

County of Northern Lights
Financial Statements
December 31, 2021

County of Northern Lights

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MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

Management of the County of Northern Lights is responsible for the preparation, accuracy, objectivity and integrity of the accompanying financial statements and all other information contained within this County's financial position at December 31, 2021 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 that 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 principally through its Audit Committee. This committee meets regularly with management and external auditors to discuss the results of audit examinations and financial reporting matters.

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

The financial statements have been audited by Doyle & Company Chartered Professional Accountants, 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.

Theresa Van Oort, CLGM
Chief Administrative Officer

Josh Hunter
Director of Finance, CPA, CMA

April 26, 2022
County of Northern Lights, Canada

Allan J. Grykuliak, CPA, CA*
Scott T. Mockford, CPA, CA*
Allen Lee, CPA, CMA*
Jason Bondarevich, CPA, CA*

* Operates as a Professional Corporation

11210 - 107 Avenue N.W., 2nd Flr
Edmonton, Alberta T5H 0Y1
Tel (780) 452-2300, Fax (780) 452-2335

INDEPENDENT AUDITORS' REPORT

To the Members of Council

Opinion

We have audited the financial statements of **County of Northern Lights** (the Entity), which comprise the statement of financial position as at December 31, 2021, and the results of its operations, changes in its net financial assets and cash flows for the years then ended, and 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 Northern Lights as at December 31, 2021, the results of its operations, changes in its net financial assets and its cash flows for the year then 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 Entity 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 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 Entity's ability to continue as a going concern, disclosing, as applicable, matters relating 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 Entity'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 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 judgement 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 from one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

INDEPENDENT AUDITORS' REPORT - continued

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- 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 Entity'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 our auditor's report. However, future events or conditions may cause the Entity to cease to continue as 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.

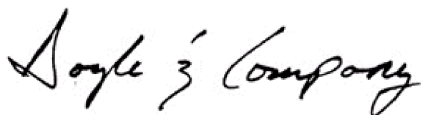
We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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 Entity's debt limit can be found in Note 13.
- 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.

The engagement partner on the audit resulting in this independent auditor's report is Scott Mockford, CPA, CA.



11210 - 107 Avenue NW
Edmonton, Alberta
T5H 0Y1

April 26, 2022

Chartered Professional Accountants

County of Northern Lights
Statement of Financial Position
As at December 31, 2021

	2021	2020
	\$	\$
FINANCIAL ASSETS		
Cash and temporary investments (Note 3)	9,018,530	9,733,852
Receivables (Note 5)		
Taxes and grants in lieu receivable	2,671,808	1,915,980
Trade and other receivables	2,046,508	1,801,307
Investments (Note 6)	31,078,214	31,157,301
	44,815,060	44,608,440
LIABILITIES		
Accounts payable and accrued liabilities (Note 8)	2,486,346	3,298,173
Deferred contributions (Note 9)	601,289	2,706,041
Long-term liabilities (Note 10)	11,042,678	12,205,461
Landfill reclamation costs (Note 11)	168,335	168,335
Gravel reclamation liability (Note 12)	1,040,000	1,040,000
	15,338,648	19,418,010
NET FINANCIAL ASSETS	29,476,412	25,190,430
NON-FINANCIAL ASSETS		
Tangible capital assets (Schedule 2)	98,981,627	98,686,025
Inventory for consumption	3,016,786	2,870,178
Prepaid expenses (Note 7)	654,839	801,731
	102,653,252	102,357,934
ACCUMULATED SURPLUS (Schedule 1, Note 15)	132,129,664	127,548,364

The accompanying notes form part of these financial statements.

County of Northern Lights

Statement of Operations

For the year ended December 31, 2021

	2021 Budget \$	2021 Actual \$	2020 Actual \$
REVENUE			
Net municipal taxes (Schedule 3)	15,839,200	16,587,912	15,751,045
Government transfers (Schedule 4)	421,174	411,922	783,890
User fees and sales of goods	1,313,072	1,430,354	1,412,391
Investment income	750,000	967,632	799,332
Realized and unrealized change in investments	-	(893,493)	953,381
Total Revenues	18,323,446	18,504,327	19,700,039
EXPENSES			
Administrative services	1,880,994	1,935,983	3,171,738
Council and other legislative services	2,391,898	2,057,846	2,208,380
Protective services	954,884	770,167	894,434
Transportation services	10,338,100	9,447,525	9,043,424
Agricultural services	899,384	775,359	772,503
Utilities and environmental services	2,703,604	2,667,487	2,681,713
Planning and development services	221,965	316,821	320,908
Family and community support services	150,075	117,155	100,048
Economic development and community services	222,052	151,428	150,415
Recreation and cultural services	403,473	494,119	485,273
Total Expenses	20,166,429	18,733,890	19,828,836
EXCESS OF REVENUE OVER EXPENSES - BEFORE OTHER	(1,842,983)	(229,563)	(128,797)
OTHER			
Government transfers for capital (Schedule 4)	580,000	4,810,863	2,453,403
EXCESS OF REVENUE OVER EXPENSES	(1,262,983)	4,581,300	2,324,606
ACCUMULATED SURPLUS, BEGINNING OF YEAR	-	127,548,364	125,223,758
ACCUMULATED SURPLUS, END OF YEAR	(1,262,983)	132,129,664	127,548,364

The accompanying notes form part of these financial statements.

County of Northern Lights
Statement of Change in Net Financial Assets
For the year ended December 31, 2021

	2021 Budget \$	2021 Actual \$	2020 Actual \$
EXCESS OF REVENUE OVER EXPENSES	(1,262,983)	4,581,300	2,324,606
Acquisition of tangible capital assets	(5,926,705)	(3,595,848)	(3,663,663)
Proceeds on disposal of tangible capital asset	50,000	126,157	91,715
Amortization of tangible capital assets	3,240,399	3,213,023	3,087,648
Loss (gain) on disposal of tangible capital assets	-	(38,934)	(54,035)
	(2,636,306)	(295,602)	(538,335)
Acquisition of supplies inventories	-	(3,016,786)	(2,870,178)
Acquisition of prepaid assets	-	(654,839)	(801,731)
Use of supplies inventories	-	2,870,178	2,774,143
Use of prepaid assets	-	801,731	1,000,040
	-	284	102,274
CHANGE IN NET ASSETS DURING THE YEAR	(3,899,289)	4,285,982	1,888,545
NET FINANCIAL ASSETS, BEGINNING OF YEAR	-	25,190,430	23,301,885
NET FINANCIAL ASSETS, END OF YEAR	-	29,476,412	25,190,430

The accompanying notes form part of these financial statements.

County of Northern Lights
Statement of Cash Flows
For the year ended December 31, 2021

	2021	2020
	\$	\$
OPERATING		
Excess of revenue over expenditures	4,581,300	2,324,606
Non-cash items included in excess of revenue over expenses:		
Amortization of tangible capital assets	3,213,023	3,087,648
Loss (gain) on disposal of tangible capital assets	(38,934)	(54,035)
Non-cash charges to operations (net change):		
Increase in taxes and grants in lieu receivable	(755,828)	(57,798)
Decrease (increase) in trade and other receivables	(245,201)	593,791
Decrease in prepaid expenditures	146,892	198,309
Increase in inventory for consumption	(146,608)	(96,035)
Decrease in accounts payable and accrued liabilities	(811,827)	(2,496,360)
Decrease in deferred revenue	(2,104,752)	(1,234,501)
Cash from operations	3,838,065	2,265,625
CAPITAL		
Acquisition of tangible capital assets	(3,595,848)	(3,663,663)
Proceeds on disposal of tangible capital assets	126,157	91,715
Cash applied to capital transactions	(3,469,691)	(3,571,948)
INVESTING		
Decrease (increase) in investments	79,087	(1,501,430)
FINANCING		
Long-term liabilities repaid	(1,162,783)	(1,129,426)
CHANGE IN CASH DURING THE YEAR	(715,322)	(3,937,179)
CASH AND TEMPORARY INVESTMENTS, BEGINNING OF YEAR	9,733,852	13,671,031
CASH AND TEMPORARY INVESTMENTS, END OF YEAR	9,018,530	9,733,852

The accompanying notes form part of these financial statements.

County of Northern Lights
Schedule of Changes in Accumulated Surplus - Schedule 1
For the year ended December 31, 2021

	Unrestricted Surplus \$	Restricted Surplus \$	Equity in Tangible Capital Assets \$	2021 Total \$	2020 Total \$
BALANCE, BEGINNING OF YEAR	1,390,619	39,677,181	86,480,564	127,548,364	125,223,758
Excess of revenue over expenses	4,581,300	-	-	4,581,300	2,324,606
Unrestricted funds designated for future use	(2,716,181)	2,716,181	-	-	-
Restricted funds used for operations	43,118	(43,118)	-	-	-
Restricted funds used for tangible capital assets	-	(65,082)	65,082	-	-
Current years funds used for tangible capital assets	(3,530,766)	-	3,530,766	-	-
Disposal of tangible capital assets	87,223	-	(87,223)	-	-
Annual amortization expense	3,213,023	-	(3,213,023)	-	-
Long-term liabilities repaid	(1,162,783)	-	1,162,783	-	-
Change in accumulated surplus	514,934	2,607,981	1,458,385	4,581,300	2,324,606
BALANCE, END OF YEAR	1,905,553	42,285,162	87,938,949	132,129,664	127,548,364

The accompanying notes form part of these financial statements.

County of Northern Lights
Schedule of Tangible Capital Assets - Schedule 2
For the year ended December 31, 2021

	Land \$	Buildings \$	Construction in Progress \$	Engineered Structures \$	Machinery and Equipment \$	Vehicles \$	2021 Total \$	2020 Total \$
COST:								
Balance, Beginning of Year	996,421	5,021,998	33,215,331	91,755,703	6,833,828	3,667,789	141,491,070	138,285,749
Acquisition of tangible capital assets	100	41,065	1,313,828	1,699,271	541,584	-	3,595,848	3,663,663
Disposal of tangible capital assets	-	-	-	(149,618)	-	(189,918)	(339,536)	(458,342)
Balance, End of Year	996,521	5,063,063	34,529,159	93,305,356	7,375,412	3,477,871	144,747,382	141,491,070
ACCUMULATED AMORTIZATION:								
Balance, Beginning of Year	-	2,165,244	-	35,306,387	3,638,086	1,695,328	42,805,045	40,138,059
Annual amortization	-	119,546	-	2,357,956	517,824	217,697	3,213,023	3,087,648
Accumulated amortization on disposals	-	-	-	(139,618)	-	(112,695)	(252,313)	(420,662)
Balance, End of Year	-	2,284,790	-	37,524,725	4,155,910	1,800,330	45,765,755	42,805,045
NET BOOK VALUE	996,521	2,778,273	34,529,159	55,780,631	3,219,502	1,677,541	98,981,627	98,686,025
2020 NET BOOK VALUE	996,421	2,856,754	33,215,331	56,449,316	3,195,742	1,972,461	98,686,025	

The accompanying notes form part of these financial statements.

County of Northern Lights
Schedule of Property and Other Taxes - Schedule 3
For the year ended December 31, 2021

	2021	2021	2020
	Budget	Actual	Actual
	\$	\$	\$
TAXATION			
Real property taxes	10,439,910	10,997,542	10,922,770
Linear property taxes	9,462,230	8,807,020	8,220,708
Government grants in place of property taxes	12,070	21,524	16,285
Penalties and costs	200,000	547,878	623,450
	20,114,210	20,373,964	19,783,213
REQUISITIONS			
Provincial School Foundation Fund	3,578,047	3,091,668	3,353,372
Senior Foundation	623,523	628,448	613,902
Provincial Designated Industrial Property Assessment	73,440	65,936	64,894
	4,275,010	3,786,052	4,032,168
NET MUNICIPAL TAXES	15,839,200	16,587,912	15,751,045

The accompanying notes form part of these financial statements.

County of Northern Lights
Schedule of Government Transfers - Schedule 4
For the year ended December 31, 2021

	2021 Budget \$	2021 Actual \$	2020 Actual \$
<u>OPERATING</u>			
PROVINCIAL TRANSFERS			
Shared-cost agreements and grants	391,879	382,627	754,595
LOCAL GOVERNMENT TRANSFERS			
Shared-cost agreements and grants	29,295	29,295	29,295
	421,174	411,922	783,890
<u>CAPITAL</u>			
PROVINCIAL TRANSFERS			
Shared-cost agreements and grants	580,000	4,810,863	2,453,403

The accompanying notes form part of these financial statements.

County of Northern Lights
Schedule of Expenditures by Object - Schedule 5
For the year ended December 31, 2021

	Budget	2021	2020
	\$	\$	\$
EXPENSES BY OBJECT			
Salaries, wages and benefits	3,453,972	3,335,332	3,639,648
Contracted and general services	8,054,530	7,221,879	8,080,540
Materials, goods and utilities	2,277,317	2,079,343	1,956,842
Transfers to local boards and agencies	2,744,298	2,541,621	2,688,200
Interest on long-term liabilities	345,913	342,691	375,958
Amortization of tangible capital assets	3,240,399	3,213,024	3,087,648
	20,116,429	18,733,890	19,828,836

The accompanying notes form part of these financial statements.

County of Northern Lights
Schedule of Segmented Disclosure - Schedule 6
For the year ended December 31, 2021

	Administrative Services \$	Council & Legislative Services \$	Protective Services \$	Transportation Services \$	Agricultural Services \$	Utilities & Environmental Services \$
REVENUE						
Net municipal taxes	16,587,913	-	-	-	-	-
Government transfer	149,801	-	15,193	3,621,800	123,907	1,218,358
User fees and sales of goods	132,253	-	23,132	344,940	6,433	913,145
Investment income	74,139	-	-	-	-	-
Oil well drilling taxes	-	-	-	-	-	-
	16,944,106	-	38,325	3,966,740	130,340	2,131,503
EXPENSES						
Salaries, wages and benefits	795,531	13,465	107,273	1,720,319	75,852	546,502
Contract and general services	966,590	229,450	471,095	3,788,254	450,156	953,627
Materials, goods and utilities	63,102	8,820	61,997	1,603,773	133,692	195,631
Transfers to local boards and agencies	-	1,806,111	12,379	-	101,300	-
Interest on long-term liabilities	183	-	-	49,435	-	293,073
	1,825,406	2,057,846	652,744	7,161,781	761,000	1,988,833
NET REVENUE, BEFORE AMORTIZATION	15,118,700	(2,057,846)	(614,419)	(3,195,041)	(630,660)	142,670
Amortization expense	110,576	-	117,423	2,285,744	14,360	678,654
NET REVENUE	15,008,124	(2,057,846)	(731,842)	(5,480,785)	(645,020)	(535,984)

The accompanying notes form part of these financial statements.

County of Northern Lights
Schedule of Segmented Disclosure - Schedule 6
For the year ended December 31, 2021

	Planning & Development Services \$	Family & Community Support Services \$	Economic Development & Community Services \$	Recreation & Cultural Services \$	2021 Total \$	2020 Total \$
REVENUE						
Net municipal taxes	-	-	-	-	16,587,913	15,751,045
Government transfer	-	93,726	-	-	5,222,785	3,237,293
User fees and sales of goods	10,450	-	-	-	1,430,353	1,412,391
Investment income	-	-	-	-	74,139	1,752,713
Oil well drilling taxes	-	-	-	-	-	-
	10,450	93,726	-	-	23,315,190	22,153,442
EXPENSES						
Salaries, wages and benefits	-	-	76,389	-	3,335,331	3,639,648
Contract and general services	316,821	-	45,886	-	7,221,879	8,080,540
Materials, goods and utilities	-	-	12,328	-	2,079,343	1,956,842
Transfers to local boards and agencies	-	117,155	11,800	492,876	2,541,621	2,688,200
Interest on long-term liabilities	-	-	-	-	342,691	375,958
	316,821	117,155	146,403	492,876	15,520,865	16,741,188
NET REVENUE, BEFORE AMORTIZATION	(306,371)	(23,429)	(146,403)	(492,876)	7,794,325	5,412,254
Amortization expense	-	-	5,024	1,243	3,213,024	3,087,648
NET REVENUE	(306,371)	(23,429)	(151,427)	(494,119)	4,581,301	2,324,606

The accompanying notes form part of these financial statements.

County of Northern Lights
Notes to the Financial Statements
December 31, 2021

DESCRIPTION OF OPERATIONS

The County of Northern Lights is a local government authority providing municipal services. The County is empowered through bylaws and policies approved by Council and pursuant to the Municipal Government Act.

1. SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the County of Northern Lights 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 Canadian Chartered Professional Accountants. Significant aspects of the accounting policies adopted by the county are as follows:

a) Reporting Entity

These financial statements reflect the assets, liabilities, revenues and expenditures, changes in fund balances and change in financial position of the reporting entity.

The schedule of taxes levied also includes requisitions for education, health, social and other external organizations that are not part of the County's 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 record 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 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 assets are acquired.

(c) Cash and Temporary Investments

Cash and cash equivalents consists of bank accounts and temporary investments with maturities of three months or less.

(d) Investments

Investments are recorded at fair market value.

e) Tax Revenue

Tax revenues are recognized when the tax has been authorized by bylaw and the taxable event has occurred.

County of Northern Lights
Notes to the Financial Statements
December 31, 2021

1. SIGNIFICANT ACCOUNTING POLICIES - continued

f) Landfill Closure and Post-Closure Liability

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

g) 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, the eligibility criteria have been met and reasonable estimates of the amounts can be determined.

h) 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. 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.

ii. Inventories

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

County of Northern Lights
Notes to the Financial Statements
December 31, 2021

1. SIGNIFICANT ACCOUNTING POLICIES - continued

iii. 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	
Land Improvements	15-20
Buildings	25-50
Engineered structures	10-75
Machinery and equipment	5-20
Vehicles	3-20

Annual amortization is charged in the year of disposal and not in the year of acquisition. Assets under construction are not amortized until the asset is available for productive use.

iv. 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 operation leases and the related lease payments are charges to expenses as incurred.

2. MEASUREMENT UNCERTAINTY

The preparation of financial statements in conformity with Canadian Accounting Standards for Public Sector Accounting Board requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year.

Accounts receivable are stated after evaluation as to their collectability and an appropriate allowance for doubtful accounts is provided where considered necessary. Provisions are made for slow moving and obsolete inventory. Amortization is based on the estimated useful lives of the tangible capital assets.

These estimates and assumptions are reviewed periodically and, as adjustments become necessary, they are reported in the revenue or expenses in the period in which they become known. Actual results could differ from those estimates.

3. CASH AND TEMPORARY INVESTMENTS

	2021 \$	2020 \$
Cash	1,424,335	3,678,330
Temporary investment	7,594,195	6,055,522
	9,018,530	9,733,852

Temporary investment is a savings account with ATB Financial and earns interest at 0.85%.

County of Northern Lights
Notes to the Financial Statements
December 31, 2021

4. REVOLVING LOAN

The County of Northern Lights has a \$2,000,000 municipal revolving loan with ATB Financial. Advances under this operating loan are repayable on demand and bears interest at a rate of 3.45%. As at December 31, 2021 the operating line of credit was unused.

5. RECEIVABLES

	2021	2020
	\$	\$
<hr/>		
Property taxes		
Current taxes and grants in place of taxes	990,653	1,125,980
Arrears	1,983,958	2,511,270
Allowance for doubtful accounts	(302,803)	(1,721,270)
	<hr/>	<hr/>
	2,671,808	1,915,980
<hr/>		
Other		
Trade	187,263	104,519
Grants	-	276,758
Interest accrued	109,406	145,209
GST	183,270	271,602
Loans	1,573,074	1,009,402
Allowance for doubtful accounts	(6,505)	(6,183)
	<hr/>	<hr/>
	2,046,508	1,801,307
	<hr/>	<hr/>
	4,718,316	3,717,287
<hr/>		

The loan receivable consists of two loans to North Peace Housing Foundation, repayable over a 15 year period with interest charged annually at 3.95% (prime plus zero) and a loan to Manning Regional Childcare Association (MRCCA), repayable over a 15 year period with interest charged annually at 3.45%.

6. INVESTMENTS

	2021	2020
	\$	\$
<hr/>		
Bonds	25,696,615	18,151,895
Guaranteed investment certificates	5,381,529	12,583,888
Mutual funds	-	421,448
Alberta Municipal Financing Corporation Shares - at cost	70	70
	<hr/>	<hr/>
	31,078,214	31,157,301
<hr/>		

Guaranteed investment certificates have effective interest rates of 1.774% to 2.948% with maturities of more than 3 months.

Bonds include a mixture of high grade corporate and government bonds with effective interest rates of 2.1% to 4.5% and maturity dates of April, 2022 to June, 2028.

Council has designated investments for the funding of both operating and capital restricted reserves.

County of Northern Lights
Notes to the Financial Statements
December 31, 2021

7. PREPAID EXPENSES

	2021	2020
	\$	\$
Prepaid lease on equipment	398,350	556,539
Insurance	138,626	116,636
Other	117,863	128,556
	654,839	801,731

The prepaid lease on equipment is upfront payments made on two CAT graders in amount of \$337,844 each and one CAT grader in amount of \$413,166. The lease term is 5 years and prepaid balance will be amortized annually. The lease is interest free unless a purchase option is exercised at the end of the term.

The other prepaid expenses consist of prepaid annual subscriptions, memberships, and various maintenance packages.

8. ACCOUNTS PAYABLE

	2021	2020
	\$	\$
Trade	1,734,901	2,172,134
Accrued interest	28,658	32,067
Construction holdbacks	477,057	884,030
Employee benefits and source deductions	86,243	36,647
Vacation and overtime	159,487	173,295
	2,486,346	3,298,173

Vacation and Overtime

The vacation and overtime liability is comprised of the vacation and overtime that employees are deferring to future years. Employees have either earned the benefits (and are vested) or are entitled to these benefits within the next budgetary year.

9. DEFERRED REVENUE

	2021	2020
	\$	\$
Prepaid property taxes and utilities	39,084	31,406
Government grants	551,738	2,667,451
Other	10,467	7,184
	601,289	2,706,041

County of Northern Lights
Notes to the Financial Statements
December 31, 2021

10. LONG-TERM LIABILITIES

	2021	2020
	\$	\$
Alberta Capital Finance Authority - 4001014	319,194	392,329
Alberta Capital Finance Authority - 4001468	671,168	773,162
Alberta Capital Finance Authority - 4001621	844,320	949,931
Alberta Capital Finance Authority - 4001622	1,583,100	1,781,120
Alberta Capital Finance Authority - 4001728	1,754,900	1,947,946
Alberta Capital Finance Authority - 4001942	1,511,846	1,660,210
Alberta Capital Finance Authority - 4002130	1,843,462	2,001,180
Alberta Capital Finance Authority - 4002316	1,640,872	1,766,884
Alberta Capital Finance Authority - 4002520	873,816	932,699
	11,042,678	12,205,461

The Alberta Capital Finance Authority loan 4001014 is due September 15, 2025 and is repayable over a 15 year period in semi-annual instalments of \$43,094 including interest charged at 3.488%.

The Alberta Capital Finance Authority loan 4001468 is due September 15, 2027 and is repayable over a 15 year period in semi-annual instalments of \$60,820 including interest charged at 2.627%.

The Alberta Capital Finance Authority loan 4001621 is due December 15, 2028 and is repayable over a 15 year period in semi-annual instalments of \$68,024 including interest charged at 3.295%.

The Alberta Capital Finance Authority loan 4001622 is due December 15, 2028 and is repayable over a 15 year period in semi-annual instalments of \$127,545 including interest charged at 3.295%.

The Alberta Capital Finance Authority loan 4001728 is due September 15, 2029 and is repayable over a 15 year period in semi-annual instalments of \$123,256 including interest charged at 2.814%.

The Alberta Capital Finance Authority loan 4001942 is due December 15, 2030 and is repayable over a 15 year period in semi-annual instalments of \$94,141 including interest charged at 2.459%

The Alberta Capital Finance Authority loan 4002130 is due December 15, 2031 and is repayable over a 15 year period in semi-annual instalments of \$106,308 including interest charged at 2.798%

The Alberta Capital Finance Authority loan 4002316 is due December 15, 2032 and is repayable over a 15 year period in semi-annual instalments of \$87,026 including interest charged at 2.768%

The Alberta Capital Finance Authority loan 4002520 is due December 17, 2033 and is repayable over a 15 year period in semi-annual instalments of \$44,135 including interest charged at 3.201%

Debenture debt is issued on the credit and security of the County of Northern Lights.

Interest on long-term liabilities amounted to \$342,691 (2020 - \$375,958).

County of Northern Lights
Notes to the Financial Statements
December 31, 2021

10. LONG-TERM LIABILITIES - continued

Principal and interest repayments are as follows:

	Principal	Interest	Total
	\$	\$	\$
2022	1,197,137	1,508,700	2,705,837
2023	1,232,519	1,508,700	2,741,219
2024	1,268,959	1,508,700	2,777,659
2025	1,306,489	1,508,700	2,815,189
2026	606,855	724,900	1,331,755
Thereafter	5,430,719	388,766	5,819,485
	11,042,678	7,148,466	18,191,144

11. LANDFILL CLOSURE AND POST-CLOSURE LIABILITY

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

The estimated total liability is based on the sum of discounted future cash flows for closure and post-closure activities for 25 years after closure using a discount rate of 6% and assuming annual inflation of 2%.

The accrued liability portion is based on the cumulative capacity used at year end compared to the estimated total landfill capacity. The total capacity of the site is estimated at 9,000 cubic metres. The estimated remaining capacity if the landfill site is 7,984 cubic metres. The existing landfill site is expected to reach capacity in approximately the year 2142.

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

The liability at December 31, 2021 is \$168,335 (2020 - \$168,335) represents the present value of closure and post-closure costs.

12. GRAVEL PIT RECLAMATION LIABILITY

The County is responsible for reclamation costs, under Alberta environmental law, related to the pits within the County boundaries. These costs are accrued over the life of the pit. The most recent estimate of this obligation is \$1,040,000 (2020 - \$1,040,000).

Significant assumptions were used in determining this obligation. Engineering studies were used to determine the disturbed area. The current reclamation cost/cubic metre has been used without adjustments for discounting or inflation.

County of Northern Lights
Notes to the Financial Statements
December 31, 2021

13. DEBT LIMIT

Section 276(2) of the Municipal Government Act requires that total debt limit as defined by Alberta Regulation 255/00 for the County of Northern Lights be disclosed as follow:

	2021	2020
	\$	\$
Total Debt Limit	27,756,491	29,550,059
Total Debt	11,042,678	12,205,461
Debt Limit Available	16,713,813	17,344,598
Debt Service Limit	4,626,082	4,925,010
Debt Service	1,508,700	1,508,700
Debt Service Limit Available	3,117,382	3,416,310

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 which 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.

14. EQUITY IN TANGIBLE CAPITAL ASSETS

	2021	2020
	\$	\$
Tangible capital assets (Schedule 2)	144,747,382	141,491,070
Accumulated amortization (Schedule 2)	(45,765,755)	(42,805,045)
Long-term liabilities (Note 10)	(11,042,678)	(12,205,461)
	87,938,949	86,480,564

County of Northern Lights
Notes to the Financial Statements
December 31, 2021

15. ACCUMULATED SURPLUS

	2021	2020
	\$	\$
Unrestricted surplus	1,905,553	1,390,619
Restricted surplus		
Operating reserves		
Financial stabilization	11,533,798	11,576,916
Highway 35 access road	165,283	165,283
Rate stabilization fund	8,046,452	8,046,452
Municipal reserve	120,001	117,470
Capital reserves		
Airport	1,180,769	1,035,436
Agriculture service board	99,156	90,311
Bridge replacement	1,521,068	711,727
Capital facility	248,536	226,365
Chinchaga road improvement	1,440,098	1,311,630
Financial management	118,549	107,973
Fire protection	1,039,645	1,011,983
Fleet replacement	3,805,295	3,465,834
Inter-municipal	4,637,682	4,223,966
Recreation	476,766	434,235
Sewer	1,437,867	1,309,598
Transportation - road construction	5,831,291	5,311,096
Water upgrading	582,906	530,906
Equity in tangible capital assets	87,938,949	86,480,564
	132,129,664	127,548,364

16. SEGMENTED DISCLOSURE

The County of Northern Lights provides a range of services to its ratepayers. For each reported segment, revenues and expenses represent both amounts that are directly attributable to the segment and amounts that are allocated on a reasonable basis. The accounting policies used in these segments are consistent with those followed in the preparation of the financial statement as disclosed in Note 1.

Refer to the Schedule of Segmented Disclosure (Schedule 6).

County of Northern Lights
Notes to the Financial Statements
December 31, 2021

17. SALARY AND BENEFITS DISCLOSURE

	2021			2020
	Salary	Benefits & Allowances	Total	Total
	\$	\$	\$	\$
Councilors				
Anderson, Cheryl	15,500	58	15,558	21,753
Dechant, Gloria	6,580	39	6,619	-
Halabisky, Belinda	17,895	70	17,965	18,103
Loogman, Arie	12,350	102	12,452	19,069
McCracken, James	10,840	-	10,840	15,195
Reese, Brent	17,115	955	18,070	16,749
Schug, Kalyn	1,850	99	1,949	-
These, Gary	7,430	453	7,883	-
Ungarian, Terry	29,730	1,670	31,400	35,453
Yasinski, Brenda	19,590	1,099	20,689	22,397
Chief Administrative Officer	182,951	36,705	219,656	207,860

- (1) Salary includes regular base pay, overtime, honoraria and any other direct cash remuneration.
- (2) Benefits and allowances consists of employer's share of all employee benefits and contributions or payments made on behalf of employees including Canada Pension Plan, employment insurance, Workers' Compensation Board, health care, dental coverage, group life insurance, accidental death and dismemberment insurance, long and short term disability plans, retirement pension professional memberships and tuition.

County of Northern Lights
Notes to the Financial Statements
December 31, 2021

18. 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 Alberta Public Sector Pension Plans Act. The LAPP serves about 153,000 people and 404 employers. 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. Employees of the County are required to make current service contributions of 8.39% of pensionable salary up to the year's maximum pensionable salary and 12.84% on pensionable salary above this amount.

Total current service contributions by the County to the LAPP in 2021 were \$251,451 (2020 - \$259,928). Total current service contributions by the employees of the County to the LAPP in 2021 were \$228,069 (2020 - \$238,182).

At December 31, 2020, the LAPP disclosed an actuarial surplus of 4.96 billion. The 2021 actuarial surplus was not available prior to issuing these financial statements.

19. FINANCIAL INSTRUMENTS

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

Credit Risk

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 fulfil their obligations. The large number and diversity of taxpayers and customers minimizes the credit risk.

Interest Rate Risk

The County hold bonds which may be exposed to interest risk if the bonds are traded. If the bonds are held to maturity there is no exposure to interest risk.

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

County of Northern Lights
Notes to the Financial Statements
December 31, 2021

20. SIGNIFICANT EVENTS

Subsequent to December 31, 2019, the COVID-19 outbreak was declared a pandemic by the World Health Organization and has had significant impact on municipal government operations through the restrictions put in place by the Canadian and provincial governments as well as municipal governments regarding, travel, isolation/quarantine orders, closure of public facilities, cancellation/postponement of programs and tax and utility deferral programs. At this time, it is unknown the extent of the impact the COVID-19 outbreak may have on the County as this will depend on future developments that are highly uncertain and that cannot be predicted with confidence. These uncertainties arise from the inability to predict the ultimate geographic spread of the disease, and the duration of the outbreak, including the duration of public facility closures, program and service disruptions, and quarantine/isolation measures that are currently, or may be put, in place by Canada and other countries to fight the virus.

21. CONTINGENCIES

A claim has been filed, by a contractor hired by the County, in the amount of \$25,259,896.

Following a public tender, the County entered into a unit-price contract to construct the South Regional Waterline, which pipes water from the Town of Peace River to the distribution system in Dixonville. This project was a grant funded project through the Water for Life program. The cost of the project is currently sitting in work in progress as the contractor is still working on deficiencies. The system is operational.

The contractor brought a claim, under the contract, alleging that it is entitled to additional payment for various items including extra work, redesign, additional quantities, and delay. The contractor also disagrees with the County's assessment of deficiencies, site occupancy and late penalties against the contractor. The County disputes the claim and believes that the County has an arguable case. The claim is being adjudicated through a private arbitration. The parties are currently in the discovery phase, during which they are exchanging documents and information. The arbitration hearings are being held in April 2022, with a decision by the arbitrator expected sometime in 2022.

22. APPROVAL OF FINANCIAL STATEMENTS

These financial statements were approved by Council and Management.