

**TOWN OF FOX CREEK
FINANCIAL STATEMENTS
FOR THE YEAR END DECEMBER 31, 2019**

**TOWN OF FOX CREEK
FINANCIAL STATEMENTS
DECEMBER 31, 2019**

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INDEPENDENT AUDITOR'S REPORT

To the Members of Council:

Qualified Opinion

We have audited the financial statements of the Town of Fox Creek (the "Town"), which comprise of the statement of financial position as at December 31, 2019 and the results of its operations and changes in its net financial assets and cash flows for the year then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the effect of the matters described in the Basis of Qualified Opinion section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the Town of Fox Creek as at December 31, 2019, the results of its operations, changes in net financial assets and its cash flows for the year ended in accordance with Canadian public sector accounting standards.

Basis for Qualified Opinion

The Town of Fox Creek operates a landfill and has not recognized any liability for closure and post closure care costs associated with the landfill operations. This is a departure from CPA Canada Handbook Section PS3270 - *solid waste landfill closure and post closure liability*. The amount of any potential liability is unknown, and we are unable to determine if any adjustments are required.

The Town of Fox Creek's tangible capital asset balance may not be complete as it is not certain if all tangible capital assets have been properly capitalized. Further, the Town's accounting policy for amortization of tangible capital assets utilizes half-year amortization on year of acquisition rather than recognizing the in-service date of new tangible capital assets. Tangible capital assets are recorded as a non-financial asset and represents \$86,176,663 (2018 - \$82,917,400) of the Town's total non-financial assets. The amount of any potential adjustment is unknown, and we are unable to determine if any adjustments are required.

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 of Fox Creek in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Emphasis of Matter

We draw attention to Note 18 to the financial statements, which describes prior period adjustments that are required to reflect a correction to various accounts of the Town. Our opinion is not modified in respect of this matter.

Other Matter

The financial statements of the Town for the year ended December 31, 2018 were audited by another firm of Chartered Professional Accountants who expressed an unmodified opinion on those financial statements on March 25, 2019.

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

Management is responsible for the preparation and fair presentation of these 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 the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Town's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to 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 Responsibility for the Audit of the Financial Statements

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

- 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 controls.
- Obtain an understanding of internal controls 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 controls.
- 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 the auditor's report. However, future events or conditions may cause the Town to cease to continue to be 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 things, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal controls that we identify during the audit.

Report on Other Legal and Regulatory Requirements

- Debt Limit Regulation: In accordance with Alberta Regulation 255/2000, we confirm that the municipality is in compliance with the Debt Limit Regulation. A detailed account of the Town's debt limit can be found in Note 7.
- 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 1.

A handwritten signature in black ink that reads "Ascend". The letter "A" is large and stylized, with a long horizontal stroke extending to the right. The word "scend" is written in a cursive script below the "A".

CANMORE, ALBERTA
SEPTEMBER 26, 2022

ASCEND LLP
CHARTERED PROFESSIONAL ACCOUNTANTS



TOWN OF FOX CREEK
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2019

	2019	2018 (Restated)
<hr/>		
FINANCIAL ASSETS		
Cash and temporary investments (Note 2)	\$ 19,732,224	\$ 14,323,229
Receivables		
Taxes and grants in place of taxes (Note 3)	766,910	507,678
Trade and other receivables	598,496	1,039,498
Receivables from other governments	6,278,185	10,200,230
Land inventory held for resale	<u>2,549,121</u>	<u>1,059,491</u>
	<u>29,924,936</u>	<u>27,130,126</u>
LIABILITIES		
Accounts payable and accrued liabilities (Note 4)	2,260,107	4,850,481
Deposit liabilities	543,718	514,730
Deferred revenue (Note 5)	5,763,968	5,630,732
Long-term debt (Note 6)	<u>15,177,548</u>	<u>10,958,325</u>
	<u>23,745,341</u>	<u>21,954,268</u>
NET FINANCIAL ASSETS	<u>6,179,595</u>	<u>5,175,858</u>
NON-FINANCIAL ASSETS		
Tangible capital assets (Schedule 1)	86,176,663	82,917,400
Inventory for consumption		91,332
Prepaid expenses	<u>69,376</u>	<u>3,098</u>
	<u>86,246,039</u>	<u>83,011,830</u>
ACCUMULATED SURPLUS	<u>\$ 92,425,634</u>	<u>\$ 88,187,688</u>
	CONTAMINATED SITES LIABILITY (SEE NOTE 10) COMMITMENTS (SEE NOTE 15) CONTINGENCIES (SEE NOTE 16)	

TOWN OF FOX CREEK
STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2019

	Budget (Unaudited)	2019	2018 (Restated)
REVENUE			
Net municipal taxes (Schedule 2)	\$ 4,130,148	\$ 4,073,248	\$ 3,933,526
User fees and sale of goods	2,696,748	3,221,457	2,620,296
Government transfers for operating (Schedule 3)	4,388,647	2,710,446	2,964,001
Penalties and costs on taxes	117,531	191,157	123,076
Licenses and permits	305,000	368,106	265,769
Fines	101,200	69,557	126,603
Franchise and concession contracts	190,000	209,603	217,477
Investment income	50,000	187,956	145,614
Rentals	732,000	483,689	595,027
Gain on disposal of tangible capital assets		10,496	
Other	<u>202,000</u>	<u>148,655</u>	<u>193,395</u>
Total Revenue	<u>12,913,274</u>	<u>11,674,370</u>	<u>11,184,784</u>
EXPENSES			
General government			
Council and other legislative	520,600	302,753	345,215
General administrative	1,466,268	1,492,086	1,471,634
Protective services			
Police	157,500	169,288	174,211
Fire protection	497,600	694,881	509,276
Emergency measures and disaster services	5,000	11,021	147,678
Ambulance services and first aid	38,000	14,515	7,160
Bylaw enforcement	168,100	175,917	146,031
Transportation services			
Common and equipment pool	851,400	604,064	900,051
Roads, streets, walks, and lighting	862,000	1,310,711	1,303,965
Airport	42,400	4,562	3,595
Water and wastewater			
Water supply and distribution	681,200	1,115,002	1,190,702
Wastewater treatment and disposal	403,700	475,373	280,657
Waste management			
Waste management	407,600	482,167	498,303
Public health and welfare			
Family and community support services	1,023,290	958,778	900,806
Other public health and welfare	294,200	232,313	280,203
Planning and development			
Land use planning, zoning and development	215,400	212,814	190,345
Subdivision land and development	26,500	48,554	50,594
Economic development	241,150	122,873	118,032
Recreation and culture			
Parks and recreation	2,877,500	3,820,287	1,987,652
Libraries, museums, and halls	<u>180,900</u>	<u>305,236</u>	<u>387,258</u>
Total Expenses	<u>10,960,308</u>	<u>12,553,195</u>	<u>10,893,368</u>
EXCESS (SHORTFALL) OF REVENUE OVER EXPENSES - BEFORE OTHER	1,952,966	(878,825)	291,416
Government transfers for capital (Schedule 3)	3,318,740	5,030,011	8,297,920
Other capital revenue	<u>86,760</u>	<u>86,760</u>	<u>28,788</u>
EXCESS OF REVENUE OVER EXPENSES	5,271,706	4,237,946	8,618,124
ACCUMULATED SURPLUS, BEGINNING OF YEAR	<u>88,187,688</u>	<u>88,187,688</u>	<u>79,569,564</u>
ACCUMULATED SURPLUS, END OF YEAR	<u>\$ 93,459,394</u>	<u>\$ 92,425,634</u>	<u>\$ 88,187,688</u>

TOWN OF FOX CREEK
STATEMENT OF CHANGES IN NET FINANCIAL ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2019

	Budget (Unaudited)	2019	2018 (Restated)
EXCESS OF REVENUE OVER EXPENSES	\$ <u>5,271,706</u>	\$ <u>4,237,946</u>	\$ <u>8,618,124</u>
Acquisition of tangible capital assets	(7,528,478)	(5,789,702)	(16,112,099)
Amortization on tangible capital assets		2,484,850	1,777,542
Gain (loss) on disposal of tangible capital assets		(10,496)	11,253
Proceeds on disposition of tangible capital assets	<u> </u>	<u>56,085</u>	<u> </u>
	<u>(7,528,478)</u>	<u>(3,259,263)</u>	<u>(14,323,304)</u>
Change in prepaid expenses		(66,278)	16,233
Change in inventory for consumption	<u> </u>	<u>91,332</u>	<u> </u>
		<u>25,054</u>	<u>16,233</u>
INCREASE (DECREASE) IN NET ASSETS	(2,256,772)	1,003,737	(5,688,947)
NET FINANCIAL ASSETS, BEGINNING OF YEAR	<u>5,175,858</u>	<u>5,175,858</u>	<u>10,864,805</u>
NET FINANCIAL ASSETS, END OF YEAR	<u>\$ <u>2,919,086</u></u>	<u>\$ <u>6,179,595</u></u>	<u>\$ <u>5,175,858</u></u>

TOWN OF FOX CREEK
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2019

	2019	2018 (Restated)
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NET INFLOW (OUTFLOWS) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING		
Excess of revenues over expenses	\$ 4,237,946	\$ 8,618,124
Non-cash items included in excess of revenues over expenses:		
Amortization on tangible capital assets	2,484,850	1,777,542
Gain (loss) on disposal of tangible capital assets	<u>(10,496)</u>	<u>11,253</u>
	6,712,300	10,406,919
Changes in net financial asset (debt) items:		
Increase in taxes and grants in place of taxes	(259,232)	(190,568)
Decrease (increase) in trade and other receivables	441,002	(369,056)
Decrease (increase) in receivables from other governments	3,922,045	(5,917,417)
Increase in land inventory held for resale	(1,489,630)	(204,327)
Decrease in inventory for consumption	91,332	3,843
(Increase) decrease in prepaid expenses	(66,278)	16,233
(Decrease) increase in accounts payable and accrued liabilities	(2,590,374)	605,146
Increase in deposit liabilities	28,988	191,120
Increase (decrease) in deferred revenue	<u>133,236</u>	<u>(348,695)</u>
Cash provided by (applied to) operating transactions	<u>6,923,389</u>	<u>4,193,198</u>
CAPITAL		
Acquisition of tangible capital assets	(5,789,702)	(16,112,099)
Proceeds on disposal of tangible capital assets	<u>56,085</u>	<u></u>
Cash provided by (applied to) capital transactions	<u>(5,733,617)</u>	<u>(16,112,099)</u>
FINANCING		
Proceeds of long-term debt	4,638,625	10,059,569
Repayment of long-term debt	<u>(419,402)</u>	<u>(121,007)</u>
Cash provided by (applied to) financing transactions	<u>4,219,223</u>	<u>9,938,562</u>
CHANGE IN CASH AND EQUIVALENTS DURING THE YEAR	5,408,995	(1,980,339)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>14,323,229</u>	<u>16,303,568</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>\$ 19,732,224</u></u>	<u><u>\$ 14,323,229</u></u>

TOWN OF FOX CREEK
SCHEDULE OF TANGIBLE CAPITAL ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2019

Schedule 1

	Construction in Progress	Land	Land Improvements	Buildings	Engineered Structures	Machinery & Equipment	Vehicles	2019	2018 (Restated)
COST:									
BALANCE, BEGINNING OF YEAR	\$ 354,119	\$ 96,646	\$ 3,098,224	\$50,497,779	\$40,219,150	\$ 4,167,661	\$ 1,568,519	\$100,002,098	\$ 84,175,610
Acquisition of tangible capital assets			11,552	873,529	4,208,104	405,391		5,498,576	15,757,980
Construction-in-progress	291,126							291,126	354,119
Disposal of tangible capital assets						(57,983)		(57,983)	(285,611)
BALANCE, END OF YEAR	<u>645,245</u>	<u>96,646</u>	<u>3,109,776</u>	<u>51,371,308</u>	<u>44,427,254</u>	<u>4,515,069</u>	<u>1,568,519</u>	<u>105,733,817</u>	<u>100,002,098</u>
ACCUMULATED AMORTIZATION:									
BALANCE, BEGINNING OF YEAR			754,359	2,510,877	9,984,125	2,724,528	1,110,809	17,084,698	15,581,513
Annual amortization			46,993	1,452,710	646,782	246,823	91,542	2,484,850	1,777,542
Disposals						(12,394)		(12,394)	(274,357)
BALANCE, END OF YEAR			<u>801,352</u>	<u>3,963,587</u>	<u>10,630,907</u>	<u>2,958,957</u>	<u>1,202,351</u>	<u>19,557,154</u>	<u>17,084,698</u>
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	<u>\$ 645,245</u>	<u>\$ 96,646</u>	<u>\$ 2,308,424</u>	<u>\$47,407,721</u>	<u>\$33,796,347</u>	<u>\$ 1,556,112</u>	<u>\$ 366,168</u>	<u>\$ 86,176,663</u>	<u>\$ 82,917,400</u>
 2018 NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	 <u>\$ 354,119</u>	 <u>\$ 96,646</u>	 <u>\$ 2,343,865</u>	 <u>\$47,986,902</u>	 <u>\$30,235,025</u>	 <u>\$ 1,443,133</u>	 <u>\$ 457,710</u>	 <u>\$ 82,917,400</u>	

TOWN OF FOX CREEK
SCHEDULE OF PROPERTY AND OTHER TAXES
FOR THE YEAR ENDED DECEMBER 31, 2019
Schedule 2

	Budget (Unaudited)	2019	2018 (Restated)
TAXATION			
Real property taxes	\$ 5,095,850	\$ 5,032,516	\$ 4,911,841
Linear property taxes	128,576	128,632	122,620
Government grants in place of property taxes	68,738	61,165	71,615
Local improvement taxes	<u>48,700</u>	<u>43,746</u>	<u>43,746</u>
	<u>5,341,864</u>	<u>5,266,059</u>	<u>5,149,822</u>
REQUISITIONS			
Alberta School Foundation Fund	1,150,516	1,131,628	1,150,663
Heart River Foundation	<u>61,200</u>	<u>61,183</u>	<u>65,633</u>
	<u>1,211,716</u>	<u>1,192,811</u>	<u>1,216,296</u>
NET MUNICIPAL TAXES	<u>\$ 4,130,148</u>	<u>\$ 4,073,248</u>	<u>\$ 3,933,526</u>

SCHEDULE OF GOVERNMENT TRANSFERS
FOR THE YEAR ENDED DECEMBER 31, 2019
Schedule 3

	Budget (Unaudited)	2019	2018 (Restated)
TRANSFERS FOR OPERATING			
Provincial government	\$ 685,995	\$ 631,244	\$ 892,116
Local governments	<u>3,702,652</u>	<u>2,079,202</u>	<u>2,071,885</u>
	<u>4,388,647</u>	<u>2,710,446</u>	<u>2,964,001</u>
TRANSFERS FOR CAPITAL			
Provincial government	3,000,000	3,774,157	780,137
Local governments	<u>318,740</u>	<u>1,255,854</u>	<u>7,517,783</u>
	<u>3,318,740</u>	<u>5,030,011</u>	<u>8,297,920</u>
TOTAL GOVERNMENT TRANSFERS	<u>\$ 7,707,387</u>	<u>\$ 7,740,457</u>	<u>\$ 11,261,921</u>

TOWN OF FOX CREEK
SCHEDULE OF EXPENSES BY OBJECT
FOR THE YEAR ENDED DECEMBER 31, 2019

Schedule 4

	Budget (Unaudited)	2019	2018 (Restated)
EXPENSES BY OBJECT			
Salaries, wages and benefits	\$ 5,696,830	\$ 5,347,654	\$ 4,358,707
Contracted and general services	2,673,568	2,122,645	2,417,504
Purchases from other governments	150,000	161,502	167,503
Materials, goods, supplies and utilities	1,502,410	1,413,464	1,390,984
Provision for allowances	1,000	176,843	220,000
Transfers to individuals and organizations	342,400	255,274	290,351
Bank charges and short-term interest	30,000	59,489	27,055
Interest on capital long-term debt	546,900	503,133	232,469
Amortization of tangible capital assets		2,484,850	1,777,542
Loss on disposal of tangible capital assets			11,253
Other expenses	17,200	28,341	
	<u>\$ 10,960,308</u>	<u>\$ 12,553,195</u>	<u>\$ 10,893,368</u>

TOWN OF FOX CREEK
SCHEDULE OF CHANGES IN ACCUMULATED SURPLUS
FOR THE YEAR ENDED DECEMBER 31, 2019

Schedule 5

	Unrestricted Surplus	Restricted Surplus	Equity in Tangible Capital Assets	2019	2018 (Restated)
BALANCE, BEGINNING OF YEAR (as previously stated)	\$ <u>8,965,948</u>	\$ <u>9,052,618</u>	\$ <u>72,665,149</u>	\$ <u>90,683,715</u>	\$ <u>79,974,968</u>
Prior period adjustment (Note 18)	<u>(2,173,559)</u>	<u>383,606</u>	<u>(706,074)</u>	<u>(2,496,027)</u>	<u>(405,404)</u>
BALANCE, BEGINNING OF YEAR (as restated)	<u>6,792,389</u>	<u>9,436,224</u>	<u>71,959,075</u>	<u>88,187,688</u>	<u>79,569,564</u>
Excess of revenues over expenses	4,237,946			4,237,946	8,618,124
Unrestricted funds designated for future use	(1,599,917)	1,599,917			
Restricted funds used for tangible capital assets		(200,132)	200,132		
Current year funds used for tangible capital assets	(5,589,570)		5,589,570		
Proceeds of capital long term debt	4,638,625		(4,638,625)		
Net book value of disposed tangible capital assets	45,589		(45,589)		
Annual amortization expense	2,484,850		(2,484,850)		
Long-term debt repaid	<u>(419,402)</u>	<u> </u>	<u>419,402</u>	<u> </u>	<u> </u>
Change in accumulated surplus	<u>3,798,121</u>	<u>1,399,785</u>	<u>(959,960)</u>	<u>4,237,946</u>	<u>8,618,124</u>
BALANCE, END OF YEAR	\$ <u>10,590,510</u>	\$ <u>10,836,009</u>	\$ <u>70,999,115</u>	\$ <u>92,425,634</u>	\$ <u>88,187,688</u>

TOWN OF FOX CREEK
SCHEDULE OF SEGMENTED DISCLOSURE
FOR THE YEAR ENDED DECEMBER 31, 2019

Schedule 6

	General Government	Protective Services	Transportation Services	Water and Wastewater	Waste Management	Public Health and Welfare	Planning and Development	Recreation and Culture	Total
REVENUE									
Net municipal taxes	\$ 4,029,502	\$	\$ 30,868	\$ 12,878	\$	\$ 28,296	\$ 410,028	\$ 283,958	\$ 4,073,248
User fees and sales of goods	6,375	74,340	7,380	2,074,530	336,550	28,296	410,028	283,958	3,221,457
Government transfers for operating	1,218,665	130,031	877			593,277		767,596	2,710,446
Penalties and costs on taxes	164,997			26,160					191,157
Licenses and permits		312,052					56,054		368,106
Fines		69,557							69,557
Franchise and concession contracts	209,603								209,603
Investment Income	186,297					627		1,032	187,956
Rentals	371,329	34,800				43,665		33,895	483,689
Gain on disposal of tangible capital assets			10,496						10,496
Other revenues	<u>1,874</u>	<u>2,765</u>				<u>6,917</u>		<u>137,099</u>	<u>148,655</u>
	<u>6,188,642</u>	<u>623,545</u>	<u>49,621</u>	<u>2,113,568</u>	<u>336,550</u>	<u>672,782</u>	<u>466,082</u>	<u>1,223,580</u>	<u>11,674,370</u>
EXPENSES									
Salaries, wages and benefits	1,069,269	238,660	791,025	299,605	130,091	1,017,676	189,851	1,611,477	5,347,654
Contract and general services	402,585	139,583	283,900	389,243	284,285	89,722	165,126	368,201	2,122,645
Purchases from other governments		161,502							161,502
Materials, goods, supplies and utilities	50,058	122,689	426,035	234,735	14,849	71,134	29,264	464,700	1,413,464
Provision for allowance	23,252	31,851	589	45,841	38,709	8,708		27,893	176,843
Transfers to individuals and organizations	114,564					800		139,910	255,274
Bank charges and short-term interest	57,330							2,159	59,489
Interest on capital long-term debt		81,385	16,458	36,415				368,875	503,133
Other expenses	<u>28,341</u>								<u>28,341</u>
	<u>1,745,399</u>	<u>775,670</u>	<u>1,518,007</u>	<u>1,005,839</u>	<u>467,934</u>	<u>1,188,040</u>	<u>384,241</u>	<u>2,983,215</u>	<u>10,068,345</u>
EXCESS (SHORTFALL) OF REVENUE OVER EXPENSE, BEFORE AMORTIZATION AND OTHER	<u>4,443,243</u>	<u>(152,125)</u>	<u>(1,468,386)</u>	<u>1,107,729</u>	<u>(131,384)</u>	<u>(515,258)</u>	<u>81,841</u>	<u>(1,759,635)</u>	<u>1,606,025</u>
Government transfers for capital	59,376	410,385	2,829,897	1,482,687		49,335		198,331	5,030,011
Other capital revenue								86,760	86,760
Amortization expense	<u>(49,440)</u>	<u>(289,952)</u>	<u>(401,330)</u>	<u>(584,536)</u>	<u>(14,233)</u>	<u>(3,051)</u>		<u>(1,142,308)</u>	<u>(2,484,850)</u>
EXCESS (SHORTFALL) OF REVENUE OVER EXPENSES	<u>\$ 4,453,179</u>	<u>\$ (31,692)</u>	<u>\$ 960,181</u>	<u>\$ 2,005,880</u>	<u>\$ (145,617)</u>	<u>\$ (468,974)</u>	<u>\$ 81,841</u>	<u>\$ (2,616,852)</u>	<u>\$ 4,237,946</u>

TOWN OF FOX CREEK
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

1. SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Town of Fox Creek (the "Town") are the representations of management prepared in accordance with generally accepted accounting principles for local governments established by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada. Significant aspects of the accounting policies adopted by the Town are as follows:

a) Reporting Entity

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

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

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

b) Basis of Accounting

The financial statements are prepared using the accrual basis of accounting. The accrual basis of accounting records revenue as it is earned and 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) 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.

Significant financial statement areas requiring the use of management estimates include:

- Useful life of tangible capital assets;
- Accrued liabilities; and
- Fair value of contributed tangible capital assets.

TOWN OF FOX CREEK
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

The Town's financial assets and liabilities are measured as follows:

<u>Financial statement component</u>	<u>Measurement</u>
Cash	Cost and amortized cost
Short-term investments	Amortized cost
Trade and other receivables	Lower of cost or net recoverable value
Land inventory held for resale	Lower of cost or net recoverable value
Accounts payable and accrued liabilities	Cost
Deposit liabilities	Cost
Deferred revenue	Cost
Bank indebtedness and long-term debt	Amortized cost

d) Cash and Cash Equivalents

Cash and cash equivalents are comprised of cash on deposits with financial institutions and highly liquid investments when applicable.

e) Long-term debt

Long-term debt is initially recognized net of any premiums, discounts, fees and transactions costs, with interest expense recognized using the effective interest method. Long-term debt is subsequently measured at amortized cost.

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) Land Inventories Held 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 tangible capital assets under the respective function.

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.

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

TOWN OF FOX CREEK
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 the Town is either directly responsible or accepts responsibility and is management's estimate of the cost of post-remediation including operation, maintenance and monitoring.

k) Revenue Recognition

Revenue from transactions with no performance obligation is recognized at realizable value when the Town has the authority to claim or retain an inflow of economic resources and identifies a past transaction or event giving rise to an asset.

Revenue from transactions with performance obligations is recognized as the performance obligations are satisfied by providing the promised goods or services to the payor. User fees are recognized over the period of use, sales of goods are recognized when goods are delivered. Licenses and permits with a single performance obligation at a point in time are recognized as revenue on issuance, those which result in a continued performance obligation over time are recognized over the period of the license or permit as the performance obligation is satisfied.

l) 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 FOX CREEK
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

m) 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 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 declining balance method at rates designed to amortize the cost of the tangible capital assets over their estimated useful lives. The annual amortization rates are as follows:

	RATE
Land improvements	2%
Buildings	3%
Engineered structures	
Water system	2%
Wastewater system	2%
Other engineered structures	2%
Machinery and equipment	15%
Vehicles	20%

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.

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

Historical buildings and works of art for display are not recorded as tangible capital assets but are disclosed.

TOWN OF FOX CREEK
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

2. CASH AND TEMPORARY INVESTMENTS

	<u>2019</u>	<u>2018</u> <u>(Restated)</u>
Cash	\$ 19,265,709	\$ 13,849,483
Temporary investments	<u>466,515</u>	<u>473,746</u>
	<u>\$ 19,732,224</u>	<u>\$ 14,323,229</u>

The Town received certain Alberta government grants, local municipal grants and donations that are restricted in their use and are to be utilized as funding for certain projects. Since certain projects have not been completed for which this restricted funding has been received, \$5,763,968 (2018 - \$5,630,732) of the cash on hand is not available for general use by the Town.

Of the cash, \$543,718 (2018 - \$517,730) is considered restricted cash and not available for general use as it relates to deposits received.

Temporary investments include guaranteed investment certificates maturing between April 2020 and May 2023, bearing interest at rates between 0.55% and 2.50%.

The Town has a revolving line of credit of \$1,000,000 with the Canadian Imperial Bank of Commerce, bearing interest at prime rate less 0.25%. As of year end, \$0 was outstanding on the revolving line of credit.

3. TAXES AND GRANTS IN PLACE OF TAXES RECEIVABLE

	<u>2019</u>	<u>2018</u> <u>(Restated)</u>
Current taxes and grants in place receivables	\$ 490,335	\$ 346,501
Arrears taxes	<u>565,048</u>	<u>432,799</u>
	1,055,383	779,300
Less: allowance for doubtful accounts	<u>(288,473)</u>	<u>(271,622)</u>
	<u>\$ 766,910</u>	<u>\$ 507,678</u>

4. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	<u>2019</u>	<u>2018</u> <u>(Restated)</u>
Trade payables	\$ 1,246,883	\$ 1,016,875
Holdbacks payable	637,134	3,661,652
Accrued liabilities	276,646	61,922
Accrued vacation payable to employees	<u>99,444</u>	<u>110,032</u>
	<u>\$ 2,260,107</u>	<u>\$ 4,850,481</u>

TOWN OF FOX CREEK
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

5. DEFERRED REVENUE

	<u>2019</u>	<u>2018</u> <u>(Restated)</u>
Shell Canada Energy Waste Water Supply Agreement	\$ 3,215,660	\$ 3,569,678
Municipal District of Greenview	2,148,794	1,302,099
Licenses and permits	109,220	134,795
Parent Link Centre	95,381	15,045
Community Adult Learning Program	76,468	94,673
Fire Department donations	61,647	18,412
Prepaid sponsorships	49,936	57,143
Early Child Development Mapping Project Program	6,862	4,717
Federal Gas Tax Fund		434,170
	<u>\$ 5,763,968</u>	<u>\$ 5,630,732</u>

Shell Canada Energy Waste Water Supply Agreement

The Town has received funding from Shell Canada Energy for the exclusive supply and use of all of the Town's treated waste water. The funds are recognized as revenue on an annual basis until expiry of the agreement in January 2029.

Municipal District of Greenview

Funding has been received from the Municipal District of Greenview for certain operating and capital expenditures which have not yet been expended.

Parent Link Centre

Provincial government funding was received in the current year to operate a parent link centre which has not yet been expended.

Community Adult Learning Program

Provincial government funding was received to undertake certain expenditures under the community adult learning program which has not yet been expended.

Early Child Development Mapping Project Program

Provincial government funding was received to undertake certain to support early child development in the community which has not yet been expended.

TOWN OF FOX CREEK
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

6. LONG TERM DEBT

	<u>2019</u>	<u>2018</u> <u>(Restated)</u>
Tax supported debentures	\$ 595,180	\$ 653,732
Special levy supported debentures	201,278	245,024
Tax supported loans	<u>14,381,090</u>	<u>10,059,569</u>
	<u>\$ 15,177,548</u>	<u>\$ 10,958,325</u>

The current portion of the long-term debt amounts to \$664,631 (2018 - \$102,297)

Principal and interest repayments are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 664,631	\$ 459,055	\$ 1,123,686
2021	687,509	436,177	1,123,686
2022	652,237	412,440	1,064,677
2023	673,107	391,570	1,064,677
2024	694,669	370,008	1,064,677
Thereafter	<u>11,805,395</u>	<u>2,677,289</u>	<u>14,482,684</u>
	<u>\$ 15,177,548</u>	<u>\$ 4,746,539</u>	<u>\$ 19,924,087</u>

Debenture debt is repayable to Treasury Board and Finance and bears interest at 4.96%, 5.10%, and 6.38% per annum and matures in October 2021, March 2029, and December 2029.

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

The Canadian Imperial Bank of Commerce loans bear interest at 2.9% and are repayable in blended monthly payments of \$15,095 and \$66,127.

Interest on long-term debt amounted to \$503,133 (2018 - \$232,469).

The Town's total cash payments for interest amounted to \$468,440 (2018 - \$232,469).

TOWN OF FOX CREEK
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

7. DEBT LIMITS

Section 276(2) of the Municipal Government Act requires that debt and debt limits as defined by Alberta Regulation 255/2000 for the Town of Fox Creek be disclosed as follows:

	<u>2019</u>	<u>2018</u>
Total debt limit	\$ 17,495,811	\$ 16,777,176
Total debt	<u>15,177,548</u>	<u>10,958,325</u>
Amount of debt limit unused	<u>\$ 2,318,263</u>	<u>\$ 5,818,851</u>
Debt servicing limit	\$ 2,915,969	\$ 2,796,196
Debt servicing	<u>1,123,686</u>	<u>149,024</u>
Amount of debt servicing limit unused	<u>\$ 1,792,283</u>	<u>\$ 2,647,172</u>

The debt limit is calculated at 1.5 times revenue of the municipality (as defined in Alberta Regulation 255/2000) and the debt service limit is calculated at 0.25 times such revenue. Incurring debt beyond these limitations requires approval by the Minister of Municipal Affairs. These thresholds are guidelines used by Alberta Municipal Affairs to identify municipalities that could be at financial risk if further debt is acquired. The calculation taken alone does not represent the financial stability of the municipality. Rather, the financial statements must be interpreted as a whole.

8. EQUITY IN TANGIBLE CAPITAL ASSETS

	<u>2019</u>	<u>2018</u>
		<u>(Restated)</u>
Tangible capital assets (Schedule 1)	\$ 105,733,817	\$ 100,002,098
Accumulated amortization (Schedule 1)	(19,557,154)	(17,084,698)
Long-term debt (Note 6)	<u>(15,177,548)</u>	<u>(10,958,325)</u>
	<u>\$ 70,999,115</u>	<u>\$ 71,959,075</u>

TOWN OF FOX CREEK
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

9. ACCUMULATED SURPLUS

	<u>2019</u>	<u>2018</u> <u>(Restated)</u>
Operating Surplus	\$ 10,590,510	\$ 6,792,389
Restricted surplus:		
General administration	395,852	395,852
Fire protection	386,460	414,200
Bylaw enforcement	1,939	15,000
Common and equipment pool	98,515	99,190
Roads, streets, walks, lighting	116,218	116,218
Airport	14,052	14,052
Water supply and distribution	2,203,790	2,322,201
Wastewater treatment and disposal	1,740,587	1,386,569
Waste management	61,988	61,988
Landfill closure and post-closure care	609,669	109,669
Family and community support services	20,065	20,065
Other public health and welfare	103,700	103,700
Community enhancement	2,351,407	2,366,339
Subdivision land and development	448,882	448,882
Recreation	1,098,895	1,124,207
Libraries, museums, halls	137,079	137,079
General	1,046,911	301,013
Equity in tangible capital assets	<u>70,999,115</u>	<u>71,959,075</u>
	<u>\$ 92,425,634</u>	<u>\$ 88,187,688</u>

10. CONTAMINATED SITES LIABILITY

The Town owns properties that may contain environmental contamination and may require site reclamation. The amount of any such obligations are not estimated practically.

TOWN OF FOX CREEK
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

11.SEGMENTED DISCLOSURE

The Town of Fox Creek provides a range of services to its ratepayers. For each reported segment, revenues and expenses represents 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 the following in the preparation of the financial statements as disclosed in Note 1.

Refer to Schedule of Segmented Disclosure (Schedule 6).

General government includes council and other legislative and general administrative. Protective services includes police, fire protection, emergency measures and disaster services, ambulance services and first aid, and bylaw enforcement. Transportation services includes common and equipment pool, roads, streets, walks and lighting, and airport. Water and wastewater includes water supply and distribution and wastewater treatment and disposal. Waste management includes waste management. Public health and welfare includes family and community support services and other public health and welfare. Planning and development includes land use planning, zoning and development, subdivision land and development, and economic development. Recreation and culture includes parks and recreation and libraries, museums and halls.

12.BUDGET DATA

The unaudited budget data presented in these financial statements is based upon the 2019 operating and capital budgets approved by Council. Amortization was not contemplated on development of the budget and, as such, has not been included. The chart below reconciles the approved budget to the budget figures reported in these financial statements.

	<u>Budget Amount</u>
Revenue	
Budgeted revenues	\$ 12,913,274
Capital budget	7,528,478
Less:	
Transfer to other funds	<u>(4,209,738)</u>
Total revenues	<u>16,232,014</u>
Expenses	
Budgeted expenses	12,913,274
Capital budget	7,528,478
Less:	
Transfer to other funds	(1,350,566)
Capital expenses	(7,528,478)
Debt principal payments	<u>(602,400)</u>
Total expenses	<u>10,960,308</u>
Excess of revenue over expenses	\$ <u><u>5,271,706</u></u>

TOWN OF FOX CREEK
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

13. SALARY AND BENEFITS

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

	2019			2018
	<u>Salary</u>	<u>Benefits and allowances</u>	<u>Total</u>	<u>Total</u>
Councillors:				
Mayor Hailes	\$ 21,625	\$ 1,371	\$ 22,996	\$ 24,323
Councillor Ahn	10,650	562	11,212	11,428
Councillor Bainton	13,975	807	14,782	13,528
Councillor Burrridge	14,100	816	14,916	19,264
Councillor Gilmour	13,975	807	14,782	13,226
Councillor Rieger	12,991	745	13,736	13,300
Councillor Watson	10,700	502	11,202	9,697
Chief Administrative Officer	59,759	10,808	70,567	
Former Chief Administrative Officer	323,791	19,338	343,129	190,620
Designated officers (2 positions)	192,260	38,417	230,677	232,075
Town Assessor	27,734		27,734	27,258

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

2. Benefits and allowances includes employer's share of all employee benefits and contributions or payments made on behalf of employees include 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.

3. The Town has entered into an agreement for assessor services with an independent contractor.

14. LOCAL AUTHORITIES PENSION PLAN

Employees of the Town participate in the Local Authorities Pension Plan (LAPP), which is one of the plans covered by the Public Sector Pension Plans Act. The LAPP is financed by employer and employee contributions and by investment earnings of the LAPP Fund.

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

The Town is required to make current service contributions to the LAPP of 9.39% 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.

Total current service contributions by the Town to the LAPP during the year were \$253,078 (2018 - \$281,199). Total current service contributions by the employees of the Town to the Local Authorities Pension Plan in the current year were \$229,409 (2018 - \$264,769).

At December 31, 2019, the LAPP disclosed an actuarial surplus of \$7.91 billion. This amount is not specifically allocated to the participating government organizations.

TOWN OF FOX CREEK
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

15.COMMITMENTS

The Town is committed under an agreement dated October 15, 2010 with Woodlands County, the managing partner of the Golden Triangle Snowmobile Trail System, to provide annual funding of \$15,000 towards the maintenance and promotion of the Golden Triangle Snowmobile Trail System.

The Town has committed to make an annual contribution of \$15,000 to the Fox Creek Nordic and Trail Club.

The Town has committed to make an annual contribution of \$12,500 to the Shock Trauma Air Rescue Service until December 31, 2026.

16.CONTINGENCIES

The Town is a member of the Alberta Local Authorities Reciprocal 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.

In the ordinary course of business lawsuits are brought against the Town. It is the opinion of administration that the settlement of these actions will not result in any material liabilities beyond any amounts already accrued.

17.FINANCIAL INSTRUMENTS

The Town's financial instruments consist of cash and temporary investments, receivables, 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 and grants in place of taxes receivables and trade and other receivables. Credit risk arises from the possibility that taxpayers and entities to which the Town provides services may experience financial difficulty and be unable to fulfill their obligations. The large number and diversity of taxpayers and customers minimizes the credit risk.

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

TOWN OF FOX CREEK
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

18. PRIOR PERIOD ADJUSTMENTS

The prior period financial statements have been restated to include guaranteed investment certificates not previously reported, adjust allowance for doubtful accounts, including accounts receivable not previously reported, correct land held for resale to account for the cost of land previously sold, include the cost of land held for resale which was previously reported as a tangible capital asset, account for revised government grant reporting with the Government of Alberta, include deferred revenue which was previously recognized as revenue at the time of receipt, include tangible capital assets previously not recorded, correct errors in reporting of the amortization of tangible capital assets and the correction of other reporting errors.

As a result of these adjustments operating revenues decreased by \$558,993, capital revenues decreased by \$764,473, operating expenses increased by \$767,157, cash and temporary investments increased by \$9,180, taxes and grants in place of taxes decreased by \$164,752, trade and other receivables decreased by \$203,942, receivables from other governments increased by \$1,907,972, land held for resale decreased by \$36,342, accounts payable decreased by \$223,554, deferred revenue increased by \$3,525,623, the net book value of tangible capital assets decreased by \$706,074, prior year opening accumulated surplus decreased by \$405,404, opening unrestricted surplus decreased by \$2,173,559 and opening restricted surplus increased by \$383,606.

19. BUDGET AMOUNTS

The 2019 budget for the Town was approved by Council on May 13, 2019, and has been reported in the financial statement for information purposes only. Amortization was not considered in the budget and has not been included. These budget amounts have not been audited, reviewed, or otherwise verified.

20. CORRESPONDING FIGURES

Certain corresponding figures have been reclassified to conform with the financial statement presentation adopted for the current year.

21. APPROVAL OF FINANCIAL STATEMENTS

Council and Management have approved these financial statements.
