

TOWN OF SEDGEWICK

CONSOLIDATED STATEMENT OF FINANCIAL POSITION DECEMBER 31, 2021

	<u>2021</u>	<u>2020</u> (restated)
FINANCIAL ASSETS		
Cash (Note 2)	2,662,558	2,449,005
Taxes and grants in place of taxes (Note 3)	61,959	68,293
Trade and other receivables	239,104	156,890
Receivable from other governments	577,682	426,787
Inventory held for resale	446,140	441,741
Other financial assets	102,739	108,341
	<u>4,090,182</u>	<u>3,651,057</u>
LIABILITIES		
Accounts payable and accrued liabilities	382,718	190,625
Deferred revenue (Note 4)	758,502	778,919
Long term debt (Note 6)	1,286,345	1,373,366
	<u>2,427,565</u>	<u>2,342,910</u>
NET FINANCIAL ASSETS	<u>1,662,617</u>	<u>1,308,147</u>
NON-FINANCIAL ASSETS		
Tangible capital assets	12,450,018	11,531,764
Prepaid expenses	103,048	113,001
	<u>12,553,066</u>	<u>11,644,765</u>
ACCUMULATED SURPLUS (NOTE 8)	<u>14,215,683</u>	<u>12,952,912</u>

TOWN OF SEDGEWICK

CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES FOR THE YEAR ENDED DECEMBER 31, 2021

	Budget (unaudited)	2021	2020 (restated)
REVENUE			
Net municipal property taxes (Schedule 3)	835,863	863,057	835,863
User fees and sales of goods	1,254,770	1,297,382	1,098,349
Penalties	19,328	22,739	20,300
Licenses and permits	3,350	17,090	1,890
Fines	250	-	360
Franchise and concession contracts	61,250	63,041	61,250
Investment income	26,464	24,418	32,143
Rentals	6,742	6,742	6,742
Insurance proceeds	-	-	30,554
Government transfers for operating	177,556	690,855	151,306
Gain on disposal of assets	-	6,017	4,672
Other	7,500	133,095	9,191
	<u>2,393,073</u>	<u>3,124,436</u>	<u>2,252,620</u>
EXPENSES			
Legislative	60,860	39,464	40,886
Administration	309,840	301,080	284,684
Protective services	83,900	111,583	45,756
Transportation	304,841	359,990	315,487
Water supply and distribution	181,150	169,993	189,040
Wastewater treatment and disposal	71,300	74,947	61,855
Waste management	127,850	127,965	128,225
Public health and welfare	8,060	10,983	10,647
Planning and development	119,285	127,385	95,440
Recreation	116,310	109,085	331,889
Culture	19,100	20,602	22,226
Gas system	470,125	473,753	345,543
Amortization	370,497	462,316	427,931
	<u>2,243,118</u>	<u>2,389,146</u>	<u>2,299,609</u>
EXCESS OF REVENUE OVER EXPENSES BEFORE OTHER	149,955	735,290	(46,989)
OTHER			
Government transfers for capital (Schedule 4)	-	527,481	253,048
EXCESS OF REVENUE OVER EXPENSES	149,955	1,262,771	206,059
ACCUMULATED SURPLUS, BEGINNING OF YEAR	<u>12,952,912</u>	<u>12,952,912</u>	<u>12,746,853</u>
ACCUMULATED SURPLUS, END OF YEAR	<u><u>13,102,867</u></u>	<u><u>14,215,683</u></u>	<u><u>12,952,912</u></u>

TOWN OF SEDGEWICK

CONSOLIDATED STATEMENT OF CHANGES IN NET FINANCIAL ASSETS FOR THE YEAR ENDED DECEMBER 31, 2021

	Budget (unaudited)	2021	2020 (restated)
EXCESS OF REVENUE OVER EXPENSES	<u>149,955</u>	<u>1,262,771</u>	<u>206,059</u>
Acquisition of tangible capital assets	(1,370,000)	(1,394,030)	(628,838)
Proceeds on disposal of tangible capital assets	-	19,477	4,672
Amortization of tangible capital assets	370,497	462,316	427,931
Loss (gain) on sale of tangible capital assets	<u>-</u>	<u>(6,017)</u>	<u>(4,672)</u>
	<u>(999,503)</u>	<u>(918,254)</u>	<u>(200,907)</u>
Net (increase) decrease of prepaid assets	<u>-</u>	<u>9,953</u>	<u>12,761</u>
INCREASE IN NET FINANCIAL ASSETS	(849,548)	354,470	17,913
NET FINANCIAL ASSETS, BEGINNING OF YEAR	<u>1,308,147</u>	<u>1,308,147</u>	<u>1,290,234</u>
NET FINANCIAL ASSETS, END OF YEAR	<u><u>458,599</u></u>	<u><u>1,662,617</u></u>	<u><u>1,308,147</u></u>

TOWN OF SEDGEWICK

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2021

	<u>2021</u>	<u>2020</u> (restated)
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING		
Excess of revenues over expenses	1,262,771	206,059
Non-cash items included in excess of revenue over expenses:		
Amortization of tangible capital assets	462,316	427,931
Non-cash charges to operations (net change):		
Decrease (increase) in taxes and grants in place of taxes	6,334	35,298
Decrease (increase) in trade and other receivables	(82,214)	(3,444)
Decrease (increase) in inventory held for resale	(4,399)	(36,965)
Decrease (increase) in receivable from other governments	(150,895)	(24,670)
Decrease (increase) in prepaid expenses	9,953	12,762
Decrease (increase) in other financial assets	5,602	3,247
Increase (decrease) in accounts payable and accrued liabilities	192,093	(194,497)
Increase (decrease) in deferred revenue	(20,417)	57,114
	<u>1,675,127</u>	<u>478,163</u>
CAPITAL		
Acquisition of tangible capital assets	<u>(1,394,030)</u>	<u>(628,838)</u>
INVESTING		
Decrease (increase) in restricted cash or cash equivalents	<u>147,534</u>	<u>44,871</u>
FINANCING		
Long-term debt repaid	<u>(87,021)</u>	<u>(84,934)</u>
CHANGE IN CASH AND EQUIVALENTS DURING THE YEAR	361,087	(186,066)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>2,091,652</u>	<u>2,277,718</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>2,452,739</u></u>	<u><u>2,091,652</u></u>
CASH AND CASH EQUIVALENTS IS MADE UP OF:		
Cash on hand	250	250
Cash in bank	2,275,464	2,105,029
Sedgewick Killam Natural Gas System	386,844	343,726
Less: restricted portion of cash and temporary investments (Note 2)	<u>(209,819)</u>	<u>(357,353)</u>
	<u><u>2,452,739</u></u>	<u><u>2,091,652</u></u>

TOWN OF SEDGEWICK

SCHEDULE OF CHANGES IN ACCUMULATED SURPLUS FOR THE YEAR ENDED DECEMBER 31, 2021 (Schedule 1)

	Unrestricted Surplus	Restricted Surplus	Equity in Tangible Capital Assets	2021	2020 (restated)
BALANCE, BEGINNING OF YEAR	1,798,105	996,409	10,158,398	12,952,912	12,746,853
Excess (deficiency) of revenues over expenses	1,262,771	-	-	1,262,771	206,059
Unrestricted funds designated for future use	(286,531)	286,531	-	-	-
Restricted funds used for operations	-	-	-	-	-
Restricted funds used for tangible capital assets	-	-	-	-	-
Current year funds used for tangible capital assets	(1,394,030)	-	1,394,030	-	-
Contributed tangible capital assets	-	-	-	-	-
Disposal of tangible capital assets	13,460	-	(13,460)	-	-
Annual amortization expense	462,316	-	(462,316)	-	-
Net long term debt repaid or issued	(87,021)	-	87,021	-	-
Change in accumulated surplus	(29,035)	286,531	1,005,275	1,262,771	206,059
BALANCE, END OF YEAR	<u>1,769,070</u>	<u>1,282,940</u>	<u>11,163,673</u>	<u>14,215,683</u>	<u>12,952,912</u>

TOWN OF SEDGEWICK

CONSOLIDATED SCHEDULE OF TANGIBLE CAPITAL ASSETS FOR THE YEAR ENDED DECEMBER 31, 2021 (Schedule 2)

	LAND	LAND IMPROVEMENTS	BUILDINGS	ENGINEERED STRUCTURES	MACHINERY AND EQUIPMENT	VEHICLES	2021	2020 (restated)
COST:								
Balance - beginning of year	182,836	779,436	408,782	15,040,457	1,178,029	185,079	17,774,619	17,157,781
Acquisition of tangible capital assets	-	-	1,089,076	-	248,083	56,871	1,394,030	628,838
Construction in progress	-	-	-	-	-	-	-	-
Disposal of tangible capital assets	-	-	-	-	(39,923)	(29,911)	(69,834)	(12,000)
Balance - end of year	182,836	779,436	1,497,858	15,040,457	1,386,189	212,039	19,098,815	17,774,619
ACCUMULATED AMORTIZATION								
Balance - beginning of year	-	156,396	283,708	5,101,084	583,441	118,226	6,242,855	5,826,924
Annual amortization	-	31,538	22,918	337,396	59,735	10,729	462,316	427,931
Accumulated amortization on disposals	-	-	-	-	(39,923)	(16,451)	(56,374)	(12,000)
Balance - end of year	-	187,934	306,626	5,438,480	603,253	112,504	6,648,797	6,242,855
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	182,836	591,502	1,191,232	9,601,977	782,936	99,535	12,450,018	11,531,764
PRIOR YEAR NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	182,836	623,040	125,074	9,939,373	594,588	66,853	11,531,764	

TOWN OF SEDGEWICK

CONSOLIDATED SCHEDULE OF PROPERTY TAXES LEVIED FOR THE YEAR ENDED DECEMBER 31, 2021 (Schedule 3)

	Budget (Unaudited)	2021	2020 (restated)
TAXATION			
Real property taxes	1,078,591	1,104,811	1,081,599
Linear property taxes	19,233	19,233	16,263
Government grants in place of property taxes	1,325	1,325	1,287
	<u>1,099,149</u>	<u>1,125,369</u>	<u>1,099,149</u>
REQUISITIONS			
Alberta School Foundation	251,661	253,052	251,661
Flagstaff Regional Housing Group	11,625	9,260	11,625
	<u>263,286</u>	<u>262,312</u>	<u>263,286</u>
NET MUNICIPAL TAXES	<u>835,863</u>	<u>863,057</u>	<u>835,863</u>

TOWN OF SEDGEWICK

CONSOLIDATED SCHEDULE OF GOVERNMENT TRANSFERS FOR THE YEAR ENDED DECEMBER 31, 2021 (Schedule 4)

	Budget (Unaudited)	2021	2020 (restated)
TRANSFERS FOR OPERATING			
Federal Government	1,000	800	4,675
Provincial Government	156,556	570,680	125,896
Local Governments	20,000	119,375	20,735
	<u>177,556</u>	<u>690,855</u>	<u>151,306</u>
TRANSFERS FOR CAPITAL			
Federal Government	-	104,020	-
Provincial Government	-	423,461	253,048
	<u>-</u>	<u>527,481</u>	<u>253,048</u>
TOTAL GOVERNMENT TRANSFERS	<u>177,556</u>	<u>1,218,336</u>	<u>404,354</u>

TOWN OF SEDGEWICK

CONSOLIDATED SCHEDULE OF EXPENDITURE BY OBJECT FOR THE YEAR ENDED DECEMBER 31, 2021 (Schedule 5)

	Budget (Unaudited)	2021	2020 (restated)
Expenditures			
Salaries, wages and benefits	520,125	495,695	514,136
Contracted and general services	603,295	656,127	797,980
Purchases from other governments	4,000	3,834	3,862
Materials, goods and utilities	625,025	623,876	486,620
Transfers to other governments	24,000	15,179	-
Transfers to local boards and agencies	62,560	97,735	29,728
Interest on capital long term debt	33,016	32,926	35,016
Other expenditures	600	1,458	4,336
Amortization of tangible capital assets	370,497	462,316	427,931
	<u>2,243,118</u>	<u>2,389,146</u>	<u>2,299,609</u>

TOWN OF SEDGEWICK

SCHEDULE OF SEGMENTED DISCLOSURE FOR THE YEAR ENDED DECEMBER 31, 2021 (Schedule 6)

	General Government	Protective Services	Transportation services	Environmental Services	Public Health & Welfare	Planning & Development	Recreation & Culture	Gas system	Total
REVENUE									
Net municipal property taxes (Schedule 2)	863,057	-	-	-	-	-	-	-	863,057
User fees and sales of goods	8,123	18,807	612	553,787	12,090	70,004	-	633,959	1,297,382
Penalties and costs on taxes	19,994	-	-	847	-	-	-	1,898	22,739
Licenses and permits	-	2,104	-	-	-	14,986	-	-	17,090
Franchise and concession contracts	63,041	-	-	-	-	-	-	-	63,041
Investment income	18,874	-	-	-	-	-	-	5,544	24,418
Rentals	6,742	-	-	-	-	-	-	-	6,742
Government transfers	40,492	18,233	-	-	-	800	631,330	-	690,855
Other	-	2,383	1,971	-	2,015	-	119,726	-	126,095
	<u>1,020,323</u>	<u>41,527</u>	<u>2,583</u>	<u>554,634</u>	<u>14,105</u>	<u>85,790</u>	<u>751,056</u>	<u>641,401</u>	<u>3,111,419</u>
EXPENSES									
Salaries, wages and benefits	225,146	17,985	76,116	135,868	-	-	31,058	9,522	495,695
Contracted and general services	103,668	19,677	160,975	190,830	-	58,580	26,851	95,546	656,127
Purchases from other governments	-	3,834	-	-	-	-	-	-	3,834
Materials, goods and utilities	10,272	19,615	89,286	46,894	3,927	68,805	16,392	368,685	623,876
Transfers to other governments	-	15,179	-	-	-	-	-	-	15,179
Transfers to local boards and agencies	-	35,293	-	-	7,056	-	55,386	-	97,735
Interest on capital long term debt	-	-	32,926	-	-	-	-	-	32,926
Other expenditures	1,458	-	-	-	-	-	-	-	1,458
	<u>340,544</u>	<u>111,583</u>	<u>359,303</u>	<u>373,592</u>	<u>10,983</u>	<u>127,385</u>	<u>129,687</u>	<u>473,753</u>	<u>1,926,830</u>
NET REVENUE, BEFORE AMORTIZATION	<u>679,779</u>	<u>(70,056)</u>	<u>(356,720)</u>	<u>181,042</u>	<u>3,122</u>	<u>(41,595)</u>	<u>621,369</u>	<u>167,648</u>	<u>1,184,589</u>
AMORTIZATION AND DISPOSAL OF ASSETS									
Amortization of tangible capital assets	<u>1,282</u>	<u>7,314</u>	<u>211,181</u>	<u>166,538</u>	<u>-</u>	<u>19,654</u>	<u>46,687</u>	<u>9,660</u>	<u>462,316</u>
NET REVENUE	<u><u>678,497</u></u>	<u><u>(77,370)</u></u>	<u><u>(561,884)</u></u>	<u><u>14,504</u></u>	<u><u>3,122</u></u>	<u><u>(61,249)</u></u>	<u><u>574,682</u></u>	<u><u>157,988</u></u>	<u><u>728,290</u></u>

TOWN OF SEDGEWICK

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2021

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 statements include the proportionate share of the Sedgewick Killam Natural Gas System.

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, 2021

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, 2021

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, 2021

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

	2021	2020
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	156,794	354,928
Canada Community Building Fund	53,025	2,425
	<u>209,819</u>	<u>357,353</u>
Included in cash and term deposits are amounts designated by council for future expenses and tangible capital asset acquisitions. (Note 8)		
	<u>1,282,940</u>	<u>757,290</u>
Total restricted cash and term deposits	<u>1,492,759</u>	<u>1,114,643</u>
Total unrestricted cash and term deposits	<u>1,169,799</u>	<u>1,334,362</u>

3. TAXES AND GRANTS IN PLACE OF TAXES RECEIVABLES

	2021	2020
Current taxes and grants in place of taxes	28,889	26,196
Arrears taxes	20,470	29,497
Property held by the town as a result of tax forfeiture	14,753	14,753
	<u>64,112</u>	<u>70,446</u>
Less: allowance for doubtful accounts	<u>2,153</u>	<u>2,153</u>
	<u>61,959</u>	<u>68,293</u>

TOWN OF SEDGEWICK

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2021

4. DEFERRED INCOME

Deferred income consists of the following:

	<u>2021</u>	<u>2020</u>
Prepaid property taxes	21,669	12,912
Municipal Sustainability Initiative - Capital	583,808	613,582
Canada Community Building Fund	153,025	152,425
	<u>758,502</u>	<u>778,919</u>

5. LONG TERM DEBT

	<u>2021</u>	<u>2020</u>
Alberta Capital Finance Authority	<u>1,286,345</u>	<u>1,373,366</u>

Principal and interest payments are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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
2026	98,252	24,142	122,394
Thereafter	818,090	82,190	900,280
	<u>1,286,345</u>	<u>216,481</u>	<u>900,280</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 2021 were \$33,016 (2020 - \$35,103).

TOWN OF SEDGEWICK

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2021

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:

	2021	2020
Total debt limit	<u>4,686,654</u>	<u>3,370,412</u>
Total debt	<u>1,286,345</u>	<u>1,373,366</u>
Surplus debt limit	<u>3,400,309</u>	<u>1,997,046</u>
Debt servicing limit	<u>781,109</u>	<u>561,735</u>
Debt servicing	<u>120,038</u>	<u>120,038</u>
Surplus debt servicing	<u>661,071</u>	<u>441,697</u>

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

7. EQUITY IN TANGIBLE CAPITAL ASSETS

	2021	2020
Tangible capital assets (Schedule 2)	<u>19,098,815</u>	<u>17,774,619</u>
Accumulated amortization (Schedule 2)	<u>(6,648,797)</u>	<u>(6,242,855)</u>
Long-term debt (Note 6)	<u>(1,286,345)</u>	<u>(1,373,366)</u>
	<u>11,163,673</u>	<u>10,158,398</u>

TOWN OF SEDGEWICK

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2021

8. ACCUMULATED SURPLUS

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

	<u>2021</u>	<u>2020</u>
Unrestricted surplus	<u>1,769,070</u>	<u>1,798,105</u>
Restricted surplus		
Operating		
General	76,666	76,323
Munisight	23,000	31,000
Recreation	68,477	73,159
	<u>168,143</u>	<u>180,482</u>
Capital reserves		
General	137,039	122,457
Fire equipment	1,558	34,936
Public works equipment	163,058	59,553
Water infrastructure and meters	150,484	74,478
Sewer system	171,259	107,383
Cemetery	28,810	24,720
Recreation	69,825	56,686
Natural gas	125,474	96,595
Sedgewick Killam Natural Gas System	267,290	239,119
	<u>1,114,797</u>	<u>815,927</u>
	<u>1,282,940</u>	<u>996,409</u>
Equity in tangible capital assets	<u>11,163,673</u>	<u>10,158,398</u>
	<u><u>14,215,683</u></u>	<u><u>12,952,912</u></u>

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, 2021

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:

	2021			2020
	Salary	Benefits & Allowances	Total	Total
Imlah	4,050	-	4,050	4,780
Levy	5,750	-	5,750	6,359
Robinson	7,500	-	7,500	9,436
Schmutz	3,700	-	3,700	6,464
Sparrow	3,700	-	3,700	5,096
Bahm	1,775	-	1,775	-
MacEachern	1,325	-	1,325	-
CAO - Current	120,392	31,172	151,564	146,393
Designated Officer (2)	20,804	-	20,804	21,132

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. PENSION PLAN

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 275,151 people and 433 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 \$33,181. Total current service contributions by the employees of the town to the LAPP were \$30,048.

At December 31, 2020, the LAPP disclosed an actuarial surplus of \$4.96 Billion.

APEX Supplementary Pension Plan

Employees of the town participate in the APEX Supplementary Pension Plan (APEX), which is one of the plans covered by the Alberta Public Sector Pension Plans Act. The APEX is financed by employer and

TOWN OF SEDGEWICK

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2021

employee contributions and by investment earnings of the APEX 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 APEX of 3.85% of pensionable earnings. Employees of the town are required to make current service contributions of 2.61% of pensionable earnings.

Total current service contributions by the town to the APEX were \$4,635. Total current service contributions by the employees of the town to the APEX were \$3,142.

TOWN OF SEDGEWICK

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2021

12. CONTINGENCIES

The town is a member of the Genesis Reciprocal Insurance Exchange (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 2021 (2020 – 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. PRIOR PERIOD ADJUSTMENT

During the year it was determined that the proportionate share of the Sedgewick Killam Natural Gas System should be incorporated into the financial statements of the town on a retroactive basis. As a result opening accumulated surplus was increased by 417,201 along with the corresponding assets and liabilities

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.