



FINANCIAL STATEMENTS

**Town of Coaldale, Alberta, Canada
For the Year Ended December 31, 2019**

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For the year ended December 31, 2019

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MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

Management of the Town of Coaldale is responsible for the integrity of the accompanying financial statements and the notes thereto. The financial statements have been prepared by management in accordance with Canadian public sector accounting standards.

To assist in meeting its responsibility, management maintains appropriate system of internal and administrative controls designed to provide reasonable assurance that transactions are appropriately authorized and accurately recorded, that assets are properly accounted for and safeguarded, and that financial information produced is relevant and reliable.

The preparation of the financial statements necessarily includes amounts which are based on the best estimates and judgements of management.

The Town Council is responsible for overseeing management in the performance of its 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.

The financial statements have been audited by the independent firm of Avail CPA, Chartered Professional Accountants. Their report to the Mayor and Town Council, stating the scope of their examination and opinion on the financial statements, follows.



Kalen Hastings, M.A.
Chief Administrative Officer

April 14, 2020
Coaldale, Canada



Kyle Beauchamp, CPA, CA
Director of Corporate Services

April 14, 2020
Coaldale, Canada

INDEPENDENT AUDITORS' REPORT

To: The Mayor and Members of Council of
the Town of Coaldale

Opinion

We have audited the consolidated financial statements of the Town of Coaldale which comprise the consolidated statement of financial position as at December 31, 2019, and the consolidated statements of financial activities, change in net financial assets and cash flow for the year then ended, and notes to the 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 Town of Coaldale as at December 31, 2019, and its results of operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the company 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 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 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 company'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 company or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the 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 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:

INDEPENDENT AUDITORS' REPORT, continued

- 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.

Report on Other Legal and Regulatory Requirements

- Debt Limit Regulation:
In accordance with Alberta Regulation 255/2000, we confirm that the Town is in compliance with the Debt Limit Regulation. A detailed account of the Town's debt limit can be found in note 7.
- Supplementary Accounting Principles and Standards Regulation:
In accordance with Alberta Regulation 313/2000, we confirm that the Town is in compliance with the Supplementary Accounting Principles and Standards Regulation and note the information required can be found in note 16.

Lethbridge, Alberta

April 14, 2020



Chartered Professional Accountants

STATEMENT OF FINANCIAL POSITION

As at December 31, 2019

	2019	2018
FINANCIAL ASSETS		
Cash and temporary investments (Note 2)	\$ 26,464,018	\$ 16,437,256
Receivables		
Taxes and grants in place of taxes (Note 3)	498,193	540,786
Trade and other receivables	1,083,713	2,125,643
Land held for resale	3,810,109	3,855,780
Investments (Note 4)	-	1,135,798
	31,856,033	24,095,263
FINANCIAL LIABILITIES		
Accounts payable and accrued liabilities	2,489,690	1,824,956
Deposit liabilities	130,029	96,290
Deferred revenue (Note 5)	2,007,610	3,045,183
Employee benefit obligations (Note 6)	275,504	312,828
Long-term debt (Note 7)	16,730,268	4,066,414
	21,633,101	9,345,671
NET FINANCIAL ASSETS	10,222,932	14,749,592
NON-FINANCIAL ASSETS		
Tangible capital assets (Schedule 2)	104,489,165	96,439,632
Other assets (Note 8)	318,142	1,279,609
Inventory for consumption	259,534	268,620
	105,066,841	97,987,861
ACCUMULATED SURPLUS (Schedule 1, Note 11)	\$ 115,289,773	\$ 112,737,453

Commitments & Contingencies (Note 17, 18)

Approved on behalf of Town Council:



Mayor - Kim Craig



Chief Administrative Officer - Kalen Hastings

STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS

For the year ended December 31, 2019

	Budget (Note 21)	2019	2018
REVENUES			
Net taxes available for municipal purposes (Note 12)	\$ 8,737,746	\$ 8,691,912	\$ 8,187,577
User fees and sale of goods and services	5,860,618	5,584,615	5,578,776
Government transfers relating to operating (Note 13)	516,687	816,266	792,917
Land development	1,127,600	249,177	3,362,235
Franchise fees	630,000	689,227	668,742
Investment income	330,000	380,632	336,003
Development levies	-	-	799,430
Fines and penalties	766,500	679,909	711,695
Licences, permits and fees	142,800	131,570	160,761
Other	8,540	79,338	41,121
	18,120,491	17,302,646	20,639,257
EXPENSES			
Legislative	305,920	289,817	399,061
Administration	1,700,983	1,802,292	1,846,404
Policing, regulatory and emergency management	2,382,565	2,374,593	2,276,307
Fire	1,136,196	826,982	816,620
Roads, streets, walks and lighting	3,454,883	3,034,825	2,903,844
Storm and drainage	532,841	540,612	777,039
Water supply and distribution	1,585,464	1,550,539	1,617,023
Waste management	1,215,257	1,162,472	1,370,341
Wastewater treatment and disposal	1,178,618	956,039	908,113
Family and community support	112,532	104,516	85,310
Land use planning, zoning and development	1,382,699	1,297,516	941,436
Parks, recreation and culture	3,141,051	3,198,303	2,827,902
	18,129,009	17,138,506	16,769,400
ANNUAL SURPLUS (DEFICIT) BEFORE OTHER	(8,518)	164,140	3,869,857
OTHER			
Contributed tangible capital assets (Schedule 2)	582,500	756,763	1,021,783
Government transfers related to capital (Note 13)	2,192,166	1,631,417	3,157,845
	2,774,666	2,388,180	4,179,628
ANNUAL SURPLUS (DEFICIT)	2,766,148	2,552,320	8,049,485
ACCUMULATED SURPLUS, BEGINNING OF YEAR	112,737,453	112,737,453	104,687,968
ACCUMULATED SURPLUS, END OF YEAR	\$ 115,503,601	\$ 115,289,773	\$ 112,737,453

STATEMENT OF CASH FLOWS

For the year ended December 31, 2019

	2019	2018
NET INFLOW (OUTFLOW) OF CASH AND CASH EQUIVALENTS:		
OPERATING ACTIVITIES		
Annual surplus	\$ 2,552,320	\$ 8,049,485
Deduct items not affecting cash:		
Amortization of tangible capital assets	2,696,865	2,671,072
Net loss on disposal of tangible capital assets	(13,486)	(19,814)
Contributed assets	(756,763)	(1,021,783)
Change in non-cash items:		
Receivables	1,084,523	(875,530)
Land for resale	45,671	(1,499,630)
Inventory for consumption	9,086	1,338
Other assets	961,467	(1,274,747)
Accounts payable and accrued liabilities	664,734	278,464
Deposit liabilities	33,739	(59,314)
Deferred revenue	(1,037,573)	1,247,801
Employee benefit obligation	(37,324)	26,032
	6,203,259	7,523,374
CAPITAL ACTIVITIES		
Acquisition of tangible capital assets	(9,983,149)	(6,926,651)
Proceeds on sale of tangible capital assets	7,000	190,864
	(9,976,149)	(6,735,787)
FINANCING ACTIVITIES		
Proceeds from long-term debt issued	12,957,837	-
Long-term debt repaid	(293,983)	(290,736)
	12,663,854	(290,736)
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	8,890,964	496,851
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	17,573,054	17,076,203
CASH AND CASH EQUIVALENTS, END OF YEAR	26,464,018	17,573,054
Cash and temporary investments (Note 2)	26,464,018	16,437,256
Investments (Note 4)	-	1,135,798
	\$ 26,464,018	\$ 17,573,054

STATEMENT OF NET FINANCIAL ASSETS

For the year ended December 31, 2019

	Budget (Note 21)	2019	2018
ANNUAL SURPLUS	\$ 2,766,148	\$ 2,552,320	\$ 8,049,485
Acquisition of tangible capital assets	(10,192,726)	(9,983,149)	(6,926,651)
Tangible capital assets received as contributions	(582,500)	(756,763)	(1,021,783)
Proceeds on sale of tangible capital assets	-	7,000	190,864
Amortization of tangible capital assets	2,696,865	2,696,865	2,671,072
Gain on disposal of tangible capital assets	-	(13,486)	(19,814)
	(8,078,361)	(8,049,533)	(5,106,312)
Acquisition of supplies inventory	-	(259,534)	(268,620)
Use of supplies inventory	-	268,620	269,958
Acquisition of other assets	-	(318,142)	(1,279,609)
Use of other assets	1,218,746	1,279,609	4,862
	1,218,746	970,553	(1,273,409)
INCREASE IN NET FINANCIAL ASSETS	(4,093,467)	(4,526,660)	1,669,764
NET FINANCIAL ASSETS, BEGINNING OF YEAR	14,749,592	14,749,592	13,079,828
NET FINANCIAL ASSETS, END OF YEAR	\$ 10,656,125	\$ 10,222,932	\$ 14,749,592

SCHEDULE OF ACCUMULATED SURPLUS

For the year ended December 31, 2019

Schedule 1

	Unrestricted Surplus	Restricted Surplus	Equity in Tangible Capital Assets	2019	2018
ANNUAL SURPLUS	\$ 2,552,320	\$ -	\$ -	2,552,320	8,049,485
Unrestricted funds designated for future use	(3,212,931)	3,212,931	-	-	-
Restricted funds for operations	679,980	(679,980)	-	-	-
Restricted funds for tangible capital assets	-	(4,351,137)	4,351,137	-	-
Current year funds used for tangible capital assets	(5,632,017)	-	5,632,017	-	-
Contributed tangible capital assets	(756,763)	-	756,763	-	-
Disposal of tangible capital assets	(13,481)	7,000	6,481	-	-
Amortization expense	2,696,865	-	(2,696,865)	-	-
Long term debt issued	2,957,837	10,000,000	(12,957,837)	-	-
Long term debt repaid (capital)	(250,624)	-	250,624	-	-
	(3,531,134)	8,188,814	(4,657,680)	-	-
CHANGE IN ACCUMULATED SURPLUS	(978,814)	8,188,814	(4,657,680)	2,552,320	8,049,485
BALANCE, BEGINNING OF YEAR	3,383,981	15,535,474	93,817,998	112,737,453	104,687,968
BALANCE, END OF YEAR	\$ 2,405,167	\$ 23,724,288	\$ 89,160,318	\$ 115,289,773	\$ 112,737,453

SCHEDULE OF TANGIBLE CAPITAL ASSETS

For the year ended December 31, 2019

Schedule 2

	2018		Additions	Contributed	Disposals	2019
COST						
Land	\$	15,253,905	\$	1,733,039	43,428	- \$ 17,030,372
Land improvements		3,249,364		84,779	-	(33,730) 3,300,413
Engineered structures		111,137,815		1,464,989	72,619	- 112,675,423
Buildings		9,820,852		176,676	-	(8,830) 9,988,698
Machinery and equipment		3,134,969		224,773	154,451	(21,533) 3,492,660
Vehicles		3,077,226		1,431,956	312,500	(34,114) 4,787,568
Work in progress						-
Land improvements		-		473,338	173,765	- 647,103
Engineered structures		8,904		1,370,391	-	- 1,379,295
Buildings		210,189		3,023,208	-	- 3,233,397
		145,893,224		9,983,149	756,763	(98,207) 156,534,929
ACCUMULATED AMORTIZATION						
Land improvements		1,210,383		106,686	-	(34,782) 1,282,287
Engineered structures		38,252,617		1,993,632	-	(5,003) 40,241,246
Buildings		6,291,343		224,837	-	(9,564) 6,506,616
Machinery and equipment		1,702,035		160,493	-	(21,245) 1,841,283
Vehicles		1,997,214		211,217	-	(34,099) 2,174,332
		49,453,592		2,696,865	-	(104,693) 52,045,764
NET BOOK VALUE	\$	96,439,632				\$ 104,489,165

SCHEDULE OF SEGMENTED DISCLOSURES

For the year ended December 31, 2019

Schedule 3

REVENUE	General Government	Protective Services	Transportation Services	Planning & Development	Recreation & Culture	Environmental Services	Total
Net taxes available for municipal purposes (Note 12)	\$ 8,315,572	\$ -	\$ -	\$ -	\$ 376,340	\$ -	\$ 8,691,912
Sale of goods and services	69,068	537,187	6,000	-	397,673	4,574,687	5,584,615
Government transfers relating to operating (Note 13)	298,943	385,720	36,500	2,100	93,003	-	816,266
Land development	-	-	-	249,177	-	-	249,177
Franchise fees	689,227	-	-	-	-	-	689,227
Investment income	380,632	-	-	-	-	-	380,632
Other	212,513	570,654	122	72,865	34,863	-	890,817
	9,965,955	1,493,561	42,622	324,142	901,679	4,574,687	17,302,646
EXPENSES							
Salaries and wages	948,752	1,086,347	795,464	803,732	1,629,959	597,350	5,861,604
Contracted and general services	681,403	392,760	489,387	388,875	472,112	1,340,150	3,764,687
Materials, goods and utilities	267,997	1,656,429	558,817	15,091	641,720	1,010,296	4,150,350
Transfers to local boards	104,516	-	-	-	204,517	-	309,033
Interest and bank charges	9,016	-	26,066	89,818	24,189	46,440	195,529
Amortization of tangible capital assets	27,018	66,039	1,165,091	-	225,806	1,212,911	2,696,865
Other expenses	157,923	-	-	-	-	2,515	160,438
	2,196,625	3,201,575	3,034,825	1,297,516	3,198,303	4,209,662	17,138,506
OTHER							
Contributed assets	-	486,951	-	-	173,766	116,046	756,763
Government transfers relating to capital (Note 13)	-	892,000	485,251	-	-	254,166	1,631,417
	-	1,358,951	485,251	-	173,766	370,212	2,388,180
ANNUAL SURPLUS (DEFICIT)	\$ 7,769,330	\$ (349,063)	\$ (2,506,952)	\$ (973,374)	\$ (2,122,858)	\$ 735,237	\$ 2,552,320

See accompanying notes to the financial statements

SCHEDULE OF SEGMENTED DISCLOSURES

For the year ended December 31, 2018

Schedule 3

REVENUE	General Government	Protective Services	Transportation Services	Planning & Development	Recreation & Culture	Environmental Services	Total
Net taxes available for municipal purposes (Note 12)	\$ 8,187,577	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 8,187,577
Sale of goods and services	54,664	604,791	15,266	10,400	473,423	4,420,232	5,578,776
Government transfers relating to operating (Note 13)	85,725	423,382	92,958	71,178	102,167	17,507	792,917
Land development	-	-	-	4,161,665	-	-	4,161,665
Franchise fees	668,742	-	-	-	-	-	668,742
Investment income	336,003	-	-	-	-	-	336,003
Other	184,514	585,747	847	95,901	46,568	-	913,577
	9,517,225	1,613,920	109,071	4,339,144	622,158	4,437,739	20,639,257
EXPENSES							
Salaries and wages	1,015,479	1,240,761	801,877	508,788	1,566,185	556,483	5,689,573
Contracted and general services	592,276	396,994	381,673	306,027	303,493	1,759,322	3,739,785
Materials, goods and utilities	407,038	1,438,945	539,909	10,221	586,157	1,055,057	4,037,327
Transfers to local boards	85,309	-	-	-	137,539	7,624	230,472
Interest and bank charges	3,435	-	20,717	95,315	11,679	52,103	183,249
Amortization of tangible capital assets	35,656	16,227	1,159,668	-	222,849	1,236,672	2,671,072
Other expenses	191,582	-	-	21,085	-	5,255	217,922
	2,330,775	3,092,927	2,903,844	941,436	2,827,902	4,672,516	16,769,400
OTHER							
Contributed assets	-	426,590	-	-	-	595,193	1,021,783
Government transfers relating to capital (Note 13)	-	-	-	-	-	3,157,845	3,157,845
	-	426,590	-	-	-	3,753,038	4,179,628
ANNUAL SURPLUS (DEFICIT)	\$ 7,186,450	\$ (1,052,417)	\$ (2,794,773)	\$ 3,397,708	\$ (2,205,744)	\$ 3,518,261	\$ 8,049,485

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2019

The Town of Coaldale (the Town) is a municipality in the Province of Alberta, Canada and operates under the provisions of the Municipal Government Act, R.S.A., 2000, c.M-26, as amended (MGA).

1. SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Town are prepared by management in accordance with Canadian public sector accounting standards (PSAS). Significant aspects of the accounting policies adopted by the Town are as follows:

A. Reporting Entity

The financial statements reflect the revenues, expenses, assets, liabilities and accumulated surplus of the reporting entity. The reporting entity is comprised of the Town operations plus all of the organizations that are owned or controlled by the Town and are, therefore, accountable to Town Council for the 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 not part of the reporting entity.

The statements exclude trust assets that are administered for the benefit of external parties. Interdepartmental and organizational transactions and balances have been eliminated.

B. Basis of Accounting

The financial statements are prepared using the accrual basis of accounting. Revenues are accounted for in the period in which they are earned and measurable. Funds from external parties and earnings thereon restricted by agreement or legislation are accounted for as deferred revenue until used for the purpose specified.

Expenses are recognized as they are incurred and measurable based upon receipt of the goods and services and/or the legal obligation to pay.

C. Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions. These estimates affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from management's best estimates as additional information becomes available in the future. Items requiring the use of significant estimates include the useful life of tangible capital assets, rates for amortization and estimated employee benefits. Estimates are based on the best information available at the time of preparation of the financial statements and are reviewed annually to reflect new information as it becomes available. Actual results could differ from these estimates.

D. Tax Revenue

Annually, the Town bills and collects property tax revenues for municipal purposes. Tax revenues are based on market value assessments determined in accordance with the MGA and annually established tax rates. Municipal tax rates are set each year by Town Council in accordance with legislation and Town Council approved policies to raise the tax revenue required to meet the Town's budget requirements. Tax revenues are recorded at the time tax billings are issued. Property assessments are subject to tax appeal. Tax revenues are recognized net of an allowance for anticipated uncollectable amounts. Requisitions operate as a flow through and are excluded from the municipal revenue.

E. Government Transfers

Government transfers are the transfer of monetary assets or tangible capital assets from other orders of government that are not the result of an exchange transaction and for which there is no expectation of repayment or direct financial return to the transferor in the future. The Town receives government transfers from the Federal and Provincial governments to fund operating and capital expenditures. These transfers to the Town are recognized as revenues when the transfers are authorized and all the eligibility criteria, if any, have been met, except when and to the extent that the transfer gives rise to an obligation that meets the definition of a liability for the recipient. Prior to that time, any amounts received, along with restricted interest thereon are recorded as deferred revenue.

Authorized transfers from the Town to other organizations or individuals are recorded as an expense when the transfer has been authorized and the eligibility criteria, if any, have been met by the recipient. The majority of transfers made by the Town are in the form of grants.

F. Land for Resale

Land for resale is recorded at the lower of cost and net realizable value. Cost includes amounts for land acquisition and improvements to prepare the land for sale or servicing.

G. Cash and Cash Equivalents

Cash and cash equivalents include demand deposits and short-term investments that are readily convertible to known amounts of cash that are subject to an insignificant risk of change in value. These short-term investments generally have a maturity of three months or less at acquisition, or are redeemable and held for the purpose of meeting short-term cash commitments rather than for investing.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2019

H. 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.

I. Non-Financial Assets

Non-financial assets are not available to discharge 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.

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 following estimated useful lives of the assets.

Land improvements	15 - 45 years
Buildings	25 - 50 years
Machinery and equipment	5 - 40 years
Vehicles	10 - 40 years
Engineered structures	5 - 75 years

Assets under construction are not amortized until the asset is available for productive use.

Tangible capital assets are written down when conditions indicate that a tangible capital asset no longer contributes to the Town's ability to provide goods and services, or that the value of future economic benefits associated with the tangible capital asset is less than its net book value.

ii. Contributed Tangible Capital Assets

Tangible capital assets acquired as contributions are recorded at their fair value on the date received and corresponding revenues are recorded as contributed tangible capital assets on the Statement of Operations and Accumulated Surplus.

iii. Leases

Leases are classified as capital or operating leases. Leases which transfer substantially all benefits and risks to the Town 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, net of tenant inducements, are charged to expenses on a straight-line basis over the lease term.

iv. Inventory of Materials and Supplies

Inventory of materials and supplies are valued at the lower of average cost and net realizable value.

v. Culture, Historical and Works of Art

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

J. Liability for Contaminated Sites

Contaminated sites are a result of contamination being introduced into air, soil, water or sediment of a chemical, organic, radioactive material or live organism that exceeds an environmental standard. The liability is recorded net of any expected recoveries. A liability for remediation of a contaminated site is recognized when a site is not in productive use and is management's estimate of the cost of post-remediation including operation, maintenance and monitoring.

K. Equity in Tangible Capital Assets

Equity in tangible capital assets is included within accumulated surplus. It represents the investment in tangible capital assets, after deducting the portion financed by long-term debt.

L. Reserves for Future Expenditures

Certain amounts, as approved by Town Council, are designated within accumulated surplus as reserves for future operating and capital expenditures.

NOTES TO THE FINANCIAL STATEMENTS

For the fiscal year ended December 31, 2019

2. CASH AND TEMPORARY INVESTMENTS

	2019	2018
Cash	\$ 18,898,464	\$ 9,165,361
Temporary investments	7,565,554	7,271,895
	\$ 26,464,018	\$ 16,437,256

Temporary investments consist of short-term deposits, at cost, which approximates market value. These investments have effective interest rates ranging from the bank's prime rate less 1.40% to 1.80% (2018 - bank's prime rate less 1.40% to 1.80%) and requires 30 - 90 day notice for redemption of the investment.

Temporary investments are capable of reasonably prompt liquidation and may be used to manage the Town's cash position throughout the year from the date of purchase.

Cash on deposit earns interest at the bank's prime rate less 1.75% (2018 - bank's prime rate less 1.75%).

3. TAXES AND GRANTS IN PLACE OF TAXES

	2019	2018
Current taxes and grants in place of taxes	\$ 405,094	\$ 423,933
Arrears taxes and interest and penalties	93,099	116,853
	\$ 498,193	\$ 540,786

4. INVESTMENTS

	2019	2018
ATB Financial GIC redeemed November 2019	\$ -	\$ 112,210
BNS GIC redeemed November 2019	-	1,023,588
	\$ -	\$ 1,135,798

5. DEFERRED REVENUE

Deferred revenue is comprised of the funds noted below, the use of which is externally restricted. These funds are recognized as revenue in the period they are used for the purpose specified.

Interest earned on contributions is included in contributions received. Certain deferred revenues relate to government transfers as further described in Note 13.

	2018	Externally Restricted Contributions Received	Revenue Recognized	2019
Operating:				
Property taxes for educational purposes over levied	\$ -	\$ 205,926	\$ -	\$ 205,926
Revenue in advance of service performed and other	108,959	116,009	108,959	116,009
Wetland Enhancement Program	39,000	-	-	39,000
MSI Operating	53,411	237,012	290,423	-
	201,370	558,947	399,382	360,935
Capital:				
Federal Gas Tax	1,327,883	29,469	-	1,357,352
MSI Capital	1,160,002	6,572	941,762	224,812
Strategic Transportation Infrastructure Program	-	500,000	435,489	64,511
Other	355,928	-	355,928	-
	2,843,813	536,041	1,733,179	1,646,675
	\$ 3,045,183	\$ 1,094,988	\$ 2,132,561	\$ 2,007,610

NOTES TO THE FINANCIAL STATEMENTS

For the fiscal year ended December 31, 2019

6. EMPLOYEE BENEFIT OBLIGATIONS

	2019	2018
Accrued vacation	\$ 139,979	\$ 167,736
Accrued wages	132,234	139,841
Banked time	3,291	5,251
	\$ 275,504	\$ 312,828

7. LONG-TERM DEBT

A. Debt Payable

Debt payable includes the following amounts:

	2019	2018 Restated
Tax supported debentures	\$ 14,534,102	\$ 1,755,805
Utility supported debentures	794,745	865,829
Operating debentures	1,401,421	1,444,780
	\$ 16,730,268	\$ 4,066,414

Principal and interest payments on long-term debt for the next five years and thereafter are as follows:

	Principal	Interest	Total
2020	\$ 922,373	\$ 502,851	\$ 1,425,224
2021	926,811	491,939	1,418,750
2022	944,783	467,606	1,412,389
2023	680,645	414,623	1,095,268
2024	671,909	390,389	1,062,298
Thereafter	12,583,747	3,698,837	16,282,584
	\$ 16,730,268	\$ 5,966,245	\$ 22,696,513

Debenture debt is repayable to Alberta Capital Finance Authority \$15,328,847 (2018 - \$2,621,634) and ATB Financial \$1,401,421 (2018 - \$1,444,780), bearing interest at rates ranging from 2.07% to 6.25% and matures in annual amounts in periods 2021 through 2049. The average annual interest rate is 3.02% (2018 - 4.28%).

The debenture debt is issued on the credit and security of the Town at large.

Interest on long-term debt amounted to \$183,460 (2018 - \$176,641).

B. Debt and Debt Service Limits

Section 276(2) of the Municipal Government Act requires that debt and debt limits as defined by Alberta Regulation 255/2000 for the Town be disclosed as follows:

	2019	2018
Total debt limit per Regulation	\$ 25,953,969	\$ 30,958,889
Total debt	16,730,268	4,066,414
Percentage used (%)	64.46	13.13
Total debt service limit per Regulation	\$ 4,325,662	\$ 5,159,815
Total debt service	1,425,224	465,805
Percentage used (%)	32.95	9.03

The debt limit is calculated at 1.5 times revenue of the municipality (as defined in Alberta Regulation 255/2000) 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.

NOTES TO THE FINANCIAL STATEMENTS

For the fiscal year ended December 31, 2019

8. OTHER ASSETS

	2019	2018
Deposits:		
Buildings	\$ 195,000	\$ 30,000
Vehicles	-	1,218,746
Other	-	7,142
Prepaid expenses - operational	123,142	23,721
	\$ 318,142	\$ 1,279,609

9. EQUITY IN TANGIBLE CAPITAL ASSETS

	2019	2018
Tangible capital assets (Schedule 2)	\$ 156,534,929	\$ 145,893,224
Accumulated amortization (Schedule 2)	(52,045,764)	(49,453,592)
Long-term debt (Note 7)	(15,328,847)	(2,621,634)
	\$ 89,160,318	\$ 93,817,998

10. TRUSTS UNDER ADMINISTRATION

The Town acts as a trustee for a number of third parties, holding assets comprised of cash and temporary investments, and administering them on their behalf. Amounts held in trust at year-end are as follows:

	2019	2018
Friends of the Arena:		
Local community groups	\$ 69,199	\$ 59,216
Town of Coaldale portion	34,584	29,300
Communities in Bloom	-	-
	\$ 103,783	\$ 88,516

11. ACCUMULATED SURPLUS

Accumulated surplus consists of restricted and unrestricted amounts and equity in tangible capital assets.

	2019	2018
General government operations	\$ 2,405,167	\$ 3,383,981
Restricted surplus:		
Tax rate stabilization	514,764	560,590
Reserves for future operating expenditures	976,427	1,165,804
Reserves for future capital expenditures	22,233,097	13,809,080
Equity in tangible capital assets (Note 9)	89,160,318	93,817,998
	\$ 115,289,773	\$ 112,737,453

NOTES TO THE FINANCIAL STATEMENTS

For the fiscal year ended December 31, 2019

12. NET TAXES AVAILABLE FOR MUNICIPAL PURPOSES

	Budget	2019	2018
Taxes:			
Real property taxes	\$ 10,969,107	\$ 10,834,213	\$ 10,578,176
Special tax recreation levy	402,960	376,340	-
Linear property taxes	127,752	127,752	115,206
Revenue in lieu of taxes	40,620	40,620	36,985
	11,540,439	11,378,925	10,730,367
Less taxes on behalf of:			
Alberta School Foundation Fund	2,375,626	2,239,461	2,122,925
Holy Spirit Roman Catholic Separate Regional District	292,000	312,491	294,971
Green Acres Foundation	135,067	135,061	124,894
	2,802,693	2,687,013	2,542,790
Net taxes available for municipal purposes	\$ 8,737,746	\$ 8,691,912	\$ 8,187,577

13. GOVERNMENT TRANSFERS

	Budget	2019	2018
Operating transfers:			
Federal	\$ 8,000	\$ 10,093	\$ 6,878
Provincial	473,487	769,885	699,752
Other Local Governments	35,200	36,288	86,287
	516,687	816,266	792,917
Capital transfers:			
Federal	-	-	-
Provincial	2,192,166	1,631,417	3,157,845
	2,192,166	1,631,417	3,157,845
Total Government Transfers	\$ 2,708,853	\$ 2,447,683	\$ 3,950,762

14. LOCAL AUTHORITIES PENSION PLAN

All employees of the Town are members of the Local Authorities Pension Plan (LAPP), which is one of the multi-employer plans covered by the Public Sector Pension Plans Act of Alberta.

The Town is required to make current service contributions to the Plan of 9.39% of pensionable payroll up to the yearly maximum pensionable earnings (YMPE) and 13.84% thereafter. Employees of the Town are required to make current service contributions of 8.39% of pensionable salary up to YMPE and 12.84% thereafter. Contributions for current service are recorded as expenses in the year in which they become due.

Total current service contributions by the Town to the LAPP in 2019 were \$383,420 (2018 - \$373,584) and by the employees to the LAPP in 2019 were \$346,854 (2018 - \$341,177).

The LAPP reported a surplus for the overall plan as at December 31, 2018 of \$3,469,347. Information as at December 31, 2019 was not available at the time of preparing these financial statements.

15. LIABILITY FOR CONTAMINATED SITES

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

NOTES TO THE FINANCIAL STATEMENTS

For the fiscal year ended December 31, 2019

16. EXECUTIVE SALARIES AND BENEFITS

The following executive salaries and benefits are disclosed as required under the Supplementary Accounting Principles and Standards Regulation (AR 313/2000) of the MGA.

	Salaries	Benefits	2019	2018
Mayor:				
Craig	\$ 34,471	\$ 5,508	\$ 39,979	\$ 41,323
Councillors:				
Abrey	20,771	4,809	25,580	25,700
Chapman	21,471	917	22,388	22,893
Hohm	21,671	4,855	26,526	25,700
Lloyd	21,571	3,873	25,444	23,768
Pauls	21,971	1,516	23,487	22,794
Simpson	21,171	4,829	26,000	27,169
	128,626	20,799	149,425	148,024
Chief Administrative Officer	173,095	11,660	184,755	191,071
Designated Officers (3)	325,174	76,714	401,888	399,057
	\$ 661,366	\$ 114,681	\$ 776,047	\$ 779,475

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

Benefits include the Town's share of all benefits and contributions made on behalf of executives, including retirement contributions, Canada Pension Plan, Employment Insurance, dental coverage, medical coverage, group life insurance, short-term disability insurance and transportation allowances.

17. COMMITMENTS

The Town entered into a Municipal Police Service Agreement with the Government of Canada for the Royal Canadian Mounted Police to provide policing services until March 31, 2032. The agreement may be terminated on March 31 in any year by either party giving 24 months notice prior to the date of the intended termination. As part of the agreement, the Town will pay 100% of the cost of providing the service. The total annual cost for 2020 under the terms of the agreement are estimated to be

The Town contracts with GFL Environmental Inc. to provide solid waste, composting and recycling collection services until 2024, with the option of a 3 year renewal until 2027. Total estimated contracting costs for 2020 are \$414,000.

The Town contracts with the Lethbridge Regional Water Services Commission to supply water to the Town until January 30, 2030. The related agreement may be terminated at any time provided 12 months notice is given. The total annual cost for 2020 under the terms of the agreement are estimated to be \$795,000.

The Town entered into an agreement with Benchmark Assessment Consultants Inc. for the supply of assessment services of all lands and premises within the Town's boundaries for taxation purposes until December 31, 2021. The total annual cost for 2020 under the terms of the agreement are estimated to be \$105,000.

18. 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.

NOTES TO THE FINANCIAL STATEMENTS

For the fiscal year ended December 31, 2019

19. FINANCIAL INSTRUMENTS

The Town's financial instruments consist of cash and temporary investments, trade and other receivables, 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, currency or credit risk arising from these financial instruments. Unless otherwise noted, the carrying value of the financial instrument approximates fair value.

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

20. SEGMENT DISCLOSURES

The Schedule of Segment Disclosures - Schedule 3 has been prepared in accordance with PS2700 *Segment Disclosures*. Segment disclosures are intended to enable users to better understand the government reporting entity as well as the major expense and revenue activities of the Town. For each reported segment, revenues and expenses represent amounts directly or reasonably attributable to the segment.

The segments have been selected based on a presentation similar to that adopted for the municipal financial planning and budget processes.

Segments include:

A. General Government

General Government consists of Council & other legislative administration, corporate administration and general municipal services. Revenues and expenses that are not directly attributed to another segment are also recorded within this segment.

B. Protective Services

Protective Services is comprised of police, traffic safety, bylaw enforcement, emergency management and fire rescue.

C. Transportation Services

Transportation Services includes roads, bridges, sidewalks and extended shoulders for pedestrian and bike travel.

D. Planning & Development

Planning & Development is comprised of engineering services, land development and municipal use property activities. Land development includes the Town's role as a land developer in the areas of acquisition, development and land sales activities. Municipal use property involves the acquisition of land for municipal purposes and the disposal of land deemed surplus to municipal needs.

E. Recreation & Culture

Recreation & Culture includes parks and recreation, community and family services, recreation programs and facilities. Also included is the Coaldale Public Library, which is managed by a separate board.

F. Environmental Services

Environmental Services provides drinking water, resource recovery, storm water, solid waste collection and disposal, sanitary sewer and wastewater treatment for the Town.

21. BUDGET

Budgeted information was prepared under the modified accrual method. This note provides a reconciliation between the approved budget figures disclosed in the financial statements. The budget surplus was adopted by Council on November 26, 2018.

Annual surplus (deficit)	\$	2,766,148
Add:		
Transfers from reserves to operations		1,092,540
Amortization expense		2,696,865
Less:		
Capital expenditures		(2,774,666)
Principal debt repayments		(353,252)
Transfer from operations to reserves		(3,427,635)
Approved budget surplus	\$	<u> -</u>

NOTES TO THE FINANCIAL STATEMENTS

For the fiscal year ended December 31, 2019

22. SUBSEQUENT EVENTS

The global coronavirus pandemic has had a significant impact on global financial markets and will have significant accounting, disclosure, and internal control implications for many entities. Some of the key impacts include, but are not limited to, interruptions of production and supply chains, unavailability of personnel, reductions in revenue, decline in value of financial investments, disruptions or stoppages in non-essential travel, and the closure of facilities and businesses. The situation is changing rapidly and the future impact on the entity is not readily determinable at this time.

23. APPROVAL OF FINANCIAL STATEMENTS

Council and Management have approved these financial statements on April 14, 2020.