

TOWN OF DRUMHELLER
Consolidated Financial Statements
Year Ended December 31, 2020

TOWN OF DRUMHELLER

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Year Ended December 31, 2020

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MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying consolidated financial statements of the Town of Drumheller (the "Town") have been prepared in accordance with Canadian public sector accounting standards. When alternative accounting methods exist, management has chosen those it deems most appropriate in the circumstances. 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 integrity and reliability of the Town of Drumheller's reporting systems are achieved through the use of formal policies and procedures, the careful selection of employees and an appropriate division of responsibilities. These systems are designed to provide reasonable assurance that the financial information is reliable and accurate.

The Town's Council 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, as well as the external auditors, to discuss internal controls over the financial reporting process, auditing matters and financial reporting issues, to satisfy themselves that each party is properly discharging their responsibilities, and to review the consolidated financial statements and the independent auditors' report.

The consolidated financial statements have been audited on behalf of Council by RSM Alberta LLP, in accordance with Canadian generally accepted auditing standards.



Chief Administrative Officer



Chief Financial Officer

Drumheller, AB
July 29, 2021



INDEPENDENT AUDITOR'S REPORT

To the Members of Council of Town of Drumheller

Opinion

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

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Town as at December 31, 2020, and the results of its operations 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 Consolidated Financial Statements* section of our report. We are independent of the Town in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with those 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 Consolidated Financial Statements

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

In preparing the consolidated financial statements, management is responsible for assessing the Town's ability to continue as a going concern, disclosing, as applicable, matters relating 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.

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Auditor's Responsibilities for the Audit of the Financial Statements

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Town's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Town to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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.

Edmonton, Alberta
July 29, 2021

RSM Alberta LLP
Chartered Professional Accountants

TOWN OF DRUMHELLER

Consolidated Statement of Financial Position

December 31, 2020

	2020	2019
FINANCIAL ASSETS		
Cash and cash equivalents (Note 2)	\$ 7,050,487	\$ 5,462,817
Investments (Note 3)	40,736,326	27,562,526
Taxes receivable (Note 4)	1,049,042	1,119,575
Accounts receivable (Note 5)	3,785,353	4,172,622
Accrued interest receivable	76,959	94,612
Inventory held for resale (Note 6)	1,796,945	1,860,514
	54,495,112	40,272,666
LIABILITIES		
Accounts payable and accrued liabilities	2,259,307	2,680,280
Employee benefit obligation (Note 7)	510,540	484,601
Deferred revenue (Note 8)	24,315,898	11,308,677
Long-term debt (Note 9)	7,822,678	8,521,612
	34,908,423	22,995,170
NET FINANCIAL ASSETS	19,586,689	17,277,496
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 11)	146,542,862	140,495,217
Inventory for consumption	924,442	594,652
Prepaid expenses	249,084	290,580
	147,716,388	141,380,449
ACCUMULATED SURPLUS (Note 13)	\$ 167,303,077	\$ 158,657,945

CONTINGENCIES (Note 19)

COMMITMENTS (Note 20)

See notes to financial statements

TOWN OF DRUMHELLER

Consolidated Statement of Operations and Accumulated Surplus Year Ended December 31, 2020

	Budget 2020 (Note 23)	2020	2019
REVENUES			
Net municipal taxes (Note 14)	\$ 9,121,125	\$ 8,937,148	\$ 8,907,363
Sales and user fees	7,553,555	6,626,202	6,944,110
Government transfers for operating (Note 15)	1,061,629	1,943,428	1,090,867
Franchise and concessions	1,719,500	1,801,955	1,784,107
Investment income	440,000	586,733	498,507
Other	202,975	294,099	281,873
Rentals	378,175	273,296	488,349
Penalties and costs on taxes	165,500	137,956	170,662
	20,642,459	20,600,817	20,165,838
EXPENSES			
Legislative	320,635	267,439	333,907
Administration	1,888,295	1,820,755	1,612,855
Protective services	2,617,335	5,267,628	2,536,648
Transportation services	2,802,570	3,973,481	3,345,598
Water and wastewater	5,573,305	5,025,248	5,231,836
Waste management	401,680	394,159	409,178
Planning and development	1,284,205	981,842	803,626
Recreation and parks	5,317,075	3,635,218	5,045,974
Public health and welfare	486,742	553,702	458,644
	20,691,842	21,919,472	19,778,266
SURPLUS (DEFICIT)	(49,383)	(1,318,655)	387,572
CAPITAL REVENUES			
Government transfers for capital (Note 15)	33,671,503	9,924,858	1,688,903
Other capital	50,000	-	121,295
Gain on disposal of tangible capital assets	-	38,929	14,095
	33,721,503	9,963,787	1,824,293
ANNUAL SURPLUS	33,672,120	8,645,132	2,211,865
ACCUMULATED SURPLUS - BEGINNING OF YEAR	158,657,945	158,657,945	156,446,080
ACCUMULATED SURPLUS - END OF YEAR	\$ 192,330,065	\$ 167,303,077	\$ 158,657,945

See notes to financial statements

TOWN OF DRUMHELLER

Consolidated Statement of Changes in Net Financial Assets

Year Ended December 31, 2020

	Budget 2020 (Note 23)	2020	2019
ANNUAL SURPLUS	\$ 33,672,120	\$ 8,645,132	\$ 2,211,865
Acquisition of tangible capital assets	(42,655,213)	(11,233,574)	(2,958,207)
Amortization of tangible capital assets	3,982,695	4,721,130	4,611,525
Gain on sale of tangible capital assets	-	(38,929)	(14,095)
Transfer out of construction in progress	-	422,944	-
Proceeds on sale of tangible capital assets	-	80,784	66,912
	(38,672,518)	(6,047,645)	1,706,135
Decrease in prepaid expenses	-	41,496	11,642
(Increase) decrease in inventory for consumption	-	(329,790)	17,293
	(38,672,518)	(6,335,939)	1,735,070
INCREASE (DECREASE) IN NET FINANCIAL ASSETS	(5,000,398)	2,309,193	3,946,935
NET FINANCIAL ASSETS - BEGINNING OF YEAR	17,277,496	17,277,496	13,330,561
NET FINANCIAL ASSETS - END OF YEAR	\$ 12,277,098	\$ 19,586,689	\$ 17,277,496

See notes to financial statements

TOWN OF DRUMHELLER

Consolidated Statement of Cash Flows

Year Ended December 31, 2020

	2020	2019
CASH PROVIDED BY (USED IN):		
OPERATING ACTIVITIES		
Annual surplus	\$ 8,645,132	\$ 2,211,865
Items not affecting cash:		
Amortization of tangible capital assets	4,721,130	4,611,525
Gain on disposal of tangible capital assets	(38,929)	(14,095)
Transfer out of construction in progress	422,944	-
	13,750,277	6,809,295
Changes in non-cash working capital:		
Taxes receivable	70,533	(173,562)
Accounts receivable	387,269	(555,703)
Accrued interest receivable	17,653	(77,232)
Inventory held for resale	63,569	(33,190)
Accounts payable and accrued liabilities	(420,973)	72,291
Employee benefit obligation	25,939	(80,145)
Deferred revenue	13,007,221	795,507
Inventory for consumption	(329,790)	17,293
Prepaid expenses	41,496	11,642
	12,862,917	(23,099)
	26,613,194	6,786,196
CAPITAL ACTIVITIES		
Purchase of tangible capital assets	(11,233,574)	(2,958,207)
Proceeds on disposal of tangible capital assets	80,784	66,912
	(11,152,790)	(2,891,295)
INVESTING ACTIVITIES		
Purchase of investments	(17,056,268)	(3,522,028)
Proceeds on redemption of investments	3,882,468	1,579,396
	(13,173,800)	(1,942,632)
FINANCING ACTIVITIES		
Repayment of long-term debt	(698,934)	(668,755)
	(698,934)	(668,755)
INCREASE IN CASH AND CASH EQUIVELANTS	1,587,670	1,283,514
Cash and cash equivalants - beginning of year	5,462,817	4,179,303
CASH AND CASH EQUIVELANTS - END OF YEAR	\$ 7,050,487	\$ 5,462,817

See notes to financial statements

TOWN OF DRUMHELLER

Notes to Consolidated Financial Statements

Year Ended December 31, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements of the Town of Drumheller (the "Town") are the representations of management prepared in accordance with Canadian Public Sector Accounting Standards (PSAS). 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 expenses, changes in net financial assets and cash flows of the reporting entity. This entity is comprised of the municipal operations plus all the organizations that are owned or controlled by the Town and therefore, are accountable to the Town Council for the administration of their financial affairs and resources. The summary of taxes levied (Note 14) also includes requisitions for education and social organizations that are not part of the municipal reporting entity.

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and cash on deposit less outstanding cheques at the reporting date.

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 decline in the market value which is other than temporary in nature, the respective investments are written down to market value. During the year, there was no impairment recorded (2019 - \$nil).

Inventory held for resale

Inventory held for resale includes land and buildings. Inventory 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. During the year, there was no impairment recorded (2019 - \$nil).

Inventory for consumption

Inventory for consumption is valued at the lower of cost or net realizable value with cost determined using the average cost method.

Contaminated sites

Contaminated sites are a result of contamination being introduced into air, soil, water or sediment of a chemical, organic or radioactive material or live organism that exceeds an environmental standard. The liability is recorded net of any expected recoveries. A liability for remediation of a contaminated site is recognized when a site is not in productive use and is management's estimate of the cost of post-remediation including operation, maintenance and monitoring.

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TOWN OF DRUMHELLER

Notes to Consolidated Financial Statements

Year Ended December 31, 2020

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

Government transfers

Government transfers are the transfer of assets from senior levels of government that are not the result of an exchange transaction, are not expected to be repaid in the future, or the result of a direct financial return. Government transfers are recognized in the financial statements as revenue in the period in which events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met, and reasonable estimates of the amounts can be determined.

Tangible capital assets

Tangible capital assets are recorded at cost less accumulated amortization. Cost includes all costs directly attributable to the acquisition or construction of the tangible capital asset including transportation costs, installation costs, design and engineering fees, legal fees and site preparation costs. Contributed tangible capital assets are recorded at fair value at the time of the contribution, with a corresponding amount recorded as revenue. Amortization is recorded on a straight-line basis over the estimated life of the tangible capital asset commencing once the asset is available for productive use as follows:

Land improvements	15 to 45 years
Buildings	25 to 50 years
Engineered Structures	45 to 75 years
Water system	
Wastewater system	45 to 75 years
Road system	5 to 65 years
Machinery and equipment	5 to 40 years
Motor Vehicles	10 to 40 years

One-half of the annual amortization is charged in the year of acquisition. Work in process (assets under construction) have a cost of \$4,494,398 (2019 - \$2,121,932) and are not amortized until the asset is available for productive use.

Retirement benefits and other employee benefits plans

The Town's contributions due during the period to its multi-employer defined benefit plan are expensed as incurred.

Excess collections and under-levies

Excess collections arise from the difference between the actual levy made to cover each requisition and the actual amount requisitioned. If the actual levy exceeds the requisition, the excess collection is accrued as a liability and as a reduction in property tax revenue. Requisition tax rates in the subsequent year are adjusted for any excess collections.

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TOWN OF DRUMHELLER

Notes to Consolidated Financial Statements

Year Ended December 31, 2020

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

Collection of taxes on behalf of other taxation authorities

The Town collects taxation revenue on behalf of other entities. Such levies, other revenues, expenses, assets and liabilities with respect to the operations of entities are not reflected in these financial statements.

The entities the Town collects taxation revenue on behalf of are:

- Alberta School Foundation Fund
- Drumheller and District Seniors Foundation

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, along with excess of revenues over expenses, provides the consolidated Change in Net Financial Assets for the year. Non-financial assets include tangible capital assets, inventory for consumption, and prepaid expenses.

Use of estimates

The preparation of financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Such estimates are periodically reviewed and any adjustments necessary are reported in earnings in the period in which they become known. Where measurement uncertainty exists, the financial statements have been prepared within reasonable limits of materiality. Actual results could differ from these estimates.

Significant estimates include assumptions used in a number of areas including useful lives of tangible capital assets and the determination of reserves. Estimates are also used for various liabilities including accrued liabilities. Other areas that estimates are used include revenue recognized in the year, provision for tax exempt appeals, investment impairment, provisions for allowances in accounts receivable and in performing actuarial valuations of employee future benefits.

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TOWN OF DRUMHELLER

Notes to Consolidated Financial Statements

Year Ended December 31, 2020

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

Revenue recognition

Revenues are accounted for in the period in which the transactions or events occurred that gave rise to the revenues.

Funds received for specific purposes which are externally restricted by legislation, regulation or agreement and are not available for general municipal purposes, are accounted for as deferred revenue on the consolidated Statement of Financial Position. The revenue is recognized in the consolidated Statement of Operations in the year in which it is used for the specified purpose.

Government transfers, which include legislative grants, are recognized in the financial statements 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 amount can be made.

Property tax revenue is based on market value assessments determined in accordance with the Municipal Government Act (MGA). Tax mill rates are established annually. Taxation revenues are recorded at the time the tax billings are issued. Assessments are subject to appeal. Losses on assessment appeals are recorded as adjustments to tax revenues and receivables when a written decision is received from the authorized board.

Charges for sewer and water usage are recorded as user fees. Connection fee revenues are recognized when the connection has been established.

Conditional grant revenue is recognized to the extent the conditions imposed on it have been fulfilled. Unconditional grant revenue is recognized when monies are receivable.

Grants for the acquisition of tangible capital assets are recognized in the period in which eligible expenses are made.

Sales of service and other revenue are recognized on an accrual basis.

Revenues from the provision of goods or services are recognized in the period in which the goods are provided or the services are rendered. Rental revenues are recognized in the period to which they relate.

Investment income is reported as revenue in the period earned. When required by agreement or legislation, investment income earned on deferred revenue is added to the investment and forms part of the deferred revenue balance.

Recently adopted accounting pronouncements

The Town has not adopted any new accounting standards required by the Public Accounting Standards board since 2019.

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TOWN OF DRUMHELLER

Notes to Consolidated Financial Statements

Year Ended December 31, 2020

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

Future accounting pronouncements

The following summarizes upcoming changes to public sector accounting standards issued by the Public Sector Accounting Standards Board. The Town will continue to assess the impact and prepare for the adoption of these standards. While the timing of standard adoption may vary, certain standards must be adopted concurrently. The requirements in Financial Statement Presentation (PS1201), Financial Instruments (PS3450), Foreign Currency Translations (PS2601) and Portfolio Investments (PS3041) must be implemented at the same time.

PS 1201 - Financial Statement Presentation: The implementation of this standard requires a new statement of re-measurement gains and losses separate from the statement of operations. This new statement will include the unrealized gains and losses arising from the re-measurement of financial instruments and items denominated in foreign currency. This standard is effective for fiscal years beginning on or after April 1, 2022.

PS 2601 - Foreign Currency Translation: This section establishes guidance on the recognition, measurement, presentation and disclosure of assets and liabilities denominated in foreign currencies. The Section requires monetary assets and liabilities, denominated in a foreign currency, and non-monetary items valued at fair value, denominated in a foreign currency, to be adjusted to reflect the exchange rates in effect at the financial statement date. The resulting unrealized gains and losses are to be presented in the new statement of re-measurement gains and losses. This standard is effective for fiscal years beginning on or after April 1, 2022.

PS 3041 - Portfolio Investments: This section removes the distinction between temporary and portfolio investments and provides additional guidance on recognition, measurement, presentation and disclosure of portfolio investments. Upon adoption of this section and PS 3450, PS 3040 - Portfolio Investments will no longer be applicable. This standard is effective for fiscal years beginning on or after April 1, 2022.

PS 3450 - Financial Instruments: This section establishes recognition, measurement, and disclosure requirements for derivative and non-derivative instruments. The standard requires fair value measurements of derivative instruments and equity instruments; all other financial instruments can be measured at either cost or fair value depending upon elections made by the Town. Unrealized gains and losses will be presented on the new statement of re-measurement gains and losses arising from the adoption of PS 1201. There will also be a requirement to disclose the nature and extent of risks arising from financial instruments and clarification is given for the de-recognition of financial liabilities. This standard is effective for fiscal years beginning on or after April 1, 2022.

PS 3280 - Asset Retirement Obligations: This section establishes the recognition, measurement, and disclosure requirements for asset retirement obligations. This section requires management to prepare a best estimate of the obligation when there is a legal obligation to incur retirement costs, the transaction giving rise to the liability has occurred and future costs will be incurred. The liability must be reassessed at each financial statement date. This standard is effective for fiscal years beginning on or after April 1, 2022.

PS 3400 - Revenue: This section provides guidance on how to account for and report on revenue, specifically addressing revenue arising from exchange transactions and unilateral transactions. This standard is effective for fiscal years beginning on or after April 1, 2023.

TOWN OF DRUMHELLER

Notes to Consolidated Financial Statements

Year Ended December 31, 2020

2. CASH AND CASH EQUIVALENTS

	2020	2019
Current accounts	\$ 6,890,081	\$ 4,949,534
Investment margin accounts	160,406	513,283
	\$ 7,050,487	\$ 5,462,817

At December 31, 2020, the Town had an authorized line of credit available from its bank in the amount of \$4,000,000 bearing interest at bank prime less 0.75%. At year end, no amounts were drawn against its available line of credit.

Included in cash is \$1,624,969 which is held in trust for future capital purchases related to the flood mitigation project.

3. INVESTMENTS

	2020 Cost	2020 Market value	2019 Cost	2019 Market value
<u>Short-term</u>				
Term deposits	\$ 37,082,317	\$ 37,082,317	\$ 24,400,726	\$ 24,400,726
Fixed income notes	248,467	251,480	52,925	50,622
Principal protected notes	-	-	400,000	454,080
<u>Long-term</u>				
Fixed income notes	2,798,856	3,045,002	2,577,089	2,644,745
Principal protected notes	601,900	588,128	127,000	144,844
Other	4,786	4,786	4,786	4,786
	\$ 40,736,326	\$ 40,971,713	\$ 27,562,526	\$ 27,699,803

Short-term term deposits bear variable interest at 0.75% to 1.80% per annum (2019 - 2.50% to 2.75% per annum) and mature between January and December 2021 (2019 - January and December 2020). Short-term fixed income notes mature September and December 2021 (2019 - June 2020) and bear interest of 1.90 to 3.45% (2019 - 4.85%). Short-term principal protected notes mature (2019 - April 2020).

Included in investments is a restricted amount of \$20,688,710 (2019 - \$9,697,740) received from various grant programs and held exclusively for approved projects. Included in investments is an internally restricted amount of \$20,047,616 (2019 - \$17,890,786) to fund specific reserves.

Long-term fixed income notes bear interest at 1.00% to 9.976% (2019 - 1.00% to 5.60% per annum) and mature December 2022 to December 2048 (2019 - December 2021 to December 2048).

Principal protected notes mature February and March 2027 (2019 - September 2022).

TOWN OF DRUMHELLER

Notes to Consolidated Financial Statements

Year Ended December 31, 2020

4. TAXES RECEIVABLE

	2020	2019
Current taxes and grants in place	\$ 600,709	\$ 571,289
Non-current taxes and grants in place	966,556	972,511
	1,567,265	1,543,800
Less: allowance for doubtful accounts	(518,223)	(424,225)
	\$ 1,049,042	\$ 1,119,575

5. ACCOUNTS RECEIVABLE

	2020	2019
Trade receivable	\$ 1,619,260	\$ 1,358,735
Government grants receivable	2,228,447	2,876,155
	3,847,707	4,234,890
Less: allowance for doubtful accounts	(62,354)	(62,268)
	\$ 3,785,353	\$ 4,172,622

Included in trade receivable is \$222,143 (2019 - \$178,018) of goods and service tax receivable.

6. INVENTORY HELD FOR RESALE

	2020	2019
Land held for resale	\$ 1,796,945	\$ 1,860,514

Land held ready for resale is land in a condition to be sold, marketed for sale, and reasonably anticipated to be sold within a year.

7. EMPLOYEE BENEFIT OBLIGATION

	2020	2019
Accrued vacation pay	\$ 296,653	\$ 264,631
Accrued long-term service benefits	213,887	219,970
	\$ 510,540	\$ 484,601

Accrued vacation pay is comprised of the vacation that employees are deferring to future years. Accrued long-term service benefits are calculated per policy at 2 days per year of service over 10 years at the current rate of pay. Employees have either earned the benefits (and are vested) or are entitled to these benefits within the next budgetary year.

TOWN OF DRUMHELLER

Notes to Consolidated Financial Statements

Year Ended December 31, 2020

8. DEFERRED REVENUE

	Opening Balance	Contributions Received	Interest Earned	Revenue Recognized	Ending Balance
MSI grant	\$ 1,946,074	\$ 1,657,711	\$ 12,400	\$ (2,031,227)	\$ 1,584,958
Gas Tax fund	670,309	456,584	4,472	(519,473)	611,892
Policing grant	90,964	363,856	-	(363,856)	90,964
Alberta Community Resilience grant	6,277,965	-	36,115	(1,871,669)	4,442,411
Water for Life	602,028	-	-	(602,028)	-
Kneehill	750,341	-	-	(75,034)	675,307
Flood Mitigation	-	20,000,000	147,400	(3,938,329)	16,209,071
Other	970,996	524,155	-	(793,856)	701,295
	\$ 11,308,677	\$ 23,002,306	\$ 200,387	\$ (10,195,472)	\$ 24,315,898

Under various grant agreements with the Government of Canada and the Province of Alberta, the Town is required to account for grants provided and to complete the projects or program in accordance with standards detailed in the various agreements. If these requirements are not adhered to, grants provided will become repayable to the source government. Excess funds are repayable to the source government upon final accounting. Funds are deferred until related expenses under the specific grant agreement have been incurred. The funds are included in cash and cash equivalents and investments.

TOWN OF DRUMHELLER

Notes to Consolidated Financial Statements

Year Ended December 31, 2020

9. LONG-TERM DEBT

	2020	2019
Various Alberta Capital Finance Authority Debentures, bearing interest at 4.252% to 5.012% per annum, with blended combined semi-annual payments of \$486,926 due 2021 through 2033. Debenture debt is issued on the credit and security of the Town of Drumheller at large.	\$ 7,463,303	\$ 8,124,360
Alberta Capital Finance Authority Debenture, bearing interest at 2.765% per annum, with blended combined semi-annual payments of \$14,257 due June 15, 2035. Debenture debt is issued on the credit and security of the Town of Drumheller at large.	338,721	357,480
CMHC mortgage payable, bearing interest at 12.50% per annum, with annual blended payments of \$22,313, due 2021.	20,654	39,772
	\$ 7,822,678	\$ 8,521,612

Principal repayment terms are approximately:

	Principal Repayments	Interest Payments	Total
2021	\$ 725,061	\$ 326,912	\$ 1,051,973
2022	729,941	294,270	1,024,211
2023	762,170	262,041	1,024,211
2024	795,839	228,372	1,024,211
2025	831,011	193,200	1,024,211
Thereafter	3,978,656	476,708	4,455,364
	<u>\$ 7,822,678</u>	<u>\$ 1,781,503</u>	<u>\$ 9,604,181</u>

Interest on long-term debt amounted to \$353,280 (2019 - \$383,870)

TOWN OF DRUMHELLER

Notes to Consolidated Financial Statements

Year Ended December 31, 2020

10. DEBENTURE DEBT LIMITS

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

	2020	2019
Total debt limit	\$ 30,901,224	\$ 30,248,757
Total debt	(7,822,678)	(8,521,612)
	23,078,546	21,727,145
Debt servicing limit	5,150,204	5,041,460
Debt servicing	(1,057,423)	(1,023,679)
Amount of debt servicing limit unused	4,092,781	4,017,781

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 which 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 DRUMHELLER

Notes to Consolidated Financial Statements

Year Ended December 31, 2020

11. TANGIBLE CAPITAL ASSETS

Cost	2019 Balance	Additions	Disposals / Transfers	2020 Balance
Land	\$ 13,416,144	\$ 3,938,329	\$ -	\$ 17,354,473
Land improvements	3,981,433	-	-	3,981,433
Buildings	41,752,674	420,355	-	42,173,029
Engineered structures	167,674,583	1,914,217	359,303	169,948,103
Equipment	9,226,373	492,013	(237,212)	9,481,174
Motor vehicles	3,037,589	1,193,813	75,815	4,307,217
Work in progress	2,121,932	3,274,847	(962,381)	4,434,398
	\$ 241,210,728	\$ 11,233,574	\$ (764,475)	\$ 251,679,827

Accumulated Amortization	2019 Balance	Amortization	Accumulated Amortization on Disposals	2020 Balance
Land improvements	\$ 3,221,065	\$ 103,869	\$ -	\$ 3,324,934
Buildings	11,944,949	806,640	-	12,751,589
Engineered structures	78,204,952	3,178,770	-	81,383,722
Equipment	5,109,611	408,807	(243,807)	5,274,611
Motor vehicles	2,234,934	223,044	(55,869)	2,402,109
	\$ 100,715,511	\$ 4,721,130	\$ (299,676)	\$ 105,136,965

Net book value	2020	2019
Land	\$ 17,354,473	\$ 13,416,144
Land improvements	656,499	760,368
Buildings	29,421,440	29,807,725
Engineered structures	88,564,381	89,469,631
Equipment	4,206,563	4,116,762
Motor vehicles	1,905,108	802,655
Work in progress	4,434,398	2,121,932
	\$ 146,542,862	\$ 140,495,217

During the year, \$359,303 (2019 - \$116,376) was transferred from work in progress to engineered structures as work was completed and the asset was made available for productive use.

Included in land is \$3,938,929 of land acquired for the flood mitigation project. The land is held by a separate entity that is controlled by the Town.

TOWN OF DRUMHELLER

Notes to Consolidated Financial Statements

Year Ended December 31, 2020

12. EQUITY IN TANGIBLE CAPITAL ASSETS

	2020	2019
Tangible capital assets (Note 11)	\$ 251,679,827	\$ 241,210,728
Accumulated amortization (Note 11)	(105,136,965)	(100,715,511)
Debenture debt (Note 9)	(7,822,678)	(8,521,612)
	\$ 138,720,184	\$ 131,973,605

13. ACCUMULATED SURPLUS

	2020	2019
Equity in tangible capital assets (Note 12)	\$ 138,720,184	\$ 131,973,605
Unrestricted (deficit) surplus	(14,280)	420,798
	138,705,904	132,394,403
Wastewater	4,665,847	4,256,142
Facilities	4,155,209	4,129,731
Equipment	3,857,942	3,510,867
Water	6,611,516	5,187,305
Contingencies	1,702,321	2,622,158
Transportation - long-term	3,730,686	3,144,540
Contingencies - long-term	2,023,171	1,799,317
Offsite levies	425,980	425,980
Storm drain	950,446	760,170
Utility energy savings	387,000	387,000
Sandstone	181,000	156,000
General capital	55,000	55,000
Scholarship	36,600	36,600
Management incentive fund	35,000	35,000
Municipal reserves	12,236	12,236
Land	(232,781)	(254,504)
	28,597,173	26,263,542
	\$ 167,303,077	\$ 158,657,945

The equity in tangible capital assets represents amounts already spent and invested in infrastructure. Reserve funds represent funds set aside by bylaw or council resolution for specific purposes.

TOWN OF DRUMHELLER

Notes to Consolidated Financial Statements

Year Ended December 31, 2020

14. NET MUNICIPAL TAXES

	Budget 2020 (Note 23)	2020	2019
Real property	\$ 11,924,040	\$ 11,626,628	\$ 11,635,077
Machinery and equipment	31,250	33,144	30,653
Linear property	440,455	428,831	439,806
Special assessments and local improvement taxes	56,000	57,779	58,074
	12,451,745	12,146,382	12,163,610
Requisitions			
Alberta School Foundation Fund	(2,800,000)	(2,678,614)	(2,719,521)
Sunshine Senior's Lodge	(530,620)	(530,620)	(536,726)
	(3,330,620)	(3,209,234)	(3,256,247)
Net municipal taxes	\$ 9,121,125	\$ 8,937,148	\$ 8,907,363

15. GOVERNMENT TRANSFERS

	Budget 2020 (Note 23)	2020	2019
Operating			
Federal government	\$ 5,000	\$ 100,294	\$ 5,860
Provincial government	1,056,629	1,843,134	1,085,007
	1,061,629	1,943,428	1,090,867
Capital			
Federal government	6,128,852	5,502,490	57,046
Provincial government	27,542,651	4,422,368	1,631,857
	33,671,503	9,924,858	1,688,903
Total government transfers	\$ 34,733,132	\$ 11,868,286	\$ 2,779,770

Capital government transfers include \$3,938,329 for land related to the flood mitigation project.

TOWN OF DRUMHELLER

Notes to Consolidated Financial Statements

Year Ended December 31, 2020

16. EXPENSES BY OBJECT

	Budget 2020 (Note 23)	2020	2019
Salaries and wages	\$ 7,149,367	\$ 6,603,199	\$ 6,427,087
Contracted and general services	4,203,900	5,700,274	4,000,537
Purchases from other governments	1,340,745	1,415,990	1,335,000
Materials, goods and utilities	3,008,810	2,445,006	2,426,275
Transfer to local agencies	560,315	534,765	509,717
Bank charges and short-term interest	30,775	16,124	26,264
Interest on long-term debt	387,185	353,280	383,870
Amortization	3,982,695	4,721,130	4,611,525
Other expenses	28,050	129,704	57,991
	\$ 20,691,842	\$ 21,919,472	\$ 19,778,266

17. LOCAL AUTHORITIES PENSION PLAN

Certain employees of the Town are eligible to be members of the Local Authorities Pension Plan ("LAPP"), a multi-employer pension plan which is covered by the Public Sector Pension Plans Act. The Plan serves about 200,000 people and over 400 employers. It is financed by employer and employee contributions and investment earnings of the LAPP fund. The plan provides defined pension benefits to employees based on their length of service and rates of pay.

The Town contributes to the Plan at a rate of 9.39% of pensionable earnings up to the Canada Pension Plan Maximum Pensionable Earnings and 13.84% for the excess. Employees contribute to the Plan at a rate of 8.39% of pensionable earnings up to the Canada Pension Plan Maximum Pensionable Earnings and 12.84% for the excess.

Contributions for the year were:

	2020	2019
Employer contributions	\$ 359,468	\$ 365,411
Employee contributions	324,295	329,585
	\$ 683,763	\$ 694,996

As this is a multi-employer pension plan, these contributions comprise the Town's pension benefit expense. No pension liability for this type of plan is included in the Town's financial statements. The most recent valuation as of December 31, 2020 indicates a surplus of \$4,961,337 (2019 - surplus of \$7,913,261) for basic pension benefits. The actuary does not attribute portions of the unfunded liability to individual employers.

TOWN OF DRUMHELLER

Notes to Consolidated Financial Statements

Year Ended December 31, 2020

18. SALARIES AND BENEFITS DISCLOSURE

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

	Salary	Benefits and Allowances	2020 Total	2019 Total
Mayor Colberg	\$ 50,416	\$ 7,035	\$ 57,452	\$ 53,739
Councillor Garbutt	28,983	5,243	33,266	30,544
Councillor Hansen-Zacharuk	26,983	5,170	32,153	31,101
Councillor Zariski	29,323	4,986	34,309	29,533
Councillor Makowecki	27,503	5,216	32,719	30,281
Councillor Lacher	27,503	2,212	29,715	27,336
Councillor DeMott	27,503	3,411	30,913	28,659
Chief Administrative Officer Drohmerski (CAO)	174,579	30,537	205,116	219,449

Salary includes regular base pay, bonuses, overtime, lump sum payments, gross honoraria and any other direct cash remuneration.

Benefits and allowances include employer's share of all employee benefits and contributions or payments made on behalf of employees including retirement pension, Canada Pension Plan, employment insurance, health care, extended health, vision, group life, accidental death and long and short-term disability plans.

Benefits for the CAO include the use of an automobile.

19. CONTINGENCIES

The Town, in conduct of its normal activities, can be named as a defendant in legal proceedings. The ultimate outcome of these proceedings can often not be determined until the proceedings are completed. Should any loss result from the resolution of these proceedings or if the amount of the loss can be determined, such amounts would be expensed as they become known to the Town.

TOWN OF DRUMHELLER

Notes to Consolidated Financial Statements

Year Ended December 31, 2020

20. COMMITMENTS

The Town has entered into agreements with the Government of Canada and Government of Alberta to implement the Drumheller Flood Mitigation System. The total cost of the program is expected to be approximately \$55 million and will span over a period of approximately 5 years. Under the terms of the agreements, the Provincial government will provide fifty (50) percent of the funding, the Federal government will provide forty (40) percent of the funding, and the Municipality will provide ten (10) percent of the funding required to purchase and construct assets as part of the Drumheller Flood Mitigation System. As part of the program, the Town will be awarding contracts to several contractors over the life of the project.

The Town has a contract with the Government of Canada to provide policing services through to March 31, 2032. Under the contract the Town pays for 70% of the operating costs. The estimated annual contract costs for 2020 is \$1,416,000 (2019 - \$1,335,000)

The Town has a forward purchase agreement to obtain electricity for January 2021 - December 2023 at a fixed rate of \$44.89/MWh for contract volumes of 6,818 MWh. Subsequent to year-end, the Town entered into a forward purchase agreement to obtain electricity for January 2024 to December 2026 at a fixed rate of \$53.99 for contract volumes of 6,954 MWh.

The Town has an agreement to obtain physical supply for natural gas expiring September 30th, 2022 at a fixed rate of \$2.50/GJ up to a maximum of 34,603 GJs/year. The Town has a partial-hedge product in place for natural gas whereby 70% of the Town's weather-normalized historical volumes (34,603 GJs previously mentioned) were purchased at the fixed price of \$2.50/GJ. The remaining 30% of the volumes is floating on the monthly average AECO Spot price for natural gas.

21. APPROVAL OF FINANCIAL STATEMENTS

Council and Management have approved these financial statements.

TOWN OF DRUMHELLER

Notes to Consolidated Financial Statements

Year Ended December 31, 2020

22. SEGMENTED INFORMATION

The Town is a diversified municipal government institution that provides a wide range of services to its citizens. Distinguishable functional segments have been separately disclosed in the segmented information. The nature of the segments and the activities they encompass are as follows:

Protective Services

Protective services is comprised of police, bylaw enforcement and fire protection. This service area is responsible for the overall safety of the public through various prevention and enforcement activities.

Transportation Services

Transportation services is responsible for the delivery of municipal public works services related to the planning, the development and maintenance of roadway systems, the maintenance of park and open space and street lighting.

Water and Wastewater Service

Water and wastewater provides drinking water to the Town's citizens and collects and treats wastewater. The Town processes and cleans sewage and ensures the water system meets all Provincial standards.

Waste Management Services

Waste management provides collection, disposal and recycling programs.

Planning and Development

The planning department provides a number of services including town planning and enforcement of building and construction codes and review of all property development plan through its application process.

Recreation and Parks

This service area maintains recreation infrastructure such as parks, arenas, aquatic centres and community centres as well as provides recreational programs and cultural programs at those locations.

Public Health and Welfare

This service area provides and administers community support programs.

General Government

This service area includes legislative and administrative support to all other service areas and also relates to the revenues and expenses that relate to the operations of the Town itself and cannot be directly attributed to a specific segment.

The accounting policies of the segments are the same as those described in the summary of significant accounting policies. In measuring and reporting segment revenue from transactions with other segments, inter-segment transfers have been eliminated. The revenues and expenses that are directly attributable to a particular segment are allocated to that segment. Taxation has been allocated to general government except where specific tax revenues can be directly allocated to a service area.

TOWN OF DRUMHELLER

Notes to Consolidated Financial Statements

Year Ended December 31, 2020

23. BUDGET

The reported budget information has been derived from the tax supported operating budget approved by Council on February 2, 2020, the utilities supported operating budget approved by Council on December 16, 2019, and the capital budget approved by Council on May 11, 2020. The chart below reconciles the approved budget to the budget figures reported in these financial statements.

	2020
Revenues per tax supported operating budget	\$ 14,741,289
Revenues per utilities supported operating budget	5,901,170
	20,642,459
Expenses per tax supported operating budget	(15,118,537)
Expenses per utilities supported operating budget	(5,573,305)
	(20,691,842)
Revenues per capital approved budget	42,655,213
Less transfers drawn from capital reserve	(8,933,710)
	33,721,503
Excess of revenues over expenses	\$ 33,672,120

24. COMPARATIVE FIGURES

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

TOWN OF DRUMHELLER

Consolidated Segmented Information
Year Ended December 31, 2020

(Schedule 1)

	Protective Services	Transportatio n Services	Water and Wastewater	Waste Management	Planning and Development	Recreation and Parks	Public Health and Welfare	General Government	Total 2020
REVENUES									
Net municipal taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 8,937,148	\$ 8,937,148
Government transfers for operating	1,191,525	-	-	-	248,475	29,400	398,373	75,655	1,943,428
Government transfers for capital	4,181,327	1,239,840	448,315	-	3,938,329	117,047	-	-	9,924,858
Sales and user fees	310,340	254,058	5,416,861	123,926	71,209	268,887	39,361	141,560	6,626,202
Franchise and concessions	-	-	-	-	-	-	-	1,801,955	1,801,955
Investment income	-	-	-	-	-	-	-	586,733	586,733
Penalties and costs on taxes	-	-	18,936	-	-	-	-	119,020	137,956
Rentals	-	4,250	-	-	48,076	220,970	-	-	273,296
Other	13,078	5,821	95,724	62	101,431	17,036	21,571	39,376	294,099
Gain on disposal of tangible capital assets	11,500	8,789	-	-	-	18,640	-	-	38,929
	5,707,770	1,512,758	5,979,836	123,988	4,407,520	671,980	459,305	11,701,447	30,564,604

(continues)

TOWN OF DRUMHELLER

Consolidated Segmented Information (continued)

(Schedule 1)

Year Ended December 31, 2020

	Protective Services	Transportation Services	Water and Wastewater	Waste Management	Planning and Development	Recreation and Parks	Public Health and Welfare	General Government	Total 2020
EXPENSES (BY OBJECT)									
Salaries and wages	1,618,575	869,262	1,334,950	24,409	134,071	1,406,028	295,250	920,654	6,603,199
Contracted and general services	1,622,262	1,113,184	577,622	369,624	357,097	684,605	164,864	811,016	5,700,274
Amortization	155,205	1,404,390	2,172,122	-	103,899	746,350	3,299	135,865	4,721,130
Purchases from other governments	1,415,990	-	-	-	-	-	-	-	1,415,990
Materials, goods and utilities	454,651	583,521	744,350	-	88,904	419,843	65,205	88,532	2,445,006
Transfer to local agencies	839	-	-	-	296,118	213,808	24,000	-	534,765
Interest and bank charges	-	1,600	1,110	-	94	8,057	46	5,217	16,124
Interest on long term debt	-	-	195,094	-	1,659	156,527	-	-	353,280
Other expenses	105	1,523	-	127	-	-	1,038	126,911	129,704
	5,267,627	3,973,480	5,025,248	394,160	981,842	3,635,218	553,702	2,088,195	21,919,472
(DEFICIENCY) EXCESS OF REVENUES OVER EXPENSES	\$ 440,143	\$(2,460,722)	\$ 954,588	\$(270,172)	\$ 3,425,678	\$(2,963,238)	\$(94,397)	\$ 9,613,252	\$ 8,645,132

See notes to financial statements

TOWN OF DRUMHELLER

Consolidated Segmented Information

(Schedule 2)

Year Ended December 31, 2019

	Protective Services	Transportatio n Services	Water and Wastewater	Waste Management	Planning and Development	Recreation and Parks	Public Health and Welfare	General Government	Total 2019
REVENUES									
Net municipal taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 8,907,363	\$ 8,907,363
Government transfers for operating	412,655	-	-	-	108,474	26,774	284,317	258,647	1,090,867
Government transfers for capital	586,057	914,000	57,046	-	-	131,800	-	-	1,688,903
Sales and user fees	414,532	34,716	5,498,726	112,393	61,611	612,422	52,456	157,254	6,944,110
Franchise and concessions	-	-	-	-	-	-	-	1,784,107	1,784,107
Investment income	-	-	-	-	28,547	-	-	469,960	498,507
Penalties and costs on taxes	-	-	21,043	-	-	-	-	149,619	170,662
Rentals	-	3,000	-	-	48,427	435,722	-	1,200	488,349
Other	17,249	68,518	96,227	18	79,515	81,962	10,933	48,746	403,168
Gains (losses) on disposal of assets	-	-	12,095	-	-	2,000	-	-	14,095
	1,430,493	1,020,234	5,685,137	112,411	326,574	1,290,680	347,706	11,776,896	21,990,131

(continues)

See notes to financial statements

TOWN OF DRUMHELLER

Consolidated Segmented Information (continued)

(Schedule 2)

Year Ended December 31, 2019

	Protective Services	Transportation Services	Water and Wastewater	Waste Management	Planning and Development	Recreation and Parks	Public Health and Welfare	General Government	Total 2019
EXPENSES (BY OBJECT)									
Salaries and wages	748,962	858,878	1,272,981	26,021	124,474	2,128,409	289,468	977,894	6,427,087
Contracted and general services	281,609	366,616	801,253	383,157	248,104	1,113,848	134,264	671,686	4,000,537
Amortization	84,329	1,416,688	2,157,050	-	103,900	724,156	2,099	123,303	4,611,525
Purchases from other governments	1,335,000	-	-	-	-	-	-	-	1,335,000
Materials, goods and utilities	86,881	701,557	786,529	-	85,629	652,386	10,502	102,791	2,426,275
Transfer to local agencies	1,346	-	-	-	238,282	246,089	24,000	-	509,717
Interest and bank charges	-	1,260	712	-	44	11,581	27	12,640	26,264
Interest on long term debt	-	-	212,122	-	3,194	168,554	-	-	383,870
Other expenses	(1,479)	600	1,190	-	-	950	(1,716)	58,446	57,991
	2,536,648	3,345,599	5,231,837	409,178	803,627	5,045,973	458,644	1,946,760	19,778,266
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	\$ (1,106,155)\$	(2,325,365)\$	453,300 \$	(296,767)\$	(477,053)\$	(3,755,293)\$	(110,938)\$	9,830,136 \$	2,211,865

See notes to financial statements