

TOWN OF TOFIELD
Financial Statements
Year Ended December 31, 2020

TOWN OF TOFIELD

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MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

Management of the Town of Tofield is responsible for the preparation, accuracy, objectivity and integrity of the accompanying financial statements and all other information contained within this Financial Report. Management believes that the financial statements present fairly the Town's financial position as at December 31, 2020 and the results of its operation for the year then ended.

The financial statements have been prepared in compliance with legislation, and in accordance with Canadian public sector accounting standards (PSAS).

The financial statements include certain amounts based on estimates and judgments. Such amounts have been determined on a reasonable basis in order to ensure that the financial statements are presented fairly in all material aspects.


In fulfilling its responsibilities and recognizing the limits inherent in all systems, management has designed and maintains a system of internal controls to produce reliable information and to meet reporting requirements on a timely basis. The system is designed to provide management with reasonable assurance that transactions are properly authorized and assets are properly accounted for and safeguarded.

These systems are monitored and evaluated by management and reliable financial information is available for preparation of the financial statements.

The Town Council carries out its responsibilities for review of the financial statements principally through its Audit Committee. This committee meets regularly with management and external auditors to discuss the results of audit examination and financial reporting matters.


The external auditors have full access to the Audit Committee with and without the presence of management. The Town Council has approved the financial statements.

The financial statements have been audited by Becher Munro & Company Chartered Professional Accountants, independent external auditors appointed by the Town. The accompanying Independent Auditor's Report outlines their responsibilities, the scope of their examination and their opinion on the Town's financial statements.


Cindy Neufeld, Chief Administrative Officer
Town of Tofield, Alberta

MARCH 25/21

Date


Debora Dueck, Mayor
Town of Tofield, Alberta

March 25/2021

Date

INDEPENDENT AUDITOR'S REPORT

To the Councils of Town of Tofield

Opinion

We have audited the financial statements of Town of Tofield (the Town), which comprise the statement of financial position as at December 31, 2020, and the statements of operations and accumulated surplus, changes in net financial assets (debt) and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Town as at December 31, 2020, and the results of its operations and cash flows for the year then ended in accordance with Canadian public sector accounting standards (PSAS).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Town in accordance with ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

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

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

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

(continues)

Independent Auditor's Report to the Councils of Town of Tofield *(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.

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 independence, and where applicable, related safeguards.

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 Town's debt limit can be found in note 9.

- Supplementary Accounting Principle and Standards Regulation:

In accordance with Alberta Regulation 313/2000, we confirm that the municipality is in compliance with the Supplementary Accounting Principles and Standards Regulation and note the information required can be found in note 14.

The engagement partner on the audit resulting in the independent auditor's report is Rita Munro.



Sherwood Park, Alberta
March 29, 2021

Chartered Professional Accountants

TOWN OF TOFIELD

Statement of Financial Position

December 31, 2020

	2020	2019
FINANCIAL ASSETS		
Cash	\$ 3,296,118	\$ 1,040,795
Investments (Note 2)	1,622,178	1,594,203
Taxes and grants in place of taxes receivable		
- Current	367,133	246,488
- Arrears	277,381	233,164
Receivables from Other Governments	218,273	375,331
Trade and Other Receivables	181,095	209,099
Land held for resale (Note 3)	255,000	255,000
Long term investments (Note 4)	659,085	-
	6,876,263	3,954,080
LIABILITIES		
Accounts payable and accrued liabilities	337,408	363,230
Deposit liabilities	3,000	2,700
Prepaid local improvements	10,016	10,837
Deferred grant revenue (Note 7)	1,450,254	1,163,162
Long term debt (Note 8)	5,021,143	4,004,814
	6,821,821	5,544,743
NET FINANCIAL ASSETS (DEBT)	54,442	(1,590,663)
NON-FINANCIAL ASSETS		
Tangible capital assets - Schedule 2 (Note 10)	21,107,494	21,391,547
Prepaid expenses	13,215	7,031
	21,120,709	21,398,578
ACCUMULATED SURPLUS	\$ 21,175,151	\$ 19,807,917

COMMITMENTS (Notes 15, 16)

CONTINGENCIES (Note 17)

TOWN OF TOFIELD

Statement of Operations and Accumulated Surplus

Year Ended December 31, 2020

	Budget 2020	2020	2019
REVENUES			
Taxation and grants in place of taxes - Schedule 3	\$ 2,284,277	\$ 2,316,649	\$ 2,257,031
Sales and user charges	1,412,284	1,411,661	1,476,678
Penalties and cost on taxes	114,000	105,599	104,337
Licences and permits	21,500	18,449	19,603
Fines	5,000	4,737	6,621
Franchise and concession contracts	130,000	128,616	130,607
Interest income	32,000	37,442	46,897
Rentals	48,408	35,778	73,266
Federal government transfer - operating	-	8,400	7,390
Provincial government transfers - operating	191,363	264,068	194,284
Local government transfers - operating	305,905	277,996	290,056
Other revenue	10,000	8,685	24,309
Gain on disposal of property and equipment	-	304,312	-
Partnership income	-	658,417	-
	4,554,737	5,580,809	4,631,079
EXPENSES			
Council and other legislative	89,100	63,248	78,627
General administration	922,490	1,011,754	961,107
By-laws enforcement	39,000	21,967	18,936
Roads, streets, walks, lighting	798,069	763,102	723,224
Airport	19,100	22,599	19,163
Water supply and distribution	953,910	868,699	900,053
Wastewater treatment and disposal	163,800	136,847	115,847
Waste management	100,000	100,530	99,906
Family and community support (FCSS)	318,857	301,145	316,934
Cemeteries and crematoriums	22,050	24,096	22,060
Land use planning, zoning and development	-	-	55,000
Community development	877,177	675,634	813,959
Loss on sale of tangible assets	-	-	25,600
Amortization of tangible capital assets	-	1,253,307	1,177,339
	4,303,553	5,242,928	5,327,755
EXCESS (SHORTFALL) OF REVENUES OVER EXPENSES BEFORE OTHER	251,184	337,881	(696,676)
OTHER			
Unrealized (loss) on inventory of land	-	-	(35,000)
Provincial Government transfers - capital	840,022	615,807	1,193,434
Other local Government transfers - capital	413,546	413,546	427,046
	1,253,568	1,029,353	1,585,480
EXCESS OF REVENUES OVER EXPENSES	1,504,752	1,367,234	888,804
ACCUMULATED SURPLUS (DEFICIT) - BEGINNING OF YEAR	(1,222,068)	19,807,917	18,919,113
ACCUMULATED SURPLUS - END OF YEAR	\$ 282,684	\$ 21,175,151	\$ 19,807,917

TOWN OF TOFIELD

Statement of Changes in Net Financial Assets (Debt)

Year Ended December 31, 2020

	Budget 2020	2020	2019
EXCESS OF REVENUE OVER EXPENSE	\$ 1,504,752	\$ 1,367,234	\$ 888,804
Acquisition of tangible capital assets	(2,661,000)	(994,941)	(2,672,354)
Proceeds on disposal of tangible capital assets	-	330,000	12,523
Amortization of tangible capital assets	-	1,253,307	1,177,339
(Gain) loss on disposal of tangible capital assets	-	(304,312)	25,600
	(2,661,000)	284,054	(1,456,892)
(Increase) decrease in prepaid expenses	-	(6,183)	10,566
	(2,661,000)	277,871	(1,446,326)
INCREASE (DECREASE) IN NET FINANCIAL ASSETS	(1,156,248)	1,645,105	(557,522)
NET FINANCIAL ASSETS (DEBT) - BEGINNING OF YEAR	1,590,667	(1,590,663)	(1,033,141)
NET FINANCIAL ASSETS (DEBT) - END OF YEAR	\$ 434,419	\$ 54,442	\$ (1,590,663)

TOWN OF TOFIELD

Statement of Cash Flows Year Ended December 31, 2020

	2020	2019
OPERATING ACTIVITIES		
Excess of revenues over expenses	\$ 1,367,234	\$ 888,804
Items not affecting cash:		
Amortization of tangible capital assets	1,253,307	1,177,339
(Gain) loss on disposal of tangible capital assets	(304,312)	25,600
Unrealized loss on land inventory	-	35,000
	2,316,229	2,126,743
Changes in non-cash working capital:		
Investments	(27,975)	(31,226)
Taxes and grants in place of taxes receivable	(164,863)	72,415
Receivables from other governments	157,058	139,753
Trade and other receivables	28,004	(25,640)
Land held for resale	-	55,000
Prepaid expenses	(6,184)	10,565
Accounts payable and accrued liabilities	(25,822)	31,372
Deposit liabilities	300	(1,700)
Prepaid local improvements	(819)	(820)
Deferred grant revenue	287,092	641,381
	246,791	891,100
Cash flow from operating activities	2,563,020	3,017,843
INVESTING ACTIVITIES		
Purchase of tangible capital assets	(994,941)	(2,672,354)
Proceeds on disposal of tangible capital assets	330,000	12,523
Long term investments	(659,085)	-
Cash flow used by investing activities	(1,324,026)	(2,659,831)
FINANCING ACTIVITIES		
Proceeds from long term debt	1,300,000	-
Repayment of long term debt	(283,671)	(274,113)
Cash flow from (used by) financing activities	1,016,329	(274,113)
INCREASE IN CASH FLOW	2,255,323	83,899
Cash - beginning of year	1,040,795	956,896
CASH - END OF YEAR	\$ 3,296,118	\$ 1,040,795

TOWN OF TOFIELD

SCHEDULE OF CHANGES IN ACCUMULATED SURPLUS (Schedule 1)

Year Ended December 31, 2020

	Unrestricted surplus	Restricted surplus	Equity in Tangible Capital Assets	2020	2019
BALANCE, BEGINNING OF YEAR, as originally stated	\$ (1,786,696)	\$ 4,207,880	\$ 17,386,733	\$ 19,807,917	\$ 19,440,894
PRIOR PERIOD ADJUSTMENT	-	-	-	-	(521,781)
BALANCE, BEGINNING OF YEAR	(1,786,696)	4,207,880	17,386,733	19,807,917	18,919,113
Excess of revenues over expenses	1,367,234	-	-	1,367,234	888,804
Unrestricted funds designated for future use	(908,508)	908,508	-	-	-
Restricted funds used for operations	34,342	(34,342)	-	-	-
Current year funds used for tangible capital assets	(994,941)	-	994,941	-	-
Disposal of tangible capital assets	25,687	-	(25,687)	-	-
Amortization of tangible capital assets	1,253,307	-	(1,253,307)	-	-
Current year borrowings	1,300,000	-	(1,300,000)	-	-
Long term debt repaid	(283,671)	-	283,671	-	-
Change in accumulated surplus	1,793,450	874,166	(1,300,382)	1,367,234	888,804
BALANCE, END OF YEAR	\$ 6,754	\$ 5,082,046	\$ 16,086,351	\$ 21,175,151	\$ 19,807,917

TOWN OF TOFIELD
SCHEDULE OF TANGIBLE CAPITAL ASSETS (Schedule 2)
Year Ended December 31, 2020

	Land	Land Improvements	Buildings	Engineered Structures	Machinery, Equipment & Furnishings	Vehicles	2020 Total	2019 Total
COST								
BALANCE, BEGINNING OF YEAR	\$ 1,042,662	\$ 2,270,732	\$ 2,243,945	\$ 24,723,251	\$ 2,362,162	\$ 838,215	\$ 33,480,967	\$ 30,894,755
Acquisition of tangible capital assets	-	99,492	-	714,398	11,011	170,040	994,941	2,672,354
Disposal of tangible capital assets	(25,692)	-	-	-	-	-	(25,692)	(86,142)
BALANCE, END OF YEAR	1,016,970	2,370,224	2,243,945	25,437,649	2,373,173	1,008,255	34,450,216	33,480,967
ACCUMULATED AMORTIZATION								
BALANCE, BEGINNING OF YEAR	-	943,230	1,014,202	8,385,193	1,159,029	587,766	12,089,420	10,960,100
Amortization of tangible capital assets	-	107,199	44,631	866,281	154,934	80,262	1,253,307	1,177,339
Accumulated amortization on disposals	-	-	-	(5)	-	-	(5)	(48,019)
BALANCE, END OF YEAR	-	1,050,429	1,058,833	9,251,469	1,313,963	668,028	13,342,722	12,089,420
2020 NET BOOK VALUE	\$ 1,016,970	\$ 1,319,795	\$ 1,185,112	\$ 16,186,180	\$ 1,059,210	\$ 340,227	\$ 21,107,494	\$ 21,391,547
2019 NET BOOK VALUE	\$ 1,042,662	\$ 1,327,502	\$ 1,229,743	\$ 16,338,058	\$ 1,203,133	\$ 250,449	\$ -	\$ 21,391,547

Tangible capital assets under construction - See Note 10

TOWN OF TOFIELD

SCHEDULE OF TAXES LEVIED AND GRANTS IN PLACE OF TAXES (Schedule 3)

Year Ended December 31, 2020

	Budget 2020	2020	2019
Taxation			
Real property			
- Residential taxes	\$ 2,304,229	\$ 2,304,109	\$ 2,222,338
- Commercial taxes	596,961	600,763	580,881
- Industrial taxes	414,064	413,976	423,643
- Farmland taxes	5,507	5,508	5,051
Total real property	3,320,761	3,324,356	3,231,913
Linear property taxes	88,658	88,347	87,891
Federal grants in place of taxes	9,145	9,145	9,014
Provincial grants in place of taxes	7,220	7,220	7,063
Local improvements	25,240	26,059	26,603
	3,451,024	3,455,127	3,362,484
Less: Requisitions			
Alberta School Foundation	727,341	699,470	712,447
Beaver Foundation	98,039	98,039	93,185
Beaver Emergency Services Commission	299,405	299,405	299,405
Designated Industrial Property	398	-	416
Policing	41,564	41,564	-
	1,166,747	1,138,478	1,105,453
Net Taxes Available for Municipal Purposes	\$ 2,284,277	\$ 2,316,649	\$ 2,257,031

TOWN OF TOFIELD

SCHEDULE OF EXPENSES BY OBJECT (Schedule 4)

Year Ended December 31, 2020

	Budget 2020	2020	2019
Expenses			
Salaries, wages and benefits	\$ 1,631,408	\$ 1,518,699	\$ 1,630,953
Contracted and general services	931,069	789,074	828,550
Material, goods, supplies and utilities	1,323,893	1,264,008	1,200,607
Transfers to local boards and agencies	160,452	150,860	143,671
Transfers to individuals and organization	39,700	58,806	43,481
Bank charges	15,000	13,327	14,693
Interest on capital long term debt	135,169	135,169	144,727
Gross recoveries	63,862	59,397	62,686
Other expenditures	3,000	281	446
Cost of sales - land inventory	-	-	55,000
Loss on sale of capital assets	-	-	25,600
Amortization of tangible capital assets	-	1,253,307	1,177,339
Total Expenses	\$ 4,303,553	\$ 5,242,928	\$ 5,327,753

TOWN OF TOFIELD

SCHEDULE OF SEGMENTED DISCLOSURES (Schedule 5)

Year Ended December 31, 2020

	General Government	Protective Services	Transportation Services	Community Development	Environmental Services	Other	2020
REVENUE							
Net municipal taxes	\$ 2,316,649	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,316,649
Government transfers	52,694	-	44,489	1,467,635	15,000	-	1,579,818
User fees and sales of goods	271,944	2,575	21,450	61,115	1,326,419	21,336	1,704,839
Investment income	37,442	-	-	-	-	-	37,442
Other revenue	667,102	-	-	304,312	-	-	971,414
	3,345,831	2,575	65,939	1,833,062	1,341,419	21,336	6,610,162
EXPENSES							
Contracted and general services	358,453	21,967	24,867	279,863	98,646	5,278	789,074
Salaries and wages	517,084	-	325,136	488,293	169,368	18,818	1,518,699
Goods and supplies	85,077	-	298,197	42,672	838,062	-	1,264,008
Transfer to local boards	58,806	-	-	150,860	-	-	209,666
Long term debt interest	-	-	135,169	-	-	-	135,169
Other expenses	55,581	-	2,333	15,091	-	-	73,005
	1,075,001	21,967	785,702	976,779	1,106,076	24,096	3,989,621
NET REVENUES, BEFORE AMORTIZATION	2,270,830	(19,392)	(719,763)	856,283	235,343	(2,760)	2,620,541
Amortization of tangible capital assets	12,293	-	864,532	214,842	156,806	4,834	1,253,307
NET REVENUE	\$ 2,258,537	\$ (19,392)	\$ (1,584,295)	\$ 641,441	\$ 78,537	\$ (7,594)	\$ 1,367,234

TOWN OF TOFIELD

Notes to Financial Statements Year Ended December 31, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Reporting Entity

The financial statements reflect the assets, liabilities, revenues and expenditures, changes in fund balances and change in financial position of the reporting entity. The entity is comprised only of the municipal operations of the Town. The Town contributes to, but does not control, the Tofield Agricultural Society and the Town of Tofield Library Board. Reporting for these entities is limited to the Town's contribution to them.

The Town's investment in Claystone Waste Limited Partnership ("CWLP") is accounted for on a modified equity basis, consistent with the Canadian Public Sector Accounting Standards for government business enterprises. Under the modified equity basis, the business enterprise is not consolidated, its accounting policies are not adjusted to conform with those of the Town and inter-organizational transactions are not eliminated.

The schedule of taxes levied also include 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.

Basis of Accounting

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

Funds from external parties and earnings thereon restricted by agreement or legislation are accounted for as deferred revenue until used for the purpose specified.

Government transfers, contributions and other amounts are received from third parties pursuant to legislation, regulation or agreement and may only be used for certain programs, in the completion of specific work, or for the purchase of tangible capital assets. In addition, certain user charges and fees are collected for which the related services have yet to be performed. Revenue is recognized in the period when the related expenses are incurred, services performed or tangible capital assets are acquired.

Interest on long term debt and pension expenditures are recorded as payment is made.

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, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Such estimates are periodically reviewed and any adjustments necessary are reported in earnings in the period in which they become known. Actual results could differ from these estimates.

Significant estimates include net realizable value of land inventory and book value of tangible capital assets.

(continues)

TOWN OF TOFIELD

Notes to Financial Statements Year Ended December 31, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Cash

Cash includes cash on hand and in a chartered bank plus outstanding deposits less cheques issued and outstanding.

Investments

Investments in guaranteed investment certificates and bonds are recorded at cost plus accrued interest which approximates fair market value.

Long Term Investments

The Town's significant influence investment in Claystone Waste Limited Partnership ("CWLP") (a government business partnership) is accounted for on a modified equity basis, consistent with the public sector accounting standards treatment for government business partnerships. Under the modified equity basis, the business enterprise's accounting policies are not adjusted to conform with those of the Town and inter-organizational transactions and balances are not eliminated. Income is allocated yearly from CWLP which increases the carrying value of the investment. Dividends received reduce the carrying value of the investment as they are received.

The investment in Claystone Waste Ltd is reported at amortized cost.

Land Held for Resale

Land held for resale is valued at the lower of cost and net realizable value. Cost includes costs for land acquisition and improvements required to prepare the land for servicing such as clearing, stripping and leveling charges. Related development costs incurred to provide infrastructure such as water and waste water services, roads, sidewalks and street lighting are recorded as physical assets under the respective function.

Prepaid Local Improvement Charges

Construction and borrowing costs associated with the local improvement projects are recovered through annual special property 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. The deferred revenue is amortized to revenue on a straight-line basis over the remaining term of the related borrowings.

Included in local improvements revenue is \$820 (2019 - \$820) which represents the annual amortization of prepaid local improvement charges.

Tax Revenue

Tax revenues are recognized when the tax has been authorized by bylaw and the taxable event has occurred.

Requisitions operate as a flow through and are excluded from municipal revenue.

(continues)

TOWN OF TOFIELD

Notes to Financial Statements Year Ended December 31, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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.

Financial Instruments

Financial instruments are recorded at fair value when acquired or issued. In subsequent periods, financial assets with actively traded markets are reported at fair value, with any unrealized gains and losses reported in income. All other financial instruments are reported at amortized cost, and tested for impairment at each reporting date. Transaction costs on the acquisition, sale, or issue of financial instruments are expensed when incurred.

Financial instruments recorded at fair value in subsequent periods include cash and investments.

Financial instruments recorded at amortized cost in subsequent periods include certain long term investments, trade and other receivables, accounts payable, deposit liabilities, and long term debt.

(continues)

TOWN OF TOFIELD

Notes to Financial Statements Year Ended December 31, 2020

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 sales in the normal course of operations. The change in non-financial assets during the year, together with the excess of revenues over expenses, provides the Change in Net Financial Assets (Debt) for the year.

1. Tangible Capital Assets

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

Land Improvements	20 years
Buildings	50 years
Engineered structures:	
Roadway system	20 years
Airport	20 years
Cemetery	125 years
Water system	50 - 75 years
Wastewater/storm sewer system	50 - 75 years
Machinery and equipment	5 - 20 years
Vehicles	10 years

The full annual amortization is charged in the year of acquisition and no amortization is charged in the year of disposal. Assets under construction are not amortized until the asset is available for productive use.

2. 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.

3. 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.

Equity in Tangible Capital Assets

Equity in tangible capital assets represents the Town's net investment in tangible capital assets, after deducting the portion financed by third parties through debenture.

Reserves for Future Expenditures

Reserves for future expenditures are established at the discretion of Council to set aside funds for future expenditures and capital projects.

Budget

The budget amounts are presented for information purposes and have not been audited.

TOWN OF TOFIELD

Notes to Financial Statements Year Ended December 31, 2020

2. INVESTMENTS

	2020 Cost	2020 Market value	2019 Cost	2019 Market value
Guaranteed Investment Certificates (GIC)				
#28 - 0.65%, 0.70%, 0.75% rate riser GIC maturing February 1, 2021	\$ 106,883	\$ 106,883	\$ 106,088	\$ 106,088
#30 - 0.65%, 0.70%, 0.75% rate riser GIC maturing April 20, 2021	140,574	140,574	139,545	139,545
Nesbitt Burns Investment Account	1,374,721	1,374,721	1,348,570	1,348,570
	\$ 1,622,178	\$ 1,622,178	\$ 1,594,203	\$ 1,594,203

3. LAND HELD FOR RESALE

	2020	2019
Land held for resale (at cost)	\$ 290,000	\$ 290,000
Allowance for decline in value	(35,000)	(35,000)
Lower of cost and net realizable value	\$ 255,000	\$ 255,000

4. LONG TERM INVESTMENTS

	2020	2019
<u>Claystone Waste Ltd.</u>		
Class A Common Voting Shares (2359 @ 0.01/each - 23.59%)	\$ 24	\$ -
Class D Common Non-Voting Shares (3102 @ \$0.10/each - 20.68%)	310	-
	334	-
<u>Claystone Waste Limited Partnership</u>		
Voting Units (2359 @ \$0.01/each - 23.59%)	24	-
Dividend Units (3102 @ \$0.10/each - 20.68%)	310	-
Cumulative share of net earnings	658,417	-
	658,751	-
Grand total	\$ 659,085	\$ -

TOWN OF TOFIELD

Notes to Financial Statements Year Ended December 31, 2020

5. GOVERNMENT BUSINESS PARTNERSHIP

Claystone Waste Limited Partnership was established in 2020 by the Town of Tofield, Beaver County, Village of Holden, Village of Ryley, Town of Viking, and Claystone Waste Ltd to provide waste management services to the partner communities and other users.

The following is a summary of condensed financial information related to the Town's proportionate share based on dividend units (2020 - 20.68%, 2019 - 0%) in Claystone Waste Limited Partnership for the year ended December 31, 2020. Dividend units are being used because the income allocation on the audited Claystone Waste Limited Partnership financial statements is based on dividend units.

	2020	2019
<u>Financial position</u>		
Financial assets	\$ 7,833,451	\$ -
Physical assets	7,421,111	-
Total Assets	15,254,562	-
Current liabilities	(351,648)	-
Landfill closure and post-closure liability	(3,304,094)	-
Total Liabilities	(3,655,742)	-
Net Assets	\$ 11,598,820	\$ -
<u>Results of Operations</u>		
Revenues	\$ 1,844,291	\$ -
Amortization expense	(377,175)	-
Operating expenses	(811,826)	-
Finance expenses	(13,749)	-
Other income	16,876	-
	\$ 658,417	\$ -

Claystone Waste Limited Partnership has recognized a decommissioning liability for the estimated expected costs for closure and post-closure activities for a landfill site. The estimated costs are based on estimates and assumptions related to future events and using information currently available to management. Future events may result in significant changes to the estimated total costs and the estimated liability.

6. TEMPORARY BANK INDEBTEDNESS

The Town has an authorized overdraft limit with its bankers to a maximum limit of \$2,000,000. The lending rate is at prime. The balance outstanding on the credit facility as at December 31, 2020 is \$NIL (2019 - \$NIL).

TOWN OF TOFIELD

Notes to Financial Statements
Year Ended December 31, 2020

7. DEFERRED GRANT REVENUE

	BALANCE 2019	Additions	Reductions	BALANCE 2020
CAPITAL				
Federal Gas Fund (including \$33,456 in accounts receivable)	\$ 66,036	\$ 33,456	\$ 99,492	\$ -
Municipal Sustainability Initiative	975,726	442,972	480,226	938,472
Municipal Stimulus Program	-	247,367	-	247,367
Total Capital	1,041,762	723,795	579,718	1,185,839
OPERATING				
Municipal Sustainability Initiative	-	-	-	-
Mediation Grant	50,000	-	-	50,000
Climate Leadership Grant	71,400	-	20,011	51,389
Municipal Operating Support Transfer	-	215,720	52,694	163,026
Total Operating	121,400	215,720	72,705	264,415
	\$ 1,163,162	\$ 939,515	\$ 652,423	\$ 1,450,254

Municipality Sustainability Initiative ("MSI")

Funding in the amount of \$442,972 was received in the current year from the MSI capital program. This amount is restricted to eligible capital projects, as approved under the funding agreement. This amount was not spent in 2020. Spent in 2020 was \$480,226 of the previously deferred MSI capital grant revenue.

8. LONG TERM DEBT

	2020	2019
Long Term Debt Support		
Supported by General Tax Levies	\$ 4,750,897	\$ 3,716,403
Supported by Special Levies	270,246	288,411
	\$ 5,021,143	\$ 4,004,814

Principal and interest repayments are due as follows:

	Principal	Interest	Total
2021	\$ 346,577	\$ 152,081	\$ 498,658
2022	357,952	142,705	500,657
2023	369,724	128,933	498,657
2024	381,907	116,750	498,657
2025	394,517	104,140	498,657
Thereafter	3,170,466	464,856	3,635,322
	\$ 5,021,143	\$ 1,109,465	\$ 6,130,608

TOWN OF TOFIELD

Notes to Financial Statements Year Ended December 31, 2020

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, be disclosed as follows:

	2020	2019
Total Debt Limit	\$ 8,371,214	\$ 6,946,619
Total Debt	(5,021,143)	(4,004,814)
Amount of Total Debt Limit Unused	\$ 3,350,071	\$ 2,941,805
Service on Debt Limit	\$ 1,395,202	\$ 1,157,770
Service on Debt	(498,658)	(418,840)
Amount of Service on Debt Limit Unused	\$ 896,544	\$ 738,930

The debt limit is calculated at 1.5 times revenue of the municipality (as defined in Alberta regulation 255/00) and the debt service limit is calculated at 0.25 times such revenue. Incurring debt beyond these limitations requires approval by the Minister of Municipal Affairs. These thresholds are guidelines used by Alberta Municipal Affairs to identify municipalities that could be at financial risk if further debt is acquired. The calculation taken alone does not represent the financial stability of the municipality. Rather, the financial statements must be interpreted as a whole.

10. TANGIBLE CAPITAL ASSETS UNDER CONSTRUCTION

Included in ending cost of tangible capital assets are costs of assets under construction, which are therefore not being amortized, as follows:

	2020	2019
Engineered Structures	\$ 30,974	\$ 4,227,656

11. EQUITY IN TANGIBLE ASSETS

	2020	2019
Tangible capital assets - Schedule 2	\$ 34,450,216	\$ 33,480,967
Accumulated amortization - Schedule 2	(13,342,722)	(12,089,420)
Long term debt (Note 8)	(5,021,143)	(4,004,814)
	\$ 16,086,351	\$ 17,386,733

TOWN OF TOFIELD

Notes to Financial Statements
Year Ended December 31, 2020

12. ACCUMULATED SURPLUS

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

	2020	2019
Unrestricted Surplus	\$ 6,754	\$ (1,786,696)
Restricted Surplus		
FCSS Reserve	134,977	128,299
Sewer Reserve	8,500	26,500
Water Reserve	121,500	91,500
General Administration Reserve	1,078,935	1,113,863
General Capital Reserves	3,626,833	2,736,417
Developers Offsite Levy Reserve	111,301	111,301
	5,088,800	2,421,184
Equity in tangible capital assets (Note 11)	16,086,351	17,386,733
	\$ 21,175,151	\$ 19,807,917

13. SEGMENTED DISCLOSURES

The Town provides a range of services to its ratepayers. For each reported segment, revenues and expenses represent both amounts that are directly attributable to the segment and amounts that are allocated on a reasonable basis. The accounting policies used in these segments are consistent with those followed in the preparation of the financial statements as disclosed in Note 1.

14. SALARY AND BENEFITS DISCLOSURE

Disclosure of salaries and benefits for municipal officials, the Chief Administrative Officer and designated officers as required by Alberta Regulation 313/2000 as follows:

	Salaries/Fees (1)	Benefits (2)	2020	2019
MAYOR				
Debora Dueck	\$ 21,290	\$ -	\$ 21,290	\$ 20,700
	21,290	-	21,290	20,700
COUNCILORS				
Brenda Chehade	13,910	-	13,910	12,580
Catherine Brown	11,040	-	11,040	8,855
Harold Conquest	9,140	-	9,140	9,910
Larry Tiedeman	6,605	-	6,605	11,684
	40,695	-	40,695	43,029
DESIGNATED OFFICER	147,224	22,515	169,739	168,325
	\$ 209,209	\$ 22,515	\$ 231,724	\$ 232,054

(1) Salary includes regular base pay, gross honoraria and any other direct cash remuneration.

(2) Benefits include the employer's share of all employee benefits and contributions or payments made on behalf of employees including pension, pension enhancement, health care, dental coverage, vision coverage and professional memberships.

TOWN OF TOFIELD

Notes to Financial Statements Year Ended December 31, 2020

15. LOCAL AUTHORITIES PENSION PLAN

Employees of the Town participate in the Local Authorities Pension Plan (LAPP), which is one of the plans covered by the Alberta Public Sector Pensions Plans Act. The LAPP is financed by employer and employee contributions and by investment earnings of the LAPP Fund.

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

The Town is required to make current service contributions to the LAPP of 9.39% of pensionable earnings up to the Canada Pension Plan Year's Maximum Pensionable Earnings 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 Local Authorities Pension Plan were \$105,416 (2019 - \$104,809). Total current service contributions by the employees of the Town to the Local Authorities Pension Plan were \$95,224 (2019 - \$94,696).

At December 31, 2019, the LAPP disclosed an actuarial surplus of \$7.913 million.

16. COMMITMENTS

The Town has entered into operating lease agreements for certain office equipment expiring in April 2021, August 2024, August 2025, and April 2026. The annual lease amounts due until the expiration of these leases are as follows:

2021	\$	13,488
2022		13,367
2023		13,367
2024		11,476
2025		4,681
		<hr/>
	\$	56,379

17. CONTINGENCIES

The Town is a member of the Alberta Local 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 TOFIELD

Notes to Financial Statements Year Ended December 31, 2020

18. FINANCIAL INSTRUMENTS

The Town's financial instruments consist of cash, investments, certain long term investments, trade and other receivables, accounts payable, deposit liabilities and long-term debt. It is management's opinion that the Town is not exposed to significant interest, liquidity, price, or current risk arising from these financial instruments.

Credit risk

The maximum exposure to credit risk is the carrying value of cash, investments, and accounts receivable on the balance sheet.

The Town has a concentration of credit risk due to the entire cash amount being on deposit with one institution. Risk is mitigated on cash by being deposited with a federally regulated, credit worthy financial institution.

Credit risk on investments arises from the potential that a counter party to a contract fails to perform according to the terms and conditions of that contract. The Town is subject to credit risk in that the investments are on deposit with a single financial institution. Risk is mitigated on the investment by being invested in guaranteed investment certificates issued by a range of banks and trust companies.

The Town is subject to credit risk with respect to taxes and grants in place of taxes receivable, receivables from other governments and trade and other receivables. This 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 Town has a geographical concentration of credit risk for accounts receivable due to its operations being primarily in a municipality in Alberta. Risk is mitigated by the large number and diversity of taxpayers and customers.

Credit risk has changed from prior year in that the carrying values of cash and investments have increased while accounts receivable have decreased.

19. RELATED PARTY TRANSACTIONS

The following is a summary of the Town's related party transactions:

	2020	2019
Claystone Waste Limited Partnership <i>Significant influence subsidiary</i>		
Expense - Waste management, contracted and general services	\$ 34,050	\$ -

These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

20. COMPARATIVE FIGURES

Certain of the comparative figures have been reclassified to conform to the current year's presentation.

21. SUBSEQUENT EVENTS

Subsequent to the fiscal year-end, Claystone Waste Limited Partnership declared a \$3M dividend to its limited partners. The Town of Tofield's proportionate share of the dividend is \$620,358 to be received in 2021. This will decrease the long term investment balance and increase cash by that amount.

TOWN OF TOFIELD

Notes to Financial Statements
Year Ended December 31, 2020

22. OTHER MATTER

In March 2020, the World Health Organization declared a global pandemic due to the novel coronavirus (COVID-19). The situation is still ongoing and constantly evolving, and the measures put in place are having multiple impacts on local, provincial, national and global economies.

Management is uncertain of the ongoing effects of these changes on its future financial statements and believes that any disturbance may be temporary; however, there is uncertainty about the length and potential impact of the disturbance.

As a result, we are unable to reliably estimate the potential impact on the Town's operations as at the date of these financial statements.

23. APPROVAL OF FINANCIAL STATEMENTS

Council and Management have approved these financial statements.