

BIG LAKES COUNTY
Consolidated Financial Statements
For the Year Ended December 31, 2020

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, 2020, 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, 2020, 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 26, 2021

**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.

Jordan Panasiuk
Chief Administrative Officer

Dave McReynolds
Interim Director of Corporate Services

BIG LAKES COUNTY
Consolidated Statement of Financial Position
As at December 31, 2020

	2020	2019
FINANCIAL ASSETS		
Cash and cash equivalents <i>(Note 2)</i>	\$ -	\$ 753,117
Investments <i>(Note 3)</i>	29,481,954	30,304,322
Receivables <i>(Note 4)</i>	8,568,719	4,096,851
Loan receivable <i>(Note 5)</i>	-	85,800
Land held for resale	214,025	214,025
	38,264,698	35,454,115
LIABILITIES		
Bank indebtedness <i>(Note 2)</i>	590,631	-
Accounts payable and accrued liabilities <i>(Note 6)</i>	2,729,749	4,522,819
Deposits	134,586	141,564
Deferred revenue <i>(Note 7)</i>	4,451,400	2,336,982
Long-term debt <i>(Note 8)</i>	1,985,554	2,436,751
	9,891,920	9,438,116
NET FINANCIAL ASSETS	28,372,778	26,015,999
NON-FINANCIAL ASSETS		
Tangible capital assets <i>(Note 10)</i>	293,765,519	296,939,985
Inventories for consumption <i>(Note 9)</i>	1,280,299	688,588
Prepaid expenses and other assets	226,692	217,992
	295,272,510	297,846,565
ACCUMULATED SURPLUS (NOTE 11)	\$323,645,288	\$323,862,564
Contingencies <i>(Note 14)</i>		

ON BEHALF OF COUNCIL:

BIG LAKES COUNTY
Consolidated Statement of Operations and Accumulated Surplus
For the Year Ended December 31, 2020

	2020 (Budget) <i>(Note 23)</i>	2020 (Actual)	2019 (Actual)
REVENUE			
Net taxation <i>(Schedule 2)</i>	\$ 23,021,726	\$ 23,534,974	\$ 23,225,741
User fees and sales of goods	2,437,150	2,520,633	2,587,269
Penalties and costs on taxes	607,000	1,187,415	1,167,632
Government transfers for operating <i>(Schedule 3)</i>	666,474	1,136,876	995,191
Interest and investment income	502,000	551,287	987,423
Other	17,550	158,407	22,093
Oil well drilling taxes	150,000	153,707	220,622
Rentals	50,900	49,486	54,669
Fines, licenses and permits	24,000	23,990	13,334
	<u>27,476,800</u>	<u>29,316,775</u>	<u>29,273,974</u>
EXPENSES			
Transportation services	15,657,158	15,193,172	14,960,169
Administration services <i>(Note 4)</i>	11,281,441	5,769,622	10,859,838
Water and wastewater services	3,861,720	3,664,767	3,608,234
Protective services	1,552,720	2,060,377	1,872,700
Recreation and culture services	1,715,488	1,737,207	2,174,780
Intermunicipal cost sharing <i>(Note 17 (a))</i>	1,190,520	1,180,825	2,347,899
Agriculture and development services	1,124,836	839,727	1,085,172
Waste management and disposal services	715,883	659,386	641,002
Family and Community Support Services	510,245	498,291	549,975
Council and other legislative services	477,000	373,026	593,598
	<u>38,087,011</u>	<u>31,976,400</u>	<u>38,693,367</u>
ANNUAL DEFICIT BEFORE OTHER REVENUE (EXPENSES)	<u>(10,610,211)</u>	<u>(2,659,625)</u>	<u>(9,419,393)</u>
OTHER REVENUE (EXPENSES)			
Government transfers for capital <i>(Schedule 3)</i>	4,441,265	2,835,716	5,783,484
Restructuring <i>(Note 24)</i>	-	72,000	827,357
Gain (loss) on disposal of tangible capital assets	341,600	(465,367)	367,008
	<u>4,782,865</u>	<u>2,442,349</u>	<u>6,977,849</u>
ANNUAL DEFICIT	(5,827,346)	(217,276)	(2,441,544)
ACCUMULATED SURPLUS, BEGINNING OF YEAR	<u>323,862,564</u>	<u>323,862,564</u>	<u>326,304,108</u>
ACCUMULATED SURPLUS, END OF YEAR	<u>\$318,035,218</u>	<u>\$323,645,288</u>	<u>\$323,862,564</u>

BIG LAKES COUNTY
Consolidated Statement of Changes in Net Financial Assets
For the Year Ended December 31, 2020

	2020 (Budget) <i>(Note 23)</i>	2020 (Actual)	2019 (Actual)
ANNUAL DEFICIT	\$ (5,827,346)	\$ (217,276)	\$ (2,441,544)
Purchase of tangible capital assets	(10,631,714)	(6,392,297)	(16,515,587)
Restructuring - tangible capital asset	-	-	(509,357)
Proceeds on disposal of tangible capital assets	-	260,603	658,142
Amortization of tangible capital assets	8,621,575	8,840,793	8,782,093
(Gain) loss on disposal of tangible capital assets	341,600	465,367	(367,008)
	<u>(1,668,539)</u>	<u>3,174,466</u>	<u>(7,951,717)</u>
Acquisition of inventories for consumption	-	(591,711)	(134,950)
Acquisition of prepaid expenses	-	(8,700)	(34,022)
	<u>-</u>	<u>(600,411)</u>	<u>(168,972)</u>
INCREASE (DECREASE) IN NET FINANCIAL ASSETS	(7,495,885)	2,356,779	(10,562,233)
NET FINANCIAL ASSETS, BEGINNING OF YEAR	26,015,999	26,015,999	36,578,232
NET FINANCIAL ASSETS, END OF YEAR	\$ 18,520,114	\$ 28,372,778	\$ 26,015,999

BIG LAKES COUNTY
Consolidated Statement of Cash Flows
For the Year Ended December 31, 2020

	2020	2019
OPERATING ACTIVITIES		
Annual deficit	\$ (217,276)	\$ (2,441,544)
Non-cash items included in annual surplus		
Loss (gain) on disposal of tangible capital assets	465,367	(367,008)
Amortization of tangible capital assets	8,840,793	8,782,093
Restructuring - tangible capital assets (Note 24)	-	(509,357)
Change in non-cash working capital balances		
Receivables	(4,471,869)	8,834,087
Prepaid expenses	(8,700)	(34,022)
Inventories for consumption	(591,711)	(134,950)
Accounts payable and accrued liabilities	(1,793,070)	(706,036)
Deposit liabilities	(6,978)	4,337
Deferred revenue	2,114,418	301,650
Land held for resale	-	35,000
Loan receivable	85,800	111,449
	<u>4,416,774</u>	<u>13,875,699</u>
INVESTING ACTIVITIES		
Disposal of investments	7,386,910	16,459,902
Purchase of investments	(6,564,541)	(13,265,229)
	<u>822,369</u>	<u>3,194,673</u>
FINANCING ACTIVITIES		
Long-term debt repayments	(451,197)	(783,446)
CAPITAL ACTIVITIES		
Purchase of tangible capital assets	(6,392,297)	(16,515,587)
Proceeds on disposal of tangible capital assets	260,603	658,142
	<u>(6,131,694)</u>	<u>(15,857,445)</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS DURING YEAR	(1,343,748)	429,481
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	753,117	323,636
CASH AND CASH EQUIVALENTS (BANK INDEBTEDNESS), END OF YEAR	\$ (590,631)	\$ 753,117

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, 2020

Schedule 1

	2020	2019
BALANCE, BEGINNING OF YEAR	\$294,503,234	\$285,768,071
Purchase of tangible capital assets	6,392,297	16,515,587
Cost of tangible capital assets disposed of	(1,635,355)	(1,825,223)
Accumulated amortization of tangible capital assets disposed of	909,385	1,534,089
Restructuring - tangible capital assets (<i>Note 24</i>)	-	509,357
Amortization of tangible capital assets	(8,840,793)	(8,782,093)
Long-term debt repayments	451,197	783,446
BALANCE, END OF YEAR	\$291,779,965	\$294,503,234
Equity in Tangible Capital Assets is Comprised of the Following:		
Tangible capital assets (net book value)	\$293,765,519	\$296,939,985
Capital long-term debt	(1,985,554)	(2,436,751)
	\$291,779,965	\$294,503,234

BIG LAKES COUNTY
Schedule of Net Taxation
For the Year Ended December 31, 2020

Schedule 2

	2020 (Budget)	2020 (Actual)	2019 (Actual)
TAXATION			
Real property taxes	\$ 15,498,506	\$ 15,546,737	\$ 15,260,601
Linear property taxes	11,762,807	11,762,807	12,055,457
Government grants in place of property taxes	1,167,789	1,169,011	1,113,908
Designated industrial property taxes	96,425	96,306	102,192
Local improvement taxes	21,365	134	(44,927)
	<u>28,546,892</u>	<u>28,574,995</u>	<u>28,487,231</u>
REQUISITIONS			
Alberta School Foundation Fund	4,929,196	4,444,131	4,882,983
Heart River Housing	499,545	499,436	277,153
Designated industrial property	96,425	96,454	101,354
	<u>5,525,166</u>	<u>5,040,021</u>	<u>5,261,490</u>
NET MUNICIPAL TAXES	<u>\$ 23,021,726</u>	<u>\$ 23,534,974</u>	<u>\$ 23,225,741</u>

BIG LAKES COUNTY
Schedule of Government Transfers
For the Year Ended December 31, 2020

Schedule 3

	2020 (Budget)	2020 (Actual)	2019 (Actual)
TRANSFERS FOR OPERATING			
Provincial government	\$ 534,792	\$ 969,593	\$ 811,118
Local governments	131,682	167,283	184,073
	<u>666,474</u>	<u>1,136,876</u>	<u>995,191</u>
TRANSFERS FOR CAPITAL			
Provincial government	3,957,665	2,393,364	5,642,277
Federal government	483,600	442,352	829
Local governments	-	-	140,378
	<u>4,441,265</u>	<u>2,835,716</u>	<u>5,783,484</u>
TOTAL GOVERNMENT TRANSFERS	<u>\$ 5,107,739</u>	<u>\$ 3,972,592</u>	<u>\$ 6,778,675</u>

BIG LAKES COUNTY
Schedule of Segmented Information
For the Year Ended December 31, 2020

Schedule 4

	Administration Services	Transportation Services	Protective Services	Utility Services	Recreation and Culture Services	All Other	Total
REVENUE							
Taxation	\$ 4,976,415	\$ 7,960,955	\$ 1,584,045	\$ 1,005,576	\$ 1,620,282	\$ 6,387,701	\$ 23,534,974
User fees and sales of goods	150,544	291,819	99,508	1,822,145	20,031	117,734	2,501,781
Government transfers	461,000	37,183	59,418	-	95,171	484,104	1,136,876
All other	4,478	57,018	9,490	8,184	1,724	2,062,250	2,143,144
	<u>5,592,437</u>	<u>8,346,975</u>	<u>1,752,461</u>	<u>2,835,905</u>	<u>1,737,208</u>	<u>9,051,789</u>	<u>29,316,775</u>
EXPENSES							
Materials, goods, and contracted and general services	712,105	5,141,611	719,097	1,609,539	137,964	528,062	8,848,378
Salaries, wages, and benefits	1,846,752	2,762,522	461,238	845,876	148,656	1,105,247	7,170,291
Bad debts - provision for allowances	2,852,733	-	-	-	-	-	2,852,733
Transfers to other governments	-	-	129,094	23,403	1,449,957	1,229,150	2,831,604
Utilities	61,269	164,904	70,723	230,051	-	1,033	527,980
Repairs and maintenance	40,002	108,967	318,654	99,075	-	6,415	573,113
Insurance	79,577	78,369	53,655	24,751	631	713	237,696
Interest on long-term debt	-	90,602	-	3,210	-	-	93,812
Amortization	177,183	6,846,196	307,917	1,488,248	-	21,249	8,840,793
	<u>5,769,621</u>	<u>15,193,171</u>	<u>2,060,378</u>	<u>4,324,153</u>	<u>1,737,208</u>	<u>2,891,869</u>	<u>31,976,400</u>
NET REVENUE (DEFICIT)	<u>\$ (177,184)</u>	<u>\$ (6,846,196)</u>	<u>\$ (307,917)</u>	<u>\$ (1,488,248)</u>	<u>\$ -</u>	<u>\$ 6,159,920</u>	<u>\$ (2,659,625)</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, 2019

Schedule 5

	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 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
Notes to Consolidated Financial Statements
For the Year Ended December 31, 2020

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 financial results of Big Lakes County Library Board.

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, 2020

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, 2020

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, 2022, 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, 2023, 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>2020</u>	<u>2019</u>
Operating bank accounts (bank indebtedness)	(593,736)	750,012
Cash on hand	3,105	3,105
	<u>\$ (590,631)</u>	<u>\$ 753,117</u>

BIG LAKES COUNTY
Notes to Consolidated Financial Statements
For the Year Ended December 31, 2020

3. INVESTMENTS

	<u>2020</u>	<u>2019</u>
Guaranteed Investment Certificates	\$ 13,479,818	\$ 17,426,390
Government and corporate bonds	8,578,371	12,877,871
Investment savings account	7,423,704	-
Other	61	61
	<u>\$ 29,481,954</u>	<u>\$ 30,304,322</u>

Guaranteed Investment Certificates bear interest at rates ranging from 0.95% to 2.82% per annum and mature at dates between September 2021 - October 2025.

Government and corporate bonds bear interest at rates between 1.87% - 2.36% per annum, maturing between September 2021 - November 2022. The market value of the government and corporate bonds at December 31, 2020 was \$8,815,705 (2019 - \$12,920,434).

Included in cash and cash equivalents are restricted amounts aggregating \$4,451,400 (2019 - \$2,336,982) to be used for specific capital and other projects, as detailed in *Note 7*.

4. RECEIVABLES

	<u>2020</u>	<u>2019</u>
Taxes and grants in place of taxes	\$ 8,938,485	\$ 3,152,270
Trade and other	1,754,815	3,206,629
Goods and Services Tax	398,159	186,371
Utilities	140,154	173,258
	<u>11,231,613</u>	<u>6,718,528</u>
Less: Allowance for doubtful accounts	<u>(2,662,894)</u>	<u>(2,621,677)</u>
	<u>\$ 8,568,719</u>	<u>\$ 4,096,851</u>

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 was unsecured, beared interest at 0.50% above the Royal Bank five year term Guaranteed Investment Certificate rate which was 3.00%, and was payable in quarterly blended amounts of \$29,030, paid off in August 15, 2020.

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	<u>2020</u>	<u>2019</u>
Trade and other accounts payable	\$ 2,241,845	\$ 4,048,448
Earned vacation liability	479,923	464,692
Accrued interest on long-term debt	7,981	9,679
	<u>\$ 2,729,749</u>	<u>\$ 4,522,819</u>

BIG LAKES COUNTY
Notes to Consolidated Financial Statements
For the Year Ended December 31, 2020

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.

	2019	Additions	Revenue Recognized	2020
Minister of Fisheries and Oceans	\$ -	\$ 2,000,000	\$ (328)	\$ 1,999,672
Municipal Sustainability Initiative	832,313	1,332,838	(647,395)	1,517,756
Federal Gas Tax Fund	1,080,745	235,099	(700,000)	615,844
Alberta Community Partnership	16,230	167,500	(66,230)	117,500
Watershed Resiliency and Restoration Program	-	148,700	(28,497)	120,203
Other	29,916	45,424	(24,915)	50,425
Municipal Stimulus Program	-	30,000	-	30,000
Alberta Transportation	377,778	310,000	(687,778)	-
	\$ 2,336,982	\$ 4,269,561	\$ (2,155,143)	\$ 4,451,400

8. LONG-TERM DEBT

	2020	2019
Government of Alberta debentures	\$ 1,985,554	\$ 2,436,751

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 2020 were \$95,509 (2019 - \$122,182).

Principal and interest payments are due as follows:

	Principal	Interest	Total
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
2025	6,568	1,254	7,822
Thereafter	14,343	1,303	15,646
	\$ 1,985,554	\$ 190,555	\$ 2,176,109

9. INVENTORIES FOR CONSUMPTION

	2020	2019
Gravel	\$ 993,510	\$ 383,061
Material and supplies	286,789	305,527
	\$ 1,280,299	\$ 688,588

BIG LAKES COUNTY
Notes to Consolidated Financial Statements
For the Year Ended December 31, 2020

10. TANGIBLE CAPITAL ASSETS

	2020 Net Book Value	2019 Net Book Value
Engineered structures		
Roadways and bridges	\$ 204,594,976	\$ 207,276,566
Water systems	37,070,870	27,825,499
Wastewater systems	16,175,499	16,688,490
Airport	3,896,383	470,118
Drainage systems	3,592,515	3,779,037
	265,330,243	256,039,710
Buildings	12,550,247	12,286,175
Machinery and equipment	6,354,200	6,032,703
Land	4,728,991	4,722,814
Vehicles	2,818,087	3,098,105
Land improvements	1,359,517	1,447,355
Construction in progress	624,234	13,313,123
	\$ 293,765,519	\$ 296,939,985

	Cost Beginning of Year	Additions	Disposals	Transfers	Cost End of Year
Engineering structures					
Roadways and bridges	\$ 311,776,901	\$ 1,551,311	\$ (12,526)	\$ 871,459	\$ 314,187,145
Water systems	39,843,133	10,413	-	9,925,966	49,779,512
Wastewater systems	23,450,825	-	-	-	23,450,825
Airports	4,355,755	-	-	3,480,954	7,836,709
Drainage systems	7,319,078	-	-	-	7,319,078
	386,745,692	1,561,724	(12,526)	14,278,379	402,573,269
Buildings	18,283,074	49,311	-	661,740	18,994,125
Machinery and equipment	11,397,880	1,686,057	(862,304)	82,092	12,303,725
Vehicles	6,093,932	257,651	(248,155)	2,100	6,105,528
Land	4,722,814	6,177	-	-	4,728,991
Land improvements	2,529,325	-	-	-	2,529,325
Construction in progress	13,313,123	2,831,377	(512,370)	(15,007,896)	624,234
	\$ 443,085,840	\$ 6,392,297	\$ (1,635,355)	\$ 16,415	\$ 447,859,197

	Accumulated Amortization Beginning of Year	Current Amortization	Disposals	Transfers	Accumulated Amortization End of Year
Engineered structures					
Roadways and bridges	\$ 104,500,335	\$ 5,104,360	\$ (12,526)	-	\$ 109,592,169
Water systems	12,017,634	676,693	-	14,315	12,708,642
Wastewater systems	6,762,335	512,991	-	-	7,275,326
Airports	3,885,637	54,689	-	-	3,940,326
Drainage systems	3,540,041	186,522	-	-	3,726,563
	130,705,982	6,535,255	(12,526)	14,315	137,243,026
Buildings	5,996,899	446,979	-	-	6,443,878
Machinery and equipment	5,365,177	1,233,052	(648,704)	-	5,949,525
Vehicles	2,995,827	537,669	(248,155)	2,100	3,287,441
Land improvements	1,081,970	87,838	-	-	1,169,808
	\$ 146,145,855	\$ 8,840,793	\$ (909,385)	\$ 16,415	\$ 154,093,678

BIG LAKES COUNTY
Notes to Consolidated Financial Statements
For the Year Ended December 31, 2020

11. ACCUMULATED SURPLUS

	2020	2019
Unrestricted surplus	\$ 5,556,234	\$ 1,494,879
Restricted surplus		
Operating reserves (Note 12)	7,949,685	8,182,789
Capital reserves (Note 12)	18,359,404	19,681,662
Equity in tangible capital assets (Schedule 1)	<u>291,779,965</u>	<u>294,503,234</u>
	<u>\$323,645,288</u>	<u>\$323,862,564</u>

12. RESTRICTED SURPLUS

	2020	2019
Operating Reserves		
Working capital	\$ 5,543,854	\$ 5,543,854
Resurfacing	645,786	960,786
Community facilities	384,142	384,142
Contingency	293,913	293,913
Medical equipment	258,500	258,500
Recreation	219,915	183,295
Winter maintenance control	104,387	104,387
Community Enhancement Fund	100,000	100,000
Culture	99,479	92,865
Family and Community Support Services	98,623	81,547
Enhanced policing	82,000	82,000
Water offsite levies	39,400	39,400
Cemeteries	26,700	26,700
Sewer offsite levies	25,400	25,400
Spruce Point Park Marina	19,586	-
Planning and development	8,000	6,000
	<u>\$ 7,949,685</u>	<u>\$ 8,182,789</u>
Capital Reserves		
Transportation	\$ 8,262,536	\$ 8,451,610
Gravel source and pit reclamation	2,601,858	2,381,858
Equipment replacement	2,427,759	2,295,137
Fire facility	1,480,847	1,380,847
Fire equipment	1,339,437	1,195,570
Water	568,886	(1,659,639)
High Prairie airport reserve	290,348	96,692
Building	281,455	405,715
Recreation and cultural	255,710	255,710
Waste transfer stations	239,684	239,684
Computer equipment	237,975	292,396
Economic Development	118,241	173,719
ASB equipment	91,669	71,669
Big Meadow Water Co-op	78,917	78,917
Sewer	78,539	4,016,234
Other	5,543	5,543
	<u>\$ 18,359,404</u>	<u>\$ 19,681,662</u>

BIG LAKES COUNTY
Notes to Consolidated Financial Statements
For the Year Ended December 31, 2020

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, 2020, the balance owing was \$NIL (2019 - \$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	2020	2019
Councillors:				
Ward 3 - Matthews (Reeve)	\$ 25,500	\$ 16,800	\$ 42,300	\$ 47,425
Ward 6 - Simard	19,500	19,000	38,500	50,300
Ward 9 - Stewart	19,250	15,000	34,250	41,000
Ward 8 - Charrois	15,000	15,000	30,000	31,250
Ward 1 - Marx	14,500	15,200	29,700	31,750
Ward 7 - Bissell	11,000	15,000	26,000	33,000
Ward 5 - Nygaard	10,750	15,000	25,750	34,250
Ward 4 - Killeen	10,750	15,000	25,750	32,750
Ward 2 - Welch	10,000	15,000	25,000	36,250
	<u>\$ 136,250</u>	<u>\$ 141,000</u>	<u>\$ 277,250</u>	<u>\$ 337,975</u>
Designated officers (7) (2019 - 7)	\$ 785,172	\$ 145,473	\$ 930,645	\$ 883,148
Chief Administrative Officer	\$ 188,397	\$ 36,173	\$ 224,570	\$ 204,733

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.

BIG LAKES COUNTY
Notes to Consolidated Financial Statements
For the Year Ended December 31, 2020

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 2020 were \$557,121 (2019 - \$553,609). Total current service contributions by the employees of the County to the LAPP in 2020 were \$505,445 (2019 - \$502,104).

At December 31, 2019 the Plan disclosed an actuarial surplus of \$7.913 billion (2018 - \$3.469 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 operating expenditures as determined by the Town of Swan Hills.

(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, High Prairie and District Municipal Airport, and Gilwood Transfer Station; 20% of the reclamation costs and annual monitoring costs of the High Prairie Landfill Site; and 50% of the annual High Prairie recycling contract.

(c) Heart River Housing Loan

The County has agreed in principle to a 10-year loan in an amount up to \$7 million to Heart River Housing at an interest rate equal to Government of Alberta debenture going rate in connection to a lodge expansion project.

BIG LAKES COUNTY
Notes to Consolidated Financial Statements
For the Year Ended December 31, 2020

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>2020</u>	<u>2019</u>
Total debt limit	\$ 43,975,163	\$ 43,910,961
Total debt (Note 8)	(1,985,554)	(2,436,751)
Amount of debt limit unused	\$ 41,989,609	\$ 41,474,210
Service on debt limit	\$ 7,329,194	\$ 7,318,494
Service on debt (Note 8)	(546,706)	(546,706)
Amount of service on debt limit unused	\$ 6,782,488	\$ 6,771,788

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, 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. Credit risk arises from the possibility that the County's customers may experience financial difficulty and be unable to fulfill their obligations. The County is exposed to the credit risk associated with fluctuations in the oil and gas industry as a significant portion of the property taxes outstanding at December 31, 2020 relate to linear property and are receivable from companies in the oil and gas industry. 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 \$33,617 due to (2019 - \$65,138) the High Prairie and District Regional Solid Waste Management Authority.

Other revenue includes management fees of \$10,000 (2019 - \$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, 2020

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>2020</u>	<u>2019</u>
Tax sale surplus	<u>\$ 35,920</u>	<u>\$ 35,568</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 2020 budget data presented in these financial statements is based on the operating and capital budgets approved by Council on April 24, 2019. The chart below reconciles the approved financial plan to the figures reported in these financial statements.

	<u>2020 (Budget)</u>	<u>2020 (Actual)</u>
Annual Surplus	\$ (5,827,346)	\$ (217,276)
Add back (deduct):		
Amortization expense	8,621,575	8,840,795
Transfers from capital reserves	4,491,349	1,322,258
Transfers from operating reserves	3,818,521	233,104
Purchase of tangible capital assets	(10,631,714)	(6,392,297)
Principal debt repayments	(472,385)	(451,197)
	<u>\$ -</u>	<u>\$ 3,335,387</u>

24. RESTRUCTURING

Under the terms of an Asset Purchase Agreement (the "Agreement") dated January 1, 2020, the County purchased all the assets of Westend Water Co-operative Association 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 Westend Water Co-operative Association Ltd.

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

Cash	<u>\$ 72,000</u>
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BIG LAKES COUNTY
Notes to Consolidated Financial Statements
For the Year Ended December 31, 2020

25. UNCERTAINTY DUE TO COVID-19

On March 11, 2020, the World Health Organization declared a global pandemic which has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures have caused significant disruptions to businesses, governments, and other organizations resulting in an economic slow-down and increased volatility. Governments have responded with significant monetary and fiscal interventions designed to stabilize economic conditions.

While COVID-19 has not significantly impacted the County's operations or financial condition to date, the rapidly evolving event, including health and safety conditions, economic environment and resulting government measures, creates a high level of uncertainty and risk that may have a financial impact on the County's activities, operations and financial condition in the future.

26. APPROVAL OF FINANCIAL STATEMENTS

These financial statements were approved by Council.
