,580</u>

Inventory is comprised of items such as gravel, traffic supplies, road construction, maintenance materials, roadside chemicals, tires and parts used in repairs, and new water meters.

Sturgeon County

Notes to Financial Statements

December 31, 2019

9. Tangible Capital Assets

	2019	2018
Road network	\$ 158,270,979	\$ 147,781,517
Engineering structures	75,076,050	68,586,846
Machinery and equipment	9,991,830	10,610,914
Buildings	8,175,975	10,138,404
Vehicles	6,510,970	5,927,442
Land improvements	4,418,786	4,396,561
Land	28,244,326	27,204,820
	<u>\$ 290,688,916</u>	<u>\$ 274,646,504</u>

Non cash contributed tangible capital assets for 2019 total \$9,183,065 received from developers for subdivision roads, water supply line and wastewater collection line. (2018 - \$8,385,664).

Road network includes roads, bridges, curb & gutter, swales as well as railway. Road network includes \$7,549,393 (2018 - \$2,620,485) of Work in Progress that is not in service and not being amortized.

Engineering structures include water supply lines, distribution lines and reservoirs, wastewater transmission forcemains, lift stations and collection systems as well as a transportation fueling system. Engineering structures also include buildings and equipment used in the supply of water or collection of wastewater. Engineering structures includes \$2,321,626 (2018 - \$757,513) of Work in Progress that is not in service and not being amortized.

Machinery and equipment includes heavy equipment, agriculture equipment, fire protection equipment (other than fire vehicles) office equipment, furniture and other equipment. In 2019, \$124,066 (2018- \$21,000) remains in Work in Progress.

Buildings include offices, shops and storage buildings as well as Sturgeon County owned fire halls and buildings used for recreational purposes. In 2019, no amounts remain in Work in Progress. (2018 - \$1,672,579).

10. Accounts Payable and Accrued Liabilities

	2019	2018
Trade and other accounts payable	\$ 6,434,284	\$ 6,296,451
Earned vacation and overtime liability	1,143,852	1,054,396
Post retirement benefits obligation (Note 16)	3,771,659	3,789,761
Accrued long-term debt interest	85,877	87,143
Deposit liabilities	3,847,877	3,550,311
Reclamation liability (gravel)	943,573	922,358
	<u>\$ 16,227,122</u>	<u>\$ 15,700,420</u>

Sturgeon County

Notes to Financial Statements

December 31, 2019

11. Long-Term Debt

	2019	2018
<u>Debentures</u>		
Road overlay debenture, bylaw 1037/04 repayable in semi-annual installments of \$32,678 including interest at 4.654%, maturing 2019.	-	63,143
Road debenture, bylaw 1214/10 repayable in semi-annual installments of \$29,585 including interest at 3.140%, repaid during the year.	-	141,203
Bridge debenture, bylaw 1276/12 repayable in semi-annual installments of \$13,664 including interest at 2.627%, repaid during the year.	-	217,778
Wastewater forcemain debenture, bylaw 1055/05 repayable in semi-annual installments of \$29,843 including interest at 4.422%, maturing 2020.	57,762	113,053
Water distribution debenture, bylaw 1056/05 repayable in semi-annual installments of \$16,682 including interest at 4.422%, maturing 2020.	32,288	63,196
Wastewater collection debenture, bylaw 1057/05 repayable in semi-annual installments of \$33,183 including interest at 4.422%, maturing 2020.	64,227	125,707
Road debenture, bylaw 1112/07 repayable in semi-annual installments of \$62,852 including interest at 4.614%, maturing 2022.	348,440	454,385
Road debenture, bylaw 1156/08 repayable in semi-annual installments of \$73,085 including interest at 4.565%, maturing 2023.	528,920	646,890
Road debenture, bylaw 1177/09 repayable in semi-annual installments of \$193,610 including interest at 4.214%, maturing 2024.	1,729,418	2,034,096
Road debenture, bylaw 1181/09 repayable in semi-annual installments of \$125,084 including interest at 3.488%, maturing 2025.	1,343,849	1,541,947
Road debenture, bylaw 1181/09 repayable in semi-annual installments of \$32,337 including interest at 3.885%, maturing 2025.	343,189	393,072

Sturgeon County

Notes to Financial Statements

December 31, 2019

11. Long-Term Debt (continued ...)

	2019	2018
Debentures (continued ...)		
Water supply debenture, bylaw 1239/11 repayable in semi-annual installments of \$9,214 including interest at 2.788%, maturing 2026.	116,456	131,325
Bridge debenture, bylaw 1276/12 repayable in semi-annual installments of \$7,744 including interest at 2.627%, repaid during the year.	-	123,429
Road debenture, bylaw 1270/12 repayable in semi-annual installments of \$37,460 including interest at 2.177%, maturing 2022.	216,440	285,518
Road debenture, bylaw 1277/12 repayable in semi-annual installments of \$26,669 including interest at 2.177%, maturing 2022.	154,092	203,272
Road debenture, bylaw 1270/12 repayable in semi-annual installments of \$11,741 including interest at 2.177%, maturing 2022.	67,839	89,491
West Sturgeon Aging in Place Foundation, bylaw 1282/12 repayable in semi-annual installments of \$120,504 including interest at 3.0757%, maturing 2037.	3,312,317	3,448,304
Water supply debenture, bylaw 1294/13 repayable in semi-annual installments of \$34,711 including interest at 3.586%, maturing 2028.	529,990	579,083
Wastewater collection debenture, bylaw 1295/13 repayable in semi-annual installments of \$42,515 including interest at 3.295%, maturing 2028.	657,591	719,421
Bridge debenture, bylaw 1303/13 repayable in semi-annual installments of \$30,356 including interest at 3.295%, maturing 2028.	34,976	38,265
Road debenture, bylaw 1319/14 repayable in semi-annual installments of \$24,531 including interest at 2.314%, maturing 2024.	230,398	273,381
Road debenture, bylaw 1330/14 repayable in semi-annual installments of \$131,731 including interest at 2.314%, maturing 2024.	1,237,222	1,468,041
Road debenture. Bylaw 1331/14 repayable in semi-annual installments of \$123,850 including interest at 2.314%, maturing 2024.	1,163,200	1,380,210
Road debenture, bylaw 1317/14 repayable in semi-annual installments of \$11,892 including interest at 2.314%, maturing 2024	111,694	132,531

Sturgeon County

Notes to Financial Statements

December 31, 2019

11. Long-Term Debt (continued ...)

	2019	2018
<u>Debentures (continued ...)</u>		
Wastewater collection debenture, bylaw 1334/14 repayable in semi-annual installments of \$100,150 including interest at 2.459%, maturing 2030.	1,920,205	2,070,510
Building debenture, bylaw 1342/14 repayable in semi-annual installments of \$181,025 including interest at 2.831%, maturing 2035	4,632,545	4,858,637
Road debenture, bylaw 1328/14 repayable in semi-annual installments of \$36,054 including interest at 2.459%, maturing 2030.	691,274	745,384
Road debenture, bylaw 1330/14 repayable in semi-annual installments of \$8,843 including interest at 1.949%, maturing 2025.	99,697	115,214
Reservoir Expansion, bylaw 1350/15 repayable in semi-annual installments of \$41,045, including interest at 2.798%, maturing 2031	831,883	889,486
Land Servicing, bylaw 1359/15 repayable in semi-annual installments of \$51,307 including interest at 2.798%, maturing 2031	1,039,853	1,111,857
Road debenture, bylaw 1349/15 repayable in semi-annual installments of \$18,458 including interest at 2.195%, maturing 2025	206,473	238,332
Road debenture, bylaw 1389/17 repayable in semi-annual installments of \$5,691 including interest at 2.532%, maturing 2027	81,961	91,094
Reservoir Expansion, bylaw 1350/15 repayable in semi-annual installments of \$43,312 including interest at 2.764%, maturing 2031	879,564	940,608
Road debenture, bylaw 1349/15 repayable in semi-annual installments of \$23,490 including interest at 2.408%, maturing 2025	261,003	300,974
Land Servicing, bylaw 1359/15 repayable in semi-annual installments of \$153,591 including interest at 2.768%, maturing 2032	3,334,712	3,545,210
Road debenture, bylaw 1389/17 repayable in semi-annual installments of \$74,892 including interest at 2.832%, maturing 2028.	1,124,487	1,239,967
	<u>\$ 27,383,965</u>	<u>\$ 30,814,015</u>

Sturgeon County

Notes to Financial Statements

December 31, 2019

11. Long-Term Debt (continued ...)

The required principal and interest repayments until maturity are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 2,975,157	\$ 788,074	\$ 3,763,231
2021	2,907,682	696,135	3,603,817
2022	2,997,328	606,488	3,603,816
2023	2,810,197	516,176	3,326,373
2024	2,748,717	431,486	3,180,203
Thereafter	12,944,884	1,809,579	14,754,463
	<u>\$ 27,383,965</u>	<u>\$ 4,847,938</u>	<u>\$ 32,231,903</u>

Sturgeon County's total cash payments for interest in 2019 were \$894,866 (2018 - \$983,632).

12. Deferred Revenue

Deferred revenue comprises the amounts noted below, the use of which, together with any earnings thereon, is externally restricted to eligible expenditures on operating or capital projects as approved by the governments. These funds are recognized as revenue in the period the stipulations are met.

	<u>2018</u>	<u>Contributions</u>	<u>Interest Earned</u>	<u>Contributions Recognized</u>	<u>2019</u>
Fort Hills Upgrader tax prepayment (See Note 18)	\$ 10,331,621	-	-	\$ (789,460)	\$ 9,542,161
Northwest Redwater Partnership tax prepayment (See Note 18)	4,470,400	-	-	1,117,600	5,588,000
Other government transfer payments	1,281,347	220,210	-	(337,566)	1,163,991
Municipal Sustainability Initiative - Operating		193,230		(193,230)	-
Municipal Sustainability Initiative	6,376,736	2,604,337	137,027	(2,037,714)	7,080,386
Federal Gas Tax	687,558	2,315,946		(979,272)	2,024,232
STIP	89,379			(1,267)	88,112
Investment fund	31,092			(12,015)	19,077
Alcomdale waterline project	1,341,425	900		(148,924)	1,193,401
Off site levies	9,222,081	468,265	197,328	(119,259)	9,768,415
Developer contributions	-	58,500	-	-	58,500
Other	444,478	504,927	-	(475,997)	473,408
	<u>\$ 34,276,117</u>	<u>\$ 6,366,315</u>	<u>\$ 334,355</u>	<u>\$ (3,977,104)</u>	<u>\$ 36,999,683</u>

Sturgeon County

Notes to Financial Statements

December 31, 2019

13. Reserves

The balance of reserves at year-end consist of the following:

	2019	2018
Operating		
General operating	\$ 6,207,190	\$ 7,865,482
Drainage	2,124,337	1,800,479
Carry forward - projects	1,760,853	2,271,823
Corporate support	1,435,826	997,551
Community enhancement	1,041,855	1,095,815
Planning	1,014,987	1,022,355
Economic development	532,395	532,395
Fire & Diaster Recovery	525,000	-
Utility	456,628	456,628
Severe weather	418,000	100,000
Sturgeon industrial community fund	416,592	432,654
Agriculture services	343,183	313,183
Contingency	300,000	117,396
Heartland Mitigation	259,785	-
Subdivision oiling	187,404	187,404
Fleet	52,000	8,000
Transportation	46,332	73,327
FCSS	16,367	16,367
	<u>\$ 17,138,734</u>	<u>\$ 17,290,859</u>
Capital		
Road network	\$ 8,452,456	\$ 8,196,421
Equipment & vehicle	7,721,252	7,403,159
Utility	5,944,400	4,926,983
Corporate support	1,455,526	1,455,526
Municipal park	424,115	702,882
Recreation	218,068	218,068
Storm Sewer & Storm Ponds	104,237	104,237
	<u>\$ 24,320,054</u>	<u>\$ 23,007,276</u>
Total Reserves	<u>\$ 41,458,788</u>	<u>\$ 40,298,135</u>

Reserves include \$424,115 (2018 - \$702,882) subject to external restrictions with respect to their use.

Sturgeon County

Notes to Financial Statements

December 31, 2019

14. Salary and Benefits

Disclosure of salaries and benefits for elected Sturgeon County officials and the chief administrative officer as required by Alberta Regulations 313/00 is as follows:

	Salary ¹	Honoraria ²	Benefits ³	2019	2018
Mayor	\$ 78,058	4,410	9,466	\$ 91,934	\$ 88,953
Councillor Division 1	\$ 52,040	4,140	13,647	\$ 69,827	\$ 66,853
Councillor Division 2 (Jan 1 - June 27, 2019) ⁴	\$ 26,109	990	4,786	\$ 31,885	\$ 62,186
Councillor Division 2 (Sept 19 - Dec 31, 2019) ⁵	\$ 13,416	810	2,761	\$ 16,987	\$ -
Councillor Division 3	\$ 52,217	8,730	9,466	\$ 70,413	\$ 73,007
Councillor Division 4	\$ 53,121	3,420	10,859	\$ 67,400	\$ 65,372
Councillor Division 5	\$ 58,587	4,140	12,253	\$ 74,980	\$ 65,933
Councillor Division 6	\$ 52,040	2,970	13,647	\$ 68,657	\$ 66,603
Chief Administrative Officer (CAO)	\$ 239,018	-	33,864	\$ 272,882	\$ 36,331
Interim CAO	\$ -	-	-	\$ -	\$ 203,870
Designated Officers ⁶	\$ 1,042,076	-	187,568	\$ 1,229,644	\$ 1,014,375

¹ Salary includes regular base pay, and Mayor/Deputy Mayor allowance. In addition to attending Regular Council meetings during normal business hours, Council Members also attend Public Hearings and serve on 6-13 internal Committees/Boards and 207 external Committees/Boards and for community functions which they do not receive additional remuneration.

² Council honoraria is based on \$180 per day for attendance at conferences or conventions. Attendance at conferences and conventic typically requires travel away from home for extended periods of time.

³ Employer's share of employee benefits and contributions or payments made on behalf of employees including pensions, extended health care, dental coverage, group life insurance, accident death and dismemberment insurance, long and short-term disability plans distance allowance, professional memberships and tuition.

⁴ Councillor Division 2 last day was June 27, 2019

⁵ New Councillor for Division 2 Sworn in September 19, 2019

⁶ Designated Officers include Appointment of Municipal Assessor, Bylaw Enforcement Officers (Peace Officers and Animal Control), Clerk of the Subdivision And Development Appeal Board, and Clerk of the Assessment Review Board. Total of 11 positions.

Sturgeon County

Notes to Financial Statements

December 31, 2019

15. Local Authorities Pension Plan

Employees of Sturgeon County participate in the Local Authorities Pension Plan (LAPP), which is covered by the Public Sector Pension Plans Act. The Plan serves 265,813 members and about 421 employers. It is financed by employer, employee contributions and investment earnings of the LAPP Fund.

Sturgeon County is required to make current service contributions to the Plan of 9.39% of pensionable earnings up to the Canada Pension Plan's Yearly Maximum Pensionable Earnings and 13.84% for the excess.

Total contributions by Sturgeon County to the LAPP in 2019 were \$1,795,645 (2018 - \$1,844,670). Total contributions by the employees of Sturgeon County to the LAPP in 2019 were \$1,642,385 (2018 - \$1,697,191).

At December 31, 2018, the Local Authorities Plan disclosed an actuarial surplus of approximately \$3.47 billion.

16. Post Retirement Benefits Obligation (Note 10)

Sturgeon County makes available to qualifying employees with 15 years of continuous service who retire at or after the age of 55, the opportunity to continue their coverage for extended health and dental benefits. Coverage ceases at the age of 70. Sturgeon County pays 80 percent of benefit costs and the employee pays the remaining 20 percent. Amounts provided for in the current year amounted to \$75,203 (2018 - \$64,222). Retirees contributed \$18,801 in 2019 (2018 - \$16,050). In addition to the post retirement benefits, Sturgeon County provides a retirement allowance lump-sum payment based on years of service commencing with 35% of salary after a minimum of 20 years' consecutive service. Amounts provided for in the current year amounted to \$111,021 (2018 - \$120,263). Significant assumptions used in the valuation include a discount rate of 2.125% (2018 - 2.584%). Compensation increases of 4% for 2019 of those that have not maximized in steps and a 1.75% inflationary increase for all. The health and dental premiums includes a 6% inflationary increase over several years.

17. Trust Funds

A summary of trust funds held by Sturgeon County is as follows:

	2019	2018
Tax sale surplus	\$ 54,144	\$ 53,099
Dale MacMillan Memorial Scholarship Fund	112,124	113,761
Further Education & Literacy funds	-	176,410
Campaign Trust	9,526	9,516
	<u>\$ 175,794</u>	<u>\$ 352,786</u>

Trust funds administered by Sturgeon County have not been included in the Statement of Financial Position nor have their operations been included in the Statement of Operations.

18. Net Debt

Net debt is one indicator of a government's financial position. It is calculated as the difference between the sum of a municipality's financial assets and the sum of the liabilities. Net debt also represents the municipality's future revenue requirements to pay for past events such as debenture repayment. Net debt cannot be considered in isolation. The financial condition of the municipality both long and short term must be considered in the context of the overall economic and financial environment the municipality is operating in.

In 2010 Sturgeon County expended the remainder of Fort Hills Energy Corporation's tax prepayment of \$12,700,000. Although the funds have been expended, there is a 10 year recognition period for this amount in accordance with Public Sector Accounting Board standard. The revenue recognized in 2019 was \$789,460 (2018 - \$789,460).

On August 24, 2012 Sturgeon County entered into an agreement with North West Redwater Partnership (NWRP) for the prepayment of \$5,588,000 in property taxes. The prepayment was received by Sturgeon County on December 21, 2012. In accordance with Public Sector Accounting Board standards, Sturgeon County may begin recognizing the revenue in 5 equal annual amounts of \$1,117,600 commencing December 31, 2020. The revenue recognition in 2018 was reversed in the amount of \$1,117,600 due to the new agreement signed September 9, 2019.

19. Debt Limits

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

MGA Debt Limit Calculation	2019		2018	
Total debt limit	\$	110,341,380	\$	102,997,562
Total debt		27,383,965		30,814,015
Amount of debt limit available	\$	<u>82,957,415</u>	\$	<u>72,183,547</u>
Debt servicing limit	\$	18,390,230	\$	17,166,260
Debt servicing		3,763,231		3,930,573
Amount of debt servicing limit available	\$	<u>14,626,999</u>	\$	<u>13,235,687</u>
Internal Debt Limit Calculation	2019		2018	
Total debt limit	\$	88,273,104	\$	82,398,049
Total debt		27,383,965		30,814,015
Amount of debt limit available	\$	<u>60,889,139</u>	\$	<u>51,584,035</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 revenue as defined by the Statement of Operations and Accumulated Surplus. 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.

On October 13, 2015 council approved through motion 302/15 the debt management policy stating an internal debt limit of 1.2 times the revenue be adopted to mitigate potential financial risk. In the above note, both the MGA limit of 1.5 times the revenue and the internal debt limit of 1.2 times the revenue has been calculated. The calculation taken alone does not represent the financial stability of Sturgeon County. Rather, the financial statements must be interpreted as a whole.

Sturgeon County

Notes to Financial Statements

December 31, 2019

20. Financial Instruments

Sturgeon County's financial instruments consist of cash and short-term investments, accounts receivable, loans receivable, investments, accounts payable and accrued liabilities, and long-term debt. It is management's opinion that Sturgeon County is not exposed to significant interest or currency risks arising from these financial instruments.

Sturgeon County is subject to credit risk with respect to taxes and grants in place of taxes receivable and trade and other receivables. Credit risk arises from the possibility that taxpayers and entities to whom Sturgeon 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.

21 Budget Figures

The 2019 Budget figures appearing in the financial statement below have not been audited. Budgets that are established for capital acquisitions and related financing are calculated on a project oriented basis, as they may be carried out over one or more years. As such, they are not directly comparable with current year actual amounts.

	Budget (unaudited)	2019	2018
Budget Figures			
Annual Surplus	\$ 39,935,077	\$ 21,270,634	\$ 24,732,194
Internal Transfers (net operating & capital)	(12,990,050)	628,502	(8,571,835)
Operating valuation adjustment of Tangible Capital Assets	-	159,144	-
Proceeds on disposal of Tangible Capital Assets	201,000	232,234	516,217
Repayment of capital long-term debt	(3,124,059)	(3,034,472)	(2,800,782)
Loss on disposal of Tangible Capital Assets	-	382,455	890,683
Capital costs	(33,827,143)	(17,789,654)	(15,413,810)
Contributed assets	-	(9,183,065)	(8,544,334)
Debt utilized	1,000,000	(100,748)	1,787,370
Amortization	8,805,175	10,156,475	9,447,978
Operating Surplus (before yearend transfer)	\$ -	\$ 2,721,505	\$ 2,043,681
Internal Transfers (net operating & capital)	-	(2,721,505)	(2,043,681)
Operating Surplus (after yearend transfer)	\$ -	\$ -	\$ -

Note that the above unaudited budget data presented above is based upon the 2019 operating and capital budgets that have been approved by Council. Amortization and gain/loss of disposed tangible capital assets were not contemplated to be funded in the development of the budget and, as such, have not been included.

22. Subsequent events

On March 11, 2020, the COVID-19 outbreak was declared a global pandemic by the World Health Organization and on March 17, 2020 the Province of Alberta declared a public health emergency. Many businesses and individuals in a vast array of sectors may experience an economic loss due to COVID-19 which may have a financial effect on the Town. An estimate of the potential financial impact cannot be made at this time.

23. Comparative Information

Certain comparative values have been reclassified to conform with the current year financial statement presentation.

24. Approval of Financial Statements

Council and Management have approved these financial statements.

Sturgeon County

Notes to Financial Statements

December 31, 2019

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