

BIG LAKES COUNTY
Consolidated Financial Statements
For the Year Ended December 31, 2019

INDEPENDENT AUDITORS' REPORT

To the Reeve and Council of Big Lakes County

We have audited the accompanying consolidated financial statements of Big Lakes County (the County), which comprise the consolidated statement of financial position as at December 31, 2019, and the consolidated statements of operations and accumulated surplus, changes in net financial assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the County as at December 31, 2019, the consolidated results of its operations and accumulated surplus, 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 *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the County 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 those requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the financial statements and our auditors' report thereon. The Annual Report is expected to be made available to us after the date of this auditors' report.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Independent Auditors' Report to the Reeve and Council of Big Lakes County (*continued*)

In preparing the consolidated financial statements, management is responsible for assessing the County'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 liquidate the County or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the County's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 consolidated financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- 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 County'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 County's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated 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 auditors' report. However, future events or conditions may cause the County to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other 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.

METRIX GROUP LLP

Chartered Professional Accountants

Edmonton, Alberta
May 13, 2020

**MANAGEMENT'S RESPONSIBILITY
FOR FINANCIAL REPORTING**

To the Reeve and Council of Big Lakes County
High Prairie, Alberta

The integrity, relevance and comparability of the data in the accompanying consolidated financial statements are the responsibility of management.

The consolidated financial statements are prepared by management, in accordance with Canadian public sector accounting standards. They necessarily include some amounts that are based on the best estimates and judgments of management.

To assist in its responsibility, management maintains accounting, budget and other controls to provide reasonable assurance that transactions are appropriately authorized, that assets are properly accounted for and safeguarded, and that financial records are reliable for preparation of the consolidated financial statements.

Metrix Group LLP, Chartered Professional Accountants, have been appointed by the Big Lakes County Council to express an opinion on the Big Lakes County consolidated financial statements.

[Original signed by Jordan Panasiuk]

Jordan Panasiuk
Chief Administrative Officer

[Original signed by Heather Nanninga]

Heather Nanninga, CPA, CA
Director of Corporate Services

BIG LAKES COUNTY
Consolidated Statement of Financial Position
As at December 31, 2019

	2019	2018
FINANCIAL ASSETS		
Cash and cash equivalents <i>(Note 2)</i>	\$ 753,117	\$ 323,636
Investments <i>(Note 3)</i>	30,304,322	33,498,996
Receivables <i>(Note 4)</i>	4,096,851	12,930,937
Loan receivable <i>(Note 5)</i>	85,800	197,249
Land held for resale	214,025	249,025
	35,454,115	47,199,843
LIABILITIES		
Accounts payable and accrued liabilities <i>(Note 6)</i>	4,522,819	5,228,855
Deposits	141,564	137,224
Deferred revenue <i>(Note 7)</i>	2,336,982	2,035,335
Long-term debt <i>(Note 8)</i>	2,436,751	3,220,197
	9,438,116	10,621,611
NET FINANCIAL ASSETS	26,015,999	36,578,232
NON-FINANCIAL ASSETS		
Tangible capital assets <i>(Note 10)</i>	296,939,985	288,988,268
Inventories for consumption <i>(Note 9)</i>	688,588	553,638
Prepaid expenses and other assets	217,992	183,970
	297,846,565	289,725,876
ACCUMULATED SURPLUS (NOTE 11)	\$323,862,564	\$326,304,108
Contingencies <i>(Note 14)</i>		

ON BEHALF OF COUNCIL:

[Original signed by Reeve Richard Simard]

[Original signed by Deputy Reeve Ken Matthews]

BIG LAKES COUNTY
Consolidated Statement of Operations and Accumulated Surplus
For the Year Ended December 31, 2019

	2019 (Budget) <i>(Note 23)</i>	2019 (Actual)	2018 (Actual)
REVENUE			
Net taxation <i>(Schedule 2)</i>	\$ 23,360,476	\$ 23,225,741	\$ 21,473,792
User fees and sales of goods	2,650,270	2,587,269	2,642,236
Penalties and costs on taxes	557,000	1,167,632	340,640
Government transfers for operating <i>(Schedule 3)</i>	1,037,527	995,191	944,183
Interest and investment income	402,000	987,423	729,772
Oil well drilling taxes	250,000	220,622	369,549
Rentals	50,900	54,669	50,065
Other	20,050	22,093	22,633
Fines, licenses and permits	13,000	13,334	12,099
	<u>28,341,223</u>	<u>29,273,974</u>	<u>26,584,969</u>
EXPENSES			
Transportation services	17,109,874	14,960,169	15,043,363
Administration services <i>(Note 4)</i>	4,282,543	10,859,838	4,762,582
Water and wastewater services	3,612,649	3,608,234	3,382,011
Intermunicipal cost sharing <i>(Note 17 (a))</i>	2,746,894	2,347,899	3,052,945
Recreation and culture services	2,192,373	2,174,780	2,058,532
Protective services	2,029,912	1,872,700	1,734,134
Agriculture and development services	1,410,181	1,085,172	1,293,621
Waste management and disposal services	766,978	641,002	626,771
Council and other legislative services	646,500	593,598	577,730
Family and Community Support Services	679,088	549,975	628,598
	<u>35,476,992</u>	<u>38,693,367</u>	<u>33,160,287</u>
ANNUAL DEFICIT BEFORE OTHER REVENUE (EXPENSES)	<u>(7,135,769)</u>	<u>(9,419,393)</u>	<u>(6,575,318)</u>
OTHER REVENUE (EXPENSES)			
Government transfers for capital <i>(Schedule 3)</i>	13,283,984	5,783,484	6,622,642
Gain (loss) on disposal of tangible capital assets	449,736	367,008	(162,860)
Restructuring <i>(Note 24)</i>	-	827,357	-
	<u>13,733,720</u>	<u>6,977,849</u>	<u>6,459,782</u>
ANNUAL SURPLUS (DEFICIT)	6,597,951	(2,441,544)	(115,536)
ACCUMULATED SURPLUS, BEGINNING OF YEAR	<u>326,304,108</u>	<u>326,304,108</u>	<u>326,419,644</u>
ACCUMULATED SURPLUS, END OF YEAR	<u>\$332,902,059</u>	<u>\$323,862,564</u>	<u>\$326,304,108</u>

BIG LAKES COUNTY
Consolidated Statement of Changes in Net Financial Assets
For the Year Ended December 31, 2019

	2019 (Budget) <i>(Note 23)</i>	2019 (Actual)	2018 (Actual)
ANNUAL SURPLUS (DEFICIT)	\$ 6,597,951	\$ (2,441,544)	\$ (115,536)
Purchase of tangible capital assets	(24,046,050)	(16,515,587)	(13,257,241)
Restructuring - tangible capital asset <i>(Note 24)</i>	-	(509,357)	-
Proceeds on disposal of tangible capital assets	-	658,142	301,080
Amortization of tangible capital assets	7,952,658	8,782,093	7,972,925
(Gain) loss on disposal of tangible capital assets	449,736	(367,008)	162,860
	<u>(15,643,656)</u>	<u>(7,951,717)</u>	<u>(4,820,376)</u>
(Acquisition) use of inventories for consumption	-	(134,950)	334,746
(Acquisition) use of prepaid expenses	-	(34,022)	10,461
	<u>-</u>	<u>(168,972)</u>	<u>345,207</u>
INCREASE (DECREASE) IN NET FINANCIAL ASSETS	(9,045,705)	(10,562,233)	(4,590,705)
NET FINANCIAL ASSETS, BEGINNING OF YEAR	<u>36,578,232</u>	<u>36,578,232</u>	<u>41,168,937</u>
NET FINANCIAL ASSETS, END OF YEAR	<u>\$ 27,532,527</u>	<u>\$ 26,015,999</u>	<u>\$ 36,578,232</u>

BIG LAKES COUNTY
Consolidated Statement of Cash Flows
For the Year Ended December 31, 2019

	2019	2018
OPERATING ACTIVITIES		
Annual surplus (deficit)	\$ (2,441,544)	\$ (115,536) ^f
Non-cash items included in annual surplus		
Loss on disposal of tangible capital assets	(367,008)	162,860
Amortization of tangible capital assets	8,782,093	7,972,925
Restructuring - tangible capital assets (Note 24)	(509,357)	-
Change in non-cash working capital balances		
Receivables	8,834,087	(3,938,271)
Prepaid expenses	(34,022)	10,461
Inventories for consumption	(134,950)	334,746
Accounts payable and accrued liabilities	(706,036)	774,813
Deposit liabilities	4,340	4,728
Deferred revenue	301,647	378,093
Land held for resale	35,000	(35,000)
Loan receivable	111,449	108,168
	<u>13,875,699</u>	<u>5,657,987</u>
INVESTING ACTIVITIES		
Disposal of investments	9,759,214	14,884,424
Purchase of investments	(6,564,541)	(13,265,229)
	<u>3,194,673</u>	<u>1,619,195</u>
FINANCING ACTIVITIES		
Long-term debt repayments	(783,446)	(754,871)
CAPITAL ACTIVITIES		
Purchase of tangible capital assets	(16,515,587)	(13,257,241)
Proceeds on disposal of tangible capital assets	658,142	301,080
	<u>(15,857,445)</u>	<u>(12,956,161)</u>
INCREASE IN CASH AND CASH EQUIVALENTS DURING YEAR	429,481	(6,433,850)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	323,636	6,757,486
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 753,117	\$ 323,636

The accompanying notes are an integral part of the financial statements.

BIG LAKES COUNTY
Schedule of Equity in Tangible Capital Assets
For the Year Ended December 31, 2019

Schedule 1

	2019	2018
BALANCE, BEGINNING OF YEAR	\$285,768,071	\$280,192,824
Purchase of tangible capital assets	16,515,587	13,257,241
Cost of tangible capital assets disposed of	(1,825,223)	(1,649,570)
Accumulated amortization of tangible capital assets disposed of	1,534,089	1,185,630
Restructuring - tangible capital assets (Note 24)	509,357	-
Amortization of tangible capital assets	(8,782,093)	(7,972,925)
Long-term debt repayments	783,446	754,871
BALANCE, END OF YEAR	\$294,503,234	\$285,768,071
Equity in Tangible Capital Assets is Comprised of the Following:		
Tangible capital assets (net book value)	\$296,939,985	\$288,988,268
Capital long-term debt	(2,436,751)	(3,220,197)
	\$294,503,234	\$285,768,071

BIG LAKES COUNTY
Schedule of Net Taxation
For the Year Ended December 31, 2019

Schedule 2

	2019 (Budget)	2019 (Actual)	2018 (Actual)
TAXATION			
Real property taxes	\$ 15,482,267	\$ 15,260,600	\$ 14,075,765
Linear property taxes	12,044,800	12,055,457	11,371,987
Government grants in place of property taxes	1,114,493	1,113,908	1,105,483
Designated industrial property taxes	102,164	102,193	43,701
Local improvement taxes	21,365	(44,927)	22,039
	<u>28,765,089</u>	<u>28,487,231</u>	<u>26,618,975</u>
REQUISITIONS			
Alberta School Foundation Fund	5,017,434	4,882,983	4,818,226
Heart River Housing	285,015	277,153	283,256
Designated industrial property	102,164	101,354	43,701
	<u>5,404,613</u>	<u>5,261,490</u>	<u>5,145,183</u>
NET MUNICIPAL TAXES	<u>\$ 23,360,476</u>	<u>\$ 23,225,741</u>	<u>\$ 21,473,792</u>

BIG LAKES COUNTY
Schedule of Government Transfers
For the Year Ended December 31, 2019

Schedule 3

	2019 (Budget)	2019 (Actual)	2018 (Actual)
TRANSFERS FOR OPERATING			
Provincial government	\$ 826,844	\$ 811,118	\$ 750,102
Local governments	210,683	184,073	194,081
	<u>1,037,527</u>	<u>995,191</u>	<u>944,183</u>
TRANSFERS FOR CAPITAL			
Provincial government	13,143,606	5,642,277	6,353,198
Local governments	140,378	140,378	-
Federal government	-	829	269,444
	<u>13,283,984</u>	<u>5,783,484</u>	<u>6,622,642</u>
TOTAL GOVERNMENT TRANSFERS	<u>\$ 14,321,511</u>	<u>\$ 6,778,675</u>	<u>\$ 7,566,825</u>

BIG LAKES COUNTY
Schedule of Segmented Information
For the Year Ended December 31, 2019

Schedule 4

	Administration Services	Transportation Services	Protective Services	Utility Services	Recreation and Culture Services	All Other	Total
REVENUE							
Taxation	\$ 10,317,388	\$ 7,593,039	\$ 1,375,077	\$ 1,253,325	\$ 2,067,522	\$ 619,390	\$ 23,225,741
User fees and sales of goods	182,825	468,035	158,638	1,621,425	735	155,610	2,587,268
Government transfers	107,035	13,390	60,000	-	102,011	712,755	995,191
All other	4,813	8,068	2,679	6,045	4,512	2,439,657	2,465,774
	<u>10,612,061</u>	<u>8,082,532</u>	<u>1,596,394</u>	<u>2,880,795</u>	<u>2,174,780</u>	<u>3,927,412</u>	<u>29,273,974</u>
EXPENSES							
Materials, goods, and contracted and general services	1,231,455	4,642,235	759,334	1,665,735	415,216	974,187	9,688,162
Salaries, wages, and benefits	2,005,767	2,943,391	473,813	815,232	162,438	1,154,500	7,555,141
Bad debts - provision for allowances	7,229,210	-	-	-	-	-	7,229,210
Transfers to other governments	-	-	147,455	22,868	1,596,564	2,430,399	4,197,286
Utilities	60,818	175,133	49,285	204,377	-	74	489,687
Repairs and maintenance	20,997	139,893	117,410	143,669	-	5,246	427,215
Insurance	63,814	68,603	49,097	21,634	562	307	204,017
Interest on long-term debt	-	113,277	-	7,280	-	-	120,557
Amortization	247,775	6,877,639	276,306	1,368,440	-	11,932	8,782,092
	<u>10,859,836</u>	<u>14,960,171</u>	<u>1,872,700</u>	<u>4,249,235</u>	<u>2,174,780</u>	<u>4,576,645</u>	<u>38,693,367</u>
NET REVENUE (DEFICIT)	<u>\$ (247,775)</u>	<u>\$ (6,877,639)</u>	<u>\$ (276,306)</u>	<u>\$ (1,368,440)</u>	<u>\$ -</u>	<u>\$ (649,233)</u>	<u>\$ (9,419,393)</u>

The accompanying notes are an integral part of the financial statements.

BIG LAKES COUNTY
Schedule of Segmented Information
For the Year Ended December 31, 2018

Schedule 5

	Administration Services	Transportation Services	Protective Services	Utility Services	Recreation and Culture Services	All Other	Total
REVENUE							
Taxation	\$ 2,859,066	\$ 8,097,902	\$ 1,328,624	\$ 1,179,202	\$ 1,959,137	\$ 6,049,861	\$ 21,473,792
User fees and sales of goods	111,645	645,312	49,760	1,620,025	540	214,954	2,642,236
Government transfers	22,969	19,876	100,000	-	97,627	703,711	944,183
All other	3,279	36,681	2,422	7,069	1,228	1,474,079	1,524,758
	<u>2,996,959</u>	<u>8,799,771</u>	<u>1,480,806</u>	<u>2,806,296</u>	<u>2,058,532</u>	<u>8,442,605</u>	<u>26,584,969</u>
EXPENSES							
Materials, goods, and contracted and general services	932,360	5,470,096	790,701	1,579,092	532,882	1,097,155	10,402,286
Salaries, wages, and benefits	1,806,591	2,836,227	362,520	867,754	254,884	1,266,953	7,394,929
Transfers to other governments	-	-	135,845	17,244	1,270,231	3,170,535	4,593,855
Bad debts - provision for allowances	1,597,709	-	-	-	-	-	1,597,709
Repairs and maintenance	37,305	124,661	100,224	138,296	-	10,020	410,506
Utilities	59,879	170,985	49,685	174,708	-	-	455,257
Insurance	63,118	54,312	41,831	20,820	535	332	180,948
Interest on long-term debt	-	143,490	-	8,382	-	-	151,872
Amortization	265,622	6,243,592	253,328	1,202,485	-	7,898	7,972,925
	<u>4,762,584</u>	<u>15,043,363</u>	<u>1,734,134</u>	<u>4,008,781</u>	<u>2,058,532</u>	<u>5,552,893</u>	<u>33,160,287</u>
NET REVENUE (DEFICIT)	<u>\$ (1,765,625)</u>	<u>\$ (6,243,592)</u>	<u>\$ (253,328)</u>	<u>\$ (1,202,485)</u>	<u>\$ -</u>	<u>\$ 2,889,712</u>	<u>\$ (6,575,318)</u>

The accompanying notes are an integral part of the financial statements.

BIG LAKES COUNTY
Notes to Consolidated Financial Statements
For the Year Ended December 31, 2019

1. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements of Big Lakes County (the "County") are the representations of the County's management prepared in accordance with Canadian public sector accounting standards. Significant aspects of the accounting policies adopted by the County are as follows:

(a) Reporting Entity

These consolidated financial statements include the assets, liabilities, revenue and expenses and changes in net financial assets of the County. This entity is comprised of all the organizations that are owned or controlled by the County and are, therefore, accountable to the Council for the administration of their financial affairs and resources. These consolidated financial statements include the Big Lakes County Library Board financial statements.

The schedule of taxes levied includes requisitions for education and seniors foundations that are not part of the municipal reporting entity.

(b) Basis of Accounting

The County follows the accrual basis of accounting. Revenues are recognized in the year in which they are earned and measurable.

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 are recognized in the financial statements as revenue in the period in which the events giving rise to the transfer occurred, providing the transfers are authorized, any eligibility criteria have been met by the municipality, and reasonable estimates of the amounts can be made.

Expenses are recognized as they are incurred and measurable based upon receipt of goods or services and/or the legal obligation to pay.

(c) Cash and Cash Equivalents

Cash and cash equivalents include items that are readily convertible to known amounts of cash and are subject to an insignificant risk of change in value.

(d) Investments

Investments are recorded at amortized cost. 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.

(e) Inventories for Consumption

Inventories of materials and supplies for consumption are recorded at the lower of cost or net realizable value with cost determined using the average cost method.

(f) Land Held for Resale

Land held for resale is recorded at the lower of cost or net realizable value. Cost includes costs for land acquisition and improvements required to prepare the land for servicing. Related development costs incurred to provide infrastructure such as water and wastewater services, roads, sidewalks and street lighting are recorded as tangible capital assets under their respective function. The cost of land is written off against equity in land held for resale as it is sold.

(CONT'D)

BIG LAKES COUNTY
Notes to Consolidated Financial Statements
For the Year Ended December 31, 2019

1. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(g) Loans Receivable

Loans receivable are recorded at cost. Interest revenue is recognized as revenue in the year it is earned.

(h) 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 their estimated useful lives as follows:

Buildings	20 - 50 years
Engineered structures	
Paved roadways	
Top	20 years
Base	80 years
Gravel roadways	
Top	15 years
Base	30 years
Concrete	25 years
Bridges	12 - 58 years
Wastewater systems	50 & 75 years
Water systems	50 & 75 years
Machinery and equipment	5 - 20 years
Vehicles	5 - 30 years

Tangible capital assets received as contributions are recorded at fair value at the date of receipt and also are recorded as revenue.

Works of art for display are not recorded as tangible capital assets but are disclosed.

(i) Tax Revenue

Property taxes are recognized in the year in which they are levied.

Construction and borrowing costs associated with local improvement projects are recovered through annual special property tax assessments during the period of the related borrowings. These levies are collectible from property owners for work performed by the County.

(j) Requisition Over-levies and Under-levies

Over-levies and under-levies arise from the difference between the actual levy made to cover each requisition and the actual amount requisitioned.

If the actual levy exceeds the requisition, the over-levy is accrued as a liability and property tax revenue is reduced. Where the actual levy is less than the requisition amount, the under-levy is accrued as a receivable and as property tax revenue.

Requisitions tax-rates in the subsequent year are adjusted for any over-levies or under-levies of the prior year.

(CONT'D)

BIG LAKES COUNTY
Notes to Consolidated Financial Statements
For the Year Ended December 31, 2019

1. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(k) Contaminated Sites

Contaminated sites are defined as the result of contamination being introduced in air, soil, water or sediment of a chemical, organic, or radioactive material or live organism that exceeds an environmental standard. A liability for remediation on contaminated sites is recognized, net of any recoveries, when an environmental standard exists, contamination exceeds the environmental standard, the County is directly responsible for or accepts responsibility for the liability, future economic benefits will be given up, and a reasonable estimate of the liability can be made.

(l) Use of Estimates

The preparation of the consolidated 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 consolidated financial statements, and the reported amounts of revenue and expenses during the period. Where measurement uncertainty exists, the consolidated financial statements have been prepared within reasonable limits of materiality. Actual results could differ from those estimates.

The County has used estimates to determine an allowance for doubtful accounts, accrued liabilities, the useful lives of tangible capital assets and liabilities for remediation on contaminated sites.

(m) New Accounting Standards not yet Adopted

Effective for fiscal years beginning on or after April 1, 2021, PS 3280 Asset Retirement Obligations provides guidance on how to account for and report liabilities for retirement of tangible capital assets.

Effective for fiscal years beginning on or after April 1, 2022, PS 3400 Revenue provides guidance on how to account for and report revenue, and specifically, it addresses revenue arising from exchange transactions and unilateral transactions.

2. CASH AND CASH EQUIVALENTS

	<u>2019</u>	<u>2018</u>
Operating bank accounts	750,012	320,781
Cash on hand	3,105	2,855
	<u>\$ 753,117</u>	<u>\$ 323,636</u>

BIG LAKES COUNTY
Notes to Consolidated Financial Statements
For the Year Ended December 31, 2019

3. INVESTMENTS

	<u>2019</u>	<u>2018</u>
Guaranteed Investment Certificates	\$ 17,426,390	\$ 13,782,553
Government and corporate bonds	12,877,871	19,667,459
Other	61	61
Cash on hand	-	48,923
	<u>\$ 30,304,322</u>	<u>\$ 33,498,996</u>

Guaranteed Investment Certificates bear interest at rates ranging from 1.60% to 2.82% per annum and mature at dates between September 2020 - September 2024.

Government and corporate bonds bear interest at rates between 1.87% - 2.36% per annum, maturing between September 2020 - November 2022. The market value of the government and corporate bonds at December 31, 2019 was \$12,920,434 (2018 - \$19,667,459).

Included in cash and cash equivalents are restricted amounts aggregating \$2,336,982 (2018 - \$2,035,335) to be used for specific capital and other projects, as detailed in *Note 7*.

4. RECEIVABLES

	<u>2019</u>	<u>2018</u>
Trade and other	\$ 3,206,629	\$ 9,668,595
Taxes and grants in place of taxes	3,152,270	4,268,953
Goods and Services Tax	186,371	518,542
Utilities	173,258	162,209
	<u>6,718,528</u>	<u>14,618,299</u>
Less: Allowance for doubtful accounts	<u>(2,621,677)</u>	<u>(1,687,362)</u>
	<u>\$ 4,096,851</u>	<u>\$ 12,930,937</u>

The change in the allowance for doubtful accounts is included in Administration Services expenses on the Consolidated Statement of Operations and Accumulated Surplus.

5. LOAN RECEIVABLE

The County passed Bylaw 04-2010 on March 10, 2010 authorizing Council to lend \$1,000,000 to Heart River Housing for the purposes of lodge and renovation projects at the Pleasantview Lodge in the Town of High Prairie and the Red Willow Lodge in the Town of Valleyview. The loan is unsecured, bears interest at 0.50% above the Royal Bank five year term Guaranteed Investment Certificate rate which is currently 3.00%, and is payable in quarterly blended amounts of \$29,030, due August 15, 2020.

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	<u>2019</u>	<u>2018</u>
Trade and other accounts payable	\$ 4,048,448	\$ 4,779,083
Earned vacation liability	464,692	438,469
Accrued interest on long-term debt	9,679	11,303
	<u>\$ 4,522,819</u>	<u>\$ 5,228,855</u>

BIG LAKES COUNTY
Notes to Consolidated Financial Statements
For the Year Ended December 31, 2019

7. DEFERRED REVENUE

Deferred revenue is comprised of the following amounts, which have been received from third parties for a specified purpose. Additions are comprised of both contributions and interest earned during the year. These amounts are recognized as revenue in the period in which the related costs are incurred.

	2018	Additions	Revenue Recognized	2019
Federal Gas Tax Fund	\$ 617,503	\$ 463,242	\$ -	\$ 1,080,745
Municipal Sustainability Initiative	1,134,802	12,751	(315,240)	832,313
Alberta Transportation	-	460,000	(82,222)	377,778
Other	28,338	30,094	(28,516)	29,916
Alberta Community Partnership Community and Regional Economic Support	140,090	-	(123,860)	16,230
Visitor Friendly Assessment	108,101	-	(108,101)	-
	6,501	-	(6,501)	-
	<u>\$ 2,035,335</u>	<u>\$ 966,087</u>	<u>\$ (664,440)</u>	<u>\$ 2,336,982</u>

8. LONG-TERM DEBT

	2019	2018
Alberta Capital Financing Authority debentures	<u>\$ 2,436,751</u>	<u>\$ 3,220,197</u>

Debenture debt is issued on the credit and security of the County at large, bears interest at rates ranging from 3.973% to 6.000% per annum and matures in years 2023 through 2027.

The County's cash payments for interest in 2019 were \$122,182 (2018 - \$150,757).

Principal and interest payments are due as follows:

	Principal	Interest	Total
2020	\$ 451,197	\$ 95,509	\$ 546,706
2021	469,809	76,897	546,706
2022	489,196	57,510	546,706
2023	509,392	37,314	546,706
2024	496,246	16,277	512,523
Thereafter	20,911	2,558	23,469
	<u>\$ 2,436,751</u>	<u>\$ 286,065</u>	<u>\$ 2,722,816</u>

9. INVENTORIES FOR CONSUMPTION

	2019	2018
Gravel	<u>\$ 383,061</u>	<u>\$ 307,054</u>
Material and supplies	<u>305,527</u>	<u>246,584</u>
	<u>\$ 688,588</u>	<u>\$ 553,638</u>

BIG LAKES COUNTY
Notes to Consolidated Financial Statements
For the Year Ended December 31, 2019

10. TANGIBLE CAPITAL ASSETS

	2019 Net Book Value	2018 Net Book Value
Engineered structures		
Roadways and bridges	\$ 207,276,566	\$ 211,659,054
Water systems	27,825,499	21,839,439
Wastewater systems	16,688,490	17,219,537
Drainage systems	3,779,037	3,944,035
Airport	470,118	510,303
	256,039,710	255,172,368
Buildings	12,286,175	12,681,479
Construction in progress	13,313,123	7,181,560
Machinery and equipment	6,032,703	5,275,492
Land	4,722,815	4,710,140
Vehicles	3,098,104	2,688,734
Land improvements	1,447,355	1,278,495
	\$ 296,939,985	\$ 288,988,268

	Cost Beginning of Year	Additions	Disposals	Transfers	Cost End of Year
Engineering structures					
Roadways and bridges	\$ 310,943,348	\$ 833,553	\$ -	-	\$ 311,776,901
Water systems	33,276,228	6,566,905	-	-	39,843,133
Wastewater systems	23,450,825	-	-	-	23,450,825
Drainage systems	7,319,078	-	-	-	7,319,078
Airports	4,355,755	-	-	-	4,355,755
	379,345,234	7,400,458	-	-	386,745,692
Machinery and equipment	10,528,912	2,105,771	(1,236,803)	-	11,397,880
Vehicles	5,550,644	1,021,455	(478,167)	-	6,093,932
Buildings	18,292,718	100,609	(110,253)	-	18,283,074
Land	4,710,140	12,675	-	-	4,722,815
Land improvements	2,276,912	252,413	-	-	2,529,325
Construction in progress	7,181,560	6,131,563	-	-	13,313,123
	\$ 427,886,120	\$ 17,024,944	\$ (1,825,223)	\$ -	\$ 443,085,841

	Accumulated Amortization Beginning of Year	Current Amortization	Disposals	Transfers	Accumulated Amortization End of Year
Engineered structures					
Roadways and bridges	\$ 99,284,294	\$ 5,216,041	\$ -	-	\$ 104,500,335
Water systems	11,436,789	580,845	-	-	12,017,634
Wastewater systems	6,231,288	531,047	-	-	6,762,335
Airports	3,845,452	40,185	-	-	3,885,637
Drainage systems	3,375,043	164,998	-	-	3,540,041
	124,172,866	6,533,116	-	-	130,705,982
Machinery and equipment	5,253,420	1,136,260	(1,024,503)	-	5,365,177
Buildings	5,611,239	446,912	(61,252)	-	5,996,899
Vehicles	2,861,910	582,252	(448,334)	-	2,995,828
Land improvements	998,417	83,553	-	-	1,081,970
	\$ 138,897,852	\$ 8,782,093	\$ (1,534,089)	\$ -	\$ 146,145,856

BIG LAKES COUNTY
Notes to Consolidated Financial Statements
For the Year Ended December 31, 2019

11. ACCUMULATED SURPLUS

	<u>2019</u>	<u>2018</u>
Unrestricted surplus	\$ 1,494,879	\$ 11,442,239
Restricted surplus		
Operating reserves (Note 12)	8,182,789	8,135,003
Capital reserves (Note 12)	19,681,662	20,958,795
Equity in tangible capital assets (Schedule 1)	<u>294,503,234</u>	<u>285,768,071</u>
	<u>\$323,862,564</u>	<u>\$326,304,108</u>

12. RESTRICTED SURPLUS

	<u>2019</u>	<u>2018</u>
Operating Reserves		
Working capital	\$ 5,543,854	\$ 5,543,854
Resurfacing	960,786	960,786
Community facilities	384,142	384,142
Contingency	293,913	293,913
Medical equipment	258,500	258,500
Recreation	183,295	157,595
Winter maintenance control	104,387	104,387
Community Enhancement Fund	100,000	100,000
Culture	92,865	99,479
Enhanced policing	82,000	82,000
Family and Community Support Services	81,547	81,547
Water offsite levies	39,400	39,400
Cemeteries	26,700	-
Sewer offsite levies	25,400	25,400
Planning and development	<u>6,000</u>	<u>4,000</u>
	<u>\$ 8,182,789</u>	<u>\$ 8,135,003</u>
Capital Reserves		
Transportation	\$ 8,451,610	\$ 3,817,159
Sewer	4,016,234	4,016,234
Gravel source and pit reclamation	2,381,858	2,152,334
Equipment replacement	2,295,137	3,519,961
Fire facility	1,380,847	1,301,904
Fire equipment	1,195,570	974,284
Building	405,715	602,199
Computer equipment	292,396	270,098
Recreation and cultural	255,710	255,710
Waste transfer stations	239,684	239,684
Economic Development	173,719	287,403
High Prairie airport reserve	96,692	(1,218)
Big Meadow Water Co-op	78,917	78,917
ASB equipment	71,669	65,029
Other	5,543	5,543
Water	<u>(1,659,639)</u>	<u>3,373,554</u>
	<u>\$ 19,681,662</u>	<u>\$ 20,958,795</u>

BIG LAKES COUNTY
Notes to Consolidated Financial Statements
For the Year Ended December 31, 2019

13. CREDIT FACILITY

The County has access to a revolving line of credit with a limit of \$6,000,000, bearing interest at prime rate. At December 31, 2019, the balance owing was \$NIL (2018 - \$NIL).

14. CONTINGENCIES

In June 1994, the County entered into an agreement with Alberta Transportation to take over the responsibilities related to the transportation function of the former Improvement District. Under this agreement, the County has assumed a contingent liability estimated at \$324,953, related to gravel pits and stock pile reclamation. This contingency has not been accrued in these financial statements; however, should the liability be realized, the County has established a reserve to fund these costs.

15. SALARY AND BENEFITS DISCLOSURE

Disclosure of salaries and benefits for elected municipal officials, the chief administrative officer and designated officers as required by Alberta Regulation 313/2000 is as follows:

	Salary	Benefits and Allowances	2019	2018
Councillors:				
Ward 6 - Simard (Reeve)	\$ 30,500	\$ 19,800	\$ 50,300	\$ 38,850
Ward 3 - Matthews	31,225	16,200	47,425	53,250
Ward 9 - Stewart	26,000	15,000	41,000	39,300
Ward 2 - Welch	21,250	15,000	36,250	29,425
Ward 5 - Nygaard	19,250	15,000	34,250	29,300
Ward 7 - Bissell	18,000	15,000	33,000	35,800
Ward 4 - Killeen	17,750	15,000	32,750	29,300
Ward 1 - Marx	16,750	15,000	31,750	34,050
Ward 8 - Charrois	16,250	15,000	31,250	28,550
	<u>\$ 196,975</u>	<u>\$ 141,000</u>	<u>\$ 337,975</u>	<u>\$ 317,825</u>
Designated officers (7) (2018 - 7)	\$ 741,913	\$ 141,235	\$ 883,148	\$ 916,383
Chief Administrative Officer	\$ 174,830	\$ 29,903	\$ 204,733	\$ 263,328

Salary includes regular base pay, bonuses, lump sum payments, honoraria and any other direct cash remuneration.

Benefits and allowances include the employer's share of all employee benefits and contributions or payments made on behalf of employees including pension, retiring allowance, health care, dental coverage, vision coverage, group life insurance, accidental disability and dismemberment insurance, long and short-term disability plans, and professional membership 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 *Public Sector Pension Plans Act*. The LAPP is financed by employer and employee contributions and investment earnings of the LAPP Fund.

Contributions for current service are recorded as expenses 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 earnings up to the year's maximum pensionable earnings and 12.84% on pensionable earnings above this amount.

Total current service contributions by the County to the LAPP in 2019 were \$553,609 (2018 - \$588,736). Total current service contributions by the employees of the County to the LAPP in 2019 were \$502,104 (2018 - \$538,609).

At December 31, 2018 the Plan disclosed an actuarial surplus of \$3.469 billion (2017 - \$4.835 billion).

17. CONTRACTUAL OBLIGATIONS

(a) Town of Swan Hills Viability Intermunicipal Funding Agreement

Under the terms of this agreement the County is required to provide conditional and unconditional grants to the Town of Swan Hills for 20 years with extensions as mutually agreed upon ending on December 31, 2034. The agreement will be open for review on the fifth and every proceeding five year anniversary or as mutually agreed by the parties.

In the years 2017 to 2034, the County agrees to pay the Town of Swan Hills \$950,000 annually for projects to be determined by the Town of Swan Hills. Additionally, starting in 2017, the County agrees to pay an annual capital grant to the Town of Swan Hills based on the following formula: the County's the total linear assessment for that year shall be compared with the 2016 total linear assessment for the County, and the percentage increase or decrease, as the case may be, shall be the percentage increase or decrease of this capital grant with the base amount of \$1,000,000 for that year.

(b) Town of High Prairie Intermunicipal Collaboration Framework Agreement

Under the terms of this agreement the County is committed to pay 50% of the net operating costs of the High Prairie Municipal Library Board, High Prairie and District Fire Department, High Prairie and District Recreation Board, 90% of the High Prairie and District Municipal Airport, 20% of the reclamation costs and annual monitoring costs of the High Prairie Landfill Site, and 50% of the annual recycling contract and toxic waste roundup.

Furthermore, the County has committed financial support to the Town of High Prairie annually for capital projects that are mutually beneficial based on the following formula: the County's the total linear assessment for that year shall be compared with the 2016 total linear assessment for the County, and the percentage increase or decrease, as the case may be, shall be the percentage increase or decrease of this capital grant with the base amount of \$1,000,000 for that year.

This Agreement is permanent in accordance with the *Municipal Government Act*.

BIG LAKES COUNTY
Notes to Consolidated Financial Statements
For the Year Ended December 31, 2019

18. DEBT LIMITS

Section 276(2) of the *Municipal Government Act* requires that debt and debt limits, as defined by Alberta Regulation 255/00, for the County be disclosed as follows:

	<u>2019</u>	<u>2018</u>
Total debt limit	\$ 43,910,961	\$ 39,877,454
Total debt (<i>Note 8</i>)	(2,436,751)	(3,220,197)
Amount of debt limit unused	\$ 41,474,210	\$ 36,657,257
Service on debt limit	\$ 7,318,494	\$ 6,646,242
Service on debt (<i>Note 8</i>)	(546,706)	(905,628)
Amount of service on debt limit unused	\$ 6,771,788	\$ 5,740,614

The debt limit is calculated at 1.5 times revenue of the County (as defined in Alberta Regulation 255/00) and the service on debt limit is calculated at 0.25 times such revenue. Incurring debt beyond these limits 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 County. Rather, the financial statements must be interpreted as a whole.

19. FINANCIAL INSTRUMENTS

The County's financial instruments consist of cash and cash equivalents, receivables, loan receivable, accounts payable and accrued liabilities, and long-term debt. 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 receivables and loan receivable. Credit risk arises from the possibility that the County's customers may experience financial difficulty and be unable to fulfill their obligations. The large number and diversity of customers minimizes the County's credit risk.

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

20. RELATED PARTY TRANSACTIONS

Accounts payable includes \$65,138 due to (2018 - \$52,253 due to) the High Prairie and District Regional Solid Waste Management Authority.

Other revenue includes management fees of \$10,000 (2018 - \$10,000) from the High Prairie and District Regional Solid Waste Management Authority.

These transactions are recorded at their exchange amounts as agreed to by the related parties.

BIG LAKES COUNTY
Notes to Consolidated Financial Statements
For the Year Ended December 31, 2019

21. FUNDS HELD IN TRUST

As trust assets are not owned by the County, the trusts have been excluded from the financial statements. A summary of trust funds held by the County is as follows:

	<u>2019</u>	<u>2018</u>
Tax sale surplus	<u>\$ 35,568</u>	<u>\$ 34,864</u>

22. SEGMENTED INFORMATION

The County provides a wide range of services to its citizens. 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 statements as disclosed in Note 1. For additional information see the Schedule of Segment Disclosure (Schedule 4).

23. BUDGET FIGURES

The 2019 budget data presented in these financial statements is based on the operating and capital budgets approved by Council on June 18, 2018. The chart below reconciles the approved financial plan to the figures reported in these financial statements.

	<u>2019 (Budget)</u>	<u>2019 (Actual)</u>
Annual Surplus	\$ 6,597,951	\$ (2,441,544)
Add back (deduct):		
Amortization expense	7,952,658	8,782,093
Transfers from capital reserves	8,804,830	1,277,133
Transfers from / (to) operating reserves	1,474,057	(47,786)
Purchase of tangible capital assets	(24,046,050)	(16,515,587)
Principal debt repayments	(783,446)	(783,446)
	<u>\$ -</u>	<u>\$ (9,729,137)</u>

24. RESTRUCTURING

Under the terms of an Asset Purchase Agreement (the "Agreement") dated October 15, 2019, the County purchased all the assets of Kinuso Water Co-op Ltd. for a purchase price of \$1 payable upon execution of the Agreement. The County agreed to use its best efforts to supply a regular uninterrupted supply of water with adequate pressure. The County did not assume and shall not be liable or responsible for any known or unknown liabilities, debts or obligations of the Kinuso Water Co-op Ltd.

The carrying value of the assets and liabilities purchased by the County were as follows:

Cash	\$ 318,000
Tangible Capital Assets	
Water engineering system	<u>509,357</u>
	<u>\$ 827,357</u>

BIG LAKES COUNTY
Notes to Consolidated Financial Statements
For the Year Ended December 31, 2019

25. APPROVAL OF FINANCIAL STATEMENTS

These financial statements were approved by Council.

26. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the current year's financial statements presentation.

27. SUBSEQUENT EVENT

On March 11, 2020, the COVID-19 outbreak was declared a global pandemic by the World Health Organization and on March 17, 2020 the Province of Alberta declared a public health emergency. Many businesses and individuals in a vast array of sectors may experience an economic loss due to COVID-19 which may have a financial effect on the County. An estimate of the potential financial impact cannot be made at this time.
