

Financial Statements of

TOWN OF COALHURST

And Independent Auditor's Report Thereon

Year ended December 31, 2022

Management's Responsibility for Financial Reporting

The Town of Coalhurst (the "Town") management is responsible for the preparation, accuracy, objectivity, and integrity of the accompanying financial statements and the notes thereto. 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.

The financial statements have been prepared in accordance with Canadian public sector accounting standards. Financial statements are not precise, since they include certain amounts based on estimates and judgments. Such amounts have been determined on a reasonable basis in order to ensure that the 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 maintained a system of internal controls to produce reliable information to meet reporting requirements. The system is designed to provide management with reasonable assurance that transactions are properly authorized, reliable financial records are maintained, and assets are properly accounted for and safeguarded.

The Town's 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.

The financial statements have been audited by the independent firm of KPMG LLP. Their report to the Members of Council of the Town of Coalhurst, stating the scope of their examination and opinion on the financial statements, follows.

Jeffrey Coffman
Chief Administrative Officer



KPMG LLP
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Lethbridge AB T1K 7T5 Canada
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INDEPENDENT AUDITOR'S REPORT

To the Mayor and Councilors of the Town of Coalhurst

Opinion

We have audited the financial statements of the Town of Coalhurst (the "Town"), which comprise:

- the statement of financial position as at December 31, 2022
- the statement of operations and accumulated surplus for the year then ended
- the statement of changes in net financial assets for the year then ended
- the statement of cash flows for the year then ended
- and notes and schedules to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Town as at December 31, 2022, and its results of operations, changes in 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 auditor's 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.



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 liquidate the Town or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 the 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.
- 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.

KPMG LLP

Chartered Professional Accountants
Lethbridge, Canada
April 25, 2023

TOWN OF COALHURST

Statement of Financial Position

December 31, 2022, with comparative information for 2021

	2022	2021
Financial assets:		
Cash and cash equivalents (note 3)	\$ 10,415,967	\$ 11,706,841
Taxes receivable (note 4)	115,868	136,975
Trade and other receivables (note 5)	1,610,074	1,072,061
	<u>12,141,909</u>	<u>12,915,877</u>
Financial liabilities:		
Accounts payable and accrued liabilities	94,299	357,128
Deferred revenue (note 6)	1,263,008	1,558,149
Deposit liabilities	335,857	332,371
Long-term debt (note 7)	3,491,712	3,646,461
	<u>5,184,876</u>	<u>5,894,109</u>
Net financial assets	<u>6,957,033</u>	<u>7,021,768</u>
Non-financial assets:		
Prepaid expenses and deposits	421,069	--
Tangible capital assets (Schedule 6)	32,422,839	29,134,841
Water rights	70,000	--
	<u>32,913,908</u>	<u>29,134,841</u>
Contingent liability (note 12)		
Accumulated surplus (note 8 and Schedule 3)	<u>\$ 39,870,941</u>	<u>\$ 36,156,609</u>

See accompanying notes to financial statements.

TOWN OF COALHURST

Statement of Operations and Accumulated Surplus

Year ended December 31, 2022, with comparative information for 2021

	Budget (note 14)	2022	2021
Revenue:			
Net municipal property taxes (Schedule 4)	\$ 2,133,051	\$ 2,131,087	\$ 2,081,528
Sales and user fees	1,826,210	1,862,872	1,962,444
Government transfers for operating (Schedule 1)	792,400	101,169	334,679
Interest income	90,000	202,206	55,900
Penalties and cost of taxes	41,347	47,774	38,663
Rental income	10,000	20,093	10,141
Franchise and concession contracts	105,000	94,003	78,632
Licenses and permits	75,000	62,777	83,084
Other revenue	28,500	7,026	7,093
Total revenue	5,101,508	4,529,007	4,652,164
Expenses (Schedule 5):			
Legislative	179,713	126,460	94,654
Administration	694,029	1,763,716	1,648,691
Protective services	559,658	400,380	402,111
Roads, streets, walks and street lighting	764,795	444,736	378,014
Water supply and distribution	498,693	459,587	418,798
Waste water	467,618	382,426	425,580
Waste management	363,900	299,536	291,518
Community support	39,050	28,651	29,439
Municipal Planning	264,352	187,881	210,677
Recreation and parks	312,400	230,483	216,608
Culture and library	130,500	96,358	113,743
Total expenses	4,274,708	4,420,214	4,229,833
Excess of revenue over expenses before the undernoted	826,800	108,793	422,331
Other:			
Government transfers for capital (schedule 1)	4,682,000	2,743,675	1,468,769
Contributed tangible capital assets	--	861,864	--
	4,682,000	3,605,539	1,468,769
Excess of revenue over expenses	5,508,800	3,714,332	1,891,100
Accumulated surplus, beginning of year	36,156,609	36,156,609	34,265,509
Accumulated surplus, end of year	\$ 41,665,409	\$39,870,941	\$ 36,156,609

See accompanying notes to financial statements.

TOWN OF COALHURST

Statement of Changes in Net Financial Assets

Year ended December 31, 2022, with comparative information for 2021

	Budget	2022	2021
Excess of revenue over expenses	\$ 5,508,800	\$ 3,714,332	\$ 1,891,100
Acquisition of tangible capital assets	--	(3,482,798)	(2,114,169)
Contributed tangible capital assets	--	(861,864)	--
Net change in Water rights	--	(70,000)	--
Amortization of tangible capital assets	--	1,042,220	1,010,821
Loss (gain) on disposal of tangible capital assets	--	13,762	(970)
Proceeds of disposal of tangible capital assets	--	682	42,100
Net change in prepaids and deposits	--	(421,069)	--
Changes in net financial assets	5,508,800	(64,735)	828,882
Net financial assets, beginning of year	7,021,768	7,021,768	6,192,886
Net financial assets, end of year	\$ 12,530,568	\$ 6,957,033	\$ 7,021,768

See accompanying notes to financial statements.

TOWN OF COALHURST

Statement of Cash Flows

Year ended December 31, 2022, with comparative information for 2021

	2022	2021
Cash provided by (used in):		
Operating activities:		
Excess of revenue over expenses	\$ 3,714,332	\$ 1,891,100
Items not involving cash:		
Amortization of tangible capital assets	1,042,220	1,010,821
Loss (gain) on disposal of tangible capital assets	13,762	(970)
	<u>4,770,314</u>	<u>2,900,951</u>
Changes in non-cash assets and liabilities:		
Taxes receivable	21,107	13,627
Trade and other receivables	(538,013)	(334,118)
Prepaid expenses and deposits	(421,069)	--
Accounts payable and accrued liabilities	(262,829)	189,126
Deposit liabilities	3,486	12,807
Deferred revenue	(295,141)	(839,429)
	<u>3,277,855</u>	<u>1,942,964</u>
Capital activities:		
Acquisition of tangible capital assets		
- internally funded	(3,482,798)	(2,114,169)
- contributed	(861,864)	--
Proceeds on disposal of tangible capital assets	682	42,100
	<u>(4,343,980)</u>	<u>(2,072,069)</u>
Investing activities:		
Investment in intangible assets	(70,000)	--
Financing activities:		
Principal payment on long-term debt - capital	(127,036)	(122,867)
Principal payment on long-term debt - operating	(27,713)	(26,874)
	<u>(154,749)</u>	<u>(149,741)</u>
Decrease in cash and cash equivalents	(1,290,874)	(278,846)
Cash and cash equivalents, beginning of year	11,706,841	11,985,687
Cash and cash equivalents, end of year	\$ 10,415,967	\$ 11,706,841

See accompanying notes to financial statements.

TOWN OF COALHURST

Notes to the Financial Statements

Year ended December 31, 2022

1. Significant accounting policies:

The financial statements of the Town of Coalhurst (the "Town") are the representations of management prepared in accordance with Canadian Public Sector Accounting Standards.

Significant aspects of the accounting policies adopted by the Town are as follows:

(a) Reporting entity:

The financial statements reflect the assets, liabilities, revenues and expenses of the reporting entity. The reporting entity is comprised of the municipal operations controlled by the Town and are, therefore, accountable to Council for the administration of their financial affairs and resources.

Interdepartmental transactions and balances have been eliminated.

The schedule of taxes levied and net taxes available for Municipal purposes includes requisitions collected on behalf of and transferred to educational and other external organizations that are not part of the municipal reporting entity.

(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.

Tax revenues result from non-exchange transactions that are compulsorily paid to governments in accordance with the laws and regulations established to provide revenue to the government for public services. The revenue is recognized when the tax has been authorized and the taxable event has occurred.

(c) Pension expense

The Town participates in a defined benefit multi-employer pension plan covering substantially all of its employees. Pension contributions are accounted for using defined contribution accounting, wherein contributions for current and past service pension benefits are recorded as expenses in the year in which they become due.

TOWN OF COALHURST

Notes to the Financial Statements

Year ended December 31, 2022

(d) Investments

Investments are recorded at amortized cost. Investment premiums and discounts are amortized over the term of the respective investments. When there has been a loss in value that is other than a temporary decline, the respective investment is written down to recognize the loss.

(e) Over-levies collections and under-levies

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.

(f) Government transfers

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

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

(g) Contaminated sites liability

Contaminated sites are a result of contamination being introduced into air, soil, water or sediment of a chemical, organic or radioactive 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. No contaminated sites have been identified.

TOWN OF COALHURST

Notes to the Financial Statements

Year ended December 31, 2022

(h) 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.

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:

Assets	Years
Land improvements	50
Buildings	50
Engineered structures	45 - 75
Machinery and equipment	5 - 20
Vehicles	10 - 25

Assets under construction are not amortized until the asset is available for productive use.

ii. Contribution 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. Inventories:

Inventories consisting of land and improvements not currently available for resale are recorded as non-financial assets.

Inventories held for consumption are recorded at the lower of cost and replacement cost.

iv. Water rights:

The Town records water rights not subject to amortization at cost, and accordingly, tests water rights for impairment only when events or changes in circumstances indicate that the carrying amount may not be recoverable.

(i) Use of estimates

The preparation of the financial statements in conformity with Canadian Public Sector Accounting Standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Where measurement uncertainty exists, the financial statements have been prepared within reasonable limits of materiality. Significant items subject to such estimates and assumptions include the carrying amount of tangible capital assets, water rights, provisions for impairment of accounts receivable and taxes receivable, carrying amounts of inventories and construction in progress. Actual results could differ from those estimates.

TOWN OF COALHURST

Notes to the Financial Statements

Year ended December 31, 2022

2. New and proposed accounting pronouncements:

The following summarizes the upcoming changes to the Public Sector Accounting Standards by the Public Sector Accounting Standards Board ("PSAB"). In 2023, the Town will continue to assess the impact and prepare for the adoption of these standards. While the timing of standard adoption can vary, certain standards are eligible for early adoption while others must be adopted concurrently.

(a) PS 1201 – Financial Statement Presentation:

The implementation of this standard requires a new statement of remeasurement gains and losses separate from the statement of operations. This new statement will include the unrealized gains and losses arising from the remeasurement of financial instruments and items denominated in foreign currency. This standard has been deferred by PSAB and is now effective for fiscal years beginning on or after April 1, 2022.

(b) PS 3450 – Financial Instruments

This section establishes recognition, measurement, and disclosure requirements for derivative and non-derivative instruments. The standard requires fair value measurements of derivative instruments and equity instruments; all other financial instruments can be measured at either cost or fair value depending upon elections made by the government. Unrealized gains and losses will be presented on the new statement of remeasurement gains and losses arising from the adoption of PS 1201. There will also be a requirement to disclose the nature and extent of risks arising from financial instruments and clarification is given for the de-recognition of financial liabilities. As the Town does not invest in derivatives or equity instruments based on its investment policy, it is anticipated that the adoption of this standard will have a minimal impact on the Town. This standard has been deferred by PSAB and is now effective for fiscal years beginning on or after April 1, 2022.

(c) PS 2601 – Foreign Currency Translation

This section establishes guidance on the recognition, measurement, presentation and disclosure of assets and liabilities denominated in foreign currencies. The section requires monetary assets and liabilities, denominated in a foreign currency and non-monetary items valued at fair value, denominated in a foreign currency to be adjusted to reflect the exchange rates in effect at the financial statement date. The resulting unrealized gains and losses are to be presented in the new statement of remeasurement gains and losses. This standard has been deferred by PSAB and is now effective for fiscal years beginning on or after April 1, 2022.

(d) PS 3041 - Portfolio Investments

This section removes the distinction between temporary and portfolio investments and provides additional guidance on recognition, measurement, presentation and disclosure of these types of investments. Upon adoption of this section and PS 3450, PS 3040 - Portfolio Investments will no longer be applicable. This standard has been deferred by PSAB and is now effective for fiscal years beginning on or after April 1, 2022.

The requirements in PS 1201, PS 3450, PS 2601 and PS 3041 are required to be implemented at the same time.

TOWN OF COALHURST

Notes to the Financial Statements

Year ended December 31, 2022

(e) PS 3280 - Asset retirement obligations

This section provides guidance on how to account for and report a liability for retirement of a tangible capital asset. This standard has been deferred by PSAB and is now effective for fiscal years beginning on or after April 1, 2022.

(f) PS 3400 - Revenue

This section provides guidance on how to account for and report on revenue, specifically addressing revenue arising from exchange transactions and unilateral transactions. This standard has been deferred by PSAB and is now effective for fiscal years beginning on or after April 1, 2023.

(g) PSG-8 – Purchased Intangibles

This new guideline allows for recognition of intangibles purchased through and exchange transaction. Narrow-scope amendments were made to PS 1000 Financial Statement Concepts to remove prohibition on recognition of intangibles purchased through exchange transactions and PS 1201 Financial Statement Presentation to remove the requirement to disclose that purchased intangibles are not recognized. This is effective for fiscal years beginning on or after April 1, 2023.

(h) PS 3160 - Public Private Partnerships:

This section establishes standards on how to account for public private partnership arrangements. This standard is effective for fiscal years beginning on or after April 1, 2023.

3. Cash and cash equivalents:

Cash and cash equivalents include cash on hand and short term deposits with original maturities of less than three months.

Included in cash is \$264,014 (2021 - \$270,123) of unexpended debt proceeds from Province of Alberta (formerly Alberta Capital Finance Authority) and \$1,222,571 (2021 - \$1,524,597) of restricted grant funding.

TOWN OF COALHURST

Notes to the Financial Statements

Year ended December 31, 2022

4. Taxes receivable:

	2022	2021
Current	\$ 91,578	\$ 100,141
Arrears	24,290	36,834
	\$ 115,868	\$ 136,975

5. Trade and other receivables:

	2022	2021
Grants and recoveries	\$ 1,416,226	\$ 934,537
Utilities	185,878	128,922
Other	7,970	8,602
	\$ 1,610,074	\$ 1,072,061

6. Deferred revenue:

	2021	Contributions received	Interest	Contributions recognized as revenue	2022
Canada Community-Building Fund	\$ --	\$ 96,859	\$ --	\$ 90,335	\$ 6,524
Building Canada Grant	--	968,711	--	968,711	--
Alberta Community Resilience Program Grant	1,264,786	--	35,295	1,300,081	--
Municipal Sustainability Initiatives					
- Operating	--	96,969	--	96,969	--
- Capital	109,811	1,228,289	49,890	280,487	1,107,503
Municipal Solar Program	--	62,605	--	62,605	--
Other grants	150,000	4,200	--	45,656	108,544
	1,524,597	2,457,633	85,185	2,844,844	1,222,571
Prepaid tax revenue	33,552	40,437	--	33,552	40,437
Deferred revenue, end of year	\$ 1,558,149	\$ 2,498,070	\$ 85,185	\$ 2,878,396	\$ 1,263,008

TOWN OF COALHURST

Notes to the Financial Statements

Year ended December 31, 2022

6. Deferred revenue (continued):

Funding allocations have been made available to the Town from the Municipal Sustainability Initiative ("MSI") – Capital Component. These allocations are only receivable from the funding source upon approval of project submissions made by the Town. As at December 31, 2022, the Town has a portion of their allocations that do not have any approved projects submitted towards. As a result these allocations have not been included in these financial statements.

	2022	2021
Unpaid allocations available, beginning of year	\$ 2,557,800	\$ 1,832,139
MSI contributions received - capital	(1,228,289)	--
Annual allocation	294,269	725,661
Unpaid allocations available, end of year	\$ 1,623,780	\$ 2,557,800

Funding allocations have been made available to the Town from the Canada Community-Building Fund ("CCBF"). These allocations are only receivable from the funding source upon approval of project submissions made by the Town. As at December 31, 2022, the Town has a portion of their allocations they do not have any approved projects submitted towards. As a result, these allocations have not been included in these financial statements.

	2022	2021
Unpaid allocations available, beginning of year	\$ 503,087	\$ 483,260
CCBF contributions received - capital	(96,859)	(306,148)
Annual Allocation	166,834	325,975
Unpaid allocations available, end of year	\$ 573,062	\$ 503,087

TOWN OF COALHURST

Notes to the Financial Statements

Year ended December 31, 2022

7. Long-term debt:

	2022	2021
Tax supported debentures	\$ 3,420,402	\$ 3,559,166
Self-supported debentures	71,310	87,295
	<u>\$ 3,491,712</u>	<u>\$ 3,646,461</u>

Principal and interest repayments on debt are as follows:

	Principal	Interest	Total
2023	\$ 158,799	\$ 107,787	\$ 266,586
2024	165,310	101,276	266,586
2025	170,874	95,712	266,586
2026	176,638	89,948	266,586
2027	162,772	71,320	234,092
Thereafter	2,657,319	630,463	3,287,782
	<u>\$ 3,491,712</u>	<u>\$ 1,096,506</u>	<u>\$ 4,588,218</u>

Long-term debt is comprised of:

	2022	2021
Capital	\$ 2,612,426	\$ 2,739,462
Land acquired for future development	614,590	636,876
Unspent debt proceeds	264,696	270,123
	<u>\$ 3,491,712</u>	<u>\$ 3,646,461</u>

Debenture debt is repayable to the Province of Alberta (formerly Alberta Capital Finance Authority) and bears interest at rates ranging from 2.649% to 5.353% (2021 - 2.649% to 5.353%) per annum, before Provincial subsidy, and matures in 2042. Debenture debt is issued on the credit and security of the Town of Coalhurst at large.

Interest on debenture debt amounted to \$110,514 (2021 - \$115,553). The Town's total cash payments for interest in 2022 were \$111,836 (2021 - \$116,846).

TOWN OF COALHURST

Notes to the Financial Statements

Year ended December 31, 2022

8. Accumulated surplus:

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

	2022	2021
Reserves (i)	\$ 7,240,107	\$ 7,161,987
Equity in tangible capital assets (ii)	29,810,413	26,395,379
Unrestricted net assets	2,820,421	2,599,243
	\$ 39,870,941	\$ 36,156,609

(i) Reserves are comprised of funds internally restricted as follows:

	2022	2021
Operating:		
Infrastructure	\$ 460,789	\$ 460,789
Administration	131,871	118,871
Fire department	846,447	840,367
Emergency measures	8,888	8,888
Equipment	743,129	711,675
Roads	588,079	558,079
Water	763,442	798,442
Sewer	751,287	731,288
Garbage	39,413	9,413
Drainage	358,228	288,228
Recreation	154,559	122,558
Community	45,903	45,903
Community centre	165,725	156,825
Contingency	234,550	362,864
	5,292,310	5,214,190
Capital	1,947,797	1,947,797
	\$ 7,240,107	\$ 7,161,987

(ii) Equity in tangible capital assets:

	2022	2021
Tangible capital assets (Schedule 6)	\$ 48,000,133	\$ 43,688,549
Accumulated amortization (Schedule 6)	(15,577,294)	(14,553,708)
Long-term debt for capital (note 7)	(2,612,426)	(2,739,462)
	\$ 29,810,413	\$ 26,395,379

TOWN OF COALHURST

Notes to the Financial Statements

Year ended December 31, 2022

9. 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:

	Salaries (i)	Benefits and Allowances(ii)	Total 2022	Total 2021
Mayor:				
D. Cassie	\$ --	\$ --	\$ --	\$ 16,383
L. Montina	21,520	4,308	25,828	6,439
Councillors:				
H. Caldwell	17,703	4,206	21,909	15,677
S. Akkermans	18,082	6,823	24,905	6,475
B. Edgecome-Green	--	--	--	10,363
D. Florence	19,909	6,013	25,922	6,348
R. Lagemaat	--	--	--	17,016
E. Christensen	--	--	--	4,375
J. Potrie	16,637	3,084	19,721	6,229
	<u>93,851</u>	<u>24,434</u>	<u>118,285</u>	<u>89,305</u>
Designated officers:				
Chief Administrative Officer	228,539	12,124	240,663	138,036
Chief Administrative Officer (interim)	34,295	608	34,903	--
	<u>\$ 262,834</u>	<u>\$ 12,732</u>	<u>\$ 275,566</u>	<u>\$ 138,036</u>

- i) Salary includes regular base pay, bonuses, overtime, lump sum payments, gross honoraria and any other direct cash remuneration.
- ii) 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, group life insurance, accidental disability and dismemberment insurance, long-term disability plans, travel allowances and tuition, as eligible.

TOWN OF COALHURST

Notes to the Financial Statements

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 255/00 for the Town be disclosed as follows:

	2022	2021
Total debt limit	\$ 7,121,109	\$ 6,978,246
Total debt	(3,491,712)	(3,646,461)
Amount of debt limit unused	\$ 3,629,397	\$ 3,331,785
Debt servicing limit	\$ 1,186,952	\$ 1,163,041
Debt servicing	(266,586)	(266,586)
Amount of debt servicing unused	\$ 920,366	\$ 896,455

The debt limit is calculated at 1.5 times revenue of the Town (as defined in Alberta Regulation 255/00) and the debt service 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 taken alone does not represent the financial stability of the Town. Rather, the financial statements must be interpreted as a whole.

11. 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 Pension Plans Act. The LAPP serves about 281,764 people and about 435 employers. The LAPP is financed by 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% (9.39% in 2021) of pensionable earnings up to the year's maximum pensionable earnings under the Canada Pension Plan and 12.80% (13.84% in 2021) on pensionable earnings above this amount. Employees of the Town are required to make current service contributions of 7.45% (8.39% in 2021) of pensionable salary up to the year's maximum pensionable salary and 11.80% (12.84% in 2021) on pensionable salary above this amount.

Total current service contributions by the Town to the LAPP in 2022 were \$67,723 (2021 - \$84,915). Total current service contributions by the employees of the Town to the LAPP in 2022 were \$60,207 (2021 - \$76,541).

At December 31, 2021 the LAPP reported an actuarial surplus of \$11.9 billion (2020 - \$4.96 billion).

TOWN OF COALHURST

Notes to the Financial Statements

Year ended December 31, 2022

12. Contingent liability:

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 exchange. Any liability incurred would be accounted for as a current transaction in the year the losses are determined.

13. Financial instruments:

The Town as part of its operations carries a number of financial instruments, such as cash and cash equivalents, taxes and accounts receivable, investments, accounts payable and accrued liabilities and long-term debt. It is management's opinion that the Town is not exposed to significant interest, or currency risks arising from these financial instruments except as otherwise disclosed.

Unless otherwise noted, the fair value of these financial instruments approximates their carrying values.

i. Interest rate risk:

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. In seeking to minimize the risks from interest rate fluctuations, the Town manages exposure through its normal operating and financing activities. The Town has available a Municipal Revolving loan aggregating \$300,000. Amounts drawn on this facility bear interest at prime plus nil%. At December 31, 2022, no amounts were drawn on this facility. At December 31, 2022 prime rate was 6.45% (2021 - 2.45%).

ii. 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.

iii. Liquidity risk:

Liquidity risk is the risk that the Town will not be able to meet its financial obligations as they become due. The Town manages liquidity risk by continually monitoring actual and forecasted cash flows from operations and anticipated investing activities to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions.

14. Budget:

The budgeted information presented in these financial statements is based upon the 2022 operating and capital budgets approved by Council on May 31, 2022. Amortization was not contemplated in development of the budget and, as such, has not been included.

TOWN OF COALHURST

Notes to the Financial Statements

Year ended December 31, 2022

15. Segmented disclosure:

Segmented information has been identified based upon lines of service provided by the Town. Town services are provided by departments and their activities are reported by functional area in the body of the financial statements. Certain lines of service that have been separately disclosed in the segments information, along with the services they provide, are as follows:

(a) Utility services:

The utility department is responsible for water supply and distribution services within the Town, as well as wastewater treatment and disposal activities and waste management functions.

(b) Public works:

The public works department is responsible for the delivery of municipal public works services related to the planning, development and maintenance of roadway systems, streets, walks and lighting.

(c) Protective services:

The mandate of Protective Services is to provide for the rescue and protection of people and property within the Town through effective and efficient management and coordination of emergency service systems and resources.

(d) Parks and culture:

Parks and culture includes the operation and maintenance of parks, recreation, and community buildings within the Town.

(e) General government:

General government includes all functional activities.

Certain allocation methodologies are employed in the preparation of segmented financial information. Taxation and payments-in-lieu of taxes are allocated to the segments based on the segment's budgeted net expenditure. User charges and other revenue have been allocated to the segments based upon the segment that generated the revenue. Government transfers have been allocated to the segment based upon the purpose for which the transfer was made.

The accounting policies used in these segments are consistent with those followed in the preparation of the financial statements as disclosed in Note 1.

16. Comparative information:

Certain comparative information has been reclassified, where applicable, to conform to the presentation used in the current year. The changes do not affect prior year earnings.

17. Approval of financial statements:

Council and Management approved these financial statements.

TOWN OF COALHURST

Schedule 1 - Schedule of Government Transfers

Year ended December 31, 2022, with comparative information for 2021

	Budget	2022	2021
Transfers for operating:			
Provincial government	\$ 792,400	\$ 96,969	\$ 328,379
Federal government	--	4,200	6,300
	792,400	101,169	334,679
Transfers for capital:			
Provincial government	2,482,000	1,684,629	839,127
Federal government	2,200,000	1,059,046	618,642
Local government	--	--	11,000
	4,682,000	2,743,675	1,468,769
Total government transfers	\$ 5,474,400	\$ 2,844,844	\$ 1,803,448

TOWN OF COALHURST

Schedule 2 - Schedule of Segmented Disclosures

Year ended December 31, 2022, with comparative information for 2021

	Utilities	Public Works	Protective Services	Parks and culture	General Government	2022	2021
Revenue:							
Net municipal property taxes	\$ --	\$ --	\$ --	\$ --	2,131,087	\$ 2,131,087	\$ 2,081,528
Sales and user fees	1,530,992	113,462	157,442	48,184	12,792	1,862,872	1,962,444
Government transfers for operating	15,000	40,000	--	12,200	33,969	101,169	334,679
Investment income	--	--	--	--	202,206	202,206	55,900
Penalties and cost of taxes	--	--	--	--	47,774	47,774	38,663
Rentals	--	--	--	20,093	--	20,093	10,141
Franchise and concession contracts	--	--	--	--	94,003	94,003	78,632
Licenses and permits	--	--	11,664	--	51,113	62,777	83,084
Other	--	--	7,026	--	--	7,026	7,093
	1,545,992	153,462	176,132	80,477	2,572,944	4,529,007	4,652,164
Expenses:							
Salaries, wages and benefits	273,486	115,196	134,737	161,433	627,937	1,312,789	1,252,595
Contracted and general services	229,882	82,416	64,143	49,526	273,396	699,363	608,998
Materials, goods, supplies and utilities	196,338	202,579	101,301	73,957	93,465	667,640	659,695
Transfer to local boards and agencies	386,137	--	88,017	41,926	47,642	563,722	581,648
Interest on long-term debt	55,706	44,545	4,111	--	6,152	110,514	115,553
Interest and bank charges	--	--	--	--	1,945	1,945	1,332
Other	--	--	--	--	8,259	8,259	161
Loss (gain) on disposal of tangible capital assets	--	--	8,071	--	5,691	13,762	(970)
Amortization	--	--	--	--	1,042,220	1,042,220	1,010,821
	1,141,549	444,736	400,380	326,842	2,106,707	4,420,214	4,229,833
Excess (deficiency) of revenue over expenses before the undernoted	404,443	(291,274)	(224,248)	(246,365)	466,237	108,793	422,331
Government transfers for capital	--	2,664,875	--	78,800	--	2,743,675	1,468,769
Contributed tangible capital assets	309,534	552,330	--	--	--	861,864	--
	309,534	3,217,205	--	78,800	--	3,605,539	1,468,769
Excess (deficiency) of revenue over expenses	\$ 713,977	\$ 2,925,931	\$ (224,248)	\$ (167,565)	\$ 466,237	\$ 3,714,332	\$ 1,891,100

TOWN OF COALHURST

Schedule 3 - Schedule of Changes in Accumulated Surplus

Year ended December 31, 2022, with comparative information for 2021

	Unrestricted net assets	Reserves	Equity in tangible capital assets	2022	2021
Balance, beginning of year	\$ 2,599,243	\$ 7,161,987	\$ 26,395,379	\$ 36,156,609	\$ 34,265,509
Excess of revenues over expenses	3,714,332	--	--	3,714,332	1,891,100
Transferred to reserves	(78,120)	78,120	--	--	--
Acquisition of tangible capital assets internally funded	(3,482,798)	--	3,482,798	--	--
Contributed tangible capital assets	(861,864)	--	861,864	--	--
Net book value of tangible capital assets disposed	14,444	--	(14,444)	--	--
Amortization of tangible capital assets	1,042,220	--	(1,042,220)	--	--
Principal payment on debenture debt - capital	(127,036)	--	127,036	--	--
Change in accumulated surplus	221,178	78,120	3,415,034	3,714,332	1,891,100
Balance, end of year	\$ 2,820,421	\$ 7,240,107	\$ 29,810,413	\$ 39,870,941	\$ 36,156,609

TOWN OF COALHURST

Schedule 4 - Schedule of Net Municipal Property Taxes

Year ended December 31, 2022, with comparative information for 2021

	Budget	2022	2021
Taxation:			
Real property tax	\$ 2,941,551	\$ 2,939,604	\$ 2,840,389
Requisitions:			
Alberta School Foundation Fund	765,000	765,019	718,221
Green Acres Foundation	43,500	43,498	40,640
	808,500	808,517	758,861
Net municipal property tax	\$ 2,133,051	\$ 2,131,087	\$ 2,081,528

TOWN OF COALHURST

Schedule 5 - Schedule of Expenses by Object

Year ended December 31, 2022, with comparative information for 2021

	Budget	2022	2021
Salaries, wages and benefits	\$ 1,462,256	\$ 1,312,789	\$ 1,252,595
Contracted and general services	1,242,015	699,363	608,998
Materials, goods, supplies and utilities	857,700	667,640	659,695
Transfers to local boards and agencies	639,000	563,722	581,648
Interest on long-term debt	111,836	110,514	115,553
Interest and bank charges	1,500	1,945	1,332
Other	2,401	8,259	161
Loss (gain) on disposal of tangible capital assets	(42,000)	13,762	(970)
Amortization	--	1,042,220	1,010,821
Total expenses by object	\$ 4,274,708	\$ 4,420,214	\$ 4,229,833

TOWN OF COALHURST

Schedule 6 - Schedule of Tangible Capital Assets

Year ended December 31, 2022, with comparative information for 2021

	Land	Land improvements	Buildings	Engineered structures	Machinery and equipment	Vehicles	Construction in progress	2022	2021
Cost:									
Balance, beginning of year	\$ 1,590,990	\$ 737,271	\$ 4,160,796	\$ 27,748,609	\$ 2,039,631	\$ 2,438,898	\$ 4,972,354	\$ 43,688,549	\$ 41,764,768
Acquisition of tangible capital assets	--	--	165,276	1,056,689	129,790	451,572	2,541,335	4,344,662	2,114,169
Disposal of tangible capital assets	--	--	--	--	(12,150)	(20,928)	--	(33,078)	(190,388)
Balance, end of year	\$ 1,590,990	\$ 737,271	\$ 4,326,072	\$ 28,805,298	\$ 2,157,271	\$ 2,869,542	\$ 7,513,689	\$ 48,000,133	\$ 43,688,549
Accumulated amortization:									
Balance, beginning of year	--	\$ 76,455	\$ 3,189,425	\$ 8,960,232	\$ 1,086,062	\$ 1,241,534	--	\$ 14,553,708	\$ 13,692,145
Accumulated amortization of disposals	--	--	--	--	(6,075)	(12,559)	--	(18,634)	(149,258)
Amortization	--	35,710	74,389	685,624	116,083	130,414	--	1,042,220	1,010,821
Balance, end of year	--	112,165	3,263,814	9,645,856	1,196,070	1,359,389	--	15,577,294	14,553,708
Net book value of tangible capital assets	\$ 1,590,990	\$ 625,106	\$ 1,062,258	\$ 19,159,442	\$ 961,201	\$ 1,510,153	\$ 7,513,689	\$ 32,422,839	\$ 29,134,841
2021 Net book value of tangible capital assets	\$ 1,590,990	\$ 660,816	\$ 971,371	\$ 18,788,377	\$ 953,569	\$ 1,197,364	\$ 4,972,354	\$ 29,134,841	