

**Town of Calmar
Consolidated Financial
Statements**

December 31, 2022

Management's Responsibility

To the Mayor and Councilors of the Town of Calmar:

The accompanying consolidated financial statements of the Town of Calmar are the responsibility of management and have been approved by Council.

Management is responsible for the preparation and presentation of the accompanying consolidated 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.

In discharging its responsibilities for the integrity and fairness of the consolidated 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 consolidated 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 the appointment of the Town's external auditors.

MNP LLP is appointed by Council to audit the consolidated 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.

April 17, 2023



Chief Administrative Officer

To the Mayor and Councilors of the Town of Calmar:

Report on the Audit of the Consolidated Financial Statements

Opinion

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

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Town as at December 31, 2022, and the results of its consolidated operations, change in its net debt and its consolidated 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 Consolidated Financial Statements section of our report. We are independent of the Town in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

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

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated 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 consolidated 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 consolidated 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 consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Town to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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 9.
- 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 11.

Leduc, Alberta

April 17, 2023

MNP LLP

Chartered Professional Accountants

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

	2022	2021
Financial assets		
Cash and equivalents <i>(Note 2)</i>	2,317,426	683,806
Property taxes receivable <i>(Note 3)</i>	637,388	673,421
Trade and other accounts receivable	578,922	1,340,918
	3,533,736	2,698,145
Liabilities		
Accounts payable and accrued liabilities	295,569	701,404
Deposit liabilities	609,423	570,900
Deferred revenue <i>(Note 6)</i>	199,896	-
Capital lease <i>(Note 7)</i>	202,008	214,476
Long-term debt <i>(Note 8)</i>	3,816,261	4,126,979
	5,123,157	5,613,759
Net debt	(1,589,421)	(2,915,614)
Non-financial assets		
Tangible capital assets <i>(Schedule II)</i>	27,298,784	27,731,892
Land inventory	200,000	200,000
Prepaid expenses	96,122	105,460
	27,594,906	28,037,352
Accumulated surplus <i>(Schedule I)</i>	26,005,485	25,121,738
Contingencies <i>(Note 12)</i>		
Commitments <i>(Note 15)</i>		

Approved on behalf of Council:

 Mayor

 Councilor

The accompanying notes are an integral part of these financial statements

Town of Calmar
Consolidated Statement of Operations
For the year ended December 31, 2022

	2022 Budget (Note 16)	2022	2021
Revenue			
Net municipal property taxes <i>(Schedule III)</i>	2,874,860	3,064,356	2,876,169
Sales, user charges and costs recovered	1,576,981	1,889,575	1,697,167
Franchise and concession contracts	434,560	515,598	432,956
Government transfers <i>(Schedule IV)</i>	447,047	451,868	663,551
Penalties and costs on taxes	102,000	180,097	115,523
Licenses and permits	79,000	60,495	89,370
Interest income	30,000	47,633	9,946
Fines	35,000	5,547	10,889
Loss on disposal of assets	-	-	(25,710)
	5,579,448	6,215,169	5,869,861
Expenses			
Transportation, roads, streets, walks and lighting	845,274	1,364,363	1,229,297
Parks and recreation	849,185	932,390	846,652
Water	843,015	879,888	1,051,732
Administrative	415,197	510,141	531,433
Sewer	430,137	468,257	779,025
Waste management	294,727	304,537	258,176
By-law enforcement	243,494	243,888	275,209
Economic development	406,473	225,779	446,254
Land use, planning and development	371,393	197,471	356,422
Library	193,606	194,696	188,873
Legislative	236,888	180,526	165,055
Fire and disaster services	281,495	167,182	205,864
Community support services	147,386	124,769	119,205
	5,558,270	5,793,887	6,453,197
Excess (deficiency) of revenue before other	21,178	421,282	(583,336)
Other			
Government transfers for capital <i>(Schedule IV)</i>	2,066,109	462,465	1,308,746
Other capital contributions	-	-	661
	2,066,109	462,465	1,309,407
Excess of revenue over expenses	2,087,287	883,747	726,071
Accumulated surplus, beginning of year	25,121,738	25,121,738	24,395,667
Accumulated surplus, end of year	27,209,025	26,005,485	25,121,738

The accompanying notes are an integral part of these financial statements

Town of Calmar
Consolidated Statement of Change in Net Debt
For the year ended December 31, 2022

	2022 Budget (Note 16)	2022	2021
Excess of revenue over expenses	2,087,287	883,747	726,071
Acquisition of tangible capital assets	(631,970)	(636,649)	(2,109,139)
Proceeds on disposal of tangible capital assets	-	-	46,000
Amortization of tangible capital assets	-	1,069,756	980,875
Loss on sale of tangible capital assets	-	-	25,710
Use (acquisition) of prepaid assets	-	9,339	(87,918)
Change in net debt	1,455,317	1,326,193	(418,401)
Net debt, beginning of year	(2,915,614)	(2,915,614)	(2,497,213)
Net debt, end of year	(1,460,297)	(1,589,421)	(2,915,614)

The accompanying notes are an integral part of these financial statements

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

	2022	2021
Cash provided by (used for) the following activities:		
Operating		
Excess of revenue over expenses	883,747	726,072
Non-cash items:		
Amortization of tangible capital assets	1,069,757	980,875
Net loss on disposal of tangible capital assets	-	25,710
Net change in non-cash operating working capital balances:		
Increase (decrease) in deferred revenue	199,896	(540,153)
Decrease (increase) in prepaid expenses	9,337	(87,917)
Decrease in accounts payable and accrued liabilities	(99,351)	(14,748)
Decrease (increase) in trade and other accounts receivable	761,996	(747,079)
Decrease (increase) in property taxes receivable	36,034	(62,565)
Increase (decrease) in deposit liabilities	38,523	(782)
	2,899,939	279,413
Capital		
Acquisition of tangible capital assets <i>(Schedule II)</i>	(943,132)	(1,568,237)
Proceeds on sale of tangible capital assets	-	35,000
	(943,132)	(1,533,237)
Investing		
Decrease in investments	-	236,439
Financing		
Repayment of long-term debt	(310,719)	(317,005)
Repayment of capital lease obligation	(12,468)	-
	(323,187)	(317,005)
Increase (decrease) in cash and equivalents	1,310,433	(1,651,395)
Cash and equivalents, beginning of year	683,806	2,018,196
Cash and equivalents, end of year <i>(Note 2)</i>	1,994,239	683,806

The accompanying notes are an integral part of these financial statements

Town of Calmar
Schedule I - Schedule of Changes in Accumulated Surplus

For the year ended December 31, 2022

	<i>Unrestricted Surplus</i>	<i>Restricted Surplus</i>	<i>Equity in Tangible Capital Assets (Note 10)</i>	2022	<i>2021</i>
Balance, beginning of year	523,708	1,207,594	23,390,437	25,121,738	24,395,667
Excess of revenue over expenses	883,747	-	-	883,747	726,071
Unrestricted funds designated for future use	(879,933)	879,933	-	-	-
Current year funds used for tangible capital assets	(636,649)	-	636,649	-	-
Annual amortization expense	1,069,757	-	(1,069,757)	-	-
Capital lease obligation repaid	(12,468)	-	12,468	-	-
Long-term debt repaid	(310,718)	-	310,718	-	-
Change in accumulated surplus	113,736	879,933	(109,922)	883,747	726,071
Balance, end of year	637,444	2,087,527	23,280,515	26,005,485	25,121,738

The accompanying notes are an integral part of these financial statements

Town of Calmar
Schedule II - Schedule of Tangible Capital Assets
For the year ended December 31, 2022

	<i>Land</i>	<i>Land Improvements</i>	<i>Buildings</i>	<i>Engineered Structures</i>	<i>Machinery & Equipment</i>	<i>Vehicles</i>	<i>Construction- in-progress</i>	2022	<i>2021</i>
Cost:									
Balance, beginning of year	1,292,123	211,360	14,708,287	25,786,762	3,618,825	617,804	40,725	46,275,886	44,260,006
Acquisition of tangible capital assets	-	-	-	422,553	202,790	-	-	625,343	2,068,414
Construction-in-progress	-	-	-	-	-	-	24,315	24,315	40,725
Disposal of tangible capital assets	-	-	-	-	-	-	(13,009)	(13,009)	(93,259)
Balance, end of year	1,292,123	211,360	14,708,287	26,209,315	3,821,615	617,804	52,031	46,912,535	46,275,886
Accumulated amortization:									
Balance, beginning of year	-	100,552	5,170,239	11,302,836	1,568,320	402,047	-	18,543,994	17,584,667
Annual amortization	-	4,050	317,410	479,688	221,563	47,046	-	1,069,757	980,875
Accumulated amortization on disposals	-	-	-	-	-	-	-	-	(21,548)
Balance, end of year	-	104,602	5,487,649	11,782,524	1,789,883	449,093	-	19,613,751	18,543,994
Net book value	1,292,123	106,758	9,220,638	14,426,791	2,031,732	168,711	52,031	27,298,784	27,731,892
2021 net book value	1,292,123	110,808	9,538,048	14,483,926	2,050,505	215,757	40,725	27,731,892	

During the year, tangible capital assets were acquired at an aggregate cost of \$636,649 (2021 - \$2,109,139), of which there was \$17,974 (2021 - \$324,457) in accounts payable at year end, \$nil (2021 - \$nil) was contributed to the Town, there was a trade in for \$nil (2021 - \$11,000), \$nil (2021 - \$214,476) was recorded as a capital lease, and the remaining \$943,132 (2021 - \$1,568,237) was acquired by cash.

The accompanying notes are an integral part of these financial statements

Town of Calmar
Schedule III - Schedule of Property Taxes Levied
For the year ended December 31, 2022

	2022 Budget	2022	<i>2021</i>
Taxation			
Real property taxes	3,624,348	3,903,553	3,625,642
Requisitions			
Alberta School Foundation Fund	742,518	770,842	742,503
RCMP Cost Funding Model	-	61,315	-
Leduc Foundation	6,970	7,040	6,970
	749,488	839,197	749,473
Net municipal property taxes	2,874,860	3,064,356	2,876,169

The accompanying notes are an integral part of these financial statements

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

	2022 Budget	2022	<i>2021</i>
Operating			
Local	397,877	387,218	388,422
Provincial	49,170	43,992	275,129
Federal	-	20,658	-
	447,047	451,868	663,551
Capital			
Federal	1,023,146	241,684	-
Provincial	244,289	220,781	1,308,746
Local	798,674	-	-
	2,066,109	462,465	1,308,746
Total government transfers	2,513,156	914,333	1,972,297

The accompanying notes are an integral part of these financial statements

Town of Calmar
Schedule V - Consolidated Schedule of Expenses by Object
For the year ended December 31, 2022

	2022		
	<i>Budget</i>	2022	<i>2021</i>
Consolidated expenses by object			
Salaries, wages and benefits	2,252,961	1,941,005	2,432,349
Contracted and general services	1,790,056	1,518,972	1,737,841
Amortization of tangible capital assets	-	1,069,756	980,875
Materials, goods and utilities	944,549	792,383	736,432
Purchases from other governments	435,010	364,482	428,095
Interest on long-term debt	130,194	94,434	127,807
Bank charges and short-term interest	3,000	9,195	5,860
Transfers to individuals and organizations	2,400	2,400	2,400
Provision for allowances	100	1,260	1,538
	5,558,270	5,793,887	6,453,197

The accompanying notes are an integral part of these financial statements

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

	General Government	Transportation, Roads, Streets	Legislative & Administrative	Environmental Services	Parks & Recreation	Protective Services	Library	Community Support	Land Use and Development	Economic Development	Total
Revenue											
Net municipal taxes	3,064,356	-	-	-	-	-	-	-	-	-	3,064,356
Sales, user charges, and costs	-	13,040	26,451	1,666,541	142,972	25,517	794	5,096	8,999	165	1,889,575
Government transfers	-	406,465	54,342	20,658	281,064	-	108,756	43,048	-	-	914,333
Franchise and concession contracts	515,598	-	-	-	-	-	-	-	-	-	515,598
Penalties and costs on taxes	180,097	-	-	-	-	-	-	-	-	-	180,097
Licenses and permits	-	-	-	-	-	18,906	-	-	41,589	-	60,495
Interest income	47,633	-	-	-	-	-	-	-	-	-	47,633
Fines	-	-	-	-	-	5,547	-	-	-	-	5,547
	3,807,684	419,505	80,793	1,687,199	424,036	49,970	109,550	48,144	50,588	165	6,677,634
Expenses											
Salaries, wages, and benefits	-	234,795	276,682	478,639	438,225	129,465	123,316	83,143	111,758	64,986	1,941,009
Contracted and general services	-	221,992	318,775	276,471	216,725	199,332	33,451	39,799	85,258	127,169	1,518,972
Materials, goods, and utilities	-	342,999	41,099	163,771	157,772	25,767	25,068	1,827	456	33,624	792,383
Purchases from other governments	-	-	-	364,482	-	-	-	-	-	-	364,482
Interest on long-term debt	-	57,490	-	30,157	6,787	-	-	-	-	-	94,434
Bank charges and short-term interest	-	-	9,195	-	-	-	-	-	-	-	9,195
Transfers to individuals and organizations	-	-	-	-	-	2,400	-	-	-	-	2,400
Provision for allowances	-	-	244	1,016	-	-	-	-	-	-	1,260
	-	857,274	645,994	1,314,537	819,508	356,964	181,835	124,769	197,471	225,779	4,724,131
Net revenue, before amortization	3,807,684	(437,769)	(565,201)	372,662	(395,472)	(306,994)	(72,285)	(76,625)	(146,883)	(225,614)	1,953,503
Amortization expense	-	507,089	44,673	338,145	112,882	54,106	12,861	-	-	-	1,069,756
Net revenue	3,807,684	(944,858)	(609,874)	34,517	(508,354)	(361,100)	(85,146)	(76,625)	(146,883)	(225,614)	883,747

The accompanying notes are an integral part of these financial statements

Town of Calmar
Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

1. Significant accounting policies

The consolidated financial statements of the Town of Calmar (the "Town") are the representations of management prepared in accordance with generally accepted accounting principles established by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada. Significant aspects of the accounting policies adopted by the Town are as follows:

Reporting entity

The consolidated financial statements reflect the assets, liabilities, revenue, 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 Town Council for the administration of their financial affairs and resources, including the Calmar Public Library.

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

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

Basis of accounting

The consolidated 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.

Management uncertainty (use of estimates)

The preparation of consolidated 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 consolidated financial statements, and the reported amounts of revenue and expenses during the year. Where measurement uncertainty exists, the consolidated financial statements have been prepared within reasonable limits of materiality. Actual results could differ from those estimates.

Trade and other accounts receivable and property taxes receivable are stated after evaluation as to their collectibility and an appropriate allowance for doubtful accounts is provided where considered necessary. Amortization is based on the estimated useful lives of tangible capital assets.

Cash and equivalents

Cash and equivalents include balances with banks and short-term investments with maturities of three months or less.

Town of Calmar
Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

1. Significant accounting policies *(continued)*

Property tax requisition over-levy and under-levy

Over-levies and under-levies arise from the difference between the actual 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.

Liability for contaminated sites

A liability for remediation of a contaminated site is recognized at the best estimate of the amount required to remediate the contaminated site when contamination exceeding an environmental standard exists, the Town is either directly responsible or accepts responsibility, it is expected that future economic benefits will be given up, and a reasonable estimate of the amount is determinable. The best estimate of the liability includes all costs directly attributable to remediation activities and is reduced by expected net recoveries based on information available at December 31, 2022.

At each financial reporting date, the Town reviews the carrying amount of the liability. Any revisions required to the amount previously recognized is accounted for in the period revisions are made. 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. The Town has not identified any contaminated sites for which a liability is expected.

Revenue recognition

i. Government transfers

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

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

ii. 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.

Town of Calmar
Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

1. Significant accounting policies *(continued)*

iii. Utility service revenue

The Town recognizes the provision of utility services as assets and revenue when they meet the definition of an asset in the period the utility services are provided to the customers.

iv. Fines and penalties

Traffic fine revenue is recorded as cash is received, which is not materially different than recording such revenue on an accrual basis.

v. Other revenue

Other sources of revenue are recorded when received or receivable.

Non-financial assets

Assets are classified as either financial or non-financial. Financial assets are assets that could be used to discharge existing liabilities or finance future operations. Non-financial assets are acquired, constructed or developed assets that do not normally provide resources to discharge existing liabilities but are employed to deliver government services, may be consumed in normal operations and are not for resale in the normal course of operations.

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 using the straight-line method over the estimated useful life as follows:

Buildings	40-65 years
Land improvements	15-60 years
Engineered structures:	
Water system	40 years
Wastewater system	40 years
Other engineered structures	10-40 years
Machinery and equipment	5-25 years
Vehicles	5-20 years

Amortization is not charged in the year of acquisition. 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 are also recorded as revenue.

Town of Calmar
Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

1. Significant accounting policies *(continued)*

ii. 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.

iii. Cultural and historical tangible capital assets

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

iv. Prepaid expenses

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

Segments

The Town conducts its business through a number of reportable segments. These operating segments are established by senior management to facilitate the achievement of the Town's long-term objectives to aid in resource allocation decisions, and to assess operational performance.

Future Accounting Pronouncements

PS 3450 Financial Instruments, a new standard establishing guidance on the recognition, measurement, presentation, and disclosure of financial instruments, including derivatives.

PS 3280 Asset Retirement Obligation, a new standard establishing guidance on the recognition, measurement, presentation, and disclosure of a liability for retirement of a tangible capital asset. As this standard includes solid waste landfill sites active and post-closure obligations upon adoption of the new standard, existing Solid Waste Landfill Closure and Post-Closure Liability section PS 3270 will be withdrawn.

The extent of the impact on adoption of these future standards is not known at this time.

2. Cash and equivalents

	2022	2021
Cash	2,312,855	682,461
Petty cash and floats	4,571	1,345
	2,317,426	683,806

Town of Calmar
Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

3. Property taxes receivable

	<i>2022</i>	<i>2021</i>
Current taxes	404,140	367,561
Arrears taxes	233,248	305,860
	637,388	673,421
Less allowance for doubtful accounts	-	-
	637,388	673,421

4. Tax sale proceeds

Tax sale proceeds and the associated liabilities consist of the excess funds collected on sale of seized properties put up for tax auction after outstanding property taxes were recovered. Under the *Municipal Government Act*, the Town is required to hold these funds for up to 10 years and attempted to disperse them to the former property owners.

5. Bank indebtedness

The Town has a revolving line of credit with ATB Financial with a maximum limit of \$3,224,000 (2021 - \$3,224,000). Interest accrues monthly on the outstanding balance at a rate of prime minus 0.25%. The line of credit arrangement is reviewed annually by the bank with the most recent review date of December 31, 2022. As at December 31, 2022, the prime rate was 6.45% (2021 - 2.45%). As of December 31, 2022 the Town had drawn \$0 (2021 - \$0) on the line of credit.

6. Deferred revenue

	<i>2022</i>	<i>2021</i>
Canada Community-Building Fund	152,704	-
Municipal Sustainability Initiative	37,395	-
Ice Rental Operating Grant	9,797	-
	199,896	-

Included in the Town's deferred revenue are government transfers and other funds received, including interest, that are restricted to eligible capital projects as approved under the funding agreements.

7. Obligations under capital lease

	<i>2022</i>	<i>2021</i>
Equipment lease, due 2023 with a net book value of \$357,346 (2021 - \$372,236). The lease bears interest at 3.46%.	202,008	214,476

Town of Calmar
Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

8. Long-term debt

	2022	2021
Tax-supported debentures	3,816,261	4,126,979

Payments of interest and principal are due as follows:

	Principal	Interest	Total
2023	315,341	107,848	423,189
2024	326,906	96,283	423,189
2025	262,772	85,225	347,997
2026	271,295	76,702	347,997
2027	222,283	68,506	290,789
To maturity	2,417,664	368,567	2,786,231
	3,816,261	803,130	4,619,391

Debenture debt is repayable to Alberta Capital Finance Authority and bears interest at rates ranging from 2.46% to 5.18% per annum before Provincial subsidy, and mature in periods 2024 through 2039. The average annual interest rate is 3.72% for 2022 (2021 - 3.46%). Debenture debt is issued on the credit and security of the Town of Calmar at large.

The Town's cash payments for interest in 2022 were \$120,873 (2021 - \$130,225).

9. Debt limits

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

	2022	2021
Total debt limit	9,322,754	8,843,357
Total debt	3,816,261	4,126,979
Amount of debt limit unused	5,506,493	4,716,378
Service on debt limit	1,553,792	1,467,465
Service on debt	423,189	429,761
Amount of debt servicing limit unused	1,130,603	1,037,704

The debt limit is calculated at 1.5 times revenue of the Town (as defined in Alberta Regulation 255/00) and the debt service limit is calculated at 0.25 times such revenue. Incurring debt beyond these limitations requires approval by the Minister of Municipal Affairs. These thresholds are guidelines used by Alberta Municipal Affairs to identify municipalities which could be a financial risk if further debt is acquired. The calculation taken alone does not represent the financial stability of the Town. Rather, the consolidated financial statements must be interpreted as a whole.

Town of Calmar
Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

10. Equity in tangible capital assets

	2022	2021
Tangible capital assets (<i>Schedule II</i>)	46,912,535	46,275,886
Accumulated amortization (<i>Schedule II</i>)	(19,613,751)	(18,543,994)
Capital lease (<i>Note 7</i>)	(202,008)	(214,476)
Long-term debt (<i>Note 8</i>)	(3,816,261)	(4,126,979)
	23,280,515	23,390,437

11. 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:

	Months	Salary/ remuneration	Benefits & allowances	2022	2021
Mayor Carnahan	12	25,118	1,376	26,494	6,487
Mayor Yachimetz (previous)	-	-	-	-	25,606
Councilor Gardner	12	16,966	945	17,911	18,108
Councilor McKeag	12	14,416	783	15,199	3,338
Councilor Faulkner	12	14,304	794	15,098	17,634
Councilor Benson	12	13,291	690	13,981	2,966
Councilor Balaban	-	-	-	-	11,815
Councilor Froese	-	-	-	-	1,685
CAO (acting)	5	61,864	9,305	71,169	12,671
CAO	7	99,896	10,230	110,126	-
CAO (previous)	-	-	-	-	282,165

Salary/remuneration includes regular base pay, bonuses, overtime, lump sum payments, gross honoraria and any other direct cash remuneration.

Benefits and allowances includes employer's share of all employee benefits and contributions or payments made on behalf of employees including RRSP's, dental coverage, vision coverage, group life insurance and accidental disability and dismemberment insurance.

Benefits and allowances figures also include the employer's share of the costs of additional taxable benefits.

Town of Calmar
Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

12. 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.

In the normal conduct of operations, there are pending claims by and against the Town. Litigation is subject to many uncertainties, and the outcome of individual matters is not predictable with assurance. In the opinion of management, based on the advice and information provided by its legal counsel, final determination of these other litigations will not materially affect the Town's financial position or results of operations.

13. Guarantees

The Town guarantees the balances of its credit cards to a maximum of \$37,000 (2021 - \$37,000).

14. Segments

The Town provides a range of services to its ratepayers. For each reported segment, the 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 consolidated financial statements as disclosed in Note 1.

Refer to Schedule VI - Schedule of Segmented Disclosure.

15. Commitments

The Town has entered into a Disaster Services Agreement with Leduc County with annual payments of \$20,000 until 2027.

16. Budget information

The disclosed budget information has been approved by Council. The following is a reconciliation between the budget approved and that showing in the consolidated financial statements:

	<i>Budget</i>
Approved budgeted operating surplus	41,227
Debenture repayment	317,006
Operating draw from reserve	(477,055)
Operating transfer to reserve	140,000
<hr/>	
Deficiency of revenue over expenses before other (<i>Consolidated Statement of Operations</i>)	21,178
Capital revenue	2,066,109
Acquisition of tangible capital assets	(631,970)
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Increase in net debt (<i>Consolidated Statement of Change in Net Debt</i>)	1,455,317

Town of Calmar
Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

17. Significant event

In March 2020, the World Health Organization declared the outbreak of COVID-19 (coronavirus) a global pandemic, which continues to spread in Canada and around the world.

This Pandemic is evolving, and the Town continues to respond with public health measures and financial assistance as necessary. The duration and potential impacts of COVID-19 are unknown at this time. As a result, we are unable to estimate the effects of these developments on the financial statements.