
PRAIRIE TO PINE REGIONAL COUNCIL Notes to Financial Statements

For the year ended December 31, 2020

11. Financial Instrument Risk

The Council is exposed to different types of risk in the normal course of operations. The Council's objective in risk management is to optimize the risk return trade-off, within set limits, by applying integrated risk management and control strategies, policies and procedures throughout the Council's activities.

Credit Risk

Credit risk is the risk that one party to a financial instrument fails to discharge an obligation and causes financial loss to another party. Financial instruments which potentially subject the Council to credit risk consist principally of accounts receivable.

The Council is not exposed to significant credit risk as the receivable is spread among a broad client base and payment in full is typically collected when it is due. The Council establishes an allowance for doubtful accounts that represents its estimate of potential credit losses. The allowance for doubtful accounts is based on management's estimates and assumptions regarding current market conditions, customer analysis and historical payment trends. These factors are considered when determining whether past due accounts are allowed for or written off. The risk has not changed in the year.

Market Risk

Market risk is the risk the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. The Council is not exposed to significant market risk.

Interest Rate Risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The Council is not exposed to significant interest rate risk. Its cash is held in short-term or variable rate products.

Foreign Currency Risk

The Council is not exposed to significant foreign currency risk as it does not have any financial instruments denominated in foreign currency and the number of transactions in foreign currency are minimal.

12. Comparative Figures

Certain of the comparative figures for the prior year have been reclassified to conform with the current year's presentation.