



2024 Financial Report

June 18, 2024



TABLE OF CONTENTS

Executive Summary

Introduction

2023 Financial Statements: Summary and Comments

Benchmarking

Key Challenges

Solutions and Opportunities

Other Resources

Conclusion

Appendix: 2023 Audited Financial Statements



EXECUTIVE SUMMARY

The 2024 Financial Report for the Town of Olds provides an in-depth review of the municipality's financial health, key challenges, and strategic opportunities. The report, which includes audited financial statements for 2023, highlights a nuanced financial landscape shaped by significant investments and fiscal adjustments.

FINANCIAL PERFORMANCE

The Town of Olds saw a reduction in overall financial assets by \$1.7M from 2022, primarily due to converting cash into non-financial assets through substantial infrastructure investments, such as the 52nd Street Road Construction Project and upgrades at the Olds Aquatic Centre. The Town's cash balance increased by \$4.98M, ending 2023 with \$6.3M. This was bolstered by \$7.2M generated from operating activities and \$5.4M from the disposal of investments, offset by \$6.38M invested in capital assets and \$1.3M in debt repayment.

LIABILITIES AND DEBT

Liabilities decreased by \$1.94M, with reductions in deferred revenue and long-term debt. The Town's net financial debt position improved slightly, from \$5.5M in 2022 to \$5.2M in 2023, owing to strategic debt management and no new borrowing.

REVENUE AND EXPENSES


Total revenues increased by \$1.6M, driven by higher revenue from taxes and user fees. Property taxes, the largest revenue source, totaled \$10.57M. Despite a revenue increase, total expenses decreased by \$2.69M to \$29.9M, attributed to less spending on provincial highway projects. However, operational expenses (excluding provincial items) increased by \$1.11M, reflecting inflationary pressures and increased costs in utility projects, staffing, and contracted services.

KEY CHALLENGES

The town faces significant challenges, including high water loss (32%) and inflow and infiltration issues (42%), costing approximately \$1.45M. Provincial downloading and funding cuts contribute to these issues, shifting more financial burdens onto the municipality.

STRATEGIC SOLUTIONS AND OPPORTUNITIES

Olds is focusing on infrastructure renewal, economic growth, and long-term planning to enhance financial stability and service delivery. Key 2024 projects include advanced leak



detection, sanitary system inspections, and economic development initiatives such as the Next Generation Economy Initiative (NGEI) and a housing strategy. Long-term planning efforts include developing an asset management program, a corporate plan, and provincial advocacy to secure necessary funding and support.

The Town of Olds aims to leverage its strategic location, robust commercial base, and technological infrastructure to overcome financial challenges and promote sustainable growth, ensuring it remains one of the most vibrant communities to live, work, study, and play.



INTRODUCTION

The 2024 Financial Report is an inaugural document designed to inform citizens and stakeholders about the financial health, challenges, and opportunities faced by the Town of Olds. Through this report, we aim to maintain transparency and foster trust by providing an accurate account of our recent financial activities and our efforts to improve our long-term fiscal situation.

Despite recent challenges, the Town of Olds remains committed to prudent financial stewardship. This commitment involves making difficult decisions about resource reallocation, reviewing core service levels, increasing tax revenue, and making strategic investments in underground infrastructure. By providing the information contained in this report, we hope to encourage both understanding and discussion regarding the Town's financial situation and the best path forward.

Furthermore, we hope this annual report will serve as a testament to the Town's dedication to financial transparency, accountability, and proactive planning, ensuring that all stakeholders are well-informed and engaged in the Town's financial future.

If you have any questions, or comments on how this document could be improved, please reach out to us at admin@olds.ca.



2023 FINANCIAL STATEMENTS: SUMMARY AND COMMENTS

The Town of Olds is required by provincial legislation, the Municipal Government Act (MGA) to prepare annual financial statements. The accuracy and integrity of the financial statements is the responsibility of Town management. The auditor's responsibility is to express an opinion on the financial statements based on their results. The Town's auditor, Metrix Group LLP, has audited the 2023 financial statements and their independent Auditors' report can be found at the end of this report as well as [here](#).

Below are excerpts from the financial statements explaining key data in a more straightforward manner.

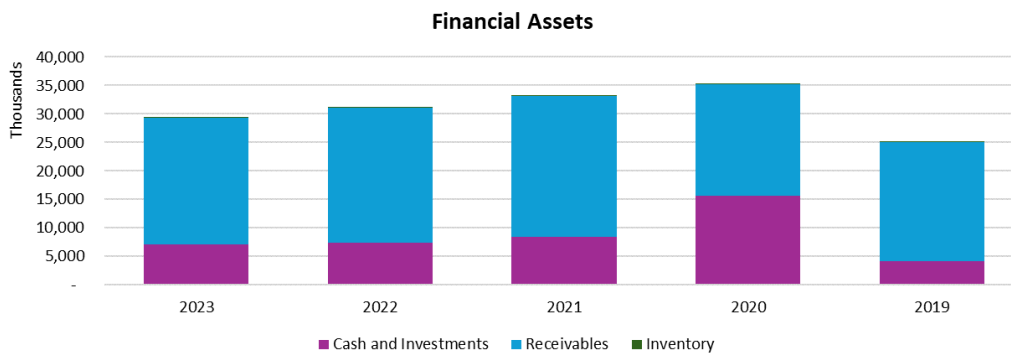
Statement of Financial Position

The Statement of Financial Position reports on the Town's assets (what we own) and liabilities (what we owe). The statement provides two key performance measures of the municipality's ability to finance its operations and provide future services.

- **Net financial asset (debt) position:** This is the difference between financial assets (cash, receivables, and investments) and liabilities.
- **Accumulated surplus (deficit):** This is the total amount of assets less liabilities.

Financial Assets

The Financial Assets of the municipality are made up of cash, accounts receivable, and investments. In comparison to 2022, overall financial assets decreased by \$1.7M, which was primarily due to cash being turned into non-financial assets, primarily through investments in municipal infrastructure (e.g., 52 Street Project) and upgrades at the Olds Aquatic Centre.



❖ **Cash**

From December 31, 2022, cash balances increased by \$4.98M, resulting in an ending balance on December 31, 2023 of \$6.3M:

- \$7.2M in cash was generated from operating activities
- \$6.38M was invested in capital assets (offset by a small amount of proceeds from asset disposals)
- \$5.4M from disposal of investments. No new investments were purchased.
- \$1.3M in repayment of long-term debt, no new debt was taken in 2023.

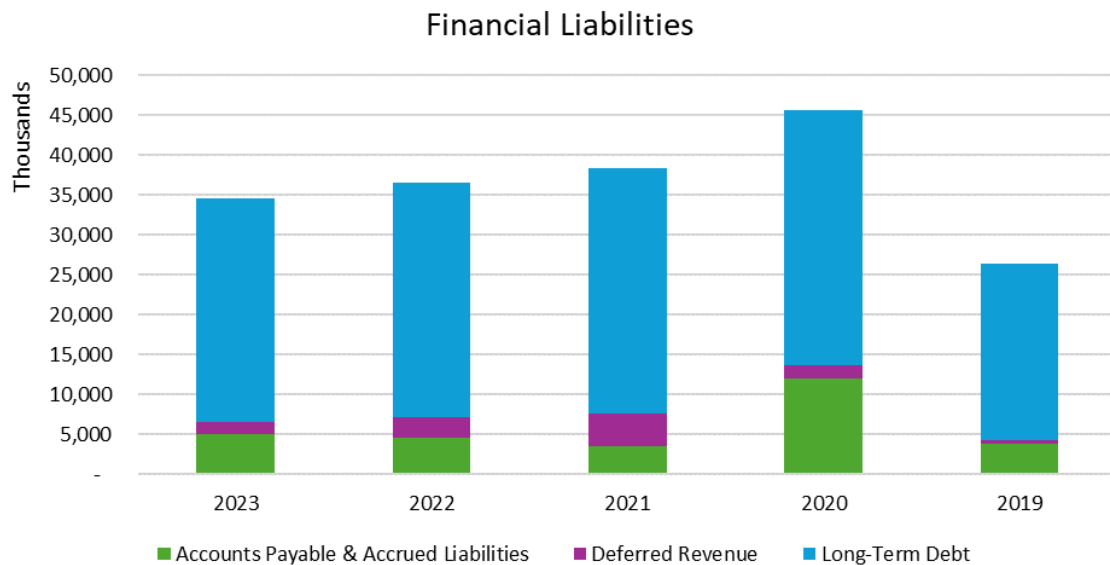
❖ **Non-Financial Assets**

Non-Financial assets are the physical assets of the municipality, referred to as Tangible Capital Assets (TCA) and prepaid expenses. Total non-financial assets increased by \$1.84M in 2023 as cash was invested into infrastructure and facilities. A total of \$6.38M was invested in TCAs in 2023, the additions to TCAs are offset by amortization and disposal of assets.

A few of the larger capital projects from 2023 included:

- 52nd Street Road Construction: complete underground and paving.
- Aquatic Centre upgrades
- Water loss and Inflow and Infiltration Program
- Completion of the Outdoor Skating Rink at Centennial Park
- Rotary Athletic Park Inclusive Playground Build

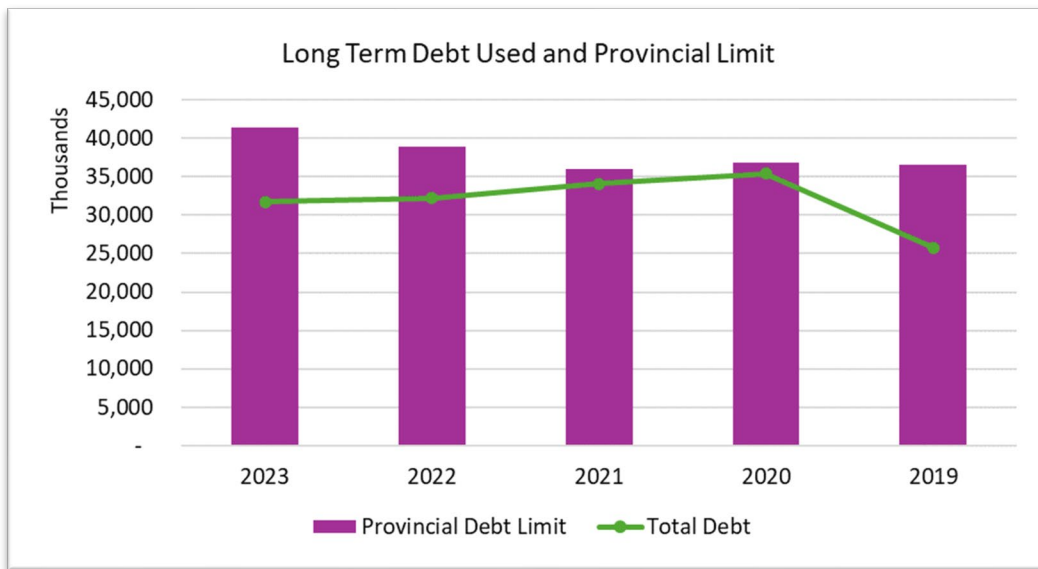
LIABILITIES



Liabilities are comprised of accounts payable and accrued liabilities, deferred revenues, employee and asset retirement obligations, and long-term debt. Overall, liabilities decreased by \$1.94M in 2023. Deferred revenue and long-term debt both decreased while there was a slight increase to accounts payable due to timing of payments at year end.

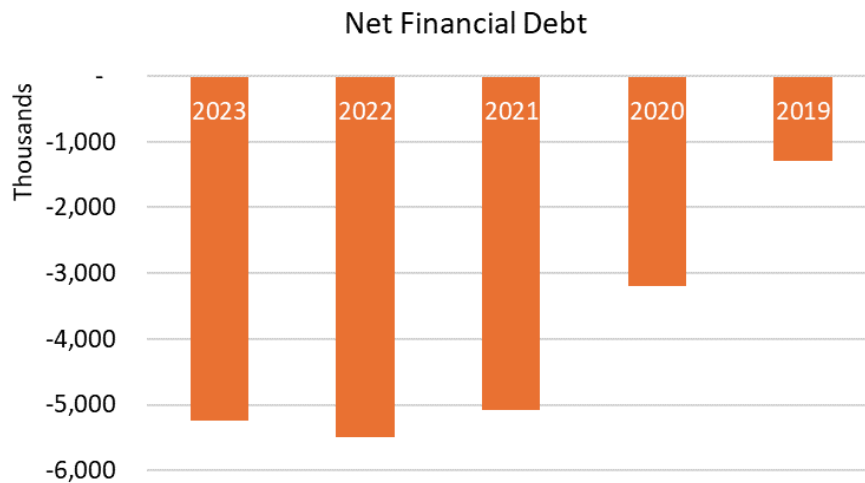
❖ **Debt**

Section 276(2) of the *Municipal Government Act* requires that debt and debt limits be disclosed in the annual financial statements. Reported in note 23 is the total debt held and annual debt servicing costs. These numbers by themselves do not represent the financial stability of the Town but are part of the larger picture painted by the financial statements. In 2023, total long-term debt decreased by \$505,088 and no new debt was issued.



❖ **Net Financial Assets/Net Financial Debt**

The Town of Olds is in a Net Financial Debt situation. This means that the Financial Assets are less than municipalities liabilities. A net financial debt position indicates that the municipality requires future revenues to pay for past transactions and events. Our net financial debt position improved in 2023 from \$5.5M in 2022 to \$5.2M in 2023. The Town of Olds Net Financial Debt is a result of capital loans and purchases using borrowed funds, including O-NET, the Operations Centre, and the Fire Hall.



ACCUMULATED SURPLUS

Accumulated surplus consists of restricted and unrestricted reserves and equity in Tangible Capital Assets (TCA). The Town of Olds Accumulated Surplus increased in 2023 by \$2.1M. Reserves decreased by \$803,797 and Equity in TCA (investment in the Town's assets) increased by \$2.8M.

❖ Reserves

Reserves are established to set aside funds for future use. There are two categories of reserves.

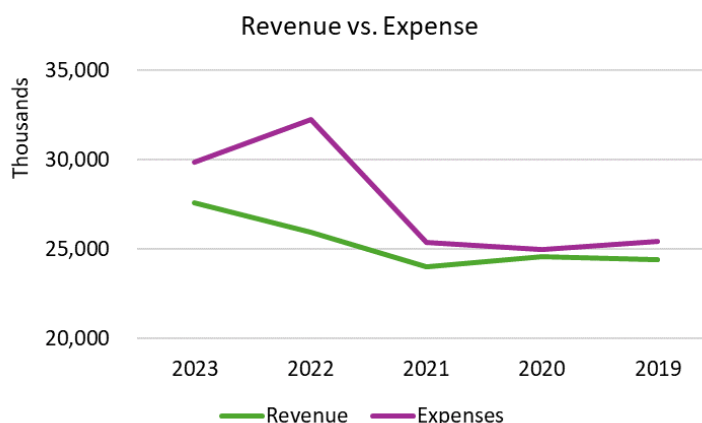
- **Unrestricted Surplus** is a result from excess revenue over expenses and is set aside for future use without designation. As they are 'unrestricted' funds, they are typically used for unexpected or one-time events or expenses.
- **Restricted Reserves** are funds set aside for a specific purpose and are separated into Operating and Capital Funds. The Town of Olds has operating reserves to help minimize fluctuations in tax rates, utility rates, and snow clearing. Capital reserves have been established for asset replacement/rehabilitation, utility Infrastructure replacement/rehabilitation, and Offsite Levies.

	2023	2022	2021	2020	2019
OPERATING	2,006,553	2,223,605	3,013,538	3,294,464	3,185,931
CAPITAL	5,991,447	6,578,192	6,673,006	6,342,587	5,813,663
TOTAL	7,998,000	8,801,797	9,686,544	9,637,051	8,999,594

Statement of Operations

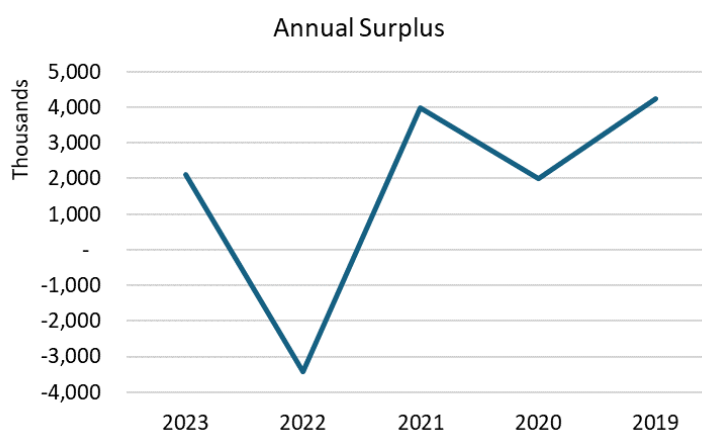
The Statement of Operations outlines revenue earned by the Town and the expenses incurred to provide municipal services.

❖ *Revenue vs. Expenses*



❖ *Annual Operating Surplus/Deficit*

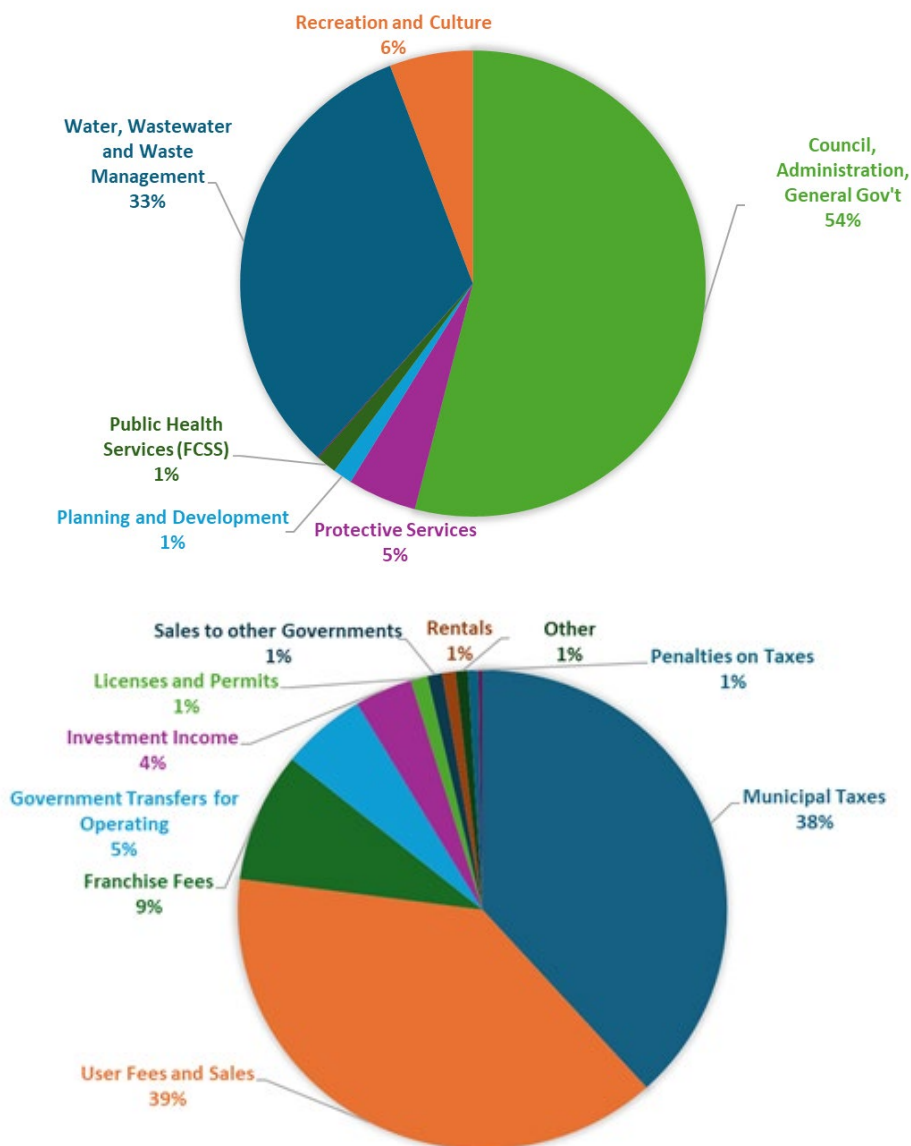
The annual operating surplus or deficit shows whether the revenues raised in the year were sufficient to cover the year's operating expenses and consequently, whether the financial position improved, was unchanged, or declined. The total annual operating surplus for 2023 was \$2.1M. This represents an increase of \$5.5M over 2022; however, 2022 was an abnormal year with projects on provincial highways (i.e., Hwy 2A Roundabout and Hwy 27 / 70 Avenue Improvements) being categorized as operating expenses, resulting in a deficit.



❖ Revenue

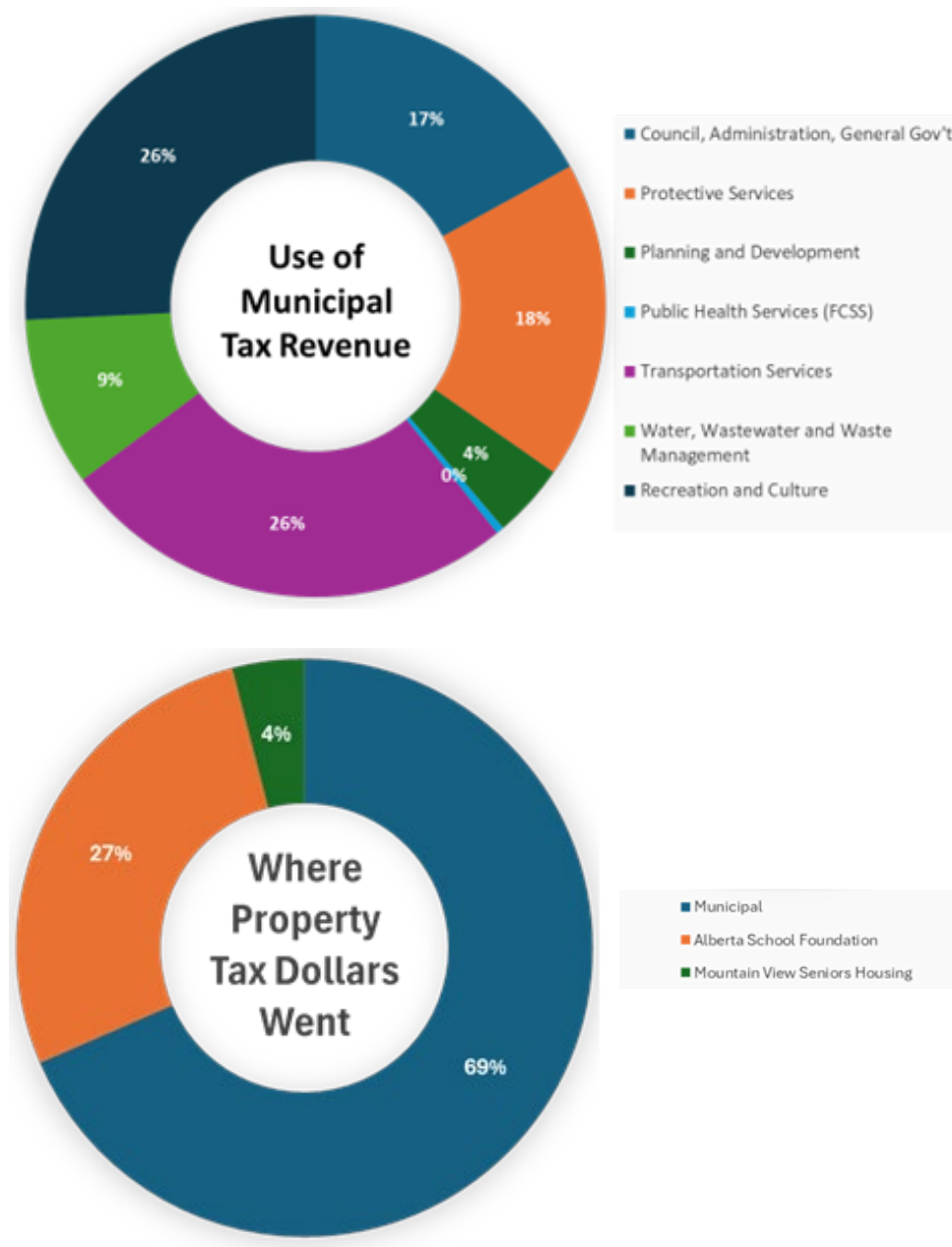
In 2023 total revenues increased by \$1.6M over 2022. Revenue from municipal taxes increased by \$500 thousand, sales of goods and user fees increased by \$450 thousand (related to fire response, water and wastewater consumption, and Mountain View Power revenue). Investment income was also up \$383 thousand, which was a reclassification on how we record interest received from Olds Fibre LTD. on their outstanding loan.

REVENUE BY OBJECT AND DEPARTMENT



PROPERTY TAX REVENUE

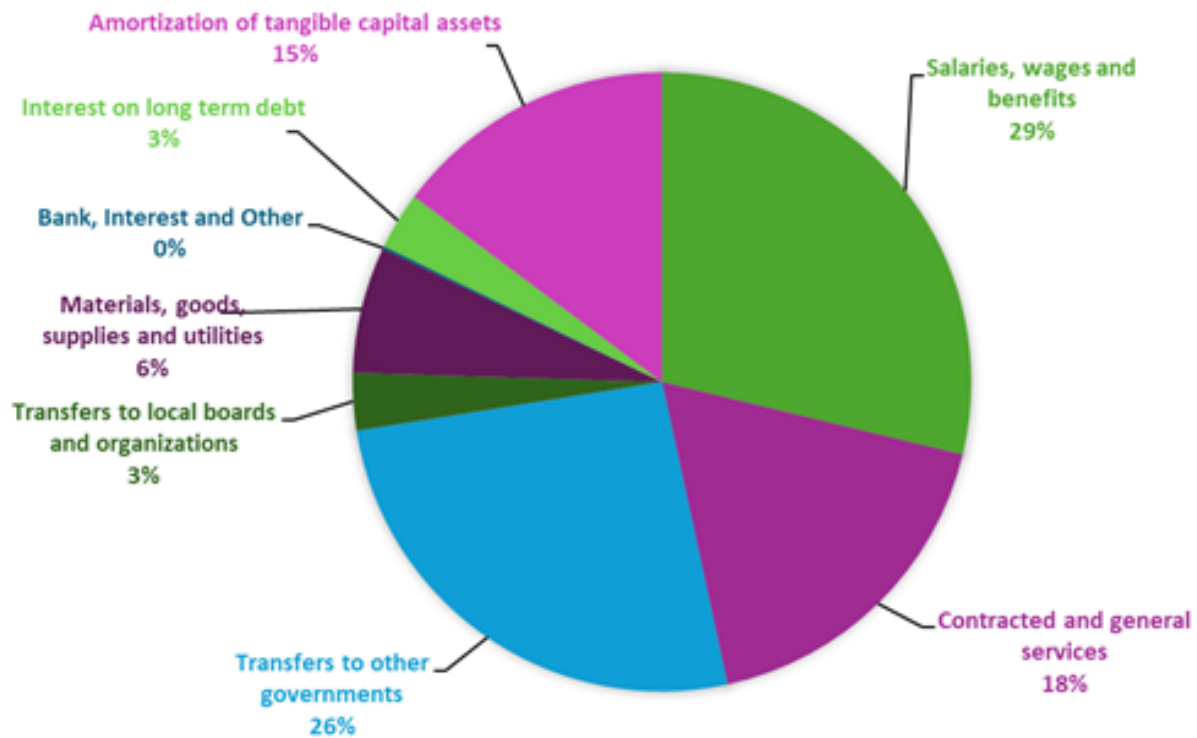
Property Taxes are the largest source of revenue for the Town of Olds. In 2023, net taxes collected for municipal services was \$10,565,008 and accounted for 38% of all revenue. For all property taxes collected, about 69% of the total amount paid by taxpayers goes to the Town of Olds; 27% is collected on behalf of the Province of Alberta as Education tax and 4% is collected on behalf of Mountain View Seniors Housing.



❖ Expenses

In 2023, the Town spent \$29.9M to provide municipal services, this was a decrease of \$2.69M over 2022. The variance was due to \$3.8M of roadwork that was done in 2022 on provincially owned highways and recorded as an operating expense as opposed to capital (because the Town does not own the assets). If we remove these provincial items, there was an increase in year over year expenses of \$1.11M (3.9%). The table below outlines the increases (decreases) year over year by expense object and the graph outlines the % split by object for 2023 expenditures.

Cost	2023	2022	Increases (Decreases)
Salaries, wages and benefits	8,598,359	8,132,060	466,299
Contracted and general services	5,327,584	4,447,272	880,312
Transfers to other governments	7,733,952	8,059,683	(325,731)
Transfers to local boards and organizations	895,512	815,255	80,257
Materials, goods, supplies and utilities	1,973,806	2,080,592	(106,786)
Bank, Interest and Other	47,134	92,533	(45,399)
Interest on long term debt	891,146	939,093	(47,947)
Amortization of tangible capital assets	4,417,910	4,205,960	211,950
Total	29,885,403	28,772,448	1,112,955



❖ *What does all this mean?*

- Despite challenges, the Town of Olds remains in sound financial health.
- Long-term debt must be addressed.
- Reserve balances need grow to adequately plan for asset renewal and contingency events.
- It is important to benchmark our financial metrics against similar sized municipalities to better understand our financial health and performance.

BENCHMARKING

COMPARABLE MUNICIPALITIES

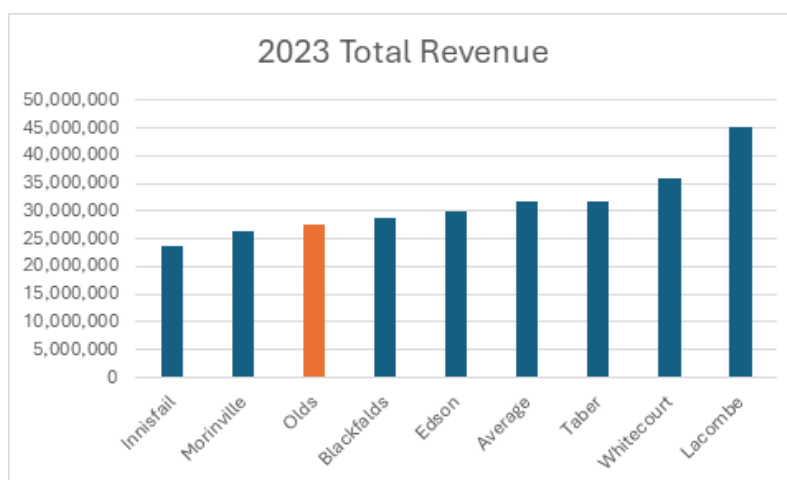
While the Town of Olds (population 9,209 in 2021) uses regional comparisons in many of its decisions and models, Olds is also the largest community between Red Deer and Airdrie, so comparing our revenue and expense needs to nearby municipalities is not accurate in most instances. For a more accurate comparison, we use comparator municipalities identified by Alberta Municipal Affairs and third-party consultants to benchmark ourselves. These include:

- Town of Taber: Population 7,490
- City of Lacombe: Population 13,057
- Town of Morinville: Population 10,385
- Town of Whitecourt: Population 9,195
- Town of Innisfail: Population 7,985
- Town of Edson: Population 8,166
- Town of Blackfalds: Population 10,315

Data Source: Information for this comparative exercise is obtained from 2024 municipal tax rate bylaws and 2023 annual audited financial statements. These are available from each municipality's respective website or from Alberta Municipal Affairs. Note: Town of Edson, 2022 financial statements were used as 2023 were not yet available.

REVENUE

The Town of Olds has historically collected less revenue annually than its municipal comparators. Based on 2023 audited financial statements, this discrepancy is about \$3 million.



Primary revenue sources for municipalities include property taxes, user fees, franchise fees, and transfers from other governments.

❖ *Property Taxation*

Olds has among the lowest residential and non-residential tax rates in both its peer group and regionally. Based on 2024 property tax bylaws, this comparison is as follows:

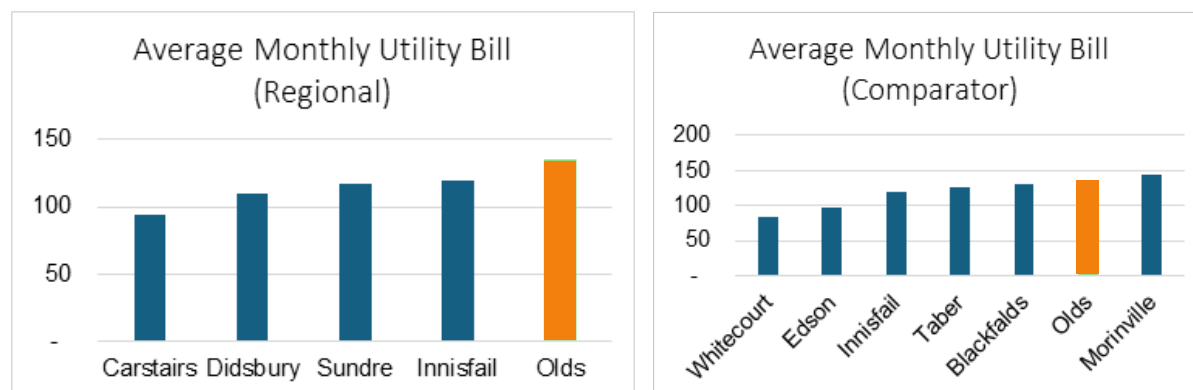
Property Tax: COMPARATOR MUNICIPALITIES				
Town	Assessment	Residential	Non-Res	Tax Revenue
Blackfalds	1,547,841,410	7.8112	10.7268	12,562,900
Morinville	1,459,299,770	8.5272	11.3411	13,152,824
Edson	1,347,965,180	6.8437	15.7792	13,361,207
Taber	1,236,881,510	8.0017	12.4606	11,445,319
Innisfail	1,235,046,690	7.2069	8.8926	9,491,880
Lacombe	2,068,072,310	8.641	9.9734	18,390,173
Whitecourt	1,860,921,560	6.6857	11.3502	14,993,779
Average	1,536,575,490	7.67	11.5	13,342,583
Olds	1,718,278,570	5.9511	8.1419	11,096,007

Property Tax: REGIONAL MUNICIPALITIES				
Town	Assessment	Residential	Non-Res	Tax Revenue
Carstairs	869,568,280	5.90078	8.71378	4,960,256
Didsbury	711,760,100	7.15649	8.81158	5,239,862
Sundre	436,129,800	7.6529	11.5942	3,710,630
Bowden	129,018,910	8.1673	14.3882	1,102,700
Average	536,619,273	7.2194	10.8769	3,753,362
Olds	1,718,278,570	5.9511	8.1419	11,096,007

While residential property assessments are also higher (i.e., home values), the chart also shows that we collect less tax revenue than our comparator municipalities on average. Property taxes are used to fund the bulk of municipal operations. Municipalities in our comparable group generally have comparable service levels and facilities, while our regional neighbors having fewer facilities and fewer service levels.

Note: Approximately 31% of property tax bills are comprised of fees imposed on the Town of Olds from the Province of Alberta (Education Tax) and Mountain View Seniors Housing (Seniors Housing Tax). These collected funds are remitted directly to these entities.

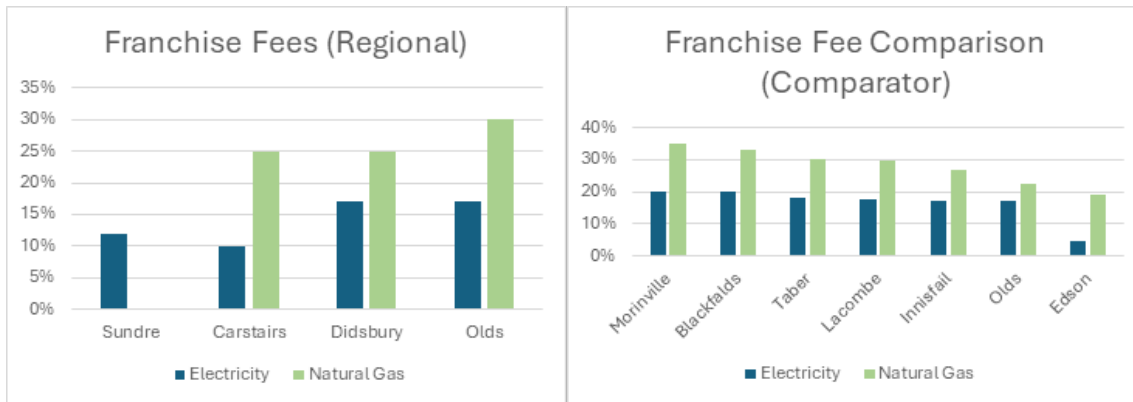
❖ User Fees



The Town collects approximately \$10.69 million per year in user fees, with the majority coming from utility bills for water, wastewater, and solid waste. Unlike many municipalities, the Town operates its utilities on a cost recovery basis, meaning the annual operating and amortization costs are factored into fixed costs. Residents then pay for consumption, which is based on what the Town is charged from the regional commissions of which we are members. For this reason, the Town's utility rates are higher than our average comparator and regional municipalities, with average bills being between \$14.20 to \$25.60 a month higher in Olds, respectively.

❖ Franchise Fees

Franchise Fees are municipal charges included in electricity and natural gas bills of properties within the Town's boundary. The Province of Alberta allows municipalities to charge service providers (i.e., Fortis and ATCO Gas) fees for exclusive rights to supply their product in Olds. The fees are based on distribution charges of monthly bills and are capped at 20% for electricity and 35% for natural gas. The following chart shows the comparison:



The Town of Olds uses franchise fees to fund items such as streetlights, the library, special events, the museum, and seniors' recreation initiatives. On average, residents of Olds pay \$24.45 in electricity and natural gas franchise fees on their monthly utility invoices.

❖ **Transfers From Other Governments**

Provincial Government

The largest transfer from the Government of Alberta is the Local Government Fiscal Framework, worth about \$1.2 million per year. These funds are for capital projects, such as water and sewer replacements and equipment purchases.

Mountain View County

The Town has an agreement in place with Mountain View County to allow its residents access to services that the Town of Olds provides and Town taxpayers support, including recreation, fire, and library. The County's overall contribution to the Town in 2023 was \$950,954.

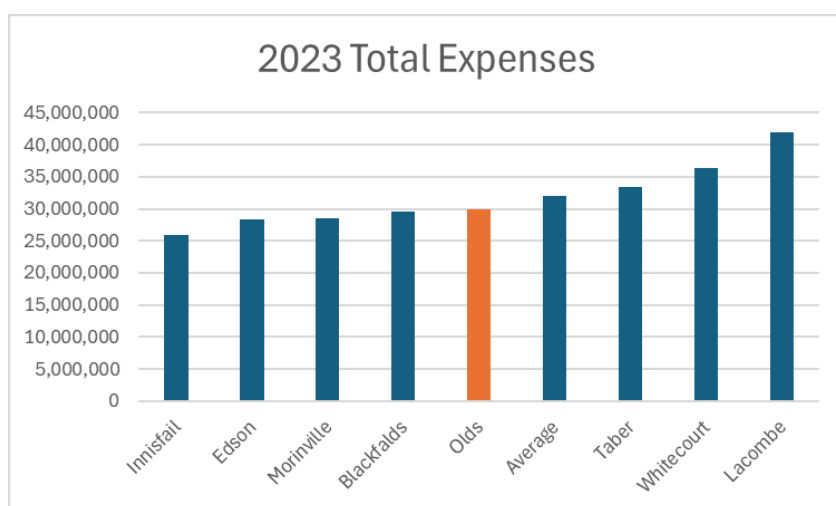
❖ **What does this mean?**

In our opinion, this revenue data demonstrates the following:

1. The Town does not collect sufficient revenue to fund its service levels and maintain core infrastructure.
2. Town tax rates and revenue are well below our municipal comparators.
3. Utility rates are higher than our municipal comparators and this needs to be addressed through strategic infrastructure investments to reduce water loss and inflow & infiltration.

EXPENSES

As noted in the above section, the Town of Olds expenditures are summarized and audited each year by a third-party accounting firm. While no two municipalities are exactly alike, the Town does spend on average \$2 million less than our municipal comparators; this difference would be even greater if the water loss and sanitary issues were resolved.



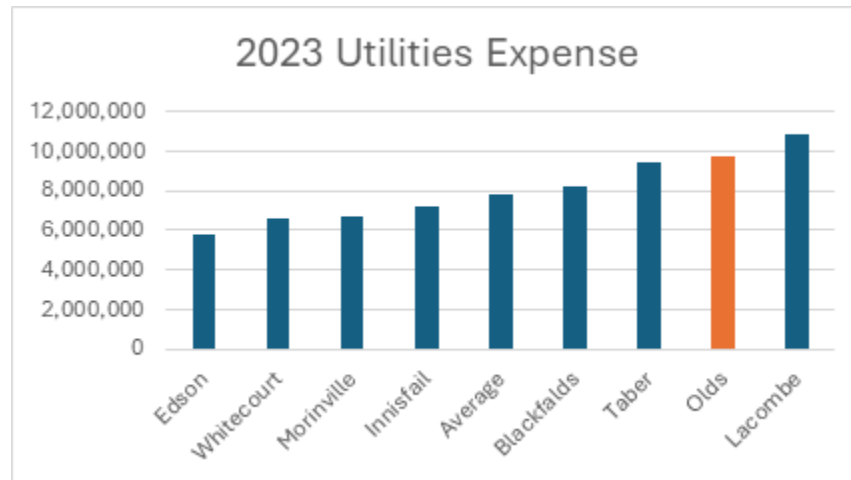
❖ *Salaries and Benefits*

The largest single expense category for any organization are salaries and benefits, with Olds spending just over \$8.5 million in 2023. The Town spends about \$3.5 million less on salaries and benefits than its peer group, based on 2023 audited financial statements.

Municipality	Salaries & Benefits
Blackfalds	10,187,205
Morinville	11,446,527
Edson	9,249,736
Taber	13,180,992
Innisfail	7,585,988
Lacombe	17,248,991
Whitecourt	15,343,749
Average	12,034,741
Olds	8,598,359

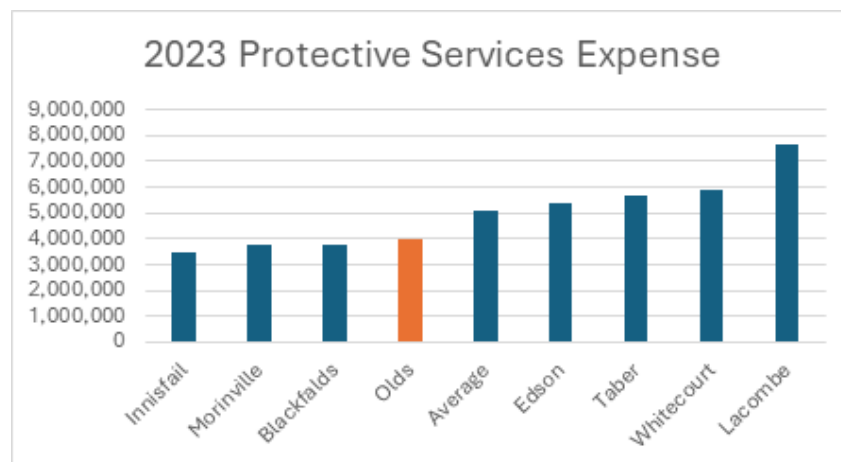
❖ *Utilities*

The Town spends nearly \$2 million more than its comparator municipalities on water, sanitary, and stormwater, largely due to the issues of water loss and inflow and infiltration.



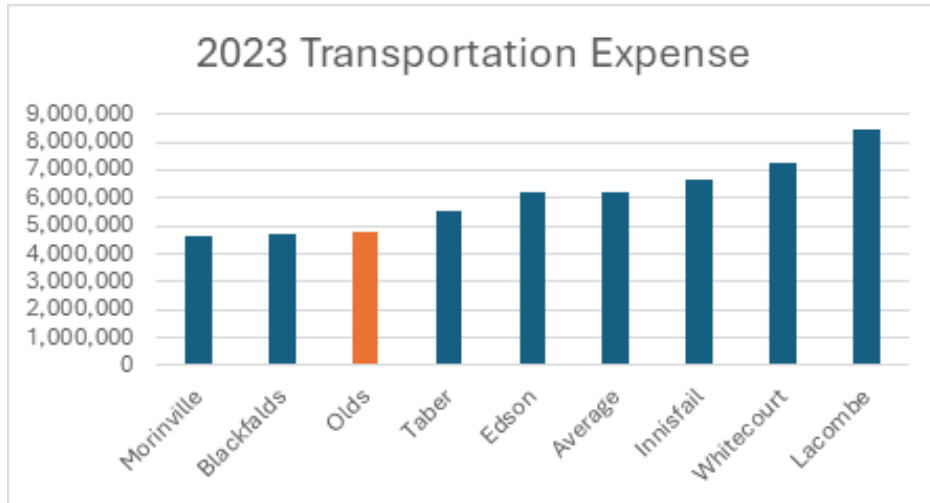
❖ *Protective Services*

This division is comprised of the Olds Fire Department, Municipal Enforcement, Emergency Management, and the RCMP. Based on 2023 expenses, Olds spends approximately \$1 million less than our municipal comparators in this area.



❖ *Transportation*

This category comprises a municipality's total spend on roads, sidewalks, and infrastructure. Like Protective Services, Olds spends nearly \$1.5 million less annually than its comparators in this category.



❖ *What does this mean?*

This expense data demonstrates the following:

1. The Town does not spend enough in key areas, such as core infrastructure and protective services.
2. The Town's utility expenses are too high and need to be controlled through strategic repairs to underground infrastructure.
3. The Town's staffing levels are below where they should be to meet service expectations and infrastructure needs of a municipality of this size.

KEY CHALLENGES

There is no shortage of fiscal challenges for local governments. While some challenges are unique to one municipality, other issues are common among most municipalities. Water loss and inflow and infiltration is one example of a (somewhat) unique challenge to Olds, while provincial downloading is an example of a common challenge faced by all municipalities in Alberta.

WATER LOSS AND INFLOW & INFILTRATION

❖ *Water Loss*

Water loss in a municipality is the difference between the amount of water we purchase from the Mountain View Regional Water Services Commission and the amount of water we sell to residents, businesses, and institutions in the Town of Olds. All connection points are metered, and this discrepancy is measured monthly.

A reasonable rate of water loss in a municipality is around 10 – 15%. In 2023, the Town of Olds' water loss averaged 32%. And as the below table shows, water loss has been an ongoing issue for many years and costs substantial dollars:

Water Loss Tracking		
Year	Percentage Loss	Annual Dollar Loss
2023	32%	\$726,181
2022	30%	\$703,166
2021	24%	\$457,952
2020	22%	\$389,097
2019	24%	\$438,285
2018	22%	\$354,416
2017	29%	\$477,448
2016	35%	\$646,294
2015	36%	\$699,355
2014	38%	\$696,504

Water loss occurs through leaks in water mains, water valves, service connections to private properties, and through aging water meters that no longer read accurately.

❖ *Inflow & Infiltration (I&I)*

I&I refers to external water sources that enter the municipal sanitary system through cracks and holes in sanitary (sewer) pipes and manholes. Generally, “inflow” refers to entry via manholes during rainfall events while “infiltration” occurs in undergrounds pipes through ground water or nearby water line breaks.

I&I is a common issue in most Towns in Alberta, as much of the underground infrastructure is old and broken. However, this has a minimal financial impact because most Towns are on a lagoon discharge system. The Town of Olds is one of the handful of municipalities connected to a wastewater commission, which pumps sanitary from Olds to the City of Red Deer’s sewage treatment plant at a cost of approximately \$2.66 per cubic meter (220 gallons). In other words, for every cubic meter of water that enters our system through I&I, no revenue is collected; yet there is still a charge from the commission for transportation and treatment.

Inflow and Infiltration Tracking		
Year	Percentage Loss	Annual Dollar Loss
2023	42%	\$1,450,359
2022	48%	\$1,747,172
2021	33%	\$869,002
2020	43%	\$1,334,156
2019	37%	\$1,107,971
2018	36%	\$970,918
2017	42%	\$1,178,024
2016	44%	\$1,236,912

❖ *What does this mean?*

1. Monthly utility invoices are approximately 17% higher to account for water loss and I&I.
2. Despite the additional revenue collected from utility bills from this 17% surcharge, we are still losing an additional \$640,000 annually through our water and sanitary systems.
3. The Town’s underground infrastructure requires significant investment and improvement.

PROVINCIAL DOWNLOADING AND FUNDING CUTS

Municipalities are not recognized by the Canadian constitution, meaning each province determines the type of responsibilities municipalities have and what levels of funding they receive. Over the past decade in Alberta, the responsibilities passed on to municipalities (“downloading”) have increased and the funding provided to them has decreased. This has caused a difficult situation for many municipalities, including the Town of Olds, who are struggling to fund basic services, such as roads, utilities, solid waste, and recreation.

❖ *Downloading*

Many responsibilities are given to municipalities because they are best managed at a local level, such as recreation facilities, snow plowing, and public transit. For the last decade or more, the Government of Alberta has been transferring more responsibilities to municipalities without the resources to adequately manage them. This downloading allows the provincial government to pass the financial burden, and any political fallout for corresponding service reductions or property tax increases, onto municipalities. Here are some examples of responsibilities passed on to municipalities by the Government of Alberta:

- ***RCMP Costs***

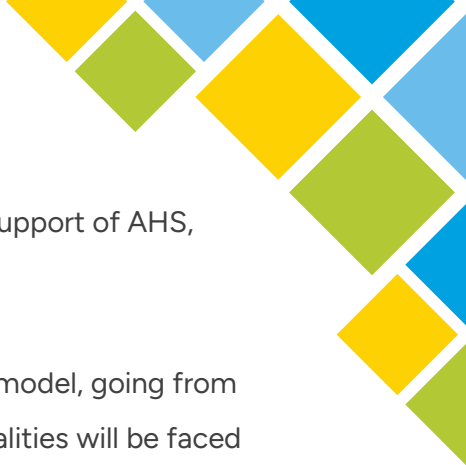
Municipalities over 5,000 population currently pay 70% of all policing costs, in 2021 the federal government signed a new collective agreement resulting in 5 years of back pay being owed by the municipality with no consultation from Municipalities. Municipalities now also pay for the annual costs of Biology Casework (lab testing).

- ***Wildfire Response***

Instead of investing in its own wildfire response or restoring cuts that have been made, the province leans on municipalities to staff and equip wildfire events in various areas of the province. This strains municipal resources and allows the province to continue under-investing in its own response capacity.

- ***Medical Response***

Olds Fire Department provides EMS first response, medical assists, and lift assists to AHS with virtually no compensation. In 2023 the Fire Department responded to 452



calls, of which 28.1% (127) were medical calls on behalf of or in support of AHS, which were paid for from property taxes.

- ***Victim Services***

Local [victim services organizations](#) are moving to a regional model, going from dozens to only four (4) entities for the entire province. Municipalities will be faced with reduced victim services capacity or having to fund our own victim services operations within our own communities.

- ***Seniors Housing***

The provincial government requires municipalities to establish Housing Management Bodies (HMBs), which are operated as seniors' lodges. However, the province also sets requirements that affect the operating costs of these HMBs and their facilities, with the primary example being low-income subsidization. Under this regulation, the province sets the maximum rent HMBs are allowed to charge and the method for determining this amount; but does not provide corresponding funding, making local governments fund the shortfall from property taxes.

- ***Housing and Homelessness***


Homelessness is increasing in rural communities and most small municipalities have no supports or capacity to manage these complex situations. More Towns like Olds have been managing these situations, which is causing both resource strain and personal burdens for those municipal staff not equipped to handle issues related to mental health, addictions, and other behaviours homelessness entails.

❖ ***Funding Cuts***

Municipalities have limited revenue tools to fund expenses, with property taxes being the primary one. As such, Alberta municipalities rely on funding from the provincial government for many other things, most significantly capital repair and replacement projects. The following two examples to illustrate this growing problem.

- ***Capital Funding***

Provincial infrastructure funding has not kept pace with Alberta's population growth, nor to inflation. In 2011, the Government of Alberta was investing \$420 per Albertan into municipal infrastructure programs, today, this figure has dropped to \$186.¹ For



the Town of Olds, funding averaged \$2.1M annually from 2014 to 2021. In 2024, the Town will only receive \$1.2M. This is not sustainable.

- ***Grants in Place of Taxes (GIPOT)***

Properties belonging to the Government of Alberta are exempt from taxation. To acknowledge that the province benefits from municipal services at these locations, the province has historically provided municipalities a grant equivalent to what the property tax bill would be. In 2019 the province reduced the amount it provides by 25% and in 2020 reduced again to 50%. While it is a small number compared to capital funding cuts and police costs downloading, the philosophy of 'do more with less' is troubling and is being replicated by the province in more dealings with local governments.

Municipalities like Olds will not be able to renew core infrastructure or maintain the level of services citizens are accustomed to without the province restoring funding and putting a stop to the downloading of provincial responsibilities onto municipalities.

¹Figures are based on Alberta Municipalities' calculations using the total of capital funding programs delivered by the Government of Alberta that are available to most municipalities, excluding funding from the Government of Canada that flows through the Government of Alberta.

<https://www.abmunis.ca/advocacy-resources/economics/budget-2024>

SOLUTIONS AND OPPORTUNITIES

While it is easy to focus on the challenges and problems, it is important to recognize that Olds has opportunities and advantages unavailable to most municipalities in Alberta. And by leveraging these opportunities and applying practical solutions to our financial issues, Olds will remain one of the most vibrant and attractive municipalities in Canada to live, work, and play. Here is how we plan on doing this.

Infrastructure Renewal

❖ *WHAT IS IT?*

The process of making informed and deliberate investments in our core infrastructure, such as water lines, sanitary pipes, roads, parks, and facilities.

❖ *WHY IS IT IMPORTANT?*

The uncertain state of the Town's underground infrastructure is costing millions of dollars each year and taking away funds that could be invested elsewhere. Through addressing this issue, the Town will be able to focus infrastructure dollars on other areas of need, including roadways, sidewalks, and recreation facilities.

❖ *WHAT IS OUR TARGET?*

Starting in 2024, the Town seeks to achieve an annual reduction in water loss by 5% until an average loss ratio is at or below 15%. This will be in line with best practices and reduce our current annual dollar loss by \$427,000.

For inflow and infiltration (I&I), the Town seeks to eliminate future overflow events at our sanitary lift stations and achieve an annual loss ratio no greater than 20%. This would reduce our current I&I expense by \$933,000 annually.

❖ *2024 PROJECTS*

▪ *Leak Detection*

Using contractors who specialize in the use of advanced ultrasonic leak detection technology to investigate over 90% of the Town's underground water mains and service connections. This is underway with an estimated budget of \$115,000.



- ***Sanitary Inspections***

A third-party contract was issued to conduct a camera investigation of over 75% of the Town's sanitary system and create a report highlighting areas of concern and damage. This is underway at a cost of \$389,500.

- ***Sanitary Relining***

Implementation of a sanitary relining program, which includes 26 manholes at a cost of \$168,000 and approximately 6 km of sanitary main at \$800,000. This \$968,000 project aims to enhance the operation and longevity of the town's sanitary system.

- ***Smart Covers***

Enhancing efforts to capture inflow and infiltration issues by placing Smart Covers in various locations to gather data about I&I. These devices will be strategically moved to different areas throughout the year to monitor and identify problem spots within the sanitary system. This proactive approach enables the town to target and mitigate inflow and infiltration more effectively, improving system efficiency, preventing overflows, and reducing maintenance costs.

- ***Water Meter Pilot Program***

Continued review of the 95 Smart Meters currently installed. This program records water usage and leak detection functionality to evaluate the meter's effectiveness. Ongoing assessments will determine their efficiency and potential for broader use across all properties in Town.

- ***Utility Repairs***

In 2024, the Town of Olds identified 15 water leaks thus far, with repairs underway. Many of these water leaks were leaving our water system and finding their way into the sanitary system through broken pipes (i.e., infiltration). These areas are also marked for future sanitary repair to prevent future I&I issues.

Growth

❖ *WHAT IS IT?*

Increasing the number of residential, commercial, and industrial properties in the Town of Olds.

❖ *WHY IS IT IMPORTANT?*

All growth is interconnected: growth in the housing market will create more customers for existing and future businesses; an increase in population will create a larger workforce for commercial/industrial employers; and a larger commercial/industrial tax base will help ease financial pressures on residential taxpayers while allowing us to make more investments into our infrastructure, core services, and community vibrancy.

❖ *WHAT IS OUR TARGET?*

The creation of our Economic Development Strategy is underway, which will build these targets; but broadly speaking, over the next decade, we would ideally see population growth at or near 1.5% annually and assessment growth near 2% annually in this same period (excluding growth from inflation).

❖ *2024 PROJECTS*

▪ *Next Generation Economy Initiative (NGEI)*

NGEI is the Economic Development Strategy. Led by the Economic Development Action Committee (EDAC), this initiative is in partnership with Olds College, Mountain View County, Community Futures Central Alberta, and others. Over the next 2 years, it will build a strategy to accelerate responsible economic growth for Olds and our region. The NGEI will result in:

- *Business Retention, Expansion and Workforce Development (BREWD) Strategy:* a document will assess our business environment and the advantages needed to form, retain and grow, and attract business.
- *Industry Cluster Competitiveness Strategy:* A document that will outline those industry clusters (sectors) that are driving regional performance; ones that are emerging; and others that have the potential to emerge in Olds and region.



- ***Housing Strategy***

This document will establish the Town's goals and tactics to enable the creation of a larger and more diverse housing market in Olds. It will include efforts around land use and zoning changes, tax incentive programs, developer engagement, and the responsible management of pressures that growth creates.

- ***Commercial Retail Gap Analysis Strategy***

This study will assess our current commercial inventory, our economic/consumer zone, and identify any opportunities that could be filled by new businesses. The final report will be used to attract businesses and provide key information to support existing businesses.

- ***Red Tape Reduction***


Since 2023, Town administration has been reviewing land use plans, including the land use bylaw, area structure plans, and area redevelopment plans and making recommendations to Council on how the Town could streamline and spur development. Council has accepted many of these recommendations with further conversations occurring through 2024 and 2025 as we undertake a full land use bylaw review. This is in addition to several tax incentive programs currently in place.

- ***Mountain View Power***

Mountain View Power (MVP) is a community owned energy marketer that sells electricity, natural gas, and solar energy to residential, commercial, industrial, and agricultural customers in Olds and around Central Alberta. Since the Town assumed MVP in 2023, approximately \$200,000 has been distributed through the MVP [Community Grant Program](#) to community causes and organizations in Olds and area. We intend on growing MVP to increase the positive community impacts year over year.

Long-Term Planning

❖ *WHAT IS IT?*



The creation of realistic policies and strategies that will help us understand our needs and prioritize our spending based on those needs.

❖ **WHY IS IT IMPORTANT?**

To ensure sustainable development, fiscal responsibility, and systematic infrastructure maintenance. Long-term planning also promotes community well-being while enabling economic growth and enhancing resiliency to external challenges. It improves transparency and accountability to citizens, while providing elected officials with the best information possible when making decisions.

❖ **WHAT IS OUR TARGET?**

Over the next 3 years, the Town will create several planning documents focused on better serving citizens and achieving long-term sustainability. These include an asset management program, a corporate plan, divisional business plans, and a 10-year financial strategy.

❖ **2024 PROJECTS**

▪ **Asset Management Program**


In 2024, we will begin building a systematic process of maintaining, operating, upgrading, and disposing of infrastructure assets like roads, bridges, and public buildings. A strong asset management program ensures optimal asset performance, minimizes costs, enhances safety and service continuity, and enables community growth.

▪ **Corporate Plan**

This document, created by administration, sets tasks and timelines to achieve Council's strategic goals while creating a means for a continuous improvement philosophy in Town operations.

▪ **O-NET**

As the single largest source of Town debt, our municipally controlled corporation is at a crossroads and decisions must be made about its future. With a Council-



appointed board in place to govern the corporation and manage risk, 2024 will be an important year for both O-NET and the Town. We are committed to balancing the role O-NET has in our community with the market realities of the telecommunications industry.

- ***Provincial Advocacy***

While the Town engages the province regularly for immediate needs and issues, we also structure advocacy efforts to address our long-term strategic goals. Contained in Council's strategic plan, the Provincial Advocacy list includes capital funding restoration, wastewater infrastructure support, Olds College, health care, trades education, and housing to name a few.



OTHER RESOURCES

The Town is continually trying to improve the information it shares and how it engages with citizens and businesses. We encourage you explore other information linked below:

❖ [Strategic Plan](#)

One of the Town's foundational documents. It establishes the long-term vision for the municipality and the steps we will take to achieve that vision.

❖ [Budget Survey](#)

An annual engagement exercise we undertake. The 2025 budget survey is open until July 5th, 2024.

❖ [2023 Annual Report](#)

Another recurring document, the annual report captures the key events and initiatives of the previous year and links those items to our long-term strategic direction.

❖ [Engagement Initiatives](#)

The Town of Olds conducts various engagement efforts each year, all advertised on the Town's Engagement Page.



CONCLUSION

These are challenging economic times for individuals, families, businesses, and governments alike. Although the Town of Olds cannot control all the financial issues that affect us, we are committed to building resilience and long-term success through sound financial strategies and prudent fiscal management.

Despite the challenges we face, Olds has significant advantages, including its ideal location on Highway 2, surrounding prime farmland, the presence of Olds College of Agriculture and Technology, high-speed fibre optic internet, and a robust commercial and industrial base. By addressing our weaknesses, leveraging our strengths, and seizing our many opportunities, Olds will continue to be one of the best places to live, work, and play in Alberta.

Thank you for taking the time to read the 2024 Financial Update for the Town of Olds. We hope you found the information relevant and easy to follow. If you have any feedback on how to improve this report, we encourage you to reach out via email at admin@olds.ca.

TOWN OF OLDS
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023

INDEPENDENT AUDITORS' REPORT

To the Mayor and Council of the Town of Olds

Opinion

We have audited the accompanying consolidated financial statements of the Town of Olds (the Town), which comprise the consolidated statement of financial position as at December 31, 2023 and the consolidated statements of operations, change in net financial debt and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Town as at December 31, 2023, the results of its operations, changes in net financial debt, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Town in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with those requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Matter

The consolidated financial statements for the year ended December 31, 2022 were audited by another auditor who expressed an unmodified opinion on those financial statements on June 12, 2023.

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

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

(continues)

Auditors' 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 auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but it 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 consolidated 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 Town's internal control.
- Evaluate the appropriateness of accounting policies and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Town's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated 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 auditors' report. However, future events or conditions may cause the Town to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the 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.

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.

METRIX GROUP LLP

Chartered Professional Accountants

Edmonton, Alberta
April 22, 2024

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

Management is responsible for the preparation and presentation of the accompanying consolidated financial statements, including responsibility for significant accounting judgments and estimates in accordance with Canadian public sector accounting standards. The responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

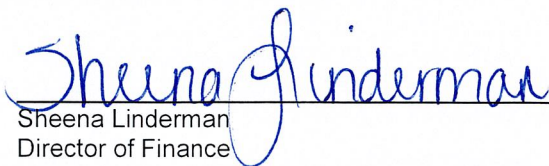
In discharging its responsibility for the integrity and fairness of the consolidated financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded, and financial records are properly maintained to provide reliable information for the preparation of the consolidated financial statements.

The elected Mayor and Council of the Town of Olds are composed entirely of individuals who are neither management nor employees of the Town. The Mayor and Council have the responsibility of meeting with management and the external auditors to discuss the internal controls over the financial reporting process, auditing matters, and financial reporting issues. The Mayor and Council are also responsible for the appointment of the Town's external auditors.

Metrix Group LLP, an independent firm of Chartered Professional Accountants, is appointed by Council to audit the consolidated financial statements and to report directly to them. The external auditors have full and free access to and meet periodically and separately with both the Mayor and Council and management to discuss their audit findings.



Brent Williams
Chief Administrative Officer



Sheena Linderman
Director of Finance

April 22, 2024
Olds, Alberta

TOWN OF OLDS
Consolidated Statement of Financial Position
As at December 31, 2023

	<u>2023</u>	<u>2022</u> (Restated) (Note 26)
FINANCIAL ASSETS		
Cash	\$ 6,344,099	\$ 1,359,140
Taxes and grants in place of taxes receivable (Note 2)	660,031	1,193,022
Trade and other receivables (Note 3)	7,516,368	7,902,477
Loans receivable (Note 4)	14,085,556	14,486,166
Inventory for consumption	64,964	9,061
Investments (Note 5)	<u>680,001</u>	<u>6,080,001</u>
	<u>29,351,019</u>	<u>31,029,867</u>
LIABILITIES		
Accounts payable and accrued liabilities (Note 6)	4,123,707	3,303,328
Deposit liabilities (Note 7)	537,655	816,775
Deferred revenue (Note 8)	1,466,601	2,668,628
Employee benefit obligations (Note 9)	293,232	274,897
Asset retirement obligations (Note 10)	124,390	120,335
Long-term debt (Note 11)	<u>28,043,801</u>	<u>29,344,927</u>
	<u>34,589,386</u>	<u>36,528,890</u>
NET FINANCIAL DEBT	<u>(5,238,367)</u>	<u>(5,499,023)</u>
NON-FINANCIAL DEBT		
Tangible capital assets (Schedule 1)	99,567,203	97,733,885
Prepaid expenses	<u>47,902</u>	<u>37,601</u>
	<u>99,615,105</u>	<u>97,771,486</u>
ACCUMULATED SURPLUS (SCHEDULE 2, NOTE 12)	<u>\$ 94,376,738</u>	<u>\$ 92,272,463</u>

Guarantees (Note 15)

Commitments (Note 18)

Contingency (Note 25)

ON BEHALF OF COUNCIL:

Judy Dahl, Mayor.
Heather G. Deputy Mayor

TOWN OF OLDS
Consolidated Statement of Operations and Accumulated Surplus
For the Year Ended December 31, 2023

	2023 (Budget) (Note 23)	2023 (Actual)	2022 (Restated) (Note 26)
REVENUE			
Net municipal taxes (<i>Schedule 3</i>)	\$ 10,620,811	\$ 10,565,008	\$ 10,083,053
User fees and sales of goods (<i>Schedule 5</i>)	10,517,307	10,688,903	10,235,385
Franchise fees and concession contracts	2,548,216	2,414,740	2,543,462
Government transfers for operating (<i>Schedule 4</i>)	1,436,945	1,557,271	1,355,878
Investment income	313,000	1,053,225	670,050
Licenses and permits	338,000	309,980	274,970
Sales to other governments	258,655	269,745	206,467
Rentals	232,906	242,421	215,320
Other	-	222,378	-
Penalties on taxes	140,000	189,070	218,655
Fines	82,000	72,593	71,028
Development levies	-	-	98,999
	<u>26,487,840</u>	<u>27,585,334</u>	<u>25,973,267</u>
EXPENSES			
Legislative	422,283	391,371	409,204
Administration	2,409,276	2,855,592	2,821,852
General government services	-	-	81,304
Policing services	2,277,574	1,820,589	2,261,113
Firefighting services	1,427,695	1,645,224	1,581,441
Disaster and emergency measures	55,258	48,075	85,535
Bylaws enforcement	449,170	455,521	384,917
Transportation	2,753,698	4,766,577	8,080,639
Water supply and distribution	3,003,416	3,799,344	3,535,604
Wastewater treatment and disposal	4,143,073	4,712,634	4,808,209
Waste management	1,095,421	1,066,270	1,153,899
Family and Community Support Services	336,803	395,101	347,911
Community services	335,809	232,014	330,752
Other utilities	270,000	183,814	7,749
Economic development and other planning	1,097,010	1,028,687	778,390
Parks and recreation	4,834,090	5,773,108	5,185,584
Library	644,387	711,482	716,916
	<u>25,554,963</u>	<u>29,885,403</u>	<u>32,571,019</u>
ANNUAL SURPLUS (DEFICIT) BEFORE OTHER INCOME	<u>932,877</u>	<u>(2,300,069)</u>	<u>(6,597,752)</u>
OTHER INCOME			
Government transfers for capital (<i>Schedule 4</i>)	6,084,557	4,485,296	2,863,987
Capital donations	199,774	-	27,600
Gain (loss) on disposal of tangible capital assets	10,000	(80,952)	(26,214)
	<u>6,294,331</u>	<u>4,404,344</u>	<u>2,865,373</u>
ANNUAL SURPLUS (DEFICIT)	<u>7,227,208</u>	<u>2,104,275</u>	<u>(3,732,379)</u>
ACCUMULATED SURPLUS, BEGINNING OF YEAR, AS PREVIOUSLY STATED	-	96,079,404	96,103,418
Restatement (Note 26)	-	(3,806,941)	(98,576)
ACCUMULATED SURPLUS, BEGINNING OF YEAR, BEGINNING OF YEAR, AS RESTATED	<u>92,272,463</u>	<u>92,272,463</u>	<u>96,004,842</u>
ACCUMULATED SURPLUS, END OF YEAR (SCHEDULE 2, NOTE 12)	<u>\$ 99,499,671</u>	<u>\$ 94,376,738</u>	<u>\$ 92,272,463</u>

The accompanying notes are an integral part of these consolidated financial statements.

TOWN OF OLDS

Consolidated Statement of Change in Net Financial Debt

For the Year Ended December 31, 2023

	<u>2023</u> (Budget) (Note 23)	<u>2023</u> (Actual)	<u>2022</u> (Restated) (Note 26)
ANNUAL SURPLUS (DEFICIT)	\$ <u>7,227,208</u>	\$ <u>2,104,275</u>	\$ <u>(3,732,379)</u>
Acquisition of tangible capital assets	(8,279,103)	(6,383,223)	(814,366)
Proceeds on disposal of tangible capital assets	-	51,042	9,151
Amortization of tangible capital assets	463,100	4,417,910	4,205,960
Loss (gain) on disposal of tangible capital assets	<u>(10,000)</u>	<u>80,953</u>	<u>26,214</u>
	<u>(7,826,003)</u>	<u>(1,833,318)</u>	<u>3,426,959</u>
Net change in prepaid expenses	<u>-</u>	<u>(10,301)</u>	<u>6,397</u>
DECREASE (INCREASE) IN NET FINANCIAL DEBT	(598,795)	260,656	(299,023)
NET FINANCIAL DEBT, BEGINNING OF YEAR	<u>(5,499,023)</u>	<u>(5,499,023)</u>	<u>(5,200,000)</u>
NET FINANCIAL DEBT, END OF YEAR	\$ <u><u>(6,097,818)</u></u>	\$ <u><u>(5,238,367)</u></u>	\$ <u><u>(5,499,023)</u></u>

TOWN OF OLDS**Consolidated Statement of Cash Flows****For the Year Ended December 31, 2023**

	<u>2023</u>	<u>2022</u> (Restated) (Note 26)
OPERATING ACTIVITIES		
Cash from operations:		
Annual surplus (deficit)	\$ 2,104,275	\$ (3,732,379)
Non-cash items included in annual surplus:		
Amortization of tangible capital assets	4,417,910	4,205,960
Loss (gain) on disposal of tangible capital assets	80,953	26,214
Accretion expense of asset retirement obligations	<u>4,055</u>	<u>3,923</u>
	<u>6,607,193</u>	<u>503,718</u>
Change in non-cash working capital balances:		
Taxes and grants in place of taxes receivable	532,991	(426,110)
Trade and other receivables	386,109	1,057,572
Inventory held for resale	(55,903)	5,827
Prepaid expenses	(10,301)	6,397
Loan receivable	400,610	513,834
Accounts payable and accrued liabilities	820,380	1,058,656
Employee benefit obligations	18,335	(80,059)
Deposit liabilities	(279,120)	(115,650)
Deferred revenue	<u>(1,202,027)</u>	<u>(1,393,988)</u>
	<u>611,074</u>	<u>626,479</u>
	<u>7,218,267</u>	<u>1,130,197</u>
FINANCING ACTIVITIES		
Repayment of long-term debt	<u>(1,301,127)</u>	<u>(1,378,870)</u>
CAPITAL ACTIVITIES		
Acquisition of tangible capital assets	(6,383,223)	(814,366)
Proceeds on disposal of tangible capital assets	<u>51,042</u>	<u>9,151</u>
	<u>(6,332,181)</u>	<u>(805,215)</u>
INVESTING ACTIVITIES		
Purchase of investments	-	(5,998,252)
Proceeds on sale of investments	<u>5,400,000</u>	<u>-</u>
	<u>5,400,000</u>	<u>(5,998,252)</u>
CHANGE IN CASH DURING THE YEAR	4,984,959	(7,052,140)
CASH, BEGINNING OF YEAR	<u>1,359,140</u>	<u>8,411,280</u>
CASH, END OF YEAR	\$ <u>6,344,099</u>	\$ <u>1,359,140</u>

TOWN OF OLDS

Schedule 1

Consolidated Schedule of Tangible Capital Assets

For the Year Ended December 31, 2023

	Land and Land Improvements	Buildings	Engineered Structures	Machinery and Equipment	Vehicles	Construction in Progress*	2023	2022 (Restated) (Note 26)
COST:								
Balance, Beginning of Year, As Previously Stated	\$ 17,293,508	\$ 33,764,251	\$ 111,170,723	\$ 6,783,379	\$ 5,219,758	\$ 1,707,833	\$ 175,939,452	\$ 171,694,347
Restatement (Note 26)	-	42,883	(3,798,571)	-	-	-	(3,755,688)	42,883
Balance, Beginning of Year, As Restated	17,293,508	33,807,134	107,372,152	6,783,379	5,219,758	1,707,833	172,183,764	171,737,230
Additions	313,547	106,095	1,445,344	1,913,386	154,517	2,450,334	6,383,223	814,366
Disposals	(2,463)	(129,048)	(112,742)	-	(69,276)	-	(313,529)	(367,832)
Transfers	881,985	22,937	656,385	50,847	-	(1,612,154)	-	-
Balance, End of Year	18,486,577	33,807,118	109,361,139	8,747,612	5,304,999	2,546,013	178,253,458	172,183,764
ACCUMULATED AMORTIZATION:								
Balance, Beginning of Year, As Previously Stated	\$ 4,147,656	\$ 11,663,230	\$ 52,636,111	\$ 3,724,369	\$ 2,347,597	\$ -	\$ 74,518,963	\$ 70,551,340
Restatement (Note 26)	-	25,881	(94,964)	-	-	-	(69,083)	25,046
Balance, Beginning of Year, As Restated	4,147,656	11,689,111	52,541,147	3,724,369	2,347,596	-	74,449,879	70,576,386
Amortization expense	680,280	690,937	2,313,674	443,330	289,689	-	4,417,910	4,205,960
Disposals	-	(36,346)	(75,912)	-	(69,276)	-	(181,534)	(332,467)
Balance, End of Year	4,827,936	12,343,702	54,778,909	4,167,699	2,568,009	-	78,686,255	74,449,879
NET BOOK VALUE, END OF YEAR	\$ 13,658,641	\$ 21,463,416	\$ 54,582,230	\$ 4,579,913	\$ 2,736,990	\$ 2,546,013	\$ 99,567,203	\$ 97,733,885
NET BOOK VALUE, BEGINNING OF YEAR	\$ 13,145,852	\$ 22,118,023	\$ 54,831,005	\$ 3,059,010	\$ 2,872,162	\$ 1,707,833	\$ 97,733,885	\$ -
*Construction in progress is comprised of	\$ 62,860	\$ 651,034	\$ 1,804,908	\$ 27,211	\$ -	\$ -	\$ 2,546,013	\$ 1,707,833

The accompanying notes are an integral part of these consolidated financial statements.

TOWN OF OLDS

Schedule 2

Consolidated Schedule of Changes in Accumulated Surplus
For the Year Ended December 31, 2023

	Unrestricted Surplus	Operating Reserve	Capital Reserve	Equity in Tangible Capital Assets	2023	2022
BALANCE, BEGINNING OF YEAR, AS PREVIOUSLY STATED	\$ 5,102,574	\$ 2,223,605	\$ 6,578,192	\$ 82,175,033	\$ 96,079,404	\$ 96,103,418
Restatement (Note 26)	<u>469,631</u>	<u>-</u>	<u>-</u>	<u>(4,276,572)</u>	<u>(3,806,941)</u>	<u>(98,576)</u>
BALANCE, BEGINNING OF YEAR, AS RESTATED	<u>\$ 5,572,205</u>	<u>\$ 2,223,605</u>	<u>\$ 6,578,192</u>	<u>\$ 77,898,461</u>	<u>\$ 92,272,463</u>	<u>\$ 96,004,842</u>
Annual surplus (deficit)	2,104,275	-	-	-	2,104,275	(3,732,379)
Unrestricted funds designated for future use	710,665	(619,165)	(91,500)	-	-	-
Restricted funds used for operations	(402,113)	402,113	-	-	-	-
Restricted funds used for tangible capital assets	495,245	-	(495,245)	-	-	-
Current year funds used for tangible capital assets	(6,383,223)	-	-	6,383,223	-	-
Disposal of tangible capital assets (net of amortization)	131,995	-	-	(131,995)	-	-
Annual amortization expense	4,417,910	-	-	(4,417,910)	-	-
Change in asset retirement obligation	4,055	-	-	(4,055)	-	-
Long term debt repaid	<u>(968,245)</u>	<u>-</u>	<u>-</u>	<u>968,245</u>	<u>-</u>	<u>-</u>
Change in accumulated surplus	<u>110,564</u>	<u>(217,052)</u>	<u>(586,745)</u>	<u>2,797,508</u>	<u>2,104,275</u>	<u>(3,732,379)</u>
BALANCE, END OF YEAR (NOTE 12)	<u>\$ 5,682,769</u>	<u>\$ 2,006,553</u>	<u>\$ 5,991,447</u>	<u>\$ 80,695,969</u>	<u>\$ 94,376,738</u>	<u>\$ 92,272,463</u>

Consolidated Schedule of Property and Other Taxes

For the Year Ended December 31, 2023

	<u>2023</u> (Budget) (Note 23)	<u>2023</u> (Actual)	<u>2022</u> (Actual)
TAXATION			
Real property taxes	\$ 15,489,739	\$ 15,306,960	\$ 14,885,976
Linear property taxes	<u>-</u>	<u>118,688</u>	<u>115,247</u>
	<u>15,489,739</u>	<u>15,425,648</u>	<u>15,001,223</u>
REQUISITIONS			
Alberta School Foundation Fund	4,245,538	4,237,189	4,362,435
Mountain View Senior Housing	622,180	622,180	554,525
Designated Industrial Property	<u>1,210</u>	<u>1,271</u>	<u>1,210</u>
	<u>4,868,928</u>	<u>4,860,640</u>	<u>4,918,170</u>
NET MUNICIPAL TAXES	<u>\$ 10,620,811</u>	<u>\$ 10,565,008</u>	<u>\$ 10,083,053</u>

Consolidated Schedule of Government Transfers

For the Year Ended December 31, 2023

	<u>2023</u> (Budget) (Note 23)	<u>2023</u> (Actual)	<u>2022</u> (Actual)
TRANSFERS FOR OPERATING			
Provincial government	\$ 783,162	\$ 853,619	\$ 745,095
Local governments	650,783	692,352	605,783
Federal government	<u>3,000</u>	<u>11,300</u>	<u>5,000</u>
	<u>1,436,945</u>	<u>1,557,271</u>	<u>1,355,878</u>
TRANSFERS FOR CAPITAL			
Provincial government	2,787,861	2,440,969	1,608,824
Federal government	3,296,696	1,916,977	1,255,163
Local governments	<u>-</u>	<u>127,350</u>	<u>-</u>
	<u>6,084,557</u>	<u>4,485,296</u>	<u>2,863,987</u>
TOTAL GOVERNMENT TRANSFERS	<u>\$ 7,521,502</u>	<u>\$ 6,042,567</u>	<u>\$ 4,219,865</u>

TOWN OF OLDS

Schedule 5

Consolidated Schedule of Segmented Information
For the Year Ended December 31, 2023

	Council Administration and General Government	Protective Services	Planning and Development	Public Health Services	Transportation Services	Water, Sewer and Waste Management	Recreation and Culture	Total
REVENUE								
Taxation	\$ 10,565,008	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 10,565,008
User fees and sales of goods	607,456	255,666	12,190	95,490	1,858	8,966,329	749,914	10,688,903
All other	177,294	610,990	26,500	-	-	17,816	163,607	996,207
Investment income	1,053,225	-	-	-	-	-	-	1,053,225
Franchise and concession contracts	2,414,740	-	-	-	-	-	-	2,414,740
Government transfers for operating	83,347	431,465	47,130	292,200	18,900	-	684,229	1,557,271
Licenses and permits	-	23,660	285,292	-	1,028	-	-	309,980
	<u>14,901,070</u>	<u>1,321,781</u>	<u>371,112</u>	<u>387,690</u>	<u>21,786</u>	<u>8,984,145</u>	<u>1,597,750</u>	<u>27,585,334</u>
EXPENSES								
Salaries, wages, and benefits	1,678,567	1,296,914	606,957	324,588	819,037	1,127,669	2,744,627	8,598,359
Contracted and general services	986,890	441,093	288,511	88,067	910,276	1,347,228	1,265,519	5,327,584
Transfers to other governments	-	1,628,724	98,105	215,098	-	5,792,025	-	7,733,952
Transfers to local boards and organizations	143,080	-	-	4,772	-	197,279	550,381	895,512
Materials, goods, supplies and utilities	136,411	227,268	5,908	21,898	763,986	142,512	675,823	1,973,806
Other	49,393	(36,249)	27,400	-	-	(99)	2,634	43,079
Interest on long term debt	317,700	85,170	-	-	205,708	188,041	94,527	891,146
Amortization of tangible capital assets	118,737	326,490	1,604	34,191	2,004,086	783,260	1,149,542	4,417,910
Accretion of asset retirement obligations	-	-	-	-	2,187	332	1,536	4,055
	<u>3,430,778</u>	<u>3,969,410</u>	<u>1,028,485</u>	<u>688,614</u>	<u>4,705,280</u>	<u>9,578,247</u>	<u>6,484,589</u>	<u>29,885,403</u>
ANNUAL SURPLUS BEFORE OTHER INCOME	<u>11,470,292</u>	<u>(2,647,629)</u>	<u>(657,373)</u>	<u>(300,924)</u>	<u>(4,683,494)</u>	<u>(594,102)</u>	<u>(4,886,839)</u>	<u>(2,300,069)</u>
Government transfers for capital	-	-	-	-	1,868,499	79,378	2,537,419	4,485,296
Gain (loss) on disposal of tangible capital assets	-	20,000	-	-	(64,122)	(36,830)	-	(80,952)
ANNUAL SURPLUS	<u>\$ 11,470,292</u>	<u>\$ (2,627,629)</u>	<u>\$ (657,373)</u>	<u>\$ (300,924)</u>	<u>\$ (2,879,117)</u>	<u>\$ (551,554)</u>	<u>\$ (2,349,420)</u>	<u>\$ 2,104,275</u>

TOWN OF OLDS

Schedule 5

Consolidated Schedule of Segmented Information

For the Year Ended December 31, 2022

	Council Administration and General Government	Protective Services	Planning and Development	Public Health Services	Transportation Services	Water, Sewer and Waste Management	Recreation and Culture	Total (Restated - Note 26)
REVENUE								
Taxation	\$ 10,083,053	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 10,083,053
User fees and sales of goods	271,084	115,741	12,017	194,523	3,210	8,810,196	828,614	10,235,385
All other	200,046	479,815	-	-	61,966	63,643	5,000	810,470
Investment income	670,050	-	-	-	-	-	-	670,050
Franchise and concession contracts	2,543,462	-	-	-	-	-	-	2,543,462
Government transfers for operating	22,833	381,597	-	293,349	-	-	658,099	1,355,878
Licenses and permits	-	23,270	250,879	-	820	-	-	274,969
	<u>13,790,528</u>	<u>1,000,423</u>	<u>262,896</u>	<u>487,872</u>	<u>65,996</u>	<u>8,873,839</u>	<u>1,491,713</u>	<u>25,973,267</u>
EXPENSES								
Salaries, wages, and benefits	1,702,013	1,326,781	451,398	362,871	633,023	962,741	2,693,233	8,132,060
Contracted and general services	994,942	447,476	232,740	96,365	4,613,846	1,138,357	722,117	8,245,843
Transfers to other governments	-	1,856,754	52,638	195,531	-	5,954,760	-	8,059,683
Transfers to local boards and organizations	-	280	-	19,338	-	226,802	568,835	815,255
Materials, goods, supplies and utilities	148,532	236,966	5,843	39,931	750,773	177,106	721,441	2,080,592
Other	31,247	29,167	24,000	-	-	287	3,909	88,610
Interest on long term debt	328,723	94,342	-	-	212,661	202,629	100,738	939,093
Amortization of tangible capital assets	114,650	321,242	1,604	34,463	1,808,551	834,710	1,090,740	4,205,960
Accretion of asset retirement obligations	-	-	-	-	2,116	321	1,486	3,923
	<u>3,320,107</u>	<u>4,313,008</u>	<u>768,223</u>	<u>748,499</u>	<u>8,020,970</u>	<u>9,497,713</u>	<u>5,902,499</u>	<u>32,571,019</u>
ANNUAL SURPLUS BEFORE OTHER INCOME	<u>10,470,421</u>	<u>(3,312,585)</u>	<u>(505,327)</u>	<u>(260,627)</u>	<u>(7,954,974)</u>	<u>(623,874)</u>	<u>(4,410,786)</u>	<u>(6,597,752)</u>
Government transfers for capital	85,202	-	-	-	2,145,724	134,823	498,238	2,863,987
Capital donations	-	-	-	-	-	-	27,600	27,600
Gain (loss) on disposal of tangible capital assets	-	-	-	-	(1,243)	(24,971)	-	(26,214)
ANNUAL SURPLUS	<u>\$ 10,555,623</u>	<u>\$ (3,312,585)</u>	<u>\$ (505,327)</u>	<u>\$ (260,627)</u>	<u>\$ (5,810,493)</u>	<u>\$ (514,022)</u>	<u>\$ (3,857,348)</u>	<u>\$ (3,704,779)</u>

1. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements of the Town of Olds (the "Town") are the representations of management prepared in accordance with Canadian public sector accounting standards. Significant aspects of the accounting policies adopted by the Town are as follows:

(a) Reporting Entity

The consolidated financial statements reflect the assets, liabilities, revenues, expenses, and change in net financial assets and cash flows of the reporting entity. The entity is comprised of 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.

Interdepartmental and inter-organizational transactions and balances between these entities and organizations are eliminated.

The schedule of taxes levied also includes requisitions for education and seniors foundations that are not part of the municipal reporting entity.

The 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 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 and 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.

(c) Land Held for Resale

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

(d) Investments

Investments are recorded at amortized cost. When there has been a loss in value that is other than a temporary decline, the investment is written down to recognize the loss.

The investment in Olds Fibre Ltd. is accounted for using the modified equity basis consistent with the Canadian public sector accounting standards for government business enterprises. Under the modified equity basis, entire business enterprise is not consolidated, its accounting policies are not adjusted to conform with those of the Town and the inter-organizational transactions and balances are not eliminated.

1. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(e) *Asset retirement obligations*

Asset retirement obligations are legal obligations associated with the retirement tangible capital assets. Asset retirement activities include all activities related to an asset retirement obligation. These may include, but are not limited to:

- Decommissioning or dismantling a tangible capital asset that was acquired, constructed or developed;
- Remediation of contamination of a tangible capital asset created by its normal use;
- Post-retirement activities such as monitoring; and
- Constructing other tangible capital assets to perform post-retirement activities.

Asset retirement obligations are initially measured at the later of the date of acquisition or legislative obligation. When a liability for an asset retirement obligation is recognized, the asset retirement costs are added to the carrying amount of the related tangible capital asset in productive use and are amortized over the estimated useful life of the related tangible capital asset. Asset retirement costs related to unrecognized tangible capital assets or for tangible capital assets no longer in productive use are expensed in the consolidated statement of operations.

When the future retirement date is unknown, the asset retirement obligation is measured at the current estimated cost to settle or otherwise extinguish the liability. When the future retirement date is known, a present value technique is used to measure the liability. Subsequent to the initial measurement, the asset retirement obligation is adjusted to reflect the passage of time and changes in the estimated future cash flows underlying the obligation and is recognized as an accretion expense in the consolidated statement of operations.

(f) *Tax Revenue*

Property tax revenue is based on assessments determined in accordance with the *Municipal Government Act*. Tax mill rates are established annually. Taxation revenues are recorded at the time tax billings are issued. Assessments are subject to appeal.

Construction and borrowing costs associated with local improvement projects are recovered through annual special property assessments during the period of the related borrowing. These levies are collectible from property owners for work performed by the Town. Under the accrual basis of accounting, revenues to be received from local improvement assessments are recognized in full in the period the local improvement project costs are incurred and the passing of the related imposition by-law.

(g) *Use of Estimates*

The preparation of consolidated financial statements in conformity with Canadian public sector accounting standards 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 consolidated financial statements, and the reported amounts of revenue and expenditure during the period. Where management uncertainty exists, the consolidated financial statements have been prepared within reasonable limits of materiality. Actual results could differ from those estimates.

Accounts receivable are stated after evaluation as to their collectibility and an appropriate allowance for doubtful accounts is provided where considered necessary. The amounts recorded for valuation of tangible capital assets, the useful lives and related amortization of tangible capital assets, future cash flows associated with asset retirement obligations, and accrued liabilities are areas where management makes significant estimates and assumptions in determining the amounts to be recorded in the consolidated financial statements.

(CONT'D)

1. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**(h) Government Transfers**

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

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

(i) Requisition Over-Levies and Under-Levies

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

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

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

(j) Pension Expenses

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

(k) Valuation of financial assets and liabilities

The Town's financial assets and liabilities are generally measured as follows:

<u>Financial Statement Component</u>	<u>Measurement</u>
Cash	Cost
Receivables	Lower of cost and net realizable value
Investments	Amortized cost
Accounts payable and accrued liabilities	Cost
Employee benefit obligations	Cost
Long-term debt	Amortized cost

All financial assets are annually assessed for impairment. If an impairment deemed other-than-temporary is identified, the cost of the financial asset is written down to its realizable value. Any impairment losses are included in the consolidated statement of operations and accumulated surplus. A write-down of a financial asset to reflect a loss in value is not reversed for a subsequent increase in value.

For financial assets and liabilities measured using amortized cost, the effective interest rate method is used to determine interest revenue or expense. Transaction costs are expensed as they are incurred.

1. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**(l) 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 revenues over expenses, provides the consolidated change in net financial assets for the year.

i) Tangible Capital Assets

Tangible capital assets are recorded at cost which includes all amounts that are directly attributable to the acquisition, construction, development or betterment of the asset. Contributed assets are capitalized and are recorded at their estimated fair value upon acquisition and are also recorded as revenue. Construction in progress represents assets which are not available for productive use and therefore are not subject to amortization. The cost, less residual value, of tangible capital assets is amortized on a straight-line basis over the estimated useful life as follows:

Land Improvements	15 - 25 years
Buildings	25 - 50 years
Engineered Structures	15 - 75 years
Machinery and Equipment	5 - 20 years
Vehicles	10 - 25 years

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) Inventory for Consumption

Inventory held for consumption is recorded at the lower of cost and replacement cost with cost determined using the average cost method.

v) Cultural and Historical Tangible Capital Assets

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

(n) Adoption of Accounting Standards

Effective January 1, 2022, the Town adopted PS3450 Financial Instruments standard and corresponding standards of PS2601 Foreign Currency Translation, PS1201 Financial Statement Presentation and PS3041 Portfolio Investments. The Town used prospective application to adopt these standards. As a result, 2022 comparative figures are not restated. There was no current year implications of adopting these standards.

The Town also adopted PS3280 Asset Retirement Obligations standard, using the modified retroactive approach with restatement of prior year comparatives.

(CONT'D)

1. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(o) Future Accounting Standard Pronouncements

The following summarizes upcoming changes to the Canadian public sector accounting standards. The Town will continue to assess the impact and prepare for the adoption of these standards.

i) Public Private Partnerships

PS 3160, Public Private Partnerships, establishes standards on how to account for public private partnership arrangements (recognition of infrastructure assets and the corresponding liability to the private partnership) along with the disclosure and presentation requirements. This standard is applicable to fiscal years beginning on or after April 1, 2023.

ii) Revenue

PS 3400, Revenue, establishes standards on how to account for and report revenue differentiating between revenue arising from transactions that include performance obligations and transactions that do not. This standard is applicable to fiscal years beginning on or after April 1, 2023.

iii) Purchased Intangible Assets

PSG-8, Purchased Intangible Assets, provides guidance regarding the recognition, measurement, and disclosure of purchased intangible assets in relation to the conceptual framework for financial reporting in the public sector. This guideline is applicable to fiscal years beginning on or after April 1, 2023.

iv) Financial Statement Presentation

PS 1202, Financial Statement Presentation, sets out general and specific requirements for the presentation of information in general purpose financial statements. The financial statement principles are based on the concepts in the Conceptual Framework for Financial Reporting in the Public Sector. This standard is applicable to fiscal years beginning on or after April 1, 2026.

2. TAXES AND GRANTS IN PLACE OF TAXES RECEIVABLE

	<u>2023</u>	<u>2022</u>
Taxes and grants in place of taxes		
Current taxes	\$ 357,510	\$ 719,665
Arrears taxes	<u>302,521</u>	<u>473,357</u>
	<u>\$ 660,031</u>	<u>\$ 1,193,022</u>

3. TRADE AND OTHER RECEIVABLES

	<u>2023</u>	<u>2022</u>
Trade and other	\$ 5,823,633	\$ 5,532,645
Receivable from other governments	1,444,597	2,187,168
Receivable from other governments - GST	<u>257,334</u>	<u>191,860</u>
	7,525,564	7,911,673
Less: Allowance for doubtful accounts	<u>(9,196)</u>	<u>(9,196)</u>
	<u>\$ 7,516,368</u>	<u>\$ 7,902,477</u>

TOWN OF OLDS
Notes to Consolidated Financial Statements
Year Ended December 31, 2023

4. LOAN RECEIVABLE

	<u>2023</u>	<u>2022</u>
Olds Fibre Ltd.	\$ <u>14,085,556</u>	\$ <u>14,486,166</u>

Principal repayments are due as follows:

	<u>Principal</u>
2024	\$ 442,148
2025	442,148
2026	442,148
2027	442,148
2028	442,148
Thereafter	<u>11,874,816</u>
	<u>\$ 14,085,556</u>

In prior years, Olds Institute for Community and Regional Development ("OICRD") was granted a loan to fund the installation of fibre optics with the Town boundaries in order to provide high speed internet service for residents and businesses.

During 2020, the Town issued demand for payment and unlimited guarantee on the loan with OICRD. As a result of the demand for payment, the Town entered into a forbearance agreement with OICRD and Olds Fibre Ltd. (guarantor of the loan).

During 2021, the Court granted an order approving the credit bid of the Town of Olds to purchase all of the assets of OICRD, which included the share of Olds Fibre Ltd. Council approved a motion to structure the transfer of assets of Olds Fibre Ltd. as a loan. The resulting Promissory Note due from Olds Fibre Ltd. is repayable in semi annual payments of \$442,148 including interest at 3.362% over a 25 year amortization period ending in 2046.

5. INVESTMENTS

	<u>2023</u>	<u>2022</u>
Guaranteed investment certificates	\$ 680,000	\$ 6,080,000
Investment in Olds Fibre Ltd. (Note 22)	<u>1</u>	<u>1</u>
	<u>\$ 680,001</u>	<u>\$ 6,080,001</u>

The guaranteed investment certificates have interest rates ranging from 2.40% to 5.11% (2022 - 2.40% to 3.84%) with maturity dates from January 2024 to February 2024 (2022 - February 2023 to January 2024).

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	<u>2023</u>	<u>2022</u>
Trade	\$ 3,479,718	\$ 2,682,510
Benefits and source deductions payable	458,245	422,872
Accrued interest payable	<u>185,744</u>	<u>197,946</u>
	<u>\$ 4,123,707</u>	<u>\$ 3,303,328</u>

TOWN OF OLDS**Notes to Consolidated Financial Statements****Year Ended December 31, 2023****7. DEPOSIT LIABILITIES**

	<u>2023</u>	<u>2022</u>
Development deposits	\$ 396,650	\$ 710,270
Utility deposits	133,500	97,500
Water deposits	<u>7,505</u>	<u>9,005</u>
	<u>\$ 537,655</u>	<u>\$ 816,775</u>

8. DEFERRED REVENUE

Deferred revenue consists of the following amounts, which have been restricted by third parties for a specified purpose. These amounts are recognized as revenue in the period in which the related expenditures are incurred.

	<u>2022</u>	<u>Additions</u>	<u>Revenue Recognized</u>	<u>2023</u>
Municipal Sustainability Initiative	\$ 2,032,888	\$ 1,017,024	\$ (2,440,969)	\$ 608,943
Canada Community Building Fund	422,507	574,933	(375,473)	621,967
Other	126,226	89,304	(107,709)	107,821
Community and Regional Economic Support ("CARES")	62,007	-	(62,007)	-
New Police Officers grant	25,000	-	-	25,000
Alberta Community Partnership	<u>-</u>	<u>150,000</u>	<u>(47,130)</u>	<u>102,870</u>
	<u>\$ 2,668,628</u>	<u>\$ 1,831,261</u>	<u>\$ (3,033,288)</u>	<u>\$ 1,466,601</u>

9. EMPLOYEE BENEFIT OBLIGATIONS

	<u>2023</u>	<u>2022</u>
Vacation payable	\$ 267,037	\$ 235,558
Overtime payable	<u>26,195</u>	<u>39,339</u>
	<u>\$ 293,232</u>	<u>\$ 274,897</u>

The vacation and overtime liability is comprised of the vacation and overtime that employees are deferring. Employees have either earned the benefits (and are vested) or are entitled to these benefits within the next budgetary year. The Town does not provide post-employment benefits to their employees.

TOWN OF OLDS

Notes to Consolidated Financial Statements

Year Ended December 31, 2023

10. ASSET RETIREMENT OBLIGATIONS

Tangible capital assets with associated retirement obligations include land, land improvements, buildings, engineered structures, and machinery and equipment.

The Town has asset retirement obligations to remove various hazardous materials including, asbestos, lead, mercury, and mold from various buildings under its control. Regulations require the Town to handle and dispose of these materials in a prescribed manner when it is disturbed, such as when the building undergoes renovations or is demolished. Although the timing of the removal is conditional on the building undergoing renovations or being demolished, regulations create an existing obligation for the Town to remove the materials when the asset retirement activities occur.

The Town has asset retirement obligations pursuant to the *Environmental Enhancement and Protection Act* (Alberta) to fund the future reclamation of its work sites. Reclamation activities include the final soil cover, landscaping, and visual inspection. Although, the timing of the work site reclamation is conditional on the length of time until the site is expected to be inactive, regulations create an existing obligation for the Town to reclaim the work site when the asset retirement activity occur.

	<u>2023</u>	<u>2022</u>
Balance, Beginning of Year	\$ 120,335	\$ 116,412
Net Change for the Year		
Accretion expense	<u>4,055</u>	<u>3,923</u>
Balance, End of Year	\$ <u>124,390</u>	\$ <u>120,335</u>

Asset retirement obligations of \$124,390 (2022 - \$120,335) measured using a present value technique. The present value was calculated using estimated total undiscounted cash flow amounting to \$259,085 (2022 - \$259,085), a discount rate of 3.37% (2022 - 3.37%), an annual inflation of 3.65% (2022 - 3.65%), with retirement and reclamation activities expected to be settled between 2030 and 2054.

The above asset retirement obligations relate to buildings. These obligations were estimated based on the potential for hazardous materials in the identified buildings and calculated by applying an average rate per square footage to remove, remediate, or appropriately dispose of the hazardous materials.

In addition, the Town has identified land and sewage lagoons which contain legal obligations for remediation. The Town is unable to reasonably estimate when these assets will be retired and what costs will be incurred to retire these assets at this time.

The reported liabilities are based on estimates and assumptions using the best information available as at the end of the reporting period. Future events, such as changes in regulatory requirements, may result in significant changes to the estimated total liabilities and will be recognized prospectively, as a change in estimate, when applicable.

TOWN OF OLDS**Notes to Consolidated Financial Statements****Year Ended December 31, 2023****11. LONG-TERM DEBT**

	<u>2023</u>	<u>2022</u>
Tax supported debentures	\$ 12,548,469	\$ 13,174,037
Loan repayment debenture - OFL	9,296,958	9,629,839
Utility supported debentures	<u>6,198,374</u>	<u>6,541,051</u>
	<u>\$ 28,043,801</u>	<u>\$ 29,344,927</u>

The current portion of the long-term debt amounts to \$1,156,396 (2022 - \$1,301,127).

Principal and interest repayments:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 1,156,396	\$ 855,103	\$ 2,011,499
2025	1,195,746	815,753	2,011,499
2026	1,236,532	774,967	2,011,499
2027	1,152,527	732,688	1,885,215
2028	1,188,721	696,494	1,885,215
Thereafter	<u>22,113,879</u>	<u>5,889,146</u>	<u>28,003,025</u>
	<u>\$ 28,043,801</u>	<u>\$ 9,764,151</u>	<u>\$ 37,807,952</u>

Debenture debt is repayable to the Province of Alberta bearing interest at rates ranging from 2.60% - 6.25% per annum maturing in the year 2026 through 2050.

Debenture debt is issued on the credit and security of the Town at large.

Interest on long-term debt amounted to \$891,146 (2022 - \$939,092). The Town's total cash payments for interest is \$582,367 (2022 - \$642,445).

TOWN OF OLDS**Notes to Consolidated Financial Statements****Year Ended December 31, 2023****12. ACCUMULATED SURPLUS**

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

	<u>2023</u>	<u>2022</u> (Restated) (Note 26)
Unrestricted surplus	\$ 5,682,769	\$ 5,572,205
Internally restricted reserves (Note 13)	7,998,000	8,801,797
Equity in tangible capital assets	<u>80,695,969</u>	<u>77,898,461</u>
	<u>\$ 94,376,738</u>	<u>\$ 92,272,463</u>

13. RESERVES

Council has recorded reserves for various purposes. These reserves are either required by legislation or was recorded at the discretion of Council to provide funding for future expenses.

	<u>2023</u>	<u>2022</u>
Operating		
General	\$ 1,443,095	\$ 1,556,965
Tax stabilization fund	316,245	300,459
Utilities	5,141	195,691
Mountain view power	162,473	55,915
Fire reserve	56,957	54,114
NU2U	-	38,949
Olds fashioned Christmas	<u>22,642</u>	<u>21,512</u>
	<u>2,006,553</u>	<u>2,223,605</u>
Capital		
Building reserve	1,966,136	2,126,238
Utility reserve	1,054,456	1,605,869
Offsite levies - transportation	1,011,967	963,771
Offsite levies - water	610,922	581,426
Offsite levies - wastewater	456,731	432,295
Offsite levies - storm water	370,146	349,982
Municipal reserve	331,996	315,423
Restricted reserves for specific purposes	75,802	72,018
General	94,095	112,931
Fire - small equipment	<u>19,196</u>	<u>18,239</u>
	<u>5,991,447</u>	<u>6,578,192</u>
	<u>\$ 7,998,000</u>	<u>\$ 8,801,797</u>

14. LINE OF CREDIT

The Town has a credit facility with Alberta Treasury Branch, which includes an authorized overdraft that can be drawn upon to a maximum of \$500,000; which bears interest at prime plus 1% per annum. As at December 31, 2023, no amounts had been drawn on the bank overdraft (2022 - \$NIL).

TOWN OF OLDS

Notes to Consolidated Financial Statements

Year Ended December 31, 2023

15. GUARANTEES

The Town has guaranteed a line of credit up to \$4,000,000 for the Olds Institute for Community and Regional Development. As at December 31, 2023, \$3,679,298 had been drawn on the line of credit (2022 - \$2,883,260).

The Town has guaranteed a line of credit up to \$600,000 for Mountain View Power. As at December 31, 2023, \$NIL had been drawn on the line of credit (2022 - \$NIL).

16. DEBT LIMITS

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

	<u>2023</u>	<u>2022</u>
Total debt limit	\$ 41,378,001	\$ 38,959,901
Total debt	<u>31,723,099</u>	<u>32,228,187</u>
Amount of total debt limit unused	\$ <u>9,654,902</u>	\$ <u>6,731,714</u>
Debt servicing limit	\$ 6,896,334	\$ 6,493,317
Debt servicing	<u>2,011,499</u>	<u>2,204,475</u>
Amount of debt servicing limit unused	\$ <u>4,884,835</u>	\$ <u>4,288,842</u>

The debt limit is calculated at 1.50 times revenue of the Town (as defined in the Alberta Regulation 255/2000) and the debt service limit is calculated as 0.25 times such revenue. Incurring debt beyond these limitations requires approval by the Minister of Municipal Affairs. These thresholds are a conservative guideline used by Alberta Municipal Affairs to identify municipalities that could be at a financial risk if further debt is acquired. The calculation taken alone does not represent the financial stability of the Town. Rather, the consolidated financial statements must be interpreted as a whole.

The total debt of 31,723,099 (2022 - \$32,228,187). includes the principal balance of the loan guarantee, \$3,679,298 ((2022 - \$2,883,260) for the Olds Institute for Community and Regional Development, as disclosed in Note 15.

TOWN OF OLDS**Notes to Consolidated Financial Statements****Year Ended December 31, 2023****17. SALARIES AND BENEFITS DISCLOSURE**

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

	<u>Salary (1)</u>	<u>Benefits and Allowances (2)</u>	<u>2023 Total</u>	<u>2022 Total</u>
Elected Officials:				
Mayor Dahl	\$ 58,486	\$ 6,097	\$ 64,583	\$ 66,241
Councillor Blatz	37,175	7,989	45,164	46,262
Councillor Cummings	36,125	7,927	44,052	49,656
Councillor Daley	37,719	4,776	42,495	42,158
Councillor Ryan	35,025	7,879	42,904	44,090
Councillor Walsh	31,150	4,899	36,049	38,024
Councillor Wilson	34,950	7,875	42,825	48,741
	<u>\$ 270,630</u>	<u>\$ 47,442</u>	<u>\$ 318,072</u>	<u>\$ 335,172</u>
Chief Administrative Officer (3)	<u>\$ 208,234</u>	<u>\$ 60,369</u>	<u>\$ 268,603</u>	<u>\$ 263,947</u>

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

(2) 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 figures 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.

(3) The 2022 figure includes the former and current Chief Administrative Officer's salaries and benefits.

TOWN OF OLDS

Notes to Consolidated Financial Statements

Year Ended December 31, 2023

18. COMMITMENTS

The Town has entered into operating leases for vehicles and equipment. The payments over the next two years are as follows:

2024	\$ 61,472
2025	<u>33,627</u>
Total	<u>\$ 95,099</u>

19. LOCAL AUTHORITIES PENSION PLAN

Employees of the Town participate in the Local Authorities Pension Plan (LAPP), which is covered by the *Public Sector Pension Plans Act*. LAPP is financed by employer and employee contributions and investment earnings of the LAPP Fund.

The Town is required to make current service contributions to the Plan of 8.45% (2022 - 8.45%) of pensionable earnings up to the Canada Pension Plan year's maximum pensionable earnings and 12.23% (2022 - 12.80%) for the excess. Employees of the Town are required to make current service contributions of 7.45% (2022 - 7.45%) of pensionable earnings up to the year's maximum pensionable earnings and 11.23% (2022 - 11.80%) on pensionable earnings above this amount.

Total current and past service contributions made by the Town to the LAPP in 2023 were \$481,991 (2022 - \$433,361). Total current and past service contributions made by the employees of the Town to the LAPP in 2023 were \$426,588 (2022 - \$386,825).

At December 31, 2022, the LAPP disclosed an actuarial surplus of \$12.67 billion (2021 - \$11.92 billion).

20. FINANCIAL INSTRUMENTS

The Town's financial instruments consist of cash and temporary investments, accounts receivable, investments, accounts payable and accrued liabilities, deposit liabilities, debt recoverable local improvements and long-term debt. It is management's opinion that the Town is not exposed to significant interest, currency or credit risk arising from these financial instruments.

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 customers minimizes the Town's credit risk.

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

21. SEGMENTED INFORMATION

The Town provides a range of services to its residents. For each reported 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 consolidated financial statements as disclosed in Note 1. For additional information see the Consolidated Schedules of Segmented Information.

TOWN OF OLDS**Notes to Consolidated Financial Statements****Year Ended December 31, 2023**

22. INVESTMENT IN OLDS FIBRE LTD.

As of October 1, 2021, the Town owns 100% of the shares of Olds Fibre Ltd. (OFL) and the investment is recorded on the modified equity basis of accounting since OFL is a Government Business Enterprise.

The following is a summary of condensed financial information related to the Town's proportionate share in OFL for the year ended December 31, 2023.

FINANCIAL POSITION

	<u>2023</u>	<u>2022</u> (Restated)
ASSETS		
Investments	20,000	20,596
Trade and other receivables	444,560	755,738
Inventory	504,478	212,063
Prepaid expense	<u>149,546</u>	<u>97,451</u>
	<u>1,118,584</u>	<u>1,085,848</u>
NON-CURRENT ASSETS		
Other financial assets	24,424	24,424
Deferred income tax asset	1,357,633	1,225,658
Property, plant and equipment	<u>7,662,832</u>	<u>8,189,640</u>
	<u>9,044,889</u>	<u>9,439,722</u>
TOTAL ASSETS	<u>10,163,473</u>	<u>10,525,570</u>
LIABILITIES		
Bank indebtedness	3,681,428	2,895,302
Accounts payable and accrued liabilities	212,578	246,769
Goods and service tax payable	38,551	41,106
Current portion of lease liabilities	14,275	7,369
Current portion of borrowings	<u>444,192</u>	<u>430,610</u>
	<u>4,391,024</u>	<u>3,621,156</u>
NON-CURRENT LIABILITIES		
Lease liabilities	13,666	10,898
Borrowings	<u>13,671,363</u>	<u>14,085,555</u>
	<u>13,685,029</u>	<u>14,096,453</u>
TOTAL LIABILITIES	<u>18,076,053</u>	<u>17,717,609</u>
DEFICIT	<u>\$ (7,912,580)</u>	<u>\$ (7,192,039)</u>

(CONT'D)

TOWN OF OLDS
Notes to Consolidated Financial Statements
Year Ended December 31, 2023

22. INVESTMENT IN OLDS FIBRE LTD. (CONT'D)

RESULTS OF OPERATIONS:

	<u>2023</u>	<u>2022</u> (Restated)
SALES	\$ 4,053,332	\$ 4,323,442
COST OF SALES	<u>(1,323,174)</u>	<u>(1,361,901)</u>
GROSS PROFIT	<u>2,730,158</u>	<u>2,961,541</u>
EXPENSES		
Salaries, wages and benefits	1,254,932	1,098,195
Depreciation of property, plant, and equipment	1,062,339	1,096,449
Interest on borrowings	479,052	497,995
Interest on bank overdraft	222,121	133,166
Rent	166,503	99,852
Office and administration	160,031	211,138
All other	<u>248,322</u>	<u>264,549</u>
	<u>3,593,300</u>	<u>3,401,344</u>
OPERATING PROFIT (LOSS)	<u>(863,142)</u>	<u>(439,803)</u>
OTHER INCOME		
Other income	10,313	37,654
Finance income	<u>314</u>	<u>124</u>
	10,627	37,778
PROFIT (LOSS) BEFORE INCOME TAXES	<u><u>\$ (852,515)</u></u>	<u><u>\$ (402,025)</u></u>
INCOME TAXES		
Deferred tax expense (recovery)	<u><u>\$ (131,974)</u></u>	<u><u>\$ (65,833)</u></u>
PROFIT (LOSS) FROM CONTINUING OPERATIONS	\$ (720,541)	\$ (336,192)
Profit from discontinued operations	<u>-</u>	<u>47,339</u>
TOTAL COMPREHENSIVE INCOME (LOSS)	<u><u>\$ (720,541)</u></u>	<u><u>\$ (288,853)</u></u>

TOWN OF OLDS

Notes to Consolidated Financial Statements

Year Ended December 31, 2023

23. BUDGET

The budget figures presented in these consolidated financial statements are based on the budget approved by the Town's council on December 12, 2022 and include the Town's proportionate share of the Olds Fibre Ltd.'s budget. The Town compiles a budget on a modified accrual basis. The reconciliation below adjusts excess revenue over expenses to align with the budget process. It should not be used as a replacement for the statement of operations and accumulated surplus. Users should note that this information may not be appropriate for their purposes.

	<u>2023</u> (Budget)	<u>2023</u> (Actual)	<u>2022</u> (Actual)
Annual surplus	7,227,208	2,104,275	(3,732,379)
Add back (deduct):			
Amortization expense	\$ 463,100	\$ 4,417,910	\$ 4,205,960
Net transfers (to) from reserves	598,795	(803,797)	(884,748)
Acquisition of tangible capital assets	(8,279,103)	(6,383,223)	(814,366)
Loss (gain) on disposal of tangible capital assets	(10,000)	80,953	26,214
Proceeds on tangible capital assets	-	51,042	9,151
Contributed assets	-	-	-
Principal debt repayments	-	(1,301,127)	(1,378,870)
Levied portion of debt recoverable - local improvements	-	-	-
Operating surplus	<u>\$ -</u>	<u>\$ (1,833,967)</u>	<u>\$ (2,569,038)</u>

24. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

These consolidated financial statements were approved by Council and Management.

25. CONTINGENCY

The Town is a member of the Alberta Municipal Insurance Exchange (the "Exchange"). 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.

26. RESTATEMENT

(a) PS 3280 - Asset Retirement Obligations

Effective January 1, 2023, the Town adopted Canadian public sector accounting standard 3280, *Asset Retirement Obligations*, and applied the standard using the modified retroactive approach with restatement of prior year comparative information.

On January 1, 2022, the Town recognized the following to conform to the new standard:

- Asset retirement obligation, adjusted for accumulated accretion to the effective date;
- Asset retirement cost capitalized as an increase to the carrying amount of the related tangible capital assets in productive use;
- Accumulated amortization on the capitalized cost; and
- Adjustment to the opening balance of accumulated surplus.

(CONT'D)

TOWN OF OLDS

Notes to Consolidated Financial Statements

Year Ended December 31, 2023

26. RESTATEMENT (CONT'D)

(b) PS 3210 - Assets

Section 3210 of the Public Sector Accounting Standards ("PSAS") outlines that an asset is a present economic resource controlled by the public sector entity to which future economic benefit is expected to be obtained. The Town had previously recorded tangible capital assets that they did not have ownership of or the expectation of future economic benefit. These assets were incorrectly capitalized and depreciated in the fiscal year ended December 31, 2022. To adhere to the Public Sector Accounting Standards, the Town has restated the prior years balances for tangible capital assets, amortization expense, and related statements.

The above changes have been applied retroactively and the 2022 comparative figures have been restated as follows:

	2022 <u>Unadjusted</u>	<u>Adjustments</u>	2022 <u>Restated</u>
Statement of Operations			
Revenues	\$ 28,536,131	\$ -	\$ 28,536,131
Expenses	<u>(28,560,145)</u>	<u>(3,708,365)</u>	<u>(32,268,510)</u>
Annual Surplus / (Deficit)	<u>(24,014)</u>	<u>(3,708,365)</u>	<u>(3,732,379)</u>
Accumulated Surplus, Beginning of Year	96,103,418	(98,576)	96,004,842
Accumulated Surplus, End of Year	<u>96,079,404</u>	<u>(3,806,941)</u>	<u>92,272,463</u>
Statement of Financial Position			
Financial Assets	31,029,868	-	31,029,868
Liabilities	<u>(36,408,555)</u>	<u>(120,336)</u>	<u>(36,528,891)</u>
Net Financial Debt	<u>(5,378,687)</u>	<u>(120,336)</u>	<u>(5,499,023)</u>
Non-Financial Assets	<u>101,458,091</u>	<u>(3,685,771)</u>	<u>97,772,320</u>
Accumulated Surplus	<u>96,079,404</u>	<u>(3,806,107)</u>	<u>92,273,297</u>
Statement of Changes in Net Financial Debt			
Annual Surplus / (Deficit)	(24,014)	(3,708,365)	(3,732,379)
Acquisition of Tangible Capital Assets	(4,612,937)	3,798,571	(814,366)
Proceeds on disposal of tangible capital assets	9,151	-	9,151
Amortization of tangible capital assets	4,300,089	(94,129)	4,205,960
Loss on disposal of tangible capital assets	26,214	-	26,214
Net change in prepaid expenses	<u>6,397</u>	<u>-</u>	<u>6,397</u>
Change in Net Financial Assets	<u>(295,100)</u>	<u>(3,923)</u>	<u>(299,023)</u>
Net Financial Debt, Beginning of Year	<u>(5,083,587)</u>	<u>(116,413)</u>	<u>(5,200,000)</u>
Net Financial Debt, End of Year	<u>\$ (5,378,687)</u>	<u>\$ (120,336)</u>	<u>\$ (5,499,023)</u>