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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, 2018, 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 financial position of the Municipality as at December 31, 2018, and the results of its operations 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 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 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 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 relating 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.

(continues)

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.

Vegreville, Alberta
April 4, 2019

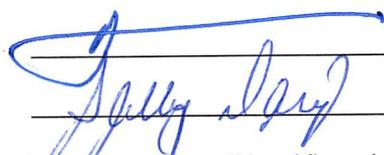
Synergy
Chartered Professional Accountants

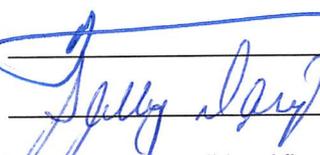
COUNTY OF TWO HILLS NO. 21
Consolidated Statement of Financial Position
Year Ended December 31, 2018

	2018	2017 (Restated)
FINANCIAL ASSETS		
Cash and temporary investments <i>(Note 4)</i>	\$ 20,808,782	\$ 18,311,643
Taxes and grants in place of taxes receivable <i>(Note 5)</i>	332,544	307,984
Receivables from other governments	306,707	1,292,120
Trade and other receivables	688,100	820,049
Long-term investments <i>(Note 6)</i>	43,007	43,007
Debt charges recoverable <i>(Note 7)</i>	418,914	457,183
Note receivable <i>(Note 8)</i>	-	700,000
	22,598,054	21,931,986
LIABILITIES		
Accounts payable and accrued liabilities	1,021,547	534,328
Employee benefit obligation <i>(Note 9)</i>	168,193	129,130
Deposit liabilities <i>(Note 10)</i>	259,799	243,695
Deferred revenue <i>(Note 11)</i>	1,125,676	2,306,945
Due to Regional Waste Management Commission	988,779	892,342
Long-term debt <i>(Note 12)</i>	418,914	526,006
	3,982,908	4,632,446
NET FINANCIAL ASSETS	18,615,146	17,299,540
NON-FINANCIAL ASSETS		
Tangible capital assets <i>(Schedule 1)</i>	55,841,867	56,952,067
Inventory for consumption <i>(Note 13)</i>	1,370,155	1,399,696
Prepaid expenses	460,168	792,704
	57,672,190	59,144,467
ACCUMULATED SURPLUS <i>(Note 14) (Schedule 2)</i>	\$ 76,287,336	\$ 76,444,007

Commitments and Contingencies (Note 15) & (Note 16)

ON BEHALF OF THE COUNTY OF TWO HILLS NO. 21

 _____ Reeve

 _____ Chief Administrative Officer

See notes to consolidated financial statements

COUNTY OF TWO HILLS NO. 21

Consolidated Statement of Operations and Accumulated Surplus

Year Ended December 31, 2018

	Budget (Unaudited)	2018	2017 (Restated)
REVENUES			
Net municipal taxes <i>(Schedule 3)</i>	\$ 8,324,378	\$ 8,322,862	\$ 8,167,461
Sales of goods and services	5,191,907	4,782,310	5,144,319
Government Transfers for Operating <i>(Schedule 4)</i>	1,174,028	902,976	763,316
Investment income	156,500	414,379	304,414
Penalties and costs of taxes	38,000	186,949	199,918
Licenses and permits	17,200	24,268	15,669
Other	44,100	211,928	601,170
Total Revenue	14,946,113	14,845,672	15,196,267
EXPENSES			
Legislative	360,732	309,668	304,636
Administration	2,167,304	2,745,913	1,819,764
Protective services	474,852	440,064	368,181
Roads, streets, walks, lighting	10,230,169	10,784,434	9,489,586
Water supply and distribution	918,720	751,880	655,344
Waste management	343,082	371,432	486,863
Family and community support	122,776	122,776	111,811
Land use planning, zoning and development	87,842	88,681	101,361
Agriculture services	659,116	615,750	581,729
Subdivision land development	26,500	20,646	96,459
Parks and recreation	423,900	226,489	244,784
Library	42,772	42,772	37,894
Gas Utility	2,641,682	2,099,325	2,353,316
Total Expenses	18,499,447	18,619,830	16,651,728
EXCESS (SHORTFALL) OF REVENUES OVER EXPENSES BEFORE TRANSFERS FOR CAPITAL			
	(3,553,334)	(3,774,158)	(1,455,461)
Government transfers for capital <i>(Schedule 5)</i>	3,278,093	3,617,487	3,476,066
SURPLUS (DEFICIT) FOR THE YEAR	(275,241)	(156,671)	2,020,605
ACCUMULATED SURPLUS - BEGINNING OF YEAR, AS RESTATED			
	76,444,007	76,444,007	71,399,805
Prior period adjustment <i>(Note 17)</i>	-	-	(261,565)
Hamlet of Willingdon accumulated surplus	-	-	3,285,162
ACCUMULATED SURPLUS - END OF YEAR, AS RESTATED	\$ 76,168,766	\$ 76,287,336	\$ 76,444,007

COUNTY OF TWO HILLS NO. 21

Consolidated Statement of Change in Net Financial Assets (Debt)

Year Ended December 31, 2018

	Budget (Unaudited)	2018	2017 (Restated)
EXCESS (SHORTFALL) OF REVENUES OVER EXPENSES, AS RESTATED	\$ (275,241)	\$ (156,671)	\$ 2,020,605
Acquisition of tangible capital assets	(3,642,146)	(2,399,475)	(1,653,699)
Proceeds on disposal of tangible capital assets	366,000	299,254	92,547
Amortization of tangible capital assets	3,103,105	2,755,800	2,678,499
Amortization added to tangible capital assets	142,832	340,545	477,700
Loss on sale of tangible capital assets	-	84,306	47,072
Change in inventories and prepaid expenses	-	362,077	505,159
Adjustment to tangible capital assets	-	29,770	-
(DECREASE) INCREASE IN NET ASSETS (DEBT)	(305,450)	1,315,606	4,167,883
 NET FINANCIAL ASSETS, BEGINNING OF YEAR	 17,299,540	 17,299,540	 12,559,224
Hamlet of Willingdon net financial assets	-	-	572,433
NET FINANCIAL ASSETS, END OF YEAR	\$ 16,994,090	\$ 18,615,146	\$ 17,299,540

COUNTY OF TWO HILLS NO. 21
Consolidated Statement of Cash Flows
Year Ended December 31, 2018

	2018	2017 (Restated)
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING		
Excess (deficiency) of revenue over expenses	\$ (156,671)	\$ 2,020,605
Non-cash items included in excess of revenue over expenses:		
Amortization of tangible capital assets	2,755,800	2,678,499
Amortization added to tangible capital assets	340,545	477,700
Loss on sale of tangible capital assets	86,772	47,072
Amalgamation of Hamlet of Willingdon net financial assets	-	572,433
Adjustment to tangible capital assets	29,770	-
	3,056,216	5,796,309
Non-cash charges to operations (net change):		
Taxes and grants in place of taxes receivable	(24,560)	(50,100)
Receivables from other governments	985,413	(1,265,847)
Trade and other receivables	131,949	400,611
Accounts payable and accrued liabilities	487,219	(247,922)
Employee benefit obligation	39,063	(648)
Deposit liabilities	16,104	35,261
Deferred revenue	(1,181,269)	(331,045)
Inventory for consumption	29,541	96,157
Prepaid expenses	332,537	409,003
	815,997	(954,530)
Cash provided by operating transactions	3,872,213	4,841,779
CAPITAL		
Acquisition of tangible capital assets	(2,399,475)	(1,653,699)
Proceeds on disposal of tangible capital assets	296,788	92,547
Cash applied to capital transactions	(2,102,687)	(1,561,152)
FINANCING		
Due to Regional Waste Management Commission	96,437	169,726
Payment (Advances) of note receivable	700,000	(700,000)
Proceeds from long term financing	-	70,746
Repayment of long term debt	(107,092)	(38,789)
Debt charges recoverable	38,269	36,867
Cash provided by (applied to) financing transactions	727,614	(461,450)
INVESTING		
Decrease (increase) in restricted cash or cash equivalents	1,150,925	329,972
CHANGE IN CASH AND CASH EQUIVALENTS DURING THE YEAR	3,648,065	3,149,149
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	15,874,270	12,725,121
CASH AND CASH EQUIVALENTS, END OF YEAR	19,522,335	15,874,270

(continues)

COUNTY OF TWO HILLS NO. 21
Consolidated Statement of Cash Flows *(continued)*
Year Ended December 31, 2018

	2018	2017 (Restated)
CASH FLOWS SUPPLEMENTARY INFORMATION		
Interest received	\$ 357,810	\$ 169,429
Interest paid	\$ 18,971	\$ 20,369
Cash and cash equivalents is made up of:		
Cash and temporary investments <i>(Note 4)</i>	\$ 20,808,782	\$ 18,311,643
Less: restricted cash or cash equivalents <i>(Note 4)</i>	(1,286,447)	(2,437,373)
	\$ 19,522,335	\$ 15,874,270

COUNTY OF TWO HILLS NO. 21
Consolidated Schedule of Tangible Capital Assets
Year Ended December 31, 2018

(Schedule 1)

	Land	Land Improvements	Buildings	Engineered Structures	Machinery & Equipment	Vehicles	Assets under construction	2018	2017
COST									
BALANCE, BEGINNING OF YEAR	\$ 2,698,218	\$ 214,432	\$ 4,951,422	\$ 92,657,351	\$ 17,919,993	\$ 5,425,868	\$ 53,972	\$ 123,921,256	\$ 117,129,317
Acquisition of tangible capital assets	-	61,815	132,171	660,033	882,953	472,825	189,678	2,399,475	1,653,699
Amalgamated tangible capital assets	-	-	-	-	-	-	-	-	5,510,979
Disposal of tangible capital assets	-	-	-	(34,729)	(691,140)	(557,983)	-	(1,283,852)	(372,739)
Adjustment to tangible capital assets	-	5,791	(5,791)	-	-	17,812	(29,770)	(11,958)	-
BALANCE, END OF YEAR	2,698,218	282,038	5,077,802	93,282,655	18,111,806	5,358,522	213,880	125,024,921	123,921,256
ACCUMULATED AMORTIZATION									
BALANCE, BEGINNING OF YEAR	-	76,559	2,130,886	53,559,606	8,539,798	2,662,340	-	66,969,189	61,247,862
Annual amortization	-	13,174	81,758	1,856,157	785,333	359,923	-	3,096,345	3,156,199
Amalgamated tangible capital assets	-	-	-	-	-	-	-	-	2,798,249
Accumulated amortization on disposals	-	-	-	(25,280)	(455,786)	(419,226)	-	(900,292)	(233,121)
Adjustment to tangible capital assets	-	77	(77)	-	-	17,812	-	17,812	-
BALANCE, END OF YEAR	-	89,810	2,212,567	55,390,483	8,869,345	2,620,849	-	69,183,054	66,969,189
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS									
	\$ 2,698,218	\$ 192,228	\$ 2,865,235	\$ 37,892,172	\$ 9,242,461	\$ 2,737,673	\$ 213,880	\$ 55,841,867	\$ 56,952,067
2017 NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS									
	\$ 2,698,218	\$ 137,873	\$ 2,820,536	\$ 39,097,745	\$ 9,380,195	\$ 2,763,528	\$ 53,972	\$ 56,952,067	

COUNTY OF TWO HILLS NO. 21

Consolidated Schedule of Changes in Accumulated Surplus

(Schedule 2)

Year Ended December 31, 2018

				2018	2017
	Unrestricted Surplus	Restricted Surplus	Equity in Tangible Capital Assets		(Restated)
BALANCE, BEGINNING OF YEAR					
BALANCE, BEGINNING OF YEAR	\$ 5,580,620	\$ 13,911,320	\$ 56,952,067	\$ 76,444,007	\$ 71,399,805
Prior period adjustment (Note 17)	-	-	-	-	(261,565)
Hamlet of Willingdon net financial assets	-	-	-	-	3,285,162
BALANCE, BEGINNING OF YEAR AS RESTATED	5,580,620	13,911,320	56,952,067	76,444,007	74,423,402
Excess (deficiency) of revenues over expenses	(156,671)	-	-	(156,671)	2,020,605
Restricted funds used for operations	169,781	(169,781)	-	-	-
Restricted funds used for tangible capital assets	-	(376,000)	376,000	-	-
Current year funds used for tangible capital assets	(2,023,475)	-	2,023,475	-	-
Disposal of tangible capital assets	383,560	-	(383,560)	-	-
Annual amortization expense	3,096,345	-	(3,096,345)	-	-
Adjustment to tangible capital assets	29,770	-	(29,770)	-	-
CHANGE IN ACCUMULATED SURPLUS	1,499,310	(545,781)	(1,110,200)	(156,671)	2,020,605
BALANCE, END OF YEAR	\$ 7,079,930	\$ 13,365,539	\$ 55,841,867	\$ 76,287,336	\$ 76,444,007

COUNTY OF TWO HILLS NO. 21

Consolidated Schedule of Property and Other Taxes

(Schedule 3)

Year Ended December 31, 2018

	Budget (Unaudited)	2018	2017
TAXATION			
Residential land and improvements	\$ 2,265,808	\$ 2,265,382	\$ 1,916,832
Farmland	1,627,038	1,632,825	1,617,057
Non-residential land and improvements	325,820	331,066	655,334
Machinery and equipment	5,925	2,742	1,321,299
Linear property	6,334,495	6,321,275	4,872,604
	10,559,086	10,553,290	10,383,126
REQUISITIONS			
Alberta School Foundation Fund	1,838,839	1,828,757	1,828,629
ASFF Opted-out Boards	6,343	3,631	5,600
Eagle Hill Foundation	389,526	389,526	381,436
Designated Industrial Property	-	8,514	-
	2,234,708	2,230,428	2,215,665
	\$ 8,324,378	\$ 8,322,862	\$ 8,167,461

COUNTY OF TWO HILLS NO. 21

**Consolidated Schedule of Government Transfers for Operating
Year Ended December 31, 2018**

(Schedule 4)

	Budget (Unaudited)	2018	2017
TRANSFERS FOR OPERATING			
Provincial grants-operating	\$ 1,170,799	\$ 902,976	\$ 763,316
Local government grants-operating	3,229	-	-
	\$ 1,174,028	\$ 902,976	\$ 763,316

**Consolidated Schedule of Government Transfers for Capital
Year Ended December 31, 2018**

(Schedule 5)

	Budget (Unaudited)	2018	2017
TRANSFERS FOR CAPITAL			
Provincial grants-capital	\$ 3,205,076	\$ 3,550,940	\$ 2,229,487
Federal grants-capital	73,017	66,547	1,246,579
	\$ 3,278,093	\$ 3,617,487	\$ 3,476,066

**Consolidated Schedule of Expenses by Object
Year Ended December 31, 2018**

(Schedule 6)

	Budget (Unaudited)	2018	2017 (Restated)
EXPENSES			
Salaries, wages and benefits	\$ 6,061,605	\$ 5,147,964	\$ 4,402,215
Contracted and general services	1,921,083	1,918,156	2,054,513
Purchases from other governments	1,316,875	913,371	1,270,344
Materials, goods, supplies and utilities	5,135,250	6,278,515	5,314,751
Provision for allowances	969,824	979,775	321,171
Transfers to other governments	(175,000)	375,000	400,000
Transfers to local boards and agencies	148,272	147,972	142,794
Bank charges and short-term interest	17,660	17,742	18,988
Amortization of tangible capital assets	3,103,105	2,755,800	2,678,499
Loss on sale of tangible capital asset	-	84,306	47,072
Interest on operating long term debt	773	1,229	1,381
	\$ 18,499,447	\$ 18,619,830	\$ 16,651,728

COUNTY OF TWO HILLS NO. 21

Statement of Operating Revenue And Expenses For The Gas Utility

(Schedule 7)

Year Ended December 31, 2018

	Budget (Unaudited)	2018	2017
REVENUE	\$ 1,887,625	\$ 1,491,799	\$ 1,845,009
PURCHASES	1,300,000	897,267	1,258,261
GROSS PROFIT	587,625	594,532	586,748
OTHER OPERATING REVENUES			
Other sales and service	64,850	107,364	134,144
Penalties and interest income	40,000	55,475	53,375
Profit on capital construction	-	145,830	52,100
RMO station operating grant	25,000	25,500	25,100
Service charges	350,200	366,194	338,975
	480,050	700,363	603,694
EXPENSES			
Amortization	278,727	268,958	269,362
Bad debt expense	10,000	(1,142)	4,994
Council	22,700	18,004	16,540
Insurance, permits, damage claims	41,850	36,749	36,448
Memberships, dues, fees	26,700	25,299	24,280
Office supplies	55,350	62,158	58,259
Professional fees	12,000	6,555	12,733
Repair and maintenance	112,400	32,059	41,163
Travel and training	11,500	14,209	6,314
Utilities	49,400	48,571	45,338
Vehicle and equipment costs	71,650	66,633	59,384
Wages and benefits	599,405	570,164	476,919
Less infill cost recovery	50,000	48,242	29,135
Loss on sale of tangible capital asset	-	5,599	14,186
	1,341,682	1,202,058	1,095,055
EXCESS (DEFICIENCY) OF EXPENSES OVER REVENUE	\$ (274,007)	\$ 92,837	\$ 95,387

COUNTY OF TWO HILLS NO. 21
Consolidated Schedule of Segmented Disclosures
Year Ended December 31, 2018

(Schedule 8)

	General Government	Protective Services	Transportation Services	Planning & Development	Recreation & Culture	Environmental Services	Gas utility	Family & Community Support Services	2018
REVENUE									
Net municipal taxes	\$ 8,322,862	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 8,322,862
User fees & sales of goods	48,269	35,504	2,328,039	17,741	25,082	347,703	1,979,972	-	4,782,310
Government transfers	49,825	8,773	3,305,753	183,359	107,652	766,380	2,500	96,221	4,520,463
Investment income	376,101	-	-	-	-	-	38,278	-	414,379
Other revenues	215,653	11,486	-	24,594	-	-	171,412	-	423,145
	<u>9,012,710</u>	<u>55,763</u>	<u>5,633,792</u>	<u>225,694</u>	<u>132,734</u>	<u>1,114,083</u>	<u>2,192,162</u>	<u>96,221</u>	<u>18,463,159</u>
EXPENSES									
Salaries & wages	933,756	114,619	2,962,762	363,011	75,179	140,007	558,630	-	5,147,964
Contract & general services	429,499	58,512	674,641	113,811	33,891	417,347	190,455	-	1,918,156
Purchases from/transfers to other governments	375,000	-	-	16,104	-	-	897,267	-	1,288,371
Goods & supplies	289,721	203,956	4,877,609	205,491	-	400,114	178,848	122,776	6,278,515
Provision for allowances	976,464	-	-	-	-	4,453	(1,142)	-	979,775
Transfers to local boards	-	-	-	5,500	142,472	-	-	-	147,972
Other expenses	17,016	1,641	40,459	(2,348)	-	40,200	6,309	-	103,277
	<u>3,021,456</u>	<u>378,728</u>	<u>8,555,471</u>	<u>701,569</u>	<u>251,542</u>	<u>1,002,121</u>	<u>1,830,367</u>	<u>122,776</u>	<u>15,864,030</u>
NET REVENUE, BEFORE AMORTIZATION									
Amortization expense	5,991,254	(322,965)	(2,921,679)	(475,875)	(118,808)	111,962	361,795	(26,555)	2,599,129
	<u>34,123</u>	<u>61,337</u>	<u>2,228,963</u>	<u>23,509</u>	<u>17,719</u>	<u>121,191</u>	<u>268,958</u>	<u>-</u>	<u>2,755,800</u>
EXCESS (SHORTFALL) OF REVENUES OVER EXPENSES									
	\$ 5,957,131	\$ (384,302)	\$ (5,150,642)	\$ (499,384)	\$ (136,527)	\$ (9,229)	\$ 92,837	\$ (26,555)	\$ (156,671)

COUNTY OF TWO HILLS NO. 21
Notes to Consolidated Financial Statements
Year Ended December 31, 2018

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 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 transfer, 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.

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.

(continues)

COUNTY OF TWO HILLS NO. 21
Notes to Consolidated Financial Statements
Year Ended December 31, 2018

1. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Tax revenue

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

Requisition 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 Village and are recognized as revenue in the year they are levied.

Cash and temporary investments

Cash includes cash and temporary investments. Cash equivalents are temporary investments in GIC'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.

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.

(continues)

COUNTY OF TWO HILLS NO. 21
Notes to Consolidated Financial Statements
Year Ended December 31, 2018

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 constructed. 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 and costs of crushing.

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.

(continues)

COUNTY OF TWO HILLS NO. 21
Notes to Consolidated Financial Statements
Year Ended December 31, 2018

1. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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.

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

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. 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.

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, 2018

2. ADOPTION OF RECENT ACCOUNTING PRONOUNCEMENTS

The following accounting standards have been issued by the Chartered Professional Accountants of Canada (CPAC). (These sections are effective for fiscal periods beginning on or after April 1, 2017 and have been applied retrospectively).

Section PS 3210 - Assets

This section provides guidance for applying the definition of assets set out in Financial Statement Concepts, Section PS 1000, and establishes general disclosure standards for assets.

Section PS 3320 - Contingent Assets

This section defines and establishes disclosure standards on contingent assets.

Section PS 3380 - Contractual Rights

This section defines and establishes disclosure standards on contractual rights.

Section PS 2200 - Related Party Disclosure

This section defines a related party and establishes disclosures required for related party transactions.

Section PS 3420 - Inter-entity Transactions

This section establishes standards on how to account for and report transactions between public sector entities that comprise a government's reporting entity from both a provider and a recipient perspective.

COUNTY OF TWO HILLS NO. 21
Notes to Consolidated Financial Statements
Year Ended December 31, 2018

3. RECENT ACCOUNTING PRONOUNCEMENTS PUBLISHED BUT NOT ADOPTED

The following accounting standards have been issued by the Chartered Professional Accountants of Canada ("CPA Canada") but are not yet effective. The Municipality is currently evaluating the effect of adopting these standards on their consolidated financial statements.

Section PS 3450 - Financial Instruments

This section establishes recognition, measurement and disclosure requirements for financial instruments. The standard requires fair value measurement of equity instruments. All other financial instruments can be measured at cost/amortized cost or fair value at the election of the government. Unrealized gains and losses are presented in a new statement of re-measurement gains and losses. There is a requirement to disclose the nature and extent of risks arising from financial instruments and clarification is given for the de-recognition of financial liabilities. This standard is applicable for fiscal years beginning on or after April 1, 2019.

Section PS 1201 - Financial Statement Presentation

This section requires a new statement of re-measurement gains and losses separate from the statement of operations. Included in this new statement are the unrealized gains and losses arising for the re-measurement of financial instruments as well as government's proportionate share of other comprehensive income that arises when a government includes the results of government business enterprises and partnerships. This standard is applicable for fiscal years beginning on or after April 1, 2019.

Section PS 2601 - Foreign Currency Translation

This section requires that monetary assets and liabilities denominated in a foreign currency be adjusted to reflect the exchange rates in effect at the financial statement date. Unrealized gains and losses are to be presented in the new statement of re-measurement gains and losses. This section replaces PS2600 and is applicable for years beginning on or after April 1, 2019.

Section PS 3041 - Portfolio Investments

This section removes the distinction between temporary and portfolio investments. This section now includes pooled investments and was amended to conform to Financial Instruments PS3450. Upon adoption of PS3450 and PS3041 Temporary Investments PS3030 will no longer apply. This standard is applicable for fiscal years beginning on or after April 1, 2019.

Section PS 3430 - Restructuring Transactions

This section defines a restructuring transaction and establishes standards for recognizing and measuring assets and liabilities transferred in a restructuring transaction. This standard is applicable for fiscal years beginning on or after April 1, 2018.

Section PS 3280 - Asset Retirement Obligation

The section is intended to provide guidance on accounting for ARO's and will apply in years beginning on or after April 1, 2021.

Section PS 3400 - Revenue

This section will provide greater clarity on the difference between the exchange and non-exchange transactions. Applies in years beginning on or after April 1, 2022.

COUNTY OF TWO HILLS NO. 21
Notes to Consolidated Financial Statements
Year Ended December 31, 2018

4. CASH AND TEMPORARY INVESTMENTS

	2018	2017
Cash	\$ 2,765,701	\$ 2,328,824
Temporary investments	18,043,081	15,982,819
	\$ 20,808,782	\$ 18,311,643

Bank indebtedness bears interest at prime plus 3% (2017 - prime plus 3%).

Temporary investments are short-term deposits with original maturities of three months or less. Rates vary from 2.5% to 2.6%.

Council has designated funds of \$13,365,539 (2017 - \$13,911,320) included in the above amounts for restricted surplus.

Included in cash and temporary investments is a restricted amount of \$1,286,447 (2017 - \$2,437,373) comprised of \$259,799 (2017 - \$243,695) of deposit liabilities and \$1,026,648 (2017 - \$2,193,677) of deferred revenue received from various sources and held exclusively for approved projects (Note 11).

5. TAXES AND GRANTS IN PLACE OF TAXES RECEIVABLE

	2018	2017
Current	\$ 1,118,648	\$ 1,187,351
Arrears	1,393,120	384,001
	2,511,768	1,571,352
Less: allowance for uncollectible accounts	(2,179,224)	(1,263,368)
	\$ 332,544	\$ 307,984

6. 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:

	2018	2017
788 Class A common shares in Gas Alberta Inc.	\$ 495	\$ 495
Debenture receivable from Gas Alberta Inc.	42,500	42,500
1,240 Class A common voting shares in ACE	12	12
	\$ 43,007	\$ 43,007

COUNTY OF TWO HILLS NO. 21
Notes to Consolidated Financial Statements
Year Ended December 31, 2018

7. DEBT CHARGES RECOVERABLE

	2018	2017
Current debt charges recoverable	\$ 39,727	\$ 38,270
Non-current debt charges recoverable	379,187	418,913
	\$ 418,914	\$ 457,183

Principal and interest repayments are as follows:

	Principal	Interest	Total
2019	\$ 39,727	\$ 14,603	\$ 54,330
2020	41,241	13,089	54,330
2021	42,813	11,517	54,330
2022	44,446	9,884	54,330
2023	46,142	8,188	54,330
Thereafter	204,545	24,112	228,657
	\$ 418,914	\$ 81,393	\$ 500,307

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 12) - Long-Term Debt.

8. NOTE RECEIVABLE

The note receivable consisted of \$700,000 loaned to the Village of Myrnam. This note receivable was repaid in full in 2018.

9. EMPLOYEE BENEFIT OBLIGATIONS

	2018	2017
Vacation	\$ 168,193	\$ 129,130

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, 2018

10. DEPOSIT LIABILITIES

	2018	2017
Tax sale surplus	\$ 5,547	\$ 5,345
Public reserve	184,976	173,130
Road and gravel deposits	65,746	64,220
Premise deposits	1,000	1,000
Willingdon water service deposit	2,530	-
	\$ 259,799	\$ 243,695

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.

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

Premise deposits are amounts required to be paid to receive gas utility service.

11. DEFERRED REVENUE

Deferred revenue is comprised of the funds noted below, the use of which are externally restricted. These funds are recognized as revenue in the period they are used for in the purpose specified.

	2018	2017
Basic Municipal Transportation Grant	\$ -	\$ 407,541
Federal Gas Tax Refund	411,640	204,974
Roadway fee oiling	75,233	79,187
Alberta Community Partnership Grant	67,500	-
Bridge Upgrade Grant	53,199	52,034
Derwent - MSI, New Deal and Federal Gas Tax Refund	25,448	53,307
MSI - operating	12,214	565
Gas- infill deposits	7,000	-
Emergency Management Preparedness Program Grant	5,082	-
Pre-purchased gravel	3,081	3,831
Subdivision access	1,500	1,500
Willingdon Infrastructure funding	-	912,500
Willingdon Transitional funding	125,003	188,654
Hairy Hill Transitional funding	99,778	110,725
Willingdon - MSI - capital	195,553	213,302
Willingdon - Federal Gas Tax Refund	43,445	50,640
Willingdon - MSI - operating	-	28,185
	\$ 1,125,676	\$ 2,306,945

Funding from various grant programs, organizations and individuals, remained 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 by the donors.

COUNTY OF TWO HILLS NO. 21
Notes to Consolidated Financial Statements
Year Ended December 31, 2018

12. LONG TERM DEBT

	2018	2017
Debentures recoverable (Note 7)	\$ 418,914	\$ 457,183
Self supported debentures	-	68,823
	\$ 418,914	\$ 526,006

Principal and interest repayments are as follows:

	Principal	Interest	Total
2019	\$ 39,727	\$ 14,603	\$ 54,330
2020	41,241	13,089	54,330
2021	42,813	11,517	54,330
2022	44,446	9,884	54,330
2023	46,142	8,188	54,330
Thereafter	204,545	24,112	228,657
	\$ 418,914	\$ 81,393	\$ 500,307

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% (2017 - 3.531%).

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

The County's total cash payments for interest were \$18,971 (2017 - \$20,369).

Interest on long-term debt amounted to \$1,229 (2017 - \$1,381).

DEBT LIMITS

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:

	2018	2017
Total debt limit	\$ 22,268,508	\$ 22,794,401
Total debt	-	(68,823)
Amount of debt limit unused	22,268,508	22,725,578
Debt servicing limit	3,711,418	3,799,067
Debt servicing	-	(6,607)
Amount of debt servicing limit unused	\$ 3,711,418	\$ 3,792,460

(continues)

COUNTY OF TWO HILLS NO. 21
Notes to Consolidated Financial Statements
Year Ended December 31, 2018

DEBT LIMITS *(continued)*

2018 **2017**

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.

13. INVENTORY FOR CONSUMPTION

Municipal inventories consist of the following:

	2018	2017
Public Works miscellaneous	\$ 326,940	\$ 391,143
Public Works fuel	3,076	28,340
Public Works gravel	902,948	871,910
Public Works coldmix	315	10,420
Agricultural services	76,566	44,675
Fire inventory	2,068	4,567
Water systems-inventory	9,257	9,884
	1,321,170	1,360,939
Gas utility	48,985	38,757
	\$ 1,370,155	\$ 1,399,696

COUNTY OF TWO HILLS NO. 21
Notes to Consolidated Financial Statements
Year Ended December 31, 2018

14. ACCUMULATED SURPLUS

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

	2018	2017
Unrestricted surplus	\$ 7,079,930	\$ 5,583,620
Restricted surplus		
Reserve for future expenditures	5,660,740	5,830,521
Transportation capital replacement	3,395,347	3,545,347
General equipment replacement	2,209,774	2,209,774
Gas Utility	1,479,418	1,479,418
Roads	398,481	398,481
Gas Utility capital replacement	129,184	355,184
Ag Service Board capital replacement	36,608	36,608
Ag Service Board	34,344	34,344
Recreation	12,962	12,962
Water	8,681	8,681
Restricted surplus	13,365,539	13,911,320
Equity in tangible capital assets		
Tangible capital assets (<i>Schedule 1</i>)	125,024,921	123,921,256
Accumulated amortization (<i>Schedule 1</i>)	(69,183,054)	(66,969,189)
Equity in tangible capital assets	55,841,867	56,952,067
	\$ 76,287,336	\$ 76,447,007
Unrestricted surplus consists of the following:		
General Municipal	\$ 5,329,187	\$ 4,106,577
Gas Utility	1,750,743	1,474,043
	7,079,930	5,580,620
Restricted surplus consists of the following:		
General Municipal	11,756,937	12,076,718
Gas Utility	1,608,602	1,834,602
	13,365,539	13,911,320
Equity in tangible capital assets consists of the following:		
General Municipal	49,104,616	50,256,954
Gas Utility	6,737,251	6,695,113
	55,841,867	56,952,067
	\$ 76,287,336	\$ 76,444,007

COUNTY OF TWO HILLS NO. 21
Notes to Consolidated Financial Statements
Year Ended December 31, 2018

15. COMMITMENTS

The municipality has committed to purchasing capital heavy equipment, vehicles and software improvements totaling \$1,014,235, to be funded by operations, grant funding and restricted surplus.

The municipality has long term lease and maintenance agreements with respect to office equipment. Future minimum lease payments as at December 31, 2018, are as follows, plus additional variable charges based on usage:

2019	\$	35,725
2020		15,393
2021		12,781
2022		10,815
2023		1,318
		<u>1,318</u>
	\$	<u>76,032</u>

16. 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.

17. PRIOR PERIOD ADJUSTMENT

The municipality has restated the prior period financial statements for prepaid gravel royalties expensed as per the terms of the agreement. As part of the restatement, the shortfall arising from the expensed amounts of \$261,565 has been applied directly to unrestricted surplus in the Consolidated Schedule of Changes in Accumulated Surplus, which affected the presentation of accumulated surplus but did not affect the presentation of net financial assets.

The change was applied retroactively and the comparatives have been restated. The accumulated adjustment to accumulated surplus to December 31, 2016 totaled \$261,565. The adjustment to accumulated surplus in 2017 was \$57,590 for a total restatement of \$316,155. The adjustments are reflected in the Consolidated Schedule of Changes in Accumulated Surplus.

18. RELATED PARTY TRANSACTIONS

There were no related party transactions for the 2018 year.

COUNTY OF TWO HILLS NO. 21
Notes to Consolidated Financial Statements
Year Ended December 31, 2018

19. 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	2018	2017
Reeve	Gulayec	\$ 55,485	\$ 7,553	\$ 63,038	\$ 11,170
	Sayler	-	-	-	47,593
Councillors	Yakemchuk	46,575	9,426	56,001	55,677
	Odegard	32,535	5,246	37,781	35,604
	Phillips	35,280	6,503	41,783	7,052
	Saskiw	34,425	6,453	40,878	9,398
	Gordeyko	-	-	-	32,218
	Pidruchney	-	-	-	36,847
CAO		136,298	28,896	165,194	160,646
Designated Officers	3 positions	288,390	39,127	327,517	315,127

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.

20. 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 10.39% of pensionable earnings up to the year's maximum pensionable earnings under the Canada Pension Plan and 14.84% on pensionable earnings above this amount.

Total current service contributions by the municipality to the LAPP in 2018 were \$325,358 (2017 - \$328,212). Total current service contributions by the employees of the municipality to the Local Authorities Pension Plan in 2018 were \$296,938 (2017 - \$300,077).

At December 31, 2017 the LAPP disclosed an actuarial surplus of \$4.84 billion.

COUNTY OF TWO HILLS NO. 21
Notes to Consolidated Financial Statements
Year Ended December 31, 2018

21. 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).

22. FINANCIAL INSTRUMENTS

The municipality's financial assets consist of cash and temporary investments, accounts receivable, investments, debt charges recoverable, and financial liabilities consists of accounts payable and accrued liabilities, wages payable, deposit liabilities, and long-term debt. 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.

23. COMPARATIVE FIGURES

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