

COUNTY OF TWO HILLS NO. 21
Consolidated Financial Statements
Year Ended December 31, 2020

COUNTY OF TWO HILLS NO. 21
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Year Ended December 31, 2020

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MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

Management of the County of Two Hills No. 21 is responsible for the preparation, accuracy, objectivity and integrity of the accompanying consolidated financial statements and all other information contained within this Financial Report. Management believes that the consolidated financial statements present fairly the Municipality's financial position as at December 31, 2020, and the results of its operations for the year then ended.

The consolidated financial statements have been prepared in compliance with legislation, and in accordance with Canadian public sector accounting standards (PSAS).

The consolidated financial statements include certain amounts based on estimates and judgments. Such amounts have been determined on a reasonable basis in order to ensure that the consolidated financial statements are presented fairly in all material respects.

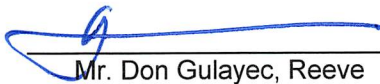
In fulfilling its responsibilities and recognizing the limits inherent in all systems, management has designed and maintains a system of internal controls to produce reliable information and to meet reporting requirements on a timely basis. The system is designed to provide management with reasonable assurance that transactions are properly authorized and assets are properly accounted for and safeguarded.

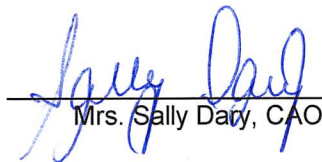
These systems are monitored and evaluated by management and reliable financial information is available for preparation of the consolidated financial statements.

The Municipality's Council is responsible for review of the consolidated financial statements. Council meets regularly with management and annually with the external auditors to discuss the results of audit examinations and financial reporting matters.

Council has approved the consolidated financial statements.

The consolidated financial statements have been audited by Synergy Chartered Professional Accountants, independent external auditors appointed by Council. The accompanying Independent Auditor's Report outlines their responsibilities, the scope of their examination and their opinion on the Municipality's consolidated financial statements.


Mr. Don Gulayec, Reeve


Mrs. Sally Dary, CAO

Two Hills, Alberta
March 24, 2021

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Box 157, 4918 50 Avenue, Vegreville, Alberta T9C 1R2

INDEPENDENT AUDITOR'S REPORT

To the Members of County of Two Hills No. 21

Opinion

We have audited the consolidated financial statements of County of Two Hills No. 21 (the Municipality), which comprise the consolidated statement of financial position as at December 31, 2020, and the consolidated statements of operations and accumulated surplus, changes in net financial assets (debt) and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

Basis for Opinion

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

Emphasis of Matter

We draw attention to Note 16 to the financial statements concerning the worldwide spread of a novel coronavirus known as COVID-19 during the year. Our opinion is not modified in respect of this matter.

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

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

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

(continues)

Independent Auditor's Report to the Members of County of Two Hills No. 21 *(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 Municipality'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 Municipality's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Municipality to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Vegreville, Alberta
March 24, 2021

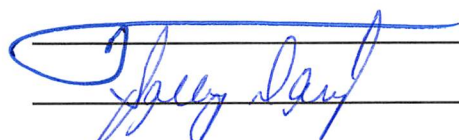
Synergy
Chartered Professional Accountants

COUNTY OF TWO HILLS NO. 21
Consolidated Statement of Financial Position
December 31, 2020

| | 2020 | 2019 |
|--|----------------------|----------------------|
| FINANCIAL ASSETS | | |
| Cash and temporary investments <i>(Note 2)</i> | \$ 21,219,054 | \$ 20,781,262 |
| Taxes and grants in place of taxes receivable <i>(Note 3)</i> | 389,930 | 422,794 |
| Receivables from other governments | 221,408 | 142,529 |
| Trade and other receivables | 1,181,877 | 829,486 |
| Long-term investments <i>(Note 4)</i> | 42,946 | 43,007 |
| Debt charges recoverable <i>(Note 5)</i> | 337,946 | 379,187 |
| | 23,393,161 | 22,598,265 |
| LIABILITIES | | |
| Accounts payable and accrued liabilities | 945,610 | 1,261,579 |
| Employee benefit obligations <i>(Note 6)</i> | 191,686 | 164,306 |
| Deposit liabilities <i>(Note 7)</i> | 242,624 | 277,826 |
| Deferred revenue <i>(Note 8)</i> | 1,950,827 | 892,159 |
| Due to Two Hills Regional Waste Management Commission <i>(Note 9)</i> | 1,101,903 | 990,118 |
| Long term debt <i>(Note 10)</i> | 337,946 | 379,187 |
| | 4,770,596 | 3,965,175 |
| NET FINANCIAL ASSETS | 18,622,565 | 18,633,090 |
| NON-FINANCIAL ASSETS | | |
| Tangible capital assets <i>(Schedule 1)</i> | 53,167,374 | 55,152,998 |
| Inventory for consumption <i>(Note 11)</i> | 1,991,379 | 2,635,220 |
| Prepaid expenses | 420,078 | 527,934 |
| | 55,578,831 | 58,316,152 |
| ACCUMULATED SURPLUS <i>(Note 12) (Schedule 2)</i> | \$ 74,201,396 | \$ 76,949,242 |

COMMITMENTS AND CONTINGENCIES *(Note 13) (Note 14)*

ON BEHALF OF THE COUNTY OF TWO HILLS NO. 21

 _____ Reeve
 _____ Chief Administrative Officer

See notes to financial statements

COUNTY OF TWO HILLS NO. 21

Consolidated Statement of Operations and Accumulated Surplus

Year Ended December 31, 2020

| | Budget (Unaudited) | 2020 | 2019 |
|--|-----------------------|----------------------|---------------|
| REVENUES | | | |
| Net municipal taxes <i>(Schedule 3)</i> | \$ 7,794,343 | \$ 7,774,039 | \$ 8,303,330 |
| Sales of goods and services | 3,344,708 | 3,566,164 | 3,405,406 |
| Government transfers for operating <i>(Schedule 4)</i> | 1,044,132 | 790,926 | 1,032,928 |
| Investment income | 392,700 | 373,868 | 489,871 |
| Penalties and costs of taxes | 194,750 | 232,637 | 236,198 |
| Licenses and permits | 52,100 | 66,364 | 52,363 |
| Other | 38,600 | 155,002 | 380,423 |
| | 12,861,333 | 12,959,000 | 13,900,519 |
| EXPENSES | | | |
| Legislative | 362,875 | 278,804 | 307,528 |
| Administration | 2,308,225 | 2,075,143 | 2,482,481 |
| Protective services | 509,449 | 458,951 | 470,007 |
| Roads, streets, walks, lighting | 9,664,016 | 10,024,158 | 7,557,896 |
| Water supply and distribution | 480,828 | 428,083 | 446,499 |
| Waste management | 416,079 | 469,863 | 584,204 |
| Family and community support | 122,776 | 122,776 | 122,776 |
| Land use planning, zoning and development | - | - | 32,109 |
| Agriculture services | 679,261 | 504,040 | 583,766 |
| Subdivision land development | 78,250 | 63,687 | 51,313 |
| Parks and recreation | 616,747 | 573,085 | 218,047 |
| Library | 44,152 | 43,937 | 43,354 |
| Gas Utility | 2,664,994 | 2,534,565 | 2,378,543 |
| | 17,947,652 | 17,577,092 | 15,278,523 |
| EXCESS (SHORTFALL) OF REVENUES OVER EXPENSES BEFORE TRANSFERS FOR CAPITAL | (5,086,319) | (4,618,092) | (1,378,004) |
| Government transfers for capital <i>(Schedule 5)</i> | 2,182,100 | 1,870,246 | 2,039,910 |
| EXCESS (SHORTFALL) OF REVENUES OVER EXPENSES | (2,904,219) | (2,747,846) | 661,906 |
| ACCUMULATED SURPLUS - BEGINNING OF YEAR | 76,949,242 | 76,949,242 | 76,287,336 |
| ACCUMULATED SURPLUS - END OF YEAR | \$ 74,045,023 | \$ 74,201,396 | \$ 76,949,242 |

See notes to financial statements

COUNTY OF TWO HILLS NO. 21

Consolidated Statement of Changes in Net Financial Assets (Debt)

Year Ended December 31, 2020

| | Budget (Unaudited) | 2020 | 2019 |
|---|-----------------------|----------------------|---------------|
| EXCESS (SHORTFALL) OF REVENUES OVER EXPENSES | \$ (2,904,219) | \$ (2,747,846) | \$ 661,906 |
| Acquisition of tangible capital assets | (1,258,248) | (1,660,272) | (2,496,514) |
| Proceeds on disposal of tangible capital assets | 193,200 | 417,120 | 55,625 |
| Loss on disposal of tangible capital assets | - | 170,399 | 88,703 |
| Amortization of tangible capital assets | 3,172,702 | 2,785,023 | 2,783,223 |
| Amortization added to tangible capital assets | - | 273,354 | 324,803 |
| Adjustment to tangible capital assets | - | - | (66,972) |
| | 2,107,654 | 1,985,623 | 688,868 |
| | - | - | - |
| Decrease (increase) in prepaid expenses | - | 107,855 | (67,765) |
| Decrease (increase) in inventory for consumption | - | 643,842 | (1,265,065) |
| | - | 751,697 | (1,332,830) |
| | 2,107,654 | 2,737,321 | (643,962) |
| INCREASE (DECREASE) IN NET FINANCIAL ASSETS | (796,565) | (10,525) | 17,944 |
| NET FINANCIAL ASSETS - BEGINNING OF YEAR | 18,633,090 | 18,633,090 | 18,615,146 |
| NET FINANCIAL ASSETS - END OF YEAR | \$ 17,836,525 | \$ 18,622,565 | \$ 18,633,090 |

See notes to financial statements

COUNTY OF TWO HILLS NO. 21
Consolidated Statement of Cash Flows
Year Ended December 31, 2020

| | 2020 | 2019 |
|--|--------------------|--------------------|
| NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES: | | |
| OPERATING | | |
| Excess (shortfall) of revenue over expenses | \$ (2,747,846) | \$ 661,906 |
| Non-cash items included in excess of revenue over expenses: | | |
| Amortization of tangible capital assets | 2,785,023 | 2,783,223 |
| Amortization added to tangible capital assets | 273,354 | 324,803 |
| Loss on sale of tangible capital assets | 170,399 | 88,703 |
| Adjustment to tangible capital assets | - | (66,972) |
| | 480,930 | 3,791,663 |
| Non-cash charges to operations (net change): | | |
| Taxes and grants in place of taxes receivable | 32,864 | (90,250) |
| Receivables from other governments | (78,879) | 164,178 |
| Trade and other receivables | (352,391) | (141,386) |
| Accounts payable and accrued liabilities | (315,969) | 240,033 |
| Employee benefit obligation | 27,380 | (3,887) |
| Deposit liabilities | (35,202) | 18,027 |
| Deferred revenue | 1,058,668 | (233,517) |
| Inventory for consumption | 643,841 | (1,265,065) |
| Prepaid expenses | 107,856 | (67,766) |
| | 1,088,168 | (1,379,633) |
| Cash provided by operating transactions | 1,569,098 | 2,412,030 |
| CAPITAL | | |
| Acquisition of tangible capital assets | (1,660,272) | (2,496,514) |
| Proceeds on disposal of tangible capital assets | 417,120 | 55,625 |
| Cash applied to capital transactions | (1,243,152) | (2,440,889) |
| FINANCING | | |
| Due to Two Hills Regional Waste Management Commission | 111,785 | 1,339 |
| Repayment of long term debt | (41,241) | (39,727) |
| Debt charges recoverable | 41,241 | 39,727 |
| Cash provided by financing transactions | 111,785 | 1,339 |
| INVESTING | | |
| Decrease (increase) in long-term investments | 61 | - |
| Decrease (increase) in restricted cash or cash equivalents | (1,032,524) | 207,793 |
| | (1,032,463) | 207,793 |
| CHANGE IN CASH AND CASH EQUIVALENTS DURING THE YEAR | (594,732) | 180,273 |
| Cash and cash equivalents - beginning of year | 19,702,608 | 19,522,335 |

(continues)

COUNTY OF TWO HILLS NO. 21
Consolidated Statement of Cash Flows *(continued)*
Year Ended December 31, 2020

| | 2020 | 2019 |
|---|----------------------|----------------------|
| CASH AND CASH EQUIVALENTS, END OF YEAR | \$ 19,107,876 | \$ 19,702,608 |
| CASH FLOWS SUPPLEMENTARY INFORMATION | | |
| Interest received | \$ 330,190 | \$ 406,463 |
| Interest paid | \$ 14,743 | \$ 16,352 |
| CASH CONSISTS OF: | | |
| Cash and temporary investments <i>(Note 2)</i> | \$ 21,219,054 | \$ 20,781,262 |
| Less: restricted cash or cash equivalents <i>(Note 2)</i> | (2,111,178) | (1,078,654) |
| | \$ 19,107,876 | \$ 19,702,608 |

See notes to financial statements

COUNTY OF TWO HILLS NO. 21

Consolidated Schedule of Tangible Capital Assets

(Schedule 1)

Year Ended December 31, 2020

| | Land | Land Improvements | Buildings | Engineered Structures | Machinery & Equipment | Vehicles | 2020 | 2019 |
|--|---------------------|-------------------|---------------------|-----------------------|-----------------------|---------------------|----------------------|----------------------|
| COST | | | | | | | | |
| BALANCE, BEGINNING OF YEAR | \$ 2,669,308 | \$ 272,038 | \$ 5,301,097 | \$ 94,773,836 | \$ 18,840,589 | \$ 5,318,153 | \$ 127,175,021 | \$ 125,024,921 |
| Acquisition of tangible capital assets | - | - | 6,109 | 200,632 | 1,225,710 | 123,893 | 1,556,344 | 2,496,514 |
| Construction-in-progress | - | - | - | 103,928 | - | - | 103,928 | - |
| Disposal of tangible capital assets | - | - | - | (24,678) | (811,200) | - | (835,878) | (457,294) |
| Adjustment to tangible capital assets | - | - | - | - | - | - | - | 110,880 |
| BALANCE, END OF YEAR | 2,669,308 | 272,038 | 5,307,206 | 95,053,718 | 19,255,099 | 5,442,046 | 127,999,415 | 127,175,021 |
| ACCUMULATED AMORTIZATION | | | | | | | | |
| BALANCE, BEGINNING OF YEAR | - | 101,384 | 2,342,907 | 57,216,584 | 9,554,345 | 2,806,803 | 72,022,023 | 69,183,054 |
| Annual amortization | - | 12,889 | 87,307 | 1,856,045 | 769,377 | 332,759 | 3,058,377 | 3,108,026 |
| Accumulated amortization on disposals | - | - | - | (21,223) | (227,136) | - | (248,359) | (312,965) |
| Adjustment to tangible capital assets | - | - | - | - | - | - | - | 43,908 |
| BALANCE, END OF YEAR | - | 114,273 | 2,430,214 | 59,051,406 | 10,096,586 | 3,139,562 | 74,832,041 | 72,022,023 |
| NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS | \$ 2,669,308 | \$ 157,765 | \$ 2,876,992 | \$ 36,002,312 | \$ 9,158,513 | \$ 2,302,484 | \$ 53,167,374 | \$ 55,152,998 |
| 2019 NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS | \$ 2,669,308 | \$ 170,654 | \$ 2,958,190 | \$ 37,557,252 | \$ 9,286,244 | \$ 2,511,350 | \$ 55,152,998 | |

See notes to financial statements

COUNTY OF TWO HILLS NO. 21
Consolidated Schedule of Changes in Accumulated Surplus
Year Ended December 31, 2020

(Schedule 2)

| | Unrestricted Surplus | Restricted Surplus | Equity in Tangible Capital Assets | 2020 | 2019 |
|---|-------------------------|-----------------------|--|----------------------|---------------|
| BALANCE, BEGINNING OF YEAR | \$ 7,780,909 | \$ 14,015,335 | \$ 55,152,998 | \$ 76,949,242 | \$ 76,287,336 |
| Excess (shortfall) of revenues over expenses | (2,747,846) | - | - | (2,747,846) | 661,906 |
| Unrestricted funds designated for future use | (27,515) | 27,515 | - | - | - |
| Restricted funds used for operations | 551,990 | (551,990) | - | - | - |
| Restricted funds used for tangible capital assets | - | (213,893) | 213,893 | - | - |
| Current year funds used for tangible capital assets | (1,446,379) | - | 1,446,379 | - | - |
| Disposal of tangible capital assets | 587,519 | - | (587,519) | - | - |
| Annual amortization expense | 3,058,377 | - | (3,058,377) | - | - |
| CHANGE IN ACCUMULATED SURPLUS | (23,854) | (738,368) | (1,985,624) | (2,747,846) | 661,906 |
| BALANCE, END OF YEAR (Note 12) | \$ 7,757,055 | \$ 13,276,967 | \$ 53,167,374 | \$ 74,201,396 | \$ 76,949,242 |

See notes to financial statements

COUNTY OF TWO HILLS NO. 21

Consolidated Schedule of Property and Other Taxes

(Schedule 3)

Year Ended December 31, 2020

| | Budget (Unaudited) | 2020 | 2019 |
|---------------------------------------|-----------------------|---------------------|--------------|
| TAXATION | | | |
| Residential land and improvements | \$ 2,569,537 | \$ 2,572,469 | \$ 2,406,331 |
| Farmland | 1,809,191 | 1,812,790 | 1,913,046 |
| Non-residential land and improvements | 342,846 | 334,866 | 338,797 |
| Machinery and equipment | 3,013 | 27,865 | 2,905 |
| Linear property | 5,373,610 | 5,329,739 | 5,884,659 |
| | 10,098,197 | 10,077,729 | 10,545,738 |
| REQUISITIONS | | | |
| Alberta School Foundation Fund | 1,763,353 | 1,764,135 | 1,789,709 |
| ASFF Opted-out Boards | 3,607 | 2,825 | 3,520 |
| Eagle Hill Foundation | 521,214 | 521,214 | 431,181 |
| Designated Industrial Property | 15,680 | 15,516 | 17,998 |
| | 2,303,854 | 2,303,690 | 2,242,408 |
| | \$ 7,794,343 | \$ 7,774,039 | \$ 8,303,330 |

COUNTY OF TWO HILLS NO. 21

**Consolidated Schedule of Government Transfers for Operating
Year Ended December 31, 2020**

(Schedule 4)

| | Budget (Unaudited) | 2020 | 2019 |
|--------------------------------|-----------------------|------------|--------------|
| TRANSFERS FOR OPERATING | | | |
| Provincial | \$ 1,044,132 | \$ 790,926 | \$ 1,032,928 |

**Consolidated Schedule of Government Transfers for Capital
Year Ended December 31, 2020**

(Schedule 5)

| | Budget (Unaudited) | 2020 | 2019 |
|------------------------------|-----------------------|--------------|--------------|
| TRANSFERS FOR CAPITAL | | | |
| Provincial | \$ 1,849,000 | \$ 1,775,550 | \$ 1,628,199 |
| Federal | 293,100 | 26,239 | 411,711 |
| Local government | 40,000 | 68,457 | - |
| | \$ 2,182,100 | \$ 1,870,246 | \$ 2,039,910 |

**Consolidated Schedule of Expenses by Object
Year Ended December 31, 2020**

(Schedule 6)

| | Budget (Unaudited) | 2020 | 2019 |
|--|-----------------------|---------------|---------------|
| EXPENSES | | | |
| Salaries, wages and benefits | \$ 5,612,900 | \$ 4,912,346 | \$ 4,920,018 |
| Contracted and general services | 1,922,042 | 2,006,925 | 2,178,257 |
| Purchases from other governments | 1,141,540 | 1,332,749 | 1,175,248 |
| Materials, goods, supplies and utilities | 4,745,126 | 5,023,569 | 2,900,832 |
| Provision for allowances | 596,500 | 589,751 | 692,386 |
| Transfers to other governments | 225,000 | 225,000 | 375,000 |
| Transfers to local boards and agencies | 517,152 | 516,587 | 148,504 |
| Bank charges and short-term interest | 14,690 | 14,743 | 16,352 |
| Amortization of tangible capital assets | 3,172,702 | 2,785,023 | 2,783,223 |
| Loss on sale of tangible capital assets | - | 170,399 | 88,703 |
| | \$ 17,947,652 | \$ 17,577,092 | \$ 15,278,523 |

COUNTY OF TWO HILLS NO. 21

Statement of Operating Revenue And Expenses For The Gas Utility

(Schedule 7)

Year Ended December 31, 2020

| | Budget (Unaudited) | 2020 | 2019 |
|--|-----------------------|--------------|--------------|
| REVENUE | \$ 1,856,464 | \$ 2,005,659 | \$ 1,850,883 |
| PURCHASES | 1,141,540 | 1,332,749 | 1,164,707 |
| GROSS PROFIT | 714,924 | 672,910 | 686,176 |
| OTHER OPERATING REVENUES | | | |
| Other sales and service | 103,500 | 150,806 | 180,903 |
| Penalties and interest income | 29,700 | 15,874 | 39,840 |
| Profit on capital construction | - | 85,730 | 192,276 |
| RMO station operating grant | 13,500 | 13,075 | 25,300 |
| Service charges | 485,370 | 487,893 | 368,092 |
| | 632,070 | 753,378 | 806,411 |
| EXPENSES | | | |
| Amortization | 292,933 | 258,671 | 268,975 |
| Bad debt expense | 10,000 | 10,267 | 3,875 |
| Council remuneration | 24,270 | 9,622 | 17,700 |
| Insurance, permits, damage claims | 49,400 | 45,428 | 40,450 |
| Memberships, dues, fees | 27,700 | 10,915 | 24,982 |
| Office supplies | 56,850 | 41,599 | 39,065 |
| Professional fees | 12,000 | 8,226 | 7,593 |
| Repair and maintenance | 125,100 | 47,305 | 42,105 |
| Travel and training | 11,250 | 4,636 | 12,360 |
| Utilities | 44,700 | 45,439 | 44,631 |
| Vehicle and equipment costs | 123,700 | 52,832 | 65,174 |
| Wages and benefits | 675,551 | 612,288 | 583,931 |
| Materials and supplies | 70,000 | 51,133 | 67,276 |
| Loss on sale of tangible capital asset | - | 3,455 | (4,279) |
| | 1,523,454 | 1,201,816 | 1,213,838 |
| EXCESS (SHORTFALL) OF REVENUE OVER EXPENSES | \$ (176,460) | \$ 224,472 | \$ 278,749 |

See notes to financial statements

COUNTY OF TWO HILLS NO. 21

Consolidated Schedule of Segmented Disclosures

(Schedule 8)

Year Ended December 31, 2020

| | General Government | Protective Services | Transportation Services | Planning & Development | Recreation & Culture | Environmental Services | Gas utility | Family & Community Support Services | 2020 |
|---|-----------------------|------------------------|----------------------------|---------------------------|-------------------------|---------------------------|-------------|--|----------------|
| REVENUE | | | | | | | | | |
| Net municipal taxes | \$ 7,774,039 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 7,774,039 |
| User fees & sales of goods | 42,392 | 26,348 | 499,436 | 21,709 | 20,368 | 368,273 | 2,587,638 | - | 3,566,164 |
| Government transfers | 158,464 | - | 2,082,382 | 123,907 | 105,502 | 26,239 | 68,457 | 96,221 | 2,661,172 |
| Investment income | 369,731 | - | - | - | - | - | 4,137 | - | 373,868 |
| Other revenues | 285,335 | 26,503 | - | 43,360 | - | - | 98,805 | - | 454,003 |
| | 8,629,961 | 52,851 | 2,581,818 | 188,976 | 125,870 | 394,512 | 2,759,037 | 96,221 | 14,829,246 |
| EXPENSES | | | | | | | | | |
| Salaries & wages | 903,382 | 116,277 | 2,881,834 | 200,965 | 67,005 | 116,484 | 626,399 | - | 4,912,346 |
| Contract & general services | 357,489 | 105,818 | 730,711 | 142,649 | 23,663 | 489,432 | 157,163 | - | 2,006,925 |
| Purchases from/transfers to other governments | 225,000 | - | - | - | - | - | 1,332,749 | - | 1,557,749 |
| Goods & supplies | 261,766 | 171,048 | 3,952,326 | 199,028 | - | 171,326 | 145,299 | 122,776 | 5,023,569 |
| Provision for allowances | 579,484 | - | - | - | - | - | 10,267 | - | 589,751 |
| Transfers to local boards | - | - | - | 8,000 | 508,587 | - | - | - | 516,587 |
| Other expenses | 14,181 | - | 166,944 | - | - | - | 4,017 | - | 185,142 |
| | 2,341,302 | 393,143 | 7,731,815 | 550,642 | 599,255 | 777,242 | 2,275,894 | 122,776 | 14,792,069 |
| NET REVENUE, BEFORE AMORTIZATION | | | | | | | | | |
| Amortization expense | 6,288,659 | (340,292) | (5,149,997) | (361,666) | (473,385) | (382,730) | 483,143 | (26,555) | 37,177 |
| | 12,645 | 65,808 | 2,292,343 | 17,086 | 17,767 | 120,703 | 258,671 | - | 2,785,023 |
| EXCESS (SHORTFALL) OF REVENUES OVER EXPENSES | | | | | | | | | |
| | \$ 6,276,014 | \$ (406,100) | \$ (7,442,340) | \$ (378,752) | \$ (491,152) | \$ (503,433) | \$ 224,472 | \$ (26,555) | \$ (2,747,846) |

See notes to financial statements

COUNTY OF TWO HILLS NO. 21
Notes to Consolidated Financial Statements
Year Ended December 31, 2020

1. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements of the County of Two Hills No. 21 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 Chartered Professional Accountants of Canada. Significant aspects of the accounting policies adopted by the Municipality are as follows:

Reporting entity

The consolidated financial statements reflect the assets, liabilities, revenues and expenditures, changes in fund balances and change in financial position of the reporting entity. This entity is comprised of the municipal operations plus all of the organizations that are owned or controlled by the Municipality and are, therefore, accountable to the municipal Council for the administration of their financial affairs and resources.

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

The statements include trust assets that are administered for the benefit of external parties. Interdepartmental and organizational transactions and balances are eliminated.

Basis of accounting

The consolidated financial statements are prepared using the accrual basis of accounting. The accrual basis of accounting records revenue as it is earned and measurable. Expenses are recognized as they are incurred and measurable based upon receipt of goods and services and/or the legal obligation to pay.

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 tangible capital assets are put into use.

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles for local governments established by the Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenditure 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.

- a) Accounts receivable are stated after evaluation as to their collectability and an appropriate allowance for doubtful accounts is provided where considered necessary.

(continues)

COUNTY OF TWO HILLS NO. 21
Notes to Consolidated Financial Statements
Year Ended December 31, 2020

1. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

- b) The amounts recorded for valuation of tangible capital assets, the useful lives and related amortization of tangible capital assets are areas where management makes significant estimates and assumptions in determining the amount to be recorded in the financial statements.
- c) Internally constructed tangible capital assets, mainly consisting of roads and the gas system are costed by using internal documents to determine the costs of the various components of the construction. Such documents include costing reports for projects, machines, timesheets etc.
- d) Gravel inventory is costed by a similar method using internal documents to determine the cost of crushing. As uncertainty inherently exists in the accurateness of these documents, actual results could differ from the accumulated costs.
- e) The Municipality is expected to receive disaster recovery income in 2021 due to COVID-19. The amount is unknown at the time of financial statement preparation, therefore, no amount has been recorded.

Cash and temporary investments

Cash includes cash and temporary investments. Cash equivalents are temporary investments in Guaranteed Investment Certificate's valued at cost plus accrued interest. The carrying amounts approximate fair value because they have maturities at the date of purchase of less than ninety days.

Investments

Investments are recorded at amortized cost. 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.

Debt charges recoverable

Debt charges recoverable consist of amounts that are recoverable from municipal agencies or other local governments with respect to outstanding debentures. These recoveries are recorded at a value that equals the offsetting portion of the un-matured long term debt.

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

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

(continues)

COUNTY OF TWO HILLS NO. 21
Notes to Consolidated Financial Statements
Year Ended December 31, 2020

1. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Tax revenue

Tax revenues are recognized when the tax bylaw has been authorized and the taxable event has occurred.

Requisitions operate as a flow through and are excluded from municipal revenue.

Property tax revenue is based on market value of assessments determined in accordance with the Municipal Government Act. Tax rates are established annually. Taxation revenues are recorded at the time tax notices are issued. Assessments are subject to appeal.

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

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.

Government transfers

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

Non-financial assets

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

(continues)

COUNTY OF TWO HILLS NO. 21
Notes to Consolidated Financial Statements
Year Ended December 31, 2020

1. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

a) Tangible Capital Assets

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

| | <u>YEARS</u> |
|-------------------------|--------------|
| Land improvements | 15-25 |
| Buildings | 25-50 |
| Engineered structures | |
| Roads and bridges | 20-40 |
| Gas system | 35-75 |
| Water system | 25-75 |
| Wastewater system | 35-75 |
| Machinery and equipment | 5-40 |
| Vehicles | 10 |

A full year annual amortization is recorded in the year of acquisition, or in the year the asset is put into service or construction is complete. No amortization is calculated in the year of disposal.

b) 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.

c) 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.

d) Inventories

Inventories of materials and supplies for consumption are valued at the lower of cost or net realizable value with the cost being determined by the average cost method. Gravel inventory is valued at the amount of the royalty plus crushing costs.

Impairment of long lived assets

The Municipality tests for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. Recoverability is assessed by comparing the carrying amount to the projected future net cash flows the long-lived assets are expected to generate through their direct use and eventual disposition. When a test for impairment indicates that the carrying amount of an asset is not recoverable, an impairment loss is recognized to the extent the carrying value exceeds its fair value.

Budget figures

Budget figures are included for information purposes only and are not audited.

COUNTY OF TWO HILLS NO. 21
Notes to Consolidated Financial Statements
Year Ended December 31, 2020

2. CASH AND TEMPORARY INVESTMENTS

| | 2020 | 2019 |
|-----------------------|----------------------|----------------------|
| Cash | \$ 2,819,874 | \$ 4,222,431 |
| Temporary investments | 18,399,180 | 16,558,831 |
| | \$ 21,219,054 | \$ 20,781,262 |

Bank indebtedness from Alberta Treasury Branches with a maximum of \$1,985,000, bearing interest at prime plus 3% per annum (2019 - prime plus 3%).

Temporary investments are Guaranteed Investment Certificates with original maturities of three months or less. Rates vary from 0.8% to 1.1% (2019 - 2.5% to 2.6%).

Council has designated funds of \$13,276,967 (2019 - \$14,015,335) included in the above amounts for restricted surplus.

Included in cash and temporary investments is a restricted amount of \$2,111,178 (2019 - \$1,078,654) comprised of \$242,624 (2019 - \$277,826) of deposit liabilities and \$1,868,554 (2019 - \$800,828) of deferred revenue received from various sources and held exclusively for approved projects.

3. TAXES AND GRANTS IN PLACE OF TAXES RECEIVABLE

| | 2020 | 2019 |
|--|--------------------|--------------------|
| Current | \$ 645,616 | \$ 836,738 |
| Arrears | 2,954,654 | 2,443,372 |
| | 3,600,270 | 3,280,110 |
| Less: allowance for uncollectible accounts | (3,210,340) | (2,857,316) |
| | \$ 389,930 | \$ 422,794 |

4. LONG TERM INVESTMENTS

To be involved with Gas Alberta Inc., the Municipality was required to invest in shares and a debenture with Gas Alberta Inc. to provide them with initial operating capital. The debenture is non-interest bearing.

Alberta Central East Water Corporation (ACE) - in order to participate in the water pipeline project, the County of Two Hills No. 21 had to subscribe to shares in the capital stock of ACE.

Details are as follows:

| | 2020 | 2019 |
|---|------------------|------------------|
| 727 Class A common shares in Gas Alberta Inc. | \$ 434 | \$ 495 |
| Debenture receivable from Gas Alberta Inc. | 42,500 | 42,500 |
| 1,240 Class A common voting shares in ACE | 12 | 12 |
| | \$ 42,946 | \$ 43,007 |

COUNTY OF TWO HILLS NO. 21
Notes to Consolidated Financial Statements
Year Ended December 31, 2020

5. DEBT CHARGES RECOVERABLE

| | 2020 | 2019 |
|--------------------------------------|-------------------|-------------------|
| Current debt charges recoverable | \$ 42,813 | \$ 41,241 |
| Non-current debt charges recoverable | 295,133 | 337,946 |
| | \$ 337,946 | \$ 379,187 |

Principal and interest repayments are as follows:

| | Principal | Interest | Total |
|------------|-------------------|------------------|-------------------|
| 2021 | \$ 42,813 | \$ 11,517 | \$ 54,330 |
| 2022 | 44,446 | 9,884 | 54,330 |
| 2023 | 46,142 | 8,188 | 54,330 |
| 2024 | 47,904 | 6,426 | 54,330 |
| 2025 | 49,734 | 4,596 | 54,330 |
| Thereafter | 106,907 | 13,090 | 119,997 |
| | \$ 337,946 | \$ 53,701 | \$ 391,647 |

The County of Two Hills No, 21 loaned \$500,000 to Eagle Hill Foundation (1995), bearing interest at 3.97%, payable in semi-annual payments of \$22,279, maturing March 15, 2026.

An additional \$150,000 was loaned to the Myrnam Seed Cleaning Co-op Ltd., bearing interest at 2.718% payable in semi-annual payments of \$4,886, maturing September 15, 2035.

These debt charges recoverable are the reciprocal payment of the Alberta Capital Finance loans taken on behalf of these two organizations. (Note 10) - Long-Term Debt.

6. EMPLOYEE BENEFIT OBLIGATIONS

| | 2020 | 2019 |
|----------|------------|------------|
| Vacation | \$ 191,686 | \$ 164,306 |

The vacation liability is comprised of the vacation that employees are deferring to future years. Employees have either earned the benefits (and are vested) or are entitled to these benefits within the next budgetary year. The Municipality has accumulating non-vesting sick leave benefits.

COUNTY OF TWO HILLS NO. 21
Notes to Consolidated Financial Statements
Year Ended December 31, 2020

7. DEPOSIT LIABILITIES

| | 2020 | 2019 |
|----------------------------|-------------------|-------------------|
| Public reserve | \$ 191,209 | \$ 189,753 |
| Road and gravel deposits | 42,273 | 67,572 |
| Tax sale surplus | 5,711 | 5,662 |
| Water service deposit | 2,631 | 2,595 |
| Premise deposits | 800 | 1,000 |
| Signalta Resources deposit | - | 11,244 |
| | \$ 242,624 | \$ 277,826 |

Public reserve consists of funds received for municipal reserve upon subdivision of land.

Road and gravel deposits are amounts required to be paid by private companies for reclamation deposits or hauling on public roads.

Tax sale surplus consists of surplus funds received from land sold at public auction. These funds are payable to the previous ratepayer under the the guidelines set out in the Municipal Government Act.

Water service and premise deposits are initial amounts required to receive utility services.

8. DEFERRED REVENUE

| | 2020 | 2019 |
|--|---------------------|-------------------|
| Federal Gas Tax Refund | \$ 767,901 | \$ 525,912 |
| Municipal stimulus program funding | 432,824 | - |
| STIP - Local Road Bridge | 275,006 | - |
| MSI - capital | 77,546 | - |
| Watershed resiliency grant | 63,403 | - |
| Bridge Upgrade Grant | 43,736 | 54,266 |
| STIP - Community Airport Program | 21,464 | - |
| Emergency Management Preparedness Program Grant | 5,023 | 4,961 |
| Hairy Hill Transitional funding | 103,480 | 102,403 |
| Willingdon Transitional funding | 78,171 | 82,081 |
| Derwent - MSI, New Deal and Federal Gas Tax Refund | - | 25,999 |
| Alberta Community Partnership Grant | - | 5,206 |
| FCSS grant | 8,023 | - |
| Roadway fee oiling | 72,750 | 72,750 |
| Subdivision access | 1,500 | 1,500 |
| Gas- infill deposits | - | 14,000 |
| Pre-purchased gravel | - | 3,081 |
| | \$ 1,950,827 | \$ 892,159 |

Deferred revenue is comprised of funding from various grant programs, organizations and individuals, that are unspent at the end of the current year. The use of these funds is restricted to eligible operating and capital projects as approved under the funding agreements or as indicated. This revenue is recognized in the period when the related expenses are incurred, services performed or tangible capital assets are put into use.

COUNTY OF TWO HILLS NO. 21
Notes to Consolidated Financial Statements
Year Ended December 31, 2020

9. DUE TO TWO HILLS REGIONAL WASTE MANAGEMENT COMMISSION

| | 2020 | 2019 |
|---|---------------------|------------|
| Due to Two Hills Regional Waste Management Commission | \$ 1,101,903 | \$ 990,118 |

The County of Two Hills No. 21 provides annual financial and payroll services for the Two Hills Regional Waste Management Commission. Operational and capital funds are retained by the Municipality to provide these services. Amounts due to the Commission are non-interest bearing and have no set repayment terms.

10. LONG TERM DEBT

| | 2020 | 2019 |
|--|-------------------|------------|
| Debentures recoverable (<i>Note 5</i>) | \$ 337,946 | \$ 379,187 |

Principal and interest repayments are as follows:

| | Principal | Interest | Total |
|------------|-------------------|------------------|-------------------|
| 2021 | \$ 42,813 | \$ 11,517 | \$ 54,330 |
| 2022 | 44,446 | 9,884 | 54,330 |
| 2023 | 46,142 | 8,188 | 54,330 |
| 2024 | 47,904 | 6,426 | 54,330 |
| 2025 | 49,734 | 4,596 | 54,330 |
| Thereafter | 106,907 | 13,090 | 119,997 |
| | \$ 337,946 | \$ 53,701 | \$ 391,647 |

Debenture debt is repayable to the Alberta Capital Finance Authority and bears interest at rates ranging from 2.718% to 3.97% per annum, matures in periods 2026 through 2035. The average annual interest rate is 3.344% (2019 - 3.344%).

Debenture debt is issued on the credit and security of the Municipality at large.

The Municipality's total cash payments for interest were \$14,743 (2019 - \$16,352).

Interest on long-term debt amounted to nil (2019 - nil).

COUNTY OF TWO HILLS NO. 21
Notes to Consolidated Financial Statements
Year Ended December 31, 2020

DEBT LIMITS AND DEBT SERVICING LIMIT

Section 276(2) of the Municipal Government Act requires that debt and debt limits as defined by Alberta Regulation 255/00 for the County of Two Hills No. 21 be disclosed as follows:

| | 2020 | 2019 |
|--|----------------------|----------------------|
| Total debt limit | \$ 19,438,500 | \$ 20,850,779 |
| Total debt | - | - |
| Amount of debt limit unused | \$ 19,438,500 | \$ 20,850,779 |
| Debt servicing limit | \$ 3,239,750 | \$ 3,475,130 |
| Debt servicing | - | - |
| Amount of debt servicing limit unused | \$ 3,239,750 | \$ 3,475,130 |

The debt limit is calculated at 1.5 times revenue of the Municipality (as defined in Alberta Regulation 255/00) and the debt service limit is calculated at 0.25 times such revenue. Incurring debt beyond these limitations requires approval by the Minister of Municipal Affairs. These thresholds are guidelines used by Alberta Municipal Affairs to identify municipalities that 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.

11. INVENTORY FOR CONSUMPTION

Municipal inventories consist of the following:

| | 2020 | 2019 |
|----------------------------|---------------------|---------------------|
| Public Works gravel | \$ 1,256,636 | \$ 1,668,360 |
| Public Works coldmix | 262,801 | 511,172 |
| Public Works miscellaneous | 309,837 | 310,666 |
| Public Works fuel | 12,398 | 13,978 |
| Agricultural services | 71,658 | 67,638 |
| Fire inventory | 2,506 | 1,441 |
| Sewer systems-inventory | 1,534 | - |
| Water systems-inventory | 15,926 | 9,704 |
| | 1,933,296 | 2,582,959 |
| Gas utility | 58,083 | 52,261 |
| | \$ 1,991,379 | \$ 2,635,220 |

COUNTY OF TWO HILLS NO. 21
Notes to Consolidated Financial Statements
Year Ended December 31, 2020

12. ACCUMULATED SURPLUS

Accumulated surplus consists of restricted and unrestricted amounts and equity in tangible capital assets as follows:

| | 2020 | 2019 |
|---|----------------------|----------------------|
| Unrestricted surplus | \$ 7,757,055 | \$ 7,780,909 |
| Restricted surplus | | |
| Reserve for future expenditures | 5,026,532 | 5,578,522 |
| Transportation capital replacement | 3,395,347 | 3,395,347 |
| General equipment replacement | 2,125,881 | 2,209,774 |
| Gas Utility | 994,418 | 1,124,418 |
| Roads | 1,398,481 | 1,398,481 |
| Gas Utility capital replacement | 244,013 | 216,498 |
| Ag Service Board capital replacement | 36,608 | 36,608 |
| Ag Service Board | 34,344 | 34,344 |
| Recreation | 12,662 | 12,662 |
| Water | 8,681 | 8,681 |
| Restricted surplus | 13,276,967 | 14,015,335 |
| Equity in tangible capital assets | | |
| Tangible capital assets (<i>Schedule 1</i>) | 127,999,415 | 127,175,021 |
| Accumulated amortization (<i>Schedule 1</i>) | (74,832,041) | (72,022,023) |
| Equity in tangible capital assets | 53,167,374 | 55,152,998 |
| | \$ 74,201,396 | \$ 76,949,242 |
| Unrestricted surplus consists of the following: | | |
| General Municipal | \$ 5,313,293 | \$ 5,698,208 |
| Gas Utility | 2,443,762 | 2,082,701 |
| | 7,757,055 | 7,780,909 |
| Restricted surplus consists of the following: | | |
| General Municipal | 12,038,536 | 12,674,420 |
| Gas Utility | 1,238,431 | 1,340,915 |
| | 13,276,967 | 14,015,335 |
| Equity in tangible capital assets consists of the following: | | |
| General Municipal | 46,249,748 | 48,201,268 |
| Gas Utility | 6,917,626 | 6,951,730 |
| | 53,167,374 | 55,152,998 |
| | \$ 74,201,396 | \$ 76,949,242 |

COUNTY OF TWO HILLS NO. 21
Notes to Consolidated Financial Statements
Year Ended December 31, 2020

13. COMMITMENTS

The Municipality has committed to purchasing two 2021 John Deere graders for a total of \$1,019,200 plus GST.

The Municipality has long term lease and maintenance agreements with respect to office equipment. Future minimum lease payments as at December 31, 2020, are as follows, plus additional variable charges based on usage:

| | | |
|------|----|--------|
| 2021 | \$ | 19,763 |
| 2022 | | 18,994 |
| 2023 | | 2,781 |
| | | <hr/> |
| | \$ | 41,538 |
| | | <hr/> |

14. CONTINGENCIES

The Municipality has crushed gravel in many sites over the years. The liability for reclaiming the sites has not been determined and therefore has not been reflected in the financial statements.

15. CONTAMINATED SITES LIABILITY

The Municipality did not identify any financial liabilities related to contaminated sites in 2020 (2019 – nil).

16. COVID-19

In March 2020, the World Health Organization declared a global pandemic due to the novel coronavirus (COVID-19). The situation is constantly evolving, and the measures put in place are having multiple impacts on local, provincial, national and global economies.

COVID-19 has not had a significant impact on the municipality. The Municipality has recorded funding received under the Municipal Operating Support Transfer grant, in the amount of \$153,684.

The Municipality is uncertain of the future effects of the pandemic on its financial statements. Any disturbance may be temporary; however, there is uncertainty about the length and potential impact of the disturbance.

17. RELATED PARTY TRANSACTIONS

There were no related party transactions for the 2020 year.

COUNTY OF TWO HILLS NO. 21
Notes to Consolidated Financial Statements
Year Ended December 31, 2020

18. SALARY, CONTRACTS AND BENEFITS DISCLOSURE

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

| | | Salary & Contracted amounts | Benefits & Allowances | 2020 | 2019 |
|------------------------|-------------|-----------------------------------|--------------------------|------------------|-----------|
| Reeve | Gulayec | \$ 56,700 | \$ 8,313 | \$ 65,013 | \$ 60,136 |
| Councilors | Yakemchuk | 46,980 | 10,092 | 57,072 | 60,345 |
| | Odegard | 29,498 | 5,396 | 34,894 | 36,873 |
| | Phillips | 32,940 | 6,536 | 39,476 | 46,406 |
| | Saskiw | 42,930 | 6,515 | 49,445 | 47,837 |
| CAO | | 159,730 | 11,251 | 170,981 | 170,471 |
| Designated Officers | 3 positions | 311,533 | 40,643 | 352,176 | 343,801 |

1. Salary includes regular base pay, bonuses, overtime, lump sum payments, gross honoraria and any other direct cash remuneration.
2. Employer's share of all employee benefits and contributions or payments made on behalf of employees including pension, health care, dental coverage, vision coverage, group life insurance, accidental disability and dismemberment insurance, long and short-term disability plans, professional memberships and tuition.
3. If an automobile is provided, no amount is included in the benefits and allowances figure.
4. Benefits and allowances figures also include the employer's share of the costs of additional taxable benefits including special leave with pay, financial and retirement planning services, concessionary loans, travel allowances, car allowances and club memberships.

19. LOCAL AUTHORITIES PENSION PLAN

Employees of the Municipality participate in the Local Authorities Pension Plan (LAPP), which is one of the plans covered by the *Public Sector Pension Plans Act*. The LAPP is financed by employer and employee contributions and by investment earnings of the LAPP Fund.

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

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

Total current service contributions by the municipality to the LAPP in 2020 were \$342,442 (2019 - \$343,028). Total current service contributions by the employees of the Municipality to the Local Authorities Pension Plan in 2020 were \$309,428 (2019 - \$309,938).

At December 31, 2019 the LAPP disclosed an actuarial surplus of \$7.91 billion.

COUNTY OF TWO HILLS NO. 21
Notes to Consolidated Financial Statements
Year Ended December 31, 2020

20. SEGMENTED DISCLOSURE

The County of Two Hills No. 21 provides a range of services to its ratepayers. For each reported segment, revenues and expenses represent both amounts that are directly attributable to the segment and amounts that are allocated on a reasonable basis. The accounting policies used in these segments are consistent with those followed in the preparation of the consolidated financial statements as disclosed in Note 1.

Refer to the Schedule of Segmented Disclosures (Schedule 8).

21. FINANCIAL INSTRUMENTS

The Municipality initially measures its financial assets and financial liabilities at fair value. It subsequently measures all its financial assets and financial liabilities at amortized cost.

The Municipality's financial instruments consist of all financial assets and liabilities. It is management's opinion that the Municipality is not exposed to significant interest or currency risks arising from these financial instruments.

The Municipality is subject to credit risk with respect to taxes and grants in place of taxes receivables and trade and other receivables. Credit risk arises from the possibility that taxpayers and entities to which the Municipality provides services may experience financial difficulty and be unable to fulfil their obligations. The large number and diversity of taxpayers and customers minimizes the credit risk.

Unless otherwise noted, the carrying value of the financial instrument approximates fair value.

22. APPROVAL OF FINANCIAL STATEMENTS

Council and Management have approved these financial statements.

23. COMPARATIVE FIGURES

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