

Town of Claresholm

Consolidated Financial Statements

For the Year Ended December 31, 2022

Town of Claresholm

December 31, 2022

CONTENTS

	Page
Management's Responsibility for Financial Reporting	1
Independent Auditor's Report	2 - 3
FINANCIAL STATEMENTS	
Consolidated Statement of Financial Position	4
Consolidated Statement of Operations	5
Consolidated Statement of Change in Net Financial Assets (Debt)	6
Consolidated Statement of Cash Flow	7
Schedule 1 - Schedule of Changes in Accumulated Surplus	8
Schedule 2 - Schedule of Tangible Capital Assets	9
Schedule 3 - Schedule of Property and Other Taxes	10
Schedule 4 - Schedule of Government Transfers	11
Schedule 5 - Schedule of Consolidated Expenses by Object	12
Schedule 6 - Schedule of Segmented Disclosure	13
Notes to Financial Statements	14 - 23

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, 2022 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).

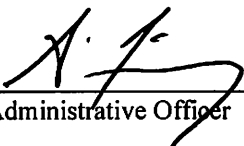
The consolidated financial statements include certain amounts based on estimates and judgments. Such amounts have been determined on a reasonable basis in order to ensure that the consolidated financial statements are presented fairly in all material respects.

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

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, 2022, 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, 2022, 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.

Strathmore, Alberta
March 27, 2023


Gregory, Harriman & Associates LLP
Chartered Professional Accountants

Town of Claresholm
Consolidated Statement of Financial Position
As at December 31, 2022

	2022	2021
FINANCIAL ASSETS		
Cash (Note 2)	\$ 2,332,594	\$ 3,180,026
Investments (Note 3)	3,065,636	2,400,000
Taxes and grants in place of taxes receivable (Note 4)	313,665	228,851
Trade and other receivables (Note 5)	1,064,566	637,093
Land inventory held for resale	10,370	12,442
	6,786,831	6,458,412
 LIABILITIES		
Accounts payable and accrued liabilities	304,942	385,234
Employee benefit obligations (Note 6)	552,407	381,767
Deposits	41,471	13,494
Deferred revenue (Note 7)	747,458	1,176,787
Long term debt (Notes 8, 9)	5,368,991	5,706,118
	7,015,269	7,663,400
 NET FINANCIAL DEBT	(228,438)	(1,204,988)
 NON-FINANCIAL ASSETS		
Prepaid expenses	130,828	98,152
Inventory for consumption	199,439	118,225
Tangible capital assets (Schedule 2)	33,267,064	33,120,820
	33,597,331	33,337,197
 ACCUMULATED SURPLUS (Schedule 1) (Note 10)	\$ 33,368,893	\$ 32,132,209
 COMMITMENTS AND CONTINGENCIES (Note 17)		

Approved by: _____ Mayor

_____ Chief Administrative Officer

Town of Claresholm
Consolidated Statement of Operations
For the Year Ended December 31, 2022

	<i>Budget</i> <i>(Unaudited)</i>	2022	<i>2021</i>
REVENUE			
Net municipal taxes (Schedule 3)	\$ 3,661,934	\$ 3,666,351	\$ 3,528,479
User fees and sales of goods	3,091,989	3,489,464	3,402,678
Government transfers for operating (Schedule 4)	548,010	556,583	555,238
Franchise and concession contracts	262,000	288,994	227,944
Licenses and permits	113,000	107,668	124,633
Rental	130,330	155,857	109,814
Other	114,300	148,232	150,832
Investment income	66,000	148,294	55,661
Penalties and costs on taxes	80,100	106,633	110,339
Gain on disposal of capital assets	40,000	39,175	80,622
TOTAL REVENUE	<u>8,107,663</u>	<u>8,707,251</u>	<u>8,346,240</u>
EXPENSES (Schedule 5)			
Legislative	116,900	115,067	108,042
Administration	1,558,911	1,554,106	1,488,670
Policing	168,179	140,293	103,538
Fire	230,898	247,191	213,264
Bylaw enforcement and emergency management	133,930	137,218	104,011
Common and equipment pool	614,901	625,501	676,592
Roads, streets, walks and lighting	857,798	948,083	806,420
Airport	-	-	17,250
Storm sewers and drainage	265,961	263,491	267,110
Water supply and distribution	1,265,961	1,260,666	1,209,775
Wastewater treatment and disposal	533,867	489,772	495,708
Solid waste management	384,296	431,004	431,039
Recycling program	301,984	297,436	294,324
Family and community support services	252,438	256,527	218,701
Cemeteries and crematoriums	20,525	23,048	23,757
Other public health and welfare	39,292	37,906	38,824
Economic development	417,226	353,422	300,387
Planning and development	241,208	243,334	255,067
Parks and recreation	998,017	1,149,010	943,336
Culture - library and museum	403,602	421,222	372,359
TOTAL EXPENSES	<u>8,805,894</u>	<u>8,994,297</u>	<u>8,368,174</u>
SHORTFALL OF REVENUE OVER EXPENSES - BEFORE OTHER	<u>(698,231)</u>	<u>(287,046)</u>	<u>(21,934)</u>
OTHER			
Government transfers for capital (Schedule 4)	1,691,734	1,523,730	2,074,429
	<u>1,691,734</u>	<u>1,523,730</u>	<u>2,074,429</u>
EXCESS OF REVENUE OVER EXPENSES	993,503	1,236,684	2,052,495
ACCUMULATED SURPLUS, BEGINNING OF YEAR	<u>32,132,209</u>	<u>32,132,209</u>	<u>30,079,714</u>
ACCUMULATED SURPLUS, END OF YEAR	<u>\$ 33,125,712</u>	<u>\$ 33,368,893</u>	<u>\$ 32,132,209</u>

Town of Claresholm
Consolidated Statement of Change in Net Financial Assets (Debt)
For the Year Ended December 31, 2022

	<u>Budget</u> <i>(Unaudited)</i>	<u>2022</u>	<u>2021</u>
EXCESS (SHORTFALL) OF REVENUE OVER EXPENSES	\$ 993,503	\$ 1,236,684	\$ 2,052,495
Acquisition of tangible capital assets	(2,259,334)	(2,032,638)	(2,706,912)
Amortization of tangible capital assets	1,805,159	1,881,857	1,793,506
Loss (gain) on disposal of tangible capital assets	-	(39,175)	(80,622)
Proceeds on disposal of tangible capital assets	-	43,712	132,756
	<u>(454,175)</u>	<u>(146,244)</u>	<u>(861,272)</u>
Net change in inventory for consumption	-	(81,214)	4,079
Net change in prepaid expenses	-	(32,676)	72,804
	-	(113,890)	76,883
INCREASE (DECREASE) IN NET ASSETS (DEBT)	539,328	976,550	1,268,106
NET FINANCIAL ASSETS (DEBT), BEGINNING OF YEAR	<u>(1,204,988)</u>	<u>(1,204,988)</u>	<u>(2,473,094)</u>
NET FINANCIAL ASSETS (DEBT), END OF YEAR	<u>\$ (665,660)</u>	<u>\$ (228,438)</u>	<u>\$ (1,204,988)</u>

Town of Claresholm
Consolidated Statement of Cash Flow
For the Year Ended December 31, 2022

	2022	2021
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:		
Operating		
Excess (shortfall) of revenue over expenses	\$ 1,236,684	\$ 2,052,495
Non-cash items included in excess (shortfall) of revenue over expenses:		
Amortization of tangible capital assets	1,881,857	1,793,506
Loss (gain) on disposal of tangible capital assets	(39,175)	(80,622)
	3,079,366	3,765,379
Non-cash charges to operations (net change):		
Decrease (increase) in taxes and grants in place of taxes receivables	(84,814)	(29,109)
Decrease (increase) in trade and other receivables	(427,473)	36,620
Decrease (increase) in land inventory held for sale	2,072	403
Decrease (increase) in inventory for consumption	(81,214)	4,079
Decrease (increase) in prepaid expense	(32,676)	72,804
Increase (decrease) in accounts payable and accrued liabilities	(80,292)	(450,552)
Increase (decrease) in employee benefit obligations	170,640	13,589
Increase (decrease) in deposits	27,977	(1,511)
Increase (decrease) in deferred revenue	(429,329)	(320,630)
	2,144,257	3,091,072
Capital		
Acquisition of tangible capital assets	(2,032,638)	(2,706,912)
Proceeds on disposal of tangible capital assets	43,712	132,756
Cash applied to capital transactions	(1,988,926)	(2,574,156)
Investing		
Decrease (increase) in investments	(665,636)	(2,400,000)
Cash applied to investing transactions	(665,636)	(2,400,000)
Financing		
Repayment of long-term debt	(337,127)	(429,437)
Cash applied to financing transactions	(337,127)	(429,437)
Change in cash and cash equivalents during the year	(847,432)	(2,312,521)
Net Cash, beginning of year	3,180,026	5,492,547
Net Cash, end of year	\$ 2,332,594	\$ 3,180,026
Net Cash is made up of:		
Unrestricted cash (Note 2)	\$ 1,543,665	1,989,745
Unspent grant funds (Note 2)	747,458	1,176,787
Deposits held (Note 2)	41,471	13,494
	\$ 2,332,594	3,180,026

Town of Claresholm
Schedule of Changes in Accumulated Surplus
For the Year Ended December 31, 2022
(Schedule 1)

	Unrestricted Surplus	Restricted Surplus	Equity in Tangible Capital Assets	2022	2021
BALANCE, BEGINNING OF YEAR	\$ 1,554,855	\$ 3,162,650	\$ 27,414,704	\$ 32,132,209	\$ 30,079,714
Excess (shortfall) of revenue over expenses	1,236,684	-	-	1,236,684	2,052,495
Unrestricted funds designated for future use	(1,444,114)	1,444,114	-	-	-
Restricted funds used for operations	126,107	(126,107)	-	-	-
Current year funds used for tangible capital assets	(1,467,946)	(564,692)	2,032,638	-	-
Disposal of tangible capital assets	4,538	-	(4,538)	-	-
Annual amortization expense	1,881,857	-	(1,881,857)	-	-
Capital long term debt repaid	(337,126)	-	337,126	-	-
Change in accumulated surplus	-	753,315	483,369	1,236,684	2,052,495
BALANCE, END OF YEAR	\$ 1,554,855	\$ 3,915,965	\$ 27,898,073	\$ 33,368,893	\$ 32,132,209

Town of Claresholm
Schedule of Tangible Capital Assets
For the Year Ended December 31, 2022
(Schedule 2)

	Land	Land Improvements	Buildings	Engineered Structures	Machinery and Equipment	Vehicles	2022	2021
COST:								
BALANCE, BEGINNING OF YEAR	\$ 1,406,708	\$ 2,318,561	\$ 16,676,167	\$ 76,052,799	\$ 2,203,821	\$ 1,863,610	\$ 100,521,666	\$ 97,975,806
Acquisition of tangible capital assets	100,165	136,367	452,467	1,254,121	-	-	1,943,120	2,683,033
Construction in progress	-	12,176	-	77,342	-	-	89,518	138,780
Disposal of tangible capital assets	-	-	-	(142,942)	-	(152,708)	(295,650)	(275,953)
BALANCE, END OF YEAR	1,506,873	2,467,104	17,128,634	77,241,320	2,203,821	1,710,902	102,258,654	100,521,666
ACCUMULATED AMORTIZATION:								
BALANCE, BEGINNING OF YEAR	-	1,065,972	6,834,882	56,622,376	1,478,783	1,398,833	67,400,846	65,831,159
Annual amortization	-	107,737	335,900	1,121,000	190,619	126,601	1,881,857	1,793,506
Accumulated amortization on disposals	-	-	-	(140,795)	-	(150,318)	(291,113)	(223,819)
BALANCE, END OF YEAR	-	1,173,709	7,170,782	57,602,581	1,669,402	1,375,116	68,991,590	67,400,846
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	\$ 1,506,873	\$ 1,293,395	\$ 9,957,852	\$ 19,638,739	\$ 534,419	\$ 335,786	\$ 33,267,064	\$ 33,120,820
2021 Net Book Value of Tangible Capital Assets	\$ 1,406,708	\$ 1,252,589	\$ 9,841,285	\$ 19,430,423	\$ 725,038	\$ 464,777	\$ 33,120,820	

Town of Claresholm
Schedule of Property and Other Taxes
For the Year Ended December 31, 2022
(Schedule 3)

	<i>Budget</i> <i>(Unaudited)</i>	2022	2021
TAXATION			
Real property taxes	\$ 4,965,264	\$ 4,962,261	\$ 4,735,990
Linear property taxes	120,933	131,986	118,565
Government grants in place of property taxes	30,157	31,028	29,566
Special assessments and local improvements	5,140	-	-
	<u>5,121,494</u>	<u>5,125,275</u>	<u>4,884,121</u>
REQUISITIONS			
Alberta School Foundation Fund	1,338,137	1,338,136	1,241,619
Porcupine Hills Lodge	120,788	120,788	114,023
Designated Industrial Property	635	-	-
	<u>1,459,560</u>	<u>1,458,924</u>	<u>1,355,642</u>
NET MUNICIPAL PROPERTY TAXES	<u>\$ 3,661,934</u>	<u>\$ 3,666,351</u>	<u>\$ 3,528,479</u>

Town of Claresholm
Schedule of Government Transfers
For the Year Ended December 31, 2022
(Schedule 4)

	<i>Budget (Unaudited)</i>	2022	2021
TRANSFERS FOR OPERATING			
Provincial Government	\$ 345,671	\$ 353,745	\$ 372,029
Other Local Governments	202,339	202,838	183,209
	<u>548,010</u>	<u>556,583</u>	<u>555,238</u>
TRANSFERS FOR CAPITAL			
Provincial Government	909,484	850,337	1,910,520
Federal Government	782,250	673,393	163,909
	<u>1,691,734</u>	<u>1,523,730</u>	<u>2,074,429</u>
TOTAL GOVERNMENT TRANSFERS	<u>\$ 2,239,744</u>	<u>\$ 2,080,313</u>	<u>\$ 2,629,667</u>

Town of Claresholm
Schedule of Consolidated Expenses by Object
For the Year Ended December 31, 2022
(Schedule 5)

	<i>Budget</i> <i>(Unaudited)</i>	2022	2021
CONSOLIDATED EXPENSES BY OBJECT			
Salaries, wages and benefits	\$ 3,177,113	\$ 3,390,488	\$ 2,996,669
Contracted and general services	1,731,600	1,633,163	1,614,738
Materials, goods, supplies and utilities	1,349,490	1,407,240	1,226,023
Bank charges and short-term interest	500	1,102	878
Interest on long-term debt	220,326	218,520	235,364
Other expenditures	90,040	39,952	137,082
Transfers to organizations and others	431,666	421,975	363,914
Amortization of tangible capital assets	1,805,159	1,881,857	1,793,506
	<u>\$ 8,805,894</u>	<u>\$ 8,994,297</u>	<u>\$ 8,368,174</u>

Town of Claresholm
Schedule of Segmented Disclosure
For the Year Ended December 31, 2022
(Schedule 6)

	General Government	Protective Services	Transportation Services	Environmental Services	Public Health Services	Planning & Development	Recreation & Culture	Total
REVENUE								
Net municipal taxes	\$ 3,666,351	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,666,351
User fees and sales of goods	7,503	6,167	-	3,119,677	19,831	185,099	150,873	3,489,150
Government transfers for operating	38,500	9,000	-	-	242,428	158,968	107,687	556,583
Investment income	148,294	-	-	-	-	-	-	148,294
Penalties and cost of taxes	101,069	5,563	-	-	-	-	-	106,632
Licenses and permits	24,498	7,030	-	-	-	76,141	-	107,669
Franchise and concession contracts	288,994	-	-	-	-	-	-	288,994
Rental	50,416	-	-	-	-	-	105,441	155,857
Government transfers for capital	-	-	645,583	265,726	-	-	612,421	1,523,730
Other revenues	67,176	39,197	1,555	-	3,868	-	36,750	148,546
Gain on disposal of tangible capital assets	-	15,614	23,561	-	-	-	-	39,175
	<u>4,392,801</u>	<u>82,571</u>	<u>670,699</u>	<u>3,385,403</u>	<u>266,127</u>	<u>420,208</u>	<u>1,013,172</u>	<u>10,230,981</u>
EXPENSES								
Salaries and wages	806,343	246,474	499,905	665,023	164,456	331,320	676,967	3,390,488
Contract and general services	439,033	169,364	162,417	500,663	54,407	233,115	74,164	1,633,163
Goods and supplies	93,718	70,914	518,014	454,325	9,946	1,386	258,937	1,407,240
Bank charges	1,102	-	-	-	-	-	-	1,102
Long term debt interest	70,887	-	-	147,633	-	-	-	218,520
Other expenses	37,619	213	-	236	1,884	-	-	39,952
Transfers to organizations and others	89,310	-	-	-	86,365	-	246,300	421,975
	<u>1,538,012</u>	<u>486,965</u>	<u>1,180,336</u>	<u>1,767,880</u>	<u>317,058</u>	<u>565,821</u>	<u>1,256,368</u>	<u>7,112,440</u>
NET REVENUE, BEFORE AMORTIZATION	2,854,789	(404,394)	(509,637)	1,617,523	(50,931)	(145,613)	(243,196)	3,118,541
Amortization expense	132,877	37,738	656,739	710,996	423	27,383	315,701	1,881,857
NET REVENUE	<u>\$ 2,721,912</u>	<u>\$ (442,132)</u>	<u>\$ (1,166,376)</u>	<u>\$ 906,527</u>	<u>\$ (51,354)</u>	<u>\$ (172,996)</u>	<u>\$ (558,897)</u>	<u>\$ 1,236,684</u>

Segmented Disclosure (Note 19)

Town of Claresholm
Notes to the Consolidated Financial Statements
For the Year Ended December 31, 2022

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, 2022

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.

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Town of Claresholm
Notes to the Consolidated Financial Statements
For the Year Ended December 31, 2022

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 as follows:

	YEARS	METHOD
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

For assets that are amortized using the declining balance method they will be amortized at rates based on their maximum useful lives as per the following formula: $(1/\text{useful life})^3$

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.

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Town of Claresholm
Notes to the Consolidated Financial Statements
For the Year Ended December 31, 2022

1) SIGNIFICANT ACCOUNTING POLICIES (continued)

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

2) CASH

	2022	2021
Savings - Reserves	\$ 1,444,440	\$ 1,013,818
Chequing account	456,303	151,853
Savings - Operating	314,109	1,899,349
Savings - Deferred revenue	117,742	115,006
	\$ 2,332,594	\$ 3,180,026

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, \$747,458 (2021 - \$1,176,787) is not available for general use by the Town (*Note 7*).

Included in cash is \$41,471 (2021 - \$13,494) 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 6.45%.

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, 2022 there were no balances outstanding on these loans.

3) INVESTMENTS

	2022	2021
GIC - Reserves	\$ 2,056,536	1,400,000.00
GIC - Operating	1,009,100	1,000,000.00
	\$ 3,065,636	2,400,000.00

Investments are comprised of Canaccord Genuity Wealth Management GICs bearing interest from 1.2% to 4.9% maturing between January 2023 and July 2025.

4) TAXES AND GRANTS IN PLACE OF TAXES RECEIVABLE

	2022	2021
Current year	\$ 254,362	\$ 182,635
Arrears	59,303	46,216
	\$ 313,665	\$ 228,851

Town of Claresholm
Notes to the Consolidated Financial Statements
For the Year Ended December 31, 2022

5) TRADE AND OTHER RECEIVABLES	2022	2021
Trade accounts	\$ 579,565	\$ 512,735
Due from Provincial government	350,987	4,381
Goods and Services Tax receivable	68,366	43,507
Local improvement levies	32,883	36,173
Due from local governments	32,765	40,297
	\$ 1,064,566	\$ 637,093

6) EMPLOYEE BENEFIT OBLIGATIONS	2022	2021
Sick time	\$ 307,140	\$ 151,052
Vacation	245,267	230,715
	\$ 552,407	\$ 381,767

The employee benefit obligations liability is comprised of the vacation and sick time that employees are deferring to future years.

7) DEFERRED REVENUE	2022	2021
MSI/CCBF (FGTF) capital grants	\$ 238,266	\$ 318,676
Sundry trust	130,795	127,588
Cemetery	111,377	111,184
Offsite levies	70,592	68,951
Family and Community Support Services	67,269	135,374
Alberta settlement and integration program	57,012	193,106
Subdivision fund	40,856	39,906
Skate park	13,186	22,871
Taxi token prepayments	5,541	5,510
Parking fund	4,088	3,993
Parks Society	2,819	2,819
Walking path fund	2,207	2,156
Rural physician associate program grant	1,964	2,378
Winter festival	1,486	1,486
Community facility enhancement grant	-	77,334
Alberta Community Resilience Program	-	40,581
Labour market partnership project grant	-	22,874
	\$ 747,458	\$ 1,176,787

Town of Claresholm
Notes to the Consolidated Financial Statements
For the Year Ended December 31, 2022

8) LONG TERM DEBT	2022	2021
Utility supported debentures	\$ 2,727,636	\$ 3,000,055
Tax supported debentures	2,641,355	2,706,063
	5,368,991	5,706,118
Less: Current portion of long term debt	(352,874)	(337,126)
	\$ 5,016,117	\$ 5,368,992

Principal and interest repayments are due as follows:

	Principal	Interest	Total
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
2027	321,762	149,388	471,150
Thereafter	3,807,557	1,024,838	4,832,395
	\$ 5,368,991	\$ 1,905,460	\$ 7,274,451

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 4.19% (3.81% for 2021). Debenture debt is issued on the credit and security of the Town of Claresholm at large.

Interest on long-term debt amounted to \$218,520 (2021 - \$235,363). The Town's total cash payments for interest in 2022 were \$220,326 (2021 - \$237,183).

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:

	2022	2021
Total debt limit	\$ 13,060,877	\$ 12,519,360
Total debt <i>(Note 8)</i>	5,368,991	5,706,118
Amount of surplus debt limit	\$ 7,691,886	\$ 6,813,242
Debt servicing limit	\$ 2,176,813	\$ 2,086,560
Debt servicing	557,453	557,452
Amount of surplus debt servicing limit	\$ 1,619,360	\$ 1,529,108

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, 2022

10) ACCUMULATED SURPLUS

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

	2022	2021
Unrestricted surplus	\$ 1,554,855	\$ 1,554,855
Internally restricted surplus (reserves) (Note 12)	3,915,965	3,162,650
Equity in tangible capital assets (Note 11)	27,898,073	27,414,704
	\$ 33,368,893	\$ 32,132,209

11) EQUITY IN TANGIBLE CAPITAL ASSETS

	2022	2021
Tangible capital assets (Schedule 2)	\$ 102,258,654	\$ 100,521,666
Accumulated amortization (Schedule 2)	(68,991,590)	(67,400,846)
Long term debt - Capital (Note 8)	(5,368,991)	(5,706,118)
	\$ 27,898,073	\$ 27,414,704

12) RESERVES

Reserves for operating and capital activities are as follows:

	2022	2021
Operating		
General	161,908	167,892
Trust accounts	55,603	54,488
Policing costs	37,397	28,030
Economic development	22,450	33,331
Fill dirt	17,704	37,349
Office	16,873	30,534
Healthcare professional recruitment	13,130	14,067
Cemetery	782	767
	325,847	366,458
Capital		
Water and sewer	2,074,145	1,444,032
Land and development	721,973	629,179
Fire	267,561	218,409
Garbage and recycling equipment	167,026	152,952
Arena	92,033	77,067
Recreation	50,434	24,822
Acreage assessment	44,087	43,203
Parks and pathways	42,517	41,664
General	40,835	41,992
Cemetery	29,466	23,637
Tamarack subdivision	27,228	26,682
Tax recovery land	12,833	12,576
Playground rehabilitation	10,869	53,048
Enforcement vehicle	9,111	6,929
	3,590,118	2,796,192
	\$ 3,915,965	\$ 3,162,650

Town of Claresholm
Notes to the Consolidated Financial Statements
For the Year Ended December 31, 2022

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 2022	Total 2021
Council				
Mayor Petrovic	\$ 18,418	\$ 950	\$ 19,368	4,689
Councillor Carlson	11,165	537	11,702	11,357
Councillor Cutler	11,093	533	11,626	13,251
Councillor Kettles	10,899	522	11,421	3,281
Councillor Meister	14,812	745	15,557	4,073
Councillor Schlossberger	15,972	811	16,783	14,365
Councillor Zimmer	11,199	539	11,738	10,984
Mayor MacPherson	-	-	-	12,592
Councillor Moore	-	-	-	7,868
Councillor Schulze	-	-	-	8,578
	<u>93,558</u>	<u>4,637</u>	<u>98,195</u>	<u>91,038</u>
Chief Administrative Officer	135,000	28,284	163,284	163,669
Designated Officers (2022:6 positions, 2021: 5 positions)	417,179	91,426	508,605	472,445
	<u>\$ 645,737</u>	<u>\$ 124,347</u>	<u>\$ 770,084</u>	<u>\$ 727,152</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, 2022

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 282,000 people and 435 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 8.45% of pensionable earnings up to the year's maximum pensionable earnings under the Canada Pension Plan and 12.80% on pensionable earnings above this amount. Employees of the Town are required to make current service contributions of 7.45% of pensionable salary up to the year's maximum pensionable salary and 11.80% on pensionable salary above this amount.

Total current service contributions by the Town to the LAPP in 2022 were \$180,046 (2021 - \$181,380). Total current service contributions by the employees of the Town to the LAPP in 2022 were \$160,326 (2021 - \$163,388).

At December 31, 2021 the LAPP disclosed an actuarial surplus of \$11.92 million.

For further information of the amount of LAPP deficiency/surplus information see:
www.lapp.ca/page/annual-reports

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, 2022

16) BUDGET AMOUNTS

The 2022 budget for the Town was approved by Council on April 25, 2022 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		\$	993,503
Less:	Capital expenses		(2,259,334)
	Long-term debt repayments		(337,127)
	Transfers to reserves		(819,222)
Add:	Amortization		1,805,159
	Transfers from reserves		617,021
<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) CONTAMINATED SITES LIABILITY

The Town has adopted PS3260 liability for contaminated sites. The Town did not identify any financial liabilities in 2022 (2021 - nil) as a result of this standard.

19) 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.

20) COMPARATIVE FIGURES

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