

**TOWN OF SEDGEWICK**

**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED DECEMBER 31, 2020**

# Brian King Professional Corporation

Box 560, Hardisty, Alberta T0B 1V0

## INDEPENDENT AUDITOR'S REPORT

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

*Report on the Consolidated Financial Statements*

### *Opinion*

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

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

### *Basis for Opinion*

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

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

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

# Brian King Professional Corporation

Box 560, Hardisty, Alberta T0B 1V0

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

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

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

## *Report on Other Legal and Regulatory Requirements*

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



M.D. of Wainwright

April 15, 2021

Brian King Professional Corporation

Chartered Professional Accountant

# TOWN OF SEDGEWICK

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION DECEMBER 31, 2020

	2020	2019
<b>FINANCIAL ASSETS</b>		
Cash (Note 2)	2,105,279	2,385,169
Taxes and grants in place of taxes (Note 3)	68,293	103,591
Trade and other receivables	156,890	133,716
Receivable from other governments	423,631	400,213
Inventory held for resale	432,472	394,472
Other financial assets	94,508	97,970
	<u>3,281,073</u>	<u>3,515,131</u>
<b>LIABILITIES</b>		
Accounts payable and accrued liabilities	212,991	393,471
Deferred revenue (Note 4)	778,919	721,805
Long term debt (Note 6)	1,373,366	1,458,300
	<u>2,365,276</u>	<u>2,573,576</u>
<b>NET FINANCIAL ASSETS</b>	<u>915,797</u>	<u>941,555</u>
<b>NON-FINANCIAL ASSETS</b>		
Tangible capital assets	11,513,172	11,307,113
Prepaid expenses	106,742	119,679
	<u>11,619,914</u>	<u>11,426,792</u>
<b>ACCUMULATED SURPLUS (NOTE 8)</b>	<u>12,535,711</u>	<u>12,368,347</u>



# TOWN OF SEDGEWICK

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

	Budget (unaudited)	2020	2019
<b>REVENUE</b>			
Net municipal property taxes (Schedule 3)	872,130	835,863	818,565
User fees and sales of goods	1,235,770	1,098,349	1,204,551
Penalties	27,350	20,300	27,386
Licenses and permits	3,350	1,890	9,715
Fines	250	360	-
Franchise and concession contracts	63,000	61,250	53,941
Investment income	22,000	26,464	96,738
Rentals	6,625	6,742	6,742
Insurance proceeds	-	30,554	-
Government transfers for operating	21,000	151,306	62,679
Gain on disposal of assets	-	4,672	-
Other	4,500	9,191	69,245
	<u>2,255,975</u>	<u>2,246,941</u>	<u>2,349,562</u>
<b>EXPENSES</b>			
Legislative	68,860	40,886	54,950
Administration	309,840	284,684	358,700
Protective services	83,900	45,756	56,722
Transportation	318,091	315,487	268,346
Water supply and distribution	181,150	189,040	198,522
Wastewater treatment and disposal	71,300	61,855	48,225
Waste management	127,850	128,225	127,652
Public health and welfare	11,060	10,647	13,290
Planning and development	102,285	95,440	235,524
Recreation	94,460	331,889	123,528
Culture	19,100	22,226	20,148
Gas system	474,625	383,711	376,010
Amortization	370,497	422,779	370,501
	<u>2,233,018</u>	<u>2,332,625</u>	<u>2,252,118</u>
<b>EXCESS OF REVENUE OVER EXPENSES BEFORE OTHER</b>	22,957	(85,684)	97,444
<b>OTHER</b>			
Government transfers for capital (Schedule 4)	<u>-</u>	<u>253,048</u>	<u>1,541,741</u>
<b>EXCESS OF REVENUE OVER EXPENSES</b>	22,957	167,364	1,639,185
<b>ACCUMULATED SURPLUS, BEGINNING OF YEAR</b>	<u>12,368,347</u>	<u>12,368,347</u>	<u>10,729,162</u>
<b>ACCUMULATED SURPLUS, END OF YEAR</b>	<u>12,391,304</u>	<u>12,535,711</u>	<u>12,368,347</u>

# TOWN OF SEDGEWICK

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

	Budget (unaudited)	2020	2019
<b>EXCESS OF REVENUE OVER EXPENSES</b>	<u>22,957</u>	<u>167,364</u>	<u>1,639,185</u>
Acquisition of tangible capital assets	(1,370,000)	(628,838)	(3,379,906)
Proceeds on disposal of tangible capital assets	-	4,672	-
Amortization of tangible capital assets	370,497	422,779	370,501
Loss (gain) on sale of tangible capital assets	<u>-</u>	<u>(4,672)</u>	<u>-</u>
	<u>(999,503)</u>	<u>(206,059)</u>	<u>(3,009,405)</u>
Net (increase) decrease of prepaid assets	<u>-</u>	<u>12,937</u>	<u>(72,626)</u>
<b>INCREASE IN NET FINANCIAL ASSETS</b>	<u>(976,546)</u>	<u>(25,758)</u>	<u>(1,442,846)</u>
<b>NET FINANCIAL ASSETS, BEGINNING OF YEAR</b>	<u>941,555</u>	<u>941,555</u>	<u>2,384,401</u>
<b>NET FINANCIAL ASSETS, END OF YEAR</b>	<u><u>(34,991)</u></u>	<u><u>915,797</u></u>	<u><u>941,555</u></u>

# TOWN OF SEDGEWICK

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

	<u>2020</u>	<u>2019</u>
<b>NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:</b>		
<b>OPERATING</b>		
Excess of revenues over expenses	167,364	1,639,185
Non-cash items included in excess of revenue over expenses:		
Amortization of tangible capital assets	422,779	370,501
Non-cash charges to operations (net change):		
Decrease (increase) in taxes and grants in place of taxes	35,298	(4,222)
Decrease (increase) in trade and other receivables	(23,174)	7,304
Decrease (increase) in inventory held for resale	(38,000)	(224,111)
Decrease (increase) in trade and other receivables	(23,418)	137,759
Decrease (increase) in prepaid expenses	12,937	(72,626)
Decrease (increase) in other financial assets	3,462	(10,997)
Increase (decrease) in accounts payable and accrued liabilities	(180,480)	79,849
Increase (decrease) in deposits held in trust	-	(10,560)
Increase (decrease) in deferred revenue	57,114	(1,233,454)
	<u>429,210</u>	<u>678,628</u>
<b>CAPITAL</b>		
Acquisition of tangible capital assets	<u>(628,838)</u>	<u>(3,379,906)</u>
<b>INVESTING</b>		
Decrease (increase) in restricted cash or cash equivalents	<u>44,871</u>	<u>1,081,507</u>
<b>FINANCING</b>		
Long-term debt issued	1,500,000	1,500,000
Long-term debt repaid	(1,584,934)	(41,700)
	<u>(84,934)</u>	<u>1,458,300</u>
<b>CHANGE IN CASH AND EQUIVALENTS DURING THE YEAR</b>	<b>(235,019)</b>	<b>(161,471)</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<u><b>1,982,945</b></u>	<u><b>2,144,416</b></u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u><u><b>1,747,926</b></u></u>	<u><u><b>1,982,945</b></u></u>
<b>CASH AND CASH EQUIVALENTS IS MADE UP OF:</b>		
Cash on hand	250	250
Cash in bank	2,105,029	2,384,919
Less: restricted portion of cash and temporary investments (Note 2)	(357,353)	(402,224)
	<u><u><b>1,747,926</b></u></u>	<u><u><b>1,982,945</b></u></u>

# TOWN OF SEDGEWICK

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

	Unrestricted Surplus	Restricted Surplus	Equity in Tangible Capital Assets	2020	2019
<b>BALANCE, BEGINNING OF YEAR</b>	<u>1,512,333</u>	<u>1,007,201</u>	<u>9,848,813</u>	<b>12,368,347</b>	<u>10,729,162</u>
Excess (deficiency) of revenues over expenses	167,364	-	-	<b>167,364</b>	1,639,185
Unrestricted funds designated for future use	(46,189)	46,189	-	-	-
Restricted funds used for tangible capital assets	-	(296,100)	296,100	-	-
Current year funds used for tangible capital assets	(332,738)	-	332,738	-	-
Annual amortization expense	422,779	-	(422,779)	-	-
Net long term debt repaid or issued	<u>(84,934)</u>	<u>-</u>	<u>84,934</u>	<u>-</u>	<u>-</u>
Change in accumulated surplus	<u>126,282</u>	<u>(249,911)</u>	<u>290,993</u>	<b>167,364</b>	1,639,185
<b>BALANCE, END OF YEAR</b>	<u><u>1,638,615</u></u>	<u><u>757,290</u></u>	<u><u>10,139,806</u></u>	<b>12,535,711</b>	<u><u>12,368,347</u></u>



# TOWN OF SEDGEWICK

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

	LAND	LAND IMPROVEMENTS	BUILDINGS	ENGINEERED STRUCTURES	MACHINERY AND EQUIPMENT	VEHICLES	2020	2019
<b>COST:</b>								
Balance - beginning of year	182,836	779,436	390,289	14,605,554	963,067	163,079	17,084,261	13,704,355
Acquisition of tangible capital assets	-	-	5,519	434,903	166,416	22,000	628,838	3,370,906
Construction in progress	-	-	-	-	-	-	-	9,000
Disposal of tangible capital assets	-	-	-	-	(12,000)	-	(12,000)	-
Balance - end of year	182,836	779,436	395,808	15,040,457	1,117,483	185,079	17,701,099	17,084,261
<b>ACCUMULATED AMORTIZATION</b>								
Balance - beginning of year	-	124,858	261,705	4,771,855	509,914	108,816	5,777,148	5,406,647
Annual amortization	-	31,538	9,029	329,229	43,573	9,410	422,779	370,501
Accumulated amortization on disposals	-	-	-	-	(12,000)	-	(12,000)	-
Balance - end of year	-	156,396	270,734	5,101,084	541,487	118,226	6,187,927	5,777,148
<b>NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS</b>	<b>182,836</b>	<b>623,040</b>	<b>125,074</b>	<b>9,939,373</b>	<b>575,996</b>	<b>66,853</b>	<b>11,513,172</b>	<b>11,307,113</b>
<b>PRIOR YEAR NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS</b>	<b>182,836</b>	<b>654,578</b>	<b>128,584</b>	<b>9,833,699</b>	<b>453,153</b>	<b>54,263</b>	<b>11,307,113</b>	

# TOWN OF SEDGEWICK

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

	Budget (Unaudited)	2020	2019
<b>TAXATION</b>			
Real property taxes	1,122,580	<b>1,081,599</b>	1,063,895
Linear property taxes	16,263	<b>16,263</b>	17,001
Government grants in place of property taxes	1,287	<b>1,287</b>	1,263
	<u>1,140,130</u>	<u><b>1,099,149</b></u>	<u>1,082,159</u>
<b>REQUISITIONS</b>			
Alberta School Foundation	255,000	<b>251,661</b>	249,875
Designated Industrial Levy	-	-	129
Flagstaff Regional Housing Group	13,000	<b>11,625</b>	13,590
	<u>268,000</u>	<u><b>263,286</b></u>	<u>263,594</u>
<b>NET MUNICIPAL TAXES</b>	<u>872,130</u>	<u><b>835,863</b></u>	<u>818,565</u>

# TOWN OF SEDGEWICK

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

	Budget (Unaudited)	2020	2019
<b>TRANSFERS FOR OPERATING</b>			
Federal Government	1,000	<b>4,675</b>	-
Provincial Government	-	<b>125,896</b>	40,785
Local Governments	20,000	<b>20,735</b>	21,894
	<u>21,000</u>	<u><b>151,306</b></u>	<u>62,679</u>
<b>TRANSFERS FOR CAPITAL</b>			
Federal Government	-	-	151,308
Provincial Government	-	<b>253,048</b>	1,390,433
	<u>-</u>	<u><b>253,048</b></u>	<u>1,541,741</u>
<b>TOTAL GOVERNMENT TRANSFERS</b>	<u>21,000</u>	<u><b>404,354</b></u>	<u>1,604,420</u>

# TOWN OF SEDGEWICK

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

	Budget (Unaudited)	2020	2019
<b>Expenditures</b>			
Salaries, wages and benefits	549,875	<b>514,136</b>	569,853
Contracted and general services	714,495	<b>826,149</b>	806,192
Purchases from other governments	4,000	<b>3,862</b>	3,792
Materials, goods and utilities	519,025	<b>496,619</b>	438,271
Transfers to local boards and agencies	28,860	<b>29,728</b>	38,252
Interest on capital long term debt	39,666	<b>35,016</b>	19,829
Other expenditures	6,600	<b>4,336</b>	5,428
Amortization of tangible capital assets	370,497	<b>422,779</b>	370,501
	<u>2,233,018</u>	<u><b>2,332,625</b></u>	<u>2,252,118</u>

# TOWN OF SEDGEWICK

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

	General Government	Protective Services	Transportation services	Environmental Services	Public Health & Welfare	Planning & Development	Recreation & Culture	Gas system	Total
<b>REVENUE</b>									
Net municipal property taxes (Schedule 2)	835,863	-	-	-	-	-	-	-	835,863
User fees and sales of goods	3,652	2,843	1,734	545,034	2,860	27,811	-	514,415	1,098,349
Penalties and costs on taxes	16,828	-	-	1,252	-	-	-	2,220	20,300
Licenses and permits	-	1,630	-	-	-	260	-	-	1,890
Franchise and concession contracts	61,250	-	-	-	-	-	-	-	61,250
Investment income	26,464	-	-	-	-	-	-	-	26,464
Rentals	6,742	-	-	-	-	-	-	-	6,742
Government transfers	125,896	20,735	-	-	-	1,000	3,675	-	151,306
Other	-	-	1,817	-	1,870	-	5,504	-	9,191
	<u>1,076,695</u>	<u>25,568</u>	<u>3,551</u>	<u>546,286</u>	<u>4,730</u>	<u>29,071</u>	<u>39,733</u>	<u>516,635</u>	<u>2,242,269</u>
<b>EXPENSES</b>									
Salaries, wages and benefits	217,225	13,968	91,268	133,573	-	-	48,893	9,209	514,136
Contracted and general services	91,669	19,877	92,258	187,928	-	64,425	246,232	123,760	826,149
Purchases from other governments	-	3,862	-	-	-	-	-	-	3,862
Materials, goods and utilities	12,340	8,049	96,789	57,775	591	27,333	43,000	250,742	496,619
Transfers to local boards and agencies	-	-	-	-	10,056	3,682	15,990	-	29,728
Interest on capital long term debt	-	-	35,016	-	-	-	-	-	35,016
Other expenditures	4,336	-	-	-	-	-	-	-	4,336
	<u>325,570</u>	<u>45,756</u>	<u>315,331</u>	<u>379,276</u>	<u>10,647</u>	<u>95,440</u>	<u>354,115</u>	<u>383,711</u>	<u>1,909,846</u>
<b>NET REVENUE, BEFORE AMORTIZATION</b>	<u>751,125</u>	<u>(20,188)</u>	<u>(311,780)</u>	<u>167,010</u>	<u>(5,917)</u>	<u>(66,369)</u>	<u>(314,382)</u>	<u>132,924</u>	<u>332,423</u>
<b>AMORTIZATION AND DISPOSAL OF ASSETS</b>									
Amortization of tangible capital assets	<u>1,282</u>	<u>7,914</u>	<u>203,115</u>	<u>163,374</u>	<u>-</u>	<u>16,339</u>	<u>27,082</u>	<u>3,673</u>	<u>422,779</u>
<b>NET REVENUE</b>	<u><u>749,843</u></u>	<u><u>(28,102)</u></u>	<u><u>(510,223)</u></u>	<u><u>3,636</u></u>	<u><u>(5,917)</u></u>	<u><u>(82,708)</u></u>	<u><u>(341,464)</u></u>	<u><u>129,251</u></u>	<u><u>(85,684)</u></u>

# **TOWN OF SEDGEWICK**

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

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### **1. SIGNIFICANT ACCOUNTING POLICIES**

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

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

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

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

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

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

#### **b) Basis of Accounting**

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

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

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



# **TOWN OF SEDGEWICK**

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

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### **1. SIGNIFICANT ACCOUNTING POLICIES (continued)**

#### **c) Use of Estimates**

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

#### **d) Investments**

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

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

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

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

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

#### **f) Inventories for Resale**

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

#### **g) Tax revenue**

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

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

#### **h) Landfill Closure and Post-Closure Liability**

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

# TOWN OF SEDGEWICK

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

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### 1. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### i) Contaminated Sites Liability

Contaminated sites are a result of contamination being introduced into air, soil, water or sediment of a chemical, organic or radioactive material or live organism that exceeds an environmental standard. The liability is recorded net of any expected recoveries. A liability for remediation of a contaminated site is recognized when a site is not in productive use and is management's estimate of the cost of post-remediation including operation, maintenance and monitoring.

#### j) Government Transfers

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

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

#### k) Non-Financial Assets

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the normal course of operations. The change in non-financial assets during the year, together with the excess of revenues over expenses, provides the consolidated Change in Net Financial Assets for the year.

#### i. Tangible Capital Assets

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

	YEARS
Buildings	50
Engineered structures - other	25-75
Engineered structures - water system	50-75
Engineered structures - wastewater system	50
Land improvements	20
Machinery and equipment	5-15
Vehicles	10-25

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

# TOWN OF SEDGEWICK

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

### 1. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### ii. Contributions of Tangible Capital Assets

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

#### iii. Leases

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

#### iv. Inventories

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

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

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

### 2. CASH AND TERM DEPOSITS

	<u>2020</u>	<u>2019</u>
Included in cash and term deposits are amounts received from various grant funding programs that are held for use in accordance with the funding agreements. (Note 4)		
Municipal Sustainability Initiative - Capital	354,928	399,799
Federal Gas Tax	<u>2,425</u>	<u>2,425</u>
	<u>357,353</u>	<u>402,224</u>
 Included in cash and term deposits are amounts designated by council for future expenses and tangible capital asset acquisitions. (Note 8)		
	<u>757,290</u>	<u>1,007,201</u>
 Total restricted cash and term deposits	<u>1,114,643</u>	<u>1,409,425</u>
 Total unrestricted cash and term deposits	<u>990,636</u>	<u>975,744</u>

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

	<u>2020</u>	<u>2019</u>
Current taxes and grants in place of taxes	26,196	21,423
Arrears taxes	29,497	31,850
Property held by the town as a result of tax forfeiture	<u>14,753</u>	<u>52,471</u>
	<u>70,446</u>	<u>105,744</u>
 Less: allowance for doubtful accounts	<u>2,153</u>	<u>2,153</u>
	<u>68,293</u>	<u>103,591</u>

# TOWN OF SEDGEWICK

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

### 4. DEFERRED INCOME

Deferred income consists of the following:

	<u>2020</u>	<u>2019</u>
Prepaid property taxes	12,912	11,404
Municipal Sustainability Initiative - Capital	613,582	607,976
Federal Gas Tax	152,425	102,425
	<u>778,919</u>	<u>721,805</u>

### 5. LONG TERM DEBT

	<u>2020</u>	<u>2019</u>
Alberta Capital Finance Authority	<u>1,373,366</u>	<u>1,458,300</u>

Principal and interest payments are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	87,021	33,017	120,038
2022	89,160	30,878	120,038
2023	91,351	28,687	120,038
2024	93,596	26,442	120,038
2025	95,896	24,142	120,038
Thereafter	916,342	103,975	1,020,317
	<u>1,373,366</u>	<u>247,141</u>	<u>1,020,317</u>

Debenture debt repayable to the Alberta Capital Finance Authority bears interest at 2.442%, matures in 2034 and is secured by the credit and security of the town at large.

The town's total cash payments for interest in 2020 were \$35,103 (2019 - \$18,319).

# TOWN OF SEDGEWICK

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

### 6. DEBT LIMITS

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

	<b>2020</b>	<b>2019</b>
Total debt limit	<b>3,370,412</b>	3,524,343
Total debt	<b>1,373,366</b>	1,458,300
Surplus debt limit	<b>1,997,046</b>	2,066,043
Debt servicing limit	<b>561,735</b>	587,391
Debt servicing	<b>120,038</b>	120,038
Surplus debt servicing	<b>441,697</b>	467,353

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

### 7. EQUITY IN TANGIBLE CAPITAL ASSETS

	<b>2020</b>	<b>2019</b>
Tangible capital assets (Schedule 2)	<b>17,701,099</b>	17,084,261
Accumulated amortization (Schedule 2)	<b>(6,187,927)</b>	(5,777,148)
Long-term debt (Note 6)	<b>(1,373,366)</b>	(1,458,300)
	<b>10,139,806</b>	9,848,813

# TOWN OF SEDGEWICK

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

### 8. ACCUMULATED SURPLUS

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

	<u>2020</u>	<u>2019</u>
<b>Unrestricted surplus</b>	<b><u>1,638,615</u></b>	<b><u>1,512,333</u></b>
<b>Restricted surplus</b>		
Operating		
General	76,323	87,455
Munisight	31,000	39,000
Recreation	<u>73,159</u>	<u>205,099</u>
	<u>180,482</u>	<u>331,554</u>
Capital reserves		
General	122,457	118,632
Fire equipment	34,936	36,089
Public works equipment	59,553	55,932
Water infrastructure and meters	74,478	129,310
Sewer system	107,383	59,928
Cemetery	24,720	22,273
Recreation	56,686	119,725
Natural gas	<u>96,595</u>	<u>133,758</u>
	<u>576,808</u>	<u>675,647</u>
	<u>757,290</u>	<u>1,007,201</u>
<b>Equity in tangible capital assets</b>	<b><u>10,139,806</u></b>	<b><u>9,848,813</u></b>
	<b><u>12,535,711</u></b>	<b><u>12,368,347</u></b>

### 9. SEGMENTED DISCLOSURE

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

Refer to the Schedule of Segmented Disclosure (schedule 6)



# TOWN OF SEDGEWICK

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

### 10. SALARY AND BENEFITS DISCLOSURE

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

	2020			2019
	Salary	Benefits & Allowances	Total	Total
Imlah	4,600	180	4,780	4,801
Levy	6,100	259	6,359	8,026
Robinson	9,125	311	9,436	12,291
Schmutz	6,200	264	6,464	7,718
Sparrow	4,900	196	5,096	6,597
CAO - Current	116,860	29,533	146,393	145,550
Designated Officer (2)	21,132	-	21,132	20,441

1. Salary includes regular base pay, bonuses, overtime, lump sum payments, gross honoraria and any other direct cash remuneration.
2. Employer's share of all employee benefits and contributions or payments made on behalf of employees including pension, health care, dental coverage, vision coverage, group life insurance, accidental disability and dismemberment insurance, long and short-term disability plans, professional memberships and tuition.

### 11. LOCAL AUTHORITIES PENSION PLAN

Employees of the town participate in the Local Authorities Pension Plan (LAPP), which is one of the plans covered by the Alberta Public Sector Pension Plans Act. The LAPP serves 274,151 people and 420 employers. The LAPP is financed by employer and employee contributions and by investment earnings of the LAPP Fund.

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

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

Total current service contributions by the town to the LAPP were \$32,353. Total current service contributions by the employees of the town to the LAPP were \$29,312.

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

# **TOWN OF SEDGEWICK**

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

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### **12. CONTINGENCIES**

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

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

### **13. CONTAMINATED SITES LIABILITY**

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

### **14. FINANCIAL INSTRUMENTS**

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

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

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

### **15. COMPARITIVE FIGURES**

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

### **16. APPROVAL OF FINANCIAL STATEMENTS**

Council and Management have approved these financial statements.