

EDMONTON METROPOLITAN TRANSIT SERVICES COMMISSION

Financial Statements

For The Year Ended December 31, 2021

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The financial statements of Edmonton Metropolitan Transit Service Commission have been prepared in accordance with Canadian public sector accounting standards. When alternative accounting methods exist, management has chosen those it deems most appropriate in the circumstances. These statements include certain amounts based on management's estimates and judgments. Management has determined such amounts based on a reasonable basis in order to ensure that the financial statements are presented fairly in all material respects.

The integrity and reliability of Edmonton Metropolitan Transit Service Commission's reporting systems are achieved through the use of formal policies and procedures, the careful selection of employees and an appropriate division of responsibilities. These systems are designed to provide reasonable assurance that the financial information is reliable and accurate.

The Board of Directors is responsible for ensuring that management fulfills its responsibility for financial reporting and is ultimately responsible for reviewing and approving the financial statements. The Board carries out this responsibility principally through its Audit and Finance Committee. The Audit and Finance Committee is appointed by the Board and meets periodically with management and the Commission's auditors to review significant accounting, reporting and internal control matters. Following its review of the financial statements and discussions with the auditors, the Audit and Finance Committee reports to the Board of Directors prior to its approval of the financial statements. The Committee also considers, for review by the Board and approval by the members, the engagement or re-appointment of the external auditors.

The financial statements have been audited on behalf of the members by Metrix Group LLP, in accordance with Canadian generally accepted auditing standards.



Ms. Lori Shea-Smith
Director, Financial Services & CFO

Edmonton, Alberta
March 17, 2022

INDEPENDENT AUDITORS' REPORT

To the Members of Edmonton Metropolitan Transit Services Commission

Opinion

We have audited the financial statements of Edmonton Metropolitan Transit Service Commission (the "Commission"), which comprise the statement of financial position as at December 31, 2021, and the statements of operations and accumulated deficit, changes in net debt and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Commission as at December 31, 2021, and the results of its operations and 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 *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Commission in accordance with ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

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

In preparing the financial statements, management is responsible for assessing the Commission'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 Commission or to cease operations, or has no realistic alternative but to do so.

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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Independent Auditors' Report to the Members of Edmonton Metropolitan Transit Services Commission
(continued)

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 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 Commission'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 Commission's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' report. However, future events or conditions may cause the Commission 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.

METRIX GROUP LLP

Chartered Professional Accountants

Edmonton, Alberta
March 17, 2022

EDMONTON METROPOLITAN TRANSIT SERVICES COMMISSION
Statement of Financial Position
As at December 31, 2021

	2021
FINANCIAL ASSETS	
Goods and Services Tax recoverable	<u>\$ 94,387</u>
LIABILITIES	
Bank indebtedness (Note 2)	2,404,818
Accounts payable and accrued liabilities (Note 3)	<u>189,251</u>
	<u>2,594,069</u>
NET DEBT	<u>\$ (2,499,682)</u>
NON-FINANCIAL ASSETS	
Prepaid expenses and deposits	<u>29,179</u>
ACCUMULATED DEFICIT	<u>\$ (2,470,503)</u>
CONTRACTUAL OBLIGATIONS (Note 7)	

ON BEHALF OF THE BOARD



Chairperson



Director

EDMONTON METROPOLITAN TRANSIT SERVICES COMMISSION**Statement of Operations and Accumulated Deficit****For The Year Ended December 31, 2021**

	2021 (Budget) (Note 8)	2021 (Actual)
EXPENSES		
Professional and consulting services	\$ 3,424,000	\$ 1,925,533
Salaries, wages and benefits	-	483,354
Materials and supplies	176,000	44,619
Interest on bank indebtedness	89,000	15,856
Memberships	-	1,083
Travel and meals	-	58
	<u>3,689,000</u>	<u>2,470,503</u>
ANNUAL DEFICIT	(3,689,000)	(2,470,503)
ACCUMULATED DEFICIT - BEGINNING OF YEAR	<u>-</u>	<u>-</u>
ACCUMULATED DEFICIT - END OF YEAR	<u>\$ (3,689,000)</u>	<u>\$ (2,470,503)</u>

EDMONTON METROPOLITAN TRANSIT SERVICES COMMISSION**Statement of Changes in Net Debt****For The Year Ended December 31, 2021**

	2021 (Budget) (Note 8)	2021 (Actual)
ANNUAL DEFICIT	\$ (3,689,000)	\$ (2,470,503)
Purchase of tangible capital assets	(76,000)	-
Increase in prepaid expenses and deposits	-	(29,179)
	<u>(76,000)</u>	<u>(29,179)</u>
INCREASE IN NET DEBT	(3,765,000)	(2,499,682)
NET DEBT - BEGINNING OF YEAR	<u>-</u>	<u>-</u>
NET DEBT - END OF YEAR	<u>\$ (3,765,000)</u>	<u>\$ (2,499,682)</u>

EDMONTON METROPOLITAN TRANSIT SERVICES COMMISSION**Statement of Cash Flows****For The Year Ended December 31, 2021**

	2021
OPERATING ACTIVITIES	
Annual deficit	<u>\$ (2,470,503)</u>
Changes in non-cash working capital:	
Goods and Services Tax recoverable	(94,387)
Accounts payable and accrued liabilities	189,251
Prepaid expenses and deposits	<u>(29,179)</u>
	<u>65,685</u>
DECREASE IN CASH FLOWS	(2,404,818)
BANK INDEBTEDNESS - BEGINNING OF YEAR	<u>-</u>
BANK INDEBTEDNESS - END OF YEAR (Note 2)	<u>\$ (2,404,818)</u>

EDMONTON METROPOLITAN TRANSIT SERVICES COMMISSION

Notes to Financial Statements

Year Ended December 31, 2021

NATURE OF OPERATIONS

The Edmonton Metropolitan Transit Services Commission (the "Commission") was established on January 26, 2021 under Ministerial Order Number MSD:010/21 to provide integrated transit services to members within the Edmonton metropolitan region that is fast, convenient, simple, reliable, efficient and affordable.

The members of the Commission include the City of Beaumont, the Town of Devon, the City of Edmonton, the City of Fort Saskatchewan, the City of Leduc, the City of St. Albert, the City of Spruce Grove, and the Town of Stony Plain.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of accounting

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

(b) 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.

ii) Prepaid expenses

Prepaid expenses include pre-payments on goods and services which will be utilized in the future fiscal years.

(c) Measurement uncertainty

The preparation of financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the 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.

Management makes significant estimates and assumptions in determining the amounts to be recorded in accrued liabilities in the financial statements.

(d) Future accounting standard pronouncements

The following summarizes upcoming changes to Canadian public sector accounting standards. The Commission will continue to assess the impact and prepare for the adoption of these standards.

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EDMONTON METROPOLITAN TRANSIT SERVICES COMMISSION

Notes to Financial Statements

Year Ended December 31, 2021

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

i) Financial statement presentation

PS 1201, *Financial statement presentation*, requires a new statement of re-measurement gains and losses separate from the statement of operations. Included in this new statement are the unrealized gains and losses arising from the re-measurement of financial instruments and items denominated in foreign currencies, as well as the government's proportionate share of other comprehensive income that arises when a government includes the results of government business enterprises and partnerships. This standard is applicable for fiscal years beginning on or after April 1, 2022.

ii) Foreign currency translation

PS 2601, *Foreign currency translation*, requires that monetary assets and liabilities denominated in a foreign currency be adjusted to reflect the exchange rates in effect at the financial statement dates. Unrealized gains and losses are to be presented in the new statement of re-measurement gains and losses. This standard must be adopted in conjunction with PS 2601 and PS 3450 and is applicable for fiscal years beginning on or after April 1, 2022.

iii) Portfolio investments

PS 3041, *Portfolio investments*, has removed the distinction between temporary and portfolio investments and amended to conform to PS 3405. This standard must be adopted in conjunction with PS 1201, PS 2601, and PS 3450 and is applicable for fiscal years beginning on or after April 1, 2022.

iv) Financial instruments

PS 3450, *Financial instruments*, established recognition, measurement and disclosure requirements for derivative and non-derivative financial instruments. The standard requires fair value measurement of derivative and equity instruments; all other financial instruments can be measured at cost/amortized cost or fair value at the election of the government. Unrealized gains and losses are presented in a new statement of re-measurement gains and losses. There is the requirement to disclose the nature and extent of risks arising from financial instruments and clarification is given for the de-recognition of financial liabilities. This standard is applicable for fiscal years beginning on or after April 1, 2022.

v) Asset retirement obligations

PS 3280, *Asset retirement obligations*, establishes standards on how to account and report for legal obligations associated with the retirement of certain tangible capital assets including solid waste landfill sites. As a result, PS 3270, *Solid Waste Landfill Closure and Post-Closure Liability* has been withdrawn but will remain in effect until the adoption of PS 3280. This standard is applicable for fiscal years beginning on or after April 1, 2022.

vi) Public private partnerships

PS 3160, *Public private partnerships*, establishes standards on how to account for public private partnership arrangements (recognition of infrastructure assets and the corresponding liability to the private partnership) along with the disclosure and presentation requirements. This standard is applicable to fiscal years beginning on or after April 1, 2023.

vii) Revenues

PS 3400, *Revenue*, establishes standards on how to account for and report revenue differentiating between revenue arising from transactions that include performance obligations and transactions that do not. This standard is applicable to fiscal years beginning on or after April 1, 2023.

EDMONTON METROPOLITAN TRANSIT SERVICES COMMISSION

Notes to Financial Statements

Year Ended December 31, 2021

2. CREDIT FACILITY

Bank indebtedness **\$ 2,404,818**

The Commission has access to credit facilities with Toronto-Dominion bank which includes:

1. A demand credit facility which bears interest at the prime rate less 0.75% and is repayable on demand. The credit facility is uncommitted and may cancelled at any time. As at December 31, 2021, the Commission had drawn \$2,404,818 on the facility
2. Corporate Visa credit cards with an aggregate limit of \$75,000.

The Commission has an aggregate credit limit of \$5,000,000 between both facilities.

The credit facility is secured by a General Security Agreement, a \$3,300,000 guarantee provided by the City of Edmonton, and a \$1,700,000 guarantee provided by the City of St. Albert.

3. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Trade payables and accrued liabilities	\$ 171,749
Employee benefit obligations	17,502
	\$ 189,251

Employee benefits obligation is compromised 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.

The Commission does not provide post-employment benefits to employees.

4. DEBT LIMIT

Section 276(2) of the *Municipal Government Act* requires that debt and debt limits, as defined by *Alberta Regulation 76/2000*, for the Commission be disclosed as follows:

Total debt limit	\$ -
Total debt	(2,404,818)
Amount of debt limit unused (overdrawn)	\$ (2,404,818)
Debt servicing limit	\$ -
Debt servicing	(2,404,818)
Amount of debt servicing limit unused (overdrawn)	\$ (2,404,818)

The debt limit is calculated at 2.0 times revenue of the Commission (as defined in *Alberta Regulation 76/2000*) and the debt service limit is calculated at 0.35 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 Commissions that could be at financial risk if further debt is acquired. The calculation taken alone does not represent the stability of the Commission. Rather, the financial statements must be interpreted as a whole.

Notwithstanding the above calculation under *Alberta Municipal Regulation 76/2000*, the Minister of Municipal Affairs has prescribed a debt and debt services limit of \$7,000,000 in total borrowing, to finance the Commission's operational start-up costs.

EDMONTON METROPOLITAN TRANSIT SERVICES COMMISSION

Notes to Financial Statements

Year Ended December 31, 2021

5. RELATED PARTY TRANSACTIONS

The following is a summary of the Commission's related party transactions:

Related party transactions

City of St. Albert

Commission member municipality

Interest expense	\$ 5,548
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During the year, the City of St. Albert advanced \$1,700,000 to the Commission to fund operational expenses. The advance was repaid in full in the year.

These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

6. LOCAL AUTHORITIES PENSION PLAN

Employees of the Commission participate in the Local Authorities Pension Plan ("LAPP"), which is one of the plans covered by the Alberta Public Sector Pension Plans Act. The LAPP 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 Commission is required to make current service contributions to the LAPP consisting of 9.39% of pensionable earnings up to the year's maximum pensionable earnings ("YMPE") under the Canada Pension Plan ("CPP") and 13.84% of the excess. Employees of the Commission are required to make current service contributions of 8.39% of pensionable earnings up to the year's maximum pensionable earnings and 12.84% on pensionable earnings above this amount.

Total current service contributions by the Commission to the LAPP in 2021 were \$31,404. Total current service contributions by the employees of the Commission to the LAPP in 2021 were \$28,757.

At December 31, 2020, the Plan disclosed an actuarial surplus of \$4.96 billion (2019 - \$7.91 billion).

7. CONTRACTUAL OBLIGATIONS

As at December 31, 2021, the Commission is committed under an existing lease agreement. The annual lease payments over the next five years are as follows.

2022	\$ 60,684
2023	60,684
2024	60,684
2025	60,684
2026	60,684
	<hr/>
	\$ 303,420

The Commission is also responsible for its share of operating costs related to the office premise lease. These costs are not fixed within the lease and are subject to change on a year to year basis.

EDMONTON METROPOLITAN TRANSIT SERVICES COMMISSION

Notes to Financial Statements

Year Ended December 31, 2021

8. BUDGET

The budget presented in these financial statements are based on the budget extracted from the Accelerating Transit in the Edmonton Metropolitan Region - Addendum dated June 1, 2020. The Commission compiles the budget with the inclusion of equipment purchases. The reconciliation below adjusts excess revenue over expenses to align with the budget process. It should not be used as a replacement for the statement of operations and accumulated surplus. Users should note that this information may not be appropriate for their purposes.

	(Budget)
Annual deficit	\$ (3,689,000)
Purchase of tangible capital assets	<u>(76,000)</u>
Results of operations as budgeted	<u>\$ (3,765,000)</u>

9. FINANCIAL INSTRUMENTS

The Commission is exposed to various risks through its financial instruments and has a comprehensive risk management framework to monitor, evaluate and manage these risks. The following analysis provides information about the Commission's risk exposure and concentration as of December 31, 2021.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency rate risk, interest rate risk and other price risk. The Commission is mainly exposed to interest rate risk.

a) Interest rate risk

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. In seeking to minimize the risks from interest rate fluctuations, the Commission manages exposure through its normal operating and financing activities. The Commission is exposed to interest rate risk primarily through its floating interest rate bank indebtedness.

Unless otherwise noted, it is management's opinion that the Commission is not exposed to significant other price risks arising from these financial instruments.

10. ECONOMIC DEPENDENCE

The Commission's operations are currently financed by the credit facility as discussed in note 2. The Commission's access to the credit facility is dependent on the continued guarantees provided by the City of Edmonton and the City of St. Albert.