



City of Beaumont
Consolidated Financial Statements

Year ended December 31, 2020

City of Beaumont

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December 31, 2020

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City of Beaumont

Management's Responsibility for Financial Reporting

Year ended December 31, 2020

The accompanying consolidated financial statements and other information contained in this financial report are the responsibility of the management of the City of Beaumont.

These consolidated financial statements have been prepared by management. Financial statements are not precise since they include certain amounts based on estimates and judgements. Management has determined such amounts on a reasonable basis in order to ensure that the financial statements are presented fairly, in all material respects.

The City 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 City's assets are appropriately accounted for and adequately safeguarded.

The elected Council of the City of Beaumont are responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the financial statements.

The Council meets annually with management 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.

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



Chief Administrative Officer



Chief Financial Officer

Independent Auditor's Report

To the Mayor and Members of Council of the City of Beaumont

Opinion

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

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the City of Beaumont as at December 31, 2020, and its results of operations, its changes in its net 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 Consolidated Financial Statements* section of our report. We are independent of the City 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 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 consolidated financial statements, management is responsible for assessing the City's ability to continue as a going concern, disclosing, as applicable, matters related to a going concern and using the going concern basis of accounting unless management either intends to liquidate the City or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the City's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City'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 City's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the City to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the City and the organizations it controls to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Edmonton, Canada
April 27, 2021



Chartered Professional Accountants

City of Beaumont

Consolidated Statement of Financial Position

As at December 31, 2020

2020

2019

Financial assets

Cash and cash equivalents (Note 2)	\$ 32,753,151	\$ 44,621,688
Receivables (Note 3)	12,903,564	9,600,919
	<u>45,656,715</u>	<u>54,222,607</u>

Liabilities

Payables and accruals (Note 4)	5,452,628	8,342,130
Deposits	1,507,686	1,923,304
Deferred revenue (Note 5)	17,607,076	14,927,405
Long-term debt (Notes 6 and 7)	35,251,428	33,794,261
	<u>59,818,818</u>	<u>58,987,100</u>

Net debt

(14,162,103) (4,764,493)

Non-financial assets

Tangible capital assets (Schedule II)	374,102,432	358,153,136
Inventory for consumption	115,736	60,852
Prepays	512,318	204,111
	<u>374,730,486</u>	<u>358,418,099</u>

Accumulated surplus (Note 8, Schedule I) **\$360,568,383** **\$353,653,606**

Commitments (Note 13)
Contingencies (Note 14)

Approved on behalf of City Council:



Mayor



Councillor

City of Beaumont

Consolidated Statement of Operations

Year ended December 31, 2020

	Budget	2020	2019
Revenue			
Net municipal taxes (Schedule III)	\$ 21,529,700	\$ 21,245,418	\$ 20,400,364
Sales and user charges	10,706,900	10,094,411	11,148,425
Franchise fees	2,930,600	3,204,354	2,075,745
Government transfers (Schedule IV)	2,130,500	3,792,798	1,999,349
Licenses, permits and fines	1,678,100	1,187,311	1,801,295
Rentals	1,293,400	845,394	1,365,461
Investment income	882,200	524,912	1,123,412
Penalties and cost on taxes	445,000	369,735	498,788
Developers contributions	880,200	835,903	923,186
Contributions from other groups	29,100	17,018	55,556
	<u>42,505,700</u>	<u>42,117,254</u>	<u>41,391,581</u>
Expenses			
Council	582,400	538,731	594,887
CAO office	1,210,700	1,488,150	1,217,478
Corporate transactions	9,025,100	9,493,624	8,473,075
Communications & marketing	416,400	510,488	566,987
Community services	2,943,200	2,270,530	3,098,230
Economic development	1,271,800	1,096,841	1,463,961
Family services	2,707,200	2,316,657	2,771,857
Finance	821,100	793,219	815,042
Human resources	686,400	726,570	594,328
Operations	9,789,600	10,151,455	9,338,313
Planning & development	3,373,500	2,941,005	2,857,391
Protective services	5,273,100	4,228,976	4,403,346
Utilities	8,821,500	7,714,333	6,864,428
Library	992,900	891,440	864,029
	<u>47,914,900</u>	<u>45,162,019</u>	<u>43,923,352</u>
Deficiency of revenue before other	(5,409,200)	(3,044,765)	(2,531,771)
Other			
Contributed assets	-	7,506,997	5,729,707
Government transfers for capital (Schedule IV)	6,724,229	2,756,569	4,159,859
Capital contributions	150,000	150,000	-
Gain on disposal of capital	-	10,600	30,114
Recoverable contributions to developer	-	(464,624)	-
		<u>6,914,777</u>	<u>7,387,909</u>
Excess of revenue over expenses	<u>1,465,029</u>	<u>6,914,777</u>	<u>7,387,909</u>
Accumulated surplus, beginning of year	<u>353,653,606</u>	<u>353,653,606</u>	<u>346,265,697</u>
Accumulated surplus, end of year	<u>\$355,118,635</u>	<u>\$360,568,383</u>	<u>\$353,653,606</u>

The accompanying notes are an integral part of these consolidated financial statements.

City of Beaumont

Consolidated Statement of Changes in Net Debt

<i>Year ended December 31, 2020</i>	Budget	2020	2019
Excess of revenue over expenditures	\$ 1,465,029	\$ 6,914,777	\$ 7,387,909
Acquisition of tangible capital assets	(20,583,822)	(17,395,431)	(28,847,090)
Contributed tangible capital assets	-	(7,506,997)	(5,729,707)
Proceeds on disposal of tangible capital assets	-	10,600	30,114
Amortization of tangible capital assets	8,248,000	8,953,131	8,779,800
Gain on disposal of tangible capital assets	-	(10,600)	(30,114)
	<u>(12,335,822)</u>	<u>(15,949,297)</u>	<u>(25,796,997)</u>
Net use (acquisition) of inventory for consumption	-	(54,883)	49,417
Net use (acquisition) of prepaids	-	(308,207)	15,634
	<u>-</u>	<u>(363,090)</u>	<u>65,051</u>
Net change in net debt	(10,870,793)	(9,397,610)	(18,344,037)
Net (debt) assets, beginning of year	<u>(4,764,493)</u>	<u>(4,764,493)</u>	13,579,544
Net debt, end of year	<u>\$(15,635,286)</u>	<u>\$(14,162,103)</u>	<u>\$ (4,764,493)</u>

City of Beaumont

Consolidated Statement of Cash Flows

Year ended December 31, 2020

2020

2019

Operating transactions

Excess of revenue over expense	\$ 6,914,777	\$ 7,387,909
Items not involving cash		
Amortization	8,953,131	8,779,800
Gain on disposal of tangible capital asset	(10,600)	(30,114)
Contributed capital assets	(7,506,997)	(5,729,707)
Changes in non-cash assets and liabilities		
Receivables	(3,302,645)	(5,566,249)
Prepays	(308,207)	15,634
Inventory for consumption	(54,883)	49,417
Payables and accruals	(2,889,502)	2,941,374
Deposits	(415,618)	(1,174,550)
Deferred revenue	2,679,671	918,741
	<u>4,059,127</u>	<u>7,592,255</u>

Capital activities

Acquisition of tangible capital assets	(17,395,431)	(28,847,090)
Proceeds on sale of tangible capital assets	10,600	30,114
	<u>(17,384,831)</u>	<u>(28,816,976)</u>

Financing transactions

Issue of long-term debt	8,423,410	19,249,136
Repayment of long-term debt	(6,966,243)	(1,868,175)
	<u>1,457,167</u>	<u>17,380,961</u>

Net change in cash and cash equivalents

(11,868,537) (3,843,760)

Cash and cash equivalents, beginning of year

44,621,688 48,465,448

Cash and cash equivalents, end of year

\$ 32,753,151 \$ 44,621,688

City of Beaumont

Schedule I - Schedule of Changes in Accumulated Surplus

<i>Year ended December 31, 2020</i>	Unrestricted Surplus (Deficit)	Restricted Surplus	Equity in Tangible Capital Assets	2020	2019
Balance, beginning of year	\$ 3,048,068	\$ 26,246,663	\$324,358,875	\$353,653,606	\$346,265,697
Excess of revenue over expenses	6,914,777	-	-	6,914,777	7,387,909
Unrestricted funds designated for future use	(8,068,226)	8,068,226	-	-	-
Restricted funds used for operations	6,116,637	(6,116,637)	-	-	-
Restricted funds used for tangible capital assets	-	(5,481,813)	5,481,813	-	-
Current year funds used for tangible capital assets	(3,490,207)	-	3,490,207	-	-
Contributed tangible capital assets	(7,506,997)	-	7,506,997	-	-
Amortization	8,953,131	-	(8,953,131)	-	-
Long-term debt repaid	(6,966,243)	-	6,966,243	-	-
Compa					
Net change in accumulated surplus	(4,047,128)	(3,530,224)	14,492,129	6,914,777	7,387,909
Balance, end of year	\$ (999,060)	\$ 22,716,439	\$338,851,004	\$360,568,383	\$353,653,606

City of Beaumont

Schedule II - Schedule of Tangible Capital Assets

<i>Year ended December 31, 2020</i>	Land	Land Improvements	Buildings	Machinery & Equipment	Vehicles	Engineered Structures	2020	2019
Cost								
Balance, beginning of year	\$ 146,721,992	\$ 15,764,957	\$ 73,513,623	\$ 6,032,232	\$ 4,877,211	\$ 209,898,915	\$ 456,808,930	\$ 422,358,508
Additions	6,696,570	964,201	10,219,285	1,845,161	147,824	5,029,387	24,902,428	34,576,797
Disposals	-	-	-	(25,956)	-	-	(25,956)	(126,374)
Balance, end of year	153,418,562	16,729,158	83,732,908	7,851,437	5,025,035	214,928,302	481,685,402	456,808,931
Accumulated Amortization								
Balance, beginning of year	-	5,970,220	14,357,748	2,529,247	1,426,879	74,371,701	98,655,795	90,002,369
Amortization	-	642,479	1,012,682	358,459	226,821	6,712,690	8,953,131	8,779,800
Disposals	-	-	-	(25,956)	-	-	(25,956)	(126,374)
Balance, end of year	-	6,612,699	15,370,430	2,861,750	1,653,700	81,084,391	107,582,970	98,655,795
Net book value, end of year	\$ 153,418,562	\$ 10,116,459	\$ 68,362,478	\$ 4,989,687	\$ 3,371,335	\$ 133,843,911	\$ 374,102,432	\$ 358,153,136

The accompanying notes are an integral part of these consolidated financial statements.

City of Beaumont

Schedule III - Schedule of Property and Other Taxes

<i>Year ended December 31, 2020</i>	Budget	2020	2019
Taxation			
Residential taxes	\$ 26,317,000	\$ 26,266,735	\$ 25,501,134
Commercial taxes	2,728,100	2,771,422	2,445,659
Linear taxes	222,900	240,731	225,223
Farm taxes	7,600	7,327	7,098
	<hr/>	<hr/>	<hr/>
	29,275,600	29,286,215	28,179,114
Requisitions			
Alberta School Foundation Fund	6,933,200	7,214,713	6,974,391
Separate School Board	731,800	745,208	725,177
Leduc Foundation	79,500	79,475	77,775
Designated industrial property	1,400	1,401	1,407
	<hr/>	<hr/>	<hr/>
	7,745,900	8,040,797	7,778,750
Net Municipal Taxes	<hr/>	<hr/>	<hr/>
	\$ 21,529,700	\$ 21,245,418	\$ 20,400,364

City of Beaumont

Schedule IV - Schedule of Government Transfers

<i>Year ended December 31, 2020</i>	Budget	2020	2019
Transfers for operating			
Provincial government	\$ 1,267,000	\$ 2,885,374	\$ 1,504,271
Federal government	6,400	12,600	4,200
Leduc County	857,100	892,823	490,878
Other government organizations	-	2,000	-
	<hr/> 2,130,500	<hr/> 3,792,797	<hr/> 1,999,349
Transfers for capital			
Provincial government	4,844,229	1,654,253	4,135,746
Federal government	1,500,000	722,316	24,113
Leduc County	380,000	380,000	-
	<hr/> 6,724,229	<hr/> 2,756,569	<hr/> 4,159,859
Total government transfers	<hr/> \$ 8,854,729	<hr/> \$ 6,549,366	<hr/> \$ 6,159,208

City of Beaumont

Schedule V - Schedule of Consolidated Expenses by Object

<i>Year ended December 31, 2020</i>	Budget	2020	2019
Consolidated expenses by object			
Salaries, wages and benefits	\$ 16,894,400	\$ 16,323,128	\$ 16,194,268
Contracted and general services	11,752,000	8,702,383	8,861,219
Amortization	8,248,000	8,953,131	8,779,800
Materials and goods	7,729,600	7,952,758	7,278,315
Utilities	1,970,400	1,940,751	1,781,106
Interest on long-term debt	1,010,200	983,348	774,785
Community grants	254,000	213,692	226,734
Other expenses	56,300	92,828	27,125
	<hr/>	<hr/>	<hr/>
	\$ 47,914,900	\$ 45,162,019	\$ 43,923,352

City of Beaumont
Schedule VI - Schedule of Segmented Disclosure
Year ended December 31, 2020

	Council	CAO Office	Corporate Transactions	Comms. & Marketing	Community Services	Economic Dev.	Family Services	Finance	Human Resources	Operations	Planning & Dev.	Protective services	Utilities	Library	Total
Revenue															
Taxation	-	-	20,445,840	-	-	-	-	-	-	-	-	-	-	799,579	\$21,245,419
Sales and user charges	-	553	97,197	-	246,528	207	758,724	-	-	189,292	260,804	20,237	8,509,097	11,772	10,094,411
Government transfers	-	-	1,964,614	-	283,227	-	705,455	-	-	38,600	29,667	604,439	-	166,796	3,792,798
Investment income	-	-	524,912	-	-	-	-	-	-	-	-	-	-	-	524,912
Penalties & costs on taxes	-	-	334,817	-	-	-	-	-	-	-	-	-	34,918	-	369,735
Franchise fees	-	-	3,204,354	-	-	-	-	-	-	-	-	-	-	-	3,204,354
Rentals	-	-	3,938	-	740,087	52,235	250	-	-	48,884	-	-	-	-	845,394
Licenses, permits and fines	-	-	-	-	-	102,700	-	-	-	26,170	661,714	392,735	-	3,992	1,187,311
Developers contributions	-	-	159,600	-	-	-	-	-	-	583,640	(1,435)	-	94,098	-	835,903
Contributions from others	-	-	-	-	1,186	-	6,427	-	-	-	-	-	-	9,405	17,018
	-	553	26,735,272	-	1,271,028	155,142	1,470,856	-	-	886,586	950,750	1,017,411	8,638,113	991,544	42,117,255
Expenses															
Salaries and benefits	385,082	1,306,175	-	433,485	1,517,411	661,591	2,026,614	594,909	601,214	3,799,899	2,379,739	1,586,726	456,388	573,895	16,323,128
Contract services	136,556	107,947	323,415	29,595	292,536	365,373	72,331	171,406	66,254	2,191,521	455,195	2,262,149	2,126,748	101,357	8,702,383
Materials and goods	15,212	61,825	9,096	36,950	204,369	51,856	163,107	20,261	54,725	2,532,579	63,377	338,687	4,261,558	139,156	7,952,758
Utilities	1,881	12,203	-	10,458	47,433	16,600	19,276	6,269	4,377	1,625,056	21,023	32,776	117,286	26,113	1,940,751
Community grants	-	-	-	-	189,122	-	24,570	-	-	-	-	-	-	-	213,692
Interest on long-term debt	-	-	894,480	-	-	-	-	-	-	-	-	-	70,137	18,731	983,348
Amortization	-	-	8,260,374	-	-	-	-	-	-	-	-	-	661,143	31,614	8,953,131
Other expenses	-	-	6,259	-	19,659	1,421	10,759	374	-	2,400	21,671	8,638	21,073	574	92,828
	538,731	1,488,150	9,493,624	510,488	2,270,530	1,096,841	2,316,657	793,219	726,570	10,151,455	2,941,005	4,228,976	7,714,333	891,440	45,162,019
Internal support	-	-	-	(6,000)	-	-	-	(205,900)	(21,800)	(419,900)	-	-	636,100	17,500	-
	538,731	1,488,150	9,493,624	504,488	2,270,530	1,096,841	2,316,657	587,319	704,770	9,731,555	2,941,005	4,228,976	8,350,433	908,940	45,162,019
Net surplus (deficit)	(538,731)	(1,487,597)	17,241,648	(504,488)	(999,502)	(941,699)	(845,801)	(587,319)	(704,770)	(8,844,969)	(1,990,255)	(3,211,565)	287,680	82,604	\$(3,044,764)

The City of Beaumont provides a range of services to its ratepayers. For each reported segment, revenue 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.

City of Beaumont
Schedule VI - Schedule of Segmented Disclosure (continued)

Year ended December 31, 2019

	Council	CAO Office	Corporate Transactions	Comms.& Marketing	Community Services	Economic Dev.	Family Services	Finance	Human Resources	Operations	Planning & Dev.	Protective services	Utilities	Library	Total
Revenue															
Taxation	-	-	19,659,149	-	-	-	-	-	-	-	-	-	-	741,215	20,400,364
Sales and user charges	29,606	17	54,324	-	770,077	83,888	1,179,830	-	-	542,421	305,466	7,103	8,117,708	57,985	11,148,425
Government transfers	-	-	-	-	293,237	57,950	680,921	-	-	58,448	80,078	665,147	-	163,568	1,999,349
Investment income	-	-	1,123,412	-	-	-	-	-	-	-	-	-	-	-	1,123,412
Penalties & costs on taxes	-	-	443,502	-	-	-	-	-	-	55,286	-	-	-	-	498,788
Franchise fees	-	-	2,075,745	-	-	-	-	-	-	-	-	-	-	-	2,075,745
Rentals	-	-	3,938	-	1,228,741	63,602	3,320	-	-	64,604	-	-	-	1,256	1,365,461
Licenses, permits and fines	-	-	-	-	-	-	-	-	-	28,985	675,815	1,083,754	-	12,741	1,801,295
Developer contributions	-	-	-	-	-	-	-	-	-	831,555	182	-	91,449	-	923,186
Contributions from others	-	-	-	-	20,919	-	9,464	-	-	-	-	-	-	25,173	55,556
	29,606	17	23,360,070	-	2,312,974	205,440	1,873,535	-	-	1,581,299	1,061,541	1,756,004	8,209,157	1,001,938	41,391,581
Expenses															
Salaries and benefits	386,787	1,102,311	-	269,611	2,111,622	460,606	2,273,955	638,164	495,463	3,596,320	2,197,190	1,575,494	526,178	560,567	16,194,268
Contracted services	144,569	29,604	284,806	164,492	627,172	476,180	249,898	141,974	26,961	2,146,223	498,392	2,492,809	1,482,801	95,338	8,861,219
Materials and goods	42,933	76,492	21,293	128,373	117,077	519,181	192,011	28,592	68,249	1,534,197	118,874	294,601	4,007,541	128,901	7,278,315
Utilities	5,598	9,071	3,453	4,511	34,701	7,994	27,409	6,137	3,655	1,487,081	24,735	40,442	101,310	25,009	1,781,106
Community grants	15,000	-	-	-	183,357	-	28,377	-	-	-	-	-	-	-	226,734
Interest on long-term debt	-	-	67,670	-	-	-	-	-	-	573,980	18,025	-	92,810	22,300	774,785
Amortization	-	-	8,095,695	-	-	-	-	-	-	-	-	-	652,491	31,614	8,779,800
Other expenses	-	-	158	-	24,301	-	207	175	-	512	175	-	1,297	300	27,125
	594,887	1,217,478	8,473,075	566,987	3,098,230	1,463,961	2,771,857	815,042	594,328	9,338,313	2,857,391	4,403,346	6,864,428	864,029	43,923,352
Internal support	-	-	-	(6,000)	-	-	-	(203,700)	(21,800)	(419,900)	-	-	634,400	17,000	-
	594,887	1,217,478	8,473,075	560,987	3,098,230	1,463,961	2,771,857	611,342	572,528	8,918,413	2,857,391	4,403,346	7,498,828	881,029	43,923,352
Net surplus (deficit)	(565,281)	(1,217,461)	14,886,995	(560,987)	(785,256)	(1,258,521)	(898,322)	(611,342)	(572,528)	(7,337,114)	(1,795,850)	(2,647,342)	710,329	120,909	(2,531,771)

City of Beaumont

Notes to the Consolidated Financial Statements

Year ended December 31, 2020

1. Basis of Presentation and Significant Accounting Policies

Management's responsibility for the consolidated financial statements

The City of Beaumont (City) is a municipality incorporated under the laws of the Province of Alberta and operates under the provisions of the *Municipal Government Act*. These financial statements are the representation of management, prepared in accordance with generally accepted accounting principles for local governments as established by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada. Significant aspects of the accounting policies adopted by the City are as follows:

Reporting entity

The consolidated financial statements reflect the assets, liabilities, revenues and expenses, changes in fund balances, and change in financial position of the reporting entity. This entity is comprised of the municipal operations that are owned or controlled by the City, which includes the Bibliotheque de Beaumont Library.

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.

Use of estimates

The preparation of financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and 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 these estimates.

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.

Tax revenue

Tax revenues are recognized when the tax has been authorized by bylaw and the taxable event has occurred. The schedule of taxes levied also includes requisitions for the Leduc Foundation, and for both Black Gold and St. Thomas Aquinas School Districts. As they are not part of the municipal reporting entity these requisitions have been netted out of the tax revenue as they are a flow through and are therefore excluded from municipal revenue.

City of Beaumont

Notes to the Consolidated Financial Statements

Year ended December 31, 2020

Prepaid local improvement charges

Property tax revenue is based on market value assessments determined in accordance with the *Municipal Government Act*. Property tax rates are established annually. Taxation revenues are recorded at the time tax billings are issued. Assessments are subject to appeal.

Construction and borrowing costs associated with local improvement projects are recovered through annual special assessments during the period of the related borrowings. These levies are collectable from property owners for work performed by the municipality. Where a taxpayer has elected to prepay the outstanding local improvement charges, such amounts are recorded as revenue when received.

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.

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 the amount recognized is management's estimate of the cost of post-remediation including operation, maintenance and monitoring.

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 (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, is amortized on a straight-line basis over the estimated useful life as follows:

Land Improvements	15 to 30 years
Buildings	20 to 50 years
Engineered Structures	
Roads	20 to 30 years
Storm sewers	50 to 75 years
Water systems	35 to 75 years
Wastewater systems	35 to 75 years
Machinery & Equipment	5 to 20 years
Vehicles	10 to 25 years

No amortization is taken in the first year of acquisition and a full year of amortization is calculated in the year of disposal.

ii Contributions of tangible capital assets

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

City of Beaumont

Notes to the Consolidated Financial Statements

Year ended December 31, 2020

Non-financial assets - (continued)

iii. Leases

Leases are classified as capital or operating leases. Leases which transfer substantially all 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. Inventory for consumption

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

v. Prepaids

Prepaid expenses include pre-payments on goods and services which will be utilized in the following fiscal year.

Reserves

Reserves are established at the discretion of the Council to set aside funds for future operating and capital expenditures. The reserve funds are reflected as a component of the accumulated surplus of the City.

Equity in capital assets

Equity in capital assets represents the net investment in total capital assets after deducting the portion financed by third parties. The equity in capital assets is reflected as a component of the accumulated surplus of the City.

COVID-19

The spread of COVID-19 has severely impacted many local economies around the globe. In many countries, including Canada, businesses are being forced to cease or limit operations for long or indefinite periods of time. Measures taken to contain the spread of the virus, including travel bans, quarantines, social distancing, and closures of non-essential services have triggered significant disruptions to businesses worldwide, resulting in an economic slowdown. Global stock markets have also experienced great volatility and a significant weakening. Governments and central banks have responded with monetary and fiscal interventions to stabilize economic conditions. The City has been impacted by this slowdown resulting in reduced activity in various essential services.

The duration and impact of the COVID-19 pandemic, as well as the effectiveness of government and central bank responses, remains unclear at this time. It is not possible to reliably estimate the duration and severity of these consequences, as well as their impact on the financial position and results of the City for future periods. The City is taking measures to maximize cash inflows, reduce expenditures and conserve cash during this period of economic uncertainty including modifying staffing levels, negotiating service contracts for reduction in required service levels and other initiatives.

Future accounting pronouncements

The following summarizes upcoming changes to PSAS put forward by the Public Sector Accounting Board ("PSAB"). In the coming years, The City will assess the impact and prepare for the adoption of these standards. While the timing of adopting each new standard can vary, certain standards must be adopted concurrently.

i. Financial statement presentation

PS 1201 *Financial statement presentation*, requires a new statement of re-measurement gains and losses separate from the statement of operations. Included in this new statement are the unrealized gains and losses arising from the re-measurement of financial instruments and items denominated in foreign currencies, as well as the government's proportionate share of other comprehensive income that arises when a government includes the results of government business enterprises and partnerships. This standard is applicable for the fiscal years beginning on or after April 1, 2022.

City of Beaumont

Notes to the Consolidated Financial Statements

Year ended December 31, 2020

Future accounting pronouncements - (continued)

ii. Financial instruments

PS 3450 *Financial instruments*, establishes recognition, measurement, and disclosure requirements for derivative and non-derivative financial instruments. The standard requires fair value measurement of derivatives and equity instruments; all other financial instruments can be measured at cost, amortized cost, or fair value at the election of the government. There is the requirement to disclose the nature and extent of risks arising from financial instruments and clarification is given for the de-recognition of financial liabilities. This standard is applicable for fiscal years beginning on or after April 1, 2022.

iii. Foreign currency translation

PS 2601 *Foreign currency translation* must be adopted in conjunction with PS 3450. It requires that monetary assets and liabilities be denominated in a foreign currency and non-monetary items included in the fair value category that are denominated in a foreign currency, be adjusted to reflect the exchange rates in effect at the financial statement date. Unrealized gains and losses are to be presented in the new statement of re-measurement gains and losses. This standard is applicable for fiscal years beginning on or after April 1, 2022.

iv. Portfolio investments

PS 3041 *Portfolio investments* has removed the distinction between temporary and portfolio investments and was amended to conform to *Financial instruments*, PS 3450. Once PS 3450 and PS 3041 are adopted, *Temporary investments* PS 3030 will no longer apply. This standard is applicable for fiscal years beginning on or after April 1, 2022.

v. Asset retirement obligations

PS 3280 *Asset retirement obligations* defines which activities would be included in a liability for retirement of a tangible capital asset, establishes when to recognize and how to measure a liability for asset retirement, and provides the related financial statement presentation and disclosure requirements. This new standard will effectively replace PS 3270, *Solid waste landfill closure and post-closure liability*. This standard is applicable for fiscal years beginning on or after April 1, 2022.

vi. Revenue

PS 3400 *Revenue* establishes standards on how to account for and report on revenue, specifically in regards to revenue arising from transactions with performance obligations (exchange transactions) and those without performance obligations (non-exchange transactions). This standard is applicable for fiscal years beginning on or after April 1, 2023.

City of Beaumont

Notes to the Consolidated Financial Statements

Year ended December 31, 2020

2. Cash and Cash Equivalents

	<u>2020</u>	<u>2019</u>
Cash	\$ 31,847,014	\$ 43,716,004
Cash equivalents (temporary investments)	906,137	905,684
	<u>\$ 32,753,151</u>	<u>\$ 44,621,688</u>

Temporary investments are short-term deposits with original maturities of three months or less.

3. Receivables

	<u>2020</u>	<u>2019</u>
Taxes receivable		
Current taxes	\$ 904,811	\$ 1,043,713
Arrear taxes	647,976	493,979
	<u>1,552,787</u>	<u>1,537,692</u>
Due from other governments	6,863,897	5,827,001
Development agreement receivable	2,028,919	-
Utilities receivable	1,706,867	1,453,089
Trade receivables	751,094	783,137
	<u>\$ 12,903,564</u>	<u>\$ 9,600,919</u>

4. Payables and Accruals

	<u>2020</u>	<u>2019</u>
Trade payables	\$ 4,461,444	\$ 7,371,336
Accrued wages and benefits	921,728	889,763
Accrued interest	69,456	81,031
	<u>\$ 5,452,628</u>	<u>\$ 8,342,130</u>

5. Deferred Revenue

	<u>2020</u>	<u>2019</u>
Deferred capital grants	\$ 10,558,035	\$ 7,353,474
Offsite levies	5,797,551	6,167,266
Lot grading	653,954	696,653
Recreation and youth programs	321,688	378,166
Development	275,848	331,846
	<u>\$ 17,607,076</u>	<u>\$ 14,927,405</u>

City of Beaumont

Notes to the Consolidated Financial Statements

Year ended December 31, 2020

6. Long-term Debt

	<u>2020</u>	<u>2019</u>
Tax supported debentures	\$ 33,809,865	\$ 31,905,444
Utility supported debentures	1,441,563	1,888,817
	<u>\$ 35,251,428</u>	<u>\$ 33,794,261</u>

Principal and interest payments on long-term debt in the next five years are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 2,077,401	\$ 989,906	\$ 3,067,307
2022	2,003,917	925,798	2,929,715
2023	1,946,337	862,510	2,808,847
2024	1,916,102	798,955	2,715,057
2025	1,976,586	738,470	2,715,056
Thereafter	25,331,085	4,750,690	30,081,775
	<u>\$ 35,251,428</u>	<u>\$ 9,066,329</u>	<u>\$ 44,317,757</u>

Debenture debt is repayable to the Government of Alberta Treasury Board & Finance and bears interest at rates ranging from 1.48% to 6.38% (2019 - 1.48% to 6.38%) per annum, maturing in periods 2021 through 2041. The average annual interest rate is 2.97% (2019 - 3.07%). The debenture debt is issued on the credit and security of the City at large.

Interest on long-term debt amounted to \$983,348 (2019 - \$774,785). The City's total cash payments for interest in 2020 were \$1,003,686 (2019 - \$762,665)

7. 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 City of Beaumont be disclosed as follows:

	<u>2020</u>	<u>2019</u>
Total debt limit	\$ 63,175,881	\$ 62,087,372
Total debt	35,251,428	33,794,261
Amount of debt limit unused	<u>27,924,453</u>	<u>28,293,111</u>
Debt servicing limit	10,529,314	10,347,895
Debt servicing	3,067,307	7,743,325
Amount of debt servicing limit unused	<u>\$ 7,462,007</u>	<u>\$ 2,604,570</u>

The debt limit is calculated at 1.5 times the revenue of the municipality (as defined in Alberta Regulation 255/00) and the debt service limit is calculated at 0.25 times such revenue. Incurring debt beyond these limitations requires approval by the Minister of Municipal Affairs. These thresholds are guidelines used by Alberta Municipal Affairs to identify municipalities that could be at financial risk if further debt is acquired. The calculation taken alone does not represent the financial stability of the municipality. Rather, the financial statements must be interpreted as a whole.

City of Beaumont

Notes to the Consolidated Financial Statements

Year ended December 31, 2020

8. Accumulated Surplus

Accumulated surplus consists of reserves, which are funds committed and set aside for future expenditures, equity in tangible capital assets, and unrestricted surplus (deficit) as follows:

	2020	2019
Unrestricted surplus		
Municipal operations - current year surplus	\$ 631,133	\$ 209,668
Utility operations	1,073,900	853,353
Library	37,157	79,528
Annual Surplus	1,742,190	1,142,549
Municipal operations - prior year surpluses	-	4,221,545
Recoverable development agreements & offsite levies	(2,741,250)	(2,316,026)
Unrestricted (deficit) surplus	(999,060)	3,048,068
Restricted surplus	22,716,439	26,246,663
Equity in tangible capital assets	338,851,004	324,358,875
	<u>\$360,568,383</u>	<u>\$353,653,606</u>

9. Equity in Tangible Capital Assets

	2020	2019
Tangible capital assets (Schedule II)	\$481,685,402	\$456,808,931
Accumulated amortization (Schedule II)	(107,582,970)	(98,655,795)
Long-term debt (Note 6)	(35,251,428)	(33,794,261)
	<u>\$338,851,004</u>	<u>\$324,358,875</u>

City of Beaumont

Notes to the Consolidated Financial Statements

Year ended December 31, 2020

10. Restricted Surplus	2020	2019
Restricted surplus for municipal operations		
Financial stabilization	\$ 3,201,499	\$ 7,968,022
Planning	578,231	517,383
	3,779,730	8,485,405
Restricted surplus for capital		
Transportation renewal	3,317,360	4,988,082
Building renewal	2,728,255	719,874
Economic development	1,307,387	-
Parkland	1,375,704	949,285
Vehicle & equipment replacement	1,918,347	1,508,237
Technology replacement	455,550	321,619
Traffic safety	476,210	466,872
Building renewal - library	289,388	203,765
Pay-as-you-go	205,419	-
Cemetery	51,000	-
	12,124,620	9,157,734
Restricted surplus for utilities	6,812,089	8,603,524
	\$ 22,716,439	\$ 26,246,663

City of Beaumont

Notes to the Consolidated Financial Statements

Year ended December 31, 2020

11. Salary and Benefits Disclosure

Disclosure of salaries and benefits for municipal officers and the Chief Administrative Officer as required by Alberta provincial regulation 313/2000 is as follows:

	2020		2019	
<u>Elected Officials</u>	<u>Salary (1)</u>	<u>Benefits & Allowances</u>	<u>Salary (1)</u>	<u>Benefits & Allowances</u>
Mayor John Stewart (3)	\$ 100,597	\$ 17,713	\$ 99,584	\$ 22,569
Councillor Bill Daneluik	40,000	1,682	39,746	2,480
Councillor Kathy Barnhart	40,000	1,667	40,323	4,442
Councillor Martin Stout	41,385	1,742	39,746	5,216
Councillor Perry Hendriks	40,000	1,717	39,746	1,458
Councillor Samuel Munckhof-Swain	40,000	1,467	41,708	1,458
Councillor Steven vanNieuwkerk	41,615	2,127	40,208	1,458
<u>Administration</u>				
Chief Administrative Officer	251,067	29,537	239,694	32,823
Designated Officers (2)	458,732	56,074	-	-

(1) Salary includes regular base pay, bonuses, overtime, lump sum payments, gross honoraria, and any other direct cash remuneration paid by the City of Beaumont.

(2) Designated officers are designated by City bylaw 969-20 and include the Deputy Chief Administrative Officer, Chief Financial Officer, and City Clerk. The City did not have officers designated by bylaw in 2019.

(3) Mayor John Stewart received \$3,800 (2019 - \$6,946) for volunteer fire services in 2020.

12. Local Authorities Pension Plan

Employees of the City 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 City is required to make current service contributions to the LAPP of 9.39% (2019 - 9.39%) of pensionable earnings up to the year's maximum pensionable earnings under the Canada Pension Plan and 13.84% (2019 - 13.84%) on pensionable earnings above this amount.

Total current service contributions by the City to the LAPP in 2020 were \$1,127,487 (2019 - \$1,073,421). Total current service contributions by the employees of the City to the LAPP in 2020 were \$1,014,751 (2019 - \$971,755).

At December 31, 2019, the LAPP disclosed an actuarial surplus of approximately \$7.91 billion (2018 - \$3.47 billion). The actuarial surplus at December 31, 2020 was not available at the time the financial statements were finalized.

City of Beaumont

Notes to the Consolidated Financial Statements

Year ended December 31, 2020

13. Commitments

The City contracts with the Government of Canada for the employment of the Royal Canadian Mounted Police to provide policing services until March 31, 2032. The related agreement may be terminated on March 31 in any year by either party giving notice 24 months prior to the date of the intended termination. Total future annual costs under the terms of the Agreement are estimated to be \$2,654,400.

The City contracts with Pacific Western Transit to provide a commuter transit system from Beaumont to Century Park LRT Station until December 31, 2022. The related agreement may be terminated provided 90 days notice is given. Total annual costs under the terms of the Agreement are estimated to be \$361,800.

In addition, the City has a lease commitment with Xerox for photocopying equipment. The lease provides for monthly payments of \$1,690 and expires in October 2021. The total lease commitment over the remaining life of the contract amounts to \$16,896.

14. Contingencies

The City is a member of the Alberta Municipal Insurance Exchange ("MUNIX"). Under the terms of the membership, the City 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 normal conduct of operations, there are other pending claims by and against the City. Litigation is subject to many uncertainties, and the outcome of individual matters is not predictable with assurance. In the opinion of administration, based on the advice and information provided by its legal counsel, final determination of these other litigations will not materially affect the City's financial position or results of operations.

15. Financial Instruments

The City's financial instruments consist of cash and temporary investments, receivables, payables, accruals, and long-term debt. It is management's opinion that the City is not exposed to significant interest, currency, or credit risk arising from these financial instruments.

16. Comparative Figures

The 2019 comparative figures have been reclassified to conform to financial statement presentation adopted for the current year.

17. Approval of Financial Statements

Council and Management approved these financial statements on April 27, 2021.