

TOWN OF OLDS

Consolidated Financial Statements

For the year ended December 31, 2021

TOWN OF OLDS
TABLE OF CONTENTS
For the year ended December 31, 2021

INDEPENDENT AUDITOR'S REPORT	1 - 2
MANAGEMENT REPORT	3
FINANCIAL STATEMENTS	
CONSOLIDATED STATEMENT OF FINANCIAL POSITION	4
CONSOLIDATED STATEMENT OF OPERATIONS	5
CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL DEBT	7
CONSOLIDATED STATEMENT OF CASH FLOW	8
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS	9 - 22
SCHEDULES TO THE CONSOLIDATED FINANCIAL STATEMENTS	23 - 25



INDEPENDENT AUDITOR'S REPORT

To: The Mayor and Members of Council of
the Town of Olds

Opinion

We have audited the consolidated financial statements of the Town of Olds which comprise the consolidated statement of financial position as at December 31, 2021, and the consolidated statements of operations, change in net financial debt and cash flow for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

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

Basis for Opinion

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

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

Management is responsible for the preparation and fair presentation of the 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 financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Town's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Town or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the 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 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:

INDEPENDENT AUDITOR'S REPORT, 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 company 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.

Report on Other Legal and Regulatory Requirements

- Debt Limit Regulation:
In accordance with Alberta Regulation 255/2000, we confirm that the Town is in compliance with the Debt Limit Regulation. A detailed account of the Town's debt limit can be found in note 23.
- Supplementary Accounting Principles and Standards Regulation:
In accordance with Alberta Regulation 313/2000, we confirm that the Town is in compliance with the Supplementary Accounting Principles and Standards Regulation and note the information required can be found in note 19.

Lethbridge, Alberta

June 27, 2022



Chartered Professional Accountants

MANAGEMENT REPORT

The consolidated financial statements are the responsibility of the management of the Town of Olds.

These consolidated financial statements have been prepared from information provided by management. Financial statements are not precise since they include certain amounts based on estimates and judgments. Management has determined such amounts on a reasonable basis in order to ensure that the consolidated 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 of Olds is responsible for ensuring that management fulfils its responsibilities for financial statements. Council carries out its responsibility as a whole.

The Council meets annually with management and the external auditors to discuss internal controls over the financial reporting process, auditing matters and financial reporting issues, and to satisfy itself that each party is properly discharging its responsibilities. Council also considers the engagement or re-appointment of the external auditors. Council reviews the monthly financial reports.

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



Municipal Manager

TOWN OF OLDS
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at December 31, 2021

	2021	2020
Financial assets		
Cash	\$ 8,411,280	\$ 15,593,995
Taxes and grants in place of taxes receivable (note 2)	766,912	644,711
Trade and other receivables (note 3)	8,960,051	4,858,907
Loans receivable (note 4)	15,000,000	14,095,626
Investments (note 5)	81,748	81,760
Investment in Olds Fibre Ltd. (note 6)	1	-
Inventory held for resale	14,888	17,825
	<u>33,234,880</u>	<u>35,292,824</u>
Liabilities		
Accounts payable and accrued liabilities	2,244,669	3,807,676
Employee benefit obligations (note 8)	354,958	323,492
Deposits	932,425	786,625
Deferred revenue (note 9)	4,062,616	1,626,071
Long-term debt (note 10)	30,723,798	31,936,804
	<u>38,318,466</u>	<u>38,480,668</u>
Net financial debt	<u>(5,083,586)</u>	<u>(3,187,844)</u>
Non-financial assets		
Prepaid expenses	43,998	19,974
Tangible capital assets (schedule 2)	101,143,005	95,297,594
	<u>101,187,003</u>	<u>95,317,568</u>
Accumulated surplus (note 12 and schedule 1)	<u>\$ 96,103,417</u>	<u>\$ 92,129,724</u>

Commitments and contingencies (note 21)

Approved on behalf of Council:

Mayor Judy Sahel

Councillor Danahy

TOWN OF OLDS
CONSOLIDATED STATEMENT OF OPERATIONS
For the year ended December 31, 2021

	Budget (Unaudited)	2021	2020
Revenue			
Net municipal taxes (note 15)	\$ 9,659,239	\$ 9,657,970	\$ 9,813,008
User fees and sales of goods	9,624,999	9,077,278	9,074,761
Government transfers for operating (note 16)	1,354,262	1,617,385	2,228,873
Investment income	185,000	353,157	338,800
Penalties and costs of taxes	250,500	198,358	205,764
Development levies	-	146,578	-
Licenses and permits	299,500	250,246	259,855
Franchise and concession contracts	2,323,554	2,266,320	2,226,478
Rentals and other	217,433	208,814	217,936
Sales to other governments	252,250	252,251	221,755
	24,166,737	24,028,357	24,587,230
Expenses (note 17)			
General government			
Legislative	470,815	440,249	378,978
Administration	2,401,212	2,296,895	2,221,950
Protective services			
Police	1,637,871	1,589,210	1,568,767
Fire	1,235,152	1,493,873	1,375,355
Emergency measures and disaster services	113,588	204,386	208,561
Other protective services	392,489	378,603	379,536
Transportation services			
Common and equipment pool	298,213	292,340	211,532
Transportation services	2,091,051	3,271,701	3,373,784
Storm sewers and drainage	54,050	118,595	141,665
Other transportation	48,858	48,058	62,379
Environmental use and protection			
Water and waste water	2,682,090	3,192,491	3,010,844
Wastewater treatment and disposal	3,904,663	3,770,738	4,309,460
Waste management	1,070,017	1,105,486	1,058,648
Public health and welfare			
Family and community support services	336,711	324,842	336,010
Cemeteries and crematoriums	143,269	146,512	188,021
Other public health and welfare	180,220	147,964	142,757
Planning and development			
Economic and agricultural development	271,149	264,033	314,647
Other planning and development	682,385	670,926	570,545
Recreation and culture			
Parks and recreation	3,978,126	4,862,431	4,396,980
Culture - libraries, museums, halls	690,919	751,335	757,580
	22,682,848	25,370,668	25,007,999
Excess (deficiency) of revenue over expenses before other	1,483,889	(1,342,311)	(420,769)

TOWN OF OLDS
CONSOLIDATED STATEMENT OF OPERATIONS
For the year ended December 31, 2021

	Budget (Unaudited)	2021	2020
Other			
Government transfers for capital (note 16)	6,977,917	5,175,948	1,898,032
Contributed assets	683,100	1,100	467,000
Capital donations	159,142	142,080	60,422
Equity income (loss) - Olds Fibre Ltd. (note 6)	-	(3,124)	-
	<u>7,820,159</u>	<u>5,316,004</u>	<u>2,425,454</u>
Excess of revenue over expenses	9,304,048	3,973,693	2,004,685
Accumulated surplus, beginning of year	92,129,724	92,129,724	90,125,039
Accumulated surplus, end of year	<u>\$ 101,433,772</u>	<u>\$ 96,103,417</u>	<u>\$ 92,129,724</u>

TOWN OF OLDS

CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL DEBT
For the year ended December 31, 2021

	Budget (Unaudited)	2021	2020
Excess of revenue over expenses	\$ 9,304,048	\$ 3,973,693	\$ 2,004,685
Acquisition of tangible capital assets	(12,944,919)	(9,920,553)	(7,538,905)
Amortization of tangible capital assets	463,100	4,067,839	3,886,999
Contributed assets	-	(1,100)	(467,000)
(Gain) loss on disposal of tangible capital assets	-	(9,522)	39,300
Proceeds on disposal of tangible capital assets	-	17,925	6,551
	(12,481,819)	(5,845,411)	(4,073,055)
Net change in prepaid expense	-	(24,024)	167,196
Increase in net financial debt	(3,177,771)	(1,895,742)	(1,901,174)
Net financial debt, beginning of year	(3,187,844)	(3,187,844)	(1,286,670)
Net financial debt, end of year	\$ (6,365,615)	\$ (5,083,586)	\$ (3,187,844)

TOWN OF OLDS
CONSOLIDATED STATEMENT OF CASH FLOW
For the year ended December 31, 2021

	2021	2020
Operating transactions		
Excess of revenue over expenses	\$ 3,973,693	\$ 2,004,685
Adjustments for items which do not affect cash		
(Gain) loss on disposal of tangible capital assets	(9,522)	39,300
Amortization of tangible capital assets	4,067,839	3,886,999
Contributed assets	(1,100)	(467,000)
Investment in Olds Fibre Ltd. - equity adjustment	(13,125)	-
	8,017,785	5,463,984
Net change in non-cash working capital items		
Taxes and grants in place of taxes receivable	(122,201)	(97,057)
Trade and other receivables	(4,101,144)	1,529,856
Loans receivable	(904,374)	-
Investment in Olds Fibre Ltd.	(1)	-
Inventory held for resale	2,937	4,691
Prepaid expenses	(24,024)	167,196
Accounts payable and accrued liabilities	(1,563,007)	1,018,564
Employee benefit obligations	31,466	51,382
Deposits	145,800	2,370
Deferred revenue	2,436,545	1,151,286
Cash provided by operating transactions	3,919,782	9,292,272
Capital transactions		
Proceeds on disposal of tangible capital assets	17,925	6,551
Acquisition of tangible capital assets	(9,920,553)	(7,538,905)
Cash applied to capital transactions	(9,902,628)	(7,532,354)
Investing transactions		
Change in investments	13,137	(18)
Financing transactions		
Proceeds of long-term debt	-	10,734,023
Repayment of long-term debt	(1,213,006)	(897,405)
Cash applied to financing transactions	(1,213,006)	9,836,618
(Decrease) increase in cash and temporary investments	(7,182,715)	11,596,518
Cash, beginning of year	15,593,995	3,997,477
Cash, end of year	\$ 8,411,280	\$ 15,593,995

TOWN OF OLDS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2021

1. Significant accounting policies

The consolidated financial statements of the Town of Olds are the representations of management prepared in accordance with public sector accounting standards for local government established by Chartered Professional Accountants of Canada. Significant aspects of the accounting policies adopted by the Town are as follows:

(a) Reporting entity

The consolidated financial statements reflect the assets, liabilities, revenue and expenses, changes in fund balances and change in financial position of the reporting entity which comprises 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.

Taxes levied also includes requisitions for educational, health care, 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.

(c) Inventories for resale

Land held for resale is recorded at the lower of cost and net realizable value.

(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) Debt charges recoverable

Debt charges recoverable consist of amounts that are recoverable from municipal agencies or other local governments with respect to outstanding debentures or other long-term debt pursuant to annexation orders or joint capital undertakings. These recoveries are recorded at a value that equals the offsetting portion of the unmatured long-term debt, less actuarial requirements for the retirement of any sinking fund debentures.

1. Significant accounting policies, continued

- (f) 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.

- (g) 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 liabilities at the date of the financial statements, and the reported amounts of revenue and expense 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.

- (h) 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.

- (i) 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.

- (j) 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.

TOWN OF OLDS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2021

1. Significant accounting policies, continued

(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 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:

	Years
Land improvements	15-25
Buildings	25-50
Engineered structures	15-75
Machinery and equipment	5-40

Assets under construction are not amortized until put into use.

(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 of materials and supplies are valued at the lower of cost or net realizable value with cost determined by the first-in first-out method.

(v) Cultural and historical tangible capital assets

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

TOWN OF OLDS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2021

2. Taxes and grants in place of taxes receivables

	2021	2020
Taxes and grants in place of taxes receivable	\$ 462,468	\$ 430,216
Arrears taxes receivable	303,255	210,372
	765,723	640,588
Under-levies	1,189	4,123
	\$ 766,912	\$ 644,711

3. Trade and other receivables

	2021	2020
Utility accounts receivable	\$ 1,131,565	\$ 896,419
Goods and services tax	297,496	333,597
Trade and other receivables	3,652,162	3,628,891
Grants	3,878,828	-
	\$ 8,960,051	\$ 4,858,907

4. Loans receivable

	2021	2020
Olds Fibre Ltd.	\$ 15,000,000	\$ -
Olds Institute for Community and Regional Development	-	14,095,626
	\$ 15,000,000	\$ 14,095,626

In prior years, Olds Institute for Community and Regional Development (OICRD) was granted a loan to fund the installation of fibre optics within the Town boundaries in order to provide high speed internet service for residents and businesses.

On May 22, 2020 the Town of Olds issued demand for payment and unlimited guarantee on the loan with OICRD. As a result of the demand for payment the Town entered into a forbearance agreement with OICRD and Olds Fibre Ltd. (guarantor of the loan).

On September 21, 2021, the Court granted an order approving the credit bid of the Town of Olds to purchase all of the assets of OICRD, which included the shares of Olds Fibre Ltd. Council has approved a motion to structure the transfer of assets of Olds Fibre Ltd. as a loan. The resulting Promissory Note due from Olds Fibre is repayable in semi-annual payments of \$445,904 including interest at 3.362% over a 25 year amortization period.

5. Investments

Investments consist of a guaranteed investment certificate that bears interest at 2.4% per annum and matures January 2024.

TOWN OF OLDS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2021

6. Investment in Olds Fibre Ltd.

Effective October 1, 2021, the Town owns 100% of the shares of Olds Fibre Ltd. (OFL) and the investment is recorded on the modified equity basis of accounting, since OFL is considered a Government Business Enterprise.

Investment in Olds Fibre Ltd. consists of:

	2021
Investment October 1, 2021	\$ 8,182,476
Redemption of shares	(6,117,624)
Shareholder loan transferred to loan receivable	(342,376)
Fair value increment	(1,774,017)
Additional investment October 1 - December 31, 2021	54,666
Equity in earnings of OFL from October 1 - December 31, 2021 (Net loss of \$6,091 adjusted by \$2,967 to avoid a negative investment balance)	(3,124)
	\$ 1

Summary Balance Sheet of OFL as at December 31, 2021

	2021
Assets	
Current assets	\$ 1,697,903
Long-term assets	8,980,047
Total assets	10,677,950
Liabilities	
Current liabilities	4,107,776
Long-term liabilities	14,639,235
Total liabilities	18,747,011
Equity	
Share capital	1,722,476
Deficit	(9,791,537)
Total equity	(8,069,061)
Total liabilities and equity	\$ 10,677,950

Summary Statement of Operations of OFL for the period October 1, 2021 to December 31, 2021

	2021
Revenue	\$ 1,125,928
Expenses	1,132,019
Net loss	\$ (6,091)

TOWN OF OLDS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2021

7. Line of credit

The Town has established an operating loan with a Canadian chartered bank to a maximum of \$500,000 which bears interest at prime minus 1.0% per annum. At December 31, 2021 the balance outstanding was nil.

8. Employee benefit obligations

	2021	2020
Vacation payable	\$ 340,840	\$ 299,838
Overtime payable	14,118	23,654
	<u>\$ 354,958</u>	<u>\$ 323,492</u>

Vacation and overtime

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

9. Deferred revenue

Deferred revenue consists of funding received from the federal and provincial governments and other funders for which stipulations have not yet been met. The use of these funds is restricted to eligible projects approved under the funding agreements.

	2021	2020
Municipal Sustainability Initiative - capital	\$ 2,625,493	\$ 854,477
Canada Community Building Fund - capital	834,022	97,005
Community and Regional Economic Support (CARES)	302,822	219,235
Pinty's Grand Slam	153,394	154,347
Other	107,663	76,007
New Police Officers Grant	25,000	25,000
Alberta Community Partnership	14,222	200,000
	<u>\$ 4,062,616</u>	<u>\$ 1,626,071</u>

TOWN OF OLDS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2021

10. Long-term debt

	2021	2020
Debentures supported by general tax levies	\$ 11,791,287	\$ 14,522,971
Debentures supported by utility rates	8,980,707	7,305,028
Debentures supported by loan repayment agreement	9,951,804	10,108,805
	<u>\$ 30,723,798</u>	<u>\$ 31,936,804</u>
Current portion	<u>\$ 1,378,870</u>	<u>\$ 1,213,006</u>

Principal and interest repayments are due as follows:

	Principal	Interest	Total
2022	\$ 1,378,870	\$ 957,268	\$ 2,336,138
2023	1,301,127	903,348	2,204,475
2024	1,156,396	855,103	2,011,499
2025	1,195,746	815,753	2,011,499
2026	1,236,532	774,967	2,011,499
Thereafter	24,455,127	7,318,328	31,773,455
	<u>\$ 30,723,798</u>	<u>\$ 11,624,767</u>	<u>\$ 42,348,565</u>

Debenture debt is repayable to the Treasury Board and Finance and bears interest at rates ranging from 2.6% to 6.25% per annum, before provincial subsidy, and matures in periods 2022 through 2050.

Debenture debt is issued on the credit and security of the Town at large. Interest on long-term debt amounted to \$652,372 (2020 - \$564,332). The Town's total cash payments for interest were \$668,969 (2020 - \$907,375).

11. Contaminated sites liability

The Town adopted PS3260 Liability for Contaminated sites. The Town did not identify any financial liabilities in 2021 (2020 - nil) as a result of this standard.

TOWN OF OLDS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2021

12. Accumulated surplus

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

	2021	2020
Unrestricted surplus	\$ 5,576,230	\$ 4,274,483
Internally restricted surplus (reserves) (note 13)	9,686,544	9,637,051
Equity in tangible capital assets (note 14)	80,840,643	78,218,190
	<u>\$ 96,103,417</u>	<u>\$ 92,129,724</u>

13. Reserves

Council has set up reserves for various purposes. These reserves are either required by legislation or set up at the discretion of Council to provide funding for future expenses.

	2021	2020
Operating		
General	\$ 1,871,383	\$ 2,138,010
Utilities	736,315	750,623
Tax stabilization fund	295,107	284,922
Fire reserve	53,150	68,079
NU2U	39,446	35,396
Olds Fashioned Christmas	18,137	17,434
	<u>3,013,538</u>	<u>3,294,464</u>
Capital		
Building reserve	2,293,772	1,828,473
Utility reserve	1,887,572	2,481,651
Offsite levies - transportation	908,550	724,549
Offsite levies - water	548,753	433,557
Offsite levies - wastewater	402,279	314,837
Offsite levies - storm sewer	328,317	264,034
Municipal reserve	144,661	138,087
Restricted reserves for specific purposes	70,735	67,250
General	70,453	67,252
Fire - small equipment	17,914	22,897
	<u>6,673,006</u>	<u>6,342,587</u>
	<u>\$ 9,686,544</u>	<u>\$ 9,637,051</u>

TOWN OF OLDS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2021

14. Equity in tangible capital assets

	2021	2020
Tangible capital assets (schedule 2)	\$ 171,694,346	\$ 161,893,298
Accumulated amortization (schedule 2)	(70,551,341)	(66,595,704)
Long-term debt (note 10)	(30,723,798)	(31,936,804)
Unused capital debt	469,632	4,748,595
Non-capital long-term debt (note 10)	9,951,804	10,108,805
	<u>\$ 80,840,643</u>	<u>\$ 78,218,190</u>

15. Net municipal property taxes

	Budget (Unaudited)	2021	2020
Taxation			
Real property taxes	\$ 14,420,854	\$ 14,252,255	\$ 14,277,880
Linear property taxes	-	170,172	153,563
	<u>14,420,854</u>	<u>14,422,427</u>	<u>14,431,443</u>
Requisitions			
Alberta School Foundation Fund	4,191,126	4,193,968	4,059,706
Mountain View Senior Housing	569,318	569,318	557,573
Other	1,171	1,171	1,156
	<u>4,761,615</u>	<u>4,764,457</u>	<u>4,618,435</u>
	<u>\$ 9,659,239</u>	<u>\$ 9,657,970</u>	<u>\$ 9,813,008</u>

16. Government transfers

	Budget (Unaudited)	2021	2020
Transfers for operating:			
Provincial conditional grants	\$ 769,387	\$ 930,964	\$ 1,643,998
Other local governments	584,875	589,171	584,875
Federal conditional grants	-	97,250	-
	<u>1,354,262</u>	<u>1,617,385</u>	<u>2,228,873</u>
Transfers for capital:			
Provincial grants	6,112,202	4,832,622	1,466,496
Federal grants	865,715	343,326	431,536
	<u>6,977,917</u>	<u>5,175,948</u>	<u>1,898,032</u>
	<u>\$ 8,332,179</u>	<u>\$ 6,793,333</u>	<u>\$ 4,126,905</u>

TOWN OF OLDS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2021

17. Expenses by object

	Budget (Unaudited)	2021	2020
Salaries, wages and benefits	\$ 8,301,729	\$ 8,068,457	\$ 7,692,689
Contracted and general services	3,826,949	3,882,397	3,770,290
Materials, goods, supplies and utilities	1,775,750	1,768,312	1,654,795
Bank charges and short term interest	14,000	20,014	16,256
Interest on long term debt	904,242	652,372	564,332
Other expenditures	25,500	142,252	200,250
Transfers to organizations and others	1,090,780	999,882	1,129,638
Purchases from other governments	6,288,798	5,778,667	6,053,450
Amortization of tangible capital assets	463,100	4,067,839	3,886,999
(Gain) Loss on disposal of tangible capital assets	(8,000)	(9,524)	39,300
	\$ 22,682,848	\$ 25,370,668	\$ 25,007,999

18. 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 Pensions Plans Act. The plan serves about 265,000 people and 421 employers. The LAPP is financed by the 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 in 2021 were \$484,107 (2020 - \$530,277). Total current service contributions by the employees of the Town to the LAPP in 2021 were \$437,016 (2020 - \$479,606).

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

TOWN OF OLDS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2021

19. Salary and benefits disclosure

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

	(1)	(2)		
	Salary	Benefits & allowances	2021	2020
Council				
Mayor Dahl	\$ 12,707	\$ 887	\$ 13,594	\$ -
Mayor Muzychka	50,506	7,025	57,531	69,163
Councillor Bennett	30,630	5,853	36,483	47,434
Councillor Blatz	40,896	7,268	48,164	47,618
Councillor Cummings	10,019	1,386	11,405	-
Councillor Daley	9,294	873	10,167	-
Councillor Harper	31,380	3,092	34,472	41,154
Councillor Overwater	35,480	6,117	41,597	48,250
Councillor Ryan	40,267	7,233	47,500	44,803
Councillor Thomson	26,330	6,463	32,793	32,025
Councillor Walsh	8,044	804	8,848	-
Councillor Wilson	9,074	1,334	10,408	-
Chief Administrative Officer	\$ 205,834	\$ 40,008	\$ 245,842	\$ 272,758

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

(2) Benefits and allowances include the 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.

Benefits and allowances figures also include the employer's share of the costs of additional taxable benefits including special leave with pay, financial planning services, retirement planning services, concessionary loans, travel allowances, car allowances, and club memberships.

20. 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 3).

TOWN OF OLDS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2021

21. Commitments and contingencies

a) The Town is a member of the Alberta Municipal Insurance Exchange. Under the terms of membership, the Town could become liable for its proportionate share of any claim losses in excess of the funds held by the exchange. Any liability incurred would be accounted for as a current transaction in the year the losses are determined.

b) The Town has agreed to guarantee a line of credit for \$4,000,000 received by the Olds Institute for Community and Regional Development from a local financial institution. As at December 31, 2021, the principal balance of the loan was \$3,395,871 (2020 - \$3,521,682).

c) The Town has a contract with the RCMP whereas the RCMP provides policing services to the Town. In 2021, the RCMP administered retroactive pay increases to its members and there are ongoing negotiations between municipalities and the federal government to determine who will be responsible for these pay increases. The outcome is uncertain, but it is possible that the Town may be responsible for a portion of the retroactive pay increases. Management does not have a reasonable estimate of the potential costs to the Town at this time.

d) The Town has provided a guarantee for a \$80,000 letter of credit of Olds Fibre Ltd.

e) The Town has entered into operating leases for vehicles and equipment as follows.

Payments over the next four years are as follows:

2022	\$ 207,989
2023	70,565
2024	37,297
	<u>\$ 315,851</u>

22. Budget amounts

The 2021 budget for the Town was approved by Council on December 14, 2020 and has been reported in the consolidated financial statements for information purposes only. These budget amounts have not been audited, reviewed, or otherwise verified.

The approved budget contained reserve transfers, capital additions and principal payments on debt as expenditures. Since these items are not included in the amounts reported in the consolidated financial statements, they have been excluded from the budget amounts presented in these financial statements.

Budgeted surplus per financial statements	\$ 9,304,048
Less: Capital expenditures	(12,944,919)
Long-term debt repayments	(1,273,378)
Transfers to reserves	(404,846)
Add: Transfers from reserves	2,198,694
Debt proceeds	3,120,401
Equals: Balanced budget	<u>\$ -</u>

TOWN OF OLDS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2021

23. 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:

	2021	2020
Total debt limit	\$ 36,042,534	\$ 36,880,847
Total debt	34,119,669	35,458,486
	\$ 1,922,865	\$ 1,422,361
Debt servicing limit	\$ 6,007,089	\$ 6,146,808
Debt servicing	2,336,138	2,221,833
	\$ 3,670,951	\$ 3,924,975

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 limits 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 alone does not represent the financial stability of the municipality. Rather, the financial statements must be interpreted as a whole.

The total debt of \$34,119,669, includes the principal balance of the loan guarantee (\$3,395,871) for the Olds Institute for Community and Regional Development, as disclosed in note 21.

24. COVID-19

Events have occurred as a result of the COVID-19 pandemic that have caused economic uncertainty. The duration and impact of the pandemic, as well as the effectiveness of government responses, remain unclear at this time.

Potential impacts on the Town's business could include future decreases in revenue and delays in completing capital project work, closure of facilities including recreation, library, and administrative buildings, temporary and/or permanent termination of public employees and mandatory working from home requirements for those able to do so.

The Town has continued to develop strategies to manage the impacts of the COVID-19 outbreak. Administration continues to monitor revenue, expenses, and projects for the Town. Cost saving measures have been instituted where appropriate. The Town continues to follow protocols set by the Alberta Government and to make suitable adjustments in the face of the pandemic.

Management is not aware of any material impairments, at this time, that will further impact the financial assets or liabilities of the Town due to the pandemic.

TOWN OF OLDS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2021

25. Financial instruments

The Town's financial instruments consist of cash and temporary investments, accounts receivable, investments, debt charges recoverable, bank indebtedness, accounts payable and accrued liabilities, deposit liabilities, requisition over-levy, and long-term debt. It is management's opinion that the Town is not exposed to significant interest or risk 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 fulfil their obligations. The large number and diversity of taxpayers and customers minimizes the credit risk.

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

26. Approval of financial statements

These financial statements were approved by Council and Management.

27. Comparative figures

Where necessary the comparative figures for the 2020 year have been reclassified to conform with 2021 financial statement presentation.

TOWN OF OLDS
SCHEDULES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2021

Schedule of changes in accumulated surplus
Schedule 1

	Unrestricted	Restricted	Equity in tangible capital assets	2021	2020
Balance, beginning of year	\$ 4,274,483	\$ 9,637,051	\$ 78,218,190	\$ 92,129,724	\$ 90,125,039
Excess of revenue over expenses	3,973,693	-	-	3,973,693	2,004,685
Unrestricted funds designated for future use	(2,029,993)	2,029,993	-	-	-
Restricted funds used for operations	1,074,817	(1,074,817)	-	-	-
Restricted funds used for tangible capital assets	-	(905,683)	905,683	-	-
Current year funds used for tangible capital assets	(9,014,870)	-	9,014,870	-	-
Contributed tangible capital assets	(1,100)	-	1,100	-	-
Disposal of tangible capital assets	8,401	-	(8,401)	-	-
Amortization of tangible capital assets	4,067,839	-	(4,067,839)	-	-
Capital long-term debt repaid	(1,056,003)	-	1,056,003	-	-
Use of capital debt proceeds	4,278,963	-	(4,278,963)	-	-
Change in accumulated surplus	1,301,747	49,493	2,622,453	3,973,693	2,004,685
Balance, end of year	\$ 5,576,230	\$ 9,686,544	\$ 80,840,643	\$ 96,103,417	\$ 92,129,724

TOWN OF OLDS
SCHEDULES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2021

Schedule of tangible capital assets

Schedule 2

	Land	Land improvements	Buildings	Engineered structures	Machinery and equipment	Vehicles	Construction in progress	2021	2020
Cost:									
Balance, beginning of year	\$ 4,149,861	\$ 12,434,382	\$ 24,262,330	\$ 102,092,786	\$ 6,436,618	\$ 5,152,338	\$ 7,364,983	\$ 161,893,297	\$ 154,477,910
Acquisitions	-	170,245	47,569	751,891	135,750	72,424	8,743,774	9,921,653	8,005,906
Transfers	-	292,688	-	5,593	-	-	(298,281)	-	-
Disposals	-	-	-	-	(22,503)	(98,101)	-	(120,604)	(590,518)
Balance, end of year	4,149,861	12,897,315	24,309,899	102,850,270	6,549,865	5,126,661	15,810,476	171,694,346	161,893,298
Accumulated amortization:									
Balance, beginning of year	-	2,863,463	10,571,487	48,308,629	2,962,823	1,889,301	-	66,595,704	63,253,370
Annual amortization	-	638,041	498,131	2,256,967	391,769	282,932	-	4,067,840	3,886,999
Disposals	-	-	-	-	(17,919)	(94,284)	-	(112,203)	(544,665)
Balance, end of year	-	3,501,504	11,069,618	50,565,596	3,336,673	2,077,949	-	70,551,341	66,595,704
Net book value	\$ 4,149,861	\$ 9,395,811	\$ 13,240,281	\$ 52,284,674	\$ 3,213,192	\$ 3,048,712	\$ 15,810,476	\$ 101,143,005	\$ 95,297,594
2020 net book value	\$ 4,149,861	\$ 9,570,918	\$ 13,690,843	\$ 53,784,156	\$ 3,473,795	\$ 3,263,037	\$ 7,364,983	\$ 95,297,594	

Machinery and equipment of \$1,100 (2020 - \$467,000) were acquired as contributed tangible capital assets.

TOWN OF OLDS
SCHEDULE TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2021

Schedule of segmented disclosure

Schedule 3

	General government	Protective services	Transportation services	Environmental services	Public health services	Planning and development	Recreation and culture	Total
Revenue								
Net municipal taxes	\$ 9,657,970	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 9,657,970
User fees and sales of goods	56,519	94,019	-	8,226,277	181,329	64,668	454,466	9,077,278
Government transfers for operating	45,234	411,388	-	-	260,469	50,000	850,294	1,617,385
Investment income	353,157	-	-	-	-	-	-	353,157
Penalties and costs of taxes	118,622	63,901	-	15,835	-	-	-	198,358
Development levies	-	-	83,185	63,393	-	-	-	146,578
Licenses and permits	-	24,235	1,020	-	-	224,991	-	250,246
Franchise and concession contracts	2,266,320	-	-	-	-	-	-	2,266,320
Rentals and other	-	206,314	-	-	-	-	2,500	208,814
Sales to other governments	-	244,251	8,000	-	-	-	-	252,251
	12,497,822	1,044,108	92,205	8,305,505	441,798	339,659	1,307,260	24,028,357
Expenses								
Salaries, wages and benefits	1,786,165	1,380,345	641,745	946,854	330,269	552,751	2,430,328	8,068,457
Contracted and general services	657,758	345,732	557,221	1,168,836	84,487	210,239	858,124	3,882,397
Materials, goods, supplies and utilities	123,464	204,663	676,208	132,392	15,591	10,791	605,203	1,768,312
Bank charges and short term interest	17,105	-	-	-	-	-	2,909	20,014
Interest on long term debt	-	103,083	224,832	213,489	-	-	110,968	652,372
Other expenditures	5,226	113,028	-	(1)	-	23,999	-	142,252
Transfers to organizations and others	36,529	464	-	228,920	160,675	49,000	524,294	999,882
Purchases from other governments	-	1,209,667	-	4,481,907	-	87,093	-	5,778,667
Amortization of tangible capital assets	110,899	321,023	1,630,412	894,184	28,295	1,085	1,081,941	4,067,839
Loss on disposal of tangible capital assets	-	(11,934)	276	2,134	-	-	-	(9,524)
	2,737,146	3,666,071	3,730,694	8,068,715	619,317	934,958	5,613,767	25,370,668
Excess (deficiency) of revenue over expenses before other	9,760,676	(2,621,963)	(3,638,489)	236,790	(177,519)	(595,299)	(4,306,507)	(1,342,311)
Other								
Government transfers for capital	4,101,694	-	785,807	-	-	-	288,447	5,175,948
Contributed assets	-	-	-	-	-	-	1,100	1,100
Capital donations	-	-	-	-	-	-	142,080	142,080
Equity income (loss) - Olds Fibre Ltd.	(3,124)	-	-	-	-	-	-	(3,124)
	4,098,570	-	785,807	-	-	-	431,627	5,316,004
Excess (deficiency) of revenue over expenses	\$ 13,859,246	\$ (2,621,963)	\$ (2,852,682)	\$ 236,790	\$ (177,519)	\$ (595,299)	\$ (3,874,880)	\$ 3,973,693