

**TOWN OF CARSTAIRS  
FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2021**

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DECEMBER 31, 2021**

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## INDEPENDENT AUDITOR'S REPORT

### To the Members of Council:

#### *Opinion*

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

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Town of Carstairs as at December 31, 2021, the results of its operations, changes in net financial assets (debt) and its cash flows for the year 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 of Carstairs in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

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

In preparing the financial statements, management is responsible for assessing the Town's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to 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 Responsibility for the Audit of the Financial Statements*

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

- 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 controls.
- Obtain an understanding of internal controls 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 controls.
- 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 the auditor's report. However future events or conditions may cause the Town to cease to continue to be 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 things, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal controls that we identify during the audit.

*Report on Other Legal and Regulatory Requirements*

- Debt Limit Regulation: In accordance with Alberta Regulation 255/2000, we confirm that the municipality is in compliance with the Debt Limit Regulation. A detailed account of the Town's debt limit can be found in Note 11.
- Supplementary Accounting Principles and Standards Regulation: In accordance with Alberta Regulation 313/2000, we 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 1.

HANNA, ALBERTA  
MARCH 14, 2022

ASCEND LLP  
CHARTERED PROFESSIONAL ACCOUNTANTS




**TOWN OF CARSTAIRS**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT DECEMBER 31, 2021**

	2021	2020
<b>FINANCIAL ASSETS</b>		
Cash and temporary investments (Note 2)	\$ 6,017,572	\$ 4,618,208
Receivables		
Taxes and grants in place of taxes (Note 3)	211,152	376,957
Trade and other receivables	407,575	438,552
Receivables from other governments	216,991	35,896
Land inventory held for resale	<u>506,520</u>	<u>422,595</u>
	<u>7,359,810</u>	<u>5,892,208</u>
<b>LIABILITIES</b>		
Accounts payable and accrued liabilities (Note 4)	1,411,613	319,275
Deposit liabilities (Note 5)	19,800	16,900
Deferred revenue (Note 6)	186,449	723,390
Employee benefit obligations (Note 7)	277,736	254,168
Asset retirement obligations (Note 8)	98,733	111,946
Long-term debt (Note 10)	<u>3,955,326</u>	<u>3,498,931</u>
	<u>5,949,657</u>	<u>4,924,610</u>
<b>NET FINANCIAL ASSETS</b>	<u>1,410,153</u>	<u>967,598</u>
<b>NON-FINANCIAL ASSETS</b>		
Tangible capital assets	56,384,138	53,617,500
Prepaid expenses	<u>15,965</u>	<u>9,965</u>
	<u>56,400,103</u>	<u>53,627,465</u>
<b>ACCUMULATED SURPLUS</b> (Schedule 5, Note 13)	<u>\$ 57,810,256</u>	<u>\$ 54,595,063</u>
	<b>COMMITMENTS (SEE NOTE 17)</b>	

**TOWN OF CARSTAIRS**  
**STATEMENT OF OPERATIONS**  
**FOR THE YEAR ENDED DECEMBER 31, 2021**

	Budget (Unaudited)	2021	2020
<b>REVENUE</b>			
Net municipal taxes (Schedule 2)	\$ 4,396,704	\$ 4,394,496	\$ 4,367,480
User fees and sale of goods	4,427,959	4,715,376	4,485,089
Government transfers for operating (Schedule 3)	515,883	712,933	818,576
Investment income	20,808	53,831	53,621
Penalties and costs on taxes	98,838	104,766	102,189
Licenses and permits	120,921	120,383	121,499
Franchise and concession contracts	475,240	501,559	475,240
Transfers from local boards and agencies	5,100		5,000
Gain on disposal of tangible capital assets		601,140	960
Other	<u>26,860</u>	<u>100,530</u>	<u>40,129</u>
<b>Total Revenue</b>	<u>10,088,313</u>	<u>11,305,014</u>	<u>10,469,783</u>
<b>EXPENSES</b>			
General government			
Council and other legislative	351,752	284,256	309,336
General administrative	758,571	911,854	854,928
Protective services			
Fire	433,343	537,500	449,794
Disaster and emergency measures	90,270	100,113	69,376
Bylaw enforcement	585,449	584,791	592,816
Transportation			
Common and equipment pool	35,414	31,181	40,604
Roads, streets, walks, lighting	726,424	2,039,214	1,986,923
Storm sewers and drainage	86,363	147,473	196,312
Planning and development			
Land use planning, zoning and development	318,487	413,528	484,894
Subdivision land and development	297,229	253,241	221,313
Recreation and culture			
Parks and recreation	2,684,132	2,897,319	2,872,869
Libraries, museums, halls	336,023	359,107	382,865
Environmental services			
Water supply and distribution	867,439	1,190,290	1,037,525
Wastewater treatment and disposal	269,806	403,934	424,318
Waste management	474,752	505,488	511,459
Community services			
Family and community support	107,161	35,251	26,571
Other public health and welfare	<u>391,103</u>	<u>472,638</u>	<u>377,235</u>
<b>Total Expenses</b>	<u>8,813,718</u>	<u>11,167,178</u>	<u>10,839,138</u>
<b>EXCESS (SHORTFALL) OF REVENUE OVER EXPENSES - BEFORE OTHER</b>	1,274,595	137,836	(369,355)
Government transfers for capital (Schedule 3)	1,873,510	2,116,529	1,241,083
Contributed and donated assets (Schedule 1)		465,932	418,431
Capital donations and other revenue		1,000	13,230
Off-site levies from developers		<u>493,896</u>	<u>104,198</u>
<b>EXCESS OF REVENUE OVER EXPENSES</b>	3,148,105	3,215,193	1,407,587
<b>ACCUMULATED SURPLUS, BEGINNING OF YEAR</b>	<u>54,595,063</u>	<u>54,595,063</u>	<u>53,187,476</u>
<b>ACCUMULATED SURPLUS, END OF YEAR</b>	<u>\$ 57,743,168</u>	<u>\$ 57,810,256</u>	<u>\$ 54,595,063</u>

**TOWN OF CARSTAIRS**  
**STATEMENT OF CHANGES IN NET FINANCIAL ASSETS (DEBT)**  
**FOR THE YEAR ENDED DECEMBER 31, 2021**

	Budget (Unaudited)	2021	2020
<b>EXCESS OF REVENUE OVER EXPENSES</b>	\$ <u>3,148,105</u>	\$ <u>3,215,193</u>	\$ <u>1,407,587</u>
Acquisition of tangible capital assets	(5,692,826)	(4,672,605)	(928,765)
Contributed and donated assets		(465,932)	(418,431)
Proceeds on disposal of tangible capital assets		770,140	6,000
General government		2,135,008	2,106,956
(Gain) loss on disposal of tangible capital assets	<u>                    </u>	<u>(533,249)</u>	<u>1,820</u>
	<u>(5,692,826)</u>	<u>(2,766,638)</u>	<u>767,580</u>
Change in in prepaid expenses	<u>                    </u>	<u>(6,000)</u>	<u>(4,093)</u>
<b>INCREASE (DECREASE) IN NET FINANCIAL ASSETS</b>	(2,544,721)	442,555	2,171,074
<b>NET FINANCIAL ASSETS (DEBT), BEGINNING OF YEAR</b>	<u>967,598</u>	<u>967,598</u>	<u>(1,203,476)</u>
<b>NET FINANCIAL ASSETS END OF YEAR</b>	<u>\$ (1,577,123)</u>	<u>\$ 1,410,153</u>	<u>\$ 967,598</u>

**TOWN OF CARSTAIRS**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2021**

	<b>2021</b>	<b>2020</b>
<b>NET INFLOW(OUTFLOWS) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:</b>		
<b>OPERATING</b>		
Excess of revenues over expenses	\$ 3,215,193	\$ 1,407,587
Non-cash items included in excess (shortfall) of revenues over expenses:		
Amortization of tangible capital assets	2,135,008	2,106,956
Gain on sale of tangible capital assets	(533,249)	1,820
Tangible capital assets received as contributions	<u>(465,932)</u>	<u>(418,431)</u>
	4,351,020	3,097,932
Changes in net financial asset(debt) items:		
Decrease (increase) in taxes and grants in place of taxes receivable	165,805	(28,960)
Decrease (increase) in trade and other receivables	30,977	(44,632)
Increase in receivables from other governments	(181,095)	428,398
Increase in land inventory held for resale	(83,925)	
Increase in prepaid expenses	(6,000)	(4,093)
Increase (decrease) in accounts payable and accrued liabilities	1,092,338	(6,328)
Increase in deposit liabilities	2,900	800
(Decrease) increase in deferred revenue	(536,941)	622,604
Increase in employee benefit obligations	23,568	51,095
Decrease in asset retirement obligation	<u>(13,213)</u>	<u>(12,407)</u>
Cash provided by (applied to) operating transactions	<u>4,845,434</u>	<u>4,104,409</u>
<b>CAPITAL</b>		
Acquisition of tangible capital assets	(4,672,605)	(928,765)
Proceeds on disposal of tangible capital assets	<u>770,140</u>	<u>6,000</u>
Cash provided by (applied to) capital transactions	<u>(3,902,465)</u>	<u>(922,765)</u>
<b>FINANCING</b>		
Long-term debt issued	2,005,959	209,912
Long-term debt repaid	<u>(1,549,564)</u>	<u>(1,699,722)</u>
Cash provided by (applied to) financing transactions	<u>456,395</u>	<u>(1,489,810)</u>
<b>CHANGE IN CASH AND EQUIVALENTS DURING THE YEAR</b>	1,399,364	1,691,834
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<u>4,618,208</u>	<u>2,926,374</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u>\$ 6,017,572</u>	<u>\$ 4,618,208</u>
<b>Cash and cash equivalents is made up of:</b>		
Cash and temporary investments (Note 2)	<u>\$ 6,017,572</u>	<u>\$ 4,618,208</u>



**TOWN OF CARSTAIRS**  
**SCHEDULE OF TANGIBLE CAPITAL ASSETS**  
**FOR THE YEAR ENDED DECEMBER 31, 2021**

**Schedule 1**

	Land	Land Improvements	Buildings	Engineered Structures	Machinery & Equipment	Vehicles	2021	2020
<b>COST:</b>								
BALANCE, BEGINNING OF YEAR	\$ 4,142,172	\$ 3,682,136	\$ 9,175,027	\$ 58,930,221	\$ 2,717,938	\$ 1,858,945	\$ 80,506,439	\$ 79,198,066
Acquisition of tangible capital assets		314,638		1,706,681	177,801	300,901	2,500,021	1,137,283
Work-in-progress			2,206,815	431,701			2,638,516	209,912
Disposal of tangible capital assets	<u>(168,500)</u>	<u>                    </u>	<u>                    </u>	<u>(324,983)</u>	<u>(73,296)</u>	<u>(4,349)</u>	<u>(571,128)</u>	<u>(38,822)</u>
BALANCE, END OF YEAR	<u>3,973,672</u>	<u>3,996,774</u>	<u>11,381,842</u>	<u>60,743,620</u>	<u>2,822,443</u>	<u>2,155,497</u>	<u>85,073,848</u>	<u>80,506,439</u>
<b>ACCUMULATED AMORTIZATION:</b>								
BALANCE, BEGINNING OF YEAR		1,236,344	2,908,137	20,663,200	1,452,757	628,501	26,888,939	24,812,985
Annual amortization		155,341	175,737	1,512,126	189,241	102,563	2,135,008	2,106,956
Accumulated amortization on disposals	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>(269,626)</u>	<u>(64,611)</u>	<u>                    </u>	<u>(334,237)</u>	<u>(31,002)</u>
BALANCE, END OF YEAR	<u>                    </u>	<u>1,391,685</u>	<u>3,083,874</u>	<u>21,905,700</u>	<u>1,577,387</u>	<u>731,064</u>	<u>28,689,710</u>	<u>26,888,939</u>
<b>NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS</b>	<u>\$ 3,973,672</u>	<u>\$ 2,605,089</u>	<u>\$ 8,297,968</u>	<u>\$ 38,837,920</u>	<u>\$ 1,245,056</u>	<u>\$ 1,424,433</u>	<u>\$ 56,384,138</u>	<u>\$ 53,617,500</u>
 2020 NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	<u>\$ 4,142,172</u>	<u>\$ 2,445,792</u>	<u>\$ 6,266,890</u>	<u>\$ 38,267,021</u>	<u>\$ 1,265,181</u>	<u>\$ 1,230,444</u>	<u>\$ 53,617,500</u>	

Engineered structures of \$465,932 (2020 - \$418,431) were acquired as contributed tangible capital assets.

**TOWN OF CARSTAIRS**  
**SCHEDULE OF PROPERTY AND OTHER TAXES**  
**FOR THE YEAR ENDED DECEMBER 31, 2021**  
**Schedule 2**

	Budget (Unaudited)	2021	2020
<b>TAXATION</b>			
Residential land and improvement taxes	\$ 6,188,576	\$ 6,187,192	\$ 6,160,131
Non-residential linear property taxes	138,169	137,345	135,773
Residential grants in place of property taxes	<u>10,501</u>	<u>10,501</u>	<u>11,364</u>
	<u>6,337,246</u>	<u>6,335,038</u>	<u>6,307,268</u>
<b>REQUISITIONS</b>			
Alberta School Foundation Fund	1,702,140	1,702,140	1,698,409
Mountain View Foundation	<u>238,402</u>	<u>238,402</u>	<u>241,379</u>
	<u>1,940,542</u>	<u>1,940,542</u>	<u>1,939,788</u>
<b>NET MUNICIPAL TAXES</b>	<u>\$ 4,396,704</u>	<u>\$ 4,394,496</u>	<u>\$ 4,367,480</u>

**SCHEDULE OF GOVERNMENT TRANSFERS**  
**FOR THE YEAR ENDED DECEMBER 31, 2021**  
**Schedule 3**

	Budget (Unaudited)	2021	2020
<b>TRANSFERS FOR OPERATING</b>			
Provincial government	\$ 133,710	\$ 291,496	\$ 402,674
Federal government	2,040	23,538	2,000
Local governments	<u>380,133</u>	<u>397,899</u>	<u>413,902</u>
	<u>515,883</u>	<u>712,933</u>	<u>818,576</u>
<b>TRANSFERS FOR CAPITAL</b>			
Provincial government	1,873,510	2,106,529	1,225,293
Local governments	<u>10,000</u>	<u>10,000</u>	<u>15,790</u>
	<u>1,873,510</u>	<u>2,116,529</u>	<u>1,241,083</u>
<b>TOTAL GOVERNMENT TRANSFERS</b>	<u>\$ 2,389,393</u>	<u>\$ 2,829,462</u>	<u>\$ 2,059,659</u>

**TOWN OF CARSTAIRS**  
**SCHEDULE OF EXPENSES BY OBJECT**  
**FOR THE YEAR ENDED DECEMBER 31, 2021**

**Schedule 4**

	Budget (Unaudited)	2021	2020
<b>EXPENSES BY OBJECT</b>			
Salaries, wages and benefits	\$ 4,418,975	\$ 4,295,191	\$ 4,122,955
Contracted and general services	1,920,164	1,992,631	2,057,077
Materials, goods, supplies and utilities	1,950,100	2,089,359	1,886,592
Provision for allowances	2,040	8,512	2,506
Transfers to individuals and organizations	412,042	465,665	499,836
Bank charges and short-term interest	21,136	27,628	30,658
Interest on capital long-term debt	89,260	85,293	129,778
Amortization of tangible capital assets		2,135,008	2,106,956
Loss on disposal of tangible capital assets		67,891	2,780
	<u>\$ 8,813,717</u>	<u>\$ 11,167,178</u>	<u>\$ 10,839,138</u>

**TOWN OF CARSTAIRS**  
**SCHEDULE OF CHANGES IN ACCUMULATED SURPLUS**  
**FOR THE YEAR ENDED DECEMBER 31, 2021**

**Schedule 5**

	Unrestricted Surplus	Restricted Surplus	Equity in Tangible Capital Assets	2021	2020
<b>BALANCE, BEGINNING OF YEAR</b>	\$ <u>673,161</u>	\$ <u>3,915,279</u>	\$ <u>50,006,623</u>	\$ <u>54,595,063</u>	\$ <u>53,187,476</u>
Excess of revenues over expenses	3,215,193			3,215,193	1,407,587
Unrestricted funds designated for future use	(1,769,836)	1,769,836			
Restricted funds used for operations	75,152	(75,152)			
Restricted funds used for tangible capital assets		(1,220,393)	1,220,393		
Current year funds used for tangible capital assets	(1,446,253)		1,446,253		
Contributed tangible capital assets	(465,932)		465,932		
Disposal of tangible capital assets	236,891		(236,891)		
Annual amortization expense	2,135,008		(2,135,008)		
Asset retirement obligation settled	(13,213)		13,213		
Long-term debt repaid	<u>(1,549,564)</u>		<u>1,549,564</u>		
Change in accumulated surplus	<u>417,446</u>	<u>474,291</u>	<u>2,323,456</u>	<u>3,215,193</u>	<u>1,407,587</u>
<b>BALANCE, END OF YEAR</b>	\$ <u><b>1,090,607</b></u>	\$ <u><b>4,389,570</b></u>	\$ <u><b>52,330,079</b></u>	\$ <u><b>57,810,256</b></u>	\$ <u><b>54,595,063</b></u>

**TOWN OF CARSTAIRS**  
**SCHEDULE OF SEGMENTED DISCLOSURE**  
**FOR THE YEAR ENDED DECEMBER 31, 2021**

**Schedule 6**

	<b>General Government</b>	<b>Protective Services</b>	<b>Transportation Services</b>	<b>Planning &amp; Development</b>	<b>Recreation &amp; Culture</b>	<b>Environmental Services</b>	<b>Community Services</b>	<b>Total</b>
<b>REVENUE</b>								
Net municipal taxes	\$ 4,394,496	\$	\$	\$	\$	\$	\$	\$ 4,394,496
User fees and sales of goods	47,642	139,331	855	94,969	1,957,066	2,392,677	82,836	4,715,376
Government transfers	157,786	149,641	6,305	40,768	234,855		123,578	712,933
Investment Income	21,701	10,285	9,065		428	12,352		53,831
Penalties	104,766							104,766
Licenses and permits		940		119,443				120,383
Franchise fees	501,559							501,559
Gain on disposal of tangible capital assets				601,140				601,140
Other revenues	<u>2,601</u>	<u>6,670</u>	<u>1,396</u>	<u>2,530</u>	<u>70,297</u>	<u>17,036</u>		<u>100,530</u>
	<u>5,230,551</u>	<u>306,867</u>	<u>17,621</u>	<u>858,850</u>	<u>2,262,646</u>	<u>2,422,065</u>	<u>206,414</u>	<u>11,305,014</u>
<b>EXPENSES</b>								
Salaries and wages	597,516	619,625	394,706	343,811	1,578,819	446,913	313,801	4,295,191
Contract and general services	386,327	285,278	157,495	289,072	426,670	361,255	86,534	1,992,631
Goods and supplies	31,873	177,759	304,035	31,258	709,064	828,255	7,115	2,089,359
Provision for allowances	8,227					285		8,512
Transfers to organizations		34,699			229,703	100,824	100,439	465,665
Bank charges and interest	4,433				23,195			27,628
Interest on long-term debt		9,564	32,454		21,984	21,291		85,293
Loss on disposal of tangible capital assets		<u>4,349</u>	<u>23,222</u>	<u>983</u>		<u>39,337</u>		<u>67,891</u>
	<u>1,028,376</u>	<u>1,131,274</u>	<u>911,912</u>	<u>665,124</u>	<u>2,989,435</u>	<u>1,798,160</u>	<u>507,889</u>	<u>9,032,170</u>
<b>NET REVENUE, BEFORE AMORTIZATION AND OTHER</b>	<u>4,202,175</u>	<u>(824,407)</u>	<u>(894,291)</u>	<u>193,726</u>	<u>(726,789)</u>	<u>623,905</u>	<u>(301,475)</u>	<u>2,272,844</u>
Contributed assets			268,575			197,357		465,932
Capital government transfers		10,000	1,339,844		27,179	739,506		2,116,529
Offsite levies and other			221,510			273,386		494,896
Amortization expense	<u>(167,734)</u>	<u>(91,130)</u>	<u>(1,305,956)</u>	<u>(1,645)</u>	<u>(266,991)</u>	<u>(301,552)</u>		<u>(2,135,008)</u>
<b>NET REVENUE</b>	<u>\$ 4,034,441</u>	<u>\$ (905,537)</u>	<u>\$ (370,318)</u>	<u>\$ 192,081</u>	<u>\$ (966,601)</u>	<u>\$ 1,532,602</u>	<u>\$ (301,475)</u>	<u>\$ 3,215,193</u>

**TOWN OF CARSTAIRS**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021**

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**1. SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the Town of Carstairs are the representations of management prepared in accordance with generally accepted accounting principles for local governments established by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada. Significant aspects of the accounting policies adopted by the Town are as follows:

**a) Reporting Entity**

The financial statements reflect the assets, liabilities, revenues and expenditures, changes in fund balances and change in financial position of the reporting entity. This entity is comprised of the municipal operations plus all of the organizations that are owned or controlled by the Town and are, therefore, accountable to the Town council for the administration of their financial affairs and resources.

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

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

**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) Use of Estimates**

The preparation of financial statements in conformity with Public Sector Accounting Standards 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.

Significant financial statement areas requiring the use of management estimates include:

- Asset retirement obligations;
- Employee benefits obligations;
- Useful life of tangible capital assets;
- Accrued liabilities; and
- Fair value of contributed tangible capital assets.

**TOWN OF CARSTAIRS**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021**

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**1. SIGNIFICANT ACCOUNTING POLICIES** (continued)

**d) Valuation of Financial Assets and Liabilities**

The Town's financial assets and liabilities are measured as follows:

<u>Financial statement component</u>	<u>Measurement</u>
Cash	Cost and amortized cost
Short-term investments	Amortized cost
Trade and other receivables	Lower of cost or net recoverable value
Investments	Fair value and amortized cost
Loans receivable and debt charges recoverable	Amortized cost
Accounts payable and accrued liabilities	Cost
Deposit liabilities	Cost
Bank indebtedness and long-term debt	Amortized cost

**e) Cash and Cash Equivalents**

Cash and cash equivalents are comprised of cash on deposits with financial institutions and highly liquid investments.

**f) Loans Receivable**

Loans receivable are initially recognized at cost, net of any transaction costs, with interest income recognized using the effective interest method. Loans receivable are subsequently measured at amortized cost net of any valuation allowances.

**g) 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 un-matured long-term debt, less actuarial requirements for the retirement of any sinking fund debentures.

**h) Long-term debt**

Long-term debt is initially recognized net of any premiums, discounts, fees and transactions costs, with interest expense recognized using the effective interest method. Long-term debt is subsequently measured at amortized cost.

**i) 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.

**j) 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 tangible capital assets under the respective function.

**TOWN OF CARSTAIRS**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021**

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**1. SIGNIFICANT ACCOUNTING POLICIES** (continued)

**k) 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.

**l) Asset Retirement Obligation**

A liability for an asset retirement obligation is recognized at the best estimate of the amount required to retire a tangible capital asset at the financial statement date when there is a legal obligation for the Town to incur retirement costs, the past transaction or event giving rise to the liability has occurred, it is expected that future economic benefits will be given up, and a reasonable estimate of the amount can be made. The best estimate of the liability includes all costs directly attributable to asset retirement activities, based on information available at year-end. The best estimate of an asset retirement obligation incorporates a present value technique, when the cash flows required to settle or otherwise extinguish an asset retirement obligation are expected to occur over extended future periods.

When a liability for an asset retirement obligation is initially recognized, a corresponding asset retirement cost is capitalized to the carrying amount of the related tangible capital asset. The asset retirement cost is amortized over the useful life of the related asset. Asset retirement obligations which are incurred incrementally with use of the asset are recognized in the period incurred with a corresponding asset retirement cost expensed in the period.

At each financial reporting date, the Town reviews the carrying amount of the liability. The Town recognizes period-to-period changes to the liability due to the passage of time as accretion expense. Changes to the liability arising from revisions to either the timing, the amount of the original estimate of undiscounted cash flows or the discount rate are recognized as an increase or decrease to the carrying amount of the related tangible capital asset. The Town continues to recognize the liability until it is settled or otherwise extinguished. Disbursements made to settle the liability are deducted from the reported liability when they are made.

**m) 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 the Town is either directly responsible or accepts responsibility and is management's estimate of the cost of post-remediation including operation, maintenance and monitoring.

**n) Revenue Recognition**

Revenue from transactions with no performance obligation is recognized at realizable value when the Town has the authority to claim or retain an inflow of economic resources and identifies a past transaction or event giving rise to an asset.

Revenue from transactions with performance obligations is recognized as the performance obligations are satisfied by providing the promised goods or services to the payor. User fees are recognized over the period of use, sales of goods are recognized when goods are delivered. Licenses and permits with a single performance obligation at a point in time are recognized as revenue on issuance, those which result in a continued performance obligation over time are recognized over the period of the license or permit as the performance obligation is satisfied.



**TOWN OF CARSTAIRS**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021**

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**1. SIGNIFICANT ACCOUNTING POLICIES** (continued)

**o) 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.

**p) 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 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:

	<b>YEARS</b>
Land improvements	10-25
Buildings	25-50
Engineering structures	
Water system	45-75
Wastewater system	45-75
Other engineered structures	10-75
Machinery and equipment	5-40
Vehicles	10-25

In the year of acquisition of a tangible capital asset, annual amortization is charged based on the number of months owned. Assets under construction are not amortized until the asset is available for productive use.

**ii. Contributions of Tangible Capital Assets**

Tangible capital assets received as contributions such as privately developed subdivisions including water systems, sanitary systems, storm systems, and roads are recorded at fair value at the date of receipt. Equivalent amounts are recorded as revenue for the year on the Statement of Operations.

**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.

**TOWN OF CARSTAIRS**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021**

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**1. SIGNIFICANT ACCOUNTING POLICIES** (continued)

**v. Cultural and Historical Tangible Capital Assets**

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

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**2. CASH AND TEMPORARY INVESTMENTS**

	<u>2021</u>	<u>2020</u>
Cash	\$ 4,421,324	\$ 3,079,214
Temporary investments	<u>1,596,248</u>	<u>1,538,994</u>
	<u>\$ 6,017,572</u>	<u>\$ 4,618,208</u>

Temporary investments consist of 60 day notice deposit account earning interest at 0.70%.

Of the cash and temporary investments, \$186,449 (2020 - \$723,390) is considered restricted cash and not available for general use as it relates to conditional government grant revenue and other conditional contributions, that have not yet been expended for the purposes intended.

Of the cash and temporary investments \$19,800, (2020 - \$16,900) is considered restricted cash and not available for general use as it relates to deposits received.

The Town has two revolving lines of credit with ATB Financial totaling \$1,000,000, bearing interest at prime rate less 0.25%. As of December 31, 2020, \$0 was outstanding on the revolving lines of credit.

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**3. TAXES AND GRANTS IN PLACE OF TAXES RECEIVABLE**

	<u>2021</u>	<u>2020</u>
Current taxes and grants in place receivables	\$ 158,929	\$ 270,669
Arrears taxes	<u>52,223</u>	<u>106,288</u>
	<u>\$ 211,152</u>	<u>\$ 376,957</u>

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**TOWN OF CARSTAIRS**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021**

**4. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

Trade accounts payable	\$ 1,034,365	\$ 310,020
Holdbacks payable	369,460	1,396
Staff fund	2,646	2,646
Gift certificates payable	<u>5,142</u>	<u>5,213</u>
	<u>\$ 1,411,613</u>	<u>\$ 319,275</u>

**5. DEPOSIT LIABILITIES**

The Town maintains utility and rental deposits of \$19,800 (2020 - \$16,900).

**6. DEFERRED REVENUE**

	<u>2021</u>	<u>2020</u>
Donations - Carstairs Nature Space	\$ 99,353	\$ 45,949
Canada Community-Building Fund	34,922	7,506
Family and Community Support Services	23,237	7,747
Donations - Skateboard Park	20,914	20,914
Donations and unearned revenue	8,023	7,406
Municipal Stimulus Program		484,629
Municipal Operating Support Transfer		<u>149,239</u>
	<u>\$ 186,449</u>	<u>\$ 723,390</u>

**Donations - Carstairs Nature Space**

Donations have been received by the Town, which have not yet been spent, to fund the establishment of a nature space within the Town.

**Canada Community-Building Fund**

Federal and provincial government funding was received in the current year to undertake certain eligible environmentally sustainable projects within the Town that have not yet been expended.

**Family and Community Support Services**

Funding was received from the provincial government in the current year to undertake certain community support service programs in the Town. This funding relates to the 2022 program year.

**Donations - Skateboard Park**

Donations have been received by the Town, which have not yet been spent, to fund the maintenance or upgrade of a skateboard park in the community.

**Donations and unearned revenue**

Certain contributions and fees were received by the Town, which have not yet been earned or are restricted for use in certain projects within the Town, which have not yet been expended.

**TOWN OF CARSTAIRS**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021**

**7. EMPLOYEE BENEFIT OBLIGATIONS**

	<u>2021</u>	<u>2020</u>
Vacation pay payable	\$ 79,098	\$ 82,598
Vested sick leave payable	<u>198,638</u>	<u>171,570</u>
	<u>\$ 277,736</u>	<u>\$ 254,168</u>

**Vacation pay payable**

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

**Vested sick leave payable**

The vested sick leave liability is comprised of paid sick days that employees have not used and are being deferred to future years.

**8. ASSET RETIREMENT OBLIGATION**

Alberta environmental law requires post-closure care of landfill sites, which includes ongoing environmental monitoring, site inspections and maintenance.

The Town has not designated assets for settling post-closure liabilities.

	<u>2021</u>	<u>2020</u>
Balance, beginning of year	\$ 111,946	\$ 124,353
Liabilities settled	<u>(13,213)</u>	<u>(12,407)</u>
Accrued liability portion	<u>\$ 98,733</u>	<u>\$ 111,946</u>

**9. CONTAMINATED SITES LIABILITY**

The Town did not identify any financial liabilities in 2021 (2020 - \$nil) as a result of contaminated sites.

**TOWN OF CARSTAIRS**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021**

**10. LONG TERM DEBT**

	<b>2021</b>	<b>2020</b>
Tax supported debentures	\$ 931,614	\$ 193,097
Tax supported loans	2,603,289	2,768,706
Obligations under capital lease	420,423	537,128
	\$ 3,955,326	\$ 3,498,931

The current portion of the long-term debt amounts to \$962,788 (2020 - \$1,106,106)

Principal and interest repayments are as follows:

	Principal	Interest	Total
2022	\$ 962,788	\$ 83,012	\$ 1,045,800
2023	956,445	62,040	1,018,485
2024	705,667	36,478	742,145
2025	288,362	25,096	313,458
2026	289,420	18,802	308,222
Thereafter	752,644	69,569	822,213
	\$ 3,955,326	\$ 294,997	\$ 4,250,323

Debenture debt is repayable to the Province of Alberta and bears interest at rates of 2.09% and 4.65% maturing between 2023 and 2036. One of the debentures is not fully drawn as of December 31, 2021. The Town will be advanced an additional \$800,000 on March 15, 2022.

The ATB Financial municipal loans bear interest at bank prime and are repayable in annual principal payments of \$22,500, \$35,000, \$75,000, \$200,000, and \$350,000 plus monthly interest payments.

The Bank of Montreal loans bear interest at bank prime and bank prime less 0.25% and are repayable in annual principal payments of \$50,000, \$73,400, \$82,000, \$93,578, and \$114,646 plus interest.

The John Deere Financial Inc. lease obligation is repayable in monthly instalments of \$2,930 including interest at 4.99%. The monthly payments are made from May to October annually and no payments are due November to April annually. The lease obligation is secured by certain capital equipment with a net book value of \$29,839.

The De Lage Landen Financial Services Canada Inc. lease obligation is repayable in monthly instalments of \$7,670 including interest at 5.57%. The monthly payments are made from May to October annually and no payments are due November to April annually. The lease obligation is secured by certain capital equipment with a net book value of \$195,067.

Debenture and bank debt is issued on the credit and security of the Town at large.

Interest on long-term debt amounted to \$85,293 (2020 - \$129,778).

**TOWN OF CARSTAIRS**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021**

**11. 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 Carstairs be disclosed as follows:

	<u>2021</u>	<u>2020</u>
Total debt limit	\$ 16,055,811	\$ 15,703,235
Total debt	<u>3,955,326</u>	<u>3,498,931</u>
Amount of debt limit unused	<u>\$ 12,100,485</u>	<u>\$ 12,204,304</u>
Debt servicing limit	\$ 2,675,969	\$ 2,617,206
Debt servicing	<u>1,045,800</u>	<u>1,190,706</u>
Amount of debt servicing limit unused	<u>\$ 1,630,169</u>	<u>\$ 1,426,500</u>

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

**12. EQUITY IN TANGIBLE CAPITAL ASSETS**

	<u>2021</u>	<u>2020</u>
Tangible capital assets	\$ 85,073,848	\$ 80,506,439
Accumulated amortization	(28,689,710)	(26,888,939)
Asset retirement obligation (Note 8)	(98,733)	(111,946)
Long-term debt (Note 10)	<u>(3,955,326)</u>	<u>(3,498,931)</u>
	<u>\$ 52,330,079</u>	<u>\$ 50,006,623</u>

**TOWN OF CARSTAIRS**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021**

**13. ACCUMULATED SURPLUS**

	<u>2021</u>	<u>2020</u>
Unrestricted surplus	\$ 1,090,607	\$ 673,161
Internally restricted surplus:		
Operating		
Policing	193,270	172,332
Administration	802	
Cemetery	45,000	41,500
Community services	700	
Capital		
Water offsite levies	417,673	501,288
Wastewater offsite levies	527,850	605,769
Storm sewers and drainage offsite levies	321,138	227,609
Fire	148,409	464,231
Transportation	615,531	733,487
Water	440,677	338,542
Wastewater	415,005	317,014
Waste management	58,391	45,178
Cemetery	99,359	82,971
Recreation	129,042	187,337
Stone Garden maintenance	10,000	10,000
General capital contingency	966,723	188,021
Equity in tangible capital assets	<u>52,330,079</u>	<u>50,006,623</u>
	<u>\$ 57,810,256</u>	<u>\$ 54,595,063</u>

**14. SEGMENTED DISCLOSURE**

The Town of Carstairs provides a range of services to its ratepayers. For each reported segment, revenues and expenses represents 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 of Segmented Disclosure (Schedule 6).

General government includes council and other legislative, and general administration. Protective services includes fire, disaster and emergency services, and bylaw enforcement. Transportation includes common and equipment pool, roads, streets, walks and lighting, and storm sewers and drainage. Planning and development includes land use planning, zoning and subdivision land and development. Recreation and culture includes parks and recreation, libraries, museums and halls. Environmental use and protection includes water supply and distribution, wastewater treatment and disposal, and waste management. Community services includes family and community support and other public health and welfare.

**TOWN OF CARSTAIRS**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021**

**15. SALARY AND BENEFITS**

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

	<b>2021</b>			<b>2020</b>	
	<u>Salary</u>	<u>Benefits and allowances</u>	<u>Total</u>	<u>Total</u>	
Councillors:					
Mayor Colby	\$ 25,760	\$	\$ 25,760	\$	25,760
Councillor Allan	20,265	915	21,180		20,693
Councillor Ball	3,306	148	3,454		
Councillor Blair	18,676	859	19,535		23,404
Councillor Fricke	3,306	148	3,454		
Councillor Gil	16,529		16,529		19,835
Councillor Green	16,529		16,529		19,835
Councillor Ratz	19,835	890	20,725		20,693
Councillor Roberts	3,306	148	3,454		
Councillor Wilcox	19,835	890	20,725		20,693
Chief Administrative Officer	176,653	28,557	205,210		204,178
Town Assessor	51,633		51,633		51,598

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.

3. The Town has entered into an agreement for assessor services with an independent contractor. Total cost totaled \$51,633 (2020 - \$51,598)



**TOWN OF CARSTAIRS**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021**

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**16. LOCAL AUTHORITIES PENSION PLAN**

Employees of the Town participate in the Local Authorities Pension Plan (LAPP), which is one of the plans covered by the Public Sector Pension Plans Act. The LAPP is financed by employer and employee contributions and by investment earnings of the LAPP Fund.

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

The Town is required to make current service contributions to the LAPP of 9.39% 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.

Total current service contributions by the Town to the LAPP in 2021 were \$277,527 (2020 - \$287,567). Total current service contributions by the employees of the Town to the Local Authorities Pension Plan in 2021 were \$250,080 (2020 - \$259,701).

At December 31, 2020, the LAPP disclosed an actuarial surplus of \$4.96 billion. This amount is not specifically allocated to the participating government organizations. The 2021 actuarial balance was not available at the date these financial statements were released.

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**17. COMMITMENTS**

The Town is a 16.66% equity member of the The Mountain View Regional Water Services Commission which was constituted under the Municipal Government Act in 1992.

The Town is an 11% equity member of The Mountain View Regional Waste Management Commission which was constituted under the Municipal Government Act in 2001.

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**18. FINANCIAL INSTRUMENTS**

The Town's financial instruments consist of cash and temporary investments, accounts receivable, investments, temporary 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. Tax receivables and requisition over/under-levy are compulsory in nature, rather than contractual, however, the Town manages risk exposure on these items similar to other receivables and payables.

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

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

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**TOWN OF CARSTAIRS**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021**

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**19.BUDGET AMOUNTS**

The 2021 budget for the Town was approved by Council on April 12, 2021 and has been reported in these financial statement for information purposes only. Amortization was not considered in the budget and has not been included. These budget amounts have not been audited, reviewed, or otherwise verified.

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**20.CORRESPONDING FIGURES**

Certain corresponding figures have been reclassified to conform with the financial statement presentation adopted for the current year.

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**21.APPROVAL OF FINANCIAL STATEMENTS**

Council and management have approved these financial statements.

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