

COUNTY OF PAINT EARTH NO. 18
FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

**COUNTY OF PAINT EARTH NO. 18
FINANCIAL STATEMENTS
DECEMBER 31, 2020**

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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, 2020 and the results of its operations and changes in 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, 2020, 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:

- 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
MARCH 2, 2021



ASCEND LLP
CHARTERED PROFESSIONAL ACCOUNTANTS



COUNTY OF PAINT EARTH NO. 18
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2020

	2020	2019 (Restated)
FINANCIAL ASSETS		
Cash and temporary investments (Note 2)	\$ 25,429,129	\$ 24,252,892
Receivables		
Taxes and grants in place of taxes (Note 3)	1,660,351	1,266,981
Trade and other receivables	95,834	100,860
Receivables from other governments	2,125,972	312,915
Land inventory held for resale	947,064	947,064
Investments (Note 4)	<u>50</u>	<u>50</u>
	<u>30,258,400</u>	<u>26,880,762</u>
LIABILITIES		
Accounts payable and accrued liabilities	1,123,147	951,624
Deferred revenue (Note 5)	2,684,318	3,363,157
Employee benefit obligations (Note 6)	729,049	745,483
Gravel reclamation payable	201,959	398,848
Long-term debt (Note 7)	<u> </u>	<u>343,972</u>
	<u>4,738,473</u>	<u>5,803,084</u>
NET FINANCIAL ASSETS	<u>25,519,927</u>	<u>21,077,678</u>
NON-FINANCIAL ASSETS		
Tangible capital assets	45,336,245	45,154,311
Inventory for consumption	9,533,026	9,981,000
Prepaid expenses	594,559	497,714
Gravel reserves for development	<u>2,727,287</u>	<u>2,727,287</u>
	<u>58,191,117</u>	<u>58,360,312</u>
ACCUMULATED SURPLUS	<u>\$ 83,711,044</u>	<u>\$ 79,437,990</u>

COMMITMENTS (SEE NOTE 14)

COUNTY OF PAINT EARTH NO. 18
STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2020

	Budget (Unaudited)	2020	2019 (Restated)
REVENUE			
Net municipal taxes (Schedule 2)	\$ 14,138,628	\$ 14,099,867	\$ 14,122,911
User fees and sale of goods	391,865	464,149	345,994
Government transfers for operating (Schedule 3)	342,000	1,783,371	1,204,284
Investment income	400,000	263,286	543,703
Penalties and costs on taxes	125,000	103,784	198,711
Licenses and permits	62,500	26,021	112,249
Gain on disposal of tangible capital assets	5,000	381,232	34,455
Other	<u>17,000</u>	<u>34,343</u>	<u>36,284</u>
Total Revenue	<u>15,481,993</u>	<u>17,156,053</u>	<u>16,598,591</u>
EXPENSES			
Legislative	586,150	312,608	353,863
Administration	2,150,900	3,430,154	2,621,625
Protective services	505,870	468,565	462,483
Transportation	10,509,913	7,858,832	8,903,933
Water supply and distribution	756,150	651,382	743,615
Wastewater treatment and disposal	42,075	32,307	41,296
Public health and welfare	102,000	98,708	98,708
Land use planning, zoning and development	526,490	710,362	399,388
Economic/agricultural development	757,200	641,076	722,881
Parks and recreation	489,100	604,048	365,010
Culture	<u>40,000</u>	<u>33,267</u>	<u>32,636</u>
Total Expenses	<u>16,465,848</u>	<u>14,841,309</u>	<u>14,745,438</u>
EXCESS OF REVENUE OVER EXPENSES - BEFORE OTHER			
	983,855	2,314,744	1,853,153
Government transfers for capital (Schedule 3)		1,952,521	966,337
Capital donations		<u>5,789</u>	
EXCESS OF REVENUE OVER EXPENSES	983,855	4,273,054	2,819,490
ACCUMULATED SURPLUS, BEGINNING OF YEAR	<u>79,437,990</u>	<u>79,437,990</u>	<u>76,618,500</u>
ACCUMULATED SURPLUS, END OF YEAR	<u>\$ 78,454,135</u>	<u>\$ 83,711,044</u>	<u>\$ 79,437,990</u>

COUNTY OF PAINT EARTH NO. 18
STATEMENT OF CHANGES IN NET FINANCIAL ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2020

	Budget (Unaudited)	2020	2019
<hr/>			
EXCESS OF REVENUE OVER EXPENSES			
	\$ <u>983,855</u>	\$ <u>4,273,054</u>	\$ <u>2,819,490</u>
Acquisition of tangible capital assets	(3,501,700)	(2,981,021)	(2,777,362)
Proceeds on sale of tangible capital assets	517,000	721,365	311,369
Amortization of tangible capital assets	2,456,375	2,273,499	2,254,409
Loss (gain) on sale of tangible capital assets	<u>60,000</u>	<u>(195,777)</u>	<u>15,879</u>
	<u>(468,325)</u>	<u>(181,934)</u>	<u>(195,705)</u>
Change in in prepaid expenses		(96,845)	(67,249)
Change in change in gravel reserves for development			(1,291,852)
Change in inventory for consumption		<u>447,974</u>	<u>96,669</u>
		<u>351,129</u>	<u>(1,262,432)</u>
INCREASE IN NET ASSETS	1,452,180	4,442,249	1,361,353
NET FINANCIAL ASSETS, BEGINNING OF YEAR	<u>21,077,678</u>	<u>21,077,678</u>	<u>19,716,325</u>
NET FINANCIAL ASSETS, END OF YEAR	<u>\$ 19,625,498</u>	<u>\$ 25,519,927</u>	<u>\$ 21,077,678</u>

COUNTY OF PAINT EARTH NO. 18
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2020

	2020	2019 (Restated)
NET INFLOW(OUTFLOWS) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING		
Excess of revenues over expenses	\$ 4,273,054	\$ 2,819,490
Non-cash items included in excess(shortfall) of revenues over expenses:		
Amortization	2,273,499	2,254,409
Gain or loss on disposal of tangible capital assets	<u>(195,777)</u>	<u>15,879</u>
	6,350,776	5,089,778
Changes in net financial asset(debt) items:		
Decrease (increase) in taxes and grants in place of taxes receivables	(393,370)	(430,054)
Decrease(increase) in trade and other receivables	5,026	200,872
Decrease(increase) in receivables from other governments	(1,813,057)	197,218
Decrease (increase) in inventory	447,974	96,668
Decrease(increase) in prepaid expenses	(96,845)	(67,249)
Increase(decrease) in accounts payable and accrued liabilities	(41,800)	2,445
Increase(decrease) in deferred revenue	<u>(678,839)</u>	<u>(463,789)</u>
Cash provided by (applied to) operating transactions	<u>3,779,865</u>	<u>4,625,889</u>
CAPITAL		
Acquisition of tangible capital assets	(2,981,021)	(2,777,360)
Proceeds on sale of tangible capital assets	<u>721,365</u>	<u>311,369</u>
Cash provided by (applied to) capital transactions	<u>(2,259,656)</u>	<u>(2,465,991)</u>
INVESTING		
Decrease (increase) in gravel reserves	<u> </u>	<u>(1,291,852)</u>
Cash provided by (applied to) investing transactions	<u> </u>	<u>(1,291,852)</u>
FINANCING		
Long term debt repaid	<u>(343,972)</u>	<u>(466,721)</u>
CHANGE IN CASH AND EQUIVALENTS DURING THE YEAR	1,176,237	401,325
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>24,252,892</u>	<u>23,851,567</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 25,429,129</u>	<u>\$ 24,252,892</u>

COUNTY OF PAINT EARTH NO. 18
SCHEDULE OF TANGIBLE CAPITAL ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2020

Schedule 1

	Land	Land Improvements	Buildings	Engineered Structures	Machinery & Equipment	Vehicles	2020	2019
COST:								
BALANCE, BEGINNING OF YEAR	\$ 2,143,849	\$ 784,917	\$ 5,108,526	\$ 50,958,076	\$ 13,990,527	\$ 5,358,470	\$ 78,344,365	\$ 76,631,647
Acquisition of tangible capital assets			47,529	1,251,773	1,389,630	209,625	2,898,557	2,771,732
Construction-in-progress			82,464				82,464	5,630
Disposal of tangible capital assets	<u>(27,677)</u>				<u>(889,953)</u>	<u>(54,409)</u>	<u>(972,039)</u>	<u>(1,064,644)</u>
BALANCE, END OF YEAR	<u>2,116,172</u>	<u>784,917</u>	<u>5,238,519</u>	<u>52,209,849</u>	<u>14,490,204</u>	<u>5,513,686</u>	<u>80,353,347</u>	<u>78,344,365</u>
ACCUMULATED AMORTIZATION:								
BALANCE, BEGINNING OF YEAR	150,601	364,788	1,251,629	23,135,380	5,113,120	3,174,536	33,190,054	31,673,040
Annual amortization	33,543	40,840	100,492	995,786	723,100	379,738	2,273,499	2,254,409
Accumulated amortization on disposals					<u>(394,762)</u>	<u>(51,689)</u>	<u>(446,451)</u>	<u>(737,395)</u>
BALANCE, END OF YEAR	<u>184,144</u>	<u>405,628</u>	<u>1,352,121</u>	<u>24,131,166</u>	<u>5,441,458</u>	<u>3,502,585</u>	<u>35,017,102</u>	<u>33,190,054</u>
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	<u>\$ 1,932,028</u>	<u>\$ 379,289</u>	<u>\$ 3,886,398</u>	<u>\$ 28,078,683</u>	<u>\$ 9,048,746</u>	<u>\$ 2,011,101</u>	<u>\$ 45,336,245</u>	<u>\$ 45,154,311</u>

COUNTY OF PAINT EARTH NO. 18
SCHEDULE OF PROPERTY AND OTHER TAXES
FOR THE YEAR ENDED DECEMBER 31, 2020

Schedule 2

	Budget (Unaudited)	2020	2019
TAXATION			
Residential land and improvement taxes	\$ 6,441,960	\$ 6,198,182	\$ 6,174,718
Non-residential linear property taxes	<u>10,571,668</u>	<u>10,546,026</u>	<u>10,605,706</u>
	<u>17,013,628</u>	<u>16,744,208</u>	<u>16,780,424</u>
REQUISITIONS			
Alberta School Foundation Fund	2,325,000	2,099,704	2,124,457
Seniors requisition	<u>550,000</u>	<u>544,637</u>	<u>533,056</u>
	<u>2,875,000</u>	<u>2,644,341</u>	<u>2,657,513</u>
NET MUNICIPAL TAXES	<u>\$ 14,138,628</u>	<u>\$ 14,099,867</u>	<u>\$ 14,122,911</u>

SCHEDULE OF GOVERNMENT TRANSFERS
FOR THE YEAR ENDED DECEMBER 31, 2020

Schedule 3

	Budget (Unaudited)	2020	2019
TRANSFERS FOR OPERATING			
Provincial government	\$ 342,000	\$ 1,778,371	\$ 1,204,284
Federal government	<u> </u>	<u>5,000</u>	<u> </u>
	<u>342,000</u>	<u>1,783,371</u>	<u>1,204,284</u>
TRANSFERS FOR CAPITAL			
Provincial government	<u> </u>	<u>1,952,521</u>	<u>966,337</u>
TOTAL GOVERNMENT TRANSFERS	<u>\$ 342,000</u>	<u>\$ 3,735,892</u>	<u>\$ 2,170,621</u>

COUNTY OF PAINT EARTH NO. 18
SCHEDULE OF EXPENSES BY OBJECT
FOR THE YEAR ENDED DECEMBER 31, 2020

Schedule 4

	Budget (Unaudited)	2020	2019
EXPENSES BY OBJECT			
Salaries, wages and benefits	\$ 6,155,036	\$ 5,318,066	\$ 5,304,648
Contracted and general services	2,070,007	2,757,710	2,285,466
Materials, goods, supplies and utilities	4,620,630	2,868,401	4,028,342
Provision for allowances	101,500	525,570	53,389
Transfers to other government	2,300	4,256	74,462
Transfers to local boards and agencies	234,000	121,532	126,195
Transfers to individuals and organizations	685,400	778,746	548,757
Bank charges and short term interest	76,100	8,074	19,436
Amortization of tangible capital assets	2,456,375	2,273,499	2,254,409
Loss on disposal of tangible capital assets	64,500	185,455	50,334
	<u>\$ 16,465,848</u>	<u>\$ 14,841,309</u>	<u>\$ 14,745,438</u>

COUNTY OF PAINT EARTH NO. 18
SCHEDULE OF CHANGES IN ACCUMULATED SURPLUS
FOR THE YEAR ENDED DECEMBER 31, 2020

Schedule 5

	Unrestricted Surplus	Restricted Surplus	Equity in Tangible Capital Assets	2020	2019 (Restated)
BALANCE, BEGINNING OF YEAR	\$ <u>(8,135)</u>	\$ <u>34,291,814</u>	\$ <u>45,154,311</u>	\$ <u>79,437,990</u>	\$ <u>76,618,500</u>
Excess of revenues over expenses	4,273,054			4,273,054	2,819,490
Unrestricted funds designated for future use	(4,718,600)	4,718,600			
Restricted funds used for tangible capital assets	635,615	(635,615)			
Current year funds used for tangible capital assets	(2,981,021)		2,981,021		
Disposal of tangible capital assets	525,588		(525,588)		
Annual amortization expense	<u>2,273,499</u>		<u>(2,273,499)</u>		
Change in accumulated surplus	<u>8,135</u>	<u>4,082,985</u>	<u>181,934</u>	<u>4,273,054</u>	<u>2,819,490</u>
BALANCE, END OF YEAR	\$ <u> </u>	\$ <u>38,374,799</u>	\$ <u>45,336,245</u>	\$ <u>83,711,044</u>	\$ <u>79,437,990</u>

COUNTY OF PAINT EARTH NO. 18
SCHEDULE OF SEGMENTED DISCLOSURE
FOR THE YEAR ENDED DECEMBER 31, 2020

Schedule 6

	General Government	Protective Services	Transportation Services	Water / Wastewater	Public Health & Welfare	Planning Development	Agricultural Development	Recreation & Culture	Total
REVENUE									
Net municipal taxes	\$ 14,099,867								\$ 14,099,867
User fees and sales of goods	141,451	59,701	23,397	122,107			64,484	53,009	464,149
Government transfers	3,526,007			7,363	78,615		123,907		3,735,892
Investment Income	263,286								263,286
Penalties	103,784								103,784
Licenses and permits	15,931	5,890				4,200			26,021
Gain on disposal	360,922		14,610				5,700		381,232
Other revenues	<u>33,214</u>			<u>1,129</u>				<u>5,789</u>	<u>40,132</u>
	<u>18,544,462</u>	<u>65,591</u>	<u>38,007</u>	<u>130,599</u>	<u>78,615</u>	<u>4,200</u>	<u>194,091</u>	<u>58,798</u>	<u>19,114,363</u>
EXPENSES									
Salaries & wages	1,249,261	144,260	3,284,689	176,198		145,814	317,844		5,318,066
Contract & general services	1,627,885	125,683	352,100	99,234		411,564	90,209	51,035	2,757,710
Goods & supplies	160,699	8,695	2,420,143	136,058		8,022	115,841	18,943	2,868,401
Provision for allowance	525,570								525,570
Other government transfers				4,256					4,256
Transfers to local boards	7,624	113,908							121,532
Transfers to organizations	20,300	10,510			98,708	104,703	9,500	535,025	778,746
Bank charges and interest	8,074								8,074
Loss on sale of TCA	<u>277</u>		<u>185,178</u>						<u>185,455</u>
	<u>3,599,690</u>	<u>403,056</u>	<u>6,242,110</u>	<u>415,746</u>	<u>98,708</u>	<u>670,103</u>	<u>533,394</u>	<u>605,003</u>	<u>12,567,810</u>
NET REVENUE, BEFORE AMORTIZATION	<u>14,944,772</u>	<u>(337,465)</u>	<u>(6,204,103)</u>	<u>(285,147)</u>	<u>(20,093)</u>	<u>(665,903)</u>	<u>(339,303)</u>	<u>(546,205)</u>	<u>6,546,553</u>
Amortization expense	<u>143,072</u>	<u>65,509</u>	<u>1,616,722</u>	<u>267,943</u>		<u>40,259</u>	<u>107,682</u>	<u>32,312</u>	<u>2,273,499</u>
NET REVENUE	<u>\$ 14,801,700</u>	<u>\$ (402,974)</u>	<u>\$ (7,820,825)</u>	<u>\$ (553,090)</u>	<u>\$ (20,093)</u>	<u>\$ (706,162)</u>	<u>\$ (446,985)</u>	<u>\$ (578,517)</u>	<u>\$ 4,273,054</u>

COUNTY OF PAINT EARTH NO. 18
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

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, 2020

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, 2020

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, 2020

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)
	10-25
Vehicles	

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, 2020

2. CASH AND TEMPORARY INVESTMENTS

	2020	2019
Cash	\$ 25,376,255	\$ 24,201,145
Temporary investments	52,874	51,747
	\$ 25,429,129	\$ 24,252,892

The temporary investment balance represents a guaranteed income certificates that bears interest at rates between 0.55% and 2.95% and matures between May 13, 2021 and October 31, 2021 .

Included in the cash account are restricted amount of \$1,185,836 (2019 - \$3,363,156) 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 plus 1%. The County had not utilized this line of credit as of December 31, 2020.

3. TAXES AND GRANTS IN PLACE OF TAXES RECEIVABLE

	2020	2019
Current taxes and grants in place receivables	\$ 1,157,139	\$ 747,810
Arrears taxes	508,050	523,729
	1,665,189	1,271,539
Less: allowance for doubtful accounts	(4,838)	(4,558)
	\$ 1,660,351	\$ 1,266,981

4. INVESTMENTS

	2020		2019	
	Cost	Market Value	Cost	Market Value
AAMD&C	\$ 50	\$ 50	\$ 50	\$ 50

COUNTY OF PAINT EARTH NO. 18
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

5. DEFERRED REVENUE

	2020	2019
Municipal Sustainability Initiative	\$ 1,977,845	\$ 2,480,024
Federal Gas Tax Fund	431,138	315,112
Alberta Economic Development And Trade	247,738	542,254
Huber Dam Project Donation	14,533	20,322
Municipal Stimulus Program	7,619	
Paintearth Economic Partnership Society Grant	5,000	5,000
Burma Park Donation	445	445
	\$ 2,684,318	\$ 3,363,157

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).

Municipal Stimulus Program

The use of these funds is restricted to eligible capital and operating projects and expenses, 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

	2020	2019
Vested sick leave payable	\$ 696,893	\$ 713,909
Long service recognition payable	32,156	31,574
	\$ 729,049	\$ 745,483

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, 2020

7. LONG TERM DEBT

	<u>2020</u>	<u>2019</u>
Tax supported loans	\$ <u> </u>	\$ <u>343,972</u>

The County's total cash payments for interest in 2020 was \$8,074 (2019 - \$30,481).

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>2020</u>	<u>2019</u>
Total debt limit	\$ 25,734,080	\$ 24,897,887
Total debt	<u> </u>	<u>343,972</u>
Amount of debit limit unused	\$ <u>25,734,080</u>	\$ <u>24,553,915</u>
Debt servicing limit	\$ 4,289,013	\$ 4,149,648
Debt servicing	<u> </u>	<u>980,423</u>
Amount of debt servicing limit unused	\$ <u>4,289,013</u>	\$ <u>3,169,225</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>2020</u>	<u>2019</u>
Tangible capital assets	\$ 80,353,347	\$ 78,344,365
Accumulated amortization	<u>(35,017,102)</u>	<u>(33,190,054)</u>
	\$ <u>45,336,245</u>	\$ <u>45,154,311</u>

COUNTY OF PAINTEARTH NO. 18
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

10. ACCUMULATED SURPLUS

	<u>2020</u>	<u>2019</u>
Unrestricted surplus	\$	\$ (8,135)
Restricted surplus:		
Operating:		
General legislative	1,097,682	1,097,682
General administration	268,817	268,817
Roads, streets, walks, lighting	5,837,572	5,837,572
Culture	10,000	10,000
Subdivision land and development	3,237,724	2,031,369
Operating contingency	1,043,142	1,043,142
Capital:		
Administration	753,077	682,190
Fire fighting & preventive services	1,161,744	1,100,644
Roads, streets, walks, lighting	16,215,259	13,645,323
Water and wastewater	7,060,626	6,921,133
Economic development	79,289	79,289
Agricultural services	1,140,183	1,120,244
Recreation, parks and culture	469,684	454,409
Equity in tangible capital assets	<u>45,336,245</u>	<u>45,154,311</u>
	<u>\$ 83,711,044</u>	<u>\$ 79,437,990</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, 2020

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:

	2020			2019
	<u>Salary</u>	<u>Benefits & allowances</u>	<u>Total</u>	<u>Total</u>
Councillors:				
Reeve Schulmeister	\$ 25,190	\$ 8,760	\$ 33,950	\$ 38,035
Councillor Blumhagen	19,800	8,560	28,360	31,795
Councillor Elliott	21,720	9,616	31,336	36,189
Councillor Glazier	24,940	11,547	36,487	46,926
Councillor Hewitt	15,905	7,998	23,903	30,295
Councillor Norton	16,880	5,012	21,892	25,714
Councillor Wiart	16,330	4,908	21,238	24,331
Chief Administrative Officer	140,569	32,743	173,312	162,911
Designated Officers - (4 Positions)	378,898	51,466	430,364	426,765

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.

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 2020 were \$377,885 (2019 - \$370,741). Total current service contributions by the employees of the county to the Local Authorities Pension Plan in 2020 were \$343,523 (2019 - \$336,941).

At December 31, 2019 the LAPP disclosed an actuarial surplus of \$7.913 billion. This amount is not specifically allocated to the participating government organizations. The 2020 actuarial balance was not available at the date these financial statements were released.

COUNTY OF PAINT EARTH NO. 18
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

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 Town of Castor, the Town of Coronation, and the Village of Halkirk to provide funding and support for fire department services. Until December 31, 2022, the County has agreed to provide each municipality with \$15,000 of annual operating funding, \$20,000 of capital funding, funding for training up to a maximum of \$12,000, and the use of specified county-owned equipment.

The County has entered into 3 agreements to purchase clay. Under the terms of these agreements, the County must pay \$1.60 per tonne of clay taken from each site. At the termination of the agreements, the County is responsible for reclamation and restoration of any lands used for this purpose. The estimated cost of completing this reclamation work is not determinable at this time.

The County has entered into an agreement with Accurate Assessment Group Ltd. to provide the County with property assessment services until December 31, 2024. The County has also entered into an agreement with the Province of Alberta for the 2021 fiscal year, under which it will receive \$67,500 to fund these property assessment services.

The County has entered into a contract with an engineering firm to provide engineering designs and services for the purpose of a water distribution system upgrade. Work is expected to be completed in early 2021 at an estimated cost of \$23,697.

The County has entered into an agreement with Western Economic Diversification Canada to administer the Canada Coal Transition Initiative funding received for the purpose of various determined project elements. Western Economic Diversification Canada will fund 100% of eligible project costs up to a maximum of \$2,739,917.

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 has entered into an agreement with the Valley Ski Club (Castor) Association regarding the continuity of its operations. In the event that the Association dissolves, the County will assume ownership of the Association's facility and land lease. Under the agreement, the County will have the option to either continue operating the facility or to liquidate the Association's assets and cease operations. If the County elects to cease operations, it will be responsible for the removal of all equipment from the leased land as well as reclamation of the site. The costs associated with this reclamation work are not determinable at this time.

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.

COUNTY OF PAINT EARTH NO. 18
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

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.

16. PRIOR PERIOD ADJUSTMENTS

The County has restated its 2019 financial statements to reflect an adjustment required for the over/under levy adjustment recorded in the prior year for the Alberta School Foundation Fund requisition. As a result of this change, requisitions have increased by \$71,895 and unrestricted surplus has decreased by \$71,895. This has resulted in a change to the opening unrestricted surplus by \$71,895.

17. BUDGET AMOUNTS

The 2020 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.

18. APPROVAL OF FINANCIAL STATEMENTS

Council and management have approved these financial statements.
