

**County of Vermilion River
Consolidated Financial Statements**

December 31, 2021



Management's Responsibility

To the Reeve and Councilors of the County of Vermilion River:

The accompanying consolidated financial statements of the County of Vermilion River are the responsibility of management and have been approved by Council.

Management is responsible for the preparation and presentation of the accompanying consolidated financial statements, including responsibility for significant accounting judgments and estimates in accordance with Canadian public sector accounting standards. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibilities for the integrity and fairness of the consolidated financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of the consolidated financial statements.

Council is composed entirely of individuals who are neither management nor employees of the County. Council is responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving the consolidated financial statements. Council fulfills these responsibilities by reviewing the financial information prepared by management and discussing relevant matters with management and external auditors. Council is also responsible for recommending the appointment of the County's external auditors.

MNP LLP is appointed by Council to audit the consolidated financial statements and report directly to them; their report follows. The external auditors have full and free access to, and meet periodically and separately with, both Council and management to discuss their audit findings.

April 26, 2022



e-Signed by Harold Northcott
2022-04-26 16:24:18 MDT

Chief Administrative Officer

To the Reeve and Councilors of the County of Vermilion River:

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of County of Vermilion River (the "County"), which comprise the statement of financial position as at December 31, 2021, and the statements of operations, changes in net financial assets, cash flows and the related schedules for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the County as at December 31, 2021, and the results of its operations, changes in its net financial assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the County in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than 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 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 financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the County to express an opinion on the consolidated 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.

Report on Other Legal and Regulatory Requirements

Debt Limit Regulation

In accordance with Alberta regulation 255/2000, we confirm that the County is in compliance with the Debt Limit Regulation. A detailed account of the County's debt limit can be found in Note 14.

Supplementary Accounting Principles and Standards Regulation

In accordance with Alberta regulation 313/2000, we confirm that the County is in compliance with the Supplementary Accounting Principles and Standards Regulation and note the information required can be found in Note 16.

Leduc, Alberta

April 26, 2022

MNP LLP

Chartered Professional Accountants

County of Vermilion River
Consolidated Statement of Financial Position

As at December 31, 2021


	<u>2021</u>	<u>2020</u>
Financial assets		
Cash and equivalents (Note 2)	20,441,435	14,478,235
Investments (Note 3)	27,325,329	31,280,925
Property taxes receivable (Note 4)	2,017,222	1,149,400
Trade and other accounts receivable (Note 5)	8,337,004	6,791,729
Debt charges recoverable (Note 6)	931,757	984,926
	59,052,747	54,685,215
Liabilities		
Accounts payable and accrued liabilities (Note 8)	4,777,726	4,282,501
Reclamation liability (Note 9)	6,766,721	6,696,178
Deposit liabilities	237,433	205,898
Deferred revenue (Note 10)	6,100,467	4,570,510
Long-term debt (Note 11)	9,746,317	11,991,423
	27,628,664	27,746,510
Net financial assets	31,424,083	26,938,705
Non-financial assets		
Tangible capital assets (Schedule II)	244,870,063	244,200,983
Inventory for consumption (Note 12)	6,632,593	5,033,020
Land inventory (Note 13)	1,992,079	2,059,479
Prepaid expenses	2,340,400	2,559,027
	255,835,135	253,852,509
Accumulated surplus (Schedule I)	287,259,218	280,791,214

Commitments (Note 19)

Contingency (Note 20)

Approved on behalf of Council:

 _____ Reeve

 _____ Deputy Reeve

The accompanying notes are an integral part of these financial statements

County of Vermilion River
Consolidated Statement of Operations

For the year ended December 31, 2021

	2021	2021	2020
	Budget		
	(Note 21)		
Revenue			
Net municipal property taxes <i>(Schedule III)</i>	28,126,018	29,276,184	27,649,070
User fees and sales of goods	9,312,486	9,951,282	8,708,572
Government transfers <i>(Schedule IV)</i>	1,969,401	1,725,885	1,779,893
Other	1,975,273	1,535,699	1,061,870
Penalties and costs on taxes	350,000	526,115	455,929
Interest income	297,356	480,964	997,832
Fines	201,969	128,120	257,924
Rental	78,520	74,115	63,963
Sales to other governments	900	68,017	8,202
	42,311,923	43,766,381	40,983,255
Expenses			
Public works	12,267,553	26,313,677	28,946,991
Gas	9,067,042	9,861,851	8,121,210
Administration	4,971,425	3,390,220	3,603,950
Protective services	1,531,258	2,024,534	1,097,940
Recreation and library	1,556,507	1,341,758	800,772
Agricultural services	1,142,031	1,146,144	1,080,496
Water supply and distribution	476,658	951,740	645,456
Environment management and rental	176,970	819,403	70,480
Planning and development	1,732,828	735,855	646,090
Waste management	723,309	710,445	632,083
Legislative	617,165	580,580	567,957
Family and community support	295,032	285,940	268,570
Emergency disaster	211,741	170,365	165,635
Pest control	69,255	65,741	116,850
Water and wastewater	5,000	14,714	18,140
	34,843,774	48,412,967	46,782,620
Excess (deficiency) of revenue over expenses before other	7,468,149	(4,646,586)	(5,799,365)

The accompanying notes are an integral part of these financial statements

County of Vermilion River
Consolidated Statement of Operations

For the year ended December 31, 2021

	2021 Budget (Note 21)	2021	2020
Excess (deficiency) of revenue over expenses before other <i>(Continued from previous page)</i>	7,468,149	(4,646,586)	(5,799,365)
Other			
Government transfers for capital <i>(Schedule IV)</i>	5,709,085	6,843,961	3,992,262
Village of Dewberry contribution <i>(Note 23)</i>	-	3,254,371	-
Gas capital	710,000	744,138	1,064,072
Other capital contributions	-	272,120	1,119,974
Recovery of gravel reclamation expense	-	-	860,848
	6,419,085	11,114,590	7,037,156
Excess of revenue over expenses	13,887,234	6,468,004	1,237,791
Accumulated surplus, beginning of year	280,791,214	280,791,214	279,553,423
Accumulated surplus, end of year	294,678,448	287,259,218	280,791,214

The accompanying notes are an integral part of these financial statements

County of Vermilion River
Consolidated Statement of Change in Net Financial Assets
For the year ended December 31, 2021

	2021 Budget (Note 21)	2021	2020
Excess of revenue over expenses	13,887,234	6,468,004	1,237,791
Acquisition of tangible capital assets	(21,538,159)	(17,005,561)	(24,669,416)
Proceeds on disposal of tangible capital assets	368,000	951,982	711,955
Amortization of tangible capital assets	1,400,000	15,779,490	17,279,992
Gain on disposal of tangible capital assets	-	(394,991)	(60,083)
Sale of land inventory	-	67,400	35,370
Decrease in prepaid expenses	-	218,627	333,828
Use (acquisition) of inventory for consumption	-	(1,599,573)	443,215
Increase (decrease) in net financial assets	(5,882,925)	4,485,378	(4,687,348)
Net financial assets, beginning of year	26,938,705	26,938,705	31,626,053
Net financial assets, end of year	21,055,780	31,424,083	26,938,705

The accompanying notes are an integral part of these financial statements

County of Vermilion River
Consolidated Statement of Cash Flows
For the year ended December 31, 2021

	<u>2021</u>	<u>2020</u>
Cash provided by (used for) the following activities:		
Operating		
Excess of revenue over expenses	6,468,004	1,237,791
Non-cash items:		
Amortization of tangible capital assets	15,779,490	17,279,992
Gain on disposal of tangible capital assets	(394,991)	(60,083)
Village of Dewberry contribution (<i>Note 23</i>)	(3,254,371)	-
Capital contributions	(272,120)	-
Net change in non-cash operating working capital balances:		
Increase in deferred revenue	1,529,957	1,914,887
Decrease in prepaid expenses	218,627	333,828
Decrease (increase) in accounts payable and accrued liabilities	1,580,888	(644,583)
Increase in trade and other accounts receivable	(1,545,275)	(3,080,680)
Decrease (increase) in property taxes receivable	(867,822)	352,610
Increase in deposit liabilities	31,535	13,713
Use (acquisition) of inventory for consumption	(1,599,573)	443,215
Decrease in land inventory	67,400	35,370
Increase (decrease) in reclamation liability	70,543	(692,353)
	<u>17,812,292</u>	<u>17,133,707</u>
Capital		
Proceeds on disposal of tangible capital assets	951,982	711,955
Acquisition of tangible capital assets	(14,564,732)	(25,309,543)
	<u>(13,612,750)</u>	<u>(24,597,588)</u>
Investing		
Net change in investments	3,955,596	5,370,146
Financing		
Net change in debt charges recoverable	53,168	51,702
Proceeds from long-term debt	450,000	7,100,642
Repayment of long-term debt	(2,695,106)	(783,784)
	<u>(2,191,938)</u>	<u>6,368,560</u>
Increase in cash and equivalents	5,963,200	4,274,825
Cash and equivalents, beginning of year	14,478,235	10,203,410
Cash and equivalents, end of year (<i>Note 2</i>)	20,441,435	14,478,235

The accompanying notes are an integral part of these financial statements

County of Vermilion River
Schedule I - Schedule of Changes in Accumulated Surplus

For the year ended December 31, 2021

	<i>Unrestricted Surplus</i>	<i>Restricted Operating Reserve</i>	<i>Restricted Capital Reserve</i>	<i>Equity in Tangible Capital Assets (Note 15)</i>	<i>2021</i>	<i>2020</i>
Balance, beginning of year	(5,296,170)	9,764,629	41,240,033	235,082,722	280,791,214	279,553,423
Excess of revenue over expenses	6,468,004	-	-	-	6,468,004	1,237,791
Unrestricted funds designated for future use	(5,872,952)	1,150,829	4,722,123	-	-	-
Restricted funds for operations	1,640,778	(1,640,778)	-	-	-	-
Restricted funds used for tangible capital assets	-	-	(5,820,646)	5,820,646	-	-
Current year funds used for tangible capital assets	(7,794,871)	-	-	7,794,871	-	-
Contributed tangible capital assets	(3,390,044)	-	-	3,390,044	-	-
Disposal of tangible capital assets	556,991	-	-	(556,991)	-	-
Annual amortization expense	15,779,490	-	-	(15,779,490)	-	-
Capital long-term debt repaid	(2,436,503)	-	-	2,436,503	-	-
Change in accumulated surplus	4,950,893	(489,949)	(1,098,523)	3,105,583	6,468,004	1,237,791
Balance, end of year	(345,277)	9,274,680	40,141,510	238,188,305	287,259,218	280,791,214

The accompanying notes are an integral part of these financial statements

County of Vermilion River
Schedule II - Schedule of Tangible Capital Assets
For the year ended December 31, 2021

	<i>Construction in progress</i>	<i>Land</i>	<i>Land Improvements</i>	<i>Buildings</i>	<i>Engineered Structures</i>	<i>Machinery & Equipment</i>	<i>Vehicles</i>	<i>2021</i>	<i>2020</i>
Cost:									
Balance, beginning of year	458,944	7,206,977	90,251	7,546,644	570,907,055	30,299,318	8,783,545	625,292,734	602,877,201
Acquisition of tangible capital assets	241,242	220,451	-	669,535	12,116,844	2,826,488	931,001	17,005,561	24,669,416
Construction in progress	(8,626)	-	-	-	8,626	-	-	-	-
Disposal of tangible capital assets	(257,931)	(221,670)	-	-	-	(545,610)	(95,966)	(1,121,177)	(2,253,883)
Balance, end of year	433,629	7,205,758	90,251	8,216,179	583,032,525	32,580,196	9,618,580	641,177,118	625,292,734
Accumulated amortization:									
Balance, beginning of year	-	-	32,962	2,566,717	358,591,669	14,794,584	5,105,819	381,091,751	365,413,770
Annual amortization	-	-	3,753	184,925	12,467,917	2,578,115	544,780	15,779,490	17,279,992
Accumulated amortization on disposals	-	-	-	-	-	(477,279)	(86,907)	(564,186)	(1,602,011)
Balance, end of year	-	-	36,715	2,751,642	371,059,586	16,895,420	5,563,692	396,307,055	381,091,751
Net book value	433,629	7,205,758	53,536	5,464,537	211,972,939	15,684,776	4,054,888	244,870,063	244,200,983
2020 net book value	458,944	7,206,977	57,289	4,979,927	212,315,386	15,504,734	3,677,726	244,200,983	

During the year, tangible capital assets were acquired at an aggregate cost of \$17,005,561 (2020 - \$24,669,416), of which there was \$571,160 (2020 - \$1,520,375) in accounts payable at year-end, \$nil (2020 - \$151,200) of a non-cash trade-in of equipment and \$3,390,044 of non-cash contributions; the remaining \$14,564,732 (2020 - \$16,322,760) was acquired by cash.

The accompanying notes are an integral part of these financial statements

County of Vermilion River
Schedule III - Schedule of Property Taxes Levied

For the year ended December 31, 2021

	2021 Budget (Note 21)	2021	2020
Taxation			
Real property taxes	17,917,078	19,012,408	18,557,999
Linear property taxes	14,519,876	14,519,876	14,072,520
Special assessments	2,833,853	2,965,264	2,274,995
	35,270,807	36,497,548	34,905,514
Requisitions			
Alberta Schools Foundation Fund	6,913,370	6,989,945	7,256,444
Vermilion & District Housing Foundation	231,419	231,419	-
Net municipal property taxes	28,126,018	29,276,184	27,649,070
Less special levies	(2,833,853)	(2,976,406)	(2,286,136)
Net municipal property taxes for general purposes	25,292,165	26,299,778	25,362,934

The accompanying notes are an integral part of these financial statements

County of Vermilion River
Schedule IV - Schedule of Government Transfers
For the year ended December 31, 2021

	2021 Budget (Note 21)	2021	2020
Operating			
Provincial	1,969,401	1,725,885	1,779,893
Capital			
Provincial	5,309,085	5,775,989	3,519,375
Federal	400,000	1,067,972	472,887
	5,709,085	6,843,961	3,992,262
Total government transfers	7,678,486	8,569,846	5,772,155

The accompanying notes are an integral part of these financial statements

County of Vermilion River
Schedule V - Consolidated Schedule of Expenses by Object
For the year ended December 31, 2021

	2021	2020
Amortization	15,779,490	17,279,993
Salaries, wages and benefits	10,745,589	10,554,561
Materials, goods and utilities	9,425,196	7,279,764
Contracted and general services	9,369,430	8,772,165
Grants to other governments and organizations	1,230,033	816,926
Transfers to individuals and organizations	975,535	451,810
Transfers to local boards and agencies	744,409	597,062
Provision for allowances	367,558	954,945
Interest on long-term debt	165,468	165,041
Bank charges and short-term interest	5,250	34,066
Gain on sale of tangible capital assets	(394,991)	(60,083)
	48,412,967	46,846,250

The accompanying notes are an integral part of these financial statements

County of Vermilion River
Schedule VI - Schedule of Segmented Disclosure
For the year ended December 31, 2021

	General Government	Legislative & Administrative	Public Works	Environmental Services	Protective Services	Public Health & Welfare	Agricultural Services	Recreation and Library	Planning, Environment & Rental	Gas	Total
Revenue											
Net municipal property taxes	26,237,307	-	-	562,677	1,051,627	-	-	1,192,964	231,609	-	29,276,184
User charges and sales of goods	-	14,432	689,228	687,013	99,855	-	106,363	-	-	8,354,391	9,951,282
Government transfers	-	644,816	6,866,099	-	117,054	238,457	323,238	39,500	96,656	244,026	8,569,846
Village of Dewberry contribution	3,254,371	-	-	-	-	-	-	-	-	-	3,254,371
Other	27,933	148,817	16,114	-	-	-	-	-	195,382	1,147,453	1,535,699
Gas capital	-	-	-	-	-	-	-	-	-	744,138	744,138
Penalties and costs on taxes	526,115	-	-	-	-	-	-	-	-	-	526,115
Interest income	286,155	-	63	-	-	-	-	3,131	127,754	63,861	480,964
Other capital contributions	-	-	272,120	-	-	-	-	-	-	-	272,120
Fines	-	-	-	7,649	10,522	-	-	-	109,949	-	128,120
Rental	-	-	-	-	11,700	-	-	-	62,415	-	74,115
Sales to other governments	67,617	-	-	-	-	-	-	-	400	-	68,017
	30,399,498	808,065	7,843,624	1,257,339	1,290,758	238,457	429,601	1,235,595	824,165	10,553,869	54,880,971
Expenses											
Salaries, wages, and benefits	-	2,003,154	5,099,347	270,550	560,678	19,779	402,876	-	451,109	1,938,096	10,745,589
Materials, goods, and utilities	-	106,109	2,912,427	160,017	329,953	13,088	354,144	-	1,831	5,547,627	9,425,196
Contracted and general services	-	1,315,826	4,259,376	286,402	726,604	3,015	359,117	87,256	1,384,845	946,989	9,369,430
Grants to other governments and organizations	-	2,147	43,112	710,445	226,119	-	-	-	248,210	-	1,230,033
Transfers to individuals and organizations	-	50,000	-	-	156,727	250,058	3,250	489,500	26,000	-	975,535
Transfers to local boards and agencies	-	-	-	28,800	-	-	-	715,609	-	-	744,409
Provision for allowances	-	365,376	1,996	-	-	-	-	-	-	186	367,558
Interest on long-term debt	-	27,289	40,193	-	-	-	-	49,393	48,593	-	165,468
Bank charges and short-term interest	-	5,250	-	-	-	-	-	-	-	-	5,250
Gain on sale of tangible capital assets	-	4,267	257,931	-	-	-	(10,236)	-	(605,330)	(41,623)	(394,991)
	-	3,879,418	12,614,382	1,456,214	2,000,081	285,940	1,109,151	1,341,758	1,555,258	8,391,275	32,633,477
Net revenue, before amortization	30,399,498	(3,071,353)	(4,770,758)	(198,875)	(709,323)	(47,483)	(679,550)	(106,163)	(731,093)	2,162,594	22,247,494
Amortization	-	91,382	13,699,295	220,685	260,559	-	36,993	-	-	1,470,576	15,779,490
Transfers between departments	-	(483,115)	(22,670)	13,000	5,839	22,231	(1,200)	-	-	465,915	-
Net revenue	30,399,498	(3,645,850)	(18,492,723)	(406,560)	(964,043)	(25,252)	(717,743)	(106,163)	(731,093)	1,157,933	6,468,004

The accompanying notes are an integral part of these financial statements

County of Vermilion River
Schedule VII - Schedule of Gas Gross Profit and Sales Volume
For the year ended December 31, 2021

Gross profit	2021					
	Sales		Cost of Sales		Gross Profit	
	\$	\$/GJ	\$	\$/GJ	\$	\$/GJ
Residential and farm	3,835,543	5.12	2,892,387	3.86	943,156	1.26
Industrial - transportation	622,095	0.45	-	-	622,095	0.45
Industrial - sale of gas	2,033,084	4.38	1,844,478	3.98	188,606	0.41
Industrial - receipt tariff	21,238	0.15	-	-	21,238	0.15
	6,511,961		4,736,865		1,775,095	

Gross profit	2020					
	Sales		Cost of Sales		Gross Profit	
	\$	\$/GJ	\$	\$/GJ	\$	\$/GJ
Residential and farm	2,961,978	3.78	1,967,264	2.51	994,714	1.27
Industrial - transportation	727,730	0.41	-	-	727,730	0.41
Industrial - sale of gas	1,848,692	3.06	1,516,669	2.51	332,023	0.55
Industrial - receipt tariff	25,982	0.18	-	-	25,982	0.18
	5,564,382		3,483,933		2,080,449	

The accompanying notes are an integral part of these financial statements

County of Vermilion River
Notes to the Consolidated Financial Statements

For the year ended December 31, 2021

1. Significant accounting policies

The consolidated financial statements of the County of Vermilion River (the "County") are the representations of management prepared in accordance with generally accepted accounting principles established by the Public Sector Accounting Board of Chartered Professional Accountants of Canada. Significant aspects of the accounting policies adopted by the County are as follows:

Reporting entity

The consolidated financial statements reflect the assets, liabilities, revenue, expenses, and changes 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 County and are, therefore, accountable to County Council for the administration of their financial affairs and resources, including Family and Community Support Services.

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

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

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 or services and/or the legal obligation to pay.

Measurement uncertainty (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 financial statements, and the reported amounts of revenue and expenses 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.

Property taxes receivable and trade and other accounts receivable are stated after evaluation as to their collectibility and an appropriate allowance for doubtful accounts is provided where considered necessary. Amortization is based on the estimated useful lives of tangible capital assets. Gravel inventory is valued using calculations which have some estimation involved. The reclamation liability is an estimated cost to bring the gravel pit sites back to their original condition prior to mining.

Pursuant to the *Environmental Protection and Enhancement Act*, the County is required to fund the future reclamation of gravel pits. Closure activities include the final top soil cover, landscaping, and visual inspection. The requirement is being provided for based on the estimated costs and length of time until the site is expected to be inactive. The reclamation liability is an estimated cost to bring the gravel pit site back to its original condition.

Cash and equivalents

Cash and equivalents include balances with banks and short-term investments with maturities of three months or less.

The accompanying notes are an integral part of these financial statements

1. Significant accounting policies *(continued)*

Investments

Investments are recorded at 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.

Tax sale proceeds

Tax sale proceeds and the associated liabilities consist of the excess funds collected on the sale of seized properties put up for tax auction after outstanding property taxes were recovered. Under the *Municipal Government Act*, the County is required to hold these funds for up to 10 years and attempt to disperse them to the former property owners.

Debt charges recoverable

Debt charges recoverable consist of amounts that are recoverable from municipal agencies or other local governments with respect to outstanding debentures or other long-term debt pursuant to annexation orders or joint capital undertakings. These recoveries are recorded at a value that equals the offsetting portion of the un-matured long-term debt, less actuarial requirements for the retirement of any sinking fund debentures.

Property tax requisition over-levy and under-levy

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

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

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

Liability for contaminated sites

A liability for remediation of a contaminated site is recognized at the best estimate of the amount required to remediate the contaminated site when contamination exceeding an environmental standard exists, the County is either directly responsible or accepts responsibility, it is expected that future economic benefits will be given up, and a reasonable estimate of the amount is determinable. The best estimate of the liability includes all costs directly attributable to remediation activities and is reduced by expected net recoveries based on information available at December 31, 2021.

At each financial reporting date, the County reviews the carrying amount of the liability. Any revisions required to the amount previously recognized is accounted for in the period revisions are made. The County continues to recognize the liability until it is settled or otherwise extinguished. Disbursements made to settle the liability are deducted from the reported liability when they are made.

1. Significant accounting policies *(continued)*

Revenue recognition

i. Government transfers

Government transfers are the transfer of assets from senior levels of government that are not the result of an exchange transaction, are not expected to be repaid in the future, or the result of a direct financial return.

The County recognizes a government transfer as revenue when the transfer is authorized and all eligibility criteria, if any, have been met. A government transfer with stipulations giving rise to an obligation that meets the definition of a liability is recognized as a liability. In such circumstances, the County recognizes revenue as the liability is settled.

ii. Tax revenue

The County recognizes taxes as assets and revenue when they meet the definition of an asset, are authorized by Council, and the taxable event has occurred. Tax revenue is initially measured at management's best estimate of the amount resulting from the original taxable event in accordance with legislation. The related tax receivable is initially recognized at its realizable value at the date of acquisition. At each financial statement date, the County evaluates the tax receivable for collectibility and records a valuation allowance to reflect the tax receivable at its net recoverable amount, if necessary.

iii. Fines and penalties

Traffic fine revenue is recorded as cash is received, which is not materially different than recording such revenue on an accrual basis.

iv. Other revenue

Other sources of revenue are recorded when received or receivable.

Non-financial assets

Assets are classified as either financial or non-financial. Financial assets are assets that could be used to discharge existing liabilities or finance future operations. Non-financial assets are acquired, constructed or developed assets that do not normally provide resources to discharge existing liabilities but are employed to deliver government services, may be consumed in normal operations and are not for resale in the normal course of operations.

County of Vermilion River
Notes to the Consolidated Financial Statements
For the year ended December 31, 2021

1. Significant accounting policies *(continued)*

Non-financial assets *(continued)*

i. Tangible capital assets

Tangible capital assets are recorded at cost which includes all amounts that are directly attributable to acquisition, construction, development or betterment of the asset. The cost, less residual value, of the tangible capital assets is amortized on a straight-line basis over the estimated useful life as follows:

Land improvements	15-30 years
Buildings	10-50 years
Engineered structures, roads and bridges	10-75 years
Machinery and equipment	5-25 years
Vehicles	5-25 years

Amortization is not charged in the year of acquisition and disposal. Assets under construction are not amortized until the asset is available for productive use.

ii. Contributions of tangible capital assets

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

iii. Inventories

Inventories held for consumption are recorded at the lower of cost and replacement cost.

iv. Prepaid expenses

Prepaid expenses include pre-payments on goods and services which will be utilized in the following fiscal year.

v. Land inventory

Land inventory is recorded at the lower of cost or net realizable value. Cost includes costs for land acquisitions 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 tangible capital assets under the respective function.

Segments

The County conducts its business through a number of reportable segments. These operating segments are established by senior management to facilitate the achievement of the County's long-term objectives to aid in resource allocation decisions, and to assess operational performance.

County of Vermilion River
Notes to the Consolidated Financial Statements
For the year ended December 31, 2021

1. Significant accounting policies *(continued)*

Pensions

The County participates in a multi-employer defined benefit pension plan. The plan is accounted for as a defined contribution plan as the plan is administered independently from the County.

Future Accounting Standards

Effective for years beginning on or after April 1, 2022:

PS 3450 *Financial Instruments*, a new standard establishing guidance on the recognition, measurement, presentation and disclosure of financial instruments, including derivatives.

PS 3280 *Asset Retirement Obligations*, a new standard establishing guidance on the recognition, measurement, presentation and disclosure of a liability for retirement of a tangible capital asset. As this standard includes solid waste landfill sites active and post-closing obligations upon adoption of this new standard, existing Solid Waste Landfill Closure and Post-Closure Liability section PS 3270 will be withdrawn.

The extent of the impact on adoption of these future standards is not known at this time.

2. Cash and equivalents

	2021	2020
Cash	1,441,306	6,251,551
Temporary investments	19,000,129	8,226,684
	20,441,435	14,478,235

Temporary investments have an effective interest rate of 0.65% (2020 - 2.49%) and mature in three months or less.

3. Investments

	2021		2020	
	Cost	Market Value	Cost	Market Value
Government bonds	1,000,000	1,000,000	2,000,000	2,000,000
Guaranteed investment certificates	26,074,506	26,074,506	29,048,552	29,048,552
Other	250,823	250,823	232,373	232,373
	27,325,329	27,325,329	31,280,925	31,280,925

Government bonds have effective interest rates of 2.83% (2020 - 2.64% to 2.83%) with maturity dates of March 2022. Guaranteed investment certificates have effective interest rates of 0.97% to 1.25% (2020 - 0.80% to 1.10%) with maturity dates of October 2022. Other investments include Gas Alberta Inc. and Credit Union shares and equity in United Farmers of Alberta and Rural Municipalities of Alberta.

The accompanying notes are an integral part of these financial statements

County of Vermilion River
Notes to the Consolidated Financial Statements
For the year ended December 31, 2021

4. Property taxes receivable

	<i>2021</i>	<i>2020</i>
Current taxes	2,120,180	1,447,675
Arrears taxes	1,116,482	1,701,432
	3,236,662	3,149,107
Less allowance for doubtful accounts	(1,219,440)	(1,999,707)
	2,017,222	1,149,400

5. Trade and other accounts receivable

	<i>2021</i>	<i>2020</i>
Trade and other receivables	3,779,539	2,896,199
Due from governments	4,557,465	3,895,530
	8,337,004	6,791,729

6. Debt charges recoverable

The County has assisted the following organization in expansions and upgrades. As at December 31, 2021 the following amounts are outstanding:

Vermilion and District Housing Foundation

Three debentures totaling \$931,757 (2020 - \$984,926) plus interest at an average rate of 2.79% (2020 - 2.81%), recoverable in semi-annual blended instalments, maturing in periods 2035 through 2036.

	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
2022	54,676	25,847	80,523
2023	56,226	24,297	80,523
2024	57,820	22,703	80,523
2025	59,460	21,063	80,523
2026	61,146	19,377	80,523
To maturity	642,429	90,288	732,717
	931,757	203,575	1,135,332

The accompanying notes are an integral part of these financial statements

County of Vermilion River
Notes to the Consolidated Financial Statements
For the year ended December 31, 2021

7. Bank indebtedness

The County has a revolving line of credit with Servus Credit Union with a maximum limit of \$200,000. Interest accrues monthly on the outstanding balance at a rate of prime less 0.50%. The line of credit arrangement is reviewed periodically by the credit union with the most recent review date being October 31, 2019. As at December 31, 2021, the prime rate was 2.45% (2020 - 2.45%).

As at December 31, 2021 the County had not drawn any funds (2020 - \$ nil) on the line of credit.

8. Accounts payable and accrued liabilities

	2021	2020
Accounts payable and accrued liabilities	4,104,496	3,528,622
Due to governments	391,268	427,121
Vacation and overtime accruals	281,962	326,758
	4,777,726	4,282,501

9. Reclamation liability

Under Provincial legislation, the County is required to reclaim certain land used for the extraction of aggregate material. Reclamation requirements have been defined in accordance with industry standards and include re-vegetation of sites upon closure. The County owns and operates aggregate extraction sites. The aggregate is used for road maintenance and construction projects within the County. An amount of \$6,766,721 (2020 - \$6,696,178) has been accrued.

The reported liabilities are based on estimates and assumptions using the best information available at the end of the reporting period. Future events, such as changes to regulatory requirements, may result in significant changes to the estimated total liabilities and will be recognized prospectively, as a change in estimate, when applicable.

10. Deferred revenue

	2021	2020
Municipal Sustainability Initiative - capital	2,245,860	1,381,708
Alberta Transportation	1,510,000	1,500,000
Alberta Community Partnership - Dewberry	846,963	120,388
Other	842,100	445,694
Wetlands Restoration	499,305	499,305
Federal Gas Tax Funding	96,624	-
Family Community Support Service Grant	59,615	-
Municipal Operating Support Transfer	-	573,415
Municipal Stimulus Program	-	50,000
	6,100,467	4,570,510

Included in the County's deferred revenue are government transfers and grant revenue which are restricted to eligible projects as approved under the funding agreements.

The accompanying notes are an integral part of these financial statements

County of Vermilion River
Notes to the Consolidated Financial Statements
For the year ended December 31, 2021

11. Long-term debt

	<i>2021</i>	<i>2020</i>
Range Road 64A, Range Road 55 and Range Road 20	4,748,563	7,100,642
Highway 16 and Range Road 14	1,933,195	2,017,619
Village of Dewberry	942,638	1,030,226
Vermilion and District Housing Foundation	741,386	784,001
Vermilion ice plant	450,000	-
Village of Paradise Valley	436,929	485,298
Village of Marwayne	303,234	372,712
Vermilion and District Housing Foundation	190,372	200,925
	9,746,317	11,991,423

Payments of interest and principal are due as follows:

	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
2022	2,809,297	144,771	2,954,068
2023	2,833,845	120,223	2,954,068
2024	462,088	99,061	561,149
2025	472,325	88,824	561,149
2026	400,258	79,013	479,271
To maturity	2,768,504	385,226	3,153,730
	9,746,317	917,118	10,663,435

Debenture debt is repayable to the Province of Alberta and bears interest at rates ranging from 0.63% to 3.49% (2020 - 0.63% to 3.49%) per annum and mature in periods 2023 through 2039. The average annual interest rate is 2.29% (2020 - 2.29%). Debenture debt is issued on the credit and security of the County at large.

The County's cash payments for interest in 2021 were \$166,166 (2020 - \$138,284). The debentures which are capital in nature are the Range Road 64A, Range Road 55 and Range Road 20 debenture and the Highway 16 and Range Road 14 debenture for \$4,748,563 and \$1,933,195 respectively. The total of the capital loans in the year is \$6,681,758 (2020 - \$9,118,261).

12. Inventory for consumption

	<i>2021</i>	<i>2020</i>
Gravel inventory	4,880,172	3,450,247
Shop inventory	1,752,421	1,582,773
	6,632,593	5,033,020

The accompanying notes are an integral part of these financial statements

County of Vermilion River
Notes to the Consolidated Financial Statements

For the year ended December 31, 2021

13. Land inventory

Land inventory includes land that the County intends to sell in the future. It is presented as a non-financial asset as it does not meet the criteria of a tangible capital asset or a financial asset held for sale.

14. 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:

	<i>2021</i>	<i>2020</i>
Total debt limit	66,765,779	64,750,952
Total debt	9,746,317	11,991,423
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Amount of debt limit unused	57,019,462	52,759,529
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Service on debt limit	11,127,630	10,791,825
Service on debt	2,954,068	922,068
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Amount of debt servicing limit unused	8,173,562	9,869,757
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The debt limit is calculated at 1.5 times revenue of the municipality (as defined in Alberta Regulation 255/00) and the debt service limit is calculated at 0.25 times such revenue. Incurring debt beyond these limitations requires approval by the Minister of Municipal Affairs. These thresholds are guidelines used by Alberta Municipal Affairs to identify municipalities which could be a 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.

15. Equity in tangible capital assets

	<i>2021</i>	<i>2020</i>
Tangible capital assets (<i>Schedule II</i>)	641,177,118	625,292,734
Accumulated amortization (<i>Schedule II</i>)	(396,307,055)	(381,091,751)
Capital long-term debt (<i>Note 11</i>)	(6,681,758)	(9,118,261)
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	238,188,305	235,082,722
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The accompanying notes are an integral part of these financial statements

County of Vermilion River
Notes to the Consolidated Financial Statements
For the year ended December 31, 2021

16. Salary and benefits disclosure

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

	Salary/ remuneration	Benefits & allowances	2021	2020
Reeve (Division 3)	10,660	3,029	13,689	-
Former Reeve (Division 4)	53,149	13,047	66,196	66,296
Councilor Division 1	58,124	11,331	69,455	66,828
Councilor Division 2	54,631	10,566	65,197	72,375
Councilor Division 3	46,690	13,034	59,724	74,625
Councilor Division 4	9,460	1,901	11,361	-
Councilor Division 5	57,972	10,541	68,513	65,546
Councilor Division 6	61,118	7,067	68,185	63,690
Councilor Division 7	59,643	12,088	71,731	67,252
CAO	203,483	32,324	235,807	230,129
Development Officer	130,359	25,010	155,369	148,557
Agriculture Fieldman 1	118,702	26,861	145,563	145,212
Fire Protection Officer (0.75 FTE)	84,732	16,865	101,597	-
Former Fire Protection Officer (0.75 FTE)	31,070	1,134	32,204	102,136

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

Benefits and allowances includes 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, taxable vehicle allowances, professional memberships and tuition.

17. Local Authorities Pension Plan

Employees of the County participate in the Local Authorities Pension Plan ("LAPP"), which is one of the plans covered by the *Alberta Public Sector Pension Plans Act*. The LAPP serves approximately 275,863 people and 433 employers. The LAPP is financed by employer and employee contributions and by investment earnings of the LAPP Fund.

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

The County is required to make current service contributions to the LAPP of 9.39% of pensionable earnings up to the year's maximum pensionable earnings under the Canada Pension Plan and 13.84% on pensionable earnings above this amount. Employees of the County are required to make current service contributions of 8.39% of pensionable salary up to the year's maximum pensionable salary and 12.84% on pensionable salary above this amount.

Total current service contributions by the County to the LAPP in 2021 were \$738,801 (2020 - \$778,602). Total current service contributions by the employees of the County to the Local Authorities Pension Plan in 2021 were \$670,253 (2020 - \$706,279).

At December 31, 2020, the date of the most recent actuarial valuation, the LAPP disclosed an actuarial surplus of \$4,961,337,000 (2019 - \$7,913,261,000).

County of Vermilion River
Notes to the Consolidated Financial Statements
For the year ended December 31, 2021

18. Segments

The County provides a range of services to its ratepayers. For each reported segment, the revenue 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 Schedule VI - Schedule of Segmented Disclosure.

19. Commitments

The County has entered into various contracts related to the purchase of gravel, maintenance and capital projects. The commitments over the next five years and thereafter are as follows:

2022	\$2,480,157
2023	\$583,376
2024	\$157,000
2025	\$153,500
2026	\$153,500
Thereafter	\$300,000

20. Contingency

The County is a member of the Genesis Reciprocal Insurance Exchange ("GENESIS"). 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 GENESIS. Any liability incurred would be accounted for as a current transaction in the years the losses are determined.

21. Budget information

The disclosed budget information has been approved by Reeve and Council. The County does not budget for amortization, except for amortization in the Gas segment. Included in the actual expenses on the consolidated statement of operations is amortization of \$15,779,490 (2020 - \$17,279,993).

22. Significant event

In March 2020, the World Health Organization declared the outbreak of COVID-19 (coronavirus) a pandemic. This has had a significant impact on municipal government operations through the restrictions put in place by the Canadian and provincial governments as well as municipal governments regarding travel, isolation/quarantine orders, closures of County facilities, cancellation/postponement of programs and tax and utility deferral programs. At this time, it is unknown the extent of the impact the COVID-19 outbreak may have on the County as this will depend on future developments that are highly uncertain and that cannot be predicted with confidence. These uncertainties arise from the inability to predict the ultimate geographic spread of the virus, and the duration of the outbreak, including the duration of County facility closures, program and service disruptions, and isolation/quarantine measures that are currently, or may be put, in place by Canada and other countries to fight the virus.

County of Vermilion River
Notes to the Consolidated Financial Statements

For the year ended December 31, 2021

23. Restructuring transaction

On January 1, 2021, the Village of Dewberry (the "Village") was amalgamated into the County and all assets and liabilities were transferred. Prior to the dissolution, the County did not have control of the Village.

The following are the carrying amounts of the assets and liabilities transferred to the County:

Cash and equivalents	679,493
Trade and accounts receivable and property taxes receivable	482,448
Land inventory	3,339
Investments	2
Other assets	15,571
Accounts payable and accrued liabilities	(24,646)
Deferred revenue	(1,021,350)
Tangible capital assets	3,117,924
Prepaid expenses	1,590
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Net contribution	3,254,371

Pursuant to the completed viability study performed by the Province of Alberta, supported by majority vote from the community and Province, the Village of Dewberry was dissolved into a hamlet, which is operated by the County of Vermilion River.

24. Comparative figures

Certain comparative figures have been reclassified to conform with current year presentation.