

Town of Grimshaw
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2020

TABLE OF CONTENTS

	<u>Page</u>
Statement of Management's Responsibility	1
Independent Auditors' Report	2
Consolidated Statement of Financial Position	3
Consolidated Statement of Operations	4
Consolidated Statement of Change in Net Financial Assets	5
Consolidated Statement of Cash Flows	6
Schedule 1 - Consolidated Schedule of Changes in Accumulated Surplus	7
Schedule 2 - Consolidated Schedule of Tangible Capital Assets	8
Schedule 3 - Consolidated Schedule of Property Taxes Levied	9
Schedule 4 - Consolidated Schedule of Government Transfers	10
Schedule 5 - Consolidated Schedule of Expenses by Object	11
Schedule 6 - Consolidated Schedule of Segmented Disclosure	12
Notes to the Consolidated Financial Statements	13 - 21



TOWN OF
GRIMSHAW

Box 377 • 4612 50th Street • Grimshaw, AB • T0H 1W0
Telephone: (780) 332-4626
Fax: (780) 332-1250
Website: www.grimshaw.ca

Management's Responsibility

To the Members of Council:

Management is responsible for the preparation and presentation of the accompanying consolidated financial statements, including responsibility for significant accounting judgments and estimates in accordance with Canadian generally accepted accounting principles. 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 consolidated 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.

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

MNP LLP, an independent firm of Chartered Professional Accountants, is appointed by the Council to audit the consolidated 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 the Town Council and management to discuss their audit findings.

April 14, 2021

CAO

Director of Finance

Independent Auditor's Report

To the Council of Town of Grimshaw:

Opinion

We have audited the consolidated financial statements of Town of Grimshaw (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 assets and cash flows 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, 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 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 these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

Management is responsible for the preparation and fair presentation of 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 the consolidated financial statements that are free from material misstatement, 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 related 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 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 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.

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

Peace River, Alberta

April 14, 2021

MNP LLP

Chartered Professional Accountants

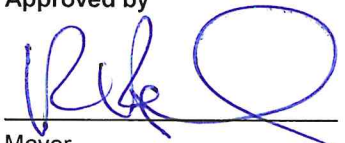
MNP
LLP

**TOWN OF GRIMSHAW
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED DECEMBER 31, 2020**

	2020 \$	2019 \$
FINANCIAL ASSETS		
Cash and cash equivalents (Note 2)	<u>5,351,109</u>	<u>5,484,881</u>
Receivables		
Taxes and grants in lieu of taxes (Note 3)	262,144	244,019
Trade and other receivables	951,936	235,265
Land held for resale	98,096	66,223
Other financial assets	<u>4,232</u>	<u>4,232</u>
	<u>6,667,517</u>	<u>6,034,620</u>
LIABILITIES		
Accounts payable and accrued liabilities (Note 4)	348,391	575,712
Deposit liabilities	3,803	3,803
Deferred revenue (Note 5)	229,504	92,053
Long term debt (Note 6)	<u>471,732</u>	<u>500,000</u>
	<u>1,053,430</u>	<u>1,171,568</u>
NET FINANCIAL ASSETS	<u>5,614,087</u>	<u>4,863,052</u>
NON-FINANCIAL ASSETS		
Tangible capital assets (Schedule 2)	25,065,644	25,148,115
Prepaid expenses	<u>119,817</u>	<u>112,518</u>
	<u>25,185,461</u>	<u>25,260,633</u>
ACCUMULATED SURPLUS (Note 9)	<u>30,799,548</u>	<u>30,123,685</u>

Commitments and contingencies - See Note 13 and 14

Approved by



Mayor



Chief Administrative Officer

See accompanying notes to the financial statements

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

	Budget \$	2020 \$	2019 \$
REVENUE			
Net municipal property taxes (Schedule 3)	2,366,941	2,359,553	2,367,300
User fees and sale of goods	2,017,860	1,925,356	2,027,679
Government transfers for operating (Schedule 4)	235,433	401,934	169,533
Investment income	95,000	83,214	115,295
Penalties and costs on taxes	77,600	82,923	113,733
Gain on disposal of capital assets	-	-	48,140
Other revenues	644,650	564,320	777,968
Total revenues	5,437,484	5,417,300	5,619,648
EXPENSES			
Operating			
Legislative	73,770	46,352	73,236
Administration	976,478	961,424	923,033
Fire and bylaws enforcement	311,258	275,963	246,583
Roads, streets, walks and lighting	1,414,860	1,404,817	1,379,155
Water and wastewater	502,603	467,614	508,148
Waste management	331,328	329,780	336,724
Subdivision land development	319,854	327,160	521,200
Recreation, parks and culture	1,894,296	1,677,129	1,933,390
Total Expenses	5,824,447	5,490,239	5,921,469
(DEFICIENCY) EXCESS OF REVENUE OVER EXPENSES - BEFORE OTHER	(386,963)	(72,939)	(301,821)
OTHER			
Government transfers for capital (Schedule 4)	-	748,802	932,850
EXCESS OF REVENUE OVER EXPENSES	(386,963)	675,863	631,029
ACCUMULATED SURPLUS, BEGINNING OF YEAR	30,123,685	30,123,685	29,492,656
ACCUMULATED SURPLUS, END OF YEAR	29,736,722	30,799,548	30,123,685

See accompanying notes to the financial statements

**TOWN OF GRIMSHAW
CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2020**

	Budget \$	2020 \$	2019 \$
EXCESS OF REVENUES OVER EXPENSES	<u>(386,963)</u>	<u>675,863</u>	<u>631,029</u>
Acquisition of tangible capital assets	-	(1,052,917)	(2,216,119)
Proceeds on disposal of tangible capital assets	-	-	48,140
Amortization of tangible capital assets	1,100,100	1,135,388	1,085,353
(Gain) on sale of tangible capital assets	-	-	(48,140)
	<u>1,100,100</u>	<u>82,471</u>	<u>(1,130,766)</u>
Acquisition of prepaid assets	-	(119,817)	(112,518)
Use of prepaid assets	-	112,518	150,201
	<u>-</u>	<u>(7,299)</u>	<u>37,683</u>
INCREASE (DECREASE) IN NET FINANCIAL ASSETS	713,137	751,035	(462,054)
NET FINANCIAL ASSETS, BEGINNING OF YEAR	<u>4,863,052</u>	<u>4,863,052</u>	<u>5,325,106</u>
NET FINANCIAL ASSETS, END OF YEAR	<u><u>5,576,189</u></u>	<u><u>5,614,087</u></u>	<u><u>4,863,052</u></u>

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

	2020 \$	2019 \$
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING		
Excess of revenues over expenses	675,863	631,029
Gain on sale of capital assets	-	(48,140)
Non-cash items included in excess (shortfall) of revenues over expenses:		
Amortization of tangible capital assets	1,135,388	1,085,353
Non-cash charges to operations (net change):		
Decrease (increase) in taxes and grants in lieu receivable	(18,125)	15,956
Decrease (increase) in trade and other receivables	(716,671)	1,280,560
Decrease (increase) in prepaid expenses	(7,299)	37,683
Decrease (increase) in land held for resale	(31,873)	3,448
Decrease (increase) in other financial assets	-	-
Increase (decrease) in accounts payable and accrued liabilities	(227,321)	179,747
Increase (decrease) in deposit liabilities	-	-
Increase (decrease) in deferred revenue	137,451	(171,113)
Cash provided by operating transactions	<u>947,413</u>	<u>3,014,523</u>
CAPITAL		
Acquisition of tangible capital assets	(1,052,917)	(2,216,119)
Sale of tangible capital assets	-	48,140
Cash applied to capital transactions	<u>(1,052,917)</u>	<u>(2,167,979)</u>
INVESTING		
Decrease (increase) in investments	<u>(79,436)</u>	<u>(1,386,809)</u>
FINANCING		
New debt issued	-	500,000
Long-term debt repaid	<u>(28,268)</u>	<u>-</u>
CHANGE IN CASH AND EQUIVALENTS DURING THE YEAR	(213,208)	(40,265)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>389,253</u>	<u>429,518</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>176,045</u></u>	<u><u>389,253</u></u>
See accompanying notes to the financial statements		
	2020 \$	2019 \$
Cash and cash equivalents is made up of:		
Cash and temporary investments (Note 2)	5,351,109	5,484,881
Less: short-term and long-term investments (Note 2)	(5,175,064)	(5,095,628)
Temporary bank indebtedness	-	-
	<u><u>176,045</u></u>	<u><u>389,253</u></u>

**TOWN OF GRIMSHAW
CONSOLIDATED SCHEDULE OF CHANGES IN ACCUMULATED SURPLUS
FOR THE YEAR ENDED DECEMBER 31, 2020
SCHEDULE 1**

	Unrestricted Surplus	Restricted Surplus	Equity in Tangible Capital Assets	2020 \$	2019 \$
BALANCE, BEGINNING OF YEAR	2,526,278	2,949,292	24,648,115	30,123,685	29,492,656
Excess of revenues over expenses	675,863	-	-	675,863	631,029
Unrestricted funds designated for future use	(862,100)	862,100	-	-	-
Restricted funds used for operations	360,655	(360,655)	-	-	-
Current year funds used for tangible capital assets	(1,052,917)	-	1,052,917	-	-
Disposal of assets (at nbv)	-	-	-	-	-
Annual amortization expense	1,135,388	-	(1,135,388)	-	-
New debt issued	-	-	-	-	-
Long term debt repaid	(28,268)	-	28,268	-	-
Change in accumulated surplus	228,621	501,445	(54,203)	675,863	631,029
BALANCE, END OF YEAR	2,754,899	3,450,737	24,593,912	30,799,548	30,123,685

See accompanying notes to the financial statements

**TOWN OF GRIMSHAW
CONSOLIDATED SCHEDULE OF TANGIBLE CAPITAL ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2020
SCHEDULE 2**

	Land	Land Improvements	Buildings	Engineered Structures	Machinery and Equipment	Vehicles	2020 \$	2019 \$
COST:								
BALANCE, BEGINNING OF YEAR	624,551	375,777	16,790,138	48,600,376	1,849,041	1,290,620	69,530,503	67,496,874
Acquisition of tangible capital assets	-	30,421	135,978	863,728	22,790	-	1,052,917	2,216,119
Disposal of tangible capital assets	-	-	-	-	-	-	-	(182,490)
BALANCE, END OF YEAR	624,551	406,198	16,926,116	49,464,104	1,871,831	1,290,620	70,583,420	69,530,503
ACCUMULATED AMORTIZATION:								
BALANCE, BEGINNING OF YEAR	-	145,758	4,257,882	38,288,175	1,104,715	585,858	44,382,388	43,479,525
Annual amortization	-	14,830	354,560	581,421	107,138	77,439	1,135,388	1,085,353
Accumulated amortization on disposals	-	-	-	-	-	-	-	(182,490)
BALANCE, END OF YEAR	-	160,588	4,612,442	38,869,596	1,211,853	663,297	45,517,776	44,382,388
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	624,551	245,610	12,313,674	10,594,508	659,978	627,323	25,065,644	25,148,115
2019 NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	624,551	230,019	12,532,256	10,312,201	744,326	704,762	25,148,115	

See accompanying notes to the financial statements

**TOWN OF GRIMSHAW
CONSOLIDATED SCHEDULE OF PROPERTY TAXES LEVIED
FOR THE YEAR ENDED DECEMBER 31, 2020
SCHEDULE 3**

	Budget \$	2020 \$	2019 \$
TAXATION			
Real property taxes	3,214,041	3,107,230	3,178,752
Linear property taxes	-	70,190	70,327
Government grants in place of property taxes	-	4,284	4,265
Local Improvements	-	-	-
	<u>3,214,041</u>	<u>3,181,704</u>	<u>3,253,344</u>
REQUISITIONS			
Alberta School Foundation Fund	624,687	611,184	655,248
Separate School Funding	105,937	94,641	111,096
Seniors Foundation	116,476	116,326	119,700
	<u>847,100</u>	<u>822,151</u>	<u>886,044</u>
NET MUNICIPAL TAXES	<u>2,366,941</u>	<u>2,359,553</u>	<u>2,367,300</u>

See accompanying notes to the financial statements

**TOWN OF GRIMSHAW
CONSOLIDATED SCHEDULE OF GOVERNMENT TRANSFERS
FOR THE YEAR ENDED DECEMBER 31, 2020
SCHEDULE 4**

	Budget \$	2020 \$	2019 \$
	<hr/>	<hr/>	<hr/>
TRANSFERS FOR OPERATING:			
Provincial Government	235,433	401,934	169,533
Federal Government	-	-	-
	<hr/>	<hr/>	<hr/>
	235,433	401,934	169,533
TRANSFERS FOR CAPITAL:			
Provincial Government	-	748,802	932,850
Federal Government	-	-	-
	<hr/>	<hr/>	<hr/>
	-	748,802	932,850
TOTAL GOVERNMENT TRANSFERS	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
	235,433	1,150,736	1,102,383

See accompanying notes to the financial statements

**TOWN OF GRIMSHAW
CONSOLIDATED SCHEDULE OF EXPENSES BY OBJECT
FOR THE YEAR ENDED DECEMBER 31, 2020
SCHEDULE 5**

	Budget \$	2020 \$	2019 \$
CONSOLIDATED EXPENSES BY OBJECT			
Salaries, wages and benefits	1,909,770	1,709,103	1,936,558
Contracted and general services	2,083,325	1,949,599	2,166,202
Materials, goods, supplies and utilities	571,880	520,938	570,524
Bank charges and short term interest	8,800	8,058	8,391
Interest on capital long-term debt	11,500	11,140	3,336
Amortization of tangible capital assets	1,100,100	1,135,388	1,085,353
Other expenses	139,072	156,013	151,105
	<u>5,824,447</u>	<u>5,490,239</u>	<u>5,921,469</u>

See accompanying notes to the financial statements

**TOWN OF GRIMSHAW
CONSOLIDATED SCHEDULE OF SEGMENTED DISCLOSURE
FOR THE YEAR ENDED DECEMBER 31, 2020
SCHEDULE 6**

	General Government	Protective Services	Transportation Services	Planning & Development	Recreation & Culture	Environmental Services	Total \$
REVENUE							
Net municipal taxes	2,359,553	-	-	-	-	-	2,359,553
Government transfers	-	-	1,072,461	78,275	-	-	1,150,736
User fees and sales of goods	455,747	32,517	-	37,604	90,091	1,309,397	1,925,356
Gain on sale of capital assets	-	-	-	-	-	-	-
Investment income	83,214	-	-	-	-	-	83,214
Penalties and costs on taxes	66,466	4,153	-	-	-	12,304	82,923
Other revenues	4,168	26,960	2,216	87,471	432,712	10,793	564,320
	<u>2,969,148</u>	<u>63,630</u>	<u>1,074,677</u>	<u>203,350</u>	<u>522,803</u>	<u>1,332,494</u>	<u>6,166,102</u>
EXPENSES							
Contract & general services	312,872	143,227	311,462	300,358	465,507	416,173	1,949,599
Salaries & wages	554,879	76,039	420,521	-	446,007	211,657	1,709,103
Goods & supplies	84,011	23,079	128,369	502	250,951	34,026	520,938
Bank charges and interest	8,058	-	-	-	-	-	8,058
Long term debt interest	11,140	-	-	-	-	-	11,140
Other expenses	7,232	336	-	26,300	121,949	196	156,013
	<u>978,192</u>	<u>242,681</u>	<u>860,352</u>	<u>327,160</u>	<u>1,284,414</u>	<u>662,052</u>	<u>4,354,851</u>
NET REVENUE BEFORE AMORTIZATION	1,990,956	(179,051)	214,325	(123,810)	(761,611)	670,442	1,811,251
Amortization expense	(29,580)	(35,052)	(542,695)	-	(392,717)	(135,344)	(1,135,388)
NET REVENUE	<u>1,961,376</u>	<u>(214,103)</u>	<u>(328,370)</u>	<u>(123,810)</u>	<u>(1,154,328)</u>	<u>535,098</u>	<u>675,863</u>

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

a) Reporting entity

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

The schedule of taxes levied also includes requisitions for education, health, social and other external organizations that are 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.

d) Investments

Investments are recorded at amortized cost. Investment premiums and discounts are amortized on the net present value basis over the term of the respective investments. When there has been a loss in value that is other than a temporary decline, the respective investment is written down to recognize the loss.

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

e) Employee Future Benefits

Certain employees of the Town are members of the Local Authorities Pension Plan (LAPP), a multi-employer defined benefit pension plan. The trustee of the plan is the Alberta Treasurer and the plan is administered by a Board of Trustees. Since the plan is a multi-employer plan, it is accounted for as a defined contribution plan and, accordingly, the Town does not recognize its share of any plan surplus or deficit.

f) Inventories 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 levelling 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 the respective function.

g) 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.

h) Requisition Over-levies and Under-Levies

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.

i) 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 Assets for the year.

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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:

	YEARS
Land Improvements	10-45
Buildings	25-50
Engineered structures	
Water distribution system	30-75
Wastewater treatment system	35-75
Roadway system	5-40
Machinery, equipment and furnishings	5-20
Vehicles	10-25

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

ii. Contributions of Tangible Capital Assets

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

iii. Leases

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

iv. Inventories

Inventories held for consumption are recorded at the lower of cost and replacement cost.

v. Cultural and Historical Tangible Capital Assets

Works of art for display are not recorded as tangible capital assets but are disclosed. The Town of Grimshaw owns 2 antique trucks. They were purchased in 2008 for a combined cost of \$28,500. The trucks are not recorded as tangible capital assets in the financial statements and are not amortized.

j) 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 GRIMSHAW
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020**

2. CASH AND INVESTMENTS

	2020	2019
	\$	\$
Cash	176,045	389,253
Savings account	-	-
GIC's and investment savings account	5,175,064	5,095,628
	<u>5,351,109</u>	<u>5,484,881</u>

GIC's and investment savings account consist of mutual fund investments and GIC investments bearing interest between 2.21 - 2.28% with maturity dates ranging from July 19, 2021 - January 14, 2022.

A portion of the cash balances above are restricted for reserves and deferred revenue. The total restricted capital is \$3,673,707 (\$3,041,344 in 2019).

3. TAXES AND GRANTS IN LIEU OF TAXES

	2020	2019
	\$	\$
Current taxes and grants in lieu of taxes	158,564	125,737
Arrears taxes	103,580	118,282
	262,144	244,019
Less: allowance for doubtful accounts	-	-
	<u>262,144</u>	<u>244,019</u>

4. ACCOUNTS PAYABLE & ACCRUED LIABILITIES

	2020	2019
	\$	\$
Vacation and overtime	118,838	108,562
Project holdbacks	-	-
General payables	208,944	467,033
Government payables (source deductions and GST)	20,609	117
	<u>348,391</u>	<u>575,712</u>

Vacation and overtime

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

5. DEFERRED REVENUE

Deferred revenue consists of the following amounts, which have been restricted by third parties for a specified purpose. These amounts are recognized as revenue in the period in which the related expenses are incurred.

	2019	Additions	Revenue Recognized	2020
	\$	\$	\$	\$
Municipal Sustainability Initiative - Capital	92,053	610,525	702,578	-
Federal Gas Tax Fund	-	155,474	46,224	109,250
Family and Community Support Services	-	6,533	-	6,533
Municipal Operating Support Transfer Grant	-	280,222	166,501	113,721
	<u>92,053</u>	<u>1,052,754</u>	<u>915,303</u>	<u>229,504</u>

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

6. LONG-TERM DEBT

	<u>2020</u>	<u>2019</u>
	<u>\$</u>	<u>\$</u>
Self supported debentures	<u>471,732</u>	<u>500,000</u>

Principal and interest repayments are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
	<u>\$</u>	<u>\$</u>	<u>\$</u>
2021	28,922	10,675	39,597
2022	29,591	10,006	39,597
2023	30,275	9,322	39,597
2024	30,973	8,624	39,597
2025	31,690	7,907	39,597
Thereafter	320,281	36,092	356,373
	<u>471,732</u>	<u>82,626</u>	<u>554,358</u>

Debenture debt is repayable to Alberta Capital Finance Authority and bears interest at 2.298% per annum, and matures in 2034.

Debenture debt is issued on the credit and security of the town at large.

7. DEBT LIMITS

Section 276(2) of the Municipal Government Act requires that debt and debt limits as defined by Alberta be disclosed as follows:

	<u>2020</u>	<u>2019</u>
	<u>\$</u>	<u>\$</u>
Total debt limit	<u>8,125,950</u>	8,429,472
Total debt	<u>471,732</u>	500,000
Amount of debt limit unused	<u>7,654,218</u>	<u>7,929,472</u>
Debt servicing limit	<u>1,354,325</u>	1,404,912
Total debt payments	<u>39,597</u>	39,597
Amount of debt servicing limit unused	<u>1,314,728</u>	<u>1,365,315</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. EQUITY IN TANGIBLE CAPITAL ASSETS

	<u>2020</u>	<u>2019</u>
	<u>\$</u>	<u>\$</u>
Tangible capital assets (Schedule 2)	<u>70,583,420</u>	69,530,503
Accumulated amortization (Schedule 2)	<u>(45,517,776)</u>	(44,382,388)
Long-term debt (Note 6)	<u>(471,732)</u>	(500,000)
	<u>24,593,912</u>	<u>24,648,115</u>

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

9. ACCUMULATED SURPLUS

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

	2020	2019
	\$	\$
Unrestricted surplus	2,754,899	2,526,278
Reserves (Note 10)	3,450,737	2,949,292
Equity in tangible capital assets (Note 8)	24,593,912	24,648,115
	<u>30,799,548</u>	<u>30,123,685</u>

10. Reserves

Reserves consists of operating and capital amounts as follows:

	2020	2019
	\$	\$
Operating reserves		
General Administration	486,037	286,037
RCMP	24,000	24,000
Fire	28,810	28,810
Sewer	7,000	7,000
FCSS	12	12
Economic Development	40,985	70,684
Community Development	70,000	58,000
Recreation	3,500	3,500
Contingency	1,460	1,460
	<u>661,804</u>	<u>479,503</u>
Capital reserves		
General Administration	(51,329)	(67,887)
RCMP	10,000	10,000
Fire	202,015	164,015
Transportation	450,223	278,223
Water	123,719	23,116
Sewer	245,504	232,272
Cemeteries	5,500	3,000
Shared Spaces	16,217	6,217
Recreation	1,085,685	1,078,476
Pool	33,098	85,634
Fitness Centre	113,530	111,530
Parks	132,893	144,315
Field House	128,000	110,000
Elks Hall	35,503	32,503
Capital replacement	258,375	258,375
	<u>2,788,933</u>	<u>2,469,789</u>
Total reserves	<u>3,450,737</u>	<u>2,949,292</u>

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

11. SALARY AND BENEFITS DISCLOSURE

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

	2020			Total	2019
	Salary ¹	Benefits & allowances ²	Expense reimbursement ³		Total
	\$				\$
Councillors					
Mayor Regal	7,668	-	162	7,830	10,130
Councillor Thompson	2,652	-	-	2,652	5,463
Councillor Hennings	2,720	-	368	3,088	6,167
Councillor Messner	2,836	-	-	2,836	3,917
Councillor Sklapsky	3,747	-	-	3,747	6,021
Councillor Sukeroff	3,604	-	-	3,604	5,377
Councillor Wald	6,281	-	171	6,452	10,404
Chief Administrative Officer	123,447	19,689	194	143,330	142,793
	152,955	19,689	895	173,539	190,272

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 pension, health care, dental coverage, vision coverage, group life insurance, accidental disability and dismemberment insurance, and long and short-term disability plans.

3 Direct reimbursement of expenses.

12. 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 is financed by employer and employee contributions and by investment earnings of the LAPP Fund.

Contributions for current service are recorded as expenditures in the year in which they become due.

The Town is required to make current service contributions to the LAPP of 9.39% of pensionable earnings up to the year's maximum pensionable earnings under the Canada Pension Plan and 13.84% on pensionable earnings above this amount. Employees of the Town are required to make current service contributions of 8.39% of pensionable salary up to the year's maximum pensionable salary and 12.84% on pensionable salary above this amount.

Total current service contributions by the Town to the LAPP in 2020 were \$117,474 (2019 - \$122,163). Total current service contributions by the employees of the Town to the LAPP in 2020 were \$106,158 (2019 - \$110,360).

At December 31, 2019, the LAPP disclosed a surplus of \$7.91 billion (2018 - \$3.47 billion surplus).

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

13. COMMITMENTS

The Town has a 5 year contract with KCL Consulting Inc to provide assessment services, at a cost of \$29,000 annually, until 2025.

The Town has a 3 year agreement with the Lac Cardinal Economic Development Board, at a cost of \$61,600 annually, until 2022.

The Town has a 5 year agreement with the Mackenzie Municipal Services Agency, at a cost of \$85,000 annually, until 2024.

14. CONTINGENCIES

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.

15. FINANCIAL INSTRUMENTS

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

The Town is subject to credit risk with respect to taxes and grants in place of taxes receivables and trade and other receivables. Credit risk arises from the possibility that taxpayers and entities to which the Town provides services may experience financial difficulty and be unable to fulfill their obligations. The large number and diversity of taxpayers and customers minimizes the credit risk.

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

16. SEGMENTED DISCLOSURE

The Town of Grimshaw 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 the Schedule of Segmented Disclosure (Schedule 6).

17. APPROVAL OF FINANCIAL STATEMENTS

Council and Management have approved these financial statements.

18. COMPARATIVE FIGURES

The comparative figures have been reclassified where necessary.

19. IMPACT ON OPERATIONS

During the year, there was a global outbreak of COVID-19 (coronavirus), which has had a significant impact on municipal government operations through the restrictions put in place by the Canadian and provincial governments regarding travel, isolation/quarantine orders closures of the Town's facilities, cancellation/postponement of programs and tax and utility deferral programs. 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 the Town facility closures, program and service disruptions, and quarantine/isolation measures that are currently, or may be put, in place by Canada and other countries to fight the virus.