

**COUNTY OF FORTY MILE NO. 8**  
**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

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## Independent Auditors' Report

### TO THE REEVE AND COUNCIL OF COUNTY OF FORTY MILE NO. 8

#### Opinion

We have audited the financial statements of the County of Forty Mile No. 8, which comprise the statement of financial position as at December 31, 2018, and the statements of operations, change in net financial assets (debt) and cash flows the year then ended, and a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the County of Forty Mile No. 8 as at December 31, 2018, the results of its operations, change in its 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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the County of Forty Mile No. 8 in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian public sector accounting standard, 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.

In preparing the financial statements, management is responsible for assessing the County of Forty Mile No.8's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the County of Forty Mile No.8'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 auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. As part of an audit 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 of Forty Mile No. 8's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the County of Forty Mile No. 8's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the County of Forty Mile No. 8 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 any significant deficiencies in internal control that we identify during our audit.

We also provided those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

#### **Report on Other Legal and Regulatory Requirements**

- Debt Limit Regulation:  
In accordance with Alberta Regulation 255/2000, we confirm that the municipality is in compliance with the Debt Limit Regulation. A detailed account of the County of Forty Mile No. 8's debt limit can be found in note 11.
- Supplementary Accounting Principles and Standards Regulation:  
In accordance with Alberta Regulation 313/2000, we confirm that the municipality is in compliance with the Supplementary Accounting Principles and Standards Regulation and not the information required can be found in note 15.

*Johnston Morrison Hunter & Co. Professional Corporation*

**Chartered Professional Accountants**

**Brooks, Alberta  
March 27, 2019**

**COUNTY OF FORTY MILE NO. 8**

**Statement of Financial Position  
 As at December 31, 2018**

	2018	2017
	\$	\$
<b>FINANCIAL ASSETS</b>		
Cash and temporary investments (Note 2)	11,669,049	10,554,820
Taxes and grants in place of taxes (Note 3)	1,097,168	952,356
Trade and other receivables (Note 4)	1,746,855	697,972
Land for resale inventory	1,500	1,500
Investments (Note 5)	70	3,000,070
<b>TOTAL FINANCIAL ASSETS</b>	<u>14,514,642</u>	<u>15,206,718</u>
<b>LIABILITIES</b>		
Accounts payable and accrued liabilities	1,100,346	979,179
Deposit liabilities	908	892
Deferred revenue (Note 6)	3,560,129	3,751,116
Employee benefit obligations (Note 7)	418,604	406,848
Long-term debt (Note 9)	79,007	92,233
<b>TOTAL LIABILITIES</b>	<u>5,158,994</u>	<u>5,230,268</u>
<b>NET FINANCIAL ASSETS</b>	<u>9,355,648</u>	<u>9,976,450</u>
<b>NON-FINANCIAL ASSETS</b>		
Tangible capital assets (Note 10)	77,600,826	72,587,636
Inventory for consumption	3,028,026	2,688,759
Prepaid expenses	296,157	239,127
	<u>80,925,009</u>	<u>75,515,522</u>
<b>ACCUMULATED SURPLUS (Note 13)</b>	<u>90,280,657</u>	<u>85,491,972</u>

**COUNTY OF FORTY MILE NO. 8**

**Statement of Operations  
For The Year Ended December 31, 2018**

	Budget	2018	2017
	\$	\$	\$
<b>REVENUE</b>			
Net municipal taxes, Schedule 3	7,493,908	7,354,611	7,491,954
User fees and sales of goods			
Water and wastewater	193,500	189,705	184,543
Roads	435,600	551,822	62,666
Recreation and parks	464,450	454,075	463,521
Licenses and permits	14,100	29,475	12,450
Rentals	2,300	29,676	31,753
Other	125,000	138,878	152,403
Government transfers for operating, Schedule 4	1,510,383	1,172,967	1,367,745
Investment income	127,500	200,740	148,371
Penalties and costs on taxes	120,000	162,377	270,967
Other	241,000	646,249	746,932
<b>Total Revenues</b>	<b>10,727,741</b>	<b>10,930,575</b>	<b>10,933,305</b>
<b>EXPENSES</b>			
Legislative	193,347	240,848	177,625
Administration	1,834,592	1,530,399	1,750,107
Fire, ambulance and bylaw enforcement	559,211	599,733	529,543
Roads, streets, walks, lighting	8,111,875	7,884,819	7,160,547
Water supply and wastewater treatment	551,864	553,786	535,931
Waste management	274,101	273,395	253,969
Agricultural services	765,088	818,006	719,375
Parks and recreation	663,806	676,863	593,263
Other	73,983	256,328	151,918
<b>Total Expenses, Schedule 5</b>	<b>13,027,867</b>	<b>12,834,177</b>	<b>11,872,278</b>
<b>SHORTFALL OF REVENUE OVER EXPENSES BEFORE OTHER</b>			
	(2,300,126)	(1,903,602)	(938,973)
<b>OTHER</b>			
Government transfers for capital, Schedule 4	9,086,272	6,692,287	2,396,890
<b>EXCESS REVENUE OVER EXPENSES, Schedule 6</b>	<b>6,786,146</b>	<b>4,788,685</b>	<b>1,457,917</b>
<b>ACCUMULATED SURPLUS, BEGINNING OF YEAR</b>	<b>85,491,972</b>	<b>85,491,972</b>	<b>84,034,055</b>
<b>ACCUMULATED SURPLUS, END OF YEAR, Schedule 1</b>	<b>92,278,118</b>	<b>90,280,657</b>	<b>85,491,972</b>

**COUNTY OF FORTY MILE NO. 8**

**Statement of Change in Net Financial Assets  
 For The Year Ended December 31, 2018**

	Budget	2018	2017
	\$	\$	\$
<b>EXCESS OF REVENUE OVER EXPENSES</b>	6,786,146	4,788,685	1,457,917
Acquisition of tangible capital assets	(9,989,094)	(7,665,529)	(2,961,560)
Proceeds on disposal of tangible capital assets	-	35,893	69,293
Amortization of tangible capital assets	2,221,073	2,630,329	2,278,063
(Gain) on disposal of tangible capital assets	-	(13,883)	(47,155)
	<u>(7,768,021)</u>	<u>(5,013,190)</u>	<u>(661,359)</u>
Acquisition of supplies inventories	-	(3,028,026)	(2,688,759)
Acquisition of prepaid assets	-	(296,157)	(239,127)
Use of supplies inventories	-	2,688,759	2,266,272
Use of prepaid assets	-	239,127	249,985
	<u>-</u>	<u>(396,297)</u>	<u>(411,629)</u>
<b>(DECREASE) INCREASE IN NET ASSETS</b>	(981,875)	(620,802)	384,929
<b>NET FINANCIAL ASSETS, BEGINNING OF YEAR</b>	9,976,450	9,976,450	9,591,521
<b>NET FINANCIAL ASSETS, END OF YEAR</b>	<u>8,994,575</u>	<u>9,355,648</u>	<u>9,976,450</u>

**COUNTY OF FORTY MILE NO. 8**

**Statement of Cash Flows  
For The Year Ended December 31, 2018**

	2018	2017
	\$	\$
<b>OPERATING ACTIVITIES</b>		
Excess of revenue over expenses	4,788,685	1,457,917
Non-cash items included in excess of revenue over expenses:		
Amortization of tangible capital assets	2,630,329	2,278,063
(Gain) on disposal of tangible capital assets	(13,883)	(47,155)
Non-cash charges to operations (net change):		
(Increase) in taxes and grants in place of taxes	(144,812)	(285,866)
(Increase) in trade and other receivables	(1,048,883)	(405,021)
(Increase) in inventory for consumption	(339,267)	(422,487)
(Increase) decrease in prepaid expenses	(57,030)	10,858
Increase (decrease) in accounts payable and accrued liabilities	121,167	(523,019)
Increase in deposit liabilities	16	9
(Decrease) increase in deferred revenue	(190,987)	1,487,629
Increase in employee benefit obligations	11,756	31,173
<b>CASH PROVIDED BY OPERATING TRANSACTIONS</b>	<u>5,757,091</u>	<u>3,582,101</u>
<b>CAPITAL ACTIVITIES</b>		
Acquisition of tangible capital assets	(7,665,529)	(2,961,560)
Sale of tangible capital assets	35,893	69,293
<b>CASH APPLIED TO CAPITAL TRANSACTIONS</b>	<u>(7,629,636)</u>	<u>(2,892,267)</u>
<b>INVESTING ACTIVITIES</b>		
Decrease (increase) in restricted cash or cash equivalents	190,987	(1,487,629)
Decrease in investments	3,000,000	2,250,000
<b>CASH APPLIED TO INVESTING TRANSACTIONS</b>	<u>3,190,987</u>	<u>762,371</u>
<b>FINANCING ACTIVITIES</b>		
Debt charges recovered	-	144,685
Long-term debt repaid	(13,226)	(157,065)
<b>CASH APPLIED TO FINANCING TRANSACTIONS</b>	<u>(13,226)</u>	<u>(12,380)</u>
<b>CHANGE IN CASH AND CASH EQUIVALENTS</b>	1,305,216	1,439,825
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<u>6,803,704</u>	<u>5,363,879</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u><u>8,108,920</u></u>	<u><u>6,803,704</u></u>
<b>CASH AND CASH EQUIVALENTS ARE MADE UP OF:</b>		
Cash and temporary investments (Note 2)	11,669,049	10,554,820
Less: restricted portion of cash and temporary investments (Note 2)	(3,560,129)	(3,751,116)
	<u>8,108,920</u>	<u>6,803,704</u>

COUNTY OF FORTY MILE NO. 8

Schedule of Changes in Accumulated Surplus  
For The Year Ended December 31, 2018  
Schedule 1

	Unrestricted Surplus	Restricted Surplus	Equity in Tangible Capital Assets	2018	2017
	\$	\$	\$	\$	\$
Balance, beginning of year	2,425,250	10,571,319	72,495,403	85,491,972	84,034,055
Excess (deficiency) of revenues over expenses	4,788,685	-	-	4,788,685	1,457,917
Unrestricted funds designated for future use	(118,049)	118,049	-	-	-
Restricted funds used for operations	512,181	(512,181)	-	-	-
Restricted funds used for tangible capital assets	(7,665,529)	-	7,665,529	-	-
Disposal of tangible capital assets	22,010	-	(22,010)	-	-
Annual amortization expense	2,630,329	-	(2,630,329)	-	-
Long term debt repaid	(13,226)	-	13,226	-	-
Change in accumulated surplus	156,401	(394,132)	5,026,416	4,788,685	1,457,917
Balance, end of year	<u>2,581,651</u>	<u>10,177,187</u>	<u>77,521,819</u>	<u>90,280,657</u>	<u>85,491,972</u>

The accompanying notes are an integral part of these financial statements

COUNTY OF FORTY MILE NO. 8

Schedule of Tangible Capital Assets  
For The Year Ended December 31, 2018  
Schedule 2

	Land	Buildings	Engineered Structures	Machinery & Equipment	Vehicles	2018	2017
	\$	\$	\$	\$	\$	\$	\$
<b>Cost:</b>							
Balance, beginning of year	26,254,632	8,781,898	112,769,199	15,663,649	6,378,842	169,848,220	167,123,276
Acquisition of tangible capital assets	-	772,458	6,237,214	655,857	-	7,665,529	2,961,561
Disposal of tangible capital assets	-	-	-	-	(58,675)	(58,675)	(236,617)
Balance, end of year	<u>26,254,632</u>	<u>9,554,356</u>	<u>119,006,413</u>	<u>16,319,506</u>	<u>6,320,167</u>	<u>177,455,074</u>	<u>169,848,220</u>
<b>Accumulated Amortization:</b>							
Balance, beginning of year	-	1,589,802	82,651,843	9,397,842	3,621,097	97,260,584	95,196,999
Annual amortization	-	174,743	1,270,754	1,019,635	165,197	2,630,329	2,278,063
Accumulated amortization on disposals	-	-	-	-	(36,665)	(36,665)	(214,478)
Balance, end of year	-	<u>1,764,545</u>	<u>83,922,597</u>	<u>10,417,477</u>	<u>3,749,629</u>	<u>99,854,248</u>	<u>97,260,584</u>
<b>Net Book Value of Tangible Capital Assets</b>	<u>26,254,632</u>	<u>7,789,811</u>	<u>35,083,816</u>	<u>5,902,029</u>	<u>2,570,538</u>	<u>77,600,826</u>	<u>72,587,636</u>

The accompanying notes are an integral part of these financial statements

**COUNTY OF FORTY MILE NO. 8**

**Schedule of Property and Other Taxes  
 For The Year Ended December 31, 2018**

**Schedule 3**

	Budget	2018	2017
	\$	\$	\$
<b>TAXATION</b>			
Real property taxes	6,130,024	6,015,938	5,917,647
Linear property taxes	3,623,119	3,623,119	3,985,037
Government grants in place of property taxes	2,827	2,827	-
Special assessments and local improvement taxes	19,418	19,418	19,418
	<u>9,775,388</u>	<u>9,661,302</u>	<u>9,922,102</u>
<b>REQUISITIONS</b>			
Alberta School Foundation Fund	2,173,856	2,199,068	2,206,434
Bow Island R.C.S.D. No. 82	45,259	45,258	43,397
Forty Mile Seniors Foundation	62,365	62,365	180,317
	<u>2,281,480</u>	<u>2,306,691</u>	<u>2,430,148</u>
<b>NET MUNICIPAL TAXES</b>	<u>7,493,908</u>	<u>7,354,611</u>	<u>7,491,954</u>

The accompanying notes are an integral part of these financial statements

**COUNTY OF FORTY MILE NO. 8**

**Schedule of Government Transfers  
 For The Year Ended December 31, 2018**

**Schedule 4**

	Budget	2018	2017
	\$	\$	\$
<b>TRANSFERS FOR OPERATING</b>			
Provincial government	1,510,383	1,172,967	1,367,529
Other local government	-	-	216
	<u>1,510,383</u>	<u>1,172,967</u>	<u>1,367,745</u>
<b>TRANSFERS FOR CAPITAL</b>			
Provincial government	9,086,272	6,692,287	2,396,890
	<u>9,086,272</u>	<u>6,692,287</u>	<u>2,396,890</u>
<b>TOTAL GOVERNMENT TRANSFERS</b>	<u><u>10,596,655</u></u>	<u><u>7,865,254</u></u>	<u><u>3,764,635</u></u>

The accompanying notes are an integral part of these financial statements

**COUNTY OF FORTY MILE NO. 8**

**Schedule of Expenses by Object  
For The Year Ended December 31, 2018**

**Schedule 5**

	Budget	2018	2017
	\$	\$	\$
<b>EXPENSES</b>			
Salaries, wages and benefits	5,613,519	5,370,141	4,921,857
Contracted and general services	1,297,783	998,638	932,724
Materials, goods and utilities	3,169,250	2,922,674	2,655,978
Provisions for allowances	100,000	117,703	433,645
Transfers to local boards and agencies	620,050	779,695	636,678
Bank charges and short-term interest	5,800	9,390	6,965
Interest on long-term debt	6,192	5,608	6,368
Amortization of tangible capital assets	2,281,480	2,630,328	2,278,063
<b>TOTAL EXPENSES</b>	<b>13,094,074</b>	<b>12,834,177</b>	<b>11,872,278</b>

The accompanying notes are an integral part of these financial statements

COUNTY OF FORTY MILE NO. 8

Schedule of Segmented Disclosure  
For The Year Ended December 31, 2018  
Schedule 6

	General Government	Protective Services	Transportation Services	Planning & Development	Recreation & Culture	Recreation & Environmental Services	Other	Total
	\$	\$	\$	\$	\$	\$	\$	\$
<b>Revenue:</b>								
Net municipal taxes	7,354,611	-	-	-	-	-	-	7,354,611
Government transfers	130,735	8,350	1,769,818	230,028	-	5,726,323	-	7,865,254
User fees and sales of goods	19,609	72,655	536,283	47,104	454,075	207,554	-	1,337,280
Investment income	188,449	-	-	-	6,314	5,977	-	200,740
Other revenues	<u>226,828</u>	<u>7,043</u>	<u>339,116</u>	<u>30,099</u>	<u>253,283</u>	<u>8,608</u>	<u>-</u>	<u>864,977</u>
	<u>7,920,232</u>	<u>88,048</u>	<u>2,645,217</u>	<u>307,231</u>	<u>713,672</u>	<u>5,948,462</u>	<u>-</u>	<u>17,622,862</u>
<b>Expenses:</b>								
Contract & general services	450,756	50,457	193,834	184,063	76,065	40,739	2,724	998,638
Salaries & wages	1,067,400	264,156	3,304,808	376,813	179,048	167,044	10,872	5,370,141
Goods & supplies	83,392	112,777	2,161,351	220,272	147,616	192,907	4,359	2,922,674
Transfers to local boards	-	59,804	-	1,000	192,922	289,925	236,044	779,695
Long-term debt interest	-	-	-	-	-	5,608	-	5,608
Other expenses	<u>123,503</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,004</u>	<u>586</u>	<u>-</u>	<u>127,093</u>
	<u>1,725,051</u>	<u>487,194</u>	<u>5,659,993</u>	<u>782,148</u>	<u>598,655</u>	<u>696,809</u>	<u>253,999</u>	<u>10,203,849</u>
Net revenue, before amortization	<u>6,195,181</u>	<u>(399,146)</u>	<u>(3,014,776)</u>	<u>(474,917)</u>	<u>115,017</u>	<u>5,251,653</u>	<u>(253,999)</u>	<u>7,419,013</u>
Amortization expense	<u>(46,197)</u>	<u>(112,537)</u>	<u>(2,224,826)</u>	<u>(35,858)</u>	<u>(78,209)</u>	<u>(130,375)</u>	<u>(2,326)</u>	<u>(2,630,328)</u>
<b>Net Revenue</b>	<u><u>6,148,984</u></u>	<u><u>(511,683)</u></u>	<u><u>(5,239,602)</u></u>	<u><u>(510,775)</u></u>	<u><u>36,808</u></u>	<u><u>5,121,278</u></u>	<u><u>(256,325)</u></u>	<u><u>4,788,685</u></u>

The accompanying notes are an integral part of these financial statements

**COUNTY OF FORTY MILE NO. 8**

**Notes to the Financial Statements  
For The Year Ended December 31, 2018**

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**1. Significant Accounting Policies**

The financial statements of the County of Forty Mile No. 8 are the representations of management prepared in accordance with Canadian generally accepted accounting principles for local governments established by the Public Sector Accounting Board ("PSAB") of the Canadian Institute of Chartered Accountants ("CICA"). Significant aspects of the accounting policies adopted by the County of Forty Mile No. 8 are as follows:

**Reporting Entity**

The financial statements reflect the assets, liabilities, revenues and expenditures, changes in fund balances, and change in financial position of the County of Forty Mile No. 8

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

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

**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.

**Use of Estimates**

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures 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.

**Cash and Cash Equivalents**

The municipality's policy is to disclose bank balances under cash and cash equivalents, including bank overdrafts with balances that fluctuate frequently from being positive to overdrawn and term deposits with a maturity period of three months or less from the date of acquisition. Term deposits that the entity cannot use for current transactions because they are pledged as security are also excluded from cash and cash equivalents.

**COUNTY OF FORTY MILE NO. 8**

**Notes to the Financial Statements  
For The Year Ended December 31, 2018**

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

**Investments**

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

**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 unmatured long-term debt, less actuarial requirements for the retirement of any sinking fund debentures.

**Requisition Over-levy and Under-Levy**

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

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

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

**Inventories for Resale**

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

**Prepaid Local Improvement Changes**

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

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

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

**COUNTY OF FORTY MILE NO. 8**

**Notes to the Financial Statements  
 For The Year Ended December 31, 2018**

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

**Government Transfers**

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

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

**Tax Revenue**

Tax revenues are recognized when the tax has been authorized by bylaw and the taxable event has occurred. Requisitions operate as a flow through and are excluded from municipal revenue.

**Non-Financial Assets**

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

**Tangible Capital Assets**

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

	<b>Years</b>
Land Improvements	15 - 25
Buildings	25 - 50
Engineered structures	
Water system	45 - 75
Wastewater system	45 - 75
Other engineered structures	5 - 40
Machinery and equipment	5 - 40
Vehicles	10 - 25

One-half of the annual amortization is charged in the year of acquisition and in the year of disposal. Assets under construction are not amortized until the asset is available for productive use.

**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.

**Inventories**

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

**COUNTY OF FORTY MILE NO. 8**

**Notes to the Financial Statements  
 For The Year Ended December 31, 2018**

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

**Contaminated Site 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.

**Measurement of Financial Instruments**

The entity initially measures its financial assets and liabilities at fair value, except for certain non-arm's length transactions.

The entity subsequently measures all its financial assets and financial liabilities at amortized cost, except for investments in equity instruments that are quoted in an active market, which are measured at fair value. Changes in fair value are recognized in net income.

Financial assets measured at amortized cost include cash, term deposits, accounts receivable, preferred shares of a private company and note receivable.

Financial liabilities measured at amortized cost include the bank overdraft, the bank loan, accounts payable, amounts due to directors and officers and long-term debt.

**Impairment**

Financial assets measured at cost are tested for impairment when there are indicators of impairment. The amount of the write-down is recognized in net income. The previously recognized impairment loss may be reversed to the extent of the improvement, directly or by adjusting the allowance account, provided it is no greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. The amount of the reversal is recognized in net income.

**Transaction costs**

The entity recognizes its transaction costs in net income in the period incurred. However, financial instruments that will not be subsequently measured at fair value are adjusted by the transaction costs that are directly attributable to their origination, issuance or assumption.

**2. Cash and Temporary Investments**

	2018	2017
	\$	\$
Cash	4,669,049	6,554,820
Temporary investments	<u>7,000,000</u>	<u>4,000,000</u>
	<u><u>11,669,049</u></u>	<u><u>10,554,820</u></u>

Temporary investments are short-term deposits with original maturities of three months or less and have effective interest rates of 2.62% (2017 - 1.81%).

Included in cash is a restricted amount of \$3,560,129 (2017 - \$3,751,116) received from external sources and held exclusively for capital projects .

**COUNTY OF FORTY MILE NO. 8**

**Notes to the Financial Statements  
For The Year Ended December 31, 2018**

**3. Taxes and Grants in Place of Taxes**

	2018	2017
	\$	\$
Current taxes and grants in place of taxes	511,380	764,209
Arrears taxes	<u>1,624,691</u>	<u>1,109,348</u>
	2,136,071	1,873,557
Less: Allowance for doubtful accounts	<u>(1,038,903)</u>	<u>(921,201)</u>
	<u><u>1,097,168</u></u>	<u><u>952,356</u></u>

**4. Trade and Other Receivables**

	2018	2017
	\$	\$
Trade and other receivables	1,596,668	537,656
Less: Allowance for doubtful accounts	<u>(1,500)</u>	<u>(1,500)</u>
	1,595,168	536,156
Notes receivable	<u>151,687</u>	<u>161,816</u>
	<u><u>1,746,855</u></u>	<u><u>697,972</u></u>

The current portion of the note receivable amounts to \$10,633 (2017 - \$10,129). The note receivable bears interest at 4.197% and 5.875% (2017 - 4.197% and 5.875%).

**5. Investments**

	2018	2017
	\$	\$
Short-term notes and deposits	-	3,000,000
Shares	<u>70</u>	<u>70</u>
	<u><u>70</u></u>	<u><u>3,000,070</u></u>

**COUNTY OF FORTY MILE NO. 8**

**Notes to the Financial Statements  
For The Year Ended December 31, 2018**

**6. Deferred Revenue**

	2018	2017
	\$	\$
Conditional grants	<u>3,560,129</u>	<u>3,751,116</u>

Conditional grants in the amount of \$3,560,129 (2017 - \$3,751,116) were received from external sources and have not been expended in the current year.

The use of these funds is restricted to eligible capital projects, as approved under the funding agreement which are scheduled for completion in 2019. Unexpended funds related to the advance are supported by cash of \$3,560,129 (2017 - \$3,751,116) held exclusively for these projects (Note 2) .

**7. Employee Benefit Obligations**

	2018	2017
	\$	\$
Vacation and overtime	42,595	40,435
Post-employment benefits	<u>376,009</u>	<u>366,413</u>
	<u>418,604</u>	<u>406,848</u>

**Vacation and Overtime**

The vacation and overtime liability is comprised of the vacation and overtime that employees are deferring to future years. Employees have either earned the benefits (and are vested) or are entitled to these benefits within the next budgetary year.

**Post-Employment Benefits**

The County sponsors a retiring allowance to qualifying retirees at the time of retirement. This retiring allowance is dependent on the number of years of service the employee has provided to the County. The County's cost of these benefits is recognized as a program expenditure as the employees provide service. The plan is unfunded.

The post-employment benefit expenditure includes current period benefit costs of \$34,338 (2017 - \$30,543).

**8. Contaminated Sites Liability**

On January 1, 2015, the county adopted PS3260 Liability for Contaminated Sites. The standard was applied on a retroactive basis and did not result in any adjustments to the financial liabilities, tangible capital assets or accumulated surplus of the county.

**COUNTY OF FORTY MILE NO. 8**

**Notes to the Financial Statements  
For The Year Ended December 31, 2018**

**9. Long-Term Debt**

	2018	2017
	\$	\$
Tax supported debentures	<u>79,007</u>	<u>92,233</u>

The current portion of long-term debt is \$14,130 (2017 - \$13,226).

Principal and interest repayments are as follows:

	Principal	Interest	Total
	\$	\$	\$
2019	14,130	5,289	19,419
2020	15,095	4,323	19,418
2021	16,128	3,291	19,419
2022	10,520	2,188	12,708
2023	11,203	1,504	12,707
2024	<u>11,931</u>	<u>776</u>	<u>12,707</u>
	<u>79,007</u>	<u>17,371</u>	<u>96,378</u>

Debenture debt is repayable to Alberta Capital Finance Authority and bears interest at rates ranging from 5.875% to 7.375% per annum and matures in periods 2018 through 2024. The average annual interest rate is 6.200% for 2018 (6.300% for 2017). Debenture debt is issued on the credit and security of the County of Forty Mile No. 8 at large.

Interest on long-term debt amounted to \$5,608 (2017 - \$6,368) which is net of interest recovered from other organizations of \$nil (2017 - \$8,500).

The County's total cash payments for interest in 2018 was \$5,608 (2017 - \$23,609).

**10. Tangible Capital Assets**

	2018	2017
Net Book Value	\$	\$
Land	26,254,632	26,254,632
Buildings	7,789,811	7,192,096
Engineered structures		
Roadway system	26,189,318	26,874,982
Water distribution system	7,521,024	1,846,358
Wastewater treatment system	1,334,617	1,355,217
Storm system	29,933	31,674
Fibre optics	8,924	9,125
Machinery and equipment	5,902,029	6,265,807
Vehicles	<u>2,570,538</u>	<u>2,757,745</u>
	<u>77,600,826</u>	<u>72,587,636</u>

**COUNTY OF FORTY MILE NO. 8**

**Notes to the Financial Statements  
 For The Year Ended December 31, 2018**

**11. Debt Limits**

Section 276 [2] of the Municipal Government Act requires that debt and debt limits as defined by Alberta Regulation 255/2000 for the County of Forty Mile No. 8 be disclosed as follows:

	2018	2017
	\$	\$
Total debt limit	16,395,863	16,399,958
Total debt	<u>79,007</u>	<u>92,233</u>
Amount of debt limit unused	<u>16,316,856</u>	<u>16,307,725</u>
Debt servicing limit	2,732,644	2,733,326
Debt servicing	<u>19,419</u>	<u>19,418</u>
Amount of debt servicing limit unused	<u>2,713,225</u>	<u>2,713,908</u>

The debt limit is calculated at 1.5 times revenue of the municipality (as defined in Alberta Regulation 255/00) and the debt service limit is calculated at 0.25 times such revenue. Incurring debt beyond these limitations requires approval by the Minister of Municipal Affairs. These thresholds are guidelines used by Alberta Municipal Affairs to identify municipalities that could be at financial risk if further debt is acquired. The calculation taken alone does not represent the financial stability of the municipality. Rather, the financial statements must be interpreted as a whole.

**12. Equity in Tangible Capital Assets**

	2018	2017
	\$	\$
Tangible capital assets (Schedule 2)	177,455,074	169,848,220
Accumulated amortization (Schedule 2)	(99,854,248)	(97,260,584)
Long-term debt (Note 9)	<u>(79,007)</u>	<u>(92,233)</u>
	<u>77,521,819</u>	<u>72,495,403</u>

**COUNTY OF FORTY MILE NO. 8**

**Notes to the Financial Statements  
For The Year Ended December 31, 2018**

**13. Accumulated Surplus**

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

	2018	2017
	\$	\$
Unrestricted surplus	2,581,651	2,425,250
Internally restricted surplus		
Gravel crushing	135,489	135,489
Public works inventory	75,000	75,000
Drainage project (SMRID)	224,571	197,571
Burdett water and sewer	72,000	72,000
Manyberries water and sewer	136,835	279,125
Fire	24,146	24,146
Broadband	12,500	-
General	1,448,221	1,478,799
Hamlet beautification	20,592	23,680
Cash in lieu	206,135	206,015
Office	338,149	425,708
Disaster	5,000	5,000
Tax rate stabilization	146,961	146,961
Tax recovery	4,339,305	4,339,305
Forty Mile Park	111,020	250,163
General equipment replacement	2,860,403	2,891,497
Agriculture	20,860	20,860
Equity in tangible capital assets (Note 12)	<u>77,521,819</u>	<u>72,495,403</u>
	<u>90,280,657</u>	<u>85,491,972</u>

**14. Segmented Disclosure**

The County of Forty Mile No.8 provides a range of services to its ratepayers. For each reported segment, revenues and expenses represent both amounts that are directly attributable to the segment and amounts that are allocated on a reasonable basis. The accounting policies used in these segments are consistent with those followed in the preparation of the financial statements as disclosed in Note 1.

Refer to the Schedule of Segmented Disclosure (Schedule 6).

**COUNTY OF FORTY MILE NO. 8**

**Notes to the Financial Statements  
 For The Year Ended December 31, 2018**

**15. Salary and Benefits Disclosure**

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

	2018		2017	
	Salary (1) \$	Benefits and allowances (2a, 2b) \$	Total \$	Total \$
Reeve				
Division No. 3	-	-	-	17,523
Division No. 7	36,730	1,312	38,042	-
Councillors				
Division No. 1	20,578	-	20,578	13,169
Division No. 2	18,713	6,195	24,908	7,619
Division No. 3	20,290	6,710	27,000	-
Division No. 4	29,197	6,904	36,101	19,746
Division No. 5	26,586	6,835	33,421	18,766
Division No. 6	26,170	5,892	32,062	21,044
Division No. 7	-	-	-	15,053
Chief Administrative Officer	164,404	7,831	172,235	172,477
Designated Officer	81,408	16,827	98,235	104,372

- 1) Salary includes regular base pay, bonuses, overtime, lump sum payments, gross honoraria, per diems and any other direct cash remuneration.
- 2a) For the Reeve and Councillors, this category includes employer's share of all employee benefits and contributions or payments made on behalf of employees including pension, healthcare, dental coverage, vision coverage, group life insurance, professional memberships and tuition.
- 2b) For the Chief Administrative Officer and designated officers, this category includes employer's share of all employee benefits and contributions or payments made on behalf of the employee including pension, health care, dental coverage, vision coverage, group life insurance, accidental disability and dismemberment insurance, long and short-term disability plans, professional memberships and tuition.

**16. Financial Instruments**

The County's financial instruments consist of cash and temporary investments, receivables, investments, debt charges recoverable, accounts payable and accrued liabilities, deposit liabilities, deferred revenue, and long-term debt. It is management's opinion that the County is not exposed to significant interest or currency risk arising from these financial statements.

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

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

**COUNTY OF FORTY MILE NO. 8**

**Notes to the Financial Statements  
For The Year Ended December 31, 2018**

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**17. Local Authorities Pension Plan**

Employees of the County of Forty Mile No. 8 participate in the Local Authorities Pension Plan (LAPP), which is covered by the Public Sector Pension Plans Act. The LAPP is financed by employer and employee contributions and by investment earnings of the LAPP Fund. Contributions for current service are recorded as expenditures in the year in which they become due.

The County of Forty Mile No.8 is required to make current service contributions to the LAPP of 10.39% of pensionable earnings up to the year's maximum pensionable earnings under the Canada Pension Plan and 14.84% on pensionable earnings above this amount. Employees of the County are required to make current service contributions of 9.39% of pensionable salary up to the year's maximum pensionable salary and 13.84% on pensionable salary above this amount.

Total current service contributions of the County of Forty Mile No.8 to the LAPP in 2018 were \$376,475 (2017 - \$384,377). Total current service contributions by the employees of the County of Forty Mile No. 8 to the LAPP in 2018 were \$342,934 (2017 - \$352,779).

At December 31, 2017, the LAPP disclosed a surplus of \$4.853 million.

**18. Budgeted Figures**

The budgeted figures have not been audited and are presented for information purposes only.

**19. Approval of Financial Statements**

These financial statements were approved by Council and Administration on March 27, 2019.