

Town of Beaverlodge
Consolidated Financial Statements
December 31, 2019

Management's Responsibility

To the Members of Council:

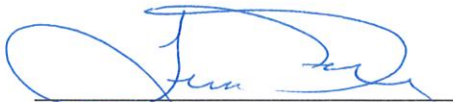
Management is responsible for the preparation, accuracy, objectivity, integrity and presentation of the accompanying consolidated financial statements, including responsibility for significant accounting judgments and estimates in accordance with Canadian public sector accounting standards. This responsibility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

In discharging its responsibilities for the integrity and fairness of the 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.

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

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

May 25, 2020



Acting Chief Administrative Officer

Independent Auditor's Report

To the Members of the Council of the Town of Beaverlodge:

Opinion

We have audited the consolidated financial statements of the Town of Beaverlodge and its subsidiaries (the "Town"), which comprise the consolidated statement of financial position as at December 31, 2019, and the consolidated statements of operations and accumulated operating surplus, changes in net 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 consolidated financial position of the Town as at December 31, 2019, and the results of its consolidated operations, changes in its consolidated net debt and its consolidated 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 Town 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 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 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 Town's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Town or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the 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 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 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 Town 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Town to express an opinion on the consolidated financial statements. 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.

Grande Prairie, Alberta

May 25, 2020

MNP LLP

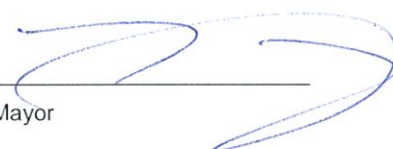
Chartered Professional Accountants

MNP

Town of Beaverlodge
Consolidated Statement of Financial Position
For the year ended December 31, 2019

	2019	2018
Financial Assets		
Cash (Note 2)	335,494	304,385
Portfolio investments (Note 2)	1,159,472	301,062
Deposit assets	23,692	25,813
Receivables (Note 3)		
Taxes and grants in lieu of taxes	288,415	313,285
Trade and other accounts receivable	1,929,497	1,328,463
Investments (Note 4)	6,346	6,346
Due from County of Grande Prairie No.1	63,099	92,965
Total financial assets	3,806,015	2,372,319
Financial Liabilities		
Temporary loan payable (Note 5)	-	-
Accounts payable and accrued liabilities (Note 6)	914,579	832,941
Deposit liabilities	7,545	10,420
Deferred revenue (Note 7)	966,628	344,054
Long-term debt (Note 8)	5,897,676	6,119,110
Landfill closure and post closure liability (Note 16)	41,921	7,255
Total financial liabilities	7,828,349	7,313,780
Net debt	(4,022,334)	(4,941,461)
Commitments and contingencies - See Note 17 and 18		
Non-financial assets		
Tangible capital assets (Schedule II)	31,137,111	31,692,338
Prepaid expenses	2,773	2,773
Total non-financial assets	31,139,884	31,695,111
Accumulated Surplus (Note 11, Schedule I)	27,117,549	26,753,650

Approved by



 Mayor



 Deputy Mayor

The accompanying notes are an integral part of these financial statements.

Town of Beaverlodge
Consolidated Statement of Operations and Accumulated Surplus
For the year ended December 31, 2019

	2019	2019	2018
	<i>Budget</i>		<i>Restated (Note 24)</i>
Revenue			
Net municipal property taxes (Schedule III)	3,115,030	3,133,959	2,976,668
User fees and sales of goods	1,909,718	2,217,116	2,149,650
Government transfers for operating (Schedule IV)	627,268	858,155	724,651
Investment income	5,130	15,713	5,140
Penalties and costs on taxes	62,000	63,583	61,986
Franchise and concession contracts	237,650	218,748	211,328
Other revenue	196,831	253,222	165,242
Total revenue	6,153,627	6,760,496	6,294,665
Expenses			
Legislative	166,021	153,988	152,528
Administrative	991,688	946,104	939,046
Bylaw enforcement	428,812	342,832	321,591
Roads, streets, walk and lighting	1,054,724	1,434,915	1,585,982
Water supply and distribution	1,321,526	1,561,041	1,638,096
Family and community services	286,039	323,855	198,539
Parks and recreation	1,823,362	1,970,340	1,861,991
Planning and development	74,500	68,896	89,871
Total expenses	6,146,672	6,801,971	6,787,645
Excess (deficiency) of revenue over expenses before other items	6,955	(41,475)	(492,980)
Other items			
Government transfers for capital (Schedule IV)	3,068,018	405,374	2,356,849
Excess of revenue over expenses	3,074,973	363,899	1,863,869
Accumulated surplus, beginning of year	26,753,650	26,753,650	24,889,781
Accumulated surplus, end of year	29,828,623	27,117,549	26,753,650

The accompanying notes are an integral part of these financial statements.

Town of Beaverlodge
Consolidated Statement of Changes in Net Debt
For the year ended December 31, 2019

	<i>2019 Budget</i>	2019	2018
Excess of revenue over expenses	3,074,973	363,899	1,863,869
Acquisition of tangible capital assets	(3,041,200)	(404,921)	(2,531,541)
Amortization of tangible capital assets	-	960,148	959,307
	(3,041,200)	555,227	(1,572,234)
Decrease in net debt	33,773	919,126	291,635
Net debt, beginning of year	(4,941,461)	(4,941,461)	(5,233,096)
Net debt, end of year	(4,907,688)	(4,022,334)	(4,941,461)

The accompanying notes are an integral part of these financial statements.

Town of Beaverlodge

Consolidated Statement of Cashflows

For the year ended December 31, 2019

	2019	2018
Net inflow (outflow) of cash related to the following activities:		
Operating		
Excess of revenue over expenses	363,899	1,863,869
Non-cash items included in excess of revenue over expenses:		
Amortization of tangible capital assets	960,148	959,307
Non-cash changes to operations (net change):		
Decrease (increase) in deposit assets	2,121	1,969
Decrease (increase) in taxes and grants in lieu receivable	24,870	(28,846)
Decrease (increase) in trade and other accounts receivable	(601,034)	1,084,596
Decrease (increase) in due from County of Grande Prairie No.1	29,866	(62,121)
Increase (decrease) in accounts payable and accrued liabilities, and deposit liabilities	78,763	(83,742)
Increase (decrease) in landfill closure liability	34,666	(1,053)
Increase (decrease) in deferred revenue	622,574	(175,238)
Cash provided by operating transactions	1,515,873	3,558,741
Capital activities		
Acquisition of tangible capital assets	(404,921)	(2,531,541)
Financing activities		
Advances of long term debt	-	650,000
Long-term debt repaid	(221,434)	(229,341)
Capital lease obligation repaid	-	(188,574)
Cash applied to financing transactions	(221,434)	232,085
Increase in cash and cash equivalents	889,518	1,259,285
Cash and cash equivalents, (deficiency) beginning of year	605,447	(653,838)
Cash and cash equivalents, end of year	1,494,966	605,447
Balance comprised of:		
Cash	335,494	304,385
Portfolio investments	1,159,472	301,062
	1,494,966	605,447

The accompanying notes are an integral part of these financial statements.

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

	Unrestricted Deficit	Restricted Surplus	Equity in Tangible Capital Assets	2019	2018
Accumulated surplus, beginning of year	(782,787)	1,963,209	25,573,228	26,753,650	24,889,781
Excess of revenue over expenses	363,899	-	-	363,899	1,863,869
Transfers from (to) reserves	(50,000)	50,000	-	-	-
Current year funds used for tangible capital assets	(315,921)	(89,000)	404,921	-	-
Annual amortization expense	960,148	-	(960,148)	-	-
Term debt advanced	-	-	-	-	-
Term debt repaid	(221,434)	-	221,434	-	-
Change in accumulated surplus	736,692	(39,000)	(333,793)	363,899	1,863,869
Accumulated surplus, end of year	(46,095)	1,924,209	25,239,435	27,117,549	26,753,650

The accompanying notes are an integral part of these financial statements.

Town of Beaverlodge
Schedule II - Schedule of Tangible Capital Assets

For the year ended December 31, 2019

	Land	Land Improvements	Buildings	Engineered Structures	Machinery and Equipment	Vehicles	2019	2018
Cost:								
Balance, beginning of year	1,756,444	1,167,474	8,854,358	31,593,257	2,000,999	1,226,143	46,598,675	44,067,134
Acquisition of tangible capital assets	95,223	4,439	88,897	174,404	41,957	-	404,921	2,531,541
Disposal of tangible capital assets	-	-	-	-	-	-	-	-
Balance, end of year	1,851,667	1,171,913	8,943,255	31,767,661	2,042,956	1,226,143	47,003,596	46,598,675
Accumulated amortization:								
Balance, end of year	-	169,397	1,742,895	11,055,555	1,290,996	647,494	14,906,337	13,947,030
Annual amortization	-	(7,807)	87,232	704,961	137,233	38,529	960,148	959,307
Accumulated amortization on disposals	-	-	-	-	-	-	-	-
Balance, end of year	-	161,590	1,830,127	11,760,516	1,428,229	686,023	15,866,485	14,906,337
Net book value of tangible capital assets	1,851,667	1,010,323	7,113,128	20,007,145	614,727	540,120	31,137,111	31,692,338
2018 Net book value of tangible capital assets	1,756,444	998,077	7,111,463	20,537,702	710,003	578,649	31,692,338	

*Included in buildings above are assets under construction with a total cost of \$nil (2018 - \$361,219) not amortized in the year.

The accompanying notes are an integral part of these financial statements.

Town of Beaverlodge
Schedule III - Schedule of Property and Other Taxes
For the year ended December 31, 2019

	<i>2019</i>	<i>2019</i>	<i>2018</i>
	<i>Budget</i>		
Taxation			
Real property taxes	3,854,917	3,843,235	3,700,198
Linear property taxes	66,829	96,302	90,874
Government grants in lieu of property taxes	20,543	24,228	12,504
	3,942,289	3,963,765	3,803,576
Requisitions			
Alberta School Foundation Fund	813,949	816,496	813,949
Seniors foundation	13,310	13,310	12,959
	827,259	829,806	826,908
Net municipal property taxes	3,115,030	3,133,959	2,976,668

The accompanying notes are an integral part of these financial statements.

Town of Beaverlodge
Schedule IV - Schedule of Government Transfers

For the year ended December 31, 2019

	<i>2019</i> <i>Budget</i>	<i>2019</i>	<i>2018</i>
Transfers for operating:			
Provincial Government	90,191	290,208	177,900
Federal Government	4,000	-	-
Other Local Governments	533,077	567,947	546,751
	627,268	858,155	724,651
Transfers for capital:			
Provincial Government	3,068,018	405,374	2,356,849
Total government transfers	3,695,286	1,263,529	3,081,500

The accompanying notes are an integral part of these financial statements.

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

	2019	2019	2018
	<i>Budget</i>		
Consolidated expenses by object			
Salaries, wages and benefits	2,353,797	2,362,399	2,254,027
Contracted and general services	2,392,857	2,365,623	2,294,214
Materials, goods and utilities	707,096	712,011	911,561
Transfers to local boards and agencies	140,858	31,002	30,702
Interest on long-term debt	354,314	219,240	265,443
Other	197,750	151,548	72,391
Amortization of tangible capital assets	-	960,148	959,307
	6,146,672	6,801,971	6,787,645

The accompanying notes are an integral part of these financial statements.

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

	General Government	Protective Services	Transportation Services	Planning and Development	Recreation & Culture	Environmental Services	Family and Community	Total
Revenue								
Net municipal taxes	3,133,959	-	-	-	-	-	-	3,133,959
Government transfers	453,756	52,896	67,363	109,527	514,286	-	65,701	1,263,529
User fees and sales of goods	-	-	-	-	486,371	1,677,053	53,676	2,217,100
Investment income	15,713	-	-	-	-	-	-	15,713
Other revenue	117,425	112,217	10,155	6,908	27,384	18,533	242,946	535,568
	3,720,853	165,113	77,519	116,435	1,028,041	1,695,586	362,323	7,165,870
Expenses								
Contracted and general services	336,465	77,356	204,316	28,503	688,765	719,661	310,558	2,365,624
Salaries, wages and benefits	626,857	209,874	532,332	12,363	813,685	167,288	-	2,362,399
Materials, goods and utilities	31,358	24,754	406,086	28,031	22,555	185,930	13,298	712,012
Transfers to local boards and agencies	-	-	15,300	-	15,702	-	-	31,002
Interest on long-term debt	-	-	-	-	150,486	68,754	-	219,240
Other expenses	97,817	1,537	-	-	17,527	34,666	-	151,547
	1,092,497	313,521	1,158,034	68,897	1,708,720	1,176,299	323,856	5,841,823
Excess (deficiency) of revenue over expenses, before amortization	2,628,356	(148,408)	(1,080,515)	47,538	(680,679)	519,287	38,467	1,324,047
Amortization of tangible capital assets	7,595	29,311	276,881	-	261,620	384,741	-	960,148
Excess (deficiency) of revenue over expenses	2,620,761	(177,719)	(1,357,396)	47,538	(942,299)	134,546	38,467	363,898

The accompanying notes are an integral part of these financial statements.

Town of Beaverlodge

Notes to the Consolidated Financial Statements

For the year ended December 31, 2019

1. Summary of significant accounting policies

The consolidated financial statements of the Town of Beaverlodge (the "Town") are the representations of management prepared in accordance with Canadian public sector accounting standards as 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 Beaverlodge are as follows:

Reporting entity

The consolidated financial statements reflect the assets, liabilities, revenue and expenses, 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 Council for administration of their financial affairs and resources. They include the following:

West Grande Prairie County Solid Waste Management Authority 15% (2018 - 15%)
Beaverlodge Public Library 100% (2018 - 100%)

The schedule of taxes levied also includes requisitions for education, health, social and seniors foundations that are not part of the Town's reporting entity.

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

Government Partnership

The Town of Beaverlodge has entered into an agreement with the Towns of Wembley and Sexsmith, Village of Hythe and the County of Grande Prairie No. 1 to construct, operate and maintain a regional collection, transfer and disposal of garbage facilities for the benefit of all participating municipalities under the name of West Grande Prairie County Solid Waste Management Authority. The government partnership is accounted for using proportionate consolidation. Under proportionate consolidation, only the Town of Beaverlodge's interest of 15% (2018 - 15%) in the government partnership is included in the consolidated financial statements.

Basis of Accounting

The consolidated 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.

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.

Measurement uncertainty (use of estimates)

The preparation of financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period.

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

Town of Beaverlodge

Notes to the Consolidated Financial Statements

For the year ended December 31, 2019

1. Summary of significant accounting policies (continued)

Expenses that relate to on-going environmental and reclamation programs are charged against earnings as incurred. Future site restoration costs are recognized based upon assumptions and estimates related to the amount and timing of costs for future removal and site restoration. Annual provisions for these costs are amortized on a straight-line basis over 25 years.

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.

Employee future benefits

Selected employees of the Town are members of the Local Authority 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.

Requisition Over-levy and Under-levy

Over-levies and under-levies arise from the difference between the actual 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.

Tax Revenue

Tax revenue is 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.

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 vision inspection. The requirement is being provided for over the estimated remaining life of the landfill site based on usage.

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.

Town of Beaverlodge
Notes to the Consolidated Financial Statements

For the year ended December 31, 2019

1. Summary of significant accounting policies (continued)

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 revenue over expenses, provides the consolidated change in net 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>
Buildings	25 - 50
Land Improvements	15 - 20
Engineered structures	
Water and wastewater system	45 - 75
Other engineered structures	15 - 30
Machinery and equipment	5 - 15
Vehicles	10 - 25

One-half of the annual amortization is charged in the year of acquisition and none 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.

Financial Instruments

The Town recognizes its financial instruments when the Town becomes party to the contractual provisions of the financial instrument. All financial instruments are initially recorded at their fair value, including financial assets and liabilities originated and issued in a related party transaction with management.

At initial recognition, the Town may irrevocably elect to subsequently measure any financial instrument at fair value. The Town has not made such an election during the year ended.

Town of Beaverlodge

Notes to the Consolidated Financial Statements

For the year ended December 31, 2019

1. Summary of significant accounting policies (continued)

Financial Instruments (continued)

The Town subsequently measures investments in equity instruments quoted in an active market and all derivative instruments, except those designated in a qualifying hedging relationship or that are linked to, and must be settled by delivery of, unquoted equity instruments of another entity, at fair value. Fair value is determined by published price quotations. Investments in equity instruments not quoted in an active market and derivatives that are linked to, and must be settled by delivery of, unquoted equity instruments of another entity, are subsequently measured at cost less impairment. All other financial assets and liabilities are subsequently measured at amortized cost.

Transaction costs and financing fees directly attributable to the origination, acquisition, issuance or assumption of financial instruments subsequently measured at fair value are immediately recognized in net income/loss. Conversely, transaction costs and financing fees are added to the carrying amount for those financial instruments subsequently measured at cost or amortized cost.

2. Cash and portfolio investments

	2019	2018
Cash	326,875	295,766
Cash on hand	8,619	8,619
Portfolio investments	1,159,472	301,062
	1,494,966	446,155

Portfolio investments are short-term deposits with original maturities of three months or less bearing interest at 2.00% - 2.55%. (2018 - 1.55%-1.75%)

Council has designated funds of \$1,924,209 (2018 - \$1,963,209) to reserves and \$172,066 (2018 - \$157,865) for deferred revenue; the remaining balance of deferred revenue is included in trade and other accounts receivable.

Term deposits are held in trust by the County of Grande Prairie No. 1 on behalf of West Grande Prairie County Solid Waste Management Authority. Included in temporary investments are restricted amounts totaling \$41,921 (2018 - \$7,254), which includes a restricted cash fund for closure and post-closure of \$41,921 (2018 - \$7,254).

3. Receivables

	2019	2018
Taxes and grants in lieu of taxes		
Current taxes and grants in lieu of taxes	138,278	188,638
Arrears taxes	150,137	124,647
	288,415	313,285
Trade and other accounts receivable		
Trade and other accounts receivable	273,896	294,137
Goods and services tax receivable	30,559	55,213
Receivable from government agencies	1,663,343	985,299
	1,967,798	1,334,649
Less: allowance for doubtful accounts	(38,301)	(6,186)
	1,929,497	1,328,463

Town of Beaverlodge

Notes to the Consolidated Financial Statements

For the year ended December 31, 2019

4. Investments

	2019	2018
Alberta Capital Finance Authority shares	10	10
Alberta Association of Municipal Districts & Counties Member's Equity	235	235
United Farmers of Alberta patronage account	6,101	6,101
	6,346	6,346

5. Temporary loan payable

The Town is approved for a revolving loan up to \$1,200,000 (2018 - \$1,200,000), bearing interest at prime rate (2018 - prime rate) per annum. It is available by multiple draws and is to be used to supplement cash flow. The balance is due on demand. Total withdrawal as at December 31, 2019 is \$nil (2018 - \$nil).

Covenants related to this loan are as follows:

The Town cannot sell, lease or otherwise dispose of any assets except (i) inventory sold, leased or disposed of in the ordinary course of business, (ii) obsolete equipment which is being replaced with equipment of equivalent value, and (iii) assets sold, leased, or disposed of during a fiscal year having an aggregate fair market value not exceeding \$25,000, for such fiscal year.

6. Accounts payable and accrued liabilities

	2019	2018
Accounts payable	724,339	687,038
Holdbacks payable	43,749	31,383
Vacation and overtime payable	83,110	86,086
Salaries and wages payable	63,381	28,434
	914,579	832,941

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

Salaries and wages payable is comprised of source deductions payable to the Canada Revenue Agency in the amount of \$nil (2018 - \$755) and accrued wages payable to employees in the amount of \$63,381 (2018 - \$27,679) as at year-end.

7. Deferred revenue

	2019	2018
Municipal Sustainability Initiative - Capital		
Balance beginning of year	141,076	233,628
Funding receivable	429,832	798,584
Funding recognized as spent	(109,527)	(891,136)
Amount deferred	461,381	141,076
Alberta Community Grant		
Balance beginning of year	42,027	150,000
Funding received	-	-
Funding recognized as spent	(8,408)	(107,973)
Funding repaid	(33,619)	-
Amount deferred	-	42,027

Town of Beaverlodge
Notes to the Consolidated Financial Statements

For the year ended December 31, 2019

7. Deferred revenue (Continued)

	2019	2018
Federal Gas Tax		
Balance beginning of year	-	-
Funding receivable	278,546	135,955
Funding recognized as spent	(30,626)	(135,955)
Amount deferred	247,920	-
Alberta Community Partnership - Storm water Management		
Balance beginning of year	-	-
Funding received	140,000	-
Funding recognized as spent	(60,235)	-
Amount deferred	79,765	-
Alberta Community Partnership - Municipal Development Plan		
Balance beginning of year	-	-
Funding receivable	30,000	-
Funding recognized as spent	-	-
Amount deferred	30,000	-
County of Grande Prairie		
Balance beginning of year	19,890	19,890
Funding received	-	-
Funding recognized as spent	(19,890)	-
Amount deferred	-	19,890
Canada 150 Fund		
Balance beginning of year	4,570	-
Funding received	-	76,658
Funding recognized as spent	(4,570)	(72,088)
Amount deferred	-	4,570
Health Complex - Dedicated Reserve		
Balance beginning of year	91,378	90,763
Funding received	-	615
Funding recognized as spent	-	-
Amount deferred	91,378	91,378
Landfill		
Balance beginning of year	-	3,289
Funding received	-	-
Funding recognized as spent	-	(3,289)
Amount deferred	-	-
Prepaid property taxes and utilities	56,184	45,113
Total deferred revenue	966,628	344,054

Town of Beaverlodge

Notes to the Consolidated Financial Statements

For the year ended December 31, 2019

8. Long-term debt

	2019	2018
Self-supported debentures	5,897,676	6,119,110

Principal and interest repayments are as follows:

	Principal	Interest	Total
2020	232,627	231,244	463,871
2021	242,759	221,112	463,871
2022	232,767	210,494	443,261
2023	242,247	186,282	428,529
2024	251,795	191,128	442,923
2025 and thereafter	4,695,482	1,507,268	6,202,750
	5,897,676	2,547,528	8,445,205

Debenture debt is repayable to the Alberta Capital Finance Authority and bears interest at rates ranging from 3.10% to 9.38% (2018 - 3.10% to 9.38%) per annum, before Provincial subsidy, and matures in periods 2021 through 2042. Debenture debt is issued on the credit and security of the Town of Beaverlodge at large. Interest on debt amounts to \$219,240 (2018 - \$244,992). Total cash payments for interest during the year are \$242,436 (2018 - \$273,364).

9. Debt 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 of Beaverlodge be disclosed as follows:

	2019	2018
Total debt limit	10,140,744	9,441,998
Total debt	5,897,676	6,119,110
Amount of debt limit unused	4,243,068	3,322,888
Debt servicing limit	1,690,124	1,573,666
Debt servicing	463,871	444,536
Amount of debt servicing limit unused	1,226,253	1,129,130

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.

10. Equity in tangible capital assets

	2019	2018
Tangible capital assets (Schedule II)	47,003,596	46,598,675
Accumulated amortization (Schedule II)	(15,866,485)	(14,906,337)
Long-term debt (Note 8)	(5,897,676)	(6,119,110)
	25,239,435	25,573,228

Town of Beaverlodge
Notes to the Consolidated Financial Statements

For the year ended December 31, 2019

11. Accumulated surplus

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

	2019	2018
Unrestricted deficit	(46,095)	(782,787)
Reserves (Note 12)	1,924,209	1,963,209
Equity in tangible capital assets (Note 11)	25,239,435	25,573,228
	27,117,549	26,753,650

12. Reserves

	2019	2018
Recreation and parks	115,888	90,888
Tax stabilization	135,036	135,036
Water/sewer reserve	327,159	327,159
Waste Management	20,000	20,000
Equipment reserve	223,986	223,986
Insurance deductible	15,687	15,687
	1,924,209	1,963,209

13. Salary and Benefits Disclosure

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

	Salary ¹	Benefits & allowances ²	2019	2018
Mayor:				
Rycroft, Gary	19,180	-	19,180	13,002
Councillors:				
Kokotilo-Bekkerus, Judy	19,510	-	19,510	17,371
Corbett, Cynthia	29,565	-	29,565	13,028
Graw, Hugh	11,160	-	11,160	6,939
Jones, Gena	18,670	-	18,670	11,129
Dueck, Terry	9,745	-	9,745	7,789
Mosher, Cal	12,950	-	12,950	8,314
Chief Administrative Officer	131,258	16,491	147,749	150,000

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, short and long-term disability plans, professional memberships and tuition.

Town of Beaverlodge

Notes to the Consolidated Financial Statements

For the year ended December 31, 2019

14. Government partnership

The consolidated financial statements include the accounts of the Town and its proportionate share of its government partnerships. The Town entered into a government partnership to provide landfill disposal services to the Town and surrounding area. The Town holds a 15% interest in the West Grande Prairie County Solid Waste Management Authority, which is accounted for using the proportionate consolidation method.

The following is a summary of condensed supplementary information related to the Town's proportionate share in West Grande Prairie County Solid Waste Management Authority for the year ended December 31, 2019:

	2019	2018
Financial Position:		
Financial assets	456,155	388,341
Physical assets	345,240	350,880
Total assets	801,395	739,221
<hr/>		
Financial liabilities	47,184	13,908
Accumulated surplus	754,211	725,313
<hr/>		
Results of Operations:		
Total revenue	149,803	135,670
Total expenses	120,905	80,792
Excess of revenue over expenses	28,897	54,878

15. Local Authorities Pension Plan

Employees of the Town participate in the Local Authorities Pension Plan (LAPP), which is covered by the Alberta Public Sector Pension Plans Act. The LAPP serves approximately 275,000 people and 420 employers. The LAPP is financed by employer and employee contributions and by investment earnings of the LAPP Fund. Contributions for current service contributions are recorded as expenditures in the year in which they become due.

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

Total current service contributions by the Town to the LAPP in 2019 were \$136,396 (2018 - \$131,506). Total current service contributions by the employees of the Town to the Local Authorities Pension Plan in 2019 were \$123,159 (2018 - \$118,271).

At December 31, 2018, the LAPP disclosed a surplus of \$3.5 billion (2017 - surplus of \$4.8 billion). The 2019 LAPP annual report was not available at the date of these financial statements.

Town of Beaverlodge

Notes to the Consolidated Financial Statements

For the year ended December 31, 2019

16. Landfill closure and post-closure liability

Alberta environment law requires closure and post closure care of landfill sites, which also includes final covering and landscaping, pumping of the ground water and leachates from the site and ongoing environmental monitoring, site inspections and maintenance.

The accrued liability for closure and post-closure of the West Grande Prairie County Solid Waste Management Authority landfill is estimated based on the sum of future cash flows for closure and post-closure activities for 25 years (2018 - 25 years) after closure using a discount rate of 2.71% (2018 - 3.37%) and assuming annual inflation of 2.10% (2018 - 2.00%).

The accrued liability portion is based on the cumulative capacity used at year-end compared to the estimated total landfill capacity. The total capacity of the site is estimated at 952,000 cubic meters. The estimated remaining capacity of the landfill site is 1,133,384 (2018 - 762,974) cubic meters. The existing landfill is expected to reach capacity in approximately the year 2116 (2018 - 2092).

The following summarizes the Town's portion of the total net present value for the estimated costs of closure and post-closure care:

	2019	2018
Estimated closure costs	171,246	32,356
Estimated post-closure costs	107,235	4,176
Estimated total liability	278,481	36,532
Estimated capacity remaining	84.9%	80.1%
Portion of total liability remaining to be recognized	236,560	36,531
Estimated capacity used	15.1%	19.9%
Accrued liability portion	41,921	7,254

17. Commitments

The Town is committed to make annual payments for multiple operating leases for which they have entered for various equipment over the next 5 years as follows:

2020	41,153
2021	78,495
2022	74,868
2023	67,548
2024	65,352
	327,416

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.

Town of Beaverlodge

Notes to the Consolidated Financial Statements

For the year ended December 31, 2019

19. Segmented disclosure

The Town provides a range of services to its ratepayers. For each reported segment, revenue and expenses represent only amounts that are directly attributable to the segment, no other amounts are allocated between segments. 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 VI).

Included in the General Government segment is Administration and Legislative expenditures. Included in the Protective Services segment is Bylaw Enforcement. Included in the Transportation Services segment is Roads, Streets, Walk and Lighting. Included in Planning & Development segment is Planning & Development. Included in Recreation & Culture segment is Recreation & Culture. Included in the Environmental Services segment is Water Supply and Distribution and Waste Management. Included in the Family and Community Services segment is Family and Community Services.

20. Financial instruments

The Town's financial instruments consist of cash and portfolio 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 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 accounts 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 fulfil their obligations. The large number and diversity of taxpayers and customers minimizes the credit risk.

The Town is subject to interest rate risk with respect to temporary loans payable which bear interest on the basis of the prime lending rate. Interest rate risk arises from the possibility that interest rates applied on outstanding loans of the Town will rise, leaving the Town unable to settle its obligations. The Town's cash on hand and reserve balance minimize the interest rate risk. The prime lending rate at December 31, 2019 was 3.95% (2018 - 3.95%).

21. Approval of financial statements

Council and Management have approved these financial statements.

22. Approval of budget

The budget prepared by management and disclosed in these financial statements was approved by Council.

23. Subsequent event

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

Town of Beaverlodge
Notes to the Consolidated Financial Statements

For the year ended December 31, 2019

24. Change in accounting policy

In addition to expenses directly attributable to segments, the Town previously allocated certain expenses between segments on a reasonable basis. The Town has changed its segmentation policy for the year-ended December 31, 2019 and is no longer allocating costs between segments. Segment expenses now only include amounts that are directly attributable to the segment. The change was applied retroactively, and comparative figures have been adjusted accordingly. The impact of this change on the comparative information presented in the consolidated statement of operations for the year-ended December 31, 2018 was an increase in Administrative expense of \$329,381, an increase in Roads, streets, walk and lighting expense of \$217,455, a decrease in Bylaw enforcement expense of \$11,586, a decrease in Water supply and distribution expense of \$242,995, a decrease in Family and community services expense of \$2,400, a decrease in Parks and recreation expense of \$287,032 and a decrease in Planning and development expense of \$2,823. This change had no net impact on the total expenses for the year-ended December 31, 2018.