

**TOWN OF CLARESHOLM
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020**

Town of Claresholm

December 31, 2020

CONTENTS

	Page
Management's Responsibility for Financial Reporting	1
Independent Auditors' Independent Auditors' Report	2 - 3
FINANCIAL STATEMENTS	
Consolidated Statement of Financial Position	4
Consolidated Statement of Operations	5
Consolidated Statement of Change in Net Financial Assets (Debt)	6
Consolidated Statement of Cash Flow	7
Schedule 1 - Schedule of Changes in Accumulated Surplus	8
Schedule 2 - Schedule of Tangible Capital Assets	9
Schedule 3 - Schedule of Property and Other Taxes	10
Schedule 4 - Schedule of Government Transfers	11
Schedule 5 - Schedule of Consolidated Expenses by Object	12
Schedule 6 - Schedule of Segmented Disclosure	13
Notes to Financial Statements	14 - 24

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

Management of the Town of Claresholm is responsible for the preparation, accuracy, objectivity and integrity of the accompanying consolidated financial statements and all other information contained within this Financial Report. Management believes that the consolidated 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 consolidated financial statements have been prepared in compliance with legislation, and in accordance with Canadian public sector accounting standards (PSAS).

The consolidated financial statements include certain amounts based on estimates and judgments. Such amounts have been determined on a reasonable basis in order to ensure that the consolidated 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 maintains a system of internal controls to produce reliable information and to meet reporting requirements on a timely basis. The system is designed to provide management with reasonable assurance that transactions are properly authorized and assets are properly accounted for and safeguarded.

These systems are monitored and evaluated by management and reliable financial information is available for preparation of the consolidated financial statements.

Town Council meets annually with management and external auditors to discuss internal controls over the financial reporting process, auditing matters and financial reporting issues, and to satisfy itself that each party is properly discharging its responsibilities. Council is also responsible for the engagement or re-appointment of the external auditors. The Town Council has approved the consolidated financial statements.

The consolidated financial statements have been audited by Gregory, Harriman & Associates LLP, Chartered Professional Accountants, independent external auditors appointed by the Town. The accompanying Independent Auditor's Report outlines their responsibilities, the scope of their examination and their opinion on the Town's consolidated financial statements.



Margot Daulton

Chief Administrative Officer
March 22, 2021



GREGORY
HARRIMAN
& ASSOCIATES LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

To the Members of Council:

Opinion

We have audited the consolidated financial statements of Town of Claresholm (the Municipality), which comprise the consolidated statement of financial position as at December 31, 2020, and the results of its operations, changes in its net financial assets (debt) and cash flow for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Town of Claresholm as at December 31, 2020, the results of its operations, change in its net financial assets (debt) and its cash flow 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 Consolidated Financial Statements section of our report. We are independent of the Municipality in accordance with the ethical requirements that are relevant to our audit of the 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 Consolidated Financial Statements

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

In preparing the financial statements, management is responsible for assessing the Municipality'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 cease operations, or has no realistic alternative but to do so.

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

Auditors' Responsibility for the Audit of the Consolidated Financial Statements

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

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

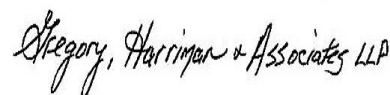
We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Report on Other Legal and Regulatory Requirements

- **Debt Limit Regulation:**
In accordance with Alberta Regulation 255/2000, we confirm that the Municipality is in compliance with the Debt Limit Regulation. A detailed account of the Municipality's debt limit can be found in Note 14.
- **Supplementary Accounting Principles and Standards Regulation:**
In accordance with Alberta Regulation 313/2000, we confirm that the Municipality is in compliance with the Supplementary Accounting Principles and Standards Regulation and note the information required can be found in Note 13.

Strathmore, Alberta
March 22, 2021



Gregory, Harriman & Associates LLP
Chartered Professional Accountants

**Town of Claresholm
Consolidated Statement of Financial Position
As at December 31, 2020**

	2020	2019
FINANCIAL ASSETS		
Cash and temporary investments <i>(Note 2)</i>	\$ 5,492,547	\$ 3,466,495
Taxes and grants in place of taxes receivable <i>(Note 3)</i>	199,742	160,132
Trade and other receivables <i>(Note 4)</i>	673,713	583,750
Land inventory held for resale	12,845	122,820
	6,378,847	4,333,197
 LIABILITIES		
Accounts payable and accrued liabilities	835,786	380,949
Employee benefit obligations <i>(Note 6)</i>	368,178	350,544
Deposits	15,005	10,505
Deferred revenue <i>(Note 7)</i>	1,497,417	681,161
Long term debt <i>(Notes 8, 14)</i>	6,135,555	3,817,778
	8,851,941	5,240,937
 NET FINANCIAL DEBT	(2,473,094)	(907,740)
 NON-FINANCIAL ASSETS		
Prepaid expenses	170,956	39,335
Inventory for consumption	122,304	130,535
Tangible capital assets <i>(Schedule 2)</i>	32,259,548	29,594,400
	32,552,808	29,764,270
 ACCUMULATED SURPLUS <i>(Schedule 1) (Note 9)</i>	\$ 30,079,714	\$ 28,856,530
 COMMITMENTS AND CONTINGENCIES <i>(Note 19)</i>		
SUBSEQUENT EVENTS <i>(Note 20)</i>		

Approved by: _____



Mayor



Chief Administrative Officer

Town of Claresholm
Consolidated Statement of Operations
For the Year Ended December 31, 2020

	<i>Budget</i> <i>(Unaudited)</i>	2020	2019
REVENUE			
Net municipal taxes (Schedule 3)	\$ 3,349,579	\$ 3,332,116	\$ 3,205,440
User fees and sales of goods	2,975,960	3,157,324	2,467,818
Government transfers for operating (Schedule 4)	598,047	817,073	540,123
Franchise and concession contracts	212,491	217,183	210,387
Licenses and permits	97,000	106,855	83,719
Rental	123,257	76,973	147,406
Other	107,500	94,840	70,178
Investment income	60,000	60,413	85,765
Penalties and costs on taxes	104,100	57,999	81,514
Gain on disposal of capital assets	-	-	19,960
TOTAL REVENUE	<u>7,627,934</u>	<u>7,920,776</u>	<u>6,912,310</u>
EXPENSES (Schedule 5)			
Legislative	109,000	83,060	113,159
Administration (Note 12)	1,276,922	1,236,090	4,130,465
Fire	208,930	211,874	256,619
Bylaw enforcement	195,675	182,721	130,392
Common and equipment pool	537,581	667,213	540,248
Roads, streets, walks and lighting	836,521	900,808	858,715
Airport	15,840	23,271	15,987
Storm sewers and drainage	284,317	289,557	274,796
Water supply and distribution	1,273,056	1,225,217	1,271,425
Wastewater treatment and disposal	513,005	500,711	541,140
Solid waste management	391,982	410,388	415,873
Recycling program	244,499	331,813	178,735
Family and community support services	289,749	286,452	261,156
Day care	38,202	38,200	38,202
Cemeteries and crematoriums	18,973	21,089	23,847
Other public health and welfare	3,000	684	1,050
Planning and development	554,651	415,472	473,809
Parks and recreation	982,988	970,031	1,032,847
Culture - libraries, museums and halls	364,433	345,222	378,345
Loss on disposal of capital assets	-	143,113	-
TOTAL EXPENSES	<u>8,139,324</u>	<u>8,282,986</u>	<u>10,936,810</u>
SHORTFALL OF REVENUE OVER EXPENSES - BEFORE OTHER	<u>(511,390)</u>	<u>(362,210)</u>	<u>(4,024,500)</u>
OTHER			
Contributed assets	-	219,001	-
Government transfers for capital (Schedule 4)	2,445,542	1,366,393	1,218,152
	<u>2,445,542</u>	<u>1,585,394</u>	<u>1,218,152</u>
EXCESS (SHORTFALL) OF REVENUE OVER EXPENSES	1,934,152	1,223,184	(2,806,348)
ACCUMULATED SURPLUS, BEGINNING OF YEAR	<u>28,856,530</u>	<u>28,856,530</u>	<u>31,662,878</u>
ACCUMULATED SURPLUS, END OF YEAR	<u>\$ 30,790,682</u>	<u>\$ 30,079,714</u>	<u>\$ 28,856,530</u>

Town of Claresholm
Consolidated Statement of Change in Net Financial Assets (Debt)
For the Year Ended December 31, 2020

	<i>Budget (Unaudited)</i>	2020	2019
EXCESS (SHORTFALL) OF REVENUE OVER EXPENSES	<u>\$ 1,934,152</u>	<u>\$ 1,223,184</u>	<u>\$ (2,806,348)</u>
Acquisition of tangible capital assets	(5,527,542)	(4,358,953)	(1,587,880)
Contribution of tangible capital assets	-	(219,001)	-
Amortization of tangible capital assets	1,699,578	1,726,949	1,790,253
Loss (gain) on disposal of tangible capital assets	(75,000)	143,113	2,870,008
Proceeds on disposal of tangible capital assets	-	42,744	58,845
	<u>(3,902,964)</u>	<u>(2,665,148)</u>	<u>3,131,226</u>
Net change in inventory for consumption	-	8,231	2,860
Net change in prepaid expenses	-	(131,621)	(14,444)
	-	<u>(123,390)</u>	<u>(11,584)</u>
INCREASE (DECREASE) IN NET ASSETS (DEBT)	(1,968,812)	(1,565,354)	313,294
NET FINANCIAL ASSETS (DEBT), BEGINNING OF YEAR	<u>(907,740)</u>	<u>(907,740)</u>	<u>(1,221,034)</u>
NET FINANCIAL ASSETS (DEBT), END OF YEAR	<u>\$ (2,876,552)</u>	<u>\$ (2,473,094)</u>	<u>\$ (907,740)</u>

**Town of Claresholm
Consolidated Statement of Cash Flow
For the Year Ended December 31, 2020**

	2020	2019
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:		
Operating		
Excess (shortfall) of revenue over expenses	\$ 1,223,184	\$ (2,806,348)
Non-cash items included in excess (shortfall) of revenue over expenses:		
Amortization of tangible capital assets	1,726,949	1,790,253
Loss on disposal of tangible capital assets	143,113	2,870,008
Tangible capital assets received as contributions	<u>(219,001)</u>	<u>-</u>
	2,874,245	1,853,913
Non-cash charges to operations (net change):		
Decrease (increase) in taxes and grants in place of taxes receivables	(39,610)	(2,481)
Decrease (increase) in trade and other receivables	(89,963)	629,117
Decrease (increase) in land inventory held for sale	109,975	-
Decrease (increase) in inventory for consumption	8,231	2,860
Decrease (increase) in prepaid expense	(131,621)	(14,444)
Increase (decrease) in accounts payable and accrued liabilities	454,837	(167,231)
Increase (decrease) in employee benefit obligations	17,634	18,072
Increase (decrease) in deposits	4,500	(7,085)
Increase (decrease) in deferred revenue	<u>816,256</u>	<u>(1,136,068)</u>
Net cash provided by operating transactions	<u>4,024,484</u>	<u>1,176,653</u>
Capital		
Acquisition of tangible capital assets	(4,358,953)	(1,587,880)
Proceeds on disposal of tangible capital assets	42,744	58,845
Cash applied to capital transactions	<u>(4,316,209)</u>	<u>(1,529,035)</u>
Investing		
Decrease (increase) in restricted cash and temporary investments	(820,756)	1,143,153
Cash applied to capital transactions	<u>(820,756)</u>	<u>1,143,153</u>
Financing		
Proceeds of long-term debt	2,800,000	-
Repayment of long-term debt	(482,222)	(436,924)
Cash applied to financing transactions	<u>2,317,778</u>	<u>(436,924)</u>
Change in cash and cash equivalents during the year	1,205,297	353,847
Net Cash and Temporary Investments, beginning of year	<u>2,774,829</u>	<u>2,420,982</u>
Net Cash and Temporary Investments, end of year	<u>\$ 3,980,126</u>	<u>\$ 2,774,829</u>
Net Cash and Temporary Investments is made up of:		
Cash and temporary investments (Note 2)	\$ 5,492,547	3,466,495
Less: restricted portion of cash and temporary investments (Note 2)	<u>(1,512,421)</u>	<u>(691,666)</u>
	<u>\$ 3,980,126</u>	<u>2,774,829</u>

Town of Claresholm
Schedule of Changes in Accumulated Surplus
For the Year Ended December 31, 2020
(Schedule 1)

	Unrestricted Surplus	Restricted Surplus	Equity in Tangible Capital Assets	2020	2019
BALANCE, BEGINNING OF YEAR	\$ 1,554,855	\$ 1,525,053	\$ 25,776,622	\$ 28,856,530	\$ 31,662,878
Excess (shortfall) of revenue over expenses	1,223,184	-	-	1,223,184	(2,806,348)
Unrestricted funds designated for future use	(1,064,429)	1,064,429	-	-	-
Restricted funds used for operations	81,556	(81,556)	-	-	-
Current year funds used for tangible capital assets	(4,251,893)	(107,060)	4,358,953	-	-
Contributed tangible capital assets	(219,001)	-	219,001	-	-
Disposal of tangible capital assets	185,856	-	(185,856)	-	-
Annual amortization expense	1,726,949	-	(1,726,949)	-	-
Capital long term debt proceeds	2,800,000	-	(2,800,000)	-	-
Capital long term debt repaid	(482,222)	-	482,222	-	-
Change in accumulated surplus	-	875,813	347,371	1,223,184	(2,806,348)
BALANCE, END OF YEAR	\$ 1,554,855	\$ 2,400,866	\$ 26,123,993	\$ 30,079,714	\$ 28,856,530

The accompanying notes form an integral part of these financial statements.
 Gregory, Harriman & Associates LLP

Town of Claresholm
Schedule of Tangible Capital Assets
For the Year Ended December 31, 2020
(Schedule 2)

	Land	Land Improvements	Buildings	Engineered Structures	Machinery and Equipment	Vehicles	Construction in Progress	2020	2019
COST:									
BALANCE, BEGINNING OF YEAR	\$ 1,204,040	\$ 1,945,853	\$ 12,981,150	\$ 74,192,212	\$ 1,895,684	\$ 1,706,741	\$ 104,900	\$ 94,030,580	\$ 96,074,302
Acquisition of tangible capital assets	203,168	-	327,184	82,028	297,408	-	-	909,788	1,587,880
Construction in progress							3,668,166	3,668,166	-
Disposal of tangible capital assets	-	-	(210,517)	-	(259,501)	(47,809)	-	(517,827)	(3,631,601)
BALANCE, END OF YEAR	<u>1,407,208</u>	<u>1,945,853</u>	<u>13,097,817</u>	<u>74,274,240</u>	<u>1,933,591</u>	<u>1,658,932</u>	<u>3,773,066</u>	<u>98,090,707</u>	<u>94,030,581</u>
ACCUMULATED AMORTIZATION:									
BALANCE, BEGINNING OF YEAR	-	854,579	6,464,799	54,658,862	1,307,030	1,150,911	-	64,436,181	63,348,676
Annual amortization	-	105,030	259,194	1,043,978	171,178	147,569	-	1,726,949	1,790,253
Accumulated amortization on disposals	-	-	(151,936)	-	(144,739)	(35,296)	-	(331,971)	(702,748)
BALANCE, END OF YEAR	<u>-</u>	<u>959,609</u>	<u>6,572,057</u>	<u>55,702,840</u>	<u>1,333,469</u>	<u>1,263,184</u>	<u>-</u>	<u>65,831,159</u>	<u>64,436,181</u>
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS									
	<u>\$ 1,407,208</u>	<u>\$ 986,244</u>	<u>\$ 6,525,760</u>	<u>\$ 18,571,400</u>	<u>\$ 600,122</u>	<u>\$ 395,748</u>	<u>\$ 3,773,066</u>	<u>\$ 32,259,548</u>	<u>\$ 29,594,400</u>
2019 Net Book Value of Tangible Capital Assets	<u>\$ 1,204,040</u>	<u>\$ 1,091,274</u>	<u>\$ 6,516,351</u>	<u>\$ 19,533,351</u>	<u>\$ 588,654</u>	<u>\$ 555,830</u>	<u>\$ 104,900</u>	<u>\$ 29,594,400</u>	

Town of Claresholm
Schedule of Property and Other Taxes
For the Year Ended December 31, 2020
(Schedule 3)

	<i>Budget</i> <i>(Unaudited)</i>	2020	2019
TAXATION			
Real property taxes	\$ 4,483,044	\$ 4,477,420	\$ 4,323,877
Linear property taxes	118,909	119,157	108,127
Government grants in place of property taxes	29,090	29,090	34,312
Special assessments and local improvements	12,935	-	-
	<u>4,643,978</u>	<u>4,625,667</u>	<u>4,466,316</u>
REQUISITIONS			
Alberta School Foundation Fund	1,179,599	1,179,412	1,148,477
Procupine Hills Lodge	114,139	114,139	112,399
Designated Industrial Property	661	-	-
	<u>1,294,399</u>	<u>1,293,551</u>	<u>1,260,876</u>
NET MUNICIPAL PROPERTY TAXES	<u>\$ 3,349,579</u>	<u>\$ 3,332,116</u>	<u>\$ 3,205,440</u>

Town of Claresholm
Schedule of Government Transfers
For the Year Ended December 31, 2020
(Schedule 4)

	<i>Budget (Unaudited)</i>	2020	2019
TRANSFERS FOR OPERATING			
Provincial Government	\$ 379,931	\$ 621,221	\$ 358,053
Other Local Governments	<u>218,116</u>	<u>195,852</u>	<u>182,070</u>
	<u>598,047</u>	<u>817,073</u>	<u>540,123</u>
TRANSFERS FOR CAPITAL			
Provincial Government	1,837,757	906,150	1,151,252
Federal Government	<u>607,785</u>	<u>460,243</u>	<u>66,900</u>
	<u>2,445,542</u>	<u>1,366,393</u>	<u>1,218,152</u>
TOTAL GOVERNMENT TRANSFERS	<u>\$ 3,043,589</u>	<u>\$ 2,183,466</u>	<u>\$ 1,758,275</u>

Town of Claresholm
Schedule of Consolidated Expenses by Object
For the Year Ended December 31, 2020
(Schedule 5)

	<i>Budget</i> <i>(Unaudited)</i>	2020	2019
CONSOLIDATED EXPENSES BY OBJECT			
Salaries, wages and benefits	\$ 2,896,836	\$ 2,907,143	\$ 3,034,854
Contracted and general services	1,663,709	1,634,678	1,312,559
Materials, goods, supplies and utilities	1,252,640	1,256,240	1,311,033
Bank charges and short-term interest	-	1,386	477
Interest on long-term debt	214,059	218,532	192,451
Other expenditures	27,690	26,629	43,911
Transfers to organizations and others	384,812	368,317	361,049
Loss on disposal of tangible capital assets	-	143,113	2,889,968
Provision for allowance	-	-	255
Amortization of tangible capital assets	1,699,578	1,726,949	1,790,253
	\$ 8,139,324	\$ 8,282,986	\$ 10,936,810

Town of Claresholm
Schedule of Segmented Disclosure
For the Year Ended December 31, 2020
(Schedule 6)

	General Government	Protective Services	Transportation Services	Environmental Services	Public Health Services	Planning & Development	Recreation & Culture	Total
REVENUE								
Net municipal taxes	\$ 3,332,116	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,332,116
User fees and sales of goods	7,265	1,645	770	2,720,502	16,417	267,826	142,899	3,157,324
Government transfers for operating	441,635	13,137	-	-	243,655	59,534	59,112	817,073
Investment income	60,413	-	-	-	-	-	-	60,413
Penalties and cost of taxes	43,010	14,989	-	-	-	-	-	57,999
Licenses and permits	28,480	6,525	-	-	-	71,850	-	106,855
Franchise and concession contracts	217,183	-	-	-	-	-	-	217,183
Rental	30,350	-	-	-	-	-	46,623	76,973
Contributed assets	219,001	-	-	-	-	-	-	219,001
Government transfers for capital	487,759	-	652,707	107,743	-	-	118,184	1,366,393
Other revenues	38,447	29,067	-	-	15,851	-	11,475	94,840
	<u>4,905,659</u>	<u>65,363</u>	<u>653,477</u>	<u>2,828,245</u>	<u>275,923</u>	<u>399,210</u>	<u>378,293</u>	<u>9,506,170</u>
EXPENSES								
Salaries and wages	711,425	229,445	430,255	631,630	185,839	191,432	527,117	2,907,143
Contract and general services	349,589	93,903	281,882	541,001	52,335	194,236	121,732	1,634,678
Goods and supplies	86,198	50,480	545,103	391,327	10,360	2,421	170,350	1,256,239
Bank charges	1,386	-	-	-	-	-	-	1,386
Long term debt interest	40,134	-	-	174,199	-	-	4,199	218,532
Other expenses	24,957	-	-	-	1,672	-	-	26,629
Transfers to organizations and others	82,531	-	-	-	95,786	-	190,000	368,317
Provision of allowances	-	-	-	-	-	-	-	-
Loss on disposal of tangible capital assets	77,857	-	26,803	38,453	-	-	-	143,113
	<u>1,374,077</u>	<u>373,828</u>	<u>1,284,043</u>	<u>1,776,610</u>	<u>345,992</u>	<u>388,089</u>	<u>1,013,398</u>	<u>6,556,037</u>
NET REVENUE, BEFORE AMORTIZATION	3,531,582	(308,465)	(630,566)	1,051,635	(70,069)	11,121	(635,105)	2,950,133
Amortization expense	22,931	20,766	623,609	729,972	433	27,383	301,855	1,726,949
NET REVENUE	<u>\$ 3,508,651</u>	<u>\$ (329,231)</u>	<u>\$ (1,254,175)</u>	<u>\$ 321,663</u>	<u>\$ (70,502)</u>	<u>\$ (16,262)</u>	<u>\$ (936,960)</u>	<u>\$ 1,223,184</u>

Segmented Disclosure (Note 22)

Town of Claresholm
Notes to Consolidated Financial Statements
For The Year Ended December 31, 2020

1) SIGNIFICANT ACCOUNTING POLICIES

The Town of Claresholm ("the Town") is a Municipality in the Province of Alberta. The consolidated financial statements are the representations of management and have been prepared in accordance with Canadian generally accepted accounting principles for local governments established by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada. Significant aspects of the accounting policies adopted by the Town of Claresholm are as follows:

A. Reporting Entity

The consolidated financial statements reflect the assets, liabilities, revenue and expenditures, changes in fund balances and change in financial position of the reporting entity. This entity is comprised of the municipal operations plus all the organizations that are owned or controlled by the Town and are, therefore, accountable to the Council for the administration of their financial affairs and resources.

The schedule of taxes levied also includes requisitions for education, health care, social and other external organizations that are not controlled by the municipal reporting entity.

These statements exclude trust assets that are administered for the benefit of external parties. Interdepartmental and organizational transactions and balances are eliminated.

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.

C. Use of Estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenditure during the period. Where measurement uncertainty exists, the financial statements have been prepared within reasonable limits of materiality. Actual results could differ from those estimates. The amounts recorded for valuation of tangible capital assets, the useful lives and related amortization of tangible capital assets is an area where management makes significant estimates and assumptions in determining the amounts to be recorded in the consolidated financial statements.

continues ...

Town of Claresholm
Notes to Consolidated Financial Statements
For The Year Ended December 31, 2020

1) SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Investments

Investments are recorded at amortized cost. Investment premiums and discounts are amortized on the net present value basis 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. Debt Charges Recoverable

Debt charges recoverable consist of amounts that are recoverable from municipal agencies or other local governments with respect to outstanding debentures or other long-term debt pursuant to annexation orders or joint capital undertakings. These recoveries are recorded at a value that equals the offsetting portion of the unmatured long-term debt, less actuarial requirements for the retirement of any sinking fund debentures.

F. Requisition Over-levy and Under-levy

Over-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 excess collections or under-levies of the prior year.

G. Land Inventory Held for Resale

Land inventory held for resale is recorded at the lower of cost or net realizable value. Cost includes the costs for land acquisition and improvements required to prepare the land for servicing, such as clearing, stripping and levelling charges. Related development costs incurred to provide infrastructure such as water and wastewater services, roads, sidewalks and street lighting are recorded as capital assets under their respective function.

H. Tax Revenue

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

Requisitions operate as a flow through and are excluded from municipal revenue.

I. Contaminated Sites Liability

Contaminated sites are a result of contamination being introduced into air, soil, water or sediment of a chemical, organic or radioactive material or live organism that exceeds an environmental standard. The liability is recorded net of any expected recoveries. A liability for remediation of a contaminated site is recognized when a site is not in productive use and is management's estimate of the cost of post-remediation including operation, maintenance and monitoring.

continues ...

Town of Claresholm
Notes to Consolidated Financial Statements
For The Year Ended December 31, 2020

1) SIGNIFICANT ACCOUNTING POLICIES (continued)

J. 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 the events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met by the Town, and reasonable estimates of the amounts can be determined.

K. Non-Financial Assets

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the normal course of operations. The change in non-financial assets during the year, together with the excess of revenue over expenses, provides the consolidated Change in Net Financial Debt for the year.

i. Tangible Capital Assets

Tangible capital assets are recorded at cost, which includes all amounts that are directly attributable to acquisition, construction, development or betterment of the assets. The cost, less residual value of the tangible capital asset, is amortized on a straight-line basis over the estimated useful life as follows:

	YEARS
Land improvements	10-25 straight line
Buildings	25-50 straight line
Engineered structures	5-75 declining balance
Machinery and equipment	5-40 declining balance
Vehicles	10-25 declining balance

One-half of the annual amortization is charged in the year of acquisition and in the year of disposal. Assets under construction are not amortized until the asset is available for productive use.

ii. Contributions of Tangible Capital Assets

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

iii. Leases

Leases are classified as capital or operating leases. Leases which transfer substantially all of the benefits and risks incidental to ownership of property are accounted for as capital leases. All other leases are accounted for as operating leases and the related lease payments are charged to expenses as incurred.

iv. Inventories

Inventories held for consumption are recorded at the lower of cost or net realizable value with cost determined by the average cost method.

continues ...

Town of Claresholm
Notes to Consolidated Financial Statements
For The Year Ended December 31, 2020

1) SIGNIFICANT ACCOUNTING POLICIES (continued)

v. Cultural and Historical Tangible Capital Assets

Works or art for display are not recorded as tangible capital assets but are disclosed.

2) CASH AND TEMPORARY INVESTMENTS	<u>2020</u>	<u>2019</u>
Cash	\$ 60,424	\$ 1,693,764
Cash - savings	5,432,123	-
Temporary investments	-	1,772,731
	<u>\$ 5,492,547</u>	<u>\$ 3,466,495</u>

The Town received Government grants and funding that are restricted in their use and are to be utilized as funding for operating or capital projects. Since the projects have not been completed for which the funding has been received, \$1,497,417 (2019 - \$681,161) is not available for general use by the Town (Note 7).

Included in cash is \$15,005 (2019 - \$10,505) of deposit liability funds which are not available for current purposes.

3) TAXES AND GRANTS IN PLACE OF TAXES RECEIVABLE	<u>2020</u>	<u>2019</u>
Current year	\$ 165,480	\$ 121,022
Arrears	34,262	39,110
	<u>\$ 199,742</u>	<u>\$ 160,132</u>

4) TRADE AND OTHER RECEIVABLES	<u>2020</u>	<u>2019</u>
Trade accounts	\$ 447,263	\$ 376,156
GST receivable	128,543	37,958
Local improvement levies	47,172	62,507
Due from local governments	38,366	33,243
Due from Provincial government	12,369	46,988
Under-levied Alberta School Foundation Fund tax requisition	-	26,898
	<u>\$ 673,713</u>	<u>\$ 583,750</u>

5) TEMPORARY LOANS

A temporary loan has been authorized by Bank of Montreal to a maximum of \$450,000 which bears interest at prime plus 0%, with an effective rate of 2.45%.

A settlement risk line of credit for payroll electronic funds transfer payments has been authorized by Bank of Montreal to a maximum of \$500,000.

Security pledged on this loan includes a general security agreement. As at December 31, 2020 there was no balance outstanding on the loan.

Town of Claresholm
Notes to Consolidated Financial Statements
For The Year Ended December 31, 2020

6) EMPLOYEE BENEFIT OBLIGATIONS	<u>2020</u>	<u>2019</u>
Vacation	\$ 220,597	\$ 203,727
Sick time	147,581	146,817
	<u>\$ 368,178</u>	<u>\$ 350,544</u>

The employee benefit obligations liability is comprised of the vacation and sick time that employees are deferring to future years. Employees have either earned the benefits (and they are vested) or are entitled to these benefits within the next budgetary year.

7) DEFERRED REVENUE	<u>2020</u>	<u>2019</u>
MSI/FGTF capital grants	\$ 811,366	\$ 59,411
Sundry trust	146,223	205,868
Cemetery	108,302	109,666
Family and Community Support Services	91,404	56,028
Municipal operating support transfer funds	73,089	-
Offsite levies	68,265	65,990
Labour market partnership project grant	60,871	-
Alberta Community Resilience Program	56,927	122,425
Subdivision fund	39,510	38,163
MSP grant	10,008	-
Community foundation grant	10,000	-
Taxi token prepayments	5,686	5,486
Enabling accessibility grant	5,414	-
Parking fund	3,953	3,896
Parks Society	2,819	2,819
Walking path fund	2,134	2,103
Winter festival	1,446	4,266
Fire services study	-	5,040
	<u>\$ 1,497,417</u>	<u>\$ 681,161</u>

Town of Claresholm
Notes to Consolidated Financial Statements
For The Year Ended December 31, 2020

8) LONG TERM DEBT	2020	2019
Utility supported debentures	\$ 3,259,149	\$ 3,505,591
Tax supported debentures	2,876,406	212,187
Southcal Development Inc.	-	100,000
	6,135,555	3,817,778
Less: Current portion of long term debt	(429,439)	(451,319)
	\$ 5,706,116	\$ 3,366,459

Principal and interest repayments are due as follows:

	Principal	Interest	Total
2021	429,439	237,183	666,622
2022	337,126	220,326	557,452
2023	352,874	204,579	557,453
2024	283,109	188,042	471,151
2025	295,407	175,744	471,151
Thereafter	4,437,600	1,337,095	5,774,695
	\$ 6,135,555	\$ 2,362,969	\$ 8,498,524

Debenture debt is repayable to Alberta Capital Finance Authority and bears interest at rates ranging from 2.306% to 5.875% annum and matures in periods 2021 through 2050. The average annual interest rate is 3.81% (4.11% for 2019). Debenture debt is issued on the credit and security of the Town of Claresholm at large.

The promissory note payable to Southcal Development Inc. in the amount of \$100,000 is payable at \$100,000 per year at 0% interest and was fully paid in 2020.

Interest on long-term debt amounted to \$218,532 (2019 - \$192,451). The Town's total cash payments for interest in 2020 were \$216,565 (2019 - \$194,028).

9) ACCUMULATED SURPLUS

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

	2020	2019
Unrestricted surplus	\$ 1,554,855	\$ 1,554,855
Internally restricted surplus (reserves) (Note 11)	2,400,866	1,525,053
Equity in tangible capital assets (Note 10)	26,123,993	25,776,622
	\$ 30,079,714	\$ 28,856,530

10) EQUITY IN TANGIBLE CAPITAL ASSETS

	2020	2019
Tangible capital assets (Schedule 2)	\$ 98,090,707	\$ 94,030,581
Accumulated amortization (Schedule 2)	(65,831,159)	(64,436,181)
Long term debt - Capital (Note 8)	(6,135,555)	(3,817,778)
	\$ 26,123,993	\$ 25,776,622

Town of Claresholm
Notes to Consolidated Financial Statements
For The Year Ended December 31, 2020

11) RESERVES

Reserves for operating and capital activities are as follows:

	<u>2020</u>	<u>2019</u>
Operating		
General	158,037	122,335
Trust accounts	54,000	53,180
Debt reduction	51,213	130,110
Office	30,261	29,801
Fill dirt	27,014	11,832
Museum	21,300	-
Policing costs	18,433	-
Physician recruitment fund	14,067	14,751
Aquatic centre	10,960	-
Planning and development	9,708	9,561
Cemetery	760	748
	<u>395,753</u>	<u>372,318</u>
Capital		
Water and sewer	804,961	228,813
Land and development	463,751	287,923
Fire truck	197,502	184,655
Garbage and recycling equipment	140,746	122,304
General	92,943	91,532
Arena	55,885	28,405
Parks and pathways	55,579	54,736
Playground rehabilitation	52,572	51,774
Enforcement vehicle	42,983	10,816
Acreage assessment	42,816	42,166
Tamarack subdivision	26,443	26,041
Cemetery	15,255	10,100
Tax recovery land	12,463	12,274
Museum	1,214	1,196
	<u>2,005,113</u>	<u>1,152,735</u>
	<u>\$ 2,400,866</u>	<u>\$ 1,525,053</u>

Town of Claresholm
Notes to Consolidated Financial Statements
For The Year Ended December 31, 2020

12) ADMINISTRATION EXPENSE

Included in the \$4,130,465 of administration expenses in 2019 is a loss on the disposal of the old elementary school of \$2,876,665, which includes cost of demolition. The building was originally received by the Town in 2016 for \$1, and was recorded as a donated asset at the estimated fair value of \$2,611,830. Due to code changes and updated costing estimates the renovation project was cancelled and the building costs were written off.

13) SALARY AND BENEFITS DISCLOSURE

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

	Salary ¹	Benefits and Allowances ²	Total 2020	Total 2019
Council				
Mayor MacPherson	\$ 14,473	\$ 146	\$ 14,619	\$ 16,378
Councillor Carlson	9,497	415	9,912	12,961
Councillor Cutler, M	11,615	526	12,141	12,477
Councillor Moore	10,058	444	10,502	11,803
Councillor Schlossberger	11,730	842	12,572	17,861
Councillor Schulze	10,583	472	11,055	12,758
Councillor Zimmer	9,669	424	10,093	11,433
	<u>77,625</u>	<u>3,269</u>	<u>80,894</u>	<u>95,671</u>
Chief Administrative Officer	141,407	8,017	149,424	140,177
Designated Officers (2020:6 positions, 2019: 5 positions)	406,103	93,528	499,631	499,660
	<u>\$ 625,135</u>	<u>\$ 104,814</u>	<u>\$ 729,949</u>	<u>\$ 735,508</u>

- 1) Salary includes regular base pay, bonuses, overtime, lump sum payments, gross honoraria and any other direct cash remuneration.
- 2) 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, vision coverage, group life insurance, accidental disability and dismemberment insurance, long- and short-term disability plans, professional memberships, and tuition.

Benefits and allowances also include the employer's share of the costs of additional taxable benefits including special leave with pay, financial planning services, retirement planning services, concessionary loans, travel allowances, car allowances, and club memberships.

Town of Claresholm
Notes to Consolidated Financial Statements
For The Year Ended December 31, 2020

14) DEBT LIMITS

Section 276(2) of the Municipal Government Act requires that debt limits as defined by Alberta Regulation 255/2000 for the Town be disclosed as follows:

	<u>2020</u>	<u>2019</u>
Total debt limit	\$ 11,881,164	\$ 10,368,467
Total debt <i>(Note 8)</i>	6,135,555	3,817,778
Amount of surplus debt limit	<u>\$ 5,745,609</u>	<u>\$ 6,550,689</u>
Debt servicing limit	\$ 1,980,194	\$ 1,728,078
Debt servicing	666,622	630,952
Amount of surplus debt servicing limit	<u>\$ 1,313,572</u>	<u>\$ 1,097,126</u>

The debt limit is calculated at 1.5 times revenue of the municipality, as defined in Alberta Regulation 255/2000, and the debt service limit is calculated at 0.25 times such revenue. Incurring debt beyond these limitations requires approval by the Minister of Municipal Affairs. These thresholds are guidelines used by Alberta Municipal Affairs to identify municipalities that could be at financial risk if further debt is acquired. The calculation alone does not represent the financial stability of the municipality. Rather, the financial statements must be interpreted as a whole.

15) 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 Pensions Plans Act. The plan serves about 274,000 people and 420 employers. The LAPP is financed by the 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% of pensionable earnings up to the year's maximum pensionable earnings under the Canada Pension Plan and 13.84% on pensionable earnings above this amount. Employees of the Town are required to make current service contributions of 8.39% of pensionable salary up to the year's maximum pensionable salary and 12.84% on pensionable salary above this amount.

Total current service contributions by the Town to the LAPP in 2020 were \$181,413 (2019 - \$166,397). Total current service contributions by the employees of the Town to the LAPP in 2020 were \$163,655 (2019 - \$149,936).

At December 31, 2019, the LAPP disclosed an actuarial surplus of \$7.91 million.

Town of Claresholm
Notes to Consolidated Financial Statements
For The Year Ended December 31, 2020

16) FINANCIAL INSTRUMENTS

The Town's financial instruments consist of cash and temporary investments, taxes and grants in place of taxes receivable, trade and other receivables, accounts payable and accrued liabilities, employee benefit obligations, deposits and long term debt. It is management's opinion that the Town is not exposed to significant interest or currency risk arising from these financial instruments.

Credit Risk

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.

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

17) APPROVAL OF FINANCIAL STATEMENTS

These financial statements were approved by Council and Management.

18) BUDGET AMOUNTS

The 2020 budget for the Town was approved by Council on April 14, 2020 and has been reported in the consolidated financial statements for information purposes only. These budget amounts have not been audited, reviewed, or otherwise verified.

The approved budget contained reserve transfers, capital additions and principal payments on debt as expenditures. Since these items are not included in the amounts reported in the consolidated financial statements, they have been excluded from the budget amounts presented in these financial statements.

	Budget surplus per financial statements	\$ 1,934,153
Less:	Capital expenses	(5,427,542)
	Long-term debt repayments	(483,144)
	Transfers to reserves	(716,270)
Add:	Amortization	1,699,578
	Transfers from reserves	193,225
	Proceeds from long-term debt	2,800,000
<hr/>		
Equals:	Balanced budget	\$ -

Town of Claresholm
Notes to Consolidated Financial Statements
For The Year Ended December 31, 2020

19) COMMITMENTS AND CONTINGENCIES

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

The Town has made a commitment to the Municipal District of Willow Creek to pay for one half of the costs for monitoring and maintenance of the Municipal District of Willow Creek's landfill for the next two years.

The Town has entered into agreements with the MD of Willow Creek #26 for the conveyance and supply of potable water as well as the conveyance and treatment of sanitary sewer for various properties on the outskirts of Claresholm, Claresholm Airport and the Hamlet of Granum. The agreement also includes providing the MD with certified operators for testing and maintenance services for these utilities.

20) SUBSEQUENT EVENTS

In March 2020, the World Health Organization declared a global pandemic due to the Novel Coronavirus (COVID-19). The situation is currently evolving, and the measures put in place are having multiple impacts on local, provincial, national and global economies.

The full impact of the COVID-19 outbreak continues to evolve throughout the world including Canada. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the impact on the organization will not be known with certainty for months to come.

Although the Town cannot estimate the length or gravity of the impact of the COVID-19 outbreak at this time, if the pandemic continues, it may have a material adverse effect on the organization's results of future operations, financial position and liquidity in fiscal year 2021.

21) CONTAMINATED SITES LIABILITY

The Town has adopted PS3260 liability for contaminated sites. The Town did not identify any financial liabilities in 2020 (2019 - nil) as a result of this standard.

22) SEGMENTED DISCLOSURE

The Town provides a range of services to its ratepayers. For each reporting segment, revenues and expenses represent both amounts that are directly attributable to the segment and amounts that are allocated on a reasonable basis. The accounting policies used in these segments are consistent with those followed in the preparation of the financial statements as disclosed in Note 1.

Refer to the Schedule of Segmented Disclosure (Schedule 6).

23) COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the financial statement presentation adopted in the current year.