

COUNTY OF TWO HILLS NO. 21
Financial Statements
Year Ended December 31, 2019

COUNTY OF TWO HILLS NO. 21
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Year Ended December 31, 2019

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MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

Management of the County of Two Hills No. 21 is responsible for the preparation, accuracy, objectivity and integrity of the accompanying consolidated financial statements and all other information contained within this Financial Report. Management believes that the consolidated financial statements present fairly the Municipality's financial position as at December 31, 2019, and the results of its operations for the year then ended.

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

The consolidated financial statements include certain amounts based on estimates and judgments. Such amounts have been determined on a reasonable basis in order to ensure that the consolidated financial statements are presented fairly in all material respects.

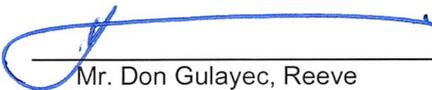
In fulfilling its responsibilities and recognizing the limits inherent in all systems, management has designed and maintains a system of internal controls to produce reliable information and to meet reporting requirements on a timely basis. The system is designed to provide management with reasonable assurance that transactions are properly authorized and assets are properly accounted for and safeguarded.

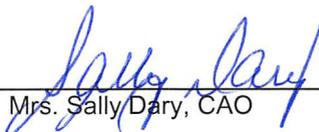
These systems are monitored and evaluated by management and reliable financial information is available for preparation of the consolidated financial statements.

The Municipality's Council carries out its responsibilities for review of the consolidated financial statements principally through its Audit Committee. This committee meets regularly with management and external auditors to discuss the results of audit examinations and financial reporting matters.

The external auditors have full access to the Audit Committee with and without the presence of management. The Municipality's Council has approved the consolidated financial statements.

The consolidated financial statements have been audited by Synergy Chartered Professional Accountants, independent external auditors appointed by the County. The accompanying Independent Auditor's Report outlines their responsibilities, the scope of their examination and their opinion on the Municipality's consolidated financial statements.


Mr. Don Gulayec, Reeve


Mrs. Sally Dary, CAO

Two Hills, Alberta
April 22, 2020

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Box 157, 4918 50 Avenue, Vegreville, Alberta T9C 1R2

INDEPENDENT AUDITOR'S REPORT

To the Members of County of Two Hills No. 21

Opinion

We have audited the consolidated financial statements of County of Two Hills No. 21 (the Municipality), which comprise the consolidated statement of financial position as at December 31, 2019, and the consolidated statements of operations and accumulated surplus and cash flows for the year 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 consolidated financial position of the Municipality as at December 31, 2019, and the consolidated results of its operations and consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards (PSAS).

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 Municipality in accordance with ethical requirements that are relevant to our audit of the consolidated 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.

Emphasis of Matter

We draw attention to Note 17 to the financial statements concerning the worldwide spread of a novel coronavirus known as COVID-19 subsequent to year-end. Our opinion is not modified in respect of this matter.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with PSAS, 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.

In preparing the consolidated financial statements, management is responsible for assessing the Municipality's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Municipality or to cease operations, or has no realistic alternative but to do so.

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

Auditor's 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 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 consolidated financial statements.

(continues)

Independent Auditor's Report to the Members of County of Two Hills No. 21 *(continued)*

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 Municipality'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 Municipality'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 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 auditor's report. However, future events or conditions may cause the Municipality 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.
- 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 255/00, we confirm that the Municipality is in compliance with the Debt Limit Regulation. A detailed account of the Entity's debt limit can be found in Note 12.
- **Supplementary Accounting Principles and Standards Regulation:**
In accordance with Alberta Regulation 313/00, 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 Sheryl Cymbaliuk, C.P.A., C.A.

Vegreville, Alberta
April 22, 2020

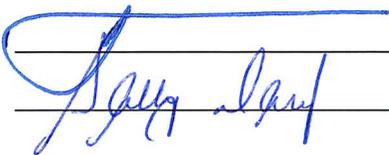
Synergy
Chartered Professional Accountants

COUNTY OF TWO HILLS NO. 21
Consolidated Statement of Financial Position
December 31, 2019

	2019	2018
FINANCIAL ASSETS		
Cash and temporary investments <i>(Note 4)</i>	\$ 20,781,262	\$ 20,808,782
Taxes and grants in place of taxes receivable <i>(Note 5)</i>	422,794	332,544
Receivables from other governments	142,529	306,707
Trade and other receivables	829,486	688,100
Long-term investments <i>(Note 6)</i>	43,007	43,007
Debt charges recoverable <i>(Note 7)</i>	379,187	418,914
	22,598,265	22,598,054
LIABILITIES		
Accounts payable and accrued liabilities	1,261,579	1,021,547
Employee benefit obligation <i>(Note 8)</i>	164,306	168,193
Deposit liabilities <i>(Note 9)</i>	277,826	259,799
Deferred revenue <i>(Note 10)</i>	892,159	1,125,676
Due to Regional Waste Management Commission <i>(Note 11)</i>	990,118	988,779
Long term debt <i>(Note 12)</i>	379,187	418,914
	3,965,175	3,982,908
NET FINANCIAL ASSETS	18,633,090	18,615,146
NON-FINANCIAL ASSETS		
Tangible capital assets <i>(Schedule 1)</i>	55,152,998	55,841,867
Inventory for consumption <i>(Note 13)</i>	2,635,220	1,370,155
Prepaid expenses	527,934	460,168
	58,316,152	57,672,190
ACCUMULATED SURPLUS <i>(Note 14) (Schedule 2)</i>	\$ 76,949,242	\$ 76,287,336

COMMITMENTS, CONTINGENCIES AND SUBSEQUENT EVENTS *(Note 15), (Note 16) & (Note 17)*

ON BEHALF OF THE COUNTY OF TWO HILLS NO. 21


 _____ Reeve

 Chief Administrative Officer

COUNTY OF TWO HILLS NO. 21
Consolidated Statement of Operations and Accumulated Surplus
Year Ended December 31, 2019

	Budget (Unaudited)	2019	2018
REVENUES			
Net municipal taxes <i>(Schedule 3)</i>	\$ 8,274,817	\$ 8,303,330	\$ 8,322,862
Sales of goods and services	3,256,956	3,405,406	4,782,310
Government transfers for operating <i>(Schedule 4)</i>	1,916,330	1,032,928	902,976
Investment income	280,000	489,871	414,379
Penalties and costs of taxes	71,000	236,198	186,949
Licenses and permits	43,800	52,363	24,268
Other	57,200	380,423	211,928
	13,900,103	13,900,519	14,845,672
EXPENSES			
Legislative	356,095	307,528	309,668
Administration	2,919,796	2,482,481	2,745,913
Protective services	508,900	470,007	440,064
Roads, streets, walks, lighting	10,220,045	7,557,896	10,784,434
Water supply and distribution	480,899	446,499	751,880
Waste management	370,354	584,204	371,432
Family and community support	122,776	122,776	122,776
Land use planning, zoning and development	89,638	32,109	88,681
Agriculture services	699,746	583,766	615,750
Subdivision land development	26,500	51,313	20,646
Parks and recreation	396,768	218,047	226,489
Library	43,355	43,354	42,772
Gas Utility	2,918,554	2,378,543	2,099,325
	19,153,426	15,278,523	18,619,830
EXCESS (SHORTFALL) OF REVENUES OVER EXPENSES BEFORE TRANSFERS FOR CAPITAL	(5,253,323)	(1,378,004)	(3,774,158)
Government transfers for capital <i>(Schedule 5)</i>	3,073,249	2,039,910	3,617,487
EXCESS (SHORTFALL) OF REVENUES OVER EXPENSES	(2,180,074)	661,906	(156,671)
ACCUMULATED SURPLUS - BEGINNING OF YEAR	76,287,336	76,287,336	76,444,007
ACCUMULATED SURPLUS - END OF YEAR	\$ 74,107,262	\$ 76,949,242	\$ 76,287,336

COUNTY OF TWO HILLS NO. 21**Consolidated Statement of Change in Net Financial Assets (Debt)****Year Ended December 31, 2019**

	Budget (Unaudited)	2019	2018
EXCESS (SHORTFALL) OF REVENUES OVER EXPENSES			
	\$ (2,180,074)	\$ 661,906	\$ (156,671)
Acquisition of tangible capital assets	(3,040,743)	(2,496,514)	(2,399,475)
Proceeds on disposal of tangible capital assets	317,900	55,625	299,254
Amortization of tangible capital assets	3,223,747	2,783,223	2,755,800
Amortization added to tangible capital assets	-	324,803	340,545
Loss on sale of tangible capital assets	-	88,703	84,306
Change in inventories and prepaid expenses	-	(1,332,830)	362,077
Adjustment to tangible capital assets	-	(66,972)	29,770
(DECREASE) INCREASE IN NET ASSETS (DEBT)	(1,679,170)	17,944	1,315,606
NET FINANCIAL ASSETS, BEGINNING OF YEAR	18,615,146	18,615,146	17,299,540
NET FINANCIAL ASSETS, END OF YEAR	\$ 16,935,976	\$ 18,633,090	\$ 18,615,146

COUNTY OF TWO HILLS NO. 21
Consolidated Statement of Cash Flows
Year Ended December 31, 2019

	2019	2018
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING		
Excess (shortfall) of revenue over expenses	\$ 661,906	\$ (156,671)
Non-cash items included in excess of revenue over expenses:		
Amortization of tangible capital assets	2,839,051	2,755,800
Amortization added to tangible capital assets	268,975	340,545
Loss on sale of tangible capital assets	51,032	86,772
Adjustment to tangible capital assets	(66,972)	29,770
	3,753,992	3,056,216
Non-cash charges to operations (net change):		
Taxes and grants in place of taxes receivable	(90,250)	(24,560)
Receivables from other governments	164,178	985,413
Trade and other receivables	(141,386)	131,949
Accounts payable and accrued liabilities	240,034	487,215
Employee benefit obligation	(3,888)	39,067
Deposit liabilities	18,027	16,104
Deferred revenue	(233,517)	(1,181,269)
Inventory for consumption	(1,265,065)	29,541
Prepaid expenses	(67,766)	332,537
	(1,379,633)	815,997
Cash provided by operating transactions	2,374,359	3,872,213
CAPITAL		
Acquisition of tangible capital assets	(2,496,514)	(2,399,475)
Proceeds on disposal of tangible capital assets	93,296	296,788
Cash applied to capital transactions	(2,403,218)	(2,102,687)
FINANCING		
Due to Regional Waste Management Commission	1,339	96,437
Payment (Advances) of note receivable	-	700,000
Repayment of long term debt	(39,727)	(107,092)
Debt charges recoverable	39,727	38,269
Cash provided by financing transactions	1,339	727,614
INVESTING		
Decrease (increase) in restricted cash or cash equivalents	207,793	1,150,925
CHANGE IN CASH AND CASH EQUIVALENTS DURING THE YEAR	180,273	3,648,065
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	19,522,335	15,874,270
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 19,702,608	\$ 19,522,335
CASH FLOWS SUPPLEMENTARY INFORMATION		
Interest received	\$ 406,463	\$ 357,810

(continues)

COUNTY OF TWO HILLS NO. 21
Consolidated Statement of Cash Flows *(continued)*
Year Ended December 31, 2019

	2019	2018
Interest paid	\$ 16,352	\$ 18,971
CASH CONSISTS OF:		
Cash and temporary investments <i>(Note 4)</i>	\$ 20,781,262	\$ 20,808,782
Less: restricted cash or cash equivalents <i>(Note 4)</i>	(1,078,654)	(1,286,447)
	\$ 19,702,608	\$ 19,522,335

COUNTY OF TWO HILLS NO. 21
Consolidated Schedule of Tangible Capital Assets
Year Ended December 31, 2019

(Schedule 1)

	Land	Land Improvements	Buildings	Engineered Structures	Machinery & Equipment	Vehicles	Assets under construction	2019	2018
COST									
BALANCE, BEGINNING OF YEAR	\$ 2,698,218	\$ 282,038	\$ 5,077,802	\$ 93,282,655	\$ 18,111,806	\$ 5,358,522	\$ 213,880	\$ 125,024,921	\$ 123,921,256
Acquisition of tangible capital assets	-	-	112,415	1,270,405	881,551	157,360	74,783	2,496,514	2,399,475
Disposal of tangible capital assets	(28,910)	(10,000)	-	(46,087)	(174,568)	(197,729)	-	(457,294)	(1,283,852)
Adjustment to tangible capital assets	-	-	110,880	129,785	21,800	-	(151,585)	110,880	(11,958)
BALANCE, END OF YEAR	2,669,308	272,038	5,301,097	94,636,758	18,840,589	5,318,153	137,078	127,175,021	125,024,921
ACCUMULATED AMORTIZATION									
BALANCE, BEGINNING OF YEAR	-	89,810	2,212,567	55,390,483	8,869,345	2,620,849	-	69,183,054	66,969,189
Annual amortization	-	12,774	86,432	1,869,043	812,765	327,012	-	3,108,026	3,096,345
Accumulated amortization on disposals	-	(1,200)	-	(42,942)	(127,765)	(141,058)	-	(312,965)	(900,292)
Adjustment to tangible capital assets	-	-	43,908	-	-	-	-	43,908	17,812
BALANCE, END OF YEAR	-	101,384	2,342,907	57,216,584	9,554,345	2,806,803	-	72,022,023	69,183,054
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	\$ 2,669,308	\$ 170,654	\$ 2,958,190	\$ 37,420,174	\$ 9,286,244	\$ 2,511,350	\$ 137,078	\$ 55,152,998	\$ 55,841,867
2018 NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	\$ 2,698,218	\$ 192,228	\$ 2,865,235	\$ 37,892,172	\$ 9,242,461	\$ 2,737,673	\$ 213,880	\$ 55,841,867	

COUNTY OF TWO HILLS NO. 21

Consolidated Schedule of Changes in Accumulated Surplus

(Schedule 2)

Year Ended December 31, 2019

	Unrestricted Surplus	Restricted Surplus	Equity in Tangible Capital Assets	2019	2018
BALANCE, BEGINNING OF YEAR	\$ 7,079,930	\$ 13,365,539	\$ 55,841,867	\$ 76,287,336	\$ 76,444,007
Excess (shortfall) of revenues over expenses	661,906	-	-	661,906	(156,671)
Restricted funds used for operations	(1,004,796)	1,004,796	-	-	-
Restricted funds used for tangible capital assets	-	(355,000)	355,000	-	-
Current year funds used for tangible capital assets	(2,141,514)	-	2,141,514	-	-
Disposal of tangible capital assets	144,329	-	(144,329)	-	-
Annual amortization expense	3,108,026	-	(3,108,026)	-	-
Adjustment to tangible capital assets	(66,972)	-	66,972	-	-
CHANGE IN ACCUMULATED SURPLUS	700,979	649,796	(688,869)	661,906	(156,671)
BALANCE, END OF YEAR	\$ 7,780,909	\$ 14,015,335	\$ 55,152,998	\$ 76,949,242	\$ 76,287,336

COUNTY OF TWO HILLS NO. 21**Consolidated Schedule of Property and Other Taxes****(Schedule 3)****Year Ended December 31, 2019**

	Budget (Unaudited)	2019	2018
TAXATION			
Residential land and improvements	\$ 2,508,807	\$ 2,406,331	\$ 2,265,382
Farmland	1,804,148	1,913,046	1,632,825
Non-residential land and improvements	346,354	338,797	331,066
Machinery and equipment	2,982	2,905	2,742
Linear property	5,907,740	5,884,659	6,321,275
	10,570,031	10,545,738	10,553,290
REQUISITIONS			
Alberta School Foundation Fund	1,842,404	1,789,709	1,828,757
ASFF Opted-out Boards	3,631	3,520	3,631
Eagle Hill Foundation	431,181	431,181	389,526
Designated Industrial Property	17,998	17,998	8,514
	2,295,214	2,242,408	2,230,428
	\$ 8,274,817	\$ 8,303,330	\$ 8,322,862

COUNTY OF TWO HILLS NO. 21

Consolidated Schedule of Government Transfers for Operating

(Schedule 4)

Year Ended December 31, 2019

	Budget (Unaudited)	2019	2018
TRANSFERS FOR OPERATING			
Provincial grants-operating	\$ 1,916,330	\$ 1,032,928	\$ 902,976

Consolidated Schedule of Government Transfers for Capital

(Schedule 5)

Year Ended December 31, 2019

	Budget (Unaudited)	2019	2018
TRANSFERS FOR CAPITAL			
Provincial grants-capital	\$ 3,073,249	\$ 2,039,910	\$ 3,550,940
Federal grants-capital	-	-	66,547
	\$ 3,073,249	\$ 2,039,910	\$ 3,617,487

Consolidated Schedule of Expenses by Object

(Schedule 6)

Year Ended December 31, 2019

	Budget (Unaudited)	2019	2018
EXPENSES			
Salaries, wages and benefits	\$ 6,036,369	\$ 4,920,018	\$ 5,147,964
Contracted and general services	1,873,156	2,178,257	1,918,156
Purchases from other governments	1,420,441	1,175,248	913,371
Materials, goods, supplies and utilities	4,987,654	2,900,832	6,278,515
Provision for allowances	922,000	692,386	979,775
Transfers to other governments	525,000	375,000	375,000
Transfers to local boards and agencies	148,855	148,504	147,972
Bank charges and short-term interest	16,204	16,352	17,742
Amortization of tangible capital assets	3,223,747	2,783,223	2,755,800
Loss on sale of tangible capital assets	-	88,703	84,306
Interest on operating long term debt	-	-	1,229
	\$ 19,153,426	\$ 15,278,523	\$ 18,619,830

COUNTY OF TWO HILLS NO. 21

Statement of Operating Revenue And Expenses For The Gas Utility

(Schedule 7)

Year Ended December 31, 2019

	Budget (Unaudited)	2019	2018
REVENUE	\$ 2,113,560	\$ 1,850,883	\$ 1,491,799
PURCHASES	1,410,000	1,164,707	897,267
GROSS PROFIT	703,560	686,176	594,532
OTHER OPERATING REVENUES			
Other sales and service	106,000	180,903	107,364
Penalties and interest income	42,000	39,840	55,475
Profit on capital construction	-	192,276	145,830
RMO station operating grant	25,000	25,300	25,500
Service charges	346,000	368,092	366,194
	519,000	806,411	700,363
EXPENSES			
Amortization	279,879	268,975	268,958
Bad debt expense (recovery)	10,000	3,875	(1,142)
Council remuneration	23,450	17,700	18,004
Insurance, permits, damage claims	41,850	40,450	36,749
Memberships, dues, fees	27,200	24,982	25,299
Office supplies	56,850	39,065	62,158
Professional fees	23,000	7,593	6,555
Repair and maintenance	148,000	23,951	32,059
Travel and training	12,400	12,360	14,209
Utilities	44,700	44,631	48,571
Vehicle and equipment costs	100,350	65,174	66,633
Wages and benefits	670,875	602,085	570,164
Materials and supplies	70,000	67,276	48,242
Loss on sale of tangible capital asset	-	(4,279)	5,599
	1,508,554	1,213,838	1,202,058
EXCESS (SHORTFALL) OF REVENUE OVER EXPENSES	\$ (285,994)	\$ 278,749	\$ 92,837

COUNTY OF TWO HILLS NO. 21
Consolidated Schedule of Segmented Disclosures
Year Ended December 31, 2019

(Schedule 8)

	General Government	Protective Services	Transportation Services	Planning & Development	Recreation & Culture	Environmental Services	Gas utility	Family & Community Support Services	2019
REVENUE									
Net municipal taxes	\$ 8,303,330	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 8,303,330
User fees & sales of goods	42,999	65,367	471,430	11,504	23,088	364,433	2,426,585	-	3,405,406
Government transfers	44,625	9,594	2,391,182	183,459	105,502	242,255	-	96,221	3,072,838
Investment income	476,838	-	-	-	-	-	13,033	-	489,871
Other revenues	356,001	3,556	50,591	28,639	-	12,521	217,676	-	668,984
	9,223,793	78,517	2,913,203	223,602	128,590	619,209	2,657,294	96,221	15,940,429
EXPENSES									
Salaries & wages	921,324	120,805	2,806,330	276,290	76,549	114,711	604,009	-	4,920,018
Contract & general services	410,007	64,374	745,900	149,633	28,444	618,114	161,785	-	2,178,257
Purchases from/transfers to other governments	375,001	-	-	10,540	-	-	1,164,707	-	1,550,248
Goods & supplies	333,285	210,596	1,665,731	209,673	-	179,870	178,901	122,776	2,900,832
Provision for allowances	688,371	-	-	-	-	140	3,875	-	692,386
Transfers to local boards	-	-	-	5,500	143,004	-	-	-	148,504
Other expenses	40,475	9,893	62,089	-	(3,694)	-	(3,708)	-	105,055
	2,768,463	405,668	5,280,050	651,636	244,303	912,835	2,109,569	122,776	12,495,300
NET REVENUE, BEFORE AMORTIZATION									
Amortization expense	6,455,330	(327,151)	(2,366,847)	(428,034)	(115,713)	(293,626)	547,725	(26,555)	3,445,129
	21,546	64,339	2,277,845	15,552	17,098	117,868	268,975	-	2,783,223
EXCESS (SHORTFALL) OF REVENUES OVER EXPENSES									
	\$ 6,433,784	\$ (391,490)	\$ (4,644,692)	\$ (443,586)	\$ (132,811)	\$ (411,494)	\$ 278,750	\$ (26,555)	\$ 661,906

COUNTY OF TWO HILLS NO. 21
Notes to Consolidated Financial Statements
Year Ended December 31, 2019

1. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements of the County of Two Hills No. 21 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 Chartered Professional Accountants of Canada. Significant aspects of the accounting policies adopted by the Municipality are as follows:

Reporting entity

The consolidated financial statements reflect the assets, liabilities, revenues and expenditures, changes in fund balances and change in financial position of the reporting entity. This entity is comprised of the municipal operations plus all of the organizations that are owned or controlled by the Municipality and are, therefore, accountable to the municipal Council for the administration of their financial affairs and resources.

The schedule of taxes levied also includes requisitions for education, health, social and other external organizations that are not part of the municipal reporting entity.

The statements include trust assets that are administered for the benefit of external parties. Interdepartmental and organizational transactions and balances are eliminated.

Basis of accounting

The consolidated financial statements are prepared using the accrual basis of accounting. The accrual basis of accounting records revenue as it is earned and measurable. Expenses are recognized as they are incurred and measurable based upon receipt of goods and services and/or the 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 tangible capital assets are acquired.

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, any eligibility criteria have been met, and reasonable estimates of the amounts can be determined.

Tax revenue

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

Requisitions operate as a flow through and are excluded from municipal revenue.

(continues)

COUNTY OF TWO HILLS NO. 21
Notes to Consolidated Financial Statements
Year Ended December 31, 2019

1. SIGNIFICANT ACCOUNTING POLICIES (*continued*)

Property tax revenue is based on market value of assessments determined in accordance with the Municipal Government Act. Tax rates are established annually. Taxation revenues are recorded at the time tax notices are issued. Assessments are subject to appeal.

Construction and borrowing costs associated with local improvement projects are recovered through annual special property tax assessment during the period of the related borrowings. These levies are collectible from property owners for work performed by the Municipality and are recognized as revenue in the year they are levied.

Cash and temporary investments

Cash includes cash and temporary investments. Cash equivalents are temporary investments in Guaranteed Investment Certificate's valued at cost plus accrued interest. The carrying amounts approximate fair value because they have maturities at the date of purchase of less than ninety days.

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.

Debt charges recoverable

Debt charges recoverable consist of amounts that are recoverable from municipal agencies or other local governments with respect to outstanding debentures. These recoveries are recorded at a value that equals the offsetting portion of the un-matured long term debt.

Requisition over-levy and under-levy

Over-levies and under-levies arise from the difference between the actual property tax 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.

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

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 (Debt) for the year.

(*continues*)

COUNTY OF TWO HILLS NO. 21
Notes to Consolidated Financial Statements
Year Ended December 31, 2019

1. SIGNIFICANT ACCOUNTING POLICIES (*continued*)

a) 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:

	<u>YEARS</u>
Land improvements	15-25
Buildings	25-50
Engineered structures	
Roads and bridges	20-40
Gas system	35-75
Water system	25-75
Wastewater system	35-75
Machinery and equipment	5-40
Vehicles	10

A full year annual amortization is recorded in the year of acquisition, or in the year the asset is put into service or construction is complete. No amortization is calculated in the year of disposal.

b) 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.

c) 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 operating leases and the related lease payments are charged to expenses as incurred.

d) Inventories

Inventories of materials and supplies for consumption are valued at the lower of cost or net realizable value with the cost being determined by the average cost method. Gravel inventory is valued at the amount of the royalty plus crushing costs.

Impairment of long lived assets

The municipality tests for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. Recoverability is assessed by comparing the carrying amount to the projected future net cash flows the long-lived assets are expected to generate through their direct use and eventual disposition. When a test for impairment indicates that the carrying amount of an asset is not recoverable, an impairment loss is recognized to the extent the carrying value exceeds its fair value.

(continues)

COUNTY OF TWO HILLS NO. 21
Notes to Consolidated Financial Statements
Year Ended December 31, 2019

1. SIGNIFICANT ACCOUNTING POLICIES (*continued*)

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles for local governments established by the 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.

Accounts receivable are stated after evaluation as to their delectability and an appropriate allowance for doubtful accounts is provided where considered necessary. The amounts recorded for valuation of tangible capital assets, the useful lives and related amortization of tangible capital assets are areas where management makes significant estimates and assumptions in determining the amount to be recorded in the financial statements.

Internally constructed tangible capital assets, mainly consisting of roads and the gas system are costed by using internal documents to determine the costs of the various components of the construction. Such documents include costing reports for projects, machines, timesheets etc. Gravel inventory is costed by a similar method using internal documents to determine the cost of crushing. As uncertainty inherently exists in the accurateness of these documents, actual results could differ from the accumulated costs.

Budget figures

Budget figures are included for information purposes only and are not audited.

COUNTY OF TWO HILLS NO. 21
Notes to Consolidated Financial Statements
Year Ended December 31, 2019

2. ADOPTION OF RECENT ACCOUNTING PRONOUNCEMENTS

The following accounting standards have been issued by the Chartered Professional Accountants of Canada (CPAC). (These sections are effective for fiscal periods beginning on or after April 1, 2018 and have been applied retrospectively).

Section PS 3430 - Restructuring Transactions

This section defines a restructuring transaction and establishes standards for recognizing and measuring assets and liabilities transferred in a restructuring transaction.

3. RECENT ACCOUNTING PRONOUNCEMENTS PUBLISHED BUT NOT ADOPTED

The following accounting standards have been issued by the Chartered Professional Accountants of Canada ("CPA Canada") but are not yet effective. The Municipality is currently evaluating the effect of adopting these standards on their consolidated financial statements.

Section PS 3450 - Financial Instruments

This section establishes recognition, measurement and disclosure requirements for financial instruments. The standard requires fair value measurement of equity instruments. All other financial instruments can be measured at cost/amortized cost or fair value at the election of the government. Unrealized gains and losses are presented in a new statement of re-measurement gains and losses. There is a requirement to disclose the nature and extent of risks arising from financial instruments and clarification is given for the de-recognition of financial liabilities. This standard is applicable for fiscal years beginning on or after April 1, 2019.

Section PS 1201 - Financial Statement Presentation

This section requires a new statement of re-measurement gains and losses separate from the statement of operations. Included in this new statement are the unrealized gains and losses arising for the re-measurement of financial instruments as well as government's proportionate share of other comprehensive income that arises when a government includes the results of government business enterprises and partnerships. This standard is applicable for fiscal years beginning on or after April 1, 2019.

Section PS 2601 - Foreign Currency Translation

This section requires that monetary assets and liabilities denominated in a foreign currency be adjusted to reflect the exchange rates in effect at the financial statement date. Unrealized gains and losses are to be presented in the new statement of re-measurement gains and losses. This section replaces PS2600 and is applicable for years beginning on or after April 1, 2019.

Section PS 3041 - Portfolio Investments

This section removes the distinction between temporary and portfolio investments. This section now includes pooled investments and was amended to conform to Financial Instruments PS3450. Upon adoption of PS3450 and PS3041 Temporary Investments PS3030 will no longer apply. This standard is applicable for fiscal years beginning on or after April 1, 2019.

Section PS 3280 - Asset Retirement Obligation

The section is intended to provide guidance on accounting for ARO's and will apply in years beginning on or after April 1, 2021.

(continues)

COUNTY OF TWO HILLS NO. 21
Notes to Consolidated Financial Statements
Year Ended December 31, 2019

3. RECENT ACCOUNTING PRONOUNCEMENTS PUBLISHED BUT NOT ADOPTED *(continued)*

Section PS 3400 - Revenue

This section will provide greater clarity on the difference between the exchange and non-exchange transactions. Applies in years beginning on or after April 1, 2022.

4. CASH AND TEMPORARY INVESTMENTS

	2019	2018
Cash	\$ 4,222,431	\$ 2,765,701
Temporary investments	16,558,831	18,043,081
	\$ 20,781,262	\$ 20,808,782

Bank indebtedness bears interest at prime plus 3% (2018 - prime plus 3%).

Temporary investments are Guaranteed Investment Certificates with original maturities of three months or less. Rates vary from 2.5% to 2.6%.

Council has designated funds of \$12,015,335 (2018 - \$13,365,539) included in the above amounts for restricted surplus.

Included in cash and temporary investments is a restricted amount of \$1,078,654 (2018 - \$1,286,447) comprised of \$277,826 (2018 - \$259,799) of deposit liabilities and \$800,828 (2018 - \$1,026,648) of deferred revenue received from various sources and held exclusively for approved projects *(Note 10)*.

5. TAXES AND GRANTS IN PLACE OF TAXES RECEIVABLE

	2019	2018
Current	\$ 836,738	\$ 1,118,648
Arrears	2,443,372	1,393,120
	3,280,110	2,511,768
Less: allowance for uncollectible accounts	(2,857,316)	(2,179,224)
	\$ 422,794	\$ 332,544

COUNTY OF TWO HILLS NO. 21
Notes to Consolidated Financial Statements
Year Ended December 31, 2019

6. LONG TERM INVESTMENTS

To be involved with Gas Alberta Inc., the municipality was required to invest in shares and a debenture with Gas Alberta Inc. to provide them with initial operating capital. The debenture is non-interest bearing.

Alberta Central East Water Corporation (ACE) - in order to participate in the water pipeline project, the County of Two Hills No. 21 had to subscribe to shares in the capital stock of ACE.

Details are as follows:

	2019	2018
788 Class A common shares in Gas Alberta Inc.	\$ 495	\$ 495
Debenture receivable from Gas Alberta Inc.	42,500	42,500
1,240 Class A common voting shares in ACE	12	12
	\$ 43,007	\$ 43,007

7. DEBT CHARGES RECOVERABLE

	2019	2018
Current debt charges recoverable	\$ 41,241	\$ 39,727
Non-current debt charges recoverable	337,946	379,187
	\$ 379,187	\$ 418,914

Principal and interest repayments are as follows:

	Principal	Interest	Total
2020	\$ 41,241	\$ 13,089	\$ 54,330
2021	42,813	11,517	54,330
2022	44,446	9,884	54,330
2023	46,142	8,188	54,330
2024	47,904	6,426	54,330
Thereafter	156,641	17,686	174,327
	\$ 379,187	\$ 66,790	\$ 445,977

The County of Two Hills No, 21 loaned \$500,000 to Eagle Hill Foundation (1995), bearing interest at 3.97%, payable in semi-annual payments of \$22,279, maturing March 15, 2026.

An additional \$150,000 was loaned to the Myrnam Seed Cleaning Co-op Ltd., bearing interest at 2.718% payable in semi-annual payments of \$4,886, maturing September 15, 2035.

These debt charges recoverable are the reciprocal payment of the Alberta Capital Finance loans taken on behalf of these two organizations. (Note 12) - Long-Term Debt.

COUNTY OF TWO HILLS NO. 21
Notes to Consolidated Financial Statements
Year Ended December 31, 2019

8. EMPLOYEE BENEFIT OBLIGATIONS

	2019	2018
Vacation	\$ 164,306	\$ 168,193

The vacation liability is comprised of the vacation 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. The municipality has accumulating non-vesting sick leave benefits.

9. DEPOSIT LIABILITIES

	2019	2018
Tax sale surplus	\$ 5,662	\$ 5,547
Public reserve	189,753	184,976
Road and gravel deposits	67,572	65,746
Premise deposits	1,000	1,000
Willingdon water service deposit	2,595	2,530
Signalta Resources deposit	11,244	-
	\$ 277,826	\$ 259,799

Tax sale surplus consists of surplus funds received from land sold at public auction. These funds are payable to the previous ratepayer under the the guidelines set out in the Municipal Government Act.

Public reserve consists of funds received for municipal reserve upon subdivision of land.

Premise deposits are amounts required to be paid to receive gas utility service.

10. DEFERRED REVENUE

Deferred revenue is comprised of the funds noted below, the use of which are externally restricted. These funds are recognized as revenue in the period they are used for in the purpose specified.

	2019	2018
Federal Gas Tax Refund	\$ 525,912	\$ 411,640
Roadway fee oiling	72,750	75,233
Alberta Community Partnership Grant	5,206	67,500
Bridge Upgrade Grant	54,266	53,199
Derwent - MSI, New Deal and Federal Gas Tax Refund	25,999	25,448
MSI - operating	-	12,214
Gas- infill deposits	14,000	7,000
Emergency Management Preparedness Program Grant	4,961	5,082
Pre-purchased gravel	3,081	3,081
Subdivision access	1,500	1,500
Willingdon Transitional funding	82,081	125,003
Hairy Hill Transitional funding	102,403	99,778
Willingdon - MSI - capital	-	195,553
Willingdon - Federal Gas Tax Refund	-	43,445
	\$ 892,159	\$ 1,125,676

(continues)

COUNTY OF TWO HILLS NO. 21
Notes to Consolidated Financial Statements
Year Ended December 31, 2019

10. DEFERRED REVENUE *(continued)*

	2019	2018
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Funding from various grant programs, organizations and individuals, remained unspent at the end of the current year. The use of these funds is restricted to eligible operating and capital projects as approved under the funding agreements or as indicated.

11. DUE TO TWO HILLS REGIONAL WASTE MANAGEMENT COMMISSION

	2019	2018
Due to Two Hills Regional Waste Management Commission	\$ 990,118	\$ 988,779
	\$ 990,118	\$ 988,779

The County of Two Hills No. 21 provides annual financial and payroll services for the Two Hills Regional Waste Management Commission. Operational and capital funds are retained by the Municipality to provide these services. Amounts due to the Commission are non-interest bearing and have no set repayment terms.

12. LONG TERM DEBT

	2019	2018
Debentures recoverable <i>(Note 7)</i>	\$ 379,187	\$ 418,914

Principal and interest repayments are as follows:

	Principal	Interest	Total
2020	\$ 41,241	\$ 13,089	\$ 54,330
2021	42,813	11,517	54,330
2022	44,446	9,884	54,330
2023	46,142	8,188	54,330
2024	47,904	6,426	54,330
Thereafter	156,641	17,686	174,327
	\$ 379,187	\$ 66,790	\$ 445,977

Debenture debt is repayable to the Alberta Capital Finance Authority and bears interest at rates ranging from 2.718% to 3.97% per annum, matures in periods 2026 through 2035. The average annual interest rate is 3.344% (2018 - 3.344%).

Debenture debt is issued on the credit and security of the County at large.

The County's total cash payments for interest were \$16,352 (2018 - \$18,971).

Interest on long-term debt amounted to nil (2018 - \$1,229).

COUNTY OF TWO HILLS NO. 21
Notes to Consolidated Financial Statements
Year Ended December 31, 2019

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 of Two Hills No. 21 be disclosed as follows:

	2019	2018
Total debt limit	\$ 20,850,779	\$ 22,268,508
Debt servicing limit	3,475,130	3,711,418
Amount of debt servicing limit unused	\$ 3,475,130	\$ 3,711,418

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 that could be at financial risk if further debt is acquired. The calculation taken alone does not represent the financial stability of the municipality. Rather, the financial statements must be interpreted as a whole.

13. INVENTORY FOR CONSUMPTION

Municipal inventories consist of the following:

	2019	2018
Public Works miscellaneous	\$ 310,666	\$ 326,940
Public Works fuel	13,978	3,076
Public Works gravel	1,668,360	902,948
Public Works coldmix	511,172	315
Agricultural services	67,638	76,566
Fire inventory	1,441	2,068
Water systems-inventory	9,704	9,257
	2,582,959	1,321,170
Gas utility	52,261	48,985
	\$ 2,635,220	\$ 1,370,155

COUNTY OF TWO HILLS NO. 21
Notes to Consolidated Financial Statements
Year Ended December 31, 2019

14. ACCUMULATED SURPLUS

Accumulated surplus consists of restricted and unrestricted amounts and equity in tangible capital assets as follows:

	2019	2018
Unrestricted surplus	\$ 7,780,909	\$ 7,079,930
Restricted surplus		
Reserve for future expenditures	5,578,522	5,660,740
Transportation capital replacement	3,395,347	3,395,347
General equipment replacement	2,209,774	2,209,774
Gas Utility	1,124,418	1,479,418
Roads	1,398,481	398,481
Gas Utility capital replacement	216,498	129,184
Ag Service Board capital replacement	36,608	36,608
Ag Service Board	34,344	34,344
Recreation	12,662	12,962
Water	8,681	8,681
Restricted surplus	14,015,335	13,365,539
Equity in tangible capital assets		
Tangible capital assets <i>(Schedule 1)</i>	127,175,021	125,024,921
Accumulated amortization <i>(Schedule 1)</i>	(72,022,023)	(69,183,054)
Equity in tangible capital assets	55,152,998	55,841,867
	\$ 76,949,242	\$ 76,287,336
Unrestricted surplus consists of the following:		
General Municipal	\$ 5,698,208	\$ 5,329,187
Gas Utility	2,082,701	1,750,743
	7,780,909	7,079,930
Restricted surplus consists of the following:		
General Municipal	12,674,420	11,756,937
Gas Utility	1,340,915	1,608,602
	14,015,335	13,365,539
Equity in tangible capital assets consists of the following:		
General Municipal	48,201,268	49,104,616
Gas Utility	6,951,730	6,737,251
	55,152,998	55,841,867
	\$ 76,949,242	\$ 76,287,336

COUNTY OF TWO HILLS NO. 21
Notes to Consolidated Financial Statements
Year Ended December 31, 2019

15. COMMITMENTS

The municipality has committed to contributing \$300,000 to the Two Hills Arena upgrade.

The municipality has long term lease and maintenance agreements with respect to office equipment. Future minimum lease payments as at December 31, 2019, are as follows, plus additional variable charges based on usage:

2020	\$	15,393
2021		12,781
2022		10,815
2023		<u>1,318</u>
	\$	<u>40,307</u>

16. CONTINGENCIES

The municipality has crushed gravel in many sites over the years. The liability for reclaiming the sites has not been determined and therefore has not been reflected in the financial statements.

17. SUBSEQUENT EVENTS

Coronavirus Disease 2019

Subsequent to year end, the municipality acknowledged the worldwide spread of a novel coronavirus known as COVID-19. This disease could have widespread implications to the municipality regarding possible asset impairment, valuation and impairment of receivables, loans and investments, human capital constraints, and mandated facility closures. The nature of the impact to the municipality is not yet known. The Two Hills Regional Emergency Management Plan is currently in the process of addressing a pandemic. At this time the municipality is considered a going concern and as such no adjustments have been made to the financial statement information.

COUNTY OF TWO HILLS NO. 21
Notes to Consolidated Financial Statements
Year Ended December 31, 2019

18. RELATED PARTY TRANSACTIONS

There were no related party transactions for the 2019 year.

19. SALARY, CONTRACTS AND BENEFITS DISCLOSURE

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

		Salary & Contracted amounts	Benefits & Allowances	2019	2018
Reeve	Gulayec	\$ 51,570	\$ 8,566	\$ 60,136	\$ 63,038
Councilors	Yakemchuk	49,410	10,935	60,345	56,001
	Odegard	31,050	5,823	36,873	37,781
	Phillips	38,880	7,526	46,406	41,783
	Saskiw	40,230	7,607	47,837	40,878
	CAO	151,107	19,364	170,471	165,194
Designated Officers	3 positions	303,220	40,581	343,801	327,517

1. Salary includes regular base pay, bonuses, overtime, lump sum payments, gross honoraria and any other direct cash remuneration.
2. Employer's share of all employee benefits and contributions or payments made on behalf of employees including pension, health care, dental coverage, vision coverage, group life insurance, accidental disability and dismemberment insurance, long and short-term disability plans, professional memberships and tuition.
3. If an automobile is provided, no amount is included in the benefits and allowances figure.
4. Benefits and allowances figures also include the employer's share of the costs of additional taxable benefits including special leave with pay, financial and retirement planning services, concessionary loans, travel allowances, car allowances and club memberships.

20. LOCAL AUTHORITIES PENSION PLAN

Employees of the municipality 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 by investment earnings of the LAPP Fund.

Contributions for current service are recorded as expenditures in the year in which they become due.

The municipality is required to make current service contributions to the LAPP of 8.39% of pensionable earnings up to the year's maximum pensionable earnings under the Canada Pension Plan and 12.84% on pensionable earnings above this amount.

Total current service contributions by the municipality to the LAPP in 2019 were \$343,028 (2018 - \$325,358). Total current service contributions by the employees of the municipality to the Local Authorities Pension Plan in 2019 were \$309,938 (2018 - \$296,938).

At December 31, 2018 the LAPP disclosed an actuarial surplus of \$3.47 billion.

COUNTY OF TWO HILLS NO. 21
Notes to Consolidated Financial Statements
Year Ended December 31, 2019

21. SEGMENTED DISCLOSURE

The County of Two Hills No. 21 provides a range of services to its ratepayers. For each reported segment, revenues and expenses represent both amounts that are directly attributable to the segment and amounts that are allocated on a reasonable basis. The accounting policies used in these segments are consistent with those followed in the preparation of the consolidated financial statements as disclosed in Note 1.

Refer to the Schedule of Segmented Disclosures (Schedule 8).

22. FINANCIAL INSTRUMENTS

The municipality's financial assets consist of cash and temporary investments, accounts receivable, investments, debt charges recoverable, and financial liabilities consists of accounts payable and accrued liabilities, wages payable, deposit liabilities, and long-term debt. It is management's opinion that the municipality is not exposed to significant interest or currency risks arising from these financial instruments.

The municipality 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 municipality 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.

Unless otherwise noted, the carrying value of the financial instrument approximates fair value.

23. APPROVAL OF FINANCIAL STATEMENTS

Council and Management have approved these financial statements.

24. COMPARATIVE FIGURES

Some of the comparative figures have been reclassified to conform to the current year's presentation.