

TOWN OF SWAN HILLS
FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

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FOR THE YEAR ENDED DECEMBER 31, 2020

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INDEPENDENT AUDITOR'S REPORT

**To the Members of Council
Town of Swan Hills**

Opinion

We have audited the consolidated financial statements of Town of Swan Hills (the Entity), which comprises the consolidated statement of financial position as at December 31, 2020, and the results of its operations, changes in its net financial assets (debt) 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 Town of Swan Hills as at December 31, 2020, the results of its operations, change in its net financial assets (debt) 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 these 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 Entity 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 Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian Public Sector Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, management is responsible for assessing the Entity'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 Entity's financial reporting process.

Auditor's Responsibility for the Audit of the Consolidated 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 judgement 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 Entity'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 and conditions that may cause significant doubt on the Entity'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 Entity 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 are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion. 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.

Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements.

Report on Other Legal and Regulatory Requirements

Debt Limit Regulation: In accordance with Alberta Regulation 255/2000, we confirm that the municipality is in compliance with the Debt Limit Regulation. A detailed account of the Entity's debt limit can be found in Schedule 10.

Supplementary Accounting Principles and Standards Regulation: In accordance with Alberta Regulation 313/2000, we confirm that the municipality is in compliance with the Supplementary Accounting Principles and Standard Regulation and note the information required can be found in Schedule 7.

The engagement partner on the audit resulting in this independent auditor's report is: Wayne Ellerington

Town of Swan Hills

March 15, 2021

CHARTERED PROFESSIONAL ACCOUNTANTS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As At December 31, 2020

	2020	2019
FINANCIAL ASSETS		
Cash and Temporary Investments (Note 2)	\$ 3,765,748	\$ 3,951,491
Receivables		
Taxes and Grants in Lieu of Taxes (Note 3)	445,817	399,082
Trade and Other Receivables	<u>152,659</u>	<u>184,844</u>
	<u>4,364,224</u>	<u>4,535,417</u>
LIABILITIES		
Accounts Payable and Accrued Liabilities	107,277	378,239
Landfill Reclamation Liability	476,024	451,024
Deferred Revenue (Note 4)	748,275	865,541
Long Term Debt (Note 6)	<u>784,544</u>	<u>949,281</u>
	<u>2,116,120</u>	<u>2,644,085</u>
NET FINANCIAL ASSETS (DEBT)	<u>2,248,104</u>	<u>1,891,332</u>
NON-FINANCIAL ASSETS		
Tangible Capital Assets	20,542,754	20,784,417
Inventory for Consumption	214,500	214,500
Prepaid Expenses	<u>-</u>	<u>-</u>
	<u>20,757,254</u>	<u>20,998,917</u>
ACCUMULATED SURPLUS (Schedule 1)	<u>\$ 23,005,358</u>	<u>\$ 22,890,249</u>

Contingencies - See Note 10

CONSOLIDATED STATEMENT OF OPERATIONS

For the Year Ended December 31, 2020

	Budget (Unaudited)	2020	2019
REVENUE			
Net Municipal Taxes (Schedule 3)	\$ 1,812,600	\$ 1,798,652	\$ 1,807,394
Sales, User Charges, Franchise & Rentals	1,110,280	936,102	923,661
Government Transfers for Operating (Sch 4)	1,033,109	1,169,847	1,035,509
Investment Income	115,000	30,175	84,904
Penalties and Costs on Taxes	75,000	83,409	68,265
Franchise and Concession Contracts	<u>116,393</u>	<u>110,924</u>	<u>115,362</u>
TOTAL REVENUE	<u>4,262,382</u>	<u>4,129,109</u>	<u>4,035,095</u>
EXPENSES			
Council and Other Legislative	160,027	128,193	153,253
General Administration	933,015	758,357	790,530
Protective Services	443,981	379,186	303,801
Bylaw Enforcement	93,578	86,400	84,986
Common Services	706,602	690,212	708,523
Roads, Streets, Walks, Lighting	166,304	171,306	171,467
Storm Sewers and Drainage	42,370	33,240	6,738
Water Supply and Distribution	451,559	438,404	472,885
Wastewater Treatment and Disposal	67,889	41,816	26,094
Waste Management	107,420	133,307	127,662
Family and Community Support	62,644	62,664	74,405
Cemeteries	3,000	2,988	2,059
Land Use, Planning, Zoning and Development	7,800	6,799	3,484
Economic Development	65,000	59,994	31,455
Parks and Recreation	609,728	504,325	569,671
Culture: Libraries, Museums, Halls	176,727	187,215	212,711
Amortization Expense	<u>1,080,000</u>	<u>1,007,130</u>	<u>1,151,724</u>
TOTAL EXPENSES	<u>5,177,644</u>	<u>4,691,536</u>	<u>4,891,448</u>
EXCESS (SHORTFALL) OF REVENUE OVER EXPENSES - BEFORE OTHER OTHER	<u>(915,262)</u>	<u>(562,427)</u>	<u>(856,353)</u>
Government Transfers for Capital	<u>1,077,850</u>	<u>677,536</u>	<u>1,215,092</u>
EXCESS (SHORTFALL) OF REVENUE OVER EXPENSES	162,588	115,109	358,739
ACCUMULATED SURPLUS,			
BEGINNING OF YEAR	<u>22,890,249</u>	<u>22,890,249</u>	<u>22,531,510</u>
ACCUMULATED SURPLUS, END OF YEAR	<u>\$ 23,052,837</u>	<u>\$ 23,005,358</u>	<u>\$ 22,890,249</u>

CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL ASSETS (DEBT)

For the Year Ended December 31, 2020

	Budget (Unaudited)	2020	2019
EXCESS (SHORTFALL) OF REVENUES OVER EXPENSES	<u>\$ 162,588</u>	<u>\$ 115,109</u>	<u>\$ 358,739</u>
Acquisition of Tangible Capital Assets	(2,120,452)	(777,903)	(2,149,873)
Proceeds on Sale of Tangible Capital Assets	549,997	6,997	-
Loss (Gain) on Sale of Tangible Capital Assets	-	5,439	-
Amortization of Tangible Capital Assets	<u>1,080,000</u>	<u>1,007,130</u>	<u>1,151,724</u>
	(490,455)	241,663	(998,149)
INCREASE (DECREASE) IN NET DEBT	<u>(327,867)</u>	<u>356,772</u>	<u>(639,410)</u>
NET FINANCIAL ASSETS (DEBT), BEGINNING OF YEAR	<u>1,891,332</u>	<u>1,891,332</u>	<u>2,530,742</u>
NET FINANCIAL ASSETS, END OF YEAR	<u>\$ 1,563,465</u>	<u>\$ 2,248,104</u>	<u>\$ 1,891,332</u>

CONSOLIDATED STATEMENT OF CASH FLOWS

For the Year Ended December 31, 2020

	2020	2019
OPERATING		
Excess (shortfall) of Revenues over Expenses	\$ 115,109	\$ 358,739
Non-Cash Items Included in Excess (Shortfall) of revenues over Expenses:		
Amortization of Tangible Capital Assets	1,007,130	1,151,724
Loss (Gain) on Sale of Tangible Capital Assets	5,439	-
Non-Cash Charges to Operations (Net Change)		
Decrease (Increase) in Taxes and Grants-in-Lieu Receivable	(46,735)	(9,627)
Decrease (Increase) in Trade and Other Receivables	32,185	108,967
Decrease (Increase) in Prepaid Expenses	-	-
Decrease (Increase) in Land for Resale Inventory	-	-
Increase (Decrease) in Accounts Payable and Accrued Liabilities	(270,962)	79,336
Increase (Decrease) in Deposit Liabilities	-	-
Increase (Decrease) in Landfill Reclamation Liability	25,000	25,000
Increase (Decrease) in Deferred Revenue	(117,266)	(269,942)
Increase (Decrease) in Other Current Liabilities	-	-
Cash Provided by Operating Transactions	<u>749,900</u>	<u>1,444,197</u>
CAPITAL		
Acquisition of Tangible Capital Assets	(777,903)	(2,149,873)
Sale of Tangible Capital Assets	<u>6,997</u>	<u>-</u>
Cash Provided by (Applied to) Capital Transactions	<u>(770,906)</u>	<u>(2,149,873)</u>
FINANCING		
Long-Term Debt Repaid	<u>(164,737)</u>	<u>(161,398)</u>
Cash Provided by (Applied to) Financing Transactions	<u>(164,737)</u>	<u>(161,398)</u>
CHANGE IN CASH AND TEMPORARY INVESTMENTS DURING THE YEAR	(185,743)	(867,074)
CASH AND TEMPORARY INVESTMENTS, BEGINNING OF YEAR	<u>3,951,491</u>	<u>4,818,565</u>
CASH AND TEMPORARY INVESTMENTS, END OF YEAR	<u>\$ 3,765,748</u>	<u>\$ 3,951,491</u>

SCHEDULE OF CHANGES IN ACCUMULATED SURPLUS
For the Year Ended December 31, 2020

Schedule 1

				2020	2019
	Unrestricted Surplus	Restricted Surplus	Equity in Tangible Capital assets		
BALANCE, BEGINNING OF YEAR	\$ <u>139,577</u>	\$ <u>2,915,536</u>	\$ <u>19,835,136</u>	\$ <u>22,890,249</u>	\$ <u>22,531,510</u>
Excess of revenue					
over expenses	115,109	-	-	115,109	358,739
Unrestricted					
designated for future	(180,000)	180,000	-	-	-
Funds used for					
tangible capital asset	(777,903)	-	777,903	-	-
Disposal of					
tangible capital assets	12,436	-	(12,436)	-	-
Annual amortization expense	1,007,130	-	(1,007,130)	-	-
Long-term debt repaid	<u>(164,737)</u>	<u>-</u>	<u>164,737</u>	<u>-</u>	<u>-</u>
Change in Accumulated Surplus	<u>12,035</u>	<u>180,000</u>	<u>(76,926)</u>	<u>115,109</u>	<u>358,739</u>
BALANCE END OF YEAR	\$ <u><u>151,612</u></u>	\$ <u><u>3,095,536</u></u>	\$ <u><u>19,758,210</u></u>	\$ <u><u>23,005,358</u></u>	\$ <u><u>22,890,249</u></u>

SCHEDULE OF TANGIBLE CAPITAL ASSETS
For the Year Ended December 31, 2020

Schedule 2

	Land	Land Improvements	Buildings	Engineered Structures	Machinery & Equipment	Vehicles	2020 \$	2019 \$
COST								
BALANCE, BEGINNING OF YEAR	620,477	1,038,640	11,510,059	30,761,347	2,267,134	2,091,908	48,289,565	46,139,692
Acquisition of tangible capital assets	-	-	214,012	376,352	121,480	66,059	777,903	2,149,873
Disposal of tangible capital assets	-	-	-	-	-	(6,997)	(6,997)	-
Write down of tangible Capital assets	-	-	-	-	-	(20,641)	(20,641)	-
BALANCE, END OF YEAR	<u>620,477</u>	<u>1,038,640</u>	<u>11,724,071</u>	<u>31,137,699</u>	<u>2,388,614</u>	<u>2,130,329</u>	<u>49,039,830</u>	<u>48,289,565</u>
ACCUMULATED AMORTIZATION								
BALANCE, BEGINNING OF YEAR	-	257,133	6,058,947	18,625,405	1,073,282	1,490,381	27,505,148	26,353,424
Annual amortization	-	66,529	200,848	606,638	82,565	50,550	1,007,130	1,151,724
Accumulated amortization on disposals	-	-	-	-	-	(15,202)	(15,202)	-
BALANCE, END OF YEAR	<u>-</u>	<u>323,662</u>	<u>6,259,795</u>	<u>19,232,043</u>	<u>1,155,847</u>	<u>1,525,729</u>	<u>28,497,076</u>	<u>27,505,148</u>
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	<u>620,477</u>	<u>714,978</u>	<u>5,464,276</u>	<u>11,905,656</u>	<u>1,232,767</u>	<u>604,600</u>	<u>20,542,754</u>	<u>20,784,417</u>
2019 NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	<u>620,477</u>	<u>781,507</u>	<u>5,451,112</u>	<u>12,135,942</u>	<u>1,193,852</u>	<u>601,527</u>	<u>20,784,417</u>	

SCHEDULE OF PROPERTY AND OTHER TAXES

For the Year Ended December 31, 2020

Schedule 3

	Budget (Unaudited)	2020	2019
TAXATION			
Real Property Taxes	\$ 1,915,166	\$ 1,901,604	\$ 1,956,368
Linear Property Taxes	204,764	204,765	195,645
Government Grants in Lieu of Property Taxes	<u>21,369</u>	<u>26,632</u>	<u>26,119</u>
TOTAL TAXATION	\$ <u>2,141,299</u>	\$ <u>2,133,001</u>	\$ <u>2,178,132</u>
REQUISITIONS			
Alberta School Foundation	\$ 315,134	\$ 321,506	\$ 356,103
Barrhead & District Social Housing	12,843	12,843	13,854
DIP	<u>722</u>	<u>-</u>	<u>781</u>
TOTAL REQUISITIONS	<u>328,699</u>	<u>334,349</u>	<u>370,738</u>
NET MUNICIPAL TAXES	\$ <u>1,812,600</u>	\$ <u>1,798,652</u>	\$ <u>1,807,394</u>

SCHEDULE OF GOVERNMENT TRANSFERS
For the Year Ended December 31, 2020

Schedule 4

	Budget (Unaudited)	2020	2019
TRANSFERS FOR OPERATING			
Provincial Government	\$ 83,109	\$ 219,847	\$ 85,509
Federal Government	-	-	-
Other Local Government	<u>950,000</u>	<u>950,000</u>	<u>950,000</u>
	<u>\$ 1,033,109</u>	<u>\$ 1,169,847</u>	<u>\$ 1,035,509</u>
TRANSFERS FOR CAPITAL			
Provincial Government	\$ 1,077,850	\$ 677,536	\$ 356,625
Other Local Government	<u>-</u>	<u>-</u>	<u>858,467</u>
	<u>1,077,850</u>	<u>677,536</u>	<u>1,215,092</u>
TOTAL GOVERNMENT TRANSFERS	<u>\$ 2,110,959</u>	<u>\$ 1,847,383</u>	<u>\$ 2,250,601</u>

SCHEDULE OF CONSOLIDATED EXPENSES BY OBJECT
For the Year Ended December 31, 2020

Schedule 5

	Budget (Unaudited)	2020	2019
CONSOLIDATED EXPENSES BY OBJECT			
Salaries, Wages and Benefits	\$ 1,727,744	\$ 1,738,554	\$ 1,649,738
Contracted and General Services	811,894	519,170	619,717
Purchases from Other Governments	-	-	-
Materials, Goods, Supplies and Utilities	1,065,298	1,069,214	1,103,056
Provision For Allowances	-	(84,373)	-
Transfers to Other Governments	91,212	91,212	91,094
Transfers to Local Boards and Agencies	73,644	62,664	74,406
Transfers to Individuals and Organizations	298,150	257,099	168,135
Bank Charges and Short Term Interest	11,000	12,164	11,536
Interest on Long Term Debt	18,702	18,702	22,042
Other Expenditures	-	-	-
Amortization of Tangible Capital Assets	1,080,000	1,007,130	1,151,724
Loss on Disposal of Tangible Capital Assets	-	-	-
TOTAL EXPENSES	\$ 5,177,644	\$ 4,691,536	\$ 4,891,448

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	Other	Total \$
REVENUE								
Net municipal taxes	1,798,652	-	-	-	-	-	-	1,798,652
Government transfers	1,322,975	121,405	328,776	-	90,000	42,560	-	1,905,716
User fees & sale of goods	-	211,913	-	3,365	44,610	604,009	13,872	877,769
Investment income	30,175	-	-	-	-	-	-	30,175
Contributed assets	-	-	-	-	-	-	-	-
Other revenues	194,333	-	-	-	-	-	-	194,333
	<u>3,346,135</u>	<u>333,318</u>	<u>328,776</u>	<u>3,365</u>	<u>134,610</u>	<u>646,569</u>	<u>13,872</u>	<u>4,806,645</u>
EXPENSES								
Contract & general	113,872	40,026	106,459	6,799	102,489	138,514	11,011	519,170
Salaries & wages	625,922	34,965	453,481	-	306,886	244,280	73,020	1,738,554
Goods & supplies	200,263	47,096	334,818	59,994	190,954	230,733	5,356	1,069,214
Transfers to local boards	-	257,099	-	-	91,211	-	62,665	410,975
Long-term debt interest	18,702	-	-	-	-	-	-	18,702
Other expenses	(72,209)	-	-	-	-	-	-	(72,209)
	<u>886,550</u>	<u>379,186</u>	<u>894,758</u>	<u>66,793</u>	<u>691,540</u>	<u>613,527</u>	<u>152,052</u>	<u>3,684,406</u>
NET REVENUE, BEFORE								
AMORTIZATION	<u>2,459,585</u>	<u>(45,868)</u>	<u>(565,982)</u>	<u>(63,428)</u>	<u>(556,930)</u>	<u>33,042</u>	<u>(138,180)</u>	<u>1,122,239</u>
Amortization expense	<u>66,182</u>	<u>62,980</u>	<u>195,161</u>	<u>-</u>	<u>187,287</u>	<u>489,829</u>	<u>5,691</u>	<u>1,007,130</u>
NET REVENUE	<u>2,393,403</u>	<u>(108,848)</u>	<u>(761,143)</u>	<u>(63,428)</u>	<u>(744,217)</u>	<u>(456,787)</u>	<u>(143,871)</u>	<u>115,109</u>

SCHEDULE OF SALARY & BENEFIT DISCLOSURE
For the Year Ended December 31, 2020

Schedule 7

2020

	Salary	Benefits & Allowances	Total
MAYOR			
Craig Wilson	\$ 27,994	\$ -	\$ 27,994
COUNCILLORS			
Jeff Goebel	13,888	160	14,048
Dan Gosselin	13,728	100	13,828
Elizabeth Krawiec	13,728	-	13,728
Terry Kuyek	14,048	727	14,775
Daryn Watson	13,888	407	14,295
Carol Webster	<u>14,048</u>	<u>504</u>	<u>14,552</u>
TOTAL MAYORS & COUNCILLORS	\$ <u>111,322</u>	\$ <u>1,898</u>	\$ <u>113,220</u>
APPOINTED AND DESIGNATED OFFICERS			
Municipal Manager	\$ 129,716	\$ 7,093	\$ 136,809
	<u>-</u>	<u>-</u>	<u>-</u>
	\$ <u>129,716</u>	\$ <u>7,093</u>	\$ <u>136,809</u>

SCHEDULE OF LOCAL AUTHORITIES PENSION PLAN
For the Year Ended December 31, 2020

Schedule 8

LOCAL AUTHORITIES PENSION PLAN

Employees of the Town of Swan Hills do not participate in the Local Authorities Pension Plan (LAPP).

SCHEDULE OF ACCUMULATED SURPLUS
For the Year Ended December 31, 2020

Schedule 9

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

	2020	2019
Unrestricted Surplus	<u>\$ 151,612</u>	<u>\$ 139,577</u>
Restricted Surplus		
Future Subdivision	300,000	300,000
Public Works Equipment	420,129	420,129
Infrastructure	708,741	650,000
Facilities	200,000	200,000
Protective Services Equipment	425,000	400,000
Land Fill Reclamation	75,000	75,000
Viability Agreement	71,829	155,570
Contingency Operating	530,000	350,000
General Capital	<u>364,837</u>	<u>364,837</u>
	<u>3,095,536</u>	<u>2,915,536</u>
Equity in Tangible Capital Assets	<u>19,758,210</u>	<u>19,835,136</u>
TOTAL ACCUMULATED SURPLUS	<u>\$ 23,005,358</u>	<u>\$ 22,890,249</u>

SCHEDULE OF DEBT LIMITS
For the Year Ended December 31, 2020

Schedule 10

DEBT LIMITS

Section 276 (2) of the Municipal Government Act requires that debt and debt limits as defined by Alberta Regulation 255/00 for the Town of Swan Hills be disclosed as follows:

Total Debt Limit	\$ 6,193,664
Total Debt	<u>784,544</u>
Amount of Debt Limit Unused	\$ <u>5,409,120</u>
Debt Servicing Limit	\$ 1,032,277
Debt Servicing	<u>183,440</u>
Amount of Debt Servicing Limit Unused	\$ <u>848,837</u>

The debt limit is calculated at 1.5 times revenue of the municipality (as defined by Alberta Regulation 255/00) and the debt service limit is calculated at .25 times such revenue. Incurring debt beyond these limitations requires approval by the Minister of 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 represented as a whole.

NOTES TO FINANCIAL STATEMENTS

For the Year Ended December 31, 2020

1. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements of the Town of Swan Hills are the representations of management prepared in accordance with Canadian generally accepted accounting principles for local government accounting standards established by the Public Sector Accounting Board ("PSAB") of the Canadian Institute of Chartered Accountants ("CICA"). Significant aspects of the accounting policies adopted by the Town of Swan Hills are as follows:

a) Reporting Entity

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

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

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

b) Basis of Accounting

The financial statements are prepared using the accrual basis of accounting. The accrual basis of accounting records revenue as it is earned and measurable. Expenses are recognized as they are incurred and measurable based upon receipt of goods or services and/or the legal obligation to pay.

Funds from external parties and earnings thereon restricted by agreement or legislation are accounted for as deferred revenue until used for the purposes 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 generally accepted accounting principles 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 expenditures 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.

1. SIGNIFICANT ACCOUNTING POLICIES

e) Debt Charges Recoverable

Debt charges recoverable consist of amounts that are recoverable from municipal agencies or other local governments with respect to outstanding debentures or other long-term debt pursuant to annexation orders or joint capital undertakings. These recoveries are recorded at a value that equals the offsetting portion of the unmatured long-term debt, less actuarial requirements for the retirement of any sinking fund debentures.

f) 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.

g) 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 their respective function.

h) Prepaid Local Improvement Charges

Construction and borrowing costs associated with local improvement projects are recovered through annual special assessments during the period of the related borrowings. These levies are collectable from property owners for work performed by the municipality.

Where a taxpayer has elected to prepay the outstanding local improvement charges, such amounts are recorded as deferred revenue. Deferred revenue is amortized to revenue on a straight-line basis over the remaining term of the related borrowings.

In the event that the prepaid amounts are applied against the related borrowings, the deferred revenue is amortized to revenue by an amount equal to the debt repayment.

i) Landfill Closure and Post-Closure Liability

Pursuant to the Alberta Environmental Protection and Enhancement Act, the Town is required to fund the closure of its landfill site and provide for post-closure care of the facility. Closure and post-closure activities include the final clay cover, landscaping, as well as surface and ground water monitoring, leachate control and visual inspection. The requirement is being provided for over the estimated life of the landfill based on usage.

j) 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 revenues 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.

1. SIGNIFICANT ACCOUNTING POLICIES

k) 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, provide the consolidated Change in Net Financial Assets (Debt) for the year.

i. Tangible Capital Assets

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

	<u>Years</u>
Land Improvements	15
Buildings	50
Engineering Structures	
Water System	45 - 75
Wastewater System	45 - 75
Other Engineering Systems	20 - 30
Machinery, Equipment and Furnishings	5 - 25
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. Contribution of Tangible Capital Assets

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

iii. Leases

Leases are classified as capital or operating leases. Leases which transfer substantially all of the benefits and risk 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.

2. CASH AND TEMPORARY INVESTMENTS

	2020	2019
Cash	\$ 2,655,204	\$ 2,856,653
Temporary Investments	<u>1,110,544</u>	<u>1,094,838</u>
	<u>\$ 3,765,748</u>	<u>\$ 3,951,491</u>

Temporary investments are short-term deposits with original maturities of 1 year or less.

3. TAXES AND GRANTS IN PLACE OF TAXES RECEIVABLE

	2020	2019
Current Taxes and Grants in Place of Taxes	\$ 236,237	\$ 248,844
Arrears Taxes	<u>222,888</u>	<u>163,546</u>
	459,125	412,390
Less: Allowance for Doubtful Accounts	<u>(13,308)</u>	<u>(13,308)</u>
	<u>\$ 445,817</u>	<u>\$ 399,082</u>

4. DEFERRED REVENUE

	2020	2019
MSI Provincial Capital Grants	\$ 178,511	\$ 210,287
Federal Gas Tax Capital Grants	286,929	229,088
Other Capital Grants	<u>282,835</u>	<u>426,166</u>
	<u>\$ 748,275</u>	<u>\$ 865,541</u>

5. CONTAMINATED SITE LIABILITY

On January 1, 2015, The Town adopted PS 3260 Liability for Contaminated Sites. The standard was applied on a retroactive basis and did not result in any adjustments to the financial liabilities, tangible capital assets or accumulated surplus of the Town.

6. LONG-TERM DEBT

	2020	2019
Tax Supported Debenture bearing interest at 2.059 per cent per annum, repayable in blended semi-annual installments of \$91,720 to June 2025.	<u>\$ 784,544</u>	<u>\$ 949,281</u>

Principal and Interest Repayments are as Follows:

	Principal	Interest	Total
2021	\$ 168,147	\$ 15,293	\$ 183,440
2022	171,627	11,813	183,440
2023	175,179	8,261	183,440
2024	178,805	4,635	183,440
2025	90,786	934	91,720
Thereafter	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 784,544</u>	<u>\$ 40,936</u>	<u>\$ 825,480</u>

7. EQUITY IN TANGIBLE CAPITAL ASSETS

	2020	2019
Tangible Capital Assets (Schedule 2)	\$ 49,039,830	\$ 48,289,565
Accumulated Amortization (Schedule 2)	<u>(28,497,076)</u>	<u>(27,505,148)</u>
	20,542,754	20,784,417
Long-Term Debt (Note 6)	<u>784,544</u>	<u>949,281</u>
	\$ <u>19,758,210</u>	\$ <u>19,835,136</u>

8. SEGMENTED DISCLOSURE

The Town of Swan Hills 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 states as disclosed in Note 1.

9. TRUST FUNDS

	2020	2019
Community Senior Housing Donation	\$ <u>560,629</u>	\$ <u>552,700</u>

The Town holds funds in trust for a private donation made for the purpose of community senior housing. The donation is held in a separate investment account bearing interest at 0.88 per cent per annum with the interest being accumulated on the donation.

10. 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.

11. FINANCIAL INSTRUMENTS

The Town's financial instruments consist of cash and temporary investments, accounts receivable, investments, debt charges recoverable, bank indebtedness, accounts payable and accrued liabilities, deposit liabilities, requisition over-levy and long-term debt. It is management's opinion that the Town is not exposed to significant interest or current risks arising from these financial instruments. The Town is subject to credit risk with respect to taxes and grants in place of taxes receivable 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.

12. APPROVAL OF FINANCIAL STATEMENTS

Council and Management have approved these financial statements.