

TOWN OF MAGRATH
Financial Statements
Year Ended December 31, 2022

TOWN OF MAGRATH
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Year Ended December 31, 2022

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MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

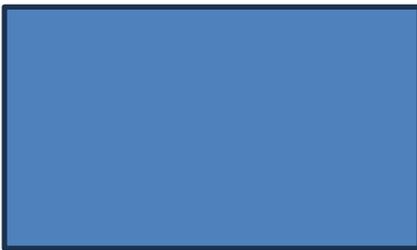
The consolidated financial statements are the responsibility of the management of the Town Of Magrath (the Town).

These consolidated financial statements have been prepared from information provided by management. These statements include certain amounts based on management's estimates and judgments. Management has determined such amounts based on a reasonable basis in order to ensure that the financial statements are presented fairly in all material respects.

The Town maintains systems of internal accounting and administrative controls that are designed to provide reasonable assurance that the financial information is relevant, reliable and accurate and that the Town's assets are properly accounted for and adequately safeguarded.

The elected Council of the Town is responsible for ensuring that management fulfills its responsibility for financial reporting and is ultimately responsible for reviewing and approving the financial statements. Council meets periodically with management and the external auditors to review significant accounting, reporting and internal control matters. Following its review of the financial statements and discussions with the auditors, the Council approves of the financial statements. The Council approves the appointment of the external auditors and reviews the monthly financial reports.

The consolidated financial statements have been audited by Shawn Cook Professional Corporation, Chartered Professional Accountants, the external auditor, in accordance with Canadian generally accepted auditing standards on behalf of the Council, residents and ratepayers of the Town. Shawn Cook Professional Corporation has full and free access to the Council.



Magrath, AB
April 25, 2023



INDEPENDENT AUDITOR'S REPORT

To the Members of Town of Magrath

Opinion

We have audited the financial statements of Town of Magrath (the Town), which comprise the consolidated statement of financial position as at December 31, 2022, and the consolidated statements of operations, changes in net financial assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Town as at December 31, 2022, and the results of its operations, change 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 Financial Statements* section of our report. We are independent of the Town in accordance with 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 Financial Statements

Management is responsible for the preparation and fair presentation of the 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 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's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Town or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

(continues)

Independent Auditor's Report to the Members of Town of Magrath *(continued)*

- 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 for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- 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'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'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 to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, 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.

Shawn Cook
Professional Corporation

Lethbridge, Alberta
April 25, 2023

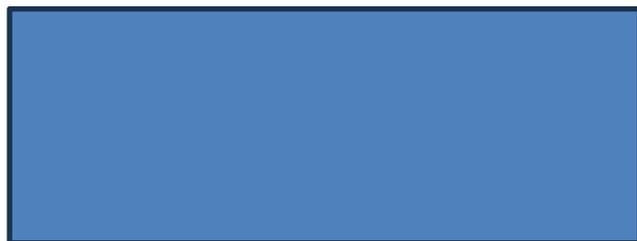
Chartered Professional Accountants



TOWN OF MAGRATH
Consolidated Statement of Financial Position
December 31, 2022

	2022	2021 <i>Restated</i>
FINANCIAL ASSETS		
Cash and temporary investments <i>(Note 2)</i>	\$ 287,097	\$ 924,098
Taxes and grants in places of taxes <i>(Note 3)</i>	186,906	159,340
Trade and other receivable <i>(Note 3)</i>	390,056	803,119
Land held for resale	784,045	587,576
	<u>1,648,104</u>	<u>2,474,133</u>
LIABILITIES		
Accounts payable and accrued liabilities	731,190	481,550
Employee benefit obligation <i>(Note 4)</i>	30,021	26,944
Deferred revenue <i>(Note 5)</i>	187,552	28,859
Long term debt <i>(Note 6)</i>	1,156,789	1,342,85
	<u>2,105,552</u>	<u>1,879,738</u>
NET FINANCIAL ASSETS (DEBT)	<u>(457,448)</u>	594,395
NON-FINANCIAL ASSETS		
Prepaid expenses and deposits	115,918	106,351
Inventory for consumption	133,009	108,974
Tangible capital assets <i>(Schedule 2)</i>	29,556,347	28,599,204
	<u>29,805,274</u>	<u>28,814,529</u>
ACCUMULATED SURPLUS <i>(Schedule 1 and Note 9)</i>	\$ 29,347,826	\$ 29,408,924

CONTINGENCIES *(Note 13)*



TOWN OF MAGRATH
Consolidated Statement of Operations
Year Ended December 31, 2022

	Budget (Unaudited)	2022	2021 (Restated)
REVENUES			
Net municipal taxes (<i>Schedule 3</i>)	\$ 1,952,454	\$ 1,987,598	\$ 1,853,130
User fees and sales of goods	1,272,500	1,304,912	1,210,186
Other revenue	26,500	309,032	224,292
Government transfers for operating (<i>Schedule 4</i>)	405,143	422,990	487,565
Franchise and concession contracts	170,000	191,119	171,364
Penalties and costs of taxes	72,000	76,923	64,749
Licenses and permits	28,800	39,123	58,393
Investment income	5,000	21,055	14,567
Donations	-	5,295	274,006
	<u>3,932,397</u>	<u>4,358,047</u>	<u>4,358,252</u>
EXPENSES			
Legislative	122,120	116,661	129,855
Administration	705,955	699,383	652,799
Bylaw enforcement	88,300	83,307	56,617
Fire services	101,882	98,070	89,474
Public Works	1,141,030	1,152,568	1,096,781
Wastewater treatment and disposal	98,215	133,523	95,071
Water supply and distribution	661,970	725,646	769,975
Waste management	333,981	340,522	341,820
Family and community support services	174,925	188,251	163,501
Parks and recreation	858,575	899,649	783,912
Cemeteries and crematoriums	1,100	22,974	31,181
Land use planning and development	10,000	112,141	35,674
Culture - libraries, museums, halls	183,333	189,917	190,035
	<u>4,481,386</u>	<u>4,762,612</u>	<u>4,436,695</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES BEFORE OTHER	<u>(548,989)</u>	<u>(404,565)</u>	<u>(78,443)</u>
OTHER			
Government transfers for capital (<i>Schedule 4</i>)	464,694	343,467	1,822,560
Contributed assets	-	-	121,610
Gain on disposal of tangible capital assets	-	-	124,529
	<u>464,694</u>	<u>343,467</u>	<u>2,068,699</u>
EXCESS (SHORTFALL) OF REVENUE OVER EXPENSES	<u>(84,295)</u>	<u>(61,098)</u>	<u>1,990,256</u>
ACCUMULATED SURPLUS, BEGINNING OF YEAR			
As previously reported	-	29,288,924	27,385,076
Prior period adjustment (<i>Note 12</i>)	-	120,000	33,592
As restated	<u>29,408,924</u>	<u>29,408,924</u>	<u>27,418,668</u>
ACCUMULATED SURPLUS, END OF YEAR	<u>\$ 29,444,629</u>	<u>\$ 29,347,826</u>	<u>\$ 29,408,924</u>

TOWN OF MAGRATH**Consolidated Statement of Changes in Net Financial Assets (Debt)****Year Ended December 31, 2022**

	Budget (Unaudited)	2022	2021 (Restated)
EXCESS (SHORTFALL) OF REVENUE OVER EXPENSES	\$ (84,295)	\$ (61,098)	\$ 1,990,256
Amortization of tangible capital assets	-	885,245	820,148
Acquisition of tangible capital assets	-	(1,842,388)	(2,627,156)
Acquisition of contributed assets	-	-	(121,610)
Proceeds on disposal of tangible capital assets	-	-	99,735
(Gain) on disposal of tangible capital assets	-	-	(124,529)
	-	(957,143)	(1,953,412)
Use (acquisition) of prepaid expenses and deposits	-	(9,567)	(4,179)
Decrease (increase) in inventory for consumption	-	(24,035)	(23,079)
	-	(33,602)	(27,258)
	-	(990,745)	(1,980,670)
INCREASE IN NET FINANCIAL ASSETS	(84,295)	(1,051,843)	9,586
NET FINANCIAL ASSETS (DEBT), BEGINNING OF YEAR	594,395	594,395	584,809
NET FINANCIAL ASSETS (DEBT), END OF YEAR	\$ 510,100	\$ (457,448)	\$ 594,395

TOWN OF MAGRATH
Consolidated Statement of Cash Flows
Year Ended December 31, 2022

	2022	2021 <i>(Restated)</i>
OPERATING		
Excess (shortfall) of revenues over expenses	\$ (61,098)	\$ 1,990,256
Non-cash items included in excess of revenues over expenses		
Amortization of tangible capital assets	885,245	820,148
(Gain) on disposal of tangible capital assets	-	(124,529)
	<u>824,147</u>	<u>2,685,875</u>
Changes in non-cash working capital:		
Taxes and grants in places of taxes	(27,566)	14,220
Trade and other receivable	413,063	(320,077)
Land held for resale	(196,469)	-
Accounts payable and accrued liabilities	249,639	(197,639)
Employee benefit obligation	3,077	(290)
Deferred revenue	158,693	(516,975)
Prepaid expenses and deposits	(9,566)	(4,178)
Inventory for consumption	(24,035)	(23,080)
	<u>566,836</u>	<u>(1,048,019)</u>
	<u>1,390,983</u>	<u>1,637,856</u>
CAPITAL		
Purchase of tangible capital assets	(1,842,388)	(2,627,156)
Proceeds on disposal of tangible capital assets	-	99,735
Acquisition of contributed assets	-	(121,610)
	<u>(1,842,388)</u>	<u>(2,649,031)</u>
FINANCING		
Repayment of long term debt	(185,596)	(181,185)
	<u>(185,596)</u>	<u>(181,185)</u>
CHANGE IN CASH AND TEMPORARY INVESTMENTS DURING THE YEAR	(637,001)	(1,192,360)
CASH AND TEMPORARY INVESTMENTS, BEGINNING OF YEAR	924,098	2,116,458
CASH AND TEMPORARY INVESTMENTS, END OF YEAR <i>(Note 2)</i>	\$ 287,097	\$ 924,098

TOWN OF MAGRATH

Schedule of Changes in Accumulated Surplus

(Schedule 1)

Year Ended December 31, 2022

	Unrestricted Surplus	Restricted Surplus	Equity in Tangible Capital Assets	2022	2021 <i>(Restated)</i>
BALANCE, BEGINNING OF THE YEAR	\$ 1,971,687	\$ 180,418	\$ 27,256,819	\$ 29,408,924	\$ 27,418,668
Excess of revenues over expenses	(61,098)	-	-	(61,098)	1,990,256
Unrestricted funds designated for future use	(4,427)	4,427	-	-	-
Restricted funds used for operations	-	-	-	-	-
Current year funds used for tangible capital assets	(1,842,388)	-	1,842,388	-	-
Annual amortization expense	885,245	-	(885,245)	-	-
Long-term debt repaid	(185,596)	-	185,596	-	-
Change in accumulated surplus	(1,208,264)	4,427	1,142,739	(61,098)	1,990,256
BALANCE, END OF THE YEAR	\$ 763,423	\$ 184,845	\$ 28,399,558	\$ 29,347,826	\$ 29,408,924

TOWN OF MAGRATH
Schedule of Tangible Capital Assets
Year Ended December 31, 2022

(Schedule 2)

	Land	Buildings	Engineered Structures	Machinery & Equipment	Vehicles	2022	2021
COST							
BALANCE, BEGINNING OF YEAR	\$ 2,074,345	\$ 9,082,351	\$ 27,887,141	\$ 2,425,490	\$ 446,418	\$ 41,915,745	\$ 39,370,255
Acquisition of tangible capital assets	144,843	278,060	1,194,508	204,016	17,650	1,839,077	2,717,534
Construction in-progress	-	3,311	-	-	-	3,311	31,232
Disposal of tangible capital assets	-	-	-	-	-	-	(203,276)
BALANCE, END OF YEAR	2,219,188	9,363,722	29,081,649	2,629,506	464,068	43,758,133	41,915,745
ACCUMULATED AMORTIZATION							
BALANCE, BEGINNING OF YEAR	-	2,858,671	8,873,840	1,324,586	259,444	13,316,541	12,604,462
Annual amortization	-	227,416	493,116	131,011	33,702	885,245	820,148
Accumulated amortization on disposals	-	-	-	-	-	-	(108,069)
BALANCE, END OF YEAR	-	3,086,087	9,366,956	1,455,597	293,146	14,201,786	13,316,541
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	\$ 2,219,188	\$ 6,277,635	\$ 19,714,693	\$ 1,173,909	\$ 170,922	\$ 29,556,347	\$ 28,599,204
2021 NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	\$ 2,074,345	\$ 6,223,680	\$ 18,084,406	\$ 1,100,904	\$ 186,974	\$ 28,599,204	

TOWN OF MAGRATH**Schedule of Property and Other Taxes
Year Ended December 31, 2022****(Schedule 3)**

	Budget (Unaudited)	2022	2021
TAXATION			
Real property taxes	\$ 2,539,151	\$ 2,577,270	\$ 2,386,489
Linear property taxes	41,451	42,171	45,403
Special assessment and local improvement taxes	25,000	21,495	46,037
	2,605,602	2,640,936	2,477,929
REQUISITIONS			
Alberta School Foundation Fund	606,107	606,107	578,858
Seniors foundation	47,041	47,041	45,759
Designated industrial property	-	190	182
	653,148	653,338	624,799
NET MUNICIPAL PROPERTY TAXES	\$ 1,952,454	\$ 1,987,598	\$ 1,853,130

TOWN OF MAGRATH
Schedule of Government Transfers
Year Ended December 31, 2022

(Schedule 4)

	Budget (Unaudited)	2022	2021
TRANSFERS FOR OPERATING			
Provincial Government	\$ 268,416	\$ 267,933	\$ 293,111
Other Local Government	136,727	136,727	136,727
Federal Government	-	18,330	57,727
	405,143	422,990	487,565
TRANSFERS FOR CAPITAL			
Provincial Government	464,694	123,467	1,757,060
Federal Government	-	160,000	-
Other Local Government	-	60,000	65,500
	464,694	343,467	1,822,560
TOTAL GOVERNMENT TRANSFERS	\$ 869,837	\$ 766,457	\$ 2,310,125

TOWN OF MAGRATH**Schedule of Consolidated Expenses by Object
Year Ended December 31, 2022****(Schedule 5)**

	Budget (Unaudited)	2022	2021
CONSOLIDATED EXPENSES BY OBJECT			
Salaries, wages and benefits	\$ 1,735,403	\$ 1,712,030	\$ 1,594,776
Contracted and general services	694,842	856,819	724,148
Materials, goods and utilities	1,081,127	1,170,023	1,154,909
Transfers to local boards and agencies	106,949	108,087	102,604
Bank charges and short-term interest	7,000	3,855	9,104
Interest on long-term debt	33,065	26,553	31,006
Amortization of tangible capital assets	823,000	885,245	820,148
	<u>\$ 4,481,386</u>	<u>\$ 4,762,612</u>	<u>\$ 4,436,695</u>

TOWN OF MAGRATH
Schedule of Segmented Disclosure
Year Ended December 31, 2022

(Schedule 6)

	General Government	Protective Services	Transportation Services	Environmental Services	Planning and development	Recreation and culture	Total
REVENUE							
Net municipal taxes	\$ 1,987,598	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,987,598
Government transfers	145,489	-	36,026	-	-	584,942	766,457
User fees and sales of goods	495	-	-	1,123,315	43,250	137,852	1,304,912
Investment income	21,055	-	-	-	-	-	21,055
Franchise and concession contracts	191,119	-	-	-	-	-	191,119
Other revenues	102,606	12,085	8,734	7,263	294,190	200	425,078
Donations	2,795	-	-	-	-	2,500	5,295
	2,451,157	12,085	44,760	1,130,578	337,440	725,494	4,701,514
EXPENSES							
Salaries, wages and benefits	457,017	-	301,069	194,214	21,458	738,272	1,712,030
Contracted and general services	297,606	160,309	120,153	65,161	113,657	99,933	856,819
Materials, goods, supplies and utilities	52,037	3,030	370,550	514,579	-	229,827	1,170,023
Transfers to local boards	-	-	-	73,331	-	34,756	108,087
Bank charges and short-term interest	3,855	-	-	-	-	-	3,855
Interest on long-term debt	-	-	-	26,553	-	-	26,553
	810,515	163,339	791,772	873,838	135,115	1,102,788	3,877,367
NET REVENUE BEFORE AMORTIZATION	1,640,642	(151,254)	(747,012)	256,740	202,325	(377,294)	824,147
Amortization expense	5,529	18,038	360,796	325,853	-	175,029	885,245
NET REVENUE	\$ 1,635,113	\$ (169,292)	\$ (1,107,808)	\$ (69,113)	\$ 202,325	\$ (552,323)	\$ (61,098)

TOWN OF MAGRATH
Notes to Financial Statements
Year Ended December 31, 2022

1. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements of the Town Of Magrath 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 are as follows:

Reporting Entity

The consolidated financial statements reflect the assets, liabilities, revenues and expenditures, changes in fund balances and change in financial position of the reporting entity. This entity is comprised of the municipal operations plus all of the organizations that are owned or controlled by the Town and are, therefore, accountable to the Council for the administration of their financial affairs and resources.

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.

Basis of Accounting

The 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 the legal obligation to pay.

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

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

Use of Estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Such estimates are periodically reviewed and any adjustments necessary are reported in earnings in the period in which they become known. Actual results could differ from these estimates.

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 levelling 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.

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TOWN OF MAGRATH
Notes to Financial Statements
Year Ended December 31, 2022

1. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Prepaid Local Improvement Charges

Construction and borrowing costs associated with local improvement projects are recovered through annual special assessments during the period of the related borrowings. These levies are collectible from property owners for work performed by the municipality.

Where a taxpayer has elected to prepay the outstanding local improvement charges, such amounts are recorded as deferred revenue. Deferred revenue is amortized to revenue on a straight line basis over the remaining term of the related borrowings.

In the event that the prepaid amounts are applied against the related borrowing, the deferred revenue is amortized to revenue by an amount equal to the debt repayment.

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.

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.

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.

Contaminated Sites Liability

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

(continues)

TOWN OF MAGRATH
Notes to Financial Statements
Year Ended December 31, 2022

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

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:

	<u>Years</u>
Land improvements	15 - 20
Buildings	25 - 50
Engineered structures	
Water System	35 - 70
Wastewater System	35 - 70
Other Engineered Structures	15 - 40
Machinery and equipment	5 - 20
Vehicles	5 - 20

A full year of amortization is charged in the year of acquisition and no amortization is charged in the year of disposal. Assets under construction are not amortized until the asset is available for productive use.

ii. Contributions of tangible capital assets

Tangible capital assets received as contributions are recorded at fair value at the date of receipt and also are recorded as revenue.

iii. Leases

Leases are classified as capital or operating leases. Leases which transfer substantially all the benefits and risks incidental to ownership of property are accounted for as capital leases. All other leases are accounted for as operating leases and the related lease payments are charged to expenses as incurred.

iv. Inventories

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

iv. Cultural and Historical Tangible Capital Assets

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

TOWN OF MAGRATH
Notes to Financial Statements
Year Ended December 31, 2022

2. CASH AND TEMPORARY INVESTMENTS

	<u>2022</u>	<u>2021</u>
Cash	\$ 191,277	\$ 838,187
Temporary investments	95,420	85,511
Cash on hand	400	400
	<u>\$ 287,097</u>	<u>\$ 924,098</u>

Temporary investments is a short-term deposits with an interest rate of 4.70% (2021 - 0.70%).

The Municipality has available a \$450,000 overdraft facility with 1st Choice Savings and Credit Union which bears interest at 7.45% per annum when in use. The overdraft is issued on the credit and security of the Municipality at large. The overdraft balance at year end is nil (2021 - nil)

Included in cash and temporary investments is a restricted amount of \$187,552 (2021 - \$28,859) received from various grant programs which are held exclusively for approved projects (Note 5).

3. RECEIVABLES

	<u>2022</u>	<u>2021</u> <i>(Restated)</i>
Property taxes		
Taxes and grants in place of taxes receivables	\$ 25,336	\$ 25,512
Arrears	161,570	133,828
	<u>186,906</u>	<u>159,340</u>
Trade and other receivables		
Trade accounts	205,790	216,029
Utility accounts	98,435	104,745
Property Servicing Agreements	48,970	80,477
Goods and Services Tax (GST)	36,861	22,961
Grants	-	378,907
	<u>390,056</u>	<u>803,119</u>

The Town has entered into Property Servicing Agreements in which the Town constructed certain utility works and improvements to link the land with new Town infrastructure. The owners have selected 10-year repayment plans with the following principal and interest:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$5,836	\$884	\$6,720
2024	5,943	777	6,720
2025	6,052	668	6,720
2026	6,164	556	6,720
2027	6,277	443	6,720
Thereafter	18,698	629	19,327
	<u>\$48,970</u>	<u>\$3,957</u>	<u>\$52,927</u>

TOWN OF MAGRATH
Notes to Financial Statements
Year Ended December 31, 2022

4. EMPLOYEE BENEFIT OBLIGATION

The employee benefit obligation is comprised of accrued vacation 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.

5. DEFERRED REVENUE

	<u>2022</u>	<u>2021</u>
Municipal Sustainability Initiative - Capital Program	\$ 170,183	\$ -
Federal Gas Tax Fund	17,369	-
Family and Community Support Services	-	28,859
	<u>\$ 187,552</u>	<u>\$ 28,859</u>

6. LONG TERM DEBT

	<u>2022</u>	<u>2021</u>
Bank loans	\$ 1,115,440	\$ 1,279,702
Self-supported debentures	41,349	62,683
	<u>\$ 1,156,789</u>	<u>\$ 1,342,385</u>

The current portion of long-term debt amounts to \$190,107 (2021 - \$185,596)

Principal repayment terms are approximately:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 190,107	\$ 23,137	\$ 213,244
2024	190,893	18,472	209,365
2025	175,634	13,801	189,435
2026	179,678	9,757	189,435
2027	159,748	5,838	165,586
Thereafter	260,729	4,274	265,003
	<u>\$ 1,156,789</u>	<u>\$ 75,279</u>	<u>\$ 1,232,068</u>

Debenture debt is repayable to the Alberta Capital Finance Authority which bears interest at rates ranging from 1.31% to 4.80% per annum, before provincial subsidy and matures in periods from 2025 to 2029. For qualifying debentures, the Province of Alberta rebates 60% of interest in excess of 8%, 9%, and 11% to a maximum annual rate of 12.5%, depending on the date borrowed. Debenture debt is issued on the credit and security of the Town at large.

Other debenture debt is repayable to 1st Choice Savings and Credit Union bearing interest at 3.95% per annum and matures in 2024.

Interest on long-term debt amounted to \$26,553 (2021 - \$31,007).

TOWN OF MAGRATH
Notes to Financial Statements
Year Ended December 31, 2022

7. DEBT LIMITS

Section 276(2) of the Municipal Government Act requires that debt and debt limits as defined by Alberta Regulation 255/00 for the Town be disclosed as follows:

	<u>2022</u>	<u>2021</u>
Total debt limit	\$ 6,537,071	\$ 6,537,378
Total debt	(1,156,789)	(1,342,385)
Amount of debt limit unused	5,380,282	5,194,993
Debt servicing limit	1,089,512	1,089,563
Debt servicing	(213,244)	(213,245)
Amount of debt servicing limit unused	876,268	876,318

The debt limit is calculated at 1.5 times revenue of the Town (as defined in Alberta Regulation 255/00) 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 Town. Rather, the financial statements must be interpreted as a whole.

8. EQUITY IN TANGIBLE CAPITAL ASSETS

	<u>2022</u>	<u>2021</u>
Tangible capital assets (Schedule 2)	\$ 43,758,133	\$ 41,915,745
Accumulated amortization (Schedule 2)	(14,201,786)	(13,316,541)
Long-term debt (Note 6)	(1,156,789)	(1,342,385)
	\$ 28,399,558	\$ 27,256,819

9. ACCUMULATED SURPLUS

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

	<u>2022</u>	<u>2021</u> <i>Restated</i>
Unrestricted surplus	\$ 763,423	\$ 1,971,687
Restricted surplus		
Parks, recreation and culture	184,845	180,418
Equity in tangible capital assets	28,399,558	27,256,819
	\$ 29,347,826	\$ 29,408,924

TOWN OF MAGRATH
Notes to Financial Statements
Year Ended December 31, 2022

10. SEGMENTED DISCLOSURE

The Town 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).

11. LOCAL AUTHORITIES PENSION PLAN

Employees of the Town participate in the Local Authorities Pension Plan (LAPP), which is one of the plans covered by the 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 is required to make current service contributions to the LAPP of 8.45% (2021 - 9.39%) of pensionable earnings up to the year's maximum pensionable earnings under the Canada Pension Plan and 12.80% (2021 - 13.84%) on pensionable earnings above this amount.

Total current service contributions by the Town to LAPP in 2022 was \$78,931 (2021 - \$93,948). Total current service contributions by the employees of the Town to LAPP in 2022 was \$70,427 (2021 - \$85,405).

At December 31, 2021, the LAPP disclosed an actuarial surplus of \$11.92 billion.

12. PRIOR PERIOD ADJUSTMENT

The prior period has been adjusted to reflect a loan that the Magrath & District Regional Water Service Commission was to assume from the Town related to amounts owing for the water treatment plant asset transferred to the Commission in 2013. The effect of the prior period adjustment includes a decrease to "Accounts Payable" of \$33,592 and an increase to "Accumulated Surplus" of \$33,592.

The prior period has been adjusted to reflect a sales agreement that was signed in 2021. The effect of the prior period adjustment includes an increase to "Accounts Receivable" and "Gain on disposal of tangible capital assets" of \$120,000 and an increase to "Accumulated Surplus" of \$120,000.

13. COMMITMENTS AND CONTINGENCIES

The Town is a member of the Alberta Municipal Insurance Exchange (MUNIX). 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.

Employees of the Town are allowed to accrue sick leave up to a maximum of 120 days. As at December 31, 2022 the amount of accumulated sick leave was \$263,393 (2021 - \$252,941). The total amount was not recorded in the financial statements as there is no certainty the full amount will be used. The amount of accumulated sick leave is not paid out to employees of the Town when they leave their position.

TOWN OF MAGRATH
Notes to Financial Statements
Year Ended December 31, 2022

14. FINANCIAL INSTRUMENTS

The Town's financial instruments consist of cash and temporary investments, accounts receivable, investments, land for resale inventory, accounts payable and accrued liabilities, municipal line of credit, 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.

The Town is subject to credit risk with respect to taxes and grants in place of taxes receivables and trade and other receivables. Credit risk arises from the possibility that taxpayers and entities to which the Town provides services may experience financial difficulty and be unable to fulfill their obligations. The large number and diversity of taxpayers and customers minimizes the credit risk.

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

15. COMPARATIVE FIGURES

Some of the comparative figures have been reclassified to conform to the current year's presentation. The changes do not affect prior year earnings.

16. APPROVAL OF FINANCIAL STATEMENTS

Council and Management have approved these financial statements.

TOWN OF MAGRATH
Notes to Financial Statements
Year Ended December 31, 2022

17. 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:

	Salary (1)	Benefits & Allowances (2)	Additional Meetings (3)	Expenses Claimed	2022	2021
Mayor Barnett	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 11,887
Mayor Cook	10,000	360	6,200	1,120	17,680	4,938
Councillor Baker	7,000	360	4,100	270	11,730	2,357
Councillor Baril	7,000	360	5,300	797	13,457	13,498
Councillor Beck	-	-	-	-	-	8,787
Councillor Bennett	7,000	150	1,700	43	8,893	2,914
Councillor Christensen	7,000	330	4,200	756	12,286	4,306
Councillor Dahl	-	-	-	-	-	9,079
Councillor Morales Llan	-	-	-	-	-	10,621
Councillor Oliver	-	-	-	-	-	11,256
Councillor Ralph	7,000	360	3,600	680	11,640	4,124
Councillor Van Ee	-	-	-	-	-	8,006
Councillor Zaugg	7,000	390	3,800	130	11,320	4,289
Chief Administrative Officer	116,280	21,800	-	768	138,848	137,865
Designated Officer - 1 position	31,440	-	-	-	31,440	30,958

(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 disability and dismemberment insurance, long and short-term disability plans, professional memberships and tuition, if any. Benefits and allowances figures also include the employer's share of the costs of additional taxable benefits including special leave with pay, travel allowances, car allowances and club memberships, if any.

(3) Councillor's are all assigned committees and boards to sit on. Each assignment has a meeting schedule controlled by the third party and as such the meeting frequencies will vary from assignment to assignment.