

County of Northern Lights
Financial Statements
December 31, 2018

County of Northern Lights

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MANAGEMENT'S REPORT

The accompanying consolidated financial statements and other information contained in this Financial Report are the responsibility of the management of the **County of Northern Lights**.

These consolidated financial statements have been prepared by management. Financial statements are not precise since they include certain amounts based on estimates and judgments. Management has determined such amounts on a reasonable basis in order to ensure that the financial statements are presented fairly, in all material respects.

The County of Northern Lights maintains systems of internal accounting and administrative controls that are designed to provide reasonable assurance that the financial information is relevant, reliable and accurate and the County of Northern Lights assets are appropriately accounted for and adequately safeguarded.

The elected Council of the County of Northern Lights are responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the financial statements.

The Council meets annually with management to discuss internal controls over the financial reporting process, auditing matters and financial reporting issues, and to satisfy itself that each party is properly discharging its responsibilities. Council reviews the monthly financial reports.

The consolidated financial statements have been audited by Doyle & Company, Chartered Accountants, the external auditors, in accordance with Canadian public sector accounting standards on behalf of the Council, residents and ratepayers of the County of Northern Lights. Doyle & Company has full and free access to the County's Council.

Theresa Van Oort
Chief Administrative Officer

Allan J. Grykuliak, CPA, CA*
Scott T. Mockford, CPA, CA*
Allen Lee, CPA, CMA*
Jason Bondarevich, CPA, CA*
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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, 2018, 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, 2018, 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.

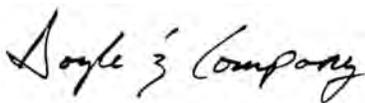
We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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 30, 2019

Chartered Professional Accountants

County of Northern Lights
Consolidated Statement of Financial Position
As at December 31, 2018

	2018	2017
	\$	\$
FINANCIAL ASSETS		
Cash and temporary investments (Note 2)	4,965,750	6,809,544
Receivables (Note 4)		
Taxes and grants in lieu receivable	1,272,453	995,545
Trade and other receivables	12,303,195	1,839,515
Investments (Note 5)	28,577,954	31,337,050
	47,119,352	40,981,654
LIABILITIES		
Accounts payable and accrued liabilities (Note 7)	6,584,795	2,098,900
Deferred revenue (Note 8)	2,050,963	1,100,390
Long-term liabilities (Note 9)	14,431,923	14,398,977
Landfill reclamation costs (Note 10)	168,335	168,335
Gravel reclamation costs	1,040,000	1,040,000
	24,276,016	18,806,602
NET FINANCIAL ASSETS	22,843,336	22,175,052
NON-FINANCIAL ASSETS		
Tangible capital assets (Schedule 2)	82,893,853	70,965,887
Inventory for consumption	3,840,685	4,611,201
Prepaid expenses (Note 6)	795,971	302,657
	87,530,509	75,879,745
ACCUMULATED SURPLUS (Schedule 1, Note 13)	110,373,845	98,054,797

The accompanying notes form part of these financial statements.

County of Northern Lights
Consolidated Statement of Operations
For the year ended December 31, 2018

	2018 Budget \$	2018 Actual \$	2017 Actual \$
REVENUE			
Net municipal taxes (Schedule 3)	15,018,769	15,629,820	14,944,770
User fees and sales of goods	1,585,720	1,727,086	1,674,661
Government transfers (Schedule 4)	618,000	683,605	670,380
Investment income	541,840	667,873	518,724
Oil well drilling taxes	-	29,475	31,542
Total Revenues	17,764,329	18,737,859	17,840,077
EXPENSES			
Administrative services	1,892,097	1,790,597	1,778,332
Council and other legislative services	1,570,776	1,528,421	1,157,952
Protective services	913,124	831,581	864,553
Transportation services	11,656,702	10,361,352	10,421,365
Agricultural services	848,878	751,719	734,958
Utilities and environmental services	2,721,076	2,378,290	2,124,738
Planning and development services	258,555	215,377	180,561
Family and community support services	150,075	150,072	150,072
Economic development and community services	416,468	254,014	353,065
Recreation and cultural services	513,587	478,347	1,486,304
Total Expenses	20,941,338	18,739,770	19,251,900
EXCESS OF REVENUE OVER EXPENSES - BEFORE OTHER	(3,177,009)	(1,911)	(1,411,823)
OTHER			
Government transfers for capital (Schedule 4)	3,999,450	12,320,959	2,410,354
EXCESS OF REVENUE OVER EXPENSES	822,441	12,319,048	998,531
ACCUMULATED SURPLUS, BEGINNING OF YEAR	-	98,054,797	97,056,266
ACCUMULATED SURPLUS, END OF YEAR	822,441	110,373,845	98,054,797

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, 2018

	2018	2017
	\$	\$
EXCESS OF REVENUE OVER EXPENSES	12,319,048	998,531
Acquisition of tangible capital assets	(15,385,631)	(5,216,157)
Proceeds on disposal of tangible capital asset	264,518	43,530
Amortization of tangible capital assets	3,089,708	3,199,148
Loss (Gain) on disposal of tangible capital assets	103,439	(16,995)
	(11,927,966)	(1,990,474)
Acquisition of supplies inventories	-	(1,911,255)
Acquisition of prepaid assets	(795,971)	(302,657)
Use of supplies inventories	770,516	-
Use of prepaid assets	302,657	217,711
	277,202	(1,996,201)
INCREASE (DECREASE) IN NET ASSETS	668,284	(2,988,144)
NET FINANCIAL ASSETS, BEGINNING OF YEAR	22,175,052	25,163,196
NET FINANCIAL ASSETS, END OF YEAR	22,843,336	22,175,052

The accompanying notes form part of these financial statements.

County of Northern Lights
Consolidated Statement of Cash Flows
For the year ended December 31, 2018

	2018	2017
	\$	\$
OPERATING		
Excess of revenue over expenditures	12,319,048	998,531
Non-cash items included in excess of revenue over expenses:		
Amortization of tangible capital assets	3,089,708	3,199,148
Loss (gain) on disposal of tangible capital assets	103,439	(16,995)
Non-cash charges to operations (net change):		
Decrease (increase) in taxes and grants in lieu receivable	(276,908)	(43,516)
Decrease (increase) in trade and other receivables	(10,463,680)	376,993
Decrease (increase) in prepaid expenditures	(493,314)	(84,946)
Decrease (increase) in inventory for consumption	770,516	(1,911,255)
Increase (decrease) in accounts payable and accrued liabilities	4,485,895	(1,380,890)
Increase (decrease) in deferred revenue	950,573	(25,935)
Cash from operations	10,485,277	1,111,135
CAPITAL		
Acquisition of tangible capital assets	(15,385,631)	(5,216,157)
Proceeds on disposal of tangible capital assets	264,518	43,530
Cash applied to capital transactions	(15,121,113)	(5,172,627)
INVESTING		
Decrease (increase) in investments	2,759,096	2,062,729
FINANCING		
Long-term liabilities issued	1,045,000	2,124,784
Long-term liabilities repaid	(1,012,054)	(870,300)
Cash applied to financing transactions	32,946	1,254,484
CHANGE IN CASH DURING THE YEAR	(1,843,794)	(744,279)
CASH AND TEMPORARY INVESTMENTS, BEGINNING OF YEAR	6,809,544	7,553,823
CASH AND TEMPORARY INVESTMENTS, END OF YEAR	4,965,750	6,809,544

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, 2018

	Unrestricted Surplus \$	Restricted Surplus \$	Equity in Tangible Capital Assets \$	2018 Total \$	2017 Total \$
BALANCE, BEGINNING OF YEAR	750,000	40,737,887	56,566,910	98,054,797	97,056,266
Excess of revenue over expenses	12,319,048	-	-	12,319,048	998,531
Unrestricted funds designated for future use	(10,904)	10,904	-	-	-
Restricted funds used for tangible capital assets	-	(3,402,926)	3,402,926	-	-
Current years funds used for tangible capital assets	(11,982,705)	-	11,982,705	-	-
Disposal of tangible capital assets	367,957	-	(367,957)	-	-
Annual amortization expense	3,089,708	-	(3,089,708)	-	-
Long-term liabilities obtained	1,045,000	-	(1,045,000)	-	-
Long-term liabilities repaid	(1,012,054)	-	1,012,054	-	-
Change in accumulated surplus	3,816,050	(3,392,022)	11,895,020	12,319,048	998,531
BALANCE, END OF YEAR	4,566,050	37,345,865	68,461,930	110,373,845	98,054,797

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, 2018

	Land \$	Buildings \$	Engineered Structures \$	Machinery and Equipment \$	Vehicles \$	2018 Total \$	2017 Total \$
COST:							
Balance, Beginning of Year	837,261	4,819,065	90,243,744	7,769,028	3,142,406	106,811,504	101,852,000
Acquisition of tangible capital assets	27,160	169,976	1,103,065	302,058	402,215	2,004,474	4,763,503
Construction-in-progress	-	-	13,381,157	-	-	13,381,157	452,654
Disposal of tangible capital assets	-	-	(179,819)	(834,427)	(281,438)	(1,295,684)	(256,653)
Balance, End of Year	864,421	4,989,041	104,548,147	7,236,659	3,263,183	120,901,451	106,811,504
ACCUMULATED AMORTIZATION:							
Balance, Beginning of Year	-	1,815,484	28,432,602	3,733,356	1,864,175	35,845,617	32,876,587
Annual amortization	-	114,062	2,324,389	452,918	198,339	3,089,708	3,199,148
Accumulated amortization on disposals	-	-	(141,996)	(572,824)	(212,907)	(927,727)	(230,118)
Balance, End of Year	-	1,929,546	30,614,995	3,613,450	1,849,607	38,007,598	35,845,617
NET BOOK VALUE	864,421	3,059,495	73,933,152	3,623,209	1,413,576	82,893,853	70,965,887
2017 NET BOOK VALUE	837,261	3,003,581	61,811,142	4,035,672	1,278,231	70,965,887	-

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, 2018

	2018 Budget \$	2018 Actual \$	2017 Actual \$
TAXATION			
Real property taxes	12,197,995	10,529,701	10,198,060
Linear property taxes	6,810,621	8,822,959	8,684,688
Government grants in place of property taxes	20,071	21,253	20,133
Penalties and costs	200,000	228,896	171,513
	19,228,687	19,602,809	19,074,394
REQUISITIONS			
Provincial School Foundation Fund	3,628,343	3,388,664	3,587,099
Senior Foundation	581,575	584,325	542,525
	4,209,918	3,972,989	4,129,624
NET MUNICIPAL TAXES	15,018,769	15,629,820	14,944,770

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, 2018

	2018 Budget \$	2018 Actual \$	2017 Actual \$
<u>OPERATING</u>			
PROVINCIAL TRANSFERS			
Shared-cost agreements and grants	598,705	664,310	651,085
LOCAL GOVERNMENT TRANSFERS			
Shared-cost agreements and grants	19,295	19,295	19,295
	618,000	683,605	670,380
<u>CAPITAL</u>			
PROVINCIAL TRANSFERS			
Shared-cost agreements and grants	3,999,450	12,320,959	2,410,354

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, 2018

	Budget	2018	2017
	\$	\$	\$
CONSOLIDATED EXPENSES BY OBJECT			
Salaries, wages and benefits	4,284,928	3,785,193	3,875,400
Contracted and general services	8,000,173	7,123,717	7,084,125
Materials, goods and utilities	2,345,132	2,346,932	2,073,280
Transfers to local boards and agencies	2,090,395	1,987,261	2,643,983
Interest on long-term liabilities	681,315	406,959	375,964
Amortization of tangible capital assets	3,240,395	3,089,708	3,199,148
	20,642,338	18,739,770	19,251,900

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, 2018

	Administrative Services \$	Council & Legislative Services \$	Protective Services \$	Transportation Services \$	Agricultural Services \$	Utilities & Environmental Services \$
REVENUE						
Net municipal taxes	15,629,820	-	-	-	-	-
Government transfer	151,250	-	8,000	2,451,975	183,359	10,089,922
User fees and sales of goods	126,494	-	22,891	749,060	1,757	796,532
Investment income	667,873	-	-	-	-	-
Oil well drilling taxes	29,475	-	-	-	-	-
	16,604,912	-	30,891	3,201,035	185,116	10,886,454
EXPENSES						
Salaries, wages and benefits	930,982	-	212,643	1,928,712	49,041	471,359
Contract and general services	635,399	289,695	485,125	4,308,208	429,595	747,574
Materials, goods and utilities	106,381	9,039	68,011	1,845,598	141,674	143,127
Transfers to local boards and agencies	-	1,229,687	10,971	-	108,739	-
Interest on long-term liabilities	102	-	-	67,247	-	339,610
	1,672,864	1,528,421	776,750	8,149,765	729,049	1,701,670
NET REVENUE, BEFORE AMORTIZATION						
	14,932,048	(1,528,421)	(745,859)	(4,948,730)	(543,933)	9,184,784
Amortization expense	117,733	-	54,831	2,211,587	22,670	676,620
NET REVENUE	14,814,315	(1,528,421)	(800,690)	(7,160,317)	(566,603)	8,508,164

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, 2018

	Planning & Development Services \$	Family & Community Support Services \$	Economic Development & Community Services \$	Recreation & Cultural Services \$	2018 Total \$	2017 Total \$
REVENUE						
Net municipal taxes	-	-	-	-	15,629,820	14,944,770
Government transfer	-	120,058	-	-	13,004,564	3,080,734
User fees and sales of goods	8,137	-	22,215	-	1,727,086	1,674,661
Investment income	-	-	-	-	667,873	518,724
Oil well drilling taxes	-	-	-	-	29,475	31,542
	8,137	120,058	22,215	-	31,058,818	20,250,431
EXPENSES						
Salaries, wages and benefits	59,467	-	132,989	-	3,785,193	3,875,400
Contract and general services	155,910	-	72,211	-	7,123,717	7,084,125
Materials, goods and utilities	-	-	33,102	-	2,346,932	2,073,280
Transfers to local boards and agencies	-	150,072	10,688	477,104	1,987,261	2,643,983
Interest on long-term liabilities	-	-	-	-	406,959	375,964
	215,377	150,072	248,990	477,104	15,650,062	16,052,752
NET REVENUE, BEFORE AMORTIZATION	(207,240)	(30,014)	(226,775)	(477,104)	15,408,756	4,197,679
Amortization expense	-	-	5,024	1,243	3,089,708	3,199,148
NET REVENUE	(207,240)	(30,014)	(231,799)	(478,347)	12,319,048	998,531

The accompanying notes form part of these financial statements.

County of Northern Lights
Notes to the Financial Statements
December 31, 2018

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, 2018

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, 2018

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

	2018 \$	2017 \$
Cash	1,858,314	3,183,135
Temporary investment	3,107,436	3,626,409
	4,965,750	6,809,544

Temporary investment is a savings account with ATB Financial and earns interest at 2.3%.

County of Northern Lights
Notes to the Financial Statements
December 31, 2018

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, 2018 the operating line of credit was unused.

4. RECEIVABLES

	2018	2017
	\$	\$
<hr/>		
Property taxes		
Current taxes and grants in place of taxes	879,906	518,905
Arrears	468,500	584,764
Allowance for doubtful accounts	(75,953)	(108,124)
	<hr/>	<hr/>
	1,272,453	995,545
<hr/>		
Other		
Grants	10,431,471	423,245
Interest accrued	131,328	250,397
GST	557,538	177,360
Loan	1,188,674	989,469
Allowance for doubtful accounts	(5,816)	(956)
	<hr/>	<hr/>
	12,303,195	1,839,515
	<hr/>	<hr/>
	13,575,648	2,835,060
<hr/>		

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

5. INVESTMENTS

	2018	2017
	\$	\$
<hr/>		
Guaranteed investment certificates	8,936,653	7,803,340
Bonds	19,463,984	17,951,608
Mutual funds	177,247	5,582,032
Alberta Municipal Financing Corporation Shares - at cost	70	70
	<hr/>	<hr/>
	28,577,954	31,337,050
<hr/>		

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, 2018

6. PREPAID EXPENSES

	2018	2017
	\$	\$
Prepaid lease on equipment	605,751	-
Insurance	98,689	93,097
Other	91,531	209,560
	795,971	302,657

The prepaid lease on equipment is upfront payments made on two CAT graders in amount of \$337,844 each. 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

	2018	2017
	\$	\$
Trade	5,246,104	1,489,019
Accrued interest	38,611	40,129
Construction holdbacks	1,059,566	298,032
Employee benefits and source deductions	48,518	43,582
Vacation and overtime	191,996	228,138
	6,584,795	2,098,900

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

	2018	2017
	\$	\$
Prepaid property taxes and utilities	52,728	61,058
Municipal Sustainability Initiative - Capital	1,987,521	1,033,287
Other	10,714	6,045
	2,050,963	1,100,390

County of Northern Lights
Notes to the Financial Statements
December 31, 2018

9. LONG-TERM LIABILITIES

	2018	2017
	\$	\$
Alberta Capital Finance Authority - 4001014	531,226	597,155
Alberta Capital Finance Authority - 4001468	969,337	1,063,650
Alberta Capital Finance Authority - 4001621	1,151,074	1,246,822
Alberta Capital Finance Authority - 4001622	2,158,264	2,337,790
Alberta Capital Finance Authority - 4001728	2,318,226	2,495,749
Alberta Capital Finance Authority - 4001942	1,946,280	2,084,155
Alberta Capital Finance Authority - 4002130	2,303,768	2,448,872
Alberta Capital Finance Authority - 4002316	2,008,748	2,124,784
Alberta Capital Finance Authority - 4002520	1,045,000	-
	14,431,923	14,398,977

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 \$406,959 (2017 - \$375,964).

County of Northern Lights
Notes to the Financial Statements
December 31, 2018

8. LONG-TERM LIABILITIES - continued

Principal and interest repayments are as follows:

	Principal	Interest	Total
	\$	\$	\$
2019	1,097,021	411,676	1,508,697
2020	1,129,412	379,285	1,508,697
2021	1,162,770	345,927	1,508,697
2022	1,197,125	311,572	1,508,697
2023	1,232,508	276,189	1,508,697
Thereafter	8,613,087	911,557	9,524,644
	14,431,923	2,636,206	17,068,129

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, 2018 is \$168,335 (2017 - \$168,335) represents the present value of closure and post-closure costs.

11. 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:

	2018	2017
	\$	\$
Total Debt Limit	28,106,789	26,760,116
Total Debt	14,431,923	14,398,977
Debt Limit Available	13,674,866	12,361,139
Debt Service Limit	4,684,465	4,460,019
Debt Service	1,508,697	1,420,425
Debt Service Limit Available	3,175,768	3,039,594

County of Northern Lights
Notes to the Financial Statements
December 31, 2018

10. DEBT LIMIT - continued

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.

12. EQUITY IN TANGIBLE CAPITAL ASSETS

	2018 \$	2017 \$
Tangible capital assets (Schedule 2)	120,901,451	106,811,504
Accumulated amortization (Schedule 2)	(38,007,598)	(35,845,617)
Long-term liabilities (Note 9)	(14,431,923)	(14,398,977)
	68,461,930	56,566,910

13. ACCUMULATED SURPLUS

	2018 \$	2017 \$
Unrestricted surplus	4,566,050	750,000
Restricted surplus		
Operating reserves		
Financial stabilization	10,488,089	10,488,089
Highway 35 access road	124,665	124,665
Rate stabilization fund	6,069,006	6,069,006
Municipal reserve	88,558	77,654
Capital reserves		
Airport	705,215	705,215
Agriculture service board	69,245	69,245
Capital facility	173,350	196,921
Chinchaga road improvement	621,530	621,530
Financial management	81,438	81,438
Fire protection	1,746,237	1,746,237
Fleet replacement	2,614,092	2,627,150
Inter-municipal	3,324,530	3,579,530
Recreation	327,520	327,520
Sewer	987,760	987,760
Transportation		
Road construction	4,005,874	4,005,874
Water upgrading	5,918,756	9,030,053
Equity in tangible capital assets	68,461,930	56,566,910
	110,373,845	98,054,797

County of Northern Lights
Notes to the Financial Statements
December 31, 2018

14. SALARY AND BENEFITS DISCLOSURE

	2018			2017
	Salary	Benefits & Allowances	Total	Total
	\$	\$	\$	\$
Councillors				
Anderson, Cheryl	24,780	7,090	31,870	36,859
Halabisky, Belinda	21,840	8,725	30,565	26,548
Kamieniecki, Edward	-	-	-	11,950
Loogman, Arie	21,105	5,772	26,877	24,596
McCracken, James	15,855	3,642	19,497	2,342
Reese, Brent	17,430	4,659	22,089	18,588
Ungarian, Terry	31,200	14,892	46,092	32,382
Yasinski, Brenda	20,775	6,842	27,617	24,191
Chief Administrative Officer	176,110	35,578	211,688	209,967

- (1) Salary includes regular base pay, overtime, honoraria and any other direct cash remuneration.
- (2) 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.

15. LOCAL AUTHORITIES PENSION PLAN

Employees of the County participate in the Local Authorities Pension Plan (LAPP), which is one of the plans covered by the 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 10.39% of pensionable earnings up to the year's maximum pensionable earnings under the Canada Pension Plan and 14.84% on pensionable earnings above this amount. Employees of the County are required to make current service contributions of 9.39% of pensionable salary up to the year's maximum pensionable salary and 13.84% on pensionable salary above this amount.

Total current service contributions by the County to the LAPP in 2018 were \$285,764 (2017 - \$322,856). Total current service contributions by the employees of the County to the LAPP in 2018 were \$261,349 (2017 - \$282,387).

County of Northern Lights
Notes to the Financial Statements
December 31, 2018

16. 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 town 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.

17. COMPARATIVE FIGURES

Certain comparative figures have been restated to conform with current years presentation.

18. APPROVAL OF FINANCIAL STATEMENTS

These financial statements were approved by Council and Management.