

TOWN OF MUNDARE

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED

DECEMBER 31, 2020



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, 2020 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 Professional 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



JMD Group LLP

CHARTERED PROFESSIONAL ACCOUNTANTS

Maurice R. Joly, CPA, CA, CFP*
Barbara K. M^CCarthy, CPA, CA*
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INDEPENDENT AUDITOR'S REPORT

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, 2020, 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, 2020, 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 16, 2021


Chartered Professional Accountants


**TOWN OF MUNDARE
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2020**

	<u>2020</u>	<u>2019</u>
Financial assets		
Cash (note 2)	\$ 967,504	\$ 677,847
Taxes receivable (note 3)	293,081	241,945
Receivable from other governments	101,919	321,869
Trade and other receivables	75,945	65,145
Inventory of land held for resale	<u>9,164</u>	<u>9,164</u>
	<u>1,447,613</u>	<u>1,315,970</u>
Liabilities		
Accounts payable and accrued liabilities (note 4)	323,197	167,331
Deposit liabilities	5,627	6,427
Deferred revenue (note 5)	727,839	818,021
Long-term debt (note 6)	<u>1,443,392</u>	<u>1,265,885</u>
	<u>2,500,055</u>	<u>2,257,664</u>
Net financial debt	<u>(1,052,442)</u>	<u>(941,694)</u>
Non-financial assets		
Tangible capital assets (schedule 2)	11,759,249	10,970,492
Prepaid expenses	<u>16,176</u>	<u>11,514</u>
	<u>11,775,425</u>	<u>10,982,006</u>
Accumulated surplus (schedule 1, note 8)	\$ <u>10,722,983</u>	\$ <u>10,040,312</u>

Approved by:



Mayor



Chief Administrative Officer

**TOWN OF MUNDARE
CONSOLIDATED STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2020**

	Budget (unaudited)	2020	2019
Revenue			
Net municipal taxes (schedule 3)	\$ 982,000	\$ 983,225	\$ 987,169
Sales and user fees	550,500	553,890	531,587
Government transfers for operations (schedule 4)	119,300	143,226	82,541
Investment income	3,500	2,756	3,812
Penalties and costs of taxes	53,000	47,819	53,449
Licenses and permits	3,800	7,978	3,943
Police fines issued	8,500	4,454	7,964
Franchise and concession contracts	100,000	105,375	102,594
Rentals and leases	12,800	22,982	36,672
Fundraising/donations/insurance	--	300	--
Local improvement charges	<u>5,150</u>	<u>5,183</u>	<u>5,183</u>
	<u>1,838,550</u>	<u>1,877,188</u>	<u>1,814,914</u>
Expenses			
Legislative	53,700	41,803	52,572
Administration	393,325	376,610	438,181
Protective services	64,800	62,072	51,230
Roads, streets, walks, lighting	834,750	863,847	843,569
Water and wastewater	464,419	394,803	473,135
Waste management	165,100	146,267	157,801
Municipal planning, community and economic development	17,000	11,637	14,140
Recreation and culture	<u>275,005</u>	<u>212,796</u>	<u>284,461</u>
	<u>2,268,099</u>	<u>2,109,835</u>	<u>2,315,089</u>
Shortfall of revenues over expenses before other	<u>(429,549)</u>	<u>(232,647)</u>	<u>(500,175)</u>
Other			
Government transfers for capital (schedule 4)	409,000	922,288	104,890
Loss on disposal of tangible capital assets	<u>--</u>	<u>(6,970)</u>	<u>--</u>
	<u>409,000</u>	<u>915,318</u>	<u>104,890</u>
Excess (deficiency) of revenues over expenses	(20,549)	682,671	(395,285)
Accumulated surplus, beginning of year	<u>10,040,312</u>	<u>10,040,312</u>	<u>10,435,597</u>
Accumulated surplus, end of year	\$ <u>10,019,763</u>	\$ <u>10,722,983</u>	\$ <u>10,040,312</u>

TOWN OF MUNDARE
CONSOLIDATED STATEMENT OF CHANGES IN NET FINANCIAL DEBT
FOR THE YEAR ENDED DECEMBER 31, 2020

	<u>Budget</u> (unaudited)	<u>2020</u>	<u>2019</u>
Excess (deficiency) of revenues over expenses	\$ <u>(20,549)</u>	\$ <u>682,671</u>	\$ <u>(395,285)</u>
Acquisition of tangible capital assets	(825,000)	(1,358,764)	(56,036)
Amortization of tangible capital assets	574,649	563,037	561,544
Loss on disposal of tangible capital assets	<u>--</u>	<u>6,970</u>	<u>--</u>
	<u>(250,351)</u>	<u>(788,757)</u>	<u>505,508</u>
Acquisition of prepaid assets	(11,514)	(16,176)	(11,514)
Use of prepaid assets	<u>11,514</u>	<u>11,514</u>	<u>15,556</u>
	<u>--</u>	<u>(4,662)</u>	<u>4,042</u>
Decrease (increase) in net financial debt	(270,900)	(110,748)	114,265
Net financial debt, beginning of year	<u>(941,694)</u>	<u>(941,694)</u>	<u>(1,055,959)</u>
Net financial debt, end of year	\$ <u>(1,212,594)</u>	\$ <u>(1,052,442)</u>	\$ <u>(941,694)</u>

**TOWN OF MUNDARE
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2020**

	<u>2020</u>	<u>2019</u>
Net inflow (outflow) of cash related to the following activities:		
Operating		
Excess (deficiency) of revenues over expenses	\$ 682,671	\$ (395,285)
Non-cash items included		
Amortization of tangible capital assets	563,037	561,544
Loss on disposal of tangible capital assets	6,970	--
Non-cash charges to operations (net change):		
Decrease (increase) in		
Taxes receivable	(51,136)	1,066
Receivables from other governments	219,950	33,170
Trade and other receivables	(10,800)	(7,105)
Prepaid expenses	(4,662)	4,042
Increase (decrease) in		
Accounts payable and accrued liabilities	155,866	77,647
Deposit liabilities	(800)	(7,200)
Deferred revenue	<u>(90,182)</u>	<u>211,346</u>
	<u>1,470,914</u>	<u>479,225</u>
Capital		
Acquisition of tangible capital assets	(1,358,764)	(56,036)
Investing		
Increase in restricted cash	(226,398)	(230,376)
Redemption of ACFA share	<u>--</u>	<u>10</u>
	<u>(226,398)</u>	<u>(230,366)</u>
Financing		
Long-term debt issued	257,250	--
Long-term debt repaid	<u>(79,743)</u>	<u>(76,151)</u>
	<u>177,507</u>	<u>(76,151)</u>
Change in cash during the year	63,259	116,672
Cash, beginning of year	<u>447,471</u>	<u>330,799</u>
Cash, end of year	\$ <u>510,730</u>	\$ <u>447,471</u>
 Cash is made up of:		
Cash (note 2)	\$ 967,504	\$ 677,847
Less restricted portion	<u>(456,774)</u>	<u>(230,376)</u>
	\$ <u>510,730</u>	\$ <u>447,471</u>

TOWN OF MUNDARE
SCHEDULE 1 – CHANGES IN ACCUMULATED SURPLUS
FOR THE YEAR ENDED DECEMBER 31, 2020

	Unrestricted Surplus	Restricted Surplus	Equity in Tangible Capital Assets	2020	2019
Balance, beginning of year	\$ <u>101,648</u>	\$ <u>234,057</u>	\$ <u>9,704,607</u>	\$ <u>10,040,312</u>	\$ <u>10,435,597</u>
Excess (deficiency) of revenues over expenses	682,671	--	--	682,671	(395,285)
Funds designated for future use	(72,216)	72,216	--	--	--
Current year funds used for tangible capital assets	(1,101,514)	--	1,101,514	--	--
Disposal of tangible capital assets	6,970	--	(6,970)	--	--
Annual amortization expense	563,037	--	(563,037)	--	--
Long-term debt repaid	<u>(79,743)</u>	<u> </u>	<u>79,743</u>	<u> </u>	<u> </u>
Change in accumulated surplus	<u>(795)</u>	<u>72,216</u>	<u>611,250</u>	<u>682,671</u>	<u>(395,285)</u>
Balance, end of year	\$ <u><u>100,853</u></u>	\$ <u><u>306,273</u></u>	\$ <u><u>10,315,857</u></u>	\$ <u><u>10,722,983</u></u>	\$ <u><u>10,040,312</u></u>

TOWN OF MUNDARE
SCHEDULE 2 – TANGIBLE CAPITAL ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2020

	<u>Land</u>	<u>Land Improvements</u>	<u>Buildings</u>	<u>Engineered Structures</u>	<u>Machinery & Equipment</u>	<u>Vehicles</u>	<u>2020</u>	<u>2019</u>
Cost								
Balance, beginning of year	\$ 52,577	\$ 563,134	\$ 1,254,417	\$ 15,364,433	\$ 770,487	\$ 132,439	\$ 18,137,487	\$ 18,081,451
Acquisition of tangible capital assets	--	--	--	716,135	--	--	716,135	56,036
Construction in progress	--	--	--	642,629	--	--	642,629	--
Disposal of tangible capital assets	--	--	--	(46,214)	--	--	(46,214)	--
Balance, end of year	<u>52,577</u>	<u>563,134</u>	<u>1,254,417</u>	<u>16,676,983</u>	<u>770,487</u>	<u>132,439</u>	<u>19,450,037</u>	<u>18,137,487</u>
Accumulated amortization								
Balance, beginning of year	--	241,380	667,595	5,863,920	312,893	81,207	7,166,995	6,605,451
Annual amortization	--	25,419	26,748	437,315	64,976	8,579	563,037	561,544
Accumulated amortization on disposals	--	--	--	(39,244)	--	--	(39,244)	--
Balance, end of year	<u>--</u>	<u>266,799</u>	<u>694,343</u>	<u>6,261,991</u>	<u>377,869</u>	<u>89,786</u>	<u>7,690,788</u>	<u>7,166,995</u>
Net book value of tangible capital assets	<u>\$ 52,577</u>	<u>\$ 296,335</u>	<u>\$ 560,074</u>	<u>\$ 10,414,992</u>	<u>\$ 392,618</u>	<u>\$ 42,653</u>	<u>\$ 11,759,249</u>	<u>\$ 10,970,492</u>
2019 Net book value of tangible capital assets	<u>\$ 52,577</u>	<u>\$ 321,754</u>	<u>\$ 586,822</u>	<u>\$ 9,500,513</u>	<u>\$ 457,594</u>	<u>\$ 51,232</u>	<u>\$ 10,970,492</u>	

TOWN OF MUNDARE
SCHEDULE 3 – PROPERTY TAXES LEVIED
FOR THE YEAR ENDED DECEMBER 31, 2020

	<u>Budget</u> (unaudited)	<u>2020</u> <u>Actual</u>	<u>2019</u> <u>Actual</u>
Taxation			
Residential land and improvements	\$ 1,056,000	\$ 1,059,580	\$ 1,061,344
Commercial property	<u>225,000</u>	<u>227,335</u>	<u>226,481</u>
	<u>1,281,000</u>	<u>1,286,915</u>	<u>1,287,825</u>
Requisitions			
Alberta School Foundation	261,000	266,168	260,929
County of Lamont Foundation	38,000	37,522	39,584
Designated Industrial Property	<u>--</u>	<u>--</u>	<u>143</u>
	<u>299,000</u>	<u>303,690</u>	<u>300,656</u>
Net taxes for general municipal operations	\$ <u>982,000</u>	\$ <u>983,225</u>	\$ <u>987,169</u>

SCHEDULE 4 – GOVERNMENT TRANSFERS

Transfers for operations			
Federal	\$ 9,000	\$ 4,080	\$ 3,080
Provincial	77,300	105,847	46,162
Other local governments	<u>33,000</u>	<u>33,299</u>	<u>33,299</u>
	119,300	143,226	82,541
Transfers for capital			
Provincial	<u>409,000</u>	<u>922,288</u>	<u>104,890</u>
Total government transfers	\$ <u>528,300</u>	\$ <u>1,065,514</u>	\$ <u>187,431</u>

SCHEDULE 5 – CONSOLIDATED EXPENSES BY OBJECT

Expenses			
Salaries, wages and benefits	\$ 471,800	\$ 413,649	\$ 424,272
Contracted and general services	582,500	535,035	635,192
Purchases from other governments	166,900	157,487	147,472
Materials, goods, supplies and utilities	269,450	237,780	299,282
Provision for allowances and bad debts	1,500	3,376	37,226
Transfers to local boards and organizations	67,700	65,919	66,769
Bank charges and short-term interest	2,400	2,778	2,378
Interest on long-term debt	58,600	59,121	61,330
Shared cost agreement	52,000	50,766	49,440
Other expenses	20,600	20,887	30,184
Amortization of tangible capital assets	<u>574,649</u>	<u>563,037</u>	<u>561,544</u>
Total expenses	\$ <u>2,268,099</u>	\$ <u>2,109,835</u>	\$ <u>2,315,089</u>

TOWN OF MUNDARE
SCHEDULE 6 – SEGMENTED DISCLOSURE
FOR THE YEAR ENDED DECEMBER 31, 2020

	<u>General Government</u>	<u>Protective Services</u>	<u>Transportation Services</u>	<u>Environmental Services</u>	<u>Planning and Development</u>	<u>Recreation and Culture</u>	<u>Total</u>
Revenue							
Net municipal taxes	\$ 983,225	\$ --	\$ --	\$ --	\$ --	\$ --	\$ 983,225
Government transfers	7,817	--	397,670	589,893	--	70,133	1,065,514
User fees and sales of goods	5,871	7,910	1,643	529,186	--	9,281	553,890
Investment income	2,756	--	--	--	--	--	2,756
Other revenues	<u>164,566</u>	<u>6,644</u>	<u>--</u>	<u>5,183</u>	<u>5,788</u>	<u>11,910</u>	<u>194,091</u>
	<u>1,164,235</u>	<u>14,554</u>	<u>399,313</u>	<u>1,124,262</u>	<u>5,788</u>	<u>91,324</u>	<u>2,799,476</u>
Expenses							
Salaries, wages and benefits	238,919	--	103,839	29,590	--	41,301	413,649
Contracted and general services	100,051	47,774	173,203	177,787	11,637	41,609	552,001
Materials, goods, supplies and utilities	24,236	10,446	137,240	171,537	--	34,783	378,242
Transfers to others	7,768	--	--	50,766	--	58,150	116,684
Interest on long-term debt	--	--	50,069	9,052	--	--	59,121
Other expenses	<u>25,769</u>	<u>--</u>	<u>--</u>	<u>8,242</u>	<u>--</u>	<u>--</u>	<u>34,011</u>
	<u>396,743</u>	<u>58,220</u>	<u>464,351</u>	<u>446,974</u>	<u>11,637</u>	<u>175,843</u>	<u>1,553,768</u>
Net revenue before amortization	767,492	(43,666)	(65,038)	677,288	(5,849)	(84,519)	1,245,708
Amortization expense	<u>(21,670)</u>	<u>(3,852)</u>	<u>(399,496)</u>	<u>(101,066)</u>	<u>--</u>	<u>(36,953)</u>	<u>(563,037)</u>
Net revenue	<u>\$ 745,822</u>	<u>\$ (47,518)</u>	<u>\$ (464,534)</u>	<u>\$ 576,222</u>	<u>\$ (5,849)</u>	<u>\$ (121,472)</u>	<u>\$ 682,671</u>

TOWN OF MUNDARE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

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, 2020

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, 2020

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, 2020

2. Cash	<u>2020</u>	<u>2019</u>
Cash	\$ 541	\$ 443
Credit Union current account	52,771	116,435
Savings accounts	907,000	553,794
Trust account	7,034	7,022
Credit Union shares	<u>158</u>	<u>153</u>
	<u>\$ 967,504</u>	<u>\$ 677,847</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, 2020.

Council has designated \$306,273 (2019 - \$234,057) to fund the reserves.

Included in cash is a restricted amount of \$456,774 (2019 - \$230,376) comprised of deferred grant revenue received and not expended (see Note 5).

3. Taxes Receivable	<u>2020</u>	<u>2019</u>
Taxes receivable		
Current	\$ 137,510	\$ 142,380
Arrears	<u>290,006</u>	<u>234,000</u>
	427,516	376,380
Less: allowance for doubtful accounts	<u>(134,435)</u>	<u>(134,435)</u>
	<u>\$ 293,081</u>	<u>\$ 241,945</u>

4. Employee Benefit Obligation

Included in accounts payable and accrued liabilities is a vacation and overtime liability of \$8,805 (2019 - \$9,345). 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, 2020

5. Deferred Revenue	<u>2020</u>	<u>2019</u>
Offsite levies	\$ 263,000	\$ 263,000
MSI - Capital	382,581	462,697
Gas Tax Fund	18,773	81,873
MOST – Operating support	55,420	--
Communities in bloom	6,785	9,411
Other revenue	<u>1,280</u>	<u>1,040</u>
	\$ <u>727,839</u>	\$ <u>818,021</u>

Funding in the amount of \$456,774 was received in the current year from various federal and provincial government programs. 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 \$456,774.

6. Long-Term Debt	<u>2020</u>	<u>2019</u>
Tax supported debentures	\$ 1,052,466	\$ 1,104,274
Self-supported debentures	309,927	55,277
Utility supported debentures	18,833	27,443
Tax supported Credit Union loans	<u>62,166</u>	<u>78,891</u>
	\$ <u>1,443,392</u>	\$ <u>1,265,885</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>
2021	\$ 94,196	\$ 59,546	\$ 153,742
2022	98,360	55,382	153,742
2023	92,428	51,023	143,451
2024	84,958	47,199	132,157
2025	80,246	43,766	124,012
Thereafter	<u>993,204</u>	<u>220,910</u>	<u>1,214,114</u>
	\$ <u>1,443,392</u>	\$ <u>477,826</u>	\$ <u>1,921,218</u>

Debenture debt is repayable to Alberta Capital Finance Authority and bears interest at rates ranging from 1.882% to 6.125% per annum and matures in periods 2022 through 2040. The average annual interest rate is 4.36% (4.7% for 2019).

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

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

Interest on long-term debt amounted to \$59,121 (2019 - \$61,330).

The town's cash payments for interest in 2020 were \$58,505 (2019 - \$62,096).

TOWN OF MUNDARE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

7. 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>2020</u>	<u>2019</u>
Total debt limit	\$ 2,815,782	\$ 2,722,371
Total debt	(1,443,392)	(1,265,885)
Debt limit remaining	\$ <u>1,372,390</u>	\$ <u>1,456,486</u>
Debt servicing limit	\$ 469,297	\$ 453,729
Debt servicing	<u>(153,742)</u>	<u>(138,248)</u>
Debt servicing limit remaining	\$ <u>315,555</u>	\$ <u>315,481</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.

8. Accumulated Surplus

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

	<u>2020</u>	<u>2019</u>
Unrestricted surplus	\$ 100,853	\$ 101,648
Restricted surplus		
General capital	117,082	112,083
Fire	39,000	34,000
Common services	10,174	174
Streets	15,000	5,000
Water	59,310	41,000
Sewer	21,157	--
Garbage	1,400	1,400
Development	5,650	12,900
Parks and recreation	19,500	14,500
Ukraina Park	18,000	13,000
Equity in tangible capital assets (note 9)	<u>10,315,857</u>	<u>9,704,607</u>
	<u>\$ 10,722,983</u>	<u>\$ 10,040,312</u>

TOWN OF MUNDARE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

9. Equity in Tangible Capital Assets	<u>2020</u>	<u>2019</u>
Tangible capital assets (schedule 2)	\$ 19,450,037	\$ 18,137,487
Accumulated amortization (schedule 2)	(7,690,788)	(7,166,995)
Long-term debt (note 6)	<u>(1,443,392)</u>	<u>(1,265,885)</u>
	<u>\$ 10,315,857</u>	<u>\$ 9,704,607</u>

10. 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.

11. 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:

	<u>2020</u>			<u>2019</u>
	Salary ⁽¹⁾	Benefits & Allowances ⁽²⁾	Total	Total
Council				
Saric	\$ 8,244	\$ 326	\$ 8,570	\$ 9,056
Talaga	9,187	--	9,187	9,642
Kowal	7,221	226	7,447	8,248
Caliniou	8,743	291	9,034	10,086
Rosypal	1,593	--	1,593	--
Burghardt	3,776	122	3,898	9,950
Chief Administrative Officer				
Colin Zyla	82,046	7,426	89,472	89,008
Designated Officer (contract)	8,800	--	8,800	8,800

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

⁽²⁾ 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.

TOWN OF MUNDARE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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12. 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 land rental payments of \$1,200 and \$2,500 until 2025.

13. 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.

14. Contingency

The Town of Mundare 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 the exchange. Any liability incurred would be accounted for as a current transaction in the year the losses are determined

15. Financial Instruments

The town's financial instruments consist of cash, receivables, 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 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.

TOWN OF MUNDARE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

17. Budget Amounts

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

18. Recent Accounting Pronouncements Published But Not Yet Adopted

- (a) PSAS Section 1000, Financial Statement Concepts
The amendments are effective beginning on or after April 1, 2023. This standard has been amended to allow for recognition of intangibles.
- (b) PSAS Section 1201, Financial Statement Presentation
Revised standard is effective beginning on or after April 1, 2023, when sections PS2601 and PS3450 are adopted.
- (c) PSAS Section 2601, Foreign Currency Translation
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, 2022.
- (d) 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, 2022, when sections PS1201, PS2601 and PS3450 are adopted.
- (e) 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.
- (f) 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, 2023.
- (g) 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, 2022.