

TOWN OF SYLVAN LAKE



Consolidated Financial Statements
December 31, 2020



RSM Alberta LLP

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INDEPENDENT AUDITOR'S REPORT

To the Members of Council of Town of Sylvan Lake

Opinion

We have audited the accompanying consolidated financial statements of the Town of Sylvan Lake, which comprises of the consolidated statement of financial position as at December 31, 2020 and the consolidated statements of operations and accumulated surplus, changes in net financial (debt) and cash flows for the year then ended and the notes to the financial statements including a summary of significant accounting policies.

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

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Town 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.

Emphasis of Matter

We draw attention to Note 2 to the financial statements, which explains that certain comparative information presented for the year ended December 31, 2019 has been restated. Our opinion is not modified in respect of this matter.

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 Town'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 Town or to cease operations, or has no realistic alternative but to do so.

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

THE POWER OF BEING UNDERSTOOD

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Town'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 Town'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 Town 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.

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.

RSM Alberta LLP

Red Deer County, Alberta
April 29, 2021

Chartered Professional Accountants

TOWN OF SYLVAN LAKE

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December 31, 2020

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TOWN OF SYLVAN LAKE
Consolidated Statement of Financial Position
As at December 31, 2020

	2020	2019 (Restated Note 2)
FINANCIAL ASSETS		
Cash and cash equivalents (Note 3)	\$ 10,901,453	\$ 29,010,845
Receivables		
Taxes and grants in place of taxes (Note 4)	1,161,467	842,387
Trade and other receivables, net (Note 4)	4,726,803	3,872,669
	<u>16,789,723</u>	<u>33,725,901</u>
LIABILITIES		
Accounts payable and accrued liabilities	6,346,054	6,379,469
Deposit liabilities	641,661	809,215
Deferred revenue (Note 5)	1,210,146	3,805,201
Wastewater treatment plant reclamation (Note 6)	4,098,353	4,298,000
Long-term debt (Note 7)	30,334,420	31,938,021
	<u>42,630,634</u>	<u>47,229,906</u>
NET FINANCIAL DEBT	<u>(25,840,911)</u>	<u>(13,504,005)</u>
CONTINGENT LIABILITIES (Note 8)		
COMMITMENTS AND CONTRACTUAL RIGHTS (Note 9)		
NON-FINANCIAL ASSETS		
Tangible capital assets (Schedule 2)	223,404,494	208,910,957
Inventory for consumption	468,801	510,815
Prepaid expenses	314,687	1,368,448
	<u>224,187,982</u>	<u>210,790,220</u>
ACCUMULATED SURPLUS (Schedule 1, Note 10)	<u>\$ 198,347,071</u>	<u>\$ 197,286,215</u>

See accompanying schedules and notes

Approved by Council:



Mayor



Chief Administrative Officer

TOWN OF SYLVAN LAKE
Consolidated Statement of Operations and Changes in Accumulated Surplus
For the Year Ended December 31, 2020

	Budget (unaudited)	2020	2019 (Restated Note 2)
REVENUE			
Net municipal taxes <i>(Schedule 3)</i>	\$ 16,994,123	\$ 16,966,464	\$ 16,927,005
User fees and sales of goods	13,038,085	12,596,849	13,218,155
Government transfers for operating <i>(Schedule 4)</i>	2,123,321	3,632,670	2,939,723
Franchise and concession contracts	2,212,931	2,242,608	2,379,068
Rentals and other	982,964	749,865	1,308,902
Licenses and permits	488,526	352,271	560,586
Investment income	280,000	276,594	553,493
Fines and costs	304,700	240,770	352,522
Penalties and cost of taxes	140,000	148,417	342,249
Development levies	126,000	62,624	57,623
	36,690,650	37,269,132	38,639,326
EXPENSES			
Amortization of tangible capital assets	8,155,000	8,500,958	8,097,722
Recreation, parks and culture	7,720,037	7,013,736	7,292,493
Roads, streets, walks and lighting	4,885,041	6,843,668	4,810,304
Wastewater treatment and disposal	5,690,825	5,239,416	6,982,838
Protective services	5,565,870	4,827,477	4,845,642
Administration	3,647,094	3,496,061	3,497,729
Water supply and distribution	3,198,414	2,697,496	2,086,414
Family and community support services	1,983,128	1,879,261	1,730,886
Solid waste management	1,423,282	1,552,952	1,441,631
Planning and development	1,313,652	1,076,597	1,222,232
Legislative	451,410	368,761	444,438
	44,033,753	43,496,383	42,452,329
ANNUAL DEFICIT BEFORE OTHER	(7,343,103)	(6,227,251)	(3,813,003)
OTHER			
Government transfers for capital <i>(Schedule 4)</i>	-	7,052,133	2,407,300
Contributed tangible capital assets	-	-	2,097,410
Gain (loss) on disposal of tangible capital assets	-	(9,538)	37,844
ANNUAL SURPLUS (DEFICIT)	(7,343,103)	815,344	729,551
ACCUMULATED SURPLUS, BEGINNING OF YEAR <i>(Note 2)</i>	197,286,215	197,286,215	196,556,664
Town of Sylvan Lake Municipal Library Board accumulated surplus <i>(Note 12)</i>	-	245,512	-
ACCUMULATED SURPLUS, END OF YEAR	\$ 189,943,112	\$ 198,347,071	\$ 197,286,215

See accompanying schedules and notes

TOWN OF SYLVAN LAKE
Consolidated Statement of Changes in Net Financial Debt
For the Year Ended December 31, 2020

	Budget (unaudited)	2020	2019 (Restated Note 2)
ANNUAL SURPLUS (DEFICIT)	\$ (7,343,103)	\$ 815,344	\$ 729,551
Acquisition of tangible capital assets	(39,701,590)	(23,287,781)	(12,695,960)
Contributed assets	-	-	(2,097,410)
Proceeds on disposal of tangible capital assets	-	283,748	199,476
Amortization of tangible capital assets	8,155,000	8,500,958	8,097,722
(Gain) loss on disposal of tangible assets	-	9,538	(37,844)
Town of Sylvan Lake Municipal Library Board accumulated surplus (Note 12)	-	245,512	-
	<u>(31,546,590)</u>	<u>(14,248,025)</u>	<u>(6,534,016)</u>
Useage (acquisition) of inventory for consumption	-	42,014	(118,720)
Decrease (increase) in prepaid expenses	-	1,053,761	(1,120,872)
	<u>-</u>	<u>1,095,775</u>	<u>(1,239,592)</u>
CHANGE IN NET FINANCIAL DEBT	(38,889,693)	(12,336,906)	(7,044,057)
NET FINANCIAL DEBT, BEGINNING OF YEAR	-	(13,504,005)	(6,459,948)
NET FINANCIAL DEBT, END OF YEAR	\$ (38,889,693)	\$ (25,840,911)	\$ (13,504,005)

See accompanying schedules and notes

TOWN OF SYLVAN LAKE
Consolidated Statement of Cash Flow
For the Year Ended December 31, 2020

	2020	2019 (Restated Note 2)
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING		
Annual surplus	\$ 815,344	\$ 729,551
Non-cash items included in annual surplus		
Amortization of tangible capital assets	8,500,958	8,097,722
Loss (gain) on disposal of tangible capital assets	9,538	(37,844)
Tangible capital assets received as contributions	-	(2,097,410)
Tangible capital assets included in accounts payable	(2,019,004)	(1,261,645)
Non-cash changes to operations (net change):		
Increase in taxes and accounts receivable	(1,173,214)	(338,838)
Decrease (increase) in inventory for consumption	42,012	(118,720)
Decrease (increase) in prepaid expenses	1,053,761	(1,120,874)
Increase (decrease) in accounts payable and accrued liabilities	(33,420)	3,166,615
Increase (decrease) in deferred revenue	(2,595,055)	3,268,039
Increase (decrease) in deposit liabilities	(167,554)	26,133
Increase (decrease) in wastewater treatment plant reclamation	(199,640)	4,289,000
Increase related to Town of Sylvan Lake Municipal Library Board consolidation (Note 12)	128,681	-
Cash provided by operating transactions	4,362,407	14,601,729
CAPITAL		
Acquisition of tangible capital assets	(22,213,217)	(12,695,960)
Increase in tangible capital assets included in accounts payable	757,359	1,065,310
Proceeds on disposal of tangible capital assets	283,748	199,476
Cash applied to capital transactions	(21,172,110)	(11,431,174)
FINANCING		
Long-term debt repaid	(1,603,601)	(1,426,309)
Proceeds from long-term financing	-	6,982,000
Cash provided by (applied to) financing transactions	(1,603,601)	5,555,691
(DECREASE) INCREASE IN CASH AND EQUIVALENTS DURING THE YEAR	(18,413,304)	8,726,246
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	29,010,845	20,284,599
Town of Sylvan Lake Municipal Library Board cash on hand (Note 12)	303,912	-
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 10,901,453	\$ 29,010,845

Included in annual surplus is \$276,599 (2019- \$553,493) interest received and \$1,019,323 (2019 - \$891,956) interest paid.

In 2019, the Town prepaid for a fire truck that it received in 2020. The \$1,074,563 the Town paid is excluded from the acquisition of tangible capital assets above.

See accompanying schedules and notes

TOWN OF SYLVAN LAKE

Consolidated Schedule of Changes in Accumulated Surplus

(Schedule 1)

For the Year Ended December 31, 2020

	Unrestricted Surplus	Restricted Surplus	Equity in Tangible Capital Assets	2020	2019 (Restated Note 2)
BALANCE, BEGINNING OF YEAR (RESTATED)	\$ 9,179,451	\$ 12,395,473	\$ 175,711,291	\$ 197,286,215	\$ 196,556,664
Excess of revenues over expenses	815,344	-	-	815,344	729,551
Unrestricted funds designated for future use	(7,485,399)	7,485,399	-	-	-
Restricted funds used for operations	2,369,591	(2,369,591)	-	-	-
Restricted funds used for tangible capital assets	-	(16,189,483)	16,189,483	-	-
Current year funds used for tangible capital assets	(6,340,937)	-	6,340,937	-	-
Town of Sylvan Lake Municipal Library Board consolidation (Note 12)	231,646	-	13,866	245,512	-
Disposal of tangible capital assets (at net book value)	293,285	-	(293,285)	-	-
Annual amortization expense	8,500,958	-	(8,500,958)	-	-
Long-term debt repaid	(1,603,601)	-	1,603,601	-	-
Change in accumulated surplus	(3,219,113)	(11,073,675)	15,353,644	1,060,856	729,551
BALANCE, END OF YEAR	\$ 5,960,338	\$ 1,321,798	\$ 191,064,935	\$ 198,347,071	\$ 197,286,215

TOWN OF SYLVAN LAKE
Consolidated Schedule of Tangible Capital Assets
For the Year Ended December 31, 2020
(Schedule 2)

	Land	Land Improvements	Buildings	Engineered Structures	Machinery & Equipment	Vehicles	2020	2019
COST:								
BALANCE, BEGINNING OF YEAR	\$ 16,036,579	\$ 17,864,149	\$ 75,671,731	\$ 173,850,329	\$ 5,701,429	\$ 6,516,357	\$ 295,640,574	\$ 281,337,982
Acquisition of tangible capital assets	-	739,755	458,901	17,652,792	1,022,660	1,538,271	21,412,379	7,667,732
Assets under construction - prior year	-	(620,545)	(191,314)	(7,758,788)	(8,954)	-	(8,579,601)	(1,453,963)
Assets under construction - current year	-	3,880,396	-	6,457,297	117,310	-	10,455,003	8,579,601
Disposal of tangible capital assets	-	-	-	(1,656,118)	(434,371)	(30,800)	(2,121,289)	(490,778)
BALANCE, END 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
ACCUMULATED AMORTIZATION:								
BALANCE, BEGINNING OF YEAR	-	5,491,316	9,357,476	64,218,899	2,850,592	4,811,334	86,729,617	78,961,039
Annual amortization	-	900,505	1,470,765	4,773,682	625,160	730,846	8,500,958	8,097,722
Accumulated amortization of disposals	-	-	-	(1,588,079)	(210,022)	(29,902)	(1,828,003)	(329,144)
BALANCE, END OF YEAR	-	6,391,821	10,828,241	67,404,502	3,265,730	5,512,278	93,402,572	86,729,617
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	\$ 16,036,579	\$ 15,471,934	\$ 65,111,077	\$ 121,141,010	\$ 3,132,344	\$ 2,511,550	\$ 223,404,494	\$ 208,910,957
2019 NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	\$ 16,036,579	\$ 12,372,833	\$ 66,314,255	\$ 109,631,430	\$ 2,850,837	\$ 1,705,023	\$ 208,910,957	

TOWN OF SYLVAN LAKE
Consolidated Schedule of Property and Other Taxes
For the Year Ended December 31, 2020

(Schedule 3)

	Budget (unaudited)	2020	2019
TAXATION			
Real property taxes	\$ 23,850,059	\$ 23,701,992	\$ 23,545,880
Linear property taxes	221,003	335,244	333,881
Government grants in place of property taxes	3,719	5,371	5,364
	<u>24,074,781</u>	<u>24,042,607</u>	<u>23,885,125</u>
REQUISITIONS			
Alberta School Foundation Fund	6,218,587	6,212,782	6,115,247
Red Deer Catholic Regional Division No. 39	553,071	552,578	541,012
Sylvan Lake Lodge	309,000	309,000	300,000
Designated Industrial Property	-	1,783	1,861
	<u>7,080,658</u>	<u>7,076,143</u>	<u>6,958,120</u>
NET MUNICIPAL TAXES	<u>\$ 16,994,123</u>	<u>\$ 16,966,464</u>	<u>\$ 16,927,005</u>

TOWN OF SYLVAN LAKE
Schedule of Government Transfers
December 31, 2020

(Schedule 4)

	Budget (unaudited)	2020	2019 (Restated Note 2)
TRANSFERS FOR OPERATING:			
Provincial Government	\$ 1,547,487	\$ 2,961,057	\$ 2,440,957
Other Local Governments	575,834	671,613	498,766
	<u>2,123,321</u>	<u>3,632,670</u>	<u>2,939,723</u>
TRANSFERS FOR CAPITAL:			
Provincial Government	-	6,924,133	2,290,758
Other Local Governments	-	128,000	116,542
	<u>-</u>	<u>7,052,133</u>	<u>2,407,300</u>
TOTAL GOVERNMENT TRANSFERS	<u>\$ 2,123,321</u>	<u>\$ 10,684,803</u>	<u>\$ 5,347,023</u>

TOWN OF SYLVAN LAKE
Consolidated Schedule of Expenses by Object
December 31, 2020

(Schedule 5)

	Budget (unaudited)	2020	2019
EXPENDITURES			
Salaries, wages and benefits	\$ 14,175,927	\$ 14,709,938	\$ 13,703,787
Contracted and general services	12,143,818	13,098,082	12,894,344
Amortization of tangible capital assets	8,155,000	8,500,958	8,097,722
Materials, goods, supplies and utilities	4,120,964	3,979,421	3,966,131
Purchases from other governments	2,122,263	1,967,079	2,066,477
Interest on long-term debt	2,555,802	992,604	858,922
Transfers to individuals and organizations	663,952	196,756	646,716
Bank charges and short-term interest	31,449	26,719	33,034
Other expenditures	64,578	24,826	185,196
	<u>\$ 44,033,753</u>	<u>\$ 43,496,383</u>	<u>\$ 42,452,329</u>

TOWN OF SYLVAN LAKE

Consolidated Schedule of Segmented Disclosures For the Year Ended December 31, 2020

(Schedule 6)

	Family &							2020	2019
	General Government	Community Support Services	Recreation, Parks & Culture	Protective Services	Planning & Development	Public Works	Environment & Recycling	Water, Waste & Sewer	
Revenue									
Net municipal taxes	474,682	1,274,623	4,534,680	3,440,108	494,024	6,748,347	-	-	16,966,464
User fees and sales of goods	41,538	100,511	464,580	396,015	62,134	36,301	510,335	10,985,435	13,218,155
Government transfers for operating	948,596	504,127	1,342,296	628,483	209,168	-	-	-	2,939,723
Franchise and concession contracts	2,239,192	-	3,416	-	-	-	-	-	2,242,608
Rentals and other	-	-	668,765	81,100	-	-	-	-	749,865
Licenses and permits	-	-	-	41,000	311,271	-	-	-	352,271
Investment income	276,594	-	-	-	-	-	-	-	553,493
Fines and costs	-	-	-	240,770	-	-	-	-	276,594
Penalties and cost of taxes	112,302	-	-	-	-	-	-	36,115	352,522
Development levies	-	-	-	-	-	59,020	-	-	148,417
	4,092,904	1,879,261	7,013,737	4,827,476	1,076,597	6,843,668	510,335	11,025,154	37,269,132
									38,639,326
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
Amortization	165,841	-	2,321,238	709,511	-	4,100,681	-	1,203,687	8,500,958
Materials, goods, supplies 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 governments	-	-	-	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)	858,922
Bank charges and short term interest	8,375	-	11,180	7,164	-	-	-	-	196,756
Other expenditures	36,162	-	4,803	(17,007)	-	-	-	-	26,719
	4,030,663	1,879,261	9,334,974	5,536,988	1,076,597	10,944,349	510,335	10,183,216	43,496,383
									24,826
									185,196
									42,452,329
Excess (deficiency) of revenue over expenses	62,241	-	(2,321,237)	(709,512)	-	(4,100,681)	-	841,938	(6,227,251)
									(3,813,003)

TOWN OF SYLVAN LAKE
Notes to Consolidated Financial Statements
Year Ended December 31, 2020

1. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements of the Town of Sylvan Lake are the representations of management prepared in accordance with Public Sector Accounting Standards established by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada. Significant aspects of the accounting policies adopted by the Town of Sylvan Lake are as follows:

Reporting Entity

The consolidated financial statements reflect the assets, liabilities, revenues and expenditures and changes in fund balances and in financial position of the reporting entity. This entity is comprised of the municipal operations plus all the organizations that are owned or controlled by the 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:

Family and Community Support Services	Town of Sylvan Lake Recreational Department
Town of Sylvan Lake Fire Department	Town of Sylvan Lake Waterworks System
Sylvan Lake Municipal Library Board	

The schedule of taxes levied also includes operating requisitions for educational, 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.

(continued)

TOWN OF SYLVAN LAKE
Notes to Consolidated Financial Statements
Year Ended December 31, 2020

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

Net Municipal Taxes

Property tax revenue is based on market value assessments determined in accordance with the Municipal Government Act (MGA). Tax mill rates are established annually. Taxation revenues are recorded at the time the tax billings are issued. Assessments are subject to appeal. Losses on assessment appeals are recorded as adjustments to tax revenues and receivables when a written decision is received from the authorized board. Requisitions operate as a flow through and are excluded from municipal revenue.

External Contributions

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

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 expense are incurred, services performed or the tangible capital assets are acquired.

Government Transfers

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 or construction of tangible capital assets. These transfers 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. These 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.

Deferred Revenue

Deferred revenues represent government transfers, donations, and other fees which have been collected, but for which the related services have yet to be performed or agreement stipulations have not been met. These amounts will be recognized as revenues when revenue recognition criteria have been met.

Use of Estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles for local governments established by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada 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. Significant areas requiring the use of estimates include: allowance for doubtful accounts, useful lives of tangible capital assets, contributed capital assets, contingencies, and wastewater treatment plant reclamation. Actual results could differ from those estimates.

Cash and cash equivalents

Cash and cash equivalents include bank balances and term deposits. Term deposits are considered to be cash equivalents when they are readily convertible to cash, and it is management's intention to use them as such.

(continued)

TOWN OF SYLVAN LAKE
Notes to Consolidated Financial Statements
Year Ended December 31, 2020

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

Reserves

Certain amounts, as approved by Town Council, are set aside in accumulated surplus for future operating and capital purposes. Transfers to or from reserves are adjustments to the respective fund when approved.

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 Debt for the year.

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 or declining balance basis over the estimated useful life as follows:

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

The Town regularly reviews its tangible capital assets to eliminate obsolete items.

Tangible capital assets acquired during the year but not placed into use are not amortized until they are placed into use. Tangible capital assets under construction or development are not amortized until the asset is available for productive use.

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.

Contribution of Tangible Capital Assets

Tangible capital assets received as contributions are recorded at fair value at the date of receipt and are also recorded as revenue. Land that is transferred from other Governments is not recorded in the financial statements.

Leases

Leases are classified as capital or operating leases. Leases which transfer substantially the entire 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.

Inventory for Consumption

Inventories of materials and supplies for consumption are valued at the lower of cost or net realizable value with cost determined by the first in, first out cost method.

(continued)

TOWN OF SYLVAN LAKE
Notes to Consolidated Financial Statements
Year Ended December 31, 2020

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

Cultural and Historical Capital Assets

Cultural and historical assets are not recorded in these financial statements.

Prepaid Expenses

Expenses paid in advance where services have not been performed or materials have not been received.

2. RESTATEMENT OF PRIOR YEAR

In 2019, the Town recognized Government transfers for capital totaling \$3,326,965 as other revenue when received rather than when utilized in accordance with the funding agreement. The Town needs to meet funding stipulations, which require the Town to spend the funds on approved capital projects before it recognizes the revenue. The Town utilized the funding in accordance with the stipulations in 2020. The recognition of the revenue resulted in overstatement of the Government transfers for capital and an understatement of deferred revenue by the \$3,326,965 in the prior year.

To restate the December 31, 2019 comparative amounts, the following adjustments have been made:

	<u>As previously Stated</u>	<u>Adjustment</u>	<u>Restated</u>
<u>Statement of Financial Position</u>			
Financial assets	\$ 33,725,901	\$ -	\$ 33,725,901
Liabilities			
Deferred revenue	478,236	3,326,965	3,805,201
Other liabilities	43,424,705	-	43,424,705
Total liabilities	43,902,941	3,326,965	47,229,906
Net financial debt	(10,177,040)	(3,326,965)	(13,504,005)
Non-financial assets	210,790,220	-	210,790,220
Accumulated surplus	\$ 200,613,180	\$ (3,326,965)	\$ 197,286,215
<u>Statement of Operations and Changes in Accumulated Surplus</u>			
Revenue	\$ 38,639,326	\$ -	\$ 38,639,326
Expenses	42,452,329	-	42,452,329
Other revenue	2,135,254	-	2,135,254
Government transfers for capital	5,734,265	(3,326,965)	2,407,300
Annual surplus	4,056,516	(3,326,965)	729,551
Accumulated surplus, beginning of year	196,556,664	-	196,556,664
Accumulated surplus, end of year	\$ 200,613,180	\$ (3,326,965)	\$ 197,286,215

TOWN OF SYLVAN LAKE
Notes to Consolidated Financial Statements
Year Ended December 31, 2020

3. CASH AND CASH EQUIVALENTS

	2020	2019
Cash	\$ 10,901,453	\$ 29,010,845

Included in cash and cash equivalents are restricted amounts of \$1,851,807 (2019 - \$4,614,416). Restricted cash includes all funds received through federal and provincial grant programs and deposit liabilities.

The Town has an approved operating line of credit of \$1,000,000. This line of credit is issued on the credit and security of the Town of Sylvan Lake at large and bears an interest rate of prime (currently 2.45%) less 0.75%, if utilized.

4. RECEIVABLES

	2020	2019
Taxes and grants in place of taxes		
Current	\$ 906,890	\$ 653,132
Arrears	254,577	189,255
Total taxes and grants in place of taxes	\$ 1,161,467	\$ 842,387
Trade and other		
Trade accounts	3,983,751	3,297,484
Goods and Services Tax receivable	570,472	402,605
Other	172,580	172,580
Total trade and other receivables	\$ 4,726,803	\$ 3,872,669

5. DEFERRED REVENUE

	2020	2019 (Restated)
Other deferred revenue	\$ 1,062,053	\$ 322,211
Business license revenue	148,093	156,025
Municipal Sustainability Initiative for Capital funding	-	3,218,880
Federal Gas Tax funding	-	108,085
	\$ 1,210,146	\$ 3,805,201

Other deferred revenue includes funds received locally and Provincial grants from different programs.

Business license revenue relates to the fact that the bylaw now requires businesses to have paid for their new business license by December 31st of the preceding year. Therefore, invoices for the subsequent year's business licenses are entered at the beginning of December of the preceding year.

The Municipal Sustainability Initiative for Capital funding was utilized in the year on projects approved by Alberta Municipal Affairs.

TOWN OF SYLVAN LAKE
Notes to Consolidated Financial Statements
Year Ended December 31, 2020

6. WASTEWATER TREATMENT PLANT RECLAMATION

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. Currently, the cost to decommission the plant and reclaim the land is estimated to be between \$4,298,000 and \$7,128,000 based on an independent engineering study of which \$199,647 has been spent in the current year. However, total final estimated costs cannot be determined until a reclamation plan is developed and approval is obtained from the Government of Alberta. The estimated cost to complete the decommissioning and reclamation will be adjusted annually as new information becomes available. The Town has submitted a decommissioning and reclamation plan on September 29, 2020 and is currently awaiting approval. The Government of Alberta must approve the plan before work on the decommissioning and reclamation begins.

7. LONG-TERM DEBT

Alberta Capital Finance Authority \$30,334,420 (2019 - \$31,938,021):

	Principal	Interest	Total
2021	\$ 1,382,438	\$ 958,848	\$ 2,341,286
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
Thereafter	22,925,363	5,452,132	28,377,495
	<u>\$ 30,334,420</u>	<u>\$ 9,715,354</u>	<u>\$ 40,049,774</u>

Debenture debt in the amount of \$30,334,420 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 2024 through 2044. The average annual interest rate is 3.19% for 2020 (2019- 3.21%). Debenture debt is issued on the credit and security of the Town of Sylvan Lake at large.

Interest on long-term debt amounted to \$992,604 (2019 - \$858,922).

TOWN OF SYLVAN LAKE
Notes to Consolidated Financial Statements
Year Ended December 31, 2020

8. CONTINGENT LIABILITIES

Legal Proceedings

Town of Sylvan Lake, in the conduct of its normal activities, can be named as a defendant in legal proceedings. The ultimate outcome of these proceedings can often not be determined until the proceedings are completed. Should any loss result from the resolution of these proceedings or if the amount of the loss can be determined, such amounts would be expensed as they become known to the Town.

Local Authorities Reciprocal Insurance Exchange

The Town of Sylvan Lake is a member of the Alberta Local Authorities Reciprocal Insurance Exchange. Under the terms of the membership, the Town of Sylvan Lake 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.

Sylvan Lake Regional Wastewater Commission

The Town of Sylvan Lake is a member of the Sylvan Lake Regional Wastewater Commission. Under the terms of this membership, the Town is 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.

Sylvan Lake Regional Water Commission

The Town of Sylvan Lake is a member of the Sylvan Lake Regional Water Commission. Under the terms of this membership, the Town is 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.

9. COMMITMENTS AND CONTRACTUAL RIGHTS

COMMITMENTS

The Town of Sylvan Lake has ongoing capital projects that were not completed during the year. The estimated costs to the Town are \$11,392,666 for projects that will continue through 2021.

The Town has agreements to obtain electricity and natural gas services expiring December 2022 at fixed rates of \$0.04583 / kWh and \$2.31 / GJ. Total commitments are based on usage and therefore are not determinable.

CONTRACTUAL RIGHTS

Under the terms of agreements with certain suppliers, the Town of Sylvan Lake collects fees determined as 27% and 15% of the gross usage charged for gas and electricity respectively. The fees are remitted monthly.

10. ACCUMULATED SURPLUS

	2020	2019 (Restated)
Unrestricted surplus	\$ 5,960,338	\$ 9,179,451
Restricted surplus (deficit)		
Capital	(1,195,187)	10,100,962
Operating	2,516,985	2,294,511
Equity in tangible capital assets (Note 11)	191,064,935	175,711,291
	<u>\$ 198,347,071</u>	<u>\$ 197,286,215</u>

TOWN OF SYLVAN LAKE
Notes to Consolidated Financial Statements
Year Ended December 31, 2020

11. EQUITY IN CAPITAL ASSETS

	2020	2019
Tangible capital assets (<i>Schedule 2</i>)	\$ 316,807,066	\$ 295,640,574
Accumulated amortization (<i>Schedule 2</i>)	(93,402,572)	(86,729,617)
Long-term debt (<i>Note 7</i>)	(30,334,420)	(31,938,021)
Tangible capital assets included in accounts payable	(2,019,004)	(1,261,645)
Town of Sylvan Lake Municipal Library Board	13,865	-
	<u>\$ 191,064,935</u>	<u>\$ 175,711,291</u>

12. TOWN OF SYLVAN LAKE MUNICIPAL LIBRARY BOARD CONSOLIDATION

In 2020, the Town has consolidated with the Town of Sylvan Lake Municipal Library Board ("the Library"). As this is the first year of consolidation with the Library, adjustments have been recorded to pick up the Library's net assets, accumulated surplus and annual surplus.

Included in the Statement of Cash Flows is \$303,912 to recognize the Library's cash on hand and \$128,681 to recognize the Library's impact to the Town's financial assets and liabilities at December 31, 2020.

Included in the Schedule of Changes in Accumulated Surplus is \$245,512 to record the Library's opening accumulated surplus.

13. 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 Sylvan Lake be disclosed as follows:

	2020	2019
Total debt limit	\$ 55,903,698	\$ 57,958,989
Long-term debt	30,334,420	31,938,021
Amount of debt limit unused	<u>\$ 25,569,278</u>	<u>\$ 26,020,968</u>
Debt servicing limit	\$ 9,317,283	\$ 9,659,832
Debt servicing	2,341,286	2,611,286
Amount of debt servicing limit unused	<u>\$ 6,975,997</u>	<u>\$ 7,048,546</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 that could be at financial risk if further debt is acquired. The calculation taken alone does not represent the financial stability of the municipality. Rather, the financial statements must be interpreted as a whole.

TOWN OF SYLVAN LAKE
Notes to Consolidated Financial Statements
Year Ended December 31, 2020

14. SALARY AND BENEFITS DISCLOSURE

	Salary	Benefits & Allowances	2020	2019
Mayor McIntyre	\$ 70,352	\$ 7,845	\$ 78,197	\$ 82,068
Councilor Parsons	32,979	6,379	39,358	39,542
Councilor Hanson	33,284	6,405	39,689	42,025
Councilor Payne	30,360	1,321	31,681	32,323
Councilor Rilling	33,597	6,426	40,023	38,997
Councilor Kloss	30,730	6,311	37,041	37,741
Councilor Mearns	29,828	6,243	36,071	43,493
Chief Administrative Officer	217,365	36,029	253,394	233,198
Designated Officers (2)	344,561	62,311	406,872	368,476
	<u>\$ 823,056</u>	<u>\$ 139,270</u>	<u>\$ 962,326</u>	<u>\$ 917,863</u>

Salary includes regular base pay. Benefits and allowances includes employer's share of all 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 and long and short-term disability plans.

TOWN OF SYLVAN LAKE
Notes to Consolidated Financial Statements
Year Ended December 31, 2020

15. SEGMENTED INFORMATION

The municipality is a diversified municipal government institution that provides a wide range of services to its citizens such as police, fire, and water and recreational programs. 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 item relates to the revenues and expenses that relate to the operations of the Municipality 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.

Environment and Recycling

Environmental services consist of recycling services.

Water, Waste and Sewage

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 processes and cleans sewage 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. For each reported segment, revenues and expenses represent amounts that are directly attributable to the segment, except for taxation revenue. Taxation revenue has been allocated to those segments that are funded by taxation revenue, based on the segments' net surpluses for the year.

TOWN OF SYLVAN LAKE
Notes to Consolidated Financial Statements
Year Ended December 31, 2020

16. EMPLOYEE BENEFIT OBLIGATION

	2020	2019
Vacation, sick and overtime	\$ 701,232	\$ 542,676

The vacation, sick and overtime liability is comprised of the vacation and overtime that employees have and is deferred to future years. Employees have either earned the benefits or are entitled to these benefits within the next budgetary year. The obligation is included in accounts payable and accrued liabilities.

17. LOCAL AUTHORITIES PENSION PLAN

Employees of the Town of Sylvan Lake participate in the Local Authorities Pension Plan (LAPP), which is covered by the Public Sector Pension Plans Act. The LAPP serves about 274,151 members 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 of Sylvan Lake 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 of Sylvan Lake to the LAPP in 2020 were \$922,824 (2019 - \$786,052). Total current service contributions by the employees of the Town to the LAPP in 2020 were \$836,830 (2019 - \$712,321).

At December 31, 2019, the LAPP disclosed an actuarial surplus of \$7.91 billion (2018 - \$3.47 billion).

18. FINANCIAL INSTRUMENTS

The Town's financial instruments consist of cash, receivables, accounts payable and accrued liabilities, long-term debt and deposit liabilities. It is management's opinion that the Town is not exposed to significant interest rate, currency, market, liquidity, or credit risks arising from these financial instruments except as follows:

Interest rate risk

The Town is exposed to interest rate price risk as the cash and long-term debt bear interest at fixed interest rates.

Credit risk

The Town is exposed 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 certain rights granted to the Town under the Municipal Government Act minimizes the credit risk.

19. APPROVAL OF BUDGET

Council and Management approved the 2020 budget for the Town of Sylvan Lake on January 13, 2020 and the revised budget on April 27, 2020.

TOWN OF SYLVAN LAKE
Notes to Consolidated Financial Statements
Year Ended December 31, 2020

20. APPROVAL OF FINANCIAL STATEMENTS

Council and Management have approved these financial statements.
