

**TOWN OF MAGRATH**  
**Financial Statements**  
**Year Ended December 31, 2023**

**TOWN OF MAGRATH**  
**Index to Financial Statements**  
**Year Ended December 31, 2023**

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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



## **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, 2023, and the statements of operations, changes in net financial assets (debt) 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, 2023, and the results of its operations, changes in net financial assets (debt) 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.

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

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:

- 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 23, 2024

Chartered Professional Accountants



**TOWN OF MAGRATH**  
**Consolidated Statement of Financial Position**  
**December 31, 2023**

	2023	2022
<b>FINANCIAL ASSETS</b>		
Cash and temporary investments <i>(Note 2)</i>	\$ 1,074,037	\$ 287,097
Taxes and grants in places of taxes <i>(Note 3)</i>	147,238	186,906
Trade and other receivable <i>(Note 3)</i>	334,873	390,056
Land held for resale	477,109	784,045
	<u>2,033,257</u>	<u>1,648,104</u>
<b>LIABILITIES</b>		
Accounts payable and accrued liabilities	524,844	731,190
Employee benefit obligation <i>(Note 4)</i>	47,962	30,021
Deferred revenue <i>(Note 5)</i>	99,060	187,552
Long term debt <i>(Note 6)</i>	901,271	1,156,789
	<u>1,573,137</u>	<u>2,105,552</u>
<b>NET FINANCIAL ASSETS (DEBT)</b>	<u>460,120</u>	<u>(457,448)</u>
<b>NON-FINANCIAL ASSETS</b>		
Prepaid expenses and deposits	133,777	115,918
Inventory for consumption	162,771	133,009
Tangible capital assets <i>(Schedule 2)</i>	29,544,946	29,556,347
	<u>29,841,494</u>	<u>29,805,274</u>
<b>ACCUMULATED SURPLUS <i>(Schedule 1 and Note 9)</i></b>	<u>\$ 30,301,614</u>	<u>\$ 29,347,826</u>

**CONTINGENCIES *(Note 17)***

Approved on behalf of Council



Councillor

Councillor

**TOWN OF MAGRATH**  
**Consolidated Statement of Operations**  
**Year Ended December 31, 2023**

	Budget (Unaudited)	2023	2022
<b>REVENUES</b>			
Net municipal taxes <i>(Schedule 3)</i>	\$ 2,208,526	\$ 2,266,102	\$ 1,987,598
User fees and sales of goods	1,366,740	1,435,671	1,304,912
Other revenue	30,000	893,746	309,032
Government transfers for operating <i>(Schedule 4)</i>	550,632	556,108	422,990
Franchise and concession contracts <i>(Note 11)</i>	277,180	283,647	191,119
Gain on disposal of tangible capital assets	-	61,850	-
Penalties and costs of taxes	72,000	49,574	76,923
Investment income	30,000	49,024	21,055
Licenses and permits	31,300	33,526	39,123
Donations	-	12,860	5,295
	<u>4,566,378</u>	<u>5,642,108</u>	<u>4,358,047</u>
<b>EXPENSES</b>			
Legislative	127,850	116,451	116,661
Administration	760,645	724,323	699,383
Fire services	129,100	125,782	98,070
Bylaw enforcement	109,300	108,298	83,307
Public Works	1,358,930	1,221,341	1,152,568
Water supply and distribution	674,840	706,955	725,646
Wastewater treatment and disposal	95,950	79,419	133,523
Waste management	352,545	370,484	340,522
Family and community support services	196,339	196,539	188,251
Cemeteries and crematoriums	4,000	30,551	22,974
Land use planning and development	10,000	347,718	112,141
Parks and recreation	1,022,394	1,009,313	899,649
Culture - libraries, museums, halls	218,000	210,968	189,917
	<u>5,059,893</u>	<u>5,248,142</u>	<u>4,762,612</u>
<b>EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES BEFORE OTHER</b>	(493,515)	393,966	(404,565)
<b>OTHER</b>			
Government transfers for capital <i>(Schedule 4)</i>	471,330	559,822	343,467
<b>EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES</b>	(22,185)	953,788	(61,098)
<b>ACCUMULATED SURPLUS, BEGINNING OF YEAR</b>	29,347,826	29,347,826	29,408,924
<b>ACCUMULATED SURPLUS, END OF YEAR</b>	\$ 29,325,641	\$ 30,301,614	\$ 29,347,826

**TOWN OF MAGRATH****Consolidated Statement of Changes in Net Financial Assets (Debt)****Year Ended December 31, 2023**

	Budget (Unaudited)	2023	2022
<b>EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES</b>	\$ (22,185)	\$ 953,788	\$ (61,098)
Amortization of tangible capital assets	-	898,000	885,245
Acquisition of tangible capital assets	-	(964,899)	(1,842,388)
Proceeds on disposal of tangible capital assets	-	140,150	-
(Gain) on disposal of tangible capital assets	-	(61,850)	-
	-	11,401	(957,143)
Use (acquisition) of prepaid expenses and deposits	-	(17,859)	(9,567)
Decrease (increase) in inventory for consumption	-	(29,762)	(24,035)
	-	(47,621)	(33,602)
	-	(36,220)	(990,745)
<b>INCREASE IN NET FINANCIAL ASSETS</b>	(22,185)	917,568	(1,051,843)
<b>NET FINANCIAL ASSETS (DEBT), BEGINNING OF YEAR</b>	(457,448)	(457,448)	594,395
<b>NET FINANCIAL ASSETS (DEBT), END OF YEAR</b>	\$ (479,633)	\$ 460,120	\$ (457,448)

**TOWN OF MAGRATH**  
**Consolidated Statement of Cash Flows**  
**Year Ended December 31, 2023**

	2023	2022
<b>OPERATING</b>		
Excess (deficiency) of revenues over expenses	\$ 953,788	\$ (61,098)
Non-cash items included in excess of revenues over expenses		
Amortization of tangible capital assets	898,000	885,245
(Gain) on disposal of tangible capital assets	(61,850)	-
	<u>1,789,938</u>	<u>824,147</u>
Changes in non-cash working capital:		
Taxes and grants in places of taxes	39,668	(27,566)
Trade and other receivable	55,183	413,063
Land held for resale	306,936	(196,469)
Accounts payable and accrued liabilities	(206,346)	249,639
Employee benefit obligation	17,941	3,077
Deferred revenue	(88,492)	158,693
Prepaid expenses and deposits	(17,859)	(9,566)
Inventory for consumption	(29,762)	(24,035)
	<u>77,269</u>	<u>566,836</u>
	<u>1,867,207</u>	<u>1,390,983</u>
<b>CAPITAL</b>		
Purchase of tangible capital assets	(964,899)	(1,842,388)
Proceeds on disposal of tangible capital assets	140,150	-
	<u>(824,749)</u>	<u>(1,842,388)</u>
<b>FINANCING</b>		
Repayment of long term debt	(255,518)	(185,596)
	<u>(255,518)</u>	<u>(185,596)</u>
<b>CHANGE IN CASH AND TEMPORARY INVESTMENTS DURING THE YEAR</b>	<u>786,940</u>	<u>(637,001)</u>
<b>CASH AND TEMPORARY INVESTMENTS, BEGINNING OF YEAR</b>	<u>287,097</u>	<u>924,098</u>
<b>CASH AND TEMPORARY INVESTMENTS, END OF YEAR (Note 2)</b>	<u>\$ 1,074,037</u>	<u>\$ 287,097</u>

**TOWN OF MAGRATH**

**Schedule of Changes in Accumulated Surplus**

**(Schedule 1)**

**Year Ended December 31, 2023**

	Unrestricted Surplus	Reserves	Equity in Tangible Capital Assets	2023	2022
<b>BALANCE, BEGINNING OF THE YEAR</b>	\$ 763,423	\$ 184,845	\$ 28,399,558	\$ <b>29,347,826</b>	\$ 29,408,924
Excess (deficiency) of revenues over expenses	953,788	-	-	<b>953,788</b>	(61,098)
Unrestricted funds designated for future use	(143,247)	143,247	-	-	-
Restricted funds used for operations	68,539	(68,539)	-	-	-
Current year funds used for tangible capital assets	(964,899)	-	964,899	-	-
Disposal of tangible capital assets	78,300	-	(78,300)	-	-
Annual amortization expense	898,000	-	(898,000)	-	-
Long-term debt repaid	(255,518)	-	255,518	-	-
Change in accumulated surplus	634,963	74,708	244,117	<b>953,788</b>	(61,098)
<b>BALANCE, END OF THE YEAR</b>	\$ 1,398,386	\$ 259,553	\$ 28,643,675	\$ <b>30,301,614</b>	\$ 29,347,826

**TOWN OF MAGRATH**  
**Schedule of Tangible Capital Assets**  
**Year Ended December 31, 2023**

(Schedule 2)

	Land	Buildings	Engineered Structures	Machinery & Equipment	Vehicles	2023	2022
<b>COST</b>							
BALANCE, BEGINNING OF YEAR	\$ 2,219,188	\$ 9,363,722	\$ 29,081,649	\$ 2,629,506	\$ 464,068	\$ 43,758,133	\$ 41,915,745
Acquisition of tangible capital assets	30,000	87,575	540,788	264,408	4,199	926,970	1,839,077
Construction in-progress	-	37,929	-	-	-	37,929	3,311
Disposal of tangible capital assets	-	-	-	(127,739)	-	(127,739)	-
BALANCE, END OF YEAR	2,249,188	9,489,226	29,622,437	2,766,175	468,267	44,595,293	43,758,133
<b>ACCUMULATED AMORTIZATION</b>							
BALANCE, BEGINNING OF YEAR	-	3,086,087	9,366,956	1,455,597	293,146	14,201,786	13,316,541
Annual amortization	-	221,563	506,635	136,405	33,397	898,000	885,245
Accumulated amortization on disposals	-	-	-	(49,439)	-	(49,439)	-
BALANCE, END OF YEAR	-	3,307,650	9,873,591	1,542,563	326,543	15,050,347	14,201,786
<b>NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS</b>	<b>\$ 2,249,188</b>	<b>\$ 6,181,576</b>	<b>\$ 19,748,846</b>	<b>\$ 1,223,612</b>	<b>\$ 141,724</b>	<b>\$ 29,544,946</b>	<b>\$ 29,556,347</b>
2022 NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	\$ 2,219,188	\$ 6,277,635	\$ 19,714,693	\$ 1,173,909	\$ 170,922	\$ 29,556,347	

**TOWN OF MAGRATH**  
**Schedule of Property and Other Taxes**  
**Year Ended December 31, 2023**

**(Schedule 3)**

	Budget (Unaudited)	2023	2022
<b>TAXATION</b>			
Real property taxes	\$ 2,787,409	\$ <b>2,830,389</b>	\$ 2,577,270
Linear property taxes	58,712	<b>58,566</b>	42,171
Special assessment and local improvement taxes	25,000	<b>40,442</b>	21,495
	<u>2,871,121</u>	<u><b>2,929,397</b></u>	<u>2,640,936</u>
<b>REQUISITIONS</b>			
Alberta School Foundation Fund	615,487	<b>615,487</b>	606,107
Seniors foundation	47,108	<b>47,808</b>	47,041
Designated industrial property	-	-	190
	<u>662,595</u>	<u><b>663,295</b></u>	<u>653,338</u>
<b>NET MUNICIPAL PROPERTY TAXES</b>	<u>\$ 2,208,526</u>	<u>\$ <b>2,266,102</b></u>	<u>\$ 1,987,598</u>

**TOWN OF MAGRATH**  
**Schedule of Government Transfers**  
**Year Ended December 31, 2023**

**(Schedule 4)**

	Budget (Unaudited)	2023	2022
<b>TRANSFERS FOR OPERATING</b>			
Provincial Government	\$ 413,905	\$ 415,296	\$ 267,933
Other Local Government	136,727	136,727	136,727
Federal Government	-	4,085	18,330
	<u>550,632</u>	<u>556,108</u>	<u>422,990</u>
<b>TRANSFERS FOR CAPITAL</b>			
Provincial Government	411,330	499,822	123,467
Other Local Government	60,000	60,000	60,000
Federal Government	-	-	160,000
	<u>471,330</u>	<u>559,822</u>	<u>343,467</u>
<b>TOTAL GOVERNMENT TRANSFERS</b>	<u>\$ 1,021,962</u>	<u>\$ 1,115,930</u>	<u>\$ 766,457</u>

**TOWN OF MAGRATH****Schedule of Consolidated Expenses by Object  
Year Ended December 31, 2023****(Schedule 5)**

	Budget (Unaudited)	2023	2022
<b>CONSOLIDATED EXPENSES BY OBJECT</b>			
Salaries, wages and benefits	\$ 1,951,174	\$ 1,825,743	\$ 1,712,030
Contracted and general services	775,100	1,125,829	856,819
Materials, goods and utilities	1,282,765	1,253,381	1,170,023
Transfers to local boards and agencies	110,854	114,829	108,087
Bank charges and short-term interest	7,000	7,465	3,855
Interest on long-term debt	28,000	22,895	26,553
Amortization of tangible capital assets	905,000	898,000	885,245
	<u>\$ 5,059,893</u>	<u>\$ 5,248,142</u>	<u>\$ 4,762,612</u>

**TOWN OF MAGRATH**  
**Schedule of Segmented Disclosure**  
**Year Ended December 31, 2023**

(Schedule 6)

	General Government	Protective Services	Transportation Services	Environmental Services	Public Health Services	Planning and development	Recreation and culture	Total
<b>REVENUE</b>								
Net municipal taxes	\$ 2,266,102	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,266,102
User fees and sales of goods	380	-	-	1,231,790	54,411	-	149,090	1,435,671
Government transfers	290,978	-	399,361	100,461	137,168	-	187,962	1,115,930
Franchise and concession contracts	283,647	-	-	-	-	-	-	283,647
Investment income	49,024	-	-	-	-	-	-	49,024
Other revenues	121,222	11,235	76,547	9,317	-	807,684	25,551	1,051,556
	3,011,353	11,235	475,908	1,341,568	191,579	807,684	362,603	6,201,930
<b>EXPENSES</b>								
Salaries, wages and benefits	501,452	-	351,487	163,875	195,849	-	613,080	1,825,743
Contracted and general services	262,858	212,582	121,920	61,364	9,555	347,718	109,832	1,125,829
Materials, goods, supplies and utilities	63,470	3,461	359,521	525,321	21,686	-	279,922	1,253,381
Transfers to local boards	-	-	-	74,684	-	-	40,145	114,829
Bank charges and short-term interest	7,465	-	-	-	-	-	-	7,465
Interest on long-term debt	-	-	12,022	10,873	-	-	-	22,895
	835,245	216,043	844,950	836,117	227,090	347,718	1,042,979	4,350,142
<b>NET REVENUE BEFORE AMORTIZATION</b>	<b>2,176,108</b>	<b>(204,808)</b>	<b>(369,042)</b>	<b>505,451</b>	<b>(35,511)</b>	<b>459,966</b>	<b>(680,376)</b>	<b>1,851,788</b>
Amortization expense	5,529	18,037	376,391	320,741	-	-	177,302	898,000
<b>NET REVENUE</b>	<b>\$ 2,170,579</b>	<b>\$ (222,845)</b>	<b>\$ (745,433)</b>	<b>\$ 184,710</b>	<b>\$ (35,511)</b>	<b>\$ 459,966</b>	<b>\$ (857,678)</b>	<b>\$ 953,788</b>

**TOWN OF MAGRATH**  
**Notes to Financial Statements**  
**Year Ended December 31, 2023**

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**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.

*(continues)*

**TOWN OF MAGRATH**  
**Notes to Financial Statements**  
**Year Ended December 31, 2023**

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**1. SIGNIFICANT ACCOUNTING POLICIES *(continued)***

Cash and cash equivalents

Cash and cash equivalents include cash on hand and short-term deposits which are highly liquid with original maturities of less than three months at the date of acquisition.

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.

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.

*(continues)*

**TOWN OF MAGRATH**  
**Notes to Financial Statements**  
**Year Ended December 31, 2023**

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**1. SIGNIFICANT ACCOUNTING POLICIES *(continued)***

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.

Asset Retirement Obligation

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.

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.

*(continues)*

**TOWN OF MAGRATH**  
**Notes to Financial Statements**  
**Year Ended December 31, 2023**

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**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, 2023**

**2. CASH AND TEMPORARY INVESTMENTS**

	<u>2023</u>	<u>2022</u>
Cash	\$ 1,073,637	\$ 191,277
Temporary investments	-	95,420
Cash on hand	<u>400</u>	<u>400</u>
	<b>\$ 1,074,037</b>	<b>\$ 287,097</b>

The Town has available a \$450,000 overdraft facility with 1st Choice Savings and Credit Union which bears interest at prime plus 1% per annum. The Town has available a \$500,000 line of credit with ATB Financial which bears interest at prime plus 1% per annum. The overdraft is issued on the credit and security of the Town at large. The overdraft and line of credit balance at year end is nil (2022 - nil).

Included in cash and temporary investments is a restricted amount of \$99,060 (2022 - \$187,552) received from various grant programs which are held exclusively for approved projects (Note 5).

**3. RECEIVABLES**

	<u>2023</u>	<u>2022</u>
Property taxes		
Taxes and grants in place of taxes receivables	\$ 27,111	\$ 25,336
Arrears	<u>120,127</u>	<u>161,570</u>
	<b>147,238</b>	<b>186,906</b>
Trade and other receivables		
Trade accounts	177,453	205,790
Utility accounts	106,253	98,435
Property Servicing Agreements	43,967	48,970
Goods and Services Tax (GST)	<u>7,200</u>	<u>36,861</u>
	<b>334,873</b>	<b>390,056</b>

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>
2024	5,943	777	6,720
2025	6,052	668	6,720
2026	6,164	556	6,720
2027	6,277	443	6,720
2028	6,392	328	6,720
Thereafter	<u>13,139</u>	<u>301</u>	<u>13,440</u>
	<b>\$43,967</b>	<b>\$3,073</b>	<b>\$47,040</b>

**TOWN OF MAGRATH**  
**Notes to Financial Statements**  
**Year Ended December 31, 2023**

**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>2023</u>	<u>2022</u>
Canada Community-Building Fund	\$ 99,060	\$ 17,369
Municipal Sustainability Initiative - Capital Program	-	170,183
	<u>\$ 99,060</u>	<u>\$ 187,552</u>

**6. LONG TERM DEBT**

	<u>2023</u>	<u>2022</u>
Bank loans	\$ 881,124	\$ 1,115,440
Self-supported debentures	<u>20,147</u>	<u>41,349</u>
	<u>\$ 901,271</u>	<u>\$ 1,156,789</u>

The current portion of long-term debt amounts to \$170,687 (2022 - \$190,107).

Principal repayment terms are approximately:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 170,687	\$ 16,804	\$ 187,491
2025	153,519	12,067	165,586
2026	156,587	8,999	165,586
2027	159,748	5,838	165,586
2028	129,516	2,986	132,502
Thereafter	<u>131,214</u>	<u>1,288</u>	<u>132,502</u>
	<u>\$ 901,271</u>	<u>\$ 47,982</u>	<u>\$ 949,253</u>

Debenture debt is repayable to the Alberta Capital Finance Authority which bears interest at rates ranging from 1.307% to 4.894% per annum, before provincial subsidy and matures in periods from 2027 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 8.70% per annum and matures in 2024.

Interest on long-term debt amounted to \$22,895 (2022 - \$26,553).

**TOWN OF MAGRATH**  
**Notes to Financial Statements**  
**Year Ended December 31, 2023**

**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>2023</u>	<u>2022</u>
Total debt limit	\$ 8,463,162	\$ 6,537,071
Total debt	<u>(901,271)</u>	<u>(1,156,789)</u>
Amount of debt limit unused	<u>7,561,891</u>	<u>5,380,282</u>
Debt servicing limit	1,410,527	1,089,512
Debt servicing	<u>(187,491)</u>	<u>(213,244)</u>
Amount of debt servicing limit unused	<u>1,223,036</u>	<u>876,268</u>

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>2023</u>	<u>2022</u>
Tangible capital assets (Schedule 2)	\$ 44,595,293	\$ 43,758,133
Accumulated amortization (Schedule 2)	<u>(15,050,347)</u>	<u>(14,201,786)</u>
Long-term debt (Note 7)	<u>(901,271)</u>	<u>(1,156,789)</u>
	<u>\$ 28,643,675</u>	<u>\$ 28,399,558</u>

**9. ACCUMULATED SURPLUS**

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

	<u>2023</u>	<u>2022</u>
Unrestricted surplus	\$ 1,398,386	\$ 763,423
Reserves (Note 11)	259,553	184,845
Equity in tangible capital assets (Note 9)	<u>28,643,675</u>	<u>28,399,558</u>
	<u>\$ 30,301,614</u>	<u>\$ 29,347,826</u>

**TOWN OF MAGRATH**  
**Notes to Financial Statements**  
**Year Ended December 31, 2023**

**10. RESERVES**

	<u>2023</u>	<u>2022</u>
<b><u>Restricted Reserves</u></b>		
Municipal Reserve	\$ 122,487	\$ 95,420
<b><u>Unrestricted Strategic Reserves</u></b>		
Emergency Reserve	72,230	-
Parks Equipment Reserve	29,095	20,886
Water Infrastructure Reserve	15,102	-
Recreation Facilities Reserve	10,571	-
Irrigation Infrastructure Reserve	5,034	-
Sewer Infrastructure Reserve	5,034	-
Golf Course Security	-	68,539
	<b>\$ 259,553</b>	<b>\$ 184,845</b>

**11. FRANCHISE AND CONCESSION CONTRACTS**

Disclosure of franchise fees under each utility franchise agreement entered into by the Town as required by Alberta Regulation 313/2000 is as follows:

	Budget (Unaudited)	<b>2023</b>	2022
Fortis electricity	\$ 181,756	\$ 185,997	\$ 125,547
ATCO gas	95,424	97,650	65,572
	<b>\$ 277,180</b>	<b>\$ 283,647</b>	<b>\$ 191,119</b>

**12. 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).

**13. BUDGET AMOUNTS**

The 2023 budget for the Town was approved by Council and has been reported in the consolidated financial statements for information purposes only. These budget amounts have not been audited, reviewed, or otherwise verified

**TOWN OF MAGRATH**  
**Notes to Financial Statements**  
**Year Ended December 31, 2023**

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**14. 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% (2022 - 8.39%) of pensionable earnings up to the year's maximum pensionable earnings under the Canada Pension Plan and 12.23% (2022 - 12.84%) on pensionable earnings above this amount.

Total current service contributions by the Town to LAPP in 2023 was \$90,004 (2022 - \$78,931). Total current service contributions by the employees of the Town to LAPP in 2023 was \$80,126 (2022 - \$70,427).

At December 31, 2022, the LAPP disclosed an actuarial surplus of \$12.67 billion.

**15. CONTAMINATED SITES LIABILITY**

The Town has adopted PS3260 Liability for Contaminated Sites. The Town did not identify any financial liabilities in 2023 (2022 - nil) as a result of this standard.

**16. ASSET RETIREMENT OBLIGATION**

The Town has adopted PS3280 Asset Retirement Obligation in the year. The Town did not identify any financial liabilities in 2023 as a result of this standard.

**17. 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, 2023 the amount of accumulated sick leave was \$294,456 (2022 - \$263,393). 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, 2023**

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**18. 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.

**19. 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.

**20. APPROVAL OF FINANCIAL STATEMENTS**

Council and Management have approved these financial statements.

**TOWN OF MAGRATH**  
**Notes to Financial Statements**  
**Year Ended December 31, 2023**

**21. 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	2023	2022
Mayor Cook	\$ 10,000	\$ 390	\$ 7,250	\$ 1,229	\$ <b>18,869</b>	\$ 17,680
Councillor Baker	7,000	360	6,100	97	<b>13,557</b>	11,730
Councillor Baril	7,000	360	5,925	1,512	<b>14,797</b>	13,457
Councillor Bennett [4 months]	1,458	30	200	-	<b>1,688</b>	8,893
Councillor Bourelle [8 months]	4,083	210	1,575	-	<b>5,868</b>	-
Councillor Christensen	7,000	360	4,775	1,266	<b>13,401</b>	12,286
Councillor Ralph	7,000	390	3,950	250	<b>11,590</b>	11,640
Councillor Zaugg	7,000	300	4,400	881	<b>12,581</b>	11,320
Chief Administrative Officer	122,094	20,975	-	2,271	<b>145,340</b>	138,848
Designated Officer - 1 position	42,475	-	-	-	<b>42,475</b>	31,440

(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.