

Town of Redwater
Financial Statements
December 31, 2022



4924 - 47 Street | Box 397 • Redwater, AB T0A 2W0
Phone: 780-942-3519 • Fax: 780-942-4321
www.redwater.ca

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 18, 2023

Chief Administrative Officer

A NATURAL HOME

To the Mayor and Councillors of the Town of Redwater:

Opinion

We have audited the financial statements of the Town of Redwater (the "Town"), which comprise the statement of financial position as at December 31, 2022, and the statements of operations, change in net financial assets, cash flows and the related schedules 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, 2022, 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 of the Town 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 regulations 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 8.

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 10.

Leduc, Alberta

April 18, 2023

MNP LLP

Chartered Professional Accountants

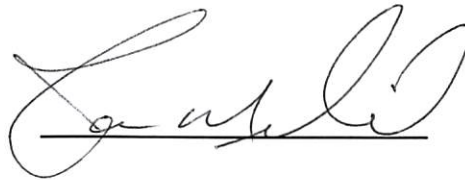
Town of Redwater
Statement of Financial Position
As at December 31, 2022

	2022	2021
Financial assets		
Cash and equivalents (Note 2)	4,011,147	3,661,634
Investments (Note 3)	39,608	39,608
Property taxes receivable (Note 4)	870,407	942,003
Trade and other accounts receivable	823,100	1,240,873
Tax sale proceeds	4,822	4,725
	5,749,084	5,888,843
Liabilities		
Accounts payable and accrued liabilities	962,343	851,889
Deposit liabilities	106,834	114,695
Tax sales proceeds liability	4,822	4,725
Deferred revenue (Note 6)	48,159	43,086
Long-term debt (Note 7)	3,948,409	4,316,823
	5,070,567	5,331,218
Net financial assets	678,517	557,625
Contingencies (Note 12)		
Non-financial assets		
Tangible capital assets (Schedule 2)	28,923,225	29,345,257
Inventory for consumption	85,978	84,960
Prepaid expenses	59,503	31,951
	29,068,706	29,462,168
Accumulated surplus (Schedule 1)	29,747,223	30,019,793

Approved on behalf of Council:



Mayor



Councillor

Town of Redwater

Statement of Operations

For the year ended December 31, 2022

	2022 Budget (Note 14)	2022	2021
Revenue			
Net municipal property taxes <i>(Schedule 3)</i>	3,183,342	3,134,607	3,041,590
Gas sales	1,632,847	1,957,160	1,569,401
User fees and sales of goods	1,912,960	1,879,132	1,810,562
Government transfers <i>(Schedule 4)</i>	465,033	482,624	608,928
Penalties and cost on taxes	120,000	171,192	175,195
Rental	106,634	131,744	75,449
Investment income	34,750	107,089	31,176
Licenses and permits	19,400	19,831	21,445
Gain (loss) on sale of tangible capital assets	56,650	12,847	(2,309)
Fines	3,400	4,406	4,747
	7,535,016	7,900,632	7,336,184
Program expenses			
Gas Production and Distribution	1,512,003	1,823,878	1,386,609
Parks and Recreation	1,638,305	1,670,595	1,391,687
Environmental Services	1,447,399	1,469,922	1,538,028
Transportation Services	1,271,528	1,381,082	1,237,461
Administration and Legislative	987,888	981,429	834,093
Planning and Economic Development	566,196	956,163	410,270
Protective Services	365,503	345,008	327,946
FCSS and Community Services	143,437	144,280	109,182
	7,932,259	8,772,357	7,235,276
Excess (deficiency) of revenue before other	(397,243)	(871,725)	100,908
Other			
Government transfers for capital <i>(Schedule 4)</i>	563,603	599,155	1,045,385
Contributed tangible capital assets	-	-	4,584,487
	563,603	599,155	5,629,872
Excess (deficiency) of revenue over expenses	166,360	(272,570)	5,730,780
Accumulated surplus, beginning of year	30,019,793	30,019,793	24,289,013
Accumulated surplus, end of year	30,186,153	29,747,223	30,019,793

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, 2022

	2022 Budget (Note 14)	2022	2021
Excess (deficiency) of revenue over expenses	166,360	(272,570)	5,730,780
Acquisition of tangible capital assets <i>(Schedule 2)</i>	(940,671)	(1,041,111)	(7,641,627)
Amortization of tangible capital assets <i>(Schedule 2)</i>	1,161,045	1,371,919	1,161,045
Proceeds on disposal of tangible capital assets	-	104,071	58,149
Loss (gain) on sale of tangible capital assets	(56,650)	(12,847)	2,309
Acquisition of prepaid expenses	-	(27,552)	(4,978)
Acquisition of inventory for consumption	-	(1,018)	(734)
Change in net financial assets	330,084	120,892	(695,056)
Net financial assets, beginning of year	557,625	557,625	1,252,681
Net financial assets, end of year	887,709	678,517	557,625

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

	2022	2021
Cash provided by (used for) the following activities:		
Operating		
Excess (deficiency) of revenue over expenses	(272,570)	5,730,780
Non-cash items:		
Amortization of tangible capital assets (Schedule 2)	1,371,919	1,161,045
Loss (gain) on disposal of tangible capital assets	(12,847)	2,309
Tangible capital assets received as contributions	-	(4,584,487)
Net change in non-cash operating working capital balances:		
Decrease in property taxes receivable	71,596	14,319
Decrease (increase) in trade and other accounts receivable	417,771	(489,581)
Increase in accounts payable and accrued liabilities	199,046	204,598
Decrease in deposit liabilities	(7,861)	(48,736)
Increase (decrease) in deferred revenue	5,072	(59,300)
Increase in inventory for consumption	(1,021)	(734)
Increase in prepaid expenses	(27,552)	(4,978)
	1,743,553	1,925,235
Financing activities		
Repayment of long-term debt (Note 7)	(368,414)	(354,839)
Capital activities		
Acquisition of tangible capital assets (Schedule 2)	(1,025,626)	(2,900,683)
Proceeds from disposal of tangible capital assets (Schedule 2)	-	1,494
	(1,025,626)	(2,899,189)
Investing activities		
Decrease (increase) in restricted cash (Note 2)	(11,633)	46,841
Increase (decrease) in cash resources	337,880	(1,281,952)
Cash and equivalents, beginning of year	3,598,949	4,880,901
Cash and equivalents, end of year (Note 2)	3,936,829	3,598,949

Town of Redwater
Schedule 1 - Schedule of Changes in Accumulated Surplus
For the year ended December 31, 2022

	<i>Unrestricted Surplus</i>	<i>Restricted Surplus (Note 13)</i>	<i>Equity in Tangible Capital Assets (Note 9)</i>	<i>2022</i>	<i>2021</i>
Balance, beginning of year	1,865,019	3,126,340	25,028,434	30,019,793	24,289,013
Excess (deficiency) of revenue over expenses	(272,570)	-	-	(272,570)	5,730,780
Unrestricted funds designated for future use	(581,045)	581,045	-	-	-
Restricted funds for operations	573,714	(573,714)	-	-	-
Restricted funds used for tangible capital assets	-	(272,780)	272,780	-	-
Current year funds used for tangible capital assets	(768,331)	-	768,331	-	-
Disposal of tangible capital assets	91,224	-	(91,224)	-	-
Annual amortization expense	1,371,919	-	(1,371,919)	-	-
Long-term debt repaid	(368,414)	-	368,414	-	-
Change in accumulated surplus	46,497	(265,449)	(53,618)	(272,570)	5,730,780
Balance, end of year	1,911,516	2,860,891	24,974,816	29,747,223	30,019,793

Town of Redwater
Schedule 2 - Schedule of Tangible Capital Assets
For the year ended December 31, 2022

	<i>Land</i>	<i>Land Improvements</i>	<i>Buildings</i>	<i>Engineered Structures</i>	<i>Machinery & Equipment</i>	<i>Vehicles</i>	<i>Construction in Progress</i>	<i>2022</i>	<i>2021</i>
Cost									
Balance, beginning of year	686,453	397,310	15,044,441	31,849,449	1,027,589	1,944,304	-	50,949,546	43,484,948
Acquisition of tangible capital assets	200	45,000	25,354	602,212	86,568	246,991	34,786	1,041,111	7,641,627
Disposal of tangible capital assets	-	-	(7,431)	-	-	(137,892)	-	(145,323)	(177,029)
Balance, end of year	686,653	442,310	15,062,364	32,451,661	1,114,157	2,053,403	34,786	51,845,334	50,949,546
Accumulated amortization									
Balance, beginning of year	-	182,968	6,612,314	12,885,304	600,214	1,323,489	-	21,604,289	20,559,815
Annual amortization	-	17,862	391,184	767,589	66,073	129,211	-	1,371,919	1,161,045
Accumulated amortization on disposals	-	-	(7,431)	-	-	(46,668)	-	(54,099)	(116,571)
Balance, end of year	-	200,830	6,996,067	13,652,893	666,287	1,406,032	-	22,922,109	21,604,289
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	29,345,257
2021 Net book value of tangible capital assets	686,453	214,342	8,432,127	18,964,145	427,375	620,815	-	29,345,257	

During the year, tangible capital assets were acquired at an aggregate cost of \$1,041,111 (2021 - \$7,641,627), of which \$nil (2021 - \$4,584,487) was acquired as contributed capital assets, \$39,438 (2021 - \$128,024) remains in accounts payable at year end and \$104,071 (2021 - \$56,655) of a non-cash trade in of equipment. The remaining \$1,025,626 (2021 - \$2,900,683) was acquired in cash.

Town of Redwater
Schedule 3 - Schedule of Property Taxes Levied
For the year ended December 31, 2022

	<i>2022 Budget (Note 14)</i>	<i>2022</i>	<i>2021</i>
Taxation			
Real property taxes	3,992,890	3,895,920	3,843,650
Linear property taxes	147,496	147,496	136,347
	4,140,386	4,043,416	3,979,997
Requisitions			
Alberta School Foundation Fund	921,790	879,162	903,715
Homeland Housing Foundation	32,566	26,818	31,926
Designated Industrial Property	2,688	2,829	2,766
	957,044	908,809	938,407
Net municipal property taxes	3,183,342	3,134,607	3,041,590

Town of Redwater
Schedule 4 - Schedule of Government Transfers
For the year ended December 31, 2022

	<i>2022 Budget (Note 14)</i>	<i>2022</i>	<i>2021</i>
Operating			
Local	351,308	363,329	347,470
Provincial	104,725	92,673	227,047
Federal	9,000	26,622	34,411
	465,033	482,624	608,928
Capital			
Provincial	342,905	339,490	947,045
Federal	220,698	259,665	98,340
	563,603	599,155	1,045,385
Total government transfers	1,028,636	1,081,779	1,654,313

Town of Redwater
Schedule 5 - Schedule of Expenses by Object
For the year ended December 31, 2022

	2022 Budget (Note 14)	2022	2021
Materials, goods and utilities	2,583,107	3,032,674	2,554,888
Salaries, wages and benefits	2,755,636	2,696,341	2,249,341
Contracted and general services	1,230,774	1,478,184	1,137,789
Amortization of tangible capital assets (Schedule 2)	1,161,045	1,371,919	1,161,045
Interest on long-term debt	123,666	123,666	137,329
Grants to other governments and organizations	74,025	72,060	69,285
Bank charges and short-term interest	4,006	7,509	4,184
Recovery of allowances	-	(9,996)	(78,585)
	7,932,259	8,772,357	7,235,276

Town of Redwater
Schedule 6 - Schedule of Segmented Disclosure
For the year ended December 31, 2022

	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	3,134,607	-	-	-	-	-	-	-	-	3,134,607
Gas sales	-	-	-	-	-	-	-	-	1,957,160	1,957,160
User fees and sales of goods	-	26,938	70,161	8,177	1,450,646	52,283	4,972	195,222	70,734	1,879,133
Government transfers for capital	-	-	-	386,908	133,202	-	-	-	79,045	599,155
Government transfers	-	-	40,729	4,740	-	17,682	73,514	345,959	-	482,624
Penalties and cost on taxes	-	171,192	-	-	-	-	-	-	-	171,192
Rental	-	11,172	-	-	-	-	-	120,572	-	131,744
Investment income	-	107,089	-	-	-	-	-	-	-	107,089
Licenses and permits	-	8,688	2,520	-	-	8,623	-	-	-	19,831
Gain on sale of tangible capital assets	-	-	-	9,639	3,208	-	-	-	-	12,847
Fines	-	-	4,406	-	-	-	-	-	-	4,406
	3,134,607	325,079	117,816	409,464	1,587,056	78,588	78,486	661,753	2,106,939	8,499,788
Expenses										
Materials, goods and utilities	-	134,746	35,780	417,412	616,448	23,212	8,841	377,402	1,418,833	3,032,674
Salaries, wages and benefits	-	557,291	93,969	271,603	428,001	307,826	94,206	637,054	306,392	2,696,342
Contracted and general services	-	264,778	147,347	45,906	175,082	620,526	40,952	122,301	61,292	1,478,184
Interest on long-term debt	-	-	-	-	28,590	-	-	95,076	-	123,666
Grants to other governments and organizations	-	-	-	-	-	535	-	71,525	-	72,060
Bank charges and short-term interest	-	7,509	-	-	-	-	-	-	-	7,509
Recovery of allowances	-	(9,996)	-	-	-	-	-	-	-	(9,996)
	-	954,328	277,096	734,921	1,248,121	952,099	143,999	1,303,358	1,786,517	7,400,439
Net revenue, before amortization	3,134,607	(629,249)	(159,280)	(325,457)	338,935	(873,511)	(65,513)	(641,605)	320,422	1,099,349
Amortization of tangible capital assets	-	27,101	67,913	646,161	221,801	4,064	281	367,237	37,361	1,371,919
Net revenue	3,134,607	(656,350)	(227,193)	(971,618)	117,134	(877,575)	(65,794)	(1,008,842)	283,061	(272,570)

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. Tax receivables are reduced by an allowance for doubtful accounts of \$21,869 (2021 - \$43,738). 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.

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.

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.

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

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.

Property tax requisition over-levy and under-levy

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

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

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

Liability for contaminated sites

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

At each financial reporting date, the Town reviews the carrying amount of the liability. Any revisions required to the amount previously recognized is accounted for in the period revisions are made. The Town continues to recognize the liability until it is settled or otherwise extinguished. Disbursements made to settle the liability are deducted from the reported liability when they are made. As at December 31, 2022, the Town has not identified a liability for contaminated sites.

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.

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

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.

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

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*.

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

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.

Future accounting Pronouncements

Effective for year beginning on or after April 1, 2022:

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

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

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

2. Cash and equivalents

	2022	2021
Cash	3,936,829	3,598,949
Restricted cash	74,318	62,685
	4,011,147	3,661,634

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.

3. Investments

	2022	2021
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

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

4. Property taxes receivable

	2022	2021
Taxes receivable - current	382,699	541,025
Taxes receivable - arrears	509,577	444,716
	892,276	985,741
Less taxes receivable - allowance for doubtful accounts	(21,869)	(43,738)
	870,407	942,003

5. Bank indebtedness

At December 31, 2022, the Town has a revolving line of credit with ATB Financial with a maximum limit of \$1,000,000 (2021 – \$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, 2022. As at December 31, 2022, the prime rate was 6.45% (2021 - 2.45%).

As of December 31, 2022, the Town had not drawn any funds (2021 - \$nil) on the line of credit.

6. 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	26,950	48,159	26,950	48,159
Family and Community Support Services	16,136	64,544	80,680	-
	43,086	112,703	107,630	48,159

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

7. Long-term debt

	2022	2021
Tax supported debentures	3,948,409	4,316,823

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

	Principal	Interest	Total
2023	382,542	111,888	494,430
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
To maturity	2,251,076	422,876	2,673,952
	3,948,409	837,020	4,785,429

Tax supported debenture debt is repayable to the Province of Alberta and bears interest at rates ranging from 2.06% to 4.39% (2021 - 2.06% to 4.39%) per annum and mature in periods 2025 through 2045. The average annual interest rate is 3.87% (2021 - 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 \$126,015 (2021 - \$139,591).

8. 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:

	2022	2021
Total debt limit	11,850,948	11,004,276
Total debt	3,948,409	4,316,823
Amount of debt limit unused	7,902,539	6,687,453
Service on debt limit	1,975,158	1,834,046
Service on debt	494,430	494,430
Amount of debt servicing limit unused	1,480,728	1,339,616

The debt limit is calculated as 1.5 times revenue of the municipality (as defined in Alberta Regulation 255/0000) 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.

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

9. Equity in tangible capital assets

	2022	2021
Tangible capital assets (<i>Schedule 2</i>)	51,845,334	50,949,546
Accumulated amortization (<i>Schedule 2</i>)	(22,922,109)	(21,604,289)
Long-term debt (<i>Note 7</i>)	(3,948,409)	(4,316,823)
	24,974,816	25,028,434

10. 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:

	Salary/ remuneration	Benefits & allowances	2022	2021
D. McRae, Mayor	26,525	19,391	45,916	29,164
M. Smith, former Mayor	-	-	-	32,007
T. Cosby, Councillor	16,698	11,354	28,052	4,885
C. Butcher, Councillor	16,698	11,346	28,044	24,769
D. Spicer, Councillor	15,100	12,897	27,997	27,119
J. Melnick, Councillor	14,350	12,867	27,217	5,238
J. Williams, Councillor	13,450	12,820	26,270	32,152
R. Olsen, Councillor	15,100	7,490	22,590	21,280
L. Dorosh, former Councillor	-	-	-	18,539
CAO	130,228	9,728	139,956	-
Interim contract CAO	35,000	-	35,000	68,344
Former CAO	-	-	-	133,073
Interim CAO	-	-	-	19,182
Designated Officers	109,432	8,301	117,733	82,760

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.

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 members and 435 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 12.80% 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 11.80% on pensionable salary above this amount.

Total current service contributions by the Town to the LAPP in 2022 were \$168,656 (2021 - \$148,694). Total current service contributions by the employees of the Town to the Local Authorities Pension Plan in 2022 were \$145,623 (2021 - \$134,306).

At December 31, 2021, the date of the most recent actuarial valuation, the LAPP disclosed an actuarial surplus (in millions) of \$11,922 (2021 - surplus of \$4,961).

12. 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.

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

13. 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:

	2022	2021
Externally restricted offsite levies	746,138	746,138
Gas distribution reserve	494,063	479,073
Recreation reserve	318,728	285,867
Transportation services reserve	270,128	182,802
Fire protection reserve	225,151	206,101
Operating reserve	224,835	201,351
Planning and development reserve	195,597	607,197
Special projects reserve	172,414	204,974
Pool facility reserve	147,459	151,959
Bylaw reserve	30,000	30,000
Water supply and distribution reserve	23,397	23,397
Cemetery reserve	6,958	6,458
Disaster services reserve	5,000	-
Council antique fire truck	1,023	1,023
	2,860,891	3,126,340

14. Budget information

The disclosed budget information has been approved by Council of the Town of Redwater on December 7, 2021. The following is a reconciliation between the budget approved and that showing in the financial statements.

	<i>Budget</i>
Approved budgeted operating deficit	(1,161,045)
Debenture repayment	368,415
Capital proceeds, budgeted for in operating	60,650
Developer securities, budgeted for in capital	84,300
Contributions from taxes, budgeted for in capital	40,000
Operating draw from reserve	(83,813)
Net operating transfer to reserve	294,250
Deficiency of revenue before other (Statement of Operations)	(397,243)
Capital reserve transfer	(252,768)
Developer securities, budgeted for in capital	(84,300)
Contributions from taxes, budgeted for in capital	(40,000)
Amortization of tangible capital assets, budgeted for in operating	1,161,045
Gain on sale of tangible capital assets, budgeted for in operating	(56,650)
Capital deficit	727,327
Change in net financial assets (Statement of Change in Net Financial Assets)	330,084

15. Comparative figures

Certain comparative figures have been reclassified to conform with current year's presentation.

16. Significant event

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

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