

VILLAGE OF CAROLINE

Year Ended December 31, 2023

FINANCIAL STATEMENTS

**Village of Caroline
Consolidated Financial Statements
For the year ended December 31, 2023**

Village of Caroline
Consolidated Financial Statements
For the year ended December 31, 2023

Contents

Auditor's Report	1
Consolidated Financial Statements	
Consolidated Statement of Financial Position	3
Consolidated Statement of Operations	4
Consolidated Statement of Change in Net Financial Assets	5
Consolidated Statement of Cash Flows	6
Summary of Significant Accounting Policies	7 - 11
Notes to the Consolidated Financial Statements	12

Management's Responsibility for Reporting

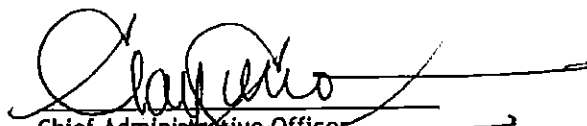
The Village of Caroline's management is responsible for the preparation, accuracy, objectivity, and integrity of the accompanying consolidated financial statements and the notes thereto. Management believes that except for the matter described in the Basis for Qualified section of the report, the consolidated financial statements present fairly the Municipality's financial position as at December 31, 2023 and the results of its operations for the year then ended.

The consolidated financial statements have been prepared in accordance with Canadian public sector accounting standards. 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 to meet reporting requirements. The system is designed to provide management with reasonable assurance that transactions are properly authorized, reliable financial records are maintained, and assets are properly accounted for and safeguarded.

The Municipal Council is responsible for overseeing management in the performance of its 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 Municipality's external auditors.

The consolidated financial statements have been audited by the independent firm of BDO Canada LLP, Chartered Professional Accountants. Their report to the Members of Council of The Village of Caroline, stating the scope of their examination and opinion on the consolidated financial statements follow.


Chief Administrative Officer
May 29, 2024



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Independent Auditor's Report

To the Mayor and Council of the Village of Caroline

Qualified Opinion

We have audited the consolidated financial statements of Village of Caroline and its controlled or owned organizations (the Group), which comprise the consolidated statement of financial position as at December 31, 2023, and the consolidated statement of operations, consolidated statement of changes in net financial assets, and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of the report, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2023, and its consolidated financial performance and its cash flows for the year then ended in accordance with Public Sector Accounting Standards.

Basis for Qualified Opinion

Effective January 1, 2023, the Group was required to adopt PS 3280 Asset Retirement Obligations which requires the recognition of legal obligations associated with the retirement of tangible capital assets by public sector entities. Under the modified retroactive application method, the asset retirement obligation on transition is to be recorded using assumptions as of January 1, 2023. The corresponding asset retirement cost is added to the carrying value of the related tangible capital assets adjusted for amortization since the time the legal obligation was incurred. The net adjustment is charged to accumulated surplus. Comparative figures are to be restated to reflect this change in accounting policy. Management has not completed its assessment of the Group's tangible capital assets for potential asset retirement obligations. As a result, it is not possible to quantify the impact of this departure from Canadian public sector accounting standards on expenses and annual surplus for the years ended December 31, 2023, and 2022, tangible capital assets and the asset retirement obligation as at December 31, 2023, and 2022, and accumulated surplus as at January 1 and December 31 for both the 2023 and 2022 years.

As disclosed in Note 19, the Village entered into the agreement to be responsible for a portion of the costs associated with the closure and post-closure costs of a former landfill. We were unable to obtain appropriate sufficient audit evidence over the liability. Therefore, we were unable to determine the amount, if any, of the adjustments to the annual surplus for the year ended December 31, 2023 and 2022, to the solid waste closure and post-closure liabilities as at December 31, 2023 and 2022, and accumulated surplus as at January 1 and December 31 for both the 2023 and 2022 years.

In addition to the above, the Group has identified contributed assets that have not been recorded in the financial statements. As records relating to these transactions were unavailable, these amounts were not susceptible to satisfactory audit verification, and we were unable to determine the amount of adjustments on annual surplus for the years ended December 31, 2023, and 2022, tangible capital assets as at December 31, 2023, and 2022 and accumulated surplus as at January 1 and December 31 for both the 2023 and 2022 years.

Furthermore, the Group has identified a contaminated site. The Group has not undertaken to estimate the liability in respect to the contaminated site and therefore has recorded no provision for this liability. In addition, as described in Note 1, the Village recorded a gain on sale of land in 2022. This land was also contaminated. No provision had been recorded for that liability prior to the sale and therefore the comparative opening accumulated surplus was overstated and the loss on sale in 2022 overstated for the amount of the unrecorded liability. The effects of this deviation from the Canadian public sector accounting standards on annual surplus for the years ended December 31, 2023 and 2022, the liability for contaminated sites as at December 31, 2023 and 2022 and accumulated surplus as at January 1 and December 31 for both the 2023 and 2022 years has not been determined as it is impracticable to do so and the effects could be material.

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 Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Emphasis of Matter - Restated Comparative Information

We draw attention to Note 1 to the financial statements, which explains certain comparative information presented for

Independent Auditor's Report, continued

the year ended December 31, 2022, has been restated. Our opinion is not modified in respect of this matter.

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and
- obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group'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 Group'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 Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

BDO Canada LLP

Chartered Professional Accountants,
Red Deer County, Alberta
May 29, 2024

Village of Caroline
Consolidated Statement of Financial Position

December 31	2023	2022
Financial assets		
Cash and cash equivalents (Note 2)	\$ 1,373,824	\$ 884,555
Taxes receivable (Note 3)	197,544	122,003
Accounts receivable (Note 4)	131,965	283,368
	<u>1,703,333</u>	<u>1,289,926</u>
Liabilities		
Accounts payable and accrued liabilities	145,702	135,853
Deferred revenue (Note 5)	277,984	253,334
Long-term debt (Note 6)	107,046	148,496
Solid waste closure and post-closure liabilities (Note 19)	106,050	-
	<u>636,782</u>	<u>537,683</u>
Net financial assets	<u>1,066,551</u>	<u>752,243</u>
Non-financial assets		
Tangible capital assets (Note 7)	7,368,925	7,706,002
Accumulated Surplus (Note 10)	<u>\$ 8,435,476</u>	<u>\$ 8,458,245</u>
Debt limits (Note 18)		
Commitments (Note 16)		

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements

Village of Caroline
Consolidated Statement of Operations

For the year ended December 31	Budget 2023	2023	2022
			Restated (see Note 1)
Revenue			
Net municipal taxes (Note 12)	\$ 513,221	\$ 549,094	\$ 552,365
Government transfers for operating (Note 14)	184,478	197,649	120,046
Sales and user fees	364,450	602,612	394,018
Franchises and concessions	150,000	138,313	146,469
Investment income	3,000	20,674	12,056
Penalties and costs on taxes	5,000	40,373	3,434
Licences and permits	10,000	5,153	2,380
Gain (loss) on disposal of assets	-	-	(14,510)
	<u>1,230,149</u>	<u>1,553,868</u>	<u>1,216,258</u>
Expenditures (Note 15)			
Legislative	35,770	20,639	30,089
Administration	402,278	436,025	403,549
Protective services	44,609	32,157	83,120
Transportation services	235,022	512,517	620,741
Water and wastewater	269,521	429,545	486,366
Waste management	65,153	179,579	57,718
Planning and development	16,500	8,892	2,101
Recreation and parks	110,641	115,332	173,615
Public health and welfare	24,130	9,427	10,144
	<u>1,203,624</u>	<u>1,744,113</u>	<u>1,867,443</u>
Excess (deficiency) of revenue over expenditures - before other	26,525	(190,245)	(651,185)
Other			
Government transfers for capital (Note 14)	-	167,476	7,612
Excess (deficiency) of revenue over expenditures	<u>26,525</u>	<u>(22,769)</u>	<u>(643,573)</u>
Accumulated surplus, beginning of the year	<u>8,458,245</u>	<u>8,458,245</u>	<u>9,101,818</u>
Accumulated surplus, end of year	<u>\$ 8,484,770</u>	<u>\$ 8,435,476</u>	<u>\$ 8,458,245</u>

Village of Caroline
Consolidated Statement of Change in Net Financial Assets

<u>For the year ended December 31</u>	<u>Budget 2023</u>	<u>2023</u>	<u>2022</u>
			Restated (see Note 1)
Excess (deficiency) of revenue over expenditures	\$ 26,525	\$ (22,769)	\$ (643,573)
Acquisition of tangible capital assets	-	(153,266)	(53,127)
Amortization of tangible capital assets	-	490,343	567,672
	<u>26,525</u>	<u>314,308</u>	<u>(129,028)</u>
Net change in net financial assets	26,525	314,308	(129,028)
Net financial assets, beginning of year	<u>752,243</u>	<u>752,243</u>	<u>881,271</u>
Net financial assets, end of year	<u>\$ 778,768</u>	<u>\$ 1,066,551</u>	<u>\$ 752,243</u>

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements

Village of Caroline
Consolidated Statement of Cash Flows

For the year ended December 31	2023	2022
		Restated (see Note 1)
Operating transactions		
Excess of revenue over expenditures	\$ (22,769)	\$ (643,573)
Items not involving cash		
Amortization	490,343	567,672
Net loss on disposal of tangible capital assets	-	14,510
Changes in non-cash operating balances		
Taxes receivable	(75,541)	17,921
Accounts receivable	151,403	(26,040)
Accounts payable and accrued liabilities	9,850	(2,275)
Deferred revenue	24,650	130,283
Solid waste closure and post closure liabilities	106,050	-
	<u>683,986</u>	<u>58,498</u>
Capital transactions		
Acquisition of tangible capital assets	(153,266)	(53,127)
Proceeds on sale of tangible capital assets	-	20,000
Investing transactions		
Restricted cash balances	<u>(24,650)</u>	<u>(80,283)</u>
Financing transactions		
Repayment of long-term debt	<u>(41,451)</u>	<u>(40,691)</u>
Net change in cash and cash equivalents	464,619	(95,603)
Cash and cash equivalents, beginning of year	<u>681,221</u>	<u>776,824</u>
Cash and cash equivalents, end of year	<u>\$ 1,145,840</u>	<u>\$ 681,221</u>
Cash and cash equivalents is comprised of:		
Cash and cash equivalents	\$ 1,373,824	\$ 884,555
Less: restricted (Note 2)	<u>(277,984)</u>	<u>(253,334)</u>
	<u>\$ 1,095,840</u>	<u>\$ 631,221</u>

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements

Village of Caroline
Summary of Significant Accounting Policies

December 31, 2023

**Management's
Responsibility for the
Financial Statements**

The consolidated financial statements of the Village are the responsibility of management. They have been prepared in accordance with Canadian generally accepted accounting principles established by the Public Sector Accounting Board of Chartered Professional Accountants Canada.

Reporting Entity

The consolidated financial statements reflect the assets, liabilities, revenue and change in fund balances and in financial position of the reporting entity. The entity is comprised of the municipal operations plus all the organizations that are owned or controlled by the Village and are, therefore, accountable to the Village council for the administration of their financial affairs and resources. Included with the municipality are the following:

Village of Caroline Public Library

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

Interdepartmental and organizational transactions and balances are eliminated.

Basis of Accounting

The consolidated financial statements are prepared using the accrual basis of accounting. The accrual basis of accounting recognizes 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 or goods have yet to be provided.

Revenue is recognized in the period when the related expenses are incurred, services performed/goods provided, or the tangible capital assets are acquired.

Financial Instruments

Cash and equity instruments quoted in an active market are measured at fair value (hierarchy level one - quoted market prices). All other financial instruments are measured at cost or amortized cost. The carrying amount of each of these financial instruments is presented on the statement of financial position.

Unrealised gains and losses from changes in the fair value of financial

Village of Caroline
Summary of Significant Accounting Policies

December 31, 2023

instruments are recognized in the statement of remeasurement gains and losses. Upon settlement, the cumulative gain or loss is reclassified from the statement of remeasurement gains and losses and recognized in the statement of operations. Interest and dividends attributable to financial instruments are reported in the statement of operations.

For financial instruments measured using amortized cost, the effective interest rate method is used to determine interest revenue and or expenses.

For portfolio measurements measured at cost, the cost method records the initial investment at cost and earnings from such investments are recognized only to the extent received or receivable. When an investment is written down to recognize an impairment losses are recorded in the statement of operations.

All financial assets are tested annually for impairment. When financial assets are impaired, impairment losses are recorded in the statement of operations.

Transaction costs are added to the carrying value for financial instruments measured using cost or amortized cost. Transaction costs are expense for financial instruments measured at fair value.

**Cash and Cash
Equivalents**

Management considers all highly liquid investments with maturity of three months or less at acquisition to be cash equivalents.

**Tangible Capital
Assets**

Tangible capital assets are recorded at cost less accumulated amortization. Cost includes all costs directly attributable to acquisition or construction of the tangible capital asset including transportation costs, installation costs, design and engineering fees, legal fees and site preparation costs. Contributed tangible capital assets are recorded at fair value at the time of the donation, with a corresponding amount recorded as revenue. Amortization is recorded on a straight-line basis over the estimated life of the tangible capital asset commencing once the asset is available for productive use as follows:

Land improvements	15 to 25 years
Buildings	50 years
Engineered Structures	15 to 75 years
Machinery, equipment and furnishings	5 to 40 years
Vehicles	10 years

Village of Caroline
Summary of Significant Accounting Policies

December 31, 2023

Excess Collections and Under-levies

Excess collections 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 excess collection is accrued as a liability and as a reduction in property tax revenue. Requisition tax rates in the subsequent year are adjusted for any excess collections.

Collection of Taxes on Behalf of Other Taxation Authorities

The Village collects taxation revenue on behalf of other entities. Such levies, other revenues, expenses, assets and liabilities with respect to the operations of entities are not reflected in these financial statements.

The entities the Village collects taxation revenue on behalf of are:
Alberta School Foundation Fund
Red Deer Catholic School Fund
Seniors Requisition Fund

Liability for Contaminated Sites

A contaminated site is a site at which substances occur in concentrations that exceed the maximum acceptable amounts under an environmental standard. Sites that are currently in productive use are only considered a contaminated site if an unexpected event results in contamination. A liability for remediation of contaminated sites is recognized when the organization is directly responsible or accepts responsibility; it is expected that future economic benefits will be given up; and a reasonable estimate of the amount can be made. The liability includes all costs directly attributable to remediation activities including post remediation operations, maintenance and monitoring. The liability is recorded net of any expected recoveries.

Deferred Revenue

Funds received for specific purposes which are externally restricted by legislation, regulation or agreement and are not available for general municipal purposes are accounted for as deferred revenue on the consolidated statement of financial position. The revenue is recognized in the consolidated statement of operations in the year in which it is used for the specified purpose.

Government Transfers

Government transfers are the transfer of assets from senior levels of government that are not the result of an exchange transaction, are not expected to be repaid in the future, or the result of a direct financial return. Government transfers are recognized in the financial statements as revenue in the period in which events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met, and reasonable estimates of the amounts can be determined. Transfers where stipulations give rise to a liability are recognized as revenue as the stipulation liabilities are settled.

Revenue Recognition

Taxes are recognized as revenue in the year they are levied.

Village of Caroline
Summary of Significant Accounting Policies

December 31, 2023

	<p>Charges for sewer and water usage are recorded as user fees. Connection fee revenues are recognized when the connection has been established.</p> <p>Conditional grant revenue is recognized to the extent the conditions imposed on it have been fulfilled. Unconditional grant revenue is recognized when monies are receivable.</p> <p>Grants for the acquisition of tangible capital assets are recognized in the period in which eligible expenditures are made.</p> <p>Sales of service and other revenue is recognized on an accrual basis.</p>
Tax Revenue	<p>Tax revenues 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. Taxes receivable are recognized net of an allowance for anticipated uncollectable amounts</p>
Long-term Debt	<p>Long-term debt is initially recognized net of any premiums, discounts, fees and transaction costs, with interest expenses recognized using the effective interest method. Long-term debt is subsequently measured at amortized cost.</p>
Asset Retirement	<p>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 Village to incur retirement costs, the past transaction or event giving rise to the liability has occurred, it is expected that future economic benefits will be given up, and a reasonable estimate of the amount can be made. The best estimate of the liability includes all costs directly attributable to asset retirement activities, based on information available at year-end. The best estimate of an asset retirement obligation incorporates a present value technique, when the cash flows required to settle or otherwise extinguish an asset retirement obligation are expected to occur over extended future periods.</p>

Village of Caroline
Summary of Significant Accounting Policies

December 31, 2023

Asset Retirement (Continued)

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 Village reviews the carrying amount of the liability. The Village 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 or the discount rate are recognized as an increase or decrease to the carrying amount of the related tangible capital asset. The Village 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.

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 annual surplus, provides the consolidated change in net financial assets for the ye

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

Use of Estimates The preparation of consolidated financial statements in accordance with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future. Management estimates are used in determining the useful life of tangible capital assets and the value of asset retirement obligations.

Village of Caroline
Notes to Consolidated Financial Statements

December 31, 2023

1. Prior Period Adjustment

During the year, management determined that two parcels of land were previously not recorded in the financial statements. One of these parcels was sold in 2022. The comparative figures have been restated to properly reflect the cost of the land and reclassify the resulting gain on the sale from sales to loss on sale of TCA. The net impact of this adjustment on the 2022 figures is as follows:

<u>Change</u>	<u>Previous</u>	<u>Adjustment</u>	<u>Restated</u>
Land Opening	177,902	56,985	234,887
Cost 2022			
Opening	9,044,833	56,985	9,101,818
Accumulated			
Surplus 2022			
Beginning Balance	7,535,031	22,475	7,557,506
Equity in TCA			
Sales and User	414,018	20,000	394,018
Fees			
Loss on Disposal	-	14,510	14,510
of TCA			
Excess of revenue	(609,063)	34,510	(643,573)
over expenses in			
2022 year			

Village of Caroline
Notes to Consolidated Financial Statements

December 31, 2023

2. Cash and Cash Equivalents

	2023	2022
Current chequing and savings accounts	\$ 1,373,824	\$ 884,555

The Village has a demand revolving loan facility to a maximum of \$250,000, bearing interest at prime (effective rate of 7.20%). Security for the loan is on the property taxes of the Village. As at December 31, 2023 \$nil (2022 - \$nil) was drawn upon this credit facility. The Village earns up to 0.5% annually on balances in both the chequing and savings account.

Included in the above amounts are the following amounts received from the Government of Canada and the Province of Alberta as conditional grants held exclusively for future projects.

	2023	2022
Federal Gas Tax grant	138,093	100,000
MSI Capital	132,682	150,651
MSP grant	-	-
Other	7,209	2,683
	\$ 277,984	\$ 253,334

3. Taxes Receivable

	2023	2022
Current taxes and grants in place	\$ 130,317	\$ 63,541
Non-current taxes and grants in place	67,227	58,462
	\$ 197,544	\$ 122,003

4. Accounts Receivable

	2023	2022
Trade receivables	\$ 120,239	\$ 125,250
GST receivable	11,726	158,118
	\$ 131,965	\$ 283,368

Village of Caroline
Notes to Consolidated Financial Statements

December 31, 2023

5. Deferred Revenue

	Opening balance	Contributions received	Revenue recognized	Ending balance
Municipal Sustainability Initiative - Operating	\$ -	132,878	(132,878)	\$ -
Municipal Sustainability Initiative - Capital	150,651	87,600	(105,569)	132,682
Federal Gas Tax Grant	100,000	100,000	(61,907)	138,093
Other	2,683	4,526	-	7,209
Library	-	64,771	(64,771)	-
	<u>\$ 253,334</u>	<u>389,775</u>	<u>(365,125)</u>	<u>\$ 277,984</u>

Grants

Under various grant agreements with the Government of Canada and the Province of Alberta, the Village is required to account for grants provided and to complete the projects or program in accordance with standards detailed in the various agreements. If these requirements are not adhered to, grants provided will become repayable to the source government. Unexpended funds are repayable to the source government upon final accounting. Funds are deferred until related expenditures under the specific grant agreement have been incurred. The opening balances have been restated (see Note 1).

Municipal Sustainability Initiative (MSI)

The Province provides conditional grant funding through this program to assist with various operating expenditures in the Village. The use of these funds is restricted to eligible expenditures as approved under the funding agreement.

The Province provides conditional grant funding through the capital program to assist with various capital expenditures in the Village. The use of these funds is restricted to eligible expenditures as approved under the funding agreement.

Canada Community Building Fund (CCBF)

The Government of Canada provides Alberta Transportation with a grant restricted to eligible expenditures as approved under the funding agreement.

Village of Caroline
Notes to Consolidated Financial Statements

December 31, 2023

6. Long-Term Debt

Net long-term debt reported on the statement of financial position is comprised of the following:

	<u>2023</u>	<u>2022</u>
Alberta Capital Finance Authority Debenture, bearing interest at 1.86% per year, due 2026.	107,046	148,496

Interest on long-term debt amounted to \$2,570 (2022 - \$3,331) in the year.

Principal and interest payments relating to net long term debt of \$107,046 outstanding are due as follows:

	Principal Repayments	Interest Payments	Total
2024	\$ 42,225	\$ 1,796	\$ 44,021
2025	43,014	1,209	44,223
2026	21,807	203	22,010
	\$ 107,046	\$ 3,208	\$ 110,254

Village of Caroline
Notes to Consolidated Financial Statements

December 31, 2023

	2023						
	Land	Land Improvements	Buildings	Engineered Structures	Machinery and Equipment	Vehicles	Total
Cost, beginning of year	\$ 200,377	\$ 441,598	\$ 3,230,588	\$ 13,800,614	\$ 375,631	\$ 152,134	\$ 18,200,942
Additions	-	-	-	75,773	28,587	48,906	153,266
Disposals	-	-	-	-	-	-	-
Cost, end of year	\$ 200,377	\$ 441,598	\$ 3,230,588	\$ 13,876,387	\$ 404,218	\$ 201,040	\$ 18,354,208
Accumulated amortization, beginning of year	-	\$ 366,512	\$ 1,483,069	\$ 8,283,381	\$ 225,133	\$ 136,845	\$ 10,494,940
Amortization	-	18,402	63,299	381,530	17,963	9,149	490,343
Disposals	-	-	-	-	-	-	-
Accumulated amortization, end of year	-	\$ 384,914	\$ 1,546,368	\$ 8,664,911	\$ 243,096	\$ 145,994	\$ 10,985,283
Net carrying amount, end of year	\$ 200,377	\$ 56,684	\$ 1,684,220	\$ 5,211,476	\$ 161,122	\$ 55,046	\$ 7,368,925

Village of Caroline
Notes to Consolidated Financial Statements

December 31, 2023

	As restated 2022						
	Land Improvements	Land	Buildings	Engineered Structures	Machinery and Equipment	Vehicles	Total
7. Tangible Capital Assets (continued)							
Cost, beginning of year	\$ 234,887	\$ 441,598	\$ 3,230,588	\$ 13,782,314	\$ 340,804	\$ 152,134	\$ 18,182,325
Additions	-	-	-	18,300	34,827	-	53,127
Disposals	(34,510)	-	-	-	-	-	(34,510)
Cost, end of year	\$ 200,377	\$ 441,598	\$ 3,230,588	\$ 13,800,614	\$ 375,631	\$ 152,134	\$ 18,200,942
Accumulated amortization, beginning of year	\$ -	\$ 348,110	\$ 1,419,290	\$ 7,819,539	\$ 207,742	\$ 132,587	\$ 9,927,268
Amortization	18,402	63,779	463,842	17,391	4,258	567,672	
Accumulated amortization, end of year	\$ -	\$ 366,512	\$ 1,483,069	\$ 8,283,381	\$ 225,133	\$ 136,845	\$ 10,494,940
Net carrying amount, end of year	\$ 200,377	\$ 75,086	\$ 1,747,519	\$ 5,517,233	\$ 150,498	\$ 15,289	\$ 7,706,002

Village of Caroline
Notes to Consolidated Financial Statements

December 31, 2023

8. Asset Retirement Obligations

As of April 1, 2022, all public entities were required to adopt section PS 3280, Asset Retirement Obligations, that was by the Public Sector Accounting Standards Board in August 2018. For the 2023 fiscal year, the Village of Caroline is unsure if they have any asset retirement obligations relating to their tangible capital assets, so they have not recorded any liabilities on their financial statements, and the assets listed in Note 7 may be understated by the amounts of any existing asset retirement obligations.

9. Equity in Tangible Capital Assets

	<u>2023</u>	<u>2022</u>
		Restated (see Note 1)
Tangible capital assets	\$ 18,354,208	\$ 18,200,942
Accumulated amortization	(10,985,283)	(10,494,940)
Debenture debt	(107,046)	(148,496)
	<u>\$ 7,261,879</u>	<u>\$ 7,557,506</u>

Village of Caroline
Notes to Consolidated Financial Statements

December 31, 2023

10. Accumulated Surplus

	2023	2022
		Restated (see Note 1)
Equity in tangible capital assets	\$ 7,261,879	\$ 7,557,506
Unrestricted surplus	619,935	605,485
	7,881,814	8,162,991
Restricted surplus		
Administration	258,254	258,254
Equipment and Maintenance reserve	37,000	37,000
Regional Waste Site reserve	258,408	-
	553,662	295,254
	\$ 8,435,476	\$ 8,458,245

The equity in tangible capital assets represents amounts already spent and invested in infrastructure. Restricted surplus represents funds set aside by bylaw or council resolution for specific purposes.

Village of Caroline
Notes to Consolidated Financial Statements

December 31, 2023

	Unrestricted surplus	Restricted surplus	Equity in tangible capital assets	2023	2022
Balance, beginning of year	\$ 605,485	\$ 295,254	\$ 7,535,031	\$ 8,435,770	\$ 9,101,818
Prior period adjustment (Note 1)	\$ -	\$ -	\$ 22,475	\$ 22,475	-
Balance, beginning of year as restated	\$ 605,485	\$ 295,254	\$ 7,557,506	\$ 8,458,245	\$ 9,101,818
Excess of revenue over expenses	(22,769)	-	-	(22,769)	(643,573)
Debtenture principal payments	(41,450)	-	41,450	-	-
Transfers to restricted surplus	(258,408)	258,408	-	-	-
Acquisition of capital	(153,266)	-	153,266	-	-
Disposals and write-down of assets	-	-	-	-	-
Amortization	490,343	-	(490,343)	-	-
Gain on disposal of assets	-	-	-	-	-
Change in accumulated surplus	\$ 14,450	\$ 258,408	\$ (295,627)	\$ (22,769)	\$ (643,573)
Balance, end of year	\$ 619,935	\$ 553,662	\$ 7,261,879	\$ 8,435,476	\$ 8,458,245

Village of Caroline
Notes to Consolidated Financial Statements

December 31, 2023

12. Taxation - Net

	Budget 2023	2023	2022
Real property	\$ 618,779	\$ 658,841	\$ 657,641
Government grants in place of property taxes	3,500	4,393	4,532
	<u>622,279</u>	<u>663,234</u>	<u>662,173</u>
Requisitions			
Alberta School Foundation Fund	104,814	104,814	102,897
Red Deer Catholic School	4,244	4,085	731
Seniors Requisition	-	5,241	6,180
	<u>109,058</u>	<u>114,140</u>	<u>109,808</u>
Available for general municipal purposes	<u>\$ 513,221</u>	<u>\$ 549,094</u>	<u>\$ 552,365</u>

13. Financial Instruments

The Village is exposed to credit risk, liquidity risk, and interest rate risk from its financial instruments. This note describes the associations objectives policies and process for managing those risks and the methods used to measure them. Further qualitative and quantitative information in respect of these risks is presented below and through these statements.

Credit risk:

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Village is exposed to credit risk through its cash, investments and accounts receivables. In addition the Village manages its credit risk by holding cash at federally regulated chartered banks and cash accounts. The maximum exposure to credit risk at the financial statement date is the carrying value of these financial assets reported on the statement of cashflows.

Liquidity risk:

Liquidity risk is the risk that the Village will encounter difficulty in meeting the obligations associated with the financial liabilities. The Village is exposed to liquidity risk through its accounts payable, long-term debt and its solid waste closure and post-closure liability.

The Village manages this risk by maintaining a significant cash balance and a demand revolving loan facility to a maximum of \$250,000 (see Note 1). To help manage the risk, the Village has in place planning, budgeting and forecasting process to help determine the funds required to support the normal operating requirements. See Note 5 for long-term debt liability. The Villages accounts payable policy is to pay net 30 days, all accounts payable is current. Regarding taxes recievable, there are \$67,227 in arrears that are past due as of the reporting date but not impaired.

Village of Caroline
Notes to Consolidated Financial Statements

December 31, 2023

Interest rate risk:

Interest rate risk is the risk that the fair value or future cashflows of a financial instrument will fluctuate because of changes in market interest rates. The Village is exposed to the interest rate risk through its long-term debt.

The Village manages interest rate risk on its long-term debt by holding all debt through Alberta Loans to Local Authorities at a fixed rate. Therefore, fluctuations in the market interest rates would not impact future cash flows and operations relating to long-term debt. See Note 5 for interest rates and maturity dates for the long-term debt.

14. Government Transfers

	Budget 2023	2023	2022
Operating			
Provincial government	184,478	197,649	120,046
Capital			
Provincial government	\$ -	\$ 167,476	\$ 7,612
Total government transfers	\$ 184,478	\$ 365,125	\$ 127,658

15. Expenses by Object

	Budget 2023	2023	2022
Salaries and wages	\$ 491,836	\$ 477,254	\$ 552,234
Contracted and general services	497,359	486,360	495,467
Materials, goods and utilities	199,142	159,979	203,982
Transfer to local agencies	11,287	127,607	44,757
Interest on long-term debt	4,000	2,570	3,331
Amortization	-	490,343	567,672
	\$ 1,203,624	\$ 1,744,113	\$ 1,867,443

Village of Caroline
Notes to Consolidated Financial Statements

December 31, 2023

16. Municipal Employees Pension Plans

Local Authorities Pension Plan

Certain employees of the Village are eligible to be members of the Local Authorities Pension Plan (LAPP), a multi-employer pension plan which is covered by the Public Sector Pension Plans Act. The Plan serves about 291,000 people and over 437 employers. It is financed by employer and employee contributions and investment earnings of the LAPP fund. The plan provides defined pension benefits to employees based on their length of service and rates of pay.

The Village contributes to the Plan at a rate of 8.39% pensionable earnings up to the Canada Pension Plan Maximum Pensionable Earnings and 12.84% for the excess. Employees contribute to the Plan at a rate of 9.39% of pensionable earnings up to the Canada Pension Plan Maximum Pensionable Earnings and 13.84% for the excess.

Contributions for the year were:

During the year ended December 31, 2023, the Village contributed:

	2023	2022
Employer contributions	\$ 18,916	\$ 17,004
Employee contributions	17,074	15,531
	<u>\$ 35,990</u>	<u>\$ 32,535</u>

As this is a multi-employer pension plan, these contributions are the Village's pension benefit expense. No pension liability for this type of plan is included in the Village's financial statements. The most recent valuation as at December 31, 2022 indicates a surplus of \$12.7 million (2021 - surplus \$11.9 million) for basic pension benefits. The actuary does not attribute portions of the unfunded liability to individual employers.

Village of Caroline
Notes to Consolidated Financial Statements

December 31, 2023

17. Salary and Benefits Disclosure

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

	<u>Salary</u>	<u>Benefits & Allowances</u>	<u>Total 2023</u>	<u>Total 2022</u>
Councilor Mary Cameron- Wold	\$ 4,475	\$ -	\$ 4,475	\$ 4,975
Councilor Rimmer	5,419	-	5,419	1,600
Councilor Bugbee	-	-	-	4,050
Councilor Nelson	4,550	-	4,550	8,975
Councilor Nichols	1,325	-	1,325	4,425
Councilor Gibson	5,901	-	5,901	6,425
Chief Administrative Officers	102,644	-	102,644	79,998
Designated officers (Wildrose Assessment)	9,100	-	9,100	9,100

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

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

18. Debt Limits

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

	<u>2023</u>	<u>2022</u>
Total debt limit	\$ 2,330,802	\$ 1,876,152
Total debt	107,046	148,496
Total debt limit available	<u>2,223,756</u>	<u>1,727,656</u>
Debt servicing limit	388,467	312,692
Debt servicing	44,021	44,021
Total debt servicing limit available	<u>344,446</u>	<u>268,671</u>

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

Village of Caroline
Notes to Consolidated Financial Statements

December 31, 2023

19. Commitments

The Village has entered into an agreement for assessment services with an independent contractor for a 10 year term commencing April 1, 2018. The cost of these services annually \$8,950 for 2018, \$9,000 for 2019-2021, \$9,100 for 2021-2023, \$9,200 for 2023-2025, remaining years up for negotiation closer to date of service.

The Village has entered into an agreement with Clearwater County where the Village has leased to the County certain land and premises, known as the Caroline Community Complex and any additions thereto. The County is responsible for the operation and maintenance of the land and premises. The agreement is for a 10 year term commencing on December 31, 2013. The agreement was to extend at year end for an additional 2 years.

The Village has entered into an agreement for waste collection services. The contract goes from May 1, 2022 to April 30, 2024. The costs for curbside collection are as follows: Year 1 is \$2.27 per house per week with a fuel surcharge, Year 2 is \$2.27 per house per week plus annual CPI and fuel surcharge, for waste disposal its \$85 per metric tonne for both years.

The Village entered into an agreement with the Clearwater County and Town of Rockey Mountain House to share the liability and costs associated with the closure of industrial cells in the landfill. The waste authority was dissolved with the assets and liabilities being distributed based on municipal population. The Village recieved \$258,408 in cash from the authorities assets and a liability share of \$106,049.

The Village entered into an agreement with the Clearwater County and Town of Rockey Mountain House to create an inter-municiple regional fire services. The Village is responsible for 1% of operating and capital costs.

20. Budget

The budget adopted by Council on April 7, 2023 was not prepared on a basis consistent with that used to report actual results (Public Sector Accounting Standards). The budget was prepared on a modified accrual basis while Public Sector Accounting Standards now require a full accrual basis. The budget figures anticipated use of surpluses accumulated in previous years to reduce current year expenditures in excess of current year revenues to nil. As a result, the budget figures presented in the statements of operations and change in net financial assets represent the budget adopted by Council on April 7, 2023, with adjustments as follows:

	<u>2023</u>
Budgeted surplus for the year	\$ -
Add:	
Adjustment to preliminary budget	26,525
Less:	
Budgeted surplus (deficit) per statement of operations	<u>\$ 26,525</u>

Village of Caroline
Notes to Consolidated Financial Statements

December 31, 2023

21. Segmented Information

The Village is a diversified municipal government institution that provides a wide range of services to its citizens. Distinguishable functional segments have been separately disclosed in the segmented information. The nature of the segments and the activities they encompass are as follows:

Protective Services

Protective services is comprised of police, bylaw enforcement and fire protection. This service area is responsible for the overall safety of the public through various prevention and enforcement activities.

Transportation Services

Transportation services is responsible for the delivery of municipal public works services related to the planning, development and maintenance of roadway systems, the maintenance of park and open space, and street lighting.

Water and Wastewater Services

Water and wastewater provides drinking water to the Village's citizens and collects and treats wastewater. The Village processes and cleans sewage and ensures the water system meets all Provincial standards.

Waste Management Services

Waste management provides collection disposal and recycling programs.

Planning and Development

The planning department provides a number of services including village planning and enforcement of building and construction codes and review of all property development plans through its application process.

Recreation and Parks

This service area maintains recreation infrastructure such as parks, arenas, aquatic centres and community centres as well as provides recreational programs and cultural programs at those locations.

Public Health and Welfare

This service area provides and administers community support programs.

General Government

This service area includes legislative and administrative support to all other service areas and also relates to the revenues and expenses that relate to the operations of the Village itself and cannot be directly attributed to a specific segment.

Village of Caroline
Notes to Consolidated Financial Statements

December 31, 2023

18. Segmented Information continued

The accounting policies of the segments are the same as those described in the summary of significant accounting policies. In measuring and reporting segment revenue from transactions with other segments, inter-segment transfers have been eliminated. The revenues and expenses that are directly attributable to a particular segment are allocated to that segment. Taxation revenue has been allocated to general government except where specific tax revenues can be directly allocated to a service area.

Village of Caroline
Notes to Consolidated Financial Statements

December 31, 2023

21. Segmented Information (continued)

For the year ended December 31, 2023	Protective Services	Transportatio n Services	Water and Wastewater Management	Waste Management	Planning and Development	Recreation and Parks	Public Health and Welfare	General Government	2023 Total
Revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 549,093	\$ 549,093
Taxation	-	-	-	-	-	-	-	-	-
Government transfers for operating	-	-	-	-	-	64,771	-	132,878	197,649
Government transfers for capital	-	105,569	-	-	-	-	-	61,907	167,476
Sales and user fees	367	-	253,774	72,950	-	11,132	3,540	260,849	602,612
Franchises and concessions	-	-	-	-	-	-	-	138,313	138,313
Investment income	-	-	-	-	-	-	-	20,674	20,674
Penalties and costs on taxes	-	-	-	-	-	-	-	40,373	40,373
Licences and permits	5,153	-	-	-	-	-	-	-	5,153
	5,520	105,569	253,774	72,950	-	75,903	3,540	1,204,087	1,721,343
Expenses	-	153,818	54,361	7,205	-	65,321	5,454	191,095	477,254
Salaries and wages	-	-	-	-	-	-	-	-	-
Contracted and general services	32,156	41,187	106,241	48,034	8,891	12,796	34	237,021	486,360
Materials, goods and utilities	-	68,113	39,514	10,732	-	26,260	27	15,333	159,979
Transfer to local agencies	-	-	-	119,775	-	3,920	3,912	-	127,607
Interest on long-term debt	-	2,570	-	-	-	-	-	-	2,570
Amortization	-	246,829	223,263	-	-	7,035	-	13,216	490,343
	32,156	512,517	423,379	185,746	8,891	115,332	9,427	456,665	1,744,113
Net surplus (deficit)	\$ (26,636)	\$ (406,948)	\$ (169,605)	\$ (112,796)	\$ (8,891)	\$ (39,429)	\$ (5,887)	\$ 747,422	\$ (22,770)

Village of Caroline
Notes to Consolidated Financial Statements

December 31, 2023

21. Segmented Information (continued)

For the year ended December 31, 2022	Protective Services	Transportatio n Services	Water and Wastewater	Waste Management	Planning and Development	Recreation and Parks	Public Health and Welfare	General Government	As restated
									2022 Total
Revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 552,364	\$ 552,364
Taxation	-	-	-	-	-	-	-	-	-
Government transfers for operating	-	-	-	-	-	52,924	-	66,439	119,363
Government transfers for capital	-	8,296	-	-	-	-	-	-	8,296
Sales and user fees	4,608	-	260,575	75,336	-	18,043	4,250	31,206	394,018
Franchises and concessions	-	-	-	-	-	-	-	146,469	146,469
Investment income	-	-	-	-	-	-	-	12,056	12,056
Penalties and costs on taxes	-	-	-	-	-	-	-	3,434	3,434
Licences and permits	2,380	-	-	-	-	-	-	-	2,380
Gain on disposal of assets	-	-	-	-	-	-	-	(14,510)	(14,510)
	6,988	8,296	260,575	75,336	-	70,967	4,250	797,458	1,223,870
Expenses	-	165,448	99,507	5,569	-	66,227	6,366	209,117	552,234
Salaries and wages	-	-	-	-	-	-	-	-	-
Contracted and general services	46,580	48,697	160,520	31,933	2,101	10,321	-	195,315	495,467
Materials, goods and utilities	-	74,543	36,903	52,109	-	24,367	-	16,060	203,982
Transfer to local agencies	36,541	-	-	-	-	4,441	3,778	-	44,760
Interest on long-term debt	-	3,331	-	-	-	-	-	-	3,331
Amortization	-	328,722	157,544	-	-	68,260	-	13,146	567,672
Other	-	-	-	-	-	-	-	-	-
	83,121	620,741	454,474	89,611	2,101	173,616	10,144	433,638	1,867,446
Net surplus (deficit)	\$ (76,133)	\$ (612,445)	\$ (193,899)	\$ (14,275)	\$ (2,101)	\$ (102,649)	\$ (5,894)	\$ 363,820	\$ (643,576)

Village of Caroline
Notes to Consolidated Financial Statements

December 31, 2023

22. New Accounting Policies Adopted During the Year

PS 3450 Financial Instruments, provides guidance on the recognition, measurement, presentation, and disclosure of financial instruments including derivative instruments. The standard requires fair value measurements of derivative instruments and equity instruments; all other financial instruments can be measured at either cost or fair value depending upon elections made by the Village . Refer to Note 13 on the Village's financial instrument risk.

23. Comparative Figures

Wherever necessary, comparative figures have been reclassified to conform with current year financial statement presentation.

24. Approval of Financial Statements

Council and Management approved these financial statements.
