

YELLOWHEAD COUNTY

Financial Statements

For The Year Ended December 31, 2023

INDEPENDENT AUDITORS' REPORT

To the Mayor and Council of Yellowhead County

Opinion

We have audited the financial statements of Yellowhead County (the "County"), which comprise the statement of financial position as at December 31, 2023, and the statements of operations and accumulated surplus, changes in net financial assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the County as at December 31, 2023, and the results of its operations and accumulated surplus and the changes in its net financial assets and cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the County in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with those 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 Financial Statements

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

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

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

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Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

METRIX GROUP LLP

Chartered Professional Accountants

Edmonton, Alberta
April 23, 2024

YELLOWHEAD COUNTY
Statement of Financial Position
As at December 31, 2023

| | <u>2023</u> | <u>2022</u> (Restated) (Note 22) |
|---|-----------------------------|--|
| FINANCIAL ASSETS | | |
| Cash and temporary investments | \$176,773,252 | \$ 148,804,080 |
| Accounts receivable (Note 2) | 13,822,281 | 12,584,970 |
| Local improvement receivable (Note 3) | 1,830,322 | 1,986,213 |
| Land held for resale | <u>1,139,928</u> | <u>1,154,628</u> |
| | <u>193,565,783</u> | <u>164,529,891</u> |
| LIABILITIES | | |
| Accounts payable and accrued liabilities (Note 7) | 16,352,770 | 5,028,977 |
| Deposit liabilities | 302,507 | 277,007 |
| Deferred revenue (Note 8) | 24,332,566 | 20,295,528 |
| Employee benefit obligation (Note 9) | 756,308 | 732,201 |
| Long-term debt (Note 11) | 1,400,817 | 1,624,450 |
| Asset retirement obligation (Note 13) | <u>10,903,660</u> | <u>10,387,664</u> |
| | <u>54,048,628</u> | <u>38,345,827</u> |
| NET FINANCIAL ASSETS | <u>139,517,155</u> | <u>126,184,064</u> |
| NON-FINANCIAL ASSETS | | |
| Inventory for consumption | 405,015 | 370,041 |
| Prepaid expenses (Note 4) | 598,512 | 540,957 |
| Tangible capital assets (Schedule 1) | <u>287,175,470</u> | <u>293,032,986</u> |
| | <u>288,178,997</u> | <u>293,943,984</u> |
| ACCUMULATED SURPLUS (Note 15) | <u>\$427,696,152</u> | <u>\$420,128,048</u> |

ON BEHALF OF THE COUNTY COUNCIL:

 _____ Mayor

 _____ Chief Administrative Officer

YELLOWHEAD COUNTY
Statement of Operations and Accumulated Surplus
For The Year Ended December 31, 2023

| | Budget 2023 (Note 21) | Actual 2023 | Actual 2022 (Restated) (Note 22) |
|--|-----------------------------|----------------------|---|
| REVENUE | | | |
| Net municipal taxes (Schedule 2) | \$ 59,514,614 | \$ 59,716,718 | \$ 55,234,395 |
| Government transfers for operating (Schedule 4) | 2,223,395 | 16,303,284 | 2,575,552 |
| Investment income | 5,490,699 | 7,943,729 | 3,621,452 |
| Sales and user charges | 2,501,172 | 2,056,859 | 2,899,038 |
| Penalties and costs on taxes | 260,861 | 369,434 | 438,181 |
| Other | 324,177 | 72,525 | 44,928 |
| | <u>70,314,918</u> | <u>86,462,549</u> | <u>64,813,546</u> |
| EXPENSES | | | |
| Public works | 30,395,284 | 28,707,311 | 29,379,585 |
| Disaster and emergency services | 167,612 | 15,178,781 | 26,339 |
| General administration and economic development | 13,866,856 | 12,831,405 | 12,504,110 |
| Protective services | 10,794,675 | 9,895,841 | 9,438,107 |
| Recreation, parks and libraries | 5,900,180 | 5,597,734 | 5,335,768 |
| Water and wastewater | 2,702,400 | 2,586,287 | 2,531,220 |
| Community services | 2,602,616 | 2,246,958 | 2,356,784 |
| Waste management | 2,680,327 | 2,211,103 | 2,029,402 |
| Planning and land | 1,585,679 | 914,592 | 971,500 |
| Legislative | 847,710 | 868,139 | 839,707 |
| | <u>71,543,339</u> | <u>81,038,151</u> | <u>65,412,522</u> |
| ANNUAL SURPLUS (DEFICIT) BEFORE OTHER ITEMS | <u>(1,228,421)</u> | <u>5,424,398</u> | <u>(598,976)</u> |
| OTHER REVENUE (EXPENSES) | | | |
| Government transfers for capital (Schedule 4) | 11,357,795 | 1,232,432 | 7,951,953 |
| Contributions to capital from others | - | 793,674 | - |
| Gain (loss) on disposal of tangible capital assets | - | 117,600 | - |
| | <u>11,357,795</u> | <u>2,143,706</u> | <u>7,951,953</u> |
| ANNUAL SURPLUS | <u>10,129,374</u> | <u>7,568,104</u> | <u>7,352,977</u> |
| ACCUMULATED SURPLUS, BEGINNING OF YEAR AS PREVIOUSLY STATED | <u>430,103,936</u> | <u>430,103,936</u> | <u>422,242,944</u> |
| Restatement (Note 22) | - | (9,975,888) | (9,467,873) |
| ACCUMULATED SURPLUS, BEGINNING OF YEAR AS RESTATED | <u>430,103,936</u> | <u>420,128,048</u> | <u>412,775,071</u> |
| ACCUMULATED SURPLUS, END OF YEAR (Note 15) | <u>\$440,233,310</u> | <u>\$427,696,152</u> | <u>\$420,128,048</u> |

YELLOWHEAD COUNTY
Statement of Changes in Net Financial Assets
For The Year Ended December 31, 2023

| | Budget 2023 (Note 21) | Actual 2023 | Actual 2022 (Restated) (Note 22) |
|--|-----------------------------|-----------------------|---|
| ANNUAL SURPLUS | \$ <u>10,129,374</u> | \$ <u>7,568,104</u> | \$ <u>7,352,977</u> |
| Acquisition of tangible capital assets | (72,435,604) | (12,001,642) | (15,616,305) |
| Proceeds on disposal of tangible capital assets | - | 138,169 | - |
| (Gain) loss on disposal of tangible capital assets | - | (117,600) | - |
| Amortization of tangible capital assets | <u>18,092,540</u> | <u>17,838,589</u> | <u>18,108,989</u> |
| | <u>(54,343,064)</u> | <u>5,857,516</u> | <u>2,492,684</u> |
| Use (acquisition) of inventory | - | (34,974) | (47,151) |
| Use (acquisition) of prepaid expenses | <u>-</u> | <u>(57,555)</u> | <u>6,427</u> |
| | <u>-</u> | <u>(92,529)</u> | <u>(40,724)</u> |
| INCREASE (DECREASE) IN NET FINANCIAL ASSETS | (44,213,690) | 13,333,091 | 9,804,938 |
| NET FINANCIAL ASSETS, BEGINNING OF YEAR | <u>126,184,064</u> | <u>126,184,064</u> | <u>116,379,126</u> |
| NET FINANCIAL ASSETS, END OF YEAR | \$ <u>81,970,374</u> | \$ <u>139,517,155</u> | \$ <u>126,184,064</u> |

YELLOWHEAD COUNTY
Statement of Cash Flows
For The Year Ended December 31, 2023

| | <u>2023</u> | <u>2022</u> (Restated) (Note 22) |
|--|-----------------------------|--|
| OPERATING ACTIVITIES | | |
| Annual surplus | \$ 7,568,104 | \$ 7,352,977 |
| Non-cash items included in annual surplus: | | |
| Amortization of tangible capital assets | 17,838,589 | 18,108,989 |
| Gain on disposal of tangible capital assets | <u>(117,600)</u> | <u>-</u> |
| | <u>25,289,093</u> | <u>25,461,967</u> |
| Change in non-cash working capital balances: | | |
| Accounts receivable | (1,237,311) | (2,806,105) |
| Local improvement receivable | 155,891 | 138,240 |
| Land held for resale | 14,700 | 326,638 |
| Accounts payable and accrued liabilities | 11,323,793 | (910,874) |
| Deposit liabilities | 25,500 | 68,289 |
| Deferred revenue | 4,037,038 | 3,083,143 |
| Employee benefit obligation | 24,107 | 14,574 |
| Asset retirement obligations | 515,996 | 491,572 |
| Inventory for consumption | (34,974) | (47,151) |
| Prepaid expenses | <u>(57,555)</u> | <u>6,427</u> |
| | <u>14,767,185</u> | <u>364,753</u> |
| | <u>40,056,277</u> | <u>25,826,721</u> |
| FINANCING ACTIVITIES | | |
| Repayment of long-term debt | <u>(223,632)</u> | <u>(213,837)</u> |
| CAPITAL ACTIVITIES | | |
| Acquisition of tangible capital assets | (12,001,642) | (15,616,305) |
| Proceeds on disposal of tangible capital assets | <u>138,169</u> | <u>-</u> |
| CHANGE IN CASH AND TEMPORARY INVESTMENTS FOR THE YEAR | 27,969,172 | 9,996,578 |
| CASH AND TEMPORARY INVESTMENTS, BEGINNING OF YEAR | <u>148,804,080</u> | <u>138,807,502</u> |
| CASH AND TEMPORARY INVESTMENTS, END OF YEAR | <u>\$176,773,252</u> | <u>\$148,804,080</u> |

YELLOWHEAD COUNTY
Schedule of Tangible Capital Assets
For The Year Ended December 31, 2023

Schedule 1

| | Land | Land Improvements | Buildings | Engineered Structures | Machinery & Equipment | Vehicles | 2023 | 2022 (Restated) (Note 22) |
|---|---------------------|---------------------|----------------------|-----------------------|-----------------------|---------------------|-----------------------|---------------------------------|
| COST: | | | | | | | | |
| Balance, Beginning of Year | \$ 8,504,153 | \$ 14,463,062 | \$ 62,903,346 | \$ 1,200,474,291 | \$ 17,653,158 | \$ 13,324,752 | \$ 1,317,322,762 | \$ 1,301,706,457 |
| Acquisition of tangible capital assets | - | 846,319 | 3,827,250 | 5,789,946 | 587,938 | 950,189 | 12,001,642 | 15,616,305 |
| Contributed tangible capital assets | - | - | - | - | - | - | - | - |
| Disposal of tangible capital assets | - | - | - | (26,988) | (38,410) | (636,621) | (702,019) | - |
| Balance, End of Year | <u>8,504,153</u> | <u>15,309,381</u> | <u>66,730,596</u> | <u>1,206,237,251</u> | <u>18,202,685</u> | <u>13,638,319</u> | <u>1,328,622,385</u> | <u>1,317,322,762</u> |
| ACCUMULATED AMORTIZATION: | | | | | | | | |
| Balance, Beginning of Year | - | 8,065,311 | 11,960,735 | 988,912,593 | 8,500,266 | 6,850,871 | 1,024,289,776 | 1,006,180,787 |
| Annual amortization | - | 502,314 | 1,286,208 | 13,793,208 | 1,381,962 | 874,896 | 17,838,589 | 18,108,989 |
| Accumulated amortization on disposals | - | - | - | (16,165) | (34,919) | (630,366) | (681,450) | - |
| Balance, End of Year | - | <u>8,567,625</u> | <u>13,246,943</u> | <u>1,002,689,637</u> | <u>9,847,309</u> | <u>7,095,401</u> | <u>1,041,446,915</u> | <u>1,024,289,776</u> |
| NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS | <u>\$ 8,504,153</u> | <u>\$ 6,741,756</u> | <u>\$ 53,483,653</u> | <u>\$ 203,547,614</u> | <u>\$ 8,355,376</u> | <u>\$ 6,542,918</u> | <u>\$ 287,175,470</u> | <u>\$ 293,032,986</u> |
| 2022 NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS | <u>\$ 8,504,153</u> | <u>\$ 6,397,751</u> | <u>\$ 50,942,611</u> | <u>\$ 211,561,698</u> | <u>\$ 9,152,892</u> | <u>\$ 6,473,881</u> | <u>\$ 293,032,986</u> | |

Cost includes construction in progress of \$10,344,810 (2022 - \$9,005,718). These amounts are not amortized until the asset is complete and in use.

The accompanying notes are an integral part of these financial statements.

YELLOWHEAD COUNTY
Schedule of Property Taxes
For The Year Ended December 31, 2023

Schedule 2

| | <u>2023</u> (Budget) (Note 21) | <u>2023</u> (Actual) | <u>2022</u> (Actual) |
|-------------------------------------|--------------------------------------|----------------------------|----------------------------|
| TAXATION | | | |
| Linear | \$31,499,244 | \$31,499,244 | \$29,045,993 |
| Non-residential levy | 20,767,571 | 20,674,558 | 21,124,232 |
| Machinery and equipment | 18,769,898 | 18,798,168 | 17,716,133 |
| Evergreens Foundation levy | 5,646,044 | 5,660,581 | 5,093,310 |
| Non-residential | 5,079,493 | 5,233,046 | 4,748,424 |
| Residential school levy | 4,198,093 | 4,195,119 | 4,012,250 |
| Residential / farmland | 4,165,979 | 4,161,888 | 3,840,256 |
| Designated Industrial Property levy | <u>649,668</u> | <u>652,297</u> | <u>621,995</u> |
| | <u>90,775,990</u> | <u>90,874,901</u> | <u>86,202,593</u> |
| REQUISITIONS: | | | |
| Alberta School Foundation Fund | 24,965,664 | 24,862,699 | 25,240,119 |
| Evergreens Foundation | 5,646,044 | 5,646,044 | 5,104,857 |
| Designated Industrial Property | <u>649,668</u> | <u>649,440</u> | <u>623,222</u> |
| | <u>31,261,376</u> | <u>31,158,183</u> | <u>30,968,198</u> |
| NET MUNICIPAL TAXES | <u>\$59,514,614</u> | <u>\$59,716,718</u> | <u>\$55,234,395</u> |

YELLOWHEAD COUNTY
Schedule of Expenses by Object
For The Year Ended December 31, 2023

Schedule 3

| | <u>2023</u> (Budget) (Note 21) | <u>2023</u> (Actual) | <u>2022</u> (Restated) (Note 22) |
|---|--------------------------------------|-------------------------|--|
| EXPENSES | | | |
| Contracted and general services | \$ 18,579,711 | \$ 28,397,035 | \$ 16,885,772 |
| Salaries, wages and benefits | 15,255,105 | 14,900,679 | 13,187,005 |
| Grants | 11,592,471 | 11,450,814 | 10,408,122 |
| Materials, goods and utilities | 5,805,298 | 6,250,356 | 5,172,665 |
| Purchases from other governments | 1,603,431 | 1,603,431 | 1,068,188 |
| Interest on long-term debt | 92,783 | 73,184 | 82,728 |
| Bank charges and short-term interest | 7,000 | 7,079 | 7,481 |
| Other expenditures (recovery) | 515,000 | 990 | - |
| Accretion expense | - | 515,996 | 491,572 |
| Amortization of tangible capital assets | <u>18,092,540</u> | <u>17,838,587</u> | <u>18,108,989</u> |
| | <u>\$ 71,543,339</u> | <u>\$ 81,038,151</u> | <u>\$ 65,412,522</u> |

YELLOWHEAD COUNTY
Schedule of Government Transfers
For The Year Ended December 31, 2023

Schedule 4

| | <u>2023</u> (Budget) (Note 21) | <u>2023</u> (Actual) | <u>2022</u> (Actual) |
|--------------------------------|--------------------------------------|-------------------------|-------------------------|
| TRANSFERS FOR OPERATING | | | |
| Provincial | \$ 1,645,705 | \$ 14,856,966 | \$ 1,550,744 |
| Other Local Governments | <u>577,690</u> | <u>1,446,318</u> | <u>1,024,808</u> |
| | <u>2,223,395</u> | <u>16,303,284</u> | <u>2,575,552</u> |
| TRANSFERS FOR CAPITAL | | | |
| Federal | - | 1,131,494 | 3,394,481 |
| Provincial | 11,357,795 | 100,938 | 4,493,195 |
| Other Local Governments | <u>-</u> | <u>-</u> | <u>64,277</u> |
| | <u>11,357,795</u> | <u>1,232,432</u> | <u>7,951,953</u> |
| | <u>\$ 13,581,190</u> | <u>\$ 17,535,716</u> | <u>\$ 10,527,505</u> |

YELLOWHEAD COUNTY
Schedule of Segmented Information
For The Year Ended December 31, 2023

Schedule 5

| | <u>Public Works</u> | <u>Administration and Legislation Services</u> | <u>Protective and Community Services</u> | <u>Water, Wastewater and Waste Services</u> | <u>Community Planning and Land Services</u> | <u>2023</u> | <u>2022 (Restated) (Note 22)</u> |
|----------------------------------|-----------------------|--|--|---|---|---------------------|--|
| REVENUE | | | | | | | |
| Net municipal taxes | \$ 25,081,022 | \$ 11,943,344 | \$ 16,720,681 | \$ 4,777,337 | \$ 1,194,334 | \$ 59,716,718 | \$ 55,234,395 |
| Government transfers | 161,500 | 1,589,280 | 15,769,407 | 15,529 | - | 17,535,716 | 10,527,505 |
| Sales and user charges | 254,823 | 295,853 | 719,300 | 731,792 | 55,090 | 2,056,858 | 2,899,038 |
| Other | 45,130 | 8,345,885 | 895,985 | 9,963 | - | 9,296,963 | 4,104,561 |
| | <u>25,542,475</u> | <u>22,174,362</u> | <u>34,105,373</u> | <u>5,534,621</u> | <u>1,249,424</u> | <u>88,606,255</u> | <u>72,765,499</u> |
| EXPENSES | | | | | | | |
| Goods and services | 10,848,592 | 2,342,568 | 20,453,461 | 2,318,273 | 107,430 | 36,070,324 | 23,126,626 |
| Salaries and benefits | 3,638,129 | 2,727,042 | 7,021,372 | 706,974 | 807,161 | 14,900,678 | 13,187,005 |
| Grants to groups and governments | 151,802 | 7,455,053 | 3,409,516 | 614,942 | - | 11,631,313 | 10,408,122 |
| Amortization | 13,765,380 | 1,164,063 | 2,004,280 | 904,863 | - | 17,838,586 | 18,108,989 |
| Accretion expense | 278,554 | 3,738 | 10,534 | 223,170 | - | 515,996 | 491,572 |
| Other (recovery) | 24,854 | 7,079 | 20,152 | 29,169 | - | 81,254 | 90,208 |
| | <u>28,707,311</u> | <u>13,699,543</u> | <u>32,919,315</u> | <u>4,797,391</u> | <u>914,591</u> | <u>81,038,151</u> | <u>65,412,522</u> |
| ANNUAL SURPLUS (DEFICIT) | <u>\$ (3,164,836)</u> | <u>\$ 8,474,819</u> | <u>\$ 1,186,058</u> | <u>\$ 737,230</u> | <u>\$ 334,833</u> | <u>\$ 7,568,104</u> | <u>\$ 7,352,977</u> |

The accompanying notes are an integral part of these financial statements.

1. SIGNIFICANT ACCOUNTING POLICIES

These financial statements are the representations of Yellowhead County (the "County") management prepared in accordance with Canadian public sector accounting standards. Significant aspects of the accounting policies adopted by the County are as follows:

(a) *Reporting Entity*

The County is a local government authority providing municipal services. The County is empowered by bylaws and policies as enacted by Council and is subject to the provisions of the *Municipal Government Act*.

The financial statements reflect the assets, liabilities, revenues and expenses, and surplus/deficit of the entity.

The schedule of taxes levied also includes requisitions by education and housing external organizations that are not part of the reporting entity.

(b) *Basis of Accounting*

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

(c) *Local Improvements*

Construction and borrowing costs associated with local improvement projects are recovered through special levies that are approved by bylaw. These levies are collectible from the affected property owners and are levied over the estimated lifetime of the project. Under the accrual basis of accounting, revenues to be received from the local improvement levies, are recognized in full in the period in which the local improvement project is completed.

(d) *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 related expenses are incurred, the services are performed or the tangible assets are acquired.

(e) *Investments*

Investments are recorded at amortized cost. Investment premiums or discounts, if any, are amortized over the term of the respective instruments.

(f) *Pension*

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

(g) *Government Transfers*

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.

(Continues)

1. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(h) Requisition Over-levy and Under-levy

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

Requisitions tax rates in the subsequent year are adjusted to reflect any over-levy or under-levy.

(i) Land Held for Resale

Inventories of land held for resale are recorded at the lower of cost or net realizable value. Cost includes costs for land acquisitions and improvements required to prepare the land for servicing. Related development costs incurred to provide infrastructure such as water and wastewater services and roads are recorded as tangible capital assets under the respective class.

(j) 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 annual surplus, 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:

| | |
|--------------------------|---------------|
| Land improvements | 10 - 50 years |
| Buildings | 5 - 50 years |
| Engineered structures: | |
| Road systems | 7 - 100 years |
| Water/wastewater systems | 10 - 80 years |
| Machinery and equipment | 5 - 75 years |
| Vehicles | 5 - 25 years |

Assets under construction are not amortized until the asset is available for productive use.

One half of the annual amortization is charged in the year of acquisition and in the year of disposal.

ii) Contributions of Tangible Capital Assets

Tangible capital assets received as contributions are recorded at fair market value at the date of the certificate of completion or transfer of title and are also recorded as revenue.

iii) Cultural and Historical Tangible Capital Assets

Works of art and historical buildings for display are not recorded as tangible capital assets but are disclosed.

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 average cost method. Inventories largely represent the stockpile of gravel maintained for County purposes.

(Continues)

1. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(k) *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, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the period. Where measurement uncertainty exists, the financial statements have been prepared within reasonable limits of materiality. These estimates and assumptions are based on the County's best information and judgement and actual results could differ from these estimates. Such estimates include amortization of tangible capital assets, inventory for consumption and contaminated sites.

(l) *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.

(m) *Valuation of Financial Assets and Liabilities*

The County's financial assets and liabilities are measured as follows:

| <u>Financial statement component</u> | <u>Measurement</u> |
|--|--|
| Cash and temporary investments | Cost and amortized cost |
| Accounts receivables | Lower of cost or net recoverable value |
| Accounts payable and accrued liabilities | Cost |
| Deposit liabilities | Cost |
| Long-term debt | Amortized cost |

(n) *Asset Retirement Obligations*

During 2023, the County adopted PS 3280 Asset Retirement Obligations which provides guidance on how to account for and report liabilities for retirement of tangible capital assets.

Asset retirement obligations are legal obligations associated with the retirement of tangible capital assets. Asset retirement activities include all activities relating to an asset retirement obligation including, but not limited to, decommissioning or dismantling, remediation of contamination, post-retirement activities such as monitoring, and constructing other tangible capital assets to perform post-retirement activities.

A liability for asset retirement obligation is recognized when there is a legal obligation to incur retirement costs, the past transaction or event giving rise to the liability as occurred, it is expected that future economic benefits will be given up, and a reasonable estimate of the amount can be made.

When a liability for asset retirement obligation is recognized, asset retirement costs related to recognized tangible capital assets in productive use are capitalized by increasing the carrying value of the related asset and are amortized over the estimated useful life of the underlying tangible capital asset. Asset retirement costs related to unrecognized tangible capital assets and those not in productive use are expensed.

YELLOWHEAD COUNTY
Notes to Financial Statements
For The Year Ended December 31, 2023

2. ACCOUNTS RECEIVABLE

| | <u>2023</u> | <u>2022</u> |
|-------------------------------------|---------------------|---------------------|
| Taxes and grants in lieu receivable | \$ 3,957,305 | \$ 3,953,212 |
| Allowance for uncollectible | <u>(1,488,889)</u> | <u>(1,501,151)</u> |
| | <u>2,468,416</u> | <u>2,452,061</u> |
| Trade and other receivables | | |
| Miscellaneous | 3,473,950 | 1,152,031 |
| Utilities | <u>103,263</u> | <u>98,761</u> |
| | 3,577,213 | 1,250,792 |
| Allowance for doubtful accounts | <u>(21,270)</u> | <u>(21,270)</u> |
| | <u>3,555,943</u> | <u>1,229,522</u> |
| Government receivables | | |
| Grants | 7,172,503 | 8,454,524 |
| Goods and Services Tax rebate | <u>625,419</u> | <u>448,863</u> |
| | <u>7,797,922</u> | <u>8,903,387</u> |
| | <u>\$13,822,281</u> | <u>\$12,584,970</u> |

All receivables other than taxes and grants in lieu of taxes and government receivables - grants are current. The age of taxes and grants in lieu of taxes and government receivables - grants that are not impaired are as follows:

| | <u>2023</u> | <u>2022</u> |
|---------|---------------------|---------------------|
| Current | \$ 5,531,760 | \$ 8,384,500 |
| 1 year | <u>4,109,159</u> | <u>2,522,085</u> |
| | <u>\$ 9,640,919</u> | <u>\$10,906,585</u> |

3. LOCAL IMPROVEMENT RECEIVABLE

| | <u>2023</u> | <u>2022</u> |
|--|---------------------|---------------------|
| Local improvement bylaw 05.11, expiring 2034 | \$ 639,974 | \$ 706,825 |
| Local improvement bylaw 04.13, expiring 2037 | 394,967 | 423,180 |
| Local improvement bylaw 05.18, expiring 2042 | 298,137 | 315,322 |
| Local improvement bylaw 02.12, expiring 2031 | 224,529 | 252,595 |
| Local improvement bylaw 02.21, expiring 2046 | 196,235 | 205,439 |
| Local improvement bylaw 06.11, expiring 2035 | <u>76,480</u> | <u>82,852</u> |
| | <u>\$ 1,830,322</u> | <u>\$ 1,986,213</u> |

4. PREPAID EXPENSES

| | <u>2023</u> | <u>2022</u> |
|-----------------------------|-------------------|-------------------|
| Prepaid insurance | \$ 451,743 | \$ 397,008 |
| Prepaid deposits | 145,169 | 143,649 |
| Prepaid contracted services | <u>1,600</u> | <u>300</u> |
| | <u>\$ 598,512</u> | <u>\$ 540,957</u> |

5. CULTURAL ASSETS

The County owns numerous pieces of artwork that were purchased in 2006 and are on display at the Edson Administration facility. The artworks are not recorded as tangible capital assets in the financial statements and are not amortized.

6. BANK INDEBTEDNESS

The bank indebtedness is payable on demand with interest payable monthly at prime minus 0.25%. The County has an authorized bank indebtedness limit of \$3,000,000 at December 31, 2023. No amounts were drawn upon as of December 31, 2023 (2022 - \$NIL).

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

| | <u>2023</u> | <u>2022</u> |
|---|---------------------|---------------------|
| Trade | \$13,956,795 | \$ 4,586,855 |
| Due to West Yellowhead Regional Waste Management Authority (Note 10) | 1,405,817 | - |
| Construction holdbacks | 987,265 | 438,785 |
| Accrued debenture debt interest | <u>2,893</u> | <u>3,337</u> |
| | <u>\$16,352,770</u> | <u>\$ 5,028,977</u> |

8. DEFERRED REVENUE

Deferred revenue consists of the following amounts which have been restricted by third parties for a specific purpose. These amounts are recognized as revenue in the period in which they are used for the purpose specified.

| | <u>2023</u> | <u>2022</u> |
|--|---------------------|---------------------|
| Province of Alberta Municipal Sustainability grant | \$18,032,295 | \$14,833,205 |
| Province of Alberta bridge funding | 2,747,123 | 2,474,320 |
| Province of Alberta AMWWP funding | 2,529,248 | 2,432,162 |
| Canada Community Building Fund grant | 1,023,900 | 335,595 |
| Other | - | 219,239 |
| Province of Alberta MSP | - | 716 |
| Province of Alberta MOST | <u>-</u> | <u>291</u> |
| | <u>\$24,332,566</u> | <u>\$20,295,528</u> |

9. EMPLOYEE BENEFIT OBLIGATION

| | <u>2023</u> | <u>2022</u> |
|--------------------------|-------------------|-------------------|
| Vacation pay outstanding | \$ <u>756,308</u> | \$ <u>732,201</u> |

10. DUE TO WEST YELLOWHEAD REGIONAL WASTE MANAGEMENT AUTHORITY

The amount Due to West Yellowhead Regional Waste Management Authority is non-interest bearing and there are no specified terms of repayment. Given there are no specified terms of repayment, the fair value of this balance is not-determinable. The County holds all cash funds for the Authority in trust and acts as an administrator and is responsible for all accounting functions.

YELLOWHEAD COUNTY
Notes to Financial Statements
For The Year Ended December 31, 2023

11. LONG-TERM DEBT

| | <u>2023</u> | <u>2022</u> |
|---|---------------------|---------------------|
| Debenture debt held by the Province of Alberta, supported by a general tax levy, repayable in semi-annual installments of \$84,069 including interest at 4.365%; due December 15, 2026. | \$ 468,018 | \$ 611,028 |
| Debenture debt held by the Province of Alberta, supported by a special levy, repayable in semi-annual installments of \$34,303 including interest at 5.240%; due December 15, 2033. | 528,744 | 565,946 |
| Debenture debt held by the Province of Alberta, supported by a general tax levy, repayable in semi-annual installments of \$30,258 including interest at 4.422%; due December 15, 2031. | <u>404,055</u> | <u>447,476</u> |
| Issued to finance capital assets | <u>\$ 1,400,817</u> | <u>\$ 1,624,450</u> |

Principal and interest repayments due in each of the next five years are as follows:

| | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|------------|---------------------|-------------------|---------------------|
| 2024 | \$ 233,877 | \$ 63,383 | \$ 297,260 |
| 2025 | 244,593 | 52,667 | 297,260 |
| 2026 | 255,804 | 41,456 | 297,260 |
| 2027 | 97,558 | 31,565 | 129,123 |
| 2028 | 102,325 | 26,797 | 129,122 |
| Thereafter | <u>466,660</u> | <u>57,921</u> | <u>524,581</u> |
| | <u>\$ 1,400,817</u> | <u>\$ 273,789</u> | <u>\$ 1,674,607</u> |

12. 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:

| | <u>2023</u> | <u>2022</u> |
|---|----------------------|----------------------|
| Total debt limit | \$129,693,824 | \$ 97,220,319 |
| Total debt | <u>1,400,817</u> | <u>1,624,450</u> |
| Unused debt limit | <u>128,293,007</u> | <u>95,595,869</u> |
| Percentage of debt limit used | 1.08 % | 1.67 % |
| Service on debt limit | \$ 21,615,637 | \$ 16,203,387 |
| Service on debt | <u>297,260</u> | <u>297,260</u> |
| Unused service on debt limit | <u>\$ 21,318,377</u> | <u>\$ 15,906,127</u> |
| Percentage of debt servicing limit used | 1.38 % | 1.83 % |

13. ASSET RETIREMENT OBLIGATIONS

The County has asset retirement obligations to remove various hazardous materials including, asbestos, lead, mercury, and mold from various buildings under its control. Although the timing of the removal is conditional on the building undergoing renovations or being demolished, regulations create an existing obligation for the County to remove the materials when the asset retirement activities occur.

The County has asset retirement obligations pursuant to the *Environmental Enhancement and Protection Act* (Alberta) to fund the future reclamation of its work sites. Reclamation activities include the final soil cover, landscaping, and visual inspection. Although, the timing of the work site reclamation is conditional on the length of time until the site is expected to be inactive, regulations create an existing obligation for the County to reclaim the work site when the asset retirement activity occurs.

| | <u>2023</u> | <u>2022</u> (Restated) (Note 22) |
|----------------------------|----------------------|--|
| Balance, Beginning of Year | \$ 10,387,664 | \$ 9,896,092 |
| Accretion expense | <u>515,996</u> | <u>491,572</u> |
| | <u>\$ 10,903,660</u> | <u>\$ 10,387,664</u> |

Asset retirement obligations were calculated using the estimated total undiscounted cash flows of \$13,946,509 (2022 - \$13,946,509) with discount rates ranging from 4.825% to 5.075% (2022 - 4.825% to 5.075%) and an annual inflation rate of 3.500% (2022 - 3.500%). The retirement and reclamation activities are expected to be settled between 2028 and 2063.

14. EQUITY IN TANGIBLE CAPITAL ASSETS

| | <u>2023</u> | <u>2022</u> |
|--|----------------------|----------------------|
| Tangible capital assets (Schedule 1) | \$1,328,622,385 | \$1,317,322,762 |
| Accumulated amortization (Schedule 1) | (1,041,446,915) | (1,024,289,776) |
| Long-term debt (Note 11) | (1,400,817) | (1,624,450) |
| Asset retirement obligations (Note 13) | (10,903,660) | (10,387,664) |
| Local improvements receivable (Note 3) | <u>1,830,322</u> | <u>1,986,213</u> |
| | <u>\$276,701,315</u> | <u>\$283,007,085</u> |

15. ACCUMULATED SURPLUS

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

| | <u>2023</u> | <u>2022</u> |
|--|-----------------------------|-----------------------------|
| UNRESTRICTED SURPLUS | \$ <u>21,241,298</u> | \$ <u>24,313,519</u> |
| RESTRICTED SURPLUS | | |
| Infrastructure | 47,204,363 | 42,546,310 |
| Facility replacement | 17,615,608 | 19,610,630 |
| Water | 15,484,171 | 13,319,167 |
| Tax rate stabilization | 14,859,826 | 16,061,834 |
| Sewer | 13,025,511 | 9,112,431 |
| Equipment replacement | 7,840,531 | 5,833,629 |
| Capital deficit replacement | 5,336,009 | 2,565,240 |
| Land | 7,376,744 | 2,677,443 |
| Human resources | 664,678 | 722,212 |
| Community services | 268,007 | 294,994 |
| Requisitions | <u>78,091</u> | <u>63,554</u> |
| | <u>129,753,539</u> | <u>112,807,444</u> |
| EQUITY IN TANGIBLE CAPITAL ASSETS (Note 14) | <u>276,701,315</u> | <u>283,007,085</u> |
| | <u>\$427,696,152</u> | <u>\$420,128,048</u> |

16. FINANCIAL INSTRUMENTS

The County's financial instruments consists of cash and temporary investments, receivables, accounts payable and accrued liabilities and long term debt. It is the opinion of management that the County is not exposed to significant currency, liquidity, market or other price risk arising from these financial instruments. Unless otherwise noted the fair value of these financial instruments approximates their carrying value.

Credit risk

The County is exposed to credit risk with respect to receivables. Credit risk arises from the possibility that customers may experience financial difficulty and be unable to fulfil their obligations. The large number and diversity of customers minimizes the County's credit risk.

Interest rate risk

Interest rate risk is the risk that the County's annual surplus will be affected by the fluctuation and degree of volatility in interest rates. Interest rate risk on the County's long term debt is managed through fixed rate debentures with the Province of Alberta (Note 11).

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

17. SEGMENTED INFORMATION

The 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 financial statements as disclosed in *Note 1*. For additional information see the Schedule of Segment Disclosure (*Schedule 5*).

18. SALARIES 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:

| | <u>Honorarium</u> | <u>Benefits and allowances</u> | <u>2023 Total</u> | <u>2022 Total</u> |
|-------------------------|-------------------|--------------------------------|--------------------------|--------------------------|
| Mayor | \$ 98,689 | \$ 15,856 | \$ 114,545 | \$ 108,886 |
| Councilors | | | | |
| Evansburg | 67,019 | 13,532 | 80,551 | 76,293 |
| Wildwood | 67,019 | 13,532 | 80,551 | 76,293 |
| Niton / Carrot Creek | 66,119 | 13,481 | 79,600 | 75,343 |
| Shining Bank / Peers | 66,119 | 10,452 | 76,571 | 73,854 |
| Wolf Creek / Pinedale | 65,519 | 1,723 | 67,242 | 63,479 |
| Edson Area | 65,999 | 13,491 | 79,490 | 74,701 |
| Edson West | 67,681 | 10,389 | 78,070 | 74,979 |
| Hinton / Cadomin / Robb | 67,019 | 3,527 | 70,546 | 70,016 |

| | <u>Salary</u> | <u>Benefits and allowances</u> | | |
|------------------------------|---------------|--------------------------------|-------------------|------------|
| Chief Administrative Officer | \$ 317,756 | \$ 16,405 | \$ 334,161 | \$ 327,619 |

Municipal official amounts include honorariums for meetings and benefits. Benefits include the employer's share of Canada Pension Plan, RSP benefits, health and dental benefits and insurance benefits

The Chief Administrative Officer salary includes regular base pay. Benefits and allowances includes the employer's share of all payroll source deductions and employee benefits, including coverage for medical plans, life insurance, auto allowance and professional memberships.

19. LOCAL AUTHORITIES PENSION PLAN

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

The County is required to make current service contributions to the Plan of 8.45% (2022 - 8.45%) of pensionable earnings up to the Canada Pension Plan year's maximum pensionable earnings and 12.23% (2022 - 12.80%) for the excess. Employees of the County are required to make current service contributions of 7.45% (2022 - 7.45%) of pensionable earnings up to the year's maximum pensionable earnings and 11.23% (2022 - 11.80%) on pensionable earnings above this amount.

Total current and past service contributions made by the County to the LAPP in 2023 were \$855,979 (2022 - \$840,210). Total current and past service contributions made by the employees of the County to the LAPP in 2023 were \$790,537 (2022 - \$766,230).

At December 31, 2022, the LAPP disclosed an actuarial surplus of \$12.67 billion (2021 - \$11.92 billion).

The County participates in the APEX Supplementary Pension Plan ("APEX"). APEX participation is optional and is offered to management employees who participate in LAPP. Total contributions made by the County to APEX in 2023 were \$40,975 (2022 - \$38,183). Total contributions made by the employees in 2023 were \$34,916 (2022 - \$29,189).

20. APPROVAL OF FINANCIAL STATEMENTS

These financial statements were approved by Council and Management.

21. BUDGET

The budget figures are provided for information purposes only, and have not been audited. The 2023 budget, which was adopted by Council on May 23, 2023, reflects all municipal activities including capital projects and restricted surplus for future use. The reconciliation below is provided to encompass these items and is provided for information purposes only.

| | <u>2023</u> (Budget) |
|--|---------------------------------------|
| Annual surplus (per statement of operations and accumulated surplus) | \$ 10,129,374 |
| Amortization | 18,092,540 |
| Acquisition of tangible capital assets | (72,435,604) |
| Net transfers from restricted surplus | 44,418,165 |
| Debenture repayment | <u>(204,475)</u> |
| | \$ _____ - |

22. RESTATEMENT

Effective January 1, 2023 the County adopted the new accounting standard PS 3280 Asset Retirement Obligations and applied the standard using the modified retroactive approach with a restatement of prior year comparative figures.

On January 1, 2023, the County recognized the following to conform to the new standard:

- Asset retirement obligations, adjusted for accumulated accretion to the effective date;
- asset retirement cost capitalized as an increase to the carrying amount of the related tangible capital assets in productive use;
- accumulated amortization on the capitalized cost; and
- adjustment to the opening balance of accumulated surplus.

A summary of the changes are as follows:

- The recording of an asset retirement obligation totaling \$10,387,664
- An increase in tangible capital assets of \$411,781
- A decrease in annual surplus of \$508,015
- A decrease in opening accumulated surplus of \$9,467,873

23. COMPARATIVE FIGURES

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