

Town of McLennan
Consolidated Financial Statements
December 31, 2023

Town of McLennan

CONTENTS

	<u>Page</u>
MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING	1
INDEPENDENT AUDITOR'S REPORT	2 - 3
FINANCIAL STATEMENTS	
Consolidated Statement of Financial Position	4
Consolidated Statement of Operations	5
Consolidated Statement of Change in Net Financial Assets	6
Consolidated Statement of Cash Flows	7
Schedule of Changes in Accumulated Operating Surplus - Schedule 1	8
Schedule of Tangible Capital Assets - Schedule 2	9
Schedule of Property and Other Taxes - Schedule 3	10
Schedule of Government Transfers - Schedule 4	11
Schedule of Consolidated Expenditures by Object - Schedule 5	12
Schedule of Segmented Disclosure - Schedule 6	13
Notes to Consolidated Financial Statements	14 - 25

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, 2023 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

11210 – 107 Avenue N.W.
Edmonton, Alberta T5H 0Y1
Tel (780) 452-2300, Fax (780) 452-2335

INDEPENDENT AUDITOR'S REPORT

To the Members of Council

Opinion

We have audited the consolidated financial statements of the Town of McLennan (the "Town"), which comprise the consolidated statement of financial position as at December 31, 2023, 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, 2023, 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

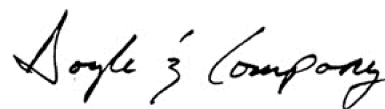
Debt Limit Regulation

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 15, 2024
11210 107 Avenue NW
Edmonton, Alberta T5H 0Y1



Chartered Professional Accountants

Town of McLennan
Consolidated Statement of Financial Position
As at December 31, 2023

	2023	2022
	\$	\$
FINANCIAL ASSETS		
Cash and temporary investments (Note 2)	1,455,781	1,166,556
Receivables		
Taxes and grants in place of taxes (Note 3)	603,731	578,353
Trade and other receivables (Note 3)	629,999	565,985
Land for resale inventory	44,694	44,694
Investments (Note 4)	1,544	1,544
	2,735,749	2,357,132
LIABILITIES		
Accounts payable and accrued liabilities	68,956	216,724
Deposit liabilities	27,489	25,004
Deferred revenue (Note 5)	444,710	198,691
Employee benefit obligation (Note 6)	5,646	7,087
Asset retirement obligation (Note 7)	402,308	-
Long-term debt (Note 8)	102,439	128,600
	1,051,548	576,106
NET FINANCIAL ASSETS	1,684,201	1,781,026
NON-FINANCIAL ASSETS		
Tangible capital assets (Schedule 2)	6,167,054	6,158,900
Inventory for consumption	47,605	29,842
Prepaid expenses	77,225	62,366
	6,291,884	6,251,108
ACCUMULATED OPERATING SURPLUS (Schedule 1 , Note 12)	7,976,085	8,032,134

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, 2023

	2023 Budget (Unaudited) \$	2023 Actual \$	2022 Actual \$
REVENUE			
Net municipal taxes (Schedule 3)	887,845	882,681	864,744
User fees and sales of goods	522,500	591,075	566,263
Government transfers for operating (Schedule 4)	107,500	109,070	102,524
Franchise and concessions contracts	75,000	69,745	75,281
Investment income	35,000	70,391	35,265
Licenses, permits and fines	2,500	3,110	3,110
Penalties and costs of taxes	40,000	57,544	38,319
Rentals	57,640	61,826	65,893
Other	14,000	17,796	120,882
Total Revenue	1,741,985	1,863,238	1,872,281
EXPENSES			
General Government			
Legislative	45,500	34,002	38,833
Administration	446,700	441,966	473,778
Protective Services			
By-laws enforcement	7,500	6,341	6,650
Police	41,235	17,850	27,612
Fire	60,100	59,648	81,593
Transportation			
Roads, streets, walks, lighting	443,500	588,273	569,199
Airport	11,000	10,728	10,777
Planning and Development			
Economic development and community services	19,100	6,616	92,882
Land, housing and building rentals	39,000	28,164	26,392
Public Health and Welfare			
Family and community support	11,900	12,178	11,928
Recreation and Culture			
Parks and recreation	65,400	95,392	79,599
Culture	49,200	46,222	45,490
Cemeteries	1,000	679	679
Environmental Use and Protection			
Water supply and distribution	312,650	392,595	293,333
Wastewater treatment and disposal	71,700	82,393	98,343
Waste management	104,500	91,728	97,599
Total Expenses	1,729,985	1,914,775	1,954,687
EXCESS (SHORTFALL) OF REVENUE OVER EXPENSES BEFORE OTHER REVENUE (EXPENSES)	12,000	(51,537)	(82,406)
OTHER REVENUE (EXPENSES)			
Government transfers for capital (Schedule 4)	50,000	-	998,801
Physician recruitment and retention	(4,000)	(4,512)	(4,630)
EXCESS (SHORTFALL) OF REVENUE OVER EXPENSES	58,000	(56,049)	911,765
ACCUMULATED OPERATING SURPLUS, BEGINNING OF YEAR		8,032,134	7,120,369
ACCUMULATED OPERATING SURPLUS, END OF YEAR		7,976,085	8,032,134

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, 2023

	2023 Budget (Unaudited) \$	2023 Actual \$	2022 Actual \$
EXCESS (SHORTFALL) OF REVENUES OVER EXPENSES	58,000	(56,049)	911,765
Acquisition of tangible capital assets	(80,000)	(426,823)	(1,050,776)
Amortization of tangible capital assets	-	351,577	340,888
Loss on sale of tangible capital assets	-	67,092	-
	(80,000)	(8,154)	(709,888)
Decrease (increase) of prepaid assets	-	(14,859)	(278)
Acquisition of supplies inventories	-	(17,763)	(4,462)
	-	(32,622)	(4,740)
INCREASE (DECREASE) IN NET ASSETS	(22,000)	(96,825)	197,137
NET FINANCIAL ASSETS , BEGINNING OF YEAR	-	1,781,026	1,583,889
NET FINANCIAL ASSETS, END OF YEAR	-	1,684,201	1,781,026

The accompanying notes form part of these financial statements.

Town of McLennan
Consolidated Statement of Cash Flows
For the year ended December 31, 2023

	2023	2022
	\$	\$
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING		
Excess (Shortfall) of revenue over expenses	(56,049)	911,765
Non-cash items included in excess (shortfall) of revenue over expenses:		
Amortization of tangible capital assets	351,577	340,888
Loss on sale of tangible capital assets.	67,092	-
Non-cash charges to operations (net change):		
Decrease (increase) in taxes and grants in lieu receivables	(25,378)	(35,124)
Decrease (increase) in trade and other receivables	(64,014)	(66,562)
Decrease (increase) in inventory for consumption	(17,763)	(4,462)
Decrease (increase) in prepaid expenses	(14,859)	(278)
Increase (decrease) in payables and accrued liabilities	(147,768)	152,602
Increase (decrease) in deposit liabilities	2,485	(230)
Increase (decrease) in deferred revenue	246,019	(905,455)
Increase (decrease) in employee benefit obligation	(1,441)	(1,486)
Cash provided by operating transactions	339,901	391,658
CAPITAL		
Acquisition of tangible capital assets	(426,823)	(1,050,776)
Increase in asset retirement obligation	402,308	-
Cash applied to capital transactions	(24,515)	(1,050,776)
INVESTING		
Decrease (increase) in restricted cash or cash equivalents	(110,904)	517,409
Cash provided by (applied to) investing transactions	(110,904)	517,409
FINANCING		
Long-term debt repaid	(26,161)	(24,899)
Cash provided by (applied to) financing transactions	(26,161)	(24,899)
CHANGE IN CASH AND EQUIVALENTS DURING THE YEAR	178,321	(166,608)
CASH AND CASH EQUIVALENTS , BEGINNING OF YEAR	1,040,346	1,206,954
CASH AND CASH EQUIVALENTS, END OF YEAR	1,218,667	1,040,346
Cash and cash equivalents consist of:		
Cash and temporary investments (Note 2)	1,455,781	1,166,556
Less: restricted portion of cash and temporary investments (Note 2)	(237,114)	(126,210)
	1,218,667	1,040,346

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, 2023

	Unrestricted Surplus	Internally Restricted Surplus	Equity in Tangible Capital Assets	2023 \$	2022 \$
Balance, Beginning of Year	1,079,355	793,879	6,158,900	8,032,134	7,120,369
Excess (deficiency) of revenue over expenses	(56,049)	-	-	(56,049)	911,765
Unrestricted funds designated for future use	(54,500)	54,500	-	-	-
Current years funds used for tangible capital assets	(426,823)	-	426,823	-	-
Disposal of tangible capital assets	67,092	-	(67,092)	-	-
Annual amortization expenses	351,577	-	(351,577)	-	-
Asset retirement obligation obtained	394,420	-	(394,420)	-	-
Accretion expenses	7,888	-	(7,888)	-	-
Change in accumulated surplus	283,605	54,500	(394,154)	(56,049)	911,765
Balance, End of Year	1,362,960	848,379	5,764,746	7,976,085	8,032,134

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, 2023

	Land	Land Improvements	Buildings	Engineered Structures	Machinery and Equipment	Vehicles	2023 \$	2022 \$
COST:								
Balance, Beginning of Year	65,676	337,143	2,572,934	9,218,989	1,196,618	87,064	13,478,424	12,427,648
Acquisition of tangible capital assets	-	-	395,797	-	-	31,026	426,823	1,050,776
Disposal of tangible capital assets	-	-	-	(67,092)	-	-	(67,092)	-
Balance, End of Year	65,676	337,143	2,968,731	9,151,897	1,196,618	118,090	13,838,155	13,478,424
ACCUMULATED AMORTIZATION:								
Balance, Beginning of Year	-	226,530	1,430,787	4,686,823	891,840	83,544	7,319,524	6,978,636
Annual amortization	-	9,452	63,744	219,943	55,126	3,312	351,577	340,888
Balance, End of Year	-	235,982	1,494,531	4,906,766	946,966	86,856	7,671,101	7,319,524
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	65,676	101,161	1,474,200	4,245,131	249,652	31,234	6,167,054	6,158,900
2022 NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	65,676	110,613	1,142,147	4,532,166	304,778	3,520		6,158,900

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, 2023

	2023 Budget (Unaudited) \$	2023 Actual \$	2022 Actual \$
TAXATION			
Real property taxes	882,506	895,411	860,142
Linear property taxes	41,583	41,583	44,293
Government grants in place of property taxes	72,430	75,119	93,795
Special assessments and local improvement taxes	31,000	4,251	5,512
	1,027,519	1,016,364	1,003,742
REQUISITIONS			
Alberta School Foundation Fund	79,810	77,034	79,810
Holy Family Catholic Regional Division No.37	46,012	42,907	46,012
Designated Industrial Property	110	-	-
Seniors Lodge	13,742	13,742	13,176
	139,674	133,683	138,998
NET MUNICIPAL TAXES	887,845	882,681	864,744

The accompanying notes form part of these financial statements.

Town of McLennan
Schedule of Government Transfers - Schedule 4
For the year ended December 31, 2023

Budget	2023 Actual (Unaudited) \$	2023 Actual \$	2022 \$
TRANSFERS FOR OPERATING			
Federal Government - conditional	-	1,070	-
Provincial Government	107,000	107,000	97,024
Other Local Government	500	1,000	5,500
	107,500	109,070	102,524
TRANSFERS FOR CAPITAL			
Provincial Government	50,000	-	998,801
TOTAL GOVERNMENT TRANSFERS	157,500	109,070	1,101,325

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, 2023

	2023 Budget (Unaudited)	2023 Actual	2022 Actual
	\$	\$	\$
CONSOLIDATED EXPENSES BY OBJECT			
Salaries, wages and benefits	628,900	572,686	552,492
Contracted and general services	482,735	463,472	500,760
Purchases from other governments	111,000	105,092	106,017
Materials, goods, and utilities	408,200	351,080	340,176
Provision for allowance	20,000	30,966	61,241
Transfers to other governments	650	526	526
Transfers to local boards and agencies	31,600	19,816	33,730
Transfers to individuals and organizations	17,300	17,669	15,688
Bank charges and short-term interest	1,000	296	431
Interest on long-term debt	32,600	6,107	7,368
Amortization of tangible capital assets	-	351,577	340,888
TOTAL EXPENSES	1,733,985	1,919,287	1,959,317

The accompanying notes form part of these financial statements.

Town of McLennan
Schedule of Segmented Disclosure - Schedule 6
For the year ended December 31, 2023

	General Government	Protective Services	Transportation Services	Environmental Services	Recreation & Culture	Other	2023 \$
REVENUE							
Net municipal taxes	878,430	-	-	4,251	-	-	882,681
Operating government transfers	17,070	50,000	10,000	-	23,500	8,500	109,070
User fees and sale of goods	3,717	-	300	582,796	4,262	-	591,075
Franchises and concession contracts	69,745	-	-	-	-	-	69,745
Investment income	70,391	-	-	-	-	-	70,391
Licenses, permits and fines	25	735	-	-	-	2,350	3,110
Penalties and costs on taxes	57,544	-	-	-	-	-	57,544
Rentals	6,600	8,140	-	-	3,238	43,848	61,826
Other revenues and insurance claims	1,990	9,008	239	4,123	2,436	-	17,796
	1,105,512	67,883	10,539	591,170	33,436	54,698	1,863,238
EXPENSES							
Salaries, wages and benefits	239,245	-	197,063	106,284	30,094	-	572,686
Contracted and general services	169,048	29,185	38,030	200,826	20,759	5,624	463,472
Purchases from other governments	-	43,717	-	61,375	-	-	105,092
Materials, goods and utilities	16,448	8,065	165,173	112,709	30,446	18,239	351,080
Provision for allowance	30,966	-	-	-	-	-	30,966
Transfers to other governments	-	-	-	526	-	-	526
Transfers to local boards and agencies	-	-	10,728	-	-	9,088	19,816
Transfers to individuals and organizations	1,832	-	-	-	11,247	4,590	17,669
Bank charges and short-term interest	296	-	-	-	-	-	296
Long-term debt interest (Note 8)	-	-	-	6,107	-	-	6,107
Balance, End of Year	457,835	80,967	410,994	487,827	92,546	37,541	1,567,710
EXCESS (SHORTFALL) OF REVENUE							
BEFORE AMORTIZATION	647,677	(13,084)	(400,455)	103,343	(59,110)	17,157	295,528
Amortization	(18,133)	(2,872)	(188,007)	(78,889)	(49,747)	(13,929)	(351,577)
EXCESS (SHORTFALL) OF REVENUE	629,544	(15,956)	(588,462)	24,454	(108,857)	3,228	(56,049)

The accompanying notes form part of these financial statements.

Town of McLennan

Notes to the Consolidated Financial Statements

December 31, 2023

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 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.

Town of McLennan
Notes to the Consolidated Financial Statements
December 31, 2023

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.

(k) Asset Retirement

A liability for an asset retirement obligation is recognized at the best estimate of the amount required to retire a tangible capital asset at the financial statement date when there is a legal obligation for the town to incur retirement costs, the past transaction or event giving rise to the liability has occurred, it is expected that future economic benefits will be given up, and a reasonable estimate of the amount can be made. The best estimate of the liability includes all costs directly attributable to asset retirement activities, based on information available at year-end. The best estimate of an asset retirement obligation incorporates a present value technique, when the cash flows required to settle or otherwise extinguish an asset retirement obligation are expected to occur over extended future periods.

Town of McLennan
Notes to the Consolidated Financial Statements
December 31, 2023

1. SIGNIFICANT ACCOUNTING POLICIES - continued

(k) Asset Retirement - continued

When a liability for an asset retirement obligation is initially recognized, a corresponding asset retirement cost is capitalized to the carrying amount of the related tangible capital asset. The asset retirement cost is amortized over the useful life of the related asset. Asset retirement obligations which are incurred incrementally with use of the asset are recognized in the period incurred with a corresponding asset retirement cost expensed in the period.

At each financial reporting date, the town reviews the carrying amount of the liability. The town recognizes period-to-period changes to the liability due to the passage of time as accretion expense. Changes to the liability arising from revisions to either the timing, the amount of the original estimate of undiscounted cash flows or the discount rate are recognized as an increase or decrease to the carrying amount of the related tangible capital asset. The town continues to recognize the liability until it is settled or otherwise extinguished. Disbursements made to settle the liability are deducted from the reported liability when they are made.

(l) 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 payer. 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.

(m) 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.

(n) 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, 2023

1. SIGNIFICANT ACCOUNTING POLICIES - continued

(o) 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.

(p) Deferred Revenues

Deferred revenues represent government transfers, donations, and other amounts which have been collected, but for which the related services have yet to be performed or agreement stipulations have not been met. These amounts will be recognized as revenues when revenue recognition criteria have been met. Interest earned on deferred revenues, reserves, and offsite levies are calculated using an average investing earnings monthly.

2. CASH AND TEMPORARY INVESTMENTS

	2023	2022
	\$	\$
Cash	407,288	282,968
Temporary investments	1,048,493	883,588
	1,455,781	1,166,556

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

Included in temporary investments is a restricted amount of \$234,919 (2022 - \$124,015) received from the Municipal Sustainability Initiative - Capital held for approved projects (Note 5). Also restricted are tax sale surplus funds of \$2,195 (2022 - \$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 \$289,279 (2022 - \$248,279) and capital \$522,100 (2022 - \$509,100), totaling \$811,379 (2022 - \$757,379).

Town of McLennan
Notes to the Consolidated Financial Statements
December 31, 2023

3. RECEIVABLES

	2023 \$	2022 \$
i) Taxes and grants in place of taxes		
Current taxes and grants in place of taxes	183,833	163,715
Arrears taxes	788,487	753,670
	972,320	917,385
Less: Allowances for doubtful accounts	(368,589)	(339,032)
	603,731	578,353
ii) Trade and other receivables		
Local improvements levies	93,276	119,437
Goods and services tax receivable	42,627	77,625
Government receivable	420,648	294,624
Trade accounts	18,426	30,268
Utility accounts	64,204	53,213
	639,181	575,167
Less: Allowance for doubtful accounts	(9,182)	(9,182)
	629,999	565,985

Local improvements levies of \$27,485 are to be received in 2024 with the balance of \$65,791 to be received in the years 2025 to 2027.

The Government receivable is comprised of Municipal Sustainability Initiative - Capital \$220,648 (2022 - \$110,324) and \$200,000 (2022 - \$150,000) Canada Community Building Fund as well as \$Nil (2022 - \$34,300) from the Federation of Canadian Municipalities.

4. INVESTMENTS

	2023 Cost \$	2023 Market Value \$	2022 Cost \$	2022 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, 2023

5. DEFERRED REVENUE

	Opening	Received	Recognized	2023	2022
	\$	\$	\$	\$	\$
Canada Community Building Fund	60,013	50,000	-	110,013	60,013
Municipal Sustainability Initiative - Capital	124,015	110,904	-	234,919	124,015
Municipal Sustainability Initiative - Operating	-	191,608	107,000	84,608	-
	184,028	352,512	107,000	429,540	184,028
Prepaid property taxes				12,103	11,596
Prepaid property rental				3,067	3,067
				444,710	198,691

Deferred revenue is comprised of the funds noted above, the use of which, together with any earnings thereon, is restricted by agreement. These funds are recognized as revenue in the period they are used for the purpose specified.

Municipal Sustainability Initiative (MSI)

Funding in the amount of \$300,172 was received in the current year from the Municipal Sustainability Initiative. Of the \$300,172 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 \$189,848 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 2)

6. EMPLOYEE BENEFIT OBLIGATION

	2023	2022
	\$	\$
Vacation and overtime	5,646	7,087

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, 2023

7. ASSET RETIREMENT OBLIGATION

The town own buildings which contain asbestos and, therefore, the town is legally required to perform abatement activities upon renovation or demolition of the buildings. Abatement activities include handling and disposing of the asbestos in a prescribed manner when it is disturbed. Undiscounted future cash flows expected are an abatement cost in year 2047 of \$647,087. The estimated total liability of \$394,420 is based on the sum of discounted future cash flows for abatement activities using a discount rate of 6% and assuming annual inflation of 2%. It is management's opinion that these assumptions are reasonable in the circumstance as at December 31, 2023. The town has not designated assets for settling the abatement activities.

	2023	2023 January 1
	\$	\$
Balance, beginning of year	394,420	-
Increase in (discharge of) obligation	-	394,420
Accretion expense	7,888	-
Estimated total liability	402,308	394,420

8. LONG-TERM DEBT

	2023	2022
	\$	\$
Debentures: Supported by special levies (frontage)	102,439	128,600

The current portion of the long-term liabilities amounts to \$27,485 (2022 - \$26,160)

Principal and interest repayments are as follows:

	Principal	Interest	Total
	\$	\$	\$
2024	27,485	4,783	32,268
2025	28,876	3,391	32,267
2026	30,338	1,929	32,267
2027	15,740	393	16,133
	102,439	10,496	112,935

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 2023 amounted to \$6,107 (2022 - \$7,368). The average annual interest rate for 2023 is 5.00% (2022 - 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, 2023

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:

	2023	2022
	\$	\$
Total Debt Limit	2,794,857	2,808,422
Total Debt	102,439	128,600
Amount of debt limit unused	2,692,418	2,679,822
Debt Service Limit	465,810	468,070
Debt Service	32,268	32,267
Amount of debt service limit unused	433,542	435,803

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

	2023	2022
	\$	\$
Net Book Value		
Land	65,676	65,676
Land improvements	101,161	110,613
Buildings	1,474,200	1,142,147
Engineering structures		
Roadway system	2,007,963	2,294,998
Water system	1,681,054	1,681,054
Wastewater treatment system	556,114	556,114
Machinery and equipment	249,652	304,778
Vehicles	31,234	3,520
	6,167,054	6,158,900

Town of McLennan
Notes to the Consolidated Financial Statements
December 31, 2023

11. EQUITY IN TANGIBLE CAPITAL ASSETS

	2023	2022
	\$	\$
Tangible capital assets (Schedule 2)	13,838,155	13,478,424
Accumulated amortization (Schedule 2)	(7,671,101)	(7,319,524)
Asset retirement obligation	(402,308)	-
	5,764,746	6,158,900

12. ACCUMULATED OPERATING SURPLUS

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

	2023	2022
	\$	\$
Unrestricted surplus	1,362,960	1,079,355
Restricted surplus - operating		
Administration	7,500	6,000
Ambulance and first aid	18,600	18,600
Housing	28,000	28,000
Recreation (camp ground & golf course)	26,000	23,000
Economic development	12,000	-
Contingency (mill rate stabilization)	234,179	209,179
Restricted surplus - capital		
Fire equipment replacement	124,000	124,000
Public works equipment replacement	14,100	14,100
Public works future capital projects	108,000	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	111,000	106,000
Equity in tangible capital assets (Note 11)	5,764,746	6,158,900
	7,976,085	8,032,134

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, 2023

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>2023</u>			<u>2022</u>
	Salary (1)	Benefits & Allowances (2)	Total	Total
	\$	\$	\$	\$
Mayor:				
DORIS, Jason	4,720	508	5,228	6,537
Councilors:				
DELAURIERS, Sue	4,520	464	4,984	4,173
DUBRULE, Luc	130	11	141	2,659
GERVAIS, Maggie	3,380	404	3,784	5,653
JACOB, Margaret	3,940	635	4,575	5,105
JONES, Marie-Anne	4,160	225	4,385	4,739
PAYOU, Darlene	3,090	191	3,281	-
SAWCHYN, Yvonne	3,640	135	3,775	5,362
Chief Administrative Officer				
WILLIER, Lorraine	73,517	15,232	88,749	85,637
	101,097	17,805	118,902	119,865

- (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 \$11,248 (2022 - \$16,296) owing to Compass Assessments Consultants Incorporated.

Town of McLennan
Notes to the Consolidated Financial Statements
December 31, 2023

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 \$61,375 (2022 - \$62,300) to Smoky River Regional Waste Management Commission for residential garbage collection services and landfill tipping fees. Trade accounts payable include \$10,320 (2022 - \$5,117) 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 12.23% 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 11.23% of pensionable salary above this amount.

Total current service contributions by the Town of McLennan to the LAPP in 2023 were \$26,203 (2022 - \$23,136). Total current service contributions by the employee of the Town of McLennan to the Local Authorities Pension Plan in 2023 were \$23,157 (2022 - \$20,447).

At December 31, 2022, the LAPP disclosed an actuarial surplus of 12.7 billion. The 2023 actuarial surplus was not available prior to issuing these financial statements.

Town of McLennan
Notes to the Consolidated Financial Statements
December 31, 2023

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.