

Lacombe County
Consolidated Financial Statements
For the year ended December 31, 2019

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For the year ended December 31, 2019

Contents

Independent Auditors' Report

Consolidated Financial Statements

Consolidated Statement of Financial Position	3
Consolidated Statement of Operations	4
Consolidated Statement of Change in Net Financial Assets	5
Consolidated Statement of Cash Flows	6
Summary of Significant Accounting Policies	7 - 9
Notes to the Consolidated Financial Statements	10 - 29



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Independent Auditor's Report

To the Members of Council of Lacombe County

Opinion

We have audited the consolidated financial statements of Lacombe County and its controlled or owned organizations (the Group), which comprise the consolidated statement of financial position as at December 31, 2019, and the consolidated statement of operations, consolidated statement of changes in net financial assets, and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2019 and its consolidated financial performance and its cash flows for the year then ended in accordance with Public Sector Accounting Standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Group 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 these consolidated financial statements in accordance with Public Sector Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance are responsible for overseeing the Group'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 financial statements.

Independent Auditor's Report - continued

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group'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 Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the 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.

Chartered Professional Accountants
Red Deer, Alberta
April 23, 2020

Lacombe County
Consolidated Statement of Financial Position

December 31	2019	2018
Financial assets		
Cash and cash equivalents (Note 1)	\$ 63,804,733	\$ 54,140,959
Investments (Note 2)	23,749,705	30,359,288
Taxes receivable (Note 3)	292,218	685,968
Accounts receivable (Note 4)	5,668,940	5,306,163
Inventories for resale (Note 5)	443,405	348,552
	93,959,001	90,840,930
Liabilities		
Accounts payable and accrued liabilities	2,407,904	2,723,822
Employee benefit obligation (Note 6)	1,165,563	1,056,189
Deposit liabilities	2,103,961	2,233,070
Deferred revenue (Note 7)	9,617,994	7,935,370
	15,295,422	13,948,451
Net financial assets	78,663,579	76,892,479
Non-financial assets		
Tangible capital assets (Note 8)	295,919,406	302,861,948
Prepaid expenses and inventories of supplies (Note 9)	6,749,269	6,508,585
	302,668,675	309,370,533
Accumulated surplus (Note 10)	\$ 381,332,254	\$ 386,263,012
Contingencies and commitments (Note 19)		
Liability for contaminated sites (Note 20)		
Funds held in trust (Note 21)		

Lacombe County
Consolidated Statement of Operations

For the year ended December 31	Budget 2019	2019	2018
Revenues			
Taxation - net (Note 12)	\$ 31,304,000	\$ 31,303,213	\$ 30,345,536
Taxation - other (Note 13)	955,000	1,153,666	1,200,484
Government transfers (Note 14)	2,219,890	5,859,746	1,961,352
Sales, user charges and costs recovered	1,899,800	2,239,571	1,872,135
Sales to other governments	801,630	941,159	804,557
Permits, licenses, fines, penalties and rentals	693,230	738,487	915,086
Interest, royalties and patronage allocations	1,571,740	2,010,207	1,720,259
Gain on sale of tangible capital assets	-	935,994	1,316,666
Contributed assets	-	2,267,543	120,990
Development levies	210,450	(49,078)	2,846,100
Other	39,680	532,771	442,000
	39,695,420	47,933,279	43,545,165
Expenditures (Note 15)			
General government	5,900,215	6,610,126	5,562,031
Protective services	2,645,191	2,421,155	2,216,822
Transportation services	31,452,063	30,431,259	29,920,513
Environmental services	7,462,114	6,339,882	2,592,678
Cemetery	68,720	55,527	53,695
Social and family services	593,250	349,384	445,172
Recreation and cultural services	3,005,080	2,567,224	2,606,226
Planning and development	1,283,310	1,163,488	1,099,112
Agriculture services	1,306,842	1,106,761	1,081,204
Write-down of tangible capital assets	-	1,678,848	3,095,363
Loss on sale of tangible capital assets	-	140,383	171,269
	53,716,785	52,864,037	48,844,085
Deficiency of revenue over expenditures	(14,021,365)	(4,930,758)	(5,298,920)
Accumulated surplus, beginning of year	386,263,012	386,263,012	391,561,932
Accumulated surplus, end of year	\$ 372,241,647	\$ 381,332,254	\$ 386,263,012

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

Lacombe County
Consolidated Statement of Change in Net Financial Assets

For the year ended December 31	Budget 2019	2019	2018
Deficiency of revenue over expenditures	\$ (14,021,365)	\$ (4,930,758)	\$ (5,298,920)
Acquisition of tangible capital assets	(20,028,810)	(15,775,461)	(19,134,368)
Acquisition of contributed assets	-	(2,267,543)	(120,990)
Amortization of tangible capital assets	23,113,315	23,113,315	22,836,247
Gain on sale of tangible capital assets	-	(935,994)	(1,316,666)
Loss on sale of tangible capital assets	-	140,383	171,269
Proceeds on sale of tangible capital assets	994,500	988,994	1,509,521
Write-downs of tangible capital assets	-	1,678,848	3,095,363
	(9,942,360)	2,011,784	1,741,456
Change in prepaid expenses and inventory of supplies	(292,470)	(240,684)	(37,165)
Net change in net financial assets	(10,234,830)	1,771,100	1,704,291
Net financial assets, beginning of year	76,892,479	76,892,479	75,188,188
Net financial assets, end of year	\$ 66,657,649	\$ 78,663,579	\$ 76,892,479

Lacombe County
Consolidated Statement of Cash Flows

For the year ended December 31	2019	2018
Operating transactions		
Excess (deficiency) of revenue over expenditures	\$ (4,930,758)	\$ (5,298,920)
Items not involving cash		
Contributed assets	(2,267,543)	(120,990)
Amortization	23,113,315	22,836,247
Gain on disposal of tangible capital assets	(935,994)	(1,316,666)
Write-down of tangible capital asset	1,678,848	3,095,363
Loss on disposal of tangible capital assets	140,383	171,269
Changes in non-cash operating balances		
Taxes receivable	393,750	252,789
Accounts receivable	(362,777)	(2,292,653)
Inventories for resale	(94,853)	45,245
Prepaid expenses and inventories of supplies	(240,684)	(37,165)
Accounts payable and accrued liabilities	(315,918)	(1,615,520)
Employee benefit obligation	109,374	(93,406)
Deposit liabilities	(129,109)	250,082
Deferred revenue	1,682,624	6,271,887
	<u>17,840,658</u>	<u>22,147,562</u>
Capital transactions		
Acquisition of tangible capital assets	(15,775,461)	(19,134,368)
Proceeds on sale of tangible capital assets	988,994	1,509,521
	<u>(14,786,467)</u>	<u>(17,624,847)</u>
Investing transactions		
Increase of investments	6,609,583	(3,121,533)
Restricted cash balances	(384,750)	(6,521,968)
	<u>6,224,833</u>	<u>(9,643,501)</u>
Net change in cash and cash equivalents	9,279,024	(5,120,786)
Cash and cash equivalents, beginning of year	43,972,520	49,093,306
Cash and cash equivalents, end of year	\$ 53,251,544	\$ 43,972,520
Cash and cash equivalents is comprised of:		
Cash and cash equivalents	\$ 63,804,733	\$ 54,140,959
Less: restricted (Note 1)	(10,553,189)	(10,168,439)
	<u>\$ 53,251,544</u>	<u>\$ 43,972,520</u>

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

Lacombe County
Summary of Significant Accounting Policies

December 31, 2019

**Management's
Responsibility for the
Financial Statements**

The consolidated financial statements of the County are the responsibility of management. They have been prepared in accordance with Canadian generally accepted accounting principles established by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada.

Basis of Consolidation

The financial statement reflect the assets, liabilities, revenue and expenses of all municipal organizations, committees and Boards which are owned or controlled by the County.

The following entities have been proportionately consolidated:

City of Lacombe Shared Fire Fund	50%
Town of Bentley Shared Fire Fund	50%
Town of Blackfalds Shared Fire Fund	50%
Town of Eckville Shared Fire Fund	50%
Village of Alix Shared Fire Fund	50%
Village of Clive Shared Fire Fund	50%

**Cash and Cash
Equivalents**

Management considers all highly liquid investments with a maturity of 12 months or less from the year end to be cash equivalents.

Investments

Investments are recorded at cost unless there has been a decline in the market value which is other than temporary in nature in which case the investments are written down to market value.

Inventory for Resale

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

Inventory of Supplies

Inventories of materials and supplies for consumption are valued at the lower of cost or replacement cost.

Inventory of Gravel

Inventories of gravel for consumption are valued at the lower of cost or replacement cost. Cost is determined per tonne and includes the raw material, extraction, crushing, transportation and reclamation costs.

Lacombe County
Summary of Significant Accounting Policies

December 31, 2019

Tangible Capital Assets

Tangible capital assets are recorded at cost less accumulated amortization. Cost includes all costs directly attributable to acquisition or construction of the tangible capital asset including transportation costs, installation costs, design and engineering fees, legal fees and site preparation costs. Contributed tangible capital assets are recorded at fair value at the time of the donation, with a corresponding amount recorded as revenue. Amortization is recorded on a straight-line basis over the estimated life of the tangible capital asset commencing once the asset is available for productive use as follows:

Land improvements	20 to 25 years
Buildings	4 to 50 years
Roads	20 to 40 years
Bridges	22 to 87 years
Machinery and equipment	5 to 50 years
Water infrastructure	23 to 47 years
Sewer infrastructure	17 to 75 years
Vehicles	10 to 20 years

Excess Collections and Under-levies

Excess collections 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 excess collection is accrued as a liability and as a reduction in property tax revenue. Requisition tax rates in the subsequent year are adjusted for any excess collections

Collection of Taxes on Behalf of Other Taxation Authorities

The County collects taxation revenue on behalf of other entities. Such levies, other revenues, expenses, assets and liabilities with respect to the operations of entities are not reflected in these financial statements.

The entities the County collects taxation revenue on behalf of are:
Alberta School Foundation Fund
Lacombe Foundation

Trust Funds

Trust funds held in trust by the County, and their related operations, are not included in these financial statements. The financial activity and position of the trust funds are reported separately.

Lacombe County
Summary of Significant Accounting Policies

December 31, 2019

**Retirement Benefits and
Other Employee
Benefit Plans**

The County's contributions due during the period to its multi-employer defined benefit plan are expensed as incurred.

Deferred Revenue

Funds received for specific purposes which are externally restricted by legislation, regulation or agreement and are not available for general municipal purposes are accounted for as deferred revenue on the consolidated statement of financial position. The revenue is recognized in the consolidated statement of operations in the year in which it is used for the specified purpose.

Government Transfers

Government transfers, which include legislative grants, are recognized in the financial statements in the period in which events giving rise to the transfers occur, providing the transfers are authorized, any eligibility criteria have been met, and reasonable estimates of the amount can be made.

Revenue Recognition

Taxes are recognized as revenue in the year they are levied.

Charges for sewer and water usage are recorded as user fees. Connection fee revenues are recognized when the connection has been established.

Conditional grant revenue is recognized to the extent the conditions imposed on it have been fulfilled. Unconditional grant revenue is recognized when monies are receivable.

Grants for the acquisition of tangible capital assets are recognized in the period in which eligible expenditures are made.

Sales of service and other revenue is recognized on an accrual basis.

Use of Estimates

The preparation of financial statements in accordance with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future.

**Liability for
Contaminated Sites**

A contaminated site is a site at which substances occur in concentrations that exceed the maximum acceptable amounts under an environmental standard. Sites that are currently in productive use are only considered a contaminated site if an unexpected event results in contamination. A liability for remediation of contaminated sites is recognized when the organization is directly responsible or accepts responsibility; it is expected that future economic benefits will be given up; and a reasonable estimate of the amount can be made. The liability includes all costs directly attributable to the remediation activities including post remediation operations, maintenance and monitoring. The liability is recorded at net of any expected recoveries.

Lacombe County
Notes to Consolidated Financial Statements

December 31, 2019

1. Cash and Cash Equivalents

	2019	2018
Current account (bank prime less 1.85%)	\$ 6,168,093	\$ (303,323)
GIC investments with interest rates varying from 1.80% to 3.10% and maturing in 2020	55,569,480	52,248,012
Security deposits	2,067,160	2,196,270
	\$ 63,804,733	\$ 54,140,959

The County has an undrawn line of credit with a limit of \$15 million that carries an interest rate of prime less 0.50%. The line of credit is secured by a general lien on County assets. As at December 31, 2019 the prime rate was 3.95% (2018 - 3.95%)

Included in the above amounts are the following amounts that are externally restricted. Externally restricted amounts include amounts received from the Province of Alberta and Government of Canada as conditional grants held exclusively for specific future projects, amounts held in lieu of reserve lands, and deposit liabilities repayable to third parties upon satisfactory completion of the terms of the specific development agreement.

	2019	2018
Municipal Sustainability Initiative	8,360,730	7,782,059
ACP	24,336	146,297
FCSS	63,972	-
Other	190	7,013
Deposit liabilities	2,103,961	2,233,070
	\$ 10,553,189	\$ 10,168,439

2. Investments

	2019	2018
Stripped coupons, residual bonds and accrual notes purchased at discounts yielding effective annual rates of 2.25% to 3.47% to maturity at cost	\$ 22,789,484	\$ 29,158,597
Estimated accrued interest	960,041	1,200,511
AMFC shares	180	180
	\$ 23,749,705	\$ 30,359,288

The market value of the County's marketable securities was \$23,880,554 (2018 - \$30,304,799).

Lacombe County
Notes to Consolidated Financial Statements

December 31, 2019

3. Taxes Receivable

	2019	2018
Current taxes and grants in place	\$ 560,756	\$ 812,515
Non-current taxes and grants in place	423,549	535,654
	984,305	1,348,169
Allowance for doubtful accounts	(692,087)	(662,201)
	\$ 292,218	\$ 685,968

4. Accounts Receivable

Included in accounts receivable are the following receivables with terms over one year.

	2019	2018
Development levies at 5% per year	\$ 513,420	\$ 618,315
Development levy at prime + 1%	1,715,238	-
Development levy at prime + 1%	960,480	-
	\$ 3,189,138	\$ 618,315

The receivables are secured by a caveat on the title of the land to be developed.

5. Inventories for Resale

	2019	2018
Bridge materials	\$ 442,498	\$ 347,645
Land held for resale	907	907
	\$ 443,405	\$ 348,552

Lacombe County
Notes to Consolidated Financial Statements

December 31, 2019

6. Employee Benefit Obligation

	2019	2018
Sick leave benefits	\$ 500,000	\$ 500,000
Vacation and overtime	665,563	556,189
	\$ 1,165,563	\$ 1,056,189

Sick Leave Benefits

Sick leave benefits accumulate at a rate of 1 sick day per month worked to a maximum of 100 days. Employees are entitled to sick leave benefits for the lesser of 90 calendar days or their accrued sick leave balance. After 90 calendar days, eligible employees would be placed on the County's long-term disability plan. Sick leave benefits are not paid out at termination or retirement.

A portion of sick leave benefits that have accumulated to December 31, 2019 are expected to be utilized in future years and the estimated liability has been accrued.

Vacation and Overtime

Vacation and overtime consist of amounts that employees are deferring to future years. Employees have either earned the benefits or are entitled to these benefits within the next budgetary year.

7. Deferred Revenue

	Opening balance	Contributions received	Investment income	Revenue recognized	Ending balance
ASB	\$ -	232,301	-	(232,301)	\$ -
MSI Operating	-	138,485	-	(138,485)	-
MSI Capital	7,782,060	4,940,388	129,537	(4,491,254)	8,360,731
FCSS	-	316,355	-	(252,383)	63,972
FGTF	-	1,168,765	-	-	1,168,765
City of Lacombe	-	538,756	-	(538,756)	-
ACP	146,297	-	2,135	(124,096)	24,336
Other grants	-	82,469	-	(82,469)	-
Other	7,013	190	-	(7,013)	190
	\$ 7,935,370	7,417,709	131,672	(5,866,757)	\$ 9,617,994

Grants

Under various grant agreements with the Government of Canada and the Province of Alberta, the County is required to account for grants provided and to complete the projects or program in accordance with standards detailed in the various agreements. If these requirements are not adhered to, grants provided, along with any investment returns will become repayable to the source government. Unexpended funds are repayable to the source government upon final accounting. Funds are deferred until related expenditures under the specific grant agreement have been incurred.

Lacombe County
Notes to Consolidated Financial Statements

December 31, 2019

8. Tangible Capital Assets - 2019

	Land	Land Improvements	Buildings	Equipment	Roads	Bridges	Water, Sewer and Other	Vehicles	Total
Cost, beginning of year	\$ 25,687,677	\$ 4,795,440	\$ 21,085,836	\$ 20,262,512	\$644,312,170	\$ 21,110,349	\$ 18,552,096	\$ 7,565,839	\$763,371,919
Additions	1,718,685	149,936	-	2,964,854	8,005,272	2,176,718	1,991,897	1,035,642	18,043,004
Disposals	-	-	-	(1,642,337)	-	-	-	(527,004)	(2,169,341)
Write-downs	-	-	-	-	(7,319,803)	(311,716)	-	-	(7,631,519)
Cost, end of year	<u>\$ 27,406,362</u>	<u>\$ 4,945,376</u>	<u>\$ 21,085,836</u>	<u>\$ 21,585,029</u>	<u>\$644,997,639</u>	<u>\$ 22,975,351</u>	<u>\$ 20,543,993</u>	<u>\$ 8,074,477</u>	<u>\$771,614,063</u>
Accumulated amortization, beginning of year	\$ -	\$ 1,245,465	\$ 4,218,902	\$ 9,709,834	\$433,094,418	\$ 6,903,084	\$ 1,473,599	\$ 3,864,669	\$460,509,971
Amortization	-	242,885	425,184	2,875,202	18,383,021	386,344	274,173	526,506	23,113,315
Disposals	-	-	-	(1,638,771)	-	-	-	(337,187)	(1,975,958)
Write-downs	-	-	-	-	(5,694,322)	(258,349)	-	-	(5,952,671)
Accumulated amortization, end of year	<u>\$ -</u>	<u>\$ 1,488,350</u>	<u>\$ 4,644,086</u>	<u>\$ 10,946,265</u>	<u>\$445,783,117</u>	<u>\$ 7,031,079</u>	<u>\$ 1,747,772</u>	<u>\$ 4,053,988</u>	<u>\$475,694,657</u>
Net carrying amount, end of year	<u>\$ 27,406,362</u>	<u>\$ 3,457,026</u>	<u>\$ 16,441,750</u>	<u>\$ 10,638,764</u>	<u>\$199,214,522</u>	<u>\$ 15,944,272</u>	<u>\$ 18,796,221</u>	<u>\$ 4,020,489</u>	<u>\$295,919,406</u>

Lacombe County
Notes to Consolidated Financial Statements

December 31, 2019

8. Tangible Capital Assets (continued) - 2018

	Land	Land Improvements	Buildings	Equipment	Roads	Bridges	Water, Sewer and other	Vehicles	Total
Cost, beginning of year	\$ 25,594,508	\$ 4,599,522	\$ 21,096,768	\$ 18,968,649	\$ 641,032,279	\$ 18,478,590	\$ 18,495,555	\$ 7,408,321	\$ 755,674,192
Additions	128,236	195,918	15,238	4,035,823	11,581,624	2,911,041	56,541	330,937	19,255,358
Disposals	(35,067)	-	(26,170)	(2,741,960)	-	-	-	(173,419)	(2,976,616)
Write-downs	-	-	-	-	(8,301,733)	(279,282)	-	-	(8,581,015)
Cost, end of year	\$ 25,687,677	\$ 4,795,440	\$ 21,085,836	\$ 20,262,512	\$ 644,312,170	\$ 21,110,349	\$ 18,552,096	\$ 7,565,839	\$ 763,371,919
Accumulated amortization, beginning of year	\$ -	\$ 1,011,146	\$ 3,813,024	\$ 9,406,356	\$ 420,118,103	\$ 6,741,927	\$ 1,203,486	\$ 3,477,826	\$ 445,771,868
Amortization	-	234,319	425,990	2,778,745	18,287,449	335,675	270,113	503,956	22,836,247
Disposals	-	-	(20,112)	(2,475,267)	-	-	-	(117,113)	(2,612,492)
Write-downs	-	-	-	-	(5,311,134)	(174,518)	-	-	(5,485,652)
Accumulated amortization, end of year	\$ -	\$ 1,245,465	\$ 4,218,902	\$ 9,709,834	\$ 433,094,418	\$ 6,903,084	\$ 1,473,599	\$ 3,864,669	\$ 460,509,971
Net carrying amount, end of year	\$ 25,687,677	\$ 3,549,975	\$ 16,866,934	\$ 10,552,678	\$ 211,217,752	\$ 14,207,265	\$ 17,078,497	\$ 3,701,170	\$ 302,861,948

The net book value of tangible capital assets not being amortized because they are under construction is \$4,239,954 (2018 - \$2,864,530). \$2,267,543 (2018 - \$120,990) in contributed assets was recognized in the financial statements during the year.

Lacombe County
Notes to Consolidated Financial Statements

December 31, 2019

9. Prepaid Expenses and Inventories of Supplies

	<u>2019</u>	<u>2018</u>
Crushed gravel	\$ 1,670,257	\$ 1,507,356
Undeveloped gravel pits	4,158,141	4,178,140
Materials and supplies	616,405	535,709
Prepaid expenses	304,466	287,380
	<u>\$ 6,749,269</u>	<u>\$ 6,508,585</u>

Lacombe County
Notes to Consolidated Financial Statements

December 31, 2019

10. Accumulated Surplus

	2019	2018
Equity in tangible capital assets	\$ 295,919,406	\$ 302,861,948
Equity in other non-financial assets	6,749,269	6,508,585
Unrestricted surplus	427,604	378,618
Restricted surplus (Reserves) - detail below	78,235,975	76,513,861
Accumulated surplus	381,332,254	386,263,012
<u>Restricted surplus (Reserves)</u>		
Main Road	17,795,375	18,658,644
Public Works Equipment	12,493,719	11,024,152
Municipal Facilities	1,378,338	788,948
Airport Capital	17,747	-
Protective Services	4,322,519	4,080,937
Gravel	2,678,039	2,478,039
Subdivision Pavement	3,933,051	3,663,471
Land Development	416,437	416,437
Recreation Capital Assistance	3,200,464	2,161,970
Funds in Lieu of Reserve Land	1,083,874	1,042,482
Subdivision Road Development	1,519,273	1,108,321
Agriculture Equipment	895,726	1,036,841
Peace Officers Equipment	111,055	172,325
Disaster Services	500,000	500,000
Hamlet Street Improvement	232,616	174,236
Tax Rate Stabilization	4,147,000	2,047,000
Shared Fire Funds	268,457	254,851
Lake Access	859,857	859,857
Hamlet of Mirror Contingency	7,929	9,136
Hamlet of Mirror Water	167,847	124,656
Hamlet of Mirror Sewer	38,738	115,052
Community Aggregate Levy	4,358,164	3,811,904
Water - Waste Water	6,484,738	10,144,170
New Pavement	846,845	846,845
Trails	454,848	497,916
Bridge	5,708,318	6,081,050
Shores Water-Sewer	42,406	42,406
Slopes Water-Sewer	53,125	53,125
Operational	3,642,778	3,751,238
Cemetery	318,500	297,636
Lakeview Estates Water Reserve	47,028	42,122
Gull Lake Stabilization Reserve	211,164	228,094
	78,235,975	76,513,861

The investment in tangible capital assets represents amounts already spent and invested in infrastructure. The investment in other non-financial assets represents amounts already spent and invested in supplies for future use. Reserve funds represent funds set aside by bylaw or council resolution for specific purposes.

Lacombe County
Notes to Consolidated Financial Statements

December 31, 2019

11. Change in Accumulated Surplus

	Unrestricted surplus	Equity in other non- financial assets	Restricted surplus	Equity in tangible capital assets	2019	2018
Balance, beginning of year	\$ 378,618	\$ 6,508,585	\$ 76,513,861	\$ 302,861,948	\$ 386,263,012	\$ 391,561,932
Excess (deficiency) of revenue over expenses	(4,930,758)	-	-	-	(4,930,758)	(5,298,920)
Operating transfers to restricted surplus	(16,803,993)	-	16,803,993	-	-	-
Operating transfers from restricted surplus	8,664,345	-	(8,664,345)	-	-	-
Capital transfers from restricted surplus	6,417,534	-	(6,417,534)	-	-	-
Acquisition of capital	(15,775,461)	-	-	15,775,461	-	-
Contributed assets	(2,267,543)	-	-	2,267,543	-	-
Disposals and write-down of assets	1,872,231	-	-	(1,872,231)	-	-
Amortization	23,113,315	-	-	(23,113,315)	-	-
Change in non-financial assets	(240,684)	240,684	-	-	-	-
Change in current year accumulated surplus	\$ 48,986	\$ 240,684	\$ 1,722,114	\$ (6,942,542)	\$ (4,930,758)	\$ (5,298,920)
Balance, end of year	\$ 427,604	\$ 6,749,269	\$ 78,235,975	\$ 295,919,406	\$ 381,332,254	\$ 386,263,012

Lacombe County
Notes to Consolidated Financial Statements

December 31, 2019

12. Taxation - Net

	Budget 2019	2019	2018
Real property	\$ 14,323,350	\$13,851,243	\$ 13,328,960
Machinery and equipment	86,120	86,120	75,362
Linear property	7,717,570	7,741,545	6,799,510
Government grants in place of property taxes	148,180	140,142	129,729
Designated Industrial Property	22,188,670	22,191,959	21,902,665
	44,463,890	44,011,009	42,236,226
Requisitions			
Alberta School Foundation Fund	12,415,820	11,963,488	11,338,318
Lacombe Foundation	405,990	405,990	401,461
Designated Industrial Property	338,080	338,318	150,911
	13,159,890	12,707,796	11,890,690
Available for general municipal purposes	\$ 31,304,000	\$31,303,213	\$ 30,345,536

13. Taxation - other

	Budget 2019	2019	2018
Community Aggregate Payment Levy	\$ 700,000	\$ 727,358	\$ 729,605
Well Drilling Tax	255,000	426,308	470,879
	955,000	1,153,666	1,200,484

The Community Aggregate Payment Levy is authorized through the Municipal Government Act and established through an approved bylaw. The levy is imposed in respect of all sand and gravel businesses operating in the municipality to raise revenue to be used toward the payment of infrastructure and other costs of the municipality. The amount of revenue generated fluctuates from year to year based upon sand and gravel activity. The levy rate applied is \$0.40 per tonne of sand or gravel hauled.

The Well Drilling Equipment Tax is authorized through the Municipal Government Act and established through an approved bylaw. The revenue generated is based upon the amount of well drilling activity from year to year and rates set by Alberta Regulation.

Lacombe County
Notes to Consolidated Financial Statements

December 31, 2019

14. Government Transfers

	Budget 2019	2019	2018
Operating			
General government	\$ 155,420	\$ 146,010	\$ 141,017
Protective services	57,250	46,541	32,825
Transportation services	489,100	505,281	523,570
Environmental services	58,000	58,000	58,000
Public health and welfare	467,250	253,639	372,432
Planning and development	143,750	151,244	94,690
Agriculture services	176,760	174,301	168,359
	\$ 1,547,530	\$ 1,335,016	\$ 1,390,893
Capital			
Transportation services	76,130	3,985,973	570,459
Environmental services	596,230	538,757	-
	\$ 672,360	\$ 4,524,730	\$ 570,459
Total government transfers	\$ 2,219,890	\$ 5,859,746	\$ 1,961,352

15. Expenses by Object

	Budget 2019	2019	2018
Salaries and wages	\$ 12,549,560	\$ 11,898,557	\$ 11,257,310
Contracted and general services	4,474,030	3,578,791	3,689,859
Goods, materials and supplies	3,478,690	2,891,462	2,580,646
Transfers to other organizations	9,843,480	8,159,783	4,519,090
Purchases from other governments	249,250	228,530	230,079
Cancellations and uncollectible	8,460	1,174,368	464,222
Amortization	23,113,315	23,113,315	22,836,247
Write-downs and losses on capital	-	1,819,231	3,266,632
	\$ 53,716,785	\$ 52,864,037	\$ 48,844,085

The budget figure for amortization has been adjusted from the budget approved by council May 9, 2019 (Note 22). Amortization is not funded by the County.

Lacombe County
Notes to Consolidated Financial Statements

December 31, 2019

16. Municipal Employees Pension Plans

Local Authorities Pension Plan

Certain employees of the County are eligible to be members of the Local Authorities Pension Plan (LAPP), a multi-employer pension plan which is covered by the Public Sector Pension Plans Act. The plan provides defined pension benefits to employees based on their length of service and rates of pay. Contributions for the year were:

	2019	2018
Employer contributions	\$ 781,485	\$ 811,480
Employee contributions	699,593	734,414
	\$ 1,481,078	\$ 1,545,894

As this is a multi-employer pension plan, these contributions are the County's pension benefit expense. No pension liability for this type of plan is included in the County's financial statements. The most recent valuation as at December 31, 2018 indicates a surplus of \$3.469 billion (2017 surplus - 4.835 million) for basic pension benefits. The actuary does not attribute portions of the unfunded liability to individual employers.

Alberta Urban Municipalities Association Apex Supplementary Pension Plan

Certain employees of the County are eligible to be members of the Alberta Urban Municipalities Association APEX Supplementary Pension Plan (APEX), a multi-employer pension plan. This plan provides defined pension benefits to employees based on their length of service and rates of pay.

	2019	2018
Employer contributions	\$ 28,568	\$ 24,900
Employee contributions	21,464	18,708
	\$ 50,032	\$ 43,608

As this is a multi-employer pension plan, these contributions are the County's pension benefit expense. No pension liability for this type of plan is included in the County's financial statements. The most recent valuation as at December 31, 2018 indicates a deficit of \$7.90 million (2017 - 2.37 million) for basic pension benefits. The actuary does not attribute portions of the unfunded liability to individual employers.

Lacombe County
Notes to Consolidated Financial Statements

December 31, 2019

16. Municipal Employees Pension Plans (continued)

Alberta Urban Municipalities Association Municipal Supplementary Executive Retirement Plan

Certain employees of the County are eligible to be members of the Alberta Urban Municipalities Association MuniSERP pension plan, a multi-employer pension plan. This plan differs from other multi-employer pension plans in that the pension liability is calculated on an individual member basis. This plan provides defined pension benefits to employees based on their length of service and rates of pay.

	2019	2018
Employer contributions	\$ 36,605	\$ 24,777

The accrued pension liability as at December 31, 2019 was \$67,114 (2018 - \$30,422). The unfunded portion of the pension liability as at December 31, 2019 was \$1,672 (2018 - \$5,645).

17. Remuneration Disclosure

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

	<u>Compensation</u>	<u>Benefits, Allowances & Reimbursements</u>	<u>Total 2019</u>	<u>Total 2018</u>
Councillors:				
Division 1	\$ 63,024	\$ 14,471	\$ 77,495	\$ 72,937
Division 2	68,466	17,740	86,206	79,025
Division 3	63,663	11,822	75,485	67,495
Division 4 - Reeve	79,563	14,389	93,952	76,776
Division 5	71,936	13,968	85,904	73,017
Division 6	58,890	10,960	69,850	67,903
Division 7	61,000	16,374	77,374	76,037
Administration:				
County Manager	238,559	78,315	316,874	286,454
Designated Officer	142,472	12,512	154,984	158,349

Council Compensation: includes base pay and per diem for attending meetings and other Council functions.

Council Benefits, Allowances & Reimbursements: includes the County's contribution for health, dental and insurance benefits and reimbursement for convention expenses and mileage paid for attending meetings and other Council functions. Council is not paid a pension.

County Manager and Designated Officer Salary: includes regular base pay.

County Manager and Designated Officer Benefits and Allowances: includes the County's contribution for Canada Pension Plan, Employment Insurance, health, dental and insurance benefits, pension, professional memberships, tuition and mileage.

Lacombe County
Notes to Consolidated Financial Statements

December 31, 2019

18. Debt Limits

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

	2019	2018
Total debt limit	\$61,711,509	\$ 64,282,074
Total debt	-	-
Total debt limit available	61,711,509	64,282,074
Debt servicing limit	10,285,252	10,713,679
Debt servicing	-	-
Total debt servicing limit available	10,285,252	10,713,679

The debt limit is calculated at 1.5 times revenue of the County (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 at financial risk if further debt is acquired. The calculation taken alone does not represent the financial stability of the municipality. Rather, the financial statements must be interpreted as a whole.

19. Contingencies and Commitments

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

The County has entered into an agreement with the Town of Blackfalds to purchase water and wastewater services from the Town of Blackfalds to serve the Joint Economic Area. Rates are set on an annual basis. The agreement will expire in 2054 with an option for renewal. Either party may terminate this agreement with three years written notice.

Lacombe County
Notes to Consolidated Financial Statements

December 31, 2019

20. Liability for Contaminated Sites

Effective for years beginning on or after April 1, 2014, municipalities and other public sector entities were required to account for and report liabilities related to the remediation of contaminated sites (Section PS 3260).

In 2015, County management undertook steps to identify sites that would fall under this accounting standard including a comprehensive review of all properties owned and controlled by the County. No sites were identified that would fall under this standard.

Management reviewed the prior year analysis and 2019 activity in the County and determined that no sites met the criteria to be reported as a liability.

21. Funds Held in Trust

Certain assets have been conveyed or assigned to the County to be administered as directed by agreement or statute. The County holds the assets for the benefit of and stand in fiduciary relationship to the beneficiaries. The following trust funds and assets are excluded from the County's financial statements:

	<u>2019</u>	<u>2018</u>
Tax Sale Surplus	\$ 46,247	\$ 74,440
Scholarships	37,672	37,849
Alternative Land Uses Services Fund	11,290	-
Mirror Cemetery Perpetual Care Fund	16,815	16,215
Drainage Maintenance Funds	46,664	45,704
Lacombe Regional Waste Services Commission	-	(44)
Shared Fire Equipment Funds	205,953	173,752
	<u>\$ 364,641</u>	<u>\$ 347,916</u>

The Shared Fire Equipment Funds consist of various agreements between the Municipality and municipalities within Lacombe County who have agreed to share the costs of operating jointly owned fire equipment.

The County holds land in lieu of cash as a security deposit. The County has agreed to not sell lots titled to the County unless the developer defaults on the development agreement.

Lacombe County
Notes to Consolidated Financial Statements

December 31, 2019

22. Budget

The budget adopted by Council on May 9, 2019 was not prepared on a basis consistent with that used to report actual results (Public Sector Accounting Standards). The budget was prepared on a modified accrual basis while Public Sector Accounting Standards now require a full accrual basis. The budget anticipated a deficit after transfers to reserve to account for the change in inventory. In addition, the budget expensed all tangible capital expenditures rather than including amortization expense. As a result, the budget figures presented in the statements of operations and change in net financial assets represent the budget adopted by Council on May 9, 2019 with adjustments as follows:

	Budget	Amortization Allocation	Budget per Financial Statements	Actual per Financial Statements
Total Revenues	\$ 39,695,420	-	39,695,420	\$ 47,933,279
General government	5,599,430	300,785	5,900,215	6,610,126
Protective services	2,324,310	320,881	2,645,191	2,421,155
Transportation services	9,652,080	21,799,983	31,452,063	30,431,259
Environmental services	7,118,480	343,634	7,462,114	6,339,882
Cemetery	68,720	-	68,720	55,527
Social and family services	593,250	-	593,250	349,384
Recreation and cultural services	2,794,460	210,620	3,005,080	2,567,224
Planning and development	1,281,930	1,380	1,283,310	1,163,488
Agriculture services	1,170,810	136,032	1,306,842	1,106,761
Write-down of capital assets	-	-	-	1,678,848
Loss on sale of capital assets	-	-	-	140,383
Total Expenditures	30,603,470	23,113,315	53,716,785	52,864,037
Excess of revenues over expenditures	9,091,950	(23,113,315)	(14,021,365)	(4,930,758)

Lacombe County
Notes to Consolidated Financial Statements

December 31, 2019

23. Reconciliation of Operating Results to Budget

	Budget 2019	2019	2018
Excess (deficiency) of revenue over expenditures, per financial statements	\$ (14,021,365)	\$ (4,930,758)	\$ (5,298,920)
Add back:			
Amortization expense	23,113,315	23,113,315	22,836,247
Proceeds on disposal of capital assets	994,500	988,994	1,509,521
Loss on sale of capital assets	-	140,383	171,269
Write-downs of capital assets	-	1,678,848	3,095,363
Net transfers (to) from reserves	10,234,830	(1,722,114)	(1,704,291)
Use (purchase) of inventory	(292,470)	(240,684)	(37,165)
Deduct:			
Tangible capital asset purchases	(20,028,810)	(15,775,461)	(19,134,368)
(Gain) loss on disposal of capital assets	-	(935,994)	(1,316,666)
Contributed assets	-	(2,267,543)	(120,990)
Results of operations	\$ -	\$ 48,986	\$ -

The budget figure for amortization has been adjusted from the budget approved by Council May 9, 2019 (Note 22). Amortization is not funded by the County.

December 31, 2019

24. Segmented Information

The County is a diversified municipal government institution that provides a wide range of services to its citizens. Distinguishable functional segments have been separately disclosed in the segmented information. The nature of the segments and the activities they encompass are as follows:

General government

Provides legislative and administrative oversight for the entire County.

Protective services

Provides fire, ambulance, safety, community peace officer, and bylaw services for the entire County.

Transportation services

Manages the County's fleet of equipment as well as maintain and improve the County's infrastructure.

Environmental services

Provides water, wastewater, solid waste and recycling services.

Cemetery

Provides support and funding for various cemetery groups in the County.

Social and family services

Provides family and community support services.

Recreation and cultural services

Provides funding to recreation groups including other local municipalities within the County.

Planning and development

Provides services related to all property development plans through its application process.

Agriculture services

Provides services for weed and pest control as well as horticulture and soil conservation.

The accounting policies of the segments are the same as those described in the summary of significant accounting policies. In measuring and reporting segment revenue from transactions with other segments, inter-segment transfers have been eliminated. The revenues and expenses that are directly attributable to a particular segment are allocated to that segment. Taxation revenue is revenue of the County as a whole and has not been allocated to individual segments. It has been allocated in its entirety to general government.

Lacombe County
Notes to Consolidated Financial Statements

December 31, 2019

24. Segmented Information (continued) - 2019

For the year ended December 31	General government	Protective services	Transportation services	Environmental services	Cemetery	Social and family services	Recreation and cultural service	Planning and development	Agriculture services	2019 Total
Revenue										
Taxation	\$ 32,456,879	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 32,456,879
Government transfers	146,010	46,541	4,491,254	538,757	-	253,639	-	209,244	174,301	5,859,746
User fees and service charges	75,218	41,938	1,225,273	842,917	2,880	-	-	35,905	15,440	2,239,571
Sales to other governments	268,712	277,053	190,324	172,121	-	-	21,500	-	11,449	941,159
Permits, licenses, fines and rentals	285,436	238,297	173,011	-	-	-	-	40,500	1,243	738,487
Investment income	2,010,207	-	-	-	-	-	-	-	-	2,010,207
Gain on sale of assets	-	-	935,994	-	-	-	-	-	-	935,994
Contributed assets	-	-	739,523	1,284,170	-	-	243,850	-	-	2,267,543
Other	445,861	-	29,380	-	-	-	2,057	-	6,395	483,693
	35,688,323	603,829	7,784,759	2,837,965	2,880	253,639	267,407	285,649	208,828	47,933,279
Expenses										
Salaries and wages	3,511,120	1,150,567	5,039,593	620,965	-	13,703	-	904,450	658,159	11,898,557
Contracted and general services	824,746	317,220	1,515,130	222,309	18,094	-	338,322	246,090	96,880	3,578,791
Goods, materials and supplies	231,296	220,934	2,074,353	84,982	-	-	67,534	8,423	203,940	2,891,462
Transfers to other organizations	569,811	411,553	2,200	4,837,462	37,433	335,681	1,950,748	3,145	11,750	8,159,783
Cancellations and uncollectible	1,172,368	-	-	2,000	-	-	-	-	-	1,174,368
Purchases from other gov't	-	-	-	228,530	-	-	-	-	-	228,530
Amortization	300,785	320,881	21,799,983	343,634	-	-	210,620	1,380	136,032	23,113,315
Write-down of capital assets	-	-	1,678,848	-	-	-	-	-	-	1,678,848
Loss on sale of capital assets	3,566	15,487	121,330	-	-	-	-	-	-	140,383
	6,613,692	2,436,642	32,231,437	6,339,882	55,527	349,384	2,567,224	1,163,488	1,106,761	52,864,037
Net surplus (deficit)	\$ 29,074,631	\$ (1,832,813)	\$ (24,446,678)	\$ (3,501,917)	\$ (52,647)	\$ (95,745)	\$ (2,299,817)	\$ (877,839)	\$ (897,933)	\$ (4,930,758)

Lacombe County
Notes to Consolidated Financial Statements

December 31, 2019

24. Segmented Information (continued) - 2018

For the year ended December 31	General government	Protective services	Transportation services	Environmental services	Cemetery	Social and family services	Recreation and cultural service	Planning and development	Agriculture services	2018 Total
Revenue										
Taxation	\$ 31,546,020	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 31,546,020
Government transfers	141,017	32,825	1,094,029	-	-	372,432	-	152,690	168,359	1,961,352
User fees and service charges	44,647	15,390	957,711	741,883	5,681	-	-	95,626	11,196	1,872,134
Sales to other governments	246,549	221,194	160,419	165,395	-	-	-	-	11,000	804,557
Permits, licenses, fines, rentals	299,000	229,815	337,371	-	-	-	-	48,100	800	915,086
Investment income	1,720,259	-	-	-	-	-	-	-	-	1,720,259
Gain on sale of assets	-	-	1,313,799	705	-	-	2,162	-	-	1,316,666
Contributed assets	-	-	-	-	-	-	120,990	-	-	120,990
Other	3,140,564	-	121,670	-	-	-	2,762	-	23,105	3,288,101
	37,138,056	499,224	3,984,999	907,983	5,681	372,432	125,914	296,416	214,460	43,545,165
Expenses										
Salaries and wages	3,306,671	1,044,202	4,878,311	537,808	-	13,615	-	855,048	621,655	11,257,310
Contracted and general services	717,075	345,062	1,687,909	226,403	8,826	-	361,334	231,034	112,216	3,689,859
Goods, materials and supplies	211,566	202,123	1,814,786	78,481	544	-	73,352	9,578	190,216	2,580,646
Transfers to other organizations	557,069	321,792	1,220	1,173,631	44,324	431,557	1,968,180	3,452	17,865	4,519,090
Cancellations and uncollectible	462,222	-	-	2,000	-	-	-	-	-	464,222
Purchases from other gov't	-	-	-	230,079	-	-	-	-	-	230,079
Amortization	307,427	303,643	21,538,288	344,277	-	-	203,359	-	139,253	22,836,247
Write-down of capital assets	-	-	-	-	-	-	-	-	-	-
Loss on sale of capital assets	29,747	48,360	3,095,505	-	-	-	3,540	-	89,480	3,266,632
	5,591,777	2,265,182	33,016,019	2,592,679	53,694	445,172	2,609,765	1,099,112	1,170,685	48,844,085
Net surplus (deficit)	\$ 31,546,279	\$ (1,765,958)	\$ (29,031,020)	\$ (1,684,696)	\$ (48,013)	\$ (72,740)	\$ (2,483,851)	\$ (802,696)	\$ (956,225)	\$ (5,298,920)

Lacombe County
Notes to Consolidated Financial Statements

December 31, 2019

25. Subsequent Events

Subsequent to year end, the impact of COVID-19 in Canada and on the global economy increased significantly.

If the impacts of COVID-19 continue there could be further impact on the Municipality and its major customers, suppliers and other third party business associates that could impact the timing and amounts realized on the Municipality's assets and future profitability. At this time, the full potential impact of COVID-19 on the entity is not known.

26. Comparative Figures

Wherever necessary, comparative figures have been reclassified to conform with current year financial statement presentation.

27. Approval of Financial Statements

Council and Management approved these financial statements.
