

**TOWN OF CLARESHOLM**  
**Consolidated Financial Statements**  
**For the year ended December 31, 2019**

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**TOWN OF CLARESHOLM**  
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**For the year ended December 31, 2019**

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CHARTERED PROFESSIONAL ACCOUNTANTS

**INDEPENDENT AUDITOR'S REPORT**

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

*Opinion*

We have audited the consolidated financial statements of the Town of Claresholm which comprise the consolidated statement of financial position as at December 31, 2019, and the consolidated statements of operations, change in net financial debt and cash flow for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Town of Claresholm as at December 31, 2019, the results of its operations, change in its net financial debt and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

*Basis for Opinion*

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

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

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

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

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

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

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

## INDEPENDENT AUDITOR'S REPORT, continued

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Town's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

### *Report on Other Legal and Regulatory Requirements*

- **Debt Limit Regulation:**  
In accordance with Alberta Regulation 255/2000, we confirm that the Town is in compliance with the Debt Limit Regulation. A detailed account of the Entity's debt limit can be found in note 17.
- **Supplementary Accounting Principles and Standards Regulation:**  
In accordance with Alberta Regulation 313/2000, we confirm that the Town is in compliance with the Supplementary Accounting Principles and Standards Regulation and note the information required can be found in note 16.

Lethbridge, Alberta

March 23, 2020



Chartered Professional Accountants

## MANAGEMENT REPORT

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

These consolidated financial statements have been prepared from information provided by management. Financial statements are not precise since they include certain amounts based on estimates and judgments. Management has determined such amounts on a reasonable basis in order to ensure that the consolidated financial statements are presented fairly, in all material respects.

The Town maintains systems of internal accounting and administrative controls that are designed to provide reasonable assurance that the financial information is relevant, reliable and accurate and that the Town's assets are properly accounted for and adequately safeguarded.

The elected Council of the Town is responsible for ensuring that management fulfils its responsibilities for financial statements. Council carries out its responsibility principally through the Finance and Administration and General Services committees.

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

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



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Chief Administrative Officer

**TOWN OF CLARESHOLM**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
As at December 31, 2019

	2019	2018
<b>Financial assets</b>		
Cash and temporary investments (note 2)	\$ 3,466,495	\$ 4,255,801
Taxes and grants in place of taxes receivable (note 3)	160,132	157,651
Trade and other receivables (note 4)	583,750	1,212,867
Land held for resale	122,820	122,820
	4,333,197	5,749,139
<b>Liabilities</b>		
Accounts payable and accrued liabilities	380,949	548,180
Employee benefit obligations (note 6)	350,544	332,472
Deposits	10,505	17,590
Deferred revenue (note 7)	681,161	1,817,229
Long-term debt (note 8)	3,817,778	4,254,702
	5,240,937	6,970,173
<b>Net financial debt</b>	(907,740)	(1,221,034)
<b>Non-financial assets</b>		
Prepaid expenses	39,335	24,891
Inventory for consumption	130,535	133,395
Tangible capital assets (schedule 2)	29,594,400	32,725,626
	29,764,270	32,883,912
<b>Accumulated surplus</b> (note 9 and schedule 1)	\$ 28,856,530	\$ 31,662,878

*Commitments and contingencies* (note 22)

Approved on behalf of Council:

Councillor



Councillor



**TOWN OF CLARESHOLM**  
**CONSOLIDATED STATEMENT OF OPERATIONS**  
For the year ended December 31, 2019

	Budget (Unaudited)	2019	2018
<b>Revenue</b>			
Net municipal taxes (note 12)	\$ 3,226,286	\$ 3,205,440	\$ 3,150,673
User fees and sales of goods	2,595,840	2,467,818	2,254,249
Government transfers for operating (note 13)	612,189	540,123	801,104
Franchise and concession contracts	206,609	210,387	207,637
Other	37,650	70,178	145,996
Penalties and costs of taxes	126,000	81,514	120,393
Rental	113,250	147,406	119,867
Licenses and permits	99,300	83,719	105,290
Investment income	70,000	85,765	86,794
Gain on disposal of capital assets	40,000	19,960	46,743
	<b>7,127,124</b>	<b>6,912,310</b>	<b>7,038,746</b>
<b>Expenses (note 14)</b>			
Legislative	113,500	113,159	113,342
Administration (note 15)	1,321,232	4,130,465	1,321,079
Fire	275,145	256,619	250,322
Bylaw enforcement	112,475	130,392	116,905
Common and equipment pool	582,687	540,248	628,296
Roads, streets, walks and lighting	808,845	858,715	838,854
Airport	16,077	15,987	12,163
Storm sewers and drainage	280,265	274,796	246,112
Water supply and distribution	1,316,199	1,271,425	1,287,594
Wastewater treatment and disposal	534,436	541,140	453,720
Solid waste management	391,734	415,873	427,600
Recycling program	173,437	178,735	176,132
Family and community support services	314,109	261,156	245,475
Day care	38,202	38,202	38,202
Cemeteries and crematoriums	20,661	23,847	18,520
Other public health and welfare	3,000	1,050	9,969
Planning and development	535,052	473,809	481,181
Parks and recreation	1,033,039	1,032,847	1,084,397
Culture - libraries, museums and halls	379,930	378,345	368,602
	<b>8,250,025</b>	<b>10,936,810</b>	<b>8,118,465</b>
<b>Deficiency of revenue over expenses before other</b>	<b>(1,122,901)</b>	<b>(4,024,500)</b>	<b>(1,079,719)</b>
<b>Other</b>			
Government transfers for capital (note 13)	3,380,331	1,218,152	3,692,960
<b>Excess (deficiency) of revenue over expenses</b>	<b>2,257,430</b>	<b>(2,806,348)</b>	<b>2,613,241</b>
<b>Accumulated surplus, beginning of year</b>	<b>31,662,878</b>	<b>31,662,878</b>	<b>29,049,637</b>
<b>Accumulated surplus, end of year</b>	<b>\$ 33,920,308</b>	<b>\$ 28,856,530</b>	<b>\$ 31,662,878</b>

**TOWN OF CLARESHOLM**  
**CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL DEBT**  
**For the year ended December 31, 2019**

	Budget (Unaudited)	2019	2018
<b>Excess (deficiency) of revenue over expenses</b>	\$ 2,257,430	\$ (2,806,348)	\$ 2,613,241
Acquisition of tangible capital assets	(6,800,331)	(1,587,880)	(5,289,241)
Amortization of tangible capital assets	1,861,047	1,790,253	1,726,563
Loss (gain) on disposal of tangible capital assets	-	2,870,008	(46,743)
Proceeds on disposal of tangible capital assets	-	58,845	258,147
	(4,939,284)	3,131,226	(3,351,274)
Net change in inventory for consumption	-	2,860	87,041
Net change in prepaid expense	-	(14,444)	394
	-	(11,584)	87,435
<b>Decrease in net financial debt</b>	(2,681,854)	313,294	(650,598)
<b>Net financial debt, beginning of year</b>	(1,221,034)	(1,221,034)	(570,436)
<b>Net financial debt, end of year</b>	\$ (3,902,888)	\$ (907,740)	\$ (1,221,034)



**TOWN OF CLARESHOLM**  
**CONSOLIDATED STATEMENT OF CASH FLOW**  
For the year ended December 31, 2019

	2019	2018
<b>Operating transactions</b>		
Excess (deficiency) of revenue over expenses	\$ (2,806,348)	\$ 2,613,241
Adjustments for items which do not affect cash		
Loss (gain) on disposal of tangible capital assets	2,870,008	(46,743)
Amortization of tangible capital assets	1,790,253	1,726,563
	1,853,913	4,293,061
Net change in non-cash working capital items		
Taxes and grants in place of taxes receivable	(2,481)	72,429
Trade and other receivables	629,117	(586,735)
Inventory for consumption	2,860	87,041
Prepaid expenses	(14,444)	394
Accounts payable and accrued liabilities	(167,231)	(398,115)
Employee benefit obligations	18,072	53,755
Deposits	(7,085)	5,400
Deferred revenue	(1,136,068)	(2,087,154)
<b>Cash provided by operating transactions</b>	<b>1,176,653</b>	<b>1,440,076</b>
<b>Capital transactions</b>		
Proceeds on disposal of tangible capital assets	58,845	258,147
Acquisition of tangible capital assets	(1,587,880)	(5,289,241)
<b>Cash applied to capital transactions</b>	<b>(1,529,035)</b>	<b>(5,031,094)</b>
<b>Financing transactions</b>		
Proceeds of long-term debt	-	400,000
Repayment of long-term debt	(436,924)	(389,365)
<b>Cash applied to financing transactions</b>	<b>(436,924)</b>	<b>10,635</b>
<b>Decrease in cash and temporary investments</b>	<b>(789,306)</b>	<b>(3,580,383)</b>
<b>Cash and temporary investments, beginning of year</b>	<b>4,255,801</b>	<b>7,836,184</b>
<b>Cash and temporary investments, end of year</b>	<b>\$ 3,466,495</b>	<b>\$ 4,255,801</b>

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**TOWN OF CLARESHOLM**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**For the year ended December 31, 2019**

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**1. Significant accounting policies**

The consolidated financial statements of the Town of Claresholm 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 consolidated financial statements reflect the assets, liabilities, revenue and expenses, changes in fund balances and change in financial position of the reporting entity which comprises all of the organizations that are owned or controlled by the Town and are, therefore, accountable to the Council for the administration of their financial affairs and resources.

Taxes levied also includes requisitions for educational, health care, social and other external organizations that are not part of the municipal reporting entity.

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

(b) Basis of accounting

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

Funds from external parties and earnings thereon restricted by agreement or legislation are accounted for as deferred revenue until used for the purpose specified.

Government transfers, contributions and other amounts are received from third parties pursuant to legislation, regulation or agreement and may only be used for certain programs, in the completion of specific work, or for the purchase of tangible capital assets. In addition, certain user charges and fees are collected for which the related services have yet to be performed. Revenue is recognized in the period when the related expenses are incurred, services performed or the tangible capital assets are acquired.

(c) 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 expense during the period. Where measurement uncertainty exists, the financial statements have been prepared within reasonable limits of materiality. Actual results could differ from those estimates.

(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.

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**TOWN OF CLARESHOLM**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**For the year ended December 31, 2019**

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**1. Significant accounting policies, continued**

(e) Debt charges recoverable

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

(f) Requisition over-levy and under-levy

Over-levies and under-levies arise from the difference between the actual property tax levy made to cover each requisition and the actual amount requisitioned.

If the actual levy exceeds the requisition, the over-levy is accrued as a liability and property tax revenue is reduced. Where the actual levy is less than the requisition amount, the under-levy is accrued as a receivable and as property tax revenue.

Requisition tax rates in the subsequent year are adjusted for any over-levies or under-levies of the prior year.

(g) Inventories for resale

Land held for resale is recorded at the lower of cost and net realizable value. Cost includes costs for land acquisition and improvements required to prepare the land for servicing such as clearing, stripping, and leveling charges. Related development costs incurred to provide infrastructure such as water and waste water services, roads, sidewalks, and street lighting are recorded as physical assets under their respective function.

(h) Tax revenue

Tax revenues are recognized when the tax has been authorized by bylaw and the taxable event has occurred.

Requisitions operate as a flow through and are excluded from municipal revenue.

(i) Contaminated sites liability

Contaminated sites are a result of contamination being introduced into air, soil, water or sediment of a chemical, organic or radioactive material or live organism that exceeds an environmental standard. The liability is recorded net of any expected recoveries. A liability for remediation of a contaminated site is recognized when a site is not in productive use and is management's estimate of the cost of post-remediation including operation, maintenance and monitoring.

(j) Government transfers

Government transfers are the transfer of assets from senior levels of government that are not the result of an exchange transaction, are not expected to be repaid in the future, or the result of a direct financial return.

Government transfers are recognized in the financial statements as revenue in the period in which events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met, and reasonable estimates of the amounts can be determined.

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**TOWN OF CLARESHOLM**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**For the year ended December 31, 2019**

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**1. Significant accounting policies, continued**

(k) Non-financial assets

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the normal course of operations. The change in non-financial assets during the year, together with the excess of revenues over expenses, provides the consolidated Change in Net Financial Debt for the year.

(i) Tangible capital assets

Tangible capital assets are recorded at cost which includes all amounts that are directly attributable to acquisition, construction, development or betterment of the asset. The cost, less residual value, of the tangible capital assets is amortized 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.

(v) Cultural and historical tangible capital assets

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

**TOWN OF CLARESHOLM**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
For the year ended December 31, 2019

**2. Cash and temporary investments**

	2019	2018
Cash	\$ 1,693,764	\$ 439,875
Temporary investments	1,772,731	3,815,926
	\$ 3,466,495	\$ 4,255,801

Included in cash and short-term investments is \$10,505 (2018- \$17,590) of deposit liability funds which are not available for current purposes.

Temporary investments consist of one month term deposits with varying interest rates of 2.5% to 2.6% if held to maturity.

**3. Taxes and grants in place of taxes receivables**

	2019	2018
Current year	\$ 121,022	\$ 104,570
Arrears	39,110	53,081
	\$ 160,132	\$ 157,651

**4. Trade and other receivables**

	2019	2018
Trade accounts	\$ 376,156	\$ 320,923
Local improvement levies	62,507	75,442
Due from Provincial government	46,988	518,354
GST receivable	37,958	271,634
Due from local governments	33,243	26,514
Under-levied Alberta School Foundation Fund tax requisition	26,898	-
	\$ 583,750	\$ 1,212,867

**5. Temporary Loans**

A temporary loan has been authorized by Alberta Treasury Branches to a maximum of \$450,000 which bears interest at prime less 0.50%.

Security pledged on this loan includes a general security agreement. As at December 31, 2019 there was no balance outstanding on the loan.

Subsequent to year end, the Town closed the temporary loan with Alberta Treasury Branches and obtained new financing through the Bank of Montreal with similar terms.

**TOWN OF CLARESHOLM**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
For the year ended December 31, 2019

**6. Employee benefit obligations**

	2019	2018
Vacation	\$ 203,727	\$ 203,137
Sick time	146,817	129,335
	<b>\$ 350,544</b>	<b>\$ 332,472</b>

**Vacation and sick time**

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**

The deferred revenue balance represents funds received for specific purposes that have not been spent by year end. Deferred revenue consists of the following:

	2019	2018
Sundry trust	\$ 205,868	\$ 180,550
Alberta Community Resilience Program	122,425	576,745
Cemetery	109,666	106,620
Offsite levies	65,990	65,808
MSI/FGTF capital grants	59,411	721,686
Family and Community Support Services	56,028	11,739
Subdivision fund	38,163	38,058
Taxi token prepayments	5,486	5,016
Fire services study	5,040	65,069
Winter festival	4,266	4,350
Parking fund	3,896	3,816
Parks Society	2,819	2,819
Walking path fund	2,103	2,075
Alberta Economic Development and Trade	-	32,878
	<b>\$ 681,161</b>	<b>\$ 1,817,229</b>

**TOWN OF CLARESHOLM**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
For the year ended December 31, 2019

**8. Long-term debt**

	2019	2018
Utility supported debentures	\$ 3,505,591	\$ 3,740,015
Tax supported debentures	212,187	314,687
Southcal Development Inc.	100,000	200,000
	\$ 3,817,778	\$ 4,254,702
Current portion	\$ 451,319	\$ 436,924

Principal and interest repayments are due as follows:

	Principal	Interest	Total
2020	\$ 451,319	\$ 179,633	\$ 630,952
2021	366,405	164,547	530,952
2022	272,418	149,364	421,782
2023	286,448	135,335	421,783
2024	214,919	120,562	335,481
Thereafter	2,226,269	559,995	2,786,264
	\$ 3,817,778	\$ 1,309,436	\$ 5,127,214

Debenture debt is repayable to Alberta Capital Finance Authority and bears interest at rates ranging from 2.306% to 5.875% per annum, before Provincial subsidy, and matures in periods 2021 through 2033. The average annual interest rate is 4.11% (4.11% for 2018). For qualifying debentures, the Province of Alberta rebates 60% of interest in excess of 8%, 9%, and 11% to a maximum annual rate of 12.5%, depending on the date borrowed. Debenture debt is issued on the credit and security of the Town of Claresholm at large.

The promissory note payable to Southcal Development Inc. in the amount of \$100,000 is payable at \$100,000 per year at 0% interest and is due in 2020.

Interest on long-term debt amounted to \$192,451 (2018 - \$193,571). The Town's total cash payments for interest in 2019 were \$194,028 (2018 - \$194,974).

**TOWN OF CLARESHOLM**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
For the year ended December 31, 2019

**9. Accumulated surplus**

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

	2019	2018
Unrestricted surplus	\$ 1,554,855	\$ 1,554,855
Internally restricted surplus (reserves) (note 11)	1,525,053	1,637,099
Equity in tangible capital assets (note 10)	25,776,622	28,470,924
	\$ 28,856,530	\$ 31,662,878

**10. Equity in tangible capital assets**

	2019	2018
Tangible capital assets (schedule 2)	\$ 94,030,581	\$ 96,074,302
Accumulated amortization (schedule 2)	(64,436,181)	(63,348,676)
Long-term debt (note 8)	(3,817,778)	(4,254,702)
	\$ 25,776,622	\$ 28,470,924

**11. Reserves**

Reserves for operating and capital activities are as follows:

	2019	2018
<b>Operating</b>		
Debt reduction	\$ 130,110	\$ 145,383
General	122,335	192,611
Trust accounts	53,180	52,140
Office	29,801	29,218
Physician recruitment fund	14,751	15,801
Fill dirt	11,832	11,601
Planning and development	9,561	10,000
Cemetery	748	734
Economic development	-	29,000
Museum	-	6,152
	372,318	492,640



**TOWN OF CLARESHOLM**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
For the year ended December 31, 2019

**11. Reserves, continued**

	2019	2018
<b>Capital</b>		
Land and development	287,923	282,290
Water and sewer	228,813	238,256
Fire truck	184,655	171,238
Garbage and recycling equipment	122,304	86,901
General	91,532	134,442
Parks and pathways	54,736	53,664
Playground rehabilitation	51,774	50,761
Acreage assessment	42,166	41,341
Arena	28,405	20,045
Tamarack subdivision	26,041	25,532
Enforcement vehicle	10,816	18,752
Tax recovery land	12,274	12,034
Cemetery	10,100	5,000
Museum	1,196	1,173
Multi-use Community Building	-	3,030
	1,152,735	1,144,459
	\$ 1,525,053	\$ 1,637,099

**12. Net municipal property taxes**

	Budget (Unaudited)	2019	2018
<b>Taxation</b>			
Real property taxes	\$ 4,300,159	\$ 4,323,877	\$ 4,218,057
Linear property taxes	108,128	108,127	104,832
Government grants in place of property taxes	39,616	34,312	40,228
Special assessments and local improvements	12,934	-	-
	4,460,837	4,466,316	4,363,117
<b>Requisitions</b>			
Alberta School Foundation Fund	1,121,579	1,148,477	1,102,791
Porcupine Hills Lodge	112,972	112,399	109,653
	1,234,551	1,260,876	1,212,444
	\$ 3,226,286	\$ 3,205,440	\$ 3,150,673

**TOWN OF CLARESHOLM**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
For the year ended December 31, 2019

**13. Government transfers**

	Budget (Unaudited)	2019	2018
<b>Transfers for operating:</b>			
Provincial government	\$ 390,713	\$ 358,053	\$ 506,267
Other local governments	221,476	182,070	294,837
	612,189	540,123	801,104
<b>Transfers for capital:</b>			
Provincial government	3,163,831	1,151,252	3,358,144
Federal government	216,500	66,900	334,816
	3,380,331	1,218,152	3,692,960
	\$ 3,992,520	\$ 1,758,275	\$ 4,494,064

**14. Expenses by object**

	Budget (Unaudited)	2019	2018
Salaries, wages and benefits	\$ 3,065,388	\$ 3,034,854	\$ 2,869,216
Contracted and general services	1,335,577	1,312,559	1,446,055
Materials, goods, supplies and utilities	1,360,626	1,311,033	1,487,179
Bank charges and short-term interest	-	477	3
Interest on long-term debt	194,030	192,451	193,571
Other expenditures	31,440	43,911	56,165
Transfers to organizations and others	401,917	361,049	339,713
Provision for allowances	-	255	-
Loss on disposal of tangible capital assets	-	2,889,968	-
Amortization of tangible capital assets	1,861,047	1,790,253	1,726,563
	\$ 8,250,025	\$ 10,936,810	\$ 8,118,465

**15. Administration expense**

Included in the \$4,130,465 of administration expenses is a loss on the disposal of the old elementary school of \$2,876,665, which includes costs of demolition. The building was originally received by the Town in 2016 for \$1, and was recorded as a donated asset at the estimated fair value of \$2,611,830. Due to code changes and updated costing estimates the renovation project was cancelled and the building costs were written off.

**TOWN OF CLARESHOLM**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
For the year ended December 31, 2019

**16. Salary and benefits disclosure**

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

	(1) Salary	(2) Benefits & allowances	2019	2018
<b>Council</b>				
Mayor MacPherson	\$ 15,983	\$ 395	\$ 16,378	\$ 17,317
Councillor Carlson	12,370	591	12,961	13,205
Councillor Cutler, M	12,377	100	12,477	2,388
Councillor Moore	11,703	100	11,803	13,282
Councillor Schlossberger	14,819	3,042	17,861	15,538
Councillor Schulze	12,069	689	12,758	13,204
Councillor Zimmer	10,842	591	11,433	12,766
Councillor Courage	-	-	-	8,372
Chief Administrative Officer	132,250	7,927	140,177	137,929
Designated Officers (2019: 5 positions, 2018: 5 positions)	\$ 399,855	\$ 99,805	\$ 499,660	\$ 468,931

(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, 2019

**17. Debt limits**

Section 276(2) of the Municipal Government Act requires that debt and debt limits as defined by Alberta Regulation 255/00 for the Town be disclosed as follows:

	2019	2018
Total debt limit	\$ 10,368,467	\$ 10,558,119
Total debt	3,817,778	4,254,702
	\$ 6,550,689	\$ 6,303,417
Debt servicing limit	\$ 1,728,078	\$ 1,759,687
Debt servicing	630,952	630,952
	\$ 1,097,126	\$ 1,128,735

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 which 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.

**18. Local authorities pension plan**

Employees of the Town participate in the Local Authorities Pension Plan (LAPP), which is one of the plans covered by the Alberta Public Sector Pensions Plans Act. The plan serves about 265,000 people and 421 employers. The LAPP is financed by the employer and employee contributions and by investment earnings of the LAPP Fund.

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

The Town is required to make current service contributions to the LAPP of 9.39% of pensionable earnings up to the year's maximum pensionable earnings under the Canada Pension Plan and 13.84% on pensionable earnings above this amount. Employees of the Town are required to make current service contributions of 8.39% of pensionable salary up to the year's maximum pensionable salary and 12.84% on pensionable salary above this amount.

Total current service contributions by the Town to the LAPP in 2019 were \$166,397 (2018 - \$191,139). Total current service contributions by the employees of the Town to the LAPP in 2019 were \$149,936 (2018 - \$174,013).

At December 31, 2018, the LAPP disclosed an actuarial surplus of \$3.469 million.

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**TOWN OF CLARESHOLM**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
For the year ended December 31, 2019

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**19. Financial instruments**

The Town's financial instruments consist of cash and temporary investments, accounts receivable, accounts payable, and accrued liabilities, employee benefit obligations, deposit 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.

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

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

**20. Approval of financial statements**

These financial statements were approved by Council and Management.

**21. Budget amounts**

The 2019 budget for the Town was approved by Council on May 13, 2019 and has been reported in the consolidated financial statements for information purposes only. These budget amounts have not been audited, reviewed, or otherwise verified.

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

Budgeted surplus per financial statements	\$ 2,257,430
Less: Capital expenses	(6,800,331)
Long-term debt repayments	(436,924)
Transfers to reserves	(394,600)
Add: Amortization	1,861,047
Transfers from reserves	713,378
Proceeds from long-term debt	2,800,000
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Equals: Balanced budget	\$ -
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**TOWN OF CLARESHOLM**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
For the year ended December 31, 2019

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**22. 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.

The Town has made a commitment to the Municipal District of Willow Creek to pay for one half of the costs for monitoring and maintenance of the Municipal District of Willow Creek's landfill for the next 2 years.

The Town has a future commitment to complete the Multi-use Community Building project starting in 2020. This project is expected to be funded by \$2,800,000 of debt and \$1,000,000 of grants.

The Town has entered into agreements with the MD of Willow Creek #26 for the conveyance and supply of potable water as well as the conveyance and treatment of sanitary sewer for various properties on the outskirts of Claresholm, Claresholm Airport and the Hamlet of Granum. The agreement also includes providing the MD with certified operators for testing and maintenance services for these utilities.

**23. Contaminated sites liability**

The Town has adopted PS3260 liability for contaminated sites. The Town did not identify any financial liabilities in 2019 (2018 - nil) as a result of this standard.

**24. Comparative figures**

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

**TOWN OF CLARESHOLM**  
**SCHEDULES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
For the year ended December 31, 2019

Schedule of changes in accumulated surplus	Schedule 1				
	Unrestricted	Restricted	Equity in tangible capital assets	2019	2018
Balance, beginning of year	\$ 1,554,855	\$ 1,637,099	\$ 28,470,924	\$ 31,662,878	\$ 29,049,637
(Deficiency) excess of revenue over expenses	(2,806,348)	-	-	(2,806,348)	2,613,241
Unrestricted funds designated for future use	(394,679)	394,679	-	-	-
Restricted funds used for operations	213,658	(213,658)	-	-	-
Restricted funds used for tangible capital assets	-	(293,067)	293,067	-	-
Current year funds used for tangible capital assets	(1,226,152)	-	1,226,152	-	-
Disposal of tangible capital assets	2,860,192	-	(2,860,192)	-	-
Amortization of tangible capital assets	1,790,253	-	(1,790,253)	-	-
Long-term debt repaid	(436,924)	-	436,924	-	-
Change in accumulated surplus	-	(112,046)	(2,694,302)	(2,806,348)	2,613,241
<b>Balance, end of year</b>	<b>\$ 1,554,855</b>	<b>\$ 1,525,053</b>	<b>\$ 25,776,622</b>	<b>\$ 28,856,530</b>	<b>\$ 31,662,878</b>

**TOWN OF CLARESHOLM**  
**SCHEDULES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
For the year ended December 31, 2019

**Schedule of tangible capital assets**

**Schedule 2**

	Land	Land improvements	Buildings	Engineered structures	Machinery and equipment	Vehicles	Construction in progress	2019	2018
<b>Cost:</b>									
Balance, beginning of year	\$ 1,204,040	\$ 1,872,320	\$ 15,571,940	\$ 73,346,580	\$ 1,864,963	\$ 1,615,928	\$ 598,530	\$ 96,074,302	\$ 93,126,308
Acquisitions	-	66,900	89,700	1,165,091	115,487	137,309	13,393	1,587,880	5,289,241
Transfers	-	6,633	-	147,534	26,090	-	(180,257)	-	-
Disposals	-	-	(2,680,490)	(466,993)	(110,856)	(46,496)	(326,766)	(3,631,601)	(2,341,247)
<b>Balance, end of year</b>	<b>1,204,040</b>	<b>1,945,853</b>	<b>12,981,150</b>	<b>74,192,212</b>	<b>1,895,684</b>	<b>1,706,741</b>	<b>104,900</b>	<b>94,030,581</b>	<b>96,074,302</b>
<b>Accumulated amortization:</b>									
Balance, beginning of year	-	745,910	6,333,977	54,051,073	1,210,633	1,007,083	-	63,348,676	63,751,956
Annual amortization	-	108,669	261,413	1,072,170	163,447	184,554	-	1,790,253	1,726,563
Disposals	-	-	(130,591)	(464,381)	(67,050)	(40,726)	-	(702,748)	(2,129,843)
<b>Balance, end of year</b>	<b>-</b>	<b>854,579</b>	<b>6,464,799</b>	<b>54,658,862</b>	<b>1,307,030</b>	<b>1,150,911</b>	<b>-</b>	<b>64,436,181</b>	<b>63,348,676</b>
<b>Net book value</b>	<b>\$ 1,204,040</b>	<b>\$ 1,091,274</b>	<b>\$ 6,516,351</b>	<b>\$ 19,533,350</b>	<b>\$ 588,654</b>	<b>\$ 555,830</b>	<b>\$ 104,900</b>	<b>\$ 29,594,400</b>	<b>\$ 32,725,626</b>
<b>2018 net book value</b>	<b>\$ 1,204,040</b>	<b>\$ 1,126,410</b>	<b>\$ 9,237,963</b>	<b>\$ 19,295,508</b>	<b>\$ 654,331</b>	<b>\$ 608,845</b>	<b>\$ 598,530</b>	<b>\$ 32,725,626</b>	



**TOWN OF CLARESHOLM**  
**SCHEDULE TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
For the year ended December 31, 2019

Schedule of segmented disclosure

Schedule 3

	General government	Protective services	Transportation services	Environmental services	Public health services	Planning and development	Recreation and culture	Total
<b>Revenue</b>								
Net municipal taxes	\$ 3,205,440	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,205,440
User fees and sales of goods	9,992	9,679	9,968	2,243,475	18,953	4,290	171,461	2,467,818
Government transfers for operating	124,016	67,323	-	-	246,535	35,906	66,343	540,123
Investment income	85,765	-	-	-	-	-	-	85,765
Penalties and costs of taxes	55,417	26,097	-	-	-	-	-	81,514
Licenses and permits	25,760	6,183	-	-	-	51,776	-	83,719
Gain on disposal of capital assets	-	-	18,233	-	-	-	1,727	19,960
Franchise and concession contracts	210,387	-	-	-	-	-	-	210,387
Rental	25,266	-	2,000	-	-	27,333	92,807	147,406
Other	38,288	21,900	-	-	1,800	-	8,190	70,178
	<b>3,780,331</b>	<b>131,182</b>	<b>30,201</b>	<b>2,243,475</b>	<b>267,288</b>	<b>119,305</b>	<b>340,528</b>	<b>6,912,310</b>
<b>Expenses</b>								
Salaries, wages and benefits	725,108	200,238	425,285	717,779	179,043	186,007	601,394	3,034,854
Contracted and general services	411,486	100,825	146,656	224,776	45,140	257,956	125,720	1,312,559
Materials, goods, supplies and utilities	81,719	58,685	517,372	457,453	9,980	2,463	183,361	1,311,033
Bank charges and short-term interest	477	-	-	-	-	-	-	477
Interest on long-term debt	-	-	-	185,879	-	-	6,572	192,451
Other expenditures	42,197	483	-	-	1,231	-	-	43,911
Transfers to organizations and others	87,147	-	-	-	88,627	-	185,275	361,049
Provision for allowances	-	-	-	255	-	-	-	255
Amortization of tangible capital assets	18,826	26,780	600,433	807,726	235	27,383	308,870	1,790,253
Loss on disposal of tangible capital assets	2,876,664	-	-	13,304	-	-	-	2,889,968
	<b>4,243,624</b>	<b>387,011</b>	<b>1,689,746</b>	<b>2,407,172</b>	<b>324,256</b>	<b>473,809</b>	<b>1,411,192</b>	<b>10,936,810</b>
<b>(Deficiency) excess of revenue over expenses before other</b>	<b>(463,293)</b>	<b>(255,829)</b>	<b>(1,659,545)</b>	<b>(163,697)</b>	<b>(56,968)</b>	<b>(354,504)</b>	<b>(1,070,664)</b>	<b>(4,024,500)</b>
<b>Other</b>								
Government transfers for capital	-	-	474,751	697,631	-	-	45,770	1,218,152
<b>(Deficiency) excess of revenue over expenses</b>	<b>\$ (463,293)</b>	<b>\$ (255,829)</b>	<b>\$ (1,184,794)</b>	<b>\$ 533,934</b>	<b>\$ (56,968)</b>	<b>\$ (354,504)</b>	<b>\$ (1,024,894)</b>	<b>\$ (2,806,348)</b>