

TOWN OF CARSTAIRS
FINANCIAL STATEMENTS
DECEMBER 31, 2022

Management's Responsibility

To the Members of Council of the Town of Carstairs:


Management is responsible for the preparation, accuracy, objectivity, integrity, and presentation of the accompanying financial statements, including responsibility for significant accounting judgments and estimates in accordance with Canadian public sector accounting standards. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required. Management believes that the 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.

In discharging its responsibilities for the integrity and fairness of the financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of financial statements.

Council is composed entirely of individuals who are neither management nor employees of the Town. Council is responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving the financial statements. Council fulfills these responsibilities by reviewing the financial information prepared by management and discussing relevant matters with management and external auditors. Council is also responsible for recommending the appointment of the Town's external auditors.

MNP LLP is appointed by Council to audit the financial statements and report directly to them; their report follows. The external auditors have full and free access to, and meet periodically and separately with, both Council and management to discuss their audit findings.

March 13, 2023



Chief Administrative Officer

Independent Auditor's Report

To the Members of Council of the Town of Carstairs:

Opinion

We have audited the financial statements of the Town of Carstairs (the "Town"), which comprise the statement of financial position as at December 31, 2022, and the statements of operations, change in net financial assets, cash flows, and the related schedules I to VI for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory notes.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Town as at December 31, 2022, the results of its operations, changes in its net financial assets, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Town in accordance with the ethical requirements that are relevant to our audit of the 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.

Other Matter

The financial statements for the year ended December 31, 2021 were audited by another auditor who expressed an unmodified opinion on those statements on March 14, 2022.

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Town's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Town to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Report on Other Legal and Regulatory Requirements

- **Debt Limit Regulation:**
In accordance with Alberta Regulation 255/2000, we confirm that the Town is in compliance with the Debt Limit Regulation. A detailed account of the Town's debt limit can be found in Note 10.
- **Supplementary Accounting Principles and Standards Regulation:**
In accordance with Alberta Regulation 313/2000, we confirm that the Town is in compliance with the Supplementary Accounting Principles and Standards Regulation and note the information required can be found in Note 14.

Calgary, Alberta
March 13, 2023

MNP LLP

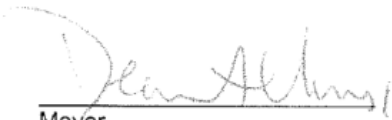
Chartered Professional Accountants

MNP

Town of Carstairs
Statement of Financial Position
As at December 31, 2022

	2022	2021
FINANCIAL ASSETS		
Cash and temporary investments (Note 2)	5,568,423	6,017,572
Receivables		
Taxes and grants in place of taxes receivable (Note 3)	217,110	211,152
Trade and other receivables	447,936	407,575
Receivables from other governments	34,799	216,991
Land inventory held for resale	422,595	506,520
	6,690,863	7,359,810
LIABILITIES		
Accounts payable and accrued liabilities (Note 4)	861,971	1,411,613
Deposit liabilities (Note 5)	22,300	19,800
Deferred revenue (Note 6)	109,998	186,449
Employee benefit obligations (Note 7)	254,229	277,736
Asset retirement obligations (Note 8)	84,671	98,733
Long-term debt (Note 9)	3,657,120	3,955,326
	4,990,289	5,949,657
NET FINANCIAL ASSETS	1,700,574	1,410,153
Contingencies (Note 16)		
NON-FINANCIAL ASSETS		
Tangible capital assets (Schedule II)	55,683,465	56,384,138
Inventory for consumption	44,402	-
Prepaid expenses	13,817	15,965
	55,741,684	56,400,103
ACCUMULATED SURPLUS (Schedule I, Note 12)	57,442,258	57,810,256

Approved on behalf of Council



Mayor



Councillor

The accompanying notes are an integral part of these financial statements

Town of Carstairs
Statement of Operations

For the year ended December 31, 2022

	2022 Budget	2022	2021
REVENUE			
Net municipal taxes (Schedule III)	4,612,976	4,607,260	4,394,496
User fees and sales of goods	4,997,956	4,959,138	4,715,376
Government transfers for operating (Schedule IV)	575,135	642,062	712,933
Investment income	20,808	117,063	53,831
Penalties and costs of taxes	105,000	78,441	104,766
Licenses and permits	97,920	173,536	120,383
Franchise and concession contracts	475,240	592,227	501,559
Gain on disposal of tangible capital assets	-	143,820	601,140
Other revenue	26,670	104,008	100,530
	10,911,705	11,417,555	11,305,014
EXPENSES			
General government			
Council and other legislative	338,978	341,232	284,256
General administrative	785,334	1,242,321	911,442
Protective services			
Fire	524,031	814,358	537,500
Disaster and emergency services	73,724	67,259	100,113
Bylaw enforcement	710,211	667,995	561,477
Transportation			
Common and equipment pool	35,564	38,218	31,181
Roads, streets, walks, lighting	800,532	2,065,641	2,039,214
Storm sewers and drainage	89,505	149,923	147,473
Planning and development			
Land use planning, zoning and development	325,042	428,442	413,528
Subdivision land and development	207,036	234,301	253,241
Recreation and culture			
Parks and recreation	2,776,523	2,983,008	2,816,989
Libraries, museums, halls	422,554	436,820	359,107
Environmental services			
Water supply and distribution	926,822	1,227,238	1,190,290
Wastewater treatment and disposal	296,292	454,572	403,934
Waste management	478,745	530,342	505,488
Community services			
Family and community support	107,161	85,524	35,251
Other public health and welfare	565,555	547,259	576,694
	9,463,609	12,314,453	11,167,178
EXCESS (SHORTFALL) OF REVENUE OVER EXPENSES BEFORE OTHER	1,448,096	(896,898)	137,836
OTHER			
Capital donations and other revenue	-	-	1,000
Contributed and donated assets	-	-	465,932
Government transfers for capital (Schedule IV)	-	306,101	2,116,529
Off-site levies from developers	-	222,799	493,896
EXCESS (SHORTFALL) OF REVENUE OVER EXPENSES	1,448,096	(367,998)	3,215,193
ACCUMULATED SURPLUS, BEGINNING OF YEAR	57,810,256	57,810,256	54,595,063
ACCUMULATED SURPLUS, END OF YEAR	59,258,352	57,442,258	57,810,256

The accompanying notes are an integral part of these financial statements

Town of Carstairs
Statement of Change in Net Financial Assets

For the year ended December 31, 2022

	2022 Budget	2022	2021
EXCESS (SHORTFALL) OF REVENUE OVER EXPENSES	1,448,096	(367,998)	3,215,193
Acquisition of tangible capital assets	(1,513,713)	(1,518,719)	(4,672,605)
Contributed and donated tangible capital assets	-	-	(465,932)
Proceeds on disposal of tangible capital assets	-	400	770,140
Amortization of tangible capital assets	-	2,216,917	2,135,008
Net (gain) loss on disposal of tangible capital assets	-	2,076	(533,249)
(Acquisition) use of inventory for consumption	-	(44,402)	-
(Acquisition) use of prepaid expenses	-	2,147	(6,000)
INCREASE IN NET FINANCIAL ASSETS	(65,617)	290,421	442,555
NET FINANCIAL ASSETS, BEGINNING OF YEAR	1,410,153	1,410,153	967,598
NET FINANCIAL ASSETS, END OF YEAR	1,344,536	1,700,574	1,410,153

The accompanying notes are an integral part of these financial statements

Town of Carstairs
Statement of Cash Flows
For the year ended December 31, 2022

	2022	2021
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING		
Excess (shortfall) of revenues over expenses	(367,998)	3,215,193
Non-cash items included in excess (shortfall) of revenues over expenses:		
Amortization of tangible capital assets	2,216,917	2,135,008
Tangible capital assets received as contributions	-	(465,932)
Loss on disposal of tangible capital assets	2,076	(533,249)
Non-cash charges to operations (net change):		
Decrease (increase) in taxes and grants in lieu receivable	(5,958)	165,805
Decrease (increase) in trade and other receivables	(40,361)	30,977
Decrease (increase) in land held for resale	83,925	(83,925)
Decrease (Increase) in inventory for consumption	(44,402)	-
Decrease (increase) in prepaid expenses	2,147	(6,000)
Increase (decrease) in receivable from other governments	182,192	(181,095)
Increase (decrease) in accounts payable and accrued liabilities	(706,802)	1,092,338
Increase (decrease) in deposit liabilities	2,500	2,900
Increase (decrease) in deferred revenue	(76,451)	(536,941)
Increase (decrease) in employee benefit obligations	(23,507)	23,568
Increase (decrease) in asset retirement obligations	(14,062)	(13,213)
Cash provided by operating transactions	1,210,216	4,845,434
CAPITAL		
Acquisition of tangible capital assets (Schedule II)	(1,361,559)	(4,672,605)
Proceeds on disposal of tangible capital assets	400	770,140
Cash provided by (applied to) capital transactions	(1,361,159)	(3,902,465)
FINANCING		
Long-term debt issued	800,000	2,005,959
Long-term debt repaid	(1,098,206)	(1,549,564)
Cash provided by (applied to) financing transactions	(298,206)	456,395
CHANGE IN CASH AND TEMPORARY INVESTMENTS DURING THE YEAR	(449,149)	1,399,364
CASH AND TEMPORARY INVESTMENTS, BEGINNING OF YEAR	6,017,572	4,618,208
CASH AND TEMPORARY INVESTMENTS, END OF YEAR	5,568,423	6,017,572

The accompanying notes are an integral part of these financial statements

Town of Carstairs
Schedule I - Schedule of Changes in Accumulated Operating Surplus

For the year ended December 31, 2022

	Unrestricted Surplus	Restricted Surplus	Equity in Tangible Capital Assets	2022	2021
		(Note 12)	(Note 11)		
BALANCE, BEGINNING OF YEAR	1,090,607	4,389,570	52,330,079	57,810,256	54,595,063
Excess (deficiency) of revenue over expenses	(367,998)	-	-	(367,998)	3,215,193
Unrestricted funds designated for future use	(946,529)	946,529	-	-	-
Restricted funds used for operations	42,095	(42,095)	-	-	-
Restricted funds used for tangible capital assets	-	(707,374)	707,374	-	-
Acquisition of tangible capital assets	(811,345)	-	811,345	-	-
Disposal of tangible capital assets	2,475	-	(2,475)	-	-
Asset retirement obligation settled	(14,062)	-	14,062	-	-
Annual amortization expense	2,216,917	-	(2,216,917)	-	-
Long-term debt proceeds	800,000	-	(800,000)	-	-
Long-term debt repaid	(1,098,206)	-	1,098,206	-	-
Change in accumulated surplus	(176,653)	197,060	(388,405)	(367,998)	3,215,193
BALANCE, END OF YEAR	913,954	4,586,630	51,941,674	57,442,258	57,810,256

The accompanying notes are an integral part of these financial statements

Town of Carstairs
Schedule II - Schedule of Tangible Capital Assets

For the year ended December 31, 2022

	Land	Land Improvements	Buildings	Engineered Structures	Machinery & Equipment	Vehicles	2022	2021
COST:								
BALANCE, BEGINNING OF YEAR	3,973,672	3,996,774	11,381,842	60,743,620	2,822,443	2,155,497	85,073,848	80,506,439
Acquisition of tangible capital assets	220,258	58,212	284,419	648,193	241,599	45,715	1,498,396	2,500,021
Work-in-progress	-	-	-	12,190	8,133	-	20,323	2,638,516
Disposal of tangible capital assets	-	-	-	-	(38,417)	-	(38,417)	(571,128)
BALANCE, END OF YEAR	4,193,930	4,054,986	11,666,261	61,404,003	3,033,758	2,201,212	86,554,150	85,073,848
ACCUMULATED AMORTIZATION:								
BALANCE, BEGINNING OF YEAR	-	1,391,685	3,083,874	21,905,700	1,577,387	731,064	28,689,710	26,888,939
Annual amortization	-	167,695	177,336	1,564,662	176,023	131,201	2,216,917	2,135,008
Accumulated amortization on disposals	-	-	-	-	(35,942)	-	(35,942)	(334,237)
BALANCE, END OF YEAR	-	1,559,380	3,261,210	23,470,362	1,717,468	862,265	30,870,685	28,689,710
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	4,193,930	2,495,606	8,405,051	37,933,641	1,316,290	1,338,947	55,683,465	56,384,138
2021 NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	3,973,672	2,605,089	8,297,968	38,837,920	1,245,056	1,424,433	56,384,138	

During the year, tangible capital assets were acquired at an aggregate cost of \$1,518,719 (2021 - \$5,138,537), and nil (2021 - \$465,932) was acquired as contributed tangible capital assets. Of the 1,518,719 (2021 - \$5,138,537) acquired, \$157,160 is included in accounts payable at year end, consequently, \$1,361,559 was paid in cash to acquire tangible capital assets during the year.

During the year, land with a cost of \$nil (2021 - \$nil) was transferred to an other organization resulting in a gain on disposal of \$143,820. Tangible capital assets with a net book value of \$2,476 (2021 - \$236,891) were disposed of for proceeds of \$400 (2021 - \$770,140), resulting in a loss on disposal of tangible capital assets of \$2,076 (2021 - net gain of \$533,249).

The accompanying notes are an integral part of these financial statements

Town of Carstairs
Schedule III - Schedule of Property and Other Taxes

For the year ended December 31, 2022

	2022 Budget	2022	2021
TAXATION			
Residential land and improvement taxes	6,609,468	6,591,790	6,187,192
Non-residential linear property taxes	831	828	137,345
Residential grants in place of property taxes	-	11,965	10,501
	6,610,299	6,604,583	6,335,038
REQUISITIONS			
Alberta School Foundation Fund	1,763,784	1,763,784	1,702,140
Mountain View Foundation	233,539	233,539	238,402
	1,997,323	1,997,323	1,940,542
NET MUNICIPAL PROPERTY TAXES	4,612,976	4,607,260	4,394,496

The accompanying notes are an integral part of these financial statements

Town of Carstairs
Schedule IV - Schedule of Government Transfers
For the year ended December 31, 2022

	2022 Budget	2022	2021
TRANSFERS FOR OPERATING			
Provincial government	133,710	150,300	291,496
Federal government	2,040	16,071	23,538
Other local governments	439,385	475,691	397,899
	575,135	642,062	712,933
TRANSFERS FOR CAPITAL			
Provincial government	-	279,240	2,106,529
Other local governments	-	26,861	10,000
	-	306,101	2,116,529
TOTAL GOVERNMENT TRANSFERS	575,135	948,163	2,829,462

The accompanying notes are an integral part of these financial statements

Town of Carstairs
Schedule V - Schedule of Expenses by Object

For the year ended December 31, 2022

	2022 Budget	2022	2021
EXPENSES BY OBJECT			
Salaries, wages and benefits	4,797,096	4,952,195	4,295,191
Contracted and general services	2,066,662	2,202,215	1,992,631
Materials, goods, supplies, and utilities	2,035,654	2,214,394	2,089,359
Provision for allowances	4,020	113,453	8,512
Transfers to individuals and organizations	435,915	447,492	465,665
Bank charges and short-term interest	22,473	31,846	27,628
Interest on capital long-term debt	101,789	133,865	85,293
Amortization of tangible capital assets	-	2,216,917	2,135,008
Loss on disposal of tangible capital assets	-	2,076	67,891
	9,463,609	12,314,453	11,167,178

The accompanying notes are an integral part of these financial statements

Town of Carstairs
Schedule VI - Schedule of Segmented Disclosure
For the year ended December 31, 2022

	General Government	Protective Services	Transportation Services	Planning & Development	Recreation & Culture	Environmental Services	Community Services	Total
REVENUE								
Net municipal taxes	4,607,260	-	-	-	-	-	-	4,607,260
User fees and sales of goods	19,025	154,351	12,393	142,596	2,045,125	2,458,842	126,806	4,959,138
Government transfers for operating	15,958	207,093	6,109	15,000	257,654	16,590	123,658	642,062
Investment income	85,001	7,440	11,345	-	1,252	12,025	-	117,063
Penalties and costs of taxes	78,441	-	-	-	-	-	-	78,441
Fines, rentals, licenses and permits	-	840	-	172,696	-	-	-	173,536
Franchise fees	592,227	-	-	-	-	-	-	592,227
Gain on disposal of tangible capital assets	-	-	-	143,820	-	-	-	143,820
Other revenue	2,262	18,479	-	-	72,434	3,028	7,805	104,008
	5,400,174	388,203	29,847	474,112	2,376,465	2,490,485	258,269	11,417,555
EXPENSES								
Salaries, wages and benefits	902,044	718,946	461,094	352,865	1,594,179	548,127	374,940	4,952,195
Contracted and general services	369,678	410,472	95,405	302,641	466,915	366,547	190,557	2,202,215
Materials, goods and utilities	28,036	207,553	324,941	2,981	775,282	864,878	10,723	2,214,394
Bank charges and short-term interest	6,458	-	-	-	25,388	-	-	31,846
Interest on long-term debt	-	61,874	20,836	-	30,676	20,479	-	133,865
(Gain) loss on disposal of tangible capital assets	400	-	401	-	-	1,275	-	2,076
Transfers to other organizations	-	37,633	-	-	252,880	100,416	56,563	447,492
Provisions for allowances	109,446	-	-	-	-	4,007	-	113,453
	1,416,062	1,436,478	902,677	658,487	3,145,320	1,905,729	632,783	10,097,536
EXCESS (SHORTFALL) OF REVENUE OVER EXPENSES								
BEFORE AMORTIZATION AND OTHER	3,984,112	(1,048,275)	(872,830)	(184,375)	(768,855)	584,756	(374,514)	1,320,019
Contributed assets	-	-	-	-	-	-	-	-
Capital government transfers	-	26,861	279,240	-	-	-	-	306,101
Offsite levies and other	-	-	116,533	-	-	106,265	-	222,798
Amortization expense	(167,491)	(113,134)	(1,351,105)	(4,256)	(274,508)	(306,423)	-	(2,216,917)
NET REVENUE	3,816,621	(1,134,548)	(1,828,162)	(188,631)	(1,043,363)	384,598	(374,514)	(367,999)

1. SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Town of Carstairs (the "Town") are the representations of management prepared in accordance with generally accepted accounting principles for local governments established by the Public Sector Accounting Board of the Canadian Institute of CPA Canada. Significant aspects of the accounting policies adopted by the Town are as follows:

a) Reporting entity

The financial statements reflect the assets, liabilities, revenue and expenses, and changes in financial position of the reporting entity. This entity is comprised of the municipal operations plus all of the organizations that are owned or controlled by the Town and are, therefore, accountable to the Town for the administration of their financial affairs and resources. Included with the Town are the following:

- Town of Carstairs Fire Department

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

The financial 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 or goods have yet to be provided.

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 public sector accounting standards requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses 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 areas which requires management to make significant judgements, estimates and assumptions in determining carrying values include, but are not limited to:

- Allowance for doubtful accounts;
- Asset retirement obligations;
- Employee benefit obligations;
- Useful life of tangible capital assets;
- Accrued liabilities; and
- Fair value of contributed tangible capital assets

1. SIGNIFICANT ACCOUNTING POLICIES *(continued from previous page)*

d) Cash and cash equivalents

Cash and cash equivalents are comprised of cash on deposits with financial institutions and highly liquid investments.

e) Valuation of financial assets and liabilities

The Town's financial assets and liabilities are measured as follows:

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

f) Long-term debt

Long-term debt is initially recognized net of any premiums, discounts, fees, and transaction costs, with interest expense recognized using the effective interest method. Long-term debt is subsequently measured at amortized cost.

g) Requisition over-levy and under-levy

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

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

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

h) Inventories for resale

Land held for resale is recorded at the lower of cost or net realizable value. Cost includes costs for land acquisition and improvements required to prepare the land for servicing such as clearing, stripping and leveling charges.

Related development costs incurred to provide infrastructure such as water and wastewater services, roads, sidewalks and street lighting are recorded as physical assets under the respective function.

Proceeds from sales of land held for resale are recorded as revenue in the period in which the events giving rise to the transfer occurred, providing the transfers are authorized, the eligibility criteria have been met and reasonable estimates of the amounts can be made.

i) Revenue recognition

Revenue from transactions with no performance obligation is recognized at realizable value when the Town has the authority to claim or retain an inflow of economic resources and identifies a past transaction or event giving rise to an asset. Revenue from transactions with performance obligations is recognized as the performance obligations are satisfied by providing the promised goods or services to the payor.

1. SIGNIFICANT ACCOUNTING POLICIES *(continued from previous page)*

i) Revenue recognition (continued from previous page)

i) Tax revenue

The Town recognizes taxes as assets and revenue when they meet the definition of an asset, are authorized by Council, and the taxable event has occurred. Tax revenue is initially measured at Management's best estimate of the amount resulting from the original taxable event in accordance with legislation. The related tax receivable is initially recognized at its realizable value at the date of acquisition. At each financial statement date, the Town evaluates the tax receivable for collectibility and records a valuation allowance to reflect the tax receivable at its net recoverable amount, if necessary.

ii) 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.

The Town recognizes a government transfer as revenue when the event giving rise to the transfer occurs, the transfer is authorized, all eligibility criteria, if any, have been met, and reasonable estimates of the amounts can be determined. A government transfer with stipulations giving rise to an obligation that meets the definition of a liability is recorded as a liability. In such circumstances, the Town recognizes revenue as a liability is settled.

iii) Other revenue

User fees are recognized over the period of use, sales of goods are recognized when goods are delivered. Licenses and permits with a single performance obligation at a point in time are recognized as revenue on issuance, those which result in a continued performance obligation over time are recognized over the period of the license or permit as the performance obligation is satisfied. The Town accounts for all other revenue in the period in which the transactions or events giving rise to the revenue occurred and collectibility is reasonably assured.

j) Asset retirement obligation

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 giving rise to 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 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 otherwise extinguish an asset retirement obligation are expected to occur over the 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 the 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 or 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.

It is management's assessment that no immediate retirement obligations exist for the Town as management has performed all requested remediations and are waiting for the environmental clearance certificate.

1. SIGNIFICANT ACCOUNTING POLICIES *(continued from previous page)*

k) 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 the Town is directly responsible or accepts responsibility and is management's estimate of the cost of post-remediation including operation, maintenance, and monitoring.

It is management's assessment that no contaminated sites exist for the Town.

l) 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 Change in Net Financial Assets for the year.

i) Tangible capital assets

Tangible capital assets are recorded at cost which includes all amounts that are directly attributable to acquisition, construction, development or betterment of the asset. The cost, less residual value, of the tangible capital assets is amortized on a straight-line basis over the estimated useful life as follows:

	<u>Years</u>
Land improvements	10-25
Buildings	25-50
Engineering structures	
Water system	45-75
Wastewater system	45-75
Other engineered structures	10-75
Machinery and equipment	5-40
Vehicles	10-25

In the year of acquisition of a tangible capital asset, annual amortization is charged based on the number of months owned. Assets under construction are not amortized until the asset is available for productive use. Acquisitions of used assets are amortized over the above years less the age of the existing asset.

ii) Contributions of tangible capital assets

Tangible capital assets received as contributions such as privately developed subdivisions including water systems, sanitary systems, storm systems, and roads are recorded at fair value at the date of receipt. Equivalent amounts are recorded as revenue for the year on the Statement of Operations.

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 and replacement cost.

v) Prepaid expenses

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

Town of Carstairs
Notes to the Financial Statements
For the year ended December 31, 2022

2. CASH AND TEMPORARY INVESTMENTS

	2022	2021
Cash	3,965,238	4,421,324
Temporary investments	1,603,185	1,596,248
	5,568,423	6,017,572

Temporary investments consists of a 60 day notice deposit account earning interest at 0.50% (2021 - 0.70%).

Included in cash and temporary investments are restricted amounts aggregating \$109,998 (2021 - \$186,449) to be used for specific capital and other projects, as disclosed in deferred revenue (Note 6).

3. TAXES AND GRANTS IN PLACE OF TAXES RECEIVABLE

	2022	2021
Current taxes and grants in place of taxes	154,295	158,929
Arrears	62,815	52,223
	217,110	211,152

4. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2022	2021
Trade accounts payable	773,750	1,034,365
Salaries and wages payable	2,022	-
Holdback payable	75,000	369,460
Staff fund	2,646	2,646
Gift certificates payable	8,553	5,142
	861,971	1,411,613

5. DEPOSIT LIABILITIES

The Town maintains utility and rental deposits of \$22,300 (2021 - \$19,800).

Town of Carstairs
Notes to the Financial Statements
For the year ended December 31, 2022

6. DEFERRED REVENUE

	2022	2021
Donations - Carstairs Nature Space	47,395	99,353
Canada Community - Building Fund	-	34,922
Family and Community Support Services	825	23,237
Donations - Skateboard Park	20,914	20,914
Donations and unearned revenue	40,864	8,023
	109,998	186,449

Donations - Carstairs Nature Space

Donations have been received by the Town, of which a portion has been spent for the establishment of a nature space within the Town.

Canada Community - Building Fund

Federal and provincial government funding was received in the prior year to undertake certain eligible environmentally sustainable projects within the Town that were fully expended in the current year.

Family and Community Support Services

Funding was received from the provincial government in the prior year to undertake certain community support service programs in the Town.

Donations - Skateboard Park

Donations have been received by the Town, which have not yet been spent, to fund the maintenance or upgrade of a skateboard park in the community.

Donations and unearned revenue

Certain contributions and fees were received by the Town, which have not yet been earned or are restricted for use in certain projects within the Town, which have not yet been expended.

7. EMPLOYEE BENEFITS OBLIGATIONS

	2022	2021
Vacation pay payable	58,092	79,098
Vested sick leave payable	196,137	198,638
	254,229	277,736

Vacation pay payable:

The vacation liability is comprised of the vacation and overtime that employees are deferring to future years. Employees have either earned the benefits (and are vested) or are entitled to these benefits within the next budgetary year.

Vested sick leave payable:

The vested sick leave liability is comprised of paid sick days that employees have not used and are being deferred 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 Carstairs
Notes to the Financial Statements
For the year ended December 31, 2022

8. ASSET RETIREMENT OBLIGATION

Alberta Environment law requires post-closure care of landfill sites, which includes ongoing environmental monitoring, site inspections, and maintenance.

The Town has not designated assets for settling post-closure liabilities.

	2022	2021
Balance, beginning of year	98,733	111,946
Liabilities settled	(14,062)	(13,213)
Accrued liability portion	84,671	98,733

9. LONG-TERM DEBT

	2022	2021
Tax supported debentures	1,619,772	931,614
Tax supported loans	1,899,597	2,832,379
Obligations under capital lease	137,751	191,333
	3,657,120	3,955,326

The current portion of the long-term debt amounts to \$994,123 (2021 - \$962,788).

Principal and interest repayments are as follows:

	Principal	Interest	Total
2023	994,123	137,000	1,131,123
2024	722,386	87,136	809,522
2025	338,679	57,259	395,938
2026	272,286	50,675	322,961
2027	154,906	35,360	190,266
Thereafter	1,174,740	121,908	1,296,648
	3,657,120	489,338	4,146,458

Debenture debt is repayable to the Alberta Capital Finance Authority and bears interest at rates of 2.090% and 4.565% (2021 - 2.090% and 4.565%) per annum, and matures in periods 2023 and 2036. The average annual interest rate is 3.328% (2021 - 3.328%).

All tax supported Alberta Treasury Branch municipal loans were paid out in the current year and transferred to the Bank of Montreal.

Tax supported loans are Bank of Montreal loans that bear interest at bank prime plus zero percent and are repayable in annual principal payments of \$22,500, \$50,000, \$73,400, \$75,000, \$82,000, \$114,646, and \$200,000 plus interest. The prime rate as at December 31, 2022 was 6.45% (2021 - 2.45%).

The John Deere Financial Inc. lease obligation was repaid in the current year.

The De Lage Landen Financial Services Canada Inc. lease obligation is repayable in monthly instalments of \$7,670 including interest at 5.57%. The monthly payments are made from May to October annually and no payments are due November to April annually. The lease obligation is secured by certain capital equipment with a net book value of \$169,897 (2021 - \$195,067)

Debenture and bank debt is issued on the credit and security of the Town at large.

The Town of Carstairs' total cash payments for interest on long-term debt is \$133,865 (2021 - \$85,293).

Town of Carstairs
Notes to the Financial Statements
For the year ended December 31, 2022

10. DEBT LIMITS

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

	2022	2021
Total debt limit	16,910,603	16,055,811
Total debt (Note 9)	(3,657,120)	(3,955,326)
Amount of debt limit remaining	13,253,483	12,100,485
Debt servicing limit	2,818,434	2,675,969
Debt servicing	(1,131,123)	(1,045,800)
Service on debt limit remaining	1,687,311	1,630,169

The debt limit is calculated at 1.5 times revenue of the Town excluding transfers from the governments of Alberta and Canada for the purposes of capital property (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 which could be at a financial risk if further debt is acquired. The calculation taken alone does not represent the financial stability of the municipality. Rather, the financial statements must be interpreted as a whole.

11. EQUITY IN TANGIBLE CAPITAL ASSETS

	2022	2021
Tangible capital assets (Schedule II)	86,554,150	85,073,848
Accumulated amortization (Schedule II)	(30,870,685)	(28,689,710)
Asset retirement obligation (Note 8)	(84,671)	(98,733)
Long-term debt (Note 9)	(3,657,120)	(3,955,326)
	51,941,674	52,330,079

Town of Carstairs
Notes to the Financial Statements
For the year ended December 31, 2022

12. ACCUMULATED OPERATING SURPLUS

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

	2022	2021
Unrestricted surplus	913,954	1,090,607
Internally restricted surplus:		
Operating		
Policing	177,270	193,270
Administration	-	802
Cemetery	49,500	45,000
Community services	2,254	700
Capital		
Water offsite levies	467,076	417,673
Wastewater offsite levies	596,738	527,850
Storm sewers and drainage offsite levies	372,807	321,138
Fire	184,608	148,409
Transportation	691,741	615,531
Water	320,011	440,677
Wastewater	396,574	415,005
Waste management	72,453	58,391
Cemetery	113,110	99,359
Recreation	191,042	129,042
Stone garden maintenance	10,000	10,000
General capital contingency	941,446	966,723
	4,586,630	4,389,570
Equity in tangible capital assets (Note 11)	51,941,674	52,330,079
	57,442,258	57,810,256

13. SEGMENTED DISCLOSURE

The Town of Carstairs provides a range of services to its ratepayers. For each reported segment, revenue 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 VI).

- General government includes council and other legislative, and general administration.
- Protective services includes fire, disaster and emergency measures, and bylaw enforcement.
- Transportation includes common and equipment pool, roads, streets, walks, and lighting, and storm sewers and drainage.
- Planning and development includes land use planning, zoning and subdivision land and development.
- 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.
- Community services includes family and community support and other public health and welfare.

Town of Carstairs
Notes to the Financial Statements
For the year ended December 31, 2022

14. SALARY AND BENEFITS DISCLOSURE

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

	Salary ¹	Benefits & allowances ²	2022	2021
Mayor L. Colby	25,760	-	25,760	25,760
Councillors:				
Councillor Allan	22,411	1,078	23,489	21,180
Councillor Ball	19,835	931	20,766	3,454
Councillor Blair	-	-	-	19,535
Councillor Fricke	19,835	931	20,766	3,454
Councillor Gil	-	-	-	16,529
Councillor Green	-	-	-	16,529
Councillor Ratz	19,835	931	20,766	20,725
Councillor Roberts	19,835	931	20,766	3,454
Councillor Wilcox	19,835	931	20,766	20,725
Chief Administrative Officer (2 individuals)	189,429	17,250	206,679	205,210
Advisor to the Chief Administrative Officer (3)	69,306	9,240	78,546	-
Town Assessor (4)	53,520	-	53,520	51,633

1. Salary includes regular base pay, bonuses, overtime, lump sum payments, gross honoraria, mileage allowances 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.
3. The Town entered into an agreement for advising services with the prior chief administrative officer for the transition period of May 2022 through September 2022.
4. The Town has entered into an agreement for assessor services with an independent contractor.

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 Public Sector Pension Plans Act. The LAPP is financed by employer and employee contributions and by investment earnings of the LAPP Fund.

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

Total current service contributions by the Town to the LAPP in 2022 were \$260,377 (2021 - \$277,527). Total current service contributions by the employees of the Town to the Local Authorities Pension Plan in 2022 were \$231,582 (2021 - \$250,080).

At December 31, 2021, the LAPP disclosed an actuarial surplus of \$11.92 billion. This amount is not specifically allocated to the participating government organizations. The 2022 actuarial balance was not available at the date these financial statements were released.

16. CONTINGENCIES

The Town is a member of the Alberta Municipal Insurance Exchange ("MUNIX"). Under the terms of the membership, the Town could become liable for its proportionate share of any claim losses in excess of the funds held by the exchange. Any liability incurred would be accounted for as a current transaction in the year the losses are determined.

The Town is a 16.66% equity member of The Mountain View Regional Water Services Commission which was constituted under the Municipal Government Act in 1992.

The Town is an 11% equity member of The Mountain View Regional Waste Management Commission which was constituted under the Municipal Government Act in 2001.

The Town Council has a representative as a Board member on the Mountain View Seniors Housing Commission which was established under the Alberta Housing Act in 1995.

As part of the Town's operations, they could become liable for any requisitions for shortfalls issued by the Mountain View Regional Water Services Commission, the Mountain View Regional Waste Management Commission, and the Mountain View Seniors Housing Commission.

17. FINANCIAL INSTRUMENTS

The Town's financial instruments consist of cash and temporary investments, accounts receivable, investments, accounts payable and accrued liabilities, deposit liabilities, and long-term debt. It is management's opinion that the Town is not exposed to significant interest rate or currency risks arising from these financial instruments except as otherwise disclosed. Tax 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.

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

18. APPROVAL OF FINANCIAL STATEMENTS

Council and management have approved these financial statements.