

TOWN OF MUNDARE
CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2023



MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

Management of the Town of Mundare 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's financial position as at December 31, 2023 and the results of its operations for the year then ended.

The consolidated financial statements have been prepared in compliance with legislation, and in accordance with Canadian public sector accounting standards (PSAS).

The consolidated financial statements include certain amounts based on estimates and judgements. 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.

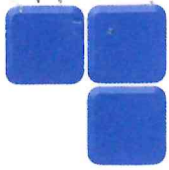
The Town Council carries out its responsibilities for review of the consolidated financial statements principally through its Audit Committee. This committee meets regularly with management and external auditors to discuss the results of audit examinations and financial reporting matters.

The external auditors have full access to the Audit Committee with and without the presence of management. The Town Council has approved the consolidated financial statements.

The consolidated financial statements have been audited by JMD Group LLP, Chartered Professional Accountants, independent external auditors appointed by the Town. The accompanying Independent Auditor's Report outlines their responsibilities, the scope of their examination and their opinion on the Town's consolidated financial statements.



Colin Zyla, CAO
Mundare, Alberta
February 06, 2024



INDEPENDENT AUDITOR'S REPORT

To the Members of Council of The Town of Mundare

Opinion

We have audited the consolidated financial statements of Town of Mundare (the municipality), which comprise the consolidated statement of financial position as at December 31, 2023, and the consolidated statements of operations, changes in net financial assets and cash flows and schedules 1 to 6 for the year 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 consolidated financial position of the municipality as at December 31, 2023, and the consolidated results of its operations and consolidated 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 municipality in accordance with ethical requirements that are relevant to our audit of the consolidated 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 the consolidated financial statements in accordance with PSAS, 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 consolidated financial statements, management is responsible for assessing the municipality'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 municipality or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated 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:

- Identify and assess the risks of material misstatement of the consolidated 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 municipality'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 municipality'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 consolidated 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 municipality to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated 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.

St Paul, Alberta
February 6, 2024

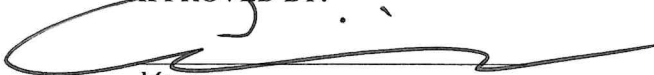


Chartered Professional Accountants

TOWN OF MUNDARE
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2023

	2023	2022
Assets		
Cash (Note 2)	\$ 992,143	\$ 1,419,157
Taxes receivable (Note 3)	144,759	224,579
Receivable from other governments	142,858	186,969
Trade and other receivables	81,820	68,454
Inventory of land held for resale	9,164	9,164
	<u>1,370,744</u>	<u>1,908,323</u>
Liabilities		
Accounts payable and accrued liabilities (Note 4)	183,052	189,739
Tax sale surplus	31,483	31,483
Offsite levies	266,000	266,000
Deposits received	8,099	8,337
Deferred revenue (Note 5)	142,770	767,031
Long-term debt (Note 6)	1,389,991	1,491,758
	<u>2,021,395</u>	<u>2,754,348</u>
Net financial debt	<u>(650,651)</u>	<u>(846,025)</u>
Non-financial assets		
Tangible capital assets (Schedule 2)	11,600,804	11,276,325
Prepaid expenses	12,953	11,338
	<u>11,613,757</u>	<u>11,287,663</u>
Accumulated surplus (Schedule 1, Note 8)	<u>\$ 10,963,106</u>	<u>\$ 10,441,639</u>

APPROVED BY:



Mayor

TOWN OF MUNDARE
CONSOLIDATED STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2023

	Budget (Unaudited)	2023	2022
Revenues			
Net municipal taxes (<i>Schedule 3</i>)	\$ 1,004,850	\$ 1,005,524	\$ 980,536
Sales and user fees	698,300	697,191	606,944
Government transfers for operations (<i>Schedule 4</i>)	159,500	158,305	78,721
Investment income	14,000	33,634	18,982
Penalties and costs of taxes	56,000	49,494	50,021
Licenses and permits	3,600	8,360	5,692
Police fines issued	2,000	2,101	2,417
Franchise and concession contracts	134,500	130,790	140,202
Rentals and leases	39,350	57,081	34,291
Fundraising/donations	-	300	4,650
Local improvement charges	37,700	37,808	37,808
Insurance proceeds	-	12,936	-
	<u>2,149,800</u>	<u>2,193,524</u>	<u>1,960,264</u>
Expenses			
Legislative	62,600	47,138	58,788
Administration	443,030	466,487	457,404
Protective services	114,160	107,349	97,825
Roads, streets, walks, lighting	954,810	932,655	921,022
Water and wastewater	513,250	525,311	445,155
Waste management	123,300	126,807	118,931
Municipal planning, community and economic development	3,000	1,444	668
Recreation and culture	326,830	289,287	296,183
	<u>2,540,980</u>	<u>2,496,478</u>	<u>2,395,976</u>
Excess (deficiency) of revenues over expenses before other	<u>(391,180)</u>	<u>(302,954)</u>	<u>(435,712)</u>
Other			
Government transfers for capital (<i>Schedule 4</i>)	780,500	814,747	347,305
Capital donations	11,750	11,824	38,176
Gain (loss) on disposal of tangible capital assets	-	(2,150)	(54,001)
	<u>792,250</u>	<u>824,421</u>	<u>331,480</u>
Excess (deficiency) of revenues over expenses	401,070	521,467	(104,232)
Accumulated surplus, beginning of year	<u>10,441,639</u>	<u>10,441,639</u>	<u>10,545,871</u>
Accumulated surplus, end of year	<u>\$ 10,842,709</u>	<u>\$ 10,963,106</u>	<u>\$ 10,441,639</u>

TOWN OF MUNDARE
CONSOLIDATED STATEMENT OF CHANGES IN NET FINANCIAL DEBT
YEAR ENDED DECEMBER 31, 2023

	Budget (Unaudited)	2023	2022
Excess (deficiency) of revenues over expenses	\$ 401,070	\$ 521,467	\$ (104,232)
Amortization of tangible capital assets	612,080	612,033	600,146
Purchase of tangible capital assets	(912,250)	(944,540)	(316,026)
Proceeds on disposal of tangible capital assets	-	5,878	800
Loss on disposal of assets	-	2,150	54,001
	(300,170)	(324,479)	338,920
Decrease (increase) in prepaid expenses	-	(1,614)	6,033
	(300,170)	(326,093)	344,954
Decrease in net financial debt	100,900	195,374	240,722
Net financial debt, beginning of year	(846,025)	(846,025)	(1,086,747)
Net financial debt, end of year	\$ (745,125)	\$ (650,651)	\$ (846,025)

TOWN OF MUNDARE
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2023

	2023	2022
Net inflow (outflow) of cash related to the following activities:		
Operating		
Excess (deficiency) of revenues over expenses	\$ 521,467	\$ (104,232)
Items not affecting cash:		
Amortization of tangible capital assets	612,033	600,146
Loss on disposal of tangible capital assets	2,150	54,001
	<u>1,135,650</u>	<u>549,915</u>
Non-cash charges to operations (net change):		
Taxes receivable	79,820	(27,180)
Receivable from other governments	44,111	185,086
Trade and other receivables	(13,366)	(10,616)
Prepaid expenses	(1,615)	6,033
Accounts payable and accrued liabilities	(6,687)	92,436
Deposit liabilities	(238)	710
Deferred revenue	(624,261)	(85,365)
Tax sale surplus	-	24,488
	<u>(522,236)</u>	<u>185,592</u>
Net cash from operations	<u>613,414</u>	<u>735,507</u>
Financing		
Long-term debt repaid	<u>(101,766)</u>	<u>(107,408)</u>
Capital		
Acquisition of tangible capital assets	(944,540)	(316,026)
Proceeds on disposal of intangible assets	5,878	800
	<u>(938,662)</u>	<u>(315,226)</u>
Investing		
Decrease (increase) in restricted cash	<u>567,161</u>	<u>(30,954)</u>
Change in cash during the year	140,147	281,919
Cash, beginning of year	<u>585,996</u>	<u>304,077</u>
Cash, end of year	<u>\$ 726,143</u>	<u>\$ 585,996</u>
Cash is made up of:		
Cash	\$ 992,143	\$ 1,419,157
Less restricted cash - grants	-	(567,161)
Less restricted cash - offsite levies	(266,000)	(266,000)
	<u>\$ 726,143</u>	<u>\$ 585,996</u>

TOWN OF MUNDARE
SCHEDULE 1 - CHANGES IN ACCUMULATED SURPLUS
FOR THE YEAR ENDED DECEMBER 31, 2023

	Unrestricted Surplus	Restricted Surplus	Equity in Tangible Capital Assets	2023	2022
Balance, beginning of year	\$ 272,645	\$ 384,426	\$ 9,784,568	\$ 10,441,639	\$ 10,545,871
Excess (deficiency) of revenues over expenses	521,467	-	-	521,467	(104,232)
Funds designated for future use	(153,139)	153,139	-	-	-
Current year funds used for tangible capital assets	(944,540)	-	944,540	-	-
Annual amortization expense	612,033	-	(612,033)	-	-
NBV of capital assets disposed of	8,028	-	(8,028)	-	-
Funds used for operations	76,879	(76,879)	-	-	-
Long-term debt repaid	(101,766)	-	101,766	-	-
Change in accumulated surplus	18,962	76,260	426,245	521,467	(104,232)
Balance, end of year	\$ 291,607	\$ 460,686	\$ 10,210,813	\$ 10,963,106	\$ 10,441,639

TOWN OF MUNDARE
SCHEDULE 2 - TANGIBLE CAPITAL ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2023

	Land	Land Improvements	Buildings	Engineered Structures	Machinery & Equipment	Vehicles	2023	2022
Cost								
Balance, beginning of year	\$ 52,577	\$ 601,310	\$ 1,254,417	\$ 17,107,857	\$ 821,986	\$ 227,928	\$ 20,066,075	\$ 19,875,194
Acquisition of tangible capital assets	-	53,761	-	814,747	76,032	-	944,540	293,634
Construction in progress	-	-	-	-	-	-	-	22,392
Disposal of tangible capital assets	-	-	-	(42,543)	(16,000)	-	(58,543)	(125,145)
Balance, end of year	52,577	655,071	1,254,417	17,880,061	882,018	227,928	20,952,072	20,066,075
Accumulated amortization								
Balance, beginning of year	-	316,648	747,840	7,145,377	498,711	81,174	8,789,750	8,259,948
Annual amortization	-	24,924	26,748	478,860	61,013	20,488	612,033	600,146
Accumulated amortization on disposals	-	-	-	(34,515)	(16,000)	-	(50,515)	(70,344)
Balance, end of year	-	341,572	774,588	7,589,722	543,724	101,662	9,351,268	8,789,750
Net book value of tangible capital assets	\$ 52,577	\$ 313,499	\$ 479,829	\$ 10,290,339	\$ 338,294	\$ 126,266	\$ 11,600,804	\$ 11,276,325
2022 Net book value of tangible capital assets	\$ 52,577	\$ 284,662	\$ 506,577	\$ 9,962,480	\$ 323,275	\$ 146,754	\$ 11,276,325	

TOWN OF MUNDARE
SCHEDULE 3 - PROPERTY TAXES LEVIED
FOR THE YEAR ENDED DECEMBER 31, 2023

	Budget (Unaudited)	2023	2022
Taxation			
Residential land and improvements	\$ 1,091,200	\$ 1,091,232	\$ 1,063,963
Commercial property	232,300	232,859	224,766
	<u>1,323,500</u>	<u>1,324,091</u>	<u>1,288,729</u>
Requisitions			
Alberta School Foundation	264,450	264,404	268,030
County of Lamont Foundation	54,200	54,163	40,164
	<u>318,650</u>	<u>318,567</u>	<u>308,194</u>
Net taxes for general municipal operations	<u>\$ 1,004,850</u>	<u>\$ 1,005,524</u>	<u>\$ 980,535</u>

SCHEDULE 4 - GOVERNMENT TRANSFERS
FOR THE YEAR ENDED DECEMBER 31, 2023

	Budget (Unaudited)	2023	2022
Transfers for operations			
Federal	\$ 5,400	\$ 4,110	\$ 5,640
Provincial	119,500	79,564	39,782
Local governments	34,600	74,631	33,299
	<u>159,500</u>	<u>158,305</u>	<u>78,721</u>
Transfers for capital			
Provincial	<u>780,500</u>	<u>814,747</u>	<u>347,305</u>
Total government transfers	<u>\$ 940,000</u>	<u>\$ 973,052</u>	<u>\$ 426,026</u>

TOWN OF MUNDARE
SCHEDULE 5 - CONSOLIDATED EXPENSES BY OBJECT
FOR THE YEAR ENDED DECEMBER 31, 2023

	Budget (Unaudited)	2023	2022
Expenses			
Salaries, wages and benefits	\$ 542,100	\$ 462,816	\$ 476,309
Contracted and general services	628,330	713,046	619,589
Purchases from other governments	214,500	209,365	191,315
Materials, goods, supplies and utilities	325,220	271,016	297,282
Transfer to local boards and organizations	75,500	74,849	64,528
Bank charges and short-term interest	3,000	3,345	2,892
Interest on long-term debt	59,300	57,844	62,387
Shared cost agreements	52,000	55,481	50,485
Amortization of tangible capital assets	612,080	612,033	600,146
Other expenses	28,950	36,683	31,043
Total expenses	\$ 2,540,980	\$ 2,496,478	\$ 2,395,976

TOWN OF MUNDARE
SCHEDULE 6 - SEGMENTED DISCLOSURE
FOR THE YEAR ENDED DECEMBER 31, 2023

	General Government	Protective Services	Transportation Services	Environmental Services	Planning and Development	Recreation and Culture	Total
Revenues							
Net municipal taxes	\$ 1,005,524	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,005,524
Sales and user fees	23,562	8,061	95,845	558,643	-	11,079	697,190
Government transfers for operating	-	-	66,170	40,000	-	52,135	158,305
Investment income	33,634	-	-	-	-	-	33,634
Other revenue	191,440	6,666	17,235	33,509	3,795	46,226	298,871
Government transfers for capital	-	-	584,772	229,975	-	-	814,747
Other capital revenues	-	-	5,878	(8,028)	-	11,824	9,674
	1,254,160	14,727	769,900	854,099	3,795	121,264	3,017,945
Expenses							
Salaries, wages and benefits	258,491	-	110,923	30,176	-	63,226	462,816
Contracted and general services	151,111	92,711	220,861	226,438	1,444	69,489	762,054
Materials, goods, supplies and utilities	27,537	10,785	125,648	203,994	-	51,884	419,848
Transfers to others	5,962	-	-	55,481	-	68,887	130,330
Interest on long-term debt	-	-	43,679	14,165	-	-	57,844
Other expenses	48,853	-	602	2,098	-	-	51,553
	491,954	103,496	501,713	532,352	1,444	253,486	1,884,445
Net revenue before amortization	762,206	(88,769)	268,187	321,747	2,351	(132,222)	1,133,500
Amortization expense	(21,670)	(3,852)	(430,942)	(119,768)	-	(35,801)	(612,033)
Net revenues	\$ 740,536	\$ (92,621)	\$ (162,755)	\$ 201,979	\$ 2,351	\$ (168,023)	\$ 521,467

TOWN OF MUNDARE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023

1. Significant Accounting Policies

The consolidated financial statements are the representations of management prepared in accordance with Canadian generally accepted accounting principles for local governments established by the Public Sector Accounting Board of the Canadian Institute of Chartered Professional Accountants. 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 expenses, 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 town council for the administration of their financial affairs and resources.

The schedule of taxes levied also includes requisitions for education 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.

Measurement Uncertainty

The preparation of financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the period. Such estimates include allowance for uncollectable receivables and providing for amortization of tangible capital assets. Actual results could differ from those estimates. These estimates are reviewed periodically and, as adjustments become necessary, they are reported in operations in the period in which they become known.

Financial Instruments

Financial instruments are recorded at fair value when acquired or issued and subsequently measured at amortized cost. Transaction costs and financial fees associated with financial instruments carried at amortized cost are recorded as adjustments to the initial fair value recognized and amortized over the life of the financial instrument.

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TOWN OF MUNDARE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023

1. Significant Accounting Policies (*continued*)

Cash

Cash is defined as petty cash, cash in chequing accounts adjusted for outstanding cheques and deposits, savings accounts and investments with a maturity date of less than one year.

Investments

Investments are recorded at amortized cost. 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.

Inventory of Land Held for Resale

Land held for resale is recorded at the lower of cost and 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 their respective function.

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.

Government Transfers

Government transfers are the transfer of assets from other governments 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.

Revenue Recognition

Revenue from transactions with no performance obligation is recognized at realizable value when the town has the authority to claim or retain an inflow of economic resources and identifies a past transaction or event giving rise to an asset.

Revenue from transactions with performance obligations is recognized as the performance obligations are satisfied by providing the promised goods or services to the payor. User fees are recognized over the period of use, sales of goods are recognized when goods are delivered. Licenses and permits with a single performance obligation at a point in time are recognized as revenue on issuance.

(continues)

TOWN OF MUNDARE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023

1. Significant Accounting Policies (continued)

Deferred Revenue

Deferred revenues represent government transfers (collected or allocated), donations, and other amounts that 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.

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.

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 for the year.

(a) **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 costs, less residual value, of the tangible capital assets are amortized on a straight-line basis over their estimated useful lives as follows:

	<u>Years</u>
Buildings	50
Engineered structures	
Roadway system	20-30
Water system	25-75
Wastewater system	45-75
Lighting	50
Machinery and equipment	10-30
Vehicles	5-15
Land improvements	20-30

No amortization is charged in the year of acquisition. Assets under construction are not amortized until the asset is available for productive use.

(b) **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.

(c) **Leases**

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

(continues)

TOWN OF MUNDARE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023

1. Significant Accounting Policies (continued)

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.

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.

2. Cash

	2023	2022
Petty cash	\$ 100	\$ 541
Current account	94,841	182,097
Savings accounts	861,459	1,204,455
Trust account	35,566	31,896
Credit Union shares	177	168
	\$ 992,143	\$ 1,419,157

Council has designated \$460,686 (2022– \$384,426) to fund the reserves.

Included in cash is a restricted amount of \$Nil (2022 – \$567,161) (see note 5) and \$266,000 of offsite levies received.

3. Taxes Receivable

	2023	2022
Current	\$ 110,069	\$ 146,065
Arrears	174,625	218,449
Less: allowance for doubtful accounts	(139,935)	(139,935)
	\$ 144,759	\$ 224,579

TOWN OF MUNDARE
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FOR THE YEAR ENDED DECEMBER 31, 2023

4. Employee Benefit Obligation

Included in accounts payable and accrued liabilities is a vacation and overtime liability of \$20,230 (2022 - \$9,109). The vacation and overtime liability is comprised of the vacation and overtime that employees have earned and are entitled to within the next budgetary year.

5. Deferred Revenue

	2022	Received	Recognized	2023
Gas Tax Fund	\$ 170,845	\$ 59,131	\$ 229,976	\$ -
MSI Capital	572,599	125,226	584,772	113,053
Canadian Heritage	-	1,200	-	1,200
Communities in Bloom	6,204	871	-	7,075
Other Revenue	5,559	15,883	-	21,442
Donations - for capital	11,824	-	11,824	-
	<u>\$ 767,031</u>	<u>\$ 202,311</u>	<u>\$ 826,572</u>	<u>\$ 142,770</u>

Unexpended funding in the amount of \$114,253 (2022 - \$743,444) was allocated to the town in the current year from various federal and provincial government programs. The use of these funds is restricted to eligible operating and capital projects as approved under the funding agreements. Of these allocations, funds received and unexpended are supported by funds in savings accounts of \$Nil (2022 - \$567,161).

6. Long-Term Debt

	2023	2022
Tax supported debentures	\$ 881,714	\$ 941,307
Self-supported debentures	500,282	523,711
Tax supported Credit Union loans	7,995	26,740
	<u>\$ 1,389,991</u>	<u>\$ 1,491,758</u>

Principal and interest repayments for each of the next five years and to maturity are as follows:

	Principal	Interest	Total
2024	\$ 94,525	\$ 54,696	\$ 149,221
2025	90,195	50,945	141,140
2026	94,024	47,116	141,140
2027	98,026	43,114	141,140
2028	102,207	38,933	141,140
Thereafter	911,014	153,730	1,064,744
	<u>\$ 1,389,991</u>	<u>\$ 388,534</u>	<u>\$ 1,778,525</u>

Debenture debt is repayable to Alberta Capital Finance Authority and bears interest at rates ranging from 1.882% to 4.745% per annum and matures in periods 2034 through 2041. The average annual interest rate is 4.01% (4.048% for 2022).

The Credit Union loans bear interest at rates ranging from 3.65% to 4.1% per annum and mature in 2024.

Long-term debt is issued on the credit and security of the town at large.

Interest on long-term debt amounted to \$57,844 (2022 - \$62,388).

The town's cash payments for interest in 2023 were \$58,814 (2022 - \$63,342).

TOWN OF MUNDARE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE 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 of Mundare be disclosed as follows:

	2023	2022
Total debt limit	\$ 3,308,022	\$ 2,997,662
Total debt	(1,389,991)	(1,491,758)
Debt limit remaining	\$ 1,918,031	\$ 1,505,904
Debt servicing limit	\$ 551,337	\$ 499,610
Debt servicing	(149,221)	(160,460)
Debt service limit remaining	\$ 402,116	\$ 339,150

The debt limit is calculated at 1.5 times revenue of the municipality (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 municipality. Rather, the financial statements must be interpreted as a whole.

8. Accumulated Surplus

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

	2023	2022
Unrestricted surplus	\$ 291,607	\$ 272,645
Restricted surplus		
General capital	98,587	113,467
Fire	35,936	40,936
Common services	30,173	20,173
Streets	32,500	17,500
Water	120,665	88,243
Sewer	97,675	49,957
Development	14,650	11,650
Parks and recreation	5,000	22,000
Ukraina Park	25,500	20,500
	460,686	384,426
Equity in tangible capital assets (<i>Note 9</i>)	10,210,813	9,784,568
	\$ 10,963,106	\$ 10,441,639

TOWN OF MUNDARE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023

9. Equity in Tangible Capital Assets

	2023	2022
Tangible capital assets <i>(Schedule 2)</i>	\$ 20,952,072	\$ 20,066,076
Accumulated amortization <i>(Schedule 2)</i>	(9,351,268)	(8,789,750)
Long-term debt <i>(Note 6)</i>	(1,389,991)	(1,491,758)
	\$ 10,210,813	\$ 9,784,568

10. Segmented Disclosure

The Town of Mundare 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 Schedule 6 – Segmented Disclosure.

11. Salary and Benefits Disclosure

Disclosure of salaries and benefits for municipal officials and the chief administrative officer as required by Alberta Regulation 313/2000 is as follows:

	Salary (1)	Benefits & Allow (2)	2023	2022
<u>Council</u>				
Caliniou	\$ 12,076	\$ 545	\$ 12,621	\$ 14,521
Talaga	8,652	-	8,652	10,413
Rozumniak	6,177	194	6,371	9,304
Patrie	5,980	217	6,197	9,295
Brison	2,981	108	3,089	-
Nicholson	2,870	101	2,971	3,737
Shepel	-	-	-	4,810
	38,736	1,165	39,901	52,080
<u>Others</u>				
CAO - Zyla	89,783	5,067	94,850	92,818
Designated officer (contract assessor)	8,800	-	8,800	8,800
	98,583	5,067	103,650	101,618
	\$ 137,319	\$ 6,232	\$ 143,551	\$ 153,698

- (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 RRSP, health care, dental coverage, group life insurance, accidental death and dismemberment insurance, and long and short-term disability plans..

TOWN OF MUNDARE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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12. Credit Facilities

The town has a prime plus 1% authorized revolving line of credit of \$100,000 with the Servus Credit Union. No balance was outstanding as at December 31, 2023.

The town has a Credit Union MasterCard with an authorized limit of \$20,000. Interest is calculated on principal owing beyond one month at the rate of 16.99%.

These credit facilities are issued on the credit and security of the town at large.

13. Commitments

The town is committed to making annual land rental payments of \$1,200 and \$2,500 until 2025.

The town has signed a five year equipment lease, with quarterly payments of \$801, expiring March 2027.

14. Contingency

The municipality 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.

15. Financial Instruments

The town's financial instruments consist of cash and temporary investments, receivables, accounts payable and accrued liabilities, deposit liabilities and long-term debt. It is management's opinion that the town is not exposed to significant currency risks arising from these financial instruments.

The town is subject to credit risk with respect to taxes and grants in place of taxes receivable 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. The town has recorded an allowance of \$139,935 (2022 - \$139,935) against taxes and other receivables.

The town is subject to interest rate risk with respect to its long-term debt. Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates.

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

16. Contaminated Sites Liability

The town did not identify any financial liabilities in 2023 (2022 - Nil) as a result of contaminated sites.

17. Asset Retirement Obligation

The town has adopted PS3280 - Asset Retirement Obligations. The town did not identify any financial obligations in 2023 (2022 - Nil) as a result of this standard.

18. Approval of Financial Statements

Council has approved these financial statements.

19. Budget Amounts

Budget amounts are included for information purposes only and are not audited.

TOWN OF MUNDARE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023

20. Recent Accounting Pronouncements Published But Not Yet Adopted

Conceptual Framework for Financial Reporting in the Public Sector

This standard describes the concepts underlying the development and use of accounting principles in government financial statements. It also identifies the objectives of government financial statements that are generally acceptable to the users and preparers of the statements. It applies to years beginning on or after April 1, 2026.

PSAS Section 1202, Financial Statement Presentation

This standard responds to the need for understandable financial statements. The new reporting model will consist of:

- a statement of financial position;
- a statement of net financial assets (net financial liabilities);
- a statement of operations;
- a statement of changes in net assets (net liabilities);
- a statement of cash flows; and
- accompanying notes and schedules.