

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

Town of Claresholm

December 31, 2021

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MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

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

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

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

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

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

Town Council meets annually with management and 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 is also responsible for the engagement or re-appointment of the external auditors. The Town Council has approved the consolidated financial statements.

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



Chief Administrative Officer
April 11, 2022



INDEPENDENT AUDITORS' REPORT

To the Members of Council:

Opinion

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

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Town of Claresholm as at December 31, 2021, the results of its operations, change in its net financial assets (debt) and its cash flow 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 Consolidated Financial Statements section of our report. We are independent of the Municipality 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 Consolidated Financial Statements

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

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

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

Auditors' Responsibility for the Audit of the Consolidated 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. 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 omission, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Municipality's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Municipality's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our 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 Municipality 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.

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

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 Municipality's debt limit can be found in Note 9.
- 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 13.

Strathmore, Alberta
April 11, 2022

Gregory, Harriman & Associates LLP

Gregory, Harriman & Associates LLP
Chartered Professional Accountants

**Town of Claresholm
Consolidated Statement of Financial Position
As at December 31, 2021**

	2021	2020
FINANCIAL ASSETS		
Cash (Note 2)	\$ 3,180,026	\$ 5,492,547
Investments (Note 3)	2,400,000	-
Taxes and grants in place of taxes receivable (Note 4)	228,851	199,742
Trade and other receivables (Note 5)	637,093	673,713
Land inventory held for resale	12,442	12,845
	6,458,412	6,378,847
LIABILITIES		
Accounts payable and accrued liabilities	385,234	835,786
Employee benefit obligations (Note 6)	381,767	368,178
Deposits	13,494	15,005
Deferred revenue (Note 7)	1,176,787	1,497,417
Long term debt (Notes 8, 9)	5,706,118	6,135,555
	7,663,400	8,851,941
NET FINANCIAL DEBT	(1,204,988)	(2,473,094)
NON-FINANCIAL ASSETS		
Prepaid expenses	98,152	170,956
Inventory for consumption	118,225	122,304
Tangible capital assets (Schedule 2)	33,120,820	32,259,548
	33,337,197	32,552,808
ACCUMULATED SURPLUS (Schedule 1) (Note 10)	\$ 32,132,209	\$ 30,079,714
COMMITMENTS AND CONTINGENCIES (Note 17)		
SUBSEQUENT EVENTS (Note 18)		

Approved by:  Mayor  Chief Administrative Officer

Town of Claresholm
Consolidated Statement of Operations
For the Year Ended December 31, 2021

	<i>Budget</i> <i>(Unaudited)</i>	2021	<i>2020</i>
REVENUE			
Net municipal taxes (Schedule 3)	\$ 3,537,318	\$ 3,528,479	\$ 3,332,116
User fees and sales of goods	2,810,752	3,402,678	3,157,324
Government transfers for operating (Schedule 4)	654,862	555,238	817,073
Franchise and concession contracts	214,616	227,944	217,183
Licenses and permits	103,000	124,633	106,855
Rental	139,080	109,814	76,973
Other	77,500	150,832	94,840
Investment income	60,000	55,661	60,413
Penalties and costs on taxes	88,100	110,339	57,999
Gain on disposal of capital assets	75,000	80,622	-
TOTAL REVENUE	<u>7,760,228</u>	<u>8,346,240</u>	<u>7,920,776</u>
EXPENSES (Schedule 5)			
Legislative	115,000	108,042	83,060
Administration	1,390,238	1,488,670	1,236,090
Fire	218,363	215,326	211,874
Bylaw enforcement	223,414	205,487	182,721
Common and equipment pool	657,156	676,592	667,213
Roads, streets, walks and lighting	852,848	806,420	900,808
Airport	17,250	17,250	23,271
Storm sewers and drainage	286,112	267,110	289,557
Water supply and distribution	1,277,866	1,209,775	1,225,217
Wastewater treatment and disposal	509,933	495,708	500,711
Solid waste management	391,700	431,039	410,388
Recycling program	302,000	294,324	331,813
Family and community support services	251,441	218,701	286,452
Day care	38,202	38,202	38,200
Cemeteries and crematoriums	20,136	23,757	21,089
Other public health and welfare	3,000	622	684
Planning and development	673,335	555,454	415,472
Parks and recreation	991,255	943,336	970,031
Culture - libraries, museums and halls	366,657	372,359	345,222
Loss on disposal of capital assets	-	-	143,113
TOTAL EXPENSES	<u>8,585,906</u>	<u>8,368,174</u>	<u>8,282,986</u>
SHORTFALL OF REVENUE OVER EXPENSES - BEFORE OTHER	<u>(825,678)</u>	<u>(21,934)</u>	<u>(362,210)</u>
OTHER			
Contributed assets	-	-	219,001
Government transfers for capital (Schedule 4)	3,195,900	2,074,429	1,366,393
	<u>3,195,900</u>	<u>2,074,429</u>	<u>1,585,394</u>
EXCESS OF REVENUE OVER EXPENSES	2,370,222	2,052,495	1,223,184
ACCUMULATED SURPLUS, BEGINNING OF YEAR	<u>30,079,714</u>	<u>30,079,714</u>	<u>28,856,530</u>
ACCUMULATED SURPLUS, END OF YEAR	<u>\$ 32,449,936</u>	<u>\$ 32,132,209</u>	<u>\$ 30,079,714</u>

Town of Claresholm
Consolidated Statement of Change in Net Financial Assets (Debt)
For the Year Ended December 31, 2021

	<u>Budget</u> <i>(Unaudited)</i>	<u>2021</u>	<u>2020</u>
EXCESS (SHORTFALL) OF REVENUE OVER EXPENSES	\$ 2,370,222	\$ 2,052,495	\$ 1,223,184
Acquisition of tangible capital assets	(5,004,022)	(2,706,912)	(4,358,953)
Contribution of tangible capital assets	-	-	(219,001)
Amortization of tangible capital assets	1,725,865	1,793,506	1,726,949
Loss (gain) on disposal of tangible capital assets		(80,622)	143,113
Proceeds on disposal of tangible capital assets	(75,000)	132,756	42,744
	<u>(3,353,157)</u>	<u>(861,272)</u>	<u>(2,665,148)</u>
Net change in inventory for consumption	-	4,079	8,231
Net change in prepaid expenses	-	72,804	(131,621)
	-	76,883	(123,390)
INCREASE (DECREASE) IN NET ASSETS (DEBT)	(982,935)	1,268,106	(1,565,354)
NET FINANCIAL ASSETS (DEBT), BEGINNING OF YEAR	<u>(2,473,094)</u>	<u>(2,473,094)</u>	<u>(907,740)</u>
NET FINANCIAL ASSETS (DEBT), END OF YEAR	<u>\$ (3,456,029)</u>	<u>\$ (1,204,988)</u>	<u>\$ (2,473,094)</u>

Town of Claresholm
Consolidated Statement of Cash Flow
For the Year Ended December 31, 2021

	2021	2020
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:		
Operating		
Excess (shortfall) of revenue over expenses	\$ 2,052,495	\$ 1,223,184
Non-cash items included in excess (shortfall) of revenue over expenses:		
Amortization of tangible capital assets	1,793,506	1,726,949
Loss (gain) on disposal of tangible capital assets	(80,622)	143,113
Tangible capital assets received as contributions	-	(219,001)
	3,765,379	2,874,245
Non-cash charges to operations (net change):		
Decrease (increase) in taxes and grants in place of taxes receivables	(29,109)	(39,610)
Decrease (increase) in trade and other receivables	36,620	(89,963)
Decrease (increase) in land inventory held for sale	403	109,975
Decrease (increase) in inventory for consumption	4,079	8,231
Decrease (increase) in prepaid expense	72,804	(131,622)
Increase (decrease) in accounts payable and accrued liabilities	(450,552)	454,837
Increase (decrease) in employee benefit obligations	13,589	17,634
Increase (decrease) in deposits	(1,511)	4,500
Increase (decrease) in deferred revenue	(320,630)	816,256
	3,091,072	4,024,483
Capital		
Acquisition of tangible capital assets	(2,706,912)	(4,358,953)
Proceeds on disposal of tangible capital assets	132,756	42,744
Cash applied to capital transactions	(2,574,156)	(4,316,209)
Investing		
Decrease (increase) in investments	(2,400,000)	-
Cash applied to capital transactions	(2,400,000)	-
Financing		
Proceeds of long-term debt	-	2,800,000
Repayment of long-term debt	(429,437)	(482,222)
Cash applied to financing transactions	(429,437)	2,317,778
Change in cash and cash equivalents during the year	(2,312,521)	2,026,052
Net Cash, beginning of year	5,492,547	3,466,495
Net Cash, end of year	\$ 3,180,026	\$ 5,492,547
Net Cash is made up of:		
Unrestricted cash (Note 2)	\$ 1,989,744	3,980,125
Unspent grant funds (Note 2)	1,176,787	1,497,417
Deposits held (Note 2)	13,495	15,005
	\$ 3,180,026	5,492,547

Town of Claresholm
Schedule of Changes in Accumulated Surplus
For the Year Ended December 31, 2021
(Schedule 1)

	Unrestricted Surplus	Restricted Surplus	Equity in Tangible Capital Assets	2021	2020
BALANCE, BEGINNING OF YEAR	\$ 1,554,855	\$ 2,400,866	\$ 26,123,993	\$ 30,079,714	\$ 28,856,530
Excess (shortfall) of revenue over expenses	2,052,495	-	-	2,052,495	1,223,184
Unrestricted funds designated for future use	(1,554,501)	1,554,501	-	-	-
Restricted funds used for operations	158,015	(158,015)	-	-	-
Current year funds used for tangible capital assets	(2,072,210)	(634,702)	2,706,912	-	-
Disposal of tangible capital assets	52,134	-	(52,134)	-	-
Annual amortization expense	1,793,506	-	(1,793,506)	-	-
Capital long term debt repaid	(429,439)	-	429,439	-	-
Change in accumulated surplus	-	761,784	1,290,711	2,052,495	1,223,184
BALANCE, END OF YEAR	\$ 1,554,855	\$ 3,162,650	\$ 27,414,704	\$ 32,132,209	\$ 30,079,714

Town of Claresholm
Schedule of Tangible Capital Assets
For the Year Ended December 31, 2021
(Schedule 2)

	Land	Land Improvements	Buildings	Engineered Structures	Machinery and Equipment	Vehicles	2021	2020
COST:								
BALANCE, BEGINNING OF YEAR	\$ 1,407,208	\$ 1,945,853	\$ 16,385,492	\$ 74,644,730	\$ 1,933,591	\$ 1,658,932	\$ 97,975,806	\$ 93,925,680
Acquisition of tangible capital assets	-	362,708	352,378	1,425,488	337,781	204,678	2,683,033	909,788
Construction in progress	-	24,893	-	113,887	-	-	138,780	3,773,066
Disposal of tangible capital assets	(500)	-	(76,596)	(131,306)	(67,551)	-	(275,953)	(517,827)
BALANCE, END OF YEAR	1,406,708	2,333,454	16,661,274	76,052,799	2,203,821	1,863,610	100,521,666	98,090,707
ACCUMULATED AMORTIZATION:								
BALANCE, BEGINNING OF YEAR	-	959,609	6,572,057	55,702,840	1,333,469	1,263,184	65,831,159	64,436,181
Annual amortization	-	106,363	296,547	1,048,410	206,537	135,649	1,793,506	1,726,949
Accumulated amortization on disposals	-	-	(33,722)	(128,874)	(61,223)	-	(223,819)	(331,971)
BALANCE, END OF YEAR	-	1,065,972	6,834,882	56,622,376	1,478,783	1,398,833	67,400,846	65,831,159
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	\$ 1,406,708	\$ 1,267,482	\$ 9,826,392	\$ 19,430,423	\$ 725,038	\$ 464,777	\$ 33,120,820	\$ 32,259,548
2020 Net Book Value of Tangible Capital Assets	\$ 1,407,208	\$ 1,009,637	\$ 9,813,435	\$ 19,033,398	\$ 600,122	\$ 395,748	\$ 32,259,548	

Town of Claresholm
Schedule of Property and Other Taxes
For the Year Ended December 31, 2021
(Schedule 3)

	<i>Budget</i> <i>(Unaudited)</i>	2021	2020
TAXATION			
Real property taxes	\$ 4,737,314	\$ 4,735,990	\$ 4,477,420
Linear property taxes	121,604	118,565	119,157
Government grants in place of property taxes	29,673	29,566	29,090
Special assessments and local improvements	5,140	-	-
	<u>4,893,731</u>	<u>4,884,121</u>	<u>4,625,667</u>
REQUISITIONS			
Alberta School Foundation Fund	1,241,716	1,241,619	1,179,412
Procupine Hills Lodge	114,023	114,023	114,139
Designated Industrial Property	674	-	-
	<u>1,356,413</u>	<u>1,355,642</u>	<u>1,293,551</u>
NET MUNICIPAL PROPERTY TAXES	<u>\$ 3,537,318</u>	<u>\$ 3,528,479</u>	<u>\$ 3,332,116</u>

Town of Claresholm
Schedule of Government Transfers
For the Year Ended December 31, 2021
(Schedule 4)

	<i>Budget (Unaudited)</i>	2021	2020
TRANSFERS FOR OPERATING			
Provincial Government	\$ 454,023	\$ 372,029	\$ 621,221
Other Local Governments	200,839	183,209	195,852
	<u>654,862</u>	<u>555,238</u>	<u>817,073</u>
TRANSFERS FOR CAPITAL			
Provincial Government	2,830,933	1,910,520	906,150
Federal Government	364,967	163,909	460,243
	<u>3,195,900</u>	<u>2,074,429</u>	<u>1,366,393</u>
TOTAL GOVERNMENT TRANSFERS	<u>\$ 3,850,762</u>	<u>\$ 2,629,667</u>	<u>\$ 2,183,466</u>

Town of Claresholm
Schedule of Consolidated Expenses by Object
For the Year Ended December 31, 2021
(Schedule 5)

	<i>Budget</i> <i>(Unaudited)</i>	2021	2020
CONSOLIDATED EXPENSES BY OBJECT			
Salaries, wages and benefits	\$ 3,058,879	\$ 2,996,669	\$ 2,907,143
Contracted and general services	1,823,226	1,665,037	1,634,678
Materials, goods, supplies and utilities	1,279,500	1,226,023	1,256,240
Bank charges and short-term interest	500	878	1,386
Interest on long-term debt	232,220	235,364	218,532
Other expenditures	121,090	137,082	26,629
Transfers to organizations and others	344,626	313,615	368,317
Loss on disposal of tangible capital assets	-	-	143,113
Amortization of tangible capital assets	1,725,865	1,793,506	1,726,949
	<u>\$ 8,585,906</u>	<u>\$ 8,368,174</u>	<u>\$ 8,282,986</u>

Town of Claresholm
Schedule of Segmented Disclosure
For the Year Ended December 31, 2021
(Schedule 6)

	General Government	Protective Services	Transportation Services	Environmental Services	Public Health Services	Planning & Development	Recreation & Culture	Total
REVENUE								
Net municipal taxes	\$ 3,528,479	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,528,479
User fees and sales of goods	7,448	655	-	3,187,385	20,544	34,110	152,536	3,402,678
Government transfers for operating	109,490	8,707	-	-	203,463	152,556	81,022	555,238
Investment income	55,661	-	-	-	-	-	-	55,661
Penalties and cost of taxes	104,010	6,329	-	-	-	-	-	110,339
Licenses and permits	26,875	6,235	-	-	-	91,523	-	124,633
Franchise and concession contracts	227,944	-	-	-	-	-	-	227,944
Rental	40,176	-	-	-	-	-	69,638	109,814
Contributed assets	-	-	-	-	-	-	-	-
Government transfers for capital	589,860	43,562	173,169	930,862	-	28,719	308,257	2,074,429
Other revenues	77,849	6,952	36,363	-	566	-	29,102	150,832
Gain on disposal of tangible capital assets	80,877	-	(138)	(2,294)	-	-	2,177	80,622
	<u>4,848,669</u>	<u>72,440</u>	<u>209,394</u>	<u>4,115,953</u>	<u>224,573</u>	<u>306,908</u>	<u>642,732</u>	<u>10,420,669</u>
EXPENSES								
Salaries and wages	768,724	204,187	411,979	637,683	164,075	250,241	559,780	2,996,669
Contract and general services	376,638	133,101	220,487	506,952	29,422	277,037	121,400	1,665,037
Goods and supplies	88,407	52,610	497,316	414,008	6,377	793	166,512	1,226,023
Bank charges	878	-	-	-	-	-	-	878
Long term debt interest	72,563	-	-	161,050	-	-	1,751	235,364
Other expenses	135,830	100	-	330	822	-	-	137,082
Transfers to organizations and others	73,455	-	-	-	80,160	-	160,000	313,615
	<u>1,516,495</u>	<u>389,998</u>	<u>1,129,782</u>	<u>1,720,023</u>	<u>280,856</u>	<u>528,071</u>	<u>1,009,443</u>	<u>6,574,668</u>
NET REVENUE, BEFORE AMORTIZATION	3,332,174	(317,558)	(920,388)	2,395,930	(56,283)	(221,163)	(366,711)	3,846,001
Amortization expense	80,215	30,814	637,590	710,824	427	27,383	306,253	1,793,506
NET REVENUE	<u>\$ 3,251,959</u>	<u>\$ (348,372)</u>	<u>\$ (1,557,978)</u>	<u>\$ 1,685,106</u>	<u>\$ (56,710)</u>	<u>\$ (248,546)</u>	<u>\$ (672,964)</u>	<u>\$ 2,052,495</u>

Segmented Disclosure (Note 20)

Town of Claresholm
Notes to the Consolidated Financial Statements
For the Year Ended December 31, 2021

1) SIGNIFICANT ACCOUNTING POLICIES

The Town of Claresholm ("the Town") is a Municipality in the Province of Alberta. The consolidated financial statements are the representations of management and have been prepared in accordance with Canadian 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 of Claresholm are as follows:

A. Reporting Entity

The consolidated financial statements reflect the assets, liabilities, revenue 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 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.

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

These 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 Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenditure during the period. Where measurement uncertainty exists, the financial statements have been prepared within reasonable limits of materiality. Actual results could differ from those estimates. The amounts recorded for valuation of tangible capital assets, the useful lives and related amortization of tangible capital assets is an area where management makes significant estimates and assumptions in determining the amounts to be recorded in the consolidated financial statements.

continues ...

Town of Claresholm
Notes to the Consolidated Financial Statements
For the Year Ended December 31, 2021

1) SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Investments

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

E. Requisition Over-levy and Under-levy

Over-levies 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 excess collections or under-levies of the prior year.

F. Land Inventory Held for Resale

Land inventory held for resale is recorded at the lower of cost or net realizable value. Cost includes the 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 capital assets under their respective function.

G. Tax Revenue

Tax revenue 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.

H. 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.

continues ...

Town of Claresholm
Notes to the Consolidated Financial Statements
For the Year Ended December 31, 2021

1) SIGNIFICANT ACCOUNTING POLICIES (continued)

I. 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 the events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met by the Town, and reasonable estimates of the amounts can be determined.

J. 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 revenue over expenses, provides the consolidated Change in Net Financial Assets (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 assets. The cost, less residual value of the tangible capital asset, is amortized on a straight-line basis over the estimated useful life as follows:

	YEARS
Land improvements	10-25 straight line
Buildings	25-50 straight line
Engineered structures	5-75 declining balance
Machinery and equipment	5-40 declining balance
Vehicles	10-25 declining balance

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

ii. Contributions of Tangible Capital Assets

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

iii. Leases

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

iv. Inventories

Inventories held for consumption are recorded at the lower of cost or net realizable value with cost determined by the average cost method.

continues ...

Town of Claresholm
Notes to the Consolidated Financial Statements
For the Year Ended December 31, 2021

1) SIGNIFICANT ACCOUNTING POLICIES (continued)

v. Cultural and Historical Tangible Capital Assets

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

2) CASH	<u>2021</u>	<u>2020</u>
Savings - Operating	\$ 1,899,349	\$ 3,769,924
Savings - Reserves	1,013,818	1,548,337
Chequing account	151,853	60,424
Trust accounts	115,006	113,862
	<u>\$ 3,180,026</u>	<u>\$ 5,492,547</u>

The Town received Government grants and funding that are restricted in their use and are to be utilized as funding for operating or capital projects. Since the projects have not been completed for which the funding has been received, \$1,176,787 (2020 - \$1,497,417) is not available for general use by the Town (Note 7).

Included in cash is \$13,495 (2020 - \$15,005) of deposit liability funds which are not available for current purposes.

A temporary loan has been authorized by Bank of Montreal to a maximum of \$450,000 which bears interest at prime plus 0%, with an effective rate of 2.45%.

A settlement risk line of credit for payroll electronic funds transfer payments has been authorized by Bank of Montreal to a maximum of \$500,000.

Security pledged on these temporary loans includes a general security agreement. As at December 31, 2021 there were no balances outstanding on these loans.

3) INVESTMENTS

	<u>2021</u>	<u>2020</u>
GIC - Reserves	\$ 1,400,000	-
GIC - Operating	1,000,000	-
	<u>\$ 2,400,000</u>	<u>-</u>

Temporary investments are comprised of Canaccord Genuity Wealth Management GICs bearing interest from 1.2% to 1.4% maturing between July 2022 and April 2024.

4) TAXES AND GRANTS IN PLACE OF TAXES RECEIVABLE

	<u>2021</u>	<u>2020</u>
Current year	\$ 182,635	\$ 165,480
Arrears	46,216	34,262
	<u>\$ 228,851</u>	<u>\$ 199,742</u>

5) TRADE AND OTHER RECEIVABLES

	<u>2021</u>	<u>2020</u>
Trade accounts	\$ 512,735	\$ 447,263
Goods and Services Tax receivable	43,507	128,543
Due from local governments	40,297	38,366
Local improvement levies	36,173	47,172
Due from Provincial government	4,381	12,369
	<u>\$ 637,093</u>	<u>\$ 673,713</u>

Town of Claresholm
Notes to the Consolidated Financial Statements
For the Year Ended December 31, 2021

6) EMPLOYEE BENEFIT OBLIGATIONS	<u>2021</u>	<u>2020</u>
Vacation	\$ 230,715	\$ 220,597
Sick time	151,052	147,581
	<u>\$ 381,767</u>	<u>\$ 368,178</u>

The employee benefit obligations liability is comprised of the vacation and sick time 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.

7) DEFERRED REVENUE	<u>2021</u>	<u>2020</u>
MSI/CCBF (FGTF) capital grants	\$ 318,676	\$ 811,366
Alberta security infrastructure grant	193,106	-
Family and Community Support Services	135,374	91,404
Sundry trust	127,588	146,223
Cemetery	111,184	108,302
Municipal operating support transfer funds	-	73,089
Community facility enhancement grant	77,334	-
Offsite levies	68,951	68,265
Alberta Community Resilience Program	40,581	56,927
Subdivision fund	39,906	39,510
Labour market partnership project grant	22,874	60,871
Skate park	22,871	-
Taxi token prepayments	5,510	5,686
Parking fund	3,993	3,953
Rural physician associate program grant	2,378	-
Parks Society	2,819	2,819
Walking path fund	2,156	2,134
Winter festival	1,486	1,446
MSP grant	-	10,008
Community foundation grant	-	10,000
Enabling accessibility grant	-	5,414
	<u>\$ 1,176,787</u>	<u>\$ 1,497,417</u>

Town of Claresholm
Notes to the Consolidated Financial Statements
For the Year Ended December 31, 2021

8) LONG TERM DEBT	2021	2020
Utility supported debentures	\$ 3,000,055	\$ 3,259,149
Tax supported debentures	2,706,063	2,876,406
	5,706,118	6,135,555
Less: Current portion of long term debt	(337,126)	(429,439)
	\$ 5,368,992	\$ 5,706,116

Principal and interest repayments are due as follows:

	Principal	Interest	Total
2022	337,126	220,326	557,452
2023	352,874	204,579	557,453
2024	283,109	188,042	471,151
2025	295,407	175,744	471,151
2026	308,282	162,869	471,151
Thereafter	4,129,320	1,174,226	5,303,546
	\$ 5,706,118	\$ 2,125,786	\$ 7,831,904

Debenture debt is repayable to Alberta Capital Finance Authority and bears interest at rates ranging from 2.638% to 5.875% annum and matures in periods 2023 through 2050. The average annual interest rate is 3.81% (3.81% for 2020). Debenture debt is issued on the credit and security of the Town of Claresholm at large.

Interest on long-term debt amounted to \$235,363 (2020 - \$218,532). The Town's total cash payments for interest in 2021 were \$237,183 (2020 - \$216,565).

9) DEBT LIMITS

Section 276(2) of the Municipal Government Act requires that debt limits as defined by Alberta Regulation 255/2000 for the Town be disclosed as follows:

	2021	2020
Total debt limit	\$ 12,519,360	\$ 11,881,164
Total debt <i>(Note 8)</i>	5,706,118	6,135,555
Amount of surplus debt limit	\$ 6,813,242	\$ 5,745,609
Debt servicing limit	\$ 2,086,560	\$ 1,980,194
Debt servicing	557,452	666,622
Amount of surplus debt servicing limit	\$ 1,529,108	\$ 1,313,572

The debt limit is calculated at 1.5 times revenue of the municipality, as defined in Alberta Regulation 255/2000, 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 alone does not represent the financial stability of the municipality. Rather, the financial statements must be interpreted as a whole.

Town of Claresholm
Notes to the Consolidated Financial Statements
For the Year Ended December 31, 2021

10) ACCUMULATED SURPLUS

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

	2021	2020
Unrestricted surplus	\$ 1,554,855	\$ 1,554,855
Internally restricted surplus (reserves) (Note 12)	3,162,650	2,400,866
Equity in tangible capital assets (Note 11)	27,414,704	26,123,993
	\$ 32,132,209	\$ 30,079,714

11) EQUITY IN TANGIBLE CAPITAL ASSETS

	2021	2020
Tangible capital assets (Schedule 2)	\$ 100,521,666	\$ 98,090,707
Accumulated amortization (Schedule 2)	(67,400,846)	(65,831,159)
Long term debt - Capital (Note 8)	(5,706,118)	(6,135,555)
	\$ 27,414,704	\$ 26,123,993

12) RESERVES

Reserves for operating and capital activities are as follows:

	2021	2020
Operating		
General	167,892	158,037
Trust accounts	54,488	54,000
Fill dirt	37,349	27,014
Economic development	33,331	-
Office	30,534	30,261
Policing costs	28,030	18,433
Physician recruitment fund	14,067	14,067
Cemetery	767	760
Museum	-	21,300
Debt reduction	-	51,213
Aquatic centre	-	10,960
Planning and development	-	9,708
	366,458	395,753
Capital		
Water and sewer	1,444,032	804,961
Land and development	629,179	463,751
Fire truck	218,409	197,502
Garbage and recycling equipment	152,952	140,746
Arena	77,067	55,885
Playground rehabilitation	53,048	52,572
Acreage assessment	43,203	42,816
General	41,992	92,943
Parks and pathways	41,664	55,579
Tamarack subdivision	26,682	26,443
Recreation	24,822	-
Cemetery	23,637	15,255
Tax recovery land	12,576	12,463
Enforcement vehicle	6,929	42,983
Museum	-	1,214
	2,796,192	2,005,113
	\$ 3,162,650	\$ 2,400,866

Town of Claresholm
Notes to the Consolidated Financial Statements
For the Year Ended December 31, 2021

13) SALARY AND BENEFITS DISCLOSURE

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:

	Salary ¹	Benefits and Allowances ²	Total 2021	Total 2020
Council				
Mayor Petrovic	\$ 4,492	\$ 197	\$ 4,689	-
Councillor Carlson	10,856	501	11,357	9,912
Councillor Cutler, M	12,652	599	13,251	12,141
Councillor Kettles	3,157	124	3,281	-
Councillor Meister	3,908	165	4,073	-
Councillor Schlossberger	13,709	656	14,365	12,572
Councillor Zimmer	10,502	482	10,984	10,093
Mayor MacPherson	11,997	595	12,592	14,619
Councillor Moore	7,517	351	7,868	10,502
Councillor Schulze	8,191	387	8,578	11,055
	<u>86,981</u>	<u>4,057</u>	<u>91,038</u>	<u>80,894</u>
Chief Administrative Officer	142,554	21,115	163,669	149,424
Designated Officers (2021:5 positions, 2020: 5 positions)	391,833	80,612	472,445	499,631
	<u>\$ 621,368</u>	<u>\$ 105,784</u>	<u>\$ 727,152</u>	<u>\$ 729,949</u>

- 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 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.

Town of Claresholm
Notes to the Consolidated Financial Statements
For the Year Ended December 31, 2021

14) 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 276,000 people and 433 employers. The LAPP is financed by the employer and employee contributions and 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 \$181,380 (2020 - \$181,413). Total current service contributions by the employees of the Town to the LAPP in 2021 were \$163,388 (2020 - \$163,655).

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

15) FINANCIAL INSTRUMENTS

The Town's financial instruments consist of cash, investments, taxes and grants in place of taxes receivable, trade and other receivables, accounts payable and accrued liabilities, employee benefit obligations, deposits and long term debt. It is management's opinion that the Town is not exposed to significant interest or currency risk arising from these financial instruments. Taxes 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.

Credit Risk

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

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

Town of Claresholm
Notes to the Consolidated Financial Statements
For the Year Ended December 31, 2021

16) BUDGET AMOUNTS

The 2021 budget for the Town was approved by Council on April 26, 2021 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.

Budget surplus per financial statements		\$	2,370,222
Less:	Capital expenses		(5,004,022)
	Long-term debt repayments		(429,439)
	Transfers to reserves		(591,937)
Add:	Amortization		1,725,865
	Transfers from reserves		1,179,311
	Proceeds from long-term debt		750,000
<hr/>			
Equals:	Balanced budget	\$	-

17) COMMITMENTS AND CONTINGENCIES

The Town is a member of the Alberta Municipal Insurance Exchange (MUNIX) which provides liability insurance. 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.

18) SUBSEQUENT EVENTS

In March 2020, the World Health Organization declared a global pandemic due to the Novel Coronavirus (COVID-19). The situation is currently evolving, and the measures put in place are having multiple impacts on local, provincial, national and global economies.

The full impact of the COVID-19 outbreak continues to evolve throughout the world including Canada. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the impact on the organization will not be known with certainty for months to come.

Although the Town cannot estimate the length or gravity of the impact of the COVID-19 outbreak at this time, if the pandemic continues, it may have a material adverse effect on the organization's results of future operations, financial position and liquidity in fiscal year 2022.

Town of Claresholm
Notes to the Consolidated Financial Statements
For the Year Ended December 31, 2021

19) CONTAMINATED SITES LIABILITY

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

20) SEGMENTED DISCLOSURE

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

Refer to the Schedule of Segmented Disclosure (Schedule 6).

General government includes council and other legislative, and general administration. Protective services includes bylaw enforcement, police, and fire. Transportation includes roads, streets, walks and lighting. Planning and development includes land use planning, zoning and subdivision land and development. Public health and welfare includes family and community support. 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.

21) COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the financial statement presentation adopted in the current year.