

TOWN OF MUNDARE
CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2021



MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

Management of the Town of Mundare is responsible for the preparation, accuracy, objectivity and integrity of the accompanying consolidated financial statements and all other information contained within this financial report. Management believes that the consolidated financial statements present fairly the Town's financial position as at December 31, 2021 and the results of its operations for the year then ended.

The consolidated financial statements have been prepared in compliance with legislation, and in accordance with Canadian public sector accounting standards (PSAS).

The consolidated financial statements include certain amounts based on estimates and judgements. Such amounts have been determined on a reasonable basis in order to ensure that the consolidated financial statements are presented fairly in all material respects.


In fulfilling its responsibilities and recognizing the limits inherent in all systems, management has designed and maintains a system of internal controls to produce reliable information and to meet reporting requirements on a timely basis. The system is designed to provide management with reasonable assurance that transactions are properly authorized and assets are properly accounted for and safeguarded.

These systems are monitored and evaluated by management and reliable financial information is available for preparation of the consolidated financial statements.

The Town Council carries out its responsibilities for review of the consolidated financial statements principally through its Audit Committee. This committee meets regularly with management and external auditors to discuss the results of audit examinations and financial reporting matters.

The external auditors have full access to the Audit Committee with and without the presence of management. The Town Council has approved the consolidated financial statements.

The consolidated financial statements have been audited by JMD Group LLP, Chartered Professional Accountants, independent external auditors appointed by the Town. The accompanying Independent Auditor's Report outlines their responsibilities, the scope of their examination and their opinion on the Town's consolidated financial statements.



Colin Zyla, CAO
Mundare, Alberta
March 15, 2022

INDEPENDENT AUDITOR'S REPORT

To the Members of Council of The Town of Mundare

Opinion

We have audited the consolidated financial statements of the Town of Mundare (the municipality), 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 and schedules 1 to 6 for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

Basis for Opinion

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

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with PSAS, 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 municipality'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 municipality or to cease operations, or has no realistic alternative but to do so.

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

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

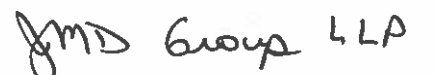
Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not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

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 municipality'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 municipality'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 municipality 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.

St Paul, Alberta
March 15, 2022


Chartered Professional Accountants

TOWN OF MUNDARE
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2021

	2021	2020
Assets		
Cash (Note 2)	\$ 1,106,284	\$ 967,504
Taxes receivable (Note 3)	197,399	293,081
Receivable from other governments	372,055	101,919
Trade and other receivables	57,838	75,945
Inventory of land held for resale	9,164	9,164
	<u>1,742,740</u>	<u>1,447,613</u>
Liabilities		
Accounts payable and accrued liabilities (Note 4)	104,298	323,198
Deposits received	7,627	5,627
Deferred revenue (Note 5)	1,118,396	727,839
Long-term debt (Note 6)	1,599,165	1,443,392
	<u>2,829,486</u>	<u>2,500,056</u>
Net financial debt	<u>(1,086,746)</u>	<u>(1,052,443)</u>
Non-financial assets		
Tangible capital assets (Schedule 2)	11,615,246	11,759,249
Prepaid expenses	17,371	16,176
	<u>11,632,617</u>	<u>11,775,425</u>
Accumulated surplus (Schedule 1, Note 8)	<u>\$ 10,545,871</u>	<u>\$ 10,722,983</u>

APPROVED BY:


 Mayor

TOWN OF MUNDARE
CONSOLIDATED STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2021

	Budget (Unaudited)	2021	2020
Revenues			
Net municipal taxes (<i>Schedule 3</i>)	\$ 976,500	\$ 980,959	\$ 983,225
Sales and user fees	544,700	585,775	553,890
Government transfers for operations (<i>Schedule 4</i>)	139,600	156,986	143,226
Investment income	2,500	2,181	2,756
Penalties and costs of taxes	47,000	52,688	47,819
Licenses and permits	3,800	8,740	7,978
Police fines issued	4,000	2,897	4,454
Franchise and concession contracts	110,000	115,637	105,375
Rentals and leases	24,600	33,352	22,982
Fundraising/donations/insurance	-	-	300
Local improvement charges	27,550	20,678	5,183
	<u>1,880,250</u>	<u>1,959,893</u>	<u>1,877,188</u>
Expenses			
Legislative	58,100	58,844	41,803
Administration	409,735	428,022	376,610
Protective services	81,360	96,912	62,072
Roads, streets, walks, lighting	866,380	852,876	863,847
Water and wastewater	438,550	461,243	394,803
Waste management	120,300	119,107	146,267
Municipal planning, community and economic development	3,000	2,166	11,637
Recreation and culture	354,860	334,683	212,796
	<u>2,332,285</u>	<u>2,353,853</u>	<u>2,109,835</u>
Excess (deficiency) of revenues over expenses before other	<u>(452,035)</u>	<u>(393,960)</u>	<u>(232,647)</u>
Other			
Government transfers for capital (<i>Schedule 4</i>)	400,000	216,848	922,288
Gain (loss) on disposal of tangible capital assets	-	-	(6,970)
	<u>400,000</u>	<u>216,848</u>	<u>915,318</u>
Excess (deficiency) of revenues over expenses	<u>(52,035)</u>	<u>(177,112)</u>	<u>682,671</u>
Accumulated surplus, beginning of year	<u>10,722,983</u>	<u>10,722,983</u>	<u>10,040,312</u>
Accumulated surplus, end of year	<u>\$ 10,670,948</u>	<u>\$ 10,545,871</u>	<u>\$ 10,722,983</u>

TOWN OF MUNDARE
CONSOLIDATED STATEMENT OF CHANGES IN NET FINANCIAL DEBT
YEAR ENDED DECEMBER 31, 2021

	Budget (Unaudited)	2021	2020
Excess (deficiency) of revenues over expenses	\$ (52,035)	\$ (177,112)	\$ 682,671
Amortization of tangible capital assets	581,975	581,165	563,037
Purchase of tangible capital assets	(583,000)	(437,162)	(1,358,764)
Loss on disposal of assets	-	-	6,970
	(1,025)	144,002	(788,758)
Decrease (increase) in prepaid expenses	-	(1,194)	(4,663)
	(1,025)	142,809	(793,420)
Decrease (increase) in net financial debt	(53,060)	(34,303)	(110,749)
Net financial debt, beginning of year	(1,052,443)	(1,052,443)	(941,694)
Net financial debt, end of year	\$ (1,105,503)	\$ (1,086,746)	\$ (1,052,443)

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

	2021	2020
Net inflow (outflow) of cash related to the following activities:		
Operating		
Excess (deficiency) of revenues over expenses	\$ (177,112)	\$ 682,671
Items not affecting cash:		
Amortization of tangible capital assets	581,165	563,037
Loss on disposal of tangible capital assets	-	6,970
	<u>404,053</u>	<u>1,252,678</u>
Non-cash charges to operations (net change):		
Taxes receivable	95,682	(51,137)
Receivable from other governments	(270,136)	219,950
Trade and other receivables	18,107	(10,800)
Prepaid expenses	(1,195)	(4,662)
Accounts payable and accrued liabilities	(218,900)	155,867
Deposit liabilities	2,000	(800)
Deferred revenue	390,557	(90,182)
	<u>16,115</u>	<u>218,236</u>
Net cash from operations	<u>420,168</u>	<u>1,470,914</u>
Financing		
Long-term debt issued	250,000	257,250
Long-term debt repaid	(94,226)	(79,743)
	<u>155,774</u>	<u>177,507</u>
Capital		
Acquisition of tangible capital assets	(437,162)	(1,358,764)
Investing		
Decrease (increase) in restricted cash	(79,433)	(226,398)
Change in cash during the year	<u>59,347</u>	<u>63,259</u>
Cash, beginning of year	<u>510,730</u>	<u>447,471</u>
Cash, end of year	<u>\$ 570,077</u>	<u>\$ 510,730</u>
Cash is made up of:		
Cash	\$ 1,106,284	\$ 967,504
Less restricted cash	(536,207)	(456,774)
	<u>\$ 570,077</u>	<u>\$ 510,730</u>

TOWN OF MUNDARE
SCHEDULE 1 - CHANGES IN ACCUMULATED SURPLUS
FOR THE YEAR ENDED DECEMBER 31, 2021

	Unrestricted Surplus	Restricted Surplus	Equity in Tangible Capital Assets	2021	2020
Balance, beginning of year	\$ 100,853	\$ 306,273	\$ 10,315,857	\$ 10,722,983	\$ 10,040,312
Excess (deficiency) of revenues over expenses	(177,112)	-	-	(177,112)	682,671
Funds designated for future use	(102,133)	102,133	-	-	-
Current year funds used for tangible capital assets	(187,163)	-	187,163	-	-
Annual amortization expense	581,165	-	(581,165)	-	-
Funds used for operations	58,985	(58,985)	-	-	-
Long-term debt repaid	(94,226)	-	94,226	-	-
Change in accumulated surplus	79,516	43,148	(299,776)	(177,112)	682,671
Balance, end of year	\$ 180,369	\$ 349,421	\$ 10,016,081	\$ 10,545,871	\$ 10,722,983

TOWN OF MUNDARE
SCHEDULE 2 - TANGIBLE CAPITAL ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2021

	Land	Land Improvements	Buildings	Engineered Structures	Machinery & Equipment	Vehicles	2021	2020
Cost								
Balance, beginning of year	\$ 52,577	\$ 563,134	\$ 1,254,417	\$ 16,676,983	\$ 770,487	\$ 132,439	\$ 19,450,037	\$ 18,137,487
Acquisition of tangible capital assets	-	-	-	983,914	51,499	28,594	1,064,007	716,135
Construction in progress	-	-	-	(626,845)	-	-	(626,845)	642,629
Disposal of tangible capital assets	-	-	-	(12,005)	-	-	(12,005)	(46,214)
Balance, end of year	52,577	563,134	1,254,417	17,022,047	821,986	161,033	19,875,194	19,450,037
Accumulated amortization								
Balance, beginning of year	-	266,799	694,343	6,261,991	377,869	89,786	7,690,788	7,166,995
Annual amortization	-	24,925	26,748	462,742	57,695	9,055	581,165	563,037
Accumulated amortization on disposals	-	-	-	(12,005)	-	-	(12,005)	(39,244)
Balance, end of year	-	291,724	721,091	6,712,728	435,564	98,841	8,259,948	7,690,788
Net book value of tangible capital assets	\$ 52,577	\$ 271,410	\$ 533,326	\$ 10,309,319	\$ 386,422	\$ 62,192	\$ 11,615,246	\$ 11,759,249
2020 Net book value of tangible capital assets	\$ 52,577	\$ 296,335	\$ 560,074	\$ 10,414,992	\$ 392,618	\$ 42,653	\$ 11,759,249	

TOWN OF MUNDARE
SCHEDULE 3 - PROPERTY TAXES LEVIED
FOR THE YEAR ENDED DECEMBER 31, 2021

	Budget (Unaudited)	2021	2020
Taxation			
Residential land and improvements	\$ 1,051,500	\$ 1,053,459	\$ 1,059,580
Commercial property	220,135	221,478	227,335
	<u>1,271,635</u>	<u>1,274,937</u>	<u>1,286,915</u>
Requisitions			
Alberta School Foundation	259,000	258,150	266,168
County of Lamont Foundation	36,000	35,828	37,522
Designated Industrial Property	135	-	-
	<u>295,135</u>	<u>293,978</u>	<u>303,690</u>
Net taxes for general municipal operations	<u>\$ 976,500</u>	<u>\$ 980,959</u>	<u>\$ 983,225</u>

SCHEDULE 4 - GOVERNMENT TRANSFERS
FOR THE YEAR ENDED DECEMBER 31, 2021

	Budget (Unaudited)	2021	2020
Transfers for operations			
Federal	\$ 9,000	\$ 10,700	\$ 4,080
Provincial	97,600	112,987	105,847
Local governments	33,000	33,299	33,299
	<u>139,600</u>	<u>156,986</u>	<u>143,226</u>
Transfers for capital			
Provincial	400,000	216,848	922,288
Total government transfers	<u>\$ 539,600</u>	<u>\$ 373,834</u>	<u>\$ 1,065,514</u>

TOWN OF MUNDARE
SCHEDULE 5 - CONSOLIDATED EXPENSES BY OBJECT
FOR THE YEAR ENDED DECEMBER 31, 2021

	Budget (Unaudited)	2021	2020
Expenses			
Salaries, wages and benefits	\$ 477,740	\$ 432,169	\$ 413,649
Contracted and general services	553,550	617,229	535,035
Purchases from other governments	175,000	184,480	157,487
Materials, goods, supplies and utilities	282,820	267,906	237,780
Provision for allowances and bad debts	10,000	35,907	3,376
Transfer to local boards and organizations	110,200	102,572	65,919
Bank charges and short-term interest	3,000	2,764	2,778
Interest on long-term debt	63,300	58,975	59,121
Shared cost agreements	53,000	50,750	50,766
Amortization of tangible capital assets	581,975	581,165	563,037
Other expenses	21,700	19,936	20,887
Total expenses	\$ 2,332,285	\$ 2,353,853	\$ 2,109,835

TOWN OF MUNDARE
SCHEDULE 6 - SEGMENTED DISCLOSURE
FOR THE YEAR ENDED DECEMBER 31, 2021

	General Government	Protective Services	Transportation Services	Environmental Services	Planning and Development	Recreation and Culture	Total
Revenues							
Net municipal taxes	\$ 980,959	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 980,959
Sales and user fees	11,084	6,460	1,256	554,314	-	12,661	585,775
Government transfers for operating	22,671	-	56,264	-	-	78,051	156,986
Investment income	2,181	-	-	-	-	-	2,181
Other revenue	179,796	4,642	15,494	5,183	6,995	21,882	233,992
Government transfers for capital	-	-	21,654	195,194	-	-	216,848
	<u>1,196,691</u>	<u>11,102</u>	<u>94,668</u>	<u>754,691</u>	<u>6,995</u>	<u>112,594</u>	<u>2,176,741</u>
Expenses							
Salaries, wages and benefits	257,124	-	87,572	26,331	-	61,142	432,169
Contracted and general services	120,760	82,013	165,638	172,978	2,166	97,544	641,099
Materials, goods, supplies and utilities	25,109	11,047	130,908	215,264	-	46,188	428,516
Transfers to others	5,768	-	-	50,750	-	96,804	153,322
Interest on long-term debt	-	-	50,459	8,516	-	-	58,975
Other expenses	56,435	-	901	1,271	-	-	58,607
	<u>465,196</u>	<u>93,060</u>	<u>435,478</u>	<u>475,110</u>	<u>2,166</u>	<u>301,678</u>	<u>1,772,688</u>
Net revenue before amortization	731,495	(81,958)	(340,810)	279,581	4,829	(189,084)	404,053
Amortization expense	(21,670)	(3,852)	(417,398)	(105,240)	-	(33,005)	(581,165)
Net revenues	<u>\$ 709,825</u>	<u>\$ (85,810)</u>	<u>\$ (758,208)</u>	<u>\$ 174,341</u>	<u>\$ 4,829</u>	<u>\$ (222,089)</u>	<u>\$ (177,112)</u>

TOWN OF MUNDARE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

1. Significant Accounting Policies

The consolidated financial statements are the representations of management prepared in accordance with Canadian generally accepted accounting principles for local governments established by the Public Sector Accounting Board of the Canadian Institute of Chartered Professional Accountants. 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 expenses, 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 town council for the administration of their financial affairs and resources.

The schedule of taxes levied also includes requisitions for education 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.

Measurement Uncertainty

The preparation of financial statements in conformity with Canadian public sector accounting standards 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 consolidated financial statements, and the reported amounts of revenues and expenses during the period. Such estimates include allowance for uncollectable receivables and providing for amortization of tangible capital assets. Actual results could differ from those estimates. These estimates are reviewed periodically and, as adjustments become necessary, they are reported in operations in the period in which they become known.

Cash

Cash is defined as petty cash, cash in chequing accounts adjusted for outstanding cheques and deposits, savings accounts and investments with a maturity date of less than one year.

TOWN OF MUNDARE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

1. Significant Accounting Policies *(continued)*

Investments

Investments are recorded at amortized cost. 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.

Inventory of Land Held for Resale

Land held for resale is recorded at the lower of cost and net realizable value. Cost includes costs for land acquisition and improvements required to prepare the land for servicing such as clearing, stripping, and leveling 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 their respective function.

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.

Government Transfers

Government transfers are the transfer of assets from other governments 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.

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.

TOWN OF MUNDARE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE 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 for the year.

(a) 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 costs, less residual value, of the tangible capital assets are amortized on a straight-line basis over their estimated useful lives as follows:

	<u>Years</u>
Buildings	50
Engineered structures	
Roadway system	20-30
Water system	25-75
Wastewater system	45-75
Lighting	50
Machinery and equipment	10-30
Vehicles	5-15
Land improvements	20-30

No amortization is charged in the year of acquisition. Assets under construction are not amortized until the asset is available for productive use.

(b) 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.

(c) Leases

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

TOWN OF MUNDARE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

2. Cash

	2021	2020
Petty cash	\$ 541	\$ 541
Current account	223,467	52,771
Savings accounts	875,080	907,000
Trust account	7,034	7,034
Credit Union shares	162	158
	\$ 1,106,284	\$ 967,504

Council has designated \$349,421 (2020 – \$306,273) to fund the reserves.

Included in cash is a restricted amount of \$536,207 (2020 – \$456,774) comprised of deferred grant revenue received and not expended (see note 5).

3. Taxes Receivable

	2021	2020
Current	\$ 92,274	\$ 137,510
Arrears	245,060	290,006
Less: allowance for doubtful accounts	(139,935)	(134,435)
	\$ 197,399	\$ 293,081

4. Employee Benefit Obligation

Included in accounts payable and accrued liabilities is a vacation and overtime liability of \$9,925 (2020 - \$8,805). The vacation and overtime liability is comprised of the vacation and overtime that employees have earned and are entitled to within the next budgetary year.

5. Deferred Revenue

	2021	2020
Offsite levies	\$ 266,000	\$ 263,000
Gas Tax Fund	119,788	18,773
MSI Capital	669,731	382,581
Municipal Stimulus Program	55,492	-
Municipal Operating Support Transfer	-	55,420
Communities in Bloom	7,225	6,785
Other revenue	160	1,280
	\$ 1,118,396	\$ 727,839

Unexpended funding in the amount of \$845,011 (2020 - \$456,774) was allocated to the town in the current year from various federal and provincial government programs and local governments. The use of these funds is restricted to eligible operating and capital projects as approved under the funding agreements. Of these allocations, funds received and unexpended are supported by funds in savings accounts of \$536,207 (2020 - \$456,774).

TOWN OF MUNDARE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

6. Long-Term Debt

	2021	2020
Tax supported debentures	\$ 998,184	\$ 1,052,466
Self-supported debentures	546,498	309,927
Utility supported debentures	9,696	18,833
Tax supported Credit Union loans	44,787	62,166
	\$ 1,599,165	\$ 1,443,392

Principal and interest repayments for each of the next five years and to maturity are as follows:

	Principal	Interest	Total
2022	\$ 107,367	\$ 63,384	\$ 170,751
2023	101,680	58,780	160,460
2024	94,651	54,696	149,347
2025	90,195	50,945	141,140
2026	94,024	47,116	141,140
Thereafter	1,111,248	235,777	1,347,025
	\$ 1,599,165	\$ 510,698	\$ 2,109,863

Debenture debt is repayable to Alberta Capital Finance Authority and bears interest at rates ranging from 1.882% to 6.125% per annum and matures in periods 2022 through 2041. The average annual interest rate is 3.88% (4.36% for 2020).

The Credit Union loans bear interest at rates ranging from 3.65% to 4.1% per annum and are up for renewal in 2024.

Long-term debt is issued on the credit and security of the town at large.

Interest on long-term debt amounted to \$58,974 (2020 - \$59,121).

The town's cash payments for interest in 2021 were \$59,516 (2020 - \$58,505).

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 of Mundare be disclosed as follows:

	2021	2020
Total debt limit	\$ 2,939,838	\$ 2,815,782
Total debt	(1,599,165)	(1,443,392)
Debt limit remaining	\$ 1,340,673	\$ 1,372,390
Debt servicing limit	\$ 489,973	\$ 469,297
Debt servicing	(170,751)	(153,742)
Debt service limit remaining	\$ 319,222	\$ 315,555

TOWN OF MUNDARE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

7. Debt Limits (continued)

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.

8. Accumulated Surplus

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

	2021	2020
Unrestricted surplus	\$ 180,369	\$ 100,853
Restricted surplus		
General capital	108,467	117,083
Fire	33,931	39,000
Common services	10,173	10,173
Streets	17,500	15,000
Water	88,243	59,310
Sewer	49,957	21,157
Garbage	-	1,400
Development	8,650	5,650
Parks and recreation	17,000	19,500
Ukraina Park	15,500	18,000
	349,421	306,273
Equity in tangible capital assets (Note 9)	10,016,081	10,315,857
	\$ 10,545,871	\$ 10,722,983

9. Equity in Tangible Capital Assets

	2021	2020
Tangible capital assets (Schedule 2)	\$ 19,875,194	\$ 19,450,037
Accumulated amortization (Schedule 2)	(8,259,948)	(7,690,788)
Long-term debt (Note 7)	(1,599,165)	(1,443,392)
	\$ 10,016,081	\$ 10,315,857

TOWN OF MUNDARE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

10. Segmented Disclosure

The Town of Mundare 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 Schedule 6 – Segmented Disclosure.

11. Operating Line of Credit

The town has a prime plus 1% authorized revolving line of credit of \$100,000 with the Servus Credit Union. No balance was outstanding as at December 31, 2021.

12. Salary and Benefits Disclosure

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

	Salary (1)	Benefits & Allow (2)	2021	2020
<u>Council</u>				
Caliniou	\$ 10,703	\$ 408	\$ 11,111	\$ 9,034
Talaga	10,126	-	10,126	9,187
Rozumniak	1,890	75	1,965	-
Shepel	1,935	77	2,012	-
Patrie	1,935	77	2,012	-
Saric	7,316	256	7,572	8,570
Rosypal	7,704	-	7,704	1,593
Kowal	6,178	194	6,372	7,447
Burghardt	-	-	-	3,898
	<u>47,787</u>	<u>1,087</u>	<u>48,874</u>	<u>39,729</u>
<u>Others</u>				
CAO - Zyla	83,497	7,689	91,186	89,472
Designated officer (contract)	8,800	-	8,800	8,800
	<u>92,297</u>	<u>7,689</u>	<u>99,986</u>	<u>98,272</u>
	<u>\$ 140,084</u>	<u>\$ 8,776</u>	<u>\$ 148,860</u>	<u>\$ 138,001</u>

(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 RRSP, health care, dental coverage, group life insurance, accidental death and dismemberment insurance, and long and short-term disability plans..

13. Commitments

The town is committed to making quarterly payments of \$2,204 until March 2022 under a photocopier lease.

The town is committed to making annual land rental payments of \$1,200 and \$2,500 until 2025.

TOWN OF MUNDARE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

14. Contingency

The municipality 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.

15. Financial Instruments

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

The town is subject to credit risk with respect to taxes and grants in place of 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.

The town is subject to interest rate risk with respect to its long-term debt. Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates.

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

16. 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.

17. Approval of Financial Statements

Council has approved these financial statements.

18. Budget Amounts

Budget amounts are included for information purposes only and are not audited.

19. Recent Accounting Pronouncements Published But Not Yet Adopted

PSAS Section 1000, Financial Statement Concepts

The amendments are effective beginning on or after April 1, 2023. This standard has been amended to allow for recognition of intangibles.

PSAS Section 1201, Financial Statement Presentation

Revised standard is effective beginning on or after April 1, 2023, when sections PS2601 and PS3450 are adopted.

PSAS Section 2601, Foreign Currency Translation

PS2601 establishes standards on how to account for and report transactions that are denominated in foreign currency in government financial statements. It applies to years beginning on or after April 1, 2022.

PSAS Section 3041, Portfolio Investments

This standard addresses the distinction between temporary and portfolio investments. The standard is effective beginning on or after April 1, 2022, when sections PS1201, PS2601 and PS3450 are adopted.

TOWN OF MUNDARE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

19. Recent Accounting Pronouncements Published But Not Yet Adopted (*continued*)

PSAS Section 3160, Public Private Partnerships

This standard establishes standards on how to account for public private partnership arrangements. It applies in years beginning on or after April 1, 2023.

PSAS Section 3280, Asset Retirement Obligations

This standard is intended to provide guidance on accounting for asset retirement obligations and will apply in years beginning on or after April 1, 2021.

PSAS Section 3400, Revenue

This standard will provide greater clarity on the difference between exchange and non-exchange transactions. It applies in years beginning on or after April 1, 2023.

PSAS Section 3450, Financial Instruments

This standard establishes recognition, measurement and disclosure requirements for derivative and non-derivative financial instruments. It applies to years beginning on or after April 1, 2022.

20. Uncertainty Due to Covid-19

On March 17, 2020, the Government of Alberta declared a public health emergency in response to the COVID-19 pandemic. The measures implemented to combat the spread of the virus have had an impact on the town; however, an estimate of the financial impact cannot be made at this time.

The town is closely monitoring the recommendations from public health agencies and government authorities while implementing its operational plan to reduce any adverse financial impact and continue operations.