

County of Northern Lights
Financial Statements
December 31, 2022

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, 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 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

March 28, 2023
County of Northern Lights, Canada

Edward Cheung, CPA, CA*
Scott T. Mockford, CPA, CA*
Allen Lee, CPA, CMA*
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INDEPENDENT AUDITORS' REPORT

To the Members of Council

Opinion

We have audited the financial statements of the **County of Northern Lights** (the Entity), which comprise the statement of financial position as at December 31, 2022, 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, 2022, 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.

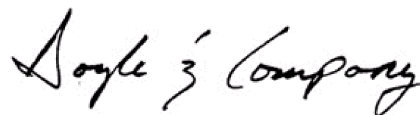
We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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 12.
- 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.

March 28, 2023
11210 - 107 Avenue NW
Edmonton, Alberta T5H 0Y1



Chartered Professional Accountants

County of Northern Lights
Statement of Financial Position
As at December 31, 2022

	<u>2022</u>	<u>2021</u>
	\$	\$
FINANCIAL ASSETS		
Cash and temporary investments (Note 2)	8,134,527	9,018,530
Receivables		
Taxes and grants in lieu receivable (Note 4)	1,228,445	2,671,808
Trade and other receivables (Note 5)	2,524,752	2,046,508
Investments (Note 6)	29,510,394	31,078,214
	41,398,118	44,815,060
LIABILITIES		
Accounts payable and accrued liabilities (Note 8)	22,364,488	2,486,346
Deferred contributions (Note 9)	1,268,684	601,289
Long-term liabilities (Note 10)	9,845,541	11,042,678
Landfill reclamation costs (Note 11)	168,335	168,335
Gravel reclamation liability (Note 12)	1,040,000	1,040,000
	34,687,048	15,338,648
NET FINANCIAL ASSETS	6,711,070	29,476,412
NON-FINANCIAL ASSETS		
Tangible capital assets (Schedule 2)	118,719,069	98,981,627
Inventory for consumption	3,988,713	3,016,786
Prepaid expenses (Note 7)	522,002	654,839
	123,229,784	102,653,252
ACCUMULATED SURPLUS (Schedule 1, Note 15)	129,940,854	132,129,664

The accompanying notes form part of these financial statements.

County of Northern Lights

Statement of Operations

For the year ended December 31, 2022

	<u>2022</u> Budget \$	<u>2022</u> Actual \$	<u>2021</u> Actual \$
REVENUE			
Net municipal taxes (Schedule 3)	15,656,108	16,005,378	16,587,912
Government transfers (Schedule 4)	416,148	571,125	411,922
User fees and sales of goods	1,269,870	1,653,534	1,430,354
Investment income	750,000	1,240,713	967,632
Realized loss on investments	-	(999,836)	(14,780)
Total Revenues	18,092,126	18,470,914	19,383,040
EXPENSES			
Administrative services	1,925,134	3,030,884	1,935,983
Council and other legislative services	2,259,689	2,303,979	2,057,846
Protective services	916,887	881,518	770,167
Transportation services	10,304,892	10,560,272	9,447,525
Agricultural services	700,756	604,851	775,359
Utilities and environmental services	2,827,642	3,384,916	2,667,487
Planning and development services	278,770	227,227	316,821
Family and community support services	124,321	129,241	117,155
Economic development and community services	213,060	171,962	151,428
Recreation and cultural services	404,204	413,885	494,119
Total Expenses	19,955,355	21,708,735	18,733,890
EXCESS OF REVENUE OVER EXPENSES - BEFORE OTHER	(1,863,229)	(3,237,821)	649,150
OTHER			
Government transfers for capital (Schedule 4)	7,060,075	1,954,315	4,810,863
Unrealized loss on investments (Note 6)	-	(905,304)	(878,713)
EXCESS OF REVENUE OVER EXPENSES	5,196,846	(2,188,810)	4,581,300
ACCUMULATED SURPLUS, BEGINNING OF YEAR	-	132,129,664	127,548,364
ACCUMULATED SURPLUS, END OF YEAR	5,196,846	129,940,854	132,129,664

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, 2022

	<u>2022</u> Budget \$	<u>2022</u> Actual \$	<u>2021</u> Actual \$
EXCESS OF REVENUE OVER EXPENSES	5,196,846	(2,188,810)	4,581,300
Acquisition of tangible capital assets	(9,215,671)	(23,745,297)	(3,595,848)
Proceeds on disposal of tangible capital asset	-	184,864	126,157
Amortization of tangible capital assets	3,242,674	3,756,471	3,213,023
Loss (gain) on disposal of tangible capital assets	-	66,520	(38,934)
	(5,972,997)	(19,737,442)	(295,602)
Acquisition of supplies inventories	-	(3,988,713)	(3,016,786)
Acquisition of prepaid assets	-	(522,002)	(654,839)
Use of supplies inventories	-	3,016,786	2,870,178
Use of prepaid assets	-	654,839	801,731
	-	(839,090)	284
CHANGE IN NET ASSETS DURING THE YEAR	(776,151)	(22,765,342)	4,285,982
NET FINANCIAL ASSETS, BEGINNING OF YEAR	-	29,476,412	25,190,430
NET FINANCIAL ASSETS, END OF YEAR	-	6,711,070	29,476,412

The accompanying notes form part of these financial statements.

County of Northern Lights
Statement of Cash Flows
For the year ended December 31, 2022

	<u>2022</u>	<u>2021</u>
	\$	\$
OPERATING		
Excess of revenue over expenditures	(2,188,810)	4,581,300
Non-cash items included in excess of revenue over expenses:		
Amortization of tangible capital assets	3,756,471	3,213,023
Gain on disposal of tangible capital assets	66,520	(38,934)
Non-cash charges to operations (net change):		
Decrease (increase) in taxes and grants in lieu receivable	1,443,363	(755,828)
Increase in trade and other receivables	(478,244)	(245,201)
Decrease in prepaid expenditures	132,837	146,892
Increase in inventory for consumption	(971,927)	(146,608)
Increase (decrease) in accounts payable and accrued liabilities	19,878,142	(811,827)
Increase (decrease) in deferred contributions	667,395	(2,104,752)
Cash from operations	22,305,747	3,838,065
CAPITAL		
Acquisition of tangible capital assets	(23,745,297)	(3,595,848)
Proceeds on disposal of tangible capital assets	184,864	126,157
Cash applied to capital transactions	(23,560,433)	(3,469,691)
INVESTING		
Decrease in investments	1,567,820	79,087
FINANCING		
Long-term liabilities repaid	(1,197,137)	(1,162,783)
CHANGE IN CASH DURING THE YEAR	(884,003)	(715,322)
CASH AND TEMPORARY INVESTMENTS, BEGINNING OF YEAR	9,018,530	9,733,852
CASH AND TEMPORARY INVESTMENTS, END OF YEAR	8,134,527	9,018,530

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, 2022

	Unrestricted Surplus \$	Restricted Surplus \$	Equity in Tangible Capital Assets \$	<u>2022</u> Total \$	<u>2021</u> Total \$
BALANCE, BEGINNING OF YEAR	1,905,553	42,285,162	87,938,949	132,129,664	127,548,364
Excess of revenue over expenses	(2,188,810)	-	-	(2,188,810)	4,581,300
Unrestricted funds designated for future use	(105,763)	105,763	-	-	-
Restricted funds used for operations	534,763	(534,763)	-	-	-
Restricted funds used for tangible capital assets	-	(105,909)	105,909	-	-
Current years funds used for tangible capital assets	(2,956,461)	-	2,956,461	-	-
Disposal of tangible capital assets	251,384	-	(251,384)	-	-
Annual amortization expense	3,756,471	-	(3,756,471)	-	-
Long-term liabilities repaid	(1,197,137)	-	1,197,137	-	-
Change in accumulated surplus	(1,905,553)	(534,909)	251,652	(2,188,810)	4,581,300
BALANCE, END OF YEAR	-	41,750,253	88,190,601	129,940,854	132,129,664

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, 2022

	Land \$	Buildings \$	Construction in Progress \$	Engineered Structures \$	Machinery and Equipment \$	Vehicles \$	<u>2022</u> Total \$	<u>2021</u> Total \$
COST:								
Balance, Beginning 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
Acquisition of tangible capital assets	1,775	19,456	21,234,560	1,594,865	708,156	186,485	23,745,297	3,595,848
Disposal of tangible capital assets	-	-	-	-	(547,169)	(185,144)	(732,313)	(339,536)
Transfer from construction in progress	-	-	(54,524,328)	54,524,328	-	-	-	-
Balance, End of Year	998,296	5,082,519	1,239,391	149,424,549	7,536,399	3,479,212	167,760,366	144,747,382
ACCUMULATED AMORTIZATION:								
Balance, Beginning of Year	-	2,284,790	-	37,524,725	4,155,910	1,800,330	45,765,755	42,805,045
Annual amortization	-	120,032	-	3,060,106	400,881	175,452	3,756,471	3,213,023
Accumulated amortization on disposals	-	-	-	-	(297,102)	(183,827)	(480,929)	(252,313)
Balance, End of Year	-	2,404,822	-	40,584,831	4,259,689	1,791,955	49,041,297	45,765,755
NET BOOK VALUE	998,296	2,677,697	1,239,391	108,839,718	3,276,710	1,687,257	118,719,069	98,981,627
2021 NET BOOK VALUE	996,521	2,778,273	34,529,159	55,780,631	3,219,502	1,677,541	98,981,627	

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, 2022

	<u>2022</u> Budget \$	<u>2022</u> Actual \$	<u>2021</u> Actual \$
TAXATION			
Real property taxes	10,617,389	11,214,767	10,997,542
Linear property taxes	9,196,740	8,535,733	8,807,020
Government grants in place of property taxes	12,070	23,018	21,524
Penalties and costs	200,000	192,070	547,878
	20,026,199	19,965,588	20,373,964
REQUISITIONS			
Provincial School Foundation Fund	3,649,608	3,237,979	3,091,668
Senior Foundation	659,193	661,965	628,448
Provincial Designated Industrial Property Assessment	61,290	60,266	65,936
	4,370,091	3,960,210	3,786,052
NET MUNICIPAL TAXES	15,656,108	16,005,378	16,587,912

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, 2022

	<u>2022</u> Budget \$	<u>2022</u> Actual \$	<u>2021</u> Actual \$
<u>OPERATING</u>			
PROVINCIAL TRANSFERS			
Shared-cost agreements and grants	386,853	541,830	382,627
LOCAL GOVERNMENT TRANSFERS			
Shared-cost agreements and grants	29,295	29,295	29,295
	416,148	571,125	411,922
<u>CAPITAL</u>			
PROVINCIAL TRANSFERS			
Shared-cost agreements and grants	7,060,075	1,954,315	4,810,863

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, 2022

	Budget \$	<u>2022</u> \$	<u>2021</u> \$
EXPENSES BY OBJECT			
Salaries, wages and benefits	3,464,815	3,465,746	3,335,331
Contracted and general services	8,089,631	9,398,417	7,221,879
Materials, goods and utilities	2,191,189	2,172,767	2,079,343
Transfers to local boards and agencies	2,605,488	2,602,745	2,541,621
Interest on long-term liabilities	311,558	312,589	342,691
Amortization of tangible capital assets	3,242,674	3,756,471	3,213,024
	19,905,355	21,708,735	18,733,889

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, 2022

	Administrative Services \$	Council & Legislative Services \$	Protective Services \$	Transportation Services \$	Agricultural Services \$	Utilities & Environmental Services \$
REVENUE						
Net municipal taxes	16,005,379	-	-	-	-	-
Government transfer	149,801	-	103,704	1,670,320	123,907	374,315
User fees and sales of goods	43,114	-	12,811	522,682	3,015	1,063,624
Investment income (loss)	240,877	-	-	-	-	-
	16,439,171	-	116,515	2,193,002	126,922	1,437,939
EXPENSES						
Salaries, wages and benefits	879,497	-	56,248	1,809,154	87,409	551,133
Contract and general services	2,078,308	365,646	647,306	4,764,401	275,434	988,659
Materials, goods and utilities	(20,339)	7,862	66,175	1,810,558	131,257	160,709
Transfers to local boards and agencies	-	1,930,471	12,113	-	101,626	-
Interest on long-term liabilities	4,563	-	-	41,889	-	266,137
	2,942,029	2,303,979	781,842	8,426,002	595,726	1,966,638
NET REVENUE, BEFORE AMORTIZATION AND UNREALIZED LOSS						
	13,497,142	(2,303,979)	(665,327)	(6,233,000)	(468,804)	(528,699)
Amortization expense	88,855	-	99,676	2,134,271	9,125	1,418,277
Unrealized loss on investments	905,304	-	-	-	-	-
NET REVENUE	12,502,983	(2,303,979)	(765,003)	(8,367,271)	(477,929)	(1,946,976)

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, 2022

	Planning & Development Services \$	Family & Community Support Services \$	Economic Development & Community Services \$	Recreation & Cultural Services \$	<u>2022</u> Total \$	<u>2021</u> Total \$
REVENUE						
Net municipal taxes	-	-	-	-	16,005,379	16,587,912
Government transfer	-	103,393	-	-	2,525,440	5,222,785
User fees and sales of goods	4,987	-	3,300	-	1,653,533	1,430,354
Investment income	-	-	-	-	240,877	952,852
	4,987	103,393	3,300	-	20,425,229	24,193,903
EXPENSES						
Salaries, wages and benefits	3,144	-	79,161	-	3,465,746	3,335,331
Contract and general services	224,083	-	54,580	-	9,398,417	7,221,879
Materials, goods and utilities	-	-	16,545	-	2,172,767	2,079,343
Transfers to local boards and agencies	-	129,241	16,652	412,642	2,602,745	2,541,621
Interest on long-term liabilities	-	-	-	-	312,589	342,691
	227,227	129,241	166,938	412,642	17,952,264	15,520,865
NET REVENUE, BEFORE AMORTIZATION	(222,240)	(25,848)	(163,638)	(412,642)	2,472,965	8,673,038
Amortization expense	-	-	5,024	1,243	3,756,471	3,213,024
Unrealized loss on investments	-	-	-	-	905,304	878,713
NET REVENUE	(222,240)	(25,848)	(168,662)	(413,885)	(2,188,810)	4,581,301

The accompanying notes form part of these financial statements.

County of Northern Lights
Notes to the Financial Statements
December 31, 2022

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.

County of Northern Lights
Notes to the Financial Statements
December 31, 2022

1. SIGNIFICANT ACCOUNTING POLICIES - continued

c) Use of Estimates

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.

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
Temporary investments	Amortized cost
Trade and other receivables	Lower of cost or net recoverable value
Investments	Fair value and amortized cost
Loans receivable and debt charges recoverable	Amortized cost
Accounts payable and accrued liabilities	Cost
Deposit liabilities	Cost
Bank indebtedness and long-term liabilities	Amortized cost

(e) Cash and Temporary Investments

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

(f) Investments

Investments in derivatives and equity instruments quoted in an active market are carried at fair value with transactions costs expensed upon initial recognition. Unrealized changes in fair value are recognized in the statement of remeasurement gains and losses. When the investment is disposed of the accumulated gains or losses are reclassified to the statement of operations.

Investments in interest bearing securities are recorded at amortized cost. Investment premiums and discounts are amortized on the net present value basis over the term of the respective investments.

When there has been a loss in value that is other than a temporary decline, the respective investment is written down to recognize the loss.

County of Northern Lights
Notes to the Financial Statements
December 31, 2022

1. SIGNIFICANT ACCOUNTING POLICIES - continued

g) Loans Receivable

Loans receivable are initially recognized at cost, net of any transaction costs, with interest income recognized using the effective interest method. Loans receivable are subsequently measured at amortized cost net of any valuation allowances.

h) Long-Term Liabilities

Long-term liabilities are initially recognized net of any premiums, discounts, fees and transaction costs, with interest expense recognized using the effective interest method. Long-term liabilities are subsequently measured at amortized cost.

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.

j) Asset Retirement Obligation

A liability for an asset retirement obligation is recognized at the best estimate of the amount required to retire a tangible capital asset at the financial statement date when there is a legal obligation for the county to incur retirement costs, the past transaction or event giving rise to the liability has occurred, it is expected that future economic benefits will be given up, and a reasonable estimate of the amount can be made. The best estimate of the liability includes all costs directly attributable to asset retirement activities, based on information available at year-end. The best estimate of an asset retirement obligation incorporates a present value technique, when the cash flows required to settle or otherwise extinguish an asset retirement obligation are expected to occur over extended future periods.

When a liability for an asset retirement obligation is initially recognized, a corresponding asset retirement cost is capitalized to the carrying amount of the related tangible capital asset. The asset retirement cost is amortized over the useful life of the related asset. Asset retirement obligations which are incurred incrementally with use of the asset are recognized in the period incurred with a corresponding asset retirement cost expensed in the period.

At each financial reporting date, the county reviews the carrying amount of the liability. The county recognizes period-to-period changes to the liability due to the passage of time as accretion expense. Changes to the liability arising from revisions to either the timing, the amount of the original estimate of undiscounted cash flows or the discount rate are recognized as an increase or decrease to the carrying amount of the related tangible capital asset. The county continues to recognize the liability until it is settled or otherwise extinguished. Disbursements made to settle the liability are deducted from the reported liability when they are made.

k) 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.

County of Northern Lights
Notes to the Financial Statements
December 31, 2022

1. SIGNIFICANT ACCOUNTING POLICIES - continued

l) 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.

m) 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.

n) 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.

County of Northern Lights
Notes to the Financial Statements
December 31, 2022

1. SIGNIFICANT ACCOUNTING POLICIES - continued

o) 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	
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.

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 operation leases and the related lease payments are charges 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 Northern Lights
Notes to the Financial Statements
December 31, 2022

2. CASH AND TEMPORARY INVESTMENTS

	<u>2022</u>	<u>2021</u>
	\$	\$
Cash	4,355,178	1,424,335
Temporary investment	3,779,349	7,594,195
	8,134,527	9,018,530

Cash includes two operating bank accounts with ATB Financial which earn interest at prime less 1.9% (4.55%).

Temporary investment is a savings account with ATB Financial and earns interest at prime less 1.6% (4.85%).

3. 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 prime plus 1% (7.45%). As at December 31, 2022 the operating line of credit was unused.

4. TAXES RECEIVABLES

	<u>2022</u>	<u>2021</u>
	\$	\$
Property taxes		
Current taxes and grants in place of taxes	912,126	990,653
Arrears	1,983,958	1,983,958
Allowance for doubtful accounts	(1,667,639)	(302,803)
	1,228,445	2,671,808

County of Northern Lights
Notes to the Financial Statements
December 31, 2022

5. TRADE AND OTHER RECEIVABLES

	<u>2022</u>	<u>2021</u>
	\$	\$
Loans receivable		
North Peace Housing Foundation	601,394	678,973
Manning Regional Childcare Association (MRCCA)	217,195	233,751
Town of Peace River	517,392	582,000
Manning Seed Cleaning Plant	70,000	70,000
Other	3,536	8,350
	1,409,517	1,573,074
Other		
Trade	69,330	95,766
Grants	551,315	91,497
Interest accrued	289,694	109,406
GST	205,864	183,270
Allowance for doubtful accounts	(968)	(6,505)
	1,115,235	473,434
Total loans and other	2,524,752	2,046,508

The loans receivable consists of two loans to North Peace Housing Foundation, repayable over a 15 year period with interest charged annually at 6.7% (prime plus zero)
A loan to Manning Regional Childcare Association (MRCCA), repayable over a 15 year period, is due August, 2033, with interest charged annually at 3.45%.
A loan to the Town of Peace River is non-interest bearing, repayable over a 10 year period and is due September, 2030.

6. INVESTMENTS

	<u>2022</u>	
	Cost	Market Value
	\$	\$
Guaranteed investment certificates	11,026,436	11,026,436
Bonds	19,396,538	18,483,888
Alberta Municipal Financing Corporation Shares - at cost	70	70
	30,423,044	29,510,394
	<u>2021</u>	
	Cost	Market Value
	\$	\$
Guaranteed investment certificates	5,030,903	5,030,903
Bonds	26,054,586	26,047,241
Alberta Municipal Financing Corporation Shares - at cost	70	70
	31,085,559	31,078,214



County of Northern Lights
Notes to the Financial Statements
December 31, 2022

6. INVESTMENTS - continued

Guaranteed investment certificates have effective interest rates of 3.05% to 3.65% with maturities of more than 3 months.

Bonds include a mixture of high grade corporate and government bonds with effective interest rates of 1.9% to 5.4% and maturity dates of June, 2023 to June, 2035.

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

Unrealized losses on bond investments carried at fair value of \$912,650 (2021 - \$7,346).

The difference between the opening and closing unrealized amounts are a loss of \$905,304 and have been recorded to income.

7. PREPAID EXPENSES

	<u>2022</u>	<u>2021</u>
	\$	\$
Prepaid lease on equipment	240,163	398,350
Insurance	156,953	138,626
Other	124,886	117,863
	522,002	654,839

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

	<u>2022</u>	<u>2021</u>
	\$	\$
Trade	793,993	1,734,901
Accrued interest	25,122	28,658
Construction holdbacks	633,262	477,057
Employee benefits and source deductions	49,089	86,243
Vacation and overtime	180,095	159,487
Settlement payable (Note 20)	20,682,927	-
	22,364,488	2,486,346

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.

County of Northern Lights
Notes to the Financial Statements
December 31, 2022

9. DEFERRED CONTRIBUTIONS

	<u>2022</u>	<u>2021</u>
	\$	\$
Requisition over-levy	45,321	39,084
Government grants	1,212,896	551,738
Other	10,467	10,467
	1,268,684	601,289

10. LONG-TERM LIABILITIES

	<u>2022</u>	<u>2021</u>
	\$	\$
Alberta Capital Finance Authority - 4001014	243,485	319,194
Alberta Capital Finance Authority - 4001468	566,476	671,168
Alberta Capital Finance Authority - 4001621	735,201	844,320
Alberta Capital Finance Authority - 4001622	1,378,501	1,583,100
Alberta Capital Finance Authority - 4001728	1,556,384	1,754,900
Alberta Capital Finance Authority - 4001942	1,359,811	1,511,846
Alberta Capital Finance Authority - 4002130	1,681,300	1,843,462
Alberta Capital Finance Authority - 4002316	1,511,349	1,640,872
Alberta Capital Finance Authority - 4002520	813,034	873,816
	9,845,541	11,042,678

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%.

County of Northern Lights
Notes to the Financial Statements
December 31, 2022

10. LONG-TERM LIABILITIES - continued

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 \$312,588 (2021 - \$342,691).

Principal and interest repayments are as follows:

	Principal	Interest	Total
	\$	\$	\$
2023	1,232,519	276,181	1,508,700
2024	1,268,959	239,741	1,508,700
2025	1,306,489	202,211	1,508,700
2026	1,258,203	164,309	1,422,512
2027	1,294,956	127,557	1,422,513
Thereafter	3,484,415	219,945	3,704,360
	9,845,541	1,229,944	11,075,485

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, 2022 is \$168,335 (2021 - \$168,335) represents the present value of closure and post-closure costs.

County of Northern Lights
Notes to the Financial Statements
December 31, 2022

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 (2021 - \$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.

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:

	<u>2022</u>	<u>2021</u>
	\$	\$
Total Debt Limit	27,706,371	29,074,560
Total Debt	9,845,541	11,042,678
Debt Limit Available	17,860,830	18,031,882
Debt Service Limit	4,617,729	4,845,760
Debt Service	1,508,700	1,508,700
Debt Service Limit Available	3,109,029	3,337,060

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

	<u>2022</u>	<u>2021</u>
	\$	\$
Tangible capital assets (Schedule 2)	167,760,366	144,747,382
Accumulated amortization (Schedule 2)	(49,041,297)	(45,765,755)
Long-term liabilities (Note 10)	(9,845,541)	(11,042,678)
Settlement payable (Note 8)	(20,682,927)	-
	88,190,601	87,938,949

County of Northern Lights
Notes to the Financial Statements
December 31, 2022

15. ACCUMULATED SURPLUS

	<u>2022</u>	<u>2021</u>
	\$	\$
Unrestricted surplus	-	1,905,553
Restricted surplus		
Operating reserves		
Financial stabilization	10,999,035	11,533,798
Highway 35 access road	165,283	165,283
Rate stabilization fund	8,046,452	8,046,452
Municipal reserve	120,001	120,001
Capital reserves		
Airport	1,180,769	1,180,769
Agriculture service board	99,156	99,156
Bridge replacement	1,626,831	1,521,068
Capital facility	229,942	248,536
Chinchaga road improvement	1,440,098	1,440,098
Financial management	118,549	118,549
Fire protection	1,020,189	1,039,645
Fleet replacement	3,805,295	3,805,295
Inter-municipal	4,605,687	4,637,682
Recreation	476,766	476,766
Sewer	1,437,867	1,437,867
Transportation - road construction	5,795,427	5,831,291
Water upgrading	582,906	582,906
Equity in tangible capital assets	88,190,601	87,938,949
	129,940,854	132,129,664

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, 2022

17. SALARY AND BENEFITS DISCLOSURE

	2022			2021
	Salary	Benefits & Allowances	Total	Total
	\$	\$	\$	\$
Councilors				
Anderson, Cheryl	-	-	-	15,558
Dechant, Gloria	29,510	949	30,459	6,619
Halabisky, Belinda	28,270	4,108	32,378	17,965
Loogman, Arie	-	-	-	12,452
McCracken, James	-	-	-	10,840
Reese, Brent	27,430	5,429	32,859	18,070
Schug, Kalyn	29,680	7,577	37,257	1,949
These, Gary	36,310	8,869	45,179	7,883
Ungarian, Terry	43,370	10,395	53,765	31,400
Yasinski, Brenda	35,330	8,583	43,913	20,689
Chief Administrative Officer	215,707	36,259	251,966	219,656

- (1) Salary includes regular base pay, overtime, honoraria and any other direct cash remuneration.
- (2) Benefits and allowances consists of the 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, 2022

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 8.45% of pensionable earnings up to the year's maximum pensionable earnings under the Canada Pension Plan and 12.8% on pensionable earnings above this amount. Employees of the County are required to make current service contributions of 7.45% of pensionable salary up to the year's maximum pensionable salary and 11.8% on pensionable salary above this amount.

Total current service contributions by the County to the LAPP in 2022 were \$203,189 (2021 - \$251,451). Total current service contributions by the employees of the County to the LAPP in 2022 were \$181,890 (2021 - \$228,069).

At December 31, 2021, the LAPP disclosed an actuarial surplus of \$4.98 billion. The 2022 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 currency risk arising from these financial instruments. Tax receivables are compulsory in nature, however, the county manages risk exposure on this item similar to other receivables and payables.

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, 2022

20. SIGNIFICANT EVENTS

A judgement for damages, related to the South Regional Water Line, of breach of contract, claims for miscellaneous added scope and improper deductions, testing, commissioning and site work delay impacts and weak rock were awarded to the claimant, in the amount of \$16,982,927.

In addition to the above award, the claimant was awarded costs and interest.

As at December 31, 2022 the county has accrued a liability of \$20,554,355.

21. FUTURE ACCOUNTING STANDARD PRONOUNCEMENTS

In 2023, the County will assess the impact of and prepare for the adoption of PS 3280.

The Public Sector Accounting Board (PSAB) issued the new PS 3280 Asset Retirement Obligations to establish an accounting standard for public sector entities that addresses the accounting and reporting obligations associated with the retirement of tangible capital assets. The new standard is effective for annual financial statements relating to fiscal years beginning on or after April 1, 2022.

The new standard provides guidance addressing the accounting for various types of asset retirement obligations. This standard covers the County's legal obligation to account for any asset retirement obligation on tangible capital assets it controls. These include, but are not limited to:

- Buildings containing asbestos
- Landfill closure and post-closure liabilities

The County is required to adopt this standard on its 2023 financial statements and must include a liability for each asset retirement obligation identified.

22. APPROVAL OF FINANCIAL STATEMENTS

These financial statements were approved by Council and Management.