

TOWN OF MAGRATH
Financial Statements
Year Ended December 31, 2021

TOWN OF MAGRATH
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Year Ended December 31, 2021

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MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

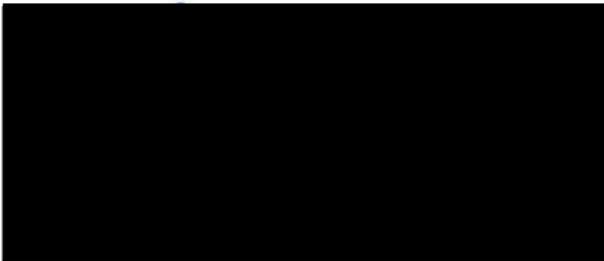
The consolidated financial statements are the responsibility of the management of the Town Of Magrath (the Town).

These consolidated financial statements have been prepared from information provided by management. These statements include certain amounts based on management's estimates and judgments. Management has determined such amounts based on a reasonable basis in order to ensure that the financial statements are presented fairly in all material respects.

The Town maintains systems of internal accounting and administrative controls that are designed to provide reasonable assurance that the financial information is relevant, reliable and accurate and that the Town's assets are properly accounted for and adequately safeguarded.

The elected Council of the Town is responsible for ensuring that management fulfills its responsibility for financial reporting and is ultimately responsible for reviewing and approving the financial statements. Council meets periodically with management and the external auditors to review significant accounting, reporting and internal control matters. Following its review of the financial statements and discussions with the auditors, the Council approves of the financial statements. The Council approves the appointment of the external auditors and reviews the monthly financial reports.

The consolidated financial statements have been audited by Shawn Cook Professional Corporation, Chartered Professional Accountants, the external auditor, in accordance with Canadian generally accepted auditing standards on behalf of the Council, residents and ratepayers of the Town. Shawn Cook Professional Corporation has full and free access to the Council.



Magrath, AB
April 06, 2022



INDEPENDENT AUDITOR'S REPORT

To the Members of Town of Magrath

Opinion

We have audited the financial statements of Town of Magrath (the Town), which comprise the consolidated statement of financial position as at December 31, 2021, and the consolidated statements of operations, changes in net financial assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Town as at December 31, 2021, and the results of its operations, change in its net financial assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

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

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

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

In preparing the financial statements, management is responsible for assessing the 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.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 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:

(continues)

Independent Auditor's Report to the Members of Town of Magrath *(continued)*

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

Shawn Cook
Professional Corporation

Lethbridge, Alberta
April 6, 2022

Chartered Professional Accountants

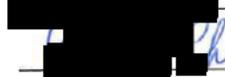


TOWN OF MAGRATH
Consolidated Statement of Financial Position
December 31, 2021

	2021	2020
FINANCIAL ASSETS		
Cash and temporary investments <i>(Note 2)</i>	\$ 924,098	\$ 2,116,458
Taxes and grants in places of taxes <i>(Note 3)</i>	159,340	173,560
Trade and other receivable <i>(Note 3)</i>	683,119	363,042
Land held for resale	587,576	587,576
	<u>2,354,133</u>	<u>3,240,636</u>
LIABILITIES		
Accounts payable and accrued liabilities	515,142	712,781
Employee benefit obligation <i>(Note 4)</i>	26,944	27,234
Deferred revenue <i>(Note 5)</i>	28,859	545,834
Long term debt <i>(Note 6)</i>	1,342,385	1,523,570
	<u>1,913,330</u>	<u>2,809,419</u>
NET FINANCIAL ASSETS	<u>440,803</u>	<u>431,217</u>
NON-FINANCIAL ASSETS		
Prepaid expenses and deposits	106,351	102,173
Inventory for consumption	108,974	85,894
Tangible capital assets <i>(Schedule 2)</i>	28,599,204	26,765,792
	<u>28,814,529</u>	<u>26,953,859</u>
ACCUMULATED SURPLUS <i>(Schedule 1 and Note 9)</i>	<u>\$ 29,255,332</u>	<u>\$ 27,385,076</u>

CONTINGENCIES *(Note 12)*




TOWN OF MAGRATH
Consolidated Statement of Operations
Year Ended December 31, 2021

	Budget (Unaudited)	2021	2020
REVENUES			
Net municipal taxes <i>(Schedule 3)</i>	\$ 1,799,314	\$ 1,853,130	\$ 1,704,681
User fees and sales of goods	1,211,500	1,210,186	1,142,004
Other revenue	28,400	224,292	87,759
Government transfers for operating <i>(Schedule 4)</i>	417,625	487,565	633,507
Franchise and concession contracts	170,000	171,364	143,950
Penalties and costs of taxes	92,000	64,749	53,770
Licenses and permits	28,300	58,393	25,123
Investment income	5,000	14,567	15,048
Donations	-	274,006	56,488
	3,752,139	4,358,252	3,862,330
EXPENSES			
Legislative	131,420	129,855	109,904
Administration	679,382	652,799	647,111
Bylaw enforcement	66,168	56,617	13,844
Fire services	73,882	89,474	83,952
Public Works	851,107	1,096,781	998,895
Wastewater treatment and disposal	101,715	95,071	72,532
Water supply and distribution	472,416	769,975	686,745
Waste management	161,312	341,820	352,702
Family and community support services	171,535	163,501	175,240
Parks and recreation	705,156	783,912	614,249
Cemeteries and crematoriums	1,100	31,181	34,132
Land use planning and development	52,000	35,674	2,486
Culture - libraries, museums, halls	109,491	190,035	177,614
	3,576,684	4,436,695	3,969,406
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES BEFORE OTHER	175,455	(78,443)	(107,076)
OTHER			
Government transfers for capital <i>(Schedule 4)</i>	1,073,675	1,822,560	1,550,454
Contributed assets	-	121,610	-
Gain on disposal of tangible capital assets	-	4,529	110,500
	1,073,675	1,948,699	1,660,954
EXCESS OF REVENUE OVER EXPENSES	1,249,130	1,870,256	1,553,878
ACCUMULATED SURPLUS, BEGINNING OF YEAR	27,385,076	27,385,076	25,831,198
ACCUMULATED SURPLUS, END OF YEAR	\$ 28,634,206	\$ 29,255,332	\$ 27,385,076

TOWN OF MAGRATH**Consolidated Statement of Changes in Net Financial Assets (Debt)****Year Ended December 31, 2021**

	Budget (Unaudited)	2021	2020
EXCESS OF REVENUE OVER EXPENSES	\$ 1,249,130	\$ 1,870,256	\$ 1,553,878
Amortization of tangible capital assets	-	820,148	750,868
Acquisition of tangible capital assets	-	(2,627,156)	(1,772,719)
Acquisition of contributed assets	-	(121,610)	-
Proceeds on disposal of tangible capital assets	-	99,735	110,500
(Gain) on disposal of tangible capital assets	-	(4,529)	(110,500)
	-	(1,833,412)	(1,021,851)
Use (acquisition) of prepaid expenses and deposits	-	(4,179)	(9,588)
Decrease (increase) in inventory for consumption	-	(23,079)	(9,781)
	-	(27,258)	(19,369)
	-	(1,860,670)	(1,041,220)
INCREASE IN NET FINANCIAL ASSETS	1,249,130	9,586	512,658
NET FINANCIAL ASSETS (DEBT), BEGINNING OF YEAR	-	431,217	(81,441)
NET FINANCIAL ASSETS (DEBT), END OF YEAR	\$ 1,249,130	\$ 440,803	\$ 431,217

TOWN OF MAGRATH
Consolidated Statement of Cash Flows
Year Ended December 31, 2021

	2021	2020
OPERATING		
Excess of revenues over expenses	\$ 1,870,256	\$ 1,553,878
Non-cash items included in excess of revenues over expenses		
Amortization of tangible capital assets	820,148	750,868
(Gain) on disposal of tangible capital assets	(4,529)	(110,500)
Contributed assets	-	-
	<u>2,685,875</u>	<u>2,194,246</u>
Changes in non-cash working capital:		
Taxes and grants in places of taxes	14,220	74,949
Trade and other receivable	(320,077)	343,701
Land held for resale	-	(268,641)
Accounts payable and accrued liabilities	(197,639)	175,845
Employee benefit obligation	(290)	10,691
Deferred revenue	(516,975)	140,834
Prepaid expenses and deposits	(4,178)	(9,589)
Inventory for consumption	(23,080)	(9,781)
	<u>(1,048,019)</u>	<u>458,009</u>
	<u>1,637,856</u>	<u>2,652,255</u>
CAPITAL		
Purchase of tangible capital assets	(2,627,156)	(1,772,719)
Proceeds on disposal of tangible capital assets	99,735	110,500
Acquisition of contributed assets	(121,610)	-
	<u>(2,649,031)</u>	<u>(1,662,219)</u>
FINANCING		
Proceeds from long term debt	-	1,121,599
Repayment of long term debt	(181,185)	(1,313,425)
	<u>(181,185)</u>	<u>(191,826)</u>
CHANGE IN CASH AND TEMPORARY INVESTMENTS DURING THE YEAR	<u>(1,192,360)</u>	<u>798,210</u>
CASH AND TEMPORARY INVESTMENTS, BEGINNING OF YEAR	<u>2,116,458</u>	<u>1,318,248</u>
CASH AND TEMPORARY INVESTMENTS, END OF YEAR (Note 2)	<u>\$ 924,098</u>	<u>\$ 2,116,458</u>

TOWN OF MAGRATH**Schedule of Changes in Accumulated Surplus****(Schedule 1)****Year Ended December 31, 2021**

	Unrestricted Surplus	Restricted Surplus	Equity in Tangible Capital Assets	2021	2020
BALANCE, BEGINNING OF THE YEAR	\$ 1,031,106	\$ 1,111,748	\$ 25,242,222	\$ 27,385,076	\$ 25,831,198
Excess of revenues over expenses	1,870,256	-	-	1,870,256	1,553,878
Unrestricted funds designated for future use	(38,656)	38,656	-	-	-
Restricted funds used for tangible capital assets	-	(969,986)	969,986	-	-
Current year funds used for tangible capital assets	(1,657,170)	-	1,657,170	-	-
Contributed tangible capital assets	(121,610)	-	121,610	-	-
Disposal of tangible capital assets	95,206	-	(95,206)	-	-
Annual amortization expense	820,148	-	(820,148)	-	-
Long-term debt repaid	(181,185)	-	181,185	-	-
Change in accumulated surplus	786,989	(931,330)	2,014,597	1,870,256	1,553,878
BALANCE, END OF THE YEAR	\$ 1,818,095	\$ 180,418	\$ 27,256,819	\$ 29,255,332	\$ 27,385,076

TOWN OF MAGRATH
Schedule of Tangible Capital Assets
Year Ended December 31, 2021

(Schedule 2)

	Land	Buildings	Engineered Structures	Machinery & Equipment	Vehicles	2021	2020
COST							
BALANCE, BEGINNING OF YEAR	\$ 1,967,735	\$ 7,810,070	\$ 26,799,616	\$ 2,395,140	\$ 397,694	\$ 39,370,255	\$ 37,597,535
Acquisition of tangible capital assets	106,610	1,375,125	1,087,525	99,550	48,724	2,717,534	1,071,339
Construction in-progress	-	31,232	-	-	-	31,232	701,380
Disposal of tangible capital assets	-	(134,076)	-	(69,200)	-	(203,276)	-
BALANCE, END OF YEAR	2,074,345	9,082,351	27,887,141	2,425,490	446,418	41,915,745	39,370,254
ACCUMULATED AMORTIZATION							
BALANCE, BEGINNING OF YEAR	-	2,733,841	8,424,208	1,218,906	227,507	12,604,462	11,853,594
Annual amortization	-	219,859	449,632	118,720	31,937	820,148	750,868
Accumulated amortization on disposals	-	(95,029)	-	(13,040)	-	(108,069)	-
BALANCE, END OF YEAR	-	2,858,671	8,873,840	1,324,586	259,444	13,316,541	12,604,462
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	\$ 2,074,345	\$ 6,223,680	\$ 19,013,301	\$ 1,100,904	\$ 186,974	\$ 28,599,204	\$ 26,765,792
2020 NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	\$ 1,967,735	\$ 5,076,229	\$ 18,084,406	\$ 1,176,234	\$ 170,186	\$ 26,765,792	

TOWN OF MAGRATH
Schedule of Property and Other Taxes
Year Ended December 31, 2021

(Schedule 3)

	Budget (Unaudited)	2021	2020
TAXATION			
Real property taxes	\$ 2,360,488	\$ 2,386,489	\$ 2,261,245
Linear property taxes	39,443	45,403	40,356
Special assessment and local improvement taxes	24,000	46,037	1,102
	<u>2,423,931</u>	<u>2,477,929</u>	<u>2,302,703</u>
REQUISITIONS			
Alberta School Foundation Fund	578,858	578,858	553,156
Seniors foundation	45,759	45,759	44,684
Designated industrial property	-	182	182
	<u>624,617</u>	<u>624,799</u>	<u>598,022</u>
NET MUNICIPAL PROPERTY TAXES	<u>\$ 1,799,314</u>	<u>\$ 1,853,130</u>	<u>\$ 1,704,681</u>

TOWN OF MAGRATH
Schedule of Government Transfers
Year Ended December 31, 2021

(Schedule 4)

	Budget (Unaudited)	2021	2020
TRANSFERS FOR OPERATING			
Provincial Government	\$ 280,898	\$ 350,838	\$ 496,780
Other Local Government	136,727	136,727	136,727
	<u>417,625</u>	<u>487,565</u>	<u>633,507</u>
TRANSFERS FOR CAPITAL			
Provincial Government	1,073,675	1,757,060	1,215,527
Other Local Government	-	65,500	334,927
	<u>1,073,675</u>	<u>1,822,560</u>	<u>1,550,454</u>
TOTAL GOVERNMENT TRANSFERS	<u>\$ 1,491,300</u>	<u>\$ 2,310,125</u>	<u>\$ 2,183,961</u>

TOWN OF MAGRATH**Schedule of Consolidated Expenses by Object
Year Ended December 31, 2021****(Schedule 5)**

	Budget (Unaudited)	2021	2020
CONSOLIDATED EXPENSES BY OBJECT			
Salaries, wages and benefits	\$ 1,688,404	\$ 1,594,776	\$ 1,472,755
Contracted and general services	731,650	724,148	519,632
Materials, goods and utilities	1,015,828	1,154,909	1,058,785
Transfers to local boards and agencies	100,737	102,604	99,741
Bank charges and short-term interest	7,000	9,104	46,957
Interest on long-term debt	33,065	31,006	20,668
Amortization of tangible capital assets	-	820,148	750,868
	<u>\$ 3,576,684</u>	<u>\$ 4,436,695</u>	<u>\$ 3,969,406</u>

TOWN OF MAGRATH
Schedule of Segmented Disclosure
Year Ended December 31, 2021

(Schedule 6)

	General Government	Protective Services	Transportation Services	Environmental Services	Planning and development	Recreation and culture	Total
REVENUE							
Net municipal taxes	\$ 1,853,130	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,853,130
Government transfers	170,878	-	1,001,007	111,837	111,984	914,419	2,310,125
User fees and sales of goods	558	-	-	1,101,835	26,412	81,381	1,210,186
Investment income	14,567	-	-	-	-	-	14,567
Franchise and concession contracts	171,364	-	-	-	-	-	171,364
Other revenues	111,297	-	85,130	10,837	144,699	-	351,963
Contributed assets	-	-	-	-	-	121,610	121,610
Donations	700	-	-	-	-	273,306	274,006
	<u>2,322,494</u>	<u>-</u>	<u>1,086,137</u>	<u>1,224,509</u>	<u>283,095</u>	<u>1,390,716</u>	<u>6,306,951</u>
EXPENSES							
Salaries, wages and benefits	460,966	-	276,581	175,766	26,063	655,400	1,594,776
Contracted and general services	251,136	120,603	132,907	90,986	40,792	87,724	724,148
Materials, goods, supplies and utilities	55,919	7,450	381,468	517,116	-	192,956	1,154,909
Transfers to local boards	-	-	-	68,708	-	33,896	102,604
Bank charges and short-term interest	9,104	-	-	-	-	-	9,104
Interest on long-term debt	-	-	-	31,006	-	-	31,006
	<u>777,125</u>	<u>128,053</u>	<u>790,956</u>	<u>883,582</u>	<u>66,855</u>	<u>969,976</u>	<u>3,616,547</u>
NET REVENUE BEFORE AMORTIZATION	<u>1,545,369</u>	<u>(128,053)</u>	<u>295,181</u>	<u>340,927</u>	<u>216,240</u>	<u>420,740</u>	<u>2,690,404</u>
Amortization expense	5,529	18,038	305,825	323,284	-	167,472	820,148
NET REVENUE	<u>\$ 1,539,840</u>	<u>\$ (146,091)</u>	<u>\$ (10,644)</u>	<u>\$ 17,643</u>	<u>\$ 216,240</u>	<u>\$ 253,268</u>	<u>\$ 1,870,256</u>

TOWN OF MAGRATH
Notes to Financial Statements
Year Ended December 31, 2021

1. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements of the Town Of Magrath 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 Chartered Professional Accountants of Canada. Significant aspects of the accounting policies adopted by the Town are as follows:

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 and are, therefore, accountable to the Council for the administration of their financial affairs and resources.

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

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

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.

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, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Such estimates are periodically reviewed and any adjustments necessary are reported in earnings in the period in which they become known. Actual results could differ from these estimates.

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.

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TOWN OF MAGRATH
Notes to Financial Statements
Year Ended December 31, 2021

1. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Prepaid Local Improvement Charges

Construction and borrowing costs associated with local improvement projects are recovered through annual special assessments during the period of the related borrowings. These levies are collectible from property owners for work performed by the municipality.

Where a taxpayer has elected to prepay the outstanding local improvement charges, such amounts are recorded as deferred revenue. Deferred revenue is amortized to revenue on a straight line basis over the remaining term of the related borrowings.

In the event that the prepaid amounts are applied against the related borrowing, the deferred revenue is amortized to revenue by an amount equal to the debt repayment.

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.

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.

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.

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TOWN OF MAGRATH
Notes to Financial Statements
Year Ended December 31, 2021

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 (Debt) 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:

	<u>Years</u>
Land improvements	15 - 20
Buildings	25 - 50
Engineered structures	
Water System	35 - 70
Wastewater System	35 - 70
Other Engineered Structures	15 - 40
Machinery and equipment	5 - 20
Vehicles	5 - 20

A full year of amortization is charged in the year of acquisition and no amortization is charged in the year of disposal. Assets under construction are not amortized until the asset is available for productive use.

iii. Leases

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

TOWN OF MAGRATH
Notes to Financial Statements
Year Ended December 31, 2021

2. CASH AND TEMPORARY INVESTMENTS

	<u>2021</u>	<u>2020</u>
Cash on hand	\$ 400	\$ 400
Cash	838,187	2,061,463
Temporary investments	85,511	54,595
	<u>\$ 924,098</u>	<u>\$ 2,116,458</u>

Temporary investments is a short-term deposits with an interest rate of 0.7% (2020 - 1.4%) and matures February 2022.

The Municipality has available a \$450,000 overdraft facility with 1st Choice Savings and Credit Union which bears interest at 3.45% per annum when in use. The overdraft is issued on the credit and security of the Municipality at large. The overdraft balance at year end is nil (2020 - nil)

Included in cash and temporary investments is a restricted amount of \$28,859 (2020 - \$545,834) received from various grant programs which are held exclusively for approved projects (Note 5).

3. RECEIVABLES

	<u>2021</u>	<u>2020</u>
Property taxes		
Taxes and grants in place of taxes receivables	\$ 25,512	\$ 96,840
Arrears	133,828	76,720
	<u>159,340</u>	<u>173,560</u>
Trade and other receivables		
Grants	378,907	147,296
Trade accounts	200,774	169,169
Property Servicing Agreements	80,477	-
Goods and Services Tax (GST)	22,961	46,577
	<u>683,119</u>	<u>363,042</u>

The Town has entered into Property Servicing Agreements in which the Town constructed certain utility works and improvements to link the land with new Town infrastructure. The owners have selected 10-year repayment plans with the following principal and interest:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$7,860	\$1,356	\$9,216
2023	8,004	1,212	9,216
2024	8,151	1,065	9,216
2025	8,301	915	9,216
2026	8,453	763	9,216
Thereafter	39,708	1,471	36,865
	<u>\$80,477</u>	<u>\$6,782</u>	<u>\$87,259</u>

TOWN OF MAGRATH
Notes to Financial Statements
Year Ended December 31, 2021

4. EMPLOYEE BENEFIT OBLIGATION

The employee benefit obligation is comprised of accrued vacation that employees are deferring to future years. Employees have either earned the benefits (and are vested) or are entitled to these benefits within the next budgetary year.

5. DEFERRED REVENUE

	<u>2021</u>	<u>2020</u>
Family and Community Support Services	\$ 28,859	\$ 9,629
Magrath & District Recreation Committee CFEP Grant	-	307,573
Federal Gas Tax Fund	-	136,177
Municipal Stimulus Program	-	65,409
Municipal Operating Support Transfer	-	20,519
Municipal Sustainability Initiative - Capital Program	-	6,527
	<u>\$ 28,859</u>	<u>\$ 545,834</u>

6. LONG TERM DEBT

	<u>2021</u>	<u>2020</u>
Bank loans	\$ 1,279,702	\$ 1,440,410
Self-supported debentures	<u>62,683</u>	<u>83,160</u>
	<u>\$ 1,342,385</u>	<u>\$ 1,523,570</u>

The current portion of long-term debt amounts to \$185,596 (2020 - \$181,233)

Principal repayment terms are approximately:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 185,596	\$ 27,649	\$ 213,245
2023	190,107	23,137	213,244
2024	190,893	18,472	209,365
2025	175,634	13,801	189,435
2026	179,678	9,757	189,435
Thereafter	<u>420,477</u>	<u>10,112</u>	<u>430,589</u>
	<u>\$ 1,342,385</u>	<u>\$ 102,928</u>	<u>\$ 1,445,313</u>

(continues)

TOWN OF MAGRATH
Notes to Financial Statements
Year Ended December 31, 2021

6. LONG TERM DEBT (continued)

Debenture debt is repayable to the Alberta Capital Finance Authority which bears interest at rates ranging from 1.31% to 4.80% per annum, before provincial subsidy and matures in periods from 2025 to 2029. For qualifying debentures, the Province of Alberta rebates 60% of interest in excess of 8%, 9%, and 11% to a maximum annual rate of 12.5%, depending on the date borrowed. Debenture debt is issued on the credit and security of the Town at large.

Other debenture debt is repayable to 1st Choice Savings and Credit Union bearing interest at 3.95% per annum and matures in 2024.

Interest on long-term debt amounted to \$31,007 (2020 - \$50,426).

7. 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 be disclosed as follows:

	<u>2021</u>	<u>2020</u>
Total debt limit	\$ 6,537,378	\$ 5,793,495
Total debt	<u>(1,342,385)</u>	<u>(1,523,570)</u>
Amount of debt limit unused	<u>5,194,993</u>	<u>4,269,925</u>
Debt servicing limit	1,089,563	965,583
Debt servicing	<u>(213,245)</u>	<u>(213,245)</u>
Amount of debt servicing limit unused	<u>876,318</u>	<u>752,338</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 that could be at financial risk if further debt is acquired. The calculation taken alone does not represent the financial stability of the Town. Rather, the financial statements must be interpreted as a whole.

8. EQUITY IN TANGIBLE CAPITAL ASSETS

	<u>2021</u>	<u>2020</u>
Tangible capital assets (Schedule 2)	\$ 41,915,745	\$ 39,370,254
Accumulated amortization (Schedule 2)	<u>(13,316,541)</u>	<u>(12,604,462)</u>
Long-term debt (Note 6)	<u>(1,342,385)</u>	<u>(1,523,570)</u>
	<u>\$ 27,256,819</u>	<u>\$ 25,242,222</u>

TOWN OF MAGRATH
Notes to Financial Statements
Year Ended December 31, 2021

9. 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	\$ 1,818,095	\$ 1,031,106
Restricted surplus		
Parks, recreation and culture	180,418	1,111,748
Equity in tangible capital assets	<u>27,256,819</u>	<u>25,242,222</u>
	<u>\$ 29,255,332</u>	<u>\$ 27,385,076</u>

10. SEGMENTED DISCLOSURE

The Town 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).

11. LOCAL AUTHORITIES PENSION PLAN

Employees of the Town participate in the Local Authorities Pension Plan (LAPP), which is one of the plans covered by the Public Sector Pension Plans Act. 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% (2020 - 9.39%) of pensionable earnings up to the year's maximum pensionable earnings under the Canada Pension Plan and 13.84% (2020 - 13.84%) on pensionable earnings above this amount.

Total current service contributions by the Town to the LAPP in 2021 were \$93,948 (2020 - \$82,403). Total current service contributions by the employees of the Town to the Local Authorities Pension Plan in 2021 were \$85,405 (2020 - \$74,247).

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

TOWN OF MAGRATH
Notes to Financial Statements
Year Ended December 31, 2021

12. COMMITMENTS AND CONTINGENCIES

The Town is a member of the Alberta Municipal Insurance Exchange (MUNIX). 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.

Employees of the Town are allowed to accrue sick leave up to a maximum of 120 days. As at December 31, 2021 the amount of accumulated sick leave was \$252,941 (2020 - \$256,461). The total amount was not recorded in the financial statements as there is no certainty the full amount will be used. The amount of accumulated sick leave is not paid out to employees of the Town when they leave their position.

13. FINANCIAL INSTRUMENTS

The Town's financial instruments consist of cash and temporary investments, accounts receivable, investments, land for resale inventory, accounts payable and accrued liabilities, municipal line of credit, 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 and grants in place of taxes receivables 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 carrying value of the financial instruments approximates fair value.

14. SIGNIFICANT EVENTS

The outbreak of the novel strain of coronavirus, specifically identified as "COVID-19", has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self imposed quarantine periods and social distancing, have caused material disruption to businesses globally resulting in an economic slowdown. Global equity markets have experienced significant volatility and weakness. Government and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions. The duration and impact of the COVID-19 outbreak is unknown at this time, as is the efficacy of the government and central bank interventions. It is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and conditions of the organization.

15. COMPARATIVE FIGURES

Some of the comparative figures have been reclassified to conform to the current year's presentation. The changes do not affect prior year earnings.

16. APPROVAL OF FINANCIAL STATEMENTS

Council and Management have approved these financial statements.

TOWN OF MAGRATH
Notes to Financial Statements
Year Ended December 31, 2021

17. SALARY AND BENEFITS DISCLOSURE

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

	# of Months	Salary (1)	Benefits & Allowances (2)	Additional Meetings (3)	Expenses Claimed	2021	2020
Mayor Barnett	10	\$ 7,983	\$ 710	\$ 3,000	\$ 194	\$ 11,887	\$ 15,146
Mayor Cook	2	2,008	231	2,000	699	\$ 4,938	-
Councillor Baker	2	1,406	105	800	46	\$ 2,357	-
Councillor Baril	12	7,000	360	4,850	1,288	\$ 13,498	13,437
Councillor Beck	10	5,588	539	2,550	110	\$ 8,787	14,942
Councillor Bennett	2	1,406	108	1,400	-	\$ 2,914	-
Councillor Christensen	2	1,406	201	2,000	699	\$ 4,306	-
Councillor Dahl	10	5,588	641	2,850	-	\$ 9,079	11,082
Councillor Morales Llan	10	5,588	683	4,350	-	\$ 10,621	14,534
Councillor Oliver	10	5,588	700	4,950	18	\$ 11,256	15,998
Councillor Ralph	2	1,406	184	1,700	834	\$ 4,124	-
Councillor Van Ee	10	5,588	300	2,100	18	\$ 8,006	11,244
Councillor Zaugg	2	1,407	169	2,000	713	\$ 4,289	-
Chief Administrative Officer	12	115,745	21,588	-	266	\$ 137,599	103,963
Designated Officer - 1 position	12	30,958	-	-	-	\$ 30,958	29,551

(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, if any. Benefits and allowances figures also include the employer's share of the costs of additional taxable benefits including special leave with pay, travel allowances, car allowances and club memberships, if any.

(3) Councillor's are assigned committees and boards to sit on, of which, some are paid positions and some are not.