

TOWN OF SYLVAN LAKE
Year Ended December 31, 2021

FINANCIAL STATEMENTS

Town of Sylvan Lake
Consolidated Financial Statements
For the year ended December 31, 2021

Town of Sylvan Lake
Consolidated Financial Statements
For the year ended December 31, 2021

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Independent Auditor's Report

To the Members of Council of Town of Sylvan Lake

Opinion

We have audited the consolidated financial statements of Town of Sylvan Lake and its controlled or owned organizations (the Group), which comprise the consolidated statement of financial position as at December 31, 2021, and the consolidated statement of operations, consolidated statement of changes in net debt, and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2021 and its consolidated results of operations, its consolidated change in net debt, and its consolidated cash flows for the year then ended in accordance with Canadian Public Sector Accounting Standards.

Basis for Opinion

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

Other Matter

The financial statements for the year ended December 31, 2020 were audited by another auditor who expressed an unmodified opinion on those financial statements on April 29, 2021.

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

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

In preparing the consolidated financial statements, management is responsible for assessing the Group'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 Group or to cease operations, or has no realistic alternative but to do so.

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

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

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

Independent Auditor's Report - continued

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

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

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

BDO Canada LLP

Chartered Professional Accountants
Red Deer, Alberta
April 25, 2022

Town of Sylvan Lake
Consolidated Statement of Financial Position

For the year ended December 31	2021	2020
Financial assets		
Cash and cash equivalents (Note 1)	\$ 11,629,600	\$ 10,901,453
Taxes receivable (Note 2)	1,174,559	1,161,467
Accounts receivable (Note 3)	2,473,638	4,726,803
	<u>15,277,797</u>	<u>16,789,723</u>
Liabilities		
Accounts payable and accrued liabilities	5,017,932	5,644,822
Employee benefit obligation (Note 4)	687,330	701,232
Deposit liabilities	458,191	641,661
Deferred revenue (Note 5)	1,439,828	1,210,146
Long-term debt (Note 6)	28,951,982	30,334,420
Liability for contaminated sites (Note 7)	4,949,792	4,098,353
	<u>41,505,055</u>	<u>42,630,634</u>
Net debt	<u>(26,227,258)</u>	<u>(25,840,911)</u>
Non-financial assets		
Tangible capital assets (Note 8)	230,565,004	223,404,494
Inventory for consumption	662,926	468,801
Prepaid expenses	357,610	314,687
	<u>231,585,540</u>	<u>224,187,982</u>
Accumulated surplus (Note 10)	<u>\$ 205,358,282</u>	<u>\$ 198,347,071</u>
Debenture debt limits (Note 12)		
Contingencies (Note 13)		
Commitments (Note 14)		

Town of Sylvan Lake
Consolidated Statement of Operations

For the year ended December 31	Budget 2021	2021	2020
Revenue			
Net municipal taxes (Note 15)	\$ 17,191,288	\$ 16,830,874	\$ 16,966,464
Government transfers for operating (Note 16)	2,283,256	2,315,977	3,632,670
Sales and user fees	13,811,306	13,425,442	12,596,849
Rental revenue	995,698	1,099,353	749,865
Franchises and concessions	2,655,000	2,379,361	2,242,608
Investment income	180,000	101,360	276,594
Penalties and costs on taxes	345,000	444,712	148,417
Fines and costs	304,700	296,774	240,770
Development levies	-	633,422	62,624
Licenses and permits	398,600	474,349	352,271
	38,164,848	38,001,624	37,269,132
Expenses (Note 17)			
Legislative	503,646	377,178	368,761
Administration	3,633,822	3,707,142	3,661,902
Protective services	6,492,489	5,798,941	5,536,988
Roads, streets, walks and lighting	9,365,973	9,655,134	10,944,349
Wastewater treatment and disposal	4,955,815	5,037,334	5,753,768
Solid waste management	1,514,044	1,719,744	1,640,173
Planning and development	1,206,317	1,198,955	1,076,597
Recreation and parks	10,708,565	8,843,884	9,334,974
Water supply and distribution	3,334,079	3,319,990	3,299,610
Family and community support services	2,134,896	1,898,302	1,879,261
	43,849,646	41,556,604	43,496,383
Deficiency of revenue over expenditures - before other	(5,684,798)	(3,554,980)	(6,227,251)
Other			
Government transfers for capital (Note 16)	5,330,000	8,605,441	7,052,133
Contributed tangible capital assets	-	2,166,181	-
Loss on disposal of tangible capital assets	-	(205,431)	(9,538)
	(354,798)	7,011,211	815,344
Excess of revenue over expenditures	(354,798)	7,011,211	815,344
Accumulated surplus, beginning of the year	198,347,071	198,347,071	197,531,727
Accumulated surplus, end of year	\$ 197,992,273	\$ 205,358,282	\$ 198,347,071

Town of Sylvan Lake
Consolidated Statement of Change in Net Debt

For the year ended December 31	Budget 2021	2021	2020
Excess of revenue over expenditures	(354,798)	7,011,211	815,344
Acquisition of tangible capital assets	\$ (23,150,247)	\$ (14,378,391)	\$ (23,287,781)
Contributed tangible capital assets	-	(2,166,181)	-
Amortization of tangible capital assets	8,155,000	8,944,098	8,500,958
Net loss on sale of tangible capital assets	-	205,431	9,538
Proceeds on sale of tangible capital assets	-	234,530	283,748
Town of Sylvan Lake Municipal Library Board accumulated surplus	-	-	245,512
	(15,350,045)	(149,302)	(13,432,681)
Change in supplies inventory	-	(194,123)	42,014
Change in prepaid assets	-	(42,922)	1,053,761
Net change in net debt	(15,350,045)	(386,347)	(12,336,906)
Net debt, beginning of year,	(25,840,911)	(25,840,911)	(13,504,005)
Net debt, end of year	\$ (41,190,956)	\$ (26,227,258)	\$ (25,840,911)

Town of Sylvan Lake
Consolidated Statement of Cash Flows

For the year ended December 31	2021	2020
Operating transactions		
Excess of revenue over expenditures	\$ 7,011,211	\$ 815,344
Items not involving cash		
Contributed assets	(2,166,181)	-
Amortization	8,944,098	8,500,958
Net loss on disposal of tangible capital assets	205,431	9,538
Change in contaminated sites liability	950,881	-
Changes in non-cash operating balances		
Taxes receivable	(13,091)	(319,080)
Accounts receivable	2,253,165	(854,134)
Town of Sylvan Lake Municipal Library Board	-	128,681
Prepaid expenses	(42,922)	1,053,761
Accounts payable and accrued liabilities	(626,891)	(2,052,424)
Inventory for consumption	(194,123)	42,012
Employee benefit obligation	(13,902)	-
Deposit liabilities	(183,470)	(167,554)
Contaminated site liability	(99,442)	(199,640)
Deferred revenue	229,682	(2,595,055)
	<u>16,254,446</u>	<u>4,362,407</u>
Capital transactions		
Acquisition of tangible capital assets	(14,378,391)	(21,455,858)
Proceeds on sale of tangible capital assets	234,530	283,748
	<u>(14,143,861)</u>	<u>(21,172,110)</u>
Investing transactions		
Change in restricted cash balances	(46,212)	2,762,609
Financing transactions		
Repayment of long-term debt	(1,382,438)	(1,603,601)
Net change in cash and cash equivalents	681,935	(15,650,695)
Cash and cash equivalents, beginning of year	<u>9,049,646</u>	<u>24,700,341</u>
Cash and cash equivalents, end of year	<u>\$ 9,731,581</u>	<u>\$ 9,049,646</u>
Cash and cash equivalents is comprised of:		
Cash and cash equivalents	\$ 11,629,600	\$ 10,901,453
Less: restricted (Note 1)	(1,898,019)	(1,851,807)
	<u>\$ 9,731,581</u>	<u>\$ 9,049,646</u>

Town of Sylvan Lake

Summary of Significant Accounting Policies

December 31, 2021

**Management's
Responsibility for the
Financial Statements**

The consolidated financial statements of the Town are the responsibility of management. They have been prepared in accordance with Canadian generally accepted accounting principles established by the Public Sector Accounting Board of the Chartered Professional Accountants Canada.

Basis of Consolidation

The financial statement reflect the assets, liabilities, revenue and expenses of all municipal organizations, committees and Boards which are owned or controlled by the Town and are, therefore, accountable to the Town Council for the administration of their financial affairs and resources. Included with the municipality are the following:

Town of Sylvan Lake Public Library

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

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

**Cash and Cash
Equivalents**

Management considers all highly liquid investments with maturity of three months or less at acquisition to be cash equivalents.

Investments

Investments are recorded at cost unless there has been a decline in the market value which is other than temporary in nature in which case the investments are written down to market value.

**Excess Collections and
Under-levies**

Excess collections 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 excess collection is accrued as a liability and as a reduction in property tax revenue. Requisition tax rates in the subsequent year are adjusted for any excess collections.

Town of Sylvan Lake

Summary of Significant Accounting Policies

December 31, 2021

**Tangible Capital
Assets**

Tangible capital assets are recorded at cost less accumulated amortization. Cost includes all costs directly attributable to acquisition or construction of the tangible capital asset including transportation costs, installation costs, design and engineering fees, legal fees and site preparation costs. Contributed tangible capital assets are recorded at fair value at the time of the donation, with a corresponding amount recorded as revenue. Amortization is recorded on a straight-line basis over the estimated life of the tangible capital asset commencing once the asset is available for productive use as follows:

Land improvements	10 to 45 years
Buildings	25 to 50 years
Engineered Structures	
Water system	45 to 75 years
Wastewater system	45 to 75 years
Other Engineered Structures	5 to 75 years
Machinery and equipment	20% declining balance method
Vehicles	30% declining balance method

Deferred Revenue

Funds received for specific purposes which are externally restricted by legislation, regulation or agreement and are not available for general municipal purposes are accounted for as deferred revenue on the consolidated statement of financial position. The revenue is recognized in the consolidated statement of operations in the year in which it is used for the specified purpose.

Government Transfers

Government transfers are recognized as revenue in the financial statements when the transfer is authorized and any eligibility criteria are met, except to the extent that transfer stipulations give rise to an obligation that meets the definition of a liability. Transfers are recognized as deferred revenue when transfer stipulations give rise to a liability. Transfer revenue is recognized in the statement of operations as the stipulation liabilities are settled.

Revenue Recognition

Taxes are recorded at estimated amounts when they meet the definition of an asset, have been authorized and the taxable event occurs. For property taxes, the taxable event is the period for which the tax is levied. As taxes recorded are initially based on management's best estimate of the taxes that will be received, it is possible that changes in future conditions, such as reassessments due to audits, appeals and court decisions, could result in a change in the amount of tax revenue recognized. Taxes receivable are recognized net of an allowance for anticipated uncollectable amounts.

Charges for sewer and water usage are recorded as user fees when consumed. Connection fee revenues are recognized when the connection has been established.

Conditional grant revenue is recognized to the extent the conditions imposed on it have been fulfilled. Unconditional grant revenue is recognized when monies are receivable.

Town of Sylvan Lake
Summary of Significant Accounting Policies

December 31, 2021

Grants for the acquisition of tangible capital assets are recognized in the period in which eligible expenditures are made.

Sales of service and other revenue is recognized on an accrual basis.

**Liability for
Contaminated Sites**

A contaminated site is a site at which substances occur in concentrations that exceed the maximum acceptable amounts under an environmental standard. Sites that are currently in productive use are only considered a contaminated site if an unexpected event results in contamination. A liability for remediation of contaminated sites is recognized when the organization is directly responsible or accepts responsibility; it is expected that future economic benefits will be given up; and a reasonable estimate of the amount can be made. The liability includes all costs directly attributable to the remediation activities including post remediation operations, maintenance and monitoring. The liability is recorded at net of any expected recoveries.

Use of Estimates

The preparation of consolidated financial statements in accordance with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future.

Town of Sylvan Lake
Notes to Consolidated Financial Statements

December 31, 2021

1. Cash and Cash Equivalents

	2021	2020
Current account	<u>\$ 11,629,600</u>	<u>\$ 10,901,453</u>

The Town has an undrawn line of credit with a limit of \$1 million that carries an interest rate of prime less 0.75%. The line of credit is secured by a general lien on Town assets.

Included in the above amounts are the following amounts received from the Government of Canada and the Province of Alberta as conditional grants held exclusively for future projects.

	2021	2020
Deposit liabilities	\$ 458,191	\$ 641,661
Deferred revenue	<u>1,439,828</u>	<u>1,210,146</u>
	<u>\$ 1,898,019</u>	<u>\$ 1,851,807</u>

2. Taxes Receivable

	2021	2020
Current taxes and grants in place	\$ 971,756	\$ 906,890
Non-current taxes and grants in place	<u>202,803</u>	<u>254,577</u>
	<u>\$ 1,174,559</u>	<u>\$ 1,161,467</u>

3. Accounts Receivable

	2021	2020
Trade receivables	\$ 2,007,614	\$ 3,983,751
Goods and services tax receivable	293,444	570,472
Other	<u>172,580</u>	<u>172,580</u>
	<u>\$ 2,473,638</u>	<u>\$ 4,726,803</u>

Town of Sylvan Lake
Notes to Consolidated Financial Statements

December 31, 2021

4. Employee Benefit Obligation

	2021	2020
Accrued vacation pay	\$ 505,590	\$ 509,714
Accrued time in lieu	46,140	53,779
Accrued sick leave benefit	125,986	128,183
Accrued flex time benefit	9,614	9,556
	<u>\$ 687,330</u>	<u>\$ 701,232</u>

Accrued vacation pay is comprised of the vacation that employees are deferring to future years.

5. Deferred Revenue

	2021	2020
Canada Community - Building Fund	\$ 949,424	-
Other deferred revenue	286,301	1,062,053
Business license revenue	204,103	148,093
	<u>\$ 1,439,828</u>	<u>1,210,146</u>

Grants

Under various grant agreements with the Government of Canada and the Province of Alberta, the Town is required to account for grants provided and to complete the projects or program in accordance with standards detailed in the various agreements. If these requirements are not adhered to, grants provided will become repayable to the source government. Unexpended funds are repayable to the source government upon final accounting. Funds are deferred until related expenditures under the specific grant agreement have been incurred.

Business license

Under the bylaw, businesses are required to pay for preceding year business license by December 31. Therefore, invoices for the subsequent year's business licenses are entered at the beginning of December of the preceding year.

Other deferred revenue

Other deferred revenue includes funds received locally and provincial grants from various programs.

Town of Sylvan Lake
Notes to Consolidated Financial Statements

December 31, 2021

6. Long-Term Debt

Alberta Capital Finance Authority \$28,951,982 (2020 - \$30,334,420)

	Principal Repayments	Interest Payments	Total
2022	\$ 1,433,331	\$ 907,955	\$ 2,341,286
2023	1,486,380	854,906	2,341,286
2024	1,541,690	799,596	2,341,286
2025	1,565,218	741,917	2,307,135
2026	1,521,483	683,884	2,205,367
Thereafter	21,403,880	4,768,248	26,172,128
	<u>\$ 28,951,982</u>	<u>\$ 8,756,506</u>	<u>\$ 37,708,488</u>

Debenture debt in the amount of \$28,951,982 is repayable to the Alberta Capital Finance Authority and bears interest at rates ranging from 2.35% to 6.875% per annum and matures in periods 2025 through 2044. The average annual interest rate is 3.17% for 2021 (2020 - 3.19%). Debenture debt is issued on the credit and security of the Town of Sylvan Lake at large.

Interest on long-term debt amounted to \$942,947 (2020 - \$992,604)

7. Liability for Contaminated Sites

The Town's wastewater treatment plant ceased being used on July 12, 2019. The Town has an obligation to reclaim the plant and the wastewater storage lagoons. The cost to decommission the plant and reclaim the land is estimated to be \$4,949,792 (2020 - \$4,098,353) in total over the next seven years through several phases starting in 2022. The change in estimate comes from new engineering reports released for the 2021 fiscal period.

Town of Sylvan Lake
Notes to Consolidated Financial Statements

December 31, 2021

8. Tangible Capital Assets

	Land	Land Improvements	Buildings	Engineered Structures	Machinery and Equipment	Vehicles	2021	2020
Cost, beginning of year	\$ 16,036,579	\$ 21,863,755	\$ 75,939,318	\$ 188,545,512	\$ 6,398,074	\$ 8,023,828	\$ 316,807,066	\$ 295,640,574
Additions		3,947,677	635,923	16,176,722	576,401	155,646	21,492,369	21,412,379
Assets under construction - prior year		(3,880,396)		(6,457,297)	(117,310)		(10,455,003)	(8,579,601)
Assets under construction - current year		3,492,941	139,839	1,849,461	24,962		5,507,203	10,455,003
Write-downs & disposals		(26,039)		(1,061,007)	(251,338)		(1,338,384)	(2,121,289)
Cost, end of year	\$ 16,036,579	\$ 25,397,938	\$ 76,715,080	\$ 199,053,391	\$ 6,630,789	\$ 8,179,474	\$ 332,013,251	\$ 316,807,066
Accumulated amortization, beginning of year		\$ 6,391,821	\$ 10,828,241	\$ 67,404,502	\$ 3,265,730	\$ 5,512,278	\$ 93,402,572	\$ 86,729,617
Amortization		1,003,283	1,483,460	5,087,853	606,467	763,035	8,944,098	8,500,958
Disposals		(6,944)		(843,725)	(47,754)		(898,423)	(1,828,003)
Accumulated amortization, end of year		\$ 7,388,160	\$ 12,311,701	\$ 71,648,630	\$ 3,824,443	\$ 6,275,313	\$ 101,448,247	\$ 93,402,572
Net carrying amount, end of year	\$ 16,036,579	\$ 18,009,778	\$ 64,403,379	\$ 127,404,761	\$ 2,806,346	\$ 1,904,161	\$ 230,565,004	\$ 223,404,494

Town of Sylvan Lake
Notes to Consolidated Financial Statements

December 31, 2021

9. Equity in Tangible Capital Assets

	<u>2021</u>	<u>2020</u>
Tangible capital assets	\$ 332,013,251	\$ 316,807,066
Accumulated amortization	(101,448,247)	(93,402,572)
Long-term debt	<u>(28,951,982)</u>	<u>(30,334,420)</u>
	<u>\$ 201,613,022</u>	<u>\$ 193,070,074</u>

10. Accumulated Surplus

	<u>2021</u>	<u>2020</u>
Equity in tangible capital assets	\$ 201,613,022	\$ 193,070,074
Unrestricted surplus	<u>3,737,153</u>	<u>3,955,199</u>
	<u>205,350,175</u>	<u>197,025,273</u>
Restricted surplus		
Capital	(1,935,744)	(1,195,187)
Operating	<u>1,943,851</u>	<u>2,516,985</u>
	<u>8,107</u>	<u>1,321,798</u>
	<u>\$ 205,358,282</u>	<u>\$ 198,347,071</u>

December 31, 2021

11. Change in Accumulated Surplus

	Unrestricted surplus	Restricted surplus	Equity in tangible capital assets	2021	2020
Balance, beginning of year	\$ 3,955,199	\$ 1,321,798	\$ 193,070,074	\$ 198,347,071	\$ 197,531,727
Excess of revenue over expenses	7,011,211	-	-	7,011,211	815,344
Net operating transfers to restricted surplus	(5,337,238)	5,337,238	-	-	-
Debenture principal payments	(1,382,438)	-	1,382,438	-	-
Capital transfers from restricted surplus	6,650,929	(6,650,929)	-	-	-
Acquisition of capital	(14,378,391)	-	14,378,391	-	-
Contributed assets	(2,166,181)	-	2,166,181	-	-
Disposals and write-down of assets	439,964	-	(439,964)	-	-
Amortization	8,944,098	-	(8,944,098)	-	-
Change in accumulated surplus	\$ (218,046)	\$ (1,313,691)	\$ 8,542,948	\$ 7,011,211	\$ 815,344
Balance, end of year	\$ 3,737,153	\$ 8,107	\$ 201,613,022	\$ 205,358,282	\$ 198,347,071

Town of Sylvan Lake
Notes to Consolidated Financial Statements

December 31, 2021

12. Debt Limits

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

	2021	2020
Total debt limit	\$57,002,435	\$ 55,903,698
Total debt	<u>28,951,982</u>	<u>30,334,420</u>
Total debt limit available	<u>28,050,453</u>	<u>25,569,278</u>
Debt servicing limit	9,500,406	9,317,283
Debt servicing	<u>2,341,286</u>	<u>2,341,286</u>
Total debt servicing limit available	<u>7,159,120</u>	<u>6,975,997</u>

The debt limit is calculated at 1.5 times revenue of the Town (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.

13. Contingencies

The Town is a member of the Alberta Local Municipal Insurance Exchange (Munix). Under the terms of 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 Sylvan Lake Regional Water/Wastewater Commission. Under the terms of this membership, the Town could become liable for its proportionate share of any losses incurred by the Commission. Any liability would be accounted for in the year the losses are determined.

Town of Sylvan Lake
Notes to Consolidated Financial Statements

December 31, 2021

14. Commitments

The Town has a five year agreement with Wild Rose Assessment Services Inc. to provide property assessment services. The agreement term is from April 1, 2020 to March 31, 2025. The Town is required to pay a fee of \$15.25 to \$16.00 per parcel for the year.

The Town entered into a new contract to provide waste disposal services with E360S (CAN-PAK) from April 1st 2019 to March 31st, 2022. The Town is required to pay various fees for waste and recycling collections plus roll off service hauling fees to Horn Hill and the City of Red Deer Landfill.

The Town has long term operating leases with respect to certain equipment. Future lease payments as at year end are as follows:

2021	\$	68,675
2022		68,675
2023		31,281

15. Taxation - Net

	Budget 2021	2021	2020
Real property	\$ 24,047,227	\$23,538,967	\$ 23,701,992
Linear property	221,000	337,163	335,244
Government grants in place of property taxes	3,719	5,353	5,371
	24,271,946	23,881,483	24,042,607
Requisitions			
Alberta School Foundation Fund	6,218,587	6,185,366	6,212,782
Red Deer Catholic Regional Division No.39	553,071	551,431	552,578
Sylvan Lake Lodge	309,000	312,000	309,000
Designated Industrial Property	-	1,812	1,783
	7,080,658	7,050,609	7,076,143
Available for general municipal purposes	\$ 17,191,288	\$16,830,874	\$ 16,966,464

Town of Sylvan Lake
Notes to Consolidated Financial Statements

December 31, 2021

16. Government Transfers

	Budget 2021	2021	2020
Operating			
Provincial government	1,654,456	1,641,939	2,961,057
Other local government	628,800	674,038	671,613
	<u>\$ 2,283,256</u>	<u>\$ 2,315,977</u>	<u>\$ 3,632,670</u>
Capital			
Provincial government	\$ 4,400,000	\$ 6,850,951	\$ 6,924,133
Other local governments	930,000	1,754,490	128,000
	<u>\$ 5,330,000</u>	<u>\$ 8,605,441</u>	<u>\$ 7,052,133</u>
Total government transfers	<u>\$ 7,613,256</u>	<u>\$10,921,418</u>	<u>\$ 10,684,803</u>

17. Expenses by Object

	Budget 2021	2021	2020
Salaries, wages and benefits	\$ 15,345,860	\$ 14,707,153	\$ 14,709,938
Contracted and general services	10,930,358	11,001,829	13,098,082
Amortization of tangible capital assets	8,155,000	8,944,098	8,500,958
Materials, goods, supplies and utilities	4,302,319	3,629,818	3,979,421
Purchases from other governments	2,185,931	2,201,589	1,967,079
Interest on long-term debt	2,341,286	942,948	992,604
Transfers to individuals and organizations	505,033	71,196	196,756
Other expenditures	50,910	24,632	24,826
Bank charges and short-term interest	32,949	33,341	26,719
	<u>\$ 43,849,646</u>	<u>\$ 41,556,604</u>	<u>\$ 43,496,383</u>

December 31, 2021

18. Municipal Employees Pension Plans

Local Authorities Pension Plan

Certain employees of the Town are eligible to be members of the Local Authorities Pension Plan (LAPP), a multi-employer pension plan which is covered by the Public Sector Pension Plans Act. The Plan serves about 270,000 people and 420 employers. It is financed by employer and employee contributions and investment earnings of the LAPP Fund. The plan provides defined pension benefits to employees based on their length of service and rates of pay.

The Town contributes to the Plan at a rate of 9.39% of pensionable earnings up to the Canada Pension Plan Maximum Pensionable Earnings and 13.84% for the excess. Employees contribute to the Plan at a rate of 8.39% of pensionable earnings up to the Canada Pension Plan Maximum Pensionable Earnings and 12.84% for the excess.

Contributions for the year were:

	2021	2020
Employer contributions	\$ 911,691	\$ 922,824
Employee contributions	816,223	836,830
	<u>\$ 1,727,914</u>	<u>\$ 1,759,654</u>

As this is a multi-employer pension plan, these contributions are the Town's pension benefit expense. No pension liability for this type of plan is included in the Town's financial statements. The most recent valuation as at December 31, 2020 indicates a surplus of \$4,961 million (2019 surplus - \$7,913 million) for basic pension benefits. The actuary does not attribute portions of the unfunded liability to individual employers.

Town of Sylvan Lake
Notes to Consolidated Financial Statements

December 31, 2021

19. Salary and Benefits Disclosure

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

	<u>Salary</u>	<u>Benefits & Allowances</u>	<u>Total 2021</u>	<u>Total 2020</u>
Mayor McIntyre	\$ 46,460	\$ 5,457	\$ 51,917	\$ 78,197
Mayor Hanson	40,883	6,625	47,508	39,689
Councillor Parsons	32,783	6,186	38,969	39,359
Councillor Dakin	7,074	1,091	8,165	-
Councillor Payne	32,915	1,441	34,356	31,681
Councillor Kloss	33,575	6,205	39,780	37,041
Councillor Mearns	30,033	6,111	36,144	36,071
Councillor Rilling	39,068	6,497	45,565	40,023
Chief Administration Officer	215,892	41,980	257,872	253,394
Designated Officers (2)	333,284	60,835	394,119	406,872

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

Benefits and allowances includes the employer's share of all employee benefits and contributions or payments made on behalf of employees including pension, health care, dental coverage, group life insurance, accidental disability and dismemberment, dental coverage, vision coverage, and long and short term disability plans.

December 31, 2021

20. Segmented Information

The Town is a diversified municipal government institution that provides a wide range of services to its citizens. Distinguishable functional segments have been separately disclosed in the segmented information. The nature of the segments and the activities they encompass are as follows:

General Government

This service area includes legislative and administrative support to all other service areas and also relates to the revenues and expenses that relate to the operations of the Town itself and cannot be directly attributed to a specific segment.

Family and Community Support Services

This service area provides services meant to improve the health and development of the Municipality's citizens.

Recreation, Parks and Culture

This department is comprised of recreational programs and cultural programs which are provided at the aquatic centre, multi-purpose facility, arena and community centre. This department is also responsible for the maintenance of parks and open spaces. The Municipality also provides funding to the Sylvan Lake Library to assist with its citizens' informational needs.

Protective Services

Protection is comprised of police services, fire protection, and disaster services. The police services work to ensure the safety and protection of the citizens and their property. The fire department is responsible to provide fire suppression service, fire prevention programs, training and education. Disaster services are measures which if invoked mitigate the negative results of any disaster which may occur in the community.

Planning and Development

Planning and development department is responsible for administering the land use bylaw, issuing development permits, and producing both short-term and long-term planning documents to assist Council with managing growth of the Town.

Public Works

The public works department is responsible for the delivery of municipal public works services related to the planning, development and maintenance of roadway systems. This service area also provides services to the streets of the Town such as snow clearing.

December 31, 2021

20. Segmented Information continued

Environment and Recycling

Environmental services consist of recycling services.

Water and Wastewater Services

The water and waste department consists of three distinct utilities - water, wastewater and solid waste disposal. The department provides drinking water to the Town's citizens, collects and treats wastewater, and provides waste collection and disposal. The Municipality collects and sends sewage to the City of Red Deer via the Sylvan Lake Regional Water/Wastewater Commission and ensures the water system meets all Provincial standards.

The accounting policies of the segments are the same as those described in the summary of significant accounting policies. In measuring and reporting segment revenue from transactions with other segments, inter-segment transfers have been eliminated. The revenues and expenses that are directly attributable to a particular segment are allocated to that segment. Taxation revenue has been allocated to general government except where specific tax revenues can be directly allocated to a service area.

Town of Sylvan Lake
Notes to Consolidated Financial Statements

December 31, 2021

20. Segmented Information (continued)

For the year ended December 31	General Government	Family & Community Support Services	Recreation, Parks & Culture	Protective Services	Planning and Development	Public Works	Environment & Recycling	Water, Waste & Sewer	2021 Total
Revenue									
Net municipal taxes	\$ (5,260,143)	\$ 1,487,804	\$ 6,795,858	\$ 4,155,445	\$ 639,011	\$ 9,012,900	\$ -	-	16,830,875
Government transfers for operating	719,807	352,063	651,737	592,370	-	-	-	-	2,315,977
Government transfers for capital	2,166,181	-	2,714,413	-	-	5,891,028	-	-	10,771,622
User fees and sales of goods	130,701	56,085	461,840	613,105	116,943	254,378	512,275	11,280,116	13,425,443
Development levies	-	-	-	-	3,851	387,118	-	242,453	633,422
Franchises and concessions contracts	2,374,629	-	4,733	-	-	-	-	-	2,379,362
Licences and permits	-	-	-	50,197	424,150	-	-	-	474,347
Rentals and other	-	2,350	990,952	91,050	15,000	-	-	-	1,099,352
Investment income	101,360	-	-	-	-	-	-	-	101,360
Fines and costs	-	-	-	296,774	-	-	-	-	296,774
Penalties and cost of taxes	343,262	-	-	-	-	-	-	101,450	444,712
	<u>575,797</u>	<u>1,898,302</u>	<u>11,619,533</u>	<u>5,798,941</u>	<u>1,198,955</u>	<u>15,545,424</u>	<u>512,275</u>	<u>11,624,019</u>	<u>48,773,246</u>
Expenses									
Salaries, wages and benefits	2,581,120	1,636,236	3,792,427	1,871,716	1,008,174	1,996,146	58,512	1,762,822	14,707,153
Contracted and general services	1,166,826	101,444	1,075,843	369,484	135,973	1,894,985	109,138	6,148,136	11,001,829
Materials, goods and utilities	126,126	123,622	1,119,068	312,821	53,467	1,504,852	-	389,862	3,629,818
Purchases from other governments	-	-	-	2,201,589	-	-	-	-	2,201,589
Interest on long-term debt	-	-	433,717	304,237	-	-	204,994	-	942,948
Transfers to individuals and organizations	13,602	37,000	20,594	-	-	-	344,625	(344,625)	71,196
Bank charges and short-term interests	10,519	-	10,404	12,418	-	-	-	-	33,341
Amortization	164,232	-	2,391,318	727,140	-	4,259,151	-	1,402,257	8,944,098
Loss on sale of capital assets	-	-	2,893	-	-	187,578	14,960	-	205,431
Other Expenditures	21,895	-	513	(464)	1,341	-	-	1,347	24,632
	<u>4,084,320</u>	<u>1,898,302</u>	<u>8,846,777</u>	<u>5,798,941</u>	<u>1,198,955</u>	<u>9,842,712</u>	<u>732,229</u>	<u>9,359,799</u>	<u>41,762,035</u>
Net surplus (deficit)	<u>\$ (3,508,523)</u>	<u>\$ -</u>	<u>\$ 2,772,756</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,702,712</u>	<u>\$ (219,954)</u>	<u>\$ 2,264,220</u>	<u>\$ 7,011,211</u>

Town of Sylvan Lake
Notes to Consolidated Financial Statements

December 31, 2021

20. Segmented Information (continued)

For the year ended December 31	General Government	Family & Community Support Services	Recreation, Parks & Culture	Protective Services	Planning and Development	Public Works	Environment & Recycling	Water, Waste & Sewer	2020 Total
Revenue									
Net municipal taxes	\$ 474,682	\$ 1,274,623	\$ 4,534,680	\$ 3,440,108	\$ 494,024	\$ 6,748,347	\$ -	\$ -	\$ 16,966,464
Government transfers for operating	948,596	504,127	1,342,296	628,483	209,168	-	-	-	3,632,670
Government transfers for capital	-	-	128,000	-	-	6,924,133	-	-	7,052,133
User fees and sales of goods	41,538	100,511	464,580	396,015	62,134	36,301	510,335	10,985,435	12,596,849
Development levies	-	-	-	-	-	59,020	-	3,604	62,624
Franchises and concession contracts	2,239,192	-	3,416	-	-	-	-	-	2,242,608
Licences and permits	-	-	-	41,000	311,271	-	-	-	352,271
Rentals and other	-	-	668,765	81,100	-	-	-	-	749,865
Investment income	276,594	-	-	-	-	-	-	-	276,594
Penalties and cost of taxes	112,302	-	-	240,770	-	-	-	36,115	389,187
	<u>4,092,904</u>	<u>1,879,261</u>	<u>7,141,737</u>	<u>4,827,476</u>	<u>1,076,597</u>	<u>13,767,801</u>	<u>510,335</u>	<u>11,025,154</u>	<u>44,321,265</u>
Expenses									
Salaries, wages and benefits	2,467,848	1,535,497	3,993,508	1,888,911	926,745	2,014,174	75,843	1,807,412	14,709,938
Contracted and general services	1,148,127	112,441	1,209,499	392,902	114,460	3,318,828	116,572	6,685,253	13,098,082
Materials, goods and utilities	190,527	128,595	1,256,220	269,196	35,392	1,510,666	1,488	587,337	3,979,421
Purchases from other government	-	-	-	1,967,079	-	-	-	-	1,967,079
Interest on long-term debt	-	-	458,281	319,232	-	-	-	215,091	992,604
Transfers to individuals and organizations	13,783	102,728	80,245	-	-	-	316,432	(316,432)	196,756
Bank charges and short-term interest	8,375	-	11,180	7,164	-	-	-	-	26,719
Amortization	165,841	-	2,321,238	709,511	-	4,100,681	-	1,203,687	8,500,958
Loss on sale of capital assets	-	-	(20,046)	-	-	(38,438)	68,022	-	9,538
Other expenditures	36,162	-	4,803	(17,007)	-	-	-	868	24,826
	<u>4,030,663</u>	<u>1,879,261</u>	<u>9,314,928</u>	<u>5,536,988</u>	<u>1,076,597</u>	<u>10,905,911</u>	<u>578,357</u>	<u>10,183,216</u>	<u>43,505,921</u>
Net surplus (deficit)	<u>\$ 62,241</u>	<u>\$ -</u>	<u>\$ (2,173,191)</u>	<u>\$ (709,512)</u>	<u>\$ -</u>	<u>\$ 2,861,890</u>	<u>\$ (68,022)</u>	<u>\$ 841,938</u>	<u>\$ 815,344</u>

December 31, 2021

21. COVID - 19

The impact of COVID-19 in Canada and on the global economy continued throughout the 2021 fiscal year and subsequent to year-end. If the impacts of COVID-19 continue there could further impact on the Municipality and its major customers, suppliers and other third party business associates that could impact the timing and amounts realized on the Municipality's assets and future profitability. At this time, the full potential impact of COVID-19 on the Town is not known.

22. Comparative Figures

Wherever necessary, comparative figures have been reclassified to conform with current year financial statement presentation.

23. Approval of Financial Statements

Council and Management approved these financial statements.
