

**CLEAR HILLS COUNTY**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

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## INDEPENDENT AUDITORS' REPORT

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To the Reeve and Council of Clear Hills County

### *Qualified Opinion*

We have audited the accompanying consolidated financial statements of Clear Hills County (the County), which comprise the consolidated statement of financial position as at December 31, 2019 and the consolidated statements of operations, change in net financial assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, except for the possible effects of the matter described in the *Basis for Qualified Opinion* section of our report, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the County as at December 31, 2019, the results of its operations, changes in net debt, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

### *Basis for Qualified Opinion*

The County failed to adopt accounting standards PS3270 - Landfill Closure and Post-Closure in the current year, which constitutes a departure from the requirements of Canadian public sector accounting standards. As the County has not performed an assessment of what, if any, implications there would be from the adoption of this accounting standard, we were unable to obtain sufficient appropriate audit evidence to determine, as at and for the year ended December 31, 2019 the impact of this omission on the expenses and annual surplus reported in the statement of operations, annual surplus reported in the statement of changes in net financial assets, and liabilities and accumulated surplus reported in the statement of financial position.

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 Consolidated 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 consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with those 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 Consolidated Financial Statements*

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

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

(continues)

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

*Auditors' Responsibilities for the Audit of the Consolidated Financial Statements*

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated 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 consolidated 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 consolidated 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 consolidated financial statements, including the disclosures, and whether the consolidated 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.

**METRIX GROUP LLP**

Chartered Professional Accountants

Edmonton, Alberta  
August 11, 2020



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## MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

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To the Reeve and Members of Council of Clear Hills County

The management of Clear Hills County prepared these consolidated financial statements and is responsible for their reliability, completeness and integrity. They conform, in all material respects, with accounting principles for local governments established by the Public Sector Accounting Board.

Management maintains the necessary accounting and internal control systems designed to ensure: the timely production of reliable and accurate financial information, the protection of assets (to a reasonable extent) against loss or unauthorized use, and the promotion of operational efficiency. The Reeve and Council oversee management's responsibilities for the financial reporting and internal control systems.

The auditors, appointed by the Reeve and Council, conducted an audit of these consolidated financial statements in accordance with Canadian generally accepted auditing standards. The Chief Administrative Officer reviewed these consolidated financial statements with the auditors in detail before recommending their approval to the Reeve and Council.

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Allan Rowe  
Chief Administrative Officer

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Lori Jobson  
Corporate Services Manager

August 11, 2020  
Worsley, Alberta

**CLEAR HILLS COUNTY**  
**Consolidated Statement of Financial Position**  
**As At December 31, 2019**

|   | <u>2019</u>          | <u>2018</u><br>(Restated)<br>(Note 14) |
|---|----------------------|--|
| <b>FINANCIAL ASSETS</b>   |                      |  |
| Cash and temporary investments (Note 2)                         | \$ 6,138,265         | \$ 4,394,425                           |
| Accounts receivable   |                      |  |
| Taxes and grants in place of taxes (Note 3)                     | 300,856              | 270,704                                |
| Due from government   | 2,751,855            | 4,177,003                              |
| Trade and other receivables                                     | 368,991              | 368,401                                |
| Land held for resale  | 516,977              | 516,977                                |
| Investments (Note 4)  | <u>34,731,470</u>    | <u>32,033,108</u>                      |
|   | <u>44,808,414</u>    | <u>41,760,618</u>                      |
| <b>LIABILITIES</b>  |                      |  |
| Accounts payable and accrued liabilities (Note 5)               | 1,028,887            | 1,698,871                              |
| Deposit liabilities (Note 6)                                    | 97,208               | 127,960                                |
| Provision for landfill closure and post-closure costs (Note 10) | 546,803              | 537,013                                |
| Long-term debt (Note 7)   | -                    | 390,584                                |
|   | <u>1,672,898</u>     | <u>2,754,428</u>                       |
| <b>NET FINANCIAL ASSETS</b>                                     | <u>43,135,516</u>    | <u>39,006,190</u>                      |
| <b>NON-FINANCIAL ASSETS</b>                                     |                      |  |
| Tangible capital assets (Schedule 1)                            | 76,463,876           | 80,283,127                             |
| Inventory for consumption (Note 9)                              | 1,837,259            | 2,012,873                              |
| Prepaid expenses  | <u>102,645</u>       | <u>83,649</u>                          |
|   | <u>78,403,780</u>    | <u>82,379,649</u>                      |
| <b>ACCUMULATED SURPLUS (Schedule 2, Note 12)</b>                | <u>\$121,539,296</u> | <u>\$121,385,839</u>                   |
| <b>CONTINGENCY (Note 15)</b>                                    |                      |  |
| <b>COMMITMENTS (Note 16)</b>                                    |                      |  |

**ON BEHALF OF COUNCIL:**

  
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**CLEAR HILLS COUNTY**  
**Consolidated Statement of Operations and Accumulated Surplus**  
**For the Year Ended December 31, 2019**

|   | <u>2019</u><br>(Budget)<br>(Note 20) | <u>2019</u><br>(Actual) | <u>2018</u><br>(Actual)<br>(Restated)<br>(Note 14) |
|---|--------------------------------------|-------------------------|--|
| <b>REVENUE</b>  |                                      |                         |  |
| Net municipal taxes <i>(Schedule 3)</i>                                   | \$ 13,187,934                        | \$ 14,247,060           | \$ 13,999,082                                      |
| User fees and sales of goods  | 313,950                              | 287,961                 | 344,373  |
| Government transfers for operating <i>(Schedule 4)</i>                    | 504,745                              | 503,256                 | 522,245  |
| Investment income   | 831,654                              | 802,076                 | 690,049  |
| Penalties and costs on taxes  | 355,800                              | 1,036,757               | 722,285  |
| Licenses and permits  | 17,000                               | 19,569                  | 27,247   |
| Rental  | 34,300                               | 58,150                  | 62,355   |
| Well drilling taxes   | 25,000                               | 64,627                  | 76,791   |
| Other   | 50,995                               | 184,947                 | 98,490   |
|   | <u>15,321,378</u>                    | <u>17,204,403</u>       | <u>16,542,917</u>                                  |
| <b>EXPENSES</b>   |                                      |                         |  |
| Legislative services  | 493,202                              | 443,880                 | 428,261  |
| Administration  | 1,462,804                            | 3,196,943               | 2,717,460  |
| Emergency services  | 562,898                              | 474,088                 | 463,690  |
| Roads, streets, walks, lighting   | 8,842,135                            | 8,321,227               | 8,660,993  |
| Water supply and distribution   | 924,883                              | 817,220                 | 770,675  |
| Wastewater treatment and disposal   | 49,216                               | 37,208                  | 40,063   |
| Waste management  | 469,957                              | 518,507                 | 538,156  |
| Public health and welfare   | 130,710                              | 125,060                 | 122,368  |
| Agriculture and community service   | 1,596,768                            | 2,124,457               | 3,461,810  |
| Subdivision, land and development   | 483,175                              | 431,330                 | 415,319  |
| Recreation and culture  | 387,550                              | 566,535                 | 424,758  |
| Write-down of land held for resale  | -                                    | -                       | 403,438  |
|   | <u>15,403,298</u>                    | <u>17,056,455</u>       | <u>18,446,991</u>                                  |
| <b>ANNUAL SURPLUS BEFORE OTHER INCOME</b>                                 | <u>(81,920)</u>                      | <u>147,948</u>          | <u>(1,904,074)</u>                                 |
| <b>OTHER INCOME</b>   |                                      |                         |  |
| Government transfers for capital <i>(Schedule 4)</i>                      | 1,871,168                            | 33,187                  | 156,732  |
| Loss on disposal of tangible capital assets                               | (40,807)                             | (27,678)                | -  |
|   | <u>1,830,361</u>                     | <u>5,509</u>            | <u>156,732</u>                                     |
| <b>ANNUAL SURPLUS</b>   | 1,748,441                            | 153,457                 | (1,747,342)  |
| <b>ACCUMULATED SURPLUS, BEGINNING OF YEAR,<br/>AS PREVIOUSLY REPORTED</b> | 121,385,839                          | 117,908,897             | 117,123,321  |
| Prior period adjustments <i>(Note 14)</i>                                 | -                                    | 3,476,942               | 6,009,860  |
| <b>ACCUMULATED SURPLUS, BEGINNING OF YEAR,<br/>AS RESTATED</b>            | <u>121,385,839</u>                   | <u>121,385,839</u>      | <u>123,133,181</u>                                 |
| <b>ACCUMULATED SURPLUS, END OF YEAR</b><br><i>(Schedule 2, Note 12)</i>   | <u>\$ 123,134,280</u>                | <u>\$ 121,539,296</u>   | <u>\$ 121,385,839</u>                              |

**CLEAR HILLS COUNTY**  
**Consolidated Statement of Change in Net Financial Assets**  
**For the Year Ended December 31, 2019**

|   | <u>2019</u><br>(Budget)<br>(Note 20) | <u>2019</u><br>(Actual) | <u>2018</u><br>(Actual)<br>(Restated)<br>(Note 14) |
|---|--------------------------------------|-------------------------|--|
| <b>ANNUAL SURPLUS</b>   | \$ 1,748,441                         | \$ 153,457              | \$ (1,747,342)                                     |
| Acquisition of tangible capital assets                                    | -                                    | (271,799)               | (632,656)  |
| Construction in progress  | -                                    | (28,723)                | (11,135)   |
| Proceeds on disposal of tangible capital assets                           | 26,000                               | 28,464                  | 8,807  |
| Amortization of tangible capital assets                                   | 3,600,053                            | 4,063,632               | 4,241,938  |
| Loss (gain) on disposal of tangible capital assets                        | (40,807)                             | 27,678                  | -  |
|   | <u>3,585,246</u>                     | <u>3,819,252</u>        | <u>3,606,954</u>                                   |
| Net change in prepaid expenses  | -                                    | (18,997)                | (98)   |
| Net change in inventory for consumption                                   | -                                    | 175,614                 | 259,944  |
|   | -                                    | <u>156,617</u>          | <u>259,846</u>                                     |
| <b>INCREASE (DECREASE) IN NET FINANCIAL ASSETS</b>                        | 5,333,687                            | 4,129,326               | 2,119,458  |
| <b>NET FINANCIAL ASSETS, BEGINNING OF YEAR<br/>AS PREVIOUSLY REPORTED</b> | <u>39,006,190</u>                    | <u>35,140,855</u>       | <u>30,575,256</u>                                  |
| Prior period adjustments (Note 14)  | -                                    | 3,865,335               | 6,311,476  |
| <b>NET FINANCIAL ASSETS, BEGINNING OF YEAR,<br/>AS RESTATED</b>           | <u>39,006,190</u>                    | <u>39,006,190</u>       | <u>36,886,732</u>                                  |
| <b>NET FINANCIAL ASSETS, END OF YEAR</b>                                  | <u>\$ 44,339,877</u>                 | <u>\$ 43,135,516</u>    | <u>\$ 39,006,190</u>                               |

**CLEAR HILLS COUNTY**  
**Consolidated Statement of Cash Flows**  
**For the Year Ended December 31, 2019**

|  | <u>2019</u>                | <u>2018</u><br>(Restated)<br>(Note 14) |
|--|----------------------------|--|
| <b>OPERATING ACTIVITIES</b>  |                            |  |
| Cash from operations:  |                            |  |
| Annual surplus   | \$ 153,457                 | \$ (1,747,342)                         |
| Non-cash items included in annual surplus:                           |                            |  |
| Amortization of tangible capital assets                              | 4,063,632                  | 4,241,938                              |
| Write-down of land held for resale                                   | -                          | 403,437                                |
| Loss on disposal of tangible capital assets                          | <u>27,678</u>              | <u>-</u>                               |
|  | <u>4,244,767</u>           | <u>2,898,033</u>                       |
| Change in non-cash working capital balances:                         |                            |  |
| Increase in taxes and grants in place of taxes                       | (30,152)                   | (152,226)                              |
| Decrease in government receivables                                   | 1,425,148                  | 2,919,570                              |
| Increase in trade and other receivables                              | (590)                      | (14,174)                               |
| Decrease in inventories  | 175,614                    | 259,944                                |
| Increase in prepaid expenses   | (18,996)                   | (97)                                   |
| Increase in accounts payable and accrued liabilities                 | (669,984)                  | (1,266,041)                            |
| Increase (decrease) in deposit liabilities                           | (30,752)                   | 1,670                                  |
| Decrease in provision for landfill closure/post-closure              | <u>9,790</u>               | <u>9,533</u>                           |
|  | <u>860,078</u>             | <u>1,758,179</u>                       |
|  | <u>5,104,845</u>           | <u>4,656,212</u>                       |
| <b>FINANCING ACTIVITIES</b>  |                            |  |
| Repayment of long-term debt  | <u>(390,584)</u>           | <u>(500,358)</u>                       |
|  | <u>(390,584)</u>           | <u>(500,358)</u>                       |
| <b>CAPITAL ACTIVITIES</b>  |                            |  |
| Acquisition of tangible capital assets                               | (300,522)                  | (643,791)                              |
| Proceeds on disposal of tangible capital assets                      | <u>28,464</u>              | <u>8,807</u>                           |
|  | <u>(272,058)</u>           | <u>(634,984)</u>                       |
| <b>INVESTING ACTIVITIES</b>  |                            |  |
| Purchase of investments  | <u>(2,698,363)</u>         | <u>(2,455,480)</u>                     |
| <b>CHANGE IN CASH AND TEMPORARY INVESTMENTS,<br/>DURING THE YEAR</b> | <b>1,743,840</b>           | <b>1,065,390</b>                       |
| <b>CASH AND TEMPORARY INVESTMENTS, BEGINNING OF YEAR</b>             | <u><b>4,394,425</b></u>    | <u><b>3,329,035</b></u>                |
| <b>CASH AND TEMPORARY INVESTMENTS, END OF YEAR (Note 2)</b>          | <u><b>\$ 6,138,265</b></u> | <u><b>\$ 4,394,425</b></u>             |



**CLEAR HILLS COUNTY**  
**Consolidated Schedule of Tangible Capital Assets**  
**For the Year Ended December 31, 2019**

Schedule 1

|                                    | <u>Land</u>       | <u>Buildings</u>  | <u>Engineered Structures</u> | <u>Machinery and Equipment</u> | <u>Vehicles</u>   | <u>Utilities Engineered Structures*</u> | <u>2019</u>          | <u>2018 (Restated) (Note 14)</u> |
|------------------------------------|-------------------|-------------------|------------------------------|--------------------------------|-------------------|---|----------------------|----------------------------------|
| <b>COST:</b>                       |                   |                   |                              |                                |                   |   |                      |                                  |
| Balance, Beginning of Year         | \$ 616,864        | \$ 2,469,333      | \$ 136,075,024               | \$ 3,219,617                   | \$ 786,169        | \$ -                                    | \$ 143,167,007       | \$ 142,575,266                   |
| Additions                          | -                 | 25,132            | -                            | 167,939                        | 78,728            | -                                       | 271,799              | 632,656                          |
| Construction in progress           | -                 | -                 | 28,723                       | -                              | -                 | -                                       | 28,723               | 11,135                           |
| Disposals                          | -                 | -                 | -                            | (26,500)                       | (83,729)          | -                                       | (110,229)            | (73,567)                         |
| Balance, End of Year               | <u>616,864</u>    | <u>2,494,465</u>  | <u>136,103,747</u>           | <u>3,361,056</u>               | <u>781,168</u>    | <u>-</u>                                | <u>143,357,300</u>   | <u>143,145,490</u>               |
| <b>ACCUMULATED AMORTIZATION:</b>   |                   |                   |                              |                                |                   |   |                      |                                  |
| Balance, Beginning of Year         | -                 | 1,859,105         | 58,932,013                   | 1,598,396                      | 494,366           | -                                       | 62,883,880           | 58,685,185                       |
| Amortization expense               | -                 | 49,645            | 3,760,800                    | 202,462                        | 50,725            | -                                       | 4,063,632            | 4,241,938                        |
| Disposals                          | -                 | -                 | -                            | (5,300)                        | (48,788)          | -                                       | (54,088)             | (64,760)                         |
| Balance, End of Year               | <u>-</u>          | <u>1,908,750</u>  | <u>62,692,813</u>            | <u>1,795,558</u>               | <u>496,303</u>    | <u>-</u>                                | <u>66,893,424</u>    | <u>62,862,363</u>                |
| <b>NET BOOK VALUE, END OF YEAR</b> | <u>\$ 616,864</u> | <u>\$ 585,715</u> | <u>\$ 73,410,934</u>         | <u>\$ 1,565,498</u>            | <u>\$ 284,865</u> | <u>\$ -</u>                             | <u>\$ 76,463,876</u> | <u>\$ 80,283,127</u>             |

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

Consolidated Schedule of Changes in Accumulated Surplus  
For the Year Ended December 31, 2019

|  | <u>Unrestricted<br/>Surplus</u> | <u>Restricted<br/>Operating</u> | <u>Restricted<br/>Capital</u> | <u>Equity in Tangible<br/>Capital Assets</u> | <u>2019</u>                  | <u>2018</u>          |
|--|---------------------------------|---------------------------------|-------------------------------|--|------------------------------|----------------------|
| <b>BALANCE, BEGINNING OF YEAR</b>                            | \$ <u>7,716,877</u>             | \$ <u>3,849,701</u>             | \$ <u>29,536,134</u>          | \$ <u>80,283,127</u>                         | <b>\$ <u>121,385,839</u></b> | <u>\$123,133,181</u> |
| Annual surplus   | 153,457                         | -                               | -                             | -  | <b>153,457</b>               | (1,747,342)          |
| Purchase of tangible capital assets                          | (300,522)                       | -                               | -                             | 300,522                                      | -                            | -                    |
| Annual amortization expense                                  | 4,063,632                       | -                               | -                             | (4,063,632)                                  | -                            | -                    |
| Unrestricted funds designated for future use                 | (5,629,104)                     | 44,162                          | 5,584,942                     | -  | -                            | -                    |
| Disposal of tangible capital assets (net<br>of amortization) | 56,141                          | -                               | -                             | (56,141)                                     | -                            | -                    |
| Change in accumulated surplus                                | <u>(1,656,396)</u>              | <u>44,162</u>                   | <u>5,584,942</u>              | <u>(3,819,251)</u>                           | <b><u>153,457</u></b>        | <u>(1,747,342)</u>   |
| <b>BALANCE, END OF YEAR (NOTE 12)</b>                        | \$ <u><b>6,060,481</b></u>      | \$ <u><b>3,893,863</b></u>      | \$ <u><b>35,121,076</b></u>   | \$ <u><b>76,463,876</b></u>                  | <b>\$ <u>121,539,296</u></b> | <u>\$121,385,839</u> |

**CLEAR HILLS COUNTY**  
**Consolidated Schedule of Property and Other Taxes**  
**For the Year Ended December 31, 2019**

**Schedule 3**

|  | <u>2019</u><br>(Budget)<br>(Note 20) | <u>2019</u><br>(Actual)     | <u>2018</u><br>(Actual) |
|--|--------------------------------------|-----------------------------|-------------------------|
| <b>TAXATION</b>                              |                                      |                             |                         |
| Real property taxes                          | \$ 17,709,686                        | \$ <b>6,102,474</b>         | \$ 6,348,309            |
| Linear and industrial property taxes         | -                                    | <b>11,630,019</b>           | 10,964,005              |
| Government grants in place of property taxes | <u>-</u>                             | <u><b>8,215</b></u>         | <u>11,503</u>           |
|  | <u>17,709,686</u>                    | <u><b>17,740,708</b></u>    | <u>17,323,817</u>       |
| <b>REQUISITIONS</b>                          |                                      |                             |                         |
| North Peace Housing Foundation               | 503,468                              | <b>480,174</b>              | 458,684                 |
| Designated Property Requisition              | 73,020                               | <b>73,020</b>               | -                       |
| Alberta School Foundation Fund               | <u>2,833,756</u>                     | <u><b>2,940,454</b></u>     | <u>2,866,051</u>        |
|  | <u>3,410,244</u>                     | <u><b>3,493,648</b></u>     | <u>3,324,735</u>        |
| <b>NET MUNICIPAL TAXES</b>                   | <u>\$ 14,299,442</u>                 | <u>\$ <b>14,247,060</b></u> | <u>\$ 13,999,082</u>    |

**CLEAR HILLS COUNTY**  
**Consolidated Schedule of Government Transfers**  
**For the Year Ended December 31, 2019**

**Schedule 4**

|                                   | <u>2019</u><br>(Budget)<br>(Note 20) | <u>2019</u><br>(Actual)  | <u>2018</u><br>(Actual)<br>(Restated)<br>(Note 14) |
|-----------------------------------|--------------------------------------|--------------------------|--|
| <b>TRANSFERS FOR OPERATING</b>    |                                      |                          |  |
| Provincial government             | \$ 504,745                           | \$ <b>466,227</b>        | \$ 522,245   |
| Local governments                 | <u>17,500</u>                        | <u><b>37,029</b></u>     | <u>-</u>   |
|                                   | <u>522,245</u>                       | <u><b>503,256</b></u>    | <u>522,245</u>                                     |
| <b>TRANSFERS FOR CAPITAL</b>      |                                      |                          |  |
| Provincial government             | <u>-</u>                             | <u><b>33,187</b></u>     | <u>156,732</u>                                     |
|                                   | <u>-</u>                             | <u><b>33,187</b></u>     | <u>156,732</u>                                     |
| <b>TOTAL GOVERNMENT TRANSFERS</b> | <u>\$ 522,245</u>                    | <u>\$ <b>536,443</b></u> | <u>\$ 678,977</u>                                  |

## CLEAR HILLS COUNTY

## Schedule 5

Consolidated Schedule of Segmented Information  
For the Year Ended December 31, 2019

|   | General<br>Government | Protective<br>Services | Transportation<br>Services | Environmental<br>Services | Public<br>Health   | Planning &<br>Development | Recreation<br>& Culture | 2019<br>Total     | 2018 (Restated)<br>Total |
|---|-----------------------|------------------------|----------------------------|---------------------------|--------------------|---------------------------|-------------------------|-------------------|--------------------------|
| <b>REVENUE</b>  |                       |                        |                            |                           |                    |                           |                         |                   |                          |
| Net municipal taxes                                   | \$ 14,247,060         | \$ -                   | \$ -                       | \$ -                      | \$ -               | \$ -                      | \$ -                    | \$ 14,247,060     | \$ 13,999,082            |
| Government transfers                                  | 136,024               | -                      | -                          | -                         | 93,873             | 273,359                   | -                       | 503,256           | 522,245                  |
| User fees and sale of goods                           | 168                   | 2,600                  | 35,783                     | 228,121                   | -                  | 21,289                    | -                       | 287,961           | 344,372                  |
| Penalties and costs on taxes                          | 1,033,293             | -                      | -                          | 3,464                     | -                  | -                         | -                       | 1,036,757         | 722,285                  |
| Investment income                                     | 802,076               | -                      | -                          | -                         | -                  | -                         | -                       | 802,076           | 690,049                  |
| Rentals   | 10,800                | -                      | -                          | -                         | -                  | 47,350                    | -                       | 58,150            | 62,355                   |
| Other revenues  | 75,863                | 16,691                 | 153,178                    | -                         | -                  | 5,911                     | 17,500                  | 269,143           | 202,529                  |
|   | <u>15,261,191</u>     | <u>19,291</u>          | <u>188,961</u>             | <u>231,585</u>            | <u>93,873</u>      | <u>347,909</u>            | <u>17,500</u>           | <u>17,204,403</u> | <u>16,542,917</u>        |
| <b>EXPENSES</b>                                       |                       |                        |                            |                           |                    |                           |                         |                   |                          |
| Salaries, wages, and benefits                         | 1,060,184             | 109,243                | 648,452                    | 87,632                    | 5,789              | 466,046                   | -                       | 2,377,346         | 2,180,914                |
| Contracted and general services                       | 546,495               | 112,652                | 2,987,336                  | 513,713                   | 2,970              | 264,376                   | 2,379                   | 4,429,921         | 4,745,431                |
| Materials, goods, supplies & utilities                | 16,649                | 30,633                 | 1,219,773                  | 120,920                   | -                  | 45,740                    | 307                     | 1,434,022         | 1,409,630                |
| Transfers to local boards & agencies                  | -                     | 119,414                | 2,579                      | 207,563                   | 127,300            | 1,745,726                 | 563,850                 | 2,766,432         | 3,942,739                |
| Other expenses  | 1,984,870             | -                      | 226                        | -                         | -                  | 6                         | -                       | 1,985,102         | 1,522,901                |
| Write-down of land held for resale                    | -                     | -                      | -                          | -                         | -                  | -                         | -                       | -                 | 403,438                  |
|   | <u>3,608,198</u>      | <u>371,942</u>         | <u>4,858,366</u>           | <u>929,828</u>            | <u>136,059</u>     | <u>2,521,894</u>          | <u>566,536</u>          | <u>12,992,823</u> | <u>14,205,053</u>        |
| <b>ANNUAL SURPLUS BEFORE<br/>AMORTIZATION</b>         | 11,652,993            | (352,651)              | (4,669,405)                | (698,243)                 | (42,186)           | (2,173,985)               | (549,036)               | 4,211,580         | 2,337,864                |
| Amortization of tangible capital assets               | 32,626                | 102,147                | 3,462,860                  | 443,106                   | -                  | 22,893                    | -                       | 4,063,632         | 4,241,938                |
| <b>ANNUAL SURPLUS BEFORE OTHER<br/>INCOME</b>         | 11,620,367            | (454,798)              | (8,132,265)                | (1,141,349)               | (42,186)           | (2,196,878)               | (549,036)               | 147,948           | (1,904,074)              |
| Government transfers for capital                      | -                     | -                      | 33,187                     | -                         | -                  | -                         | -                       | 33,187            | 156,732                  |
| Gain (loss) on disposal of<br>tangible capital assets | (17,839)              | -                      | (11,224)                   | -                         | -                  | 1,385                     | -                       | (27,678)          | -                        |
| <b>ANNUAL SURPLUS</b>                                 | <u>\$ 11,602,528</u>  | <u>\$ (1,747,342)</u>  | <u>\$ (8,110,302)</u>      | <u>\$ (1,141,349)</u>     | <u>\$ (42,186)</u> | <u>\$ (2,195,493)</u>     | <u>\$ (549,036)</u>     | <u>\$ 153,457</u> | <u>\$ (1,747,342)</u>    |

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

## **1. SIGNIFICANT ACCOUNTING POLICIES**

The consolidated financial statements of Clear Hills County (the "County") are the representations of management prepared in accordance with Canadian public sector accounting standards. Significant aspects of the accounting policies adopted by the County are as follows:

### **(a) Reporting Entity**

The consolidated financial statements reflect the assets, liabilities, revenues, expenses, and change in net financial assets and cash flows of the reporting entity. The entity is comprised of all the organizations that are owned or controlled by the County and are, therefore, accountable to the Council for the administration of their financial affairs and resources.

The schedule of taxes levied also includes requisitions for education and seniors foundations that are not part of the County 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 consolidated financial statements are prepared using the accrual basis of accounting. The accrual basis of accounting recognizes revenue as it is earned and measurable. Expenses are recognized as they are incurred and measurable based upon receipt of goods and services and/or the legal obligation to pay.

Revenues are accounted for in the period in which the transactions or events occurred that gave rise to the revenues and are reliably measured and reasonably estimated. Funds from external parties and earnings thereon restricted by agreement or legislation are accounted for as deferred revenue until used for the purpose specified.

Expenses are recognized in the period that goods or services are acquired and a liability is incurred or transfers are due.

### **(c) Land Held for Resale**

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

### **(d) Investments**

Investments are recorded at cost. 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.

### **(e) Landfill Closure and Post-Closure Liability**

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

**1. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

**(f) Tax Revenue**

Property tax revenue is based on 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 assessments during the period of the related borrowing. These levies are collectible from property owners for work performed by the County. Under the accrual basis of accounting, revenues to be received from local improvement assessments are recognized in full in the period the local improvement project costs are incurred and the passing of the related imposition by-law.

**(g) Use of Estimates**

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

The County has used estimates to determine an allowance for doubtful accounts, accrued liabilities, employment benefit obligations, landfill closure and post closure costs, and the useful lives of tangible capital assets.

**(h) Government Transfers**

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

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

**(i) 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 the actual levy exceeds the requisition, the over-levy is accrued as a liability and property tax revenue is reduced. In situations where the actual levy is less than the requisition amount, the under-levy is accrued as a receivable and as property tax revenue.

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

**(j) Allowances for Operating and Physical Assets**

Allowances for asset valuations are netted against the related asset. Increases in allowances are recorded as expenditures, while decreases in allowances are recorded as revenues.

**1. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

**(k) Non-Financial Assets**

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

**(l) 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:

|                             |             |
|-----------------------------|-------------|
| Vehicles                    | 10 years    |
| Machinery and equipment     | 15 years    |
| Buildings                   | 25 years    |
| Engineered Structures       |             |
| Other engineered structures | 25 years    |
| Water systems               | 30-75 years |
| Wastewater systems          | 75 years    |

No amortization is charged in the year of acquisition. Amortization is taken in the year of disposal. Assets under construction are not amortized until the asset is available for productive use.

**(m) 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.

**(n) 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.

**(o) Inventory for Consumption**

Inventory held for consumption is recorded at the lower of cost and replacement cost with cost determined using the average cost method.



**1. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

**(p) Future Accounting Standard Pronouncements**

The following summarizes upcoming changes to Canadian public sector accounting standards. The Municipality will continue to assess the impact and prepare for the adoption of these standards.

*i) Financial Statement Presentation*

PS 1201, Financial Statement Presentation, requires a new statement of re-measurement gains and losses separate from the statement of operations. Included in this new statement are the unrealized gains and losses arising from the re-measurement of financial instruments and items denominated in foreign currencies, as well as the government's proportionate share of other comprehensive income that arises when a government includes the results of government business enterprises and partnerships. This standard is applicable for fiscal years beginning on or after April 1, 2021.

*ii) Foreign Currency Translation*

PS 2601, Foreign Currency Translation, requires that monetary assets and liabilities denominated in a foreign currency be adjusted to reflect the exchange rates in effect at the financial statement dates. Unrealized gains and losses are to be presented in the new statement of re-measurement gains and losses. This standard must be adopted in conjunction with PS 2601 and PS 3450 and is applicable for fiscal years beginning on or after April 1, 2021.

*iii) Portfolio Investments*

PS 3041, Portfolio Investments, has removed the distinction between temporary and portfolio investments and amended to conform to PS 3405. This standard must be adopted in conjunction with PS 1201, PS 2601, and PS 3450 and is applicable for fiscal years beginning on or after April 1, 2021.

*iv) Financial Instruments*

PS 3450, Financial Instruments, established recognition, measurement and disclosure requirements for derivative and non-derivative financial instruments. The standard requires fair value measurement of derivative and equity instruments; all other financial instruments can be measured at cost/amortized cost or fair value at the election of the government. Unrealized gains and losses are presented in a new statement of re-measurement gains and losses. There is the requirement to disclose the nature and extent of risks arising from financial instruments and clarification is given for the de-recognition of financial liabilities. This standard is applicable for fiscal years beginning on or after April 1, 2021.

*v) Asset Retirement Obligations*

PS 3280, Asset Retirement Obligations, establishes standards on how to account and report for legal obligations associated with the retirement of certain tangible capital assets including solid waste landfill sites. As a result, PS 3270, Solid Waste Landfill Closure and Post-Closure Liability has been withdrawn but will remain in effect until the adoption of PS 3280. This standard is applicable for fiscal years beginning on or after April 1, 2021.

*vi) Revenue*

PS 3400, Revenue, establishes standards on how to account for and report revenue differentiating between revenue arising from transactions that include performance obligations and transactions that do not. This standard is applicable to fiscal years beginning on or after April 1, 2022.

**CLEAR HILLS COUNTY**  
**Notes to Consolidated Financial Statements**  
**Year Ended December 31, 2019**

**2. CASH AND TEMPORARY INVESTMENTS**

|                       | <u>2019</u>         | <u>2018</u>         |
|-----------------------|---------------------|---------------------|
| Cash                  | \$ 695,705          | \$ 993,753          |
| Temporary investments | <u>5,442,560</u>    | <u>3,400,672</u>    |
|                       | <u>\$ 6,138,265</u> | <u>\$ 4,394,425</u> |

Temporary investments are short-term deposits with original maturities of three months or less bearing interest of 2.48% maturing during 2020.

**3. TAXES AND GRANTS IN PLACE OF TAXES RECEIVABLE**

|                                       | <u>2019</u>        | <u>2018</u>        |
|---------------------------------------|--------------------|--------------------|
| Taxes Receivable - Tax                | \$ 2,419,100       | \$ 2,062,362       |
| Taxes Receivable - Arrears            | <u>6,438,432</u>   | <u>4,786,566</u>   |
|                                       | 8,857,532          | 6,848,928          |
| Less: Allowance for doubtful accounts | <u>(8,556,676)</u> | <u>(6,578,224)</u> |
|                                       | <u>\$ 300,856</u>  | <u>\$ 270,704</u>  |

**4. INVESTMENTS**

|  | <u>2019</u>          | <u>2018</u><br>(Restated)<br>(Note 14) |
|--|----------------------|--|
| Alberta Municipal Financing Corporation shares | \$ 100               | \$ 100                                 |
| Government guaranteed bonds and deposits       | <u>34,731,370</u>    | <u>32,033,008</u>                      |
|  | <u>\$ 34,731,470</u> | <u>\$ 32,033,108</u>                   |

**5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

|                                  | <u>2019</u>         | <u>2018</u>         |
|----------------------------------|---------------------|---------------------|
| Trade and other accounts payable | \$ 757,973          | \$ 1,441,736        |
| Salaries and wages               | 36,838              | 35,766              |
| Payable to other governments     | 16,798              | 1,975               |
| Employee benefits obligation     | <u>217,278</u>      | <u>219,394</u>      |
|                                  | <u>\$ 1,028,887</u> | <u>\$ 1,698,871</u> |

Employee benefits obligation is comprised of the vacation and overtime that employees are deferring. Employees have either earned the benefits (and are vested) or are entitled to these benefits within the next budgetary year. The County does not provide post-employment benefits to their employees.

**CLEAR HILLS COUNTY**  
**Notes to Consolidated Financial Statements**  
**Year Ended December 31, 2019**

**6. DEPOSIT LIABILITIES**

|                  | <u>2019</u>      | <u>2018</u>       |
|------------------|------------------|-------------------|
| Trade deposits   | \$ 90,000        | \$ 120,000        |
| Utility deposits | 6,620            | 7,660             |
| Rental deposits  | 588              | 300               |
|                  | <u>\$ 97,208</u> | <u>\$ 127,960</u> |

**7. LONG-TERM DEBT**

|  | <u>2019</u> | <u>2018</u>       |
|--|-------------|-------------------|
| Debenture debt held by Worsley Gravel Supply Ltd.,<br>non-interest bearing loan and matured in 2019. | <u>\$ -</u> | <u>\$ 390,584</u> |

**8. DEBT LIMITS**

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

|                                       | <u>2019</u>          | <u>2018</u><br>(Restated)<br>(Note 14) |
|---------------------------------------|----------------------|--|
| Total debt limit                      | \$ 25,806,605        | \$ 24,814,376                          |
| Total debt                            | <u>-</u>             | <u>390,584</u>                         |
| Amount of total debt limit unused     | <u>\$ 25,806,605</u> | <u>\$ 24,423,792</u>                   |
| Debt servicing limit                  | \$ 4,301,101         | \$ 4,135,729                           |
| Debt servicing                        | <u>1,059,579</u>     | <u>86,460</u>                          |
| Amount of debt servicing limit unused | <u>\$ 3,241,522</u>  | <u>\$ 4,049,269</u>                    |

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

**9. INVENTORY FOR CONSUMPTION**

|                           | <u>2019</u>         | <u>2018</u><br>(Restated)<br>(Note 14) |
|---------------------------|---------------------|--|
| Gravel                    | \$ 1,744,421        | \$ 1,896,484                           |
| Public works              | 61,106              | 91,666                                 |
| Agriculture service board | <u>31,732</u>       | <u>24,723</u>                          |
|                           | <u>\$ 1,837,259</u> | <u>\$ 2,012,873</u>                    |

**CLEAR HILLS COUNTY**  
**Notes to Consolidated Financial Statements**  
**Year Ended December 31, 2019**

**10. LANDFILL CLOSURE AND POST-CLOSURE LIABILITY**

Alberta environmental law requires closure and post-closure care of landfill sites, which includes final covering and landscaping, pumping of ground water and leachates from the site, ongoing environmental monitoring, and site inspections and maintenance.

Post closure costs are expected to occur for 25 years beyond the closure of each landfill.

The accrued liability portion is based on the remaining useful lives and estimated closure and post closure costs of the landfill sites. The existing landfill sites have estimated useful lives ranging from 1 to 45 years.

The County has not designated assets for setting closure and post-closure liabilities.

In 2002, the municipality joined the North Peace Regional Landfill Commission (NPRLC). This commission was established to construct a new regional landfill to replace the aging landfills within the County. The County has constructed four transfer stations to date and intends to continue to construct more transfer stations on the existing landfill sites, thus delaying the post-closure requirements for a number of these landfills.

|  | <u>2019</u> | <u>2018</u> |
|--|-------------|-------------|
| Estimated closure and post-closure costs | \$ 546,803  | \$ 537,013  |

**11. EQUITY IN TANGIBLE CAPITAL ASSETS**

|                                       | <u>2019</u>          | <u>2018</u><br>(Restated)<br>(Note 14) |
|---------------------------------------|----------------------|--|
| Tangible capital assets (Schedule 1)  | \$ 143,357,300       | \$ 143,145,490                         |
| Accumulated amortization (Schedule 1) | <u>(66,893,424)</u>  | <u>(62,862,363)</u>                    |
|                                       | <u>\$ 76,463,876</u> | <u>\$ 80,283,127</u>                   |

**CLEAR HILLS COUNTY**  
**Notes to Consolidated Financial Statements**  
**Year Ended December 31, 2019**

**12. ACCUMULATED SURPLUS**

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

|                                   | <u>2019</u>          | <u>2018</u>          |
|-----------------------------------|----------------------|----------------------|
| Unrestricted surplus              | \$ <u>6,060,483</u>  | \$ <u>7,716,877</u>  |
| Restricted surplus                |                      |                      |
| Operating Reserves                | 3,893,863            | 3,849,701            |
| Capital Reserves                  | 35,121,074           | 29,536,134           |
|                                   | <u>39,014,937</u>    | <u>33,385,835</u>    |
| Equity in tangible capital assets | <u>76,463,876</u>    | <u>80,283,127</u>    |
|                                   | <u>\$121,539,296</u> | <u>\$121,385,839</u> |

**13. SALARIES AND BENEFITS DISCLOSURE**

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

|                              | <u>Salary (1)</u> | <u>Benefits, Travel<br/>and Allowances (2)</u> | <u>2019<br/>Total</u> | <u>2018<br/>Total</u> |
|------------------------------|-------------------|--|-----------------------|-----------------------|
| Elected Officials:           |                   |  |                       |                       |
| Councilor - Division 1       | \$ 45,193         | \$ 4,453                                       | \$ 49,646             | \$ 36,683             |
| Councilor - Division 2       | 35,135            | 4,522  | 39,657                | 36,518                |
| Councilor - Division 3       | 45,029            | 1,801  | 46,830                | 43,120                |
| Councilor - Division 4       | 27,788            | 4,522  | 32,310                | 38,358                |
| Councilor - Division 5       | 40,489            | 4,522  | 45,011                | 38,573                |
| Councilor - Division 6       | 33,208            | 4,453  | 37,661                | 30,717                |
| Councilor - Division 7       | <u>34,274</u>     | <u>4,451</u>                                   | <u>38,725</u>         | <u>33,431</u>         |
| Chief Administrative Officer | \$ <u>255,930</u> | \$ <u>45,572</u>                               | \$ <u>301,502</u>     | \$ <u>292,993</u>     |
|                              | <u>\$ 517,046</u> | <u>\$ 74,296</u>                               | <u>\$ 591,342</u>     | <u>\$ 550,393</u>     |

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

(2) Employer's share of all employee benefits, travel and allowances or payments made on behalf of employees including travel and subsistence, pension, health care, dental coverage, vision coverage, group life disability plans, professional memberships and tuition.

#### **14. PRIOR PERIOD ADJUSTMENT**

The County has adjusted certain financial statement accounts as of December 31, 2018 due to the following:

##### Government transfers capital revenue

During 2019 the County identified that the recognition of government transfer capital revenue was understated in accordance with Public Sector Accounting Standards. Capital projects incurred by the County are initially completed prior to the submission the Municipal Sustainable Initiative (MSI) grant application. As the costs and completion of the project occurred prior to the approval of the MSI grant submission, revenue recognition and the accrual of a receivable is to occur when the MSI submission has been approved. Previously the County recognized revenue as grant funding was received. This change has been applied retroactively and prior periods have been restated. The 2018 financial statements were adjusted as follows:

- Decrease in government transfers for capital revenue - \$2,446,141;
- Increase in accounts receivable - \$4,089,686;
- Increase in accumulated surplus - \$6,535,827;

##### Investment income

During 2019 the County discovered that an accrual for investment interest had not been rectified in the prior years. This correction has been made retroactively and prior periods have been restated. The 2018 financial statements were adjusted as follows:

- Decrease in investments - \$224,351;
- Decrease in accumulated surplus - \$224,351

##### Tangible capital assets - amortization

During 2019 the County identified useful life discrepancies in prior period tangible capital asset additions. These discrepancies resulted in overstated useful lives which resulted in amortization expense to be understated and tangible capital assets to be overstated. This correction has been made retroactively and prior periods have been restated. The 2018 financial statements were adjusted as follows:

- Increase in accumulated amortization - \$388,393;
- Increase in amortization expense - \$86,777;
- Decrease in accumulated surplus - \$301,616;

## **15. CONTINGENCIES**

The Municipality is a member of the Alberta Local Authorities Reciprocal Insurance Exchange ("ALARIE") and the Genesis Reciprocal Insurance Exchange ("Genesis"). Under the terms of membership, the Municipality could become liable for its proportionate share of any claim losses in excess of the funds held by the exchange. Any liability incurred would be accounted for as a current transaction in the year the losses are determined.

## **16. COMMITMENTS**

The County has the following 2020 payment commitments as of December 31, 2019:

- Payment of \$120,000 to Mackenzie Municipal Services Agency as the County's planning consultant;
- Annual requisition payment of \$511,537 to the North Peace Housing Foundation;
- Annual payments of \$78,120 to Reliance Assessment for contracted assessment services from 2020 to 2025;
- Annual requisition payment of \$198,827 to the North Peace Regional Landfill Commission based on the County's usage;
- One time payment of \$100,000 to STARS;
- Annual grant payment of \$50,000 to the North-West Species at Risk Committee from 2020 to 2022;
- Operating grant payment of \$535,000 to the Village of Hines Creek;
- Annual payment of \$5,000 to the Alberta Conservation Association from 2020 to 2024;
- Annual payment of \$10,000 to the Northern Lights County Airport from 2020 to 2024;
- One time payment of \$21,661 to WSP Canada Inc.

## **17. LOCAL AUTHORITIES PENSION PLAN**

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

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

Total current and past service contributions made by the County to the LAPP in 2019 were \$122,134 (2018 - \$125,701). Total current and past service contributions made by the employees of the County to the LAPP in 2019 were \$134,085 (2018 - \$136,177).

At December 31, 2018, the LAPP disclosed an actuarial surplus of of \$3.47 billion (2017 - \$4.84 billion).

## **18. FINANCIAL INSTRUMENTS**

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

The 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 which the County provides services may experience financial difficulty and be unable to fulfil their obligations. The large number and diversity of customers minimizes the County's credit risk.

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



**19. SEGMENTED INFORMATION**

The County provides a range of services to its residents. For each reported segment, revenues and expenses represent both amounts that are directly attributable to the segment and amounts that are allocated on a reasonable basis. The accounting policies used in these segments are consistent with those followed in the preparation of the consolidated financial statements as disclosed in Note 1. For additional information see the Consolidated Schedules of Segmented Information.

**20. BUDGET**

The budget figures presented in these consolidated financial statements are approved by the County's council and are included for information purposes only and are not audited.

**21. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS**

These consolidated financial statements were approved by Council and Management.

**22. SUBSEQUENT EVENTS**

On March 17, 2020, the Government of Alberta declared a public health emergency in response to the coronavirus disease 2019 ("COVID-19") outbreak. The measures implemented by governments, businesses, and other organizations to safeguard against COVID-19 may have a significant effect on the County's future operations. An estimate of the financial effects, if any, cannot be made at this time.