

County of Northern Lights
Financial Statements
December 31, 2019

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 consolidated financial statements and all other information contained within this County's financial position at December 31, 2019 and the results of its operations for the year then ended.

The consolidated financial statements have been prepared in compliance with legislation, and in accordance with Canadian public sector accounting standards (PSAS).

The consolidated 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 consolidated 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 consolidated financial statements.

The County Council carries out its responsibilities for review of the consolidated 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 consolidated financial statements.

The consolidated 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 consolidated financial statements.

Theresa Van Oort
Chief Administrative Officer

Josh Hunter
Director of Finance

April 27, 2020
County of Northern Lights, Canada

Allan J. Grykuliak, 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 consolidated financial statements of **County of Northern Lights** (the Entity), which comprise the consolidated statement of financial position as at December 31, 2019, and the results of its operations, changes in its net financial assets and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the County of Northern Lights as at December 31, 2019, 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 Consolidated 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 Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 Consolidated 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.

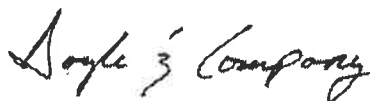
We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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 10.
- 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 27, 2020

Chartered Professional Accountants

County of Northern Lights
Consolidated Statement of Financial Position
As at December 31, 2019

	2019	2018
	\$	\$
FINANCIAL ASSETS		
Cash and temporary investments (Note 2)	13,671,031	4,965,750
Receivables (Note 4)		
Taxes and grants in lieu receivable	1,858,182	1,272,453
Trade and other receivables	2,395,098	12,303,195
Investments (Note 5)	29,655,871	28,577,954
	47,580,182	47,119,352
LIABILITIES		
Accounts payable and accrued liabilities (Note 7)	5,794,533	6,584,795
Deferred revenue (Note 8)	3,940,542	2,050,963
Long-term liabilities (Note 9)	13,334,887	14,431,923
Landfill reclamation costs (Note 10)	168,335	168,335
Gravel reclamation costs (Note 11)	1,040,000	1,040,000
	24,278,297	24,276,016
NET FINANCIAL ASSETS	23,301,885	22,843,336
NON-FINANCIAL ASSETS		
Tangible capital assets (Schedule 2)	98,147,690	82,893,853
Inventory for consumption	2,774,143	3,840,685
Prepaid expenses (Note 6)	1,000,040	795,971
	101,921,873	87,530,509
ACCUMULATED SURPLUS (Schedule 1, Note 14)	125,223,758	110,373,845

The accompanying notes form part of these financial statements.

County of Northern Lights
Consolidated Statement of Operations
For the year ended December 31, 2019

	2019 Budget \$	2019 Actual \$	2018 Actual \$
REVENUE			
Net municipal taxes (Schedule 3)	15,337,008	15,462,404	15,629,820
Government transfers (Schedule 4)	1,618,090	906,382	683,605
User fees and sales of goods	1,261,979	1,404,263	1,727,086
Investment income	545,000	1,577,682	667,873
Oil well drilling taxes	-	-	29,475
Total Revenues	18,762,077	19,350,731	18,737,859
EXPENSES			
Administrative services	1,851,703	2,236,572	1,790,597
Council and other legislative services	1,739,610	1,352,310	1,528,421
Protective services	916,005	1,203,925	831,581
Transportation services	11,958,861	9,697,878	10,361,352
Agricultural services	879,574	815,839	751,719
Utilities and environmental services	2,908,275	2,566,311	2,378,290
Planning and development services	246,155	269,291	215,377
Family and community support services	150,075	150,072	150,072
Economic development and community services	261,619	202,057	254,014
Recreation and cultural services	511,132	463,206	478,347
Total Expenses	21,423,009	18,957,461	18,739,770
EXCESS OF REVENUE OVER EXPENSES - BEFORE OTHER	(2,660,932)	393,270	(1,911)
OTHER			
Government transfers for capital (Schedule 4)	28,666,308	14,456,643	12,320,959
EXCESS OF REVENUE OVER EXPENSES	26,005,376	14,849,913	12,319,048
ACCUMULATED SURPLUS, BEGINNING OF YEAR	-	110,373,845	98,054,797
ACCUMULATED SURPLUS, END OF YEAR	26,005,376	125,223,758	110,373,845

The accompanying notes form part of these financial statements.

County of Northern Lights
Consolidated Statement of Change in Net Financial Assets
For the year ended December 31, 2019

	2019 \$	2018 \$
EXCESS OF REVENUE OVER EXPENSES	14,849,913	12,319,048
Acquisition of tangible capital assets	(18,504,759)	(15,385,631)
Proceeds on disposal of tangible capital asset	246,997	264,518
Amortization of tangible capital assets	3,112,888	3,089,708
Loss (gain) on disposal of tangible capital assets	(108,963)	103,439
	(15,253,837)	(11,927,966)
Acquisition of prepaid assets	(1,000,040)	(795,971)
Use of supplies inventories	1,066,542	770,516
Use of prepaid assets	795,971	302,657
	862,473	277,202
INCREASE IN NET ASSETS	458,549	668,284
NET FINANCIAL ASSETS, BEGINNING OF YEAR	22,843,336	22,175,052
NET FINANCIAL ASSETS, END OF YEAR	23,301,885	22,843,336

The accompanying notes form part of these financial statements.

County of Northern Lights
Consolidated Statement of Cash Flows
For the year ended December 31, 2019

	2019 \$	2018 \$
OPERATING		
Excess of revenue over expenditures	14,849,913	12,319,048
Non-cash items included in excess of revenue over expenses:		
Amortization of tangible capital assets	3,112,888	3,089,708
Loss (gain) on disposal of tangible capital assets	(108,963)	103,439
Non-cash charges to operations (net change):		
Decrease (increase) in taxes and grants in lieu receivable	(585,729)	(276,908)
Decrease (increase) in trade and other receivables	9,908,097	(10,463,680)
Decrease (increase) in prepaid expenditures	(204,069)	(493,314)
Decrease (increase) in inventory for consumption	1,066,542	770,516
Increase (decrease) in accounts payable and accrued liabilities	(790,262)	4,485,895
Increase (decrease) in deferred revenue	1,889,579	950,573
Cash from operations	29,137,996	10,485,277
CAPITAL		
Acquisition of tangible capital assets	(18,504,759)	(15,385,631)
Proceeds on disposal of tangible capital assets	246,997	264,518
Cash applied to capital transactions	(18,257,762)	(15,121,113)
INVESTING		
Decrease (increase) in investments	(1,077,917)	2,759,096
FINANCING		
Long-term liabilities issued	-	1,045,000
Long-term liabilities repaid	(1,097,036)	(1,012,054)
Cash applied to financing transactions	(1,097,036)	32,946
CHANGE IN CASH DURING THE YEAR	8,705,281	(1,843,794)
CASH AND TEMPORARY INVESTMENTS, BEGINNING OF YEAR	4,965,750	6,809,544
CASH AND TEMPORARY INVESTMENTS, END OF YEAR	13,671,031	4,965,750

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, 2019

	Unrestricted Surplus \$	Restricted Surplus \$	Equity in Tangible Capital Assets \$	2019 Total \$	2018 Total \$
BALANCE, BEGINNING OF YEAR	4,566,050	37,345,865	68,461,930	110,373,845	98,054,797
Excess of revenue over expenses	14,849,913	-	-	14,849,913	12,319,048
Unrestricted funds designated for future use	(6,271,553)	6,271,553	-	-	-
Restricted funds used for operations	1,756,244	(1,756,244)	-	-	-
Restricted funds used for tangible capital assets	-	(6,182,064)	6,182,064	-	-
Current years funds used for tangible capital assets	(12,322,695)	-	12,322,695	-	-
Disposal of tangible capital assets	138,034	-	(138,034)	-	-
Annual amortization expense	3,112,888	-	(3,112,888)	-	-
Long-term liabilities repaid	(1,097,036)	-	1,097,036	-	-
Change in accumulated surplus	165,795	(1,666,755)	16,350,873	14,849,913	12,319,048
BALANCE, END OF YEAR	4,731,845	35,679,110	84,812,803	125,223,758	110,373,845

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, 2019

	Land \$	Buildings \$	Engineered Structures \$	Machinery and Equipment \$	Vehicles \$	2019 Total \$	2018 Total \$
COST:							
Balance, Beginning of Year	864,421	4,989,041	104,548,147	7,236,659	3,263,183	120,901,451	106,811,504
Acquisition of tangible capital assets	130,500	3,000	26,300	7,349	-	167,149	2,004,474
Construction-in-progress	-	-	18,337,610	-	-	18,337,610	13,381,157
Disposal of tangible capital assets	-	-	-	(696,861)	(423,600)	(1,120,461)	(1,295,684)
Balance, End of Year	994,921	4,992,041	122,912,057	6,547,147	2,839,583	138,285,749	120,901,451
ACCUMULATED AMORTIZATION:							
Balance, Beginning of Year	-	1,929,546	30,614,995	3,613,450	1,849,607	38,007,598	35,845,617
Annual amortization	-	117,521	2,345,664	449,088	200,615	3,112,888	3,089,708
Accumulated amortization on disposals	-	-	-	(588,090)	(394,337)	(982,427)	(927,727)
Balance, End of Year	-	2,047,067	32,960,659	3,474,448	1,655,885	40,138,059	38,007,598
NET BOOK VALUE	994,921	2,944,974	89,951,398	3,072,699	1,183,698	98,147,690	82,893,853
2018 NET BOOK VALUE	864,421	3,059,495	73,933,152	3,623,209	1,413,576	82,893,853	-

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, 2019

	2019 Budget \$	2019 Actual \$	2018 Actual \$
TAXATION			
Real property taxes	10,253,034	10,412,437	10,529,701
Linear property taxes	8,954,746	8,607,923	8,822,959
Government grants in place of property taxes	20,500	20,513	21,253
Penalties and costs	200,000	409,590	228,896
	19,428,280	19,450,463	19,602,809
REQUISITIONS			
Provincial School Foundation Fund	3,439,110	3,333,340	3,357,271
Senior Foundation	581,383	583,940	584,325
Provincial Designated Industrial Property Assessment	70,779	70,779	31,393
	4,091,272	3,988,059	3,972,989
NET MUNICIPAL TAXES	15,337,008	15,462,404	15,629,820

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, 2019

	2019 Budget \$	2019 Actual \$	2018 Actual \$
<u>OPERATING</u>			
PROVINCIAL TRANSFERS			
Shared-cost agreements and grants	1,598,795	887,087	664,310
LOCAL GOVERNMENT TRANSFERS			
Shared-cost agreements and grants	19,295	19,295	19,295
	1,618,090	906,382	683,605
<u>CAPITAL</u>			
PROVINCIAL TRANSFERS			
Shared-cost agreements and grants	28,666,308	14,456,643	12,320,959

The accompanying notes form part of these financial statements.

County of Northern Lights
Schedule of Consolidated Expenditures by Object - Schedule 5
For the year ended December 31, 2019

	Budget	2019	2018
	\$	\$	\$
CONSOLIDATED EXPENSES BY OBJECT			
Salaries, wages and benefits	4,040,555	3,765,281	3,785,193
Contracted and general services	8,477,926	7,565,975	7,123,717
Materials, goods and utilities	2,986,870	2,317,725	2,346,932
Transfers to local boards and agencies	2,213,959	1,786,991	1,987,261
Interest on long-term liabilities	413,300	408,601	406,959
Amortization of tangible capital assets	3,240,398	3,112,888	3,089,708
	21,373,008	18,957,461	18,739,770

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, 2019

	Administrative Services \$	Council & Legislative Services \$	Protective Services \$	Transportation Services \$	Agricultural Services \$	Utilities & Environmental Services \$
REVENUE						
Net municipal taxes	15,462,404	-	-	-	-	-
Government transfer	171,106	-	406,198	1,790,573	183,359	12,691,731
User fees and sales of goods	125,641	-	17,554	534,148	3,673	684,867
Investment income	1,577,682	-	-	-	-	-
Oil well drilling taxes	-	-	-	-	-	-
	17,336,833	-	423,752	2,324,721	187,032	13,376,598
EXPENSES						
Salaries, wages and benefits	886,032	-	218,888	1,858,305	71,216	560,546
Contract and general services	1,196,649	302,510	817,903	3,724,202	452,332	820,283
Materials, goods and utilities	29,432	8,085	94,067	1,841,272	163,740	146,945
Transfers to local boards and agencies	-	1,041,715	10,462	-	113,029	-
Interest on long-term liabilities	146	-	-	61,225	-	347,230
	2,112,259	1,352,310	1,141,320	7,485,004	800,317	1,875,004
NET REVENUE, BEFORE AMORTIZATION	15,224,574	(1,352,310)	(717,568)	(5,160,283)	(613,285)	11,501,594
Amortization expense	124,313	-	62,605	2,212,874	15,522	691,307
NET REVENUE	15,100,261	(1,352,310)	(780,173)	(7,373,157)	(628,807)	10,810,287

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, 2019

	Planning & Development Services \$	Family & Community Support Services \$	Economic Development & Community Services \$	Recreation & Cultural Services \$	2019 Total \$	2018 Total \$
REVENUE						
Net municipal taxes	-	-	-	-	15,462,404	15,629,820
Government transfer	-	120,058	-	-	15,363,025	13,004,564
User fees and sales of goods	7,795	-	30,585	-	1,404,263	1,727,086
Investment income	-	-	-	-	1,577,682	667,873
Oil well drilling taxes	-	-	-	-	-	29,475
	7,795	120,058	30,585	-	33,807,374	31,058,818
EXPENSES						
Salaries, wages and benefits	90,369	-	79,925	-	3,765,281	3,785,193
Contract and general services	178,922	-	73,174	-	7,565,975	7,123,717
Materials, goods and utilities	-	-	34,184	-	2,317,725	2,346,932
Transfers to local boards and agencies	-	150,072	9,750	461,963	1,786,991	1,987,261
Interest on long-term liabilities	-	-	-	-	408,601	406,959
	269,291	150,072	197,033	461,963	15,844,573	15,650,062
NET REVENUE, BEFORE AMORTIZATION	(261,496)	(30,014)	(166,448)	(461,963)	17,962,801	15,408,756
Amortization expense	-	-	5,024	1,243	3,112,888	3,089,708
NET REVENUE	(261,496)	(30,014)	(171,472)	(463,206)	14,849,913	12,319,048

The accompanying notes form part of these financial statements.

County of Northern Lights
Notes to the Financial Statements
December 31, 2019

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) Use of Estimates

The preparation of financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenditure during the period. Where measurement uncertainty exists, the financial statements have been prepared within reasonable limits of materiality. Actual results could differ from those estimates.

County of Northern Lights
Notes to the Financial Statements
December 31, 2019

1. SIGNIFICANT ACCOUNTING POLICIES - continued

(d) Cash and Temporary Investments

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

(e) Investments

Investments are recorded at fair market value.

(f) Inventories for Resale

Land held for resale is recorded at the lower of cost or net realizable value. Cost includes costs for land acquisition and improvements required to prepare the land for servicing such as clearing, stripping and leveling charges. Related development costs incurred to provide infrastructure such as water and wastewater services, roads, sidewalks and street lighting are recorded as physical assets under the respective function.

(g) Tax Revenue

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

(h) 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.

(i) 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.

(j) 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 consolidated Change in Net Financial Assets for the year.

County of Northern Lights
Notes to the Financial Statements
December 31, 2019

1. SIGNIFICANT ACCOUNTING POLICIES - continued

i. Tangible Capital Assets

Tangible capital assets are recorded at cost which includes all amounts that are directly attributable to acquisition, construction, development or betterment of the asset. The cost, less residual value, of the tangible capital assets is amortized on a straight-line basis over the estimated useful life as follows:

	Years
Land	
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.

2. CASH AND TEMPORARY INVESTMENTS

	2019	2018
	\$	\$
Cash	5,407,728	1,858,314
Temporary investment	8,263,303	3,107,436
	13,671,031	4,965,750

Temporary investment is a savings account with ATB Financial and earns interest at 2.05%.

County of Northern Lights

Notes to the Financial Statements

December 31, 2019

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 3.7%. As at December 31, 2019 the operating line of credit was unused.

4. RECEIVABLES

	2019 \$	2018 \$
Property taxes		
Current taxes and grants in place of taxes	1,332,366	879,906
Arrears	1,016,233	468,500
Allowance for doubtful accounts	(490,417)	(75,953)
	1,858,182	1,272,453
Other		
Trade	286,524	229,828
Grants	270,758	10,201,643
Interest accrued	136,586	131,328
GST	589,579	557,538
Loan	1,113,796	1,188,674
Allowance for doubtful accounts	(2,145)	(5,816)
	2,395,098	12,303,195
	4,253,280	13,575,648

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%.

5. INVESTMENTS

	2019 \$	2018 \$
Guaranteed investment certificates	8,993,286	8,936,653
Bonds	19,994,795	19,463,984
Mutual funds	667,720	177,247
Alberta Municipal Financing Corporation Shares - at cost	70	70
	29,655,871	28,577,954

Guaranteed investment certificates have effective interest rates of 1.65% to 3.25% with maturities of more than 3 months.

Bonds include a mixture of high grade corporate and government bonds with effective interest rates of 1.64% to 4% and maturity dates of June, 2020 to June, 2027.

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, 2019

6. PREPAID EXPENSES

	2019	2018
	\$	\$
Prepaid lease on equipment	795,386	605,751
Insurance	110,215	98,689
Other	94,439	91,531
	1,000,040	795,971

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.

7. ACCOUNTS PAYABLE

	2019	2018
	\$	\$
Trade	3,744,751	5,246,104
Accrued interest	35,402	38,611
Construction holdbacks	1,776,800	1,059,566
Employee benefits and source deductions	47,788	48,518
Vacation and overtime	189,792	191,996
	5,794,533	6,584,795

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.

8. DEFERRED REVENUE

	2019	2018
	\$	\$
Prepaid property taxes and utilities	44,285	52,728
Municipal Sustainability Initiative - Capital	1,539,252	1,987,521
Alberta Government - Water for Life	2,355,659	-
Other	1,346	10,714
	3,940,542	2,050,963

County of Northern Lights

Notes to the Financial Statements

December 31, 2019

9. LONG-TERM LIABILITIES

	2019	2018
	\$	\$
Alberta Capital Finance Authority - 4001014	462,978	531,226
Alberta Capital Finance Authority - 4001468	872,529	969,337
Alberta Capital Finance Authority - 4001621	1,052,146	1,151,074
Alberta Capital Finance Authority - 4001622	1,972,773	2,158,264
Alberta Capital Finance Authority - 4001728	2,135,673	2,318,226
Alberta Capital Finance Authority - 4001942	1,804,993	1,946,280
Alberta Capital Finance Authority - 4002130	2,154,576	2,303,768
Alberta Capital Finance Authority - 4002316	1,889,478	2,008,748
Alberta Capital Finance Authority - 4002520	989,741	1,045,000
	13,334,887	14,431,923

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 \$408,601 (2018 - \$406,959).

County of Northern Lights
Notes to the Financial Statements
December 31, 2019

9. LONG-TERM LIABILITIES - continued

Principal and interest repayments are as follows:

	Principal \$	Interest \$	Total \$
2020	1,129,426	379,274	1,508,700
2021	1,162,783	345,917	1,508,700
2022	1,197,137	311,562	1,508,699
2023	1,232,519	276,181	1,508,700
2024	1,268,959	239,741	1,508,700
Thereafter	7,344,063	709,022	8,053,085
	13,334,887	2,261,697	15,596,584

10. 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 8,004 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, 2019 is \$168,335 (2018 - \$168,335) represents the present value of closure and post-closure costs.

11. GRAVEL PIT RECLAMATION OBLIGATION

The County owns gravel pits and is responsible for reclamation costs related to those pits under Alberta environmental law. These costs are expected to be incurred over the life of the pit. The most recent estimate of this obligation was prepared to December 31, 2011 and the obligation is currently estimated at \$1,040,000 (2018 - \$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.

The County has not designated any other assets for settling the reclamation obligation.

County of Northern Lights
Notes to the Financial Statements
December 31, 2019

12. 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:

	2019 \$	2018 \$
Total Debt Limit	29,026,097	28,106,789
Total Debt	13,334,887	14,431,923
Debt Limit Available	15,691,210	13,674,866
Debt Service Limit	4,837,683	4,684,465
Debt Service	1,508,700	1,508,697
Debt Service Limit Available	3,328,983	3,175,768

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.

13. EQUITY IN TANGIBLE CAPITAL ASSETS

	2019 \$	2018 \$
Tangible capital assets (Schedule 2)	138,285,749	120,901,451
Accumulated amortization (Schedule 2)	(40,138,059)	(38,007,598)
Long-term liabilities (Note 9)	(13,334,887)	(14,431,923)
	84,812,803	68,461,930

County of Northern Lights
Notes to the Financial Statements
December 31, 2019

14. ACCUMULATED SURPLUS

	2019	2018
	\$	\$
Unrestricted surplus	4,731,845	4,566,050
Restricted surplus		
Operating reserves		
Financial stabilization	10,409,806	10,488,089
Highway 35 access road	148,621	124,665
Rate stabilization fund	7,235,260	6,069,006
Municipal reserve	105,628	88,558
Capital reserves		
Airport	931,050	705,215
Agriculture service board	81,206	69,245
Bridge replacement	292,975	-
Capital facility	203,544	173,350
Chinchaga road improvement	979,400	621,530
Financial management	97,088	81,438
Fire protection	1,575,477	1,746,237
Fleet replacement	3,116,431	2,614,092
Inter-municipal	3,777,435	3,324,530
Recreation	390,458	327,520
Sewer	1,177,573	987,760
Transportation - road construction	4,775,665	4,005,874
Water upgrading	381,493	5,918,756
Equity in tangible capital assets	84,812,803	68,461,930
	125,223,758	110,373,845

15. SALARY AND BENEFITS DISCLOSURE

	2019			2018
	Salary	Benefits & Allowances	Total	Total
	\$	\$	\$	\$
Councilors				
Anderson, Cheryl	25,095	14,658	39,753	31,870
Halabisky, Belinda	21,525	14,758	36,283	30,565
Loogman, Arie	17,850	8,656	26,506	26,877
McCracken, James	13,440	3,512	16,952	19,497
Reese, Brent	17,325	10,310	27,635	22,089
Ungarian, Terry	30,465	22,789	53,254	46,092
Yasinski, Brenda	22,140	11,702	33,842	27,617
Chief Administrative Officer	198,881	37,844	236,725	211,688

(1) Salary includes regular base pay, overtime, honoraria and any other direct cash remuneration.

County of Northern Lights
Notes to the Financial Statements
December 31, 2019

15. SALARY AND BENEFITS DISCLOSURE - Continued

- (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.

16. 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 2019 were \$262,977 (2018 - \$285,764). Total current service contributions by the employees of the County to the LAPP in 2019 were \$236,395 (2018 - \$261,349).

17. 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.

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.

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, 2019

18. SUBSEQUENT EVENTS

On June 3, 2019, the Town of Manning council requested, and the Minister of Municipal Affairs approved the preparation of a viability review of the Town of Manning.

Depending on this review, there is potential for the dissolution of the Town of Manning, which would result in the consolidation of the Town of Manning with the County of Northern Lights. It is expected that a fall 2020 vote of electors will decide the outcome.

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.

19. APPROVAL OF FINANCIAL STATEMENTS

These financial statements were approved by Council and Management.