

**Town of Redwater
Financial Statements**

December 31, 2019



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Management's Responsibility

To the Mayor and Councilors of the Town of Redwater:

The accompanying financial statements of the Town of Redwater are the responsibility of management and have been approved by the Council.

Management is responsible for the preparation and presentation of the accompanying financial statements, including responsibility for significant accounting judgments and estimates in accordance with Canadian public sector accounting standards. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibilities for the integrity and fairness of the financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of financial statements.

Council is composed entirely of individuals who are neither management nor employees of the Town. Council is responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving the financial statements. Council fulfills these responsibilities by reviewing the financial information prepared by management and discussing relevant matters with management and external auditors. Council is also responsible for recommending the appointment of the Town's external auditors.

MNP LLP is appointed by Council to audit the financial statements and report directly to them; their report follows. The external auditors have full and free access to, and meet periodically and separately with, both Council and management to discuss their audit findings.

April 21, 2020

A blue ink signature of the Town Manager, written over a horizontal line.

Town Manager

A NATURAL HOME

Independent Auditor's Report

To the Mayor and Councilors of the Town of Redwater:

Opinion

We have audited the accompanying financial statements of the Town of Redwater (the "Town"), which comprise the statement of financial position at December 31, 2019, the statements of operations, change in net financial assets, cash flows, and schedules I through VI for the year then ended, and a summary of significant accounting policies and other explanatory notes.

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

Basis for Opinion

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

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

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

In preparing the financial statements, management is responsible for assessing the Town's ability to continue as a going concern, disclosing, as applicable, matters relating 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 Town's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 financial statements.

Independent Auditor's Report

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


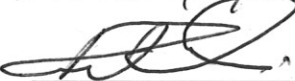
April 21, 2020
Leduc, Alberta

MNP LLP
Chartered Professional Accountants

Town of Redwater
Statement of Financial Position
As at December 31, 2019

	2019	2018
Financial assets		
Cash and equivalents (<i>Note 2</i>)	3,065,022	3,642,657
Investments (<i>Note 3</i>)	39,628	39,628
Property taxes receivable (<i>Note 4</i>)	806,219	584,397
Trade and other accounts receivable	513,963	458,986
Tax sale proceeds	4,725	4,725
	4,429,557	4,730,393
Liabilities		
Accounts payable and accrued liabilities	411,654	526,793
Deposit liabilities	491,466	634,011
Tax sale proceeds liability	4,725	4,725
Deferred revenue (<i>Note 6</i>)	142,806	367,997
Long-term debt (<i>Note 7</i>)	2,334,666	2,586,732
	3,385,317	4,120,258
Net financial assets	1,044,240	610,135
Non-financial assets		
Tangible capital assets (<i>Schedule II</i>)	22,744,959	20,102,299
Inventory for consumption	99,010	93,807
Prepaid expenses	25,822	33,214
	22,869,791	20,229,320
Accumulated surplus (<i>Schedule I</i>)	23,914,031	20,839,455
Contingencies (<i>Note 12</i>)		
Subsequent event (<i>Note 16</i>)		

Approved on behalf of Council:

 Mayor
 Councilor

The accompanying notes are an integral part of these financial statements

Town of Redwater
Statement of Operations

For the year ended December 31, 2019

	2019 Budget (Note 15)	2019	2018
Revenue			
Net municipal property taxes <i>(Schedule III)</i>	3,006,705	3,044,532	2,953,999
User fees and sales of goods	1,811,918	1,646,297	1,634,062
Gas sales	1,128,143	1,187,061	1,060,709
Government transfers <i>(Schedule IV)</i>	404,930	288,787	434,375
Rental	144,688	145,591	148,880
Penalties and costs on taxes	67,200	136,836	103,613
Interest income	58,750	66,630	59,975
Gain (loss) on sale of tangible capital assets	382,500	33,308	(3,338)
Licenses and permits	30,500	26,494	34,481
Fines	22,700	13,613	26,272
	7,058,034	6,589,149	6,453,028
Expenses			
Parks and recreation	1,791,154	1,706,063	1,705,689
Transportation services	1,175,540	1,159,877	1,134,108
Gas production and distribution	916,958	1,007,197	993,241
Planning	223,728	780,575	979,401
Water	757,468	703,462	697,849
Administration	731,963	660,388	653,371
Wastewater	425,257	470,529	489,114
Waste management	283,557	275,904	274,805
Legislative	270,668	250,163	250,360
Economic development	226,405	194,353	208,143
Community services	193,644	193,716	184,119
Fire and disaster services	157,000	151,989	147,477
Family and community support	139,071	129,386	103,865
Bylaw	110,161	77,325	149,611
	7,402,574	7,760,927	7,971,153
Deficiency of revenue before other	(344,540)	(1,171,778)	(1,518,125)
Other			
Contributed assets	61,740	2,870,708	-
Government transfers for capital <i>(Schedule IV)</i>	928,803	743,625	550,711
Other capital contributions	-	632,021	788,769
	990,543	4,246,354	1,339,480
Excess (deficiency) of revenue over expenses	646,003	3,074,576	(178,645)
Accumulated surplus, beginning of year	20,839,455	20,839,455	21,018,100
Accumulated surplus, end of year	21,485,458	23,914,031	20,839,455

The accompanying notes are an integral part of these financial statements

Town of Redwater
Statement of Change in Net Financial Assets
For the year ended December 31, 2019

	2019 Budget (Note 15)	2019	2018
Excess (deficiency) of revenue over expenses	646,003	3,074,576	(178,645)
Acquisition of tangible capital assets	(1,167,443)	(3,799,570)	(821,379)
Proceeds on disposal of tangible capital assets	-	108,444	48,026
Amortization of tangible capital assets	1,098,720	1,081,774	1,062,205
Loss (gain) on sale of tangible capital assets	(382,500)	(33,308)	3,338
Decrease in prepaid expenses	-	7,392	1,741
Acquisition of inventory for consumption	-	(5,203)	(22,406)
Change in net financial assets	194,780	434,105	92,880
Net financial assets, beginning of year	610,135	610,135	517,255
Net financial assets, end of year	804,915	1,044,240	610,135

The accompanying notes are an integral part of these financial statements

Town of Redwater
Statement of Cash Flows

For the year ended December 31, 2019

	2019	2018
Cash provided by (used for) the following activities:		
Operating		
Excess (deficiency) of revenue over expenses	3,074,576	(178,645)
Non-cash items:		
Amortization of tangible capital assets	1,081,774	1,062,205
Loss (gain) on disposal of tangible capital assets	(33,308)	3,338
Tangible capital assets received as contributions	(2,870,708)	-
Net change in non-cash operating working capital balances:		
Increase (decrease) in deferred revenue	(225,191)	223,914
Decrease in prepaid expenses	7,392	1,740
Increase (decrease) in accounts payable and accrued liabilities	(131,508)	25,383
Increase in trade and other accounts receivable	(54,977)	(27,759)
Increase in property taxes receivable	(221,822)	(67,215)
Decrease in deposit liabilities	(142,545)	(474,224)
Increase in inventory for consumption	(5,203)	(22,406)
	478,480	546,331
Capital		
Proceeds on disposal of tangible capital assets	15,535	-
Acquisition of tangible capital assets	(819,584)	(776,409)
	(804,049)	(776,409)
Investing		
Decrease in restricted cash	149,475	478,825
Financing		
Repayment of long-term debt	(252,066)	(372,132)
Decrease in cash and equivalents	(428,160)	(123,385)
Cash and equivalents, beginning of year	3,062,768	3,186,153
Cash and equivalents, end of year (Note 2)	2,634,608	3,062,768

The accompanying notes are an integral part of these financial statements

Town of Redwater
Schedule I - Schedule of Changes in Accumulated Surplus
For the year ended December 31, 2019

	Unrestricted Surplus	Restricted Surplus (Note 14)	Equity in Tangible Capital Assets (Note 9)	2019	2018
Balance, beginning of year	1,027,588	2,296,300	17,515,567	20,839,455	21,018,100
Excess (deficiency) of revenue over expenses	3,074,576	-	-	3,074,576	(178,645)
Unrestricted funds designated for future use	(128,894)	128,894	-	-	-
Restricted funds for operations	123,415	(123,415)	-	-	-
Current year funds used for tangible capital assets	(928,862)	-	928,862	-	-
Contributed tangible capital assets	(2,870,708)	-	2,870,708	-	-
Disposal of tangible capital assets	75,136	-	(75,136)	-	-
Annual amortization expense	1,081,774	-	(1,081,774)	-	-
Long-term debt repaid	(252,066)	-	252,066	-	-
Change in accumulated surplus	174,371	5,479	2,894,726	3,074,576	(178,645)
Balance, end of year	1,201,959	2,301,779	20,410,293	23,914,031	20,839,455

The accompanying notes are an integral part of these financial statements

Town of Redwater
Schedule II - Schedule of Tangible Capital Assets
For the year ended December 31, 2019

	Land	Land Improvements	Buildings	Engineered Structures	Machinery & Equipment	Vehicles	Construction In Progress	2019	2018
Cost:									
Balance, beginning of year	686,453	397,310	12,833,335	21,735,029	857,625	2,060,265	83,721	38,653,738	37,883,723
Acquisition of tangible capital assets	-	-	5,078	3,418,891	21,384	230,491	123,726	3,799,570	821,379
Construction-in-progress	-	-	20,195	-	-	-	(20,195)	-	-
Disposal of tangible capital assets	-	-	-	-	-	(264,711)	-	(264,711)	(51,364)
Balance, end of year	686,453	397,310	12,858,608	25,153,920	879,009	2,026,045	187,252	42,188,597	38,653,738
Accumulated amortization:									
Balance, beginning of year	-	129,382	5,655,452	11,115,713	440,367	1,210,525	-	18,551,439	17,489,234
Annual amortization	-	17,862	322,335	532,692	69,908	138,977	-	1,081,774	1,062,205
Accumulated amortization on disposals	-	-	-	-	-	(189,575)	-	(189,575)	-
Balance, end of year	-	147,244	5,977,787	11,648,405	510,275	1,159,927	-	19,443,638	18,551,439
Net book value	686,453	250,066	6,880,821	13,505,515	368,734	866,118	187,252	22,744,959	20,102,299
2018 net book value	686,453	267,928	7,177,883	10,619,316	417,258	849,740	83,721	20,102,299	

During the year, tangible capital assets were acquired at an aggregate cost of \$3,799,570 (2018 - \$821,379), of which \$2,870,708 (2018 - nil) was acquired as contributed assets. \$25,859 (2018 - \$9,490) remains in accounts payable at year end and \$92,909 (2018 - \$48,026) of a non-cash trade in of equipment. The remaining \$819,584 (2018 - \$776,409) was acquired by cash.

The accompanying notes are an integral part of these financial statements

Town of Redwater
Schedule III - Schedule of Property Taxes Levied
For the year ended December 31, 2019

	2019 Budget	2019	2018
Taxation			
Real property taxes	3,875,273	3,815,191	3,774,864
Linear property taxes	156,663	156,663	152,937
	4,031,936	3,971,854	3,927,801
Requisitions			
Alberta School Foundation Fund	985,863	893,669	938,917
Homeland Housing Foundation	33,868	30,629	32,256
Designated Industrial Property	1,300	3,024	1,283
	1,021,031	927,322	972,456
Discounts and adjustments			
Tax rebates	4,200	-	1,346
Net municipal property taxes	3,006,705	3,044,532	2,953,999

The accompanying notes are an integral part of these financial statements

Town of Redwater
Schedule IV - Schedule of Government Transfers
For the year ended December 31, 2019

	2019 Budget	2019	2018
Operating			
Provincial	264,546	130,920	277,453
Local	135,584	139,134	119,912
Federal	4,800	18,733	37,010
	404,930	288,787	434,375
Capital			
Provincial	814,752	642,720	364,515
Federal	114,051	100,905	186,196
	928,803	743,625	550,711
Total government transfers	1,333,733	1,032,412	985,086

The accompanying notes are an integral part of these financial statements

Town of Redwater
Schedule V - Schedule of Expenses by Object
For the year ended December 31, 2019

	2019 Budget	2019	2018
Salaries, wages and benefits	2,701,191	2,607,529	2,570,634
Materials, goods and utilities	2,062,038	2,202,742	2,269,322
Contracted and general services	1,322,037	1,629,311	1,877,951
Amortization of tangible capital assets	1,098,720	1,081,774	1,062,205
Interest on long-term debt	107,113	107,069	119,348
Grants to other governments and organizations	107,025	70,137	67,230
Provision for allowances	-	58,043	-
Bank charges and short-term interest	4,450	4,322	4,463
	7,402,574	7,760,927	7,971,153

The accompanying notes are an integral part of these financial statements

Town of Redwater
Schedule VI - Schedule of Segmented Disclosure
For the year ended December 31, 2019

	General Government	Administration & Legislative	Protective Services	Transportation Services	Environmental Services	Planning and Economic Development	FCSS and Community Services	Parks and Recreation	Gas Production & Distribution	Total
Revenue										
Other capital contributions	-	-	-	1,059,505	1,811,203	632,021	-	-	-	3,502,729
Net municipal property taxes	3,044,532	-	-	-	-	-	-	-	-	3,044,532
User charges and sales of goods	-	13,429	27,633	12,443	1,315,160	20,838	24,813	121,529	110,452	1,646,297
Gas sales	-	-	-	-	-	-	-	1,187,061	1,187,061	1,187,061
Government transfers	-	-	42,872	646,233	104,900	-	68,369	170,038	-	1,032,412
Rental	-	11,461	-	-	-	-	-	134,130	-	145,591
Penalties and costs on taxes	-	136,836	-	-	-	-	-	-	-	136,836
Interest income	-	66,630	-	-	-	-	-	-	-	66,630
Gain on sale of tangible capital assets	-	-	-	32,013	-	-	-	1,295	-	33,308
Licenses and permits	-	8,742	2,345	-	-	15,407	-	-	-	26,494
Fines	-	-	13,613	-	-	-	-	-	-	13,613
	3,044,532	237,098	86,463	1,750,194	3,231,263	668,266	93,182	426,992	1,297,513	10,835,503
Expenses										
Salaries, wages, and benefits	-	540,708	42,502	252,371	380,448	263,613	208,731	643,651	275,505	2,607,529
Materials, goods, and utilities	-	57,001	51,253	360,723	626,284	11,902	19,970	433,305	642,304	2,202,742
Contracted and general services	-	274,933	80,656	42,256	271,008	695,349	91,408	111,401	62,300	1,629,311
Interest on long-term debt	-	-	-	-	36,670	-	-	70,399	-	107,069
Grants to other governments and organizations	-	-	-	-	-	-	2,712	67,425	-	70,137
Provision for allowances	58,043	-	-	-	-	-	-	-	-	58,043
Bank charges and short-term interest	-	4,322	-	-	-	-	-	-	-	4,322
	58,043	876,964	174,411	655,350	1,314,410	970,864	322,821	1,326,181	980,109	6,679,153
Net revenue, before amortization	2,986,489	(639,866)	(87,948)	1,094,844	1,916,853	(302,598)	(229,639)	(899,189)	317,404	4,156,350
Amortization expense	-	33,587	54,902	504,528	135,485	4,064	281	321,839	27,088	1,081,774
Net revenue	2,986,489	(673,453)	(142,850)	590,316	1,781,368	(306,662)	(229,920)	(1,221,028)	290,316	3,074,576

The accompanying notes are an integral part of these financial statements

1. Significant accounting policies

The financial statements of the Town of Redwater (the "Town") are the representations of management prepared in accordance with generally accepted accounting principles established by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada. Significant aspects of the accounting policies adopted by the Town are as follows:

Reporting entity

The financial statements reflect the assets, liabilities, revenue, expenses, and changes in financial position of the reporting entity. This entity is comprised of the municipal operations of the Town.

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

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

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.

Management uncertainty (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.

Trade and other accounts receivable are stated after evaluation as to their collectibility and an appropriate allowance for doubtful accounts is provided where considered necessary. Amortization is based on the estimated useful lives of tangible capital assets.

Cash and equivalents

Cash and equivalents include balances with banks and short-term investments with maturities of three months or less.

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.

1. Significant accounting policies (continued)

Tax sale proceeds

Tax sale proceeds and the associated liabilities consist of the excess funds collected on the sale of seized properties put up for tax auction after outstanding property taxes were recovered. Under the *Municipal Government Act*, the Town is required to hold these funds for up to 10 years and attempt to disperse them to the former property owners.

Property tax 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.

Liability for contaminated sites

A liability for remediation of a contaminated site is recognized at the best estimate of the amount required to remediate the contaminated site when contamination exceeding an environmental standard exists, the Town is either directly responsible or accepts responsibility, it is expected that future economic benefits will be given up, and a reasonable estimate of the amount is determinable. The best estimate of the liability includes all costs directly attributable to remediation activities and is reduced by expected net recoveries based on information available at December 31, 2019.

At each financial reporting date, the Town reviews the carrying amount of the liability. Any revisions required to the amount previously recognized is accounted for in the period revisions are made. The Town continues to recognize the liability until it is settled or otherwise extinguished. Disbursements made to settle the liability are deducted from the reported liability when they are made.

Revenue recognition

i. 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.

The Town recognizes a government transfer as revenue when the transfer is authorized and all eligibility criteria, if any, have been met. A government transfer with stipulations giving rise to an obligation that meets the definition of a liability is recognized as a liability. In such circumstances, the Town recognizes revenue as the liability is settled.

1. Significant accounting policies *(continued)*

ii. Fines and penalties

Traffic fine revenue is recorded as cash is received, which is not materially different than recording such revenue on an accrual basis.

iii. Tax revenue

The Town recognizes taxes as assets and revenue when they meet the definition of an asset, are authorized by Council, and the taxable event has occurred. Tax revenue is initially measured at management's best estimate of the amount resulting from the original taxable event in accordance with legislation. The related tax receivable is initially recognized at its realizable value at the date of acquisition. At each financial statement date, the Town evaluates the tax receivable for collectibility and records a valuation allowance to reflect the tax receivable at its net recoverable amount, if necessary.

iv. Other revenue

Other sources of revenue are recorded when received or receivable.

Non-financial assets

Assets are classified as either financial or non-financial. Financial assets are assets that could be used to discharge existing liabilities or finance future operations. Non-financial assets are acquired, constructed or developed assets that do not normally provide resources to discharge existing liabilities but are employed to deliver government services, may be consumed in normal operations and are not for resale in the normal course of operations.

i. Tangible capital assets

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

Land improvements	15-25 years
Buildings	10-50 years
Engineered structures:	
Water system	40-75 years
Wastewater system	75 years
Other engineered structures	10-75 years
Machinery and equipment	5-50 years
Vehicles	10-20 years

Only tangible capital assets with costs in excess of \$5,000 are capitalized.

No amortization is charged in the year of acquisition and disposal. Assets under construction are not amortized until the asset is available for productive use.

1. Significant accounting policies (continued)

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. Inventory

Inventory held for consumption is recorded at the lower of cost and replacement cost.

iv. Cultural and historical tangible capital assets

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

v. Prepaid expenses

Prepaid expenses include pre-payments on goods and services which will be utilized in the following fiscal year.

Segments

The Town conducts its business through a number of reportable segments. These operating segments are established by senior management to facilitate the achievement of the Town's long-term objectives to aid in resource allocation decisions, and to assess operational performance.

Pensions

The Town participates in a multi-employer defined benefit pension plan. The plan is accounted for as a defined contribution plan.

Future Accounting Standards

Effective on or after April 1, 2021:

PS 3450 *Financial Instruments*, a new standard establishing guidance on the recognition, measurement, presentation and disclosure of financial instruments, including derivatives.

PS 3280 *Asset Retirement Obligations*, a new standard establishing guidance on the recognition, measurement, presentation and disclosure of a liability for retirement of a tangible capital asset. As this standard includes solid waste landfill sites active and post-closing obligations upon adoption of this new standard, existing Solid Waste Landfill Closure and Post-Closure Liability section PS 3270 will be withdrawn.

The extent of the impact on adoption of these future standards is not known at this time.

Town of Redwater
Notes to the Financial Statements
For the year ended December 31, 2019

2. Cash and equivalents

	2019	2018
Cash	2,634,608	3,062,768
Restricted cash	430,414	579,889
	3,065,022	3,642,657

The restricted cash is amounts received from developers as deposits on request for development proposals. The deposits will be refunded to the depositor according to the terms of the development agreements. The restricted cash has been excluded from cash for the purposes of presentation on the statement of cash flows.

3. Investments

	2019	2018
Gas Alberta Inc. debenture	27,500	27,500
Federation of Alberta Gas Co-ops Ltd.	11,908	11,908
Gas Alberta Inc.	200	200
Alberta Capital Finance Authority shares	20	20
	39,628	39,628

4. Property taxes receivable

	2019	2018
Current taxes	617,222	322,184
Arrears taxes	247,040	262,213
Less allowance for doubtful accounts	(58,043)	-
	806,219	584,397

5. Bank indebtedness

The Town has a revolving line of credit with ATB Financial with a maximum limit of \$1,000,000. Interest accrues monthly on the outstanding balance at a rate of prime less 0.25%. The line of credit arrangement is reviewed annually by the bank with the most recent review date being December 31, 2019. As at December 31, 2019, the prime rate was 3.95% (2018 - 3.95%).

As of December 31, 2019 the Town had not drawn any funds (2018 - \$0) on the line of credit.

Town of Redwater
Notes to the Financial Statements
For the year ended December 31, 2019

6. Deferred revenue

	2019	2018
Municipal Sustainability Initiative	96,659	364,452
Alberta School Foundation Fund	45,247	-
Family Day 2019 North West Redwater grant	900	1,500
Federal Gas Tax Fund	-	2,045
	142,806	367,997

Included in the Town's deferred revenue are government transfers, including interest, that are restricted to eligible capital projects as approved under the funding agreements. In addition, this includes property tax over-levies in the year related to the Alberta School Foundation Fund.

7. Long-term debt

	2019	2018
Tax-supported debentures	2,334,666	2,586,732

Payments of interest and principal are due as follows:

	Principal	Interest	Total
2020	263,004	97,804	360,808
2021	274,416	86,392	360,808
2022	286,325	74,483	360,808
2023	298,751	62,057	360,808
2024	311,716	49,091	360,807
To maturity	900,454	90,041	990,495
	2,334,666	459,868	2,794,534

Debenture debt is repayable to the Alberta Capital Finance Authority and bears interest at rates ranging from 3.89% to 4.39% (2018 - 1.80% to 4.39%) per annum and mature in periods 2025 through 2030. The average annual interest rate is 4.23% (2018 - 3.83%). Debenture debt is issued on the credit and security of the Town at large.

The Town's cash payments for interest in 2019 were \$108,742 (2018 - \$120,986).

Town of Redwater
Notes to the Financial Statements
For the year ended December 31, 2019

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 be disclosed as follows:

	2019	2018
Total debt limit	10,831,755	10,862,696
Total debt	2,334,666	2,586,732
Amount of debt limit unused	8,497,089	8,275,964
Service on debt limit	1,805,293	1,810,449
Service on debt	360,808	360,808
Amount of debt servicing limit unused	1,444,485	1,449,641

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 which could be a financial risk if further debt is acquired. The calculation taken alone does not represent the financial stability of the Town. Rather, the financial statements must be interpreted as a whole.

9. Equity in tangible capital assets

	2019	2018
Tangible capital assets (<i>Schedule II</i>)	42,188,597	38,653,738
Accumulated amortization (<i>Schedule II</i>)	(19,443,638)	(18,551,439)
Long-term debt (<i>Note 7</i>)	(2,334,666)	(2,586,732)
	20,410,293	17,515,567

Town of Redwater
Notes to the Financial Statements
For the year ended December 31, 2019

10. Salary and benefits disclosure

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

	<i>Salary/ remuneration</i>	<i>Benefits & allowances</i>	2019	2018
M. Smith, Mayor	26,083	16,355	42,438	39,205
D. McRae, Councillor	18,762	14,680	33,442	25,510
L. Dorosh, Councillor	15,689	11,559	27,248	29,372
J. Williams, Councillor	13,267	12,236	25,503	24,016
D. Spicer, Councillor	12,367	12,145	24,512	3,880
C. Butcher, Councillor	12,967	9,105	22,072	29,100
R. Olsen, Councillor	13,384	7,762	21,146	20,306
D. Kluttig, Councillor	-	-	-	15,941
 D. Hamilton, former CAO	 103,523	 7,387	 110,910	 171,814
L. Davidson, CAO	37,917	10,793	48,710	-
D. Pysmeny, interim CAO	7,500	1,038	8,538	-

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

Benefits and allowances includes 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-term disability plans, professional memberships and tuition.

Benefits and allowances figures also include the employer's share of the costs of additional taxable benefits.

11. Local Authorities Pension Plan

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

Contributions for current service are recorded as expenses 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 2019 were \$172,323 (2018 - \$169,102). Total current service contributions by the employees of the Town to the Local Authorities Pension Plan in 2019 were \$155,894 (2018 - \$154,184).

At December 31, 2018, the date of the most recent actuarial valuation, the LAPP disclosed an actuarial surplus of \$3,469,347,000 (2017 - surplus of \$4,835,515,000).

12. Contingencies

- a) The Town is a member of the Alberta Municipal Insurance Exchange ("MUNIX"). Under the terms of the membership, the Town could become liable for its proportionate share of any claim losses in excess of the funds held by the exchange. Any liability incurred would be accounted for as a current transaction in the year the losses are determined.
- b) Through the Federation of Alberta Gas Co-ops Ltd., the Town is also a member of the Fedgas Insurance Reciprocal Exchange ("FIRE") and Genesis Reciprocal Insurance Exchange ("GENESIS"). 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 FIRE or GENESIS. Any liability incurred would be accounted for as a current transaction in the years the losses are determined.

13. Segments

The Town provides a range of services to its ratepayers. For each reported segment, the revenue 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 VI - Schedule of Segmented Disclosure.

14. Restricted surplus

The Town has restricted certain amounts of the accumulated surplus in order to fund future operations. This restricted surplus is not fully funded in cash as this would tie up too much of the operational cash needed to run the day to day operations of the Town. The restricted surplus total is available over time and used on an as needed basis.

	2019	2018
Externally restricted offsite levies	746,138	746,138
Planning and development reserve	409,313	414,876
Gas distribution reserve	347,498	358,099
Water supply and distribution reserve	193,029	193,029
Fire protection reserve	159,775	142,993
Recreation reserve	153,601	167,101
Special projects reserve	115,604	99,380
Transportation services	87,621	87,621
Pool facility reserve	51,959	51,959
Operating reserve	30,860	25,860
Cemetery reserve	5,358	5,158
Council antique fire truck	1,023	1,650
Economic development reserve	-	2,436
Total restricted surplus (Schedule I)	2,301,779	2,296,300

Town of Redwater
Notes to the Financial Statements
For the year ended December 31, 2019

15. Budget information

The disclosed budget information has been approved by Council on December 4, 2018. The following is a reconciliation between the budget approved and that showing in the financial statements:

	<i>Budget</i>
Approved budgeted operating deficit	(1,098,720)
Debenture repayment	252,066
Capital proceeds, budgeted for in operating	75,500
Taxation revenue, budgeted for in capital	25,000
Operating draw from reserve	(76,364)
Net operating transfer to reserve	477,978
Deficiency of revenue before other (<i>Statement of Operations</i>)	(344,540)
Approved budgeted capital surplus	-
Capital reserve transfer	119,400
Taxation revenue, budgeted for in capital	25,000
Trade in revenue, budgeted for in capital	32,500
Amortization of tangible capital assets, budgeted for in operating	(1,098,720)
Gain on sale of tangible capital assets, budgeted for in operating	382,500
Capital deficit	(539,320)
Change in net financial assets (debt) (<i>Statement of Change in Net Financial Assets (Debt)</i>)	194,780

16. Subsequent event

Subsequent to year-end, there was a global outbreak of COVID-19 (coronavirus), which has had a significant impact on businesses through the restrictions put in place by the Canadian, provincial and municipal governments regarding travel, business operations and isolation/quarantine orders. At this time, it is unknown the extent of the impact the COVID-19 outbreak may have on the Town as this will depend on future developments that are highly uncertain and that cannot be predicted with confidence. These uncertainties arise from the inability to predict the ultimate geographic spread of the disease, and the duration of the outbreak, including the duration of travel restrictions, business closures or disruptions, and quarantine/isolation measures that are currently, or may be put, in place by Canada and other countries to fight the virus.

17. Change in accounting policy

Effective January 31, 2019, the Town adopted the recommendations relating to the following Section, as set out in the CPA Canada Public Sector Accounting Standards Handbook:

- PS 3430 *Restructuring transactions*

Pursuant to the recommendations, the changes were applied prospectively, and prior periods have not been restated. There was no material impact on the consolidated financial statement of adopting the new Section.