

**COUNTY OF PAINTEARTH NO. 18
FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021**

**COUNTY OF PAINTEARTH NO. 18
FINANCIAL STATEMENTS
DECEMBER 31, 2021**

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INDEPENDENT AUDITOR'S REPORT

To the Members of Council:

Qualified 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, 2021 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, except for the effect of the matter described in the Basis of Qualified Opinion section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the County of Paintearth No. 18 as at December 31, 2021, 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 Qualified Opinion

During the year, the County measured certain gravel pit locations and determined that significant gravel variances existed which could not be quantified through the application of alternative audit procedures. This gravel inventory is recorded as a non-financial assets and represents \$8,470,976 of the County's total non-financial assets. As a result, we were unable to determine if any adjustments were required.

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 8.
- 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.

Ascend

HANNA, ALBERTA
APRIL 20, 2022

ASCEND LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

Ascend LLP
Chartered Professional Accountants

COUNTY OF PAINT EARTH NO. 18
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2021

	2021	2020 (Restated)
FINANCIAL ASSETS		
Cash and temporary investments (Note 2)	\$ 30,209,201	\$ 25,429,129
Receivables		
Taxes and grants in place of taxes (Note 3)	2,124,051	1,660,351
Trade and other receivables	185,610	95,834
Receivables from other governments	2,382,979	2,125,972
Land inventory held for resale	1,010,510	947,064
Investments (Note 4)	<u>50</u>	<u>50</u>
	<u>35,912,401</u>	<u>30,258,400</u>
LIABILITIES		
Accounts payable and accrued liabilities (Note 5)	579,357	986,956
Deferred revenue (Note 6)	3,138,092	2,684,318
Employee benefit obligations (Note 7)	742,698	729,049
Gravel reclamation payable	<u>201,959</u>	<u>201,959</u>
	<u>4,662,106</u>	<u>4,602,282</u>
NET FINANCIAL ASSETS	<u>31,250,295</u>	<u>25,656,118</u>
NON-FINANCIAL ASSETS		
Tangible capital assets	45,216,696	45,336,245
Inventory for consumption (Note 9)	8,914,340	9,533,026
Prepaid expenses	523,916	594,559
Gravel reserves for development	<u>2,727,287</u>	<u>2,727,287</u>
	<u>57,382,239</u>	<u>58,191,117</u>
ACCUMULATED SURPLUS	<u>\$ 88,632,534</u>	<u>\$ 83,847,235</u>

CONTAMINATED SITES LIABILITY (SEE NOTE 12)
COMMITMENTS (SEE NOTE 16)

COUNTY OF PAINT EARTH NO. 18
STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2021

	Budget (Unaudited)	2021	2020 (Restated)
REVENUE			
Net municipal taxes (Schedule 2)	\$ 13,619,535	\$ 13,849,845	\$ 14,099,867
User fees and sale of goods	437,965	447,170	464,149
Government transfers for operating (Schedule 3)	328,907	1,220,767	1,783,371
Investment income	240,000	216,867	263,286
Penalties and costs on taxes	125,000	359,535	103,784
Licenses and permits	30,500	20,943	26,021
Gain on disposal of tangible capital assets	5,000	460,326	381,232
Other	7,000	22,615	34,343
Total Revenue	<u>14,793,907</u>	<u>16,598,068</u>	<u>17,156,053</u>
EXPENSES			
General government			
Council and other legislative	553,200	284,605	312,608
General administrative	2,021,600	2,894,609	3,432,469
Protective services			
Fire	263,500	301,293	266,681
Disaster and emergency measures	11,200	225	1,570
Ambulance and first aid	12,500	10,930	11,981
Bylaw enforcement	278,750	248,384	188,096
Transportation			
Roads, streets, walks, lighting	9,953,009	7,296,354	7,861,345
Environmental use and protection			
Water supply and distribution	725,150	666,201	646,503
Wastewater treatment and disposal	40,075	28,372	32,307
Public health and welfare			
Family and community support	102,000	98,708	98,708
Planning and development			
Land use planning, zoning and development	432,690	380,972	711,386
Agricultural development			
Agricultural development	726,500	683,229	640,874
Recreation and culture			
Parks and recreation	499,100	363,711	604,048
Libraries, museums, halls	40,000	38,389	33,267
Total Expenses	<u>15,659,274</u>	<u>13,295,982</u>	<u>14,841,843</u>
EXCESS OF REVENUE OVER EXPENSES - BEFORE OTHER	865,367	3,302,086	2,314,210
Government transfers for capital (Schedule 3)	1,360,000	1,483,213	1,952,521
Capital donations			5,789
EXCESS OF REVENUE OVER EXPENSES	2,225,367	4,785,299	4,272,520
ACCUMULATED SURPLUS, BEGINNING OF YEAR	<u>83,847,235</u>	<u>83,847,235</u>	<u>79,574,715</u>
ACCUMULATED SURPLUS, END OF YEAR	<u>\$ 86,072,602</u>	<u>\$ 88,632,534</u>	<u>\$ 83,847,235</u>

COUNTY OF PAINT EARTH NO. 18
STATEMENT OF CHANGES IN NET FINANCIAL ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2021

	Budget (Unaudited)	2021	2020 (Restated)
EXCESS OF REVENUE OVER EXPENSES			
	\$ 2,225,367	\$ 4,785,299	\$ 4,272,520
Acquisition of tangible capital assets	(3,839,800)	(3,603,317)	(2,981,021)
Proceeds on disposal of tangible capital assets	577,000	1,657,069	721,364
Amortization of tangible capital assets	2,453,875	2,163,345	2,273,499
Loss (gain) on disposal of tangible capital assets	64,500	(97,548)	(195,777)
	<u>(744,425)</u>	<u>119,549</u>	<u>(181,935)</u>
Change in in prepaid expenses		70,643	(96,845)
Change in inventory for consumption		618,686	447,974
		<u>689,329</u>	<u>351,129</u>
INCREASE IN NET ASSETS	1,480,942	5,594,177	4,441,714
NET FINANCIAL ASSETS, BEGINNING OF YEAR	<u>25,656,118</u>	<u>25,656,118</u>	<u>21,214,404</u>
NET FINANCIAL ASSETS, END OF YEAR	<u>\$ 27,137,060</u>	<u>\$ 31,250,295</u>	<u>\$ 25,656,118</u>

COUNTY OF PAINT EARTH NO. 18
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2021

	2021	2020 (Restated)
NET INFLOW (OUTFLOWS) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING		
Excess of revenues over expenses	\$ 4,785,299	\$ 4,272,520
Non-cash items included in excess (shortfall) of revenues over expenses:		
Amortization	2,163,345	2,273,499
Gain on disposal of tangible capital assets	<u>(97,548)</u>	<u>(195,777)</u>
	6,851,096	6,350,242
Changes in net financial asset (debt) items:		
Increase in taxes and grants in place of taxes	(463,700)	(393,370)
(Increase) decrease in trade and other receivables	(89,776)	5,026
Increase in receivables from other governments	(257,007)	(1,813,057)
Increase in land inventory held for resale	(63,446)	
Decrease in inventory for consumption	618,686	447,974
Decrease (increase) in prepaid expenses	70,643	(96,845)
Decrease in accounts payable and accrued liabilities	(407,599)	(24,832)
Increase (decrease) in employee benefit obligations	13,648	(16,434)
Increase (decrease) in deferred revenue	<u>453,774</u>	<u>(678,839)</u>
Cash provided by (applied to) operating transactions	<u>6,726,319</u>	<u>3,779,865</u>
CAPITAL		
Acquisition of tangible capital assets	(3,603,317)	(2,981,020)
Proceeds on disposal of tangible capital assets	<u>1,657,070</u>	<u>721,364</u>
Cash provided by (applied to) capital transactions	<u>(1,946,247)</u>	<u>(2,259,656)</u>
FINANCING		
Repayment of long-term debt	<u> </u>	<u>(343,972)</u>
CHANGE IN CASH AND EQUIVALENTS DURING THE YEAR	4,780,072	1,176,237
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>25,429,129</u>	<u>24,252,892</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 30,209,201</u>	<u>\$ 25,429,129</u>

COUNTY OF PAINTEARTH NO. 18
SCHEDULE OF TANGIBLE CAPITAL ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2021

Schedule 1

	Land	Land Improvements	Buildings	Engineered Structures	Machinery and Equipment	Vehicles	2021	2020
COST:								
BALANCE, BEGINNING OF YEAR	\$ 2,116,172	\$ 784,917	\$ 5,238,519	\$ 52,209,849	\$ 14,490,204	\$ 5,513,686	\$ 80,353,347	\$ 78,344,365
Acquisition of tangible capital assets			437,438	1,024,268	1,366,094	505,334	3,333,134	2,898,557
Construction-in-progress				270,183			270,183	82,464
Disposal of tangible capital assets	(1)				(2,719,863)	(478,305)	(3,198,169)	(972,039)
BALANCE, END OF YEAR	<u>2,116,171</u>	<u>784,917</u>	<u>5,675,957</u>	<u>53,504,300</u>	<u>13,136,435</u>	<u>5,540,715</u>	<u>80,758,495</u>	<u>80,353,347</u>
ACCUMULATED AMORTIZATION:								
BALANCE, BEGINNING OF YEAR	184,144	405,628	1,352,121	24,131,166	5,441,458	3,502,585	35,017,102	33,190,054
Annual amortization	33,543	31,015	103,993	968,186	659,193	367,415	2,163,345	2,273,499
Accumulated amortization on disposals					(1,215,969)	(422,679)	(1,638,648)	(446,451)
BALANCE, END OF YEAR	<u>217,687</u>	<u>436,643</u>	<u>1,456,114</u>	<u>25,099,352</u>	<u>4,884,682</u>	<u>3,447,321</u>	<u>35,541,799</u>	<u>35,017,102</u>
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	<u>\$ 1,898,484</u>	<u>\$ 348,274</u>	<u>\$ 4,219,843</u>	<u>\$ 28,404,948</u>	<u>\$ 8,251,753</u>	<u>\$ 2,093,394</u>	<u>\$ 45,216,696</u>	<u>\$ 45,336,245</u>
2020 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>	

COUNTY OF PAINT EARTH NO. 18
SCHEDULE OF PROPERTY AND OTHER TAXES
FOR THE YEAR ENDED DECEMBER 31, 2021
Schedule 2

	Budget (Unaudited)	2021	2020
TAXATION			
Residential land and improvement taxes	\$ 6,367,846	\$ 6,328,773	\$ 6,198,182
Non-residential linear property taxes	<u>10,126,689</u>	<u>10,167,478</u>	<u>10,546,026</u>
	<u>16,494,535</u>	<u>16,496,251</u>	<u>16,744,208</u>
REQUISITIONS			
Alberta School Foundation Fund	2,325,000	2,092,684	2,099,704
Seniors requisition	<u>550,000</u>	<u>553,722</u>	<u>544,637</u>
	<u>2,875,000</u>	<u>2,646,406</u>	<u>2,644,341</u>
NET MUNICIPAL TAXES	<u>\$ 13,619,535</u>	<u>\$ 13,849,845</u>	<u>\$ 14,099,867</u>

SCHEDULE OF GOVERNMENT TRANSFERS
FOR THE YEAR ENDED DECEMBER 31, 2021
Schedule 3

	Budget (Unaudited)	2021	2020
TRANSFERS FOR OPERATING			
Provincial government	\$ 328,907	\$ 1,220,767	\$ 1,778,371
Federal government			5,000
	<u>328,907</u>	<u>1,220,767</u>	<u>1,783,371</u>
TRANSFERS FOR CAPITAL			
Provincial government	<u>1,360,000</u>	<u>1,483,213</u>	<u>1,952,521</u>
TOTAL GOVERNMENT TRANSFERS	<u>\$ 1,688,907</u>	<u>\$ 2,703,980</u>	<u>\$ 3,735,892</u>

COUNTY OF PAINT EARTH NO. 18
SCHEDULE OF EXPENSES BY OBJECT
FOR THE YEAR ENDED DECEMBER 31, 2021

Schedule 4

	Budget (Unaudited)	2021	2020 (Restated)
EXPENSES BY OBJECT			
Salaries, wages and benefits	\$ 5,671,947	\$ 4,980,510	\$ 5,317,705
Contracted and general services	2,063,004	2,048,150	2,758,605
Materials, goods, supplies and utilities	4,410,348	2,704,555	2,868,401
Provision for allowances	101,500	294,658	525,570
Transfers to other government	2,300	2,532	4,256
Transfers to local boards and agencies	194,000	179,078	121,532
Transfers to individuals and organizations	685,900	557,474	778,746
Bank charges and short-term interest	11,900	2,902	8,074
Amortization of tangible capital assets	2,453,875	2,163,345	2,273,499
Loss on disposal of tangible capital assets	64,500	362,778	185,455
	<u>\$ 15,659,274</u>	<u>\$ 13,295,982</u>	<u>\$ 14,841,843</u>

COUNTY OF PAINTEARTH NO. 18
SCHEDULE OF CHANGES IN ACCUMULATED SURPLUS
FOR THE YEAR ENDED DECEMBER 31, 2021

Schedule 5

	Unrestricted Surplus	Restricted Surplus	Equity in Tangible Capital Assets	2021	2020 (Restated)
BALANCE, BEGINNING OF YEAR (as previously stated)	\$ 136,191	\$ 38,374,799	\$ 45,336,245	\$ 83,847,235	\$ 79,437,990
Prior period adjustment (Note 18)					136,725
BALANCE, BEGINNING OF YEAR (as restated)	<u>136,191</u>	<u>38,374,799</u>	<u>45,336,245</u>	<u>83,847,235</u>	<u>79,574,715</u>
Excess of revenues over expenses	4,785,299			4,785,299	4,272,520
Unrestricted funds designated for future use	(6,778,587)	6,778,587			
Restricted funds used for tangible capital assets	1,737,548	(1,737,548)			
Current year funds used for tangible capital assets	(3,603,317)		3,603,317		
Net book value of disposed tangible capital assets	1,559,521		(1,559,521)		
Annual amortization expense	<u>2,163,345</u>		<u>(2,163,345)</u>		
Change in accumulated surplus	<u>(136,191)</u>	<u>5,041,039</u>	<u>(119,549)</u>	<u>4,785,299</u>	<u>4,272,520</u>
BALANCE, END OF YEAR	<u>\$</u>	<u>\$ 43,415,838</u>	<u>\$ 45,216,696</u>	<u>\$ 88,632,534</u>	<u>\$ 83,847,235</u>

COUNTY OF PAINTEARTH NO. 18
SCHEDULE OF SEGMENTED DISCLOSURE
FOR THE YEAR ENDED DECEMBER 31, 2021

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	\$ 13,849,845	\$	\$	\$	\$	\$	\$	\$	\$ 13,849,845
User fees and sales of goods	122,012			127,150			65,474	53,643	447,170
Government transfers	994,294	56,905	21,986		72,566		153,907		1,220,767
Investment income	216,867								216,867
Penalties and costs on taxes	359,535	3,953				16,990			359,535
Licenses and permits									20,943
Gain on disposal of tangible capital assets	214,848								460,326
Other revenues	<u>21,771</u>		227,755	844			17,723		<u>22,615</u>
	<u>15,779,172</u>	<u>60,858</u>	<u>249,741</u>	<u>127,994</u>	<u>72,566</u>	<u>16,990</u>	<u>237,104</u>	<u>53,643</u>	<u>16,598,068</u>
EXPENSES									
Salaries and wages	1,306,879	140,958	2,899,122	174,435		151,733	307,383		4,980,510
Contract and general services	1,195,491	197,417	387,994	94,596		79,836	44,139	48,677	2,048,150
Goods and supplies	185,549	3,962	2,117,430	151,661		3,076	219,372	23,505	2,704,555
Provision for allowance	294,658								294,658
Transfers to other government				2,532					2,532
Transfers to local boards	36,487	142,591				106,068		307,388	179,078
Transfers to organizations	25,300	10,510			98,708		9,500		557,474
Bank charges and interest	1,213			1,689					2,902
Loss on disposal of tangible capital assets			361,792				986		362,778
	<u>3,045,577</u>	<u>495,438</u>	<u>5,786,338</u>	<u>424,913</u>	<u>98,708</u>	<u>340,713</u>	<u>581,380</u>	<u>379,570</u>	<u>11,132,637</u>
EXCESS (SHORTFALL) OF REVENUE OVER EXPENSES, BEFORE AMORTIZATION AND OTHER	<u>12,733,595</u>	<u>(434,580)</u>	<u>(5,516,597)</u>	<u>(296,919)</u>	<u>(26,142)</u>	<u>(323,723)</u>	<u>(344,276)</u>	<u>(325,927)</u>	<u>5,465,431</u>
Capital government transfers	1,217,482			265,731					1,483,213
Amortization expense	<u>(133,637)</u>	<u>(65,394)</u>	<u>(1,530,016)</u>	<u>(269,660)</u>		<u>(40,259)</u>	<u>(101,849)</u>	<u>(22,530)</u>	<u>(2,163,345)</u>
EXCESS (SHORTFALL) OF REVENUE OVER EXPENSES	<u>\$ 13,817,440</u>	<u>\$ (499,974)</u>	<u>\$ (7,046,613)</u>	<u>\$ (300,848)</u>	<u>\$ (26,142)</u>	<u>\$ (363,982)</u>	<u>\$ (446,125)</u>	<u>\$ (348,457)</u>	<u>\$ 4,785,299</u>

COUNTY OF PAINTEARTH NO. 18
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

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;
- Fair value of contributed tangible capital assets;
- Accrued liabilities; and
- Gravel reclamation payable

COUNTY OF PAINT EARTH NO. 18
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

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	Fair value and 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.

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.

COUNTY OF PAINT EARTH NO. 18
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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 (Debt) for the year.

COUNTY OF PAINT EARTH NO. 18
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

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
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. 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, 2021

2. CASH AND TEMPORARY INVESTMENTS

	2021	2020
Cash	\$ 30,155,993	\$ 25,376,255
Temporary investments	53,208	52,874
	\$ 30,209,201	\$ 25,429,129

The temporary investment balance represents guaranteed income certificates, bearing interest at 0.50% and mature between May 13, 2022 and October 31, 2022 .

Included in the cash account are restricted funds of \$1,182,430 (2020 - \$1,185,836) which relate 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 plus 1%. As of year end, no amount was drawn on this line of credit.

3. TAXES AND GRANTS IN PLACE OF TAXES RECEIVABLE

	2021	2020
Current taxes and grants in place receivables	\$ 1,116,531	\$ 1,157,139
Arrears taxes	1,013,166	508,050
	2,129,697	1,665,189
Less: allowance for doubtful accounts	(5,646)	(4,838)
	\$ 2,124,051	\$ 1,660,351

4. INVESTMENTS

	2021		2020	
	Cost	Market Value	Cost	Market Value
Other institutional and private corporation bonds	\$ 50	\$ 50	\$ 50	\$ 50

COUNTY OF PAINTEARTH NO. 18
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2021	2020
Trade accounts payable	\$ 289,043	\$ 454,634
Accrued liabilities	151,855	221,728
Due to other governments	77,930	193,451
Tax sale surplus trust payable	53,290	52,874
Employee health spending account	7,239	5,429
Gravel royalties payable		58,840
	\$ 579,357	\$ 986,956

6. DEFERRED REVENUE

	2021	2020
Municipal Sustainability Initiative	\$ 2,677,599	\$ 1,977,845
Canada Community-Building Fund	415,036	431,138
Paintearth Economic Partnership Society Grant	23,142	5,000
Huber Dam Project Donation	14,533	14,533
Alberta Economic Development and Trade	7,337	247,738
Burma Park Donation	445	445
Municipal Stimulus Program		7,619
	\$ 3,138,092	\$ 2,684,318

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).

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 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).

COUNTY OF PAINT EARTH NO. 18
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

7. EMPLOYEE BENEFIT OBLIGATIONS

	2021	2020
Vested sick leave payable	\$ 712,017	\$ 696,893
Long service recognition payable	30,681	32,156
	\$ 742,698	\$ 729,049

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.

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:

	2021	2020
Total debt limit	\$ 24,897,102	\$ 25,734,080
Total debt		
Amount of debit limit unused	\$ 24,897,102	\$ 25,734,080
Debt servicing limit	\$ 4,149,517	\$ 4,289,013
Debt servicing		
Amount of debt servicing limit unused	\$ 4,149,517	\$ 4,289,013

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, 2021

9. INVENTORY FOR CONSUMPTION

	2021	2020
Transportation - gravel	\$ 8,470,976	\$ 9,065,362
Transportation - repairs	330,641	331,699
Transportation - other	105,503	64,502
Agriculture - chemicals	7,220	71,463
	\$ 8,914,340	\$ 9,533,026

10. EQUITY IN TANGIBLE CAPITAL ASSETS

	2021	2020
Tangible capital assets	\$ 80,758,495	\$ 80,353,347
Accumulated amortization	(35,541,799)	(35,017,102)
	\$ 45,216,696	\$ 45,336,245

11. ACCUMULATED SURPLUS

	2021	2020 (Restated)
Unrestricted surplus	\$	\$ 136,191
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	8,425,126	3,237,724
Operating contingency	1,043,142	1,043,142
Capital:		
Administration	844,181	753,077
Fire fighting & preventive services	1,227,544	1,161,744
Roads, streets, walks, lighting	15,894,948	16,215,259
Water and wastewater	7,030,626	7,060,626
Economic development	79,289	79,289
Agricultural services	1,170,777	1,140,183
Recreation, parks and culture	486,134	469,684
Equity in tangible capital assets	45,216,696	45,336,245
	\$ 88,632,534	\$ 83,847,235

COUNTY OF PAINT EARTH NO. 18
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

12. CONTAMINATED SITES LIABILITY

During the year, the County did not identify any financial liabilities (2020 - \$0) as a result of contaminated sites.

13. 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.

COUNTY OF PAINT EARTH NO. 18
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

14. 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:

	2021			2020
	<u>Salary</u>	<u>Benefits and allowances</u>	<u>Total</u>	<u>Total</u>
Councillors:				
Reeve Schulmeister	\$ 27,110	\$ 8,248	\$ 35,358	\$ 33,950
Councillor Blumhagen				28,360
Councillor Elliott	21,730	8,432	30,162	31,336
Councillor Glazier	26,480	9,098	35,578	36,487
Councillor Hewitt				23,903
Councillor Norton	17,700	4,384	22,084	21,892
Councillor Wiart	19,190	4,065	23,255	21,238
Councillor Shipton	5,160	1,642	6,802	
Councillor Vockeroth	4,540	1,986	6,526	
Chief Administrative Officer	142,678	33,426	176,104	173,312
Designated Officers - (4 Positions)	413,038	50,905	463,943	430,364

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.

15. 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 2021 were \$378,974 (2020 - \$377,885). Total current service contributions by the employees of the County to the Local Authorities Pension Plan in 2021 were \$341,643 (2020 - \$343,523).

At December 31, 2020 the LAPP disclosed an actuarial surplus of \$4.96 billion. This amount is not specifically allocated to the participating government organizations. The 2021 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, 2021

16. 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 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, 2021

17. FINANCIAL INSTRUMENTS

The County's financial instruments consist of cash, receivables, investments, accounts payable and accrued liabilities, and employee benefit obligations. 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.

18. PRIOR PERIOD ADJUSTMENT

The prior year financial statements have been restated to correct accrued salaries payable. As a result of the adjustment, the accrued liabilities payable decreased by \$136,191, operating expenses increased by \$534, and opening unrestricted surplus increased by \$136,725.

19. CORRESPONDING FIGURES

Certain corresponding figures have been reclassified to conform with the financial statement presentation adopted for the current year.

20. BUDGET AMOUNTS

The 2021 budget for the County was approved by Council on April 20, 2021 and has been reported in the financial statements for information purposes only. These budget amounts have not been audited, reviewed, or otherwise verified.

21. APPROVAL OF FINANCIAL STATEMENTS

Council and management have approved these financial statements.
