

Financial Statements

CITY OF CHESTERMERE

And Independent Auditors' Report thereon

Year ended December 31, 2020



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INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the financial statements of the City of Chestermere (the "Entity"), which comprise:

- the statement of financial position as at December 31, 2020;
- the statement of operations for the year then ended;
- the statement of changes in net financial assets for the year then ended;
- the statement of cash flows for the year then ended;
- and notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at December 31, 2020, and its results of operations, its changes in net financial assets 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 "Auditors' Responsibilities for the Audit of the Financial Statements" section of our auditors' report.



We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

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

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

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

Auditors' Responsibilities 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 auditors' 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 the 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 control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity's to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- 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.



- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group Entity to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

KPMG LLP

Chartered Professional Accountants

Calgary, Canada
April 30, 2021

CITY OF CHESTERMERE

Statement of Financial Position

December 31, 2020, with comparative figures for 2019

	2020	2019
Financial Assets		
Cash (note 2)	\$ 4,938,989	\$ 6,672,527
Taxes and grants in place of taxes receivable (note 3)	2,247,868	1,415,738
Trade accounts receivable (note 4)	5,686,889	8,819,408
Property tax under-levy	13,412	124,468
Goods and services tax receivable	105,247	154,972
Land held for resale	10,430,838	10,313,028
Agreements receivable (notes 5, 26)	2,404,153	2,522,371
Investments (note 6)	40,149,180	30,154,180
Investment in government business enterprise (note 7)	61,798,097	64,262,178
	<u>127,774,673</u>	<u>124,438,870</u>
Liabilities		
Accounts payable and accrued liabilities (note 8)	4,316,667	5,414,865
Due to 1538974 AB Ltd. (notes 9 and 26)	7,245,779	853,100
Deposit liabilities	4,528,805	2,961,799
Deferred revenue (note 10)	17,339,842	16,087,894
Obligations under capital lease	335,136	464,945
Long-term debt (note 11)	13,095,007	17,496,568
	<u>46,861,236</u>	<u>43,279,171</u>
Net financial assets	80,913,437	81,159,699
Non-Financial Assets		
Tangible capital assets (Schedule 2)	109,454,580	120,784,560
Prepaid development credits (note 13)	4,568,673	—
Inventory held for use	238,657	331,954
Prepaid expenses	171,875	139,648
Other assets	9,951	11,400
	<u>114,443,736</u>	<u>121,267,562</u>
Commitments (note 23)		
Contingencies (note 24)		
Accumulated surplus (note 15) (Schedule 1)	\$ 195,357,173	\$ 202,427,261

See accompanying notes to financial statements.

Approved on behalf of the Council:



Mayor



Councillor

CITY OF CHESTERMERE

Statement of Operations

Year ended December 31, 2020, with comparative figures for 2019

	Budget	2020	2019
Revenue:			
Net municipal property taxes (note 18)	\$ 19,885,632	\$ 19,548,781	\$ 19,679,142
Sale of goods and user charges (note 26)	6,745,780	6,002,081	5,548,811
Penalties and costs on taxes	333,861	248,824	323,516
Licenses and permits	1,095,175	1,473,634	1,022,694
Investment income	78,000	829,435	934,088
Government transfers for operating (note 19)	1,853,510	2,823,722	1,854,214
	29,991,958	30,926,477	29,362,465
Expenses (note 20) (Schedule 3a):			
Legislative	474,564	430,609	519,568
Administration	5,789,375	5,752,156	5,313,702
Protective services	8,682,698	8,035,821	8,138,919
Road, streets, walks and lighting	9,769,926	9,487,175	8,796,729
Environmental services	1,307,146	1,423,901	577,150
Family and community support	1,956,004	1,627,714	1,975,001
Planning and development	3,695,453	3,284,515	3,114,982
Parks and recreation	3,679,918	3,351,636	3,617,951
Culture	711,829	609,463	691,712
Loss on disposal of tangible capital assets	–	(3,076)	–
	36,066,913	33,999,914	32,745,714
Operating annual deficit	(6,074,955)	(3,073,437)	(3,383,249)
Other:			
Government transfers for capital (note 19)	6,108,000	1,339,766	5,871,241
Developer levies	–	1,766,766	4,715,142
Contributed tangible capital assets	–	1,787,780	887,207
Contribution of tangible capital assets to related party (note 26)	–	(6,426,881)	(1,589,100)
Subsidiary operations (note 25)	–	(2,464,082)	(2,506,380)
Annual surplus (deficit)	33,045	(7,070,088)	3,994,861
Accumulated surplus, beginning of year (note 15)	202,495,837	202,427,261	198,432,400
Accumulated surplus, end of year (note 15)	\$ 202,528,882	\$ 195,357,173	\$ 202,427,261

See accompany notes to financial statements.

CITY OF CHESTERMERE

Statement of Changes in Net Financial Assets

Year ended December 31, 2020, with comparative figures for 2019

	Budget	2020	2019
Annual surplus (deficit)	\$ 33,045	\$ (7,070,088)	\$ 3,994,861
Acquisition of tangible capital assets	(13,709,500)	(1,684,741)	(13,493,738)
Contributed tangible capital assets	–	(1,787,780)	(887,207)
Contribution of tangible capital assets to related party (note 26)	–	6,426,881	1,589,100
Amortization of tangible capital assets	8,266,412	8,299,820	7,102,839
Proceeds on disposal of tangible capital assets	–	78,876	–
Loss on disposal of tangible capital assets	–	(3,076)	–
	(5,443,088)	11,329,980	(5,689,006)
Increase in prepaid development credits	–	(4,568,673)	–
Increase in supplies inventory	–	93,297	(331,954)
Increase in prepaid expenses	–	(32,227)	(25,619)
Decrease in other assets	–	1,449	1,550
	–	(4,506,154)	(356,023)
Decrease in net financial assets	(5,410,043)	(246,262)	(2,050,168)
Net financial assets, beginning of year	81,159,699	81,159,699	83,209,867
Net financial assets, end of year	\$ 75,749,656	\$ 80,913,437	\$ 81,159,699

See accompanying notes to financial statements.

CITY OF CHESTERMERE

Statement of Cash Flows

Year ended December 31, 2020, with comparative figures for 2019

	2020	2019
Cash provided by (used in):		
Operating activities:		
Excess (deficit) of revenue over expenses	\$(7,070,088)	\$ 3,994,861
Non-cash items included in excess of revenue over expenses:		
Amortization of tangible capital assets (Schedules 1 and 2)	8,299,820	7,102,839
Loss on disposal of tangible capital assets	(3,076)	—
Contributed tangible capital assets (Schedule 1)	(1,787,780)	(887,207)
Contribution of tangible capital assets to related party (note 26)	6,426,881	1,589,100
Changes in non-cash working capital:		
(Increase) decrease in taxes and grants in place of taxes receivable	(832,130)	389,375
Decrease (increase) in trade accounts receivable	3,132,519	(5,264,380)
Decrease (increase) in property tax under-levy	111,056	(160,442)
Decrease in goods and services tax receivable	49,725	6,617
Increase in land held for resale	(117,810)	(374,971)
Increase in prepaid development credits	(4,568,673)	—
Decrease (increase) in inventory for consumption	93,297	(331,954)
Increase in prepaid expenses	(32,227)	(25,619)
Decrease in other assets	1,449	1,550
(Decrease) increase in accounts payable and accrued liabilities	(1,098,198)	710,644
Increase in deposit liabilities	1,567,006	574,009
Increase (decrease) in deferred revenue	1,251,948	(1,268,762)
	5,423,719	6,055,660
Capital activities:		
Acquisition of tangible capital assets	(1,684,741)	(13,493,738)
Proceeds on disposal of tangible capital assets	78,875	—
	(1,605,866)	(13,493,738)
Investing activities:		
(Increase) decrease in investments	(9,995,000)	6,794,683
Decrease in investments in government business enterprise	2,464,081	2,506,380
	(7,530,919)	9,301,063
Financing activities:		
Increase in Due to 1538974 AB Ltd.	6,392,679	232,634
Decrease in agreements receivable (note 5)	118,218	114,464
Long-term debt issued	—	4,428,092
Long-term debt and capital leases repaid	(4,531,370)	(2,108,301)
	1,979,527	2,666,889
(Decrease) increase in cash during the year	(1,733,539)	4,529,874
Cash, beginning of year	6,672,527	2,142,653
Cash, end of year	\$ 4,938,988	\$ 6,672,527

See accompanying notes to financial statements.

CITY OF CHESTERMERE

Notes to Financial Statements

Year ended December 31, 2020, with comparative figures for 2019

1. Significant accounting policies:

The City of Chestermere (the "City") is a municipality in the Province of Alberta. The financial statements are the representations of management prepared in accordance with Canadian public sector accounting standards established by the Public Sector Accounting Board of CPA Canada. Significant accounting policies adopted by the City are as follows:

(a) Reporting entity:

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

1538974 Alberta Limited, a subsidiary corporation controlled by the City of Chestermere, is accounted for on a modified equity basis, consistent with the Canadian generally accepted accounting treatment for government business enterprises. Under the modified equity basis, the business enterprise is not consolidated, its accounting policies are not adjusted to conform with those of the City, and inter-organizational transactions and balances are not eliminated.

Taxes levied (note 18) include operating requisitions for educational and other external organizations that are not controlled by the City Council.

The financial 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.

CITY OF CHESTERMERE

Notes to Financial Statements

Year ended December 31, 2020, with comparative figures for 2019

1. Significant accounting policies (continued):

(c) 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 revenues and expenses 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. The useful lives and related amortization of tangible capital assets represent an area where management makes significant estimates and assumptions in determining the amounts to be recorded in the financial statements.

In January 2020, the World Health Organization declared the Novel Coronavirus (COVID-19) outbreak a global health emergency and on March 11, 2020, it was declared a global pandemic. This has resulted in governments worldwide, including the Canadian and Alberta governments, enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods, closures of non-essential businesses, and physical distancing, have caused material disruption to businesses worldwide, resulting in an economic slowdown.

While the disruption caused by COVID-19 is currently expected to be temporary, there is considerable uncertainty around its duration. The COVID-19 pandemic presents uncertainty over future cash flows, may cause significant changes to the City's assets or liabilities and may have a significant impact on its future operations. During the year ended December 31, 2020, the COVID-19 pandemic has resulted in the delay of some capital projects and reduction in enforcement revenues. Other notable impacts include deferred filling of staffing vacancies, increased staff absences due to isolation and/or illness and mental wellness gaps. Any related financial impact of COVID-19 on future periods cannot be reasonably estimated at this time.

As at the reporting date, the City has determined that COVID-19 has had no significant impact on its accounting policies, contracts or lease agreements, the assessment of provisions and contingent liabilities, or the timing of revenue recognition, except for the implementation of the tax and utility deferral programs. The City continues to manage liquidity risk by forecasting and assessing cash flow requirements on an ongoing basis. As at December 31, 2020, the City continues to meet its contractual obligations within normal payment terms and the City exposure to credit risk remains largely unchanged.

(d) Cash and investments:

Cash is comprised of cash deposits held with Canadian chartered banking institutions as well as petty cash on hand.

CITY OF CHESTERMERE

Notes to Financial Statements

Year ended December 31, 2020, with comparative figures for 2019

1. Significant accounting policies (continued):

(d) Cash and investments (continued):

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

(e) Requisition over-levy and under-levy:

Over-levies and under-levies arise from the difference between the actual 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. In situations where the actual levy is less than the requisition amount, the under-levy is accrued as a receivable and reflected as property tax revenue. Requisition tax rates in the subsequent year are adjusted for any over-levies or under-levies of the prior year.

(f) Land 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 roads, sidewalks and street lighting are recorded as fixed assets under their respective function.

(g) Tax revenue:

Tax revenue is recognized when the tax has been authorized by the bylaw and the taxable event has occurred. Requisitions operate as a flow through and are excluded from municipal property tax revenue.

(h) Liability for contaminated sites:

Contaminated sites are a result of contamination being introduced into air, soil, water or sediment of a chemical, organic or radioactive material or live organism that exceeds the maximum acceptable concentrations under an environmental standard. This standard relates to sites that are not in productive use and sites in productive use where an unexpected event resulted in contamination. A liability for remediation of contaminated sites is recognized when all of the following criteria are met:

- an environmental standard exists;
- contamination exceeds the environmental standard;
- the City is directly responsible or accepts responsibility;
- the City expects future economic benefits will be expended; and
- a reasonable estimate of the liability amount can be made.

CITY OF CHESTERMERE

Notes to Financial Statements

Year ended December 31, 2020, with comparative figures for 2019

1. Significant accounting policies (continued):

(i) 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 by the City, and reasonable estimates of the amounts can be determined.

(j) Equity in investments:

Equity in investments includes the City's net investment in a subsidiary corporation, 1538974 AB Ltd. The amount consists of the original investment in common shares, plus the proportionate share of cumulative earnings of the subsidiary.

(k) Non-financial assets:

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the normal course of operations. The change in non-financial assets during the year, together with the excess of revenue 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. During 2020 the City has capitalized interest costs associated with the construction of a tangible capital asset of \$64,299 (2019 - nil). The cost, less residual value, of tangible capital assets is amortized on a straight-line basis over the estimated useful life as follows:

	Years
Land improvements	15-45
Buildings	25-50
Engineered structures – Roadway system	5-60
Machinery and equipment	5-40
Vehicles	10-25

There is an amortization charge in the year of acquisition and no amortization charge in the year of disposal. Assets under construction are not amortized until the asset is available for productive use.

CITY OF CHESTERMERE

Notes to Financial Statements

Year ended December 31, 2020, with comparative figures for 2019

1. Significant accounting policies (continued):

(k) Non-financial assets (continued):

(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 other 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.

(l) Future accounting pronouncements:

The Public Sector Accounting Board recently announced the following accounting pronouncements:

(i) Financial instruments:

This accounting pronouncement establishes standards on how to account for and report all types of financial instruments including derivatives. Financial instruments include primary instruments and derivative instruments. It is effective for fiscal years beginning on or after April 1, 2022 for governments, with early adoption encouraged. This section must be adopted at the same time as foreign currency translation.

(ii) Foreign currency translation:

This accounting pronouncement establishes standards on how to account for and report transactions that are denominated in a foreign currency in government financial statements. It is effective for fiscal years beginning on or after April 1, 2022 for governments, with early adoption encouraged. This section must be adopted at the same time as financial instruments.

(iii) Asset retirement obligations:

In August 2018, the Public Sector Accounting Board issued this accounting standard that addresses the reporting of legal obligations associated with the retirement of tangible capital assets. This new standard takes effect for annual reporting periods beginning on or after April 1, 2022 with early adoption permitted.

CITY OF CHESTERMERE

Notes to Financial Statements

Year ended December 31, 2020, with comparative figures for 2019

1. Significant accounting policies (continued):

(l) Future accounting pronouncements (continued):

(iv) Revenue:

This Section establishes standards on how to account for and report on revenue. Specifically, it differentiates between revenue arising from transactions that include performance obligations, referred to as "exchange transactions", and transactions that do not have performance obligations, referred to as "non-exchange transactions". This new standard takes effect for annual reporting periods beginning on or after April 1, 2023.

Management is assessing the impact of the adoption of these standards which is not known or reasonably estimable at this time.

2. Cash:

	2020	2019
Cash	\$ 4,938,189	\$ 6,671,727
Petty cash	800	800
	<u>\$ 4,938,989</u>	<u>\$ 6,672,527</u>

The City has an available operating loan of \$2,500,000, bearing interest at the bank's prime rate with an effective rate of 2.45% per annum (2019 – 3.95%), of which \$2,500,000 remained unused at December 31, 2020 and 2019. This operating loan is unsecured.

3. Taxes and grants in place of taxes receivable:

	2020	2019
Taxes in arrears	\$ 1,531,222	\$ 454,558
Current taxes and grants in place of taxes	527,600	756,380
Local improvement levies	189,046	204,800
	<u>\$ 2,247,868</u>	<u>\$ 1,415,738</u>

CITY OF CHESTERMERE

Notes to Financial Statements

Year ended December 31, 2020, with comparative figures for 2019

4. Trade accounts receivable:

	2020	2019
Developer levies receivable - current	\$ 3,026,112	\$ 4,318,890
Accounts receivable	1,908,289	1,734,160
Grants receivable	130,176	1,294,754
Mortgages receivable	82,156	87,156
	\$ 5,146,733	\$ 7,434,960
Developer levies receivable – non-current	540,156	1,384,448
	\$ 5,686,889	\$ 8,819,408

Mortgages receivable are amounts outstanding from City residents that have agreed to purchase property adjacent to their existing lot surrounding Chestermere Lake which was purchased by the City from Western Irrigation District. These mortgages receivable have a maturity date no later than 2035 and are non-interest bearing and unsecured.

5. Agreements receivable:

	2020	2019
Alberta Capital Finance Authority (“ACFA”) – Great Plains Debenture (note 13)	\$ 1,849,726	\$ 1,967,944
1538974 AB Ltd. – promissory note	554,427	554,427
	2,404,153	2,522,371
Less: current portion	(122,094)	(118,218)
	\$ 2,282,059	\$ 2,404,153

CITY OF CHESTERMERE

Notes to Financial Statements

Year ended December 31, 2020, with comparative figures for 2019

5. Agreements receivable (continued):

Principal and interest repayments on the ACFA Great Plains Debenture are due as follows:

	Principal	Interest	Total
2021	\$ 122,094	\$ 59,187	\$ 181,281
2022	126,098	55,183	181,281
2023	130,234	51,047	181,281
2024	134,505	46,776	181,281
2025	138,916	42,365	181,281
Thereafter	1,197,879	161,730	1,359,609
	\$ 1,849,726	\$ 416,288	\$ 2,266,014

The 1538974 AB Ltd. promissory note receivable relates to the ACFA debenture that was assigned to 1538974 AB Ltd. on December 13, 2013. The ACFA debenture consists of a long-term financing arrangement between the City and ACFA for the construction of the Great Plains Sanitary Sewer Line. The term of this financing is over 20 years with payments to include principal and interest.

The 1538974 AB Ltd. promissory note receivable in the amount of \$554,427 is unsecured and bears interest at an annual compounding rate of 2.44% (2019 – 2.44%). The principal portion is due in full on December 31, 2023.

6. Investments:

	2020	2019
Toronto Dominion Deposit Note maturing 2032 fixed until 2027 with interest rate of 3.06% floating 2032	\$ 2,865,765	\$ 2,868,668
Royal Bank of Canada Stripped Bond maturing 2021 with interest rate of 3.45%	2,645,786	2,581,610
Bank of Nova Scotia Deposit Note expiring 2029 with interest rate of 2.84%	2,020,005	2,023,305
CIBC unsecured debenture expiring 2029 with interest rate of 2.95%	2,017,035	2,021,631
Bank of Nova Scotia Fixed Flat Rate Deposit Note maturing 2027 with interest rate of 2.58%	1,992,324	1,987,577
Bank of Montreal Deposit Note maturing 2026 fixed 2021 with interest rate of 3.32%, floating	1,981,971	1,984,178
Toronto Dominion Bank Flat Rate Deposit Note maturing 2021 with interest rate of 6.63%	1,616,410	1,679,058
Bank of Montreal Growers Index Principal Protected Note maturing 2029 with market indexed rate	1,092,400	1,092,400
Bank of Montreal Deposit Note maturing 2027 fixed 2022 with interest rate of 2.57%, floating	904,809	902,542

CITY OF CHESTERMERE

Notes to Financial Statements

Year ended December 31, 2020, with comparative figures for 2019

6. Investments (continued):

	2020	2019
CIBC Deposit Note maturing 2028 fixed 2023 with interest rate of 3.45%, floating	138,051	138,189
BNS Index Callable % undetermined matures Sep 2, 2030	4,247,700	–
CIBC Call Linear Note 2.33% matures Jun 12, 2030	3,050,000	–
CIBC Call Linear 1.60% matures Sep 14, 2030	3,000,000	–
CIBC Fixed 2025 1.50% Float 2030 matures Jul 21, 2030	2,992,528	–
BNS Ext 1.61% matures Oct 23, 2030	2,416,000	–
CIBC Call Linear 1.85% matures Jul 17, 2030	2,292,000	–
BNS Equity AC Deposit % undetermined matures Feb 10, 2027	2,000,300	–
BMO Growers Index Linked, % undetermined matures Feb 11, 2030	1,500,000	–
CIBC Canada Telcom Index % undetermined matures Sep 29, 2027	1,248,800	–
CIBC Flat Rate Deposit Note maturing 2025 with interest rate of 2.25%	–	2,890,000
Bank of Nova Scotia Deposit Note maturing 2029 with interest rate of 3.0%	–	2,353,000
CIBC Linear Deposit Note expiring 2029 with interest rate of 3.0%	–	2,116,000
Bank of Nova Scotia Principal Protected Note maturing 2022 with a rate of return indexed on S&P/TSX	–	2,000,000
Toronto Dominion Bank Principal Protected Note maturing 2022 with a market indexed rate	–	1,234,100
Bank of Montreal Principal Protected Note maturing 2022 with a rate of return indexed on S&P/TSX	–	1,200,000
Bank of Nova Scotia Principal Protected Note maturing 2023 with a rate of return indexed on S&P/TSX	–	1,000,000
	\$ 40,021,884	\$ 30,072,258
	2020	2019
Short term		
CIBC Wood Gundy Cash Account	\$ 127,296	81,922
Total investments	\$ 40,149,180	\$ 30,154,180

CITY OF CHESTERMERE

Notes to Financial Statements

Year ended December 31, 2020, with comparative figures for 2019

6. Investments (continued):

The City of Chestermere holds funds that are restricted in their use and are to be utilized as funding for capital projects and to meet trust obligations. Since the projects have not been completed for which the funding has been received, \$20,558,614 (2019 – \$20,611,612) of the investment funds are not available for general use by the city. During the year, the City's unrealized gain on investments was \$490,290 (2019 – \$16,225).

7. Investment in government business enterprise:

	2020	2019
1538974 Alberta Limited - 100% ownership:		
Common voting shares (56,050,123 shares)	\$ 56,050,123	\$ 56,050,123
Cumulative share of earnings	5,747,974	8,212,055
	<u>\$ 61,798,097</u>	<u>\$ 64,262,178</u>

8. Accounts payable and accrued liabilities:

	2020	2019
Accrued liabilities	\$ 1,632,635	\$ 2,452,310
Trade accounts payable	1,424,557	1,891,097
Accrued vacation, sick leave, and short-term disability benefits payable	1,216,814	1,018,595
Accrued interest payable	42,661	52,863
	<u>\$ 4,316,667</u>	<u>\$ 5,414,865</u>

Sick leave and short-term disability benefits payable represent the estimated liability based on the City's recent years' experience. Accrued vacation liability represents the vacation that employees have earned and are entitled to within the next year.

CITY OF CHESTERMERE

Notes to Financial Statements

Year ended December 31, 2020, with comparative figures for 2019

9. Due to 1538974 Alberta Limited:

	2020	2019
Due to 1538974 AB Ltd.	\$ 2,490,716	\$ 20,196
Due to 1538974 AB Ltd. - developer levies	4,755,063	832,904
	<u>\$ 7,245,779</u>	<u>\$ 853,100</u>

Amounts due to 1538974 AB Ltd. are unsecured, non-interest bearing and repayable on demand.

10. Deferred revenue:

	2020	2019
Municipal Sustainability Initiative – capital	\$ 10,095,601	\$ 10,694,477
Developer Levies	4,779,158	3,698,259
Deferred operating grants	1,283,053	367,107
Federal Gas Tax Fund	1,077,609	1,199,156
Other deferred revenue	104,421	128,895
	<u>\$ 17,339,842</u>	<u>\$ 16,087,894</u>

(a) Municipal Sustainability Initiative:

The Municipal Sustainability Initiative ("MSI") is a funding program aimed at providing financial support for critical core and community infrastructure projects and includes incentives to encourage collaboration and cooperation between neighboring municipalities. This population-based funding program includes operating, capital and affordable housing components. The balance represents funds brought forward from 2019 of \$10,694,477 (2018 – \$12,021,106), plus grant funds received in the current year of nil (2019 – \$3,051,064), plus accrued interest of \$247,195 (2019 – \$213,546), less \$846,071 (2019 – \$4,591,239) recognized as revenue in 2020.

CITY OF CHESTERMERE

Notes to Financial Statements

Year ended December 31, 2020, with comparative figures for 2019

10. Deferred revenue (continued):

(b) Federal Gas Tax Fund:

The Federal Gas Tax Fund is a per capita grant to assist municipalities in addressing their sustainable municipal capital infrastructure needs. The program is supported through the allocation to Alberta Municipalities of a portion of the federal gasoline tax. Funding under this program is subject to the province receiving the funding from the federal government. The program provides conditional grants for capital-related projects which meet the program eligibility criteria. There is no requirement for a municipal funding contribution to projects accepted under this program. The balance represents funds brought forward from 2019 of \$1,199,156 (2018 – \$1,600,620), plus grant funds received in the current year of nil (2019 – nil) plus accrued interest of \$26,703 (2019 – \$30,924), less \$148,250 recognized as revenue in 2020 (2019 – \$432,388).

All of the unexpended funds held in deferred revenue are supported by investments as outlined in note 6.

11. Long-term debt:

	2020	2019
Debenture – Police building	\$ 2,080,598	\$ 2,732,814
Debenture – City hall building	1,292,132	1,576,357
Debenture – Public works building and addition	361,801	396,482
Debenture – CRCA operating	226,949	262,029
Debenture – Weed Harvesters	89,791	104,676
Tax supported debentures	4,051,271	5,072,358
Toronto Dominion loan - operating	5,742,468	6,562,500
Self-supported debentures – operating (note 5)	1,849,726	1,967,944
Toronto Dominion facility	1,448,542	3,890,766
Western Irrigation District Scholarship	3,000	3,000
	13,095,007	17,496,568
Less: Current portion	(2,013,931)	(1,970,337)
	\$ 11,081,076	\$ 15,526,231

CITY OF CHESTERMERE

Notes to Financial Statements

Year ended December 31, 2020, with comparative figures for 2019

11. Long-term debt (continued):

Principal and interest are due as follows:

	Principal	Interest	Total
2021	\$ 2,013,931	\$ 397,707	\$ 2,411,638
2022	2,183,972	326,948	2,510,920
2023	2,233,132	253,544	2,486,676
2024	1,546,323	183,839	1,730,162
2025	1,210,786	133,842	1,344,628
Thereafter	3,906,863	271,162	4,178,025
	<u>\$ 13,095,007</u>	<u>\$ 1,567,042</u>	<u>\$ 14,662,049</u>

Debenture debts, including self-supported debentures, are repayable to Alberta Capital Finance Authority and bear interest at rates ranging from 3.08% to 6.38% per annum, before provincial subsidy, and mature from 2023 to 2033. The weighted average interest rate is 3.38% (2019 – 3.62%). Debenture debt is issued on the credit and security of the City of Chestermere at large.

The Toronto Dominion loan bears interest at the bank's prime rate less 1.00% with an effective interest rate of 1.45% per annum (2019 – 2.95%) and is repayable over ten years with monthly principal payments of \$68,336 plus interest. The Toronto Dominion loan is unsecured.

During 2017, a borrowing bylaw was approved for the construction of Township Road 240 with a debt limit set at \$14 million. A second Toronto Dominion facility was established bearing interest at the bank's prime rate less 1.00% per annum, repayable in monthly interest payments plus annual principal payments of \$10,000 until December 31, 2021, at which time the loan converts to a ten-year amortization period with monthly blended principal and interest payments of \$12,885. The Toronto Dominion facility is unsecured. As at December 31, 2020 there were \$1,448,542 (2019 – \$3,890,766) funds drawn on the debt facility.

The Toronto Dominion loan and facility are subject to certain non-financial covenants, in addition to the financial covenant of requiring the City to comply with the Municipal Government Act's debt limit (note 14). The City is in compliance with these covenants as at December 31, 2020.

The Western Irrigation District Scholarship obligation is payable to the Olds College Foundation, bears no interest, and matures in 2022, repayable in the amount of \$1,000 per year.

CITY OF CHESTERMERE

Notes to Financial Statements

Year ended December 31, 2020, with comparative figures for 2019

12. Debt limit:

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 Chestermere be disclosed as follows:

	2020	2019
Total debt limit	\$ 49,039,865	\$ 51,116,411
Total long-term debt (note 11)	(13,430,143)	(17,496,568)
Unused total debt limit capacity	\$ 35,609,722	\$ 33,619,843
Debt service limit	\$ 8,173,311	\$ 8,519,402
Debt servicing (note 11)	(2,514,154)	(2,511,004)
Unused service on debt limit capacity	\$ 5,659,157	\$ 6,008,398

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

Section 3 c. of the Capital Financing and Debt Management Council Policy #448 further restricts the debt level to 75% of the maximum level established by the Provincial regulation. The internally restricted total debt limit for 2020 is \$36,779,899 (2019 – \$38,337,308). The unused internally restricted total debt limit capacity for 2020 is \$23,349,756 (2019 – \$20,840,740).

13. Prepaid development credits:

	2020	2019
Rainbow Road Sanitary Trunk Phase 2	\$ 2,617,103	\$ –
Rainbow Road Sanitary Tie-In*	1,551,570	–
Chestermere Boulevard Design	400,000	–
	\$ 4,568,673	\$ –

* Part of the Sanitary Trunk Distribution West

CITY OF CHESTERMERE

Notes to Financial Statements

Year ended December 31, 2020, with comparative figures for 2019

13. Prepaid development credits (continued):

Prepaid development credits are related to authorized offsite eligible capital projects being constructed and funded by the development community. Prepaid development credits are provided in lieu of offsite levy revenue and is tracked based on each eligible category, to ensure cross-subsidization does not occur. The timing of recording the activity is based on when an applicable development agreement is executed.

14. Equity in tangible capital assets:

	2020	2019
Tangible capital assets (Schedule 2)	\$ 186,242,700	\$ 189,658,780
Accumulated amortization (Schedule 2)	(76,788,120)	(68,874,220)
Long-term debt (note 11)	(13,095,007)	(17,496,568)
Operating portion of long-term debt (note 11)	7,819,143	8,792,473
Capital leases	(335,136)	(464,945)
	<u>\$ 103,843,580</u>	<u>\$ 111,615,520</u>

15. Accumulated surplus:

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

	2020	2019
Unrestricted surplus	\$ 69,709,924	\$ 70,444,191
Restricted surplus accounts:		
General Stabilization	9,597,418	7,241,453
Municipal New Capital Projects	2,329,736	1,593,882
Infrastructure Lifecycle, maintenance and replacement	6,068,336	5,200,979
Special projects	4,913,682	4,857,008
Developer levy	(1,105,503)	1,474,228
	<u>21,803,669</u>	<u>20,367,550</u>
Equity in tangible capital assets (note 14)	103,843,580	111,615,520
	<u>\$ 195,357,173</u>	<u>\$ 202,427,261</u>

CITY OF CHESTERMERE

Notes to Financial Statements

Year ended December 31, 2020, with comparative figures for 2019

16. Segmented disclosure:

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

Refer to the Schedule of Segmented Disclosure (Schedule 3a).

17. Trust funds:

	2020	2019
Trust funds	\$ 18,074	\$ 18,074

The amount disclosed as a liability for the trusts is offset by cash held in a separate bank accounts relating to Chestermere Conrich Regional Board and Roots of Empathy that are equal to the trust liabilities. Neither the assets nor the liabilities are recorded on the Statement of Financial Position.

18. Taxes levied:

	Budget (note 27)	2020	2019
Taxation:			
Real property taxes	\$ 29,329,417	\$ 28,944,676	\$ 28,879,444
Linear property taxes	–	372,331	377,793
	29,329,417	29,317,007	29,257,237
Requisitions:			
Alberta School Foundation Fund	9,443,785	9,768,226	9,578,095
Net municipal taxes	\$ 19,885,632	\$ 19,548,781	\$ 19,679,142

CITY OF CHESTERMERE

Notes to Financial Statements

Year ended December 31, 2020, with comparative figures for 2019

19. Government transfers:

	Budget (note 27)	2020	2019
Transfers for operating:			
Provincial government	\$ 1,731,219	\$ 2,728,891	\$ 1,732,430
Other local governments	122,291	94,831	121,784
	1,853,510	2,823,722	1,854,214
Transfers for capital:			
Provincial government	–	1,339,766	5,871,241
Total government transfers	\$ 1,853,510	\$ 4,163,488	\$ 7,725,455

20. Expenses by object:

	Budget (note 27)	2020	2019
Expenses by object:			
Salaries, wages and benefits	\$ 15,942,343	\$ 15,327,726	\$ 14,373,738
Amortization of tangible capital assets	8,266,412	8,299,820	7,102,839
Contracted and general services	4,810,724	4,092,571	4,441,258
Purchases from other governments	3,683,325	3,080,627	3,913,497
Goods and supplies	2,170,234	2,095,916	1,793,822
Transfers to individuals and organizations	970,992	885,769	868,245
Interest on long-term debt	198,774	192,414	229,473
Bank charges and short-term interest	24,109	28,147	22,842
(Gain) loss on disposal of tangible capital assets	–	(3,076)	–
Total expenses	\$ 36,066,913	\$ 33,999,914	\$ 32,745,714

CITY OF CHESTERMERE

Notes to Financial Statements

Year ended December 31, 2020, with comparative figures for 2019

21. Salary and benefits disclosure:

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

	2020			2019
	Salary ⁽¹⁾	Benefits and allowance ⁽²⁾	Total	Total
Mayor Chalmers	\$ 76,800	\$ 9,030	\$ 85,830	\$ 100,171
Councillor Bold	34,800	3,234	38,034	40,212
Councillor Burness	34,800	2,504	37,304	40,734
Councillor Foat	35,006	421	35,427	42,669
Councillor Kind	37,048	3,325	40,373	47,556
Councillor Narayan	36,647	2,127	38,774	47,043
Councillor Young	36,199	2,231	38,430	45,255
Chief Administrative Officer	291,741	34,355	326,096	295,716
	\$ 583,041	\$ 57,227	\$ 640,268	\$ 659,356

(1) Salary includes regular base pay and any other direct cash remuneration.

(2) Employer's share of all employee benefits and contributions or payments made on behalf of employees including retirement pension, Canada pension plan (CPP), employment insurance (EI), health care, dental coverage, vision coverage, group life insurance, accidental disability/dismemberment insurance, long and short term disability plans, professional memberships, tuition, conferences, travel & subsistence, cellular phone, computer/laptops, clothing, mileage and moving expenses.

22. Local Authorities Pension Plan:

Employees of the City participate in the Local Authorities Pension Plan ("LAPP"), which is covered by the Alberta Public Sector Pension Plan Act. The Plan has a membership of 266,000 people. The LAPP is financed by employer and employee contributions and 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% of pensionable earnings up to the year's maximum pensionable earnings under the Canada Pension Plan and 13.84% on pensionable earnings above this amount. Employees of the City are required to make

CITY OF CHESTERMERE

Notes to Financial Statements

Year ended December 31, 2020, with comparative figures for 2019

22. Local Authorities Pension Plan (continued):

current service contributions of 8.39% of pensionable salary up to the year's maximum pensionable salary and 12.84% on pensionable salary above this amount.

Total current service contributions by the City to the LAPP in 2020 were \$1,141,648 (2019 – \$976,227). Total current service contributions by the employees of the City to the LAPP in 2020 were \$1,033,557 (2019 – \$883,723).

At December 31, 2019, the LAPP disclosed an actuarial surplus of \$7.91 million.

23. Commitments:

During 2005, the existing Storm Water Discharge Agreement, Lake Management Agreement, and Western Irrigation District Offsite Levies Agreement, were replaced with the Use of Works Agreement between the City and Western Irrigation District. Under this agreement, which is to be managed on a permanent and cooperative basis, the City must remit to the Western Irrigation District annual payments on or before August 1 of each year in perpetuity. These payments are expected to remain consistent subject only to changes based on the Consumer Price Index realized in each respective year, and the payment in 2021 is expected to be \$208,377 (2020 payment was \$207,293).

The City has operating leases for vehicles. The leases require monthly payments and expire by February 2024.

Future minimum operating lease payments as at December 31, 2020, are as follows:

2021	\$	85,956
2022		50,016
2023		38,237
2024		5,993
	\$	180,202

CITY OF CHESTERMERE

Notes to Financial Statements

Year ended December 31, 2020, with comparative figures for 2019

24. Contingencies:

The City of Chestermere is a member of the Alberta Municipal Insurance Exchange ("MUNIX"). Under the terms of 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.

The City has been named as a defendant in a claim by several City residents regarding West Chestermere Drive curbs and sidewalk issues. At present, the outcome is not determinable. The amount of any future settlement would be accounted for as a current transaction in the year of settlement.

25. Subsidiary operations:

1538974 AB Ltd. (formerly Chestermere Utilities Incorporated) was established in 2011 by the City to provide water, wastewater, stormwater, garbage collection and recycling services to the City. 1538974 AB Ltd. is a wholly owned subsidiary of the City. Under IFRS 15, Revenue from contracts with customers, contributions relating to tangible capital assets will be recognized in the financial statements of 1538974 AB Ltd. as revenue over the useful lives of those assets.

The following is condensed financial information for 1538974 AB Ltd. for the year ended December 31, 2020:

	2020	2019
Financial position:		
Current assets	\$ 3,904,620	\$ 3,202,344
Finance lease receivable	475,262	389,289
Lease right of use assets	287,543	455,119
Property and equipment	110,667,647	106,461,909
Intangible assets	4,547,315	4,802,493
	<hr/>	<hr/>
	119,882,387	115,311,154
Current liabilities	3,773,474	4,156,451
Lease liabilities	419,774	461,320
Derivative financial instruments	1,371,271	311,163
Deferred revenue	15,008,316	7,907,010
Long-term debt	31,127,461	31,829,037
	<hr/>	<hr/>
	51,700,296	44,664,981
Shareholder's equity	\$ 68,182,091	\$ 70,646,173

CITY OF CHESTERMERE

Notes to Financial Statements

Year ended December 31, 2020, with comparative figures for 2019

25. Subsidiary operations (continued):

	2020	2019
Results of operations:		
Revenue	\$ 13,813,596	\$ 13,040,341
Amortization	(3,401,256)	(3,491,906)
Financing costs	(853,145)	(1,286,537)
Operating expenses	(10,963,169)	(10,316,095)
Other expenses	(1,060,108)	(452,183)
Total comprehensive loss	\$ (2,464,082)	\$ (2,506,380)

26. Related party transactions:

The following summarizes the related party transactions between the City and 1538974 AB Ltd. All transactions and balances are in the normal course of business and are measured at the exchange amount, which is the amount of consideration established and agreed by the related parties.

	2020	2019
Statement of Financial Position:		
Due to 1538974 Alberta Limited	\$ 7,245,779	\$ 853,100
Contribution of tangible capital assets	6,426,881	3,923,151
Agreements receivable	2,404,153	2,522,371
Statement of Operations:		
Sales of goods and user charges – sub-contract fees	\$ 2,626,620	\$ 1,176,243
Contracted and general services – utilities expense	233,192	168,605
Sales of goods and user charges – office space rental revenue	50,400	48,000
Sales of goods and user charges – general administrative	150	1,181,596

The summary of specific transactions with 1538974 AB Ltd. is not intended to be representative of all transactions undertaken, but is intended to identify only specific transactions that management has identified to the users of these financial statements.

CITY OF CHESTERMERE

Notes to Financial Statements

Year ended December 31, 2020, with comparative figures for 2019

27. Budget data:

The 2020 operating and capital budgets for the City were approved by Council on December 3, 2019 and have been reported in the consolidated financial statements for information purposes only. These budgeted amounts have not been audited, reviewed, or otherwise verified.

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

A reconciliation of the approved budget to the balanced budget as per legislation is as follows:

	Budget	Actual
Annual surplus	\$ 33,045	\$ (7,070,088)
Less:		
Capital expenditures	(13,709,500)	(1,684,741)
Long-term debt repayments	(986,006)	(4,531,370)
Transfers to restricted surplus	(2,704,092)	(3,362,237)
Contributed tangible capital assets	–	(1,787,780)
Add:		
Amortization	8,266,412	8,299,820
Long-term debt proceeds	6,652,200	–
Third party contributions to capital	–	–
Transfers from restricted surplus	2,447,941	1,926,119
Contributed tangible capital assets to related party	–	6,426,881
Balanced budget / excess of revenue over expenses	\$ –	\$ (1,783,396)

CITY OF CHESTERMERE

Notes to Financial Statements

Year ended December 31, 2020, with comparative figures for 2019

28. Financial instruments:

The City's financial instruments consist of cash, taxes and grants in place of taxes receivable, trade accounts receivable, property tax under-levy, agreements receivable, investments, investments in government business enterprise, accounts payable and accrued liabilities, due to 1538974 AB Ltd., deposit liabilities, obligations under capital lease and long-term debt. Unless otherwise noted, the fair values of these financial instruments approximate their carrying values. It is management's opinion that the City is not exposed to significant liquidity or currency risks arising from its financial interested.

(a) Interest rate risk:

Interest rate risk arises from the possibility that the value of, or cash flows related to, a financial instrument will fluctuate as a result of changes in market interest rates. The City is exposed to financial risk from interest rate differentials between market interest rates and the rates used on their financial instruments. The City's long-term bank debt (note 11) bears interest at variable rates.

(b) Credit risk:

The City of Chestermere is subject to credit risk with respect to taxes receivables and trade and other receivables. Credit risk arises from the possibility that taxpayers and entities to which the City of Chestermere 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.

The City's exposure to credit risk on its cash and investments is mitigated as these assets are held with creditable financial institutions.

There has been no change to the City's risk exposures from 2019, except those relating to the COVID-19 pandemic as discussed in note 1(c).

29. Comparative figures:

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

CITY OF CHESTERMERE

Changes in Accumulated Surplus

Schedule 1

Year ended December 31, 2020, with comparative figures for 2019

	Unrestricted surplus	Restricted surplus	Equity in tangible capital assets	2020	2019
Balance, beginning of year	\$ 70,444,191	\$ 20,367,550	\$ 111,615,520	\$ 202,427,261	\$ 198,432,400
Excess of revenue over expenses	(7,070,088)	—	—	(7,070,088)	3,994,861
Unrestricted funds designated for future use	(2,245,820)	2,245,820	—	—	—
Current year funds used for tangible capital assets	(875,040)	(809,701)	1,684,741	—	—
Contributed tangible capital assets	(1,787,780)	—	1,787,780	—	—
Disposal of tangible capital assets	75,800	—	(75,800)	—	—
Annual amortization expense	8,299,820	—	(8,299,820)	—	—
Capital long-term debt issued	—	—	—	—	—
Capital lease long term debt acquired	—	—	—	—	—
Capital long-term debt repaid	(3,428,230)	—	3,428,230	—	—
Capital lease obligation repaid	(129,810)	—	129,810	—	—
Contribution of tangible capital asset to related party (note 26)	6,426,881	—	(6,426,881)	—	—
Adjustment to restricted surplus	—	—	—	—	—
Change in accumulated surplus	(734,267)	1,436,119	(7,771,940)	(7,070,088)	3,994,861
Balance, end of year	\$ 69,709,924	\$ 21,803,669	\$ 103,843,580	\$ 195,357,173	\$ 202,427,261

CITY OF CHESTERMERE

Tangible Capital Assets

Schedule 2

Year ended December 31, 2020, with comparative figures for 2019

	Land	Land improvements	Buildings	Engineered structures	Machinery and equipment	Vehicle equipment	2020	2019
Cost:								
Balance, beginning of year	\$ 23,872,049	\$ 14,302,350	\$ 25,093,308	\$ 106,760,254	\$ 12,447,404	\$ 7,183,415	\$ 189,658,780	\$ 176,866,935
Acquisition of tangible capital assets	1,787,780	68,322	146,660	251,290	505,324	506,660	3,266,036	3,783,480
Construction in progress	—	24,132	116,068	—	38,205	28,080	206,485	10,597,465
Disposal of tangible capital assets	—	(12,000)	(6,738)	—	(85,184)	(357,798)	(461,720)	—
Contribution of tangible capital assets to related party (note 26)	—	—	—	(6,426,881)	—	—	(6,426,881)	(1,589,100)
Balance, end of year	25,659,829	14,382,804	25,349,298	100,584,663	12,905,749	7,360,357	186,242,700	189,658,780
Accumulated amortization:								
Balance, beginning of year	—	3,657,160	4,958,361	49,871,956	6,353,748	4,032,995	68,874,220	61,771,381
Amortization of tangible capital assets	—	659,983	546,024	5,669,472	974,577	449,764	8,299,820	7,102,839
Accumulated amortization on disposals	—	(1,200)	(6,738)	—	(85,184)	(292,798)	(385,920)	—
Balance, end of year	—	4,315,943	5,497,647	55,541,428	7,243,141	4,189,961	76,788,120	68,874,220
Net book value of tangible capital assets	\$ 25,659,829	\$ 10,066,861	\$ 19,851,651	\$ 45,043,235	\$ 5,662,608	\$ 3,170,396	\$ 109,454,580	\$ 120,784,560
2019 Net book value of tangible capital assets	\$ 23,872,050	\$ 10,645,190	\$ 20,134,947	\$ 56,888,299	\$ 6,093,655	\$ 3,150,419	\$ —	\$ 120,784,560

CITY OF CHESTERMERE

Segmented Disclosure

Schedule 3a

Year ended December 31, 2020

	General government	Protective services	Roads, streets, walks and lighting	Planning and development	Parks, recreation and environmental services	Family and community support	Subsidiary operations	Total
Revenue:								
Net municipal property taxes	\$ 19,548,781	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 19,548,781
User fees and sales of goods	2,592,598	1,049,911	59,542	2,169,123	1,553,736	50,805	—	7,475,715
Government transfers for operating	1,085,321	591,049	154,178	—	46,380	946,794	—	2,823,722
Investment income	829,435	—	—	—	—	—	—	829,435
Other revenues	248,824	—	—	—	—	—	—	248,824
	24,304,959	1,640,960	213,720	2,169,123	1,600,116	997,599	—	30,926,477
Expenses:								
Salaries, wages and benefits	3,379,418	3,813,140	1,763,965	2,830,869	2,529,328	1,011,006	—	15,327,726
Amortization of tangible capital assets	512,905	459,756	6,247,793	—	1,076,885	2,481	—	8,299,820
Contracted and general services	2,033,770	277,077	398,531	437,646	685,239	260,308	—	4,092,571
Purchases from other governments	—	3,080,627	—	—	—	—	—	3,080,627
Goods and supplies	153,910	331,716	1,041,340	15,999	533,714	19,237	—	2,095,916
Transfers to individuals and organizations	1,000	—	—	—	550,088	334,681	—	885,769
Interest on long-term debt	73,616	73,505	35,547	—	9,746	—	—	192,414
Bank charges and short-term interest	28,147	—	—	—	—	—	—	28,147
(Gain) loss on disposal of tangible capital assets	—	(12,600)	21,520	—	(11,996)	—	—	(3,076)
	6,182,766	8,023,221	9,508,696	3,284,514	5,373,004	1,627,713	—	33,999,914
Operating annual surplus (deficit)	18,122,193	(6,382,261)	(9,294,976)	(1,115,391)	(3,772,888)	(630,114)	—	(3,073,437)
Government transfer for capital								
Development levies	—	—	1,766,766	—	—	—	—	1,766,766
Contributed tangible capital assets	—	—	7,500	—	1,780,280	—	—	1,787,780
Contribution of tangible capital assets to related party	—	—	—	—	(6,426,881)	—	—	(6,426,881)
Subsidiary operations	—	—	—	—	—	—	(2,464,082)	(2,464,082)
Annual surplus (deficit)	\$ 18,140,615	\$ (6,250,657)	\$ (6,842,898)	\$ (1,115,391)	\$ (7,907,561)	\$ (630,114)	\$ (2,464,082)	\$ (7,070,088)

CITY OF CHESTERMERE

Segmented Disclosure

Schedule 3b

Year ended December 31, 2019

	General government	Protective services	Roads, streets, walks and lighting	Planning and development	Parks, recreation and environmental services	Family and community Support	Subsidiary Operations	Total
Revenue:								
Net municipal property taxes	\$ 19,679,142	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 19,679,142
User fees and sales of goods	1,991,687	1,824,099	175,087	1,853,369	593,891	133,372	-	6,571,505
Government transfers for operating	197,582	592,845	-	-	14,857	1,048,930	-	1,854,214
Investment income	934,088	-	-	-	-	-	-	934,088
Other revenues	323,516	-	-	-	-	-	-	323,516
	<u>23,126,015</u>	<u>2,416,944</u>	<u>175,087</u>	<u>1,853,369</u>	<u>608,748</u>	<u>1,182,302</u>	<u>-</u>	<u>29,362,465</u>
Expenses:								
Salaries, wages and benefits	3,027,994	3,493,478	2,084,773	2,162,169	2,187,535	1,417,789	-	14,373,738
Amortization of tangible capital assets	493,886	510,398	5,156,711	-	939,363	2,481	-	7,102,839
Contracted and general services	1,745,751	251,173	655,858	772,539	676,497	339,440	-	4,441,258
Purchases from other governments	265,795	3,616,102	-	31,600	-	-	-	3,913,497
Goods and supplies	188,001	174,418	874,475	148,674	368,414	39,840	-	1,793,822
Transfers to individuals and organizations	1,200	-	-	-	691,594	175,451	-	868,245
Interest on long-term debt	87,801	93,350	24,912	-	23,410	-	-	229,473
Bank charges and short-term interest	22,842	-	-	-	-	-	-	22,842
Gain on disposal of tangible capital assets	-	-	-	-	-	-	-	-
	<u>5,833,270</u>	<u>8,138,919</u>	<u>8,796,729</u>	<u>3,114,982</u>	<u>4,886,813</u>	<u>1,975,001</u>	<u>-</u>	<u>32,745,714</u>
Operating annual surplus (deficit)	17,292,745	(5,721,975)	(8,621,642)	(1,261,613)	(4,278,065)	(792,699)	-	(3,383,249)
Government transfer for capital	405,925	165,266	4,514,687	-	785,363	-	-	5,871,241
Development levies	-	-	4,715,142	-	-	-	-	4,715,142
Contributed tangible capital assets	-	-	542,520	-	344,687	-	-	887,207
Contribution of tangible capital assets to related party	-	-	-	-	(1,589,100)	-	-	(1,589,100)
Subsidiary operations	-	-	-	-	-	-	(2,506,380)	(2,506,380)
Annual surplus (deficit)	\$ 17,698,670	\$ (5,556,709)	\$ 1,150,707	\$ (1,261,613)	\$ (4,737,115)	\$ (792,699)	\$ (2,506,380)	\$ 3,994,861

CITY OF CHESTERMERE

Schedule of Off-site Levy

Schedule 4
(unaudited)

Year ended December 31, 2020, with comparative figures for 2019

	2020					2019				
	Recreation	Transportation	Storm*	Waste Water*	Water*	Recreation	Transportation	Storm*	Waste Water*	Water*
Opening balance	\$ 1,958,989	\$ (2,416,538)	\$ 770,275	\$ (31,017,926)	\$ (7,147,110)	\$ -	\$ 519,075	\$ 725,173	\$ (30,248,310)	\$ (7,047,457)
2017 Opening balance adjustments	-	77,694	-	(8,555)	-	-	-	(121,911)	982,416	1,383
Revenue:										
Developers	2,730,041	1,442,111	280,548	476,102	155,888	1,885,588	733,136	142,624	207,905	299,903
Interest	124,084	-	4,944	-	-	73,401	-	24,389	-	-
	<u>2,854,125</u>	<u>1,442,111</u>	<u>285,492</u>	<u>476,102</u>	<u>155,888</u>	<u>1,958,989</u>	<u>733,136</u>	<u>167,013</u>	<u>207,905</u>	<u>299,903</u>
Expenses:										
Interest expense	-	-	-	897,934	202,317	-	-	-	1,190,862	198,986
Roads:										
Chestermere										
Boulevard										
**BA 1.1 to 18.5	-	-	-	-	-	-	400,000	-	-	-
Township										
Road 240										
BA 1.1 to 18.5	-	208,769	-	-	-	-	3,268,749	-	-	-
Storm:										
CSMI Storm										
Project Phase 0										
BA 2.1-3.5, 5.1-6.5										
8.1-10.5, 13.1-14.5										
16.2-18.5	-	-	161,084	-	-	-	-	-	-	-
Waste Water:										
Great Plains										
Sanitary Truck										
BA 1.1 to 18.5	-	-	-	63,064	-	-	-	-	66,817	-
Lift Station 13										
BA 1.1 to 18.5	-	-	-	327,695	-	-	-	-	471,042	-
Lift Station 10 to 13 Diversion										
& H2S System Upgrade										
BA 1.1 to 18.5	-	-	-	579,852	-	-	-	-	-	-
Lift Station 14										
BA 6.1-6.5, 8.1-10.5										
18.1-18.5	-	-	-	-	-	-	-	-	-	-
Rainbow Road										
Gravity Sewer										
Line – Phase 1										
BA 1.1-5.5, 11.1-11.5										
13.1-14.5, 16.1-17.5	-	-	-	123,991	-	-	-	-	230,468	-

CITY OF CHESTERMERE

Schedule of Off-site Levy (continued)

Schedule 4
(unaudited)
continued

Year ended December 31, 2020, with comparative figures for 2019

	2020					2019				
	Recreation	Transportation	Storm*	Waste Water*	Water*	Recreation	Transportation	Storm*	Waste Water*	Water*
Waste Water (continued)										
Rainbow Road Gravity Sewer Line – Phase 2 BA 2.1-3.5, 13.1-13.5 16.1-16.5	-	-	-	-	-	-	-	-	748	-
Water:										
Distribution Trunk South (TWP 240) BA 1.1 to 18.5	-	-	-	-	-	-	-	-	-	-
Main Pump Station Upgrade BA 1.1 to 18.5	-	-	-	-	-	-	-	-	-	-
Water Reservoir Expansion & ECRW Line BA 1.1 to 18.5	-	-	-	-	193,637	-	-	-	-	201,953
	-	208,769	161,084	1,992,536	395,954	-	3,668,749	-	1,959,937	400,939
Excess of revenue over expenses	\$ 4,813,114	\$ (1,105,502)	\$ 894,683	\$ (32,542,915)	\$ (7,387,176)	\$ 1,958,989	\$ (2,416,538)	\$ 770,275	\$ (31,017,926)	\$ (7,147,110)

*Activity in these Off-site Levy category are transferred to 1538974 AB Ltd. for ownership, management and reporting.

**BA represents Benefitting Area's