

Town of Claresholm

Consolidated Financial Statements

For the Year Ended December 31, 2024

Draft for discussion purposes only

Town of Claresholm

December 31, 2024

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MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

Management of the Town of Claresholm is responsible for the preparation, accuracy, objectivity and integrity of the accompanying consolidated financial statements and all other information contained within this Financial Report. Management believes that the consolidated financial statements present fairly the Town's financial position as at December 31, 2024 and the results of its operations for the year then ended.

The consolidated financial statements have been prepared in compliance with legislation, and in accordance with Canadian public sector accounting standards (PSAS).

The consolidated financial statements include certain amounts based on estimates and judgments. Such amounts have been determined on a reasonable basis in order to ensure that the consolidated financial statements are presented fairly in all material respects.

In fulfilling its responsibilities and recognizing the limits inherent in all systems, management has designed and maintains a system of internal controls to produce reliable information and to meet reporting requirements on a timely basis. The system is designed to provide management with reasonable assurance that transactions are properly authorized and assets are properly accounted for and safeguarded.

These systems are monitored and evaluated by management and reliable financial information is available for preparation of the consolidated financial statements.

Town Council meets annually with management and external auditors to discuss internal controls over the financial reporting process, auditing matters and financial reporting issues, and to satisfy itself that each party is properly discharging its responsibilities. Council is also responsible for the engagement or re-appointment of the external auditors. The Town Council has approved the consolidated financial statements.

The consolidated financial statements have been audited by Gregory, Harriman & Associates LLP, Chartered Professional Accountants, independent external auditors appointed by the Town. The accompanying Independent Auditor's Report outlines their responsibilities, the scope of their examination and their opinion on the Town's consolidated financial statements.

Chief Administrative Officer



INDEPENDENT AUDITOR'S REPORT

To the Members of Council:

Opinion

We have audited the consolidated financial statements of Town of Claresholm (the Municipality), which comprise the consolidated statement of financial position as at December 31, 2024, and the results of its operations, changes in its net financial assets (debt) and cash flow for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Town of Claresholm as at December 31, 2024, the results of its operations, change in its net financial assets (debt) and its cash flow for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

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

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

In preparing the financial statements, management is responsible for assessing the Municipality'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 Municipality's financial reporting process.

Auditor's Responsibility for the Audit of the Consolidated 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 omission, 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 Municipality'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 Municipality'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 Municipality 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.

Strathmore, Alberta

Gregory, Harriman & Associates LLP
Chartered Professional Accountants

**Town of Claresholm
Consolidated Statement of Financial Position
As at December 31, 2024**

	2024	2023
FINANCIAL ASSETS		
Cash (Note 2)	\$ 2,064,308	\$ 3,717,139
Investments (Note 3)	4,806,536	4,165,636
Taxes and grants in place of taxes receivable (Note 4)	243,101	170,997
Trade and other receivables (Note 5)	1,093,623	1,176,273
Land inventory held for resale	9,174	9,174
	8,216,742	9,239,219
LIABILITIES		
Accounts payable and accrued liabilities	927,073	575,304
Employee benefit obligations (Note 6)	477,325	554,363
Deposits	28,115	19,040
Deferred revenue (Note 7)	1,340,443	2,602,572
Long term debt (Notes 8, 9)	4,733,009	5,016,118
Asset retirement obligation (Note 10)	188,650	188,650
	7,694,615	8,956,047
NET FINANCIAL ASSETS (DEBT)	522,127	283,172
NON-FINANCIAL ASSETS		
Prepaid expenses	61,333	170,008
Inventory for consumption	297,420	264,130
Tangible capital assets (Schedule 2)	34,665,568	33,474,318
	35,024,321	33,908,456
ACCUMULATED SURPLUS (Schedule 1) (Note 11)	\$ 35,546,448	\$ 34,191,628
COMMITMENTS AND CONTINGENCIES (Note 18)		

Approved by: _____ Mayor _____ Chief Administrative Officer

Town of Claresholm
Consolidated Statement of Operations
For the Year Ended December 31, 2024

	<u>Budget</u> <i>(Unaudited)</i>	<u>2024</u>	<u>2023</u>
REVENUE			
Net municipal taxes (Schedule 3)	\$ 3,881,379	\$ 3,875,637	\$ 3,739,547
User fees and sales of goods	3,473,182	3,577,957	3,582,158
Government transfers for operating (Schedule 4)	627,023	579,759	627,334
Franchise and concession contracts	355,335	353,253	291,760
Licenses and permits	119,700	136,388	112,549
Rental	151,786	136,774	143,252
Other	142,329	109,181	186,575
Investment income	270,000	348,221	328,960
Penalties and costs on taxes	68,600	82,140	98,552
Gain (loss) on disposal of capital assets	65,000	(35,080)	242,426
TOTAL REVENUE	<u>9,154,334</u>	<u>9,164,230</u>	<u>9,353,113</u>
EXPENSES (Schedule 5)			
Legislative	133,034	119,195	114,152
Administration	1,616,648	1,584,737	1,528,736
Policing	226,480	228,635	208,834
Fire	263,399	303,331	223,594
Bylaw enforcement and emergency management	119,555	124,903	118,476
Common and equipment pool	697,056	714,102	670,275
Roads, streets, walks and lighting	1,013,937	1,021,931	945,906
Storm sewers and drainage	248,401	273,490	254,349
Water supply and distribution	1,525,480	1,431,900	1,420,244
Wastewater treatment and disposal	478,717	424,926	484,189
Solid waste management	519,440	525,084	888,586
Recycling program	316,776	303,068	314,119
Family and community support services	262,905	283,083	259,751
Cemeteries and crematoriums	58,555	48,490	25,770
Other public health and welfare	28,000	28,371	28,757
Economic development	208,605	169,129	278,098
Planning and development	287,669	302,013	322,286
Parks and recreation	1,124,652	1,398,971	1,101,855
Culture - library and museum	437,245	433,324	401,916
TOTAL EXPENSES	<u>9,566,554</u>	<u>9,718,683</u>	<u>9,589,893</u>
SHORTFALL OF REVENUE OVER EXPENSES - BEFORE OTHER	<u>(412,220)</u>	<u>(554,453)</u>	<u>(236,780)</u>
OTHER			
Government transfers for capital (Schedule 4)	1,982,475	1,909,273	1,059,515
	<u>1,982,475</u>	<u>1,909,273</u>	<u>1,059,515</u>
EXCESS OF REVENUE OVER EXPENSES	1,570,255	1,354,820	822,735
ACCUMULATED SURPLUS, BEGINNING OF YEAR	<u>34,191,628</u>	<u>34,191,628</u>	<u>33,368,893</u>
ACCUMULATED SURPLUS, END OF YEAR	<u>\$ 35,761,883</u>	<u>\$ 35,546,448</u>	<u>\$ 34,191,628</u>

Town of Claresholm
Consolidated Statement of Change in Net Financial Assets (Debt)
For the Year Ended December 31, 2024

	<u>Budget</u> <i>(Unaudited)</i>	<u>2024</u>	<u>2023</u>
EXCESS OF REVENUE OVER EXPENSES	\$ 1,570,255	\$ 1,354,820	\$ 822,735
Acquisition of tangible capital assets	(4,238,203)	(3,285,343)	(2,193,565)
Amortization of tangible capital assets	1,884,547	2,037,703	1,922,099
Loss (gain) on disposal of tangible capital assets	-	35,166	(242,426)
Proceeds on disposal of tangible capital assets	65,000	21,224	306,638
	<u>(2,288,656)</u>	<u>(1,191,250)</u>	<u>(207,254)</u>
For the Year Ended December 31, 2024			
Net change in inventory for consumption	-	(33,290)	(64,691)
Net change in prepaid expenses	-	108,675	(39,180)
	-	<u>75,385</u>	<u>(103,871)</u>
INCREASE (DECREASE) IN NET ASSETS (DEBT)	(718,401)	238,955	511,610
NET FINANCIAL ASSETS (DEBT), BEGINNING OF YEAR	283,172	283,172	(228,438)
NET FINANCIAL ASSETS (DEBT), END OF YEAR	\$ (435,229)	\$ 522,127	\$ 283,172

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Town of Claresholm
Consolidated Statement of Cash Flow
For the Year Ended December 31, 2024

	2024	2023
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:		
Operating		
Excess of revenue over expenses	\$ 1,354,820	\$ 822,735
Non-cash items included in excess of revenue over expenses:		
Amortization of tangible capital assets	2,037,703	1,922,099
Gain on disposal of tangible capital assets	35,166	(242,426)
	3,427,689	2,502,408
Non-cash charges to operations (net change):		
Decrease (increase) in taxes and grants in place of taxes receivables	(72,104)	142,668
Decrease (increase) in trade and other receivables	82,650	(111,707)
Decrease (increase) in land inventory held for sale	-	1,196
Decrease (increase) in inventory for consumption	(33,290)	(64,691)
Decrease (increase) in prepaid expense	108,675	(39,180)
Increase (decrease) in accounts payable and accrued liabilities	351,769	270,362
Increase (decrease) in employee benefit obligations	(77,038)	1,956
Increase (decrease) in deposits	9,075	(22,431)
Increase (decrease) in deferred revenue	(1,262,129)	1,855,114
Increase (decrease) in asset retirement obligation	-	188,650
	2,535,297	4,724,345
Net cash provided by operating transactions	2,535,297	4,724,345
Capital		
Acquisition of tangible capital assets	(3,285,343)	(2,193,565)
Proceeds on disposal of tangible capital assets	21,224	306,638
Cash applied to capital transactions	(3,264,119)	(1,886,927)
Investing		
Decrease (increase) in investments	(640,900)	(1,100,000)
Cash applied to investing transactions	(640,900)	(1,100,000)
Financing		
Repayment of long-term debt	(283,109)	(352,873)
Cash applied to financing transactions	(283,109)	(352,873)
Change in cash and cash equivalents during the year	(1,652,831)	1,384,545
Net Cash, beginning of year	3,717,139	2,332,594
Net Cash, end of year	\$ 2,064,308	\$ 3,717,139
Net Cash is made up of:		
Unrestricted cash (Note 2)	\$ 695,750	1,095,527
Unspent grant funds (Note 2)	1,340,443	2,602,572
Deposits held (Note 2)	28,115	19,040
	\$ 2,064,308	3,717,139

Town of Claresholm
Schedule of Changes in Accumulated Surplus
For the Year Ended December 31, 2024
(Schedule 1)

	Unrestricted Surplus	Restricted Surplus	Equity in Tangible Capital Assets	2024	2023
BALANCE, BEGINNING OF YEAR	\$ 1,554,855	\$ 4,367,223	\$ 28,269,550	\$ 34,191,628	\$ 33,368,893
Excess of revenue over expenses	1,354,820	-	-	1,354,820	822,735
Unrestricted funds designated for future use	(1,453,208)	1,453,208	-	-	-
Restricted funds used for operations	110,103	(110,103)	-	-	-
Restricted funds used for tangible capital assets	-	(1,462,644)	1,462,644	-	-
Current year funds used for tangible capital assets	(1,822,700)	-	1,822,700	-	-
Disposal of tangible capital assets	56,391	-	(56,391)	-	-
Annual amortization expense	2,037,703	-	(2,037,703)	-	-
Capital long term debt repaid	(283,109)	-	283,109	-	-
Change in accumulated surplus	-	(119,539)	1,474,359	1,354,820	822,735
BALANCE, END OF YEAR	\$ 1,554,855	\$ 4,247,684	\$ 29,743,909	\$ 35,546,448	\$ 34,191,628

Town of Claresholm
Schedule of Tangible Capital Assets
For the Year Ended December 31, 2024
(Schedule 2)

	Land	Land Improvements	Buildings	Engineered Structures	Machinery and Equipment	Vehicles	2024	2023
COST:								
BALANCE, BEGINNING OF YEAR	\$ 1,465,250	\$ 2,703,939	\$ 17,450,877	\$ 78,047,072	\$ 2,202,621	\$ 2,468,229	\$ 104,337,988	\$ 102,258,654
Acquisition of tangible capital assets	-	237,836	-	1,825,187	248,747	778,558	3,090,328	1,723,273
Construction in progress	-	-	22,215	-	172,800	-	195,015	470,292
Disposal of tangible capital assets	(52,380)	-	-	-	(81,124)	(16,480)	(149,984)	(114,231)
BALANCE, END OF YEAR	<u>1,412,870</u>	<u>2,941,775</u>	<u>17,473,092</u>	<u>79,872,259</u>	<u>2,543,044</u>	<u>3,230,307</u>	<u>107,473,347</u>	<u>104,337,988</u>
ACCUMULATED AMORTIZATION:								
BALANCE, BEGINNING OF YEAR	-	1,288,437	7,517,356	58,702,173	1,776,946	1,578,758	70,863,670	68,991,590
Annual amortization	-	121,687	352,575	1,116,175	138,430	308,836	2,037,703	1,922,099
Accumulated amortization on disposals	-	-	-	-	(77,615)	(15,979)	(93,594)	(50,019)
BALANCE, END OF YEAR	<u>-</u>	<u>1,410,124</u>	<u>7,869,931</u>	<u>59,818,348</u>	<u>1,837,761</u>	<u>1,871,615</u>	<u>72,807,779</u>	<u>70,863,670</u>
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	<u>\$ 1,412,870</u>	<u>\$ 1,531,651</u>	<u>\$ 9,603,161</u>	<u>\$ 20,053,911</u>	<u>\$ 705,283</u>	<u>\$ 1,358,692</u>	<u>\$ 34,665,568</u>	<u>\$ 33,474,318</u>
2023 Net Book Value of Tangible Capital Assets	<u>\$ 1,465,250</u>	<u>\$ 1,415,502</u>	<u>\$ 9,933,521</u>	<u>\$ 19,344,899</u>	<u>\$ 425,675</u>	<u>\$ 889,471</u>	<u>\$ 33,474,318</u>	

Town of Claresholm
Schedule of Property and Other Taxes
For the Year Ended December 31, 2024
(Schedule 3)

	<i>Budget (Unaudited)</i>	2024	2023
TAXATION			
Real property taxes	\$ 5,363,534	\$ 5,360,435	\$ 5,085,261
Linear property taxes	145,243	145,139	137,589
Government grants in place of property taxes	20,455	20,455	20,324
Special assessments and local improvements	3,290	-	-
	<u>5,532,522</u>	<u>5,526,029</u>	<u>5,243,174</u>
REQUISITIONS			
Alberta School Foundation Fund	1,450,849	1,450,849	1,344,142
Porcupine Hills Lodge	199,543	199,543	159,485
Designated Industrial Property	751	-	-
	<u>1,651,143</u>	<u>1,650,392</u>	<u>1,503,627</u>
NET MUNICIPAL PROPERTY TAXES	<u>\$ 3,881,379</u>	<u>\$ 3,875,637</u>	<u>\$ 3,739,547</u>

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Town of Claresholm
Schedule of Government Transfers
For the Year Ended December 31, 2024
(Schedule 4)

	<i>Budget (Unaudited)</i>	2024	2023
TRANSFERS FOR OPERATING			
Provincial Government	\$ 396,525	\$ 351,772	\$ 406,071
Other Local Governments	230,498	227,987	221,263
	<u>627,023</u>	<u>579,759</u>	<u>627,334</u>
TRANSFERS FOR CAPITAL			
Provincial Government	1,612,297	1,282,075	710,489
Federal Government	370,178	627,198	349,026
	<u>1,982,475</u>	<u>1,909,273</u>	<u>1,059,515</u>
TOTAL GOVERNMENT TRANSFERS	<u>\$ 2,609,498</u>	<u>\$ 2,489,032</u>	<u>\$ 1,686,849</u>

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Town of Claresholm
Schedule of Consolidated Expenses by Object
For the Year Ended December 31, 2024
(Schedule 5)

	<i>Budget</i> <i>(Unaudited)</i>	2024	2023
CONSOLIDATED EXPENSES BY OBJECT			
Salaries, wages and benefits (Note 14)	\$ 3,359,245	\$ 3,351,208	\$ 3,372,762
Contracted and general services	1,974,402	1,795,652	1,734,966
Materials, goods, supplies and utilities	1,696,981	1,883,487	1,899,959
Bank charges and short-term interest	1,200	1,162	993
Interest on long-term debt	188,042	187,515	202,672
Other expenditures	33,000	34,914	33,274
Transfers to organizations and others	429,137	427,042	423,168
Amortization of tangible capital assets	1,884,547	2,037,703	1,922,099
	<u>\$ 9,566,554</u>	<u>\$ 9,718,683</u>	<u>\$ 9,589,893</u>

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Town of Claresholm
Schedule of Segmented Disclosure
For the Year Ended December 31, 2024
(Schedule 6)

	General Government	Protective Services	Transportation Services	Environmental Services	Public Health Services	Planning & Development	Recreation & Culture	Total
REVENUE								
Net municipal taxes	\$ 3,875,637	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,875,637
User fees and sales of goods	6,129	60,374	75,433	3,195,344	25,420	9,411	205,846	3,577,957
Government transfers for operating	72,799	9,000	-	-	251,361	141,507	105,092	579,759
Investment income	348,221	-	-	-	-	-	-	348,221
Penalties and cost of taxes	79,214	2,926	-	-	-	-	-	82,140
Licenses and permits	29,875	10,785	-	-	-	95,728	-	136,388
Franchise and concession contracts	353,253	-	-	-	-	-	-	353,253
Rental	44,373	-	-	-	-	-	92,401	136,774
Government transfers for capital	22,214	477,640	833,357	322,923	-	-	253,139	1,909,273
Other revenues	34,979	-	-	28,186	14,592	-	31,424	109,181
Gain on disposal of tangible capital assets	17,290	-	-	-	-	-	(52,370)	(35,080)
	<u>4,883,984</u>	<u>560,725</u>	<u>908,790</u>	<u>3,546,453</u>	<u>291,373</u>	<u>246,646</u>	<u>635,532</u>	<u>11,073,503</u>
EXPENSES								
Salaries and wages	824,851	244,289	519,570	610,587	179,986	231,691	740,234	3,351,208
Contract and general services	454,399	268,602	207,506	532,148	44,695	209,522	78,780	1,795,652
Goods and supplies	114,955	82,054	575,420	607,365	53,307	2,546	447,840	1,883,487
Bank charges	1,162	-	-	-	-	-	-	1,162
Long term debt interest	67,401	-	-	120,114	-	-	-	187,515
Other expenses	30,966	-	-	97	3,851	-	-	34,914
Transfers to organizations and others	96,360	-	-	-	77,682	-	253,000	427,042
	<u>1,590,094</u>	<u>594,945</u>	<u>1,302,496</u>	<u>1,870,311</u>	<u>359,521</u>	<u>443,759</u>	<u>1,519,854</u>	<u>7,680,980</u>
EXCESS (SHORTFALL) OF REVENUE OVER EXPENSES, BEFORE AMORTIZATION	<u>3,293,890</u>	<u>(34,220)</u>	<u>(393,706)</u>	<u>1,676,142</u>	<u>(68,148)</u>	<u>(197,113)</u>	<u>(884,322)</u>	<u>3,392,523</u>
Amortization expense	113,841	61,923	707,026	814,666	422	27,383	312,442	2,037,703
EXCESS (SHORTFALL) OF REVENUE OVER EXPENSES	<u>\$ 3,180,049</u>	<u>\$ (96,143)</u>	<u>\$ (1,100,732)</u>	<u>\$ 861,476</u>	<u>\$ (68,570)</u>	<u>\$ (224,496)</u>	<u>\$ (1,196,764)</u>	<u>\$ 1,354,820</u>

Segmented Disclosure (Note 20)

Town of Claresholm
Notes to the Consolidated Financial Statements
For the Year Ended December 31, 2024

1) SIGNIFICANT ACCOUNTING POLICIES

The Town of Claresholm ("the Town") is a Municipality in the Province of Alberta. The consolidated financial statements are the representations of management and have been prepared in accordance with Canadian generally accepted accounting principles for local governments established by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada. Significant aspects of the accounting policies adopted by the Town of Claresholm are as follows:

A. Reporting Entity

The consolidated financial statements reflect the assets, liabilities, revenue and expenditures, changes in fund balances and change in financial position of the reporting entity. This entity is comprised of the municipal operations plus all the organizations that are owned or controlled by the Town and are, therefore, accountable to the Council for the administration of their financial affairs and resources.

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

These statements exclude trust assets that are administered for the benefit of external parties.

Interdepartmental and organizational transactions and balances are eliminated.

B. Basis of Accounting

The financial statements are prepared using the accrual basis of accounting. The accrual basis of accounting records revenue as it is earned and measurable. Expenses are recognized as they are incurred and measurable based upon receipt of goods or services and/or the legal obligation to pay.

Funds from external parties and earnings thereon restricted by agreement or legislation are accounted for as deferred revenue until used for the purpose specified.

Government transfers, contributions and other amounts are received from third parties pursuant to legislation, regulation or agreement and may only be used for certain programs, in the completion of specific work, or for the purchase of tangible capital assets. In addition, certain user charges and fees are collected for which the related services have yet to be performed. Revenue is recognized in the period when the related expenses are incurred, services performed or the tangible capital assets are acquired.

C. Use of Estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenditure during the period. Where measurement uncertainty exists, the financial statements have been prepared within reasonable limits of materiality. Actual results could differ from those estimates. The amounts recorded for valuation of tangible capital assets, the useful lives, related amortization of tangible capital assets as well as indeterminate settlement date for related asset retirement obligation of tangible capital assets are areas where management makes significant estimates and assumptions in determining the amounts to be recorded in the consolidated financial statements.

continues ...

Town of Claresholm
Notes to the Consolidated Financial Statements
For the Year Ended December 31, 2024

1) SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Valuation of Financial Assets and Liabilities

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

E. Investments

Investments in derivatives and equity instruments quoted in an active market are carried at fair value with transactions costs expensed upon initial recognition. Unrealized changes in fair value are recognized in the statement of remeasurement gains and losses. When the investment is disposed of the accumulated gains and losses are reclassified to the statement of operations. Investments are recorded at amortized cost. Investment premiums and discounts are amortized on the net present value basis over the term of the respective investments. When there has been a loss in value that is other than a temporary decline, the respective investment is written down to recognize the loss.

F. Requisition Over-levy and Under-levy

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

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

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

G. Land Inventory Held for Resale

Land inventory held for resale is recorded at the lower of cost or net realizable value. Cost includes the costs for land acquisition and improvements required to prepare the land for servicing, such as clearing, stripping and levelling charges. Related development costs incurred to provide infrastructure such as water and wastewater services, roads, sidewalks and street lighting are recorded as capital assets under their respective function.

H. Tax Revenue

Tax revenue are recognized when the tax has been authorized by bylaw and the taxable event has occurred.

Requisitions operate as a flow through and are excluded from municipal revenue.

continues ...

Town of Claresholm
Notes to the Consolidated Financial Statements
For the Year Ended December 31, 2024

1) SIGNIFICANT ACCOUNTING POLICIES (continued)

I. Asset Retirement

A liability for an asset retirement obligation is recognized at the best estimate of the amount required to retire a tangible capital asset at the financial statement date when there is a legal obligation for the Town to incur retirement costs, the past transaction or event given rise of 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 of the liability includes all costs directly attributable to asset retirement activities, based on information available at year-end. The best estimate of an asset retirement obligation incorporates a present value technique, when the cash flows required to settle or other with 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. The asset retirement cost is amortized over the useful life of the related asset. Asset retirement obligations which are incurred incrementally with use of the asset are recognized in the period incurred with a corresponding asset retirement cost expensed in the period.

At each financial reporting date, the Town reviews the carrying amount of the liability. The Town recognizes period-to-period changes to the liability due to the passage of time as accretion expense. Changes to the liability arising from revisions to either the timing, the amount of the original estimate of undiscounted cash flows of 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.

J. Contaminated Sites Liability

Contaminated sites are a result of contamination being introduced into air, soil, water or sediment of a chemical, organic or radioactive material or live organism that exceeds an environmental standard. The liability is recorded net of any expected recoveries. A liability for remediation of a contaminated site is recognized when a site is not in productive use and is management's estimate of the cost of post-remediation including operation, maintenance and monitoring.

K. Deferred Revenues

Deferred revenues represent government transfers, donations, and other amounts which have been collected, but for which the related services have yet to be performed or agreement stipulations have not been met. These amounts will be recognized as revenues when revenue recognition criteria have been met. Interest earned on deferred revenues, reserves, and offsite levies are calculated using an average investment earnings monthly.

L. Revenue Recognition

Revenue from transactions with no performance obligation is recognized at realizable value when the Town has the authority to claim or retain an inflow of economic resources and identifies a past transaction or event giving rise to an asset.

Revenue from transactions with performance obligations is recognized as the performance obligations are satisfied by providing the promised goods or services to the payor. User fees are recognized over the period of use, sales of goods are recognized when goods are delivered. Licenses and permits with a single performance obligation at a point in time are recognized as revenue on issuance, those which result in a continued performance obligation over time are recognized over the period of the license or permit as the performance obligation is satisfied.

continues ...

Town of Claresholm
Notes to the Consolidated Financial Statements
For the Year Ended December 31, 2024

1) SIGNIFICANT ACCOUNTING POLICIES (continued)

M. Government Transfers

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

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

N. Non-Financial Assets

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the normal course of operations. The change in non-financial assets during the year, together with the excess of revenue over expenses, provides the consolidated Change in Net Financial Assets (Debt) for the year.

i. Tangible Capital Assets

Tangible capital assets are recorded at cost, which includes all amounts that are directly attributable to acquisition, construction, development or betterment of the assets. The cost, less residual value of the tangible capital asset, is amortized as follows:

	YEARS	METHOD
Land improvements	10-25	straight line
Buildings	25-50	straight line
Engineered structures	5-75	declining balance
Machinery and equipment	5-40	declining balance
Vehicles	10-25	declining balance

For assets that are amortized using the declining balance method they will be amortized at rates based on their maximum useful lives as per the following formula: $(1/\text{useful life})^3$

One-half of the annual amortization is charged in the year of acquisition and in the year of disposal. Assets under construction are not amortized until the asset is available for productive use.

ii. Contributions of Tangible Capital Assets

Tangible capital assets received as contributions are recorded at fair value at the date of receipt and also are recorded as revenue.

iii. Leases

Leases are classified as capital or operating leases. Leases which transfer substantially all of the benefits and risks incidental to ownership of property are accounted for as capital leases. All other leases are accounted for as operating leases and the related lease payments are charged to expenses as incurred.

iv. Inventories

Inventories held for consumption are recorded at the lower of cost or net realizable value with cost determined by the average cost method.

v. Cultural and Historical Tangible Capital Assets

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

Town of Claresholm
Notes to the Consolidated Financial Statements
For the Year Ended December 31, 2024

2) CASH	<u>2024</u>	<u>2023</u>
Chequing account	\$ 975,583	\$ 2,362,058
Savings - Reserves	688,951	896,013
Savings - Operating	265,145	331,524
Savings - Deferred revenue	134,629	127,544
	<u>\$ 2,064,308</u>	<u>\$ 3,717,139</u>

The Town received Government grants and funding that are restricted in their use and are to be utilized as funding for operating or capital projects. Since the projects have not been completed for which the funding has been received, \$1,340,443 (2023 - \$2,602,572) is not available for general use by the Town (Note 7).

Included in cash is \$28,115 (2023 - \$19,040) of deposit liability funds which are not available for current purposes.

A temporary overdraft has been authorized by Bank of Montreal to a maximum of \$450,000 which bears interest at prime plus 0%, with an effective rate of 5.45%.

A settlement risk line of credit for payroll electronic funds transfer payments has been authorized by Bank of Montreal to a maximum of \$500,000.

Security pledged on these temporary loans includes a general security agreement. As at December 31, 2024 there were no balances outstanding on these loans.

3) INVESTMENTS	<u>2024</u>	<u>2023</u>
Guaranteed investment certificates	\$ 4,806,536	\$ 4,165,636
	<u>\$ 4,806,536</u>	<u>\$ 4,165,636</u>

Investments are comprised of GICs bearing interest of 4.9% to 6.0% maturing between January 2025 to February 2027.

4) TAXES AND GRANTS IN PLACE OF TAXES RECEIVABLE	<u>2024</u>	<u>2023</u>
Current year	\$ 197,382	\$ 137,384
Arrears	45,719	33,613
	<u>\$ 243,101</u>	<u>\$ 170,997</u>

5) TRADE AND OTHER RECEIVABLES	<u>2024</u>	<u>2023</u>
Trade accounts	\$ 932,217	\$ 889,818
Goods and Services Tax receivable	120,156	90,164
Local improvement levies	26,304	29,594
Due from local governments	14,946	9,064
Due from Provincial government	-	157,633
	<u>\$ 1,093,623</u>	<u>\$ 1,176,273</u>

Town of Claresholm
Notes to the Consolidated Financial Statements
For the Year Ended December 31, 2024

6) EMPLOYEE BENEFIT OBLIGATIONS	2024	2023
Sick time	\$ 249,160	\$ 276,046
Vacation	228,165	278,317
	<u>\$ 477,325</u>	<u>\$ 554,363</u>

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

7) DEFERRED REVENUE	2024	Received	Recognized	2023
CBBF capital grant	\$ 348,645	289,074	(461,773)	\$ 521,344
Community facility enhancement	327,764	224,030	(51,331)	155,065
LGFF capital grant	144,713	39,071	(1,166,427)	1,272,069
Sundry trust	134,974	91,318	(55,486)	99,092
Cemetery	109,865	7,100	(7,334)	110,099
Offsite levies	78,644	4,139	-	74,505
FCSS	63,028	128,277	(140,043)	74,794
Alberta settlement and integration	62,858	-	(123,182)	186,040
Subdivision fund	48,972	2,577	-	46,395
Taxi token prepayments	6,702	7,883	(6,890)	5,709
Parking fund	4,555	240	-	4,315
Fire	2,960	2,960	-	-
Parks Society	2,819	-	-	2,819
Walking path fund	2,458	129	-	2,329
Winter festival	1,486	-	-	1,486
Skate park	-	-	(28,186)	28,186
Northern and regional economic grant	-	-	(18,325)	18,325
	<u>\$ 1,340,443</u>	<u>\$ 796,798</u>	<u>\$ (2,058,927)</u>	<u>\$ 2,602,572</u>

Deferred revenue is comprised of the funds noted above, the use of which, together with any earnings thereon, is restricted by agreement. These funds are recognized as revenue in the period they are used for the purpose specified.

Local Government Fiscal Framework:

Funding in the amount of \$39,071 was received in the current year from the Local Government Fiscal Framework, which consisted of interest earned on these funds. These funds are from the capital component of the program and restricted to eligible capital projects, as approved under the funding agreement, which are scheduled for completion in 2025.

Canada Community-Building Fund:

Funding in the amount of \$289,074 was received in the current year from the Canada Community-Building Fund. This included the release of the 2024 allocation of \$271,610, plus \$17,464 of interest earned on these funds. These funds are restricted to eligible capital projects, as approved under the funding agreement, which are scheduled for completion in 2025.

Community Facility Enhancement Program:

Funding in the amount of \$224,030 was received in the current year from the Community Facility Enhancement Program, and are restricted to eligible capital projects, as approved under the funding agreements. The Town is not eligible to apply for funding through this program directly, and so funding is received through partnerships with other organizations. Amounts received included \$125,000 through partnership with the Kinsmen Club of Claresholm (1989) for the redevelopment of Amundsen Park, which is scheduled for completion in 2025, and \$99,030 through partnership with the Claresholm Lions Club for renovations/upgrades to the Centennial Park Playground, which is scheduled for completion in 2025.

Unexpended funds related to the advance are supported by cash of \$1,340,443 held exclusively for these projects (Note 2).

Town of Claresholm
Notes to the Consolidated Financial Statements
For the Year Ended December 31, 2024

8) LONG TERM DEBT

	2024	2023
Tax supported debentures	\$ 2,506,739	\$ 2,574,929
Utility supported debentures	2,226,270	2,441,189
	4,733,009	5,016,118
Less: Current portion of long term debt	(295,407)	(283,109)
	\$ 4,437,602	\$ 4,733,009

Principal and interest repayments are due as follows:

	Principal	Interest	Total
2025	295,407	175,744	471,151
2026	308,282	162,869	471,151
2027	321,762	149,388	471,150
2028	335,878	135,273	471,151
2029	303,698	120,841	424,539
Thereafter	3,167,982	768,725	3,936,707
	\$ 4,733,009	\$ 1,512,840	\$ 6,245,849

Debenture debt is repayable to Alberta Capital Finance Authority and bears interest at rates ranging from 2.638% to 5.240% per annum and matures in periods 2028 through 2050. The average annual interest rate is 3.63% (3.63% for 2023). Debenture debt is issued on the credit and security of the Town of Claresholm at large.

Interest on long-term debt amounted to \$187,515 (2023 - \$202,672). The Town's total cash payments for interest in 2024 were \$188,042 (2023 - \$204,579).

9) DEBT LIMITS

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

	2024	2023
Total debt limit	\$ 13,746,345	\$ 14,029,670
Total debt (Note 8)	4,733,009	5,016,118
Amount of surplus debt limit	\$ 9,013,336	\$ 9,013,552
Debt servicing limit	\$ 2,291,058	\$ 2,338,278
Debt servicing	471,151	471,151
Amount of surplus debt servicing limit	\$ 1,819,907	\$ 1,867,127

The debt limit is calculated at 1.5 times revenue of the municipality, as defined in Alberta Regulation 255/2000, and the debt service limit is calculated at 0.25 times such revenue. Incurring debt beyond these limitations requires approval by the Minister of Municipal Affairs. These thresholds are guidelines used by Alberta Municipal Affairs to identify municipalities that could be at financial risk if further debt is acquired. The calculation alone does not represent the financial stability of the municipality. Rather, the financial statements must be interpreted as a whole.

Town of Claresholm
Notes to the Consolidated Financial Statements
For the Year Ended December 31, 2024

10) ASSET RETIREMENT OBLIGATION

Asbestos Abatement:

The Town owns three buildings which contain asbestos and, therefore, the Town is legally required to perform abatement activities upon renovation or demolition of these buildings. Abatement activities include handling and disposing of the asbestos in a prescribed manner when it is disturbed. Undiscounted future cash flows expected are an abatement cost in years 2038, 2045 and 2049 of \$82,825, \$43,794 and \$238,510 respectively. The estimated total liability of \$188,650 (2023 - \$188,650) is based on the sum of discounted future cash flows for abatement activities using a discount rate of 5.45% and assuming annual inflation of 2.50%. The Town has not designated assets for settling the abatement activities.

	2024	2023
Balance, beginning of year	\$ 188,650	\$ -
Liabilities incurred	-	188,650
Estimated total liability	\$ 188,650	\$ 188,650

11) ACCUMULATED SURPLUS

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

	2024	2023
Unrestricted surplus	\$ 1,554,855	\$ 1,554,855
Internally restricted surplus (reserves) (Note 13)	4,247,684	4,367,223
Equity in tangible capital assets (Note 12)	29,743,909	28,269,550
	\$ 35,546,448	\$ 34,191,628

12) EQUITY IN TANGIBLE CAPITAL ASSETS

	2024	2023
Tangible capital assets (Schedule 2)	\$ 107,473,347	\$ 104,337,988
Accumulated amortization (Schedule 2)	(72,807,779)	(70,863,670)
Long term debt - Capital (Note 8)	(4,733,009)	(5,016,118)
Asset retirement obligation (Note 10)	(188,650)	(188,650)
	\$ 29,743,909	\$ 28,269,550

Draft for discussion purposes only

Town of Claresholm
Notes to the Consolidated Financial Statements
For the Year Ended December 31, 2024

13) RESERVES

Reserves for operating and capital activities are as follows:

	<u>2024</u>	<u>2023</u>
Operating		
General	252,453	193,628
Trust accounts	57,960	57,960
Policing costs	56,060	56,060
Fill dirt	38,878	28,878
Office	16,097	33,907
Economic development	16,075	20,657
Healthcare professional recruitment	9,217	11,817
Events	4,449	4,449
Cemetery	815	815
	<u>452,004</u>	<u>408,171</u>
Capital		
Water and sewer	2,732,678	2,466,429
Land and development	469,519	1,059,006
General	245,743	123,511
Arena	102,959	105,011
Recreation	91,481	72,481
Fire	89,697	288,172
Parks and pathways	62,429	44,429
Common equipment	60,600	-
Cemetery	51,445	36,787
Acreage assessment	45,956	45,956
Tamarack subdivision	28,382	28,382
Emergency management	15,000	15,000
Enforcement vehicle	13,583	16,583
Tax recovery land	13,377	13,377
Playground rehabilitation	11,330	11,330
Garbage and recycling equipment	(238,499)	(367,402)
	<u>3,795,680</u>	<u>3,959,052</u>
	<u>\$ 4,247,684</u>	<u>\$ 4,367,223</u>

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Town of Claresholm
Notes to the Consolidated Financial Statements
For the Year Ended December 31, 2024

14) SALARY AND BENEFITS DISCLOSURE

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

	Salary ¹	Benefits and Allowances ²	Total 2024	Total 2023
Council				
Mayor / Councillor Schlossberger	\$ 22,751	\$ 1,750	\$ 24,501	16,494
Councillor Carlson	12,050	876	12,926	12,989
Councillor Cutler	12,291	896	13,187	15,112
Councillor Kettles	11,205	807	12,012	12,378
Councillor Meister	14,260	1,057	15,317	15,132
Councillor Ross	13,141	870	14,011	4,309
Councillor Zimmer	10,115	718	10,833	11,738
Mayor Petrovic	-	-	-	4,246
	<u>95,813</u>	<u>6,974</u>	<u>102,787</u>	<u>92,398</u>
Chief Administrative Officer	142,904	30,270	173,174	165,542
Designated Officers (2024: 6 positions, 2023: 6 positions)	451,941	110,669	562,610	579,887
	<u>\$ 690,658</u>	<u>\$ 147,913</u>	<u>\$ 838,571</u>	<u>\$ 837,827</u>

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

2) Benefits and allowances include the employer's share of all employee benefits and contributions or payments, made on behalf of employees including pension, health care, dental coverage, vision coverage, group life insurance, accidental disability and dismemberment insurance, long- and short-term disability plans, professional memberships, and tuition.

Benefits and allowances also include the employer's share of the costs of additional taxable benefits including special leave with pay, financial planning services, retirement planning services, concessionary loans, travel allowances, car allowances, and club memberships.

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Town of Claresholm
Notes to the Consolidated Financial Statements
For the Year Ended December 31, 2024

15) LOCAL AUTHORITIES PENSION PLAN

Employees of the Town participate in the Local Authorities Pension Plan (LAPP), which is one of the plans covered by the Alberta Public Sector Pensions Plans Act. The plan serves about 304,000 people and 444 employers. The LAPP is financed by the employer and employee contributions and investment earnings of the LAPP Fund.

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

The Town is required to make current service contributions to the LAPP of 8.45% of pensionable earnings up to the year's maximum pensionable earnings under the Canada Pension Plan and 11.65% 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 10.65% on pensionable salary above this amount.

Total current service contributions by the Town to the LAPP in 2024 were \$163,553 (2023 - \$171,057). Total current service contributions by the employees of the Town to the LAPP in 2024 were \$145,370 (2023 - \$152,229).

At December 31, 2023 the LAPP disclosed an actuarial surplus of \$15.06 billion.

For further information of the amount of LAPP deficiency/surplus information see:
www.lapp.ca/page/annual-reports

16) FINANCIAL INSTRUMENTS

The Town's financial instruments consist of cash, investments, taxes and grants in place of taxes receivable, trade and other receivables, accounts payable and accrued liabilities, employee benefit obligations, deposits and long term debt. It is management's opinion that the Town is not exposed to significant interest or currency risk arising from these financial instruments. Taxes receivables and requisition over/under-levy are compulsory in nature, rather than contractual, however the Town manages risk exposure on these items similar to other receivables and payables.

Credit Risk

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

17) BUDGET AMOUNTS

The 2024 amended budget for the Town was approved by Council on April 22, 2024 and has been reported in the consolidated financial statements for information purposes only. These budget amounts have not been audited, reviewed, or otherwise verified.

The approved budget contained reserve transfers, capital additions and principal payments on debt as expenditures. Since these items are not included in the amounts reported in the consolidated financial statements, they have been excluded from the budget amounts presented in these financial statements.

Budget surplus per financial statements	\$	1,570,255
Less: Capital expenses		(4,238,203)
Long-term debt repayments		(283,109)
Transfers to reserves		(1,124,533)
Add: Amortization		1,884,547
Transfers from reserves		2,191,043
<hr/>		
Equals: Balanced budget	\$	-
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Town of Claresholm
Notes to the Consolidated Financial Statements
For the Year Ended December 31, 2024

18) COMMITMENTS AND CONTINGENCIES

The Town is a member of the Alberta Municipal Insurance Exchange (MUNIX). 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 the exchange. Any liability incurred would be accounted for as a current transaction in the year the losses are determined.

19) CONTAMINATED SITES LIABILITY

The Town has adopted PS3260 liability for contaminated sites. The Town did not identify any financial liabilities in 2024 (2023 - nil) as a result of this standard.

20) SEGMENTED DISCLOSURE

The Town provides a range of services to its ratepayers. For each reporting segment, revenues and expenses represent both amounts that are directly attributable to the segment and amounts that are allocated on a reasonable basis. The accounting policies used in these segments are consistent with those followed in the preparation of the financial statements as disclosed in Note 1.

Refer to the Schedule of Segmented Disclosure (Schedule 6).

General government includes council and other legislative, and general administration. Protective services includes bylaw enforcement, police, and fire. Transportation includes roads, streets, walks and lighting. Planning and development includes land use planning, zoning and subdivision land and development. Public health and welfare includes family and community support. Recreation and culture includes parks and recreation, libraries, museums and halls. Environmental use and protection includes water supply and distribution, wastewater treatment and disposal, and waste management.

21) COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the financial statement presentation adopted in the current year.

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