

Financial Statements of

TOWN OF COALHURST

And Independent Auditors' Report Thereon

Year ended December 31, 2020

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, 2020 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.



R. K. Hauta
Chief Administrative Officer



KPMG LLP
3410 Fairway Plaza Road South
Lethbridge AB T1K 7T5
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, 2020
- 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, 2020, 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

Chartered Professional Accountants

Lethbridge, Canada

April 20, 2021

TOWN OF COALHURST

Statement of Financial Position

December 31, 2020, with comparative information for 2019

	2020	2019
Financial assets:		
Cash and cash equivalents (note 3)	\$ 11,985,687	\$ 8,571,790
Taxes receivable (note 4)	150,602	150,276
Trade and other receivables (note 5)	737,943	3,114,580
	<u>12,874,232</u>	<u>11,836,646</u>
Financial liabilities:		
Accounts payable and accrued liabilities	168,002	133,614
Deferred revenue (note 6)	2,397,578	1,808,355
Deposit liabilities	319,564	1,176,180
Long-term debt (note 7)	3,796,202	3,941,105
	<u>6,681,346</u>	<u>7,059,254</u>
Net financial assets	<u>6,192,886</u>	<u>4,777,392</u>
Non-financial assets:		
Prepaid expenses	--	33,091
Tangible capital assets (Schedule 6)	28,072,623	26,875,956
	<u>28,072,623</u>	<u>26,909,047</u>
Contingent liability (note 12)		
Accumulated surplus (note 8 and Schedule 3)	<u>\$ 34,265,509</u>	<u>\$ 31,686,439</u>

See accompanying notes to financial statements.

TOWN OF COALHURST

Statement of Operations and Accumulated Surplus

Year ended December 31, 2020, with comparative information for 2019

	Budget (note 14)	2020	2019
Revenue:			
Net municipal property taxes (Schedule 4)	\$ 2,042,384	\$ 2,053,359	\$ 1,966,175
Sales and user fees	2,105,350	2,314,509	2,220,908
Government transfers for operating (Schedule 1)	1,595,954	229,217	165,339
Interest income	140,000	90,218	176,756
Penalties and cost of taxes	35,000	36,162	51,168
Rental income	9,000	5,396	35,069
Franchise and concession contracts	90,000	87,418	85,834
Licenses and permits	75,000	69,744	86,301
Other revenue	184,725	184,060	7,135
Total revenue	6,277,413	5,070,083	4,794,685
Expenses (Schedule 5):			
Legislative	91,200	75,097	90,649
Administration	636,200	1,538,180	1,411,128
Protective services	485,160	328,572	274,585
Roads, streets, walks and street lighting	505,247	579,094	412,679
Water supply and distribution	526,010	480,876	365,816
Waste water	447,892	422,392	412,608
Waste management	339,700	289,371	303,406
Community support	46,050	28,368	28,520
Municipal Planning	332,175	227,638	409,794
Recreation and parks	257,050	216,749	247,929
Culture and library	125,100	115,337	93,864
Total expenses	3,791,784	4,301,674	4,050,978
Excess of revenue over expenses before the undernoted	2,485,629	768,409	743,707
Other:			
Government transfers for capital (schedule 1)	4,476,845	572,439	2,432,057
Contributed tangible capital assets	--	1,238,222	--
	4,476,845	1,810,661	2,432,057
Excess of revenue over expenses	6,962,474	2,579,070	3,175,764
Accumulated surplus, beginning of year	31,686,439	31,686,439	28,510,675
Accumulated surplus, end of year	\$ 38,648,913	\$34,265,509	\$ 31,686,439

See accompanying notes to financial statements.

TOWN OF COALHURST

Statement of Changes in Net Financial Assets

Year ended December 31, 2020, with comparative information for 2019

	Budget	2020	2019
Excess of revenue over expenses	\$ 6,962,474	\$ 2,579,070	\$ 3,175,764
Acquisition of tangible capital assets	--	(888,681)	(3,704,780)
Contributed tangible capital assets	--	(1,238,222)	--
Use (acquisition) of prepaid expenses	--	33,091	(23,190)
Amortization of tangible capital assets	--	920,993	825,274
Loss (gain) on disposal of tangible capital assets	(42,000)	9,143	8,394
Proceeds of disposal of tangible capital assets	--	100	41,800
Changes in net financial assets	6,920,474	1,415,494	323,262
Net financial assets, beginning of year	4,777,392	4,777,392	4,454,130
Net financial assets, end of year	\$ 11,697,866	\$ 6,192,886	\$ 4,777,392

See accompanying notes to financial statements.

TOWN OF COALHURST

Statement of Cash Flows

Year ended December 31, 2020, with comparative information for 2019

	2020	2019
Cash provided by (used in):		
Operating activities:		
Excess of revenue over expenses	\$ 2,579,070	\$ 3,175,764
Items not involving cash:		
Amortization of tangible capital assets	920,993	825,274
Loss on disposal of tangible capital assets	9,143	8,394
	<u>3,509,206</u>	<u>4,009,432</u>
Changes in non-cash assets and liabilities:		
Taxes receivable	(327)	(12,115)
Trade and other receivables	2,707,569	(2,888,297)
Prepaid expenses	33,091	(23,190)
Accounts payable and accrued liabilities	34,388	(17,269)
Deposit liabilities	(856,617)	516,055
Deferred revenue	258,292	1,254,100
	<u>5,685,602</u>	<u>2,838,716</u>
Capital activities:		
Acquisition of tangible capital assets		
- internally funded	(888,681)	(2,517,035)
- funded from debt	--	(1,187,745)
- contributed	(1,238,222)	--
Proceeds on disposal of tangible capital assets	100	41,800
	<u>(2,126,803)</u>	<u>(3,662,980)</u>
Financing activities:		
Principal payment on long-term debt - capital	(118,843)	(114,961)
Principal payment on long-term debt - operating	(26,059)	(25,269)
	<u>(144,902)</u>	<u>(140,230)</u>
Increase (decrease) in cash and cash equivalents	3,413,897	(964,494)
Cash and cash equivalents, beginning of year	8,571,790	9,536,284
Cash and cash equivalents, end of year	\$ 11,985,687	\$ 8,571,790

See accompanying notes to financial statements.

TOWN OF COALHURST

Notes to the Financial Statements

Year ended December 31, 2020

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.

The World Health Organization declared a global pandemic for the COVID-19 virus on March 11, 2020. Consequently, on March 17, 2020, the Government declared a state of public health emergency over the COVID-19 pandemic and enacted measures for its citizens and businesses to follow, intended to minimize the impact of the virus.

The current challenging economic climate may lead to adverse changes in cash flows, working capital levels and/or debt balances, which may also have a direct impact on the operating results and financial position of the Town in the future. The Town did not experience any significant financial implications in relation to the COVID-19 pandemic.

The Town has implemented the following in relation to their pandemic response:

- The Town Office was closed to the public for extended periods of time between March 19, 2020 to June 8, 2020. Pending provincial health measures, the office was reopened to the public.
- Restricted access to Town facilities from March 16, 2020 to December 31, 2020.
- The Town moved the payment date for payment of taxes to September 30, 2020.
- The Town waived utility penalties for 3 months from April 1, 2020 to June 30, 2020.

COVID-19 relief was provided to the Town in the form of the Municipal Operating Support Transfer ("MOST") grant received from the Province of Alberta in the amount of \$286,905 with \$61,063 being recognized into income in 2020.

There are also other factors which may 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 of these items is not practicable at this time.

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.

TOWN OF COALHURST

Notes to the Financial Statements

Year ended December 31, 2020

(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.

(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.

TOWN OF COALHURST

Notes to the Financial Statements

Year ended December 31, 2020

(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, 2020

(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:

Assets	Years
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. Significant items subject to such estimates and assumptions include the carrying amount of tangible capital assets, provisions for impairment of accounts receivable and taxes receivable, carrying amounts of inventories and construction in progress. Actual results could differ from those estimates.

The uncertainties around COVID-19 pandemic, as described within the nature of operations, require the use of judgment and estimates which resulted in no material impact for the year ended December 31, 2020, however, the future impact of COVID-19 cannot be reasonably estimated at this time.

TOWN OF COALHURST

Notes to the Financial Statements

Year ended December 31, 2020

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 2021, 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 has been deferred by PSAB and is now effective for fiscal years beginning on or after April 1, 2022.

(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 has been deferred by PSAB and is now effective for fiscal years beginning on or after April 1, 2022.

(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 has been deferred by PSAB and is now effective for fiscal years beginning on or after April 1, 2022.

(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 has been deferred by PSAB and is now effective for fiscal years beginning on or after April 1, 2022.

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, 2020

(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 has been deferred by PSAB and is now effective for fiscal years beginning on or after April 1, 2022.

(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 has been deferred by PSAB and is now effective for fiscal years beginning on or after April 1, 2023.

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 \$276,075 (2019 - \$281,871) of unexpended debt proceeds from Alberta Capital Finance Authority and \$1,855,020 (2019 - \$1,778,296) of restricted grant funding.

4 Taxes receivable:

	2020	2019
Current	\$ 99,406	\$ 122,112
Arrears	51,196	28,164
	<u>\$ 150,602</u>	<u>\$ 150,276</u>

5 Trade and other receivables:

	2020	2019
Grants and recoveries	\$ 585,069	\$ 2,971,927
Utilities	132,197	138,151
Other	20,677	4,502
	<u>\$ 737,943</u>	<u>\$ 3,114,580</u>

TOWN OF COALHURST

Notes to the Financial Statements

Year ended December 31, 2020

6 Deferred revenue:

	2019	Contributions received	Interest	Contributions recognized as revenue	2020
ACP Grant- Shared Industrial Park Area Structure	\$ 75,000	\$ --	\$ --	\$ --	\$ 75,000
Municipal Operating Support Transfer	--	286,905	--	61,063	225,842
Alberta Community Resilience Program Grant	1,310,100	--	--	--	1,310,100
Municipal Sustainability Initiatives					
- Operating	--	159,754	--	159,754	--
- Capital	393,196	588,120	15,201	572,439	424,078
Municipal Stimulus Program	--	330,932	--	--	330,932
Other grants	--	8,400	--	8,400	--
	1,778,296	1,374,111	15,201	801,656	2,365,952
Prepaid tax revenue	30,059	31,626	--	30,059	31,626
Restricted donation - capital	--	180,000	--	180,000	--
Deferred revenue, end of year	\$ 1,808,355	\$ 1,585,737	\$ 15,201	\$ 1,011,715	\$ 2,397,578

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, 2020 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.

	2020	2019
Unpaid allocations available, beginning of year	\$ 1,816,409	\$ 1,368,893
MSI contributions received - capital	(588,120)	--
Annual allocation	603,850	447,516
Unpaid allocations available, end of year	\$ 1,832,139	\$ 1,816,409

Funding allocations have been made available to the Town from the Gas Tax Fund ("GTF"). These allocations are only receivable from the funding source upon approval of project submissions made by the Town. As at December 31, 2020, the Town has a GTF allocation of \$159,250 of which they do not have any approved projects submitted towards them. As a result, these allocations have not been included in these financial statements.

TOWN OF COALHURST

Notes to the Financial Statements

Year ended December 31, 2020

7 Long-term debt:

	2020	2019
Tax supported debentures	\$ 3,693,598	\$ 3,823,838
Self-supported debentures	102,604	117,267
	\$ 3,796,202	\$ 3,941,105

Principal and interest repayments on debt are as follows:

	Principal	Interest	Total
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
2025	170,874	95,712	266,586
Thereafter	2,995,590	792,869	3,788,459
	\$ 3,796,202	\$ 1,325,187	\$ 5,121,389

Long-term debt is comprised of:

	2020	2019
Capital	\$ 2,862,329	\$ 2,981,171
Land acquired for future development	657,798	678,063
Unspent debt proceeds	276,075	281,871
	\$ 3,796,202	\$ 3,941,105

Debenture debt is repayable to the Province of Alberta (formerly Alberta Capital Finance Authority) and bears interest at rates ranging from 2.649% to 5.353% (2019 - 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 \$120,462 (2019 - \$125,160). The Town's total cash payments for interest in 2020 were \$121,683 (2019 - \$126,355).

TOWN OF COALHURST

Notes to the Financial Statements

Year ended December 31, 2020

8 Accumulated surplus:

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

	2020	2019
Reserves (i)	\$ 7,148,234	\$ 6,704,639
Equity in tangible capital assets (ii)	25,210,294	23,894,785
Unrestricted net assets	1,906,981	1,087,015
	\$ 34,265,509	\$ 31,686,439

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

	2020	2019
Operating:		
Infrastructure	\$ 457,546	\$ 452,705
Administration	105,126	91,151
Fire department	1,016,363	933,877
Emergency measures	8,826	8,732
Equipment	654,536	595,666
Roads	524,362	489,132
Water	758,069	685,737
Sewer	706,281	679,020
Garbage	280,425	242,828
Drainage	221,657	189,630
Recreation	89,922	57,308
Community	45,580	45,098
Community centre	146,884	136,525
Contingency	347,402	330,863
	5,362,979	4,938,272
Capital	1,785,255	1,766,367
	\$ 7,148,234	\$ 6,704,639

(ii) Equity in tangible capital assets:

	2020	2019
Tangible capital assets (Schedule 6)	\$ 41,764,768	\$ 39,692,263
Accumulated amortization (Schedule 6)	(13,692,145)	(12,816,307)
Long-term debt for capital (note 7)	(2,862,329)	(2,981,171)
	\$ 25,210,294	\$ 23,894,785

TOWN OF COALHURST

Notes to the Financial Statements

Year ended December 31, 2020

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 2020	Total 2019
Mayor:				
D. Cassie	\$ 17,122	\$ 201	\$ 17,323	\$ 21,313
Councillors:				
H. Caldwell	11,956	956	12,912	16,465
B. Edgecome-Green	14,204	516	14,720	14,010
R. Lagemaat	15,908	1,576	17,484	20,045
E. Christensen	10,639	686	11,325	17,537
	69,829	3,935	73,764	89,370
Designated officers:				
Chief Administrative Officer	118,836	17,573	136,409	134,673
Assessor	28,775	--	28,775	28,658
	\$ 147,611	\$ 17,573	\$ 165,184	\$ 163,331

- 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, 2020

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:

	2020	2019
Total debt limit	\$ 7,605,125	\$ 7,192,028
Total debt	(3,796,202)	(3,941,105)
Amount of debt limit unused	\$ 3,808,923	\$ 3,250,923
Debt servicing limit	\$ 1,267,521	\$ 1,198,671
Debt servicing	(266,586)	(266,586)
Amount of debt servicing unused	\$ 1,000,935	\$ 932,085

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 274,151 people and about 420 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% (9.39% in 2019) of pensionable earnings up to the year's maximum pensionable earnings under the Canada Pension Plan and 13.84% (13.84% in 2019) on pensionable earnings above this amount. Employees of the Town are required to make current service contributions of 8.39% (8.39% in 2019) of pensionable salary up to the year's maximum pensionable salary and 12.84% (12.84% in 2019) on pensionable salary above this amount.

Total current service contributions by the Town to the LAPP in 2020 were \$80,619 (2019 - \$76,979). Total current service contributions by the employees of the Town to the LAPP in 2020 were \$72,785 (2019 - \$69,516).

At December 31, 2019, the LAPP reported an actuarial surplus of \$7.91 billion (2018 - \$3.47 billion).

TOWN OF COALHURST

Notes to the Financial Statements

Year ended December 31, 2020

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, 2020, no amounts were drawn on this facility. At December 31, 2020 prime rate was 2.45% (2019 - 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. Liquidity risk may be impacted by the COVID-19 pandemic.

14 Budget:

The budgeted information presented in these financial statements is based upon the 2020 operating and capital budgets approved by Council on May 19, 2020. 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, 2020

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.

16 Approval of financial statements:

Council and Management approved these financial statements.

TOWN OF COALHURST

Schedule 1 - Schedule of Government Transfers

Year ended December 31, 2020, with comparative information for 2019

	Budget	2020	2019
Transfers for operating:			
Provincial government	\$ 1,595,954	\$ 229,217	\$ 165,339
Transfers for capital:			
Provincial government	4,476,845	572,439	1,244,312
Federal government	--	--	1,187,745
Total government transfers	\$ 6,072,799	\$ 801,656	\$ 2,597,396

TOWN OF COALHURST

Schedule 2 - Schedule of Segmented Disclosures

Year ended December 31, 2020

	Utilities	Public Works	Protective Services	Parks and culture	General Government	2020
Revenue:						
Net municipal property taxes	\$ --	\$ --	\$ --	\$ --	2,053,359	\$ 2,053,359
Sales and user fees	1,498,228	62,881	465,270	32,595	255,535	2,314,509
Government transfers for operating	44,754	60,431	11,261	55,124	57,647	229,217
Investment income	--	--	--	--	90,218	90,218
Penalties and cost of taxes	--	--	--	--	36,162	36,162
Rentals	--	--	--	5,396	--	5,396
Franchise and concession contracts	--	--	--	--	87,418	87,418
Licenses and permits	--	--	10,200	--	59,544	69,744
Other	--	--	3,610	180,450	--	184,060
	1,542,982	123,312	490,341	273,565	2,639,883	5,070,083
Expenses:						
Salaries, wages and benefits	261,489	112,301	167,786	154,955	551,410	1,247,941
Contracted and general services	270,012	112,511	49,165	29,277	250,476	711,441
Materials, goods, supplies and utilities	178,324	306,386	95,892	91,021	85,165	756,788
Grants to individuals and organizations	422,362	--	10,440	55,813	44,301	532,916
Interest on long-term debt	60,452	47,896	5,289	--	6,825	120,462
Interest and bank charges	--	--	--	--	1,248	1,248
Other	--	--	--	--	742	742
Loss on disposal of tangible capital assets	--	--	--	1,020	8,123	9,143
Amortization	--	--	--	--	920,993	920,993
	1,192,639	579,094	328,572	332,086	1,869,283	4,301,674
Excess (deficiency) of revenue over expenses before the undernoted	350,343	(455,782)	161,769	(58,521)	770,600	768,409
Government transfers for capital	--	367,100	50,999	154,340	--	572,439
Contributed tangible capital assets	290,279	421,119	--	--	526,824	1,238,222
	290,279	788,219	50,999	154,340	526,824	1,810,661
Excess of revenue over expenses	\$ 640,622	\$ 332,437	\$ 212,768	\$ 95,819	\$ 1,297,424	\$ 2,579,070

TOWN OF COALHURST

Schedule 3 - Schedule of Changes in Accumulated Surplus

Year ended December 31, 2020, with comparative information for 2019

	Unrestricted net assets	Reserves	Equity in tangible capital assets	2020	2019
Balance, beginning of year	\$ 1,087,015	\$ 6,704,639	\$ 23,894,785	\$ 31,686,439	\$ 28,510,675
Excess of revenues over expenses	2,579,070	--	--	2,579,070	3,175,764
Transferred to reserves	(443,595)	443,595	--	--	--
Acquisition of tangible capital assets internally funded	(888,681)	--	888,681	--	--
Contributed tangible capital assets	(1,238,222)	--	1,238,222	--	--
Net book value of tangible capital assets disposed	9,243	--	(9,243)	--	--
Amortization of tangible capital assets	920,993	--	(920,993)	--	--
Principal payment on debenture debt - capital	(118,842)	--	118,842	--	--
Change in accumulated surplus	819,966	443,595	1,315,509	2,579,070	3,175,764
Balance, end of year	\$ 1,906,981	\$ 7,148,234	\$ 25,210,294	\$ 34,265,509	\$ 31,686,439

TOWN OF COALHURST

Schedule 4 - Schedule of Net Municipal Property Taxes

Year ended December 31, 2020, with comparative information for 2019

	Budget	2020	2019
Taxation:			
Real property tax	\$ 2,809,335	\$ 2,782,687	\$ 2,681,829
Requisitions:			
Alberta School Foundation Fund	728,546	690,923	678,758
Green Acres Foundation	38,405	38,405	36,896
	766,951	729,328	715,654
Net municipal property tax	\$ 2,042,384	\$ 2,053,359	\$ 1,966,175

TOWN OF COALHURST

Schedule 5 - Schedule of Expenses by Object

Year ended December 31, 2020, with comparative information for 2019

	Budget	2020	2019
Salaries, wages and benefits	\$ 1,317,900	\$ 1,247,941	\$ 1,199,954
Contracted and general services	998,110	711,441	878,387
Materials, goods, supplies and utilities	820,690	756,788	535,873
Transfers to local boards and agencies	571,000	532,916	464,731
Interest on long-term debt	121,684	120,462	125,160
Interest and bank charges	1,500	1,248	1,503
Other	2,900	742	11,702
Loss (gain) on disposal of tangible capital assets	(42,000)	9,143	8,394
Amortization	--	920,993	825,274
Total expenses by object	\$ 3,791,784	\$ 4,301,674	\$ 4,050,978

TOWN OF COALHURST

Schedule 6 - Schedule of Tangible Capital Assets

Year ended December 31, 2020, with comparative information for 2019

	Land	Land	Buildings	Engineered	Machinery and	Vehicles	Construction	2020	2019
	improvements	improvements		structures	equipment		in progress		
Cost:									
Balance, beginning 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
Acquisition of tangible capital assets	--	--	--	1,348,219	175,120	248,007	355,557	2,126,903	3,704,780
Disposal of tangible capital assets	--	--	--	(5,114)	(34,284)	(15,000)	--	(54,398)	(57,914)
Balance, end of year	\$ 1,590,990	\$ 103,556	\$ 4,150,139	\$ 27,033,763	\$ 2,009,588	\$ 1,864,005	\$ 5,012,727	\$ 41,764,768	\$ 39,692,263
Accumulated amortization:									
Balance, beginning of year	--	\$ 36,721	\$ 3,027,665	\$ 7,830,675	\$ 882,630	\$ 1,038,616	--	\$ 12,816,307	\$ 11,998,753
Accumulated amortization of disposals	--	--	--	(5,114)	(25,041)	(15,000)	--	(45,155)	(7,720)
Amortization	--	4,024	80,880	619,722	115,060	101,307	--	920,993	825,274
Balance, end of year	--	40,745	3,108,545	8,445,283	972,649	1,124,923	--	13,692,145	12,816,307
Net book value of tangible capital assets	\$ 1,590,990	\$ 62,811	\$ 1,041,594	\$ 18,588,480	\$ 1,036,939	\$ 739,082	\$ 5,012,727	\$ 28,072,623	\$ 26,875,956
2019 Net book value of tangible capital assets	\$ 1,590,990	\$ 66,835	\$ 1,122,474	\$ 17,859,983	\$ 986,122	\$ 617,919	\$ 4,657,170	\$ 26,875,956	