

STURGEON COUNTY
FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

Draft

Sturgeon County

2020 Financial Statements

Table of Contents

Independent Auditors' Report	2
Statement of Financial Position	4
Statement of Operations and Accumulated Surplus	5
Statement of Cash Flow	6
Statement of Change in Net Debt	7
Schedule 1 - Accumulated Surplus	8
Schedule 2 - Equity in Tangible Capital Assets	9
Schedule 3 - Municipal Taxes Levied	10
Schedule 4 - Government Transfers	11
Schedule 5 - Segment Disclosure by Object 2020	12
Schedule 5 - Segment Disclosure by Object 2019	13
Schedule 6 - Tangible Capital Assets 2020	14
Schedule 6 - Tangible Capital Assets 2019	15
Notes to Financial Statements	16 - 31

INDEPENDENT AUDITORS' REPORT

To the Mayor and Council of the Municipality of Sturgeon County

Opinion

We have audited the accompanying financial statements of Sturgeon County (the County), which comprise the statement of financial position as at December 31, 2020 and the statements of operations and accumulated surplus, changes in net financial assets, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

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

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the 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 ethical responsibilities in accordance with these requirements. We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the financial statements and our auditors' report thereon. The Annual Report is expected to be made available to us after the date of this auditors' report. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

Management is responsible for the preparation and fair presentation of these 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.



Independent Auditors' Report (continued)

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

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

Auditors' Responsibility 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 auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but it 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 conducted 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 and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the County's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the County to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including significant deficiencies in internal control that we identify during our audit.

METRIX GROUP LLP

Chartered Professional Accountants

Edmonton, Alberta
April 27, 2021

Sturgeon County

Statement of Financial Position

December 31 st	2020	2019
		<i>(restated)</i> (Note 22)
Financial Assets		
Cash and short-term investments (Note 3)	\$ 63,040,210	\$ 46,699,377
Accounts receivable (Note 4)	20,926,354	10,914,742
Loans Receivable (Note 5)	3,172,116	3,312,317
Investments (Note 6)	29,995,987	29,172,195
Total financial assets	117,134,667	90,098,631
Liabilities		
Accounts payable and accrued liabilities (Note 11)	17,707,785	16,227,124
Long-term debt (Note 12)	34,229,692	27,383,965
Deferred revenue (Note 14)	39,327,316	36,999,683
Total liabilities	91,264,793	80,610,772
Net Financial Assets	25,869,874	9,487,859
Non-Financial Assets		
Prepaid expenses (Note 8)	697,604	668,330
Inventory for consumption (Note 9)	1,357,122	1,889,586
Tangible capital assets (Schedule 6) (Note 10)	289,882,621	281,398,455
Total non-financial assets	291,937,347	283,956,371
Accumulated Surplus (Schedule 1)	\$ 317,807,221	\$ 293,444,230

The accompanying schedules, summary of significant accounting policies and notes are an integral part of these financial statements.

Sturgeon County

Statement of Operations and Accumulated Surplus

For the year ended December 31 st	Budget	2020	2019
	<i>(unaudited)</i>		<i>(restated)</i> <i>(Note 22)</i>
Revenues			
Net municipal taxes (Schedule 3)	\$ 50,199,197	\$ 63,880,153	\$ 50,308,830
Special levies	1,045,000	696,443	976,488
Government transfers for operating (Schedule 4)	1,456,950	3,858,968	1,560,163
User fees and sales of goods	9,841,682	10,168,613	9,845,875
Return on investments	775,830	1,334,087	1,664,320
Licenses and permits	763,160	472,862	825,398
Inter-municipal agreements	535,554	540,456	530,444
Penalties on taxes and service charges	404,000	701,049	648,666
Other revenue	1,199,615	1,817,638	6,562,610
	66,220,988	83,470,269	72,922,794
Expenses (Schedule 5)			
Transportation	24,550,798	28,618,164	25,254,379
Administration and Building Services	13,507,889	12,722,745	13,295,245
Utilities	7,861,088	8,434,312	8,255,180
Planning, Economic Development, and Engineering	6,418,237	6,295,173	6,117,762
Protective Services	4,868,158	5,382,137	4,585,009
Community Services	3,829,086	3,144,125	3,955,035
Agriculture Services	3,102,188	2,492,731	2,687,710
Council	955,267	875,357	770,535
Fleet	(877)	(24,323)	(12,653)
	65,091,834	67,940,421	64,908,202
Annual surplus before other income (expense)	1,129,154	15,529,848	8,014,592
Other income (expense)			
Government transfers for capital (Schedule 4)	6,385,000	6,265,904	3,437,176
Contributed tangible capital assets (Note 10)	-	2,298,539	9,358,665
Unrealized foreign exchange gain (loss)	-	(106,144)	(270,367)
Other contributions for capital	1,300,000	-	789,235
Developer off site levies	2,560,458	374,844	119,257
	10,245,458	8,833,143	13,433,966
Annual surplus	11,374,612	24,362,991	21,448,558
Accumulated surplus at beginning of year	293,444,230	293,444,230	271,995,672
Accumulated surplus at end of year (Schedule 1)	\$ 304,818,842	\$ 317,807,221	\$ 293,444,230

The accompanying schedules, summary of significant accounting policies and notes are an integral part of these financial statements.

Sturgeon County

Statement of Cash Flow

For the year ended December 31 st	2020	2019
		<i>(restated)</i>
		(Note 22)
Cash provided by (used in)		
Operating activities		
Annual surplus	\$ 24,362,991	\$ 21,448,558
Non-cash items included in annual surplus:		
Contributed tangible capital assets	(2,298,539)	(9,358,665)
Amortization of tangible capital assets	11,431,035	10,154,150
Loss on disposal of tangible capital assets	595,422	382,455
Amortization of bonds	82,305	59,166
Gain on sale of investments	(11,000)	(156,325)
Valuation adjustment of tangible capital assets		159,144
	34,162,214	22,688,483
Changes in non-cash working capital		
Accounts receivable	(10,011,612)	(2,004,900)
Loans receivable	140,201	152,358
Prepaid expenses	(29,274)	(25,970)
Accounts payable and accrued liabilities	1,480,661	526,704
Deferred revenue	2,327,633	2,723,566
Inventory for consumption	532,465	292,994
Cash provided by operating activities	28,602,288	24,353,235
Capital activities		
Acquisition of tangible capital assets	(18,730,169)	(17,789,654)
Proceeds on disposal of tangible capital assets	518,085	232,234
Cash used in capital activities	(18,212,084)	(17,557,420)
Investing activities		
Acquisitions of investments	(11,963,097)	(16,020,697)
Disposals of investments	11,068,000	5,756,530
Cash used in investing activities	(895,097)	(10,264,167)
Financing activities		
Long-term debt issued	10,000,000	-
Long-term debt repaid	(3,154,274)	(3,430,048)
Cash provided by (used in) financing activities	6,845,726	(3,430,048)
Decrease in cash during the year	16,340,833	(6,898,400)
Cash and short-term investments, beginning of year	46,699,377	53,597,777
Cash and short-term investments, end of year	\$ 63,040,210	\$ 46,699,377

The accompanying schedules, summary of significant accounting policies and notes are an integral part of these financial statements.

Sturgeon County

Statement of Change in Net Financial Assets

For the year ended December 31 st	Budget <i>(unaudited)</i>	2020	2019 <i>(restated)</i> <i>(Note 22)</i>
Annual surplus	\$ 11,374,612	\$ 24,362,991	\$ 21,448,558
Acquisition of tangible capital assets	(26,054,600)	(18,730,169)	(17,789,654)
Contributed tangible capital assets	-	(2,298,539)	(9,358,665)
Amortization of tangible capital assets	9,919,320	11,431,035	10,154,150
Loss on disposal of tangible capital assets	-	595,422	382,455
Proceeds on sale of tangible capital assets	726,500	518,085	232,234
Valuation adjustment of tangible capital assets	-	-	159,144
	<u>(15,408,780)</u>	<u>(8,484,166)</u>	<u>(16,220,336)</u>
Acquisition of supplies inventory	-	(1,357,122)	(1,889,586)
Acquisition of prepaid expense	-	(697,604)	(668,330)
Consumption of supplies inventory	-	1,889,586	2,182,580
Use of prepaid expense	-	668,330	642,360
	<u>-</u>	<u>503,190</u>	<u>267,024</u>
Change in net debt	(4,034,168)	16,382,015	5,495,246
Net debt at beginning of year	9,487,859	9,487,859	3,992,613
Net financial assets at end of year (Note 20)	\$ 5,453,691	\$ 25,869,874	\$ 9,487,859

The accompanying schedules, summary of significant accounting policies and notes are an integral part of these financial statements.

Sturgeon County

Schedule of Accumulated Surplus

Schedule 1

For the year ended December 31 st	2020	2019
		<i>(restated)</i>
		<i>(Note 22)</i>
Deficit from operations	\$ (12,847,988)	\$ (10,545,261)
Internally designated (Note 16 Reserve funds)		
Operating	24,614,952	17,138,734
Capital	32,753,987	24,320,054
Total reserves	57,368,939	41,458,788
Equity in tangible capital assets (Schedule 2)	273,286,270	262,530,703
Accumulated Surplus	\$ 317,807,221	\$ 293,444,230

Draft

Sturgeon County

Schedule of Equity in Tangible Capital Assets

Schedule 2

For the year ended December 31 st	2020	2019
		<i>(restated)</i>
		<i>(Note 22)</i>
Equity balance at beginning of year	\$ 262,530,703	\$ 243,175,146
Acquisition of capital assets		
Roadway network	13,886,291	16,790,764
Land	713,992	313,003
Land improvements	282,399	304,211
Vehicles	587,440	1,350,566
Buildings	-	-
Engineering structures	2,817,143	7,447,092
Machinery & equipment	2,741,443	942,683
Total acquisitions/contributed assets	21,028,708	27,148,319
Disposal of capital assets (cost)		
Machinery & equipment	1,219,190	943,500
Vehicles	225,107	441,365
Engineering structures	-	570
Work in progress (buildings)	228,033	-
Roadway network	73,237	-
	1,745,567	1,385,435
Net additions & disposals	19,283,141	25,762,884
Annual amortization	(11,431,035)	(10,154,150)
Accumulated amortization related to disposed assets	632,059	611,603
Adjustments		
Capital Financing		
Capital debt utilized	(475,436)	100,748
Capital debt repayment	2,746,838	3,034,472
Change in equity balance	10,755,567	19,355,557
Equity balance at end of year	\$ 273,286,270	\$ 262,530,703
Equity in tangible capital assets consists of:		
Capital assets (cost)	\$ 462,639,055	\$ 443,355,914
Accumulated amortization	(172,756,434)	(161,957,458)
Long-term debt utilized	(16,596,351)	(18,867,753)
	\$ 273,286,270	\$ 262,530,703

Sturgeon County

Schedule of Municipal Taxes Levied

Schedule 3

For the year ended December 31 st	Budget	2020	2019
	<i>(unaudited)</i>		
Taxation			
Real property taxes	\$ 50,660,508	\$ 65,905,111	\$ 51,997,616
Linear property taxes	10,754,172	10,263,329	10,579,188
Government grants in place of property taxes	5,815,758	6,011,799	5,815,758
	<u>67,230,438</u>	<u>82,180,239</u>	<u>68,392,562</u>
Requisitions			
Alberta School Foundation Fund	15,643,274	16,352,228	16,331,212
Homeland Housing	699,401	702,253	680,093
Greater St. Albert RCSSD #734	295,800	794,607	710,135
Elk Island CSRD #41	245,679	209,070	208,701
Designated Industrial Property	147,087	241,928	153,591
	<u>17,031,241</u>	<u>18,300,086</u>	<u>18,083,732</u>
Net municipal property taxes	\$ 50,199,197	\$ 63,880,153	\$ 50,308,830

Draft

Sturgeon County

Schedule of Government Transfers

Schedule 4

For the year ended December 31 st	Budget	2020	2019
	<i>(unaudited)</i>		
For Operations			
Federal transfers			
Shared-cost agreements and grants	\$ 2,500	\$ 70,700	\$ 80,005
Provincial transfers			
Shared-cost agreements and grants	1,454,450	3,788,268	1,480,158
Total operating transfers	1,456,950	3,858,968	1,560,163
For Tangible Capital Assets			
Provincial transfers	4,635,000	5,191,923	2,457,904
Federal transfers	1,750,000	1,073,981	979,272
Total capital transfers	6,385,000	6,265,904	3,437,176
Total government grants	\$ 7,841,950	\$ 10,124,872	\$ 4,997,339

Draft

Sturgeon County

Schedule of Segment Disclosure by Object

Schedule 5

For the year ended December 31st

2020

	Transportation	Administration and Building Services	Utilities	Planning, Economic Development, and Engineering	Protective Services	Community Services	Agriculture Services	Council	Fleet	Total
Revenues										
Net municipal taxes	27,224,382	15,716,635	544,555	6,609,845	4,948,527	3,189,177	4,459,515	1,187,517	-	63,880,153
Special levies	-	696,443	-	-	-	-	-	-	-	696,443
Government transfers	547,200	2,524,714	18,178	149,241	-	488,591	131,044	-	-	3,858,968
User fees and sales of goods	236,482	245,194	9,381,843	68,900	191,128	12,450	32,616	-	-	10,168,613
Return on investments	-	1,328,771	-	5,316	-	-	-	-	-	1,334,087
Licenses and permits	-	75	1,860	456,297	14,630	-	-	-	-	472,862
Inter-municipal agreements	-	218,040	-	-	319,923	-	-	-	2,493	540,456
Penalties on taxes and service charges	-	687,678	13,371	-	-	-	-	-	-	701,049
Other revenue	465,676	816,780	65,732	57,575	343,395	2,167	49,129	-	17,184	1,817,638
	\$ 28,473,740	\$ 22,234,330	\$ 10,025,539	\$ 7,347,174	\$ 5,817,603	\$ 3,692,385	\$ 4,672,304	\$ 1,187,517	\$ 19,677	\$ 83,470,269
Expenses										
Contracted and general services	6,454,010	2,636,166	242,792	1,333,048	1,066,817	279,395	972,632	61,045	65,860	13,111,765
Salaries, wages and benefits	5,669,518	7,483,626	1,379,777	4,681,982	2,595,476	870,545	1,058,428	814,122	1,025,850	25,579,324
Materials, goods and utilities	4,655,607	880,389	4,820,510	8,245	405,673	11,277	150,275	690	1,336,115	12,268,781
Amortization	8,830,406	172,531	1,347,588	-	513,290	308,413	141,687	-	117,120	11,431,035
Grants	-	126,646	-	13,748	80,947	1,647,540	-	-	-	1,868,881
Loss/(gain) on disposal of tangible capital assets	516,491	-	79,455	-	-	-	(524)	-	-	595,422
Purchases from other governments	151,751	13,530	297,873	12,853	430,989	2,204	629	-	2,256	912,085
Interest on long-term debt	289,845	248,105	139,749	154,419	-	-	-	-	-	832,118
Provision for allowances	-	1,333,190	7,820	-	-	-	-	-	-	1,341,010
Internal Allocations	2,050,536	(171,438)	118,748	90,878	288,945	24,751	169,604	(500)	(2,571,524)	-
	\$ 28,618,164	\$ 12,722,745	\$ 8,434,312	\$ 6,295,173	\$ 5,382,137	\$ 3,144,125	\$ 2,492,731	\$ 875,357	\$ (24,323)	\$ 67,940,421
Annual surplus/(deficit) before other income	\$ (144,424)	\$ 9,511,585	\$ 1,591,227	\$ 1,052,001	\$ 435,466	\$ 548,260	\$ 2,179,573	\$ 312,160	\$ 44,000	\$ 15,529,848

Sturgeon County

Schedule of Segment Disclosure by Object

Schedule 5

For the year ended December 31st

2019

	Transportation	Administration and Building Services	Utilities	Planning, Economic Development, and Engineering	Protective Services	Community Services	Agriculture Services	Council	Fleet	Total
Revenues										
Net municipal taxes	28,510,102	8,396,188	313,445	3,906,883	2,698,735	3,579,241	2,347,619	556,617	-	50,308,830
Special levies	-	976,488	-	-	-	-	-	-	-	976,488
Government transfers	600,000	253,108	-	7,600	-	498,884	200,571	-	-	1,560,163
User fees and sales of goods	404,626	113,012	8,926,976	55,675	230,205	62,132	53,249	-	-	9,845,875
Return on investments	-	1,648,768	-	15,552	-	-	-	-	-	1,664,320
Licenses and permits	-	9,636	1,990	798,257	15,515	-	-	-	-	825,398
Inter-municipal agreements	-	218,040	-	-	306,476	-	-	-	5,928	530,444
Penalties on taxes and service charges	-	627,082	21,584	-	-	-	-	-	-	648,666
Other revenue	216,556	5,791,479	13,993	197,328	273,619	12,722	50,011	-	6,902	6,562,610
	\$ 29,731,284	\$ 18,033,801	\$ 9,277,988	\$ 4,981,295	\$ 3,524,550	\$ 4,152,979	\$ 2,651,450	\$ 556,617	\$ 12,830	\$ 72,922,794
Expenses										
Contracted and general services	4,527,901	2,845,803	257,400	1,258,420	496,123	345,660	956,942	107,435	(339,082)	10,456,602
Salaries, wages and benefits	5,644,439	7,653,188	1,226,648	4,683,461	2,552,168	882,873	1,197,432	661,189	1,060,666	25,562,064
Materials, goods and utilities	4,606,239	677,517	4,735,901	42,547	424,517	68,987	262,962	1,176	1,222,871	12,042,717
Amortization	7,669,800	173,404	1,335,751	2,488	492,192	288,051	125,820	-	66,644	10,154,150
Grants	-	898,851	-	39,148	83,311	1,997,244	-	-	-	3,018,554
Loss/(gain) on disposal of tangible capital assets	544,969	(158,574)	-	-	-	-	(6,918)	-	2,978	382,455
Purchases from other governments	60	84,894	369,751	1,093	329,052	349,666	5,531	1,235	346,759	1,488,041
Interest on long-term debt	359,800	262,469	157,682	-	-	-	-	-	-	779,951
Provision for allowances	-	1,022,294	1,374	-	-	-	-	-	-	1,023,668
Internal Allocations	1,901,171	(164,601)	170,673	90,605	207,646	22,554	145,941	(500)	(2,373,489)	-
	\$ 25,254,379	\$ 13,295,245	\$ 8,255,180	\$ 6,117,762	\$ 4,585,009	\$ 3,955,035	\$ 2,687,710	\$ 770,535	\$ (12,653)	\$ 64,908,202
Annual surplus/(deficit) before other income	\$ 4,476,905	\$ 4,738,556	\$ 1,022,808	\$ (1,136,467)	\$ (1,060,459)	\$ 197,944	\$ (36,260)	\$ (213,918)	\$ 25,483	\$ 8,014,592

Sturgeon County

Schedule of Tangible Capital Assets

Schedule 6

For the year ended December 31st

2020

	Engineering Structures	Road Network	Machinery & Equipment	Buildings	Vehicles	Land	Land Improvements	Work in Progress	2020	2019 (restated) (Note 22)
Cost										
Balance, beginning of year	\$ 91,975,779	\$ 267,777,395	\$ 15,842,297	\$ 12,322,967	\$ 11,198,583	\$ 27,618,347	\$ 5,999,482	\$ 10,621,064	\$ 443,355,914	\$ 417,593,030
Add:										
Additions during the year	760,044	1,782,393	2,526,110		587,440	91,192	268,000	15,013,529	21,028,708	27,148,319
Less:										
Disposals during the year		(73,237)	(1,219,190)		(225,107)			(228,033)	(1,745,567)	(1,385,435)
Transfers	126,991	10,115,308	270,278			631,478		(11,144,055)	-	-
Balance, end of year	\$ 92,862,814	\$ 279,601,859	\$ 17,419,495	\$ 12,322,967	\$ 11,560,916	\$ 28,341,017	\$ 6,267,482	\$ 14,262,505	\$ 462,639,055	\$ 443,355,914
Accumulated Amortization										
Balance, beginning of year	\$ 19,045,756	\$ 126,518,987	\$ 5,975,655	\$ 4,148,751	\$ 4,687,613	\$ -	\$ 1,580,696	\$ -	\$ 161,957,458	\$ 152,414,911
Add:										
Amortization	\$ 1,467,448	\$ 7,664,661	\$ 1,089,714	\$ 289,650	\$ 617,013	\$ -	\$ 302,549	\$ -	\$ 11,431,035	\$ 10,154,150
Less:										
Accumulated amortization on disposals		(73,237)	(452,584)		(106,238)				(632,059)	(611,603)
Balance, end of year	\$ 20,513,204	\$ 134,110,411	\$ 6,612,785	\$ 4,438,401	\$ 5,198,388	\$ -	\$ 1,883,245	\$ -	\$ 172,756,434	\$ 161,957,458
Net Book Value	\$ 72,349,610	\$ 145,491,448	\$ 10,806,710	\$ 7,884,566	\$ 6,362,528	\$ 28,341,017	\$ 4,384,237	\$ 14,262,505	\$ 289,882,621	\$ 281,398,456

Sturgeon County

Schedule of Tangible Capital Assets

Schedule 6

For the year ended December 31st

2019

(restated)(Note 22)

	Engineering Structures	Road Network	Machinery & Equipment	Buildings	Vehicles	Land	Land Improvements	Work in Progress	2019	2018
Cost										
Balance, beginning of year	\$ 85,267,706	\$ 255,774,128	\$ 15,967,179	\$ 12,322,967	\$ 10,289,382	\$ 27,204,820	\$ 5,695,271	\$ 5,071,577	\$ 417,593,030	\$ 395,992,531
Add:										
Additions during the year	5,767,780	4,782,591	818,618		1,350,566	63,981	304,211	14,060,572	27,148,319	23,958,144
Less:										
Disposals during the year	(570)		(943,500)		(441,365)				(1,385,435)	(2,357,645)
Transfers	786,863	7,374,676				349,546		(8,511,085)	-	-
Balance, end of year	\$ 91,821,779	\$ 267,931,395	\$ 15,842,297	\$ 12,322,967	\$ 11,198,583	\$ 27,618,347	\$ 5,999,482	\$ 10,621,064	\$ 443,355,914	\$ 417,593,030
Accumulated Amortization										
Balance, beginning of year	\$ 17,592,375	\$ 119,924,598	\$ 5,378,387	\$ 3,858,901	\$ 4,361,940	\$ -	\$ 1,298,710	\$ -	\$ 152,414,911	\$ 134,449,294
Add:										
Amortization	1,453,381	6,594,389	911,884	289,850	622,660	-	281,986		10,154,150	18,897,777
Less:										
Accumulated amortization on disposals			(314,616)		(296,987)				(611,603)	(932,160)
Balance, end of year	\$ 19,045,756	\$ 126,518,987	\$ 5,975,655	\$ 4,148,751	\$ 4,687,613	\$ -	\$ 1,580,696	\$ -	\$ 161,957,458	\$ 152,414,911
Net Book Value	\$ 72,776,023	\$ 141,412,408	\$ 9,866,642	\$ 8,174,216	\$ 6,510,970	\$ 27,618,347	\$ 4,418,786	\$ 10,621,064	\$ 281,398,456	\$ 265,178,119

1. SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Sturgeon County are the representations of management prepared in accordance with generally accepted accounting principles for local governments established by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants. Significant aspects of the accounting policies adopted by the County are as follows:

a) Reporting Entity

The financial statements reflect the assets, liabilities, revenues and expenditures, changes in fund balances, and the change in financial position of Sturgeon County. The schedule of taxes levied includes requisitions for education, health, social and other external organizations that are not part of the municipal reporting entity. The statements exclude trust assets that are administered for the benefit of external parties. Interdepartmental and organizational transactions and balances are eliminated.

The schedule of taxes levied includes requisitions for education, health, social and other external organizations that are not part of the municipal reporting entity. The statements exclude trust assets that are administered for the benefit of external parties.

b) Basis of Accounting

The 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

Funds from external parties and earnings thereon restricted by agreement or legislation are accounted for as deferred revenue until used for the purpose specified.

Government transfers, contributions and other amounts are received from third parties pursuant to legislation, regulation or agreement and may only be used for certain programs, in the completion of specific work, or for the purchase of tangible capital assets. In addition, certain user charges and fees are collected for which the related services have yet to be performed. Revenue is recognized in the period when the related expenses are incurred, services performed or the tangible capital assets are acquired.

c) Use of Estimates

The preparation of financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions such as amortization of tangible capital assets, post retirement benefits, gravel inventory, reclamation liabilities, and allowances for doubtful accounts 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 expenditures 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.

d) Cash and Short-term Investments

Short term investments are conventional liquid term deposits that mature in three months or less from the acquisition date.

e) Loans Receivable

Loans receivable are recorded based on the original amount loaned, including interest, and decreased overtime based on agreements in place. If reasonable assurance of collection does not exist, a provision may be made to the balance of the principal and interest of a loan to reduce the loan to its estimated realizable amount.

f) Investments

Investments are recorded at amortized cost. Investment premiums and discounts are amortized over the term of the respective investments. When there has been a loss in value that is other than a temporary decline, the respective investment is written down to recognize the loss.

g) 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.

h) Requisition Over-levy and Under-levy

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

If the actual tax levy exceeds the requisition, the over-levy is accrued as a liability and property tax revenue is reduced. Where the actual tax levy is less than an external organization's 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/under levies of the prior year.

i) Land held for resale

Land held for resale is recorded at the lower of cost or net realizable value. Cost includes costs for land acquisition and improvements required to prepare the land for servicing such as clearing, stripping and levelling charges. Related development costs incurred to provide infrastructure such as water and wastewater services, roads, sidewalks and street lighting are recorded as physical assets under the respective function.

j) Tax Revenue

Tax revenues are recognized when the tax has been authorized by bylaw and the taxable event has occurred. Requisitions operate as a flow through and are excluded from municipal reserve.

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

k) Contaminated Sites Liability

Contaminated sites are a result of contamination being introduced into air, soil, water or sediment of a chemical, organic or radioactive material or live organism that exceeds an environmental standard. The liability is recorded net of any expected recoveries. A liability for remediation of a contaminated site is recognized when a site is not in productive use and is management's estimate of the cost of post-remediation including operation, maintenance and monitoring.

l) Government Transfers

Government transfers are the transfer of assets from government that are not the result of an exchange transaction, are not expected to be repaid in the future, or result of a direct financial return. Government transfers are recognized in the financial statements as revenue in the period in which events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met, and reasonable estimates of the amounts can be determined.

m) Pension Expenses

Sturgeon County participates in a multi - employer defined benefit pension plan. This plan is accounted for as a defined contribution plan.

n) Post Retirement Benefit Plans

Post retirement obligations are unfunded, accrued, and paid as they become due. The cost of non-pension post-retirement benefits earned by employees is determined by management's best estimate based on service, salary escalation, retirement ages of employees and expected health care costs. The present value of the cost of providing employees with future benefits programs is recognized as employees earn these entitlements through service rendered.

o) Deferred Revenue

Government transfers, contributions, and other amounts received from third parties with conditions to be used in the conduct of certain programs, completion of specific work, fees and charges collected for service yet to be completed, or for the purchase of tangible capital assets revenue is recognized in the period the related expense is incurred, service is performed, or capital asset acquired.

p) Foreign Exchange

Monetary items denominated in foreign currency are translated to Canadian dollars at exchange rates in effect at December 31. Gains or losses on foreign currency translation are included as revenues or expenses.

q) Allowances for Operating and Tangible Capital Assets

Allowances for asset valuations are net against the related asset and are segregated between operating and capital purposes. Allowance increases are recorded as an expenditure while allowance decreases are recorded as a expenditure decrease expenditure decrease in the respective operating and capital fund. Accrued liabilities and tangible capital assets useful life are determined by estimation.

r) Non-financial Assets

Non-financial Assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful life extending beyond the current year and are not intended for sale in the ordinary course of operations. The change in non-financial assets during the year, together with the excess of revenues over expenses, provides the consolidated Change in Net Financial Assets for the year.

s) Leases

Leases are classified as capital or operating leases. Leases which transfer substantially all of the benefits and risks incidental to ownership of property are accounted for as capital leases. All other leases are accounted for as operating leases and the related lease payments are charged to expenses as incurred.

t) 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 (interest charges are not capitalized). Engineering structures, road network, vehicles, buildings, and machinery & equipment are amortized over their useful lives in a manner that reflects the consumption of their future economic benefits. The cost, less residual value, of the tangible capital assets is amortized on either the straight-line basis or declining balance. Useful life for each class of depreciable asset are:

Roadway network			
	-roads	Straight Line	10 - 60 years
	-bridges	Straight Line	40 - 75 years
	-swales, curb & gutter	Straight Line	30 - 50 years
	-railway	Straight Line	50 years

Sturgeon County

Notes to Financial Statements

December 31, 2020

Engineering structures	-force main/collection/supply/distribution lines	Straight Line	75 years
	-storm water systems	Straight Line	75 years
	-plants, facilities, reservoirs & lagoons	Straight Line	40 years
	-equipment & pump and lift stations	Straight Line	15 - 40 years
Land improvements	-landscaping/asphalt paths	Straight Line	25 years
	-fences/ball diamonds	Straight Line	20 years
	-gravel paths/parking lots	Straight Line	15 - 20 years
	-playground structures	Straight Line	10 years
Buildings	-brick/steel frame	Straight Line	40 years
	-wood/portable structures	Straight Line	25 years
	-leasehold improvements	Straight Line	as per lease agreement
Machinery & equipment	- heavy	Straight Line	10 years
	- light & various	Straight Line	4 - 20 years
	- office & computer	Declining Balance	5 years
Vehicles	- light	Declining Balance	10 years
	- heavy & fire	Straight Line	15 - 20 years
	- trailers	Straight Line	15 years

For assets other than roads, a full year of amortization is charged in the year of acquisition and none is charged in the year of disposal. For roads, no amortization is charged in the year of construction and a full year is charged in the year of reconstruction. Assets under construction are not amortized until the asset is available for productive use.

u) 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.

v) Inventories

Inventories of materials and supplies are valued at the lower of cost or net realizable value.

w) Future Accounting Standards

Effective for fiscal years beginning on or after April 1, 2022, PS 3280 Asset Retirement Obligations provides guidance on how to account for and report liabilities for retirement of tangible capital assets.

Effective for fiscal years beginning on or after April 1, 2023, PS 3400 Revenue provides guidance on how to account for and report revenue, and specifically, it addresses revenue arising from exchange transactions and unilateral transactions

2. SEGMENTED INFORMATION

Segmented information has been identified based upon lines of service provided by the County. County services are provided by departments and their activities are reported by functional area in the body of the consolidated financial statements. Certain lines of service that have been separately disclosed in the segmented information, along with the services they provide, are as follows:

Transportation

Transportation's mandate is to provide and maintain a safe and reliable road network for the travelling public. Transportation is responsible for winter and summer road maintenance as well as bridge maintenance. Sturgeon County's road construction program operates through the summer months.

Utilities

The utilities department provides drinking water to approximately 2,467 customers in Sturgeon County. The department is also responsible for the collection and delivery to a treatment facility of wastewater.

Protective Services

Protective Services is responsible for providing fire protection, disaster services and bylaw enforcement to the residents of Sturgeon County. Fire Services is directly responsible for two fire departments in Sturgeon County (the Districts of Calahoo and Namao) and collaborates with five fire departments in the urban centers located within Sturgeon County's borders. Bylaw Enforcement enforces all bylaws of Sturgeon County and assists local RCMP when required.

Community Services

Community Services focuses on promoting healthy lifestyles for Sturgeon residents. The department provides a variety of community and recreational activities designed for all ages, counselling for families that are experiencing difficulties and grants to community associations that provide a social or recreational service for Sturgeon County residents. The transit service is included for Sturgeon County seniors and Edmonton Garrison commuters.

Planning, Economic Development & Engineering

The planning department ensures development within Sturgeon County is well thought out, safe and reflective of Sturgeon County's visions and strategies. Economic Development focuses its efforts on attracting new business, developing a strong relationship with existing business and developing partnerships with neighbouring municipalities. Engineering provides related services to all departments within Sturgeon County.

Agriculture Services

Agriculture Services develops and promotes agricultural policies that will control vegetation growth on Sturgeon County land, control pests that have a detrimental effect on the agricultural industry and work towards preservation of Sturgeon County's agricultural environment. The department also provides information on agricultural concerns.

Administration & Building Services

Administration includes assessment services, financial services, human resources, information and geographic systems, records management, general administration, building/site management, legislative services and communications.

Fleet

Fleet and Building Services provides preventative maintenance and repairs to Sturgeon County's fixed and mobile assets.

Council

Council is the elected representatives and support staff.

Sturgeon County

Notes to Financial Statements

December 31, 2020

3. CASH AND SHORT TERM INVESTMENTS

	2020	2019
Cash	\$ 8,863,930	\$ 12,282,928
Short-term investments	54,176,280	34,416,449
	<u>\$ 63,040,210</u>	<u>\$ 46,699,377</u>

Included in cash and short-term investments is \$428,028, (2019 - \$424,115) of funds restricted for municipal parks. Short-term investments consist of a high-interest savings account that has a stated interest rate of 0.60% (2019 - 2.10%). Unbudgeted project expenditures and increased collection uncertainty due to COVID-19 have resulted in conservative long-term investment strategies and an increase in the balance of short-term investments.

4. ACCOUNTS RECEIVABLE

	2020	2019
Taxes and grants in place of taxes*	\$ 16,770,635	\$ 3,208,681
Trade and other	2,300,051	2,661,075
Local improvement taxes **	333,429	597,968
Receivable from other governments	2,718,279	4,902,786
Allowance for doubtful accounts	(1,196,040)	(455,768)
	<u>\$ 20,926,354</u>	<u>\$ 10,914,742</u>

Included in Taxes and grants in place of taxes is a supplementary tax levy completed in December in the amount of \$12,837,632 collectable in 2021.

** Local Improvement Taxes

	2020	2019
Local Improvement Bylaw 1076-06, expiring 2020	-	24,400
Local Improvement Bylaw 1077-06, expiring 2020	-	65,398
Local Improvement Bylaw 1111-07, expiring 2021	22,770	45,539
Local Improvement Bylaw 1147-08, expiring 2022	302,451	453,676
Local Improvement Bylaw 1353-15, expiring 2030	8,208	8,955
	<u>\$ 333,429</u>	<u>\$ 597,968</u>

Sturgeon County

Notes to Financial Statements

December 31, 2020

5. LOANS RECEIVABLE

	2020	2019
West Sturgeon Aging in Place Foundation	\$ 3,172,116	\$ 3,312,317
	<u>\$ 3,172,116</u>	<u>\$ 3,312,317</u>

The West Sturgeon Aging in Place Foundation loan receivable is secured by a mortgage and assignment of rents with a interest rate of 3.0757% and semi annual installment payments of \$120,504 maturing in 2037. This loan is based off the original amount lent with no valuation adjustments, write-offs, or recoveries made in 2020. Interest is recorded on an accrual basis.

6. INVESTMENTS

	2020	2019
Corporate Bonds	\$ 16,109,505	\$ 15,699,808
Long-term Notes	13,502,966	13,101,884
Servus Credit Union Member Equity	200,000	200,000
Alcomdale Local Development Co-op (1 share)	1,500	1,500
River Valley Alliance (1 share)	1,000	1,000
United Farmers of Alberta (15 shares)	75	75
MuniSerp Retirement Plan	180,941	167,928
	<u>\$ 29,995,987</u>	<u>\$ 29,172,195</u>

Corporate Bonds are made up of 11 bonds with interest rate(s) of 2.01% - 4.89%. Market value of these investments total \$16,901,356 and is based on quoted market values received as at December 31, 2020. Maturity dates range from 2021 - 2027. All bonds are recorded at their amortized cost.

Market value of Long-term Notes total \$13,554,096 with interest rate(s) of 1.6% - 4.0%.

7. BANK INDEBTNESS

The County has a revolving line of credit with Servus Credit Union with a maximum limit of \$600,000, in which interest accrues monthly on the outstanding balance at a rate of prime. The County has a non-revolving Demand Instalment Loan with Canadian Imperial Bank of Commerce with a maximum limit of \$6,000,000. Interest calculates on the outstanding balance at a rate of prime per annum. As at December 31, 2020 Sturgeon County had not drawn any funds (2019 - \$ nil) on the line of credit or loan.

8. PREPAID EXPENSES

	2020	2019
Prepaid Insurance	\$ 437,684	\$ 411,593
Prepaid Expenses	259,920	256,737
	<u>\$ 697,604</u>	<u>\$ 668,330</u>

Prepaid expenses included prepayments on goods and services that will be utilized in future years.

Sturgeon County

Notes to Financial Statements

December 31, 2020

9. INVENTORY FOR CONSUMPTION

	2020	2019
Gravel	\$ 245,979	\$ 977,003
Parts & other	708,577	530,578
Chemicals, fuel, & oil	260,251	256,629
Sand, salt, & seeds	142,316	125,376
	<u>\$ 1,357,123</u>	<u>\$ 1,889,586</u>

Inventory is comprised of items such as gravel, traffic supplies, road construction, maintenance materials, roadside chemicals, tires and parts used in repairs, and new water meters.

10. TANGIBLE CAPITAL ASSETS

	2020	2019
Road network	\$ 155,043,879	\$ 148,961,801 <i>(restated)</i>
Engineering structures	76,367,886	75,097,649
Machinery and equipment	10,875,832	9,990,708
Buildings	7,884,566	8,174,216
Vehicles	6,362,528	6,510,970
Land improvements	4,389,612	4,418,786
Land	28,958,318	28,244,326
	<u>\$ 289,882,621</u>	<u>\$ 281,398,456</u>

Non-cash contributed tangible capital assets for 2020 total \$2,298,539 received from developers for subdivision roads, water supply line and wastewater collection line. (2019 - \$9,358,665).

Road network includes roads, bridges, curb & gutter, swales as well as railway. Road network includes \$9,552,431 (2019 - \$7,549,393) of Work in Progress that is not in service and not being amortized.

Engineering structures include water supply lines, distribution lines and reservoirs, wastewater transmission forcemains, lift stations and collection systems as well as a transportation fueling system. Engineering structures also include buildings and equipment used in the supply of water or collection of wastewater. Engineering structures includes \$4,018,276 (2019 - \$2,321,626) of Work in Progress that is not in service and not being amortized.

Machinery and equipment includes heavy equipment, agriculture equipment, fire protection equipment (other than fire vehicles), office equipment, furniture and other equipment. In 2020, \$69,122 (2019- \$124,066) remains in Work in Progress.

Buildings include offices, shops and storage buildings as well as Sturgeon County owned fire halls and buildings used for recreational purposes. In 2020, no amounts remain in Work in Progress. (2019 - \$nil).

Sturgeon County

Notes to Financial Statements

December 31, 2020

Land Improvements include trails, playground structures and landscaping. Land Improvements includes \$5,375 (2019 - \$nil) of Work in Progress.

Land includes general lands, municipal reserve lands, and right-of-ways. Lands includes \$617,301 (2019 - \$625,979) of Work in Progress.

11. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2020	2019
Trade and other accounts payable	\$ 8,005,577	\$ 6,434,286
Earned vacation and overtime liability	1,349,260	1,143,852
Post retirement benefits obligation (Note 15)	3,579,323	3,771,659
Accrued long-term debt interest	95,946	85,877
Deposit liabilities	3,721,839	3,847,877
Reclamation liability (gravel)	955,840	943,573
	<u>\$ 17,707,785</u>	<u>\$ 16,227,124</u>

12. LONG TERM DEBT

	2020	2019
Government of Alberta debentures bearing interest at rates ranging from 1.95% to 4.61% per annum, maturing between 2022 and 2037.	<u>\$ 34,229,692</u>	<u>\$ 27,383,965</u>
Tax supported debt	\$ 17,269,850	\$ 19,513,593
Self supported debt	\$ 16,959,842	\$ 7,870,372
	<u>\$ 34,229,692</u>	<u>\$ 27,383,965</u>

The required principal and interest repayments until maturity are as follows:

	Principal	Interest	Total
2021	\$ 3,271,209	\$ 887,497	\$ 4,158,706
2022	3,368,033	790,674	4,158,707
2023	3,188,219	693,044	3,881,263
2024	3,134,203	600,891	3,735,094
2025	2,245,460	518,406	2,763,866
Thereafter	19,022,568	2,207,574	21,230,142
	<u>\$ 34,229,692</u>	<u>\$ 5,698,086</u>	<u>\$ 39,927,778</u>

Sturgeon County's total cash payments for interest in 2020 were \$886,403 (2019 - \$894,866) with interest rate(s) 1.95% - 4.61%.

Sturgeon County

Notes to Financial Statements

December 31, 2020

13. DEBT LIMITS

Section 276(2) of the *Municipal Government Act* requires that debt and debt limits as defined by Alberta Regulation 255/00 for Sturgeon County be disclosed as follows:

MGA Debt Limit Calculation	2020	2019
Total debt limit	\$ 125,608,454	\$ 110,341,379
Total debt	34,229,692	27,383,965
Amount of debt limit available	<u>\$ 91,378,762</u>	<u>\$ 82,957,414</u>
Debt servicing limit	\$ 20,934,742	\$ 18,390,230
Debt servicing	4,158,706	3,763,231
Amount of debt servicing limit available	<u>\$ 16,776,036</u>	<u>\$ 14,626,999</u>

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 revenue as defined by the Statement of Operations and Accumulated Surplus. Incurring debt beyond these limitations requires approval by the Minister of Municipal Affairs. These thresholds are guidelines used by Alberta Municipal Affairs to identify municipalities that could be at financial risk if further debt is acquired. The calculation alone does not represent the financial stability of Sturgeon County. Rather, the financial statements must be interpreted as a whole.

14. DEFERRED REVENUE

Deferred revenue comprises the amounts noted below, the use of which, together with any earnings thereon, is externally restricted to eligible expenditures on operating or capital projects as approved by the governments. These funds are recognized as revenue in the period the stipulations are met.

Deferred revenue is being accounted for in net debt to determine the financial condition of the municipality. Though net debt cannot be considered in isolation but also in the context of the overall economic and financial environment the municipality is operating in.

In 2010 Sturgeon County expended the remainder of Fort Hills Energy Corporation's tax prepayment of \$12,700,000. Although the funds have been expended, there is a 10 year recognition period for this amount in accordance with Public Sector Accounting Board standard. The revenue recognized in 2020 was \$789,460 (2019 - \$789,460).

On August 24, 2012 Sturgeon County entered into an agreement with North West Redwater Partnership (NWRP) for the prepayment of \$5,588,000 in property taxes. The prepayment was received by Sturgeon County on December 21, 2012. In accordance with Public Sector Accounting Board standards, Sturgeon County may begin recognizing the revenue in 5 equal annual amounts of \$1,117,600 commencing June 30, 2021.

Sturgeon County

Notes to Financial Statements

December 31, 2020

	2019	Contributions	Interest Earned	Contributions Recognized	2020
Tax Prepayment Agreements	\$ 15,130,161	-	-	\$(789,460)	\$ 14,340,701
Other government transfer payments	1,433,991	4,387,617		(2,578,265)	3,243,343
Municipal Sustainability Initiative	6,810,386	5,221,350	44,522	(4,611,386)	7,464,872
Federal Gas Tax	2,024,232	1,172,979	5,702	(1,073,981)	2,128,932
STIP	88,112	433,929		(522,041)	-
Investment fund	19,077	17,500		(25,676)	10,901
Alcomdale waterline project	1,193,401	46,685		(1,240,086)	-
Off site levies	9,768,415	494,891	59,950	(18,450)	10,304,806
Developer contributions	58,500	1,254,630	-	-	1,313,130
Other	473,408	101,986	-	(54,763)	520,631
	<u>\$ 36,999,683</u>	<u>\$ 13,131,567</u>	<u>\$ 110,174</u>	<u>\$(10,914,108)</u>	<u>\$ 39,327,316</u>

15. POST RETIREMENT BENEFIT OBLIGATION

Sturgeon County makes available to qualifying employees with 15 years of continuous service who retire at or after the age of 55, the opportunity to continue their coverage for extended health and dental benefits. Coverage ceases at the age of 70. Sturgeon County pays 80 percent of benefit costs and the employee pays the remaining 20 percent. Amounts provided for in the current year amounted to \$ 89,492 (2019 - \$75,203). Retirees contributed \$22,373 in 2020 (2019 - \$18,801). In addition to the post retirement benefits, Sturgeon County provides a retirement allowance lump-sum payment based on years of service commencing with 35% of salary after a minimum of 20 years' consecutive service. Amounts provided for in the current year amounted to \$82,851 (2019 - \$111,021). Significant assumptions used in the valuation include a discount rate of 0.7809% (2019 - 2.125%). Compensation increases of 4% for 2020 of those that have not maximized in steps and a 2.37% inflationary increase for all. The health and dental premiums includes a 5% inflationary increase for health and 3% for dental over several years.

Sturgeon County

Notes to Financial Statements

December 31, 2020

16. RESERVES

The balance of reserves at year-end consist of the following:

	2020	2019
Operating		
Agriculture services	\$ 373,183	\$ 343,183
Carry forward - projects	3,280,879	1,760,853
Community building	30,334	-
Community enhancement	1,165,985	1,041,853
Contingency	300,000	300,000
Corporate support	1,689,354	1,435,826
Drainage	3,385,843	2,124,337
Economic development	688,395	532,395
FCSS	17,483	16,367
Fire & Disaster Recovery	525,000	525,000
Fleet	72,000	52,000
General operating	8,643,133	6,207,192
Heartland Mitigation	259,785	259,785
Planning	996,456	1,014,987
Service level	1,273,794	-
Severe weather	418,000	418,000
Sturgeon industrial community fund	417,996	416,592
Subdivision oiling	187,404	187,404
Tax stabilization	386,968	-
Transportation	46,332	46,332
Utility	456,628	456,628
	\$ 24,614,952	\$ 17,138,734
Capital		
Road network	\$ 12,538,124	\$ 8,452,456
Equipment & vehicle	7,226,245	7,721,252
Utility	6,994,274	5,944,400
Corporate support	1,455,526	1,455,526
Municipal park	428,028	424,115
Recreation	218,068	218,068
Storm Sewer & Storm Ponds	104,237	104,237
Significant Tax Growth Reserve - Infrastructure	3,789,485	-
	\$ 32,753,987	\$ 24,320,054
	\$ 57,368,939	\$ 41,458,788

Reserves include \$428,028 (2019 - \$424,115) subject to external restrictions with respect to their use.

Sturgeon County

Notes to Financial Statements

December 31, 2020

17. SALARY AND BENEFITS

Disclosure of salaries and benefits for elected Sturgeon County officials and the chief administrative officer as required by Alberta Regulations 313/00 is as follows:

	Salary ¹	Honoraria ²	Benefits ³	2020	2019
Mayor	\$ 101,712	6,760	9,754	\$ 118,226	\$ 91,934
Councillor Division 1	\$ 73,513	4,030	8,120	\$ 85,663	\$ 69,827
Councillor Division 2 (Jan 1 - Dec 31, 2020)	\$ 75,524	5,980	8,120	\$ 89,624	\$ 69,827
Councillor Division 2 ⁵				\$ -	\$ 31,885
Councillor Division 2 ⁶				\$ -	\$ 16,987
Councillor Division 3	\$ 73,401	8,450	8,120	\$ 89,971	\$ 70,413
Councillor Division 4	\$ 75,949	2,730	8,420	\$ 87,099	\$ 67,400
Councillor Division 5	\$ 73,476	3,510	8,120	\$ 85,106	\$ 74,980
Councillor Division 6	\$ 73,513	3,250	5,231	\$ 81,994	\$ 68,657
Chief Administrative Officer (CAO)	\$ 254,572		34,346	\$ 288,918	\$ 272,882
Designated Officers ⁴	\$ 1,082,157		187,274	\$ 1,269,431	\$ 1,229,644

¹ Salary includes regular base pay and overtime. The Mayor and Deputy Mayor(s) receive an allowance relative to their appointment as such.

² Honoraria is based on \$180 per day for attendance at conferences or conventions which may require travel away from home for extended periods of time.

³ Employer's share of all County Council's benefits and contributions or payments made on behalf of County Council including pensions, extended health care, dental coverage, group life insurance, accident death and dismemberment insurance, long and short-term disability plans, distance allowance, professional memberships and tuition.

⁴ Designated Officers include Appointment of Municipal Assessor, Bylaw Enforcement Officers (Peace Officers and Animal Control), Clerk of the Subdivision And Development Appeal Board, and Clerk of the Assessment Review Board. Total of 11 positions.

⁵ Councillor Division 2 term was January 1, 2019 to June 27, 2019

⁶ New Councillor term for Division 2 was June 29, 2019 to September 19, 2019

18. LOCAL AUTHORITIES PENSION PLAN

Employees of Sturgeon County participate in the Local Authorities Pension Plan (LAPP), which is covered by the Public Sector Pension Plans Act. The Plan serves 274,151 members and about 420 employers. It is financed by employer, employee contributions and investment earnings of the LAPP Fund.

Sturgeon County is required to make current service contributions to the Plan of 9.39% of pensionable earnings up to the Canada Pension Plan's Yearly Maximum Pensionable Earnings and 13.84% for the excess.

Total contributions by Sturgeon County to the LAPP in 2020 were \$1,775,313 (2019 - \$1,795,645). Total contributions by the employees of Sturgeon County to the LAPP in 2020 were \$1,615,277 (2019 - \$1,642,385).

At December 31, 2019, the Local Authorities Plan disclosed an actuarial surplus of approximately \$ 7.9 billion.

Sturgeon County

Notes to Financial Statements

December 31, 2020

19. TRUST FUNDS

A summary of trust funds held by Sturgeon County is as follows:

	2020	2019
Tax sale surplus	\$ 54,559	\$ 54,144
Dale MacMillan Memorial Scholarship Fund	110,559	112,124
Campaign Trust	9,531	9,526
	<u>\$ 174,649</u>	<u>\$ 175,794</u>

Trust funds administered by Sturgeon County have not been included in the Statement of Financial Position nor have their operations been included in the Statement of Operations.

20. FINANCIAL INSTRUMENTS

Sturgeon County's financial instruments consist of cash and short-term investments, accounts receivable, loans receivable, investments, accounts payable and accrued liabilities, and long-term debt. It is management's opinion that Sturgeon County is not exposed significant interest or currency risks arising from these financial instruments.

Sturgeon County is subject to credit risk with respect to taxes and grants in place of taxes receivable and trade and other receivables. Credit risk arises from the possibility that taxpayers and entities to whom Sturgeon County provides services may experience difficulty and be unable to fulfill their obligations. There is a significant portion of property taxes related to linear property and are due from oil and gas companies at December 31, 2020. Sturgeon County has proactively increased the doubtful debt allowance to reduce the credit risk associated with the fluctuations in the oil and gas industry. The large number and diversity of taxpayers and customers also minimizes the credit risk.

Sturgeon County

Notes to Financial Statements

December 31, 2020

21. BUDGET FIGURES

The 2020 Budget figures appearing in the financial statement below have not been audited. Budgets that are established for capital acquisitions and related financing are calculated on a project oriented basis, as they may be carried out over one or more years. As such, they are not directly comparable with current year actual amounts.

	Budget (unaudited)	2020	2019
Budget Figures			
Annual Surplus	\$ 11,374,612	\$ 24,362,991	\$ 21,448,558
Internal Transfers (net operating & capital)	966,978	(13,607,423)	628,502
Operating valuation adjustment of Tangible Capital Assets	-	-	159,144
Proceeds on disposal of Tangible Capital Assets	726,500	518,085	232,234
Repayment of capital long-term debt	(3,032,810)	(2,746,838)	(3,034,472)
Loss on disposal of Tangible Capital Assets	-	595,422	382,455
Capital costs	(26,054,600)	(18,730,169)	(17,789,654)
Contributed assets	-	(2,298,539)	(9,358,665)
Debt utilized	6,100,000	475,436	(100,748)
Amortization	9,919,320	11,431,035	10,154,150
Operating Surplus (before yearend transfer)	\$ -	\$ -	\$ 2,721,505
Internal Transfers (net operating & capital)	-	-	(2,721,505)
Operating Surplus (after yearend transfer)	\$ -	\$ -	\$ -

Note that the above unaudited budget data presented above is based upon the 2020 operating and capital budgets that have been approved by Council. Amortization and gain/loss of disposed tangible capital assets were not contemplated to be funded in the development of the budget and, as such, have not been included.

Sturgeon County

Notes to Financial Statements

December 31, 2020

22. PRIOR PERIOD ADJUSTMENT

During 2020, Sturgeon County discovered three items which resulted in the a prior period restatement:

- 1) Amortization for three tangible capital assets had not been recorded for several years;
- 2) A bridge that was transferred to an external party in 2008 had not been removed from the accounts; and
- 3) Contributed tangible capital assets for which the County received ownership to in 2019 were not recorded in that year.

The combined effect of on the financial statements in the current and prior periods are:

	2019	2018 and Prior
Tangible Capital Assets		
Cost	175,600	(92,931)
Accumulated Amortization	2,323	9,403,332
Equity in Tangible Capital Assets	177,923	9,310,401
Accumulated Surplus	177,923	9,310,401

This has been corrected retroactively in 2020 and comparative figures have been restated.

23. CONTINGENT LIABILITIES

Sturgeon County has collected third party fees in relation to a right of way agreement which is currently being disputed . Should a future obligation present itself, any amount disbursed will be accounted for as a transaction in the year in which the disbursement occurs.

24. UNCERTAINTY DUE TO COVID -19

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

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

25. COMPARATIVE INFORMATION

Certain comparative values have been reclassified to conform with the current year financial statement presentation.

26. APPROVAL OF FINANCIAL STATEMENTS

Council and Management have approved these financial statements.