

**COUNTY OF PAINTEARTH NO. 18
FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022**

**COUNTY OF PAINT EARTH NO. 18
FINANCIAL STATEMENTS
DECEMBER 31, 2022**

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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 (the "County"), which comprise of the statement of financial position as at December 31, 2022 and the statement of operations, statement of changes in net financial assets, statement of cash flows, and schedules 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, 2022, 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 qualified 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.

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 10.
- Supplementary Accounting Principles and Standards Regulation: In accordance with Alberta Regulation 313/2000, we confirm that the County is in compliance with the Supplementary Accounting Principles and Standards Regulation and note the information required can be found in Note 1.

HANNA, ALBERTA
APRIL 4, 2023



ASCEND LLP
CHARTERED PROFESSIONAL ACCOUNTANTS



MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

Management of the County of Paintearth No. 18 (the "County") is responsible for the preparation, accuracy, objectivity, and integrity of the accompanying financial statements and the notes thereto. Management believes that the financial statements present fairly the County's financial position as at December 31, 2022 and the results of its operations for the year then ended.

The financial statements have been prepared in compliance with legislation, and in accordance with Canadian Public Sector Accounting Standards (PSAS).

The financial statements include certain amounts based on estimates and judgments. Such amounts have been determined on a reasonable basis in order to ensure the financial statements are presented fairly in all material respects.

In fulfilling its responsibilities and recognizing the limits inherent in all systems, management has designed and maintains a system of internal controls to produce reliable information and to meet reporting requirements on a timely basis. The system is designed to provide management with reasonable assurance that transactions are properly authorized and assets are properly accounted for and safeguarded.

These systems are monitored and evaluated by management and reliable financial information is available for preparation of the financial statements.

The County Council carries out its responsibilities for review of the financial statements primarily through the Finance and Administration departments. Council meets annually with management and external auditors to discuss the results of audit examinations and financial reporting matters.

The external auditors have full access to Council with and without the presence of management. The County Council has approved the financial statements.

The financial statements have been audited by Ascend LLP, independent external auditors appointed by the County. The accompanying Independent Auditor's Report outlines their responsibilities, the scope of their examination, and their opinion on the County's financial statements.

Michael Simpson
Chief Administrative Officer

Lana Roth
Assistant Chief Administrative Officer

COUNTY OF PAINT EARTH NO. 18
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2022

	2022	2021
FINANCIAL ASSETS		
Cash and cash equivalents (Note 2)	\$ 29,151,584	\$ 30,155,993
Short-term investments (Note 3)	5,053,474	53,208
Receivables		
Taxes and grants in place of taxes (Note 4)	1,121,720	2,124,051
Trade and other receivables	138,432	185,610
Receivables from other governments	3,337,566	2,382,979
Land inventory held for resale	1,038,817	1,010,510
Investments (Note 5)	<u>50</u>	<u>50</u>
	<u>39,841,643</u>	<u>35,912,401</u>
LIABILITIES		
Accounts payable and accrued liabilities (Note 6)	1,151,044	579,357
Deferred revenue (Note 7)	2,941,859	3,138,092
Employee benefit obligations (Note 8)	700,244	742,698
Gravel reclamation liability (Note 9)	<u>201,959</u>	<u>201,959</u>
	<u>4,995,106</u>	<u>4,662,106</u>
NET FINANCIAL ASSETS	<u>34,846,537</u>	<u>31,250,295</u>
NON-FINANCIAL ASSETS		
Tangible capital assets (Schedule 1)	44,472,705	45,216,696
Inventory for consumption (Note 11)	8,175,690	8,914,340
Prepaid expenses	809,327	523,916
Gravel reserves for development	<u>2,727,287</u>	<u>2,727,287</u>
	<u>56,185,009</u>	<u>57,382,239</u>
ACCUMULATED SURPLUS (Schedule 5)	<u>\$ 91,031,546</u>	<u>\$ 88,632,534</u>

CONTAMINATED SITES LIABILITY (SEE NOTE 14)
COMMITMENTS (SEE NOTE 18)
CONTINGENCIES (SEE NOTE 19)

COUNTY OF PAINT EARTH NO. 18
STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2022

	Budget (Unaudited)	2022	2021
REVENUE			
Net municipal taxes (Schedule 2)	\$ 12,878,655	\$ 13,159,290	\$ 13,849,845
User fees and sale of goods	526,323	383,053	447,170
Government transfers for operating (Schedule 3)	343,907	1,068,011	1,220,767
Investment income	260,000	789,960	216,867
Penalties and costs on taxes	125,000	237,012	359,535
Licenses and permits	22,000	74,786	20,943
Gain on disposal of tangible capital assets	10,000	228,178	460,326
Other	<u>19,200</u>	<u>19,672</u>	<u>22,615</u>
Total Revenue	<u>14,185,085</u>	<u>15,959,962</u>	<u>16,598,068</u>
EXPENSES			
General government			
Council and other legislative	555,200	538,143	284,605
General administrative	1,981,535	2,792,956	2,894,609
Protective services			
Fire	281,500	255,654	301,293
Disaster and emergency measures	9,700	84	225
Ambulance and first aid	12,500	10,510	10,930
Bylaw enforcement	327,045	299,918	248,384
Transportation			
Roads, streets, walks, lighting	10,008,923	8,307,360	7,296,354
Environmental use and protection			
Water supply and distribution	702,900	664,970	666,201
Wastewater treatment and disposal	41,575	31,997	28,372
Public health and welfare			
Family and community support	102,000	98,708	98,708
Planning and development			
Land use planning, zoning and development	459,888	380,052	380,972
Agricultural development			
Agricultural development	694,450	610,016	683,229
Recreation and culture			
Parks and recreation	606,200	539,001	363,711
Libraries, museums, halls	<u>41,000</u>	<u>39,651</u>	<u>38,389</u>
Total Expenses	<u>15,824,416</u>	<u>14,569,020</u>	<u>13,295,982</u>
EXCESS OF REVENUE OVER EXPENSES - BEFORE OTHER	(1,639,331)	1,390,942	3,302,086
Government transfers for capital (Schedule 3)	1,030,500	997,389	1,483,213
Capital donations	<u> </u>	<u>10,681</u>	<u> </u>
EXCESS OF REVENUE OVER EXPENSES	(608,831)	2,399,012	4,785,299
ACCUMULATED SURPLUS, BEGINNING OF YEAR	<u>88,632,534</u>	<u>88,632,534</u>	<u>83,847,235</u>
ACCUMULATED SURPLUS, END OF YEAR	<u>\$ 88,023,703</u>	<u>\$ 91,031,546</u>	<u>\$ 88,632,534</u>

COUNTY OF PAINT EARTH NO. 18
STATEMENT OF CHANGES IN NET FINANCIAL ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2022

	Budget (Unaudited)	2022	2021
<hr/>			
EXCESS OF REVENUE OVER EXPENSES			
	\$ <u>608,831</u>	\$ <u>2,399,012</u>	\$ <u>4,785,299</u>
Acquisition of tangible capital assets	(2,859,000)	(1,854,734)	(3,603,317)
Proceeds on disposal of tangible capital assets	399,500	729,368	1,657,069
Amortization of tangible capital assets	2,459,375	2,097,535	2,163,345
Gain on disposal of tangible capital assets	<u>(10,000)</u>	<u>(228,178)</u>	<u>(97,548)</u>
	<u>(10,125)</u>	<u>743,991</u>	<u>119,549</u>
Change in prepaid expenses		(285,411)	70,643
Change in inventory for consumption		<u>738,650</u>	<u>618,686</u>
		<u>453,239</u>	<u>689,329</u>
INCREASE IN NET FINANCIAL ASSETS	618,956	3,596,242	5,594,177
NET FINANCIAL ASSETS, BEGINNING OF YEAR	<u>31,250,295</u>	<u>31,250,295</u>	<u>25,656,118</u>
NET FINANCIAL ASSETS, END OF YEAR	<u>\$ 30,631,339</u>	<u>\$ 34,846,537</u>	<u>\$ 31,250,295</u>

COUNTY OF PAINT EARTH NO. 18
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2022

	2022	2021
NET INFLOW (OUTFLOWS) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING		
Excess of revenues over expenses	\$ 2,399,012	\$ 4,785,299
Non-cash items included in excess (shortfall) of revenues over expenses:		
Amortization	2,097,535	2,163,345
Gain on disposal of tangible capital assets	<u>(228,178)</u>	<u>(97,548)</u>
	4,268,369	6,851,096
Changes in net financial asset (debt) items:		
Taxes and grants in place of taxes	1,002,331	(463,700)
Trade and other receivables	47,178	(89,776)
Receivables from other governments	(954,587)	(257,007)
Inventory for consumption	738,650	618,686
Prepaid expenses	(285,411)	70,643
Accounts payable and accrued liabilities	571,687	(407,599)
Employee benefit obligations	(42,454)	13,648
Deferred revenue	<u>(196,233)</u>	<u>453,774</u>
	<u>5,149,530</u>	<u>6,789,765</u>
CAPITAL		
Acquisition of tangible capital assets (Schedule 1)	(1,854,734)	(3,603,317)
Proceeds on disposal of tangible capital assets (Schedule 1)	<u>729,368</u>	<u>1,657,070</u>
	<u>(1,125,366)</u>	<u>(1,946,247)</u>
INVESTING		
Purchase of short-term investments	(5,000,266)	(334)
Increase in land held for resale	<u>(28,307)</u>	<u>(63,446)</u>
	<u>(5,028,573)</u>	<u>(63,780)</u>
CHANGE IN CASH AND EQUIVALENTS DURING THE YEAR	(1,004,409)	4,779,738
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>30,155,993</u>	<u>25,376,255</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 29,151,584</u>	<u>\$ 30,155,993</u>

COUNTY OF PAINTEARTH NO. 18
SCHEDULE OF TANGIBLE CAPITAL ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2022

Schedule 1

	Land	Land Improvements	Buildings	Engineered Structures	Machinery and Equipment	Vehicles	2022	2021
COST:								
BALANCE, BEGINNING OF YEAR	\$ 851,070	\$ 784,917	\$ 5,675,957	\$ 54,769,401	\$ 13,136,435	\$ 5,540,715	\$ 80,758,495	\$ 80,353,347
Acquisition of tangible capital assets	-	-	304,895	-	1,072,950	-	1,377,845	3,333,134
Construction-in-progress	-	-	476,889	-	-	-	476,889	270,183
Disposal of tangible capital assets	-	-	-	-	(1,000,750)	(96,410)	(1,097,160)	(3,198,169)
BALANCE, END OF YEAR	<u>851,070</u>	<u>784,917</u>	<u>6,457,741</u>	<u>54,769,401</u>	<u>13,208,635</u>	<u>5,444,305</u>	<u>81,516,069</u>	<u>80,758,495</u>
ACCUMULATED AMORTIZATION:								
BALANCE, BEGINNING OF YEAR	-	436,643	1,456,114	25,317,039	4,884,682	3,447,321	35,541,799	35,017,102
Annual amortization	-	30,515	111,876	971,430	664,199	319,515	2,097,535	2,163,345
Accumulated amortization on disposals	-	-	-	-	(504,380)	(91,590)	(595,970)	(1,638,648)
BALANCE, END OF YEAR	-	<u>467,158</u>	<u>1,567,990</u>	<u>26,288,469</u>	<u>5,044,501</u>	<u>3,675,246</u>	<u>37,043,364</u>	<u>35,541,799</u>
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	<u>\$ 851,070</u>	<u>\$ 317,759</u>	<u>\$ 4,889,751</u>	<u>\$ 28,480,932</u>	<u>\$ 8,164,134</u>	<u>\$ 1,769,059</u>	<u>\$ 44,472,705</u>	<u>\$ 45,216,696</u>
2021 NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	<u>\$ 851,070</u>	<u>\$ 348,274</u>	<u>\$ 4,219,843</u>	<u>\$ 29,452,362</u>	<u>\$ 8,251,753</u>	<u>\$ 2,093,394</u>	<u>\$ 45,216,696</u>	

COUNTY OF PAINT EARTH NO. 18
SCHEDULE OF PROPERTY AND OTHER TAXES
FOR THE YEAR ENDED DECEMBER 31, 2022
Schedule 2

	Budget (Unaudited)	2022	2021
TAXATION			
Residential land and improvement taxes	\$ 5,911,456	\$ 5,951,164	\$ 6,328,773
Non-residential linear property taxes	<u>9,852,199</u>	<u>9,866,030</u>	<u>10,167,478</u>
	<u>15,763,655</u>	<u>15,817,194</u>	<u>16,496,251</u>
REQUISITIONS			
Alberta School Foundation Fund	2,325,000	2,107,160	2,092,684
Seniors requisition	<u>560,000</u>	<u>550,744</u>	<u>553,722</u>
	<u>2,885,000</u>	<u>2,657,904</u>	<u>2,646,406</u>
NET MUNICIPAL TAXES	<u>\$ 12,878,655</u>	<u>\$ 13,159,290</u>	<u>\$ 13,849,845</u>

SCHEDULE OF GOVERNMENT TRANSFERS
FOR THE YEAR ENDED DECEMBER 31, 2022
Schedule 3

	Budget (Unaudited)	2022	2021
TRANSFERS FOR OPERATING			
Provincial government	\$ <u>343,907</u>	\$ <u>1,068,011</u>	\$ <u>1,220,767</u>
TRANSFERS FOR CAPITAL			
Provincial government	<u>1,030,500</u>	<u>997,389</u>	<u>1,483,213</u>
TOTAL GOVERNMENT TRANSFERS	<u>\$ 1,374,407</u>	<u>\$ 2,065,400</u>	<u>\$ 2,703,980</u>

COUNTY OF PAINT EARTH NO. 18
SCHEDULE OF EXPENSES BY OBJECT
FOR THE YEAR ENDED DECEMBER 31, 2022

Schedule 4

	Budget (Unaudited)	2022	2021
Salaries, wages and benefits	\$ 5,767,302	\$ 5,051,056	\$ 4,980,510
Contracted and general services	1,958,099	2,085,366	2,048,150
Materials, goods, supplies and utilities	4,480,040	4,067,368	2,704,555
Provision for allowances	101,500	362,904	294,658
Transfers to other governments	2,300	2,616	2,532
Transfers to local boards and agencies	194,000	176,147	179,078
Transfers to individuals and organizations	788,900	722,152	557,474
Bank charges and short-term interest	11,900	3,876	2,902
Amortization of tangible capital assets	2,459,375	2,097,535	2,163,345
Loss on disposal of tangible capital assets	61,000	-	362,778
	<u>\$ 15,824,416</u>	<u>\$ 14,569,020</u>	<u>\$ 13,295,982</u>

COUNTY OF PAINTEARTH NO. 18
SCHEDULE OF CHANGES IN ACCUMULATED SURPLUS
FOR THE YEAR ENDED DECEMBER 31, 2022

Schedule 5

	Unrestricted Surplus	Restricted Surplus	Equity in Tangible Capital Assets	2022	2021
BALANCE, BEGINNING OF YEAR (as restated)	-	\$ 43,415,838	\$ 45,216,696	\$ 88,632,534	\$ 83,847,235
Excess of revenues over expenses	2,399,012	-	-	2,399,012	4,785,299
Unrestricted funds designated for future use	(387,378)	387,378	-	-	-
Restricted funds used for tangible capital assets	504,674	(504,674)	-	-	-
Current year funds used for tangible capital assets	(1,854,734)	-	1,854,734	-	-
Net book value of disposed tangible capital assets	501,190	-	(501,190)	-	-
Annual amortization expense	2,097,535	-	(2,097,535)	-	-
Change in accumulated surplus	3,260,299	(117,296)	(743,991)	2,399,012	4,785,299
BALANCE, END OF YEAR	\$ 3,260,299	\$ 43,298,542	\$ 44,472,705	\$ 91,031,546	\$ 88,632,534

COUNTY OF PAINTEARTH NO. 18
SCHEDULE OF SEGMENTED DISCLOSURE
FOR THE YEAR ENDED DECEMBER 31, 2022

Schedule 6

	General Government	Protective Services	Transportation Services	Environmental Use and Protection	Public Health and Welfare	Planning and Development	Agricultural Development	Recreation and Culture	Total
REVENUE									
Net municipal taxes	\$ 13,159,290	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 13,159,290
User fees and sales of goods	118,794	35,145	28,623	151,283	-	-	8,986	40,222	383,053
Government transfers	856,538	-	-	-	72,566	-	138,907	-	1,068,011
Investment income	789,960	-	-	-	-	-	-	-	789,960
Penalties and costs on taxes	237,012	-	-	-	-	-	-	-	237,012
Licenses and permits	-	8,186	-	-	-	66,600	-	-	74,786
Gain on disposal of tangible capital assets	-	100,592	127,586	-	-	-	-	-	228,178
Other revenues	19,175	-	-	497	-	-	-	-	19,672
	<u>15,180,769</u>	<u>143,923</u>	<u>156,209</u>	<u>151,780</u>	<u>72,566</u>	<u>66,600</u>	<u>147,893</u>	<u>40,222</u>	<u>15,959,962</u>
EXPENSES									
Salaries and wages	1,359,534	143,951	2,918,430	163,891	-	154,213	311,037	-	5,051,056
Contracted and general services	1,180,340	234,150	424,033	86,425	-	74,126	38,929	47,363	2,085,366
Materials, goods, supplies and utilities	222,495	425	3,485,834	171,509	-	4,370	157,730	25,005	4,067,368
Provision for allowances	362,904	-	-	-	-	-	-	-	362,904
Transfers to other governments	-	-	-	2,616	-	-	-	-	2,616
Transfers to local boards and agencies	60,936	115,211	-	-	-	-	-	-	176,147
Transfers to organizations	10,250	10,510	-	-	98,708	109,198	9,500	483,986	722,152
Bank charges and short-term interest	2,261	-	-	1,615	-	-	-	-	3,876
	<u>3,198,720</u>	<u>504,247</u>	<u>6,828,297</u>	<u>426,056</u>	<u>98,708</u>	<u>341,907</u>	<u>517,196</u>	<u>556,354</u>	<u>12,471,485</u>
EXCESS (SHORTFALL) OF REVENUE OVER EXPENSES, BEFORE AMORTIZATION AND OTHER	<u>11,982,049</u>	<u>(360,324)</u>	<u>(6,672,088)</u>	<u>(274,276)</u>	<u>(26,142)</u>	<u>(275,307)</u>	<u>(369,303)</u>	<u>(516,132)</u>	<u>3,488,477</u>
Capital government transfers	775,239	-	-	222,150	-	-	-	-	997,389
Capital donations	-	-	-	-	-	-	-	10,681	10,681
Amortization expense	(132,379)	(61,919)	(1,479,063)	(270,911)	-	(38,145)	(92,820)	(22,298)	(2,097,535)
EXCESS (SHORTFALL) OF REVENUE OVER EXPENSES	<u>\$ 12,624,909</u>	<u>\$ (422,243)</u>	<u>\$ (8,151,151)</u>	<u>\$ (323,037)</u>	<u>\$ (26,142)</u>	<u>\$ (313,452)</u>	<u>\$ (462,123)</u>	<u>\$ (527,749)</u>	<u>\$ 2,399,012</u>

COUNTY OF PAINTEARTH NO. 18
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

1. SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the County of Paintearth No. 18 (the "County") 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.

COUNTY OF PAINT EARTH NO. 18
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

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;
- Allowance for doubtful accounts;
- Useful life of tangible capital assets;
- Fair value of contributed tangible capital assets;
- Accrued liabilities; and
- Gravel reclamation payable

d) Valuation of Financial Assets and Liabilities

The County's financial assets and liabilities are measured as follows:

<u>Financial statement component</u>	<u>Measurement</u>
Cash	Cost and amortized cost
Short-term investments	Amortized cost
Trade and other receivables	Lower of cost or net recoverable value
Land inventory held for resale	Lower of cost or net recoverable value
Investments	Amortized cost
Accounts payable and accrued liabilities	Cost
Deferred revenue	Cost
Employment benefit obligations	Cost
Gravel pit reclamation payable	Amortized cost

e) Cash and Cash Equivalents

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

f) Investments

Investments are recorded at amortized cost.

COUNTY OF PAINT EARTH NO. 18
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

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) Land Inventories 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 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) Tax Revenue

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

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.

j) Contaminated Sites Liability

Contaminated sites are a result of contamination being introduced into air, soil, water or sediment of a chemical, organic or radioactive material or live organism that exceeds an environmental standard. The liability is recorded net of any expected recoveries. A liability for remediation of a contaminated site is recognized when the County is either directly responsible or accepts responsibility and is management's estimate of the cost of post-remediation including operation, maintenance and monitoring.

k) Revenue Recognition

Revenue from transactions with no performance obligation is recognized at realizable value when the County has the authority to claim or retain an inflow of economic resources and identifies a past transaction or event giving rise to an asset.

Revenue from transactions with performance obligations is recognized as the performance obligations are satisfied by providing the promised goods or services to the payor. User fees are recognized over the period of use, sales of goods are recognized when goods are delivered. Licenses and permits with a single performance obligation at a point in time are recognized as revenue on issuance, those which result in a continued performance obligation over time are recognized over the period of the license or permit as the performance obligation is satisfied.

COUNTY OF PAINT EARTH NO. 18
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

l) 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.

m) Contributions

Contributions received from third parties are recognized as revenue when the related expenditures have been incurred.

n) Non-Financial Assets

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

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
Engineered 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. Inventories for Consumption

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

COUNTY OF PAINT EARTH NO. 18
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

2. CASH AND CASH EQUIVALENTS

	<u>2022</u>	<u>2021</u>
Cash	\$ <u>29,151,584</u>	\$ <u>30,155,993</u>

An ATB Financial operating line of credit is available in the amount of \$2,000,000, interest calculated at prime plus 1%. As at year end, no amount was drawn on this line of credit.

3. SHORT-TERM INVESTMENTS

	<u>2022</u>	<u>2021</u>
Guaranteed investment certificates	\$ <u>5,053,474</u>	\$ <u>53,208</u>

Guaranteed investment certificates bear interest at 2.50% to 5.08% and mature between May 2023 and October 2023 .

An ATB Financial operating line of credit is available in the amount of \$2,000,000, interest calculated at prime plus 1%. As at year end, no amount was drawn on this line of credit.

4. TAXES AND GRANTS IN PLACE OF TAXES RECEIVABLE

	<u>2022</u>	<u>2021</u>
Current taxes and grants in place of taxes	\$ 387,867	\$ 1,116,531
Arrears taxes	<u>740,432</u>	<u>1,013,166</u>
	1,128,299	2,129,697
Less: allowance for doubtful accounts	<u>(6,579)</u>	<u>(5,646)</u>
	<u>\$ 1,121,720</u>	<u>\$ 2,124,051</u>

5. INVESTMENTS

	<u>2022</u>		<u>2021</u>	
	<u>Cost</u>	<u>Market Value</u>	<u>Cost</u>	<u>Market Value</u>
Equity instruments not quoted in an active market - amortized cost	\$ <u>50</u>	\$ <u>50</u>	\$ <u>50</u>	\$ <u>50</u>

COUNTY OF PAINTEARTH NO. 18
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2022	2021
Trade accounts payable	\$ 501,200	\$ 289,043
Accrued liabilities	218,446	151,855
Due to other governments	372,705	77,930
Tax sale surplus trust payable	53,556	53,290
Employee discretionary benefit payable	5,137	7,239
	\$ 1,151,044	\$ 579,357

7. DEFERRED REVENUE

	2022	2021
Municipal Sustainability Initiative	\$ 2,604,688	\$ 2,677,599
Canada Community-Building Fund	320,538	415,036
Paintearth Economic Partnership Society Grant	5,000	23,142
Huber Dam Project Donation	3,851	14,533
Alberta Economic Development and Trade	7,337	7,337
Burma Park Donation	445	445
	\$ 2,941,859	\$ 3,138,092

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 3).

Canada Community-Building 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 3).

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 3).

COUNTY OF PAINT EARTH NO. 18
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

8. EMPLOYEE BENEFIT OBLIGATIONS

	<u>2022</u>	<u>2021</u>
Vested sick leave payable	\$ 669,400	\$ 712,017
Long service recognition payable	<u>30,844</u>	<u>30,681</u>
	<u>\$ 700,244</u>	<u>\$ 742,698</u>

Vested sick leave payable

The vested sick leave liability consists 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 consists of the liability associated with long term service of County employees.

9. GRAVEL RECLAMATION LIABILITY

The gravel reclamation liability represents anticipated costs for reclamation of gravel pits owned and operated by the County. Reclamation is required to be completed upon closure of the gravel pit but may also be completed to reclaim partial areas while the pit is still in operation.

There was no gravel crushing activity in 2022, resulting in no change to the volume which requires remediation.

10. 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>2022</u>	<u>2021</u>
Total debt limit	\$ 23,939,943	\$ 24,897,102
Total debt	<u>-</u>	<u>-</u>
Amount of debit limit unused	<u>\$ 23,939,943</u>	<u>\$ 24,897,102</u>
Service on debt limit	\$ 3,989,991	\$ 4,149,517
Service on debt	<u>-</u>	<u>-</u>
Amount of debt servicing limit unused	<u>\$ 3,989,991</u>	<u>\$ 4,149,517</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.

COUNTY OF PAINT EARTH NO. 18
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

11. INVENTORY FOR CONSUMPTION

	2022	2021
Transportation - gravel	\$ 7,656,674	\$ 8,470,976
Transportation - repairs	304,424	330,641
Transportation - other	155,260	105,503
Agriculture - chemicals	59,332	7,220
	\$ 8,175,690	\$ 8,914,340

12. EQUITY IN TANGIBLE CAPITAL ASSETS

	2022	2021
Tangible capital assets	\$ 81,516,069	\$ 80,758,495
Accumulated amortization	(37,043,364)	(35,541,799)
	\$ 44,472,705	\$ 45,216,696

13. ACCUMULATED SURPLUS

	2022	2021
Restricted surplus:		
Operating:		
General legislative	\$ 1,097,682	\$ 1,097,682
Broadband network	500,000	
General administration	268,816	268,817
Roads, streets, walks, lighting	5,837,572	5,837,572
Culture	10,000	10,000
Subdivision land and development	8,427,976	8,425,126
Operating contingency	1,043,142	1,043,142
Capital:		
Administration	944,181	844,181
Fire fighting and preventive services	1,532,536	1,227,544
Roads, streets, walks, lighting	17,089,767	15,894,948
Water and wastewater	7,030,626	7,030,626
Economic development	79,289	79,289
Agricultural services	1,210,821	1,170,777
Recreation, parks and culture	496,134	486,134
Broadband network	990,299	
Equity in tangible capital assets	44,472,705	45,216,696
	\$ 91,031,546	\$ 88,632,534

COUNTY OF PAINT EARTH NO. 18
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

14. CONTAMINATED SITES LIABILITY

During the year, the County did not identify any financial liabilities (2021 - \$0) as a result of contaminated sites.

15. 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 following in the preparation of the financial statements as disclosed in Note 1.

Refer to Schedule of Segmented Disclosure (Schedule 6).

General government includes council and other legislative, and general administrative. Protective services includes fire, disaster and emergency measures, ambulance and first aid, and bylaw enforcement. Transportation includes roads, streets, walks and lighting. Environmental use and protection includes water supply and distribution and wastewater treatment and disposal. Public health and welfare includes family and community support. Planning and development includes land use planning, zoning and development. Agriculture development includes agricultural development. Recreation and culture includes parks and recreation, libraries, museums and halls.

16. 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:

	<u>2022</u>			<u>2021</u>
	<u>Salary</u>	<u>Benefits and allowances</u>	<u>Total</u>	<u>Total</u>
Councillors:				
Reeve Schulmeister	\$ 35,980	\$ 12,187	\$ 48,167	\$ 35,358
Councillor Elliott	30,120	10,865	40,985	30,162
Councillor Glazier	31,750	12,964	44,714	35,578
Councillor Norton	21,480	7,071	28,551	22,084
Councillor Wiar	27,690	9,496	37,186	23,255
Councillor Shipton	26,225	8,967	35,192	6,802
Councillor Vockeroth	20,710	10,671	31,381	6,526
Chief Administrative Officer	146,602	35,685	182,287	176,104
Designated Officers - (4 Positions)	399,566	55,099	454,665	463,943

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 include 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 PAINTEARTH NO. 18
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

17. 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 2022 were \$337,100 (2021 - \$378,978). Total current service contributions by the employees of the County to the Local Authorities Pension Plan in 2022 were \$302,954 (2021 - \$341,643).

At December 31, 2021, the LAPP disclosed an actuarial surplus of \$11.92 billion. This amount is not specifically allocated to the participating government organizations. The 2022 actuarial balance was not available at the date these financial statements were released.

COUNTY OF PAINTEARTH NO. 18
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

18. 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, 2026, the County has agreed to provide each municipality with \$15,000 of annual operating funding, \$20,000 of capital funding, 50% funding contribution towards training up to a maximum of \$12,000, the use of specified County-owned equipment, 85% funding contribution towards maintenance of that equipment, and 50% funding contribution towards installation of specialized equipment on County-owned vehicles.

The County has entered into 3 agreements to purchase clay. Under the terms of these agreements, the County must pay a fixed price 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 March 31, 2024. The County has also entered into an agreement with the Province of Alberta for the 2022 fiscal year, under which it will receive \$67,500 to fund these property assessment services.

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 assets, 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.

Minimum guaranteed payments under these commitments for subsequent years are as follows:

	<u>2022</u>	<u>2021</u>
2023	\$ 40,610	\$ 40,610
2024	36,890	36,890
2025	35,000	35,000
2026	<u>35,000</u>	<u>35,000</u>
	<u>\$ 147,500</u>	<u>\$ 147,500</u>

COUNTY OF PAINT EARTH NO. 18
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

19. CONTINGENCIES

The County is currently subject to a designated industrial property tax assessment complaint by a taxpayer for the 2018-2021 assessment years. This complaint is being heard by the Land & Property Rights Tribunal and the results of the hearing cannot be influenced by the County. It is not determinable what tax reduction, if any, would be awarded as a result of this complaint.

20. FINANCIAL INSTRUMENTS

The County's financial instruments consist of cash, short-term investments, receivables, investments, accounts payable and accrued liabilities, and employee benefit obligations. It is management's opinion that the County is not exposed to significant market 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 instruments approximate fair value.

21. BUDGET AMOUNTS

The unaudited budget data presented in these financial statements is based upon the 2022 operating and capital budgets approved by Council. The chart below reconciles the approved budget to the budget figures reported in these financial statements.

	<u>Budget Amount</u>
Revenue	
Budgeted revenues	\$ 14,427,006
Capital budget	1,030,500
Transfer from other funds	<u>1,429,000</u>
Proceeds on sale of tangible capital assets	<u>399,500</u>
Total revenues	<u>17,286,006</u>
Expenses	
Budgeted expenses	13,339,042
Capital budget	2,859,000
Transfer to other funds	1,087,964
Total expenses	<u>17,286,006</u>

22. APPROVAL OF FINANCIAL STATEMENTS

Council and management have approved these financial statements.
