

TOWN OF KILLAM

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2021

Brian King Professional Corporation

Box 560, Hardisty, Alberta T0B 1V0

INDEPENDENT AUDITOR'S REPORT

To the Mayor and Council of the Town of Killam:

Report on the Consolidated Financial Statements

Opinion

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

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

Basis for Opinion

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

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

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

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

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

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

Brian King Professional Corporation

Box 560, Hardisty, Alberta T0B 1V0

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

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

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

Report on Other Legal and Regulatory Requirements

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

M.D. of Wainwright

April 26, 2022

Brian King Professional Corporation

Chartered Professional Accountant

TOWN OF KILLAM

CONSOLIDATED STATEMENT OF FINANCIAL POSITION DECEMBER 31, 2021

	<u>2021</u>	<u>2020</u> (restated)
FINANCIAL ASSETS		
Cash and term deposits (Note 2)	1,552,339	1,301,354
Taxes and grants in place of taxes (Note 3)	51,257	75,574
Trade and other receivables	289,724	232,200
Due from other governments	353,585	471,197
Inventory held for resale	691,125	759,961
Debt charges recoverable	57,403	77,136
Other financial assets	43,717	44,232
	<u>3,039,150</u>	<u>2,961,654</u>
LIABILITIES		
Accounts payable and accrued liabilities	237,035	155,215
Deposits held in trust	3,612	2,722
Deferred revenue (Note 4)	540,639	533,795
Long term debt (Note 5)	750,259	904,467
	<u>1,531,545</u>	<u>1,596,199</u>
NET FINANCIAL ASSETS	<u>1,507,605</u>	<u>1,365,455</u>
NON-FINANCIAL ASSETS		
Tangible capital assets	8,544,771	8,124,831
Prepaid expenses	6,807	6,781
	<u>8,551,578</u>	<u>8,131,612</u>
ACCUMULATED SURPLUS (NOTE 8)	<u>10,059,183</u>	<u>9,497,067</u>

Commitments and contingencies - See Note 11

TOWN OF KILLAM

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

	Budget (unaudited)	2021	2020 (restated)
REVENUE			
Net municipal property taxes (Schedule 3)	1,047,117	1,045,461	1,023,222
User fees and sales of goods	1,634,633	1,658,192	1,607,032
Penalties and costs on taxes	26,500	26,197	26,354
Licenses and permits	9,000	10,378	30,092
Fines	5,500	6,814	2,482
Franchise and concession contracts	78,929	79,784	68,788
Investment income	24,500	21,790	22,713
Rentals	10,200	10,342	10,499
Government transfers for operating	104,519	115,579	189,864
Other	4,000	10,185	14,800
Gain on disposal of assets	-	-	8,847
	<u>2,944,898</u>	<u>2,984,722</u>	<u>3,004,693</u>
EXPENSES			
Legislative	60,000	64,436	51,720
Administration	318,764	314,536	299,042
Protective services	136,541	156,105	136,213
Transportation	371,786	341,778	487,225
Water supply and distribution	163,602	183,720	176,943
Wastewater treatment and disposal	78,635	94,177	77,051
Waste management	172,534	173,004	173,123
Public health and welfare	20,507	24,719	29,460
Planning and development	39,302	96,495	42,122
Recreation	389,604	393,976	460,921
Culture	38,893	38,515	53,721
Gas system	694,344	604,665	481,999
Amortization	437,000	451,130	439,103
	<u>2,921,512</u>	<u>2,937,256</u>	<u>2,908,643</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES BEFORE OTHER	23,386	47,466	96,050
OTHER			
Government transfers for capital (Schedule 4)	566,738	514,650	498,868
EXCESS OF REVENUE OVER EXPENSES	590,124	562,116	594,918
ACCUMULATED SURPLUS, BEGINNING OF YEAR	9,497,067	9,497,067	8,902,149
ACCUMULATED SURPLUS, END OF YEAR	<u>10,087,191</u>	<u>10,059,183</u>	<u>9,497,067</u>

TOWN OF KILLAM

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

	Budget (unaudited)	2021	2020 (restated)
EXCESS OF REVENUE OVER EXPENSES	<u>590,124</u>	<u>562,116</u>	<u>594,918</u>
Acquisition of tangible capital assets	(1,053,020)	(871,070)	(620,602)
Proceeds on disposal of tangible capital assets	-	-	8,847
Amortization of tangible capital assets	437,000	451,130	439,103
Loss (gain) on sale of tangible capital assets	<u>-</u>	<u>-</u>	<u>(8,847)</u>
	<u>(616,020)</u>	<u>(419,940)</u>	<u>(181,499)</u>
Net (increase) decrease of prepaid assets	<u>-</u>	<u>(26)</u>	<u>(190)</u>
INCREASE IN NET FINANCIAL ASSETS	(25,896)	142,150	413,229
NET FINANCIAL ASSETS, BEGINNING OF YEAR	<u>1,365,455</u>	<u>1,365,455</u>	<u>952,226</u>
NET FINANCIAL ASSETS, END OF YEAR	<u><u>1,339,559</u></u>	<u><u>1,507,605</u></u>	<u><u>1,365,455</u></u>

TOWN OF KILLAM

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

	<u>2021</u>	<u>2020</u> (restated)
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING		
Excess (deficit) of revenues over expenses	562,116	594,918
Non-cash items included in excess of revenue over expenses:		
Amortization of tangible capital assets	451,130	439,103
Loss (gain) on disposal of tangible capital assets	-	(8,847)
Non-cash charges to operations (net change):		
Decrease (increase) in taxes and grants in place of taxes	24,317	(6,396)
Decrease (increase) in local improvement receivable	-	-
Decrease (increase) in trade and other receivables	(57,524)	(4,945)
Decrease (increase) in due from other governments	117,612	(113,352)
Decrease (increase) in inventory held for resale	68,836	16,850
Decrease (increase) in prepaid expenses	(26)	(191)
Decrease (increase) in other financial assets	515	399
Increase (decrease) in accounts payable and accrued liabilities	81,820	(1,554)
Increase (decrease) in deposits held in trust	890	(71,982)
Increase (decrease) in deferred revenue	6,844	(145,925)
	<u>1,256,530</u>	<u>698,078</u>
CAPITAL		
Acquisition of tangible capital assets	(871,070)	(620,602)
Sale of tangible capital assets	-	8,847
	<u>(871,070)</u>	<u>(611,755)</u>
INVESTING		
Decrease (increase) in restricted cash or cash equivalents	<u>(103,638)</u>	<u>308,200</u>
FINANCING		
Debt charges recovered	19,733	28,263
Long-term debt repaid	(154,208)	(164,939)
	<u>(134,475)</u>	<u>(136,676)</u>
CHANGE IN CASH AND EQUIVALENTS DURING THE YEAR	147,347	257,847
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>1,241,778</u>	<u>983,931</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>1,389,125</u></u>	<u><u>1,241,778</u></u>
CASH AND CASH EQUIVALENTS IS MADE UP OF:		
Cash on hand	150	150
Cash in bank	327,102	122,830
Term deposits	806,005	806,005
Sedgewick Killam Natural Gas System	419,082	372,369
Less: restricted portion of cash and term deposits (Note 2)	(163,214)	(59,576)
	<u><u>1,389,125</u></u>	<u><u>1,241,778</u></u>

TOWN OF KILLAM

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

	Unrestricted Surplus	Restricted Surplus	Equity in Tangible Capital Assets	2021	2020 (restated)
BALANCE, BEGINNING OF YEAR	<u>607,562</u>	<u>1,285,460</u>	<u>7,604,045</u>	<u>9,497,067</u>	<u>9,312,197</u>
Excess of revenues over expenses	562,116	-	-	562,116	594,918
Unrestricted funds designated for future use	(299,317)	299,317	-	-	-
Restricted funds used for tangible capital assets	-	(312,435)	312,435	-	-
Current year funds used for tangible capital assets	(558,635)	-	558,635	-	-
Annual amortization expense	451,130	-	(451,130)	-	-
Net change in long term debt	<u>(99,348)</u>	<u>-</u>	<u>99,348</u>	<u>-</u>	<u>-</u>
Change in accumulated surplus	<u>55,946</u>	<u>(13,118)</u>	<u>519,288</u>	562,116	594,918
BALANCE, END OF YEAR	<u><u>663,508</u></u>	<u><u>1,272,342</u></u>	<u><u>8,123,333</u></u>	<u>10,059,183</u>	<u>9,907,115</u>

TOWN OF KILLAM

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

	LAND	LAND IMPROVEMENTS	BUILDINGS	ENGINEERED STRUCTURES	MACHINERY AND EQUIPMENT	VEHICLES	2021	2020 (restated)
COST:								
Balance - beginning of year	706,262	468,742	1,035,511	25,040,476	956,114	477,414	28,684,519	28,105,068
Acquisition of tangible capital assets	-	-	-	828,586	42,484	-	871,070	620,602
Disposal of tangible capital assets	-	-	-	-	(94,406)	-	(94,406)	(41,151)
Balance - end of year	706,262	468,742	1,035,511	25,869,062	904,192	477,414	29,461,183	28,684,519
ACCUMULATED AMORTIZATION								
Balance - beginning of year	-	316,316	458,718	19,005,978	570,356	208,320	20,559,688	20,161,736
Annual amortization	-	14,208	23,318	336,715	52,573	24,316	451,130	439,103
Accumulated amortization on disposals	-	-	-	-	(94,406)	-	(94,406)	(41,151)
Balance - end of year	-	330,524	482,036	19,342,693	528,523	232,636	20,916,412	20,559,688
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	706,262	138,218	553,475	6,526,369	375,669	244,778	8,544,771	8,124,831
OPENING NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	706,262	152,426	576,793	6,034,498	385,758	269,094	8,124,831	

TOWN OF KILLAM

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

	Budget (Unaudited)	2021	2020 (restated)
TAXATION			
Real property taxes	1,275,405	1,265,076	1,249,828
Linear property taxes	40,608	40,608	36,352
Government grants in place of property taxes	27,304	27,304	27,773
	<u>1,343,317</u>	<u>1,332,988</u>	<u>1,313,953</u>
REQUISITIONS			
Alberta School Foundation	286,200	277,527	278,131
Flagstaff Regional Housing Group	10,000	10,000	12,600
	<u>296,200</u>	<u>287,527</u>	<u>290,731</u>
NET MUNICIPAL TAXES	<u>1,047,117</u>	<u>1,045,461</u>	<u>1,023,222</u>

TOWN OF KILLAM

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

	Budget (Unaudited)	2021	2020 (restated)
TRANSFERS FOR OPERATING			
Provincial Government	104,519	115,579	143,999
Local Governments	-	-	45,865
	<u>104,519</u>	<u>115,579</u>	<u>189,864</u>
TRANSFERS FOR CAPITAL			
Federal Government	245,057	244,147	-
Provincial Government	321,681	270,503	498,868
	<u>566,738</u>	<u>514,650</u>	<u>498,868</u>
TOTAL GOVERNMENT TRANSFERS	<u>671,257</u>	<u>630,229</u>	<u>688,732</u>

TOWN OF KILLAM

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

	Budget (Unaudited)	2021	2020 (restated)
Expenditures			
Salaries, wages and benefits	660,919	700,323	737,607
Contracted and general services	521,957	581,066	705,236
Purchases from other governments	3,700	4,346	4,384
Materials, goods and utilities	884,650	800,633	593,638
Transfers to other governments	28,622	19,013	-
Transfers to local boards and agencies	353,250	353,562	399,966
Transfers to individuals and agencies	6,200	6,723	4,592
Bank charges and short term interest	1,000	800	681
Interest on operating long term debt	7,420	7,420	8,202
Interest on capital long term debt	16,794	12,240	15,055
Other expenditures	-	-	179
Amortization of tangible capital assets	437,000	451,130	439,103
	<u>2,921,512</u>	<u>2,937,256</u>	<u>2,908,643</u>

TOWN OF KILLAM

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

	General Government	Protective Services	Transportation services	Environmental Services	Public Health & Welfare	Planning & Development	Recreation & Culture	Other	Total
REVENUE									
Net municipal property taxes (Schedule 2)	1,045,461	-	-	-	-	-	-	-	1,045,461
User fees and sales of goods	2,508	28,664	58,925	658,020	4,067	92,701	46,013	767,294	1,658,192
Penalties and costs on taxes	19,624	-	-	-	-	-	-	6,573	26,197
Licenses and permits	-	4,285	-	-	-	6,093	-	-	10,378
Fines	6,814	-	-	-	-	-	-	-	6,814
Franchise and concession contracts	79,784	-	-	-	-	-	-	-	79,784
Investment income	15,783	-	-	-	-	-	-	6,007	21,790
Rentals	-	7,200	-	-	-	3,142	-	-	10,342
Government transfers	94,665	20,914	-	-	-	-	-	-	115,579
Other	-	-	-	-	2,674	-	300	7,211	10,185
	<u>1,264,639</u>	<u>61,063</u>	<u>58,925</u>	<u>658,020</u>	<u>6,741</u>	<u>101,936</u>	<u>46,313</u>	<u>787,085</u>	<u>2,984,722</u>
EXPENSES									
Salaries, wages and benefits	224,676	49,249	133,466	162,495	11,530	-	103,279	15,628	700,323
Contracted and general services	122,755	27,033	72,468	225,790	-	18,930	1,586	112,504	581,066
Purchases from other governments	-	4,346	-	-	-	-	-	-	4,346
Materials, goods and utilities	22,868	18,971	126,215	62,616	4,585	67,534	21,311	476,533	800,633
Transfers to other governments	-	19,013	-	-	-	-	-	-	19,013
Transfers to local boards and agencies	1,150	37,493	-	-	8,604	-	306,315	-	353,562
Transfers to individuals and agencies	6,723	-	-	-	-	-	-	-	6,723
Bank charges and short term interest	800	-	-	-	-	-	-	-	800
Interest on operating long term debt	-	-	-	-	-	7,420	-	-	7,420
Interest on capital long term debt	-	-	9,629	-	-	2,611	-	-	12,240
	<u>378,972</u>	<u>156,105</u>	<u>341,778</u>	<u>450,901</u>	<u>24,719</u>	<u>96,495</u>	<u>432,491</u>	<u>604,665</u>	<u>2,486,126</u>
NET REVENUE, BEFORE AMORTIZATION	<u>885,667</u>	<u>(95,042)</u>	<u>(282,853)</u>	<u>207,119</u>	<u>(17,978)</u>	<u>5,441</u>	<u>(386,178)</u>	<u>182,420</u>	<u>498,596</u>
AMORTIZATION AND DISPOSAL OF ASSETS									
Amortization of tangible capital assets	17,432	27,915	256,975	115,837	-	-	21,205	11,766	451,130
NET REVENUE	<u>868,235</u>	<u>(122,957)</u>	<u>(539,828)</u>	<u>91,282</u>	<u>(17,978)</u>	<u>5,441</u>	<u>(407,383)</u>	<u>170,654</u>	<u>47,466</u>

TOWN OF KILLAM

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

1. SIGNIFICANT ACCOUNTING POLICIES

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

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

a) Reporting Entity

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

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

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

b) Basis of Accounting

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

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

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

TOWN OF KILLAM

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

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

c) Use of Estimates

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

d) Investments

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

e) Requisition Over-levy and Under-levy

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

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

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

f) Inventories for Resale

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

g) Tax revenue

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

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

TOWN OF KILLAM

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

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

h) 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.

i) Landfill Closure and Post-Closure Liability

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

j) Contaminated Sites Liability

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

k) Non-Financial Assets

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

i. Tangible Capital Assets

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

	YEARS
Buildings	50
Engineered structures - other	20-50
Engineered structures - water system	30-75
Engineered structures - wastewater system	50
Land improvements	15
Machinery and equipment	7-15
Vehicles	10-25

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

TOWN OF KILLAM

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

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

ii. Contributions of Tangible Capital Assets

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

iii. Leases

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

iv. Inventories

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

v. Cultural and Historical Tangible Capital Assets

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

2. CASH AND TERM DEPOSITS

	2021	2020
Included in cash and term deposits are amounts received from various grant funding programs that are held for use in accordance with the funding agreements. (Note 4)		
Municipal Sustainability Initiative - capital	102,909	-
Canada Community Building Fund	56,693	16,709
MOST Covid relief funding	-	40,145
	<u>159,602</u>	<u>56,854</u>
Deposits held in trust	3,612	2,722
Included in cash and term deposits are amounts designated by council for future expenses and tangible capital asset acquisitions.	<u>1,272,342</u>	<u>1,285,460</u>
Total restricted cash and term deposits	<u>1,435,556</u>	<u>1,345,036</u>
Total un-restricted cash and term deposits	<u>116,783</u>	<u>(43,682)</u>

3. TAXES AND GRANTS IN PLACE OF TAXES RECEIVABLES

	2021	2020
Current taxes and grants in place of taxes	35,756	48,187
Arrears taxes	15,501	27,387
	<u>51,257</u>	<u>75,574</u>

TOWN OF KILLAM

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

4. DEFERRED INCOME

Deferred income consists of the following:

	<u>2021</u>	<u>2020</u>
Municipal Sustainability Initiative - capital	439,600	264,588
Canada Community Building Fund	56,693	185,039
MOST Covid relief funding	-	40,145
Prepaid property taxes	44,346	44,023
	<u>540,639</u>	<u>533,795</u>

5. LONG TERM DEBT

	<u>2021</u>	<u>2020</u>
Operating		
Alberta Capital Finance Authority	271,418	313,741
ATB Financial	57,403	69,940
	<u>328,821</u>	<u>383,681</u>
Capital		
Alberta Capital Finance Authority	107,762	137,176
ATB Financial	313,676	383,610
	<u>421,438</u>	<u>520,786</u>
	<u>750,259</u>	<u>904,467</u>

Principal and interest payments are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	150,655	17,835	168,490
2023	154,445	14,045	168,490
2024	158,332	10,158	168,490
2025	133,180	6,171	139,351
2026	30,495	3,736	34,231
Thereafter	123,152	15,884	139,036
	<u>750,259</u>	<u>67,829</u>	<u>818,088</u>

Debenture debt owing to Alberta Capital Finance Authority bears interest ranging from 2.031% to 2.765% per annum and matures in periods from 2025 through 2035 and is secured by the credit and security of the town at large.

Debt repayable to ATB Financial bears interest at Prime and is secured by a general security agreement.

The town's total cash payments for interest in 2021 were \$21,521 (2020 - \$25,734).

TOWN OF KILLAM

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

6. DEBT LIMITS

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

	2021	2020
Total debt limit	<u>4,477,083</u>	<u>4,497,810</u>
Total debt	<u>750,259</u>	<u>904,467</u>
Surplus debt limit	<u>3,726,824</u>	<u>3,593,343</u>
Debt servicing limit	746,181	749,635
Debt servicing	<u>168,490</u>	<u>177,634</u>
Surplus debt servicing	<u>577,691</u>	<u>572,001</u>

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

7. EQUITY IN TANGIBLE CAPITAL ASSETS

	2021	2020
Tangible capital assets (Schedule 2)	29,461,183	28,684,519
Accumulated amortization (Schedule 2)	(20,916,412)	(20,559,688)
Long-term debt (Note 6)	<u>(421,438)</u>	<u>(520,786)</u>
	<u>8,123,333</u>	<u>7,604,045</u>

TOWN OF KILLAM

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

8. ACCUMULATED SURPLUS

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

	<u>2021</u>	<u>2020</u>
Unrestricted surplus	<u>663,508</u>	<u>607,562</u>
Restricted surplus		
Administration	17,895	17,895
Cemetery	9,058	12,058
Fire	102,500	145,500
Common services	62,113	42,113
Roads	195,000	145,000
Water	72,642	269,094
Sewer	361,789	260,185
Parks and recreation	95,703	85,703
Gas system	66,078	48,867
Sedgewick Killam Natural Gas System	289,564	259,045
	<u>1,272,342</u>	<u>1,285,460</u>
Equity in tangible capital assets	<u>8,123,333</u>	<u>7,604,045</u>
	<u>10,059,183</u>	<u>9,497,067</u>

9. SEGMENTED DISCLOSURE

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

Refer to the Schedule of Segmented Disclosure (schedule 6)

TOWN OF KILLAM

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

10. SALARY AND BENEFITS DISCLOSURE

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

	2021			2020
	Salary	Benefits & Allowances	Total	Total
Grove	8,000	245	8,245	8,230
Kellert	14,000	572	14,572	15,536
Krys	8,000	245	8,245	8,230
McDermott	8,000	245	8,245	8,230
Pierce	8,000	245	8,245	8,230
CAO	105,000	24,338	129,338	125,974
Designated officer (3)	18,140	-	18,140	31,397

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

11. 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.

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

TOWN OF KILLAM

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

12. FINANCIAL INSTRUMENTS

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

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

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

13. LOCAL AUTHORITIES PENSION PLAN

Employees of the town participate in the Local Authorities Pension Plan (LAPP), which is one of the plans covered by the Alberta Public Sector Pension Plans Act. The LAPP serves 275,151 people and 433 employers. The LAPP is financed by employer and employee contributions and by investment earnings of the LAPP Fund.

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

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

Total current service contributions by the town to the LAPP during the year were \$60,470. Total current service contributions by the employees of the Town to the Local Authorities Pension Plan during the year were \$54,475.

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

TOWN OF KILLAM

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

14. CONTAMINATED SITES LIABILITY

The town has adopted PS3260 Liability for Contaminated Sites. The town did not identify any financial liabilities in 2021 (2020 – nil) as a result of this standard.

15. PRIOR PERIOD ADJUSTMENT

During the year it was determined that the proportionate share of the Sedgewick Killam Natural Gas System should be incorporated into the financial statements of the town on a retroactive basis. As a result opening accumulated surplus was increased by 451,968 along with the corresponding assets and liabilities

16. COMPARITIVE FIGURES

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

17. APPROVAL OF FINANCIAL STATEMENTS

Council and Management have approved these financial statements.