

Financial Statements of

**TOWN OF COALHURST**

And Independent Auditors' Report Thereon

Year ended December 31, 2019

### **Management's Responsibility for Financial Reporting**

The Town of Coalhurst's (the "Town") management is responsible for the preparation, accuracy, objectivity, and integrity of the accompanying financial statements and the notes thereto. Management believes that the financial statements present fairly the Town's financial position as at December 31, 2019 and the results of its operations for the year then ended.

The financial statements have been prepared in accordance with Canadian public sector accounting standards. Financial statements are not precise, since they include certain amounts based on estimates and judgments. Such amounts have been determined on a reasonable basis in order to ensure that the financial statements are presented fairly in all material respects.

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

The Town's Council is responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving the financial statements. Council fulfills these responsibilities by reviewing the financial information prepared by management and discussing relevant matters with management and external auditors. Council is also responsible for recommending the appointment of the Town's external auditors.

The financial statements have been audited by the independent firm of KPMG LLP, Chartered Professional Accountants. Their report to the Members of Council of the Town of Coalhurst, stating the scope of their examination and opinion on the financial statements, follows.



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R. K. Hauta

*Chief Administrative Officer*



KPMG LLP  
#500, 400 - 4th Avenue South  
Lethbridge AB T1J 4E1  
Canada  
Tel 403-380-5700  
Fax 403-380-5760

## INDEPENDENT AUDITORS' REPORT

To the Mayor and Councilors of the Town of Coalhurst

### ***Opinion***

We have audited the financial statements of the Town of Coalhurst (the "Town"), which comprise:

- the statement of financial position as at December 31, 2019
- the statement of operations and accumulated surplus for the year then ended
- the statement of changes in net financial assets for the year then ended
- the statement of cash flows for the year then ended
- and notes and schedules to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Town as at December 31, 2019, and its results of operations, changes in net financial assets, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

### ***Basis for Opinion***

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "***Auditors' Responsibilities for the Audit of the Financial Statements***" section of our auditors' report.

We are independent of the Town 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 these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



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

Management is responsible for the preparation and fair presentation of the 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 Town's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Town or to cease operations, or has no realistic alternative but to do so.

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

## ***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 the 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 Town'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 Town'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 Town 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 represents the underlying transactions and events in a manner that achieves fair presentation.
- 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.

*KPMG LLP*

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Chartered Professional Accountants  
Lethbridge, Canada  
April 7, 2020

# TOWN OF COALHURST

## Statement of Financial Position

December 31, 2019, with comparative information for 2018

	2019	2018
Financial assets:		
Cash and cash equivalents (note 3)	\$ 8,571,790	\$ 9,536,284
Taxes receivable (note 4)	150,276	138,161
Trade and other receivables (note 5)	3,114,580	226,283
	<u>11,836,646</u>	<u>9,900,728</u>
Financial liabilities:		
Accounts payable and accrued liabilities	133,614	150,883
Deferred revenue (note 6)	1,808,355	554,255
Deposit liabilities	1,176,180	660,125
Long-term debt (note 7)	3,941,105	4,081,335
	<u>7,059,254</u>	<u>5,446,598</u>
Net financial assets	<u>4,777,392</u>	<u>4,454,130</u>
Non-financial assets:		
Prepaid expenses	33,091	9,901
Tangible capital assets (Schedule 6)	26,875,956	24,046,644
	<u>26,909,047</u>	<u>24,056,545</u>
Contingent liability (note 12)		
Subsequent event and contingencies (note 18)		
Accumulated surplus (note 8 and Schedule 3)	<u>\$ 31,686,439</u>	<u>\$ 28,510,675</u>

See accompanying notes to financial statements.

# TOWN OF COALHURST

## Statement of Operations and Accumulated Surplus

Year ended December 31, 2019, with comparative information for 2018

	Budget (note 14)	2019	2018
<b>Revenue:</b>			
Net municipal property taxes (Schedule 4)	\$ 1,979,736	\$ 1,966,175	\$ 1,919,238
Sales and user fees	3,260,038	2,220,908	1,647,074
Government transfers for operating (Schedule 1)	522,380	165,339	155,748
Interest income	115,000	176,756	183,810
Penalties and cost of taxes	38,000	51,168	43,779
Rental income	26,500	35,069	37,216
Franchise and concession contracts	95,000	85,834	83,631
Licenses and permits	75,000	86,301	80,166
Other revenue	17,725	7,135	17,959
<b>Total revenue</b>	<b>6,129,379</b>	<b>4,794,685</b>	<b>4,168,621</b>
<b>Expenses (Schedule 5):</b>			
Legislative	96,350	90,649	89,930
Administration	637,250	1,411,128	1,503,971
Protective services	356,758	274,585	355,266
Roads, streets, walks and street lighting	535,861	412,679	506,736
Water supply and distribution	506,230	365,816	446,495
Waste water	429,023	412,608	384,900
Waste management	316,200	303,406	299,045
Community support	22,000	28,520	26,101
Municipal Planning	401,839	409,794	237,147
Recreation and parks	291,200	247,929	230,094
Culture and library	119,800	93,864	94,933
<b>Total expenses</b>	<b>3,712,511</b>	<b>4,050,978</b>	<b>4,174,618</b>
<b>Excess (deficiency) of revenue over expenses before the undernoted</b>	<b>2,416,868</b>	<b>743,707</b>	<b>(5,997)</b>
<b>Other:</b>			
Government transfers for capital (schedule 1)	3,166,823	2,432,057	639,922
<b>Excess of revenue over expenses</b>	<b>5,583,691</b>	<b>3,175,764</b>	<b>633,925</b>
<b>Accumulated surplus, beginning of year</b>	<b>28,510,675</b>	<b>28,510,675</b>	<b>27,876,750</b>
<b>Accumulated surplus, end of year</b>	<b>\$ 34,094,366</b>	<b>\$31,686,439</b>	<b>\$ 28,510,675</b>

See accompanying notes to financial statements.

# TOWN OF COALHURST

## Statement of Changes in Net Financial Assets

Year ended December 31, 2019, with comparative information for 2018

	Budget	2019	2018
Excess of revenue over expenses	\$ 5,583,691	\$ 3,175,764	\$ 633,925
Acquisition of tangible capital assets	--	(3,704,780)	(1,265,214)
Acquisition of prepaid expenses	--	(23,190)	(2,472)
Amortization of tangible capital assets	--	825,274	881,188
Loss on sale of tangible capital assets	--	8,394	33,205
Proceeds of disposal of tangible capital assets	--	41,800	12,365
Changes in net financial assets	5,583,691	323,262	292,997
Net financial assets, beginning of year	4,454,130	4,454,130	4,161,133
Net financial assets, end of year	\$ 10,037,821	\$ 4,777,392	\$ 4,454,130

See accompanying notes to financial statements.



# TOWN OF COALHURST

## Statement of Cash Flows

Year ended December 31, 2019, with comparative information for 2018

	2019	2018
Cash provided by (used in):		
Operating activities:		
Excess of revenue over expenses	\$ 3,175,764	\$ 633,925
Items not involving cash:		
Amortization of tangible capital assets	825,274	881,188
Loss on disposal of tangible capital assets	8,394	33,205
	<u>4,009,432</u>	<u>1,548,318</u>
Changes in non-cash assets and liabilities:		
Taxes receivable	(12,115)	(4,629)
Trade and other receivables	(2,888,297)	222,501
Prepaid expenses	(23,190)	(2,472)
Accounts payable and accrued liabilities	(17,269)	143,802
Deposit liabilities	516,055	(1,930)
Deferred revenue	1,254,100	183,602
Other liabilities	--	(45,782)
	<u>2,838,716</u>	<u>2,043,410</u>
Capital activities:		
Acquisition of tangible capital assets		
- internally funded	(2,517,035)	(639,923)
- funded from debt	(1,187,745)	(625,291)
Proceeds on disposal of tangible capital assets	41,800	12,365
	<u>(3,662,980)</u>	<u>1,252,849</u>
Financing activities:		
Principal payment on long-term debt - capital	(114,961)	(76,278)
Principal payment on long-term debt - operating	(25,269)	(59,441)
	<u>(140,230)</u>	<u>(135,719)</u>
Increase (decrease) in cash and cash equivalents	(964,494)	654,842
Cash and cash equivalents, beginning of year	9,536,284	8,881,442
Cash and cash equivalents, end of year	<u>\$ 8,571,790</u>	<u>\$9,536,284</u>

See accompanying notes to financial statements.

# TOWN OF COALHURST

Notes to the Financial Statements

Year ended December 31, 2019

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## 1 Significant accounting policies:

The financial statements of the Town of Coalhurst (the "Town") are the representations of management prepared in accordance with Canadian Public Sector Accounting Standards. Significant aspects of the accounting policies adopted by the Town are as follows:

### (a) Reporting entity:

The financial statements reflect the assets, liabilities, revenues and expenses of the reporting entity. The reporting entity is comprised of the municipal operations controlled by the Town and are, therefore, accountable to Council for the administration of their financial affairs and resources.

Interdepartmental transactions and balances have been eliminated.

The schedule of taxes levied and net taxes available for Municipal purposes includes requisitions collected on behalf of and transferred to educational and other external organizations that are not part of the municipal 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 and/or the legal obligation to pay.

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

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

Tax revenues result from non-exchange transactions that are compulsorily paid to governments in accordance with the laws and regulations established to provide revenue to the government for public services. The revenue is recognized when the tax has been authorized and the taxable event has occurred.

### (c) Pension expense

The Town participates in a defined benefit multi-employer pension plan covering substantially all of its employees. Pension contributions are accounted for using defined contribution accounting, wherein contributions for current and past service pension benefits are recorded as expenses in the year in which they become due.

# TOWN OF COALHURST

## Notes to the Financial Statements

Year ended December 31, 2019

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(d) Investments

Investments are recorded at amortized cost. Investment premiums and discounts are amortized over the term of the respective investments. When there has been a loss in value that is other than a temporary decline, the respective investment is written down to recognize the loss.

(e) Over-levies collections and under-levies

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

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

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

(f) 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.

(g) Contaminated sites liability

Contaminated sites are a result of contamination being introduced into air, soil, water or sediment of a chemical, organic or radioactive or live organism that exceeds an environmental standard. The liability is recorded net of any expected recoveries. A liability for remediation of a contaminated site is recognized when a site is not in productive use and is management's estimate of the cost of post-remediation including operation, maintenance and monitoring. No contaminated sites have been identified.

# TOWN OF COALHURST

Notes to the Financial Statements

Year ended December 31, 2019

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(h) 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.

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:

<b>Assets</b>	<b>Years</b>
Land improvements	50
Buildings	50
Engineered structures	45 - 75
Machinery and equipment	5 - 20
Vehicles	10 - 25

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

ii. Contribution of tangible capital assets:

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

iii. Inventories:

Inventories consisting of land and improvements not currently available for resale are recorded as non-financial assets.

Inventories held for consumption are recorded at the lower of cost and replacement cost.

(i) Use of estimates

The preparation of the financial statements in conformity with Canadian Public Sector Accounting Standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Where measurement uncertainty exists, the financial statements have been prepared within reasonable limits of materiality.

# TOWN OF COALHURST

Notes to the Financial Statements

Year ended December 31, 2019

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## 2 New and proposed accounting pronouncements:

The following summarizes the upcoming changes to the Public Sector Accounting Standards by the Public Sector Accounting Standards Board ("PSAB"). In 2020, the Town will continue to assess the impact and prepare for the adoption of these standards. While the timing of standard adoption can vary, certain standards are eligible for early adoption while others must be adopted concurrently.

(a) PS 1201 – Financial Statement Presentation:

The implementation of this standard requires a new statement of remeasurement gains and losses separate from the statement of operations. This new statement will include the unrealized gains and losses arising from the remeasurement of financial instruments and items denominated in foreign currency. This standard is effective for fiscal years beginning on or after April 1, 2021.

(b) PS 3450 – Financial Instruments

This section establishes recognition, measurement, and disclosure requirements for derivative and non-derivative instruments. The standard requires fair value measurements of derivative instruments and equity instruments; all other financial instruments can be measured at either cost or fair value depending upon elections made by the government. Unrealized gains and losses will be presented on the new statement of remeasurement gains and losses arising from the adoption of PS 1201. There will also be 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. As the Town does not invest in derivatives or equity instruments based on its investment policy, it is anticipated that the adoption of this standard will have a minimal impact on the Town. This standard is effective for fiscal years beginning on or after April 1, 2021.

(c) PS 2601 – Foreign Currency Translation

This section establishes guidance on the recognition, measurement, presentation and disclosure of assets and liabilities denominated in foreign currencies. The Section requires monetary assets and liabilities, denominated in a foreign currency and non-monetary items valued at fair value, denominated in a foreign currency to be adjusted to reflect the exchange rates in effect at the financial statement date. The resulting unrealized gains and losses are to be presented in the new statement of remeasurement gains and losses. This standard is effective for fiscal years beginning on or after April 1, 2021.

(d) PS 3041 - Portfolio Investments

This section removes the distinction between temporary and portfolio investments and provides additional guidance on recognition, measurement, presentation and disclosure of these types of investments. Upon adoption of this section and PS 3450, PS 3040 - Portfolio Investments will no longer be applicable. This standard is effective for fiscal years beginning on or after April 1, 2021.

The requirements in PS 1201, PS 3450, PS 2601 and PS 3041 are required to be implemented at the same time.

# TOWN OF COALHURST

## Notes to the Financial Statements

Year ended December 31, 2019

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(e) PS 3280 - Asset retirement obligations

This section provides guidance on how to account for and report a liability for retirement of a tangible capital asset. This standard is effective for fiscal years beginning on or after April 1, 2021.

(f) PS 3400 - Revenue

This section provides guidance on how to account for and report on revenue, specifically addressing revenue arising from exchange transactions and unilateral transactions. This standard is effective for fiscal years beginning on or after April 1, 2022.

**Adoption of new accounting standards:**

The Town has prospectively adopted PS 3430 - Restructuring transactions effective January 1, 2019. This section provides guidance on the recognition, measurement and presentation of restructuring transactions by both the transferor and recipients of assets and/or liabilities, together with related program or operating responsibilities. The adoption of this standard did not affect the financial statements.

**3 Cash and cash equivalents:**

Cash and cash equivalents include cash on hand and short term deposits with original maturities of less than three months.

Included in cash is \$281,871 (2018 - \$1,475,263) of unexpended debt proceeds from Alberta Capital Finance Authority and \$1,778,296 (2018 - \$518,540) of restricted grant funding.

**4 Taxes receivable:**

	2019	2018
Current	\$ 122,112	\$ 104,742
Arrears	28,164	33,419
	<b>\$ 150,276</b>	<b>\$ 138,161</b>

# TOWN OF COALHURST

Notes to the Financial Statements

Year ended December 31, 2019

## 5 Trade and other receivables:

	2019	2018
Grants and recoveries	\$ 2,971,927	\$ --
Utilities	138,151	133,065
Other	4,502	93,218
	<b>\$ 3,114,580</b>	<b>\$ 226,283</b>

## 6 Deferred revenue:

	2018	Contributions received	Interest	Contributions recognized as revenue	2019
ACP Grant- Shared Industrial Park Area Structure	\$ 75,000	\$ --	\$ --	\$ --	\$ 75,000
Building Canada Grant	--	2,375,491	--	2,375,491	--
Alberta Community Resilience Program Grant	--	1,310,100	--	--	1,310,100
Municipal Sustainability Initiatives - Operating	--	150,351	--	150,351	--
Municipal Sustainability Initiatives - Capital	443,540	--	6,222	56,566	393,196
Other grants	--	14,988	--	14,988	--
	518,540	3,850,930	6,222	2,597,396	1,778,296
Prepaid tax revenue	35,715	30,059	--	35,715	30,059
Deferred revenue, end of year	<b>\$ 554,255</b>	<b>\$ 3,880,989</b>	<b>\$ 6,222</b>	<b>\$ 2,633,111</b>	<b>\$ 1,808,355</b>

Funding allocations have been made available to the Town from the Municipal Sustainability Initiative ("MSI") – Capital Component. These allocations are only receivable from the funding source upon approval of project submissions made by the Town. As at December 31, 2019, the Town has a portion of their allocations that do not have any approved projects submitted towards them. As a result these allocations have not been included in these financial statements.

	2019	2018
Unpaid allocations available, beginning of year	\$ 1,368,893	\$ 855,340
MSI contributions received - capital	--	(297,220)
Annual allocation	447,516	780,773
Unpaid allocations available, end of year	<b>\$ 1,816,409</b>	<b>\$ 1,338,893</b>

# TOWN OF COALHURST

Notes to the Financial Statements

Year ended December 31, 2019

## 7 Long-term debt:

	2019	2018
Tax supported debentures	\$ 3,823,838	\$ 3,950,026
Self-supported debentures	117,267	131,309
	<u>\$ 3,941,105</u>	<u>\$ 4,081,335</u>

Principal and interest repayments on debt are as follows:

	Principal	Interest	Total
2020	\$ 144,903	\$ 121,683	\$ 266,586
2021	149,741	116,845	266,586
2022	154,750	111,836	266,586
2023	159,937	106,649	266,586
2024	165,310	101,276	266,586
Thereafter	3,166,464	888,582	4,055,046
	<u>\$ 3,941,105</u>	<u>\$ 1,446,871</u>	<u>\$ 5,387,976</u>

Long-term debt is comprised of:

	2019	2018
Capital	\$ 2,981,171	\$ 1,908,387
Land acquired for future development	678,063	697,685
Unspent debt proceeds	281,871	1,475,263
	<u>\$ 3,941,105</u>	<u>\$ 4,081,335</u>

Debenture debt is repayable to Alberta Municipal Financing Corporation and bears interest at rates ranging from 2.649% to 5.353% (2018 - 2.649% to 5.353%) per annum, before Provincial subsidy, and matures in 2042. Debenture debt is issued on the credit and security of the Town of Coalhurst at large.

Interest on debenture debt amounted to \$127,550 (2018 - \$160,216). The Town's total cash payments for interest in 2019 were \$126,355 (2018 - \$130,868).



# TOWN OF COALHURST

Notes to the Financial Statements

Year ended December 31, 2019

## 8 Accumulated surplus:

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

	2019	2018
Reserves (i)	\$ 6,704,639	\$ 5,888,871
Equity in tangible capital assets (ii)	23,894,785	22,138,257
Unrestricted net assets	1,087,015	483,547
	<b>\$ 31,686,439</b>	<b>\$ 28,510,675</b>

(i) Reserves are comprised of funds internally restricted as follows:

	2019	2018
<b>Operating:</b>		
Infrastructure	\$ 452,705	\$ 448,251
Administration	91,151	76,537
Fire department	933,877	785,029
Emergency measures	8,732	8,552
Equipment	595,666	531,947
Roads	489,132	449,649
Water	685,737	612,812
Sewer	679,020	664,995
Garbage	242,828	220,674
Drainage	189,630	156,333
Recreation	57,308	56,125
Community	45,098	44,169
Community centre	136,525	124,988
Contingency	330,863	324,028
	<b>4,938,272</b>	<b>4,504,089</b>
Capital	1,766,367	1,384,782
	<b>\$ 6,704,639</b>	<b>\$ 5,888,871</b>

(ii) Equity in tangible capital assets:

	2019	2018
Tangible capital assets (Schedule 6)	\$ 39,692,263	\$ 36,045,397
Accumulated amortization (Schedule 6)	(12,816,307)	(11,998,753)
Long-term debt for capital (note 7)	(2,981,171)	(1,908,387)
	<b>\$ 23,894,785</b>	<b>\$ 22,138,257</b>

# TOWN OF COALHURST

Notes to the Financial Statements

Year ended December 31, 2019

## 9 Salary and benefits disclosure:

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

	Salaries (i)	Benefits and Allowances(ii)	Total 2019	Total 2018
<b>Mayor:</b>				
D. Cassie	\$ 17,654	\$ 3,659	\$ 21,313	\$ 18,348
<b>Councilors:</b>				
H. Caldwell	13,603	2,862	16,465	13,326
B. Edgecome-Green	11,836	2,174	14,010	12,430
R. Lagemaat	17,105	2,940	20,045	16,582
E. Christensen	14,143	3,394	17,537	12,182
	74,341	15,029	89,370	72,868
<b>Designated officers:</b>				
Chief Administrative Officer	117,311	17,362	134,673	131,820
Assessor	28,658	--	28,658	27,867
	\$ 145,969	\$ 17,362	\$ 163,331	\$ 159,687

- i) Salary includes regular base pay, bonuses, overtime, lump sum payments, gross honoraria and any other direct cash remuneration.
- ii) Benefits and allowances include the employer's share of all employee benefits and contributions or payments made on behalf of employees including pension, health care, dental coverage, group life insurance, accidental disability and dismemberment insurance, long-term disability plans, travel allowances and tuition, as eligible.

# TOWN OF COALHURST

Notes to the Financial Statements

Year ended December 31, 2019

## 10 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 Town be disclosed as follows:

	2019	2018
Total debt limit	\$ 7,192,028	\$ 6,252,932
Total debt	(3,941,105)	(4,081,335)
Amount of debt limit unused	\$ 3,250,923	\$ 2,171,597
Debt servicing limit	\$ 1,198,671	\$ 1,042,155
Debt servicing	(266,586)	(266,586)
Amount of debt servicing unused	\$ 932,085	\$ 775,569

The debt limit is calculated at 1.5 times revenue of the Town (as defined in Alberta Regulation 255/00) and the debt service 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 Town. Rather, the financial statements must be interpreted as a whole.

## 11 Local Authorities Pension Plan:

Employees of the Town participate in the Local Authorities Pension Plan (LAPP), which is one of the plans covered by the Alberta Public Sector Pension Plans Act. The LAPP serves about 265,813 people and about 421 employers. The LAPP is financed by employer and employee contributions and investment earnings of the LAPP Fund.

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

The Town is required to make current service contributions to the LAPP of 9.39% (10.39% in 2018) of pensionable earnings up to the year's maximum pensionable earnings under the Canada Pension Plan and 13.84% (14.84% in 2018) on pensionable earnings above this amount. Employees of the Town are required to make current service contributions of 8.39% (9.39% in 2018) of pensionable salary up to the year's maximum pensionable salary and 12.84% (13.84% in 2018) on pensionable salary above this amount.

Total current service contributions by the Town to the LAPP in 2019 were \$76,979 (2018 - \$78,096). Total current service contributions by the employees of the Town to the LAPP in 2019 were \$69,516 (2018 - \$71,207).

At December 31, 2018, the LAPP reported an actuarial surplus of \$3.47 billion (2017 - \$4.84 billion).

# TOWN OF COALHURST

Notes to the Financial Statements

Year ended December 31, 2019

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## 12 Contingent liability:

The Town is a member of the Alberta Municipal Insurance Exchange (MUNIX). Under the terms of the membership, the Town could become liable for its proportionate share of any claim losses in excess of the funds held by exchange. Any liability incurred would be accounted for as a current transaction in the year the losses are determined.

## 13 Financial instruments:

The Town as part of its operations carries a number of financial instruments, such as cash and cash equivalents, accounts receivable, investments, accounts payable and accrued liabilities and long-term debt. It is management's opinion that the Town is not exposed to significant interest, or currency risks arising from these financial instruments except as otherwise disclosed.

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

### i. Interest rate risk:

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. In seeking to minimize the risks from interest rate fluctuations, the Town manages exposure through its normal operating and financing activities. The Town has available a Municipal Revolving loan aggregating \$300,000. Amounts drawn on this facility bear interest at prime plus nil%. At December 31, 2019, no amounts were drawn on this facility. At December 31, 2019 prime rate was 3.95% (2018 - 3.95%).

### ii. Credit concentration:

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

### iii. Liquidity risk:

Liquidity risk is the risk that the Town will not be able to meet its financial obligations as they become due. The Town manages liquidity risk by continually monitoring actual and forecasted cash flows from operations and anticipated investing activities to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions.

## 14 Budget:

The budgeted information presented in these financial statements is based upon the 2019 operating and capital budgets approved by Council on June 4, 2019. Amortization was not contemplated in development of the budget and, as such, has not been included.

# TOWN OF COALHURST

Notes to the Financial Statements

Year ended December 31, 2019

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## 15 Segmented disclosure:

Segmented information has been identified based upon lines of service provided by the Town. Town services are provided by departments and their activities are reported by functional area in the body of the financial statements. Certain lines of service that have been separately disclosed in the segments information, along with the services they provide, are as follows:

(a) Utility services:

The utility department is responsible for water supply and distribution services within the Town, as well as wastewater treatment and disposal activities and waste management functions.

(b) Public works:

The public works department is responsible for the delivery of municipal public works services related to the planning, development and maintenance of roadway systems, streets, walks and lighting.

(c) Protective services:

The mandate of Protective Services is to provide for the rescue and protection of people and property within the Town through effective and efficient management and coordination of emergency service systems and resources.

(d) Parks and culture:

Parks and culture includes the operation and maintenance of parks, recreation, and community buildings within the Town.

(e) General government:

General government includes all functional activities.

Certain allocation methodologies are employed in the preparation of segmented financial information. Taxation and payments-in-lieu of taxes are allocated to the segments based on the segment's budgeted net expenditure. User charges and other revenue have been allocated to the segments based upon the segment that generated the revenue. Government transfers have been allocated to the segment based upon the purpose for which the transfer was made.

The accounting policies used in these segments are consistent with those followed in the preparation of the financial statements as disclosed in Note 1.

# TOWN OF COALHURST

Notes to the Financial Statements

Year ended December 31, 2019

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## **16 Subsequent event and contingencies:**

Subsequent to December 31, 2019, the COVID-19 outbreak was declared a pandemic by the World Health Organization and has had a significant financial, market and social dislocating impact.

At the time of approval of these financial statements, the Town has experienced the following indicators of financial implications and undertaken the following activities in relation to the COVID-19 pandemic.

- Working from home requirements for staff
- Closure of facilities based on public health recommendations
- Closure of Town office to the general public

At this time these factors present uncertainty over future cash flows, may cause significant changes to the assets or liabilities and may have a significant impact on future operations. An estimate of the financial effect is not practicable at this time.

## **17 Comparative information:**

Certain comparative information has been reclassified, where applicable, to conform to the presentation used in the current year. The changes do not affect prior year earnings.

## **18 Approval of financial statements:**

Council and Management approved these financial statements.

# TOWN OF COALHURST

## Schedule 1 - Schedule of Government Transfers

Year ended December 31, 2019, with comparative information for 2018

	Budget	2019	2018
Transfers for operating:			
Provincial government	\$ 522,380	\$ 165,339	\$ 155,748
Transfers for capital:			
Provincial government	3,166,823	1,244,312	639,922
Federal government	--	1,187,745	--
<b>Total government transfers</b>	<b>\$ 3,689,203</b>	<b>\$ 2,597,396</b>	<b>\$ 795,670</b>

# TOWN OF COALHURST

## Schedule 2 - Schedule of Segmented Disclosures

Year ended December 31, 2019, with comparative information for 2018

	Utilities	Public Works	Protective Services	Parks and culture	General Government	2019	2018
<b>Revenue:</b>							
Net municipal property taxes	\$ --	\$ --	\$ --	\$ --	\$ 1,966,175	\$ 1,966,175	\$ 1,919,238
Sales and user fees	1,474,144	614,348	120,773	903	10,740	2,220,908	1,647,074
Government transfers for operating (schedule 1)	35,351	60,000	3,500	31,488	35,000	165,339	155,748
Investment income	--	--	--	--	176,756	176,756	183,810
Penalties and cost of taxes	--	--	--	--	51,168	51,168	43,779
Rentals	--	--	--	35,069	--	35,069	37,216
Franchise and concession contracts	--	--	--	--	85,834	85,834	83,631
Licenses and permits	--	--	10,366	--	75,935	86,301	80,166
Other	--	--	3,950	3,185	--	7,135	17,959
	1,509,495	674,348	138,589	70,645	2,401,608	4,794,685	4,168,621
<b>Expenses:</b>							
Salaries, wages and benefits	259,538	110,583	109,018	190,658	530,157	1,199,954	1,196,432
Contracted and general services	246,318	76,719	72,596	73,504	409,250	878,387	843,985
Materials, goods, supplies and utilities	127,891	183,791	77,087	50,593	96,511	535,873	572,077
Grants to individuals and organizations	385,380	--	10,072	27,038	42,241	464,731	482,084
Interest on long-term debt	62,703	49,506	5,812	--	7,139	125,160	160,216
Interest and bank charges	--	--	--	--	1,503	1,503	1,264
Other	--	--	--	--	11,702	11,702	4,167
Loss (gain) on disposal of tangible capital assets	--	(7,920)	--	--	16,314	8,394	33,205
Amortization	--	--	--	--	825,274	825,274	881,188
	1,081,830	412,679	274,585	341,793	1,940,091	4,050,978	4,174,618
Excess (deficiency) of revenue over expenses before the undernoted	427,665	261,669	(135,996)	(271,148)	461,517	743,707	(5,997)
Government transfers for capital	--	2,375,491	39,359	17,207	--	2,432,057	639,922
Excess (deficiency) of revenue over expenses	\$ 427,665	\$ 2,637,160	\$ (96,637)	\$ (253,941)	\$ 461,517	\$ 3,175,764	\$ 633,925



# TOWN OF COALHURST

## Schedule 3 - Schedule of Changes in Accumulated Surplus

Year ended December 31, 2019, with comparative information for 2018

	Unrestricted net assets	Reserves	Equity in tangible capital assets	2019	2018
Balance, beginning of year	\$ 483,547	\$ 5,888,871	\$ 22,138,257	\$ 28,510,675	\$ 27,876,750
Excess of revenues over expenses	3,175,764	--	--	3,175,764	633,925
Transferred to reserves	(815,768)	815,768	--	--	--
Acquisition of tangible capital assets internally funded	(2,517,035)	--	2,517,035	--	--
Acquisition of tangible capital assets funded from debt	(1,187,745)	--	1,187,745	--	--
Debt proceeds used for capital	1,187,745	--	(1,187,745)	--	--
Net book value of tangible capital assets disposed	50,194	--	(50,194)	--	--
Amortization of tangible capital assets	825,274	--	(825,274)	--	--
Principal payment on debenture debt - capital	(114,961)	--	114,961	--	--
Change in accumulated surplus	603,468	815,768	1,756,528	3,175,764	633,925
Balance, end of year	\$ 1,087,015	\$ 6,704,639	\$ 23,894,785	\$ 31,686,439	\$ 28,510,675

# TOWN OF COALHURST

## Schedule 4 - Schedule of Net Municipal Property Taxes

Year ended December 31, 2019, with comparative information for 2018

	Budget	2019	2018
Taxation:			
Real property tax	\$ 2,682,122	\$ 2,681,829	\$ 2,600,371
Requisitions:			
Alberta School Foundation Fund	665,490	678,758	645,136
Green Acres Foundation	36,896	36,896	35,997
	702,386	715,654	681,133
Net municipal property tax	\$ 1,979,736	\$ 1,966,175	\$ 1,919,238

# TOWN OF COALHURST

## Schedule 5 - Schedule of Expenses by Object

Year ended December 31, 2019, with comparative information for 2018

	Budget	2019	2018
Salaries, wages and benefits	\$ 1,272,351	\$ 1,199,954	\$ 1,196,432
Contracted and general services	1,037,110	878,387	843,985
Materials, goods, supplies and utilities	765,295	535,873	572,077
Transfers to local boards and agencies	507,000	464,731	482,084
Interest on long-term debt	126,355	125,160	160,216
Interest and bank charges	1,500	1,503	1,264
Other	2,900	11,702	4,167
Loss on disposal of tangible capital assets	--	8,394	33,205
Amortization	--	825,274	881,188
<b>Total expenses by object</b>	<b>\$ 3,712,511</b>	<b>\$ 4,050,978</b>	<b>\$ 4,174,618</b>

# TOWN OF COALHURST

## Schedule 6 - Schedule of Tangible Capital Assets

Year ended December 31, 2019, with comparative information for 2018

	Land	Land	Buildings	Engineered	Machinery and	Vehicles	Construction	2019	2018
	Land	improvements		structures	equipment		in progress		
<b>Cost:</b>									
Balance, beginning of year	\$ 1,590,990	\$ 71,835	\$ 3,965,348	\$ 25,901,172	\$ 1,834,580	\$ 1,587,539	\$ 1,093,933	\$ 36,045,397	\$ 35,010,618
Acquisition of tangible capital assets	--	31,721	--	--	24,763	85,059	3,563,237	3,704,780	1,265,214
Transfer	--	--	184,791	(194,200)	9,409	--	--	--	--
Disposal of tangible capital assets	--	--	--	(16,314)	--	(41,600)	--	(57,914)	(230,435)
Balance, end of year	\$ 1,590,990	\$ 103,556	\$ 4,150,139	\$ 25,690,658	\$ 1,868,752	\$ 1,630,998	\$ 4,657,170	\$ 39,692,263	\$ 36,045,397
<b>Accumulated amortization:</b>									
Balance, beginning of year	--	\$ 32,697	\$ 2,898,560	\$ 7,327,597	\$ 782,286	\$ 957,613	--	\$ 11,998,753	\$ 11,302,430
Accumulated amortization of disposals	--	--	--	--	--	(7,720)	--	(7,720)	(184,865)
Amortization	--	4,024	129,105	503,078	100,344	88,723	--	825,274	881,188
Balance, end of year	--	36,721	3,027,665	7,830,675	882,630	1,038,616	--	12,816,307	11,998,753
Net book value of tangible capital assets	\$ 1,590,990	\$ 66,835	\$ 1,122,474	\$ 17,859,983	\$ 986,122	\$ 592,382	\$ 4,657,170	\$ 26,875,956	\$ 24,046,644
2018 Net book value of tangible capital assets	\$ 1,590,990	\$ 38,057	\$ 944,395	\$ 18,706,056	\$ 1,055,294	\$ 617,919	\$ 1,093,933	\$ 24,046,644	