

TOWN OF MILK RIVER

Financial Statements

For the Year Ended December 31, 2020

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MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The consolidated financial statements are the responsibility of the management of the Town of Milk River (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 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.



Mr. Jon Hood, CAO

Milk River, Alberta
April 12, 2021



INDEPENDENT AUDITOR'S REPORT

To the Members of Town of Milk River

Opinion

We have audited the financial statements of the Town of Milk River (the Town), which comprise the consolidated statement of financial position as at December 31, 2020, 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, 2020, 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 Milk River *(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.

Shawn Cook
Professional Corporation

Lethbridge, Alberta
April 12, 2021

Chartered Professional Accountants



TOWN OF MILK RIVER
Consolidated Statement of Financial Position
As at December 31, 2020

	2020	2019
	\$	\$
FINANCIAL ASSETS		
Cash (Note 2)	2,486,443	2,574,357
Receivables		
Taxes and grants in place of taxes (Note 3)	108,877	86,906
Trade and other (Note 4)	180,694	296,862
Land held for resale	<u>137,968</u>	<u>77,422</u>
	<u>2,913,982</u>	<u>3,035,547</u>
LIABILITIES		
Accounts payable and accrued liabilities	183,415	179,078
Deferred revenue (Note 5)	<u>28,771</u>	<u>20,517</u>
	<u>212,186</u>	<u>199,595</u>
NET FINANCIAL ASSETS	<u>2,701,796</u>	<u>2,835,952</u>
NON-FINANCIAL ASSETS		
Tangible capital assets (Schedule 2)	11,971,262	11,499,712
Inventory for consumption	40,268	55,325
Prepaid expenses and deposits	<u>-</u>	<u>4,485</u>
	<u>12,011,530</u>	<u>11,559,522</u>
ACCUMULATED SURPLUS (Schedule 1 and Note 8)	<u><u>14,713,326</u></u>	<u><u>14,395,474</u></u>

CONTINGENCIES (Note 11)

Approved by the Council:





TOWN OF MILK RIVER
Consolidated Statement of Operations
For the Year Ended December 31, 2020

	Budget (Unaudited) \$	2020 \$	2019 \$
REVENUES			
Net municipal property taxes (Schedule 3)	923,032	831,859	868,952
User fees and sales of goods	585,225	534,553	576,349
Government transfers (Schedule 4)	117,133	210,347	119,205
Franchise and concession contracts	162,000	159,446	158,533
Rental	50,465	43,003	50,189
Investment income	50,100	29,646	71,845
Penalties and costs of taxes	12,000	12,892	14,757
Licenses, permits and fines	9,000	8,820	9,094
Other	10,500	3,670	13,531
	<u>1,919,455</u>	<u>1,834,236</u>	<u>1,882,455</u>
EXPENSES			
Administration	336,215	368,971	452,948
Roads, streets, walks, lighting and common services	348,012	472,872	611,251
Water supply and wastewater treatment	379,625	668,741	742,705
Parks and recreation	184,685	239,083	305,065
Waste management	146,184	144,195	142,055
Legislative	63,400	65,529	64,348
Police, fire and bylaw enforcement	134,373	123,638	117,981
Land use planning, zoning, and development	78,750	10,764	10,489
Other	19,300	14,295	13,995
Loss on disposal of capital assets	-	1,000	-
	<u>1,690,544</u>	<u>2,109,088</u>	<u>2,460,837</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES BEFORE OTHER	228,911	(274,852)	(578,382)
OTHER			
Government transfers for capital (Schedule 4)	303,496	592,704	1,637,526
Contributed assets	-	-	81,630
Loss on disposal of Regional Water Line	-	-	(6,578)
TOTAL OTHER	<u>303,496</u>	<u>592,704</u>	<u>1,712,578</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	532,407	317,852	1,134,196
ACCUMULATED SURPLUS, BEGINNING OF YEAR	<u>14,395,474</u>	<u>14,395,474</u>	<u>13,261,278</u>
ACCUMULATED SURPLUS, END OF YEAR	<u>14,927,881</u>	<u>14,713,326</u>	<u>14,395,474</u>

TOWN OF MILK RIVER
Consolidated Statement of Change in Net Financial Assets
For the Year Ended December 31, 2020

	Budget (Unaudited) \$	2020 \$	2019 \$
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	<u>532,407</u>	<u>317,852</u>	<u>1,134,196</u>
Acquisition of tangible capital assets	(41,163)	(1,116,112)	(1,660,476)
Proceeds on disposal of tangible capital assets	-	53,000	13,000
Amortization of tangible capital assets	-	590,562	585,468
Loss on disposal of tangible capital assets	-	<u>1,000</u>	<u>6,578</u>
	<u>(41,163)</u>	<u>(471,550)</u>	<u>(1,055,430)</u>
Use (acquisition) of prepaid assets and deposits	-	4,485	(4,485)
Use (acquisition) of inventory for consumption	-	<u>15,057</u>	<u>500</u>
	-	<u>19,542</u>	<u>(3,985)</u>
(DECREASE) INCREASE IN NET FINANCIAL ASSETS	491,244	(134,156)	74,781
NET FINANCIAL ASSETS, BEGINNING OF YEAR	<u>2,835,952</u>	<u>2,835,952</u>	<u>2,761,171</u>
NET FINANCIAL ASSETS, END OF YEAR	<u><u>3,327,196</u></u>	<u><u>2,701,796</u></u>	<u><u>2,835,952</u></u>

TOWN OF MILK RIVER
Consolidated Statement of Cash Flows
For the Year Ended December 31, 2020

	2020	2019
	\$	\$
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING		
Excess (deficiency) of revenues over expenses	317,852	1,134,196
Non-cash items included in excess of revenues over expenses		
Amortization of tangible capital assets	590,562	585,468
Loss on disposal of tangible capital assets	1,000	6,578
Contributed assets	-	(81,630)
Non-cash charges to operations (net changes)		
Decrease (increase) in taxes and grants in lieu receivable	(21,971)	(35,288)
Decrease in trade and other receivables	116,168	(129,838)
(Increase) in land held for resale	(60,546)	-
Decrease (increase) in inventory for consumption	15,057	500
Decrease (increase) in prepaid expenses and deposits	4,485	(4,485)
(Decrease) in accounts payable and accrued liabilities	4,337	(99,641)
Increase (decrease) in deferred revenue	<u>8,254</u>	<u>(1,184,485)</u>
	<u>975,198</u>	<u>191,375</u>
CAPITAL		
Acquisition of tangible capital assets	(1,116,112)	(1,578,846)
Proceeds on disposal of tangible capital assets	<u>53,000</u>	<u>13,000</u>
	<u>(1,063,112)</u>	<u>(1,565,846)</u>
INVESTING		
Decrease in investments	<u>-</u>	<u>1,750</u>
CHANGE IN CASH DURING THE YEAR	(87,914)	(1,372,721)
CASH, BEGINNING OF YEAR	<u>2,574,357</u>	<u>3,947,078</u>
CASH, END OF YEAR	<u><u>2,486,443</u></u>	<u><u>2,574,357</u></u>

TOWN OF MILK RIVER
Schedule of Changes in Accumulated Surplus
For the Year Ended December 31, 2020

Schedule 1

	Unrestricted Surplus \$	Restricted Surplus \$	Equity in Tangible Capital Assets \$	2020 \$	2019 \$
BALANCE, BEGINNING OF THE YEAR	<u>1,758,032</u>	<u>1,137,730</u>	<u>11,499,712</u>	<u>14,395,474</u>	<u>13,261,278</u>
Excess (deficiency) of revenues over expenses	317,852	-	-	317,852	1,134,196
Current year funds used for tangible capital assets	(1,116,112)	-	1,116,112	-	-
Disposal of tangible capital assets	54,000	-	(54,000)	-	-
Annual amortization expense	<u>590,562</u>	<u>-</u>	<u>(590,562)</u>	<u>-</u>	<u>-</u>
Change in accumulated surplus	<u>(153,698)</u>	<u>-</u>	<u>471,550</u>	<u>317,852</u>	<u>1,134,196</u>
BALANCE, END OF YEAR	<u>1,604,334</u>	<u>1,137,730</u>	<u>11,971,262</u>	<u>14,713,326</u>	<u>14,395,474</u>

TOWN OF MILK RIVER
Schedule of Tangible Capital Assets
For the Year Ended December 31, 2020

Schedule 2

	Land \$	Land Improvements \$	Buildings \$	Engineered Structures \$	Machinery & Equipment \$	Vehicles \$	2020 \$	2019 \$
COST:								
BALANCE, BEGINNING OF YEAR	369,515	785,751	3,449,556	16,756,338	1,360,550	1,652,747	24,374,457	22,753,137
Acquisition of tangible capital assets	-	-	139,948	920,664	-	55,500	1,116,112	1,469,379
Disposal of tangible capital assets	-	-	-	-	-	(60,000)	(60,000)	(39,156)
Construction in progress	-	-	-	-	-	-	-	191,097
BALANCE, END OF YEAR	<u>369,515</u>	<u>785,751</u>	<u>3,589,504</u>	<u>17,677,002</u>	<u>1,360,550</u>	<u>1,648,247</u>	<u>25,430,569</u>	<u>24,374,457</u>
ACCUMULATED AMORTIZATION:								
BALANCE, BEGINNING OF YEAR	-	624,848	1,581,651	8,469,550	1,130,088	1,068,608	12,874,745	12,308,855
Annual amortization	-	19,560	74,636	394,687	40,132	61,547	590,562	585,468
Accumulated amortization on disposals	-	-	-	-	-	(6,000)	(6,000)	(19,578)
BALANCE, END OF YEAR	-	<u>644,408</u>	<u>1,656,287</u>	<u>8,864,237</u>	<u>1,170,220</u>	<u>1,124,155</u>	<u>13,459,307</u>	<u>12,874,745</u>
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	<u>369,515</u>	<u>141,343</u>	<u>1,933,217</u>	<u>8,812,765</u>	<u>190,330</u>	<u>524,092</u>	<u>11,971,262</u>	<u>11,499,712</u>
2019 NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	<u>369,515</u>	<u>160,903</u>	<u>1,867,905</u>	<u>8,286,788</u>	<u>230,462</u>	<u>584,139</u>	<u>11,499,712</u>	

TOWN OF MILK RIVER
Schedule of Property Taxes Levied
December 31, 2020

Schedule 3

	Budget (Unaudited) \$	2020 \$	2019 \$
TAXATION			
Real property taxes	886,901	809,097	836,666
Linear property taxes	149,656	148,850	168,104
Government grants in place of property taxes	25,859	24,868	25,817
Special assessment and local improvement taxes	<u>76,333</u>	<u>63,290</u>	<u>53,275</u>
	<u>1,137,943</u>	<u>1,046,105</u>	<u>1,083,862</u>
REQUISITIONS			
Alberta School Foundation Fund	189,052	189,334	189,052
Seniors foundation	<u>25,859</u>	<u>24,912</u>	<u>25,858</u>
	<u>214,911</u>	<u>214,246</u>	<u>214,910</u>
NET MUNICIPAL PROPERTY TAXES	<u>923,032</u>	<u>831,859</u>	<u>868,952</u>

TOWN OF MILK RIVER
Schedule of Government Transfers
December 31, 2020

Schedule 4

	Budget (Unaudited) \$	2020 \$	2019 \$
TRANSFERS FOR OPERATIONS			
Provincial Government	63,133	157,407	67,784
Other Local Governments	<u>54,000</u>	<u>52,940</u>	<u>51,421</u>
	<u>117,133</u>	<u>210,347</u>	<u>119,205</u>
TRANSFERS FOR CAPITAL			
Provincial Government	303,496	512,187	1,637,526
Other Local Governments	<u>-</u>	<u>80,517</u>	<u>-</u>
	<u>303,496</u>	<u>592,704</u>	<u>1,637,526</u>
	<u>420,629</u>	<u>803,051</u>	<u>1,756,731</u>

TOWN OF MILK RIVER
Schedule of Consolidated Expenditures by Object
December 31, 2020

Schedule 5

	Budget (Unaudited) \$	2020 \$	2019 \$
EXPENDITURES			
Salaries, wages and benefits	460,678	479,999	666,639
Contracted and general services	723,437	601,827	742,852
Materials, goods and utilities	436,550	329,354	380,678
Transfers to local boards and agencies	73,379	82,663	62,889
Other	21,500	23,683	22,311
Loss on disposal of tangible capital assets	-	1,000	-
Amortization	-	590,562	585,468
	<u>1,715,544</u>	<u>2,109,088</u>	<u>2,460,837</u>

TOWN OF MILK RIVER
Schedule of Segmented Disclosure
For the Year Ended December 31, 2020

Schedule 6

	General Government \$	Protective Services \$	Transportation Services \$	Planning & Development \$	Recreation & Culture \$	Environmental Services \$	Total
REVENUES							
Net municipal taxes	831,859	-	-	-	-	-	831,859
Government transfers	160,424	16,299	59,357	-	33,621	533,350	803,051
User fees and sales of goods	2,433	-	20	25,238	16,190	490,672	534,553
Investment income	29,577	-	-	-	-	69	29,646
Other revenue	<u>222,555</u>	<u>1,340</u>	<u>559</u>	<u>2,477</u>	<u>-</u>	<u>900</u>	<u>227,831</u>
	<u>1,246,848</u>	<u>17,639</u>	<u>59,936</u>	<u>27,715</u>	<u>49,811</u>	<u>1,024,991</u>	<u>2,426,940</u>
EXPENSES							
Salaries, wages and benefits	178,222	11,667	67,697	-	95,000	127,413	479,999
Contracted and general services	160,997	61,258	159,154	10,764	23,070	186,584	601,827
Materials, goods and utilities	33,414	19,654	127,575	-	55,993	92,718	329,354
Transfers to local boards and agencies	43,316	-	-	-	13,756	25,591	82,663
Other expenses	<u>18,029</u>	<u>3</u>	<u>1,003</u>	<u>-</u>	<u>-</u>	<u>5,648</u>	<u>24,683</u>
	<u>433,978</u>	<u>92,582</u>	<u>355,429</u>	<u>10,764</u>	<u>187,819</u>	<u>437,954</u>	<u>1,518,526</u>
NET REVENUES BEFORE AMORTIZATION	812,870	(74,943)	(295,493)	16,951	(138,008)	587,037	908,414
Amortization	<u>14,817</u>	<u>31,056</u>	<u>118,443</u>	<u>-</u>	<u>51,264</u>	<u>374,982</u>	<u>590,562</u>
NET REVENUES	<u>798,053</u>	<u>(105,999)</u>	<u>(413,936)</u>	<u>16,951</u>	<u>(189,272)</u>	<u>212,055</u>	<u>317,852</u>

TOWN OF MILK RIVER

Notes to Financial Statements

December 31, 2020

1. Significant Accounting Policies

The consolidated financial statements of the Town of Milk River 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 of Milk River 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. The entity is comprised of the municipal operations plus all of the organizations that are owned or controlled by the town and are, therefore, accountable to the town council for the administration of their financial affairs and resources.

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

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

b) Basis of Accounting -

The financial statements are prepared using the accrual basis of accounting. The accrual basis of accounting records revenue as it is earned and measureable. Expenses are recognized as they are incurred and measureable 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 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 reported 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 cost less any provision for other than temporary impairment.

TOWN OF MILK RIVER

Notes to Financial Statements

December 31, 2020

1. Significant Accounting Policies (continued)

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

f) 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.

g) 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.

h) 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.

i) 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 for the year.

TOWN OF MILK RIVER

Notes to Financial Statements

December 31, 2020

1. Significant Accounting Policies (continued)

i) Non-Financial Assets (continued) -

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:

	<u>YEARS</u>
Land Improvements	10-20
Buildings	25-50
Engineered Structures	20-40
Machinery and Equipment	5-20
Vehicles	10-20

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. As of December 31, 2020 there was nil (2019 - \$191,097) of assets under construction.

2) 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.

3) Inventories -

Inventories held for consumption are recorded at the lower of cost or replacement cost.

2. Cash and Temporary Investments

	2020	2019
	\$	\$
Cash on hand	1,344,473	1,449,151
Guaranteed Investment Certificates	97,268	95,134
Notice on Amount 90 days	<u>1,044,702</u>	<u>1,030,072</u>
	<u>2,486,443</u>	<u>2,574,357</u>

The guaranteed investment certificates have an interest rates ranging from 0.90% to 1.30% and maturity dates ranging from January, 2021 to October, 2022.

The town has a demand revolving bank operating line of credit with a maximum limit of \$200,000 bearing interest at 3.45% and secured by an assignment of property taxes. At year-end, the balance of the line of credit was nil.

Included in bank accounts is a restricted amount of \$28,721 (2019 - \$20,517) received from the Federal Gas Tax Fund Grant and held exclusively for approved projects (Note 5).

TOWN OF MILK RIVER

Notes to Financial Statements

December 31, 2020

3. Taxes and Grants in Place of Taxes Receivables

	2020	2019
	<u>\$</u>	<u>\$</u>
Current taxes and grants in place of taxes	75,920	74,643
Arrears taxes	<u>32,957</u>	<u>12,263</u>
	<u><u>108,877</u></u>	<u><u>86,906</u></u>

4. Trade and Other Receivables

	2020	2019
	<u>\$</u>	<u>\$</u>
Grants	134,490	223,305
Trade	28,239	47,818
GST	16,861	23,807
Accrued interest	<u>1,104</u>	<u>1,932</u>
	<u><u>180,694</u></u>	<u><u>296,862</u></u>

5. Deferred Revenue

	2020	2019
	<u></u>	<u></u>
Business licenses	50	-
Federal Gas Tax Fund Grant	28,721	-
Village of Coutts - Raw Water Storage Project	<u>-</u>	<u>20,517</u>
	<u><u>28,771</u></u>	<u><u>20,517</u></u>

TOWN OF MILK RIVER

Notes to Financial Statements

December 31, 2020

6. 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:

	2020 \$	2019 \$
Total debt limit	2,751,354	2,823,683
Total debt	<u>-</u>	<u>-</u>
Total unused debt limit	<u>2,751,354</u>	<u>2,823,683</u>
Service on debt limit	458,559	470,614
Service on debt	<u>-</u>	<u>-</u>
Amount of unused service on debt	<u>458,559</u>	<u>470,614</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.

7. Equity in Tangible Capital Assets

	2020 \$	2019 \$
Tangible capital assets (Schedule 2)	25,430,569	24,374,457
Accumulated amortization (Schedule 2)	<u>(13,459,307)</u>	<u>(12,874,745)</u>
	<u>11,971,262</u>	<u>11,499,712</u>

8. Accumulated Surplus

	2020 \$	2019 \$
Unrestricted surplus	1,604,334	1,758,032
Operating reserves	45,730	45,730
Capital reserves	1,092,000	1,092,000
Equity in tangible capital assets	<u>11,971,262</u>	<u>11,499,712</u>
	<u>14,713,326</u>	<u>14,395,474</u>

TOWN OF MILK RIVER

Notes to Financial Statements

December 31, 2020

9. Segmented Disclosure

The Town of Milk River 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).

10. Salary and Benefits Disclosure

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

	Salary (1)	Benefits & Allowances (2)	2020 Total	2019 Total
	\$	\$	\$	\$
Mayor - Peggy Losey	6,900	-	6,900	6,375
Councilor - Suzanne Liebelt	5,950	-	5,950	6,125
- Margaret McCanna	5,600	-	5,600	7,025
- Leonard McCullogh	5,125	-	5,125	5,300
- Phil Wright	5,875	-	5,875	8,825
CAO - Village of Warner Contr	60,329	-	60,329	-
CAO - Village of Stirling Contr	8,386	-	8,386	6,160
CAO - Ryan Leuzinger	-	-	-	94,591
Designated Officer - assessor(1)	15,186	-	15,186	15,212

(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, accident disability and dismemberment insurance, long and short term disability plans, professional memberships and tuition.

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

11. Contingencies

The town is a member of the Alberta Municipal Insurance Exchange (MUNIX). Under the terms of the membership, the town could become liable for its proportionate share of any claim losses in excess of the funds held by the exchange. Any liability incurred would be accounted for as a current transaction in the year the losses are determined.

TOWN OF MILK RIVER

Notes to Financial Statements

December 31, 2020

12. Financial Instruments

The town's financial instruments consist of cash and temporary investments, receivables, accounts payable, accrued liabilities and long-term debt. It is management's opinion that the town is not exposed to significant interest, currency or credit risks arising from these financial statements.

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 fulfil their obligations. The large number and diversity of taxpayers and customers minimizes the credit risk.

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

13. Subsequent Events

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 in 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.

14. Comparative Figures

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

15. Approval of Financial Statements

Council and Management have approved these financial statements.