

BIRCH HILLS COUNTY
Consolidated Financial Statements
For the Year Ended December 31, 2020

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

To the Members of Council of Birch Hills County

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 judgements 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 consolidated financial statements.

JDP Wasserman & Associates have been appointed by the Members of Council of Birch Hills County to express an opinion on the consolidated financial statements.

Rick Bastow
Chief Administrative Officer

Wanham, AB
April 13, 2021



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INDEPENDENT AUDITOR'S REPORT

To the Members of Council of Birch Hills County

Opinion

We have audited the consolidated financial statements of Birch Hills 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 notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the County as at December 31, 2020, and the results of its operations, changes in net financial assets and cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the County in accordance with ethical requirements that are relevant to our audit of 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.

Other Matter

The consolidated financial statements of the County for the year ended December 31, 2019, were audited by another auditor who expressed an unmodified opinion on those consolidated financial statements on March 12, 2020.

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 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.

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 related 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 (Members of Council) are responsible for overseeing the County's financial reporting process.

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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.

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 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 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.

Edmonton, Alberta
April 13, 2021


ISRAEL WASSERMAN PROFESSIONAL CORPORATION
CHARTERED PROFESSIONAL ACCOUNTANT

BIRCH HILLS COUNTY
Consolidated Statement of Financial Position
As at December 31, 2020

	2020	2019
FINANCIAL ASSETS		
Cash and cash equivalents <i>(Note 2)</i>	\$ 6,581,673	\$ 8,577,156
Accounts receivable <i>(Note 3)</i>	1,155,063	954,574
Land held for resale	6,684	6,684
Investments <i>(Note 4)</i>	<u>14,190,110</u>	<u>12,795,274</u>
	<u>21,933,530</u>	<u>22,333,688</u>
LIABILITIES		
Accounts payable and accrued liabilities <i>(Note 5)</i>	759,811	521,448
Deposit liabilities	21,876	18,318
Deferred revenue <i>(Note 7)</i>	<u>312,321</u>	<u>43,377</u>
	<u>1,094,008</u>	<u>583,143</u>
NET FINANCIAL ASSETS	<u>20,839,522</u>	<u>21,750,545</u>
NON-FINANCIAL ASSETS		
Prepaid expenses	103,391	117,980
Inventory for consumption	3,413,455	1,627,276
Tangible capital assets <i>(Schedule 1)</i>	<u>30,150,335</u>	<u>31,977,077</u>
	<u>33,667,181</u>	<u>33,722,333</u>
ACCUMULATED SURPLUS <i>(Note 9)</i>	<u>\$ 54,506,703</u>	<u>\$ 55,472,878</u>

CONTINGENCY *(Note 17)*

ON BEHALF OF COUNCIL:

_____ Reeve

_____ Councillor

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

	2020 (Budget) (Note 14)	2020 (Actual)	2019 (Actual)
REVENUES			
Net municipal property taxes (Schedule 3)	\$ 5,085,675	\$ 5,107,047	\$ 4,931,384
Government transfers for operating (Schedule 4)	532,152	797,542	463,024
Investment income	472,000	453,778	555,799
User fees and sales of goods	452,950	413,881	445,245
Penalties and costs on taxes	120,000	147,522	128,940
Other revenues	96,114	118,983	111,642
Well drilling	40,000	46,971	40,632
Rentals	27,610	27,544	33,565
Licenses and permits	5,000	6,280	3,245
Franchise and concession contracts (Note 11)	3,900	4,271	3,964
	<u>6,835,401</u>	<u>7,123,819</u>	<u>6,717,440</u>
EXPENSES			
Roads, streets, walks, lighting	5,613,443	5,156,848	5,671,911
General administration	1,682,974	1,652,499	1,561,487
Water supply and distribution	700,306	699,422	700,663
Economic and agricultural development	720,048	654,577	671,419
Fire fighting and protective services	256,182	195,116	181,713
Waste management	127,945	149,216	127,802
Council and legislative	162,385	138,867	152,391
Parks and recreation	145,877	137,658	139,543
Wastewater treatment and disposal	108,924	92,179	96,705
Public health and welfare	74,577	68,685	104,928
Land use planning, zoning and development	66,635	58,753	70,486
Culture	51,403	47,503	48,433
Ambulance and first aid	41,260	35,012	38,235
Disaster and emergency services	14,030	11,849	24,112
Storm sewers and drainage	10,000	1,615	9,530
Airport	500	500	500
Other planning and development	-	-	350,000
Cemetery	900	-	3,105
	<u>9,777,389</u>	<u>9,100,299</u>	<u>9,952,963</u>
ANNUAL DEFICIT BEFORE OTHER	<u>(2,941,988)</u>	<u>(1,976,480)</u>	<u>(3,235,523)</u>
OTHER REVENUES (EXPENSES)			
Government transfers for capital (Schedule 4)	696,043	1,026,305	849,935
Loss on disposal of tangible capital assets	(17,010)	(16,000)	(21,871)
	<u>679,033</u>	<u>1,010,305</u>	<u>828,064</u>
ANNUAL DEFICIT	<u>(2,262,955)</u>	<u>(966,175)</u>	<u>(2,407,459)</u>
ACCUMULATED SURPLUS - TO BEGIN YEAR	<u>55,472,878</u>	<u>55,472,878</u>	<u>57,880,337</u>
ACCUMULATED SURPLUS - END OF YEAR	<u>\$ 53,209,923</u>	<u>\$ 54,506,703</u>	<u>\$ 55,472,878</u>

The accompanying notes form an integral part of these consolidated financial statements.
JDP Wasserman & Associates /// Chartered Professional Accountants

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

	2020 (Budget) (Note 14)	2020 (Actual)	2019 (Actual)
ANNUAL DEFICIT	\$ (2,262,955)	\$ (966,175)	\$ (2,407,459)
Amortization of tangible capital assets	2,533,089	2,333,451	2,509,071
Purchase of tangible capital assets	(3,649,750)	(687,709)	(1,406,562)
Proceeds on disposal of tangible capital assets	-	165,000	353,886
Loss on disposal of tangible capital assets	17,010	16,000	21,871
Use (acquisition) of prepaid expenses	-	14,589	(5,587)
Use (acquisition) of inventory for consumption	-	(1,786,179)	571,117
	<u>(1,099,651)</u>	<u>55,152</u>	<u>2,043,796</u>
DECREASE IN NET FINANCIAL ASSETS	(3,362,606)	(911,023)	(363,663)
NET FINANCIAL ASSETS - BEGINNING OF YEAR	<u>21,750,545</u>	<u>21,750,545</u>	<u>22,114,208</u>
NET FINANCIAL ASSETS - END OF YEAR	<u>\$ 18,387,939</u>	<u>\$ 20,839,522</u>	<u>\$ 21,750,545</u>

BIRCH HILLS COUNTY
Consolidated Statement of Cash Flows
For the Year Ended December 31, 2020

	2020	2019
OPERATING ACTIVITIES		
Annual deficit	\$ (966,175)	\$ (2,407,459)
Item not affecting cash and cash equivalents:		
Amortization of tangible capital assets	2,333,451	2,509,071
Loss on disposal of tangible capital assets	16,000	21,871
	<u>1,383,276</u>	<u>123,483</u>
Changes in non-cash working capital:		
Accounts receivable	(200,489)	(240,882)
Accounts payable and accrued liabilities	238,363	(107,256)
Deposit liabilities	3,558	(6,755)
Deferred revenue	268,944	(359,385)
Prepaid expenses	14,589	(5,587)
Inventory for consumption	(1,786,179)	571,117
	<u>(1,461,214)</u>	<u>(148,748)</u>
Cash flow used by operating activities	<u>(77,938)</u>	<u>(25,265)</u>
INVESTING ACTIVITIES		
Purchase of tangible capital assets	(687,709)	(1,406,562)
Proceeds on disposal of tangible capital assets	165,000	353,886
Net change in investments	<u>(1,394,836)</u>	<u>2,133,580</u>
Cash flow from (used by) investing activities	<u>(1,917,545)</u>	<u>1,080,904</u>
CHANGE IN CASH AND CASH EQUIVALENTS	(1,995,483)	1,055,639
Cash and cash equivalents - beginning of year	<u>8,577,156</u>	<u>7,521,517</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 6,581,673	\$ 8,577,156

BIRCH HILLS COUNTY
Schedule of Tangible Capital Assets
For the Year Ended December 31, 2020

(Schedule 1)

	Land	Land Improvements	Buildings	Engineered Structures	Machinery and Equipment	Vehicles	2020	2019
COST								
BALANCE, BEGINNING OF YEAR	\$ 900,097	\$ -	\$ 6,680,051	\$ 178,742,590	\$ 4,578,628	\$ 2,238,405	\$193,139,771	\$192,743,064
Purchase of tangible capital assets	-	-	-	80,864	525,830	81,015	687,709	1,406,562
Disposal of tangible capital assets	-	-	-	-	(362,000)	-	(362,000)	(1,009,855)
BALANCE, END OF YEAR	\$ 900,097	\$ -	\$ 6,680,051	\$ 178,823,454	\$ 4,742,458	\$ 2,319,420	\$193,465,480	\$193,139,771
ACCUMULATED AMORTIZATION								
BALANCE, BEGINNING OF YEAR	\$ -	\$ -	\$ 1,957,164	\$ 156,248,374	\$ 1,570,021	\$ 1,387,135	\$161,162,694	\$159,287,721
Amortization of tangible capital assets	-	-	133,111	1,753,022	347,377	99,941	2,333,451	2,509,071
Disposal of tangible capital assets	-	-	-	-	(181,000)	-	(181,000)	(634,098)
BALANCE, END OF YEAR	\$ -	\$ -	\$ 2,090,275	\$ 158,001,396	\$ 1,736,398	\$ 1,487,076	\$163,315,145	\$161,162,694
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	\$ 900,097	\$ -	\$ 4,589,776	\$ 20,822,058	\$ 3,006,060	\$ 832,344	\$ 30,150,335	\$ 31,977,077
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS, 2019	\$ 900,097	\$ -	\$ 4,722,887	\$ 22,494,216	\$ 3,008,607	\$ 851,270		\$ 31,977,077

Included in the net book value of tangible capital assets is work-in-progress of \$Nil (2019 - \$Nil).

BIRCH HILLS COUNTY
Schedule of Equity in Tangible Capital Assets *(Schedule 2)*
For the Year Ended December 31, 2020

	2020	2019
BALANCE, BEGINNING OF YEAR	\$ 31,977,077	\$ 33,455,343
Purchase of tangible capital assets	687,709	1,406,562
Amortization of tangible capital assets	(2,333,451)	(2,509,071)
Cost of tangible capital assets disposed of	(362,000)	(1,009,855)
Accumulated amortization of tangible capital assets disposed	181,000	634,098
BALANCE, END OF YEAR	\$ 30,150,335	\$ 31,977,077
Equity in tangible capital assets is comprised of:		
Net book value of tangible capital assets <i>(Schedule 1)</i>	\$ 30,150,335	\$ 31,977,077

BIRCH HILLS COUNTY
Schedule of Property Taxes
For the Year Ended December 31, 2020

(Schedule 3)

	2020 (Budget) (Note 14)	2020 (Actual)	2019 (Actual)
TAXATION			
Real property taxes	\$ 3,064,478	\$ 3,109,407	\$ 2,937,544
Designated industrial property taxes	2,845,106	2,836,310	2,818,250
Government grants in lieu of property taxes	21,009	21,009	19,415
	<u>\$ 5,930,593</u>	<u>\$ 5,966,726</u>	<u>\$ 5,775,209</u>
REQUISITIONS			
Alberta School Foundation Fund	\$ 817,440	\$ 833,553	\$ 817,440
Grande Spirit Foundation	14,278	14,278	13,890
Designated Industrial Property	13,200	11,848	12,495
	<u>\$ 844,918</u>	<u>\$ 859,679</u>	<u>\$ 843,825</u>
NET MUNICIPAL PROPERTY TAXES	<u>\$ 5,085,675</u>	<u>\$ 5,107,047</u>	<u>\$ 4,931,384</u>

BIRCH HILLS COUNTY
Schedule of Government Transfers
For the Year Ended December 31, 2020

(Schedule 4)

	2020 (Budget) (Note 14)	2020 (Actual)	2019 (Actual)
TRANSFERS FOR OPERATING			
Provincial government	\$ 520,052	\$ 780,742	\$ 448,424
Federal government	12,100	16,800	12,600
Local government	-	-	2,000
	<u>\$ 532,152</u>	<u>\$ 797,542</u>	<u>\$ 463,024</u>
TRANSFERS FOR CAPITAL			
Provincial government	\$ 696,043	\$ 1,026,305	\$ 849,935
TOTAL GOVERNMENT TRANSFERS	<u>\$ 1,228,195</u>	<u>\$ 1,823,847</u>	<u>\$ 1,312,959</u>

BIRCH HILLS COUNTY
Schedule of Expenses by Object
For the Year Ended December 31, 2020

(Schedule 5)

	2020 (Budget) (Note 14)	2020 (Actual)	2019 (Actual)
Salaries, wages and benefits	\$ 2,960,143	\$ 2,722,442	\$ 2,793,796
Amortization of tangible capital assets	2,533,089	2,333,451	2,509,071
Contracted and general services	1,675,705	1,619,118	1,571,343
Materials, goods and utilities	1,711,625	1,499,851	1,839,022
Provision for allowances	600,000	631,227	572,033
Transfers to local boards and agencies	200,327	198,712	193,515
Transfers to individuals and organizations	74,200	68,593	67,946
Bank charges and short-term interest	18,200	26,905	18,181
Transfers to other governments	4,100	-	388,056
	\$ 9,777,389	\$ 9,100,299	\$ 9,952,963

BIRCH HILLS COUNTY
Schedule of Segmented Disclosure
For the Year Ended December 31, 2020

(Schedule 6)

	General government	Protective services	Transportation services	Environmental services	Health and welfare	Planning and development	Recreation and culture	2020
REVENUES								
Net municipal property taxes	\$ 931,333	\$ 198,318	\$ 3,214,106	\$ -	\$ 21,039	\$ 574,096	\$ 168,155	\$ 5,107,047
Government transfers for operating	162,256	22,000	447,109	-	47,606	118,571	-	797,542
Investment income	453,778	-	-	-	-	-	-	453,778
User fees and sales of goods	6,563	21,614	62,021	321,546	-	2,137	-	413,881
Penalties and costs on taxes	147,522	-	-	-	-	-	-	147,522
Other revenues	32,105	45	53,212	11,358	40	12,245	9,978	118,983
Well drilling	46,971	-	-	-	-	-	-	46,971
Rentals	10,838	-	9,944	4,005	-	-	2,757	27,544
Licenses and permits	-	-	-	-	-	6,280	-	6,280
Franchise and concession contracts	-	-	-	-	-	-	4,271	4,271
	\$ 1,791,366	\$ 241,977	\$ 3,786,392	\$ 336,909	\$ 68,685	\$ 713,329	\$ 185,161	\$ 7,123,819
EXPENSES								
Salaries, wages and benefits	\$ 738,950	\$ 13,896	\$ 1,221,858	\$ 334,269	\$ 8,295	\$ 393,719	\$ 11,455	\$ 2,722,442
Contracted and general services	307,825	115,470	856,593	222,401	346	112,425	4,058	1,619,118
Materials, goods and utilities	59,296	23,296	1,126,107	126,517	-	150,557	14,078	1,499,851
Provision for allowances	630,077	1,150	-	-	-	-	-	631,227
Transfers to local boards and agencies	-	-	-	-	53,035	-	145,677	198,712
Transfer to individuals & organizations	1,200	32,000	500	-	-	25,000	9,893	68,593
Bank charges and short-term interest	26,905	-	-	-	-	-	-	26,905
	1,764,253	185,812	3,205,058	683,187	61,676	681,701	185,161	6,766,848
NET REVENUE (DEFICIT) BEFORE AMORTIZATION OF TANGIBLE CAPITAL ASSETS	\$ 27,113	\$ 56,165	\$ 581,334	\$ (346,278)	\$ 7,009	\$ 31,628	\$ -	\$ 356,971
Amortization of tangible capital assets	\$ 27,113	\$ 56,165	\$ 1,953,906	\$ 257,630	\$ 7,009	\$ 31,628	\$ -	\$ 2,333,451
NET REVENUE (DEFICIT)	\$ -	\$ -	\$ (1,372,572)	\$ (603,908)	\$ -	\$ -	\$ -	\$ (1,976,480)

The accompanying notes form an integral part of these consolidated financial statements.
JDP Wasserman & Associates /// Chartered Professional Accountants

BIRCH HILLS COUNTY
Schedule of Segmented Disclosure
For the Year Ended December 31, 2019

(Schedule 7)

	General government	Protective services	Transportation services	Environmental services	Health and welfare	Planning and development	Recreation and culture	2019
REVENUES								
Net municipal property taxes	\$ 4,931,384	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,931,384
Investment income	555,799	-	-	-	-	-	-	555,799
Government transfers for operating	1	2,000	286,972	-	47,605	126,446	-	463,024
User fees and sales of goods	5,358	49,397	57,318	330,022	-	3,150	-	445,245
Penalties and costs on taxes	128,940	-	-	-	-	-	-	128,940
Other revenues	30,650	12,688	20,767	20,174	11	17,414	9,938	111,642
Well drilling	40,632	-	-	-	-	-	-	40,632
Rentals	15,700	-	8,844	4,000	-	-	5,021	33,565
Franchise and concession contracts	-	-	-	-	-	-	3,964	3,964
Licenses and permits	-	-	-	-	-	3,245	-	3,245
	<u>\$ 5,708,464</u>	<u>\$ 64,085</u>	<u>\$ 373,901</u>	<u>\$ 354,196</u>	<u>\$ 47,616</u>	<u>\$ 150,255</u>	<u>\$ 18,923</u>	<u>\$ 6,717,440</u>
EXPENSES								
Salaries, wages and benefits	\$ 742,828	\$ 35,022	\$ 1,264,176	\$ 329,014	\$ 11,437	\$ 398,215	\$ 13,104	\$ 2,793,796
Materials, goods and utilities	54,061	35,883	1,416,460	148,701	-	165,262	18,655	1,839,022
Contracted and general services	296,710	71,836	887,954	195,553	115	114,951	4,224	1,571,343
Provision for allowances	572,033	-	-	-	-	-	-	572,033
Transfers to other governments	-	-	-	-	38,056	350,000	-	388,056
Transfers to local boards and agencies	-	-	-	-	51,415	-	142,100	193,515
Transfer to individuals & organizations	2,953	32,000	500	-	-	22,600	9,893	67,946
Bank charges and short-term interest	18,181	-	-	-	-	-	-	18,181
	<u>1,686,766</u>	<u>174,741</u>	<u>3,569,090</u>	<u>673,268</u>	<u>101,023</u>	<u>1,051,028</u>	<u>187,976</u>	<u>7,443,892</u>
NET REVENUE (DEFICIT) BEFORE AMORTIZATION OF TANGIBLE CAPITAL ASSETS	<u>\$ 4,021,698</u>	<u>\$ (110,656)</u>	<u>\$ (3,195,189)</u>	<u>\$ (319,072)</u>	<u>\$ (53,407)</u>	<u>\$ (900,773)</u>	<u>\$ (169,053)</u>	<u>\$ (726,452)</u>
Amortization of tangible capital assets	<u>\$ 27,112</u>	<u>\$ 69,319</u>	<u>\$ 2,112,852</u>	<u>\$ 251,902</u>	<u>\$ 7,009</u>	<u>\$ 40,877</u>	<u>\$ -</u>	<u>\$ 2,509,071</u>
NET REVENUE (DEFICIT)	<u>\$ 3,994,586</u>	<u>\$ (179,975)</u>	<u>\$ (5,308,041)</u>	<u>\$ (570,974)</u>	<u>\$ (60,416)</u>	<u>\$ (941,650)</u>	<u>\$ (169,053)</u>	<u>\$ (3,235,523)</u>

The accompanying notes form an integral part of these consolidated financial statements.
JDP Wasserman & Associates /// Chartered Professional Accountants

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

1. ACCOUNTING POLICIES

The consolidated financial statements of Birch Hills County (the "County") are the representations of 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

The consolidated financial statements reflect the assets, liabilities, revenues and expenses, and cash flows of the reporting entity. The entity is comprised of all the organizations that are owned or controlled by the County and are, therefore, accountable to County Council for the administration of their financial affairs and resources.

The schedule of property taxes also includes requisitions that are not part of the reporting entity.

The consolidated financial statements exclude trust assets that are administered for the benefit of external parties.

(b) Basis of Accounting

The County follows the accrual basis of accounting. Revenues are accounted for in the period in which the transactions or events occurred that gave rise to the revenues. Expenses are recognized in the period the goods and services are acquired and a liability is incurred or transfers are due.

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 revenues in the period that the events giving rise to the transfer occurred, providing the transfers are authorized, the County has met any eligibility criteria, and reasonable estimates of the amounts can be made.

(c) Cash and Cash Equivalents

Cash and cash equivalents includes items that are readily convertible to known amounts of cash, are subject to an insignificant risk of change in value, and have a maturity of 90 days or less at acquisition.

(d) Investments

Investments are recorded at amortized cost. Investment premiums and discounts are amortized over the term of the respective investments. 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. Gains on principal protected notes are recognized as income when sold.

(e) 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 such as clearing, stripping and leveling charges. Related development costs incurred to provide infrastructure such as water and wastewater services, roads, sidewalks and street lighting are recorded as physical assets under the respective function.

(continues)

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

1. ACCOUNTING POLICIES (continued)

(f) 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 annual surplus (deficit), provides the Consolidated Statement of Changes in Net Financial Assets for the year (page 7).

(g) 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.

(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 the estimated useful life as follows:

Buildings	25 - 50 years
Engineered structures:	
Bridges	variable
Water system	40 years
Wastewater system	40 years
Other engineered structures	20 - 40 years
Machinery and equipment	5 - 15 years
Vehicles	7 - 15 years

Tangible capital assets received as contributions are recorded at fair value at the date of receipt and also are recorded as revenue. Tangible capital assets received or purchased as part of a restructuring transaction are recorded at carrying value at the date of receipt and also are recorded as revenue.

Tangible capital assets under construction are not amortized until the asset is substantially complete and available for productive use. Those tangible capital assets not meeting this criteria are categorized as work-in-progress as of year-end.

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

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.

(i) Landfill Closure and Post-Closure Liability

Pursuant to the *Alberta Environmental Protection and Enhancement Act*, the County is required to fund the closure of its landfill site and provide for post-closure costs of the facility. Closure and post-closure activities include the final clay cover, landscaping, as well as surface and ground water monitoring, leachate control, and visual inspection. The requirement is to be provided for over the estimated remaining useful life of the landfill site based on usage.

(continues)

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

1. ACCOUNTING POLICIES (continued)

(j) Contaminated Sites

Contaminated sites are defined as a 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.

(k) Tax Revenue

Property taxes are recognized as revenue in the year they are levied.

Construction and borrowing costs associated with local improvement projects are recovered through annual special assessments during the period of the related borrowings. These levies are collectable from property owners for work performed by the County and are recognized as revenue in the year in which the local improvement project is completed.

(l) Requisition Over-levies and Under-levies

Requisition 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. If 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.

(m) Use of Estimates

The preparation of 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 revenues 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 accrued liabilities including landfill closure and post-closure, tangible capital asset useful lives as well as provisions made for allowances for amounts receivable or any provision for impairment. There is a high degree of measurement uncertainty in the allowance for uncollectable taxes. A large amount of taxes receivable are on linear / designated industrial properties which are much more difficult to recover than taxes receivable on land and improvements.

(n) New Accounting Standards not yet Adopted

Effective for fiscal years beginning on or after April 1, 2022, *PS3280 Asset Retirement Obligations* provides guidance on how to account for and report liabilities for retirement of tangible capital assets including landfill closure and post-closure costs.

Effective for fiscal years beginning on or after April 1, 2023, *PS3400 Revenue* provides guidance on how to account for and report revenue, and specifically, it addresses revenue arising from exchange transactions and unilateral transactions.

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

2. CASH AND CASH EQUIVALENTS

	2020	2019
Notice on amount bank account	\$ 3,745,059	\$ 3,711,490
Operating bank account	2,809,036	2,320,771
Investment portfolio cash accounts	26,878	2,544,295
Petty cash	700	600
	<u>\$ 6,581,673</u>	<u>\$ 8,577,156</u>

The notice on amount bank account requires 90 days to access funds and earns interest at between 1.5% to 2.45% per annum.

3. ACCOUNTS RECEIVABLE

	2020	2019
Taxes and grants in place of taxes	\$ 1,556,082	\$ 1,363,342
Receivable from other governments	689,349	452,491
Accrued interest	70,373	71,885
Goods and Services Tax recoverable	58,868	11,994
Utility accounts	43,150	38,781
Trade and other	40,887	95,241
	<u>2,458,709</u>	<u>2,033,734</u>
Less: allowance for doubtful accounts	<u>(1,303,646)</u>	<u>(1,079,160)</u>
	<u>\$ 1,155,063</u>	<u>\$ 954,574</u>

4. INVESTMENTS

	2020 Market Value	2020 Cost	2019 Market Value	2019 Cost
Guaranteed investment certificates	\$ 10,131,322	\$ 10,131,322	\$ 9,119,051	\$ 9,119,051
Government bonds	3,174,696	3,155,136	2,327,634	2,270,933
Corporate bonds	944,153	903,652	1,407,543	1,405,210
Debenture shares	-	-	80	80
	<u>\$ 14,250,171</u>	<u>\$ 14,190,110</u>	<u>\$ 12,854,308</u>	<u>\$ 12,795,274</u>

Investments bear interest at effective rates ranging from 1.01% to 3.99% (2019 - 1.55% - 4.00%) per annum and mature at dates between January 2021 - December 2025 (2019 - June 2020 - June 2027).

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

5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2020	2019
Trade and other	\$ 368,785	\$ 286,305
Construction holdbacks payable	158,198	-
Employee earned vacation, sick and overtime liability	132,828	135,143
Landfill closure and post-closure liability (<i>Note 6</i>)	100,000	100,000
	\$ 759,811	\$ 521,448

6. LANDFILL CLOSURE AND POST-CLOSURE LIABILITY

Alberta environmental law requires closure and post-closure care of landfill sites, which includes final covering and landscaping, pumping of ground water and leachates from the site, and ongoing environmental monitoring, site inspections and maintenance.

The accrued liability for closure and post-closure on the County's landfill is recognized, using management's estimated costs for closure and post-closure care. Management is unable to estimate how many years that post-closure care could be required.

The County has not designated assets for settling closure and post-closure liabilities. Estimated closure costs are \$60,000 and estimated post-closure costs are \$40,000.

7. DEFERRED REVENUE

Deferred revenue represents unspent externally restricted funds that are related to expenses that will be incurred in a future period.

	2020	2019
Federal Gas Tax Fund	\$ 308,352	\$ 43,377
Other	3,969	-
	\$ 312,321	\$ 43,377

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

8. 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:

	2020	2019
Total debt limit	\$ 10,685,729	\$ 10,120,095
Total debt	-	-
Service on debt limit	\$ 1,780,955	\$ 1,686,683
Service on debt	-	-

The debt limit is calculated at 1.5 times revenues of the County (as defined by Regulation 255/00) and the debt service limit is calculated at 0.25 times such revenues. 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 stability of the County. Rather, the consolidated financial statements must be interpreted as a whole.

9. ACCUMULATED SURPLUS

	2020	2019
Unrestricted surplus	\$ 3,120,650	\$ 5,633,809
Restricted surplus		
Operating reserves (<i>Note 10</i>)	7,789,372	7,165,645
Capital reserves (<i>Note 10</i>)	13,446,346	10,696,347
Equity in tangible capital assets (<i>Schedule 2</i>)	30,150,335	31,977,077
	\$ 54,506,703	\$ 55,472,878

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

10. RESTRICTED SURPLUS

	2020	2019
Operating Reserves		
Tax rate stabilization	\$ 7,789,372	\$ 7,165,645
 Capital Reserves		
Roads, streets, walks, lighting	\$ 5,818,293	\$ 5,818,293
Contingency	4,991,702	2,241,703
Water supply and distribution	897,719	897,719
Waste management	887,393	887,393
Fire fighting and protective services	317,620	317,620
Airport	207,000	207,000
Recreation and culture	198,135	198,135
Other public health and welfare	100,000	100,000
General administration	14,851	14,851
Council and legislative	13,633	13,633
	\$ 13,446,346	\$ 10,696,347

11. FRANCHISE AND CONCESSION CONTRACTS

Disclosure of franchise fees under each utility franchise agreement entered into by the County as required by Alberta Regulation 313/2000 is as follows:

	2020 (Budget) <i>(Note 14)</i>	2020 (Actual)	2019 (Actual)
ATCO natural gas	\$ 3,900	\$ 4,271	\$ 3,964

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

12. SALARIES AND BENEFITS DISCLOSURE

Disclosure of salaries and benefits for County officials, the County Chief Administrative Officer and designated officers are required by Alberta Regulation 313/200 is as follows:

	Salary (1)	Benefits (2)	2020	2019
Reeve Mazulenko	\$ 13,445	\$ 522	\$ 13,967	\$ 13,027
Councillors				
Joudrey	17,931	3,585	21,516	21,938
Wendland	14,619	3,412	18,031	18,032
Carbone	12,467	3,299	15,766	16,616
Poetker	14,619	-	14,619	16,418
Duval	13,641	532	14,173	14,848
Reum	13,250	512	13,762	12,016
Chief Administrative Officer				
Bastow	82,922	19,456	102,378	-
Minderlein	74,909	18,030	92,939	186,922
	\$ 257,803	\$ 49,348	\$ 307,151	\$ 299,817

In 2020 the County designated Rod Guttinger as County Assessor and Designated Officer by way of Bylaw No. 2020-06. Contracted services of \$88,795 was paid for assessment services in the year.

(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. Benefits also include the employer's share of the costs of additional taxable benefits including special leave with pay, financial planning services, retirement planning services, concessionary loans, travel allowances, car allowances and club memberships.

13. 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 at 9.39% (2019 - 9.39%) of pensionable earnings up to the year's maximum pensionable earnings under the Canada Pension Plan and 13.84% (2019 - 13.84%) on pensionable earnings above this amount. Employees of the County are required to make current service contributions of 8.39% (2019 - 8.39%) of pensionable earnings up to the year's maximum pensionable earnings and 12.84% (2019 - 12.84%) on pensionable earnings above this amount.

Total current and past service contributions by the County to the LAPP in 2020 were \$208,494 (2019 - \$205,611). Total current and past service contributions by employees of the County to the LAPP in 2020 were \$189,254 (2019 - \$176,782).

At December 31, 2019 the LAPP disclosed an actuarial surplus of \$7.913 billion (2018 - \$3.469 billion).

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

14. BUDGET FIGURES

	2020 (Budget)	2020 (Actual)
Annual surplus	\$ (2,262,955)	\$ (966,175)
Acquisition of tangible capital assets	(3,649,750)	(687,709)
Proceeds on sale of tangible capital assets	100,000	-
Net transfers (to) from reserves:	5,812,705	(3,373,726)
From existing unrestricted accumulated surplus	-	5,500,000
Results of operations	\$ -	\$ 472,390

The budget data presented in these consolidated financial statements is based on the operating and capital budgets approved by County Council on April 23, 2020. The chart above reconciles the approved financial plan to the figures reported in these consolidated financial statements.

15. FINANCIAL INSTRUMENTS

The County's financial instruments consist of cash and cash equivalents, investments, accounts receivable, and accounts payable and accrued liabilities including landfill closure and post-closure. It is management's opinion that the County is not exposed to significant currency, other price or liquidity risk arising from these financial instruments. Unless otherwise noted, the fair values of these financial instruments approximate their carrying values.

The County is exposed to credit risk with respect to its accounts receivable. Credit risk arises from the possibility that customers, tax and rate-payers may experience financial difficulty and be unable to fulfill their obligations. The large number and diversity of customers, tax and rate-payers minimizes the County's credit risk, with the exception of taxes receivable on linear / designated industrial properties which are much more difficult to recover than taxes receivable on land and improvements. Management assesses the allowance for these uncollectable taxes on an ongoing basis.

The County is exposed to interest rate risk with respect to its investments. Interest rate risk is the risk that the value of financial instruments might be adversely affected by a change in interest rates. The County manages exposure through its normal operating and financing activities, and holding short-term investments that are approximately equal to any significant specific liabilities as they become due.

16. SEGMENTED INFORMATION

The County provides a 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 consolidated financial statements as disclosed in *Note 1*. For additional information see the Schedules of Segmented Disclosure (*Schedule 6 & Schedule 7*).

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

17. CONTINGENCY

The County is a member of the Jubilee Reciprocal Insurance Exchange. Under the terms of membership, the County could become liable for its proportionate share of any claim losses in excess of the funds held by the exchange. Any liability incurred would be accounted for as a current transaction in the year the losses are determined.

18. TRUST FUNDS

The County administers the following trusts which are not reflected in these consolidated financial statements. Changes in the balances are as follows:

	Opening	Tax sale surpluses in year	Interest earned	Ending
Tax sale surplus	\$ 13,682	\$ -	\$ 125	\$ 13,807

19. IMPACT OF COVID-19

On March 11, 2020, the COVID-19 outbreak was declared a global pandemic by the World Health Organization and on March 17, 2020 the Province of Alberta declared a public health emergency. COVID-19 had various operational and financial impacts on the County in 2020, mainly with regards to decreased revenues and corresponding personnel and other operating expenses related to facilities and programs that were unable to operate, increasing its allowance for uncollectable taxes in part due to COVID-19, and increased government transfers revenues providing COVID-19 relief and recovery funding.

Overall, as government response is still ongoing and an end to the pandemic is indeterminable, an estimate of any future potential financial impact on the County cannot be made at this time. However, many businesses and individuals in a vast array of sectors may continue to experience an economic loss due to COVID-19 which may have a financial impact on the County.

20. COMPARATIVE FIGURES

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

21. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

These consolidated financial statements were approved by County Council and management.
