

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

# Brian King Professional Corporation

Box 560, Hardisty, Alberta T0B 1V0

## INDEPENDENT AUDITOR'S REPORT

**To the Mayor and Council of the Town of Killam:**

*Report on the Consolidated Financial Statements*

*Opinion*

I have audited the consolidated financial statements of the Town of Killam (the Entity), which comprise the consolidated statement of financial position as at December 31, 2020, and the results of its operations, changes in its net financial assets (debt) and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In my opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Town of Killam as at December 31, 2020, the results of its operations, change in its net financial assets (debt) and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

*Basis for Opinion*

I conducted my audit in accordance with Canadian generally accepted auditing standards. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of my report. I am independent of the Entity in accordance with the ethical requirements that are relevant to my audit of the financial statements in Canada, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

*Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements*

Management is responsible for the preparation and fair presentation of these 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 financial statements, management is responsible for assessing the Entity'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 cease operations, or has no realistic alternative but to do so. Those charged with governance are responsible for overseeing the Entity's financial reporting process.

*Auditor's Responsibility for the Audit of the Consolidated Financial Statements*

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my 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, I exercise professional judgement and maintain professional skepticism throughout the audit. I also:

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- 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 my 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 Entity'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 Entity's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Entity 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements. I am responsible for the direction, supervision and performance of the group audit. I remain solely responsible for my audit opinion.

I 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 I identify during my audit.

I also provide those charged with governance with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.

## *Report on Other Legal and Regulatory Requirements*

- Debt Limit Regulation:  
In accordance with Alberta Regulation 255/2000, I confirm that the municipality is in compliance with the Debt Limit Regulation. A detailed account of the Entity's debt limit can be found in Note 6.
- Supplementary Accounting Principles and Standards Regulation:  
In accordance with Alberta Regulation 313/2000, I confirm that the municipality is in compliance with the Supplementary Accounting Principles and Standards Regulation and note the information required can be found in Note 10.

M.D. of Wainwright

April 15, 2021



Brian King Professional Corporation

Chartered Professional Accountant

# TOWN OF KILLAM

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION DECEMBER 31, 2020

	<u>2020</u>	<u>2019</u>
<b>FINANCIAL ASSETS</b>		
Cash and term deposits (Note 2)	928,985	1,032,370
Taxes and grants in place of taxes (Note 3)	75,574	69,178
Trade and other receivables	232,200	227,255
Due from other governments	467,778	355,783
Inventory held for resale	749,918	765,647
Debt charges recoverable	77,136	105,399
Other financial assets	29,246	29,877
	<u>2,560,837</u>	<u>2,585,509</u>
<b>LIABILITIES</b>		
Accounts payable and accrued liabilities	179,445	187,188
Deposits held in trust	2,722	74,704
Deferred revenue (Note 4)	533,795	679,720
Long term debt (Note 5)	904,467	1,069,406
	<u>1,620,429</u>	<u>2,011,018</u>
<b>NET FINANCIAL ASSETS</b>	<u>940,408</u>	<u>574,491</u>
<b>NON-FINANCIAL ASSETS</b>		
Tangible capital assets	<u>8,104,690</u>	<u>7,917,610</u>
<b>ACCUMULATED SURPLUS (NOTE 8)</b>	<u>9,045,098</u>	<u>8,492,101</u>

*Commitments and contingencies - See Note 11*

# TOWN OF KILLAM

## CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES FOR THE YEAR ENDED DECEMBER 31, 2020

	Budget (unaudited)	2020	2019
<b>REVENUE</b>			
Net municipal property taxes (Schedule 3)	1,030,750	<b>1,023,222</b>	1,082,682
User fees and sales of goods	1,604,973	<b>1,607,032</b>	1,476,631
Penalties and costs on taxes	25,500	<b>26,354</b>	25,172
Licenses and permits	7,000	<b>30,092</b>	11,725
Fines	6,000	<b>2,482</b>	3,727
Franchise and concession contracts	67,481	<b>68,788</b>	67,791
Investment income	24,500	<b>16,560</b>	32,076
Rentals	10,200	<b>10,499</b>	10,342
Government transfers for operating	66,463	<b>189,864</b>	142,411
Other	3,000	<b>14,800</b>	30,850
Gain on disposal of assets	-	<b>8,847</b>	-
	<u>2,845,867</u>	<u><b>2,998,540</b></u>	<u>2,883,407</u>
<b>EXPENSES</b>			
Legislative	64,800	<b>51,720</b>	60,720
Administration	323,698	<b>299,042</b>	314,586
Protective services	110,476	<b>136,213</b>	124,725
Transportation	383,164	<b>487,225</b>	384,039
Water supply and distribution	175,236	<b>176,943</b>	173,948
Wastewater treatment and disposal	82,877	<b>77,051</b>	87,194
Waste management	173,515	<b>173,123</b>	173,971
Public health and welfare	26,045	<b>29,460</b>	26,677
Planning and development	42,402	<b>42,122</b>	42,943
Recreation	400,304	<b>460,921</b>	402,091
Culture	38,884	<b>53,721</b>	38,568
Gas system	523,799	<b>523,348</b>	537,601
Amortization	399,300	<b>433,522</b>	418,178
	<u>2,744,500</u>	<u><b>2,944,411</b></u>	<u>2,785,747</u>
<b>EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES BEFORE OTHER</b>	101,367	<b>54,129</b>	97,660
<b>OTHER</b>			
Government transfers for capital (Schedule 4)	482,400	<b>498,868</b>	264,909
<b>EXCESS OF REVENUE OVER EXPENSES</b>	583,767	<b>552,997</b>	362,569
<b>ACCUMULATED SURPLUS, BEGINNING OF YEAR</b>	8,492,101	<b>8,492,101</b>	8,129,532
<b>ACCUMULATED SURPLUS, END OF YEAR</b>	<u>9,075,868</u>	<u><b>9,045,098</b></u>	<u>8,492,101</u>

# TOWN OF KILLAM

## CONSOLIDATED STATEMENT OF CHANGES IN NET FINANCIAL ASSETS FOR THE YEAR ENDED DECEMBER 31, 2020

	Budget (unaudited)	2020	2019
<b>EXCESS OF REVENUE OVER EXPENSES</b>	<u>583,767</u>	<u>552,997</u>	<u>362,569</u>
Acquisition of tangible capital assets	(721,300)	<b>(620,602)</b>	(550,180)
Proceeds on disposal of tangible capital assets	-	<b>8,847</b>	3,905
Amortization of tangible capital assets	399,300	<b>433,522</b>	418,178
Loss (gain) on sale of tangible capital assets	-	<b>(8,847)</b>	506
	<u>(322,000)</u>	<u><b>(187,080)</b></u>	<u>(127,591)</u>
<b>INCREASE IN NET FINANCIAL ASSETS</b>	261,767	<b>365,917</b>	234,978
<b>NET FINANCIAL ASSETS, BEGINNING OF YEAR</b>	<u>574,491</u>	<u><b>574,491</b></u>	<u>339,513</u>
<b>NET FINANCIAL ASSETS, END OF YEAR</b>	<u><u>836,258</u></u>	<u><u><b>940,408</b></u></u>	<u><u>574,491</u></u>

# TOWN OF KILLAM

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

	2020	2019
<b>NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:</b>		
<b>OPERATING</b>		
Excess (deficit) of revenues over expenses	552,997	362,569
Non-cash items included in excess of revenue over expenses:		
Amortization of tangible capital assets	433,522	418,178
Loss (gain) on disposal of tangible capital assets	(8,847)	506
Non-cash charges to operations (net change):		
Decrease (increase) in taxes and grants in place of taxes	(6,396)	15,715
Decrease (increase) in trade and other receivables	(4,945)	(15,525)
Decrease (increase) in due from other governments	(111,995)	(342,688)
Decrease (increase) in inventory held for resale	15,729	(17,705)
Decrease (increase) in other financial assets	631	(462)
Increase (decrease) in accounts payable and accrued liabilities	(7,743)	23,594
Increase (decrease) in deposits held in trust	(71,982)	(1,662)
Increase (decrease) in deferred revenue	(145,925)	45,412
	<b>645,046</b>	<b>487,932</b>
<b>CAPITAL</b>		
Acquisition of tangible capital assets	(620,602)	(550,180)
Sale of tangible capital assets	8,847	3,905
	<b>(611,755)</b>	<b>(546,275)</b>
<b>INVESTING</b>		
Decrease (increase) in restricted cash or cash equivalents	308,200	300,754
<b>FINANCING</b>		
Debt charges recovered	28,263	26,697
Long-term debt repaid	(164,939)	(162,928)
	<b>(136,676)</b>	<b>(136,231)</b>
<b>CHANGE IN CASH AND EQUIVALENTS DURING THE YEAR</b>	<b>204,815</b>	<b>106,180</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<b>664,594</b>	<b>558,414</b>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<b>869,409</b>	<b>664,594</b>
<b>CASH AND CASH EQUIVALENTS IS MADE UP OF:</b>		
Cash on hand	150	150
Cash in bank	122,830	232,220
Term deposits	806,005	800,000
Less: restricted portion of cash and term deposits (Note 2)	(59,576)	(367,776)
	<b>869,409</b>	<b>664,594</b>

# TOWN OF KILLAM

## SCHEDULE OF CHANGES IN ACCUMULATED SURPLUS FOR THE YEAR ENDED DECEMBER 31, 2020 (Schedule 1)

	Unrestricted Surplus	Restricted Surplus	Equity in Tangible Capital Assets	2020	2019
<b>BALANCE, BEGINNING OF YEAR</b>	351,099	846,507	7,294,495	<b>8,492,101</b>	<b>8,129,532</b>
Excess of revenues over expenses	552,997	-	-	<b>552,997</b>	362,569
Unrestricted funds designated for future use	(424,276)	424,276	-	-	-
Restricted funds used for operations	18,687	(18,687)	-	-	-
Restricted funds used for tangible capital assets	-	(225,681)	225,681	-	-
Current year funds used for tangible capital assets	(394,921)	-	394,921	-	-
Disposal of tangible capital assets	-	-	-	-	-
Annual amortization expense	433,522	-	(433,522)	-	-
Net change in long term debt	(102,329)	-	102,329	-	-
Change in accumulated surplus	83,680	179,908	289,409	<b>552,997</b>	362,569
<b>BALANCE, END OF YEAR</b>	<b>434,779</b>	<b>1,026,415</b>	<b>7,583,904</b>	<b>9,045,098</b>	<b>8,492,101</b>

**TOWN OF KILLAM**

**CONSOLIDATED SCHEDULE OF TANGIBLE CAPITAL ASSETS  
FOR THE YEAR ENDED DECEMBER 31, 2020  
(Schedule 2)**

	LAND	LAND IMPROVEMENTS	BUILDINGS	ENGINEERED STRUCTURES	MACHINERY AND EQUIPMENT	VEHICLES	2020	2019
<b>COST:</b>								
Balance - beginning of year	706,262	468,742	1,021,456	24,474,874	931,674	422,414	<b>28,025,422</b>	27,520,018
Acquisition of tangible capital assets	-	-	-	565,602	-	55,000	<b>620,602</b>	550,180
Disposal of tangible capital assets	-	-	-	-	(41,151)	-	<b>(41,151)</b>	(44,776)
Balance - end of year	706,262	468,742	1,021,456	25,040,476	890,523	477,414	<b>28,604,873</b>	28,025,422
<b>ACCUMULATED AMORTIZATION</b>								
Balance - beginning of year	-	301,389	421,345	18,683,175	517,249	184,654	<b>20,107,812</b>	19,729,999
Annual amortization	-	14,927	23,318	322,803	48,808	23,666	<b>433,522</b>	418,178
Accumulated amortization on disposals	-	-	-	-	(41,151)	-	<b>(41,151)</b>	(40,365)
Balance - end of year	-	316,316	444,663	19,005,978	524,906	208,320	<b>20,500,183</b>	20,107,812
<b>NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS</b>	<b>706,262</b>	<b>152,426</b>	<b>576,793</b>	<b>6,034,498</b>	<b>365,617</b>	<b>269,094</b>	<b>8,104,690</b>	<b>7,917,610</b>
<b>OPENING NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS</b>	706,262	167,353	600,111	5,791,699	414,425	237,760	7,917,610	

# TOWN OF KILLAM

## CONSOLIDATED SCHEDULE OF PROPERTY TAXES LEVIED FOR THE YEAR ENDED DECEMBER 31, 2020 (Schedule 3)

	Budget (Unaudited)	2020	2019
<b>TAXATION</b>			
Real property taxes	1,261,756	<b>1,260,828</b>	1,324,784
Linear property taxes	35,021	<b>25,352</b>	24,913
Government grants in place of property taxes	27,773	<b>27,773</b>	26,583
	<u>1,324,550</u>	<u><b>1,313,953</b></u>	<u>1,376,280</u>
<b>REQUISITIONS</b>			
Alberta School Foundation	281,200	<b>278,131</b>	278,550
Flagstaff Regional Housing Group	12,600	<b>12,600</b>	14,880
Designated Industrial Levy	-	-	168
	<u>293,800</u>	<u><b>290,731</b></u>	<u>293,598</u>
<b>NET MUNICIPAL TAXES</b>	<u>1,030,750</u>	<u><b>1,023,222</b></u>	<u>1,082,682</u>

# TOWN OF KILLAM

## CONSOLIDATED SCHEDULE OF GOVERNMENT TRANSFERS FOR THE YEAR ENDED DECEMBER 31, 2020 (Schedule 4)

	Budget (Unaudited)	2020	2019
<b>TRANSFERS FOR OPERATING</b>			
Provincial Government	66,463	<b>143,999</b>	100,645
Local Governments	-	<b>45,865</b>	41,766
	<u>66,463</u>	<u><b>189,864</b></u>	<u>142,411</u>
<b>TRANSFERS FOR CAPITAL</b>			
Provincial Government	482,400	<b>498,868</b>	264,909
	<u>482,400</u>	<u><b>498,868</b></u>	<u>264,909</u>
<b>TOTAL GOVERNMENT TRANSFERS</b>	<u>548,863</u>	<u><b>688,732</b></u>	<u>407,320</u>

# TOWN OF KILLAM

## CONSOLIDATED SCHEDULE OF EXPENDITURE BY OBJECT FOR THE YEAR ENDED DECEMBER 31, 2020 (Schedule 5)

	Budget (Unaudited)	2020	2019
<b>Expenditures</b>			
Salaries, wages and benefits	758,561	<b>737,607</b>	762,931
Contracted and general services	627,842	<b>746,585</b>	625,813
Purchases from other governments	4,337	<b>4,384</b>	4,338
Materials, goods and utilities	581,220	<b>593,638</b>	589,524
Transfers to local boards and agencies	331,038	<b>399,966</b>	345,653
Transfers to individuals and agencies	6,400	<b>4,592</b>	5,692
Bank charges and short term interest	1,000	<b>681</b>	886
Interest on operating long term debt	-	<b>8,202</b>	8,966
Interest on capital long term debt	32,802	<b>15,055</b>	23,260
Other expenditures	2,000	<b>179</b>	-
Amortization of tangible capital assets	399,300	<b>433,522</b>	418,178
Loss on disposal of tangible capital assets	-	-	506
	<u>2,744,500</u>	<u><b>2,944,411</b></u>	<u>2,785,747</u>

**TOWN OF KILLAM**

**SCHEDULE OF SEGMENTED DISCLOSURE  
FOR THE YEAR ENDED DECEMBER 31, 2020  
(Schedule 6)**

	General Government	Protective Services	Transportation services	Environmental Services	Public Health & Welfare	Planning & Development	Recreation & Culture	Other	Total
<b>REVENUE</b>									
Net municipal property taxes (Schedule 2)	1,023,222	-	-	-	-	-	-	-	1,023,222
User fees and sales of goods	2,282	90,316	55,897	646,916	11,321	26,290	91,242	682,768	1,607,032
Penalties and costs on taxes	17,387	-	-	-	-	-	-	8,967	26,354
Licenses and permits	-	3,790	-	-	-	26,302	-	-	30,092
Fines	2,207	275	-	-	-	-	-	-	2,482
Franchise and concession contracts	68,788	-	-	-	-	-	-	-	68,788
Investment income	14,045	-	2,515	-	-	-	-	-	16,560
Rentals	-	7,200	-	-	-	3,299	-	-	10,499
Government transfers	110,074	79,790	-	-	-	-	-	57,392	247,256
Other	-	-	-	-	5,909	-	580	8,311	14,800
	<u>1,238,005</u>	<u>181,371</u>	<u>58,412</u>	<u>646,916</u>	<u>17,230</u>	<u>55,891</u>	<u>91,822</u>	<u>757,438</u>	<u>3,047,085</u>
<b>EXPENSES</b>									
Salaries, wages and benefits	220,645	46,033	158,673	171,517	11,609	-	113,622	15,508	737,607
Contracted and general services	106,463	78,553	178,072	199,504	13	14,812	1,049	168,119	746,585
Purchases from other governments	-	4,384	-	-	-	-	-	-	4,384
Materials, goods and utilities	16,781	7,243	138,625	56,096	3,300	15,729	16,143	339,721	593,638
Transfers to local boards and agencies	1,600	-	-	-	14,538	-	383,828	-	399,966
Transfers to individuals and agencies	4,592	-	-	-	-	-	-	-	4,592
Bank charges and short term interest	681	-	-	-	-	-	-	-	681
Interest on operating long term debt	-	-	-	-	-	8,202	-	-	8,202
Interest on capital long term debt	-	-	11,855	-	-	3,200	-	-	15,055
	<u>350,762</u>	<u>136,213</u>	<u>487,225</u>	<u>427,117</u>	<u>29,460</u>	<u>42,122</u>	<u>514,642</u>	<u>523,348</u>	<u>2,510,889</u>
<b>NET REVENUE, BEFORE AMORTIZATION</b>	887,243	45,158	(428,813)	219,799	(12,230)	13,769	(422,820)	234,090	536,196
<b>AMORTIZATION AND DISPOSAL OF ASSETS</b>									
Amortization of tangible capital assets	15,147	28,476	250,196	110,873	-	-	23,197	5,633	433,522
Loss (gain) on disposal of tangible capital asse	-	-	(8,847)	-	-	-	-	-	(8,847)
	<u>15,147</u>	<u>28,476</u>	<u>241,349</u>	<u>110,873</u>	<u>-</u>	<u>-</u>	<u>23,197</u>	<u>5,633</u>	<u>424,675</u>
<b>NET REVENUE</b>	872,096	16,682	(670,162)	108,926	(12,230)	13,769	(446,017)	228,457	111,521

# TOWN OF KILLAM

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020

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### 1. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements of the Town of Killam are the representations of management prepared in accordance with generally accepted accounting principles for local governments established by the Public Sector Accounting Board of the Canadian Chartered Professional Accountants.

Significant aspects of the accounting policies adopted by the town are as follows:

#### **a) Reporting Entity**

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

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

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

#### **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.

# TOWN OF KILLAM

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020

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### 1. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### c) Use of Estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenditure during the period. Where measurement uncertainty exists, the financial statements have been prepared within reasonable limits of materiality. Actual results could differ from those estimates.

#### d) Investments

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

#### e) Requisition Over-levy and Under-levy

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

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

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

#### f) Inventories for Resale

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

#### g) Tax revenue

Tax revenues are recognized when the tax has been authorized by bylaw and the taxable event has occurred.

Requisitions operate as a flow through and are excluded from municipal revenue.

# TOWN OF KILLAM

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020

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### 1. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### h) Government Transfers

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

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

#### i) Landfill Closure and Post-Closure Liability

Pursuant to the Alberta Environmental Protection and Enhancement Act, the town is required to fund the closure of its landfill site and provide for post-closure care of the facility. Closure and post-closure activities include the final clay cover, landscaping, as well as surface and ground water monitoring, leachate control, and visual inspection. The requirement is being provided for over the estimated remaining life of the landfill site based on usage.

#### j) 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.

#### 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 Assets 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
Buildings	50
Engineered structures - other	20-50
Engineered structures - water system	30-75
Engineered structures - wastewater system	50
Land improvements	15
Machinery and equipment	7-15
Vehicles	10-25

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

# TOWN OF KILLAM

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020

### 1. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 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 held for consumption are recorded at the lower of cost and replacement cost.

#### v. Cultural and Historical Tangible Capital Assets

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

### 2. CASH AND TERM DEPOSITS

	2020	2019
Included in cash and term deposits are amounts received from various grant funding programs that are held for use in accordance with the funding agreements. (Note 4)		
Alberta Community Partnership	-	33,926
Municipal Sustainability Initiative - capital	-	242,437
Federal Gas Tax	16,709	16,709
MOST Covid relief funding	40,145	-
	<b>56,854</b>	293,072
Deposits held in trust	2,722	74,704
Included in cash and term deposits are amounts designated by council for future expenses and tangible capital asset acquisitions.	<b>869,409</b>	664,594
Total restricted cash and term deposits	<b>928,985</b>	1,032,370
Total un-restricted cash and term deposits	-	-

### 3. TAXES AND GRANTS IN PLACE OF TAXES RECEIVABLES

	2020	2019
Current taxes and grants in place of taxes	48,187	47,661
Arrears taxes	27,387	21,517
	<b>75,574</b>	69,178

# TOWN OF KILLAM

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020

### 4. DEFERRED INCOME

Deferred income consists of the following:

	2020	2019
Alberta Community Partnership	-	33,926
Municipal Sustainability Initiative - capital	<b>264,588</b>	472,917
Federal Gas Tax	<b>185,039</b>	128,466
MOST Covid relief funding	<b>40,145</b>	-
Prepaid property taxes	<b>44,023</b>	44,411
	<b>533,795</b>	679,720

### 5. LONG TERM DEBT

	2020	2019
Operating		
Alberta Capital Finance Authority	<b>313,741</b>	362,347
ATB Financial	<b>69,940</b>	83,944
	<b>383,681</b>	446,291
Capital		
Alberta Capital Finance Authority	<b>137,176</b>	166,003
ATB Financial	<b>383,610</b>	457,112
	<b>520,786</b>	623,115
	<b>904,467</b>	1,069,406

Principal and interest payments are as follows:

	Principal	Interest	Total
2021	157,346	20,288	177,634
2022	153,671	16,726	170,397
2023	157,275	13,122	170,397
2024	160,964	9,433	170,397
2025	128,571	5,686	134,257
Thereafter	146,640	19,583	166,223
	<b>904,467</b>	<b>84,838</b>	<b>989,305</b>

Debenture debt owing to Alberta Capital Finance Authority bears interest ranging from 1.24% to 2.765% per annum and matures in periods from 2021 through 2035 and is secured by the credit and security of the town at large.

Debt repayable to ATB Financial bears interest at Prime and is secured by a general security agreement.

The town's total cash payments for interest in 2020 were \$25,734 (2019 - \$36,347).

# TOWN OF KILLAM

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020

### 6. DEBT LIMITS

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

	<u>2020</u>	<u>2019</u>
Total debt limit	<u>4,497,810</u>	<u>4,325,111</u>
Total debt	<u>904,467</u>	<u>1,069,406</u>
Surplus debt limit	<u>3,593,343</u>	<u>3,255,705</u>
Debt servicing limit	<u>749,635</u>	<u>720,852</u>
Debt servicing	<u>177,634</u>	<u>190,673</u>
Surplus debt servicing	<u>572,001</u>	<u>530,179</u>

The debt limit is calculated at 1.5 times revenue of the municipality (as defined in Alberta Regulation 255/00) and the debt service limit is calculated at 0.25 times such revenue. Incurring debt beyond these limitations requires approval by the Minister of Municipal Affairs. These thresholds are guidelines used by Alberta Municipal Affairs to identify municipalities, 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.

### 7. EQUITY IN TANGIBLE CAPITAL ASSETS

	<u>2020</u>	<u>2019</u>
Tangible capital assets (Schedule 2)	<u>28,604,873</u>	<u>28,025,422</u>
Accumulated amortization (Schedule 2)	<u>(20,500,183)</u>	<u>(20,107,812)</u>
Long-term debt (Note 6)	<u>(520,786)</u>	<u>(623,115)</u>
	<u>7,583,904</u>	<u>7,294,495</u>

# TOWN OF KILLAM

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020

### 8. ACCUMULATED SURPLUS

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

	<u>2020</u>	<u>2019</u>
<b>Unrestricted surplus</b>	<b><u>434,779</u></b>	<b><u>351,099</u></b>
<b>Restricted surplus</b>		
Administration	17,895	2,895
Cemetery	12,058	12,058
Fire	145,500	75,500
Common services	42,113	22,113
Roads	145,000	95,000
Water	269,094	361,042
Sewer	260,185	161,952
Parks and recreation	85,703	80,390
Gas system	48,867	35,557
	<b><u>1,026,415</u></b>	<b><u>846,507</u></b>
<b>Equity in tangible capital assets</b>	<b><u>7,583,904</u></b>	<b><u>7,294,495</u></b>
	<b><u>9,045,098</u></b>	<b><u>8,492,101</u></b>

### 9. SEGMENTED DISCLOSURE

The Town of Killam provides a range of services to its ratepayers. For each reported segment, revenues and expenses represent both amounts that are directly attributable to the segment and amounts that are allocated on a reasonable basis. The accounting policies used in these segments are consistent with those followed in the preparation of the financial statements as disclosed in Note 1.

Refer to the Schedule of Segmented Disclosure (schedule 6)

# TOWN OF KILLAM

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020

### 10. SALARY AND BENEFITS DISCLOSURE

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

	2020			2019
	Salary	Benefits & Allowances	Total	Total
Grove	8,000	230	8,230	8,230
Kellert	15,000	536	15,536	15,536
Krys	8,000	230	8,230	8,230
McDermott	8,000	230	8,230	8,230
Pierce	8,000	230	8,230	8,230
CAO	103,000	22,974	125,974	130,926
Designated officer (3)	31,397	-	31,397	27,048

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

2. Employer's share of all employee benefits and contributions or payments made on behalf of employees including pension, health care, dental coverage, vision coverage, group life insurance, accidental disability and dismemberment insurance, long and short-term disability plans, professional memberships and tuition.

### 11. CONTINGENCIES

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

The town is a member of the Flagstaff Regional Solid Waste Management Association. Under the terms of the membership, the town could become liable for its proportionate share of any landfill closure and post-closure costs in excess of the funds held by the association. Any liability incurred would be accounted for as a current transaction in the year the shortfall is determined.

# TOWN OF KILLAM

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020

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### 12. FINANCIAL INSTRUMENTS

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

The town is subject to credit risk with respect to taxes receivable and trade and other receivables. Credit risk arises from the possibility that taxpayers and entities to which the Town provides services may experience financial difficulty and be unable to fulfill their obligations. The large number and diversity of taxpayers and customers minimizes the credit risk.

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

### 13. 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 Pension Plans Act. The LAPP serves 274,151 people and 420 employers. The LAPP is financed by employer and employee contributions and by investment earnings of the LAPP Fund.

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

The town is required to make current service contributions to the LAPP of 9.39% 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 during the year were \$51,240. Total current service contributions by the employees of the Town to the Local Authorities Pension Plan during the year were \$46,237.

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

# TOWN OF KILLAM

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020

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### 14. CONTAMINATED SITES LIABILITY

The town has adopted PS3260 Liability for Contaminated Sites. The town did not identify any financial liabilities in 2020 (2019 – nil) as a result of this standard.

### 15. COMPARITIVE FIGURES

Certain comparative figures have been restated to conform to the current year's presentation.

### 16. APPROVAL OF FINANCIAL STATEMENTS

Council and Management have approved these financial statements.