

Town of Claresholm

Consolidated Financial Statements

For the Year Ended December 31, 2023

Town of Claresholm

December 31, 2023

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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, 2023 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).

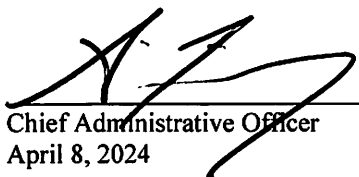
The consolidated financial statements include certain amounts based on estimates and judgments. Such amounts have been determined on a reasonable basis in order to ensure that the consolidated financial statements are presented fairly in all material respects.

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 8, 2024



INDEPENDENT AUDITOR'S 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, 2023, 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, 2023, 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 Auditor's 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.

Auditor's 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 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:

- 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 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 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.

Gregory, Harriman & Associates LLP

Strathmore, Alberta
April 8, 2024

Gregory, Harriman & Associates LLP
Chartered Professional Accountants

**Town of Claresholm
Consolidated Statement of Financial Position
As at December 31, 2023**

	2023	2022
FINANCIAL ASSETS		
Cash (Note 2)	\$ 3,717,139	\$ 2,332,594
Investments (Note 3)	4,165,636	3,065,636
Taxes and grants in place of taxes receivable (Note 4)	170,997	313,665
Trade and other receivables (Note 5)	1,176,273	1,064,566
Land inventory held for resale	9,174	10,370
	9,239,219	6,786,831
 LIABILITIES		
Accounts payable and accrued liabilities	575,304	304,942
Employee benefit obligations (Note 6)	554,363	552,407
Deposits	19,040	41,471
Deferred revenue (Note 7)	2,602,572	747,458
Long term debt (Notes 8, 9)	5,016,118	5,368,991
Asset retirement obligation (Note 10)	188,650	-
	8,956,047	7,015,269
 NET FINANCIAL ASSETS (DEBT)	 283,172	 (228,438)
 NON-FINANCIAL ASSETS		
Prepaid expenses	170,008	130,828
Inventory for consumption	264,130	199,439
Tangible capital assets (Schedule 2)	33,474,318	33,267,064
	33,908,456	33,597,331
 ACCUMULATED SURPLUS (Schedule 1) (Note 11)	 \$ 34,191,628	 \$ 33,368,893
 COMMITMENTS AND CONTINGENCIES (Note 18)		

Approved by:  Mayor  Chief Administrative Officer

**Town of Claresholm
Consolidated Statement of Operations
For the Year Ended December 31, 2023**

	<i>Budget</i> <i>(Unaudited)</i>	2023	<i>2022</i>
REVENUE			
Net municipal taxes (Schedule 3)	\$ 3,745,982	\$ 3,739,547	\$ 3,666,351
User fees and sales of goods	3,481,962	3,582,158	3,538,191
Government transfers for operating (Schedule 4)	650,751	627,334	556,583
Franchise and concession contracts	292,000	291,760	288,994
Licenses and permits	113,500	112,549	107,668
Rental	134,700	143,252	155,857
Other	211,200	186,575	99,505
Investment income	105,000	328,960	148,294
Penalties and costs on taxes	86,600	98,552	106,633
Gain on disposal of capital assets	60,000	242,426	39,175
TOTAL REVENUE	8,881,695	9,353,113	8,707,251
EXPENSES (Schedule 5)			
Legislative	116,150	114,152	115,067
Administration	1,536,466	1,528,736	1,554,106
Policing	224,238	208,834	140,293
Fire	237,464	223,594	247,191
Bylaw enforcement and emergency management	139,548	118,476	137,218
Common and equipment pool	598,057	670,275	625,501
Roads, streets, walks and lighting	932,822	945,906	948,083
Storm sewers and drainage	255,284	254,349	263,491
Water supply and distribution	1,323,456	1,420,244	1,260,666
Wastewater treatment and disposal	506,753	484,189	489,772
Solid waste management	382,934	888,586	431,004
Recycling program	310,477	314,119	297,436
Family and community support services	246,868	259,751	256,527
Cemeteries and crematoriums	24,941	25,770	23,048
Other public health and welfare	28,000	28,757	37,906
Economic development	354,268	278,098	353,422
Planning and development	353,150	322,286	243,334
Parks and recreation	1,062,425	1,101,855	1,149,010
Culture - library and museum	417,415	401,916	421,222
TOTAL EXPENSES	9,050,716	9,589,893	8,994,297
SHORTFALL OF REVENUE OVER EXPENSES - BEFORE OTHER	(169,021)	(236,780)	(287,046)
OTHER			
Government transfers for capital (Schedule 4)	1,319,018	1,059,515	1,523,730
	<u>1,319,018</u>	<u>1,059,515</u>	<u>1,523,730</u>
EXCESS OF REVENUE OVER EXPENSES	1,149,997	822,735	1,236,684
ACCUMULATED SURPLUS, BEGINNING OF YEAR	33,368,893	33,368,893	32,132,209
ACCUMULATED SURPLUS, END OF YEAR	\$ 34,518,890	\$ 34,191,628	\$ 33,368,893

Town of Claresholm
Consolidated Statement of Change in Net Financial Assets (Debt)
For the Year Ended December 31, 2023

	<i>Budget</i> <i>(Unaudited)</i>	2023	<i>2022</i>
EXCESS OF REVENUE OVER EXPENSES	\$ 1,149,997	\$ 822,735	\$ 1,236,684
Acquisition of tangible capital assets	(2,559,262)	(2,193,565)	(2,032,638)
Amortization of tangible capital assets	1,792,787	1,922,099	1,881,857
Loss (gain) on disposal of tangible capital assets	-	(242,426)	(39,175)
Proceeds on disposal of tangible capital assets	60,000	306,638	43,712
	<u>(706,475)</u>	<u>(207,254)</u>	<u>(146,244)</u>
For the Year Ended December 31, 2023			
Net change in inventory for consumption	-	(64,691)	(81,214)
Net change in prepaid expenses	-	(39,180)	(32,676)
	<u>-</u>	<u>(103,871)</u>	<u>(113,890)</u>
INCREASE (DECREASE) IN NET ASSETS (DEBT)	443,522	511,610	976,550
NET FINANCIAL ASSETS (DEBT), BEGINNING OF YEAR	<u>(228,438)</u>	<u>(228,438)</u>	<u>(1,204,988)</u>
NET FINANCIAL ASSETS (DEBT), END OF YEAR	<u>\$ 215,084</u>	<u>\$ 283,172</u>	<u>\$ (228,438)</u>

**Town of Claresholm
Consolidated Statement of Cash Flow
For the Year Ended December 31, 2023**

	2023	2022
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:		
Operating		
Excess of revenue over expenses	\$ 822,735	\$ 1,236,684
Non-cash items included in excess of revenue over expenses:		
Amortization of tangible capital assets	1,922,099	1,881,857
Gain on disposal of tangible capital assets	<u>(242,426)</u>	<u>(39,175)</u>
	2,502,408	3,079,366
Non-cash charges to operations (net change):		
Decrease (increase) in taxes and grants in place of taxes receivables	142,668	(84,814)
Decrease (increase) in trade and other receivables	(111,707)	(427,473)
Decrease (increase) in land inventory held for sale	1,196	2,072
Decrease (increase) in inventory for consumption	(64,691)	(81,214)
Decrease (increase) in prepaid expense	(39,180)	(32,676)
Increase (decrease) in accounts payable and accrued liabilities	270,362	(80,292)
Increase (decrease) in employee benefit obligations	1,956	170,640
Increase (decrease) in deposits	(22,431)	27,977
Increase (decrease) in deferred revenue	1,855,114	(429,329)
Increase (decrease) in asset retirement obligation	<u>188,650</u>	<u>-</u>
Net cash provided by operating transactions	4,724,345	2,144,257
Capital		
Acquisition of tangible capital assets	(2,193,565)	(2,032,638)
Proceeds on disposal of tangible capital assets	306,638	43,712
Cash applied to capital transactions	<u>(1,886,927)</u>	<u>(1,988,926)</u>
Investing		
Decrease (increase) in investments	<u>(1,100,000)</u>	<u>(665,636)</u>
Cash applied to investing transactions	<u>(1,100,000)</u>	<u>(665,636)</u>
Financing		
Repayment of long-term debt	<u>(352,873)</u>	<u>(337,127)</u>
Cash applied to financing transactions	<u>(352,873)</u>	<u>(337,127)</u>
Change in cash and cash equivalents during the year	1,384,545	(847,432)
Net Cash, beginning of year	<u>2,332,594</u>	<u>3,180,026</u>
Net Cash, end of year	\$ 3,717,139	\$ 2,332,594
Net Cash is made up of:		
Unrestricted cash (Note 2)	\$ 1,095,527	1,543,665
Unspent grant funds (Note 2)	2,602,572	747,458
Deposits held (Note 2)	19,040	41,471
	<u>\$ 3,717,139</u>	<u>2,332,594</u>

The accompanying notes form an integral part of these financial statements.

Town of Claresholm
Schedule of Changes in Accumulated Surplus
For the Year Ended December 31, 2023
(Schedule 1)

	Unrestricted Surplus	Restricted Surplus	Equity in Tangible Capital Assets	2023	2022
BALANCE, BEGINNING OF YEAR	\$ 1,554,855	\$ 3,915,965	\$ 27,898,073	\$ 33,368,893	\$ 32,132,209
Excess of revenue over expenses	822,735	-	-	822,735	1,236,684
Unrestricted funds designated for future use	(1,691,787)	1,691,787	-	-	-
Restricted funds used for operations	465,031	(465,031)	-	-	-
Current year funds used for tangible capital assets	(1,229,417)	(775,498)	2,004,915	-	-
Disposal of tangible capital assets	64,213	-	(64,213)	-	-
Annual amortization expense	1,922,099	-	(1,922,099)	-	-
Capital long term debt repaid	(352,874)	-	352,874	-	-
Change in accumulated surplus	-	451,258	371,477	822,735	1,236,684
BALANCE, END OF YEAR	\$ 1,554,855	\$ 4,367,223	\$ 28,269,550	\$ 34,191,628	\$ 33,368,893

The accompanying notes form an integral part of these financial statements.

**Town of Claresholm
Schedule of Tangible Capital Assets
For the Year Ended December 31, 2023
(Schedule 2)**

	Land	Land Improvements	Buildings	Engineered Structures	Machinery and Equipment	Vehicles	2023	2022
COST:								
BALANCE, BEGINNING 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
Acquisition of tangible capital assets	-	236,835	259,892	418,903	50,316	757,327	1,723,273	1,943,120
Construction in progress	-	-	62,351	407,941	-	-	470,292	89,518
Disposal of tangible capital assets	(41,623)	-	-	(21,092)	(51,516)	-	(114,231)	(295,650)
BALANCE, END OF YEAR	1,465,250	2,703,939	17,450,877	78,047,072	2,202,621	2,468,229	104,337,988	102,258,654
ACCUMULATED AMORTIZATION:								
BALANCE, BEGINNING OF YEAR	-	1,173,709	7,170,782	57,602,581	1,669,402	1,375,116	68,991,590	67,400,846
Annual amortization	-	114,728	346,574	1,119,551	137,604	203,642	1,922,099	1,881,857
Accumulated amortization on disposals	-	-	-	(19,959)	(30,060)	-	(50,019)	(291,113)
BALANCE, END OF YEAR	-	1,288,437	7,517,356	58,702,173	1,776,946	1,578,758	70,863,670	68,991,590
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	\$ 1,465,250	\$ 1,415,502	\$ 9,933,521	\$ 19,344,899	\$ 425,675	\$ 889,471	\$ 33,474,318	\$ 33,267,064
2022 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	

Town of Claresholm
Schedule of Property and Other Taxes
For the Year Ended December 31, 2023
(Schedule 3)

	<i>Budget</i> <i>(Unaudited)</i>	2023	2022
TAXATION			
Real property taxes	\$ 5,080,095	\$ 5,085,261	\$ 4,962,261
Linear property taxes	135,120	137,589	131,986
Government grants in place of property taxes	31,764	20,324	31,028
Special assessments and local improvements	3,290	-	-
	<u>5,250,269</u>	<u>5,243,174</u>	<u>5,125,275</u>
REQUISITIONS			
Alberta School Foundation Fund	1,344,142	1,344,142	1,338,136
Porcupine Hills Lodge	159,485	159,485	120,788
Designated Industrial Property	660	-	-
	<u>1,504,287</u>	<u>1,503,627</u>	<u>1,458,924</u>
NET MUNICIPAL PROPERTY TAXES	<u>\$ 3,745,982</u>	<u>\$ 3,739,547</u>	<u>\$ 3,666,351</u>

Town of Claresholm
Schedule of Government Transfers
For the Year Ended December 31, 2023
(Schedule 4)

	<i>Budget</i> <i>(Unaudited)</i>	2023	2022
TRANSFERS FOR OPERATING			
Provincial Government	\$ 432,912	\$ 406,071	\$ 353,745
Other Local Governments	217,839	221,263	202,838
	<u>650,751</u>	<u>627,334</u>	<u>556,583</u>
TRANSFERS FOR CAPITAL			
Provincial Government	611,755	710,489	850,337
Federal Government	707,263	349,026	673,393
	<u>1,319,018</u>	<u>1,059,515</u>	<u>1,523,730</u>
TOTAL GOVERNMENT TRANSFERS	<u>\$ 1,969,769</u>	<u>\$ 1,686,849</u>	<u>\$ 2,080,313</u>

Town of Claresholm
Schedule of Consolidated Expenses by Object
For the Year Ended December 31, 2023
(Schedule 5)

	<i>Budget</i> <i>(Unaudited)</i>	2023	2022
CONSOLIDATED EXPENSES BY OBJECT			
Salaries, wages and benefits	\$ 3,313,535	\$ 3,372,762	\$ 3,390,488
Contracted and general services	1,818,585	1,734,966	1,633,163
Materials, goods, supplies and utilities	1,463,858	1,899,959	1,407,240
Bank charges and short-term interest	1,200	993	1,102
Interest on long-term debt	204,579	202,672	218,520
Other expenditures	29,490	33,274	39,952
Transfers to organizations and others	426,682	423,168	421,975
Amortization of tangible capital assets	1,792,787	1,922,099	1,881,857
	<u>\$ 9,050,716</u>	<u>\$ 9,589,893</u>	<u>\$ 8,994,297</u>

Town of Claresholm
Schedule of Segmented Disclosure
For the Year Ended December 31, 2023
(Schedule 6)

	General Government	Protective Services	Transportation Services	Environmental Services	Public Health Services	Planning & Development	Recreation & Culture	Total
REVENUE								
Net municipal taxes	\$ 3,739,547	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,739,547
User fees and sales of goods	12,134	39,392	29,086	3,116,447	21,804	180,107	183,188	3,582,158
Government transfers for operating	82,387	9,000	-	-	238,044	202,051	95,852	627,334
Investment income	328,960	-	-	-	-	-	-	328,960
Penalties and cost of taxes	94,899	3,653	-	-	-	-	-	98,552
Licenses and permits	25,690	7,875	-	-	-	78,984	-	112,549
Franchise and concession contracts	291,760	-	-	-	-	-	-	291,760
Rental	48,751	-	-	-	-	-	94,501	143,252
Government transfers for capital	17,966	-	167,826	616,987	-	-	256,736	1,059,515
Other revenues	36,431	-	-	115,586	12,192	-	22,366	186,575
Gain on disposal of tangible capital assets	-	-	23,311	-	-	-	219,115	242,426
	<u>4,678,525</u>	<u>59,920</u>	<u>220,223</u>	<u>3,849,020</u>	<u>272,040</u>	<u>461,142</u>	<u>871,758</u>	<u>10,412,628</u>
EXPENSES								
Salaries and wages	805,317	230,194	500,821	715,059	165,715	304,723	650,933	3,372,762
Contract and general services	415,625	243,754	154,060	557,072	20,146	266,720	77,589	1,734,966
Goods and supplies	106,365	46,453	556,171	934,481	49,081	608	206,800	1,899,959
Bank charges	993	-	-	-	-	-	-	993
Long term debt interest	69,167	-	-	133,505	-	-	-	202,672
Other expenses	29,237	-	-	160	3,877	-	-	33,274
Transfers to organizations and others	95,132	-	-	-	75,036	-	253,000	423,168
	<u>1,521,836</u>	<u>520,401</u>	<u>1,211,052</u>	<u>2,340,277</u>	<u>313,855</u>	<u>572,051</u>	<u>1,188,322</u>	<u>7,667,794</u>
EXCESS (SHORTFALL) OF REVENUE OVER EXPENSES, BEFORE AMORTIZATION	3,156,689	(460,481)	(990,829)	1,508,743	(41,815)	(110,909)	(316,564)	2,744,834
Amortization expense	121,194	30,504	659,479	766,860	422	27,383	316,257	1,922,099
EXCESS (SHORTFALL) OF REVENUE OVER EXPENSES	<u>\$ 3,035,495</u>	<u>\$ (490,985)</u>	<u>\$ (1,650,308)</u>	<u>\$ 741,883</u>	<u>\$ (42,237)</u>	<u>\$ (138,292)</u>	<u>\$ (632,821)</u>	<u>\$ 822,735</u>

Segmented Disclosure (Note 20)

Town of Claresholm
Notes to the Consolidated Financial Statements
For the Year Ended December 31, 2023

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, related amortization of tangible capital assets as well as indeterminate settlement date for related asset retirement obligation of tangible capital assets are areas where management makes significant estimates and assumptions in determining the amounts to be recorded in the consolidated financial statements.

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Town of Claresholm
Notes to the Consolidated Financial Statements
For the Year Ended December 31, 2023

1) SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Valuation of Financial Assets and Liabilities

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

E. 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.

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 excess collections or under-levies of the prior year.

G. 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.

H. 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.

continues ...

Town of Claresholm
Notes to the Consolidated Financial Statements
For the Year Ended December 31, 2023

1) SIGNIFICANT ACCOUNTING POLICIES (continued)

I. Asset Retirement

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

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

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

J. 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.

K. Deferred Revenues

Deferred revenues represent government transfers, donations, and other amounts which have been collected, but for which the related services have yet to be performed or agreement stipulations have not been met. These amounts will be recognized as revenues when revenue recognition criteria have been met. Interest earned on deferred revenues, reserves, and offsite levies are calculated using an average investment earnings monthly.

L. 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.

continues ...

Town of Claresholm
Notes to the Consolidated Financial Statements
For the Year Ended December 31, 2023

1) SIGNIFICANT ACCOUNTING POLICIES (continued)

M. 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: $(1/\text{useful life}) \times 3$

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.

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.

continues ...

Town of Claresholm
Notes to the Consolidated Financial Statements
For the Year Ended December 31, 2023

1) SIGNIFICANT ACCOUNTING POLICIES (continued)

N. Future Accounting Standard Pronouncements

The following summarizes upcoming changes to Canadian public sector accounting standards. In 2024, the Town will continue to assess the impact and prepare for the adoption of these standards. While the timing of the standard adoption may vary, certain standards must be adopted concurrently. The requirements in Financial Statement Presentation (PS1201), Financial Instruments (PS3450), Foreign Currency Translations (PS2601) and Portfolio Investments (PS3041) must be implemented at the same

i. Revenue

PS3400, Revenue establishes standards on how to account for and report on revenue, specifically in regard to revenue arising from transactions with performance obligations (exchange transactions) and those without performance obligations (non-exchange transactions). This standard is applicable for fiscal years beginning on or after April 1, 2023.

ii. Purchased Intangibles

PSG-8, Purchased Intangibles, allows for purchased intangible assets to be recognized as assets in the public sector entity's financial statements. This standard is applicable for fiscal years beginning on or after April 1, 2023.

iii. Public Private Partnerships

PS3160, Public Private Partnerships, establishes standards on how to account for certain arrangements between public and private entities. The standard provides guidance on situations where a public entity acquires infrastructure assets using a private sector partner that designed, builds, or finances the infrastructure asset past the point where it is ready for use. This standard is applicable for fiscal years beginning on or after April 1, 2023.

2) CASH

	<u>2023</u>	<u>2022</u>
Chequing account	\$ 2,362,058	\$ 456,303
Savings - Reserves	896,013	1,444,440
Savings - Operating	331,524	314,109
Savings - Deferred revenue	127,544	117,742
	<u>\$ 3,717,139</u>	<u>\$ 2,332,594</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, \$2,602,572 (2022 - \$747,458) is not available for general use by the Town (Note 7).

Included in cash is \$19,040 (2022 - \$41,471) of deposit liability funds which are not available for current purposes.

A temporary overdraft 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 7.20%.

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, 2023 there were no balances outstanding on these loans.

Town of Claresholm
Notes to the Consolidated Financial Statements
For the Year Ended December 31, 2023

3) INVESTMENTS	2023	2022
GIC - Reserves	\$ 2,356,536	\$ 2,056,536
GIC - Operating	1,809,100	1,009,100
	\$ 4,165,636	\$ 3,065,636

Investments are comprised of Canaccord Genuity Wealth Management GICs bearing interest from 1.4% to 5.6% maturing between January 2024 and July 2025, and a Laurentian Bank GIC bearing interest of 6.0% maturing February 2025.

4) TAXES AND GRANTS IN PLACE OF TAXES RECEIVABLE	2023	2022
Current year	\$ 137,384	\$ 254,362
Arrears	33,613	59,303
	\$ 170,997	\$ 313,665

5) TRADE AND OTHER RECEIVABLES	2023	2022
Trade accounts	\$ 889,818	\$ 579,565
Due from Provincial government	157,633	350,987
Goods and Services Tax receivable	90,164	68,366
Local improvement levies	29,594	32,883
Due from local governments	9,064	32,765
	\$ 1,176,273	\$ 1,064,566

6) EMPLOYEE BENEFIT OBLIGATIONS	2023	2022
Vacation	\$ 278,317	\$ 245,267
Sick time	276,046	307,140
	\$ 554,363	\$ 552,407

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 are vested) or are entitled to these benefits within the next budgetary year.

Town of Claresholm
Notes to the Consolidated Financial Statements
For the Year Ended December 31, 2023

7) DEFERRED REVENUE	2023	Received	Recognized	2022
MSI capital grant	\$ 1,272,069	1,868,995	(616,730)	\$ 19,804
CGBF capital grant	521,344	492,481	(189,599)	218,462
Alberta settlement and integration	186,040	282,093	(153,065)	57,012
Community facility enhancement	155,065	248,825	(93,760)	-
Cemetery	110,099	9,800	(11,078)	111,377
Sundry trust	99,092	64,282	(95,985)	130,795
FCSS	74,794	28,386	(20,861)	67,269
Offsite levies	74,505	3,913	-	70,592
Subdivision fund	46,395	5,539	-	40,856
Skate park	28,186	15,000	-	13,186
Northern and regional economic grant	18,325	52,430	(34,105)	-
Taxi token prepayments	5,709	168	-	5,541
Parking fund	4,315	227	-	4,088
Parks Society	2,819	-	-	2,819
Walking path fund	2,329	122	-	2,207
Winter festival	1,486	-	-	1,486
Rural physician associate program	-	-	(1,964)	1,964
	\$ 2,602,572	\$ 3,072,261	\$ (1,217,147)	\$ 747,458

Deferred revenue is comprised of the funds noted above, the use of which, together with any earnings thereon, is restricted by agreement. These funds are recognized as revenue in the period they are used for the purpose specified.

Municipal Sustainability Initiative:

Funding in the amount of \$1,868,995 was received in the current year from the Municipal Sustainability Initiative. This included the release of the 2021 allocation of \$997,741, the 2022 allocation of \$404,602, and the 2023 allocation of \$404,602, plus \$62,050 of interest earned on these funds. These funds are from the capital component of the program and restricted to eligible capital projects, as approved under the funding agreement, which are scheduled for completion in 2025.

Canada Community-Building Fund:

Funding in the amount of \$492,481 was received in the current year from the Canada Community-Building Fund. This included the release of the 2022 allocation of \$226,520 and the 2023 allocation of \$236,634, plus \$29,327 of interest earned on these funds. These funds are restricted to eligible capital projects, as approved under the funding agreement, which are scheduled for completion in 2025.

Community Facility Enhancement Program:

Funding in the amount of \$248,825 was received in the current year from the Community Facility Enhancement Program, and are restricted to eligible capital projects, as approved under the funding agreements. The Town is not eligible to apply for funding through this program directly, and so funding is received through partnerships with other organizations. Amounts received included \$125,000 through partnership with the Kinsmen Club of Claresholm (1989) for the redevelopment of Amundsen Park, which is scheduled for completion in 2024, and \$123,825 through partnership with the Claresholm Community Centre Association for renovations/upgrades to the Community Centre building, which is scheduled for completion in 2025.

Unexpended funds related to the advance are supported by cash and short-term investments of \$2,602,572 held exclusively for these projects (*Note 2*).

Town of Claresholm
Notes to the Consolidated Financial Statements
For the Year Ended December 31, 2023

8) LONG TERM DEBT	2023	2022
Utility supported debentures	\$ 2,574,929	\$ 2,727,636
Tax supported debentures	2,441,189	2,641,355
	5,016,118	5,368,991
Less: Current portion of long term debt	(283,109)	(352,874)
	\$ 4,733,009	\$ 5,016,117

Principal and interest repayments are due as follows:

	Principal	Interest	Total
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
2028	335,878	135,273	471,151
Thereafter	3,471,680	889,565	4,361,245
	\$ 5,016,118	\$ 1,700,881	\$ 6,716,999

Debenture debt is repayable to Alberta Capital Finance Authority and bears interest at rates ranging from 2.638% to 5.240% per annum and matures in periods 2028 through 2050. The average annual interest rate is 3.63% (4.19% for 2022). Debenture debt is issued on the credit and security of the Town of Claresholm at large.

Interest on long-term debt amounted to \$202,672 (2022 - \$218,520). The Town's total cash payments for interest in 2023 were \$204,579 (2022 - \$220,326).

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:

	2023	2022
Total debt limit	\$ 14,029,670	\$ 13,060,877
Total debt (Note 8)	5,016,118	5,368,991
Amount of surplus debt limit	\$ 9,013,552	\$ 7,691,886
Debt servicing limit	\$ 2,338,278	\$ 2,176,813
Debt servicing	471,151	557,453
Amount of surplus debt servicing limit	\$ 1,867,127	\$ 1,619,360

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, 2023

10) ASSET RETIREMENT OBLIGATION

Asbestos abatement:

The Town owns three buildings which contain asbestos and, therefore, the Town is legally required to perform abatement activities upon renovation or demolition of these buildings. Abatement activities include handling and disposing of the asbestos in a prescribed manner when it is disturbed. The construction of the building structures with asbestos were completed prior to April 1, 2022 and that based on the allowed prospective adoption of PSAB 3280 the obligation, has been recognized in the current year. Undiscounted future cash flows expected are an abatement cost in years 2038, 2045 and 2049 of \$99,262, \$57,111 and \$326,424 respectfully. The estimated total liability of \$188,650 (2022 - \$0) is based on the sum of discounted future cash flows for abatement activities using a discount rate of 7.20% and assuming annual inflation of 3.00%. The Town has not designated assets for settling the abatement activities.

	2023	2022
Balance, beginning of year	\$ -	\$ -
Liabilities incurred	188,650	-
Estimated total liability	\$ 188,650	\$ -

11) ACCUMULATED SURPLUS

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

	2023	2022
Unrestricted surplus	\$ 1,554,855	\$ 1,554,855
Internally restricted surplus (reserves) (Note 13)	4,367,223	3,915,965
Equity in tangible capital assets (Note 12)	28,269,550	27,898,073
	\$ 34,191,628	\$ 33,368,893

12) EQUITY IN TANGIBLE CAPITAL ASSETS

	2023	2022
Tangible capital assets (Schedule 2)	\$ 104,337,988	\$ 102,258,654
Accumulated amortization (Schedule 2)	(70,863,670)	(68,991,590)
Long term debt - Capital (Note 8)	(5,016,118)	(5,368,991)
Asset retirement obligation (Note 10)	(188,650)	-
	\$ 28,269,550	\$ 27,898,073

Town of Claresholm
Notes to the Consolidated Financial Statements
For the Year Ended December 31, 2023

13) RESERVES

Reserves for operating and capital activities are as follows:

	<u>2023</u>	<u>2022</u>
Operating		
General	193,628	161,908
Trust accounts	57,960	55,603
Policing costs	56,060	37,397
Office	33,907	16,873
Fill dirt	28,878	17,704
Economic development	20,657	22,450
Healthcare professional recruitment	11,817	13,130
Events	4,449	-
Cemetery	815	782
	<u>408,171</u>	<u>325,847</u>
Capital		
Water and sewer	2,466,429	2,074,145
Land and development	1,059,006	721,973
Fire	288,172	267,561
General	123,511	40,835
Arena	105,011	92,033
Recreation	72,481	50,434
Acreage assessment	45,956	44,087
Parks and pathways	44,429	42,517
Cemetery	36,787	29,466
Tamarack subdivision	28,382	27,228
Enforcement vehicle	16,583	9,111
Emergency management	15,000	-
Tax recovery land	13,377	12,833
Playground rehabilitation	11,330	10,869
Garbage and recycling equipment	(367,402)	167,026
	<u>3,959,052</u>	<u>3,590,118</u>
	<u>\$ 4,367,223</u>	<u>\$ 3,915,965</u>

Town of Claresholm
Notes to the Consolidated Financial Statements
For the Year Ended December 31, 2023

14) 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 2023	Total 2022
Council				
Mayor / Councillor Schlossberger	\$ 15,654	\$ 840	\$ 16,494	16,783
Councillor Carlson	12,362	627	12,989	11,702
Councillor Cutler	14,365	747	15,112	11,626
Councillor Kettles	11,785	593	12,378	11,421
Councillor Meister	14,384	748	15,132	15,557
Councillor Zimmer	11,199	539	11,738	11,738
Councillor Ross	4,085	224	4,309	-
Mayor Petrovic	4,009	237	4,246	19,368
	<u>87,843</u>	<u>4,555</u>	<u>92,398</u>	<u>98,195</u>
Chief Administrative Officer	137,700	27,842	165,542	163,284
Designated Officers (2023:6 positions, 2022: 6 positions)	471,476	108,411	579,887	508,605
	<u>\$ 697,019</u>	<u>\$ 140,808</u>	<u>\$ 837,827</u>	<u>\$ 770,084</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, 2023

15) 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 291,000 people and 437 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 12.23% 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 11.23% on pensionable salary above this amount.

Total current service contributions by the Town to the LAPP in 2023 were \$171,057 (2022 - \$180,046). Total current service contributions by the employees of the Town to the LAPP in 2023 were \$152,229 (2022 - \$160,326).

At December 31, 2022 the LAPP disclosed an actuarial surplus of \$12.67 billion.

For further information of the amount of LAPP deficiency/surplus information see:

www.lapp.ca/page/annual-reports

16) 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.

17) BUDGET AMOUNTS

The 2023 budget for the Town was approved by Council on April 24, 2023 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	\$	1,149,997
Less: Capital expenses		(2,559,262)
Long-term debt repayments		(352,874)
Transfers to reserves		(1,119,272)
Add: Amortization		1,792,787
Transfers from reserves		1,088,624
<hr/>		
Equals: Balanced budget	\$	-
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Town of Claresholm
Notes to the Consolidated Financial Statements
For the Year Ended December 31, 2023

18) 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.

19) CONTAMINATED SITES LIABILITY

The Town has adopted PS3260 liability for contaminated sites. The Town did not identify any financial liabilities in 2023 (2022 - 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.