

Town of McLennan
Consolidated Financial Statements
December 31, 2021

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, 2021 and the results of its operations for the year then ended.

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

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

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

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

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 regularly 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 the 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*
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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, 2021, 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, 2021, 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 Town of McLennan in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

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

In preparing the financial statements, management is responsible for assessing the Town of McLennan'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 liquidate the Town of McLennan or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Town of McLennan'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.

INDEPENDENT AUDITOR'S REPORT - continued

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

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

Report on Other Legal and Regulatory Requirements

Debt Limit Regulation

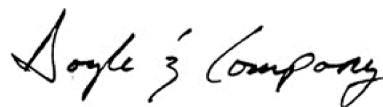
In accordance with Alberta Regulation 255/2000, we confirm that the municipality is in compliance with the Debt Limit Regulation, A detailed account of the Entity's debt limit can be found in note 9.

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 11, 2022



Chartered Professional Accountants

Town of McLennan
Consolidated Statement of Financial Position
As at December 31, 2021

	2021	2020
	\$	\$
FINANCIAL ASSETS		
Cash and temporary investments (Note 3)	1,850,573	1,196,217
Receivables		
Taxes and grants in place of taxes (Note 4)	543,229	590,781
Trade and other receivables (Note 4)	499,423	759,169
Land for resale inventory	44,694	44,694
Investments (Note 5)	1,544	1,469
	2,939,463	2,592,330
LIABILITIES		
Accounts payable and accrued liabilities (Note 15)	64,122	76,816
Deposit liabilities	25,234	25,834
Deferred revenue (Note 6)	1,104,146	852,233
Employee benefit obligation (Note 7)	8,573	13,731
Long-term debt (Note 8)	153,499	177,199
	1,355,574	1,145,813
NET FINANCIAL ASSETS	1,583,889	1,446,517
NON-FINANCIAL ASSETS		
Tangible capital assets (Schedule 2)	5,449,012	5,677,859
Inventory for consumption	25,380	25,380
Prepaid expenses	62,088	60,633
	5,536,480	5,763,872
ACCUMULATED OPERATING SURPLUS (Schedule 1 , Note 12)	7,120,369	7,210,389

Contingencies - Note 18

Town of McLennan
Consolidated Statement of Operations
For the year ended December 31, 2021

	2021 Budget (Unaudited) \$	2021 Actual \$	2020 Actual \$
REVENUE			
Net municipal taxes (Schedule 3)	875,262	860,794	900,557
User fees and sales of goods	507,000	555,379	524,722
Government transfers for operating (Schedule 4)	167,424	192,520	119,878
Franchise and concessions contracts	51,000	52,800	53,264
Investment income	10,000	9,817	10,715
Licenses, permits and fines	4,200	2,890	3,485
Penalties and costs of taxes	50,000	37,379	49,394
Rentals	78,140	93,808	72,321
Other	12,600	54,453	126,067
Total Revenue	1,755,626	1,859,840	1,860,403
EXPENSES			
General Government			
Legislative	36,000	49,116	28,599
Administration	426,900	551,652	525,224
Protective Services			
By-laws enforcement	15,000	5,435	6,897
Police	20,617	20,617	13,831
Fire	54,650	45,598	48,654
Transportation			
Roads, streets, walks, lighting	416,750	520,471	624,574
Airport	16,000	15,980	15,980
Planning and Development			
Economic development and community services	27,000	64,902	68,710
Land, housing and building rentals	49,400	30,282	20,969
Public Health and Welfare			
Family and community support	12,100	12,120	12,120
Recreation and Culture			
Parks and recreation	142,300	107,762	118,105
Culture	52,300	52,877	39,526
Cemeteries	10,500	9,679	11,349
Environmental Use and Protection			
Water supply and distribution	314,180	319,283	337,986
Wastewater treatment and disposal	54,400	80,818	63,731
Waste management	101,500	97,446	98,330
Total Expenses	1,749,597	1,984,038	2,034,585
EXCESS (SHORTFALL) OF REVENUE OVER EXPENSES BEFORE OTHER REVENUE (EXPENSES)	6,029	(124,198)	(174,182)
OTHER REVENUE (EXPENSES)			
Gain on sale of tangible capital assets	-	6,800	-
Government transfers for capital (Schedule 4)	-	31,615	124,366
Physician recruitment and retention	(3,000)	(4,237)	(5,213)
EXCESS (SHORTFALL) OF REVENUE OVER EXPENSES	3,029	(90,020)	(55,029)
ACCUMULATED OPERATING SURPLUS, BEGINNING OF YEAR		7,210,389	7,265,418
ACCUMULATED OPERATING SURPLUS, END OF YEAR		7,120,369	7,210,389

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, 2021

	2021 Budget (Unaudited) \$	2021 Actual \$	2020 Actual \$
EXCESS (SHORTFALL) OF REVENUES OVER EXPENSES	3,029	(90,020)	(55,029)
Acquisition of tangible capital assets	-	(90,256)	(124,366)
Proceeds on disposal of tangible capital assets	-	9,600	-
Amortization of tangible capital assets	-	316,303	313,654
(Gain) loss on sale of tangible capital assets	-	(6,800)	-
	-	228,847	189,288
Acquisition of prepaid assets	-	(62,088)	(60,633)
Use of prepaid assets	-	60,633	52,897
	-	(1,455)	(7,736)
INCREASE IN NET ASSETS	3,029	137,372	126,523
NET FINANCIAL ASSETS , BEGINNING OF YEAR	-	1,446,517	1,319,994
NET FINANCIAL ASSETS, END OF YEAR	-	1,583,889	1,446,517

The accompanying notes form part of these financial statements

Town of McLennan
Consolidated Statement of Cash Flows
For the year ended December 31, 2021

	2021	2020
	\$	\$
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING		
Excess (Shortfall) of revenue over expenses	(90,020)	(55,029)
Non-cash items included in excess (shortfall) of revenue over expenses:		
Amortization of tangible capital assets	316,303	313,654
(Gain) loss on sale of tangible capital assets.	(6,800)	-
Non-cash charges to operations (net change):		
Decrease (increase) in taxes and grants in lieu receivables	47,552	120,428
Decrease (increase) in trade and other receivables	259,746	(413,811)
Decrease (increase) in other financial assets	-	892
Decrease (increase) in prepaid expenses	(1,455)	(7,736)
Increase (decrease) in payables and accrued liabilities	(12,694)	(13,915)
Increase (decrease) in deposit liabilities	(600)	1,085
Increase (decrease) in deferred revenue	251,913	436,658
Increase (decrease) in employee benefit obligation	(5,158)	6,079
Cash provided by operating transactions	758,787	388,305
CAPITAL		
Acquisition of tangible capital assets	(90,256)	(124,366)
Sale of tangible capital assets	9,600	-
Cash applied to capital transactions	(80,656)	(124,366)
INVESTING		
Decrease (increase) in restricted cash or cash equivalents	-	30,197
Decrease (increase) in investments	(75)	-
Cash provided by (applied to) investing transactions	(75)	30,197
FINANCING		
Long-term debt repaid	(23,700)	(22,558)
Cash provided by (applied to) financing transactions	(23,700)	(22,558)
CHANGE IN CASH AND EQUIVALENTS DURING THE YEAR	654,356	271,578
CASH AND CASH EQUIVALENTS , BEGINNING OF YEAR	451,862	180,284
CASH AND CASH EQUIVALENTS, END OF YEAR	1,106,218	451,862
Cash and cash equivalents consist of:		
Cash and temporary investments (Note 3)	1,850,573	1,196,217
Less: restricted portion of cash and temporary investments (Note 3)	(744,355)	(744,355)
	1,106,218	451,862

The accompanying notes form part of these financial statements

Town of McLennan
Schedule of Changes in Accumulated Operating Surplus - Schedule 1
For the year ended December 31, 2021

	Unrestricted Surplus	Internally Restricted Surplus	Equity in Tangible Capital Assets	2021 \$	2020 \$
Balance, Beginning of Year	718,401	814,129	5,677,859	7,210,389	7,265,418
Excess (deficiency) of revenue over expenses	(90,020)	-	-	(90,020)	(55,029)
Restricted funds used for tangible capital assets	-	(45,000)	45,000	-	-
Current years funds used for tangible capital assets	(45,256)	-	45,256	-	-
Disposal of tangible capital assets	21,000	-	(21,000)	-	-
Annual amortization expenses	316,303	-	(316,303)	-	-
Accumulated amortization on disposed tangible capital assets	(18,200)	-	18,200	-	-
Change in accumulated surplus	183,827	(45,000)	(228,847)	(90,020)	(55,029)
Balance, End of Year	902,228	769,129	5,449,012	7,120,369	7,210,389

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, 2021

	Land	Land Improvements	Buildings	Engineered Structures	Machinery and Equipment	Vehicles	2021 \$	2020 \$
COST:								
Balance, Beginning of Year	65,676	337,143	2,559,502	8,158,780	1,150,227	87,064	12,358,392	12,234,026
Acquisition of tangible capital assets	-	-	-	34,615	55,641	-	90,256	124,366
Disposal of tangible capital assets	-	-	-	-	(21,000)	-	(21,000)	-
Balance, End of Year	65,676	337,143	2,559,502	8,193,395	1,184,868	87,064	12,427,648	12,358,392
ACCUMULATED AMORTIZATION:								
Balance, Beginning of Year	-	207,626	1,333,295	4,290,800	768,788	80,024	6,680,533	6,366,879
Annual amortization	-	9,452	48,322	184,753	72,016	1,760	316,303	313,654
Accumulated amortization on disposals	-	-	-	-	(18,200)	-	(18,200)	-
Balance, End of Year	-	217,078	1,381,617	4,475,553	822,604	81,784	6,978,636	6,680,533
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	65,676	120,065	1,177,885	3,717,842	362,264	5,280	5,449,012	5,677,859
2020 NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	65,676	129,517	1,226,207	3,867,980	381,439	7,040		5,677,859

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, 2021

	2021 Budget (Unaudited) \$	2021 Actual \$	2020 Actual \$
TAXATION			
Real property taxes	928,922	862,622	898,739
Linear property taxes	-	37,043	43,588
Government grants in place of property taxes	50,000	88,936	84,621
Special assessments and local improvement taxes	31,000	6,742	7,854
	1,009,922	995,343	1,034,802
REQUISITIONS			
Alberta School Foundation Fund	76,802	76,800	78,359
Holy Family Catholic Regional Division No.37	44,723	44,724	42,813
Designated Industrial Property	110	-	-
Seniors Lodge	13,025	13,025	13,073
	134,660	134,549	134,245
NET MUNICIPAL TAXES	875,262	860,794	900,557

The accompanying notes form part of these financial statements

Town of McLennan
Schedule of Government Transfers - Schedule 4
For the year ended December 31, 2021

	2021 Budget (Unaudited) \$	2021 Actual \$	2020 Actual \$
TRANSFERS FOR OPERATING			
Provincial Government	166,924	171,424	117,278
Other Local Government	500	21,096	2,600
	167,424	192,520	119,878
TRANSFERS FOR CAPITAL			
Provincial Government	-	31,615	124,366
TOTAL GOVERNMENT TRANSFERS	167,424	224,135	244,244

The accompanying notes form part of these financial statements

Town of McLennan
Schedule of Consolidated Expenses by Object - Schedule 5
For the year ended December 31, 2021

	2021 Budget (Unaudited)	2021 Actual	2020 Actual
	\$	\$	\$
CONSOLIDATED EXPENSES BY OBJECT			
Salaries, wages and benefits	565,500	563,697	640,654
Contracted and general services	495,067	501,031	563,362
Purchases from other governments	111,000	97,212	-
Materials, goods, and utilities	444,950	311,459	313,485
Provision for allowance	20,000	110,433	139,059
Transfers to other governments	650	552	526
Transfers to local boards and agencies	44,700	41,427	39,670
Transfers to individuals and organizations	38,500	37,593	19,679
Interest on long-term debt	32,230	8,567	9,709
Amortization of tangible capital assets	-	316,304	313,654
TOTAL EXPENSES	1,752,597	1,988,275	2,039,798

The accompanying notes form part of these financial statements

Town of McLennan
Schedule of Segmented Disclosure - Schedule 6
For the year ended December 31, 2021

	General Government	Protective Services	Transportation Services	Environmental Services	Recreation & Culture	Other	2021 \$
REVENUE							
Net municipal taxes	854,052	-	-	6,742	-	-	860,794
Operating government transfers	60,096	36,724	15,500	-	48,900	31,300	192,520
User fees and sale of goods	2,549	-	-	545,821	6,719	-	555,089
Franchises and concession contracts	52,800	-	-	-	-	-	52,800
Investment income	9,817	-	-	-	-	-	9,817
Licenses, permits and fines	25	540	-	-	-	2,325	2,890
Penalties and costs on taxes	37,379	-	-	-	-	-	37,379
Rentals	9,998	8,140	-	-	32,214	43,456	93,808
Other revenues and insurance claims	41,795	8,678	414	2,907	949	-	54,743
	1,068,511	54,082	15,914	555,470	88,782	77,081	1,859,840
EXPENSES							
Salaries, wages and benefits	261,776	-	191,417	86,128	24,376	-	563,697
Contracted and general services	169,882	28,266	46,375	147,753	53,380	55,375	501,031
Purchases from other governments	-	33,099	-	64,113	-	-	97,212
Materials, goods and utilities	15,353	8,390	123,576	101,775	35,126	27,239	311,459
Provision for allowance	110,433	-	-	-	-	-	110,433
Transfers to other governments	-	-	-	552	-	-	552
Transfers to local boards and agencies	-	-	15,980	-	-	25,447	41,427
Transfers to individuals and organizations	22,772	-	-	-	10,039	4,782	37,593
Long-term debt interest (Note 8)	-	-	-	8,567	-	-	8,567
Balance, End of Year	580,216	69,755	377,348	408,888	122,921	112,843	1,671,971
EXCESS (SHORTFALL) OF REVENUE							
BEFORE AMORTIZATION	488,295	(15,673)	(361,434)	146,582	(34,139)	(35,762)	187,869
Amortization	(15,462)	(1,895)	(159,103)	(87,552)	(37,717)	(14,575)	(316,304)
Gain on sale of tangible capital assets	-	-	6,800	-	-	-	6,800
Capital government transfers	31,615	-	-	-	-	-	31,615
EXCESS (SHORTFALL) OF REVENUE	504,448	(17,568)	(513,737)	59,030	(71,856)	(50,337)	(90,020)

The accompanying notes form part of these financial statements

Town of McLennan

Notes to the Consolidated Financial Statements

December 31, 2021

DESCRIPTION OF OPERATIONS

The Town of McLennan is a local government authority providing municipal services. The Town of McLennan 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 of McLennan 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 or goods have yet to be provided. Revenue is recognized in the period when the related expenses are incurred, services performed/goods provided or the tangible 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, 2021

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 (3) months or less.

(e) Investments

Investments in interest bearing securities 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) Long-Term Debt

Long-term debt is initially recognized net of any premiums, discounts, fees and transaction costs, with interest expense recognized using the effective interest method. Long-term debt is subsequently measured at amortized cost.

(g) 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.

(h) Inventories 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 the respective function.

(i) 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, 2021

1. SIGNIFICANT ACCOUNTING POLICIES - continued

(j) Revenue Recognition

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

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

(k) 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.

(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 (Debt) for the year.

i) Tangible Capital Assets

Tangible capital assets are recorded at cost, which includes all amounts that are directly attributable to acquisition, construction, development or betterment of the 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 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.

Town of McLennan
Notes to the Consolidated Financial Statements
December 31, 2021

1. SIGNIFICANT ACCOUNTING POLICIES - continued

(m) Non-Financial Assets - Continued

ii) Contributions of Tangible Capital Assets

Tangible capital assets received as contributions are recorded at fair value when the amount can reasonably be determined and would have been purchased by the Village of Rycroft, if not contributed, 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.

2. 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 reporting 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.

3. CASH AND TEMPORARY INVESTMENTS

	2021	2020
	\$	\$
Cash	545,647	451,862
Temporary investments	1,304,926	744,355
	1,850,573	1,196,217

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

Included in temporary investments is a restricted amount of \$641,424 (2020 - \$186,219) received from the Municipal Sustainability Initiative - Capital and \$70,288 (2020 - \$70,288) received from the Gas Tax Fund held for approved projects (Note 6). Also restricted are tax sale surplus funds of \$2,195 (2020 - \$2,195) which have not been fully set aside into a separate trust fund.

Council has designated cash and temporary investments for the funding of restricted reserves, including operating \$248,279 (2020 - \$248,279) and capital \$520,850 (2020 - \$565,850), totaling \$769,129 (2020 - \$814,219).

Town of McLennan
Notes to the Consolidated Financial Statements
December 31, 2021

4. RECEIVABLES

	2021 \$	2020 \$
i) Taxes and grants in place of taxes		
Current taxes and grants in place of taxes	125,391	121,942
Arrears taxes	695,763	692,171
	821,154	814,113
Less: Allowances for doubtful accounts	(277,925)	(223,332)
	543,229	590,781

ii) Trade and other receivables

Local improvements levies	144,336	168,006
Goods and services tax receivable	36,203	32,809
Government receivable	250,000	488,112
Trade accounts	27,858	41,659
Utility accounts	49,375	50,340
	507,772	780,926
Less: Allowance for doubtful accounts	(8,349)	(21,757)
	499,423	759,169

Local improvements levies of \$24,900 are to be received in 2022 with the balance of \$119,436 to be received in the years 2023 to 2027.

The Government receivable is comprised of Municipal Sustainability Initiative - Capital \$Nil (2020 - \$338,112) and \$250,000 (2020 - \$150,000) Federal Gas Tax Fund.

5. INVESTMENTS

	2021 Cost \$	2021 Market Value \$	2020 Cost \$	2020 Market Value \$
A.M.F.C shares	20	20	20	20
Equity held in Girouxville Co-op	1,524	1,524	1,449	1,449
	1,544	1,544	1,469	1,469

Town of McLennan
Notes to the Consolidated Financial Statements
December 31, 2021

6. DEFERRED REVENUE

	2021	2020
	\$	\$
Provincial government transfers		
Alberta Community Partnership transfers	71,422	113,018
Federal Gas Tax Fund	320,288	220,288
Municipal Sustainability Initiative - Capital	641,423	399,965
Municipal Operating Support Transfer	-	60,596
Municipal Stimulus Program	59,025	10,000
	1,092,158	803,867
Local government transfers (broadband)	-	32,193
Prepaid property taxes	8,921	13,106
Prepaid property rental	3,067	3,067
	1,104,146	852,233

Municipal Sustainability Initiative (MSI)

Funding in the amount of \$366,980 was received in the current year from the Municipal Sustainability Initiative. Of the \$366,980 received, \$272,056 was from the capital component of the program and is restricted to eligible capital projects, as approved under the funding agreement. The remaining \$94,924 is from the operating component of the program and is restricted to eligible operating projects, as approved under the funding agreement.

Funding from the province and interest earned on the conditional capital transfers (MSI Capital and Federal Gas Tax Fund) in the amount of \$711,711 (2020 - \$256,507) 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 3)

Town of McLennan
Notes to the Consolidated Financial Statements
December 31, 2021

7. EMPLOYEE BENEFIT OBLIGATION

	2021	2020
	\$	\$
Vacation and overtime	8,573	13,731

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 DEBT

	2021	2020
	\$	\$
Debentures: Supported by special levies (frontage)	153,499	177,199

The current portion of the long-term liabilities amounts to \$24,900 (2020 - \$23,700)

Principal and interest repayments score as follows:

	Principal	Interest	Total
	\$	\$	\$
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
2026	30,338	1,929	32,267
Thereafter	15,740	393	16,133
	153,499	23,971	177,470

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 2021 amounted to \$8,537 (2020 - \$9,709). The average annual interest rate for 2021 is 5.00% (2020 - 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 LIMITS AND DEBT SERVICING 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 are to be disclosed as follow:

	2021	2020
	\$	\$
Total Debt Limit	2,789,760	2,790,605
Total Debt	153,499	177,199
Amount of debt limit unused	2,636,261	2,613,406
Debt Service Limit	464,960	465,101
Debt Service	32,268	32,267
Amount of debt service limit unused	432,692	432,834

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

Total debt includes long-term debt less debt charges recoverable. Debt servicing includes principle and interest payments due on long-term debt in the 12 months subsequent to year-end less amounts that are recoverable.

10. TANGIBLE CAPITAL ASSETS

	2021	2020
	\$	\$
Net Book Value		
Land	65,676	65,676
Land improvements	120,065	129,517
Buildings	1,177,885	1,226,207
Engineering structures		
Roadway system	1,480,674	1,630,812
Water system	1,681,054	1,681,054
Wastewater treatment system	556,114	556,114
Machinery and equipment	362,264	381,439
Vehicles	5,280	7,040
	5,449,012	5,677,859

Town of McLennan
Notes to the Consolidated Financial Statements
December 31, 2021

11. EQUITY IN TANGIBLE CAPITAL ASSETS

	2021	2020
	\$	\$
Tangible capital assets (Schedule 2)	12,427,648	12,358,392
Accumulated amortization (Schedule 2)	(6,978,636)	(6,680,533)
	5,449,012	5,677,859

12. ACCUMULATED OPERATING SURPLUS

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

	2021	2020
	\$	\$
Unrestricted surplus	902,228	718,401
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	25,850	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)	5,449,012	5,677,859
	7,120,369	7,210,389

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).

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

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:

	2021		2020	
	Benefits &			
	Salary (1)	Allowances (2)	Total	Total
	\$	\$	\$	\$
Mayor:				
DORIS, Jason	2,120	104	2,224	-
FOURNIER, Michele	3,770	180	3,950	4,024
Councillors:				
CALLIOU, Terry	3,770	52	3,822	822
CHRISTEN, Eckhard	2,860	154	3,014	4,579
DELAURIERS, Sue	5,370	129	5,499	4,022
DUBRULE, Luc	4,330	128	-	535
GERVAIS, Maggie	2,010	-	2,010	-
HENIHAN, Tom	-	-	-	3,848
JACOB, Margaret	1,790	-	1,790	-
JONES, Marie-Anne	7,060	-	7,060	4,137
SAWCHYN, Yvonne	1,600	-	1,600	-
STOUT, Dwayne	3,380	154	3,534	3,314
Chief Administrative Officer				
WILLIER, Lorraine	78,974	11,377	90,351	90,331
	117,034	12,278	124,854	115,612

- (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 \$15,423 (2020 - \$15,230) 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 \$64,113 (2020 - \$64,849) to Smoky River Regional Waste Management Commission for residential garbage collection services and landfill tipping fees. Trade accounts payable include \$5,225 (2020 - \$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 2021 were \$33,859 (2020 - \$37,813). Total current service contributions by the employee of the Town of McLennan to the Local Authorities Pension Plan in 2021 were \$30,357 (2020 - \$33,965).

At December 31, 2020, the LAPP disclosed an actuarial surplus of 4.96 billion. The 2021 actuarial surplus was not available prior to issuing these financial statements.

Town of McLennan

Notes to the Consolidated Financial Statements

December 31, 2021

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.

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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.