



2018

Audited Financial Statements

For the year ending December 31, 2018



Sturgeon County 2018 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, 2018 and the statements of operations and accumulated surplus, changes in net financial assets (debt), 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, 2018 and the results of its operations, changes in net financial assets (debt), 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 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 23, 2019

Sturgeon County

Statement of Financial Position

December 31 st	2018	2017
Financial Assets		
Cash and short-term investments (Note 3)	\$ 53,597,777	\$ 55,744,037
Accounts receivable (Note 4)	8,909,842	9,186,954
Loans Receivable (Note 5)	3,464,675	3,612,624
Investments (Note 6)	18,810,869	7,648,731
Total financial assets	84,783,163	76,192,346
Liabilities		
Accounts payable and accrued liabilities (Note 10)	15,700,420	18,003,916
Long-term debt (Note 11)	30,814,015	32,702,364
Deferred revenue (Note 12)	34,276,117	33,166,987
Total liabilities	80,790,552	83,873,267
Net Financial Assets (Debt) (Note 18)	3,992,611	(7,680,921)
Non-Financial Assets		
Prepaid expenses	642,360	526,138
Inventory for consumption (Note 8)	2,182,580	2,343,406
Tangible capital assets (Schedule 6) (Note 9)	274,646,505	261,543,239
Total non-financial assets	277,471,445	264,412,783
Accumulated Surplus (Schedule 1)	\$ 281,464,056	\$ 256,731,862

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 (unaudited)	2018	2017
Revenues			
Net municipal taxes (Schedule 3)	\$ 49,310,729	\$ 49,752,395	\$ 47,085,147
Special levies	1,026,271	1,029,951	666,229
Government transfers for operating (Schedule 4)	1,417,950	1,782,277	1,707,541
User fees and sales of goods	9,003,853	9,407,007	8,151,246
Return on investments	409,730	1,063,192	857,384
Licenses and permits	892,410	1,015,872	744,859
Inter-municipal agreements	335,608	686,400	570,367
Penalties on taxes and service charges	280,000	427,436	356,243
Other revenue	576,995	3,013,935	1,342,604
	63,253,546	68,178,465	61,481,620
Expenses (Schedule 5)			
Transportation	22,302,482	21,605,659	20,600,184
Administration and Building Services	11,386,798	12,519,549	10,901,305
Utilities	6,820,222	7,779,287	6,608,214
Planning, Economic Development, and Engineering	7,226,117	6,447,724	5,826,456
Protective Services	4,427,468	4,002,428	3,847,538
Community Services	3,333,328	3,248,575	3,284,777
Agriculture Services	2,513,729	2,279,637	2,222,223
Council	776,828	764,916	680,950
Fleet	31,785	3,233	9,825
	58,818,757	58,651,008	53,981,472
Annual surplus before other income	4,434,789	9,527,457	7,500,148
Other income (expense)			
Government transfers for capital (Schedule 4)	5,962,000	6,173,827	12,952,362
Contributed tangible capital assets (Note 9)	-	8,544,334	1,478,615
Unrealized foreign exchange gain (loss)	-	457,377	(174,329)
Developer off site levies	1,150,000	29,199	53,553
	7,112,000	15,204,737	14,310,201
Annual surplus	11,546,789	24,732,194	21,810,349
Accumulated surplus at beginning of year	256,731,862	256,731,862	234,921,513
Accumulated surplus at end of year (Schedule 1)	\$ 268,278,651	\$ 281,464,056	\$ 256,731,862

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 31st

2018

2017

Cash provided by (used in)

Operating activities

Annual surplus	\$ 24,732,194	\$ 21,810,349
Non-cash items included in annual surplus:		
Contributed tangible capital assets	(8,544,334)	(1,478,615)
Amortization of tangible capital assets	9,447,978	8,385,880
Loss on disposal of tangible capital assets	890,683	240,215
Amortization of bonds	41,295	21,672
	<u>26,567,816</u>	<u>28,979,501</u>
Changes in non-cash working capital		
Accounts receivable	277,112	(3,342,961)
Loans receivable	147,949	142,398
Prepaid expenses	(116,222)	7,634
Accounts payable and accrued liabilities	(2,303,496)	3,695,917
Deferred revenue	1,109,130	(668,613)
Inventory for consumption	160,826	(358,738)
Cash provided by operating activities	<u>25,843,115</u>	<u>28,455,139</u>

Capital activities

Acquisition of tangible capital assets	(15,413,810)	(22,610,123)
Proceeds on disposal of tangible capital assets	516,217	3,789,306
Cash used in capital activities	<u>(14,897,593)</u>	<u>(18,820,817)</u>

Investing activities

Acquisitions of investments	(11,203,433)	(3,205,164)
Cash used in investing activities	<u>(11,203,433)</u>	<u>(3,205,164)</u>

Financing activities

Long-term debt issued	1,296,500	5,190,000
Long-term debt repaid	(3,184,849)	(2,871,046)
Cash provided by (used in) financing activities	<u>(1,888,349)</u>	<u>2,318,954</u>

Increase (decrease) in cash during the year	<u>(2,146,260)</u>	<u>8,748,112</u>
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Cash and short-term investments, beginning of year	<u>55,744,037</u>	<u>46,995,925</u>
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Cash and short-term investments, end of year	<u>\$ 53,597,777</u>	<u>\$ 55,744,037</u>
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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 (Debt)

For the year ended December 31 st	Budget (unaudited)	2018	2017
Annual surplus	\$ 11,546,789	\$ 24,732,194	\$ 21,810,349
Acquisition of tangible capital assets	(24,195,920)	(15,413,810)	(22,610,123)
Contributed tangible capital assets	-	(8,544,334)	(1,478,615)
Amortization of tangible capital assets	9,128,128	9,447,978	8,385,880
Loss on disposal of tangible capital assets	-	890,683	240,215
Proceeds on sale of tangible capital assets	688,000	516,217	3,789,306
	(14,379,792)	(13,103,266)	(11,673,337)
Acquisition of supplies inventory	-	(2,182,580)	(2,343,406)
Acquisition of prepaid expense	-	(642,360)	(526,138)
Consumption of supplies inventory	-	2,343,406	1,984,668
Use of prepaid expense	-	526,138	533,773
	-	44,604	(351,103)
Change in net debt	(2,833,003)	11,673,532	9,785,909
Net debt at beginning of year	(7,680,921)	(7,680,921)	(17,466,830)
Net financial assets (debt) at end of year (Note 18)	\$ (10,513,924)	\$ 3,992,611	\$ (7,680,921)

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	2018	2017
Deficit from operations	\$ (11,477,611)	\$ (13,416,319)
Internally designated (Note 13 Reserve funds)		
Operating	17,290,859	12,105,355
Capital	23,007,276	19,515,971
Total reserves	40,298,135	31,621,326
Equity in tangible capital assets (Schedule 2)	252,643,532	238,526,855
Accumulated Surplus	\$ 281,464,056	\$ 256,731,862

Sturgeon County

Schedule of Equity in Tangible Capital Assets

Schedule 2

For the year ended December 31 st	2018	2017
Equity balance at beginning of year	\$ 238,526,855	\$ 226,054,292
Acquisition of capital assets		
Roadway network	11,625,419	12,048,213
Land	150,625	715,032
Land improvements	1,361,879	1,426,662
Vehicles	923,492	1,268,123
Buildings	470,161	975,855
Engineering structures	7,076,456	5,330,045
Machinery & equipment	2,350,112	2,324,808
Total acquisitions/contributed assets	23,958,144	24,088,738
Disposal of capital assets (cost)		
Machinery & equipment	1,117,633	5,491,085
Vehicles	321,988	440,476
Work in progress (buildings)	659,689	
Roadway network	165,406	-
	2,264,716	5,931,561
Net additions & disposals	21,693,428	18,157,177
Annual amortization	(9,447,978)	(8,385,880)
Accumulated amortization related to disposed assets	857,815	1,902,041
Adjustments		
Capital Financing		
Capital debt utilized	(1,787,370)	(1,898,163)
Capital debt repayment	2,800,782	2,697,388
Change in equity balance	14,116,677	12,472,563
Equity balance at end of year	\$ 252,643,532	\$ 238,526,855
Equity in tangible capital assets consists of:		
Capital assets (cost)	\$ 417,685,960	\$ 395,992,532
Accumulated amortization	(143,039,456)	(134,449,293)
Long-term debt utilized	(22,002,972)	(23,016,384)
	\$ 252,643,532	\$ 238,526,855

Sturgeon County

Schedule of Municipal Taxes Levied

Schedule 3

For the year ended December 31 st	Budget (unaudited)	2018	2017
Taxation			
Real property taxes	\$ 51,272,698	\$ 51,098,358	\$ 47,867,443
Linear property taxes	10,204,727	10,384,671	9,748,043
Government grants in place of property taxes	4,809,453	5,331,077	4,809,453
	<u>66,286,879</u>	<u>66,814,106</u>	<u>62,424,939</u>
Requisitions			
Alberta School Foundation Fund	15,409,139	15,480,581	13,985,475
Homeland Housing (formerly Sturgeon Foundation)	633,755	642,749	594,486
Greater St. Albert RCSSD #734	673,858	675,375	591,223
Elk Island CSRD #41	194,487	196,592	168,608
Designated Industrial Property	64,911	66,414	-
	<u>16,976,150</u>	<u>17,061,711</u>	<u>15,339,792</u>
Net municipal property taxes	\$ 49,310,729	\$ 49,752,395	\$ 47,085,147

Sturgeon County

Schedule of Government Transfers

Schedule 4

For the year ended December 31 st	Budget (unaudited)	2018	2017
For Operations			
Federal transfers			
Shared-cost agreements and grants	\$ 2,500	\$ 7,654	\$ 22,761
Provincial transfers			
Shared-cost agreements and grants	1,415,450	1,774,623	1,684,780
Total operating transfers	1,417,950	1,782,277	1,707,541
For Tangible Capital Assets			
Provincial transfers	5,962,000	5,030,277	11,937,953
Federal transfers	-	1,143,550	1,014,409
Total capital transfers	5,962,000	6,173,827	12,952,362
Total government grants	\$ 7,379,950	\$ 7,956,104	\$ 14,659,903

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	199,917	8,432,064	50,750	260,322	63,433	51,943	-	-	9,407,007
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	1,966,050	135,948	184,377	295,799	77,290	43,762	-	3,421	3,013,935
	\$ 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	3,409,109	2,880,018	203,739	1,638,389	588,441	449,669	807,128	126,716	64,668	10,167,877
Salaries, wages and benefits	4,805,997	6,628,491	1,106,490	4,585,647	2,141,800	1,051,271	1,024,151	637,727	1,092,859	23,074,433
Materials, goods and utilities	4,048,471	572,559	4,342,432	23,059	234,336	21,510	222,456	-	878,920	10,343,743
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 Segment Disclosure by Object

Schedule 5

For the year ended December 31st

2017

	Transportation	Administration and Building Services	Utilities	Planning, Economic Development, and Engineering	Protective Services	Community Services	Agriculture Services	Council	Fleet	Total
Revenues										
Net municipal taxes	22,229,842	10,586,796	397,506	4,624,003	3,180,797	2,301,269	3,003,727	761,207	-	47,085,147
Special levies	-	666,229	-	-	-	-	-	-	-	666,229
Government transfers	693,365	116,711	-	66,610	18,498	620,789	191,568	-	-	1,707,541
User fees and sales of goods	319,060	179,389	7,142,689	89,100	287,334	85,612	48,062	-	-	8,151,246
Return on investments	-	849,494	-	7,890	-	-	-	-	-	857,384
Licenses and permits	-	71,288	-	655,606	17,965	-	-	-	-	744,859
Inter-municipal agreements	80,000	18,313	272,731	-	190,052	-	-	-	9,271	570,367
Penalties on taxes and service charges	-	339,236	17,007	-	-	-	-	-	-	356,243
Other revenue	133,860	600,444	3,798	259,266	270,860	5,310	61,994	-	7,072	1,342,604
	\$ 23,456,127	\$ 13,427,900	\$ 7,833,731	\$ 5,702,475	\$ 3,965,506	\$ 3,012,980	\$ 3,305,351	\$ 761,207	\$ 16,343	\$ 61,481,620
Expenses										
Contracted and general services	2,922,496	2,609,663	205,488	1,022,288	568,629	430,278	764,126	112,308	43,626	8,678,902
Salaries, wages and benefits	5,313,816	7,491,860	1,126,182	4,565,067	1,959,289	1,183,538	937,278	567,284	915,669	24,059,983
Materials, goods and utilities	3,744,334	501,891	3,598,960	14,093	316,975	35,506	180,223	-	1,100,563	9,492,545
Amortization	6,216,020	208,731	1,054,583	778	458,028	210,963	170,449	-	66,328	8,385,880
Grants	-	18,224	-	88,602	82,546	1,119,768	6,533	-	-	1,315,673
Loss/(gain) on disposal of tangible capital assets	246,123	1,751	4,666	-	4,359	-	(18,111)	-	1,429	240,217
Purchases from other governments	-	10,356	270,590	46,896	241,489	301,476	1,130	1,358	67,515	940,810
Interest on long-term debt	444,683	188,405	176,471	-	-	-	-	-	-	809,559
Provision for allowances	-	54,278	1,812	-	-	-	-	-	-	56,090
Internal Allocations	1,712,712	(183,854)	169,462	88,732	216,223	3,248	180,595	-	(2,185,305)	1,813
	\$ 20,600,184	\$ 10,901,305	\$ 6,608,214	\$ 5,826,456	\$ 3,847,538	\$ 3,284,777	\$ 2,222,223	\$ 680,950	\$ 9,825	\$ 53,981,472
Annual surplus/(deficit) before other income	\$ 2,855,943	\$ 2,526,595	\$ 1,225,517	\$ (123,981)	\$ 117,968	\$ (271,797)	\$ 1,083,128	\$ 80,257	\$ 6,518	\$ 7,500,148

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

Sturgeon County

Schedule of Tangible Capital Assets

Schedule 6

For the year ended December 31st

2017

	Engineering Structures	Road Network	Machinery & Equipment	Buildings	Vehicles	Land	Land Improvements	Work in Progress	2017	2016
Cost										
Balance, beginning of year	\$ 67,335,573	\$ 227,061,901	\$ 18,012,082	\$ 12,322,966	\$ 8,860,229	\$ 26,339,163	\$ 2,760,647	\$ 15,142,794	\$ 377,835,355	\$ 368,044,930
Add:										
Additions during the year	829,441	663,121	1,890,926		1,268,123	715,032	116,254	18,605,841	24,088,738	11,986,352
Less:										
Disposals during the year	-	-	(5,491,085)		(440,476)	-	-	-	(5,931,561)	(2,195,926)
Transfers	489,033	12,725,613	343,777	-	-	-	1,420,201	(14,978,624)	-	-
Balance, end 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	\$ 377,835,356
Accumulated Amortization										
Balance, beginning of year	\$ 15,163,942	\$ 99,494,377	\$ 5,333,305	\$ 3,276,119	\$ 3,868,723	\$ -	\$ 828,988	\$ -	\$ 127,965,454	\$ 120,236,952
Add:										
Amortization	1,074,189	5,269,912	992,376	291,172	554,634	-	203,597	-	8,385,880	8,673,549
Less:										
Accumulated amortization on disposals	-	-	(1,556,277)		(345,764)	-	-	-	(1,902,041)	(945,047)
Balance, end 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
Net Book Value	\$ 52,415,916	\$ 135,686,346	\$ 9,986,296	\$ 8,755,675	\$ 5,610,283	\$ 27,054,195	\$ 3,264,517	\$ 18,770,011	\$ 261,543,239	\$ 249,869,902

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, 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) 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 made.

d) Pension Expenses

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

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 reduced to its estimated realizable amount.

f) Inventories

Inventories of materials and supplies are valued at the lower of cost or net realizable value with cost determined by the most recent invoice cost method.

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

Sturgeon County

Notes to Financial Statements

December 31, 2018

1. Significant Accounting Policies (*continued* ...)

g) **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. An asset that is donated or contributed to Sturgeon County is considered to be equal to its fair value at the date of contribution. 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. Amortization is calculated on either the straight-line basis or declining balance, using rates which are reviewed annually. 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 of 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.

1. Significant Accounting Policies (continued ...)

h) 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.

i) Cash and Short-term Investments

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

j) 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.

k) 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 become due.

l) 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.

m) 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.

n) 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.

1. Significant Accounting Policies (*continued ...*)

o) 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.

p) Requisition Over-levies and Under-levies

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

q) 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.

r) 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).

s) 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.

t) 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.

u) 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.

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 2,450 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, 2018

3. Cash and Short-term Investments

	2018	2017
Cash	\$ 9,079,895	\$ 18,736,802
Short-term investments *3 months or less	44,517,882	37,007,235
	<u>\$ 53,597,777</u>	<u>\$ 55,744,037</u>

Included in cash and short-term investments is \$702,882 (2017 - \$707,726) of funds restricted for municipal parks. Short-term investments which are term deposits have effective interest rate(s) of 2.05% - 2.10% (2017 - 1.42% - 1.51%) and mature in three months or less from the acquisition date.

4. Accounts Receivable

	2018	2017
Taxes and grants in place of taxes	\$ 1,837,433	\$ 1,432,320
Trade and other	2,536,734	1,940,413
Local improvement taxes **	862,534	1,163,845
Receivable from other governments	4,068,142	4,835,544
Allowance for doubtful accounts	(395,001)	(185,168)
	<u>\$ 8,909,842</u>	<u>\$ 9,186,954</u>

** Local Improvement Taxes

	2018	2017
Local Improvement Bylaw 1005-04, expiring 2018	-	\$ 32,970
Local Improvement Bylaw 1006-04, expiring 2018	-	12,646
Local Improvement Bylaw 1076-06, expiring 2020	48,801	73,202
Local Improvement Bylaw 1077-06, expiring 2020	130,795	196,193
Local Improvement Bylaw 1111-07, expiring 2021	68,309	91,079
Local Improvement Bylaw 1147-08, expiring 2022	604,928	748,054
Local Improvement Bylaw 1353-15, expiring 2030	9,701	9,701
	<u>\$ 862,534</u>	<u>\$ 1,163,845</u>

5. Loans Receivable

	2018	2017
West Sturgeon Aging in Place Foundation* (Note 11)	\$ 3,448,303	\$ 3,580,202
Morinville Municipal Seed Cleaning Co-op**	16,372	32,422
	<u>\$ 3,464,675</u>	<u>\$ 3,612,624</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 2018. Interest is recorded on an accrual basis.

Sturgeon County

Notes to Financial Statements

December 31, 2018

6. Investments

	2018	2017
Corporate Bonds	\$ 18,358,368	\$ 7,182,940
Servus Credit Union Member Equity	207,000	206,991
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	180
United Farmers of Alberta (15 shares)	75	75
MuniSerp Retirement Plan	242,746	256,045
	<u>\$ 18,810,869</u>	<u>\$ 7,648,731</u>

Corporate Bonds are made up of 14 bonds with interest rate(s) of 2.34% - 3.17%. Market value of these investments total \$18,001,979 and is based on quoted market values received as at December 31, 2018.

Maturity dates range from 2021 - 2026. 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, 2018, the interest rate was 2%. As at December 31, 2018 Sturgeon County had not drawn any funds (2017 - \$ nil) on the line of credit.

8. Inventory for Consumption

	2018	2017
Common services (transportation)	\$ 1,886,847	\$ 2,040,686
Equipment maintenance shop	139,461	152,101
Agricultural services	138,287	150,620
Utilities	17,985	
	<u>\$ 2,182,580</u>	<u>\$ 2,343,406</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, 2018

9. Tangible Capital Assets

	2018	2017
Road network	\$ 147,781,518	\$ 142,835,527
Engineering structures	68,586,846	62,834,328
Machinery and equipment	10,610,914	9,986,297
Buildings	10,138,404	9,958,092
Vehicles	5,927,442	5,610,285
Land improvements	4,396,561	3,264,515
Land	27,204,820	27,054,195
	<u>\$ 274,646,505</u>	<u>\$ 261,543,239</u>

Non cash contributed tangible capital assets for 2018 total \$8,385,664 received from developers for subdivision roads, water supply line and wastewater collection line. (2017 - \$1,478,615).

Road network includes roads, bridges, curb & gutter, swales as well as railway. Road network includes \$2,620,485 (2017 - \$7,149,179) 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 \$757,513 (2017 - \$10,418,414) 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 2018, \$21,000 remains in Work in Progress. (2017- \$0)

Buildings include offices, shops and storage buildings as well as Sturgeon County owned fire halls and buildings used for recreational purposes. In 2018, \$1,672,579 remains in Work in Progress. (2017 - \$1,202,418).

10. Accounts Payable and Accrued Liabilities

	2018	2017
Trade and other accounts payable	\$ 6,296,451	\$ 8,200,760
Earned vacation and overtime liability	1,054,396	967,515
Post retirement benefits obligation (Note 16)	3,789,761	4,097,944
Accrued long-term debt interest	87,143	87,380
Deposit liabilities	3,550,311	3,753,083
Reclamation liability (gravel)	922,358	897,234
	<u>\$ 15,700,420</u>	<u>\$ 18,003,916</u>

Sturgeon County

Notes to Financial Statements

December 31, 2018

11. Long-Term Debt

	2018	2017
<u>Debentures</u>		
Road debenture, bylaw 964/03 repayable in annual installments of \$212,419 including interest at 5.375%, maturing 2018.	-	201,584
Water distribution debenture, bylaw 991B/03 repayable in annual installments of \$43,541 including interest at 5.375%, maturing 2018.	-	41,320
Water supply debenture, bylaw 991A/03 repayable in annual installments of \$56,839 including interest at 5.375%, maturing 2018.	-	53,940
Road overlay debenture, bylaw 1037/04 repayable in semi-annual installments of \$32,678 including interest at 4.654%, maturing 2019.	63,143	123,447
Wastewater forcemain debenture, bylaw 1055/05 repayable in semi-annual installments of \$29,843 including interest at 4.422%, maturing 2020.	113,053	165,977
Water distribution debenture, bylaw 1056/05 repayable in semi-annual installments of \$16,682 including interest at 4.422%, maturing 2020.	63,196	92,781
Wastewater collection debenture, bylaw 1057/05 repayable in semi-annual installments of \$33,183 including interest at 4.422%, maturing 2020.	125,707	184,555
Road debenture, bylaw 1112/07 repayable in semi-annual installments of \$62,852 including interest at 4.614%, maturing 2022.	454,385	555,607
Road debenture, bylaw 1156/08 repayable in semi-annual installments of \$73,085 including interest at 4.565%, maturing 2023.	646,890	759,653
Road debenture, bylaw 1177/09 repayable in semi-annual installments of \$193,610 including interest at 4.214%, maturing 2024.	2,034,096	2,326,330
Road debenture, bylaw 1181/09 repayable in semi-annual installments of \$125,084 including interest at 3.488%, maturing 2025.	1,541,947	1,733,313
Road debenture, bylaw 1181/09 repayable in semi-annual installments of \$32,337 including interest at 3.885%, maturing 2025.	393,072	441,073

Sturgeon County

Notes to Financial Statements

December 31, 2018

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

	2018	2017
<u>Debentures (continued ...)</u>		
Road debenture, bylaw 1214/10 repayable in semi-annual installments of \$29,585 including interest at 3.140%, maturing 2021.	141,203	194,677
Water supply debenture, bylaw 1239/11 repayable in semi-annual installments of \$9,214 including interest at 2.788%, maturing 2026.	131,325	145,789
Bridge debenture, bylaw 1276/12 repayable in semi-annual installments of \$13,664 including interest at 2.627%, maturing 2027.	217,778	238,967
Bridge debenture, bylaw 1276/12 repayable in semi-annual installments of \$7,744 including interest at 2.627%, maturing 2027.	123,429	135,438
Road debenture, bylaw 1270/12 repayable in semi-annual installments of \$37,460 including interest at 2.177%, maturing 2022.	285,518	353,116
Road debenture, bylaw 1277/12 repayable in semi-annual installments of \$26,669 including interest at 2.177%, maturing 2022.	203,272	251,398
Road debenture, bylaw 1270/12 repayable in semi-annual installments of \$11,741 including interest at 2.177%, maturing 2022.	89,491	110,678
West Sturgeon Aging in Place Foundation, bylaw 1282/12 repayable in semi-annual installments of \$120,504 including interest at 3.0757%, maturing 2037.	3,448,304	3,580,202
Water supply debenture, bylaw 1294/13 repayable in semi-annual installments of \$34,711 including interest at 3.586%, maturing 2028.	579,083	626,462
Wastewater collection debenture, bylaw 1295/13 repayable in semi-annual installments of \$42,515 including interest at 3.295%, maturing 2028.	719,421	779,264
Bridge debenture, bylaw 1303/13 repayable in semi-annual installments of \$30,356 including interest at 3.295%, maturing 2028.	38,265	41,448
Road debenture, bylaw 1319/14 repayable in semi-annual installments of \$24,531 including interest at 2.314%, maturing 2024.	273,381	315,387
Road debenture, bylaw 1330/14 repayable in semi-annual installments of \$131,731 including interest at 2.314%, maturing 2024.	1,468,041	1,693,610

Sturgeon County

Notes to Financial Statements

December 31, 2018

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

	2018	2017
Debentures (continued ...)		
Road debenture. Bylaw 1331/14 repayable in semi-annual installments of \$123,850 including interest at 2.314%, maturing 2024.	1,380,210	1,592,284
Road debenture, bylaw 1317/14 repayable in semi-annual installments of \$11,892 including interest at 2.314%, maturing 2024	132,531	152,895
Wastewater collection debenture, bylaw 1334/14 repayable in semi-annual installments of \$100,150 including interest at 2.459%, maturing 2030.	2,070,510	2,217,186
Building debenture, bylaw 1342/14 repayable in semi-annual installments of \$181,025 including interest at 2.831%, maturing 2035	4,858,637	5,078,462
Road debenture, bylaw 1328/14 repayable in semi-annual installments of \$36,054 including interest at 2.459%, maturing 2030.	745,384	798,187
Road debenture, bylaw 1330/14 repayable in semi-annual installments of \$8,843 including interest at 1.949%, maturing 2025.	115,214	130,433
Reservoir Expansion, bylaw 1350/15 repayable in semi-annual installments of \$41,045, including interest at 2.798%, maturing 2031	889,486	945,511
Land Servicing, bylaw 1359/15 repayable in semi-annual installments of \$51,307 including interest at 2.798%, maturing 2031	1,111,857	1,181,888
Road debenture, bylaw 1349/15 repayable in semi-annual installments of \$18,458 including interest at 2.195%, maturing 2025	238,332	269,502
Road debenture, bylaw 1389/17 repayable in semi-annual installments of \$5,691 including interest at 2.532%, maturing 2027	91,094	100,000
Reservoir Expansion, bylaw 1350/15 repayable in semi-annual installments of \$43,312 including interest at 2.764%, maturing 2031	940,608	1,000,000
Road debenture, bylaw 1349/15 repayable in semi-annual installments of \$23,490 including interest at 2.408%, maturing 2025	300,974	340,000
Land Servicing, bylaw 1359/15 repayable in semi-annual installments of \$153,591 including interest at 2.768%, maturing 2032	3,545,210	3,750,000
Road debenture, bylaw 1389/17 repayable in semi-annual installments of \$74,892 including interest at 2.832%, maturing 2028.	1,239,967	-
	<u>\$ 30,814,015</u>	<u>\$ 32,702,364</u>

Sturgeon County

Notes to Financial Statements

December 31, 2018

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

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

	Principal	Interest	Total
2019	\$ 3,036,881	\$ 893,692	\$ 3,930,573
2020	3,067,045	798,173	3,865,218
2021	2,972,711	703,507	3,676,218
2022	3,034,180	612,454	3,646,634
2023	2,848,023	521,167	3,369,190
Thereafter	15,855,175	2,250,760	18,105,935
	\$ 30,814,015	\$ 5,779,753	\$ 36,593,768

Sturgeon County's total cash payments for interest in 2018 were \$893,632 (2017 - \$809,559).

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.

	2017	Contributions	Interest Earned	Contributions Recognized	2018
Fort Hills Upgrader tax prepayment (See Note 18)	\$ 11,121,081	-	-	\$ (789,460)	\$ 10,331,621
Northwest Redwater Partnership tax prepayment (See Note 18)	5,588,000	-	-	(1,117,600)	4,470,400
Government transfer payments	7,876,851	9,229,881	111,398	(7,410,593)	9,807,537
Off site levies	8,151,241	919,515	180,524	(29,199)	9,222,081
Other	429,814	476,477	-	(461,813)	444,478
	\$ 33,166,987	\$ 10,625,873	\$ 291,922	\$ (9,808,665)	\$ 34,276,117

Sturgeon County

Notes to Financial Statements

December 31, 2018

13. Reserves

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

	2018	2017
Operating		
General operating	\$ 7,865,482	\$ 4,586,610
Carry forward - projects	2,271,823	1,492,949
Drainage	1,800,479	1,402,200
Community enhancement	1,095,815	777,413
Corporate support	997,551	754,012
Utility	456,628	621,000
Planning	1,022,355	654,717
Sturgeon industrial community fund	432,654	421,535
Economic development	532,395	429,395
Contingency	117,396	293,252
Agriculture services	313,183	283,183
Subdivision oiling	187,404	187,404
Severe weather	100,000	100,000
Transportation	73,327	77,318
Fleet	8,000	8,000
FCSS	16,367	16,367
	\$ 17,290,859	\$ 12,105,355
Capital		
Utility	\$ 4,926,983	\$ 3,820,670
Road network	8,196,421	6,299,899
Equipment & vehicle	7,403,159	6,944,303
Corporate support	1,455,526	1,477,397
Municipal park	702,882	707,726
Recreation	218,068	218,068
Storm Sewer & Storm Ponds	104,237	47,908
	\$ 23,007,276	\$ 19,515,971
Total Reserves	\$ 40,298,135	\$ 31,621,326

Reserves include \$702,882 (2017 - \$707,726) subject to external restrictions with respect to their use.

Sturgeon County

Notes to Financial Statements

December 31, 2018

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	2018	2017
Mayor	\$ 76,746	2,700	9,507	\$ 88,953	\$ 75,108
Mayor elected Oct 24	\$ -	-	-	\$ -	\$ 15,931
Councillor Division 1	\$ 51,165	2,070	13,618	\$ 66,853	\$ 58,752
Councillor Division 1 elected Oct 24	\$ -	-	-	\$ -	\$ 11,917
Councillor Division 2	\$ 50,659	2,070	9,457	\$ 62,186	\$ 62,751
Councillor Division 3	\$ 58,190	5,310	9,507	\$ 73,007	\$ 65,099
Councillor Division 4	\$ 52,065	2,430	10,877	\$ 65,372	\$ 52,011
Councillor Division 4 elected Oct 24	\$ -	-	-	\$ -	\$ 11,267
Councillor Division 5	\$ 51,165	2,520	12,248	\$ 65,933	\$ 66,961
Councillor Division 6	\$ 51,815	1,170	13,618	\$ 66,603	\$ 65,834
Chief Administrative Officer (CAO) ⁴	\$ 31,635	-	4,696	\$ 36,331	\$ 351,397
Interim CAO ⁵	\$ 203,870	-	-	\$ 203,870	\$ -
Severance Pay Settlement CAO	\$ -	-	-	\$ -	\$ 381,275
Designated Officers ⁶	\$ 857,511		156,864	\$ 1,014,375	\$ 1,018,663

¹ Salary includes regular base pay, and Mayor/Deputy Mayor allowance. 1/3 of this is tax free (tax free portion applies to elected officials only). 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 conventions typically requires travel away from home for extended periods of time. CAO honoraria is based on \$20 per overnight stay at conferences or conventions.

³ Employer's share of employee benefits and contributions or payments made on behalf of employees including pension, extended health care, dental coverage, group life insurance, accident death and dismemberment insurance, long and short-term disability plans, auto allowance, distance allowance (1/3 tax free portion applies to elected officials only), professional memberships and tuition.

⁴ Permanent CAO started November 5, 2018

⁵ Interim CAO - Salary was included in Contracted Services for the period of January 10, 2018 - November 30, 2018.

⁶ Designated Officers include Clerk of the Assessment Review Board, Clerk of the Subdivision and Development Appeal Board, Appointment of Municipal Assessor, and Bylaw Enforcement Officers. (Peace Officers and Animal Control) Total of 10 positions. The 2017 Designated Officer total has been added.

Sturgeon County

Notes to Financial Statements

December 31, 2018

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 259,714 members and about 420 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 10.39% of pensionable earnings up to the Canada Pension Plan's Yearly Maximum Pensionable Earnings and 14.84% for the excess.

Total contributions by Sturgeon County to the LAPP in 2018 were \$ 1,844,670 (2017 - \$1,983,580). Total contributions by the employees of Sturgeon County to the LAPP in 2018 were \$ 1,697,191 (2017 - \$1,838,897).

At December 31, 2017, the Local Authorities Plan disclosed an actuarial Surplus of approximately \$4.84 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 \$ 64,222 (2017 - \$47,417). Retirees contributed \$ 16,050 in 2018 (2017 - \$12,560). 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 \$ 120,263 (2017 - \$47,771). Significant assumptions used in the valuation include a discount rate of 2.584% (2017 - 2.355%). Compensation increases of 4% for 2018 of those that have not maximized in steps and a 2% 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:

	2018	2017
Tax sale surplus	\$ 53,099	\$ 52,254
Dale MacMillan Memorial Scholarship Fund	113,761	115,741
Further Education & Literacy funds	176,410	158,867
Campaign Trust	9,516	-
	<u>\$ 352,786</u>	<u>\$ 326,862</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.

Sturgeon County

Notes to Financial Statements

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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 line with Public Sector Accounting Board standard. The revenue recognition in 2018 was \$789,460 (2017 - \$515,040).

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 June 30, 2018. The revenue recognition in 2018 was \$1,117,600.

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		2018	2017
Total debt limit	\$	102,997,562	\$ 92,041,266
Total debt		30,814,015	32,702,364
Amount of debt limit available	\$	72,183,547	\$ 59,338,902
Debt servicing limit		\$ 17,166,260	\$ 15,340,211
Debt servicing		3,930,573	4,093,589
Amount of debt servicing limit available	\$	13,235,687	\$ 11,246,622

Internal Debt Limit Calculation		2018	2017
Total debt limit	\$	82,398,049	\$ 73,633,013
Total debt		30,814,015	32,702,364
Amount of debt limit available	\$	51,584,035	\$ 40,930,649

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, 2018

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 2018 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)	2018	2017
Budget Figures			
Annual Surplus	\$ 11,546,789	\$ 24,732,194	\$ 21,810,349
Internal Transfers (net operating & capital)	4,513,685	(8,571,835)	(7,995,190)
Proceeds on disposal of Tangible Capital Assets	688,000	516,217	3,789,306
Repayment of capital long-term debt	(2,755,682)	(2,800,782)	(2,697,388)
Loss/(Gain) on disposal of Tangible Capital Assets	-	890,683	240,217
Capital costs	(24,195,920)	(15,413,810)	(22,610,123)
Contributed assets	-	(8,544,334)	(1,478,615)
Debt utilized	1,075,000	1,787,370	1,898,163
Amortization	9,128,128	9,447,978	8,385,880
Operating Surplus (before yearend transfer)	\$ -	\$ 2,043,681	\$ 1,342,599
Internal Transfers (net operating & capital)	-	(2,043,681)	(1,342,599)
Operating Surplus (after yearend transfer)	\$ -	\$ -	\$ -

Note that the above unaudited budget data presented above is based upon the 2018 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. Comparative Information

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

23. Approval of Financial Statements

Council and Management have approved these financial statements.

DRAFT