

TOWN OF OLDS

Consolidated Financial Statements

For the year ended December 31, 2020

TOWN OF OLDS
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For the year ended December 31, 2020

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CHARTERED PROFESSIONAL ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To: The Mayor and Members of Council of
the Town of Olds

Opinion

We have audited the consolidated financial statements of the Town of Olds which comprise the consolidated statement of financial position as at December 31, 2020, and the consolidated statements of operations, change in net financial debt and cash flow for the year then ended, and notes to the 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 of Olds as at December 31, 2020, the results of its operations, change in its net financial debt 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 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 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 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 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 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 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 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:

INDEPENDENT AUDITOR'S REPORT, 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 company 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.

Report on Other Legal and Regulatory Requirements

- Debt Limit Regulation:
In accordance with Alberta Regulation 255/2000, we confirm that the Town is in compliance with the Debt Limit Regulation. A detailed account of the Town's debt limit can be found in note 22.
- Supplementary Accounting Principles and Standards Regulation:
In accordance with Alberta Regulation 313/2000, we confirm that the Town is in compliance with the Supplementary Accounting Principles and Standards Regulation and note the information required can be found in note 18.

Lethbridge, Alberta

April 26, 2021



Chartered Professional Accountants

MANAGEMENT REPORT

The consolidated financial statements are the responsibility of the management of the Town of Olds.


These consolidated financial statements have been prepared from information provided by management. Financial statements are not precise since they include certain amounts based on estimates and judgments. Management has determined such amounts on a reasonable basis in order to ensure that the consolidated 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 of Olds is responsible for ensuring that management fulfils its responsibilities for financial statements. Council carries out its responsibility as a whole.

The Council meets annually with management and the external auditors to discuss internal controls over the financial reporting process, auditing matters and financial reporting issues, and to satisfy itself that each party is properly discharging its responsibilities. Council also considers the engagement or re-appointment of the external auditors. Council reviews the monthly financial reports.

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



Municipal Manager

TOWN OF OLDS
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at December 31, 2020

	2020	2019
Financial assets		
Cash	\$ 15,593,995	\$ 3,997,477
Taxes and grants in place of taxes receivable (note 2)	644,711	547,654
Trade and other receivables (note 3)	4,858,907	6,388,763
Loan receivable (note 4)	14,095,626	14,095,626
Investments (note 5)	81,760	81,742
Inventory held for resale	17,825	22,516
	35,292,824	25,133,778
Liabilities		
Accounts payable and accrued liabilities	3,807,677	2,789,112
Employee benefit obligations (note 7)	323,492	272,110
Deposits	786,625	784,255
Deferred revenue (note 8)	1,626,071	474,785
Long-term debt (note 9)	31,936,804	22,100,186
	38,480,669	26,420,448
Net financial debt	(3,187,845)	(1,286,670)
Non-financial assets		
Prepaid expenses	19,974	187,170
Tangible capital assets (schedule 2)	95,297,595	91,224,539
	95,317,569	91,411,709
Accumulated surplus (note 11 and schedule 1)	\$ 92,129,724	\$ 90,125,039

Commitments and contingencies (note 20)

Approved on behalf of Council:

Mayor Michael Muzychka

Councillor Don Barnes

TOWN OF OLDS
CONSOLIDATED STATEMENT OF OPERATIONS
For the year ended December 31, 2020

	Budget (Unaudited)	2020	2019
Revenue			
Net municipal taxes (note 14)	\$ 9,835,420	\$ 9,813,008	\$ 9,497,406
User fees and sales of goods	9,886,426	9,074,761	10,063,757
Government transfers for operating (note 15)	1,693,893	2,228,873	1,338,399
Investment income	235,000	338,800	380,295
Penalties and costs of taxes	251,000	205,764	254,411
Development levies	-	-	91,431
Licenses and permits	355,500	259,855	360,245
Franchise and concession contracts	1,989,239	2,226,478	2,010,333
Rentals and other	220,513	217,936	218,939
Sales to other governments	256,392	221,755	208,339
	24,723,383	24,587,230	24,423,555
Expenses (note 16)			
Legislative	420,830	378,978	425,195
Administration	2,022,498	2,221,950	2,090,802
Protective services	3,251,215	3,532,219	3,270,887
Common and equipment pool	174,086	211,532	114,324
Transportation services	2,016,372	3,373,784	3,292,872
Storm sewers and drainage	39,050	141,665	144,395
Other transportation	49,339	62,379	70,769
Water and waste water	2,885,685	3,010,844	3,221,354
Wastewater treatment and disposal	3,914,602	4,309,460	4,181,580
Waste management	1,013,225	1,058,648	1,152,725
Public health and welfare services	637,426	666,788	685,647
Planning and development	1,289,422	885,192	1,642,873
Recreation, parks and culture	4,959,537	5,154,560	5,124,482
	22,673,287	25,007,999	25,417,905
Excess (deficiency) of revenue over expenses before other	2,050,096	(420,769)	(994,350)
Other			
Government transfers for capital (note 15)	2,853,185	1,898,032	3,674,930
Capital donations	187,500	60,422	1,512,885
Contributed assets	-	467,000	40,600
	3,040,685	2,425,454	5,228,415
Excess of revenue over expenses	5,090,781	2,004,685	4,234,065
Accumulated surplus, beginning of year	90,125,039	90,125,039	85,890,974
Accumulated surplus, end of year	\$ 95,215,820	\$ 92,129,724	\$ 90,125,039

TOWN OF OLDS
CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL DEBT
For the year ended December 31, 2020

	Budget (Unaudited)	2020	2019
Excess of revenue over expenses	\$ 5,090,781	\$ 2,004,685	\$ 4,234,065
Acquisition of tangible capital assets	(13,620,466)	(7,538,905)	(8,994,276)
Amortization of tangible capital assets	463,100	3,886,999	3,502,248
Loss on disposal of tangible capital assets	-	39,300	37,029
Proceeds on disposal of tangible capital assets	-	6,551	124,000
Contributed assets	-	(467,000)	(40,600)
	(13,157,366)	(4,073,055)	(5,371,599)
Net change in prepaid expense	-	167,195	(126,098)
Increase in net financial debt	(8,066,585)	(1,901,175)	(1,263,632)
Net financial debt, beginning of year	(1,286,670)	(1,286,670)	(23,038)
Net financial debt, end of year	\$ (9,353,255)	\$ (3,187,845)	\$ (1,286,670)

TOWN OF OLDS
CONSOLIDATED STATEMENT OF CASH FLOW
For the year ended December 31, 2020

	2020	2019
Operating transactions		
Excess of revenue over expenses	\$ 2,004,685	\$ 4,234,065
Adjustments for items which do not affect cash		
Loss on disposal of tangible capital assets	39,300	37,029
Amortization of tangible capital assets	3,886,999	3,502,248
Contributed assets	(467,000)	(40,600)
	5,463,984	7,732,742
Net change in non-cash working capital items		
Taxes and grants in place of taxes receivable	(97,057)	(80,449)
Trade and other receivables	1,529,856	(1,371,635)
Inventory held for resale	4,691	6,968
Prepaid expenses	167,195	(126,098)
Accounts payable and accrued liabilities	1,018,565	(2,006,795)
Employee benefit obligations	51,382	5,504
Deposits	2,370	(440,400)
Deferred revenue	1,151,286	303,118
	9,292,272	4,022,955
Capital transactions		
Proceeds on disposal of tangible capital assets	6,551	124,000
Acquisition of tangible capital assets	(7,538,905)	(8,994,276)
	(7,532,354)	(8,870,276)
Investing transactions		
Change in investments	(18)	-
Proceeds on sale of investments	-	2,222,630
	(18)	2,222,630
Financing transactions		
Proceeds of long-term debt	10,734,023	1,930,000
Repayment of long-term debt	(897,405)	(708,587)
	9,836,618	1,221,413
Increase (decrease) in cash and temporary investments	11,596,518	(1,403,278)
Cash, beginning of year	3,997,477	5,400,755
Cash, end of year	\$ 15,593,995	\$ 3,997,477

TOWN OF OLDS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2020

1. Significant accounting policies

The consolidated financial statements of the Town of Olds are the representations of management prepared in accordance with public sector accounting standards for local government established by Chartered Professional Accountants of Canada. Significant aspects of the accounting policies adopted by the Town are as follows:

(a) Reporting entity

The consolidated financial statements reflect the assets, liabilities, revenue and expenses, changes in fund balances and change in financial position of the reporting entity which comprises 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.

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

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

(b) Basis of accounting

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

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

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

(c) Inventories for resale

Land held for resale is recorded at the lower of cost and net realizable value.

(d) Investments

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

(e) Debt charges recoverable

Debt charges recoverable consist of amounts that are recoverable from municipal agencies or other local governments with respect to outstanding debentures or other long-term debt pursuant to annexation orders or joint capital undertakings. These recoveries are recorded at a value that equals the offsetting portion of the unamortized long-term debt, less actuarial requirements for the retirement of any sinking fund debentures.

1. Significant accounting policies, continued

(f) 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.

(g) 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 liabilities at the date of the financial statements, and the reported amounts of revenue and expense during the period. Where measurement uncertainty exists, the financial statements have been prepared within reasonable limits of materiality. Actual results could differ from those estimates.

(h) 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.

(i) Contaminated sites liability

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.

(j) 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.

TOWN OF OLDS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2020

1. Significant accounting policies, continued

(k) 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 Debt for the year.

(i) Tangible capital assets

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

	Years
Land improvements	15-25
Buildings	25-50
Engineered structures	15-75
Machinery and equipment	5-40

Assets under construction are not amortized until put into use.

(ii) Contributions of tangible capital assets

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

(iii) Leases

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

(iv) Inventories

Inventories of materials and supplies are valued at the lower of cost or net realizable value with cost determined by the first-in first-out method.

(v) Cultural and historical tangible capital assets

Works of art for display are not recorded as tangible capital assets.

TOWN OF OLDS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2020

2. Taxes and grants in place of taxes receivables

	2020	2019
Taxes and grants in place of taxes receivable	\$ 430,216	\$ 390,943
Arrears taxes receivable	210,372	107,534
	640,588	498,477
Under-levies	4,123	49,177
	\$ 644,711	\$ 547,654

3. Trade and other receivables

	2020	2019
Utility accounts receivable	\$ 896,419	\$ 1,163,207
Goods and services tax	333,597	210,637
Trade and other receivables	3,628,891	5,014,919
	\$ 4,858,907	\$ 6,388,763

4. Loan receivable

Olds Institute for Community and Regional Development (OICRD) was granted a loan to fund the installation of fibre optics within the Town boundaries in order to provide high speed internet service for residents and businesses. Principal and interest are payable in installments which match the payments on the debenture the Town has taken from Alberta Capital Finance. The term of the receivable matches the term of the debenture, maturing in March 2043.

The loan receivable is secured by a collateral mortgage over land, a mortgage of rights of way, an assignment of insurance policies, an assignment of leases and rents, an assignment of contracts, construction documents, plans, and designs, an assignment of the network system, an unlimited guarantee from Olds Fibre Ltd., and general security agreements.

On May 22, 2020 the Town of Olds issued demand for payment and unlimited guarantee on the loan with OICRD. As a result of the demand for payment the Town entered into a forbearance agreement with OICRD and Olds Fibre Ltd. (guarantor of the loan). The forbearance agreement was in effect until September 30, 2020 but has been extended to June 25, 2021.

TOWN OF OLDS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2020

5. Investments

Investments consist of a guaranteed investment certificate that bears interest at a rate of 2.40% (2019 - 2.10%) per annum and matures in January 2024.

6. Line of credit

The Town has established an operating loan with a Canadian chartered bank to a maximum of \$2,000,000 which bears interest at prime minus 1.00% per annum. At December 31, 2020 the balance outstanding was nil.

7. Employee benefit obligations

	2020	2019
Vacation payable	\$ 299,838	\$ 227,812
Overtime payable	23,654	44,298
	\$ 323,492	\$ 272,110

Vacation and overtime

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

8. Deferred revenue

Deferred revenue consists of prepaid expenses and government transfers.

Government transfers consist of funding received from the federal and provincial governments for which stipulations have not yet been met. The use of these funds is restricted to eligible projects approved under the funding agreements.

	2020	2019
Municipal Sustainability Initiative - capital	\$ 854,477	\$ 306,271
Federal Gas Tax Fund - capital	97,005	-
New Police Officers Grant	25,000	25,000
Alberta Community Partnership	200,000	-
Community and Regional Economic Support (CARES)	219,235	-
Pinty's Grand Slam	154,347	65,150
Other	76,007	78,364
	\$ 1,626,071	\$ 474,785

TOWN OF OLDS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2020

9. Long-term debt

	2020	2019
Debentures supported by general tax levies	\$ 14,522,971	\$ 10,848,945
Debentures supported by utility rates	7,305,028	1,142,436
Debentures supported by loan repayment agreement	10,108,805	10,108,805
	\$ 31,936,804	\$ 22,100,186
Current portion	\$ 1,213,006	\$ 778,936

Principal and interest repayments are due as follows:

	Principal	Interest	Total
2021	\$ 1,213,006	\$ 1,008,827	\$ 2,221,833
2022	1,378,870	957,268	2,336,138
2023	1,301,127	903,348	2,204,475
2024	1,156,396	855,102	2,011,498
2025	1,195,746	815,753	2,011,499
Thereafter	25,691,659	8,093,295	33,784,954
	\$ 31,936,804	\$ 12,633,593	\$ 44,570,397

Debenture debt is repayable to the Treasury Board and Finance and bears interest at rates ranging from 2.605% to 6.25% per annum, before Provincial subsidy, and matures in periods 2021 through 2050.

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

Interest on long-term debt amounted to \$564,332 (2019 - \$450,603).

The Town's total cash payments for interest were \$907,375 (2019 - \$773,930).

10. Contaminated sites liability

The Town adopted PS3260 Liability for Contaminated sites. The Town did not identify any financial liabilities in 2020 (2019 - nil) as a result of this standard.

TOWN OF OLDS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2020

11. Accumulated surplus

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

	2020	2019
Unrestricted surplus	\$ 4,274,480	\$ 1,422,655
Internally restricted surplus (reserves) (note 12)	9,637,053	8,999,594
Equity in tangible capital assets (note 13)	78,218,191	79,702,790
	\$ 92,129,724	\$ 90,125,039

12. Reserves

Council has set up reserves for various purposes. These reserves are either required by legislation or set up at the discretion of Council to provide funding for future expenses.

	2020	2019
Operating		
General	\$ 2,138,012	\$ 1,998,666
Utilities	750,623	774,980
Tax stabilization fund	284,922	284,922
Fire reserve	68,079	68,079
NU2U	35,396	45,982
Olds Fashioned Christmas	17,434	13,302
	3,294,466	3,185,931
Capital		
Utility reserve	2,481,651	2,246,696
Building reserve	1,828,473	1,510,432
Municipal reserve	138,087	138,087
Restricted reserves for specific purposes	67,250	76,497
General	67,252	67,252
Fire - small equipment	22,897	37,722
Offsite levies - transportation	724,549	724,549
Offsite levies - water	433,557	433,557
Offsite levies - wastewater	314,837	314,837
Offsite levies - storm sewer	264,034	264,034
	6,342,587	5,813,663
	\$ 9,637,053	\$ 8,999,594

TOWN OF OLDS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2020

13. Equity in tangible capital assets

	2020	2019
Tangible capital assets (schedule 2)	\$ 161,893,299	\$ 154,477,909
Accumulated amortization (schedule 2)	(66,595,704)	(63,253,370)
Long-term debt (note 9)	(31,936,804)	(22,100,186)
Unused capital debt	4,748,595	469,632
Non-capital long-term debt (note 9)	10,108,805	10,108,805
	<u>\$ 78,218,191</u>	<u>\$ 79,702,790</u>

14. Net municipal property taxes

	Budget (Unaudited)	2020	2019
Taxation			
Real property taxes	\$ 14,553,748	\$ 14,277,880	\$ 13,748,175
Linear property taxes	-	153,563	158,871
	<u>14,553,748</u>	<u>14,431,443</u>	<u>13,907,046</u>
Requisitions			
Alberta School Foundation Fund	4,163,245	4,059,706	4,042,360
Mountain View Senior Housing	555,083	557,573	367,280
Other	-	1,156	-
	<u>4,718,328</u>	<u>4,618,435</u>	<u>4,409,640</u>
	<u>\$ 9,835,420</u>	<u>\$ 9,813,008</u>	<u>\$ 9,497,406</u>

15. Government transfers

	Budget (Unaudited)	2020	2019
Transfers for operating:			
Provincial conditional grants	\$ 1,086,597	\$ 1,643,998	\$ 764,587
Other local governments	572,296	584,875	573,812
Federal conditional grants	35,000	-	-
	<u>1,693,893</u>	<u>2,228,873</u>	<u>1,338,399</u>
Transfers for capital:			
Provincial grants	2,314,685	1,466,496	2,629,471
Federal grants	538,500	431,536	1,045,459
	<u>2,853,185</u>	<u>1,898,032</u>	<u>3,674,930</u>
	<u>\$ 4,547,078</u>	<u>\$ 4,126,905</u>	<u>\$ 5,013,329</u>

TOWN OF OLDS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2020

16. Expenses by object

	Budget (Unaudited)	2020	2019
Salaries, wages and benefits	\$ 8,449,651	\$ 7,692,689	\$ 7,309,727
Contracted and general services	4,065,948	3,770,290	4,159,694
Materials, goods, supplies and utilities	1,585,400	1,654,795	1,840,903
Bank charges and short term interest	10,000	16,256	33,613
Interest on long term debt	554,975	564,332	450,603
Other expenditures	29,000	200,250	90,358
Transfers to organizations and others	1,294,713	1,129,638	1,958,059
Purchases from other governments	6,220,500	6,053,450	6,035,671
Amortization of tangible capital assets	463,100	3,886,999	3,502,248
Loss on disposal of tangible capital assets	-	39,300	37,029
	\$ 22,673,287	\$ 25,007,999	\$ 25,417,905

17. Local authorities pension plan

Employees of the Town participate in the Local Authorities Pension Plan (LAPP), which is one of the plans covered by the Alberta Public Sector Pensions Plans Act. The plan serves about 265,000 people and 421 employers. The LAPP is financed by the employer and employee contributions and by investment earnings of the LAPP Fund.

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

The Town is required to make current service contributions to the LAPP of 9.39% of pensionable earnings up to the year's maximum pensionable earnings under the Canada Pension Plan and 13.84% on pensionable earnings above this amount. Employees of the Town are required to make current service contributions of 8.39% of pensionable salary up to the year's maximum pensionable salary and 12.84% on pensionable salary above this amount.

Total current service contributions by the Town to the LAPP in 2020 were \$530,277 (2019 - \$448,811). Total current service contributions by the employees of the Town to the LAPP in 2020 were \$479,606 (2019 - \$405,409).

At December 31, 2019, the LAPP disclosed an actuarial surplus of \$7.9 billion.

TOWN OF OLDS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2020

18. Salary and benefits disclosure

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

	(1) Salary	(2) Benefits & allowances	2020	2019
Council				
Mayor Muzychka	\$ 60,908	\$ 8,255	\$ 69,163	\$ 74,607
Councillor Bennett	40,242	7,192	47,434	48,056
Councillor Harper	36,992	4,162	41,154	40,083
Councillor Overwater	41,017	7,233	48,250	47,651
Councillor Blatz	40,417	7,201	47,618	47,647
Councillor Ryan	37,742	7,061	44,803	47,254
Councillor Thomson	30,449	1,576	32,025	-
Councillor Bearchell	-	-	-	28,618
 Chief Administrative Officer	 \$ 234,600	 \$ 38,158	 \$ 272,758	 \$ 236,206

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

(2) Benefits and allowances include the 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.

Benefits and allowances figures also include the employer's share of the costs of additional taxable benefits including special leave with pay, financial planning services, retirement planning services, concessionary loans, travel allowances, car allowances, and club memberships.

19. 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 3).

TOWN OF OLDS
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For the year ended December 31, 2020

20. Commitments and contingencies

a) The Town is a member of the Alberta Municipal Insurance Exchange. Under the terms of 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.

b) The Town has agreed to guarantee a line of credit for \$4,000,000 received by the Olds Institute for Community and Regional Development from a local financial institution. As at December 31, 2020, the principal balance of the loan was \$3,521,682 (2019 - \$3,681,709).

c) The Town has entered into operating leases for vehicles and equipment as follows.

Payments over the next four years are as follows:

2021	\$	214,807
2022		125,108
2023		54,973
2024		21,704
		\$ 416,592

21. Budget amounts

The 2020 budget for the Town was approved by Council on December 9, 2019 and has been reported in the consolidated financial statements for information purposes only. These budget amounts have not been audited, reviewed, or otherwise verified.

The approved budget contained reserve transfers, capital additions and principal payments on debt as expenditures. Since these items are not included in the amounts reported in the consolidated financial statements, they have been excluded from the budget amounts presented in these financial statements.

Budgeted surplus per financial statements	\$	5,090,781
Less: Capital expenditures		(13,620,466)
Capital long-term debt repayments		(907,972)
Transfers to reserves		(1,652,339)
Add: Transfers from reserves		2,726,341
Debt proceeds		8,363,655
Equals: Balanced budget		\$ -

TOWN OF OLDS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2020

22. 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	\$ 36,880,847	\$ 36,635,333
Total debt	35,458,486	25,781,895
	\$ 1,422,361	\$ 10,853,438
Debt servicing limit	\$ 6,146,808	\$ 6,105,889
Debt servicing	2,221,833	1,544,730
	\$ 3,924,975	\$ 4,561,159

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 limits 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 alone does not represent the financial stability of the municipality. Rather, the financial statements must be interpreted as a whole.

The total debt of \$35,458,486 includes the principal balance of the loan guarantee (\$3,521,682) for the Olds Institute for Community and Regional Development, as disclosed in note 21.

23. COVID-19

Events have occurred as a result of the COVID-19 (coronavirus) pandemic that have caused economic uncertainty. The duration and impact of the pandemic, as well as the effectiveness of government responses, remain unclear at this time.

Potential impacts on the Town's business could include future decreases in revenue and delays in completing capital project work, temporary declines in investment income, closure of facilities including recreation, library, and administrative buildings, temporary and/or permanent termination of public employees and mandatory working from home requirements for those able to do so.

The Town has continued to develop strategies to manage the impacts of the COVID-19 outbreak. Administration continues to monitor revenue, expenses, and projects for the Town. Cost saving measures have been instituted where appropriate. The Town continues to follow protocols set by the Alberta Government and to make suitable adjustments in the face of the pandemic.

Management is not aware of any material impairments, at this time, that will impact the financial assets or liabilities of the Town due to the pandemic.

The situation is continually changing and the future impact on the Town is not readily determinable at this time.

24. Financial instruments

The Town's financial instruments consist of cash and temporary investments, accounts receivable, investments, debt charges recoverable, bank indebtedness, accounts payable and accrued liabilities, deposit liabilities, requisition over-levy, and long-term debt. It is management's opinion that the Town is not exposed to significant interest or risk 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 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.

25. Approval of financial statements

These financial statements were approved by Council and Management.

26. Comparative figures

Where necessary the comparative figures for the 2019 year have been reclassified to conform with 2020 financial statement presentation.

TOWN OF OLDS
SCHEDULES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2020

Schedule of changes in accumulated surplus	Schedule 1				
	Unrestricted	Restricted	Equity in tangible capital assets	2020	2019
Balance, beginning of year	\$ 1,422,655	\$ 8,999,594	\$ 79,702,790	\$ 90,125,039	\$ 85,890,974
Excess of revenue over expenses	2,004,685	-	-	2,004,685	4,234,065
Unrestricted funds designated for future use	(1,124,262)	1,124,262	-	-	-
Restricted funds used for operations	139,408	(139,408)	-	-	-
Restricted funds used for tangible capital assets	-	(347,395)	347,395	-	-
Current year funds used for tangible capital assets	(7,191,511)	-	7,191,511	-	-
Disposal of tangible capital assets	45,852	-	(45,852)	-	-
Amortization of tangible capital assets	3,886,999	-	(3,886,999)	-	-
Long-term debt repaid	(897,405)	-	897,405	-	-
Capital long-term debt proceeds	6,455,059	-	(6,455,059)	-	-
Contributed tangible capital assets	(467,000)	-	467,000	-	-
Change in accumulated surplus	2,851,825	637,459	(1,484,599)	2,004,685	4,234,065
Balance, end of year	\$ 4,274,480	\$ 9,637,053	\$ 78,218,191	\$ 92,129,724	\$ 90,125,039

TOWN OF OLDS
SCHEDULES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2020

Schedule of tangible capital assets

Schedule 2

	Land	Land improvements	Buildings	Engineered structures	Machinery and equipment	Vehicles	Construction in progress	2020	2019
Cost:									
Balance, beginning of year	\$ 4,149,861	\$ 6,085,595	\$ 24,127,237	\$ 101,347,490	\$ 6,087,245	\$ 4,819,923	\$ 7,860,557	\$ 154,477,909	\$ 146,242,977
Acquisitions	-	84,919	46,165	1,100,785	334,097	567,442	5,872,498	8,005,906	9,034,871
Transfers	-	6,263,868	88,928	-	15,276	-	(6,368,072)	-	-
Disposals	-	-	-	(355,489)	-	(235,027)	-	(590,516)	(799,939)
Balance, end of year	4,149,861	12,434,382	24,262,330	102,092,786	6,436,618	5,152,338	7,364,983	161,893,299	154,477,909
Accumulated amortization:									
Balance, beginning of year	-	2,387,816	10,076,380	46,405,570	2,575,218	1,808,385	-	63,253,370	60,390,035
Annual amortization	-	475,647	495,107	2,258,549	387,605	270,091	-	3,886,999	3,502,247
Disposals	-	-	-	(355,490)	-	(189,175)	-	(544,665)	(638,912)
Balance, end of year	-	2,863,463	10,571,487	48,308,629	2,962,823	1,889,301	-	66,595,704	63,253,370
Net book value	\$ 4,149,861	\$ 9,570,919	\$ 13,690,843	\$ 53,784,157	\$ 3,473,795	\$ 3,263,037	\$ 7,364,983	\$ 95,297,595	\$ 91,224,539
2019 net book value	\$ 4,149,861	\$ 3,697,778	\$ 14,050,857	\$ 54,941,920	\$ 3,512,027	\$ 3,011,538	\$ 7,860,557	\$ 91,224,539	

TOWN OF OLDS
SCHEDULE TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2020

Schedule of segmented disclosure

Schedule 3

	General government	Protective services	Transportation services	Environmental services	Public health services	Planning and development	Recreation and culture	Total
Revenue								
Net municipal taxes	\$ 9,813,008	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 9,813,008
User fees and sales of goods	13,212	106,590	2,985	8,267,558	177,427	17,501	489,488	9,074,761
Government transfers for operating	955,788	378,588	-	-	282,004	-	612,493	2,228,873
Investment income	338,800	-	-	-	-	-	-	338,800
Penalties and costs of taxes	110,312	81,496	-	13,956	-	-	-	205,764
Licenses and permits	-	21,627	2,026	-	-	236,202	-	259,855
Franchise and concession contracts	2,226,478	-	-	-	-	-	-	2,226,478
Rentals and other	-	212,936	-	-	-	-	5,000	217,936
Sales to other governments	-	213,755	8,000	-	-	-	-	221,755
	13,457,598	1,014,992	13,011	8,281,514	459,431	253,703	1,106,981	24,587,230
Expenses								
Salaries, wages and benefits	1,652,357	1,206,086	656,470	946,268	414,131	501,490	2,315,886	7,692,689
Contracted and general services	642,638	375,781	640,304	1,194,429	77,551	92,160	747,426	3,770,290
Materials, goods, supplies and utilities	130,412	184,545	672,370	109,806	15,757	9,246	532,659	1,654,795
Bank charges and short term interest	14,336	-	-	-	-	-	1,920	16,256
Interest on long term debt	-	111,420	155,315	176,865	-	-	120,732	564,332
Other expenditures	814	173,990	-	(7)	-	25,453	-	200,250
Transfers to organizations and others	49,496	841	-	250,770	128,754	167,710	532,067	1,129,638
Purchases from other governments	-	1,147,482	-	4,817,118	-	88,850	-	6,053,450
Amortization of tangible capital assets	110,873	303,326	1,654,350	883,702	30,595	283	903,870	3,886,999
Loss on disposal of tangible capital assets	-	28,751	10,551	-	-	-	-	39,300
	2,600,926	3,532,222	3,789,360	8,378,951	666,788	885,192	5,154,560	25,007,999
Excess (deficiency) of revenue over expenses before other	10,856,672	(2,517,230)	(3,776,349)	(97,437)	(207,357)	(631,489)	(4,047,579)	(420,769)
Other								
Government transfers for capital	-	619	986,312	-	-	5,664	905,437	1,898,032
Capital donations	-	5,500	-	-	-	-	54,922	60,422
Contributed assets	-	467,000	-	-	-	-	-	467,000
	-	473,119	986,312	-	-	5,664	960,359	2,425,454
Excess (deficiency) of revenue over expenses	\$ 10,856,672	\$ (2,044,111)	\$ (2,790,037)	\$ (97,437)	\$ (207,357)	\$ (625,825)	\$ (3,087,220)	\$ 2,004,685