

Town of McLennan
Consolidated Financial Statements
December 31, 2022

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, 2022 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

Edward Cheung, CPA, CA*
Scott T. Mockford, CPA, CA*
Allen Lee, CPA, CMA*
Jason Bondarevich, CPA, CA*
*Operates as a Professional Corporation

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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, 2022, 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, 2022, 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

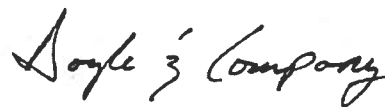
Debt Limit Regulation

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.

April 5, 2023
11210 107 Avenue NW
Edmonton, Alberta T5H 0Y1



Chartered Professional Accountants

Town of McLennan
Consolidated Statement of Financial Position
As at December 31, 2022

	2022	2021
	\$	\$
FINANCIAL ASSETS		
Cash and temporary investments (Note 3)	1,166,556	1,850,573
Receivables		
Taxes and grants in place of taxes (Note 4)	578,353	543,229
Trade and other receivables (Note 4)	565,985	499,423
Land for resale inventory	44,694	44,694
Investments (Note 5)	1,544	1,544
	2,357,132	2,939,463
LIABILITIES		
Accounts payable and accrued liabilities (Note 15)	216,723	64,122
Deposit liabilities	25,004	25,234
Deferred revenue (Note 6)	198,691	1,104,146
Employee benefit obligation (Note 7)	7,087	8,573
Long-term debt (Note 8)	128,600	153,499
	576,105	1,355,574
NET FINANCIAL ASSETS	1,781,027	1,583,889
NON-FINANCIAL ASSETS		
Tangible capital assets (Schedule 2)	6,158,899	5,449,012
Inventory for consumption	29,842	25,380
Prepaid expenses	62,366	62,088
	6,251,107	5,536,480
ACCUMULATED OPERATING SURPLUS (Schedule 1 , Note 12)	8,032,134	7,120,369

Contingencies - Note 18

The accompanying notes form part of these financial statements.

Town of McLennan
Consolidated Statement of Operations
For the year ended December 31, 2022

	2022 Budget (Unaudited) \$	2022 Actual \$	2021 Actual \$
REVENUE			
Net municipal taxes (Schedule 3)	875,814	864,744	860,794
User fees and sales of goods	511,500	566,263	555,379
Government transfers for operating (Schedule 4)	90,500	102,524	192,520
Franchise and concessions contracts	53,000	75,281	52,800
Investment income	7,000	35,265	9,817
Licenses, permits and fines	2,700	3,110	2,890
Penalties and costs of taxes	35,000	38,319	37,379
Rentals	59,640	65,893	93,808
Other	14,000	120,882	54,453
Total Revenue	1,649,154	1,872,281	1,859,840
EXPENSES			
General Government			
Legislative	43,500	38,833	49,116
Administration	436,000	473,778	551,652
Protective Services			
By-laws enforcement	15,300	6,650	5,435
Police	20,617	27,612	20,617
Fire	54,400	81,593	45,598
Transportation			
Roads, streets, walks, lighting	415,500	569,199	520,471
Airport	16,000	10,777	15,980
Planning and Development			
Economic development and community services	22,400	92,882	64,902
Land, housing and building rentals	40,800	26,392	30,282
Public Health and Welfare			
Family and community support	11,900	11,928	12,120
Recreation and Culture			
Parks and recreation	61,900	79,599	107,762
Culture	42,100	45,490	52,877
Cemeteries	1,500	679	9,679
Environmental Use and Protection			
Water supply and distribution	294,450	293,333	319,283
Wastewater treatment and disposal	68,400	98,343	80,818
Waste management	102,500	97,599	97,446
Total Expenses	1,647,267	1,954,687	1,984,038
EXCESS (SHORTFALL) OF REVENUE OVER EXPENSES BEFORE OTHER REVENUE (EXPENSES)	1,887	(82,406)	(124,198)
OTHER REVENUE (EXPENSES)			
Gain on sale of tangible capital assets	-	-	6,800
Government transfers for capital (Schedule 4)	912,450	998,801	31,615
Physician recruitment and retention	(3,900)	(4,630)	(4,237)
EXCESS (SHORTFALL) OF REVENUE OVER EXPENSES	910,437	911,765	(90,020)
ACCUMULATED OPERATING SURPLUS, BEGINNING OF YEAR		7,120,369	7,210,389
ACCUMULATED OPERATING SURPLUS, END OF YEAR		8,032,134	7,120,369

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, 2022

	2022 Budget (Unaudited) \$	2022 Actual \$	2021 Actual \$
EXCESS (SHORTFALL) OF REVENUES OVER EXPENSES	910,437	911,765	(90,020)
Acquisition of tangible capital assets	(912,450)	(1,050,776)	(90,256)
Proceeds on disposal of tangible capital assets	-	-	9,600
Amortization of tangible capital assets	-	340,889	316,303
(Gain) loss on sale of tangible capital assets	-	-	(6,800)
	(912,450)	(709,887)	228,847
Decrease (increase) of prepaid assets	-	(278)	(1,455)
Acquisition of supplies inventories	-	(4,462)	-
	-	(4,740)	(1,455)
INCREASE (DECREASE) IN NET ASSETS	(2,013)	197,138	137,372
NET FINANCIAL ASSETS, BEGINNING OF YEAR	-	1,583,889	1,446,517
NET FINANCIAL ASSETS, END OF YEAR	-	1,781,027	1,583,889

The accompanying notes form part of these financial statements.

Town of McLennan
Consolidated Statement of Cash Flows
For the year ended December 31, 2022

	2022	2021
	\$	\$
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING		
Excess (Shortfall) of revenue over expenses	911,765	(90,020)
Non-cash items included in excess (shortfall) of revenue over expenses:		
Amortization of tangible capital assets	340,889	316,303
(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	(35,124)	47,552
Decrease (increase) in trade and other receivables	(66,562)	259,746
Decrease (increase) in inventory for consumption	(4,462)	-
Decrease (increase) in prepaid expenses	(278)	(1,455)
Increase (decrease) in payables and accrued liabilities	152,601	(12,694)
Increase (decrease) in deposit liabilities	(230)	(600)
Increase (decrease) in deferred revenue	(905,455)	251,913
Increase (decrease) in employee benefit obligation	(1,486)	(5,158)
Cash provided by operating transactions	391,658	758,787
CAPITAL		
Acquisition of tangible capital assets	(1,050,776)	(90,256)
Sale of tangible capital assets	-	9,600
Cash applied to capital transactions	(1,050,776)	(80,656)
INVESTING		
Decrease (increase) in restricted cash or cash equivalents	730,665	-
Decrease (increase) in investments	-	(75)
Cash provided by (applied to) investing transactions	730,665	(75)
FINANCING		
Long-term debt repaid	(24,899)	(23,700)
Cash provided by (applied to) financing transactions	(24,899)	(23,700)
CHANGE IN CASH AND EQUIVALENTS DURING THE YEAR	46,648	654,356
CASH AND CASH EQUIVALENTS , BEGINNING OF YEAR	1,106,218	451,862
CASH AND CASH EQUIVALENTS, END OF YEAR	1,152,866	1,106,218
Cash and cash equivalents consist of:		
Cash and temporary investments (Note 3)	1,166,556	1,850,573
Less: restricted portion of cash and temporary investments (Note 3)	(883,588)	(1,304,926)
	282,968	545,647

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, 2022

	Unrestricted Surplus	Internally Restricted Surplus	Equity in Tangible Capital Assets	2022 \$	2021 \$
Balance, Beginning of Year	902,228	769,129	5,449,012	7,120,369	7,210,389
Excess (deficiency) of revenue over expenses	911,765	-	-	911,765	(90,020)
Unrestricted funds designated for future use	(36,500)	36,500	-	-	-
Restricted funds used for tangible capital assets	-	(11,750)	11,750	-	-
Current years funds used for tangible capital assets	(1,039,026)	-	1,039,026	-	-
Annual amortization expenses	340,889	-	(340,889)	-	-
Change in accumulated surplus	177,128	24,750	709,887	911,765	(90,020)
Balance, End of Year	1,079,356	793,879	6,158,899	8,032,134	7,120,369

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, 2022

	Land	Land Improvements	Buildings	Engineered Structures	Machinery and Equipment	Vehicles	2022	2021
							\$	\$
COST:								
Balance, Beginning of Year	65,676	337,143	2,559,502	8,193,395	1,184,868	87,064	12,427,648	12,358,392
Acquisition of tangible capital assets	-	-	13,432	1,025,594	11,750	-	1,050,776	90,256
Disposal of tangible capital assets	-	-	-	-	-	-	-	(21,000)
Balance, End of Year	65,676	337,143	2,572,934	9,218,989	1,196,618	87,064	13,478,424	12,427,648
ACCUMULATED AMORTIZATION:								
Balance, Beginning of Year	-	217,078	1,381,617	4,475,553	822,604	81,784	6,978,636	6,680,533
Annual amortization	-	680	323,215	16,994	-	-	340,889	316,303
Accumulated amortization on disposals	-	-	-	-	-	-	-	(18,200)
Balance, End of Year	-	217,758	1,704,832	4,492,547	822,604	81,784	7,319,525	6,978,636
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS								
2021 NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	65,676	119,385	868,102	4,726,442	374,014	5,280	6,158,899	5,449,012
2022 NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	65,676	120,065	1,177,885	3,717,842	362,264	5,280	5,449,012	5,449,012

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, 2022

	2022 Budget (Unaudited) \$	2022 Actual \$	2021 Actual \$
TAXATION			
Real property taxes	928,922	860,142	862,622
Linear property taxes	-	44,293	37,043
Government grants in place of property taxes	55,000	93,795	88,936
Special assessments and local improvement taxes	31,000	5,512	6,742
	1,014,922	1,003,742	995,343
REQUISITIONS			
Alberta School Foundation Fund	79,810	79,810	76,800
Holy Family Catholic Regional Division No.37	46,012	46,012	44,724
Designated Industrial Property	110	-	-
Seniors Lodge	13,176	13,176	13,025
	139,108	138,998	134,549
NET MUNICIPAL TAXES	875,814	864,744	860,794

The accompanying notes form part of these financial statements.

Town of McLennan

Schedule of Government Transfers - Schedule 4

For the year ended December 31, 2022

	2022 Budget (Unaudited) \$	2022 Actual \$	2021 Actual \$
TRANSFERS FOR OPERATING			
Provincial Government	90,000	97,024	171,424
Other Local Government	500	5,500	21,096
	90,500	102,524	192,520
TRANSFERS FOR CAPITAL			
Provincial Government	912,450	998,801	31,615
TOTAL GOVERNMENT TRANSFERS	1,002,950	1,101,325	224,135

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, 2022

	2022 Budget (Unaudited) \$	2022 Actual \$	2021 Actual \$
CONSOLIDATED EXPENSES BY OBJECT			
Salaries, wages and benefits	604,500	552,491	563,697
Contracted and general services	423,417	500,761	501,031
Purchases from other governments	111,000	106,017	97,212
Materials, goods, and utilities	400,400	340,176	311,459
Provision for allowance	20,000	61,241	110,433
Transfers to other governments	650	526	552
Transfers to local boards and agencies	40,700	33,730	41,427
Transfers to individuals and organizations	17,100	15,688	37,593
Bank charges and short-term interest	1,000	431	-
Interest on long-term debt	32,400	7,368	8,567
Amortization of tangible capital assets	-	340,888	316,304
TOTAL EXPENSES	1,651,167	1,959,317	1,988,275

The accompanying notes form part of these financial statements.

Town of McLennan
Schedule of Segmented Disclosure - Schedule 6

For the year ended December 31, 2022

	General Government	Protective Services	Transportation Services	Environmental Recreation & Culture	Other	2022 \$
REVENUE						
Net municipal taxes	859,232	-	-	5,512	-	864,744
Operating government transfers	5,000	43,700	27,274	-	4,400	102,524
User fees and sale of goods	2,518	20,190	4,613	532,138	6,804	566,263
Franchises and concession contracts	75,281	-	-	-	-	75,281
Investment income	35,265	-	-	-	-	35,265
Licenses, permits and fines	70	340	-	-	2,700	3,110
Penalties and costs on taxes	38,319	-	-	-	-	38,319
Rentals	6,286	8,140	-	7,619	43,848	65,893
Other revenues and insurance claims	71,422	45,603	953	2,704	200	120,882
	1,093,393	117,973	32,840	540,354	19,023	1,872,281
EXPENSES						
Salaries, wages and benefits	235,909	21,070	175,812	94,864	24,836	552,491
Contracted and general services	177,221	39,922	58,662	133,015	15,397	500,761
Purchases from other governments	-	43,717	-	62,300	-	106,017
Materials, goods and utilities	16,710	9,251	146,943	108,711	37,718	340,176
Provision for allowance	61,241	-	-	-	-	61,241
Transfers to other governments	-	-	-	526	-	526
Transfers to local boards and agencies	-	-	10,777	-	22,953	33,730
Transfers to individuals and organizations	1,677	-	-	-	9,421	15,688
Bank charges and short-term interest	431	-	-	-	4,590	431
Long-term debt interest (Note 8)	-	-	-	7,368	-	7,368
Balance, End of Year	493,189	113,960	392,194	406,784	87,372	1,618,429
EXCESS (SHORTFALL) OF REVENUE BEFORE AMORTIZATION	600,204	4,013	(359,354)	133,570	(68,349)	253,852
Amortization	(16,408)	(1,895)	(187,782)	(82,492)	(37,717)	(340,888)
Capital government transfers	12,436	-	986,365	-	-	998,801
EXCESS (SHORTFALL) OF REVENUE	596,232	2,118	439,229	51,078	(106,066)	911,765

The accompanying notes form part of these financial statements.

Town of McLennan
Notes to the Consolidated Financial Statements
December 31, 2022

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 consolidated 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 the consolidated 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, 2022

1. SIGNIFICANT ACCOUNTING POLICIES - continued

d) Valuation of Financial Assets and Liabilities

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

<u>Financial statement component</u>	<u>Measurement</u>
Cash and temporary investments	Cost and amortized cost
Trade and other receivables	Lower of cost or net recoverable value
Investments	Fair value and amortized cost
Accounts payable and accrued liabilities	Cost
Deposit liabilities	Cost
Bank indebtedness and long-term liabilities	Amortized cost

(e) Cash and Cash Equivalents

Cash and cash equivalents consist of bank deposits and savings accounts with a term of three (3) months or less.

(f) 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.

(g) 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.

(h) 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.

(i) 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.

(j) 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, 2022

1. SIGNIFICANT ACCOUNTING POLICIES - continued

(k) 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.

(l) 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.

(m) 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, 2022

1. SIGNIFICANT ACCOUNTING POLICIES - continued

(I) 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 Town of McLennan, if not contributed, at the date of receipt and also are recorded as revenue.

iii) Inventories

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

2. MEASUREMENT UNCERTAINTY

The preparation of the consolidated 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

	2022	2021
	\$	\$
Cash	282,968	545,647
Temporary investments	883,588	1,304,926
	1,166,556	1,850,573

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

Included in temporary investments is a restricted amount of \$124,015 (2021 - \$641,424) received from the Municipal Sustainability Initiative - Capital held for approved projects (Note 6). Also restricted are tax sale surplus funds of \$2,195 (2021 - \$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 (2021 - \$248,279) and capital \$509,100 (2021 - \$520,850), totaling \$757,379 (2021 - \$769,129).

Town of McLennan
Notes to the Consolidated Financial Statements
December 31, 2022

4. RECEIVABLES

	2022	2021
	\$	\$
i) Taxes and grants in place of taxes		
Current taxes and grants in place of taxes	163,715	125,391
Arrears taxes	753,670	695,763
	917,385	821,154
Less: Allowances for doubtful accounts	(339,032)	(277,925)
	578,353	543,229
ii) Trade and other receivables		
Local improvements levies	119,437	144,336
Goods and services tax receivable	77,625	36,203
Government receivable	294,624	250,000
Trade accounts	30,268	27,858
Utility accounts	53,213	49,375
	575,167	507,772
Less: Allowance for doubtful accounts	(9,182)	(8,349)
	565,985	499,423

Local improvements levies of \$26,160 are to be received in 2023 with the balance of \$93,277 to be received in the years 2024 to 2027.

The Government receivable is comprised of Municipal Sustainability Initiative - Capital \$110,324 (2021 - \$Nil) and \$150,000 (2021 - \$250,000) Federal Gas Tax Fund as well as \$34,300 (2021 - \$Nil) from the Federation of Canadian Municipalities.

5. INVESTMENTS

	2022 Cost	2022 Market Value	2021 Cost	2021 Market Value
	\$	\$	\$	\$
A.M.F.C shares	20	20	20	20
Equity held in Girouxville Co-op	1,524	1,524	1,524	1,524
	1,544	1,544	1,544	1,544

Town of McLennan
Notes to the Consolidated Financial Statements
December 31, 2022

6. DEFERRED REVENUE

	2022	2021
	\$	\$
<hr/>		
Provincial government transfers		
Alberta Community Partnership transfers	-	71,422
Canada Community-Building Fund (Federal Gas Tax Fund)	60,013	320,288
Municipal Sustainability Initiative - Capital	124,015	641,423
Municipal Stimulus Program	-	59,025
	<hr/>	<hr/>
	184,028	1,092,158
Prepaid property taxes	11,596	8,921
Prepaid property rental	3,067	3,067
	<hr/>	<hr/>
	198,691	1,104,146
	<hr/>	<hr/>

Municipal Sustainability Initiative (MSI)

Funding in the amount of \$205,248 was received in the current year from the Municipal Sustainability Initiative. Of the \$205,248 received, \$110,324 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.

Unexpected funds related to these advances are supported by cash and temporary investments held exclusively for these projects. (refer to Note 3)

7. EMPLOYEE BENEFIT OBLIGATION

	2022	2021
	\$	\$
<hr/>		
Vacation and overtime	7,087	8,573
	<hr/>	<hr/>

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.

Town of McLennan
Notes to the Consolidated Financial Statements
December 31, 2022

8. LONG-TERM DEBT

	2022	2021
	\$	\$
Debentures: Supported by special levies (frontage)	128,600	153,499

The current portion of the long-term liabilities amounts to \$26,160 (2021 - \$24,900)

Principal and interest repayments schedule as follows:

	Principal	Interest	Total
	\$	\$	\$
2023	26,160	6,107	32,267
2024	27,485	4,783	32,268
2025	28,876	3,391	32,267
2026	30,339	1,929	32,268
2027	15,740	393	16,133
	128,600	16,603	145,203

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 2022 amounted to \$7,368 (2021 - \$8,537). The average annual interest rate for 2022 is 5.00% (2021- 5.00%). The interest expense is included in the water supply and distribution expenses.

Town of McLennan
Notes to the Consolidated Financial Statements

December 31, 2022

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:

	2022	2021
	\$	\$
Total Debt Limit	2,808,422	2,789,760
Total Debt	128,600	153,499
Amount of debt limit unused	2,679,822	2,636,261
Debt Service Limit	468,070	464,960
Debt Service	32,267	32,268
Amount of debt service limit unused	435,803	432,692

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

	2022	2021
	\$	\$
Net Book Value		
Land	65,676	65,676
Land improvements	119,385	120,065
Buildings	868,102	1,177,885
Engineering structures		
Roadway system	2,489,274	1,480,674
Water system	1,681,054	1,681,054
Wastewater treatment system	556,114	556,114
Machinery and equipment	374,014	362,264
Vehicles	5,280	5,280
	6,158,899	5,449,012

Town of McLennan
Notes to the Consolidated Financial Statements
December 31, 2022

11. EQUITY IN TANGIBLE CAPITAL ASSETS

	2022	2021
	\$	\$
Tangible capital assets (Schedule 2)	13,478,424	12,427,648
Accumulated amortization (Schedule 2)	(7,319,525)	(6,978,636)
	6,158,899	5,449,012

12. ACCUMULATED OPERATING SURPLUS

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

	2022	2021
	\$	\$
Unrestricted surplus	1,079,356	902,228
Restricted surplus - operating		
Administration	6,000	4,500
Ambulance and first aid	18,600	10,600
Housing	28,000	9,000
Recreation (camp ground & golf course)	23,000	15,000
Contingency (mill rate stabilization)	209,179	209,179
Restricted surplus - capital		
Fire equipment replacement	124,000	124,000
Public works equipment replacement	14,100	25,850
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)	6,158,899	5,449,012
	8,032,134	7,120,369

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
December 31, 2022

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:

	<u>2022</u>		<u>2021</u>	
	Benefits &			
	Salary (1)	Allowances (2)	Total	Total
	\$	\$	\$	\$
Mayor:				
DORIS, Jason	6,080	457	6,537	2,224
FOURNIER, Michele	-	-	-	3,950
Councillors:				
CALLIOU, Terry	-	-	-	3,822
CHRISTEN, Eckhard	-	-	-	3,014
DELAURIERS, Sue	3,770	403	4,173	5,499
DUBRULE, Luc	2,470	189	2,659	-
GERVAIS, Maggie	5,330	323	5,653	2,010
JACOB, Margaret	4,760	345	5,105	1,790
JONES, Marie-Anne	4,550	189	4,739	7,060
SAWCHYN, Yvonne	5,200	162	5,362	1,600
STOUT, Dwayne	-	-	-	3,534
Chief Administrative Officer				
WILLIER, Lorraine	72,315	13,322	85,637	90,351
	104,475	15,390	119,865	124,854

- (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 \$16,296 (2021 - \$15,423) owing to Compass Assessments Consultants Incorporated.

Town of McLennan
Notes to the Consolidated Financial Statements
December 31, 2022

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 \$62,300 (2021 - \$64,113) to Smoky River Regional Waste Management Commission for residential garbage collection services and landfill tipping fees. Trade accounts payable include \$5,117 (2021 - \$5,225) 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 8.45% of pensionable earnings up to the year's maximum pensionable earnings under the Canada Pension Plan and 12.80% on pensionable earnings above this amount. Employees of the town are required to make current service contributions of 7.45% of pensionable salary up to the year's maximum pensionable salary and 11.80% of pensionable salary above this amount.

Total current service contributions by the Town of McLennan to the LAPP in 2022 were \$23,136 (2021 - \$33,859). Total current service contributions by the employee of the Town of McLennan to the Local Authorities Pension Plan in 2022 were \$20,447 (2021 - \$30,357).

At December 31, 2021, the LAPP disclosed an actuarial surplus of 11.92 billion. The 2022 actuarial surplus was not available prior to issuing these financial statements.

Town of McLennan
Notes to the Consolidated Financial Statements
December 31, 2022

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.

20. COMPARATIVE FIGURES

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

21. APPROVAL OF FINANCIAL STATEMENTS

Council and Management have approved these financial statements.