

**County of Vermilion River
Consolidated Financial Statements**

December 31, 2020



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 27, 2021

Chief Administrative Officer

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

Opinion

We have audited the consolidated financial statements of the County of Vermilion River (the "County"), which comprise the consolidated statement of financial position as at December 31, 2020, the consolidated statements of operations, change in net financial assets, cash flows and the related schedules for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the County as at December 31, 2020, and the results of its consolidated operations, changes in its net financial assets and its consolidated 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 the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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 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 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.
- 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.

Leduc, Alberta

April 27, 2021

MNP LLP

Chartered Professional Accountants

County of Vermilion River
Consolidated Statement of Financial Position

As at December 31, 2020

	2020	2019
Financial assets		
Cash and equivalents (Note 2)	14,478,235	10,203,410
Investments (Note 3)	31,280,925	36,651,071
Property taxes receivable (Note 4)	1,149,400	1,502,010
Trade and other accounts receivable (Note 5)	6,791,729	3,711,049
Debt charges recoverable (Note 6)	984,926	1,036,628
	54,685,215	53,104,168
Liabilities		
Accounts payable and accrued liabilities (Note 8)	4,282,501	5,567,212
Reclamation liability (Note 9)	6,696,178	7,388,531
Deposit liabilities	205,898	192,185
Deferred revenue (Note 10)	4,570,510	2,655,623
Long-term debt (Note 11)	11,991,423	5,674,564
	27,746,510	21,478,115
Net financial assets	26,938,705	31,626,053
Non-financial assets		
Tangible capital assets (Schedule II)	244,200,983	237,463,431
Inventory for consumption (Note 12)	5,033,020	5,476,235
Land inventory (Note 13)	2,059,479	2,094,849
Prepaid expenses	2,559,027	2,892,855
	253,852,509	247,927,370
Accumulated surplus (Schedule I)	280,791,214	279,553,423

Commitments (Note 19)
Contingency (Note 20)
Subsequent event (Note 23)

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, 2020

	2020 Budget (Note 21)	2020	2019
Revenue			
Net municipal property taxes <i>(Schedule III)</i>	27,742,847	27,649,070	27,075,148
User fees and sales of goods	8,060,395	8,708,572	9,069,720
Government transfers <i>(Schedule IV)</i>	2,499,302	1,779,893	1,140,158
Other	1,858,387	1,125,500	738,259
Interest income	467,000	997,832	934,336
Penalties and costs on taxes	400,000	455,929	359,035
Fines	225,059	257,924	174,359
Rental	90,742	63,963	68,375
Sales to other governments	8,647	8,202	42,734
	41,352,379	41,046,885	39,602,124
Expenses			
Public works	16,859,712	28,946,991	25,493,855
Gas	7,043,179	8,121,210	8,873,980
Administration	3,165,714	3,603,950	3,057,338
Protective services	1,264,884	1,097,940	1,188,450
Agricultural services	1,061,765	1,080,496	1,148,539
Recreation and library	931,944	800,772	800,130
Planning and development	1,548,820	709,720	876,546
Water supply and distribution	577,084	645,456	655,482
Waste management	687,417	632,083	630,141
Legislative	656,595	567,957	652,669
Family and community support	288,139	268,570	275,823
Emergency disaster	220,017	165,635	179,566
Pest control	124,457	116,850	115,920
Environment management and rental	72,973	70,480	136,515
Water and wastewater	18,200	18,140	30,137
	34,520,900	46,846,250	44,115,091
Excess (deficiency) of revenue over expenses before other	6,831,479	(5,799,365)	(4,512,967)

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, 2020

	2020 Budget (Note 21)	2020	2019
Excess (deficiency) of revenue over expenses before other <i>(Continued from previous page)</i>	6,831,479	(5,799,365)	(4,512,967)
Other			
Government transfers for capital <i>(Schedule IV)</i>	3,870,985	3,992,262	3,698,872
Other capital contributions	-	1,119,974	-
Gas capital	850,000	1,064,072	1,487,008
Recovery of gravel reclamation expense	-	860,848	-
	4,720,985	7,037,156	5,185,880
Excess of revenue over expenses	11,552,464	1,237,791	672,913
Accumulated surplus, beginning of year	279,553,423	279,553,423	278,880,510
Accumulated surplus, end of year	291,105,887	280,791,214	279,553,423

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, 2020

	2020 Budget (Note 21)	2020	2019
Excess of revenue over expenses	11,552,464	1,237,791	672,913
Acquisition of tangible capital assets	(17,233,902)	(24,669,416)	(15,985,810)
Proceeds on disposal of tangible capital assets	371,366	711,955	523,207
Amortization of tangible capital assets	1,350,000	17,279,992	15,471,686
Loss (gain) on disposal of tangible capital assets	-	(60,083)	98,576
Sale (development) of land inventory	-	35,370	(5,406)
Decrease in prepaid expenses	-	333,828	81,995
Use (acquisition) of inventory for consumption	-	443,215	(841,937)
Increase (decrease) in net financial assets	(3,960,072)	(4,687,348)	15,224
Net financial assets, beginning of year	31,626,053	31,626,053	31,610,829
Net financial assets, end of year	27,665,981	26,938,705	31,626,053

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, 2020

	<u>2020</u>	<u>2019</u>
Cash provided by (used for) the following activities:		
Operating		
Excess of revenue over expenses	1,237,791	672,913
Non-cash items:		
Amortization of tangible capital assets	17,279,992	15,471,686
Loss (gain) on disposal of tangible capital assets	(60,083)	98,576
Net change in non-cash operating working capital balances:		
Increase in deferred revenue	1,914,887	374,326
Decrease in prepaid expenses	333,828	81,995
Decrease (increase) in accounts payable and accrued liabilities	(644,583)	514,271
Increase in trade and other accounts receivable	(3,080,680)	(217,159)
Decrease (increase) in property taxes receivable	352,610	(487,602)
Increase (decrease) in deposit liabilities	13,713	(48,974)
Use (acquisition) of inventory for consumption	443,215	(841,937)
Decrease (increase) in land inventory	35,370	(5,406)
Increase (decrease) in reclamation liability	(692,353)	155,218
	<u>17,133,707</u>	<u>15,767,907</u>
Capital		
Proceeds on disposal of tangible capital assets	711,955	372,004
Acquisition of tangible capital assets	(25,309,543)	(16,322,760)
	<u>(24,597,588)</u>	<u>(15,950,756)</u>
Investing		
Net change in investments	5,370,146	(2,281,821)
Financing		
Net change in debt charges recoverable	51,702	114,239
Proceeds from long-term debt	7,100,642	2,100,000
Repayment of long-term debt	(783,784)	(753,431)
	<u>6,368,560</u>	<u>1,460,808</u>
Increase (decrease) in cash and equivalents	4,274,825	(1,003,862)
Cash and equivalents, beginning of year	10,203,410	11,207,272
Cash and equivalents, end of year (Note 2)	14,478,235	10,203,410

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, 2020

	<i>Unrestricted Surplus</i>	<i>Restricted Operating Reserve</i>	<i>Restricted Capital Reserve</i>	<i>Equity in Tangible Capital Assets (Note 15)</i>	<i>2020</i>	<i>2019</i>
Balance, beginning of year	(3,516,205)	8,757,234	39,398,881	234,913,513	279,553,423	278,880,510
Excess of revenue over expenses	1,237,791	-	-	-	1,237,791	672,913
Unrestricted funds designated for future use	(9,159,223)	2,303,108	6,856,115	-	-	-
Restricted funds for operations	2,263,619	(2,263,619)	-	-	-	-
Restricted funds used for tangible capital assets	-	-	(4,047,057)	4,047,057	-	-
Current year funds used for tangible capital assets	(20,622,359)	-	-	20,622,359	-	-
Disposal of tangible capital assets	651,872	-	-	(651,872)	-	-
Annual amortization expense	17,279,992	-	-	(17,279,992)	-	-
Capital proceeds of long-term debt	7,100,642	-	-	(7,100,642)	-	-
Capital long-term debt repaid	(532,299)	-	-	532,299	-	-
Change in accumulated surplus	(1,779,965)	39,489	2,809,058	169,209	1,237,791	672,913
Balance, end of year	(5,296,170)	8,796,723	42,207,939	235,082,722	280,791,214	279,553,423

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, 2020

	<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>2020</i>	<i>2019</i>
Cost:									
Balance, beginning of year	3,520,760	7,206,977	90,251	6,617,235	548,543,337	28,693,050	8,205,591	602,877,201	588,400,103
Acquisition of tangible capital assets	301,029	-	-	970,158	19,000,873	3,758,223	639,133	24,669,416	15,985,810
Construction in progress	(3,362,845)	-	-	-	3,362,845	-	-	-	-
Disposal of tangible capital assets	-	-	-	(40,749)	-	(2,151,955)	(61,179)	(2,253,883)	(1,508,712)
Balance, end 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
Accumulated amortization:									
Balance, beginning of year	-	-	29,209	2,438,537	344,682,552	13,663,885	4,599,587	365,413,770	350,829,013
Annual amortization	-	-	3,753	135,605	13,909,117	2,664,106	567,411	17,279,992	15,471,686
Accumulated amortization on disposals	-	-	-	(7,425)	-	(1,533,407)	(61,179)	(1,602,011)	(886,929)
Balance, end of year	-	-	32,962	2,566,717	358,591,669	14,794,584	5,105,819	381,091,751	365,413,770
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	237,463,431
2019 net book value	3,520,760	7,206,977	61,042	4,178,698	203,860,785	15,029,165	3,606,004	237,463,431	

During the year, tangible capital assets were acquired at an aggregate cost of \$24,669,416 (2019 - \$15,985,810), of which there was \$1,520,375 (2019 - \$2,160,502) in accounts payable at year-end and \$nil (2019 - \$151,200) of a non-cash trade-in of equipment; the remaining \$25,309,543 (2019 - \$16,322,760) was acquired by cash. Proceeds on disposal of tangible capital assets is made up of \$711,955 (2019 - \$372,004) of cash and \$nil (2019 - \$151,200) of direct trade-in of equipment.

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, 2020

	2020 Budget (Note 21)	2020	2019
Taxation			
Real property taxes	32,467,713	18,557,999	17,574,688
Linear property taxes	-	14,072,520	14,072,520
Special assessments	2,352,554	2,274,995	2,615,788
	34,820,267	34,905,514	34,262,996
Requisitions			
Alberta Schools Foundation Fund	7,077,420	7,256,444	7,187,848
Net municipal property taxes	27,742,847	27,649,070	27,075,148
Less special levies	(2,352,554)	(2,286,136)	(2,626,929)
Net municipal property taxes for general purposes	25,390,293	25,362,934	24,448,219

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, 2020

	2020 Budget (Note 21)	2020	2019
Operating			
Provincial	2,499,302	1,779,893	1,140,158
Capital			
Provincial	2,936,851	3,519,375	2,764,696
Federal	934,134	472,887	934,176
	3,870,985	3,992,262	3,698,872
Total government transfers	6,370,287	5,772,155	4,839,030

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, 2020

	2020	2019
Amortization	17,279,993	15,471,686
Salaries, wages and benefits	10,554,561	10,332,093
Contracted and general services	8,772,165	8,222,850
Materials, goods and utilities	7,279,764	7,703,884
Provision for allowances	954,945	298,784
Grants to other governments and organizations	816,926	843,023
Transfers to local boards and agencies	597,062	577,120
Transfers to individuals and organizations	451,810	462,481
Interest on long-term debt	165,041	101,195
Bank charges and short-term interest	34,066	3,399
Loss (gain) on sale of tangible capital assets	(60,083)	98,576
	46,846,250	44,115,091

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, 2020

	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	25,295,645	-	-	550,161	859,797	-	-	943,467	-	-	27,649,070
User charges and sales of goods	-	11,385	546,899	475,460	329,279	-	44,501	-	919	7,300,129	8,708,572
Government transfers	-	164,238	4,251,992	-	100,919	232,316	207,422	41,057	104,200	670,011	5,772,155
Other	128,010	1,138,865	-	15,327	-	-	210	-	118,946	584,990	1,986,348
Other capital contributions	-	-	1,119,974	-	-	-	-	-	-	-	1,119,974
Gas capital	-	-	-	-	-	-	-	-	-	1,064,072	1,064,072
Interest income	555,261	-	161,751	-	-	-	-	3,992	55,119	221,709	997,832
Penalties and costs on taxes	455,929	-	-	-	-	-	-	-	-	-	455,929
Fines	-	-	-	5,842	26,794	-	-	-	225,288	-	257,924
Rental	-	-	-	-	6,700	-	-	-	57,263	-	63,963
Sales to other governments	-	-	-	-	7,882	-	-	-	320	-	8,202
	26,434,845	1,314,488	6,080,616	1,046,790	1,331,371	232,316	252,133	988,516	562,055	9,840,911	48,084,041
Expenses											
Salaries, wages, and benefits	-	1,622,391	5,101,216	243,203	601,757	18,473	359,176	-	480,430	2,127,915	10,554,561
Materials, goods, and utilities	-	89,420	2,764,725	66,564	93,788	3,823	298,278	-	838	3,962,328	7,279,764
Contracted and general services	-	1,234,354	5,686,463	183,746	271,704	3,339	342,100	87,570	269,734	693,155	8,772,165
Grants to other governments and organizations	-	950,397	-	3,968	-	-	-	-	-	580	954,945
Provision for allowances	-	1,794	40,849	632,083	139,002	-	-	-	3,198	-	816,926
Transfers to local boards and agencies	-	-	-	-	-	-	-	597,062	-	-	597,062
Transfers to individuals and organizations	-	55,000	25,000	-	37,000	242,935	3,375	62,500	26,000	-	451,810
Interest on long-term debt	-	105,875	-	5,526	-	-	-	53,640	-	-	165,041
Bank charges and short-term interest	-	34,066	-	-	-	-	-	-	-	-	34,066
Loss (gain) on sale of tangible capital assets	-	-	(29,049)	-	-	-	-	-	-	(31,034)	(60,083)
	-	4,093,297	13,589,204	1,135,090	1,143,251	268,570	1,002,929	800,772	780,200	6,752,944	29,566,257
Net revenue, before amortization	26,434,845	(2,778,809)	(7,508,588)	(88,300)	188,120	(36,254)	(750,796)	187,744	(218,145)	3,087,967	18,517,784
Amortization	-	78,610	15,357,787	160,589	237,174	-	77,567	-	-	1,368,266	17,279,993
Transfers between departments	-	(163,950)	2,337	10,218	5,400	-	(4,005)	-	-	150,000	-
Net revenue	26,434,845	(3,021,369)	(22,864,038)	(238,671)	(43,654)	(36,254)	(832,368)	187,744	(218,145)	1,869,701	1,237,791

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, 2020

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	

Gross profit	2019					
	Sales		Cost of Sales		Gross Profit	
	\$	\$/GJ	\$	\$/GJ	\$	\$/GJ
Residential and farm	3,009,511	3.65	1,958,521	2.37	1,050,990	1.27
Industrial - transportation	713,734	0.41	-	-	713,734	0.41
Industrial - sale of gas	2,022,871	2.79	1,577,332	2.18	445,539	0.61
Industrial - receipt tariff	28,269	0.02	-	-	28,269	0.18
	5,774,385		3,535,853		2,238,532	

The accompanying notes are an integral part of these financial statements

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.

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, 2020.

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.

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, 2020

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 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

	2020	2019
Cash	6,251,551	3,576,838
Temporary investments	8,226,684	6,626,572
	14,478,235	10,203,410

Temporary investments have an effective interest rate of 2.49% (2019 - 2.46%) and mature in three months or less.

3. Investments

	2020		2019	
	Cost	Market Value	Cost	Market Value
Government bonds	2,000,000	2,000,000	3,000,000	3,000,000
Guaranteed investment certificates	29,048,552	29,048,552	33,426,045	33,426,045
Other	232,373	232,373	225,026	225,026
	31,280,925	31,280,925	36,651,071	36,651,071

Government bonds have effective interest rates of 2.64% to 2.83% (2019 - 2.37% to 2.83%) with maturity dates from September 2021 to March 2022. Guaranteed investment certificates have effective interest rates of 0.80% to 1.10% (2019 - 2.44% to 2.79%) with maturity dates from April 2021 to October 2021. Other investments include Gas Alberta Inc. and Credit Union shares and equity in United Farmers of Alberta and Rural Municipalities of Alberta.

County of Vermilion River
Notes to the Consolidated Financial Statements
For the year ended December 31, 2020

4. Property taxes receivable

	<i>2020</i>	<i>2019</i>
Current taxes	1,447,675	1,342,374
Arrears taxes	1,701,432	1,208,904
	3,149,107	2,551,278
Less allowance for doubtful accounts	(1,999,707)	(1,049,268)
	1,149,400	1,502,010

5. Trade and other accounts receivable

	<i>2020</i>	<i>2019</i>
Trade and other receivables	2,896,199	3,319,600
Due from governments	3,895,530	391,449
	6,791,729	3,711,049

6. Debt charges recoverable

The County has assisted the following organization in expansions and upgrades. As at December 31, 2020 the following amounts are outstanding:

Vermilion and District Housing Foundation

Three debentures totaling \$984,926 (2019 - \$1,036,628) plus interest at an average rate of 2.81% (2019 - 2.81%), recoverable in semi-annual blended instalments, maturing in periods 2035 through 2036.

	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
2021	53,168	27,355	80,523
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
To maturity	703,576	109,667	813,243
	984,926	230,932	1,215,858

County of Vermilion River
Notes to the Consolidated Financial Statements
For the year ended December 31, 2020

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, 2020, the prime rate was 2.45% (2019 - 3.95%).

As at December 31, 2020 the County had not drawn any funds (2019 - \$ nil) on the line of credit.

8. Accounts payable and accrued liabilities

	<i>2020</i>	<i>2019</i>
Accounts payable and accrued liabilities	3,528,622	5,132,983
Due to governments	427,121	175,584
Vacation and overtime accruals	326,758	258,645
	4,282,501	5,567,212

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 \$6,696,178 (2019 - \$7,388,531) 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

	<i>2020</i>	<i>2019</i>
Alberta Transportation	1,500,000	-
Municipal Sustainability Initiative - capital	1,381,708	1,380,871
Municipal Operating Support Transfer	573,415	-
Wetlands Restoration	499,305	500,225
Other	245,694	454,139
Husky Oil	200,000	200,000
Alberta Community Partnership - Enforcement	96,476	96,476
Municipal Stimulus Program	50,000	-
Alberta Community Partnership - Governance	23,912	23,912
	4,570,510	2,655,623

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.

County of Vermilion River
Notes to the Consolidated Financial Statements
For the year ended December 31, 2020

11. Long-term debt

	2020	2019
Range Road 64A, Range Road 55 and Range Road 20	7,100,642	-
Highway 16 and Range Road 14	2,017,619	2,100,000
Village of Dewberry	1,030,226	1,115,791
Vermilion and District Housing Foundation	784,001	825,435
Village of Paradise Valley	485,298	532,398
Village of Marwayne	372,712	439,829
Vermilion and District Housing Foundation	200,925	211,193
Blackfoot Development	-	449,918
	11,991,423	5,674,564

Payments of interest and principal are due as follows:

	Principal	Interest	Total
2021	2,695,107	166,166	2,861,273
2022	2,719,297	141,976	2,861,273
2023	2,743,845	117,428	2,861,273
2024	372,088	96,266	468,354
2025	382,325	86,029	468,354
To maturity	3,078,761	461,444	3,540,205
	11,991,423	1,069,309	13,060,732

Debenture debt is repayable to the Province of Alberta and bears interest at rates ranging from 0.63% to 3.49% (2019 - 1.12% to 3.49%) per annum and mature in periods 2023 through 2039. The average annual interest rate is 2.29% (2019 - 2.53%). Debenture debt is issued on the credit and security of the County at large.

The County's cash payments for interest in 2020 were \$138,284 (2019 - \$100,701). 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 \$7,100,642 and \$2,017,619, respectively. The Blackfoot Development capital debenture was fully repaid during the year. The total of the capital loans in the year is \$9,118,261 (2019 - \$2,549,918).

12. Inventory for consumption

	2020	2019
Gravel inventory	3,450,247	3,887,569
Shop inventory	1,582,773	1,588,666
	5,033,020	5,476,235

County of Vermilion River
Notes to the Consolidated Financial Statements
For the year ended December 31, 2020

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>2020</i>	<i>2019</i>
Total debt limit	64,846,397	59,403,186
Total debt	11,991,423	5,674,564
<hr/>		
Amount of debt limit unused	52,854,974	53,728,622
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Service on debt limit	10,807,733	9,900,531
Service on debt	2,861,273	922,068
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Amount of debt servicing limit unused	7,946,460	8,978,463
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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>2020</i>	<i>2019</i>
Tangible capital assets (<i>Schedule II</i>)	625,292,734	602,877,201
Accumulated amortization (<i>Schedule II</i>)	(381,091,751)	(365,413,770)
Capital long-term debt (<i>Note 11</i>)	(9,118,261)	(2,549,918)
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	235,082,722	234,913,513
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County of Vermilion River
Notes to the Consolidated Financial Statements
For the year ended December 31, 2020

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:

	<i>Salary/ remuneration</i>	<i>Benefits & allowances</i>	<i>2020</i>	<i>2019</i>
Reeve	56,056	9,712	65,768	82,922
Councilor Division 1	56,574	9,770	66,344	72,230
Councilor Division 3	62,345	9,895	72,240	78,025
Councilor Division 4	59,009	15,158	74,167	64,556
Councilor Division 5	55,524	9,673	65,197	66,501
Councilor Division 6	56,540	6,680	63,220	65,230
Councilor Division 7	57,774	8,643	66,417	75,026
CAO	203,500	26,629	230,129	79,972
Former CAO	-	-	-	89,088
Interim CAO	-	-	-	167,240
Development Officer	124,787	23,770	148,557	142,063
Agriculture Fieldman 1	118,749	26,463	145,212	137,208
Fire Protection Officer (0.75 FTE)	97,637	4,499	102,136	97,575

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, 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 274,151 people and 420 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 2020 were \$778,602 (2019 - \$739,368). Total current service contributions by the employees of the County to the Local Authorities Pension Plan in 2020 were \$706,279 (2019 - \$671,402).

At December 31, 2019, the date of the most recent actuarial valuation, the LAPP disclosed an actuarial surplus of \$7,913,261,000 (2018 - \$3,469,347,000).

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 an agreement to support the Lloydminster Region Health Foundation, as well as various contracts related to the purchase of gravel. The commitments over the next five years and thereafter are as follows:

2021	\$986,192
2022	\$727,000
2023	\$507,000
2024	\$157,000
2025	\$153,500
Thereafter	\$453,500

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 \$17,279,993 (2019 - \$15,471,686).

22. Significant event

During the year, there was a global outbreak of COVID-19, which 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, 2020

23. Subsequent event

Pursuant to Sections 96(4) and 97(4) of the *Local Authorities Election Act*, a vote held on November 3 and 4, 2020 resulted in 72% of voters electing to dissolve the Village of Dewberry. Effective January 1, 2021, the Village of Dewberry becomes a hamlet in the County of Vermilion River.

24. Comparative figures

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