

Town of Redwater
Financial Statements
December 31, 2023



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Management's Responsibility

To the Mayor and Councillors of the Town of Redwater:

The accompanying financial statements of the Town of Redwater (the "Town") are the responsibility of management and have been approved by Council.

Management is responsible for the preparation 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.

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 fulfils 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.

April 16, 2024

Chief Administrative Officer

A NATURAL HOME

To the Mayor and Councillors of Town of Redwater:

Opinion

We have audited the financial statements of Town of Redwater (the "Town"), which comprise the statement of financial position as at December 31, 2023, and the statements of operations, change in net financial assets, cash flows and the related schedules for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Town as at December 31, 2023, and the results of its operations, change 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.

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 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 12.

Leduc, Alberta

April 16, 2024

MNP LLP

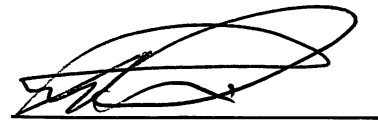
Chartered Professional Accountants

Town of Redwater
Statement of Financial Position
As at December 31, 2023

	2023	2022
Financial assets		
Cash and equivalents (Note 2)	4,010,443	4,011,147
Investments (Note 3)	39,608	39,608
Trade and other accounts receivable (Note 4)	525,064	823,100
Property taxes receivable (Note 5)	895,843	870,407
Tax sale proceeds	5,071	4,822
	5,476,029	5,749,084
Liabilities		
Accounts payable and accrued liabilities	845,600	962,343
Deposit liabilities	133,351	106,834
Deferred revenue (Note 7)	92,557	48,159
Tax sale proceeds liability	5,071	4,822
Long-term debt (Note 8)	3,565,867	3,948,409
Asset retirement obligations (Note 10)	365,045	-
	5,007,491	5,070,567
Net financial assets	468,538	678,517
Contingent liabilities (Note 14)		
Non-financial assets		
Tangible capital assets (Schedule 2)	29,272,565	28,923,225
Inventory for consumption	103,855	85,978
Prepaid expenses	57,309	59,503
	29,433,729	29,068,706
Accumulated surplus (Schedule 1)	29,902,267	29,747,223

Approved on behalf of Council:

 Mayor

 Councillor

Town of Redwater

Statement of Operations

For the year ended December 31, 2023

	2023 <i>Budget</i> <i>(Note 16)</i>	2023	2022
Revenue			
Net municipal property taxes <i>(Schedule 3)</i>	3,278,332	3,276,285	3,134,607
User fees and sales of goods	2,346,499	2,109,779	1,879,132
Gas sales	1,980,546	1,338,563	1,957,160
Government transfers <i>(Schedule 4)</i>	485,173	536,959	482,624
Investment income	111,625	227,399	107,089
Rental	138,619	155,052	131,744
Penalties and cost on taxes	213,000	141,601	171,192
Licenses and permits	10,700	46,211	19,831
Fines	3,500	9,087	4,406
Gain (loss) on sale of tangible capital assets	-	(20,322)	12,847
	8,567,994	7,820,614	7,900,632
Program expenses			
Parks and Recreation	1,784,921	1,679,485	1,670,595
Environmental Services	1,495,702	1,491,803	1,469,922
Transportation Services	1,417,057	1,423,982	1,381,082
Gas Production and Distribution	1,858,380	1,302,754	1,823,878
Administration and Legislative	1,070,226	1,090,778	981,429
Planning and Economic Development	625,776	649,536	956,163
Protective Services	401,838	374,274	345,008
FCSS and Community Services	196,416	176,101	144,280
	8,850,316	8,188,713	8,772,357
Deficiency of revenue before other	(282,322)	(368,099)	(871,725)
Other			
Government transfers for capital <i>(Schedule 4)</i>	710,100	373,143	599,155
Contributed tangible capital assets	-	150,000	-
	710,100	523,143	599,155
Excess (deficiency) of revenue over expenses	427,778	155,044	(272,570)
Accumulated surplus, beginning of year	29,747,223	29,747,223	30,019,793
Accumulated operating surplus, end of year	30,175,001	29,902,267	29,747,223

The accompanying notes are an integral part of these financial statements

Town of Redwater
Statement of Change in Net Financial Assets
For the year ended December 31, 2023

	2023 Budget (Note 16)	2023	2022
Excess (deficiency) of revenue over expenses	427,778	155,044	(272,570)
Acquisition of tangible capital assets <i>(Schedule 2)</i>	(1,454,547)	(1,723,193)	(1,041,111)
Amortization of tangible capital assets <i>(Schedule 2)</i>	1,355,864	1,353,531	1,371,919
Proceeds on disposal of tangible capital assets	-	-	104,071
Loss (gain) on sale of tangible capital assets	-	20,322	(12,847)
Use (acquisition) of prepaid expenses	-	2,195	(27,552)
Acquisition of inventory for consumption	-	(17,878)	(1,018)
Change in net financial assets	329,095	(209,979)	120,892
Net financial assets, beginning of year	678,517	678,517	557,625
Net financial assets, end of year	1,007,612	468,538	678,517

The accompanying notes are an integral part of these financial statements

Town of Redwater
Statement of Cash Flows
For the year ended December 31, 2023

	2023	2022
Cash provided by (used for) the following activities:		
Operating		
Excess (deficiency) of revenue over expenses	155,044	(272,570)
Non-cash items:		
Amortization of tangible capital assets (Schedule 2)	1,353,531	1,371,919
Loss (gain) on disposal of tangible capital assets	20,322	(12,847)
Tangible capital assets received as contributions	(150,000)	-
Net change in non-cash operating working capital balances:		
Decrease (increase) in property taxes receivable	(25,436)	71,596
Decrease in trade and other accounts receivable	298,037	417,771
Increase (decrease) in accounts payable and accrued liabilities	(85,305)	199,046
Decrease (increase) in deposit liabilities	26,517	(7,861)
Increase in deferred revenue	44,398	5,072
Increase in inventory for consumption	(17,879)	(1,021)
Decrease (increase) in prepaid expenses	2,195	(27,552)
	1,621,424	1,743,553
Financing activities		
Repayment of long-term debt (Note 8)	(382,542)	(368,414)
Capital activities		
Acquisition of tangible capital assets (Schedule 2)	(1,239,586)	(1,025,626)
Investing activities		
Increase in restricted cash (Note 2)	(26,338)	(11,633)
Increase (decrease) in cash resources	(27,042)	337,880
Cash and equivalents, beginning of year	3,936,829	3,598,949
Cash and equivalents, end of year (Note 2)	3,909,787	3,936,829

The accompanying notes are an integral part of these financial statements

Town of Redwater
Schedule 1 - Schedule of Changes in Accumulated Surplus
For the year ended December 31, 2023

	<i>Unrestricted Surplus</i>	<i>Restricted Surplus (Note 15)</i>	<i>Equity in Tangible Capital Assets (Note 11)</i>	2023	2022
Balance, beginning of year	1,911,516	2,860,891	24,974,816	29,747,223	30,019,793
Excess (deficiency) of revenue over expenses	155,044	-	-	155,044	(272,570)
Unrestricted funds designated for future use	(331,370)	331,370	-	-	-
Restricted funds for operations	220,247	(220,247)	-	-	-
Restricted funds used for tangible capital assets	-	(87,996)	87,996	-	-
Current year funds used for tangible capital assets	(1,635,197)	-	1,635,197	-	-
Asset retirement obligation	365,044	-	(365,044)	-	-
Disposal of tangible capital assets	20,322	-	(20,322)	-	-
Annual amortization expense	1,353,532	-	(1,353,532)	-	-
Long-term debt repaid	(382,542)	-	382,542	-	-
Change in accumulated surplus	(234,920)	23,127	366,837	155,044	(272,570)
Balance, end of year	1,676,596	2,884,018	25,341,653	29,902,267	29,747,223

Town of Redwater
Schedule 2 - Schedule of Tangible Capital Assets

For the year ended December 31, 2023

	<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>	<i>2023</i>	<i>2022</i>
Cost									
Balance, beginning of year	686,653	442,310	15,062,364	32,451,661	1,114,157	2,053,405	34,786	51,845,336	50,949,546
Acquisition of tangible capital assets	94,053	-	945,428	549,724	29,509	104,479	-	1,723,193	1,041,111
Construction-in-progress	-	-	-	28,256	-	-	(28,256)	-	-
Disposal of tangible capital assets	-	-	-	-	(60,967)	-	-	(60,967)	(145,323)
Balance, end of year	780,706	442,310	16,007,792	33,029,641	1,082,699	2,157,884	6,530	53,507,562	51,845,334
Accumulated amortization									
Balance, beginning of year	-	200,830	6,996,067	13,652,893	666,287	1,406,032	-	22,922,109	21,604,289
Annual amortization	-	19,662	349,708	787,938	67,126	129,098	-	1,353,532	1,371,919
Accumulated amortization on disposals	-	-	-	-	(40,644)	-	-	(40,644)	(54,099)
Balance, end of year	-	220,492	7,345,775	14,440,831	692,769	1,535,130	-	24,234,997	22,922,109
Net book value of tangible capital assets	780,706	221,818	8,662,017	18,588,810	389,930	622,754	6,530	29,272,565	28,923,225
2022 Net book value of tangible capital assets	686,653	241,480	8,066,297	18,798,768	447,870	647,371	34,786	28,923,225	

During the year, tangible capital assets were acquired at an aggregate cost of \$1,723,193 (2022 - \$1,041,111), of which \$150,000 (2022 - \$nil) was acquired as contributed capital assets, \$8,000 (2022 - \$39,438) remains in accounts payable at year end, \$365,045 (2022 - \$nil) in asset retirement obligations identified during the year and \$nil (2022 - \$104,071) of a non-cash trade in of equipment. The remaining \$1,239,586 (2022 - \$1,025,626) was acquired in cash.

Town of Redwater
Schedule 3 - Schedule of Property Taxes Levied
For the year ended December 31, 2023

	<i>2023 Budget (Note 16)</i>	<i>2023</i>	<i>2022</i>
Taxation			
Real property taxes	4,035,507	3,987,732	3,895,920
Linear property taxes	163,725	163,725	147,496
	4,199,232	4,151,457	4,043,416
Requisitions			
Alberta School Foundation Fund	890,000	844,440	879,162
Homeland Housing Foundation	28,000	27,817	26,818
Designated Industrial Property	2,900	2,915	2,829
	920,900	875,172	908,809
Net municipal property taxes	3,278,332	3,276,285	3,134,607

Town of Redwater
Schedule 4 - Schedule of Government Transfers
For the year ended December 31, 2023

	<i>2023 Budget (Note 16)</i>	<i>2023</i>	<i>2022</i>
Operating			
Local	371,448	377,476	363,329
Provincial	104,725	122,980	92,673
Federal	9,000	36,503	26,622
	485,173	536,959	482,624
Capital			
Provincial	587,100	250,112	339,490
Federal	123,000	123,031	259,665
	710,100	373,143	599,155
Total government transfers	1,195,273	910,102	1,081,779

Town of Redwater
Schedule 5 - Schedule of Expenses by Object
For the year ended December 31, 2023

	2023 Budget (Note 16)	2023	2022
Salaries, wages and benefits	3,000,196	2,894,351	2,696,341
Materials, goods and utilities	3,001,117	2,466,484	3,032,674
Amortization of tangible capital assets (Schedule 2)	1,355,864	1,353,531	1,371,919
Contracted and general services	1,299,775	1,265,614	1,478,184
Interest on long-term debt	109,448	109,448	123,666
Grants to other governments and organizations	76,886	75,911	72,060
Provision for allowances (recovery)	-	15,780	(9,996)
Bank charges and short-term interest	7,030	7,594	7,509
	8,850,316	8,188,713	8,772,357

Town of Redwater
Schedule 6 - Schedule of Segmented Disclosure
For the year ended December 31, 2023

	General Government	Administration and Legislative	Protective Services	Transportation Services	Environmental Services	Planning and Economic Development	FCSS and Community Services	Parks and Recreation	Gas Production and Distribution	Total
Revenue										
Net municipal property taxes	3,276,285	-	-	-	-	-	-	-	-	3,276,285
User fees and sales of goods	-	14,941	116,854	8,664	1,510,750	67,528	5,894	185,265	199,883	2,109,779
Gas sales	-	-	-	-	-	-	-	-	1,338,563	1,338,563
Government transfers	-	28,129	40,837	6,300	-	21,802	72,519	367,372	-	536,959
Government transfers for capital	-	-	-	268,664	-	-	-	104,479	-	373,143
Investment income	-	227,399	-	-	-	-	-	-	-	227,399
Rental	-	11,861	-	-	-	-	-	143,191	-	155,052
Contributed tangible capital assets	-	150,000	-	-	-	-	-	-	-	150,000
Penalties and cost on taxes	-	141,601	-	-	-	-	-	-	-	141,601
Licenses and permits	-	-	2,595	-	-	43,616	-	-	-	46,211
Fines	-	-	9,087	-	-	-	-	-	-	9,087
Gain on sale of tangible capital assets	-	-	-	-	-	(20,322)	-	-	-	(20,322)
	3,276,285	573,931	169,373	283,628	1,510,750	112,624	78,413	800,307	1,538,446	8,343,757
Expenses										
Salaries, wages and benefits	-	582,190	90,232	280,413	440,106	401,349	124,641	636,186	339,233	2,894,350
Materials, goods and utilities	-	91,601	45,073	399,998	640,992	53,812	6,700	365,879	862,429	2,466,484
Contracted and general services	-	366,512	196,522	60,278	180,275	192,850	44,479	162,077	62,621	1,265,614
Interest on long-term debt	-	-	-	-	25,647	-	-	83,801	-	109,448
Grants to other governments and organizations	-	-	-	-	-	1,525	-	74,386	-	75,911
Recovery of allowances	-	15,780	-	-	-	-	-	-	-	15,780
Bank charges and short-term interest	-	7,594	-	-	-	-	-	-	-	7,594
	-	1,063,677	331,827	740,689	1,287,020	649,536	175,820	1,322,329	1,264,283	6,835,181
Net revenue, before amortization	3,276,285	(489,746)	(162,454)	(457,061)	223,730	(536,912)	(97,407)	(522,022)	274,163	1,508,576
Amortization of tangible capital assets	-	27,101	42,447	683,293	204,783	-	281	357,156	38,471	1,353,532
Net revenue	3,276,285	(516,847)	(204,901)	(1,140,354)	18,947	(536,912)	(97,688)	(879,178)	235,692	155,044

1. Significant accounting policies

The financial statements of the Town of Redwater (the "Town") are the representations of management, prepared in accordance with Canadian public sector accounting standards and including the following significant accounting policies:

Reporting entity

The financial statements reflect the financial activities of the reporting entity. This entity is comprised of the municipal operations of the Town.

The schedule of property taxes levied also includes requisitions for education 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.

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.

Measurement uncertainty (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 amounts 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 reporting period.

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

Tax receivable

Tax revenue is initially measured at management's best estimate of the amount resulting from the original taxable event in accordance with tax legislation. Management's estimate of the allowance is based upon their assessment of the ultimate collectability of tax receivables.

Liability for contaminated sites

Expenditures that relate to on-going environmental and remediation programs are charged against as incurred. A liability for a contaminated site reflects management's best estimate of the amount required to remediate the contaminated site. The best estimate of the liability is based upon assumptions and estimates related to the amount and timing of costs for future site remediation.

Changes to the underlying assumptions and estimates or legislative changes in the near term could have a material impact on the provision recognized.

Asset retirement obligations

A liability for asset retirement obligations reflects management's best estimate of the amount required to retire the related tangible capital asset (or component thereof). The best estimate of the liability is based upon assumptions and estimates related to the amount and timing of costs for future asset retirement.

Changes to the underlying assumptions and estimates or legislative changes in the near term could have a material impact on the provision recognized.

By their nature, these judgments are subject to measurement uncertainty, and the effect on the financial statements of changes in such estimates and assumptions in future years could be material. These estimates and assumptions are reviewed periodically and, as adjustments become necessary they are reported in earnings in the year in which they become known.

1. Significant accounting policies *(Continued from previous page)*

Financial instruments

The Town recognizes its financial instruments when the Town becomes party to the contractual provisions of the financial instrument. All financial instruments are initially recorded at their fair value.

At initial recognition, the Town may irrevocably elect to subsequently measure any financial instrument at fair value. The Town has not made such an election during the year.

The Town subsequently measures investments in equity instruments quoted in an active market and all derivative instruments, except those that are linked to, and must be settled by delivery of, unquoted equity instruments of another entity, at fair value. Fair value is determined by published price quotations. Transactions to purchase or sell these items are recorded on the trade date. Net gains and losses arising from changes in fair value are recognized in the statement of remeasurement gains and losses, if applicable. Investments in equity instruments not quoted in an active market and derivatives that are linked to, and must be settled by delivery of, unquoted equity instruments of another entity, are subsequently measured at cost. With the exception of those instruments designated at fair value, all other financial assets and liabilities are subsequently measured at amortized cost using the effective interest rate method.

Transaction costs directly attributable to the origination, acquisition, issuance or assumption of financial instruments subsequently measured at fair value are immediately recognized in excess (deficiency) of revenue over expenses. Conversely, transaction costs are added to the carrying amount for those financial instruments subsequently measured at cost or amortized cost.

All financial assets except derivatives are tested annually for impairment. Management considers whether the investee has experienced continued losses for a period of years, recent collection experience for the loan, such as a default or delinquency in interest or principal payments in determining whether objective evidence of impairment exists. Any impairment, which is not considered temporary, is recorded in the statement of operations. Write-downs of financial assets measured at cost and/or amortized cost to reflect losses in value are not reversed for subsequent increases in value. Reversals of any net remeasurements of financial assets measured at fair value are reported in the statement of remeasurement gains and losses.

Statement of Remeasurement Gains and Losses

A Statement of Remeasurement Gains and Losses has not been presented as the Town does not hold complex financial instruments or derivatives.

Asset classification

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. Non-financial assets include tangible capital assets, inventory for consumption and prepaid expenses.

Cash and equivalents

Cash and equivalents include balances with banks and short-term investments with maturities of three months or less. Cash subject to restrictions that prevent its use for current purposes is included in restricted cash.

Investments

Investments are recorded at amortized cost. 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.

Tax sale proceeds

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

1. Significant accounting policies *(Continued from previous page)*

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, 2023.

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. As at December 31, 2023, the Town has not identified any liability for contaminated sites.

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 (or a component thereof) at the financial statement date when there is a legal obligation for the Town to incur retirement costs in relation to a tangible capital asset (or component thereof), 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 December 31, 2023. 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 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 (or component thereof). The asset retirement cost is amortized over the useful life of the related asset.

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 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.

Employee future benefits

The Town is part of a multi-employer pension plan for which there is insufficient information to apply defined benefit plan accounting. Accordingly, the Town is not able to identify its share of the plan assets and liabilities, and therefore, the Town uses defined contribution accounting for this plan.

Town contributions to the defined contribution plan are expensed as incurred.

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.

1. Significant accounting policies *(Continued from previous page)*

Revenue recognition

Government Transfers

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. Transfers of non-depreciable assets are recognized in revenue when received or receivable.

Externally restricted revenue

The Town recognizes externally restricted inflows as revenue in the period the resources are used for the purpose specified in accordance with an agreement or legislation. Until this time, the Town records externally restricted inflows in deferred revenue.

Tax revenue

The Town recognizes taxes as assets and revenue when they meet the definition of an asset; are authorized by a legislature, council, or legislative convention; 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 tax 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 collectability and records a valuation allowance to reflect the tax receivable at its net recoverable amount, if necessary.

Fines and penalties

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

Other Revenue

Other sources of revenue are recorded when received or receivable.

Tangible capital assets

Tangible capital assets are initially recorded at cost, which includes all amounts that are directly attributable to acquisition, construction, development or betterment of the asset. Only tangible capital assets with costs in excess of \$5,000 are capitalized. Contributed tangible assets are recorded at their fair value at the date of contribution.

When conditions indicate that a tangible capital asset no longer contributes to the Town's ability to provide goods and services, or that the value of future economic benefits associated with a tangible capital asset is less than its net book value, the Town reduces the cost of the asset to reflect the decline in its value. Write-downs of tangible capital assets are not reversed.

Amortization

Tangible capital assets are amortized annually using the straight-line method at rates intended to amortize the cost of the assets over their estimated useful lives. No amortization is charged in the year of acquisition and disposal. Assets under construction are not amortized until the asset is available for productive use:

	Years
Land improvements	15-25
Buildings	10-50
Engineered structures:	
Wastewater system	75
Water system	40-75
Other engineered structures	10-75
Machinery and equipment	5-50
Vehicles	10-20

1. Significant accounting policies *(Continued from previous page)*

Long-lived assets

Long-lived assets consist of tangible capital assets. Long-lived assets held for use are measured and amortized as described in the applicable accounting policies.

The Town performs impairment testing on long-lived assets held for use whenever events or changes in circumstances indicate that the carrying amount of an asset, or group of assets, may not be recoverable. The carrying amount of a long-lived asset is not recoverable if the carrying amount exceeds the sum of the undiscounted future cash flows from its use and disposal. Impairment is measured as the amount by which the assets' carrying amount exceeds its fair value. Fair value is measured using prices for similar items. Any impairment is included in surplus for the year.

Inventory for consumption

Inventory held for consumption is recorded at the lower of cost and replacement cost.

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: General Government, Administration & Legislative, Protective Services, Transportation Services, Environmental Services, Planning and Economic Development, FCSS and Community Services, Parks and Recreation and Gas Production and Distribution. 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.

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. Refer to Schedule VI - Schedule of Segmented Disclosure.

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

Future accounting pronouncements

PS 3400 Revenue, is a new standard, effective for years beginning on or after April 1, 2023, that sets out general guidance for how public sector entities recognize, measure, present and disclose in-scope exchange and non-exchange revenue transactions.

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

2. Cash and equivalents

	2023	2022
Cash	3,909,787	3,936,829
Restricted cash	100,656	74,318
	4,010,443	4,011,147

The restricted cash is amounts received from developers as deposits on request for development proposals. The deposits will be refunded to the depositor according to the terms of the development agreements. The restricted cash has been excluded from cash for the purposes of presentation on the statement of cash flows.

Town of Redwater
Notes to the Financial Statements
For the year ended December 31, 2023

3. Investments

	2023	2022
Gas Alberta Inc. debenture	27,500	27,500
Federation of Alberta Gas Co-ops Ltd.	11,908	11,908
Gas Alberta Inc.	200	200
	39,608	39,608

4. Trade and other accounts receivable

As at December 31, 2023, the trade and other accounts receivable balance is presented net of an allowance for doubtful accounts of \$37,178 (2022 - \$nil).

5. Property taxes receivable

	2023	2022
Taxes receivable - current	362,739	382,699
Taxes receivable - arrears	533,104	509,577
	895,843	892,276
Less taxes receivable - allowance for doubtful accounts	-	(21,869)
	895,843	870,407

6. Bank indebtedness

At December 31, 2023, the Town has a revolving line of credit with ATB Financial with a maximum limit of \$1,000,000 (2022 – \$1,000,000). Interest accrues monthly on the outstanding balance at a rate of prime plus 1%. The line of credit arrangement is reviewed annually by the bank, with the most recent review date being December 31, 2023. As at December 31, 2023, the prime rate was 7.20% (2022 - 6.45%).

As of December 31, 2023, the Town had not drawn any funds (2022 - \$nil) on the line of credit.

7. Deferred revenue

	<i>Balance, beginning of year</i>	<i>Contributions received</i>	<i>Revenue recognized</i>	<i>Balance, end of year</i>
Other operating deferred revenue	48,159	68,591	61,386	55,364
Municipal Sustainability Initiative - Capital	-	268,584	250,112	18,472
Canada Community Building Fund	-	141,752	123,031	18,721
Family and Community Support Services	-	66,722	66,722	-
	48,159	545,649	501,251	92,557

Town of Redwater
Notes to the Financial Statements
For the year ended December 31, 2023

8. Long-term debt

	2023	2022
Tax supported debentures	3,565,867	3,948,409

Principal repayments on long-term debt in each of the next five years are estimated as follows:

	Principal	Interest	Total
2024	397,244	97,186	494,430
2025	412,546	81,884	494,430
2026	332,056	66,943	398,999
2027	172,945	56,243	229,188
2028	178,433	50,754	229,187
To maturity	2,072,643	372,122	2,444,765
	3,565,867	725,132	4,290,999

Tax supported debenture debt is repayable to the Province of Alberta and bears interest at rates ranging from 2.06% to 4.39% (2022 - 2.06% to 4.39%) per annum and mature in periods 2025 through 2045. The average annual interest rate is 3.87% (2022 - 3.87%). Debenture debt is issued on the credit and security of the Town at large.

The Town's cash payments for interest for the year were \$111,888 (2022 - \$126,015).

9. Debt limits

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

	2023	2022
Total debt limit	11,730,921	11,850,948
Total debt	3,565,867	3,948,409
Amount of debt limit unused	8,165,054	7,902,539
Service on debt limit	1,955,153	1,975,158
Service on debt	494,430	494,430
Amount of debt servicing limit unused	1,460,723	1,480,728

The debt limit is calculated as 1.5 times revenue of the municipality (as defined in Alberta Regulation 255/2000) and the debt service limit is calculated as 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 financial risk if further debt is acquired. The calculation alone does not represent the financial stability of the Town. Rather, the financial statements must be interpreted as a whole.

10. Asset retirement obligations

The Town recognized a liability for asset retirement obligations of \$365,045 (2022 - \$nil) and a corresponding amount has been capitalized as an asset retirement cost and added to the carrying value of Town buildings. The asset retirement cost is amortized on a straight-line basis over the useful life of the related tangible capital assets.

The Town estimated the amount of the liability using a discounted cash flow method. The significant assumptions used to determine the best estimate of the liability included an estimate of the estimated useful life of the asset, inflation rate of 3.0% and the Town's credit-adjusted risk-free rate of 4.50%.

- As at December 31, 2023, the estimated total future expenditures for settlement of the asset retirement obligations are \$2,031,710, based on expected retirement of various tangible capital assets over the estimated useful lives over the next 15 - 50 years.

11. Equity in tangible capital assets

	2023	2022
Tangible capital assets (<i>Schedule 2</i>)	53,507,562	51,845,334
Accumulated amortization (<i>Schedule 2</i>)	(24,234,997)	(22,922,109)
Long-term debt (<i>Note 7</i>)	(3,565,867)	(3,948,409)
Asset retirement obligation (<i>Note 10</i>)	(365,045)	-
	25,341,653	24,974,816

12. Salaries and benefits disclosure

Disclosure of salaries and benefits for elected municipal officials, the Chief Administrative Officer ("CAO") and designated officers as required by Alberta Regulation 313/2000 is as follows:

	<i>Salary/ remuneration</i>	<i>Benefits & allowances</i>	2023	2022
D. McRae, Mayor	26,300	18,527	44,827	45,916
T. Cosby, Councillor	15,083	10,311	25,394	28,052
C. Butcher, Councillor	13,750	9,667	23,417	28,044
D. Spicer, Councillor	15,100	12,684	27,784	27,997
J. Melnick, Councillor	17,581	15,714	33,295	27,217
J. Williams, Councillor	13,150	12,225	25,375	26,270
R. Olsen, Councillor	15,983	8,153	24,136	22,590
CAO	178,000	31,202	209,202	139,956
Interim contract CAO	-	-	-	35,000
Designated Officers	129,643	11,520	141,163	117,733

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 pension, health care, dental coverage, vision coverage, group life insurance, accidental disability and dismemberment insurance, long-term disability plans, professional memberships and tuition.

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

Designated Officers include three positions, Development Authority Officer, Municipal Assessor and Assessment Complaints Officer. The Municipal Assessor and the Assessment Complaints Officer positions are paid directly by the Capital Region Assessment Services Commission.

13. Defined benefit and contribution plans and other post-employment benefits

Multi-employer plans

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 291,259 members and 437 employers. The LAPP is financed by employer and employee contributions and by investment earnings of the LAPP Fund.

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

The Town is required to make current service contributions to the LAPP of 8.45% of pensionable earnings up to the year's maximum pensionable earnings under the Canada Pension Plan and 12.23% on pensionable earnings above this amount. Employees of the Town are required to make current service contributions of 7.45% of pensionable salary up to the year's maximum pensionable salary and 11.23% on pensionable salary above this amount.

Total current service contributions by the Town to the LAPP in 2023 were \$185,199 (2022 - \$168,656). Total current service contributions by the employees of the Town to the Local Authorities Pension Plan in 2023 were \$154,388 (2022 - \$145,623).

At December 31, 2022, the date of the most recent actuarial valuation, the LAPP disclosed an actuarial surplus (in millions) of \$12,671 (2022 - surplus of \$11,922).

Town of Redwater
Notes to the Financial Statements
For the year ended December 31, 2023

14. Contingent liabilities

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.

Through the Federation of Alberta Gas Co-ops Ltd., the Town is also a member of the Fedgas Insurance Reciprocal Exchange ("FIRE") and the Genesis Reciprocal Insurance Exchange ("GENESIS"). Under the terms of membership, the Town could become liable for its proportionate share of any claim losses in excess of the funds held by FIRE or GENESIS. Any liability incurred would be accounted for as a current transaction in the years 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.

15. Restricted surplus

The Town has restricted certain amounts of the accumulated surplus in order to fund future operations. This restricted surplus is not fully funded in cash as this would tie up too much of the operational cash needed to run the day to day operations of the Town. The restricted surplus total is available over time and on an as needed basis. Surplus restricted for operating and capital activities changed as follows:

	2023	2022
Restricted offsite levies	746,138	746,138
Gas distribution reserve	663,623	494,063
Recreation reserve	397,617	318,728
Transportation services reserve	245,433	270,128
Fire protection reserve	235,871	225,151
Planning and development reserve	173,349	195,597
Special projects reserve	172,415	172,414
Pool facility reserve	147,459	147,459
Operating reserve	34,833	224,835
Bylaw reserve	30,000	30,000
Water supply and distribution reserve	23,399	23,397
Cemetery reserve	7,858	6,958
Disaster services reserve	5,000	5,000
Council antique fire truck	1,023	1,023
	2,884,018	2,860,891

Town of Redwater
Notes to the Financial Statements
For the year ended December 31, 2023

16. Budget Information

The disclosed budget information has been approved by Council of the Town of Redwater on December 1, 2022. The following is a reconciliation between the budget approved and that showing in the financial statements.

	<i>Budget</i>
Approved budgeted operating deficit	(1,355,864)
Debenture repayment	382,542
Capital proceeds, budgeted for in operating	83,180
Debenture proceeds, budgeted for in capital	240,000
Contributions from taxes, budgeted for in capital	80,000
Operating draw from reserve	(162,023)
Net operating transfer to reserve	449,843
	<hr/>
Deficiency of revenue before other (<i>Statement of Operations</i>)	(282,322)
	<hr/>
Capital reserve transfer	(341,267)
Amortization of tangible capital assets, budgeted for in operating	1,355,864
Capital proceeds, budgeted for in operating	(83,180)
Debenture proceeds, budgeted for in capital	(240,000)
Contributions from taxes, budgeted for in capital	(80,000)
	<hr/>
Capital deficit	611,417
	<hr/>
Change in net financial assets (<i>Statement of Change in Net Financial Assets</i>)	329,095
	<hr/>

17. Financial Instruments

The Town as part of its operations carries a number of financial instruments. It is management's opinion that the Town is not exposed to significant interest, currency or credit risks arising from these financial instruments except as otherwise disclosed.

Credit Risk

Credit risk is the risk of financial loss because a counter party to a financial instrument fails to discharge its contractual obligations.

Risk management

The Town manages its credit risk by performing regular assessments of its ratepayers and provides allowances for potentially uncollectible accounts receivable.

A credit concentration exists relating to property taxes receivable. As at December 31, 2023, two ratepayers accounted for 52% (2022 – three ratepayers for 58%) of the total property taxes receivable.

18. Change in accounting policies

Effective January 1, 2023, the Town adopted the recommendations relating to the following new accounting standards, as set out in the Canadian public sector accounting standards.

Asset retirement obligations

Effective January 1, 2023, the Town adopted the Public Sector Accounting Board's (PSAB) new standard for the recognition, measurement and disclosure of a liability for asset retirement obligations under PS 3280 *Asset Retirement Obligations*. The new standard establishes when to recognize and how to measure a liability for an asset retirement obligation, and provides the related financial statement presentation and disclosure requirements.

The change was applied prospectively and prior periods have not been restated. As such, the Town recognized asset retirement obligations for those arising on, after or prior to January 1, 2023, but for which an obligation was not previously recognized. Refer to Note 10 for the impact on the financial statements from the prospective application of the new accounting recommendations.

Financial instruments

Effective January 1, 2023, the Town adopted the Public Sector Accounting Board's (PSAB) new recommendations for the recognition, measurement, presentation and disclosure of financial assets, financial liabilities and derivatives under Section PS 3450 *Financial Instruments*. The new Section is applied prospectively, and prior periods have not been restated. There was no material impact on the financial statements from the prospective application of the new accounting recommendations.