

Town of McLennan
Consolidated Financial Statements
December 31, 2020

Town of McLennan

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MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

Management of the Town of McLennan is responsible for the preparation, accuracy, objectivity and integrity of the accompanying consolidated financial statements and all other information contained within this Financial Report. Management believes that the consolidated financial statements present fairly the Town of McLennan's financial position as at December 31, 2020 and the results of its operations for the year then ended.

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

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

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

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

The Town of McLennan Council carries out its responsibilities for review of the consolidated financial statements principally through its meeting with management. This Council meets with management and the external auditors to discuss the results of audit examinations and financial reporting matters.

The external auditors have full access to the Council with and without the presence of management. The Town of McLennan Council has approved the consolidated financial statements.

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

Lorraine Willier

Chief Administrative Officer

Allan J. Grykuliak, CPA, CA*
Scott T. Mockford, CPA, CA*
Allen Lee, CPA, CMA*
Jason Bondarevich, CPA, CA*
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INDEPENDENT AUDITOR'S REPORT

To the Members of Council

Opinion

We have audited the consolidated financial statements of the **Town of McLennan**, which comprise the consolidated statement of financial position as at December 31, 2020, and the results of its operations, changes in its net financial assets and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Town of McLennan as at December 31, 2020, the results of its operations, changes in its net financial assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

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

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than from one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

INDEPENDENT AUDITOR'S REPORT - continued

- 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 Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Other Matter

The financial statements of the **Town of McLennan** for the year ended December 31, 2019, were audited by another accounting firm who expressed an unqualified opinion on those financial statements on April 14, 2020.

Report on Other Legal and Regulatory Requirements

Debt Limit Regulation

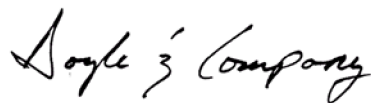
In accordance with Alberta Regulation 255/2000, we confirm that the municipality is in compliance with the Debt Limit Regulation, A detailed account of the Entity's debt limit can be found in note 9.

Supplementary Accounting Principles and Standards Regulation

In accordance with Alberta Regulation 313/2000, we confirm that the municipality is in compliance with the Supplementary Accounting Principles and Standards Regulation and note the information required can be found in note 14.

The engagement partner on the audit resulting in this independent auditor's report is Allen Lee, CPA, CMA.

Edmonton, Alberta
April 20, 2021



Chartered Professional Accountants

Town of McLennan
Consolidated Statement of Financial Position
As at December 31, 2020

	2020	2019
	\$	\$
FINANCIAL ASSETS		
Cash and temporary investments (Note 2)	1,196,217	954,836
Receivables		
Taxes and grants in place of taxes (Note 4)	590,781	711,209
Trade and other receivables (Note 4)	759,169	345,358
Land held for resale	44,694	44,694
Investments (Note 5)	1,469	1,469
Other financial assets	-	892
	2,592,330	2,058,458
LIABILITIES		
Accounts payable and accrued liabilities (Note 15)	76,816	90,731
Deposit liabilities	25,834	24,749
Deferred revenue (Note 6)	852,233	415,575
Employee benefit obligation (Note 7)	13,731	7,652
Long-term liabilities (Note 8)	177,199	199,757
	1,145,813	738,464
NET FINANCIAL ASSETS	1,446,517	1,319,994
NON-FINANCIAL ASSETS		
Tangible capital assets (Schedule 2)	5,677,859	5,867,147
Inventory for consumption	25,380	25,380
Prepaid expenses	60,633	52,897
	5,763,872	5,945,424
ACCUMULATED SURPLUS (Schedule 1 , Note 12)	7,210,389	7,265,418

Contingencies - Note 18

Significant Event - Note 20

Town of McLennan
Consolidated Statement of Operations
For the year ended December 31, 2020

	2020 Budget (Unaudited) \$	2020 Actual \$	2019 Actual \$
REVENUE			
Net municipal taxes (Schedule 3)	768,567	900,557	1,003,103
User fees and sales of goods	505,500	524,722	516,731
Government transfers for operating (Schedule 4)	93,278	244,244	196,303
Franchise and concessions contracts	51,000	53,264	52,603
Investment income	18,000	10,715	26,477
Licenses, permits and fines	4,200	3,485	3,875
Penalties and costs of taxes	50,000	49,394	68,290
Rentals	71,640	72,321	54,355
Other	163,100	126,067	16,853
	1,725,285	1,984,769	1,938,590
EXPENSES			
Legislative	34,000	28,599	29,624
Administration	574,000	525,224	482,491
Fire fighting and protective services	44,400	48,654	50,048
By-laws enforcement	14,900	6,897	8,621
Roads, streets, walks, lighting	437,300	624,574	614,617
Airport	29,735	29,811	15,980
Water supply and distribution	305,750	337,986	520,601
Wastewater treatment and disposal	55,400	63,731	77,631
Waste management	100,500	98,330	93,465
Family and community support	12,100	12,120	12,120
Cemeteries	10,500	11,349	10,761
Physician recruitment and retention	3,100	5,213	4,551
Economic development and community services	24,100	68,710	63,869
Land, housing and building rentals	41,700	20,969	15,664
Parks and recreation	136,800	118,105	187,942
Culture	46,800	39,526	43,509
	1,871,085	2,039,798	2,231,494
EXCESS (SHORTFALL) OF REVENUE OVER EXPENSES	(145,800)	(55,029)	(292,904)
ACCUMULATED SURPLUS, BEGINNING OF YEAR		7,265,418	7,558,322
ACCUMULATED SURPLUS, END OF YEAR		7,210,389	7,265,418

The accompanying notes form part of these financial statements

Town of McLennan
Consolidated Statement of Change in Net Financial Assets
For the year ended December 31, 2020

	2020 Budget (Unaudited) \$	2020 Actual \$	2019 Actual \$
EXCESS (SHORTFALL) OF REVENUES OVER EXPENSES	(145,800)	(55,029)	(292,904)
Acquisition of tangible capital assets	-	(124,366)	(655,050)
Amortization of tangible capital assets	-	313,654	342,192
	-	189,288	(312,858)
Acquisition of supplies inventories	-	-	(105,877)
Acquisition of prepaid assets	-	-	(62,687)
Use of supplies inventories	-	-	107,875
Use of prepaid assets	-	(7,736)	59,333
	-	(7,736)	(1,356)
INCREASE (DECREASE) IN NET ASSETS	(145,800)	126,523	(607,118)
NET FINANCIAL ASSETS , BEGINNING OF YEAR	-	1,319,994	1,927,112
NET FINANCIAL ASSETS, END OF YEAR	-	1,446,517	1,319,994

The accompanying notes form part of these financial statements

Town of McLennan
Consolidated Statement of Cash Flows
For the year ended December 31, 2020

	2020	2019
	\$	\$
OPERATING		
Excess of revenue over expenditures	(55,029)	(292,904)
Non-cash items included in excess of revenue over expenses:		
Amortization of tangible capital assets	313,654	342,192
Non-cash charges to operations (net change):		
Decrease (increase) in taxes and grants in lieu receivables	120,428	(45,198)
Decrease (increase) in other governments receivables	-	22,889
Decrease (increase) in trade and other receivables	(413,811)	31,826
Decrease (increase) in other financial assets	892	(892)
Decrease (increase) in inventory for consumption	-	1,998
Decrease (increase) in prepaid expenses	(7,736)	(3,354)
Increase (decrease) in payables and accrued liabilities	(13,915)	(212,023)
Increase (decrease) in deposit liabilities	1,085	725
Increase (decrease) in deferred revenue	436,658	308,009
Increase (decrease) in employee benefit obligation	6,079	(371)
Cash provided by operating transactions	388,305	152,897
CAPITAL		
Acquisition of tangible capital assets	(124,366)	(655,050)
Cash applied to capital transactions	(124,366)	(655,050)
INVESTING		
Decrease (increase) in restricted cash or cash equivalents	30,197	(135,921)
Decrease (increase) in investments	-	13,961
Cash provided by (applied to) investing transactions	30,197	(121,960)
FINANCING		
Long-term liabilities repaid	(22,558)	(38,210)
Cash provided by (applied to) financing transactions	(22,558)	(38,210)
CHANGE IN CASH EQUIVALENTS DURING THE YEAR	271,578	(662,323)
CASH AND CASH EQUIVALENTS , BEGINNING OF YEAR	180,284	842,607
CASH AND CASH EQUIVALENTS, END OF YEAR	451,862	180,284
Cash and cash equivalents consist of:		
Cash and temporary investments (Note 2)	1,196,217	954,836
Less: restricted portion of cash and temporary investments (Note 2)	(744,355)	(774,552)
	451,862	180,284

The accompanying notes form part of these financial statements

Town of McLennan
Schedule of Changes in Accumulated Surplus - Schedule 1
For the year ended December 31, 2020

	Unrestricted Surplus	Restricted Surplus	Equity in Tangible Capital Assets	2020 \$	2019 \$
Balance, Beginning of Year	584,142	814,129	5,867,147	7,265,418	7,558,322
Excess (deficiency) of revenue over expenses	(55,029)	-	-	(55,029)	(292,904)
Current years funds used for tangible capital assets	(124,366)	-	124,366	-	-
Annual amortization expenses	313,654	-	(313,654)	-	-
Change in accumulated surplus	134,259	-	(189,288)	(55,029)	(292,904)
Balance, End of Year	718,401	814,129	5,677,859	7,210,389	7,265,418

The accompanying notes form part of these financial statements

Town of McLennan
Schedule of Tangible Capital Assets - Schedule 2
For the year ended December 31, 2020

	Land	Land Improvements	Buildings	Engineered Structures	Machinery and Equipment	Vehicles	2020 \$	2019 \$
COST:								
Balance, Beginning of Year	65,676	337,143	2,435,136	8,158,780	1,150,227	87,064	12,234,026	11,578,976
Acquisition of tangible capital assets	-	-	124,366	-	-	-	124,366	655,050
Construction-in-progress	-	-	-	-	-	-	-	-
Balance, End of Year	65,676	337,143	2,559,502	8,158,780	1,150,227	87,064	12,358,392	12,234,026
ACCUMULATED AMORTIZATION:								
Balance, Beginning of Year	-	198,174	1,289,119	4,105,785	695,537	78,264	6,366,879	6,024,687
Annual amortization	-	9,452	44,176	185,015	73,251	1,760	313,654	342,192
Balance, End of Year	-	207,626	1,333,295	4,290,800	768,788	80,024	6,680,533	6,366,879
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	65,676	129,517	1,226,207	3,867,980	381,439	7,040	5,677,859	5,867,147
2019 NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	65,676	138,969	1,146,017	4,052,995	454,690	8,800		5,867,147

The accompanying notes form part of these financial statements

Town of McLennan
Schedule of Property and Other Taxes - Schedule 3
For the year ended December 31, 2020

	2020 Budget (Unaudited) \$	2020 Actual \$	2019 Actual \$
TAXATION			
Real property taxes	824,395	898,739	1,047,027
Linear property taxes	-	43,588	42,965
Government grants in place of property taxes	48,000	84,621	31,811
Special assessments and local improvement taxes	31,000	7,854	9,978
	903,395	1,034,802	1,131,781
REQUISITIONS			
Alberta School Foundation Fund	78,811	78,359	78,811
Holy Family Catholic Regional Division No.37	42,676	42,813	42,676
Designated Industrial Property	110	-	111
Seniors Lodge	13,231	13,073	7,080
	134,828	134,245	128,678
NET MUNICIPAL TAXES	768,567	900,557	1,003,103

The accompanying notes form part of these financial statements

Town of McLennan
Schedule of Government Transfers - Schedule 4
For the year ended December 31, 2020

	2020 Budget (Unaudited) \$	2020 Actual \$	2019 Actual \$
TRANSFERS FOR OPERATING			
Federal Government - conditional	-	-	50,000
Provincial Government - conditional	92,778	241,644	135,433
Other Local Government	500	2,600	10,870
TOTAL GOVERNMENT TRANSFERS	93,278	244,244	196,303

Town of McLennan

Schedule of Consolidated Expenditures by Object - Schedule 5

For the year ended December 31, 2020

	2020 Budget (Unaudited) \$	2020 Actual \$	2019 Actual \$
CONSOLIDATED EXPENSES BY OBJECT			
Salaries, wages and benefits	671,500	640,654	699,788
Contracted and general services	519,835	563,362	686,030
Materials, goods, and utilities	567,700	313,485	343,227
Provision for allowance	20,000	139,059	40,257
Transfers to other governments	650	526	50,607
Transfers to local boards and agencies	41,600	39,670	39,189
Transfers to individuals and organizations	17,500	19,679	18,800
Bank charges and short-term interest	-	-	15
Interest on long-term debt	32,300	9,709	11,390
Amortization of tangible capital assets	-	313,654	342,191
TOTAL EXPENSES	1,871,085	2,039,798	2,231,494

The accompanying notes form part of these financial statements

Town of McLennan
Schedule of Segmented Disclosure - Schedule 6
For the year ended December 31, 2020

	General Government	Protective Services	Transportation Services	Environmental Services	Recreation & Culture	Other	2020 \$
REVENUE							
Net municipal taxes	892,703	-	-	7,854	-	-	900,557
User fees and sale of goods	3,619	4,008	-	514,255	2,630	210	524,722
Government transfers for operating	148,866	32,500	15,500	-	20,978	26,400	244,244
Penalties and costs on taxes	49,394	-	-	-	-	-	49,394
Franchises and concession contracts	53,264	-	-	-	-	-	53,264
Licenses, permits and fines	375	260	-	-	-	2,850	3,485
Investment income	10,715	-	-	-	-	-	10,715
Rentals	6,285	8,140	-	-	14,048	43,848	72,321
Other revenues and insurance claims	114,230	6,859	1,089	2,665	1,224	-	126,067
	1,279,451	51,767	16,589	524,774	38,880	73,308	1,984,769
EXPENSES							
Salaries, wages and benefits	253,934	-	256,546	92,227	37,947	-	640,654
Contracted and general services	130,375	27,274	73,581	140,152	28,992	65,204	465,578
Purchases from other governments	-	33,099	-	64,685	-	-	97,784
Materials, goods and utilities	12,250	7,115	135,532	100,954	42,936	10,123	308,910
Provision for allowance	139,059	-	-	-	-	-	139,059
Transfers to other governments	-	-	-	526	-	-	526
Transfers to local boards and agencies	-	-	15,980	-	-	23,690	39,670
Transfers to individuals and organizations	4,858	-	-	-	10,039	4,782	19,679
Interest on long-term debt (Note 8)	-	-	-	9,709	-	-	9,709
Other expenditures	4,574	-	-	-	-	-	4,574
Balance, End of Year	545,050	67,488	481,639	408,253	119,914	103,799	1,726,143
EXCESS (SHORTFALL) OF REVENUE							
BEFORE AMORTIZATION	734,401	(15,721)	(465,050)	116,521	(81,034)	(30,491)	258,626
Amortization	(11,438)	(1,895)	(158,915)	(89,115)	(37,717)	(14,575)	(313,655)
EXCESS (SHORTFALL) OF REVENUE	722,963	(17,616)	(623,965)	27,406	(118,751)	(45,066)	(55,029)

The accompanying notes form part of these financial statements

Town of McLennan
Notes to the Consolidated Financial Statements
December 31, 2020

DESCRIPTION OF OPERATIONS

The Town of McLennan is a local government authority providing municipal services. The Town is empowered through bylaws and policies approved by Council and pursuant to the Municipal Government Act.

1. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements of the Town of McLennan are the representations of management prepared in accordance with generally accepted accounting principles for local governments established by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada. Significant aspects of the accounting policies adopted by the Town of McLennan are as follows:

(a) Reporting Entity

The consolidated financial statements reflect the assets, liabilities, revenues and expenditures, changes in fund balances and changes in financial position of the reporting entity.

This entity is comprised of the municipal operations plus all of the organizations that are owned or controlled by the town and are, therefore, accountable to the town council for the administration of their financial affairs and resources. Included with the municipality are the following:

Smoky River Regional Committee (Note 16)

The schedule of taxes levied also includes requisitions for education, health, social and other external organizations 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 financial statements are prepared using the accrual basis of accounting. The accrual basis of accounting record revenue as it is earned and measurable. Expenses are recognized as they are incurred and measurable based upon receipt of goods or services and/or legal obligation to pay.

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

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

(c) Use of Estimates

The preparation of financial statements in conformity with Canadian public sector accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenditure during the period. Where measurement uncertainty exists, the financial statements have been prepared within reasonable limits of materiality. Actual results could differ from those estimates.

Town of McLennan
Notes to the Consolidated Financial Statements
December 31, 2020

1. SIGNIFICANT ACCOUNTING POLICIES - continued

(d) Cash and Cash Equivalents

Cash and cash equivalents consist of bank deposits and savings accounts with a term of three months or less.

(e) Investments

Investments are recorded at amortized cost. Investment premiums and discounts are amortized on the net present value basis over the term of the respective investments. When there has been a loss in value that is other than a temporary decline, the respective investment is written down to recognize the loss.

(f) Requisition Over-levy and Under-levy

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

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

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

(g) Inventories for Resale

Land and supplies 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.

(h) Tax Revenue

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

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

Town of McLennan
Notes to the Consolidated Financial Statements
December 31, 2020

1. SIGNIFICANT ACCOUNTING POLICIES - continued

(i) Government Transfers

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

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

(j) Contaminated Sites Liability

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

(k) 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 (Debt) for the year.

(k) Non-Financial Assets

i. Tangible Capital Assets

Tangible capital assets are recorded at cost which includes all amounts that are directly attributable to acquisition, construction, development or betterment of the asset. The cost, less residual value, of the tangible capital assets is amortized on a straight-line basis over the estimated useful life as follows:

	Years
Land improvements	25-45
Buildings	15-50
Engineered structures	
Water systems	45-75
Wastewater systems	45-75
Other engineered structures	20-30
Machinery and equipment	5-20
Vehicles	10-25

One-half 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.

Town of McLennan
Notes to the Consolidated Financial Statements
December 31, 2020

1. SIGNIFICANT ACCOUNTING POLICIES - continued

(k) Non-Financial Assets

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 operation leases and the related lease payments are charged to expenses as incurred.

iv) Inventories

Inventories held for consumption are recorded at the lower of cost and replacement cost.

v) Cultural and Historical Tangible Capital Assets

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

2. CASH AND TEMPORARY INVESTMENTS

	2020	2019
	\$	\$
Cash	451,862	516,489
Temporary investments	744,355	438,347
	1,196,217	954,836

Temporary investments are short-term deposits with original maturities of three months or less.

Included in temporary investments is a restricted amount of \$186,219 (2019 - \$186,219) received from the Municipal Sustainability Initiative - Capital and \$70,288 (2019 - \$20,288) received from the Gas Tax Fund held for approved projects (Note 6). Also restricted are tax sale surplus funds of \$2,195 (2019 - \$2,195) which have not been fully set aside into a separate trust fund.

Council has designated cash for the funding of restricted reserves, including operating \$248,279 (2019 - \$248,279) and capital \$565,850 (2019 - \$565,850), totaling \$814,129 (2019 - \$814,219).

3. MEASUREMENT UNCERTAINTY

The preparation of financial statements in conformity with Canadian Accounting Standards for Public Sector Accounting Board requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year.

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

These estimates and assumptions are reviewed periodically and, as adjustments become necessary, they are reported in the revenue or expenses in the period in which they become known. Actual results could differ from those estimates.

Town of McLennan
Notes to the Consolidated Financial Statements
December 31, 2020

4. RECEIVABLES

	2020	2019
	\$	\$
i) Taxes and grants in place of taxes		
Current taxes and grants in place of taxes	121,942	130,078
Arrears taxes	692,171	761,131
	814,113	891,209
Less: Allowances for doubtful accounts	(223,332)	(180,000)
	590,781	711,209
ii) Trade and other receivables		
Local improvements levies	168,006	190,564
Goods and services tax receivable	32,809	62,439
Government receivable	488,112	-
Trade accounts	41,659	60,331
Utility accounts	50,340	53,781
	780,926	367,115
Less: Allowance for doubtful accounts	(21,757)	(21,757)
	759,169	345,358

Local improvements levies of \$23,700 are to be received in 2021 with the balance of \$144,306 to be received in the years 2021 to 2027.

The Government receivable is comprised of Municipal Sustainability Initiative - Capital \$338,112 (2019 - \$nil) and \$150,000 (2019 - \$0) Federal Gas Tax Fund.

5. INVESTMENTS

	2020	2020	2019	2019
	Cost	Market Value	Cost	Market Value
	\$	\$	\$	\$
A.M.F.C shares	20	20	20	20
Equity held in Girouxville Co-op	1,449	1,449	1,449	1,449
	1,469	1,469	1,469	1,469

Town of McLennan
Notes to the Consolidated Financial Statements
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6. DEFERRED REVENUE

	2020	2019
	\$	\$
Provincial government transfers		
Alberta Community Partnership transfers	113,018	158,017
Federal Gas Tax Fund	220,288	20,288
Municipal Sustainability Initiative - Capital	399,965	186,219
Municipal Operating Support Transfer	60,596	-
Municipal Stimulus Program	10,000	-
	803,867	364,524
Local government transfers (broadband)	32,193	32,193
Prepaid property taxes	13,106	14,445
Prepaid property rental	3,067	1,854
Tax sale surplus	-	2,195
Requisition over-levy	-	364
	852,233	415,575

Funding from the province and interest earned on these conditional capital transfers in the amount of \$256,507 (2019 - \$206,507) remains unspent at year-end. The use of these funds is restricted to eligible projects, as approved under the funding agreement. Unexpected funds related to these advances are supported by cash in bank (refer to Note 2)

Town of McLennan
Notes to the Consolidated Financial Statements
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7. EMPLOYEE BENEFIT OBLIGATION

	2020	2019
	\$	\$
Vacation and overtime	13,731	7,652

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

8. LONG-TERM LIABILITY

	2020	2019
	\$	\$
Debentures: Supported by special levies (frontage)	177,199	199,757

The current portion of the long-term liabilities amounts to \$23,700 (2019 - \$22,558)

Principal and interest repayments schedule as follows:

	Principal	Interest	Total
	\$	\$	\$
2021	23,700	8,567	32,267
2022	24,900	7,368	32,268
2023	26,160	6,107	32,267
2024	27,485	4,783	32,268
2025	28,876	3,391	32,267
Thereafter	46,078	2,323	48,401
	177,199	32,539	209,738

Debenture debt is repayable to the Alberta Capital Finance Authority and bears interest at a rate of 5.0% per annum and matures in 2027. Debenture debt is issued on the credit and security of the Town of McLennan at large. This was for the South Side Extension, bylaw 07-04.

Interest on long-term debt in 2020 amounted to \$9,709 (2019 - \$11,390). The average annual interest rate for 2020 is 5.04% (2019 - 5.04%). The interest expense is included in the water supply and distribution expenses.

Town of McLennan
Notes to the Consolidated Financial Statements
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9. DEBT LIMIT

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

	2020	2019
	\$	\$
Total Debt Limit	2,977,154	2,907,885
Total Debt	177,199	199,757
Amount of debt limit unused	2,799,955	2,708,128
Debt Service Limit	496,192	484,648
Debt Service	32,267	32,267
Amount of debt service limit unused	463,925	452,381

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

10. TANGIBLE CAPITAL ASSETS

	2020	2019
	\$	\$
Net Book Value		
Land	65,676	65,676
Land improvements	129,517	138,969
Buildings	1,226,207	1,146,017
Engineering structures		
Roadway system	1,630,812	1,815,827
Water system	1,681,054	1,681,054
Wastewater treatment system	556,114	556,114
Machinery and equipment	381,439	454,690
Vehicles	7,040	8,800
	5,677,859	5,867,147

Town of McLennan
Notes to the Consolidated Financial Statements
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11. EQUITY IN TANGIBLE CAPITAL ASSETS

	2020	2019
	\$	\$
Tangible capital assets (Schedule 2)	12,358,392	12,234,026
Accumulated amortization (Schedule 2)	(6,680,533)	(6,366,879)
	5,677,859	5,867,147

12. ACCUMULATED SURPLUS

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

	2020	2019
	\$	\$
Unrestricted surplus	718,401	584,142
Restricted surplus - operating		
Administration	4,500	4,500
Ambulance and first aid	10,600	10,600
Physical housing	9,000	9,000
Recreation (golf course)	15,000	15,000
Contingency (mill rate stabilization)	209,179	209,179
Restricted surplus - capital		
Fire equipment replacement	124,000	124,000
Public works equipment replacement	70,850	70,850
Public works future capital projects	100,000	100,000
Water future capital projects	60,000	60,000
Sewer future capital projects	85,000	85,000
Recreation arena future capital projects	20,000	20,000
Recreation future projects	106,000	106,000
Equity in tangible capital assets (Note 11)	5,677,859	5,867,147
	7,210,389	7,265,418

13. SEGMENTED DISCLOSURE

The Town of McLennan provides a range of services to its ratepayers. 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 financial statements as disclosed in Note 1.

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

Town of McLennan
Notes to the Consolidated Financial Statements
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14. SALARY AND BENEFITS DISCLOSURE

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

	2020		2019	
	Salary (1)	Benefits & Allowances (2)	Total	Total
	\$	\$	\$	\$
Mayor:				
FOURNIER, Michele	3,790	234	4,024	-
Councillors:				
CALLIOU, Terry	780	42	822	-
CHRISTEN, Eckhard	4,160	419	4,579	3,902
DELAURIERS, Sue	3,900	122	4,022	-
DUBRULE, Luc	520	15	535	-
GIROUX, Leo	-	-	-	1,710
HENIHAN, Tom	3,570	278	3,848	1,750
JONES, Marie-Anne	4,040	97	4,137	4,023
KOCHERIA, Dheeraj	-	-	-	1,970
STOUT, Dwayne	3,120	194	3,314	2,360
Chief Administrative Officer				
WILLIER, Lorraine	72,606	17,725	90,331	90,002
	96,486	19,126	115,612	105,717

- (1) Salary includes regular base pay, bonuses, overtime, lump sum payments, gross honoraria 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 death and dismemberment insurance, long and short term disability plans, professional memberships and tuition.
- (3) The designated officer for the position of municipal assessor is Compass Assessments Consultants Inc. (Aaron Steblyk). Contracted services of \$15,230 (2019 - \$15,189) owing to Compass Assessments Consultants Incorporated.

Town of McLennan
Notes to the Consolidated Financial Statements
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15. RELATED PARTY TRANSACTIONS

The Town of McLennan is a member of the Smoky River Regional Waste Management Commission and, as such, this commission has been identified as a related party.

During the year, the Town of McLennan paid \$64,849 (2019 - \$62,424) to Smoky River Regional Waste Management Commission for residential garbage collection services and landfill tipping fees. Trade accounts payable include \$5,375 (2019 - \$5,375) owing to the Smoky River Regional Waste Management Commission.

These transactions were made in the normal course of operations and have been measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

16. GOVERNMENT PARTNERSHIP

A Co-Owners agreement between the Village of Donnelly, Village of Griouxville, Town of Falher, Town of McLennan and the Municipal District of Smoky River #130 was made the 1st day of October, 2015. The land title is registered in the trustee's name (Town of McLennan) as specified in the declaration of trust. The co-owners venture operates under the name of Smoky River Regional Committee. The primary purpose of this agreement is to provide and maintain a building in McLennan to rent a residential dwelling to doctors and their family. This investment is accounted for by the proportionate consolidated method.

17. LOCAL AUTHORITIES PENSION PLAN

Employee of the Town of McLennan participate in the Local Authorities Pension Plan (LAPP), which is one of the plans covered by the Alberta Public Sector Pension Plans Act. The LAPP is financed by employer and employee contributions and by investment earnings of the LAPP Fund.

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

The Town of McLennan is required to make current service contributions to the LAPP of 9.39% of pensionable earnings up to the year's maximum pensionable earnings under the Canada Pension Plan and 13.84% on pensionable earnings above this amount. Employees of the town are required to make current service contributions of 8.39% of pensionable salary up to the year's maximum pensionable salary and 12.84% of pensionable salary above this amount.

Total current service contributions by the Town of McLennan to the LAPP in 2020 were \$37,813 (2019 - \$43,887). Total current service contributions by the employee of the Town of McLennan to the Local Authorities Pension Plan in 2020 were \$33,965, (2019 - \$39,562).

At December 31, 2019, the LAPP disclosed an actuarial surplus of 7.91 billion. The 2020 actuarial surplus was not available prior to issuing these financial statements.

Town of McLennan
Notes to the Consolidated Financial Statements
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18. CONTINGENCIES

The Town is a member of the Genesis Reciprocal Insurance Exchange. Under the terms of the membership, the town could become liable for its proportionate share of any claim losses in excess of the funds held by the exchange. Any liability incurred would be accounted for as a current transaction in the year the losses are determined.

19. FINANCIAL INSTRUMENTS

The town's financial instruments consist of cash and temporary investments, accounts receivable, investments, debt charges recoverable, bank indebtedness, accounts payable and accrued liabilities, deposit liabilities, requisition over-levy, and long-term debt. It is management's opinion that the town is not exposed to significant interest or currency risks arising from these financial instruments.

Unless otherwise noted, the carrying value of the financial instrument approximates fair value.

Credit Risk

Credit risk is the risk that one party to a financial asset will cause a financial loss to the other party by failing to discharge an obligation. The Town of McLennan's main credit risk relates to its tax receivables and trade and other receivable. Credit is provided to tax payers and other clients in the normal course of operations and the accounts receivables are assessed by the Town of McLennan and they record any amounts that are not collectible in the allowance for doubtful accounts.

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in interest rate. The bank account and investments of the Town of McLennan are subject to interest rate risk because changing interest rates impact the amount of interest earned and the cash flow.

Liquidity Risk

Liquidity risk is the risk that the Town of McLennan will encounter difficulty in meeting its obligations associated with financial liabilities. The Town of McLennan is exposed to this risk mainly through its accounts payable and accrued liabilities, long-term debt, and obligation under capital lease. The Town of McLennan manages its liquidity risk by monitoring its operating cash flow requirements to ensure it has sufficient funds to meet its financial obligations.

Town of McLennan
Notes to the Consolidated Financial Statements
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20. SIGNIFICANT EVENT

As of the date of the financial statements, there was a global outbreak of COVID-19 (coronavirus) which has a significant impact on municipal government operations through the restrictions put in place by the Canadian and provincial governments as well as the Alberta Health Services regarding travel, isolation/quarantine orders, closure of municipal facilities, cancellation or postponement of programs, and deferral of property tax and utility payments. At this time, it is unknown the extent of the impact the COVID-19 outbreak may have on the Town of McLennan as this will depend on future developments that are highly uncertain and that cannot be predicted with confidence. These uncertainties arise from the inability to predict the ultimate geographic spread of the virus, and the duration of the outbreak, including the duration of facility closures, program and service disruptions, and isolation/quarantine measures that are currently or maybe put in place by Canada and other countries to fight the virus.

21. COMPARATIVE FIGURES

Comparative figures were prepared by another accounting firm. Certain comparative figures have been restated to conform with current year's presentation.

22. APPROVAL OF FINANCIAL STATEMENTS

Council and Management have approved these financial statements.