

SADDLE HILLS COUNTY
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022

TABLE OF CONTENTS

	<u>Page</u>
Statement of Management's Responsibility	1
Independent Auditors' Report	2
Consolidated Statement of Financial Position	3
Consolidated Statement of Operations and Accumulated Surplus	4
Consolidated Statement of Change in Net Financial Assets	5
Consolidated Statement of Cash Flows	6
Schedule 1 - Consolidated Schedule of Changes in Accumulated Surplus	7
Schedule 2 - Consolidated Schedule of Tangible Capital Assets	8
Schedule 3 - Consolidated Schedule of Property Taxes Levied	9
Schedule 4 - Consolidated Schedule of Government Transfers	10
Schedule 5 - Consolidated Schedule of Expenses by Object	11
Schedule 6 - Consolidated Schedule of Segmented Disclosure	12
Notes to the Consolidated Financial Statements	13 - 22



Management's Responsibility

To the Reeve and Council of Saddle Hills County:

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

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

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

MNP LLP, an independent firm of Chartered Professional Accountants, is appointed by the Council to audit the consolidated financial statements and report directly to them: their report follows. The external auditors have full and free access to, and meet periodically and separately with, both the Council and management to discuss their audit findings.

April 11, 2023


Chief Administrative Officer

To the Audit Committee of Saddle Hills County:

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Saddle Hills County (the "Municipality"), which comprise the consolidated statement of financial position as at December 31, 2022, and the consolidated statements of operations and accumulated operating surplus, changes in net financial assets 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 financial position of the Municipality as at December 31, 2022, and the results of its operations, its remeasurement gains and losses, changes in its net financial assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

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

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of 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.

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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Report on Other Legal and Regulatory Requirements

Debt Limit Regulation

In accordance with Alberta regulation 255/2000, we confirm that the Municipality is in compliance with the Debt Limit Regulation. A detailed account of the Municipality's debt limit can be found in note 11.

Supplementary Accounting Principles and Standards Regulation

In accordance with Alberta regulation 313/2000, we confirm that the Municipality is in compliance with the Supplementary Accounting Principles and Standards Regulation.

Peace River, Alberta

April 11, 2023

MNP LLP
Chartered Professional Accountants

**SADDLE HILLS COUNTY
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED DECEMBER 31, 2022**

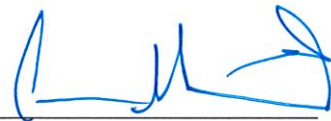
	2022	2021
	\$	\$
FINANCIAL ASSETS		
Cash and cash equivalents (Note 2)	<u>3,909,848</u>	1,919,764
Accounts receivable (Note 3)	<u>2,039,853</u>	2,564,408
Long-term investments (Note 4)	<u>104,688,597</u>	97,290,819
	<u>110,638,298</u>	<u>101,774,991</u>
LIABILITIES		
Accounts payable and accrued liabilities (Note 5)	<u>5,474,487</u>	3,278,460
Deferred revenue (Note 6)	<u>11,088,768</u>	10,391,862
Landfill closure and post-closure costs (Note 7)	<u>5,785,402</u>	5,653,409
	<u>22,348,657</u>	<u>19,323,731</u>
NET FINANCIAL ASSETS	<u>88,289,641</u>	<u>82,451,260</u>
NON-FINANCIAL ASSETS		
Tangible capital assets (Schedule 2)	<u>161,197,765</u>	151,601,302
Inventory for consumption (Note 8)	<u>1,844,075</u>	1,764,961
Prepaid expenses	<u>397,809</u>	379,593
	<u>163,439,649</u>	<u>153,745,856</u>
ACCUMULATED SURPLUS (Schedule 1, Note 9)	<u>251,729,290</u>	<u>236,197,116</u>

Contingencies and Commitments - See Note 12 and 13

Approved by



Reeve



Chief Administrative Officer

See accompanying notes to the financial statements

**SADDLE HILLS COUNTY
CONSOLIDATED STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS
FOR THE YEAR ENDED DECEMBER 31, 2022**

	Budget \$	2022 \$	2021 \$
REVENUE			
Net municipal property taxes (Schedule 3)	38,374,727	38,360,858	33,225,523
Oil well drilling equipment tax	-	-	-
Return on investments	652,000	1,968,887	720,047
Other	324,700	2,710,074	495,884
Government transfers for operating (Schedule 4)	196,600	198,827	409,971
User fees and sale of goods	706,600	1,367,481	1,209,180
Penalties and costs on taxes	95,000	63,337	82,004
Total revenues	<u>40,349,627</u>	<u>44,669,464</u>	<u>36,142,609</u>
EXPENSES			
Operating			
Road and bridge projects	12,245,909	14,019,048	12,000,751
Administrative	5,864,165	4,649,824	3,741,621
Agriculture and land development	1,661,094	1,270,810	1,297,851
Protective services	1,512,269	1,867,189	1,609,428
Water and wastewater	1,998,256	2,423,431	2,215,388
Recreation and culture	486,727	370,790	313,010
Legislative	4,581,500	3,140,417	2,490,042
Waste management	885,576	822,229	640,592
Common services	1,396,204	1,041,918	797,611
Family and community support services	221,900	181,971	135,160
Total Expenses	<u>30,853,600</u>	<u>29,787,627</u>	<u>25,241,454</u>
EXCESS OF REVENUE OVER EXPENSES - BEFORE OTHER	9,496,027	14,881,837	10,901,155
OTHER			
Government transfers for capital (Schedule 4)	44,773,334	738,082	2,695,320
Gain (loss) on disposal of tangible capital assets	317,000	(87,745)	(40,374)
EXCESS OF REVENUE OVER EXPENSES	54,586,361	15,532,174	13,556,101
ACCUMULATED SURPLUS, BEGINNING OF YEAR	236,197,116	236,197,116	222,641,015
ACCUMULATED SURPLUS, END OF YEAR	<u>290,783,477</u>	<u>251,729,290</u>	<u>236,197,116</u>

See accompanying notes to the financial statements

**SADDLE HILLS COUNTY
CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2022**

	Budget \$	2022 \$	2021 \$
EXCESS OF REVENUES OVER EXPENSES	<u>54,586,361</u>	<u>15,532,174</u>	<u>13,556,101</u>
Acquisition of tangible capital assets	(69,464,920)	(14,658,605)	(7,195,279)
Proceeds on disposal of tangible capital assets	-	29,773	71,405
Amortization of tangible capital assets	-	4,944,624	4,686,726
(Gain) loss on sale of tangible capital assets	-	87,745	40,374
	<u>(69,464,920)</u>	<u>(9,596,463)</u>	<u>(2,396,774)</u>
Acquisition of supplies inventories	-	(1,844,075)	(1,764,961)
Use of supplies inventories	-	1,764,961	1,139,164
Acquisition of prepaid assets	-	(397,809)	(379,593)
Use of prepaid assets	-	379,593	336,379
	<u>-</u>	<u>(97,330)</u>	<u>(669,011)</u>
INCREASE IN NET FINANCIAL ASSETS	(14,878,559)	5,838,381	10,490,316
NET FINANCIAL ASSETS, BEGINNING OF YEAR	<u>82,451,260</u>	<u>82,451,260</u>	<u>71,960,944</u>
NET FINANCIAL ASSETS, END OF YEAR	<u><u>67,572,701</u></u>	<u><u>88,289,641</u></u>	<u><u>82,451,260</u></u>

**SADDLE HILLS COUNTY
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2022**

	2022	2021
	\$	\$
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING		
Excess of revenues over expenses	15,532,174	13,556,101
(Gain) loss on sale of tangible capital assets	87,745	40,374
Non-cash items included in excess (shortfall) of revenues over expenses:		
Amortization of tangible capital assets	4,944,624	4,686,726
Non-cash charges to operations (net change):		
Decrease (increase) in trade and other receivables	524,556	5,617,018
Decrease (increase) in inventory for consumption	(79,114)	(625,797)
Decrease (increase) in prepaid expenses	(18,216)	(43,214)
Decrease (increase) in land held for resale	-	-
Increase (decrease) in accounts payable and accrued liabilities	2,196,026	(1,763,726)
Increase (decrease) in deferred revenue	696,906	9,859,453
Increase (decrease) in provision for landfill closure and post-closure (Note 7)	131,993	(88,972)
Cash provided by operating transactions	<u>24,016,694</u>	<u>31,237,963</u>
CAPITAL		
Acquisition of tangible capital assets	(14,658,605)	(7,195,279)
Sale of tangible capital assets	29,773	71,405
Cash applied to capital transactions	<u>(14,628,832)</u>	<u>(7,123,874)</u>
INVESTING		
Decrease (increase) in investments	<u>(7,397,778)</u>	<u>(25,166,626)</u>
CHANGE IN CASH AND EQUIVALENTS DURING THE YEAR	1,990,084	(1,052,537)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>1,919,764</u>	<u>2,972,301</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>3,909,848</u></u>	<u><u>1,919,764</u></u>
See accompanying notes to the financial statements		
	2022	2021
	\$	\$
Cash and cash equivalents is made up of:		
Cash and temporary investments (Note 2)	<u><u>3,909,848</u></u>	<u><u>1,919,764</u></u>

**SADDLE HILLS COUNTY
CONSOLIDATED SCHEDULE OF CHANGES IN ACCUMULATED SURPLUS
FOR THE YEAR ENDED DECEMBER 31, 2022
SCHEDULE 1**

	Unrestricted Surplus	Restricted Surplus	Equity in Tangible Capital Assets	2022 \$	2021 \$
BALANCE, BEGINNING OF YEAR	-	84,595,814	151,601,302	236,197,116	222,641,015
Excess of revenues over expenses	15,532,174	-	-	15,532,174	13,556,101
Unrestricted funds designated for future use	(5,935,711)	5,935,711	-	-	-
Restricted funds used for operations	-	-	-	-	-
Current year funds used for tangible capital assets	(14,658,605)	-	14,658,605	-	-
Disposal of assets (at net book value)	117,518	-	(117,518)	-	-
Annual amortization expense	4,944,624	-	(4,944,624)	-	-
Long term debt repaid	-	-	-	-	-
Change in accumulated surplus	-	5,935,711	9,596,463	15,532,174	13,556,101
BALANCE, END OF YEAR	-	90,531,525	161,197,765	251,729,290	236,197,116

See accompanying notes to the financial statements

**SADDLE HILLS COUNTY
CONSOLIDATED SCHEDULE OF TANGIBLE CAPITAL ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2022
SCHEDULE 2**

	Land	Land Improvements	Buildings	Engineered Structures	Machinery and Equipment	Vehicles	2022 \$	2021 \$
COST:								
BALANCE, BEGINNING OF YEAR	1,503,706	4,882,715	27,506,096	169,952,285	13,127,929	1,734,900	218,707,631	212,271,856
Acquisition of tangible capital assets	1,059,500	423,911	2,516,540	10,268,673	375,318	14,663	14,658,605	7,195,279
Disposal of tangible capital assets	-	-	-	(378,544)	(214,512)	-	(593,056)	(759,504)
BALANCE, END OF YEAR	2,563,206	5,306,626	30,022,636	179,842,414	13,288,735	1,749,563	232,773,180	218,707,631
ACCUMULATED AMORTIZATION:								
BALANCE, BEGINNING OF YEAR	-	869,699	3,428,019	55,392,672	6,154,130	1,261,809	67,106,329	63,067,328
Annual amortization	-	204,644	574,911	3,007,033	981,968	176,068	4,944,624	4,686,726
Accumulated amortization on disposals	-	-	-	(333,673)	(141,865)	-	(475,538)	(647,725)
BALANCE, END OF YEAR	-	1,074,343	4,002,930	58,066,032	6,994,233	1,437,877	71,575,415	67,106,329
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	2,563,206	4,232,283	26,019,706	121,776,382	6,294,502	311,686	161,197,765	151,601,302
2021 NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	1,503,706	4,013,016	24,078,077	114,559,613	6,973,799	473,091	151,601,302	

See accompanying notes to the financial statements

**SADDLE HILLS COUNTY
CONSOLIDATED SCHEDULE OF PROPERTY TAXES LEVIED
FOR THE YEAR ENDED DECEMBER 31, 2022
SCHEDULE 3**

	Budget \$	2022 \$	2021 \$
TAXATION			
Real property taxes	25,065,848	25,102,416	21,245,472
Linear property taxes	20,506,947	20,459,792	18,953,779
Government grants in place of property taxes	6,332	7,113	6,211
	<u>45,579,127</u>	<u>45,569,321</u>	<u>40,205,462</u>
REQUISITIONS			
Alberta School Foundation Fund	6,856,100	6,860,333	6,645,163
Seniors Foundation	138,800	138,705	129,292
Designated Industrial Property	209,500	209,425	205,484
	<u>7,204,400</u>	<u>7,208,463</u>	<u>6,979,939</u>
NET MUNICIPAL TAXES	<u>38,374,727</u>	<u>38,360,858</u>	<u>33,225,523</u>

See accompanying notes to the financial statements

**SADDLE HILLS COUNTY
CONSOLIDATED SCHEDULE OF GOVERNMENT TRANSFERS
FOR THE YEAR ENDED DECEMBER 31, 2022
SCHEDULE 4**

	Budget \$	2022 \$	2021 \$
	<u> </u>	<u> </u>	<u> </u>
TRANSFERS FOR OPERATING:			
Provincial Government	196,600	198,827	409,971
Federal Government	-	-	-
	<u>196,600</u>	<u>198,827</u>	<u>409,971</u>
TRANSFERS FOR CAPITAL:			
Provincial Government	44,773,334	738,082	2,695,320
Federal Government	-	-	-
	<u>44,773,334</u>	<u>738,082</u>	<u>2,695,320</u>
TOTAL GOVERNMENT TRANSFERS	<u><u>44,969,934</u></u>	<u><u>936,909</u></u>	<u><u>3,105,291</u></u>

See accompanying notes to the financial statements

**SADDLE HILLS COUNTY
CONSOLIDATED SCHEDULE OF EXPENSES BY OBJECT
FOR THE YEAR ENDED DECEMBER 31, 2022
SCHEDULE 5**

	Budget \$	2022 \$	2021 \$
CONSOLIDATED EXPENSES BY OBJECT			
Salaries, wages and benefits	8,285,100	7,718,045	6,933,624
Contracted and general services	11,406,200	8,218,203	6,996,269
Materials, goods, supplies and utilities	4,458,100	4,469,364	3,257,167
Transfers to governments, agencies and organizations	6,276,700	3,447,226	2,825,426
Amortization of tangible capital assets	-	4,944,624	4,686,726
Other expenses	427,500	990,165	542,242
	<u>30,853,600</u>	<u>29,787,627</u>	<u>25,241,454</u>

See accompanying notes to the financial statements

SADDLE HILLS COUNTY
CONSOLIDATED SCHEDULE OF SEGMENTED DISCLOSURE
FOR THE YEAR ENDED DECEMBER 31, 2022
SCHEDULE 6

	General Government	Protective Services	Transportation Services	Planning & Development	Recreation & Culture	Environmental Services	Other	Total \$
REVENUE								
Net municipal taxes	38,360,858	-	-	-	-	-	-	38,360,858
Government transfers	-	-	738,082	123,907	74,920	-	-	936,909
Oil well drilling equipment taxes	-	-	-	-	-	-	-	-
User fees and sales of goods	191,904	35,346	808,440	2,029	5,452	324,310	-	1,367,481
Investment income	1,968,887	-	-	-	-	-	-	1,968,887
Other revenues	2,382,798	30,127	204,386	44,691	52,466	1,643	57,300	2,773,411
	42,904,447	65,473	1,750,908	170,627	132,838	325,953	57,300	45,407,546
EXPENSES								
Contract & general services	1,117,732	496,372	5,516,773	374,083	161,148	454,659	97,436	8,218,203
Salaries & wages	2,456,730	400,653	2,977,819	564,575	58,294	1,259,974	-	7,718,045
Goods & supplies	160,127	202,606	3,525,210	151,892	69,510	358,206	1,813	4,469,364
Transfers to governments, agencies and organizations	2,585,269	327,430	-	77,400	220,746	119,961	116,420	3,447,226
Other expenses	858,172	-	-	-	-	131,993	-	990,165
	7,178,030	1,427,061	12,019,802	1,167,950	509,698	2,324,793	215,669	24,843,003
NET REVENUE BEFORE AMORTIZATION	35,726,417	(1,361,588)	(10,268,894)	(997,323)	(376,860)	(1,998,840)	(158,369)	20,564,543
Amortization expense	(335,030)	(440,128)	(3,041,167)	(102,860)	(43,064)	(920,866)	(61,509)	(4,944,624)
Gain (Loss) on disposal of tangible capital assets	-	-	(87,745)	-	-	-	-	(87,745)
NET REVENUE	35,391,387	(1,801,716)	(13,397,806)	(1,100,183)	(419,924)	(2,919,706)	(219,878)	15,532,174

SADDLE HILLS COUNTY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

a) Reporting entity

The consolidated financial statements reflect the assets, liabilities, revenues and expenditures, changes in net financial assets and cash flows of the reporting entity. This entity is comprised of the municipal operations plus all of the organizations that are owned or controlled by the County and are, therefore, accountable to the Council for administration of their financial affairs and resources. They include the County's proportionate share of the Central Peace Regional Waste Management Commission (25%).

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

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

b) Basis of Accounting

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

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

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

c) Deferred Revenue

Government transfers, contributions and other amounts are received from third parties pursuant to legislation, regulation and agreement and may only be used in completion of certain programs, in the completion of specific work, or for the purchase of tangible capital assets. These funds and the earnings thereon are accounted for as deferred revenue until the related expenses are incurred, the services are performed or the tangible capital assets are acquired.

d) Use of Estimates

The preparation of financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the period. Where management uncertainty exists, the financial statements have been prepared within reasonable limits of materiality. These estimates and assumptions are based on the County's best information and judgement and actual results could differ from these estimates.

SADDLE HILLS COUNTY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

e) Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand, balances with the banks net of outstanding cheques and term deposits with original maturities of 90 days or less at the date of acquisition and are recorded at cost.

f) Investments

Investments consist of deposit notes, coupons, securities, mutual funds and guaranteed investment certificates. Deposit notes, coupons, securities, mutual funds and guaranteed investment certificates are recorded at amortized cost. Investment premiums and discounts are amortized over the term of the respective investments. When there has been a loss in the value that is other than a temporary decline, the respective investment is written down to recognize the loss.

g) 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.

Government transfers are recognized in the financial statements as revenue in the period in which events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met, and reasonable estimates of the amounts can be determined.

h) Requisition Over-levies and Under-Levies

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.

i) Landfill Closure and Post-Closure Liability

Pursuant to the Alberta Environmental Protection and Enhancement Act, the County is required to fund the closure of its landfill sites and provide for post-closure care of the facility. Closure and post-closure activities include the final clay cover, landscaping, as well as surface and ground water monitoring, leachate control, and visual inspection. The requirement being provided for over the estimated remaining life of the landfill sites is based on usage.

j) Contaminated Sites

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 remediation including post remediation costs of operations, maintenance and monitoring.

**SADDLE HILLS COUNTY
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2022**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

k) Employee Future Benefits

Selected employees of the County are members of the Local Authority Pension Plan ("LAPP"), a multi-employer defined benefit pension plan. The trustee of the plan is the Alberta Treasurer and the plan is administered by a Board of Trustees. Since the plan is a multi-employer plan, it is accounted for as a defined contribution plan and, accordingly, the County does not recognize its share of any of the LAPP's surplus or deficit.

l) 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 for the year.

i. Tangible Capital Assets

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

	YEARS
Land Improvements	15-25
Buildings	25-50
Engineered structures	
Water system	30-75
Wastewater system	30-75
Roads and bridges	30-75
Machinery and equipment	3-20
Vehicles	7-20

One-half of the annual amortization is charged in the year of acquisition and in the year of disposal. Assets under construction are not amortized until the asset is available for productive use.

ii. Contributions of Tangible Capital Assets

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

iii. 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.

iv. Inventories

Inventories of materials and supplies for consumption are recorded at the lower of cost or net realizable value with cost determined by the first-in, first-out method. Inventories largely represent the stockpile of gravel maintained for County purposes.

SADDLE HILLS COUNTY
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

m) Accumulated Surplus

Accumulated surpluses are established at the discretion of Council to set aside funds for future operating and capital expenditures. Transfers to and/or from reserves are reflected as an adjustment to the respective fund.

Equity in capital assets consist of the net investments in total capital assets after deducting the portion financed by third parties.

2. CASH AND INVESTMENTS

	2022	2021
	\$	\$
Cash	3,840,290	1,850,352
Restricted deposits	69,558	69,412
Temporary investments	-	-
	<u>3,909,848</u>	<u>1,919,764</u>

Cash held in deposit accounts earn interest at tiered rates between 0.75% and 3.93%.

A portion of the cash balances above are restricted for reserves and deferred revenue. The total restricted capital, including long-term investments is \$101,620,293 (2021 - \$94,987,676).

3. ACCOUNTS RECEIVABLE

	2022	2021
	\$	\$
Accrued interest receivable - investments	1,383,647	1,430,978
Trade	301,545	763,656
Property taxes	165,236	281,193
Goods and Services Tax	203,108	99,813
	<u>2,053,536</u>	<u>2,575,640</u>
Less: Allowance for doubtful accounts	(13,683)	(11,232)
	<u>2,039,853</u>	<u>2,564,408</u>

**SADDLE HILLS COUNTY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022**

4. LONG-TERM INVESTMENTS

Investments have carrying and market values as follows:

	<u>2022</u> Carrying Amount \$	<u>2022</u> Market Value \$	<u>2021</u> Carrying Amount \$	<u>2021</u> Market Value \$
Rural Municipalities of Alberta Member's Equity	856	856	856	856
RBC Investment Portfolio				
Cash Accounts	103,611	103,611	137,798	137,798
Guaranteed Investment Certificates	67,163,140	67,163,140	66,044,892	66,044,892
Coupons	37,420,990	36,340,671	17,940,478	17,779,077
Securities	-	-	1,049,999	1,028,716
Mutual Funds	-	-	12,116,796	12,116,796
	<u>104,688,597</u>	<u>103,608,278</u>	<u>97,290,819</u>	<u>97,108,135</u>

RBC investment portfolio has effective interest rates ranging from 1.050% to 5.150% (2021 - 0.500% to 2.600%) with maturity dates from January 16, 2023 to November 22, 2027.

Market values are based on quoted market values received on December 31, 2022. The market values fluctuate with changes in market interest rates. Should there be a loss in value that is not considered temporary, the respective investment is written down to recognize the loss.

5. ACCOUNTS PAYABLE & ACCRUED LIABILITIES

	<u>2022</u> \$	<u>2021</u> \$
Trade	3,952,408	1,914,122
Vacation, sick leave and overtime	1,374,977	1,224,927
Security deposits	147,102	139,411
	<u>5,474,487</u>	<u>3,278,460</u>

The vacation, sick leave and overtime liability is comprised of the vacation, sick leave and overtime that employees are deferring to future years. Employees have either earned the benefits or are entitled to these benefits within the next budgetary year.

**SADDLE HILLS COUNTY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022**

6. DEFERRED REVENUE

Deferred revenue consists of the following amounts, which have been restricted by third parties for a specified purpose. These amounts are recognized as revenue in the period in which the related expenses are incurred.

	2021	Additions	Revenue Recognized	2022
	\$	\$	\$	\$
Municipal Stimulus Program	264,484	-	264,484	-
Municipal Sustainability Initiative - Capital	-	979,555	-	979,555
Capital for Emergent Projects	109,213	-	-	109,213
Central Peace Regional Water-Phase 1 & 2	10,000,000	-	-	10,000,000
Family and Community Support Services	18,165	-	18,165	-
	<u>10,391,862</u>	<u>979,555</u>	<u>282,649</u>	<u>11,088,768</u>

7. LANDFILL CLOSURE AND POST-CLOSURE COSTS

Alberta environmental law requires closure and post-closure care of landfill sites, which includes final covering and landscaping, pumping of ground water and leachates from the site, ongoing environmental monitoring, and site inspections and maintenance.

The estimated total liability represents the net present value of the discounted cash flows of the total estimated cost for closure and post-closure activities for 25 years after closing using a discount rate of 4.90% and assuming annual inflation of 3.00%.

The accrued liability is based on the cumulative capacity used at year end compared to the total estimated landfill capacity. The total capacity of the sites is estimated at 952,000 cubic metres. All of the sites are at full capacity.

The County stopped receiving municipal solid waste at these landfills in prior years. Some of these unused landfills were converted to waste transfer stations. The County intends to commence closure work for a portion of these unused landfills in the near future.

The County obtained revised cost estimates related to its closure and post-closure obligations during the year. These revised cost estimates result in an increase of \$131,993 (2021 - \$88,972 decrease) to the closure and post-closure obligations, which is included in waste management expense on the Statement of Operations.

	2022	2021
	\$	\$
Estimate closure costs	4,183,215	3,905,110
Estimate post-closure costs	1,602,187	1,748,299
	<u>5,785,402</u>	<u>5,653,409</u>
Portion of liability remaining to be recognized	-	-
Accrued liability portion	<u>5,785,402</u>	<u>5,653,409</u>

**SADDLE HILLS COUNTY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022**

8. INVENTORY FOR CONSUMPTION

	<u>2022</u>	<u>2021</u>
	<u>\$</u>	<u>\$</u>
Gravel	1,156,754	1,173,630
Parts, culverts and other	687,321	591,331
	<u>1,844,075</u>	<u>1,764,961</u>

9. ACCUMULATED SURPLUS

	<u>2022</u>	<u>2021</u>
	<u>\$</u>	<u>\$</u>
Unrestricted surplus	-	-
Restricted surplus:		
Operating reserves:		
Operating fund	2,510,722	2,417,722
Gravel usage	794,690	1,175,169
Saddle Hills advantage	500,000	500,000
Grant programs	103,813	255,820
Community recreation	47,477	47,477
Due to others	10,275	10,398
	<u>3,966,977</u>	<u>4,406,586</u>
Capital reserves:		
Mobile equipment	16,113,004	9,036,174
General capital	14,381,871	8,450,884
Paving overlay	12,955,335	10,265,107
Current county facilities	12,530,821	10,157,624
Rural water	6,835,800	6,978,047
New county facilities	6,515,299	6,412,014
Utility communication network	6,203,820	6,087,063
Environmental services	4,111,308	4,033,933
Well drilling equipment tax	3,184,734	3,124,797
Infrastructure development	2,180,389	4,585,485
Computer and information technology	778,586	816,624
Emergency command centre	752,156	752,156
Municipal development	21,425	21,024
Capital carry forward	-	9,317,054
G5 clinic	-	151,242
	<u>86,564,548</u>	<u>80,189,228</u>
	<u>90,531,525</u>	<u>84,595,814</u>
Equity in tangible capital assets	<u>161,197,765</u>	<u>151,601,302</u>
	<u>251,729,290</u>	<u>236,197,116</u>

**SADDLE HILLS COUNTY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022**

10. SALARY AND BENEFITS DISCLOSURE

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

	2022			Total	2021
	Salary ¹	Benefits & allowances ²	Expense reimbursement ³		Total
	\$	\$	\$	\$	\$
Councillors					
Division 1	55,135	4,091	4,402	63,628	42,897
Division 2	62,500	4,155	4,224	70,879	52,156
Division 3	50,520	4,109	4,971	59,600	45,510
Division 4	51,435	4,109	3,023	58,567	44,960
Division 5	62,130	3,905	11,387	77,422	50,253
Division 6	50,790	4,109	7,185	62,084	49,846
Division 7	55,920	4,109	9,699	69,728	48,525
Chief Administrative Officer	235,032	26,343	-	261,375	251,660
Designated Officer	142,531	18,118	415	161,064	147,814
	<u>765,993</u>	<u>73,048</u>	<u>45,306</u>	<u>884,347</u>	<u>733,621</u>

1 Salary includes regular base pay, per diems and any other direct cash remuneration.

2 Benefits and allowances include the employer's share of the employee benefits and contributions or payments made on behalf of employees including pension and health care benefits.

3 Direct reimbursement of expenses.

11. DEBT LIMITS

Section 276(2) of the Municipal Government Act requires that debt and debt limits as defined by Alberta Regulation 255/2000 for the County be disclosed as follows:

	2022	2021
	\$	\$
Total debt limit	67,004,196	54,213,914
Total debt	-	-
Amount of debt limit unused	67,004,196	54,213,914
Debt servicing limit	11,167,366	9,035,652
Debt servicing	-	-
Amount of debt servicing limit unused	11,167,366	9,035,652

The debt limit is calculated at 1.50 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 that could be at financial risk if further debt is acquired. The calculation taken alone does not represent the financial stability of the County. Rather, the financial statements must be interpreted as a whole.

**SADDLE HILLS COUNTY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022**

12. CONTINGENCIES

(a) MUNIX

The County is a member of the Alberta Municipal Insurance Exchange ("MUNIX"). 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 MUNIX. Any liability incurred would be accounted for as a current transaction in the year the losses are determined.

(b) Legal Claims

The County is defendant in various lawsuits as at December 31, 2022. Where the occurrence of future events is considered likely to result in a loss with respect to an existing condition, and the amount of the loss can be reasonably estimated, amounts have been included in accrued liabilities. Where the resulting losses, if any, cannot be determined or the occurrence of future events is unknown, amounts have not been recorded.

13. COMMITMENTS

As at December 31, 2022, the County has the following outstanding commitments:

(a) Construction of two TELUS towers and completion of one Co-locate on County towers, of approximately \$2,135,000.

(b) Rural Waterlines Project, of approximately \$5,506,747.

(c) Regional Raw Water Line Project, of approximately \$1,439,237.

(d) Regional Water Treatment Plant Project, of approximately \$220,996.

(e) Construction of new Blueberry Firehall, of approximately \$2,694,525.

(f) Construction of new Senior's Facility in Spirit River, of approximately \$2,600,000.

14. LOCAL AUTHORITIES PENSION PLAN

Employees of the County participate in the Local Authorities Pension Plan (LAPP), which is covered by the Alberta Public Sector Pension Plans Act. Contributions are collected from employees and employers and the money is invested in equities, bonds and other investment vehicles. The investment income and the contributions are used to pay pension benefits to LAPP retirees, now and in the future.

The County is required to make current service contributions to the LAPP of 8.45% of pensionable earnings up to the year's maximum pensionable earnings under the Canada Pension Plan and 12.80% on pensionable earnings above this amount. Employees of the County are required to make current service contributions of 7.45% of pensionable salary up to the year's maximum pensionable salary and 11.80% on pensionable salary above this amount.

Total current service contributions by the County to the LAPP in 2022 were \$473,057 (2021 - \$440,461). Total current service contributions by the employees of the County to the LAPP in 2022 were \$425,075 (2021 - \$400,889).

At December 31, 2021, the LAPP disclosed a surplus of \$11.92 billion (2020 - \$4.96 billion surplus).

**SADDLE HILLS COUNTY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022**

15. FINANCIAL INSTRUMENTS

The County's financial instruments consist of cash and cash equivalents, accounts receivables, long-term investments, accounts payable and accrued liabilities, deferred revenue and provision for landfill closure. It is management's opinion that the County is not exposed to significant interest, currency or credit risk arising from these financial instruments.

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

The County is subject to interest rate risk with respect to its cash equivalents and long-term investments. Interest rate risk arises from the risk that the fair value of financial instruments or future cash flows associated with instruments will fluctuate due to changes in market interest rates. The County manages this risk by investing in diverse and low risk assets.

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

16. SEGMENTED DISCLOSURE

Saddle Hills County provides a range of services to its residents. 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.

For additional information see the Schedule of Segmented Disclosure (Schedule 6).

17. COMPARATIVE FINANCIAL STATEMENTS

Certain comparative figures have been reclassified to conform with the current year's financial statement presentation.

18. APPROVAL OF FINANCIAL STATEMENTS

These financial statements were approved by Council and management.

