

**TOWN OF MUNDARE**

**CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED**

**DECEMBER 31, 2019**



# TOWN OF MUNDARE

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## MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

Management of the Town of Mundare (the Municipality) 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 financial statements present fairly the municipality's financial position as at December 31, 2019 and the results of its operations for the year then ended.

The financial statements have been prepared in compliance with legislation, and in accordance with Canadian public sector accounting standards (PSAS).

The 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 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.

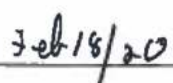
These systems are monitored and evaluated by management to ensure reliable financial information is available for preparation of the financial statements.

The council carried out its responsibilities for review of the financial statements principally through its oversight procedures. The council meets regularly with management and external auditors to discuss the results of the audit examination and other financial reporting matters.

The external auditors have full access to the council with and without the presence of management. The council has approved the financial statements.

The financial statements have been audited by JMD Group LLP Chartered Accountants, the independent external auditors appointed by the council. The accompanying Independent Auditor's Report outlines their responsibilities, the scope of the examination and their opinion on the municipality's financial statements.

  
\_\_\_\_\_  
Chief Administrative Officer

  
\_\_\_\_\_  
Date

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INDEPENDENT AUDITOR'S REPORT

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To the Members of Council:

*Opinion*

We have audited the consolidated financial statements of the Town of Mundare (the Municipality), which comprise the consolidated statement of financial position as at December 31, 2019, and the consolidated statements of operations, changes in net financial debt, and cash flows and schedules 1 to 6 for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

*Basis for Opinion*

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Municipality in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with those requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

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

In preparing the consolidated financial statements, management is responsible for assessing the Municipality's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless management either intends to liquidate the Municipality or to cease operations, or has no realistic alternative but to do so.

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



### *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements*

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

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

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

St. Paul, Alberta  
February 18, 2020

*JMD Group LLP*  
CHARTERED ACCOUNTANTS

**TOWN OF MUNDARE  
CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS AT DECEMBER 31, 2019**

	<u>2019</u>	<u>2018</u>
<b>Financial assets</b>		
Cash (note 2)	\$ 677,847	\$ 330,799
Taxes receivable (note 3)	241,945	243,011
Receivable from other governments	321,869	355,039
Trade and other receivables	65,145	58,040
Long-term investment (note 4)	--	10
Inventory of land held for resale	<u>9,164</u>	<u>9,164</u>
	<u>1,315,970</u>	<u>996,063</u>
<b>Liabilities</b>		
Accounts payable and accrued liabilities (note 5)	167,331	89,684
Deposit liabilities	6,427	13,627
Deferred revenue (note 6)	818,021	606,675
Long-term debt (note 7)	<u>1,265,885</u>	<u>1,342,036</u>
	<u>2,257,664</u>	<u>2,052,022</u>
<b>Net financial debt</b>	<u>(941,694)</u>	<u>(1,055,959)</u>
<b>Non-financial assets</b>		
Tangible capital assets (schedule 2)	10,970,492	11,476,000
Prepaid expenses	<u>11,514</u>	<u>15,556</u>
	<u>10,982,006</u>	<u>11,491,556</u>
<b>Accumulated surplus (schedule 1, note 9)</b>	<b>\$ <u>10,040,312</u></b>	<b>\$ <u>10,435,597</u></b>

Approved by:

  
\_\_\_\_\_  
Mayor

  
\_\_\_\_\_  
Chief Administrative Officer

**TOWN OF MUNDARE  
CONSOLIDATED STATEMENT OF OPERATIONS  
FOR THE YEAR ENDED DECEMBER 31, 2019**

	<u>Budget</u> (unaudited)	<u>2019</u>	<u>2018</u>
<b>Revenue</b>			
Net municipal taxes (schedule 3)	\$ 982,995	\$ 987,169	\$ 895,700
Sales and user fees	542,000	531,587	535,468
Government transfers for operations (schedule 4)	161,400	82,541	160,631
Investment income	3,500	3,812	5,493
Penalties and costs of taxes	63,000	53,449	64,921
Licenses and permits	7,300	3,943	10,763
Police fines issued	8,500	7,964	8,653
Franchise and concession contracts	100,000	102,594	97,152
Rentals and leases	33,900	36,672	42,341
Fundraising/donations/insurance	--	--	198,900
Local improvement charges	<u>5,150</u>	<u>5,183</u>	<u>5,183</u>
	<u>1,907,745</u>	<u>1,814,914</u>	<u>2,025,205</u>
<b>Expenses</b>			
Legislative	53,700	52,572	52,209
Administration	424,121	438,181	408,313
Protective services	53,500	51,230	250,893
Roads, streets, walks, lighting	844,121	843,569	866,241
Water and wastewater	447,917	473,135	541,370
Waste management	156,000	157,801	148,577
Municipal planning, community and economic development	27,000	14,140	56,015
Recreation and culture	<u>282,878</u>	<u>284,461</u>	<u>269,071</u>
	<u>2,289,237</u>	<u>2,315,089</u>	<u>2,592,689</u>
<b>Shortfall of revenues over expenses before other</b>	<u>(381,492)</u>	<u>(500,175)</u>	<u>(567,484)</u>
<b>Other</b>			
Government transfers for capital (schedule 4)	260,000	104,890	121,218
Loss on disposal of tangible capital assets	<u>--</u>	<u>--</u>	<u>(2,163)</u>
	<u>260,000</u>	<u>104,890</u>	<u>119,055</u>
<b>Deficiency of revenues over expenses</b>	<b>(121,492)</b>	<b>(395,285)</b>	<b>(448,429)</b>
<b>Accumulated surplus, beginning of year</b>	<u>10,435,597</u>	<u>10,435,597</u>	<u>10,884,026</u>
<b>Accumulated surplus, end of year</b>	<b>\$ <u>10,314,105</u></b>	<b>\$ <u>10,040,312</u></b>	<b>\$ <u>10,435,597</u></b>



**TOWN OF MUNDARE**  
**CONSOLIDATED STATEMENT OF CHANGES IN NET FINANCIAL DEBT**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

	<u>Budget</u> (unaudited)	<u>2019</u>	<u>2018</u>
<b>Deficiency of revenues over expenses</b>	\$ <u>(121,492)</u>	\$ <u>(395,285)</u>	\$ <u>(448,429)</u>
Acquisition of tangible capital assets	(340,000)	(56,036)	(180,392)
Amortization of tangible capital assets	572,712	561,544	556,124
Loss on disposal of tangible capital assets	<u>—</u>	<u>—</u>	<u>2,163</u>
	<u>232,712</u>	<u>505,508</u>	<u>377,895</u>
Acquisition of prepaid assets	(12,000)	(11,514)	(15,556)
Use of prepaid assets	<u>15,556</u>	<u>15,556</u>	<u>4,119</u>
	<u>3,556</u>	<u>4,042</u>	<u>(11,437)</u>
<b>Decrease (increase) in net financial debt</b>	<b>114,776</b>	<b>114,265</b>	<b>(81,971)</b>
<b>Net financial debt, beginning of year</b>	<b>(1,055,959)</b>	<b>(1,055,959)</b>	<b>(973,988)</b>
<b>Net financial debt, end of year</b>	<b>\$ <u>(941,183)</u></b>	<b>\$ <u>(941,694)</u></b>	<b>\$ <u>(1,055,959)</u></b>

**TOWN OF MUNDARE  
CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2019**

	<u>2019</u>	<u>2018</u>
<b>Net inflow (outflow) of cash related to the following activities:</b>		
<b>Operating</b>		
Deficiency of revenues over expenses	\$ (395,285)	\$ (448,429)
Non-cash items included		
Amortization of tangible capital assets	561,544	556,124
Loss on disposal of tangible capital assets	--	2,163
Non-cash charges to operations (net change):		
Decrease (increase) in		
Taxes receivable	1,066	13,185
Receivables from other governments	33,170	(349,065)
Trade and other receivables	(7,105)	3,387
Prepaid expenses	4,042	(11,437)
Increase (decrease) in		
Accounts payable and accrued liabilities	77,647	8,931
Deposit liabilities	(7,200)	(6,100)
Deferred revenue	<u>211,346</u>	<u>176,809</u>
	<u>479,225</u>	<u>(54,432)</u>
<b>Capital</b>		
Acquisition of tangible capital assets	<u>(56,036)</u>	<u>(180,392)</u>
<b>Investing</b>		
Decrease (increase) in restricted cash	(230,376)	--
Redemption of ACFA share	<u>10</u>	<u>--</u>
	<u>(230,366)</u>	<u>--</u>
<b>Financing</b>		
Long-term debt repaid	<u>(76,151)</u>	<u>(72,728)</u>
<b>Change in cash during the year</b>	116,672	(307,552)
<b>Cash, beginning of year</b>	<u>330,799</u>	<u>638,351</u>
<b>Cash, end of year</b>	\$ <u>447,471</u>	\$ <u>330,799</u>
Cash is made up of:		
Cash (note 2)	\$ 677,847	\$ 330,799
Less restricted portion	<u>(230,376)</u>	<u>--</u>
	\$ <u>447,471</u>	\$ <u>330,799</u>



**TOWN OF MUNDARE  
SCHEDULE 1 - CHANGES IN ACCUMULATED SURPLUS  
FOR THE YEAR ENDED DECEMBER 31, 2019**

	2019	2018
Unrestricted Surplus	\$ 62,476	\$ 239,157
Restricted Surplus	\$ 10,133,964	\$ 10,435,597
Equity in Tangible Capital Assets	\$ 9,704,607	\$ 10,040,312
	<u>\$ 234,057</u>	<u>\$ 10,435,597</u>
Balance, beginning of year	\$ 101,648	\$ 101,648
Deficiency of revenues over expenses	(395,285)	(395,285)
Restricted funds used for operations	5,100	(5,100)
Current year funds used for tangible capital assets	(56,036)	56,036
Annual amortization expense	561,544	(561,544)
Long-term debt repaid	(76,151)	76,151
Change in accumulated surplus	<u>39,172</u>	<u>(5,100)</u>
Balance, end of year	<u>\$ 101,648</u>	<u>\$ 234,057</u>



**TOWN OF MUNDARE  
SCHEDULE 3 – PROPERTY TAXES LEVIED  
FOR THE YEAR ENDED DECEMBER 31, 2019**

	<u>Budget</u> (unaudited)	<u>2019</u> <u>Actual</u>	<u>2018</u> <u>Actual</u>
<b>Taxation</b>			
Residential land and improvements	\$ 1,065,000	\$ 1,061,344	\$ 989,200
Commercial property	<u>225,140</u>	<u>226,481</u>	<u>212,487</u>
	<u>1,290,140</u>	<u>1,287,825</u>	<u>1,201,687</u>
<b>Requisitions</b>			
Alberta School Foundation	267,000	260,929	269,346
County of Lamont Foundation	40,000	39,584	36,579
Designated Industrial Property	<u>145</u>	<u>143</u>	<u>62</u>
	<u>307,145</u>	<u>300,656</u>	<u>305,987</u>
<b>Net taxes for general municipal operations</b>	<b>\$ <u>982,995</u></b>	<b>\$ <u>987,169</u></b>	<b>\$ <u>895,700</u></b>

**SCHEDULE 4 – GOVERNMENT TRANSFERS**

<b>Transfers for operations</b>			
Federal	\$ 1,500	\$ 3,080	\$ 1,500
Provincial	126,900	46,162	125,832
Other local governments	<u>33,000</u>	<u>33,299</u>	<u>33,299</u>
	161,400	82,541	160,631
<b>Transfers for capital</b>			
Provincial	<u>260,000</u>	<u>104,890</u>	<u>121,218</u>
<b>Total government transfers</b>	<b>\$ <u>421,400</u></b>	<b>\$ <u>187,431</u></b>	<b>\$ <u>281,849</u></b>

**SCHEDULE 5 – CONSOLIDATED EXPENSES BY OBJECT**

<b>Expenses</b>			
Salaries, wages and benefits	\$ 458,800	\$ 424,272	\$ 428,748
Contracted and general services	604,000	635,192	735,765
Purchases from other governments	159,000	147,472	155,569
Materials, goods, supplies and utilities	285,525	299,282	280,587
Provision for allowances and bad debts	500	37,226	34,755
Transfers to local boards and organizations	64,000	66,769	264,157
Bank charges and short-term interest	1,500	2,378	1,309
Interest on long-term debt	62,100	61,330	64,809
Shared cost agreement	50,000	49,440	46,650
Other expenses	31,100	30,184	24,216
Amortization of tangible capital assets	<u>572,712</u>	<u>561,544</u>	<u>556,124</u>
<b>Total expenses</b>	<b>\$ <u>2,289,237</u></b>	<b>\$ <u>2,315,089</u></b>	<b>\$ <u>2,592,689</u></b>

**TOWN OF MUNDARE**  
**SCHEDULE 6 - SEGMENTED DISCLOSURE**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

	General Government	Protective Services	Transportation Services	Environmental Services	Planning and Development	Recreation and Culture	Total
<b>Revenue</b>							
Net municipal taxes	\$ 987,169	\$ --	\$ --	\$ --	\$ --	\$ --	\$ 987,169
Government transfers	1,100	--	94,954	48,855	--	42,522	187,431
User fees and sales of goods	7,757	6,060	245	501,959	--	15,566	531,587
Investment income	3,812	--	--	--	--	--	3,812
Other revenues	<u>167,514</u>	<u>9,724</u>	<u>--</u>	<u>5,183</u>	<u>2,183</u>	<u>25,201</u>	<u>209,805</u>
<b>Expenses</b>							
Salaries, wages and benefits	239,614	--	106,991	43,651	--	34,016	424,272
Contracted and general services	129,803	38,755	129,921	220,138	14,140	102,435	635,192
Materials, goods, supplies and utilities	23,381	8,623	157,224	205,470	--	52,056	446,754
Transfers to others	7,768	--	--	49,440	--	59,001	116,209
Interest on long-term debt	--	--	51,430	9,900	--	--	61,330
Other expenses	<u>68,517</u>	<u>--</u>	<u>--</u>	<u>1,271</u>	<u>--</u>	<u>--</u>	<u>69,788</u>
Net revenue before amortization	<u>469,083</u>	<u>47,378</u>	<u>445,566</u>	<u>529,870</u>	<u>14,140</u>	<u>247,508</u>	<u>1,753,545</u>
Amortization expense	(21,670)	(3,852)	(398,003)	(101,066)	--	(36,953)	(561,544)
<b>Net revenue</b>	<b>\$ 676,599</b>	<b>\$ (35,446)</b>	<b>\$ (748,370)</b>	<b>\$ (74,939)</b>	<b>\$ (11,957)</b>	<b>\$ (201,172)</b>	<b>\$ (395,285)</b>



**TOWN OF MUNDARE**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

**1. Significant Accounting Policies**

The consolidated financial statements of the Town of Mundare are the representations of management prepared in accordance with Canadian generally accepted accounting principles for local governments established by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants. Significant aspects of the accounting policies adopted by the town are as follows:

(a) Reporting Entity

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

The schedule of taxes levied also includes requisitions for education and other external organizations that are not part of the municipal reporting entity.

The 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 public sector accounting standards requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses 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.

**TOWN OF MUNDARE**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

**1. Significant Accounting Policies - continued**

(d) Cash

Cash is defined as petty cash, and cash in chequing and savings accounts.

(e) Investments

Investments are recorded at amortized cost. When there has been a loss in value that is other than a temporary decline, the respective investment is written down to recognize the loss.

(f) Inventory of Land Held for Resale

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

(g) Requisition Over-levy and Under-levy

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

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

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

(h) 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.

(i) Tax Revenue

Tax revenues 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.

**TOWN OF MUNDARE**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

**1. Significant Accounting Policies – continued**

(j) Non-Financial Assets

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the normal course of operations. The change in non-financial assets during the year, together with the excess of revenues over expenses, provides the consolidated change in net financial 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 asset. The costs, less residual value, of the tangible capital assets are amortized on a straight-line basis over their estimated useful lives as follows:

	<u>Years</u>
Buildings	50
Engineered structures	
Roadway system	20-30
Wastewater system	45-75
Water system	25-75
Lighting	50
Machinery and equipment	10-30
Vehicles	5-15
Land improvements	20-30

No amortization is charged in the year of acquisition. 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 of ownership 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.

(k) 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.



**TOWN OF MUNDARE**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

<b>2. Cash</b>		<u>2019</u>	<u>2018</u>
Cash	\$ 443	\$ 100	
Credit Union current account	116,435	(33,932)	
High yield savings	553,794	364,484	
Trust account	7,022	--	
Credit Union shares	<u>153</u>	<u>147</u>	
	<u>\$ 677,847</u>	<u>\$ 330,799</u>	

The town has a prime plus 1% authorized revolving loan limit of \$100,000 with the Servus Credit Union. No balance was outstanding as at December 31, 2019.

Council has designated \$234,057 (2018 - \$239,157) to fund the reserves.

Included in cash is a restricted amount of \$230,376 (2018 - \$NIL) comprised of deferred revenue received and not expended (see Note 6).

<b>3. Taxes Receivable</b>		<u>2019</u>	<u>2018</u>
Taxes receivable			
Current	\$ 142,380	\$ 151,826	
Arrears	<u>234,000</u>	<u>190,620</u>	
	376,380	342,446	
Less: allowance for doubtful accounts	<u>(134,435)</u>	<u>(99,435)</u>	
	<u>\$ 241,945</u>	<u>\$ 243,011</u>	

<b>4. Long-Term Investment</b>		<u>2019</u>	<u>2018</u>
ACFA share	\$ --	\$ <u>10</u>	

**5. Employee Benefit Obligation**

Included in accounts payable and accrued liabilities is a vacation and overtime liability of \$9,345 (2018 - \$10,716). The vacation and overtime liability is comprised of the vacation and overtime that employees have earned and are entitled to within the next budgetary year.



**TOWN OF MUNDARE**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

<b>6. Deferred Revenue</b>	<u>2019</u>	<u>2018</u>
Offsite levies	\$ 263,000	\$ 263,000
MSI - Capital	462,697	333,466
Gas Tax Fund	81,873	--
Communities in bloom	9,411	9,409
Other revenue	<u>1,040</u>	<u>800</u>
	<u>\$ 818,021</u>	<u>\$ 606,675</u>

Funding in the amount of \$428,308 was received in the current year from various federal and provincial government programs and local governments. The use of these funds is restricted to eligible operating and capital projects as approved under the funding agreements. Unexpended funds related to these advances are supported by funds in the savings account of \$230,376.

<b>7. Long-Term Debt</b>	<u>2019</u>	<u>2018</u>
Tax supported debentures	\$ 1,131,717	\$ 1,189,275
Self-supported debentures	55,277	57,758
Tax supported Credit Union loans	<u>78,891</u>	<u>95,003</u>
	<u>\$ 1,265,885</u>	<u>\$ 1,342,036</u>

Principal and interest repayments for each of the next five years and to maturity are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 79,714	\$ 58,534	\$ 138,248
2021	83,493	54,755	138,248
2022	87,455	50,793	138,248
2023	81,317	46,640	127,957
2024	73,665	43,027	116,692
Thereafter	<u>860,241</u>	<u>229,972</u>	<u>1,090,213</u>
	<u>\$ 1,265,885</u>	<u>\$ 483,721</u>	<u>\$ 1,749,606</u>

Debenture debt is repayable to Alberta Capital Finance Authority and bears interest at rates ranging from 4.2681% to 6.125% per annum and matures in periods 2022 through 2035. The average annual interest rate is 4.7% (4.7% for 2018).

The Credit Union loans bear interest at rates ranging from 3.65% to 4.1% per annum and are up for renewal in December 2021.

Long-term debt is issued on the credit and security of the town at large.

Interest on long-term debt amounted to \$61,330 (2018 - \$64,809).

The town's cash payments for interest in 2019 were \$62,096 (2018 - \$65,520).

**TOWN OF MUNDARE**  
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**8. 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 of Mundare be disclosed as follows:

	<u>2019</u>	<u>2018</u>
Total debt limit	\$ 2,722,371	\$ 3,037,807
Total debt	<u>(1,265,885)</u>	<u>(1,342,036)</u>
Debt limit remaining	\$ <u>1,456,486</u>	\$ <u>1,695,771</u>
Debt servicing limit	\$ 453,729	\$ 506,301
Debt servicing	<u>(138,248)</u>	<u>(138,248)</u>
Debt servicing limit remaining	\$ <u>315,481</u>	\$ <u>368,053</u>

The debt limit is calculated at 1.5 times revenue of the municipality (as defined in Alberta Regulation 255/00) and the debt service limit is calculated at 0.25 times such revenue. Incurring debt beyond these limitations requires approval by the Minister of Municipal Affairs. These thresholds are guidelines used by Alberta Municipal Affairs to identify municipalities that could be at financial risk if further debt is acquired. The calculation taken alone does not represent the financial stability of the municipality. Rather, the financial statements must be interpreted as a whole.

**9. Accumulated Surplus**

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

	<u>2019</u>	<u>2018</u>
Unrestricted surplus	\$ 101,648	\$ 62,476
Restricted surplus		
General capital	112,083	112,083
Fire	34,000	34,000
Common services	174	174
Streets	5,000	5,000
Water	41,000	38,000
Garbage	1,400	1,400
Development	12,900	21,000
Parks and recreation	14,500	14,500
Ukraina Park	13,000	13,000
Equity in tangible capital assets (note 10)	<u>9,704,607</u>	<u>10,133,964</u>
	<u>\$ 10,040,312</u>	<u>\$ 10,435,597</u>

**TOWN OF MUNDARE**  
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<b>10. Equity in Tangible Capital Assets</b>	<u>2019</u>	<u>2018</u>
Tangible capital assets (schedule 2)	\$ 18,137,487	\$ 18,081,451
Accumulated amortization (schedule 2)	(7,166,995)	(6,605,451)
Long-term debt (note 7)	<u>(1,265,885)</u>	<u>(1,342,036)</u>
	<u>\$ 9,704,607</u>	<u>\$ 10,133,964</u>

**11. Segmented Disclosure**

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

Refer to Schedule 6 – Segmented Disclosure.

**12. Salary and Benefits Disclosure**

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

	2019			2018
	Salary <sup>(1)</sup>	Benefits & Allowances <sup>(2)</sup>	Total	Total
<b>Council</b>				
Saric	\$ 8,772	\$ 284	\$ 9,056	\$ 8,681
Burghardt	9,609	341	9,950	8,639
Talaga	9,642	--	9,642	10,292
Kowal	7,989	259	8,248	7,900
Caliniou	9,752	334	10,086	10,328
<b>Chief Administrative Officer</b>				
Colin Zyla	81,661	7,347	89,008	85,721
<b>Designated Officer (contract)</b>	13,200	--	13,200	8,800

<sup>(1)</sup> Salary includes regular base pay, bonuses, overtime, lump sum payments, gross honoraria and any other direct cash remuneration.

<sup>(2)</sup> Employer's share of all employee benefits and contributions or payments made on behalf of employees including RRSP, health care, dental coverage, group life insurance, accidental disability and dismemberment insurance, long and short-term disability plans.

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**13. Commitments**

The town is committed to making quarterly payments of \$2,204 until March 2022 under a photocopier lease.

The town is committed to making annual rental payments of \$1,200 until 2020 for the Ukraina Park.

**14. Contaminated Sites Liability**

The village has adopted PS3260 Liability for Contaminated Sites. The village did not identify any financial liabilities in 2019 (2018 – nil) as a result of this standard.

**15. Financial Instruments**

The town's financial instruments consist of cash and temporary investments, receivables, long-term investments, accounts payable and accrued liabilities, deposit liabilities and long-term debt. It is management's opinion that the town is not exposed to significant currency risk arising from these financial instruments.

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.

The town is subject to interest rate risk with respect to its long-term debt. Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates.

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

**16. Approval of Financial Statements**

Council and Management have approved these financial statements.

**17. Budget Amounts**

Budget amounts are included for information purposes only and are not audited.



**TOWN OF MUNDARE**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

**18. Recent Accounting Pronouncements Published But Not Yet Adopted**

- (a) PSAS Section 1201, Financial Statement Presentation  
Revised standard is effective beginning on or after April 1, 2021, when sections PS2601 and PS3450 are adopted.
- (b) PSAS Section 2601, Foreign Currency Transaction  
PS2601 establishes standards on how to account for and report transactions that are denominated in foreign currency in government financial statements. It applies to years beginning on or after April 1, 2021.
- (c) PSAS Section 3041, Portfolio Investments  
This standard addresses the distinction between temporary and portfolio investments. The standard is effective beginning on or after April 1, 2021, when sections PS1201, PS2601 and PS3450 are adopted.
- (d) PSAS Section 3280, Asset Retirement Obligations  
This standard is intended to provide guidance on accounting for asset retirement obligations and will apply in years beginning on or after April 1, 2021.
- (e) PSAS Section 3400, Revenue  
This standard will provide greater clarity on the difference between exchange and non-exchange transactions. It applies in years beginning on or after April 1, 2022.
- (f) PSAS Section 3450, Financial Instruments  
This standard establishes recognition, measurement and disclosure requirements for derivative and non- derivative financial instruments. It applies to years beginning on or after April 1, 2021.

