

**COUNTY OF PAINT EARTH NO. 18
FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019**

**COUNTY OF PAINEARTH NO. 18
FINANCIAL STATEMENTS
DECEMBER 31, 2019**

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**CHARTERED PROFESSIONAL
ACCOUNTANTS**

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INDEPENDENT AUDITOR'S REPORT

To the Members of Council:

Opinion

We have audited the financial statements of the County of Paintearth No. 18, which comprise of the statement of financial position as at, December 31, 2019 and the results of its operations and changes in its net financial assets and cash flows for the year then ended, and the notes to the financial statements, including 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 Paintearth No. 18 as at December 31, 2019, the results of its operations, changes in net financial assets and its cash flows for the year 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 Paintearth No. 18 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 these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the county's ability to continue as a going concern, disclosing, as applicable, matters 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's financial reporting process.

Auditor's 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 the 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:

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- 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 controls.
- Obtain an understanding of internal controls 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 controls.
- 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'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 the auditor's report. However future events or conditions may cause the county to cease to continue to be 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the Entities or business activities within the Group to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other things, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal controls that we identify during the audit.

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's debt limit can be found in Note 8.
- 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 note the information required can be found in Note 1.

HANNA, ALBERTA
FEBRUARY 26, 2020



CHARTERED PROFESSIONAL ACCOUNTANTS

COUNTY OF PAINT EARTH NO. 18
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2019

	2019	2018
<hr/>		
FINANCIAL ASSETS		
Cash and temporary investments (Note 2)	\$ 24,252,892	\$ 23,851,567
Receivables		
Taxes and grants in place of taxes (Note 3)	1,266,981	836,927
Trade and other receivables	172,755	301,734
Receivables from other governments	312,915	510,133
Land inventory held for resale	947,064	947,064
Investments (Note 4)	<u>50</u>	<u>50</u>
	<u>26,952,657</u>	<u>26,447,475</u>
LIABILITIES		
Accounts payable and accrued liabilities	951,624	966,769
Deferred revenue (Note 5)	3,363,157	3,826,946
Employee benefit obligations (Note 6)	745,483	667,238
Gravel reclamation payable	398,848	459,504
Long-term debt (Note 7)	<u>343,972</u>	<u>810,693</u>
	<u>5,803,084</u>	<u>6,731,150</u>
NET FINANCIAL ASSETS	<u>21,149,573</u>	<u>19,716,325</u>
NON-FINANCIAL ASSETS		
Tangible capital assets	45,154,311	44,958,607
Inventory for consumption	9,981,000	10,077,668
Prepaid expenses	497,714	430,465
Gravel reserves for development	<u>2,727,287</u>	<u>1,435,435</u>
	<u>58,360,312</u>	<u>56,902,175</u>
ACCUMULATED SURPLUS	<u>\$ 79,509,885</u>	<u>\$ 76,618,500</u>
	COMMITMENTS (SEE NOTE 14)	

COUNTY OF PAINT EARTH NO. 18
STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2019

	Budget (Unaudited)	2019	2018
REVENUE			
Net municipal taxes (Schedule 2)	\$ 14,227,641	\$ 14,194,805	\$ 13,806,008
User fees and sale of goods	515,075	331,870	398,121
Government transfers for operating (Schedule 3)	134,200	1,218,408	1,117,347
Investment income	200,000	543,703	448,298
Penalties and costs on taxes	100,000	198,711	125,858
Licenses and permits	97,000	112,249	148,456
Gain on disposal of tangible capital assets	15,000	34,455	20,724
Other	14,700	36,284	24,590
Total Revenue	<u>15,303,616</u>	<u>16,670,485</u>	<u>16,089,402</u>
EXPENSES			
Legislative	454,800	353,862	285,470
Administration	2,219,001	2,621,625	2,278,799
Protective services	473,215	462,483	457,500
Transportation	11,021,925	8,903,933	8,794,033
Water supply and distribution	728,520	743,615	706,844
Wastewater treatment and disposal	35,975	41,296	37,760
Public health and welfare	102,000	98,708	98,708
Land use planning, zoning and development	370,150	399,388	427,690
Economic/agricultural development	735,750	722,881	679,956
Parks and recreation	467,280	365,010	396,408
Culture	40,000	32,636	32,363
Total Expenses	<u>16,648,616</u>	<u>14,745,437</u>	<u>14,195,531</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES - BEFORE OTHER	1,345,000	1,925,048	1,893,871
Government transfers for capital (Schedule 3)	<u>1,345,000</u>	<u>966,337</u>	<u>664,053</u>
EXCESS OF REVENUE OVER EXPENSES		2,891,385	2,557,924
ACCUMULATED SURPLUS, BEGINNING OF YEAR	<u>76,618,500</u>	<u>76,618,500</u>	<u>74,060,576</u>
ACCUMULATED SURPLUS, END OF YEAR	<u>\$ 76,618,500</u>	<u>\$ 79,509,885</u>	<u>\$ 76,618,500</u>

COUNTY OF PAINT EARTH NO. 18
STATEMENT OF CHANGES IN NET FINANCIAL ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2019

	Budget (Unaudited)	2019	2018
EXCESS OF REVENUE OVER EXPENSES			
	\$ _____	\$ <u>2,891,385</u>	\$ <u>2,557,924</u>
Acquisition of tangible capital assets	(5,066,652)	(2,777,362)	(2,088,434)
Proceeds on sale of tangible capital assets	323,500	311,369	500,122
Amortization of tangible capital assets	2,453,375	2,254,409	2,233,970
Loss on sale of tangible capital assets	<u>60,000</u>	<u>15,879</u>	<u>92,897</u>
	<u>(2,229,777)</u>	<u>(195,705)</u>	<u>738,555</u>
Change in in prepaid expenses		(67,249)	(97,400)
Change in change in gravel reserves for development		(1,291,852)	
Change in inventory for consumption		<u>96,669</u>	<u>(721,166)</u>
		<u>(1,262,432)</u>	<u>(818,566)</u>
INCREASE IN NEW ASSETS	2,229,777	1,433,248	2,477,913
NET FINANCIAL ASSETS, BEGINNING OF YEAR	<u>19,716,325</u>	<u>19,716,325</u>	<u>17,238,412</u>
NET FINANCIAL ASSETS, END OF YEAR	<u>\$ 17,486,548</u>	<u>\$ 21,149,573</u>	<u>\$ 19,716,325</u>

COUNTY OF PAINT EARTH NO. 18
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2019

	2019	2018
NET INFLOW(OUTFLOWS) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING		
Excess of revenues over expenses	\$ 2,891,385	\$ 2,557,924
Non-cash items included in excess(shortfall) of revenues over expenses:		
Amortization	2,254,409	2,233,970
Gain or loss on disposal of tangible capital assets	<u>15,879</u>	<u>92,897</u>
	5,161,673	4,884,791
Changes in net financial asset(debt) items:		
Decrease (increase) in taxes and grants in place of taxes receivables	(430,054)	(608,707)
Decrease(increase) in trade and other receivables	128,979	(162,675)
Decrease(increase) in receivables from other governments	197,218	1,323,854
Decrease (increase) in inventory	96,668	(721,166)
Decrease(increase) in prepaid expenses	(67,249)	(97,400)
Increase(decrease) in accounts payable and accrued liabilities	2,443	(63,458)
Increase(decrease) in deferred revenue	<u>(463,789)</u>	<u>2,764,667</u>
Cash provided by (applied to) operating transactions	<u>4,625,889</u>	<u>7,319,906</u>
CAPITAL		
Acquisition of tangible capital assets	(2,777,360)	(2,088,434)
Proceeds on sale of tangible capital assets	<u>311,369</u>	<u>500,122</u>
Cash provided by (applied to) capital transactions	<u>(2,465,991)</u>	<u>(1,588,312)</u>
INVESTING		
Decrease (increase) in gravel reserves	<u>(1,291,852)</u>	<u> </u>
Cash provided by (applied to) investing transactions	<u>(1,291,852)</u>	<u> </u>
FINANCING		
Long term debt repaid	<u>(466,721)</u>	<u>(933,334)</u>
CHANGE IN CASH AND EQUIVALENTS DURING THE YEAR	401,325	4,798,260
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>23,851,567</u>	<u>19,053,307</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 24,252,892</u>	<u>\$ 23,851,567</u>

COUNTY OF PAINTEARTH NO. 18
SCHEDULE OF TANGIBLE CAPITAL ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2019

Schedule 1

	Land	Land Improvements	Buildings	Engineered Structures	Machinery & Equipment	Vehicles	2019	2018
COST:								
BALANCE, BEGINNING OF YEAR	\$ 1,863,574	\$ 784,917	\$ 5,102,896	\$ 50,149,359	\$ 13,430,062	\$ 5,300,839	\$ 76,631,647	\$ 75,803,563
Acquisition of tangible capital assets	280,295		808,717	1,540,025	2,771,732	142,695	2,070,099	18,335
Construction-in-progress	(20)	5,630		(979,560)	(85,064)		(1,064,644)	(1,260,350)
Disposal of tangible capital assets								
BALANCE, END OF YEAR	<u>2,143,849</u>	<u>784,917</u>	<u>5,108,526</u>	<u>50,958,076</u>	<u>13,990,527</u>	<u>5,358,470</u>	<u>78,344,365</u>	<u>76,631,647</u>
ACCUMULATED AMORTIZATION:								
BALANCE, BEGINNING OF YEAR	117,058	336,175	1,151,214	22,145,706	5,066,859	2,856,028	31,673,040	30,106,401
Annual amortization	33,543	28,613	100,415	989,674	706,129	396,035	2,254,409	2,233,970
Accumulated amortization on disposals					(659,868)	(77,527)	(737,395)	(667,331)
BALANCE, END OF YEAR	<u>150,601</u>	<u>364,788</u>	<u>1,251,629</u>	<u>23,135,380</u>	<u>5,113,120</u>	<u>3,174,536</u>	<u>33,190,054</u>	<u>31,673,040</u>
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	<u>\$ 1,993,248</u>	<u>\$ 420,129</u>	<u>\$ 3,856,897</u>	<u>\$ 27,822,696</u>	<u>\$ 8,877,407</u>	<u>\$ 2,183,934</u>	<u>\$ 45,154,311</u>	<u>\$ 44,958,607</u>

COUNTY OF PAINTEARTH NO. 18
SCHEDULE OF PROPERTY AND OTHER TAXES
FOR THE YEAR ENDED DECEMBER 31, 2019

Schedule 2

	Budget (Unaudited)	2019	2018
TAXATION			
Residential land and improvement taxes	\$ 6,302,770	\$ 6,210,733	\$ 6,264,424
Non-residential linear property taxes	<u>10,762,871</u>	<u>10,605,706</u>	<u>10,095,683</u>
	<u>17,065,641</u>	<u>16,816,439</u>	<u>16,360,107</u>
REQUISITIONS			
Alberta School Foundation Fund	2,302,000	2,088,578	2,010,173
Seniors requisition	<u>536,000</u>	<u>533,056</u>	<u>543,926</u>
	<u>2,838,000</u>	<u>2,621,634</u>	<u>2,554,099</u>
NET MUNICIPAL TAXES	<u>\$ 14,227,641</u>	<u>\$ 14,194,805</u>	<u>\$ 13,806,008</u>

SCHEDULE OF GOVERNMENT TRANSFERS
FOR THE YEAR ENDED DECEMBER 31, 2019

Schedule 3

	Budget (Unaudited)	2019	2018
TRANSFERS FOR OPERATING			
Provincial government	\$ 130,000	\$ 1,218,408	\$ 1,117,347
Federal government	<u>4,200</u>	<u>1,218,408</u>	<u>1,117,347</u>
	<u>134,200</u>	<u>1,218,408</u>	<u>1,117,347</u>
TRANSFERS FOR CAPITAL			
Provincial government	<u>1,345,000</u>	<u>966,337</u>	<u>664,053</u>
TOTAL GOVERNMENT TRANSFERS	<u>\$ 1,479,200</u>	<u>\$ 2,184,745</u>	<u>\$ 1,781,400</u>

COUNTY OF PAINT EARTH NO. 18
SCHEDULE OF EXPENSES BY OBJECT
FOR THE YEAR ENDED DECEMBER 31, 2019

Schedule 4

	Budget (Unaudited)	2019	2018
EXPENSES BY OBJECT			
Salaries, wages and benefits	\$ 5,886,056	\$ 5,304,647	\$ 5,039,376
Contracted and general services	1,797,267	2,285,466	2,160,721
Materials, goods, supplies and utilities	5,430,318	4,028,342	3,913,497
Provision for allowances	101,500	53,389	(98,358)
Transfers to other government	1,200	74,462	4,198
Transfers to local boards and agencies	158,000	126,195	169,698
Transfers to individuals and organizations	683,900	548,757	612,838
Bank charges and short term interest	76,000	19,436	45,969
Amortization of tangible capital assets	2,454,375	2,254,409	2,233,971
Loss on disposal of tangible capital assets	60,000	50,334	113,621
	<u>\$ 16,648,616</u>	<u>\$ 14,745,437</u>	<u>\$ 14,195,531</u>

COUNTY OF PAINTEARTH NO. 18
SCHEDULE OF CHANGES IN ACCUMULATED SURPLUS
FOR THE YEAR ENDED DECEMBER 31, 2019

Schedule 5

	Unrestricted Surplus	Restricted Surplus	Equity in Tangible Capital Assets	2019	2018
BALANCE, BEGINNING OF YEAR	\$ 738,555	\$ 30,921,338	\$ 44,958,607	\$ 76,618,500	\$ 74,060,576
Excess of revenues over expenses	2,891,385			2,891,385	2,557,924
Unrestricted funds designated for future use	(4,895,897)	4,895,897			
Restricted funds used for tangible capital assets	233,569	(233,569)			
Restricted funds used for gravel reserves	1,291,852	(1,291,852)			
Current year funds used for tangible capital assets	(2,777,359)		2,777,359		
Disposal of tangible capital assets	327,246		(327,246)		
Annual amortization expense	2,254,409		(2,254,409)		
Change in accumulated surplus	(674,795)	3,370,476	195,704	2,891,385	2,557,924
BALANCE, END OF YEAR	\$ 63,760	\$ 34,291,814	\$ 45,154,311	\$ 79,509,885	\$ 76,618,500

COUNTY OF PAINTEARTH NO. 18
SCHEDULE OF SEGMENTED DISCLOSURE
FOR THE YEAR ENDED DECEMBER 31, 2019

Schedule 6

	General Government	Protective Services	Transportation Services	Water / Wastewater	Public Health & Welfare	Planning Development	Agricultural Development	Recreation & Culture	Total
REVENUE									
Net municipal taxes	\$ 14,194,805	\$	\$	\$	\$	\$	\$	\$	\$ 14,194,805
User fees and sales of goods	97,280	42,874	5,471	96,822			52,506	36,917	331,870
Government transfers	1,776,483			152,337	72,566		183,359		2,184,745
Investment Income	543,703								543,703
Penalties	198,711								198,711
Licenses and permits	86,147	8,692	21,283			17,410			112,249
Gain on disposal	3,870		11,594	1,408			9,302		34,455
Other revenues	23,282								36,284
	<u>16,924,281</u>	<u>51,566</u>	<u>38,348</u>	<u>250,567</u>	<u>72,566</u>	<u>17,410</u>	<u>245,167</u>	<u>36,917</u>	<u>17,636,822</u>
EXPENSES									
Salaries & wages	1,224,212	147,609	3,283,442	170,877		129,773	339,994	8,740	5,304,647
Contract & general services	1,408,409	106,487	404,013	97,252		119,498	105,003	44,804	2,285,466
Goods & supplies	92,505	6,684	3,571,373	176,368		5,155	157,418	18,839	4,028,342
Provision for allowance	53,389								53,389
Other government transfers				74,462					74,462
Transfers to local boards	4,761	121,434							126,195
Transfers to organizations	20,350	10,510			98,708	104,703	9,500	304,986	548,757
Bank charges and interest	19,436								19,436
Loss on sale of TCA	996		44,731				4,607		50,334
	<u>2,824,058</u>	<u>392,724</u>	<u>7,303,559</u>	<u>518,959</u>	<u>98,708</u>	<u>359,129</u>	<u>616,522</u>	<u>377,369</u>	<u>12,491,028</u>
NET REVENUE, BEFORE AMORTIZATION	<u>14,100,223</u>	<u>(341,158)</u>	<u>(7,265,211)</u>	<u>(268,392)</u>	<u>(26,142)</u>	<u>(341,719)</u>	<u>(371,355)</u>	<u>(340,452)</u>	<u>5,145,794</u>
Amortization expense	151,429	69,759	1,600,374	265,952		40,259	106,359	20,277	2,254,409
NET REVENUE	<u>\$ 13,948,794</u>	<u>\$ (410,917)</u>	<u>\$ (8,865,585)</u>	<u>\$ (534,344)</u>	<u>\$ (26,142)</u>	<u>\$ (381,978)</u>	<u>\$ (477,714)</u>	<u>\$ (360,729)</u>	<u>\$ 2,891,385</u>

COUNTY OF PAINT EARTH NO. 18
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

1. SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the County of Paintearth No. 18 are the representations of management prepared in accordance with generally accepted accounting principles for local governments established by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada. Significant aspects of the accounting policies adopted by the county are as follows:

a) Reporting Entity

The financial statements reflect the assets, liabilities, revenues and expenditures, changes in fund balances and change in financial position of the reporting entity. This entity is comprised of the municipal operations plus all of the organizations that are owned or controlled by the county and are, therefore, accountable to the county Council for the administration of their financial affairs and resources.

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.

b) Basis of Accounting

The financial statements are prepared using the accrual basis of accounting. The accrual basis of accounting records revenue as it is earned and measurable. Expenses are recognized as they are incurred and measurable based upon receipt of goods or services and/or the legal obligation to pay.

Funds from external parties and earnings thereon restricted by agreement or legislation are accounted for as deferred revenue until used for the purpose specified.

Government transfers, contributions and other amounts are received from third parties pursuant to legislation, regulation or agreement and may only be used for certain programs, in the completion of specific work, or for the purchase of tangible capital assets. In addition, certain user charges and fees are collected for which the related services have yet to be performed. Revenue is recognized in the period when the related expenses are incurred, services performed or the tangible capital assets are acquired.

c) Use of Estimates

The preparation of financial statements in conformity with Canadian 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 revenue and expenditure 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.

Significant financial statement areas requiring the use of management estimates include:

- Employee benefits obligation;
- Useful life of tangible capital assets;
- Accrued liabilities;
- Fair value of contributed tangible capital assets;
- Gravel reclamation payable

COUNTY OF PAINT EARTH NO. 18
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

d) Cash and Cash Equivalents

Cash and cash equivalents are comprised of cash on deposits with financial institutions and highly liquid investments.

e) 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.

f) Debt Charges Recoverable

Debt charges recoverable consist of amounts that are recoverable from municipal agencies or other local governments with respect to outstanding debentures or other long-term debt pursuant to annexation orders or joint capital undertakings. These recoveries are recorded at a value that equals the offsetting portion of the un-matured long-term debt, less actuarial requirements for the retirement of any sinking fund debentures.

g) Requisition Over-levy and Under-levy

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

If 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.

h) 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 levelling charges. Related development costs incurred to provide infrastructure such as water and wastewater services, roads, sidewalks and street lighting are recorded as tangible capital assets under the respective function.

i) Prepaid Local Improvement Charges

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 PAINT EARTH NO. 18
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

1.. SIGNIFICANT ACCOUNTING POLICIES (continued)

j) Net Municipal Taxes

Property tax revenue is based on market value assessments determined in accordance with the Municipal Government Act (MGA) and tax rates established by Council. Taxation revenues are recorded at the time the tax billings are issued. Assessments may change due to appeal or as a result of adjustments made by assessors to correct errors or omissions. Gain or losses on assessment changes or appeals are recorded as adjustments to tax revenue and receivables when a written decision is received from the authorized board or a change is generated by the authorized assessor.

k) 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.

l) 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 (Debt) for the year.

COUNTY OF PAINT EARTH NO. 18
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

1.. SIGNIFICANT ACCOUNTING POLICIES (continued)

i. Tangible Capital Assets

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

	YEARS
Land improvements	15-25
Buildings	25-50
Engineering structures	
Water system	45-75
Wastewater system	45-75
Other engineered structures	10-75
Machinery and equipment	5-20
Heavy equipment	Unit of output(hours)
Vehicles	10-25

In the year of acquisition of a tangible capital asset, annual amortization is charged based on the number of months owned and in the year of disposal no amortization is charged. .

Assets under construction are not amortized until the asset is available for productive use.

ii. Contributions of Tangible Capital Assets

Tangible capital assets received as contributions are recorded at fair value at the date of receipt and also are recorded as revenue.

iii. Leases

Leases are classified as capital or operating leases. Leases which transfer substantially all of the benefits and risks incidental to ownership of property are accounted for as capital leases. All other leases are accounted for as operating leases and the related lease payments are charged to expenses as incurred.

iv. Inventories

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

v. Cultural and Historical Tangible Capital Assets

Works of art for display are not recorded as tangible capital assets but are disclosed.

COUNTY OF PAINT EARTH NO. 18
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

2. CASH AND TEMPORARY INVESTMENTS

	2019	2018
Cash	\$ 24,201,145	\$ 23,801,270
Temporary investments	51,747	50,297
	\$ 24,252,892	\$ 23,851,567

The temporary investment balance represents a guaranteed income certificates that bears interest at rates between 2.25% and 2.95% and matures between October 31, 2020 and May 13, 2021 .

Included in the cash account are restricted amount of \$3,363,156 (2018 - \$3,569,282) which relates to conditional grant revenues that have not yet been expended on the purposes intended.

The temporary investment balance is fully restricted as it represents the surplus funds received in relation to a tax sale under section 427(1) of the Municipal Government Act.

An ATB Financial operating line of credit is available in the amount of \$2,000,000, interest calculated at prime rate. The County had not utilized this line of credit as of December 31, 2019.

3. TAXES AND GRANTS IN PLACE OF TAXES RECEIVABLE

	2019	2018
Current taxes and grants in place receivables	\$ 747,810	\$ 786,665
Arrears taxes	523,729	54,158
	1,271,539	840,823
Less: allowance for doubtful accounts	(4,558)	(3,896)
	\$ 1,266,981	\$ 836,927

4. INVESTMENTS

	2019		2018	
	Cost	Market Value	Cost	Market Value
AAMD&C	\$ 50	\$ 50	\$ 50	\$ 50

COUNTY OF PAINT EARTH NO. 18
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

5. DEFERRED REVENUE

	2019	2018
Municipal Sustainability Initiative	\$ 2,482,597	\$ 2,303,176
Alberta Economic Development And Trade	542,254	1,290,976
Federal Gas Tax Fund	312,539	227,349
Huber Dam Project Donation	20,322	
Paintearth Economic Partnership Society Grant	5,000	5,000
Burma Park Donation	445	445
	\$ 3,363,157	\$ 3,826,946

Municipal Sustainability Initiative

The use of these funds is restricted to eligible capital projects, as approved under the funding agreement. Unexpended funds related to these advances are supported by cash held exclusively for this funding (refer to Note 2).

Federal Gas Tax Fund

The use of these funds is restricted to eligible capital projects, as approved under the funding agreement. Unexpended funds related to these advances are supported by cash held exclusively for this funding (refer to Note 2).

Alberta Economic Development and Trade

The use of these funds is restricted to eligible projects, as approved under the funding agreement. Unexpended funds related to these advances are supported by cash held exclusively for this funding (refer to Note 2).

6. EMPLOYEE BENEFIT OBLIGATIONS

	2019	2018
Vested sick leave payable	\$ 713,909	\$ 637,978
Long service recognition payable	31,574	29,260
	\$ 745,483	\$ 667,238

Vested sick leave payable

The vested sick leave liability is comprised of paid sick days that employees have not used and are being deferred to future years.

Long service recognition payable

The long service recognition payable is comprised of the liability associated with long term service of County employees.

COUNTY OF PAINT EARTH NO. 18
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

7. LONG TERM DEBT

	<u>2019</u>	<u>2018</u>
Tax supported loans	\$ <u>343,972</u>	\$ <u>810,693</u>

The current portion of the long-term debt amounts to \$343,972 (2018 - \$466,667).

Principal and interest repayments are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ <u>343,972</u>	\$ <u>9,289</u>	\$ <u>353,261</u>

ATB Financial loan bears interest at prime rate is and is repayable in annual instalments of principal and interest, maturing July 31, 2020.

The County's total cash payments for interest in 2019 was \$30,481 (2018 - \$45,958).

8. DEBT LIMITS

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

	<u>2019</u>	<u>2018</u>
Total debt limit	\$ 25,005,728	\$ 24,134,103
Total debt	<u>343,972</u>	<u>810,693</u>
Amount of debit limit unused	\$ <u>24,661,756</u>	\$ <u>23,323,410</u>
Debt servicing limit	\$ 4,167,621	\$ 4,022,351
Debt servicing	<u>501,156</u>	<u>980,423</u>
Amount of debt servicing limit unused	\$ <u>3,666,465</u>	\$ <u>3,041,928</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.

9. EQUITY IN TANGIBLE CAPITAL ASSETS

	<u>2019</u>	<u>2018</u>
Tangible capital assets	\$ 78,344,365	\$ 76,631,647
Accumulated amortization	<u>(33,190,054)</u>	<u>(31,673,040)</u>
	\$ <u>45,154,311</u>	\$ <u>44,958,607</u>

COUNTY OF PAINTEARTH NO. 18
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

10. ACCUMULATED SURPLUS

	<u>2019</u>	<u>2018</u>
Unrestricted surplus	\$ 63,760	\$ 738,555
Restricted surplus:		
Operating:		
General legislative	1,097,682	1,097,682
General administration	268,817	268,817
Roads, streets, walks, lighting	5,837,572	4,837,572
Culture	10,000	10,000
Subdivision land and development	2,031,369	2,018,764
Operating contingency	1,043,142	1,043,142
Capital:		
Administration	682,190	606,562
Fire fighting & preventive services	1,100,644	1,050,224
Roads, streets, walks, lighting	13,645,323	12,725,176
Water and wastewater	6,921,133	5,672,482
Economic development	79,289	79,289
Agricultural services	1,120,244	1,069,824
Recreation, parks and culture	454,409	441,804
Equity in tangible capital assets	<u>45,154,311</u>	<u>44,958,607</u>
	<u>\$ 79,509,885</u>	<u>\$ 76,618,500</u>

11. SEGMENTED DISCLOSURE

The County of Paintearth provides a range of services to its ratepayers. For each reported segment, revenues and expenses represents 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 the followed in the preparation of the financial statements as disclosed in Note 1.

Refer to Schedule of Segmented Disclosure (Schedule 6)

COUNTY OF PAINT EARTH NO. 18
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

12. SALARY AND BENEFITS

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:

	2019			2018
	<u>Salary</u>	<u>Benefits & allowances</u>	<u>Total</u>	<u>Total</u>
Councillors:				
Reeve Schulmeister	\$ 27,100	\$ 10,935	\$ 38,035	\$ 34,609
Councillor Blumhagen	22,270	9,525	31,795	32,477
Councillor Elliott	24,910	11,279	36,189	33,083
Councillor Glazier	30,905	16,021	46,926	46,995
Councillor Hewitt	19,735	10,560	30,295	25,543
Councillor Norton	20,570	5,144	25,714	20,664
Councillor Wiart	19,390	4,941	24,331	23,501
Chief Administrative Officer	129,635	33,276	162,911	64,807
Former Chief Administrative Officer				93,988
Acting Chief Administrative Officer (3 months)				36,796
Designated Officers - (4 Positions)	372,239	54,526	426,765	390,545

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

2. Employer's share of all employee benefits and contributions or payments made on behalf of employees 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.

COUNTY OF PAINT EARTH NO. 18
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

13. LOCAL AUTHORITIES PENSION PLAN

Employees of the county participate in the Local Authorities Pension Plan (LAPP), which is one of the plans 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 is required to make current service contributions to the LAPP of 9.39% of pensionable earnings up to the year's maximum pensionable earnings under the Canada Pension Plan and 13.84% on pensionable earnings above this amount.

Total current service contributions by the county to the LAPP in 2019 were \$370,741 (2018 - \$368,367). Total current service contributions by the employees of the county to the Local Authorities Pension Plan in 2019 were \$336,941 (2018 - \$337,299).

At December 31, 2018 the LAPP disclosed an actuarial surplus of \$3.47 billion. This amount is not specifically allocated to the participating government organizations. The 2019 actuarial balance was not available at the date these financial statements were released.

14. COMMITMENTS

The Shirley McClellan Regional Water Services Commission is constituted under the Municipal Government Act and was approved by the Province of Alberta Order in Council on October 10, 2007 of which the County, as a member, has a 11.63% equity involvement. The County is committed to funding its share of any net capital requirements.

The County has entered into an agreement with the Alberta Economic Development and Trade to administer the coal communities transition funding received for the purpose of various determined projects elements.

The County, as per a Ministerial Order is a member of the Castor & District Housing Authority and is required to provide requisition amounts to fund the operational and capital requirements of the Housing Authority.

The County is committed to the development of 42 acres of land intended as an industrial subdivision, the full estimated cost of which is not fully determinable at this time.

15. FINANCIAL INSTRUMENTS

The county's financial instruments consist of cash, accounts receivable, investments, deferred revenue, accounts payable and long term debt. It is management's opinion that the county is not exposed to significant interest or currency risks arising from these financial instruments.

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 carrying value of the financial instrument approximates fair value.

COUNTY OF PAINT EARTH NO. 18
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

16. BUDGET AMOUNTS

The 2019 budget for the County was approved by council and has been reported in the financial statements for information purposes only. These budget amounts have not been audited, reviewed, or otherwise verified.

17. APPROVAL OF FINANCIAL STATEMENTS

Council and management have approved these financial statements.
