

**Town of Redwater
Financial Statements**

December 31, 2020



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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 20, 2021

Town Manager

Independent Auditor's Report

To Mayor and Councilors of the Town of Redwater:

Opinion

We have audited the financial statements of Town of Redwater (the "Town"), which comprise the statement of financial position as at December 31, 2020, and the statements of operations, change in net financial assets, cash flows and the related schedules for the year then ended, and notes to the financial statements, including 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, 2020, and the results of its operations, changes 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 other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

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

In preparing the financial statements, management is responsible for assessing the Town's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to 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.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

Leduc, Alberta

April 20, 2021

MNP **LLP**

Chartered Professional Accountants

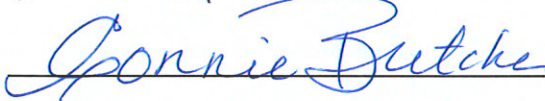
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Town of Redwater
Statement of Financial Position
As at December 31, 2020

	2020	2019
Financial assets		
Cash and equivalents (Note 2)	4,990,427	3,065,022
Investments (Note 3)	39,608	39,628
Property taxes receivable (Note 4)	956,322	806,219
Trade and other accounts receivable	751,292	513,963
Tax sale proceeds	4,725	4,725
	6,742,374	4,429,557
Liabilities		
Accounts payable and accrued liabilities	547,489	411,654
Deposit liabilities	163,431	491,466
Tax sale proceeds liability	4,725	4,725
Deferred revenue (Note 6)	102,386	142,806
Long-term debt (Note 7)	4,671,662	2,334,666
	5,489,693	3,385,317
Net financial assets	1,252,681	1,044,240
Non-financial assets		
Tangible capital assets (Schedule II)	22,925,133	22,744,959
Inventory for consumption	84,226	99,010
Prepaid expenses	26,973	25,822
	23,036,332	22,869,791
Accumulated surplus (Schedule I)	24,289,013	23,914,031
Contingencies (Note 12)		
Commitments (Note 13)		
Subsequent event (Note 18)		

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, 2020

	2020 Budget (Note 16)	2020	2019
Revenue			
Net municipal property taxes <i>(Schedule III)</i>	3,182,150	3,040,707	3,044,532
User fees and sales of goods	1,908,912	1,682,839	1,646,297
Gas sales	1,113,088	1,178,784	1,187,061
Government transfers <i>(Schedule IV)</i>	236,415	502,746	288,787
Penalties and costs on taxes	81,300	166,601	136,836
Rental	147,340	79,247	145,591
Interest income	61,250	33,453	66,630
Licenses and permits	20,500	31,798	26,494
Fines	10,800	6,155	13,613
Gain (loss) on sale of tangible capital assets	53,000	(8,690)	33,308
	6,814,755	6,713,640	6,589,149
Expenses			
Parks and recreation	1,805,069	1,491,416	1,648,020
Transportation services	1,173,735	1,193,731	1,159,877
Gas production and distribution	935,220	1,024,829	1,007,197
Water	744,148	712,516	703,462
Administration	627,788	643,078	660,388
Wastewater	405,021	473,909	470,529
Legislative	273,121	472,683	308,206
Waste management	283,480	284,305	275,904
Planning	228,861	200,207	780,575
Fire and disaster services	194,473	171,606	151,989
Community services	194,854	133,529	193,716
Bylaw	108,907	107,783	77,325
Family and community support	130,680	105,422	129,386
Economic development	215,643	101,378	194,353
	7,321,000	7,116,392	7,760,927
Deficiency of revenue before other	(506,245)	(402,752)	(1,171,778)
Other			
Government transfers for capital <i>(Schedule IV)</i>	631,376	762,834	743,625
Other capital contributions	-	14,900	632,021
Contributed assets	-	-	2,870,708
	631,376	777,734	4,246,354
Excess of revenue over expenses	125,131	374,982	3,074,576
Accumulated surplus, beginning of year	23,914,031	23,914,031	20,839,455
Accumulated surplus, end of year	24,039,162	24,289,013	23,914,031

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, 2020

	<i>2020 Budget (Note 16)</i>	<i>2020</i>	<i>2019</i>
Excess of revenue over expenses	125,131	374,982	3,074,576
Acquisition of tangible capital assets	(3,666,446)	(1,387,416)	(3,799,570)
Proceeds on disposal of tangible capital assets	-	55,051	108,444
Amortization of tangible capital assets	1,068,452	1,143,501	1,081,774
Loss (gain) on sale of tangible capital assets	(53,000)	8,690	(33,308)
Decrease (increase) in prepaid expenses	-	(1,151)	7,392
Use (acquisition) of inventory for consumption	-	14,784	(5,203)
Change in net financial assets (debt)	(2,525,863)	208,441	434,105
Net financial assets, beginning of year	1,044,240	1,044,240	610,135
Net financial assets (debt), end of year	(1,481,623)	1,252,681	1,044,240

The accompanying notes are an integral part of these financial statements

Town of Redwater
Statement of Cash Flows
For the year ended December 31, 2020

	2020	2019
Cash provided by (used for) the following activities:		
Operating		
Excess of revenue over expenses	374,982	3,074,576
Non-cash items:		
Amortization of tangible capital assets	1,143,501	1,081,774
Loss (gain) on disposal of tangible capital assets	8,690	(33,308)
Tangible capital assets received as contributions	-	(2,870,708)
Net change in non-cash operating working capital balances:		
Decrease in deferred revenue	(40,420)	(225,191)
Decrease (increase) in prepaid expenses	(1,151)	7,392
Increase (decrease) in accounts payable and accrued liabilities	133,472	(131,508)
Increase in trade and other accounts receivable	(237,329)	(54,977)
Increase in property taxes receivable	(150,103)	(221,822)
Decrease in deposit liabilities	(328,035)	(142,545)
Decrease (increase) in inventory for consumption	14,784	(5,203)
	918,391	478,480
Capital		
Proceeds on disposal of tangible capital assets	-	15,535
Acquisition of tangible capital assets	(1,330,002)	(819,584)
	(1,330,002)	(804,049)
Investing		
Decrease in investments	20	-
Decrease in restricted cash	320,888	149,475
	320,908	149,475
Financing		
Proceeds of long-term debt	2,600,000	-
Repayment of long-term debt	(263,004)	(252,066)
	2,336,996	(252,066)
Increase (decrease) in cash and equivalents	2,246,293	(428,160)
Cash and equivalents, beginning of year	2,634,608	3,062,768
Cash and equivalents, end of year (Note 2)	4,880,901	2,634,608

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, 2020

	Unrestricted Surplus	Restricted Surplus (Note 15)	Equity in Tangible Capital Assets (Note 9)	2020	2019
Balance, beginning of year	1,201,959	2,301,779	20,410,293	23,914,031	20,839,455
Excess of revenue over expenses	374,982	-	-	374,982	3,074,576
Unrestricted funds designated for future use	(367,301)	367,301	-	-	-
Restricted funds for operations	53,829	(53,829)	-	-	-
Restricted funds used for tangible capital assets	-	(289,202)	289,202	-	-
Current year funds used for tangible capital assets	(1,098,214)	-	1,098,214	-	-
Disposal of tangible capital assets	63,741	-	(63,741)	-	-
Annual amortization expense	1,143,501	-	(1,143,501)	-	-
Long-term debt proceeds	2,600,000	-	(2,600,000)	-	-
Long-term debt repaid	(263,004)	-	263,004	-	-
Change in accumulated surplus	2,507,534	24,270	(2,156,822)	374,982	3,074,576
Balance, end of year	3,709,493	2,326,049	18,253,471	24,289,013	23,914,031

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, 2020

	Land	Land Improvements	Buildings	Engineered Structures	Machinery & Equipment	Vehicles	Construction In Progress	2020	2019
Cost:									
Balance, beginning 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
Acquisition of tangible capital assets	-	-	233,440	664,343	117,077	91,543	281,013	1,387,416	3,799,570
Construction-in-progress	-	-	-	86,167	-	-	(86,167)	-	-
Disposal of tangible capital assets	-	-	-	-	(34,155)	(56,910)	-	(91,065)	(264,711)
Balance, end of year	686,453	397,310	13,092,048	25,904,430	961,931	2,060,678	382,098	43,484,948	42,188,597
Accumulated amortization:									
Balance, beginning of year	-	147,244	5,977,787	11,648,405	510,275	1,159,927	-	19,443,638	18,551,439
Annual amortization	-	17,862	323,345	605,073	57,422	139,799	-	1,143,501	1,081,774
Accumulated amortization on disposals	-	-	-	-	(27,324)	-	-	(27,324)	(189,575)
Balance, end of year	-	165,106	6,301,132	12,253,478	540,373	1,299,726	-	20,559,815	19,443,638
Net book value	686,453	232,204	6,790,916	13,650,952	421,558	760,952	382,098	22,925,133	22,744,959
2019 net book value	686,453	250,066	6,880,821	13,505,515	368,734	866,118	187,252	22,744,959	

During the year, tangible capital assets were acquired at an aggregate cost of \$1,387,416 (2019 - \$3,799,570), of which \$nil (2019 - \$2,870,708) was acquired as contributed assets. \$28,222 (2019 - \$25,859) remains in accounts payable at year end and \$55,051 (2019 - \$92,909) of a non-cash trade in of equipment. The remaining \$1,330,002 (2019 - \$819,584) 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, 2020

	2020 Budget	2020	2019
Taxation			
Real property taxes	4,059,553	3,838,288	3,815,191
Linear property taxes	144,995	144,995	156,663
	4,204,548	3,983,283	3,971,854
Requisitions			
Alberta School Foundation Fund	985,863	905,489	893,669
Homeland Housing Foundation	32,160	31,257	30,629
Designated Industrial Property	3,175	2,855	3,024
	1,021,198	939,601	927,322
Discounts and adjustments			
Tax rebates	1,200	2,975	-
Net municipal property taxes	3,182,150	3,040,707	3,044,532

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, 2020

	<i>2020 Budget</i>	<i>2020</i>	<i>2019</i>
Operating			
Provincial	96,263	336,272	130,920
Local	135,652	146,831	139,134
Federal	4,500	19,643	18,733
	236,415	502,746	288,787
Capital			
Provincial	395,360	512,269	642,720
Federal	236,016	250,565	100,905
	631,376	762,834	743,625
Total government transfers	867,791	1,265,580	1,032,412

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, 2020

	2020 Budget	2020	2019
Salaries, wages and benefits	2,775,443	2,415,323	2,607,529
Materials, goods and utilities	2,056,270	2,082,249	2,202,742
Amortization of tangible capital assets	1,068,452	1,143,501	1,081,774
Contracted and general services	1,178,430	987,991	1,629,311
Provision for allowances	-	264,533	58,043
Interest on long-term debt	129,208	111,744	107,069
Grants to other governments and organizations	108,375	106,785	70,137
Bank charges and short-term interest	4,822	4,266	4,322
	7,321,000	7,116,392	7,760,927

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, 2020

	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										
Net municipal property taxes	3,040,707	-	-	-	-	-	-	-	-	3,040,707
User charges and sales of goods	-	15,184	47,618	17,564	1,421,005	-	-	95,381	76,202	1,682,839
Government transfers	-	6,388	208,381	450,229	256,032	-	9,885	277,531	-	1,265,580
Gas sales	-	-	-	-	-	-	67,019	-	-	1,178,784
Penalties and costs on taxes	-	166,601	-	-	-	-	-	-	1,178,784	1,66,601
Rental	-	10,241	-	-	-	-	-	69,006	-	79,247
Interest income	-	33,453	-	-	-	-	-	-	-	33,453
Licenses and permits	-	8,205	1,790	-	-	21,803	-	-	-	31,798
Other capital contributions	-	-	-	-	-	14,900	-	-	-	14,900
Fines	-	-	6,155	-	-	-	-	-	-	6,155
Gain (loss) on sale of tangible capital assets	-	(6,831)	-	(1,859)	-	-	-	-	-	(8,690)
	3,040,707	233,241	263,944	465,934	1,677,037	36,703	76,904	441,918	1,254,986	7,491,374
Expenses										
Salaries, wages, and benefits	-	533,693	87,421	253,201	377,002	212,911	151,138	519,319	280,638	2,415,323
Materials, goods, and utilities	-	73,177	33,213	352,888	588,421	14,052	14,728	343,753	662,017	2,082,249
Contracted and general services	-	225,323	103,853	34,061	309,125	70,558	72,294	118,431	54,346	987,991
Provision for allowances	260,340	-	-	-	-	-	-	4,193	-	264,533
Interest on long-term debt	-	-	-	-	34,138	-	-	77,606	-	111,744
Grants to other governments and organizations	-	-	-	-	-	-	510	106,275	-	106,785
Bank charges and short-term interest	-	4,266	-	-	-	-	-	-	-	4,266
	260,340	836,459	224,487	640,150	1,308,686	297,521	238,670	1,169,577	997,001	5,972,891
Net revenue, before amortization	2,780,367	(603,218)	39,457	(174,216)	368,351	(260,818)	(161,766)	(727,659)	257,985	1,518,483
Amortization expense	-	18,962	54,902	553,581	162,044	4,064	281	321,839	27,828	1,143,501
Net revenue	2,780,367	(622,180)	(15,445)	(727,797)	206,307	(264,882)	(162,047)	(1,049,498)	230,157	374,982

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.

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.

1. Significant accounting policies *(continued from previous page)*

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, 2020.

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.

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.

1. Significant accounting policies *(continued from previous page)*

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.

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.

1. Significant accounting policies *(continued from previous page)*

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, 2022:

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.

2. Cash and equivalents

	2020	2019
Cash	4,880,901	2,634,608
Restricted cash	109,526	430,414
	4,990,427	3,065,022

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

	2020	2019
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
	39,608	39,628

The accompanying notes are an integral part of these financial statements

Town of Redwater
Notes to the Financial Statements
For the year ended December 31, 2020

4. Property taxes receivable

	2020	2019
Current taxes	647,091	617,222
Arrears taxes	391,574	247,040
	<hr/>	<hr/>
Less allowance for doubtful accounts	(82,343)	(58,043)
	<hr/>	<hr/>
	956,322	806,219
	<hr/>	<hr/>

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, 2020. As at December 31, 2020, the prime rate was 2.45% (2019 - 3.95%).

As of December 31, 2020, the Town had not drawn any funds (2019 - \$0) on the line of credit.

6. Deferred revenue

	2020	2019
Municipal Operating Support Transfer	97,000	-
Family and Community Support Services	5,386	-
Municipal Sustainability Initiative	-	96,659
Alberta School Foundation Fund	-	45,247
Family Day 2019 North West Redwater grant	-	900
	<hr/>	<hr/>
	102,386	142,806
	<hr/>	<hr/>

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.

Town of Redwater
Notes to the Financial Statements
For the year ended December 31, 2020

7. Long-term debt

	2020	2019
Tax-supported debentures	4,671,662	2,334,666

Payments of interest and principal are due as follows:

	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
2021	354,839	139,591	494,430
2022	368,416	126,014	494,430
2023	382,542	111,888	494,430
2024	397,244	97,186	494,430
2025	412,546	81,884	494,430
To maturity	2,756,075	546,064	3,302,139
	4,671,662	1,102,627	5,774,289

Debenture debt is repayable to the Province of Alberta and bears interest at rates ranging from 2.06% to 4.39% (2019 - 3.89% to 4.39%) per annum and mature in periods 2025 through 2045. The average annual interest rate is 3.87% (2019 - 4.23%). Debenture debt is issued on the credit and security of the Town at large.

The Town's cash payments for interest in 2020 were \$97,804 (2019 - \$108,742).

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:

	2020	2019
Total debt limit	10,092,810	10,831,755
Total debt	4,671,662	2,334,666
Amount of debt limit unused	5,421,148	8,497,089
Service on debt limit	1,682,135	1,805,293
Service on debt	494,430	360,808
Amount of debt servicing limit unused	1,187,705	1,444,485

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.

The accompanying notes are an integral part of these financial statements

Town of Redwater
Notes to the Financial Statements
For the year ended December 31, 2020

9. Equity in tangible capital assets

	2020	2019
Tangible capital assets (<i>Schedule II</i>)	43,484,948	42,188,597
Accumulated amortization (<i>Schedule II</i>)	(20,559,815)	(19,443,638)
Long-term debt (<i>Note 7</i>)	(4,671,662)	(2,334,666)
	18,253,471	20,410,293

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:

	Salary/ remuneration	Benefits & allowances	2020	2019
M. Smith, Mayor	25,475	15,862	41,337	42,438
D. Spicer, Councilor	15,498	13,889	29,387	24,512
R. Olsen, Councilor	16,248	9,153	25,401	21,146
J. Williams, Councilor	12,850	12,081	24,931	25,503
D. McRae, Councilor	12,550	12,050	24,600	33,442
L. Dorosh, Councilor	13,000	10,552	23,552	27,248
C. Butcher, Councilor	12,700	9,128	21,828	22,072
L. Davidson, CAO	134,298	25,303	159,601	48,710

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 274,151 members and 420 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 2020 were \$176,005 (2019 - \$172,323). Total current service contributions by the employees of the Town to the Local Authorities Pension Plan in 2020 were \$159,138 (2019 - \$155,894).

At December 31, 2019, the date of the most recent actuarial valuation, the LAPP disclosed an actuarial surplus of \$7,913,261,000 (2018 - surplus of \$3,469,347,000).

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. Commitments

The Town has entered into various contracts for renovations to Pembina Place in the amount of \$621,969 with an expected completion date of August 31, 2021.

14. 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.

Town of Redwater
Notes to the Financial Statements
For the year ended December 31, 2020

15. 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.

	2020	2019
Externally restricted offsite levies	746,138	746,138
Planning and development reserve	407,197	409,313
Gas distribution reserve	375,441	347,498
Water supply and distribution reserve	262,529	193,029
Recreation reserve	220,601	153,601
Fire protection reserve	140,695	159,775
Transportation services	77,802	87,621
Pool facility reserve	51,959	51,959
Special projects reserve	35,555	115,604
Cemetery reserve	5,758	5,358
Operating reserve	1,351	30,860
Council antique fire truck	1,023	1,023
Total restricted surplus (Schedule I)	2,326,049	2,301,779

16. Budget information

The disclosed budget information has been approved by Council on November 4, 2019. The following is a reconciliation between the budget approved and that showing in the financial statements:

	Budget
Approved budgeted operating deficit	(1,068,452)
Debenture repayment	300,532
Capital proceeds, budgeted for in operating	57,000
Developer securities, budgeted for in capital	79,390
Operating draw from reserve	(69,000)
Net operating transfer to reserve	194,285
Deficiency of revenue before other (Statement of Operations)	(506,245)
Approved budgeted capital surplus	-
Capital reserve transfer	(355,680)
Debenture proceeds, budgeted for in capital	(2,600,000)
Developer securities, budgeted for in capital	(79,390)
Amortization of tangible capital assets, budgeted for in operating	1,068,452
Gain on sale of tangible capital assets, budgeted for in operating	(53,000)
Capital deficit	(2,019,618)
Change in net financial assets (debt) (Statement of Change in Net Financial Assets)	(2,525,863)

The accompanying notes are an integral part of these financial statements

17. Significant event

During the year, 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 virus, 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.

18. Subsequent event

Subsequent to year-end, the Town awarded a contract in the amount of \$791,573 for renovations to Pembina Place.

19. Comparative figures

Certain comparative figures have been reclassified to conform with current year presentation.