

Town of McLennan
Consolidated Financial Statements
December 31, 2024

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, 2024 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 (the "Town"), which comprise the consolidated statement of financial position as at December 31, 2024, 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, 2024, 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

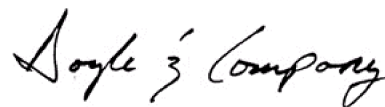
Debt Limit Regulation

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 8, 2025
11210 107 Avenue NW
Edmonton, Alberta T5H 0Y1



Chartered Professional Accountants

Town of McLennan
Consolidated Statement of Financial Position
As at December 31, 2024

	2024	2023
	\$	\$
FINANCIAL ASSETS		
Cash and temporary investments (Note 2)	1,833,926	1,455,781
Receivables		
Taxes and grants in place of taxes (Note 3)	665,102	603,731
Trade and other receivables (Note 3)	854,403	629,999
Land for resale inventory	49,694	44,694
Investments (Note 4)	1,544	1,544
	3,404,669	2,735,749
LIABILITIES		
Accounts payable and accrued liabilities	145,853	68,956
Deposit liabilities	29,049	27,489
Deferred revenue (Note 5)	758,079	444,710
Employee benefit obligation (Note 6)	9,009	5,646
Asset retirement obligation (Note 7)	410,355	402,308
Long-term debt (Note 8)	74,954	102,439
	1,427,299	1,051,548
NET FINANCIAL ASSETS	1,977,370	1,684,201
NON-FINANCIAL ASSETS		
Tangible capital assets (Schedule 2)	5,790,710	6,167,054
Inventory for consumption	72,905	47,605
Prepaid expenses	140,095	77,225
	6,003,710	6,291,884
ACCUMULATED OPERATING SURPLUS (Schedule 1 , Note 12)	7,981,080	7,976,085

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, 2024

	2024 Budget (Unaudited) \$	2024 Actual \$	2023 Actual \$
REVENUE			
Net municipal taxes (Schedule 3)	933,809	898,908	882,681
User fees and sales of goods	551,500	633,494	591,075
Government transfers for operating (Schedule 4)	260,456	273,742	109,070
Franchise and concessions contracts	62,000	72,331	69,745
Investment income	60,000	88,610	70,391
Licenses, permits and fines	2,600	3,495	3,110
Penalties and costs of taxes	45,000	52,810	57,544
Rentals	57,640	64,762	61,826
Other	18,800	21,028	17,796
Total Revenue	1,991,805	2,109,180	1,863,238
EXPENSES			
General Government			
Legislative	45,000	33,895	34,002
Administration	455,400	528,297	441,966
Protective Services			
By-laws enforcement	9,700	6,341	6,341
Police	41,235	32,129	17,850
Fire	91,500	102,512	59,648
Transportation			
Roads, streets, walks, lighting	456,500	635,312	588,273
Airport	11,000	10,144	10,728
Planning and Development			
Economic development and community services	20,000	6,536	6,616
Land, housing and building rentals	42,000	25,809	28,164
Public Health and Welfare			
Family and community support	11,900	11,388	12,178
Recreation and Culture			
Parks and recreation	53,200	86,662	95,392
Culture	48,600	49,320	46,222
Cemeteries	1,000	679	679
Environmental Use and Protection			
Water supply and distribution	486,350	421,592	392,595
Wastewater treatment and disposal	142,000	97,005	82,393
Waste management	98,500	101,592	91,728
Total Expenses	2,013,885	2,149,213	1,914,775
EXCESS (SHORTFALL) OF REVENUE OVER EXPENSES BEFORE OTHER REVENUE (EXPENSES)	(22,080)	(40,033)	(51,537)
OTHER REVENUE (EXPENSES)			
Government transfers for capital (Schedule 4)	50,000	50,000	-
Physician recruitment and retention	(4,200)	(4,972)	(4,512)
EXCESS (SHORTFALL) OF REVENUE OVER EXPENSES	23,720	4,995	(56,049)
ACCUMULATED OPERATING SURPLUS, BEGINNING OF YEAR		7,976,085	8,032,134
ACCUMULATED OPERATING SURPLUS, END OF YEAR		7,981,080	7,976,085

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, 2024

	2024 Budget (Unaudited) \$	2024 Actual \$	2023 Actual \$
EXCESS (SHORTFALL) OF REVENUES OVER EXPENSES	23,720	4,995	(56,049)
Acquisition of tangible capital assets	-	-	(426,823)
Amortization of tangible capital assets	-	376,344	351,577
Loss on sale of tangible capital assets	-	-	67,092
	-	376,344	(8,154)
Decrease (increase) of prepaid assets	-	(62,870)	(14,859)
Acquisition of supplies inventories	-	(25,300)	(17,763)
	-	(88,170)	(32,622)
INCREASE (DECREASE) IN NET ASSETS	23,720	293,169	(96,825)
NET FINANCIAL ASSETS , BEGINNING OF YEAR	-	1,684,201	1,781,026
NET FINANCIAL ASSETS, END OF YEAR	-	1,977,370	1,684,201

The accompanying notes form part of these financial statements.

Town of McLennan
Consolidated Statement of Cash Flows
For the year ended December 31, 2024

	2024	2023
	\$	\$
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING		
Excess (Shortfall) of revenue over expenses	4,995	(56,049)
Non-cash items included in excess (shortfall) of revenue over expenses:		
Amortization of tangible capital assets	376,344	351,577
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	(61,371)	(25,378)
Decrease (increase) in trade and other receivables	(224,404)	(64,014)
Decrease (increase) in land held for resale	(5,000)	-
Decrease (increase) in inventory for consumption	(25,300)	(17,763)
Decrease (increase) in prepaid expenses	(62,870)	(14,859)
Increase (decrease) in payables and accrued liabilities	76,897	(147,768)
Increase (decrease) in deposit liabilities	1,560	2,485
Increase (decrease) in deferred revenue	313,369	246,019
Increase (decrease) in employee benefit obligation	3,363	(1,441)
Cash provided by operating transactions	397,583	339,901
CAPITAL		
Acquisition of tangible capital assets	-	(426,823)
Increase in asset retirement obligation	8,047	402,308
Cash applied to capital transactions	8,047	(24,515)
INVESTING		
Decrease (increase) in restricted cash or cash equivalents	(126,637)	(110,904)
Cash provided by (applied to) investing transactions	(126,637)	(110,904)
FINANCING		
Long-term debt repaid	(27,485)	(26,161)
Cash provided by (applied to) financing transactions	(27,485)	(26,161)
CHANGE IN CASH AND EQUIVALENTS DURING THE YEAR	251,508	178,321
CASH AND CASH EQUIVALENTS , BEGINNING OF YEAR	1,218,667	1,040,346
CASH AND CASH EQUIVALENTS, END OF YEAR	1,470,175	1,218,667
Cash and cash equivalents consist of:		
Cash and temporary investments (Note 2)	1,833,926	1,455,781
Less: restricted portion of cash and temporary investments (Note 2)	(363,751)	(237,114)
	1,470,175	1,218,667

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, 2024

	Unrestricted Surplus	Internally Restricted Surplus	Equity in Tangible Capital Assets	2024 \$	2023 \$
Balance, Beginning of Year	1,362,960	848,379	5,764,746	7,976,085	8,032,134
Excess (deficiency) of revenue over expenses	4,995	-	-	4,995	(56,049)
Unrestricted funds designated for future use	(70,500)	70,500	-	-	-
Annual amortization expenses	376,344	-	(376,344)	-	-
Accretion expenses	8,047	-	(8,047)	-	-
Change in accumulated surplus	318,886	70,500	(384,391)	4,995	(56,049)
Balance, End of Year	1,681,846	918,879	5,380,355	7,981,080	7,976,085

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, 2024

	Land	Land Improvements	Buildings	Engineered Structures	Machinery and Equipment	Vehicles	2024 \$	2023 \$
COST:								
Balance, Beginning of Year	65,676	337,143	2,968,731	9,151,897	1,196,618	118,090	13,838,155	13,478,424
Acquisition of tangible capital assets	-	-	-	-	-	-	-	426,823
Disposal of tangible capital assets	-	-	-	-	-	-	-	(67,092)
Balance, End of Year	65,676	337,143	2,968,731	9,151,897	1,196,618	118,090	13,838,155	13,838,155
ACCUMULATED AMORTIZATION:								
Balance, Beginning of Year	-	235,982	1,494,531	4,906,766	946,966	86,856	7,671,101	7,319,524
Annual amortization	-	9,452	63,748	233,555	64,726	4,863	376,344	351,577
Balance, End of Year	-	245,434	1,558,279	5,140,321	1,011,692	91,719	8,047,445	7,671,101
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	65,676	91,709	1,410,452	4,011,576	184,926	26,371	5,790,710	6,167,054
2023 NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	65,676	101,161	1,474,200	4,245,131	249,652	31,234		6,167,054

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, 2024

	2024 Budget (Unaudited) \$	2024 Actual \$	2023 Actual \$
TAXATION			
Real property taxes	918,271	884,175	895,411
Linear property taxes	49,386	49,513	41,583
Government grants in place of property taxes	60,000	95,825	75,119
Special assessments and local improvement taxes	31,000	-	4,251
	1,058,657	1,029,513	1,016,364
REQUISITIONS			
Alberta School Foundation Fund	72,079	74,854	77,034
Holy Family Catholic Regional Division No.37	37,858	40,965	42,907
Designated Industrial Property	125	-	-
Seniors Lodge	14,786	14,786	13,742
	124,848	130,605	133,683
NET MUNICIPAL TAXES	933,809	898,908	882,681

The accompanying notes form part of these financial statements.

Town of McLennan
Schedule of Government Transfers - Schedule 4
For the year ended December 31, 2024

	2024 Budget (Unaudited) \$	2024 Actual \$	2023 Actual \$
TRANSFERS FOR OPERATING			
Federal Government - conditional	-	-	1,070
Provincial Government	259,456	272,696	107,000
Other Local Government	1,000	1,046	1,000
	260,456	273,742	109,070
TRANSFERS FOR CAPITAL			
Provincial Government	50,000	50,000	-
TOTAL GOVERNMENT TRANSFERS	310,456	323,742	109,070

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, 2024

	2024 Budget (Unaudited)	2024 Actual	2023 Actual
	\$	\$	\$
CONSOLIDATED EXPENSES BY OBJECT			
Salaries, wages and benefits	627,100	573,313	572,686
Contracted and general services	634,135	573,189	463,472
Purchases from other governments	142,000	136,339	105,092
Materials, goods, and utilities	501,000	404,244	351,080
Provision for allowance	30,000	52,677	30,966
Transfers to other governments	650	552	526
Transfers to local boards and agencies	32,700	17,813	19,816
Transfers to individuals and organizations	16,400	14,597	17,669
Bank charges and short-term interest	1,500	334	296
Interest on long-term debt	32,600	4,783	6,107
Amortization of tangible capital assets	-	376,344	351,577
TOTAL EXPENSES	2,018,085	2,154,185	1,919,287

The accompanying notes form part of these financial statements.

Town of McLennan
Schedule of Segmented Disclosure - Schedule 6
For the year ended December 31, 2024

	General Government	Protective Services	Transportation Services	Environmental Services	Recreation & Culture	Other	2024 \$
REVENUE							
Net municipal taxes	898,908	-	-	-	-	-	898,908
Operating government transfers	-	50,600	10,000	231,096	24,000	8,046	323,742
User fees and sale of goods	4,030	10,199	1,781	608,151	9,333	-	633,494
Franchises and concession contracts	72,331	-	-	-	-	-	72,331
Investment income	88,610	-	-	-	-	-	88,610
Licenses, permits and fines	80	770	-	-	-	2,645	3,495
Penalties and costs on taxes	52,810	-	-	-	-	-	52,810
Rentals	11,320	8,140	-	-	3,662	41,640	64,762
Other revenues and insurance claims	2,755	11,359	1,865	4,725	324	-	21,028
	1,130,844	81,068	13,646	843,972	37,319	52,331	2,159,180
EXPENSES							
Salaries, wages and benefits	234,080	10,199	195,560	103,474	30,000	-	573,313
Contracted and general services	220,125	45,248	60,649	225,467	14,746	6,954	573,189
Purchases from other governments	-	73,717	-	62,622	-	-	136,339
Materials, goods and utilities	35,161	8,946	166,333	144,402	32,969	16,433	404,244
Provision for allowance	52,677	-	-	-	-	-	52,677
Transfers to other governments	-	-	-	552	-	-	552
Transfers to local boards and agencies	-	-	10,144	-	-	7,669	17,813
Transfers to individuals and organizations	1,682	-	-	-	9,195	3,720	14,597
Bank charges and short-term interest	334	-	-	-	-	-	334
Long-term debt interest (Note 8)	-	-	-	4,783	-	-	4,783
Balance, End of Year	544,059	138,110	432,686	541,300	86,910	34,776	1,777,841
EXCESS (SHORTFALL) OF REVENUE							
BEFORE AMORTIZATION	586,785	(57,042)	(419,040)	302,672	(49,591)	17,555	381,339
Amortization	(18,133)	(2,872)	(212,770)	(78,889)	(49,751)	(13,929)	(376,344)
EXCESS (SHORTFALL) OF REVENUE	568,652	(59,914)	(631,810)	223,783	(99,342)	3,626	4,995

The accompanying notes form part of these financial statements.

Town of McLennan

Notes to the Consolidated Financial Statements

December 31, 2024

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 records 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, 2024

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, 2024

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, 2024

1. SIGNIFICANT ACCOUNTING POLICIES - continued

(n) 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

	2024	2023
	\$	\$
Cash	952,999	591,517
Temporary investments	880,927	864,264
	1,833,926	1,455,781

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

Included in temporary investments is a restricted amount of \$73,703 (2023 - \$13,690) received from the Local Government Fiscal Framework - Capital and Canada Community Building Fund held for approved projects (Note 5). Also restricted are tax sale surplus funds of \$4,393 (2023 - \$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 \$178,131 (2023 - \$234,179) and capital \$684,700 (2023 - \$614,200), totaling \$862,831 (2023 - \$848,379).

Town of McLennan
Notes to the Consolidated Financial Statements
December 31, 2024

3. RECEIVABLES

	2024	2023
	\$	\$
i) Taxes and grants in place of taxes		
Current taxes and grants in place of taxes	181,910	183,833
Arrears taxes	903,667	788,487
	1,085,577	972,320
Less: Allowances for doubtful accounts	(420,475)	(368,589)
	665,102	603,731
ii) Trade and other receivables		
Local improvements levies	62,865	93,276
Goods and services tax receivable	46,824	42,627
Government receivable	670,495	420,648
Trade accounts	26,275	18,426
Utility accounts	56,335	64,204
	862,794	639,181
Less: Allowance for doubtful accounts	(8,391)	(9,182)
	854,403	629,999

Local improvements levies of \$28,876 are to be received in 2025 with the balance of \$33,989 to be received in the years 2025 to 2027.

The Government receivable is comprised of Local Government Fiscal Framework - Capital of \$580,006 (2023 - \$220,648) and \$90,489 (2023 - \$200,000) Canada Community Building Fund.

4. INVESTMENTS

	2024 Cost	2024 Market Value	2023 Cost	2023 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, 2024

5. DEFERRED REVENUE

	Opening \$	Received \$	Recognized \$	2024 \$	2023 \$
Canada Community Building Fund	110,013	90,489	50,000	150,502	110,013
Local Government Fiscal Framework - Capital	234,919	359,838	-	594,757	234,919
Local Government Fiscal Framework - Operating	84,608	1,460	86,068	-	84,608
	429,540	451,787	136,068	745,259	429,540
Prepaid property taxes				9,753	12,103
Prepaid property rental				3,067	3,067
				758,079	444,710

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.

Local Government Fiscal Framework (LGFF)

Funding in the amount of \$359,358 was received in the current year from the Local Government Fiscal Framework. The amounts are from the capital component of the program and is restricted to eligible capital 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

	2024 \$	2023 \$
Vacation and overtime	9,009	5,646

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, 2024

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, 2024. The town has not designated assets for settling the abatement activities.

	2024	2024 January 1
	\$	\$
Balance, beginning of year	402,308	394,420
Accretion expense	8,047	7,888
Estimated total liability	410,355	402,308

8. LONG-TERM DEBT

	2024	2023
	\$	\$
Debentures: Supported by special levies (frontage)	74,954	102,439

The current portion of the long-term liabilities amounts to \$28,876 (2023 - \$27,485)

Principal and interest repayments are as follows:

	Principal \$	Interest \$	Total \$
2025	28,876	3,391	32,267
2026	30,338	1,929	32,267
2027	15,740	393	16,133
	74,954	5,713	80,667

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 2024 amounted to \$4,783 (2023 - \$6,107). The average annual interest rate for 2024 is 5.00% (2023 - 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, 2024

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:

	2024	2023
	\$	\$
Total Debt Limit	3,163,770	2,794,857
Total Debt	74,954	102,439
Amount of debt limit unused	3,088,816	2,692,418
Debt Service Limit	527,295	465,810
Debt Service	32,268	32,268
Amount of debt service limit unused	495,027	433,542

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

	2024	2023
	\$	\$
Net Book Value		
Land	65,676	65,676
Land improvements	91,709	101,161
Buildings	1,410,452	1,474,200
Engineering structures		
Roadway system	2,163,168	2,318,971
Water system	1,377,264	1,438,022
Wastewater treatment system	471,144	488,138
Machinery and equipment	184,926	249,652
Vehicles	26,371	31,234
	5,790,710	6,167,054

Town of McLennan
Notes to the Consolidated Financial Statements
December 31, 2024

11. EQUITY IN TANGIBLE CAPITAL ASSETS

	2024	2023
	\$	\$
Tangible capital assets (Schedule 2)	13,838,155	13,838,155
Accumulated amortization (Schedule 2)	(8,047,445)	(7,671,101)
Asset retirement obligation	(410,355)	(402,308)
	5,380,355	5,764,746

12. ACCUMULATED OPERATING SURPLUS

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

	2024	2023
	\$	\$
Unrestricted surplus	1,681,846	1,362,960
Restricted surplus - operating		
Administration	9,000	7,500
Ambulance and first aid	18,600	18,600
Housing	28,000	28,000
Recreation (camp ground & golf course)	29,000	26,000
Economic development	21,000	12,000
Contingency (mill rate stabilization)	234,179	234,179
Restricted surplus - capital		
Fire equipment replacement	126,000	124,000
Public works equipment replacement	22,100	14,100
Public works future capital projects	108,000	108,000
Water future capital projects	60,000	60,000
Sewer future capital projects	127,000	85,000
Recreation arena future capital projects	20,000	20,000
Recreation future projects	116,000	111,000
Equity in tangible capital assets (Note 11)	5,380,355	5,764,746
	7,981,080	7,976,085

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, 2024

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:

	2024			2023
	Salary (1)	Benefits & Allowances (2)	Total	Total
	\$	\$	\$	\$
Mayor:				
DORIS, Jason	3,120	316	3,436	5,228
Councilors:				
DELAURIERS, Sue	3,790	552	4,342	4,984
DUBRULE, Luc	-	-	-	141
GERVAIS, Maggie	3,140	470	3,610	3,784
JACOB, Margaret	4,690	1,230	5,920	4,575
JONES, Marie-Anne	3,510	162	3,672	4,385
PAYOU, Darlene	2,210	162	2,372	3,281
SAWCHYN, Yvonne	4,090	223	4,313	3,775
Chief Administrative Officer				
WILLIER, Lorraine	74,110	15,798	89,908	88,749
	98,660	18,913	117,573	118,902

- (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 \$16,813 (2023 - \$11,248) owing to Compass Assessments Consultants Incorporated.

Town of McLennan
Notes to the Consolidated Financial Statements
December 31, 2024

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 \$62,622 (2023 - \$61,375) to Smoky River Regional Waste Management Commission for residential garbage collection services and landfill tipping fees. Trade accounts payable include \$ Nil (2023 - \$10,320) 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 11.65% 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 10.65% of pensionable salary above this amount.

Total current service contributions by the Town of McLennan to the LAPP in 2024 were \$26,612 (2023 - \$26,203). Total current service contributions by the employee of the Town of McLennan to the Local Authorities Pension Plan in 2024 were \$23,504 (2023 - \$23,157).

At December 31, 2023 the LAPP disclosed an actuarial surplus of 15.1 billion. The 2022 actuarial surplus was 12.7 billion.

Town of McLennan
Notes to the Consolidated Financial Statements
December 31, 2024

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

Certain comparative figures have been restated to conform with the current year's presentation.

21. APPROVAL OF FINANCIAL STATEMENTS

Council and Management have approved these financial statements.