
TOWN OF MAGRATH
Financial Statements
Year Ended December 31, 2019

TOWN OF MAGRATH
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Year Ended December 31, 2019

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MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The consolidated financial statements are the responsibility of the management of the Town Of Magrath (the Town).

These consolidated financial statements have been prepared from information provided by management. These statements include certain amounts based on management's estimates and judgments. Management has determined such amounts based on a reasonable basis in order to ensure that the financial statements are presented fairly in all material respects.

The Town maintains systems of internal accounting and administrative controls that are designed to provide reasonable assurance that the financial information is relevant, reliable and accurate and that the Town's assets are properly accounted for and adequately safeguarded.

The elected Council of the Town is responsible for ensuring that management fulfills its responsibility for financial reporting and is ultimately responsible for reviewing and approving the financial statements. Council meets periodically with management and the external auditors to review significant accounting, reporting and internal control matters. Following its review of the financial statements and discussions with the auditors, the Council approves of the financial statements. The Council approves the appointment of the external auditors and reviews the monthly financial reports.

The consolidated financial statements have been audited by Shawn Cook Professional Corporation, Chartered Professional Accountants, the external auditor, in accordance with Canadian generally accepted auditing standards on behalf of the Council, residents and ratepayers of the Town. Shawn Cook Professional Corporation has full and free access to the Council.



INDEPENDENT AUDITOR'S REPORT

To the Members of Town of Magrath

Opinion

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

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the 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 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 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 Members of Town of Magrath *(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.

Lethbridge, Alberta
September 1, 2020

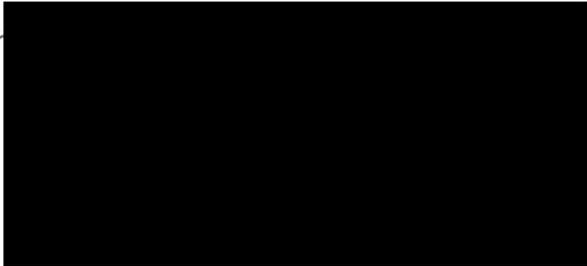
Shawn Cook
Professional Corporation

Chartered Professional Accountants

TOWN OF MAGRATH
Consolidated Statement of Financial Position
December 31, 2019

	2019	2018
FINANCIAL ASSETS		
Cash and temporary investments <i>(Note 2)</i>	\$ 1,318,248	\$ 730,439
Taxes and grants in places of taxes <i>(Note 3)</i>	248,509	216,494
Trade and other receivable <i>(Note 3)</i>	706,743	1,528,672
Land held for resale	318,935	318,935
	<u>2,592,435</u>	<u>2,794,540</u>
LIABILITIES		
Bank indebtedness <i>(Note 2)</i>	-	1,233,567
Accounts payable and accrued liabilities	536,937	262,837
Employee benefit obligation <i>(Note 4)</i>	16,543	17,197
Deferred revenue <i>(Note 5)</i>	405,000	469,478
Long term debt <i>(Note 6)</i>	1,715,396	544,137
	<u>2,673,876</u>	<u>2,527,216</u>
NET FINANCIAL ASSETS (DEBT)	<u>(81,441)</u>	<u>267,324</u>
NON-FINANCIAL ASSETS		
Prepaid expenses and deposits	92,585	82,168
Inventory for consumption	76,113	24,000
Tangible capital assets <i>(Schedule 2)</i>	25,743,941	24,494,958
	<u>25,912,639</u>	<u>24,601,126</u>
ACCUMULATED SURPLUS <i>(Schedule 1 and Note 9)</i>	<u>\$ 25,831,198</u>	<u>\$ 24,868,450</u>

CONTINGENCIES *(Note 12)*



TOWN OF MAGRATH
Consolidated Statement of Operations
Year Ended December 31, 2019

	Budget (Unaudited)	2019	2018
REVENUES			
Net municipal taxes <i>(Schedule 3)</i>	\$ 1,658,027	\$ 1,714,754	\$ 1,653,328
User fees and sales of goods	1,143,209	1,109,324	1,142,682
Other revenue	35,196	580,323	571,047
Government transfers for operating <i>(Schedule 4)</i>	323,911	324,059	382,096
Franchise and concession contracts	155,000	143,057	136,924
Penalties and costs of taxes	85,718	95,130	76,001
Licenses and permits	47,916	30,626	35,653
Investment income	13,234	28,562	11,333
Donations	-	2,881	950
	3,462,211	4,028,716	4,010,014
EXPENSES			
Legislative	119,693	125,572	118,531
Administration	667,804	711,780	724,605
Bylaw enforcement	56,057	50,611	48,012
Fire services	74,066	44,296	89,724
Public Works	793,134	678,194	725,531
Wastewater treatment and disposal	113,201	101,251	121,571
Water supply and distribution	378,989	413,884	466,769
Waste management	151,832	92,985	128,511
Family and community support services	141,481	171,219	172,054
Parks and recreation	623,935	623,806	532,140
Cemeteries and crematoriums	1,056	20,493	21,371
Land use planning and development	-	561,626	541,997
Culture - libraries, museums, halls	113,194	116,155	76,732
Amortization	-	724,674	645,419
	3,234,442	4,436,546	4,412,967
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES BEFORE OTHER	227,769	(407,830)	(402,953)
OTHER			
Government transfers for capital <i>(Schedule 4)</i>	815,000	1,151,328	2,533,027
Contributed assets	-	219,250	-
Gain on disposal of tangible capital assets	-	-	29,518
	815,000	1,370,578	2,562,545
EXCESS OF REVENUE OVER EXPENSES	1,042,769	962,748	2,159,592
ACCUMULATED SURPLUS, BEGINNING OF YEAR	24,868,450	24,868,450	22,708,858
ACCUMULATED SURPLUS, END OF YEAR	\$ 25,911,219	\$ 25,831,198	\$ 24,868,450

TOWN OF MAGRATH

Consolidated Statement of Changes in Net Financial Assets (Debt)

Year Ended December 31, 2019

	Budget (Unaudited)	2019	2018
EXCESS OF REVENUE OVER EXPENSES	\$ 1,042,769	\$ 962,748	\$ 2,159,592
Amortization of tangible capital assets	-	724,674	645,419
Acquisition of tangible capital assets	-	(1,754,407)	(2,188,475)
Acquisition of contributed assets	-	(219,250)	-
Proceeds on disposal of tangible capital assets	-	-	126,545
(Gain) on disposal of tangible capital assets	-	-	(29,518)
	-	(1,248,983)	(1,446,029)
Use (acquisition) of prepaid expenses and deposits	-	(10,417)	8
Decrease (increase) in inventory for consumption	-	(52,113)	614
	-	(62,530)	622
	-	(1,311,513)	(1,445,407)
INCREASE IN NET FINANCIAL ASSETS	1,042,769	(348,765)	714,185
NET FINANCIAL ASSETS (DEBT), BEGINNING OF YEAR	267,324	267,324	(446,861)
NET FINANCIAL ASSETS (DEBT), END OF YEAR	\$ 1,310,093	\$ (81,441)	\$ 267,324

TOWN OF MAGRATH
Consolidated Statement of Cash Flows
Year Ended December 31, 2019

	2019	2018
OPERATING		
Excess of revenues over expenses	\$ 962,748	\$ 2,159,592
Non-cash items included in excess of revenues over expenses		
Amortization of tangible capital assets	724,674	645,419
(Gain) on disposal of tangible capital assets	-	(29,518)
Contributed assets	(219,250)	-
	<u>1,468,172</u>	<u>2,775,493</u>
Changes in non-cash working capital:		
Taxes and grants in places of taxes	(32,014)	(27,287)
Trade and other receivable	821,929	(138,183)
Land held for resale	-	(3,905)
Accounts payable and accrued liabilities	274,100	(213,583)
Employee benefit obligation	(654)	6,283
Deferred revenue	(64,478)	(1,594,186)
Prepaid expenses and deposits	(10,417)	8
Inventory for consumption	(52,113)	614
	<u>936,353</u>	<u>(1,970,239)</u>
	<u>2,404,525</u>	<u>805,254</u>
CAPITAL		
Purchase of tangible capital assets	(1,754,407)	(2,188,475)
Proceeds on disposal of tangible capital assets	-	126,545
	<u>(1,754,407)</u>	<u>(2,061,930)</u>
FINANCING		
Proceeds from long term debt	1,300,000	-
Repayment of long term debt	(128,741)	(66,198)
	<u>1,171,259</u>	<u>(66,198)</u>
CHANGE IN CASH AND TEMPORARY INVESTMENTS DURING THE YEAR	<u>1,821,377</u>	<u>(1,322,874)</u>
CASH AND TEMPORARY INVESTMENTS, BEGINNING OF YEAR	<u>(503,128)</u>	<u>819,746</u>
CASH AND TEMPORARY INVESTMENTS, END OF YEAR (Note 2)	<u>\$ 1,318,249</u>	<u>\$ (503,128)</u>
CASH CONSISTS OF:		
Cash and temporary investments	\$ 1,318,248	\$ 730,439
Bank indebtedness	-	(1,233,567)
	<u>\$ 1,318,248</u>	<u>\$ (503,128)</u>

TOWN OF MAGRATH

Schedule of Changes in Accumulated Surplus
Year Ended December 31, 2019

(Schedule 1)

	Unrestricted Surplus	Restricted Surplus	Equity in Tangible Capital Assets	2019	2018
BALANCE, BEGINNING OF THE YEAR	\$ 240,959	\$ 676,670	\$ 23,950,821	\$ 24,868,450	\$ 22,708,858
Excess of revenues over expenses	962,748	-	-	962,748	2,159,592
Unrestricted funds designated for future use	(22,172)	22,172	-	-	-
Current year funds used for tangible capital assets	(1,754,407)	-	1,754,407	-	-
Contributed tangible capital assets	(219,250)	-	219,250	-	-
Annual amortization expense	724,674	-	(724,674)	-	-
Long-term debt issued	1,300,000	-	(1,300,000)	-	-
Long-term debt repaid	(128,741)	-	128,741	-	-
Change in accumulated surplus	862,852	22,172	77,724	25,831,198	24,868,450
BALANCE, END OF THE YEAR	\$ 1,103,811	\$ 698,842	\$ 24,028,545	\$ 25,831,198	\$ 24,868,450

TOWN OF MAGRATH
Schedule of Tangible Capital Assets
Year Ended December 31, 2019

(Schedule 2)

	Land	Buildings	Engineered Structures	Machinery & Equipment	Vehicles	2019	2018
COST							
BALANCE, BEGINNING OF YEAR	\$ 1,748,485	\$ 6,695,071	\$ 24,703,930	\$ 2,205,214	\$ 271,178	\$ 35,623,878	\$ 33,542,229
Acquisition of tangible capital assets	219,250	247,359	1,199,309	19,965	42,030	1,727,913	569,636
Construction in-progress	-	67,327	178,417	-	-	245,744	1,618,839
Disposal of tangible capital assets	-	-	-	-	-	-	(106,826)
BALANCE, END OF YEAR	1,967,735	7,009,757	26,081,656	2,225,179	313,208	37,597,535	35,623,878
ACCUMULATED AMORTIZATION							
BALANCE, BEGINNING OF YEAR	-	2,383,291	7,578,435	985,367	181,827	11,128,920	10,493,300
Annual amortization	-	173,400	418,815	113,843	18,616	724,674	645,419
Accumulated amortization on disposals	-	-	-	-	-	-	(9,799)
BALANCE, END OF YEAR	-	2,556,691	7,997,250	1,099,210	200,443	11,853,594	11,128,920
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	\$ 1,967,735	\$ 4,453,066	\$ 18,084,406	\$ 1,125,969	\$ 112,765	\$ 25,743,941	\$ 24,494,958
2018 NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	\$ 1,748,485	\$ 4,311,780	\$ 17,125,495	\$ 1,219,847	\$ 89,351	\$ 24,494,958	

TOWN OF MAGRATH
Schedule of Property and Other Taxes
Year Ended December 31, 2019

(Schedule 3)

	Budget (Unaudited)	2019	2018
TAXATION			
Real property taxes	\$ 2,203,950	\$ 2,248,451	\$ 2,176,690
Linear property taxes	38,500	39,405	38,631
Special assessment and local improvement taxes	3,442	3,408	3,408
	<u>2,245,892</u>	<u>2,291,264</u>	<u>2,218,729</u>
REQUISITIONS			
Alberta School Foundation Fund	544,648	533,034	523,700
Seniors foundation	43,217	43,217	41,624
Designated industrial property	-	259	77
	<u>587,865</u>	<u>576,510</u>	<u>565,401</u>
NET MUNICIPAL PROPERTY TAXES	<u>\$ 1,658,027</u>	<u>\$ 1,714,754</u>	<u>\$ 1,653,328</u>

TOWN OF MAGRATH
Schedule of Government Transfers
Year Ended December 31, 2019

(Schedule 4)

	Budget (Unaudited)	2019	2018
TRANSFERS FOR OPERATING			
Provincial Government	\$ 278,409	\$ 278,557	\$ 331,594
Other Local Government	45,502	45,502	45,502
Federal Government	-	-	5,000
	<u>323,911</u>	<u>324,059</u>	<u>382,096</u>
TRANSFERS FOR CAPITAL			
Provincial Government	815,000	1,151,328	2,464,045
Federal Government	-	-	68,982
	<u>815,000</u>	<u>1,151,328</u>	<u>2,533,027</u>
TOTAL GOVERNMENT TRANSFERS	<u>\$ 1,138,911</u>	<u>\$ 1,475,387</u>	<u>\$ 2,915,123</u>

TOWN OF MAGRATH
Schedule of Consolidated Expenses by Object
Year Ended December 31, 2019

(Schedule 5)

	Budget (Unaudited)	2019	2018
CONSOLIDATED EXPENSES BY OBJECT			
Salaries, wages and benefits	\$ 1,528,946	\$ 1,568,045	\$ 1,401,589
Contracted and general services	600,325	1,081,226	1,203,367
Materials, goods and utilities	882,221	872,472	987,609
Transfers to local boards and agencies	165,114	96,331	127,030
Bank charges and short-term interest	7,613	30,350	19,649
Interest on long-term debt	50,223	63,448	28,304
Amortization of tangible capital assets	-	724,674	645,419
	<u>\$ 3,234,442</u>	<u>\$ 4,436,546</u>	<u>\$ 4,412,967</u>

TOWN OF MAGRATH
Schedule of Segmented Disclosure
Year Ended December 31, 2019

(Schedule 6)

	General Government	Protective Services	Transportation Services	Environmental Services	Planning and development	Recreation and culture	Total
REVENUE							
Net municipal taxes	\$ 1,714,754	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,714,754
Government transfers	105,382	-	989,447	198,947	-	181,611	1,475,387
User fees and sales of goods	801	-	-	1,007,611	15,640	85,272	1,109,324
Franchise and concession contracts	143,057	-	-	-	-	-	143,057
Investment income	28,562	-	-	-	-	-	28,562
Other revenues	98,956	17,677	9,671	10,320	569,554	2,782	708,960
Contributed assets	-	-	-	219,250	-	-	219,250
	2,091,512	17,677	999,118	1,436,128	585,194	269,665	5,399,294
EXPENSES							
Salaries, wages and benefits	497,366	-	292,813	143,350	19,991	614,525	1,568,045
Contracted and general services	209,136	88,805	83,013	46,334	562,128	91,810	1,081,226
Materials, goods, supplies and utilities	63,186	6,102	300,199	334,174	-	168,811	872,472
Transfers to local boards	-	-	-	60,297	-	36,034	96,331
Bank charges and short-term interest	30,350	-	-	-	-	-	30,350
Interest on long-term debt	37,314	-	2,169	23,965	-	-	63,448
	837,352	94,907	678,194	608,120	582,119	911,180	3,711,872
NET REVENUE BEFORE AMORTIZATION							
	1,254,160	(77,230)	320,924	828,008	3,075	(641,515)	1,687,422
Amortization expenses	7,304	11,586	264,441	319,425	-	121,918	724,674
NET REVENUE	\$ 1,246,856	\$ (88,816)	\$ 56,483	\$ 508,583	\$ 3,075	\$ (763,433)	\$ 962,748

TOWN OF MAGRATH
Notes to Financial Statements
Year Ended December 31, 2019

1. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements of the Town Of Magrath 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:

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 the municipal operations plus all of the organizations that are owned or controlled by the Town and are, therefore, accountable to the Council for the administration of their financial affairs and resources.

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

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

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.

Use of Estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, 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.

Inventories for Resale

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

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TOWN OF MAGRATH
Notes to Financial Statements
Year Ended December 31, 2019

1. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Prepaid Local Improvement Charges

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

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

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

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.

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.

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.

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TOWN OF MAGRATH
Notes to Financial Statements
Year Ended December 31, 2019

1. 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 revenues over expenses, provides the consolidated Change in Net Financial Assets (Debt) for the year.

i. Tangible Capital Assets

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

	<u>Years</u>
Land improvements	15 - 20
Buildings	25 - 50
Engineered structures	
Water System	35 - 70
Wastewater System	35 - 70
Other Engineered Structures	15 - 40
Machinery and equipment	5 - 20
Vehicles	5 - 20

A full year of 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.

iii. Leases

Leases are classified as capital or operating leases. Leases which transfer substantially all 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.

TOWN OF MAGRATH
Notes to Financial Statements
Year Ended December 31, 2019

2. CASH AND TEMPORARY INVESTMENTS

	<u>2019</u>	<u>2018</u>
Cash on hand	\$ 400	\$ 400
Cash	790,493	170,592
Temporary investments	<u>527,355</u>	<u>559,447</u>
	1,318,248	730,439
Bank indebtedness	<u>-</u>	<u>(1,233,567)</u>
	<u>\$ 1,318,248</u>	<u>\$ (503,128)</u>

Temporary investments are short-term deposits with interest rate between 1.40% to 2.09% (2018 - 1.25% to 2.60%) and mature between February 2020 to August 2020.

The Municipality has available a \$450,000 overdraft facility with 1st Choice Savings and Credit Union which bears interest at 4.95% per annum when in use. The overdraft is issued on the credit and security of the Municipality at large. The overdraft balance at year end is nil (2018 - \$444,229)

Included in cash and temporary investments is a restricted amount of \$405,000 (2018 - \$469,478) received from various grant programs which are held exclusively for approved projects (Note 5).

3. RECEIVABLES

	<u>2019</u>	<u>2018</u>
Property taxes		
Taxes and grants in place of taxes receivables	\$ 156,765	\$ 154,667
Arrears	91,744	72,657
Allowance for doubtful accounts	<u>-</u>	<u>(10,830)</u>
	<u>248,509</u>	<u>216,494</u>
Trade and other receivables		
Grants	417,397	682,002
Trade accounts	186,934	283,611
Goods and Services Tax (GST)	102,412	426,519
Magrath & District Regional Water Service Commission	-	167,962
Allowance for doubtful accounts	<u>-</u>	<u>(31,422)</u>
	<u>706,743</u>	<u>1,528,672</u>

4. EMPLOYEE BENEFIT OBLIGATION

The employee benefit obligation is comprised of accrued vacation that employees are deferring to future years. Employees have either earned the benefits (and are vested) or are entitled to these benefits within the next budgetary year.

TOWN OF MAGRATH
Notes to Financial Statements
Year Ended December 31, 2019

5. DEFERRED REVENUE

	<u>2019</u>	<u>2018</u>
Alberta Community Partnership Grant	\$ 345,000	\$ 345,000
Westwind School Division Pool Contribution	60,000	-
Alberta Community Resilience Grant	-	124,478
	<u>\$ 405,000</u>	<u>\$ 469,478</u>

6. LONG TERM DEBT

	<u>2019</u>	<u>2018</u>
Bank loans	\$ 1,613,967	\$ 425,720
Self-supported debentures	101,429	118,417
	<u>\$ 1,715,396</u>	<u>\$ 544,137</u>

The current portion of long-term debt amounts to \$185,528 (2018 - \$68,653)

Principal repayment terms are approximately:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 185,528	\$ 67,173	\$ 252,701
2021	177,412	59,662	237,074
2022	184,773	52,301	237,074
2023	192,446	44,628	237,074
2024	203,673	36,629	240,302
Thereafter	771,564	68,572	840,136
	<u>\$ 1,715,396</u>	<u>\$ 328,965</u>	<u>\$ 2,044,361</u>

Debenture debt is repayable to the Alberta Capital Finance Authority which bears interest at rates ranging from 4.37% to 8.75% per annum, before provincial subsidy and matures in periods from 2021 to 2027. For qualifying debentures, the Province of Alberta rebates 60% of interest in excess of 8%, 9%, and 11% to a maximum annual rate of 12.5%, depending on the date borrowed. Debenture debt is issued on the credit and security of the Town at large.

Other debenture debt is repayable to 1st Choice Savings and Credit Union bearing interest at 5.45% per annum and matures in 2024 and ATB Financial bearing interest at 3.70% per annum and matures in 2029.

Interest on long-term debt amounted to \$63,447 (2018 - \$28,304).

TOWN OF MAGRATH
Notes to Financial Statements
Year Ended December 31, 2019

7. 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 be disclosed as follows:

	<u>2019</u>	<u>2018</u>
Total debt limit	\$ 6,043,074	\$ 6,015,021
Total debt	<u>(1,715,396)</u>	<u>(544,137)</u>
Amount of debt limit unused	<u>4,327,678</u>	<u>5,470,884</u>
Debt servicing limit	1,007,179	1,002,504
Debt servicing	<u>(252,701)</u>	<u>(95,701)</u>
Amount of debt servicing limit unused	<u>754,478</u>	<u>906,803</u>

The debt limit is calculated at 1.5 times revenue of the Town (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 Town. Rather, the financial statements must be interpreted as a whole.

8. EQUITY IN TANGIBLE CAPITAL ASSETS

	<u>2019</u>	<u>2018</u>
Tangible capital assets (Schedule 2)	\$ 37,597,535	\$ 35,623,878
Accumulated amortization (Schedule 2)	<u>(11,853,594)</u>	<u>(11,128,920)</u>
Long-term debt (Note 6)	<u>(1,715,396)</u>	<u>(544,137)</u>
	<u>\$ 24,028,545</u>	<u>\$ 23,950,821</u>

9. ACCUMULATED SURPLUS

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

	<u>2019</u>	<u>2018</u>
Unrestricted surplus	\$ 1,103,811	\$ 240,959
Restricted surplus		
Parks, recreation and culture	698,842	676,670
Equity in tangible capital assets	<u>24,028,545</u>	<u>23,950,821</u>
	<u>\$ 25,831,198</u>	<u>\$ 24,868,450</u>

TOWN OF MAGRATH
Notes to Financial Statements
Year Ended December 31, 2019

10. 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).

11. 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 Public Sector Pension 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% (2018 - 10.39%) of pensionable earnings up to the year's maximum pensionable earnings under the Canada Pension Plan and 13.84% (2018 - 14.84%) on pensionable earnings above this amount.

Total current service contributions by the Town to the LAPP in 2019 were \$87,003 (2018 - \$84,692). Total current service contributions by the employees of the Town to the Local Authorities Pension Plan in 2019 were \$78,647 (2018 - \$77,237).

At December 31, 2019, the LAPP disclosed an actuarial surplus of \$7.91 billion.

12. COMMITMENTS AND 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.

Employees of the Town are allowed to accrue sick leave up to a maximum of 120 days. As at December 31, 2019 the amount of accumulated sick leave was \$221,417 (2018 - \$239,066). The total amount was not recorded in the financial statements as there is no certainty the full amount will be used. The amount of accumulated sick leave is not paid out to employees of the Town when they leave their position.

13. FINANCIAL INSTRUMENTS

The Town's financial instruments consist of cash and temporary investments, accounts receivable, investments, land for resale inventory, accounts payable and accrued liabilities, municipal line of credit, 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 receivables. Credit risk arises from the possibility that taxpayers and entities to which the Town provides services may experience financial difficulty and be unable to fulfill their obligations. The large number and diversity of taxpayers and customers minimizes the credit risk.

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

TOWN OF MAGRATH
Notes to Financial Statements
Year Ended December 31, 2019

14. SUBSEQUENT EVENTS

Since December 31, 2019 the outbreak of the novel strain of coronavirus, specifically identified as "COVID-19", has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self imposed quarantine periods and social distancing, have caused material disruption to businesses globally resulting in an economic slowdown. Global equity markets have experienced significant volatility and weakness. Government and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions. The duration and impact of the COVID-19 outbreak is unknown at this time, as is the efficacy of the government and central bank interventions. It is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and conditions of the organization.

15. COMPARATIVE FIGURES

Some of the comparative figures have been reclassified to conform to the current year's presentation. The changes do not affect prior year earnings.

16. APPROVAL OF FINANCIAL STATEMENTS

Council and Management have approved these financial statements.

TOWN OF MAGRATH

Notes to Financial Statements

Year Ended December 31, 2019

17. 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 is as follows:

	Salary (1)	Additional Meetings (3)	Expenses Claimed	Benefits & Allowances (2)	2019	2018
Mayor Barnett	\$ 10,000	\$ 5,126	\$ 663	\$ 593	\$ 16,382	\$ 9,544
Councillor Baril	583	-	467	-	1,050	-
Councillor Beck	7,000	2,211	1,199	291	10,701	7,681
Councillor Dahl	7,000	2,312	565	296	10,173	9,332
Councillor Godlonton	5,250	2,077	311	-	7,638	8,408
Councillor Morales Lian	7,000	5,528	2,461	431	15,420	10,784
Councillor Oliver	7,000	8,710	7,684	623	24,017	15,862
Councillor Van Ec	7,000	4,422	839	-	12,261	9,719
Chief Administrative Officer	114,629	-	4,905	30,691	150,225	139,408
Designated Officer - 1 position	29,861	-	-	-	29,861	29,736

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

Benefits and allowances figures also include the employer's share of the costs of additional taxable benefits including special leave with pay, travel allowances, car allowances and club memberships, if any.

(3) Councillor's are assigned committees and boards to sit on, of which, some are paid positions and some are not.