

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

**MANAGEMENTS' RESPONSIBILITY FOR
FINANCIAL REPORTING**

Management of the Town of Stettler 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 operations 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 judgements. Such amounts have been determined on a reasonable basis in order to ensure that the financial statements are presented fairly in all material respects.

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 council meetings. They meet with management and the external auditors to discuss the results of audit examinations and financial reporting matters.

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

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



Chief Administrative Officer



Assistant Chief Administrative Officer

April 20, 2021

Date

April 20, 2021

Date



*Peggy Weinzierl, CPA, CA *Scott St. Arnaud, CPA, CA *Jolene P. Kobi, CPA, CA *Justin J. Tanner, CPA, CA

INDEPENDENT AUDITORS' REPORT

TO: The Mayor and Council
The Town of Stettler

Opinion

We have audited the financial statements of The Town of Stettler, which comprise the statement of financial position as at December 31, 2020 and the statements of operations, 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, the results of its operations, change in its net financial assets (debt) and 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 *Auditors' Responsibilities for the Audit of the Municipal 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 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 Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the ability of the town to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to cease operations, or has no realistic alternative but to do so.

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

Auditors' 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 auditors' 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:

- 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 controls.
- 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 purposes 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 auditors' 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 the auditors' 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.

Stettler, Alberta
April 20, 2021


CHARTERED PROFESSIONAL ACCOUNTANTS

TOWN OF STETTLER
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2020

	<u>2020</u>	<u>2019</u>
FINANCIAL ASSETS		
Cash and Temporary Investments (Note 2)	\$ 10,840,417	\$ 10,379,895
Taxes and Grants-in-lieu Receivables (Note 3)	285,810	263,150
Local Improvement Taxes Receivable	1,210,611	1,337,046
Trade and Other Receivables	1,939,990	1,872,379
Receivable from Governments	780,703	473,480
Long-term Investments (Note 4)	40	40
Other Assets	<u>4,529</u>	<u>-</u>
TOTAL FINANCIAL ASSETS	<u>\$ 15,062,100</u>	<u>\$ 14,325,990</u>
LIABILITIES		
Accounts Payable and Accrued Liabilities	\$ 2,488,488	\$ 1,873,292
Deposit Liabilities	22,500	22,275
Deferred Revenue (Note 5)	2,072,868	1,894,505
Other Current Liabilities	-	100,147
Other Long-term Liabilities (Note 19)	105,359	105,359
Long-term Debt (Note 7)	<u>5,004,359</u>	<u>5,482,521</u>
TOTAL LIABILITIES	<u>\$ 9,693,574</u>	<u>\$ 9,478,099</u>
NET FINANCIAL ASSETS (DEBT)	<u>\$ 5,368,526</u>	<u>\$ 4,847,891</u>
NON-FINANCIAL ASSETS		
Tangible Capital Assets (Note 9)	91,955,272	95,362,814
Land Held for Resale	688,882	393,882
Prepaid Expenses	<u>15,311</u>	<u>15,459</u>
TOTAL NON-FINANCIAL ASSETS	<u>\$ 92,659,465</u>	<u>\$ 95,772,155</u>
ACCUMULATED SURPLUS (Note 11)	<u>\$ 98,027,991</u>	<u>\$ 100,620,046</u>
CONTINGENCIES (NOTE 15)		

 Mayor

April 20/2021
 Date

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

	<u>2020</u> <u>Budget</u> <u>(Unaudited)</u>	<u>2020</u> <u>Actual</u>	<u>2019</u> <u>Actual</u>
REVENUES			
Net Taxes (Schedule 3)	\$ 5,955,994	\$ 5,847,977	\$ 6,041,718
Sales and User Fees	5,094,344	5,409,809	5,553,953
Government Transfers (Schedule 4)	1,421,749	2,066,681	1,691,725
Investment Income	131,600	96,858	261,508
Penalties and Costs on Taxes	78,950	83,079	90,361
Licenses and Permits	141,550	148,560	144,354
Fines	62,700	31,740	53,703
Franchise and Concession Contracts	1,648,000	1,674,186	1,630,338
Rentals	640,887	542,098	878,174
Other	100,146	105,859	(100,416)
Total Revenue	<u>\$ 15,275,920</u>	<u>\$ 16,006,847</u>	<u>\$ 16,245,418</u>
EXPENDITURES (Schedule 5)			
Legislative	206,300	169,775	213,911
Administration	1,185,975	1,924,410	1,149,212
Protective Services	2,191,536	2,191,473	2,020,592
Transportation	2,214,646	2,099,890	1,978,555
Water Supply and Distribution	2,610,100	2,697,264	2,319,801
Wastewater Treatment and Disposal	495,267	1,026,502	676,218
Waste Management	710,366	674,619	713,136
Public Health and Welfare	261,103	246,227	241,008
Subdivision Land Development	990,245	880,770	949,797
Recreation, Culture and Parks	3,411,601	3,020,222	3,329,357
Amortization (Note 18)	-	5,506,234	5,912,296
Total Expenditures	<u>\$ 14,277,139</u>	<u>\$ 20,437,386</u>	<u>\$ 19,503,883</u>
EXCESS (SHORTFALL) OF REVENUE OVER EXPENSE			
EXPENSES - BEFORE OTHER	\$ 998,781	\$ (4,430,539)	\$ (3,258,465)
OTHER			
Government Transfers for Capital (Schedule 4)	<u>2,418,250</u>	<u>1,838,484</u>	<u>1,215,529</u>
EXCESS (SHORTFALL) OF REVENUE OVER EXPENSES	3,417,031	(2,592,055)	(2,042,936)
ACCUMULATED SURPLUS, BEGINNING OF YEAR	<u>100,620,046</u>	<u>100,620,046</u>	<u>102,662,982</u>
ACCUMULATED SURPLUS, END OF YEAR	<u>\$ 104,037,077</u>	<u>\$ 98,027,991</u>	<u>\$ 100,620,046</u>

TOWN OF STETTLER
CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL ASSETS (DEBT)
FOR THE YEAR ENDED DECEMBER 31, 2020

	<u>2020</u> <u>Actual</u>	<u>2019</u> <u>Actual</u>
EXCESS (SHORTFALL) OF REVENUE OVER EXPENSES	\$ (2,592,055)	\$ (2,042,936)
Acquisition of Tangible Capital Assets	(2,336,576)	(2,040,923)
Proceeds on Disposal of Tangible Capital Assets	44,997	4,917
Amortization of Tangible Capital Assets	5,506,234	5,912,296
(Gain) Loss on Sale of Tangible Capital Assets	<u>192,886</u>	<u>29,901</u>
	\$ 3,407,541	\$ 3,906,191
Acquisition of Prepaid Assets	(15,310)	(15,459)
Use of Prepaid Assets	15,459	17,781
Acquisition of Land held for Resale	<u>(295,000)</u>	<u>-</u>
	\$ (294,851)	\$ 2,322
(INCREASE) DECREASE IN NET DEBT	\$ 520,635	\$ 1,865,577
NET FINANCIAL ASSETS (DEBT), BEGINNING OF YEAR	<u>\$ 5,241,773</u>	<u>\$ 3,376,196</u>
NET FINANCIAL ASSETS (DEBT), END OF YEAR	<u>\$ 5,762,408</u>	<u>\$ 5,241,773</u>

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

	<u>2020</u> <u>Actual</u>	<u>2019</u> <u>Actual</u>
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING		
Excess (Shortfall) of Revenues Over Expenditures	\$ (2,592,055)	\$ (2,042,936)
Non-cash items included in excess (shortfall) of revenues over expenditures:		
Amortization of Tangible Capital Assets (Note 18)	5,506,234	5,912,296
(Gain) Loss on Disposal of Tangible Capital Assets	192,886	29,901
Non-cash Charges to Operations (net change):		
Taxes and Grants-in-lieu Receivables	(22,660)	(25,438)
Local Improvement Taxes Receivables	126,435	117,304
Government Trade and Other Receivables	(374,834)	(598,511)
Other Financial Assets	(4,529)	1,351
Prepaid Expenses	148	2,322
Accounts Payable and Accrued Liabilities	615,196	158,865
Land Held for Resale	(295,000)	-
Deferred Revenue	78,216	346,666
Long Term Liability	-	-
Deposit Liabilities	226	1,925
Net Cash Provided by (used in) Operating Activities	<u>3,230,263</u>	<u>3,903,745</u>
CAPITAL		
Acquisition of Tangible Capital Assets	(2,336,576)	(2,040,923)
Sale of Tangible Capital Assets	44,997	4,917
Cash Applied to Capital Transactions	<u>(2,291,579)</u>	<u>(2,036,006)</u>
INVESTING		
Decrease (increase) in Restricted Cash or Cash Equivalents	<u>(157,362)</u>	<u>(261,021)</u>
Cash Provided by (Applied to) Investing Transactions	<u>(157,362)</u>	<u>(261,021)</u>
FINANCING		
Other Long-Term Debt	-	-
Long-Term Debt Issued	-	-
Long-Term Debt Repaid	(478,162)	(521,569)
Cash Provided by (Applied to) Financing Transactions	<u>(478,162)</u>	<u>(521,569)</u>
CHANGE IN CASH AND EQUIVALENTS DURING THE YEAR	\$ 303,160	\$ 1,085,149
CASH AND EQUIVALENTS - BEGINNING OF YEAR	<u>8,580,709</u>	<u>7,495,560</u>
CASH AND EQUIVALENTS - END OF YEAR	<u>\$ 8,883,869</u>	<u>\$ 8,580,709</u>
Cash and Cash Equivalents is Made up of:		
Cash and Temporary Investments (Note 2)	\$ 10,840,417	\$ 10,379,895
Less: Restricted Portion of Cash and Temporary Investments (Note 2)	(1,956,548)	(1,799,186)
	<u>\$ 8,883,869</u>	<u>\$ 8,580,709</u>

TOWN OF STETTLER
SCHEDULE 1 - CHANGES IN ACCUMULATED SURPLUS
FOR THE YEAR ENDED DECEMBER 31, 2020

	Unrestricted Surplus	Restricted Surplus	Equity in Tangible Capital Assets	2020 Actual	2019 Actual
BALANCE, BEGINNING OF YEAR	2,524,885	8,214,868	89,880,293	100,620,046	102,662,982
Excess (deficiency) of Revenues over Expense	(2,592,055)	-	-	(2,592,055)	(2,042,936)
Unrestricted Funds Designated for Future Use	(2,350,644)	2,350,644	-	-	-
Restricted Funds Used for Operations	405,272	(405,272)	-	-	-
Restricted Funds Used for TCA		(1,613,157)	1,613,157	-	-
Current Year Funds Used for TCA	(723,420)		723,420	-	-
Donated and Contributed TCA	-		-	-	-
Disposal of TCA	237,886		(237,886)	-	-
Annual Amortization Expense	5,506,234		(5,506,234)	-	-
Long Term Debt Repaid	(478,163)		478,163	-	-
Long Term Debt Used for TCA			-	-	-
Long Term Debt Issued			-	-	-
Change in Accumulated Surplus	5,110	332,215	(2,929,380)	(2,592,055)	(2,042,936)
BALANCE, END OF YEAR	2,529,995	8,547,083	86,950,913	98,027,991	100,620,046

TOWN OF STETTLER
SCHEDULE 2 - TANGIBLE CAPITAL ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2020

	Land	Land Improvements	Buildings	Engineered Structures	Machinery and Equipment	Vehicles	2020 Actual	2019 Actual
COST:								
BALANCE, BEGINNING OF YEAR	1,525,999	6,280,864	57,581,850	110,848,543	6,879,998	4,110,722	187,227,976	186,623,539
Acquisition of Tangible Capital Assets		42,165	20,378	1,283,779	728,900	261,355	2,336,577	2,040,923
Construction-in-Progress				(1,383,729)	(217,179)	-	(1,600,907)	(1,436,486)
Disposal of Tangible Capital Assets								
Write Down of Tangible Capital Assets								
BALANCE, END OF YEAR	1,525,999	6,323,029	57,602,228	110,748,593	7,391,719	4,372,077	187,963,645	187,227,976
ACCUMULATED AMORTIZATION:								
BALANCE, BEGINNING OF YEAR	-	2,442,683	16,181,363	67,745,047	3,087,402	2,408,667	91,865,162	87,354,534
Annual Amortization		258,145	1,164,287	3,499,331	416,888	167,583	5,506,234	5,912,296
Accumulated Amortization on Disposals				(1,214,622)	(148,401)	-	(1,363,023)	(1,401,668)
BALANCE, END OF YEAR	-	2,700,828	17,345,650	70,029,756	3,355,889	2,576,250	96,008,373	91,865,162
2020 NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	1,525,999	3,622,201	40,256,578	40,718,837	4,035,830	1,795,827	91,955,272	95,362,814
2019 NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	1,525,999	3,838,181	41,400,487	43,103,496	3,792,596	1,702,055	95,362,814	

TOWN OF STETTLER
SCHEDULE 3 - PROPERTY AND OTHER TAXES
FOR THE YEAR ENDED DECEMBER 31, 2020

	<u>2020</u> <u>Budget</u> <u>(Unaudited)</u>	<u>2020</u> <u>Actual</u>	<u>2019</u> <u>Actual</u>
TAXATION			
Real Property Taxes	\$ 8,324,023	\$ 8,315,187	\$ 8,478,367
Linear Property Taxes	165,256	157,597	165,256
Government Grants-in-lieu of Property Taxes	38,505	45,497	38,505
Special Assessments and Local Improvement Taxes	-	-	-
Business Taxes	6,400	6,450	6,600
Subtotal	<u>\$ 8,534,184</u>	<u>\$ 8,524,731</u>	<u>\$ 8,688,728</u>
REQUISITIONS			
Alberta School Foundation Fund - Basic	2,226,935	2,326,436	2,314,766
Seniors Foundation	350,336	350,318	331,308
Designated Industrial Property	919	-	936
Subtotal	<u>\$ 2,578,190</u>	<u>\$ 2,676,754</u>	<u>\$ 2,647,010</u>
NET MUNICIPAL TAXES	<u>\$ 5,955,994</u>	<u>\$ 5,847,977</u>	<u>\$ 6,041,718</u>

TOWN OF STETTLER
SCHEDULE 4 - GOVERNMENT TRANSFERS
FOR THE YEAR ENDED DECEMBER 31, 2020

	<u>2020</u> <u>Budget</u> <u>(Unaudited)</u>	<u>2020</u> <u>Actual</u>	<u>2019</u> <u>Actual</u>
TRANSFERS FOR OPERATING			
Federal Government	\$ 1,500	\$ 55,629	\$ 1,500
Provincial Government	563,847	1,208,017	810,481
Other Local Government	856,402	803,035	879,744
Subtotal	<u>\$ 1,421,749</u>	<u>\$ 2,066,681</u>	<u>\$ 1,691,725</u>
TRANSFERS FOR CAPITAL:			
Provincial Government	\$ 2,406,000	\$ 1,838,484	\$ 1,215,529
Other Local Government	12,250	-	-
Subtotal	<u>\$ 2,418,250</u>	<u>\$ 1,838,484</u>	<u>\$ 1,215,529</u>
TOTAL GOVERNMENT TRANSFERS	<u>\$ 3,839,999</u>	<u>\$ 3,905,165</u>	<u>\$ 2,907,254</u>

TOWN OF STETTLER
SCHEDULE 5 - CONSOLIDATED EXPENDITURES BY OBJECT
FOR THE YEAR ENDED DECEMBER 31, 2020

	<u>2020</u> <u>Budget</u> <u>(Unaudited)</u>	<u>2020</u> <u>Actual</u>	<u>2019</u> <u>Actual</u>
CONSOLIDATED EXPENSES BY OBJECT			
Salaries, Wages and Benefits	\$ 6,399,260	\$ 6,087,658	\$ 6,046,447
Contracted and General Services	2,578,808	2,611,949	2,389,198
Materials, Goods, Supplies and Utilities	3,137,215	3,617,692	2,807,266
Provision for Allowances	11,000	165,189	10,272
Purchases and Transfers from Other Governments	956,072	1,079,255	976,901
Transfers to Local Boards and Agencies	867,497	875,941	863,017
Transfers to Individuals and Organizations	50,164	41,025	185,893
Bank Charges and Short-term Interest	14,283	16,826	14,660
Interest on Long-term Debt	213,430	213,434	238,436
Other Expenditures	49,410	29,297	29,597
Loss on Sale of Tangible Capital Assets	-	192,886	29,900
Amortization of Tangible Capital Assets	-	5,506,234	5,912,296
TOTAL EXPENSES	<u>\$14,277,139</u>	<u>\$20,437,386</u>	<u>\$19,503,883</u>

TOWN OF STETTLER
SCHEDULE 6 - SEGMENTED DISCLOSURE
FOR THE YEAR ENDED DECEMBER 31, 2020

	General Government	Protective Services	Transporation	Environmental Use & Protection	Public Health & Welfare	Planning & Development	Recreation & Culture	2020 Actual
REVENUE:								
Net Municipal Taxes	5,847,977							5,847,977
Sales to Other Governments	32,000							32,000
Sales and User Charges	37,194	591,689	2,748	4,509,287	20,422	90,238	126,231	5,377,809
Penalties and Costs on Taxes	66,984			16,095			-	83,079
Licenses and Permits		108,018				40,542		148,560
Fines		31,740						31,740
Franchise and Concession Contracts	1,674,186							1,674,186
Returns on Investments	93,584	1,936			641	697	-	96,858
Rentals			5,756			284,442	251,900	542,098
Federal Government Transfers						54,129	1,500	55,629
Provincial Government Transfers	607,693	399,856	1,838,484		157,148	22,320	21,000	3,046,501
Local Government Transfers	-	368,102	4,500		-	-	430,433	803,035
Other Revenues	104,674	-			-	-	1,185	105,859
Total Revenue	8,464,292	1,501,341	1,851,488	4,525,382	178,211	492,368	832,249	17,845,331
EXPENSES:								
Salaries , Wages and Benefits	936,177	621,307	884,750	1,363,343	35,357	542,350	1,704,374	6,087,658
Contracted and General Services	917,362	301,425	292,548	616,930	133	177,832	305,719	2,611,949
Purchases from Other Governments		1,078,959						1,078,959
Materials, Goods, Supplies and Utilities	39,246	190,356	732,364	1,823,857	14,301	131,831	685,737	3,617,692
Provision for Allowance	155,245	-		9,944	-		-	165,189
Transfer to Other Governments						296	-	296
Transfer to Local Boards and Agencies				386,880	196,435		292,626	875,941
Transfer to Individuals and Organizations	15,159		400		25,000	-	466	41,025
Bank Charges	8,424			268		3,461	4,673	16,826
Interest on Capital Long Term Debt	25,816		29,222	131,764			26,632	213,434
Net Loss on Sale of TCA		-	192,886					192,886
Other Expenditures	4	-	-	29,293				29,297
Total Expense	2,097,433	2,192,047	2,132,170	4,362,279	271,226	855,770	3,020,227	14,931,152
NET REVENUE, BEFORE AMORTIZATION	6,366,859	(690,706)	(280,682)	163,103	(93,015)	(363,402)	(2,187,978)	2,914,179
Amortization	87,665	146,998	3,410,478	999,816	4,068	131,681	725,528	5,506,234
NET REVENUE	6,279,194	(837,704)	(3,691,160)	(836,713)	(97,083)	(495,083)	(2,913,506)	(2,592,055)

TOWN OF STETTLER
NOTES TO THE FINANCIAL STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2020

1. SIGNIFICANT ACCOUNTING POLICIES

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

(a) Reporting Entity

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

Town of Stettler Fire Department
Stettler Regional Board of Trade and Community Development

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

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

(b) Basis of Accounting

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

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

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

(c) Use of Estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles for local governments 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 expenditure during the period. Where measurement uncertainty exists, the financial statements have been prepared within reasonable limits of materiality. Actual results could differ from those estimates.

(d) Investments

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

**TOWN OF STETTLER
NOTES TO THE FINANCIAL STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2020**

(e) Requisition Over-levy and Under-levy

Over-levies and under-levies arise from the difference between the actual property tax levy made to cover each requisition and the actual amount requisitioned.

If the actual levy exceeds the requisition, the over-levy is accrued as a liability and property tax revenue is reduced. Where the actual levy is less than the requisition amount, the under-levy is accrued as a receivable and as property tax revenue.

Requisition tax rates in the subsequent year are adjusted for any over-levies or under-levies of the prior year.

(f) Land Held For Resale

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

(g) Government Transfers

Government transfers are the transfer of assets from senior levels of government that are not the result of an exchange transaction, are not expected to be repaid in the future, or the result of a direct financial return.

Government transfers are recognized in the financial statements as revenue in the period in which events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met, and reasonable estimates of the amounts can be determined.

(h) Non-Financial Assets

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the normal course of operations. The change in non-financial assets during the year, together with the excess of revenues over expenses, provided the consolidated Change in Net Financial Assets (Debt) for the year.

i) Tangible Capital Assets

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

	YEARS
Land Improvements	15 - 45
Buildings	25 - 50
Engineered Structures	
Roadway System	5 - 60
Water System	45 - 75
Wastewater System	45 - 75
Storm System	45 - 75
Machinery and Equipment	5 - 40
Vehicles	7 - 25

**TOWN OF STETTLER
NOTES TO THE FINANCIAL STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2020**

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

ii) Contributions of Tangible Capital Assets

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

iii) Leases

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

(i) Cash & Cash Equivalents

Cash and cash equivalents consist of cash on hand, accounts with banks and short-term, highly liquid investments with maturity dates not in excess of 1 year at the date of purchase.

(j) Pensions

Pension cost included in these statements comprise the cost of employer contributions for current service of employees during the year. The municipality participates in the multi-employer Local Authorities Pension Plan.

2. CASH AND TEMPORARY INVESTMENTS

	<u>2020</u>	<u>2019</u>
Cash	\$ 10,840,417	\$ 10,379,895
Temporary Investments	<u>-</u>	<u>-</u>
Total	<u>\$ 10,840,417</u>	<u>\$ 10,379,895</u>

Interest is earned on the General Account at Prime Rate less 1.65%. Included in Cash and Temporary Investments is a restricted amount of \$1,956,548 (2019 - \$1,799,186) received from various Provincial Programs and related to deferred grant funding (Note 5).

Included in cash is a restricted balance of \$55,144 (2019 - \$51,644) related to trust funds held at year end (Note 12).

3. TAXES AND GRANTS IN LIEU RECEIVABLES

	<u>2020</u>	<u>2019</u>
Current and Grants-in-lieu	\$ 227,513	\$ 155,837
Arrears Taxes	70,808	119,824
Less: Allowance for Doubtful Accounts	<u>(12,511)</u>	<u>(12,511)</u>
Total	<u>\$ 285,810</u>	<u>\$ 263,150</u>

TOWN OF STETTLER
NOTES TO THE FINANCIAL STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2020

4. LONG-TERM INVESTMENTS

	<u>2020</u>	<u>2019</u>
AMFC Shares, at Cost	\$ <u>40</u>	\$ <u>40</u>
Total	\$ <u>40</u>	\$ <u>40</u>

5. DEFERRED REVENUE

	<u>2020</u>	<u>2019</u>
Municipal Sustainability Initiative	\$ 765,017	\$ 984,716
New Deal Communities	552,114	548,067
Police Assistance	87,520	86,904
Basic Municipal Transportation	135,889	93,769
Municipal Stimulus Program	100,000	-
Alberta Community Partnership Grant	200,000	-
Other	116,008	85,730
Other - P&L	20,368	16,799
Other - BOT	95,952	78,520
Total	\$ <u>2,072,868</u>	\$ <u>1,894,505</u>

Conditional grants are deferred until the prescribed expenditures are made.

6. RESTRICTED FUNDS

Reserves for operating and capital activities changed as follows:

<u>Operating Reserves</u>	<u>2019</u>	<u>Increases</u>	<u>Decreases</u>	<u>2020</u>
RCMP (Records Check)	69,728	5,219	4,009	70,938
Rescue Van	155,910	24,947		180,857
Land Farmed Site	7,650			7,650
Walking Pathway	67,982		32,165	35,817
Landfill Site Maintenance	3,000			3,000
Perpetual Care	51,644	3,500		55,144
West Stettler Planning	3,747			3,747
BOT Community Event	35,664	11,946		47,610
Building Maintenance	35,200	2,200		37,400
SCR Building Maintenance	9,211			9,211
Culture	126,000	169,808	167,605	128,203
Office Automation	7,825		5,000	2,825
RCMP Contract	325,230			325,230
Street Light Replacement	97,900			97,900
Mun 2000 Beautification	13,139			13,139
Coat Exterior Reservoir	40,000			40,000
Sewer Offsite	286,919			286,919
SE Industrial Planning	50,000			50,000
Land Development	1,071,555			1,071,555
Health Unit	12,500			12,500
Playground Program	3,000			3,000
Tree Maintenance	5,950			5,950

TOWN OF STETTLER
NOTES TO THE FINANCIAL STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2020

Senior HUB	5,056		466	4,590
Gravel	35,300			35,300
Cold Lake Survey	13,250			13,250
Physician Recruit	-	5,491		5,491
SRC Projection System	2,712			2,712
Community Orchard	10,610		468	10,142
ARB	6,000			6,000
WTS Operations	81,129		81,000	129
Planning	55,000	32,000	36,776	50,224
Memorial Park	4,864			4,864
Provincial Grant	-	607,693		607,693
Slurrey Seal	3,942			3,942
Trade Show	95,007			95,007
In Memorium	23,361			23,361
Water Well Building	50,000			50,000
Marketing Plan	20,000			20,000
WTP Waste Pond	70,000	70,000		140,000
BOT Events	-	3,478		3,478
WTP Valve/Small Capital	50,000			50,000
General Reserve	2,041,520	632,304	526,566	2,147,258
Available for Capital	303,848	377,884	466,386	215,346
Utilities - Other	740,296	436,792	677,796	499,292
Utilities - Water	841,503	31,444	438,499	434,448
Total Operating Reserves	\$ 6,933,152	\$ 2,414,706	\$ 2,436,736	\$ 6,911,122

Capital Reserves	2019	Increases	Decreases	2020
Admin Equipment/Computer	7,988	26,900	34,888	-
Disaster Services	-			-
Chainlink Fence	9,646			9,646
Compost Bins/Pads	2,880			2,880
Cemetery	2,497			2,497
GIS System	6,703			6,703
Fire Equipment	510,449	160,150		670,599
Common Services Equipment	104,565	12,466	43,842	73,189
Drainage	54,582			54,582
Sewer	13,900			13,900
Street Improvement	10,200			10,200
Airport Capital	14,528			14,528
Community Hall	33,441		33,441	-
Campground Expansion	20,986			20,986
WTP	22,545			22,545
Senior Centre	19,250			19,250
ML Sports Park	16,419			16,419
Cemetery Road	148,343			148,343
Water Dispensing System	3,220			3,220
Recreation Agreement	266,900	266,900		533,800
Fishing Pier	8,780			8,780
East Industrial Loop	3,894			3,894
Total Capital Reserves	\$ 1,281,716	\$ 466,416	\$ 112,171	\$ 1,635,961
TOTAL RESTRICTED FUNDS	\$ 8,214,868	\$ 2,881,122	\$ 2,548,907	\$ 8,547,083

**TOWN OF STETTLER
NOTES TO THE FINANCIAL STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2020**

7. LONG-TERM DEBT

	<u>2020</u>	<u>2019</u>
Tax Supported Debentures	\$ 1,176,283	\$ 1,336,250
Self Supported Debentures	<u>3,828,076</u>	<u>4,146,271</u>
Total	<u>\$ 5,004,359</u>	<u>\$ 5,482,521</u>

Principal and interest repayments are due as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 499,514	\$ 200,004	\$ 699,518
2022	488,528	177,683	666,211
2023	502,626	156,230	658,856
2024	482,989	134,233	617,222
2025	461,768	114,161	575,929
Thereafter	<u>2,568,934</u>	<u>341,012</u>	<u>2,909,946</u>
Total	<u>\$ 5,004,359</u>	<u>\$ 1,123,323</u>	<u>\$ 6,127,682</u>

Debenture debt is repayable to Alberta Capital Finance Authority and bears interest at rates ranging from 2.306% to 6.000% per annum, and mature in periods 2021 through 2036. The average annual interest rate is 4.49% for 2020 (4.49% for 2019).

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

Future interest repayment annual amounts have been calculated using the accrual method. The Town's total cash payments for interest in 2020 were \$213,434 (2019 - \$238,435)

8. DEBT LIMITS

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

	<u>2020</u>	<u>2019</u>
Total Debt Limit	\$ 24,077,771	\$ 24,368,126
Total Debt	<u>5,004,359</u>	<u>5,482,521</u>
Amount of Debt Limit Unused	<u>\$ 19,073,412</u>	<u>\$ 18,885,605</u>
Service on Debt Limit	\$ 4,012,962	\$ 4,061,354
Service on Debt	<u>699,518</u>	<u>699,519</u>
Amount of Debt Servicing Limit Unused	<u>\$ 3,313,444</u>	<u>\$ 3,361,835</u>

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

TOWN OF STETTLER
NOTES TO THE FINANCIAL STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2020

9. TANGIBLE CAPITAL ASSETS

Net Book Value	<u>2020</u>	<u>2019</u>
Land	\$ 1,525,999	\$ 1,525,999
Land Improvements	3,622,201	3,838,181
Buildings	40,256,578	41,400,487
Engineered Structures		
Distribution Systems - Roads	16,486,607	18,900,540
Distribution Systems - Water	8,919,441	8,517,857
Distribution Systems - Wastewater	11,942,650	12,248,995
Distribution Systems - Storm	3,370,139	3,436,104
Machinery & Equipment & Furnishings	4,035,830	3,792,596
Vehicles	<u>1,795,827</u>	<u>1,702,055</u>
Total	<u>\$ 91,955,272</u>	<u>\$ 95,362,814</u>

10. EQUITY IN TANGIBLE CAPITAL ASSETS

	<u>2020</u>	<u>2019</u>
Tangible Capital Assets (Schedule 2)	\$ 187,963,645	\$ 187,227,976
Accumulated Amortization (Schedule 2)	(96,008,373)	(91,865,162)
Long Term Debt (Note 7)	<u>(5,004,359)</u>	<u>(5,482,521)</u>
Total	<u>\$ 86,950,913</u>	<u>\$ 89,880,293</u>

11. ACCUMULATED SURPLUS

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

	<u>2020</u>	<u>2019</u>
Unrestricted Surplus (deficit)	\$ 2,529,995	\$ 2,524,885
Restricted Funds (Note 6)	8,547,083	8,214,868
Equity in Tangible Capital Assets (Note 10)	<u>86,950,913</u>	<u>89,880,293</u>
Total	<u>\$ 98,027,991</u>	<u>\$ 100,620,046</u>

**TOWN OF STETTLER
NOTES TO THE FINANCIAL STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2020**

12. TRUST FUNDS

The Town of Stettler administers the following trust:

	<u>2020</u>	<u>2019</u>
Cemetery Perpetual Care		
Balance, Beginning of Year	\$ 51,644	\$ 48,079
Sale of Cemetery Plots/Columbarium Niche	3,500	3,565
Headstone Sidewalk Purchase	-	-
	\$ 55,144	\$ 51,644

13. SALARY & BENEFITS DISCLOSURE

Disclosure of salaries and benefits for elected municipal officials, the chief administrative officer and designated officers as required by provincial regulation is as follows:

	2020				2019	
	<u>#of</u>	<u>Salary (1)</u>	<u>Benefits &</u>	<u>Total</u>	<u># of</u>	<u>Total</u>
	<u>Persons</u>		<u>Allowances (2&3)</u>		<u>Persons</u>	
Councillor C. Barros	1	18,998	972	19,970	1	20,316
Councillor A.Campbell	1	21,813	165	21,978	1	24,318
Councillor M. Fischer	1	19,388	503	19,891	1	24,961
Councillor G. Lawlor	1	19,648	1,112	20,760	1	23,185
Councillor S. Pfeiffer	1	19,648	1,006	20,654	1	21,136
Mayor S. Nolls	1	35,656	1,846	37,502	1	41,329
Councillor W. Smith	1	19,128	978	20,106	1	20,043
CAO. G. Switenky	1	194,812	35,098	229,910	1	218,217

- (1) Salary includes regular base pay, bonuses, overtime, lump sum payments, gross honoraria and any other direct cash remuneration.
- (2) Employers share of all employee benefits and contributions or payments made on behalf of employees including pension, health care, dental coverage, group life insurance, accidental disability and dismemberment insurance, long and short term disability plans, professional memberships and tuition
- (3) Benefits and allowances figures also include the Employer's share of the costs of additional taxable benefits including special leave with pay, financial planning services, retirement planning services, concessionary loans and club memberships.

**TOWN OF STETTLER
NOTES TO THE FINANCIAL STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2020**

14. LOCAL AUTHORITIES PENSION PLAN

- Employees of the Town of Stettler participate in the Local Authorities Pension Plan (LAPP), which is covered by the Public Sector Pension Plans Act. The Plan serves about 274,151 people and 420 employers. It is financed by employer and employee contributions and investment earnings of the LAPP Fund.
- Contributions for current service are recorded as expenditures in the year in which they become due.
- The Town of Stettler is required to make current service contributions to the Plan of 9.39% of pensionable earnings up to the Canada Pension Plan Year's Maximum Pensionable Earnings and 13.84% for the excess.
- Employees of the Town of Stettler are required to make current service contributions of 8.39% of pensionable salary up to the year's maximum pensionable earnings under the Canada Pension Plan, and 12.84% on pensionable salary above this amount.
- Total current and past service contributions by the Town of Stettler to the Local Authorities Pension Plan in 2020 were \$476,524 (2019 - \$443,389) Total current and past service contributions by the employees of the Town of Stettler to the Local Authorities Pension Plan in 2020 were \$431,592 (2019 - \$401,188)
- At December 31, 2019 the Plan disclosed an actuarial surplus of \$7.9 billion for the Plan.

15. CONTINGENCIES

The Town of Stettler is a member of the Alberta Local Authorities Reciprocal Insurance Exchange. Under the terms of membership, the Town of Stettler 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.

The Town of Stettler, the County of Stettler, and all other incorporated municipalities within the geographical boundaries of the County of Stettler provide funds for the operation of the Stettler Waste Management Authority. The Authority is accumulating reserves to fund future estimated site cleanup obligations. The member municipalities may be liable for future costs in excess of the reserves.

The Town of Stettler and the County of Stettler through joint agreement provide funds for the operation of the Stettler Family and Community Support Services. The amounts noted in this financial statement represent only the Town of Stettler portion of contributions made to F.C.S.S.

TOWN OF STETTLER
NOTES TO THE FINANCIAL STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2020

16. FINANCIAL INSTRUMENTS

The Town's financial instruments consist of cash and temporary investments, accounts receivables, a line of credit, investments, accounts payable, 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 receivable, and trade and other receivables. Credit risk arises from the possibility that taxpayers and entities to which the Town provides service may experience financial difficulty and may be unable to fulfill their obligations. The large number and diversity of taxpayers and customers minimizes the credit risk.

Unless otherwise noted, the fair value of these financial instruments approximates their carrying values.

The Town is exposed to interest rate risk on temporary bank indebtedness, as the interest rate will fluctuate with change in the prime lending rate.

The fixed rate debentures are subject to interest rate risk, as the value will fluctuate as a result of changes in market rates.

17. SEGMENTED DISCLOSURE

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.

Refer to the Schedule of Segmented Disclosure (Schedule 6).

**TOWN OF STETTLER
NOTES TO THE FINANCIAL STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2020**

18. AMORTIZATION

Amortization is a non-cash expense and is allocated to the different functions as follows:

	<u>2020</u>	<u>2019</u>
General Administration	\$ 87,666	\$ 96,429
Police Protective Services	-	-
Fire Protective Services	146,998	147,677
Common and Equipment Pool	253,913	246,863
Roads, Streets, Walks, Lighting	3,066,840	3,476,268
Airport	23,757	17,785
Storm Sewers and Drainage	65,967	65,968
Water Supply and Distribution	671,570	677,800
Wastewater Treatment and Disposal	327,257	325,978
Waste Management	989	989
Cemeteries	4,068	3,811
Land Use Planning	4,744	4,744
Economic Development	2,587	2,587
Public Housing Operations	85,967	85,967
Land, Housing and Building Rentals	38,383	38,383
Parks and Recreation	669,777	671,793
Culture	55,751	49,254
Total	<u>\$ 5,506,234</u>	<u>\$ 5,912,296</u>

19. OTHER LONG-TERM LIABILITIES

	<u>2020</u>	<u>2019</u>
Tax Sales In Trust	\$ -	\$ -
Reserve for Public Lands	105,359	105,359
Total	<u>\$ 105,359</u>	<u>\$ 105,359</u>

20. OPERATING LINE OF CREDIT

At December 31, 2020 the Town had a short-term line of credit for \$100,000 (2019 - \$100,000) of which nothing had been drawn down. The interest rate on advances would be Prime minus 1/4%.

TOWN OF STETTLER
NOTES TO THE FINANCIAL STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2020

21. RECENT ACCOUNTING PRONOUNCEMENTS PUBLISHED BUT NOT YET ADOPTED

The following standards have been issued by the Chartered Professional Accountants of Canada but are not yet effective. The municipality is currently evaluating the effect of these standards on their financial statements.

(a) Section PSAS 3041 - Portfolio Investments

This standard addresses the distinction between temporary and portfolio investments. The standard is beginning on or after April 1, 2021, when sections PS1201, PS2601 and PS3450 are adopted.

(b) Section PSAS 3450 - Financial Instruments

This standard establishes recognition, measurement and disclosure requirements for derivative and non-derivative financial instruments. Applies to years beginning on or after April 1, 2021.

(c) Section PSAS 2601 - Foreign Currency Translation

This section establishes standards on how to account for and report transactions that are denominated in foreign currency in government financial statements. Applies to years beginning on or after April 1, 2021.

(d) Section PSAS 1201 - Financial Statement Presentation

Revised standard is effective beginning on or after April 1, 2021 when sections PS2601 and PS3450 are adopted.

(e) Section PSAS 3280 - Asset Retirement Obligation

This standard is intended to provide guidance on accounting for ARO's and will apply in years beginning on or after April 1, 2021.

(f) Section PSAS 3400 - Revenue

This standard will provide greater clarity on the difference between exchange and non-exchange transactions. Applies to years beginning on or after April 1, 2022.

22. APPROVAL OF FINANCIAL STATEMENTS

Council and Management have approved these financial statements.

23. BUDGET AMOUNTS

Budget figures for the year ended December 31, 2020 were approved as May 19, 2020 and are for information purposes. These amounts have not been audited.