# **Financial Statements**

For the 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 Milk River (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 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.

Milk River, Alberta April 23, 2024 An association for the practice of Chartered Professional Accountancy\*
\*Belcourt Reddick Professional Corporation, Chartered Professional Accountants
\*Shawn Cook Professional Corporation, Chartered Professional Accountants

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#### INDEPENDENT AUDITOR'S REPORT

#### To the Members of Town of Milk River

#### **Opinion**

We have audited the financial statements of Town of Milk River (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 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, change in 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.

Independent Auditor's Report to the Members of Town of Milk River (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.

Lethbridge, Alberta April 23, 2024

Chartered Professional Accountants

Shawn Cook Professional Corporation



Consolidated Statement of Financial Position As at December 31, 2023

	2023	2022
	\$	\$
FINANCIAL ASSETS		
Cash and temporary investments (Note 2) Receivables	1,751,406	1,447,317
Taxes and grants in place of taxes (Note 3)	65,565	65,640
Trade and other (Note 4)	233,391	474,647
Land held for resale	256,584	287,538
	2,306,946	2,275,142
LIABILITIES		
Accounts payable and accrued liabilities	136,637	174,728
Employee benefit obligation (Note 5)	15,720	11,997
Asset retirement obligation (Note 6)	295,585	(=)
Deferred revenue (Note 7)	87,099	44,257
	535,041	230,982
NET FINANCIAL ASSETS	1,771,905	2,044,160
NON-FINANCIAL ASSETS		
Tangible capital assets (Schedule 2)	12,399,664	12,289,488
Inventory for consumption	70,308	64,916
Prepaid expenses and deposits	2,342	3,882
	12,472,314	12,358,286
ACCUMULATED SURPLUS (Schedule 1 and Note 11)	14,244,219	14,402,446

# **COMMITMENTS AND CONTINGENCIES (Note 16)**

Approved by the Council:

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# **Consolidated Statement of Operations For the Year Ended December 31, 2023**

	Budget		
	(Unaudited)	2023	2022
	\$	\$	\$
REVENUES			
Net municipal property taxes (Schedule 3)	847,360	835,175	821,200
User fees and sales of goods	594,220	655,133	567,121
Government transfers (Schedule 4)	184,130	278,542	110,576
Franchise and concession contracts (Note 15)	161,083	195,260	190,826
Investment income	40,100	91,249	47,519
Rental	48,615	49,777	50,458
Penalties and costs of taxes	10,600	12,424	11,524
Licenses, permits and fines	9,860	10,739	18,316
Other	51,900	9,133	9,400
	1,947,868	2,137,432	1,826,940
EXPENSES			
Water supply and wastewater treatment	337,277	735,985	693,809
Roads, streets, walks, lighting and common services	436,329	547,503	552,171
Administration	458,191	420,283	377,430
Parks and recreation	425,046	447,772	339,322
Waste management	133,013	146,619	151,170
Police, fire and bylaw enforcement	173,410	175,745	160,246
Legislative	76,753	70,838	72,217
Land use planning, zoning, and development	115,000	34,801	38,616
Other	26,410	19,255	21,688
	2,181,429	2,598,801	2,406,669
EXCESS (DEFICIENCY) OF REVENUES OVER	(222.5(1)	(461.260)	(570 700)
EXPENSES BEFORE OTHER	(233,561)	(461,369)	(579,729)
OTHER  Covernment transfers for conital (Schodule 4)		202 142	205.046
Government transfers for capital (Schedule 4)		303,142	295,046
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	(233,561)	(158,227)	(284,683)
ACCUMULATED SURPLUS, BEGINNING OF YEAR	14,402,446	14,402,446	14,687,129
ACCUMULATED SURPLUS, END OF YEAR	14,168,885	14,244,219	14,402,446

# **Consolidated Statement of Change in Net Financial Assets For the Year Ended December 31, 2023**

	Budget (Unaudited) \$	<b>2023</b> \$	2022 \$
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	(233,561)	(158,227)	(284,683)
Acquisition of tangible capital assets Amortization of tangible capital assets	(22,150)	(787,823) 677,647	(1,026,681) 634,952
Use (acquisition) of prepaid assets and deposits Use (acquisition) of inventory for consumption	(22,150) (5,000) (25,000)	(110,176) 1,540 (5,392)	(391,729) (2,690) (24,648)
(DECREASE) INCREASE IN NET FINANCIAL ASSETS	(30,000) (285,711)	(3,852) (272,255)	(27,338) (703,750)
NET FINANCIAL ASSETS, BEGINNING OF YEAR	2,044,160	2,044,160	2,747,910
NET FINANCIAL ASSETS, END OF YEAR	1,758,449	1,771,905	2,044,160

**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	(158,227)	(284,683)
Non-cash items included in excess of revenues over expenses		
Amortization of tangible capital assets	677,647	634,952
Non-cash charges to operations (net changes)		
Decrease (increase) in taxes and grants in lieu receivable	75	15,380
Decrease (increase) in trade and other receivables	241,256	(263,544)
Decrease (increase) in land held for resale	30,954	
Decrease (increase) in inventory for consumption	(5,392)	(24,648)
Decrease (increase) in prepaid expenses and deposits	1,540	(2,690)
Increase (decrease) in accounts payable	(38,091)	21,730
Increase (decrease) in employee benefit obligation	3,723	5,519
Increase (decrease) in asset retirement obligation	295,585	1 <b>-</b>
Increase (decrease) in deferred revenue	42,842	(234)
	1,091,912	101,782
CAPITAL		
Acquisition of tangible capital assets	(787,823)	(1,026,681)
CHANGE IN CASH DURING THE YEAR	304,089	(924,899)
CASH, BEGINNING OF YEAR	1,447,317	2,372,216
CASH, END OF YEAR (Note 2)	<u>1,751,406</u>	1,447,317

Schedule of Changes in Accumulated Surplus For the Year Ended December 31, 2023 Schedule 1

	Unrestricted Surplus \$	Restricted Surplus \$	Equity in Tangible Capital Assets \$	<b>2023</b> \$	2022 \$
BALANCE, BEGINNING OF THE YEAR	894,401	1,218,557	12,289,488	14,402,446	14,687,129
Excess (deficiency) of revenues over expenses Unrestricted funds designated for future use Restricted funds used for tangible capital assets Current year funds used for tangible capital assets Asset retirement obligation adjustment Annual amortization expense	(158,227) (47,259) - (600,879) 295,585 677,647	- 47,259 (186,944) - -	- 186,944 600,879 (295,585) (677,647)	(158,227) - - - - -	(284,683) - - - - -
Change in accumulated surplus	166,867	(139,685)	(185,409)	(158,227)	(284,683)
BALANCE, END OF YEAR	1,061,268	1,078,872	12,104,079	14,244,219	14,402,446

Schedule of Tangible Capital Assets For the Year Ended December 31, 2023 Schedule 2

	Land \$	Land Improvements \$	Buildings \$	Engineered Structures \$	Machinery & Equipment \$	Vehicles \$	<b>2023</b> \$	2022 \$
COST:								
BALANCE, BEGINNING OF YEAR	369,515	798,779	3,589,504	18,957,618	1,450,551	1,614,454	26,780,421	25,753,740
Acquisition of tangible capital assets		34,008	296,715	342,541	74,809	39,750	787,823	1,026,681
BALANCE, END OF YEAR	369,515	832,787	3,886,219	19,300,159	1,525,360	1,654,204	27,568,244	26,780,421
ACCUMULATED AMORTIZATION	<b>\</b> :							
BALANCE, BEGINNING OF YEAR	-	684,176	1,806,619	9,695,366	1,241,048	1,063,724	14,490,933	13,855,981
Annual amortization		21,910	114,325	414,205	44,157	83,050	677,647	634,952
BALANCE, END OF YEAR		706,086	1,920,944	10,109,571	1,285,205	1,146,774	15,168,580	14,490,933
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	369,515	126,701	1,965,275	9,190,588	240,155	507,430	12,399,664	12,289,488
2022 NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	369,515	114,603	1,782,885	9,262,252	209,503	550,730	12,289,488	

Schedule of Property Taxes Levied For the Year Ended December 31, 2023 Schedule 3

	Budget (Unaudited) \$	<b>2023</b> \$	2022 \$
TAXATION			
Real property taxes	822,884	811,356	775,947
Linear property taxes	153,410	160,779	156,302
Special assessment and local improvement taxes	65,529	57,487	83,760
Government grants in place of property taxes	21,905	21,921	20,954
	1,063,728	1,051,543	1,036,963
REQUISITIONS			
Alberta School Foundation Fund	194,463	194,463	194,562
Seniors foundation	21,905	21,905	21,201
	216,368	216,368	215,763
NET MUNICIPAL PROPERTY TAXES	847,360	835,175	821,200

Schedule of Government Transfers For the Year Ended December 31, 2023 Schedule 4

	Budget (Unaudited) \$	<b>2023</b> \$	2022 \$
TRANSFERS FOR OPERATIONS	122.020	222 112	50 715
Provincial Government Other Local Governments	133,030 51,100	223,113 55,429	58,715 51,861
	184,130	278,542	110,576
TRANSFERS FOR CAPITAL			
Provincial Government	-	289,392	295,046
Other Local Governments		13,750	
		303,142	295,046
	184,130	581,684	405,622

Schedule of Consolidated Expenditures by Object For the Year Ended December 31, 2023 Schedule 5

	Budget (Unaudited) \$	<b>2023</b> \$	2022 \$
EXPENDITURES  Contracted and general services Salaries, wages and benefits  Materials, reads and utilities	811,971 668,224	729,414 617,616	687,354 561,653
Materials, goods and utilities Transfers to local boards and agencies Other Accretion Amortization	572,841 84,211 44,182	447,864 76,820 38,071 11,369 677,647	418,473 66,542 37,695 - 634,952
	2,181,429	2,598,801	2,406,669

TOWN OF MILK RIVER Schedule of Segmented Disclosure For the Year Ended December 31, 2023

Schedule 6

	General Government \$	Protective Services \$	Transportation Services \$	Planning & Development \$	Recreation E & Culture \$	nvironmental Services \$	Total
DEVENIUS							
REVENUES Net municipal taxes	835,175						835,175
User fees and sales of goods	2,270	20,865	10	71,581	31,825	528,582	655,133
Government transfers	237,430	18,778	169,392	71,301	38,285	117,799	581,684
Franchise and concession contracts	195,260	-	105,552	-	-	-	195,260
Investment income	90,973	-	_	_	_	276	91,249
Rental revenue	48,883	_	465	_	429	-	49,777
Other revenue	13,703	2,475	4,474	8,264	96	3,284	32,296
	1,423,694	42,118	174,341	79,845	70,635	649,941	2,440,574
EXPENSES							
Contracted and general services	149,727	97,527	158,802	34,801	39,319	249,238	729,414
Salaries, wages and benefits	216,713	14,930	95,075	-	161,998	128,900	617,616
Materials, goods and utilities	58,117	24,035	138,005	-	119,195	108,512	447,864
Transfers to local boards and agencies	31,436	=	-	=	20,301	25,083	76,820
Other expenses	33,566	19	19		11,369	4,467	49,440
	489,559	136,511	391,901	34,801	352,182	516,200	1,921,154
NET REVENUES BEFORE AMORTIZATION	934,135	(94,393)	(217,560)	45,044	(281,547)	133,741	519,420
Amortization	20,817	39,234	155,602		95,590	366,404	677,647
NET REVENUES	913,318	(133,627)	(373,162)	45,044	(377,137)	(232,663)	(158,227)

Notes to Financial Statements For the Year Ended December 31, 2023

# 1. Significant Accounting Policies

The consolidated financial statements of the Town of Milk River are the representations of management prepared in accordance with generally accepted accounting principles for local governments established by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada. Significant aspects of the accounting policies adopted by the Town of Milk River are as follows:

# a) 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. The 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, health, social and other external organizations that are not part of the municipal reporting entity.

The statements exclude trust assets that are administered for the benefit of external parties. interdepartmental and organizational transactions and balances are eliminated.

#### b) Basis of Accounting -

The financial statements are prepared using the accrual basis of accounting. The accrual basis of accounting records revenue as it is earned and measureable. Expenses are recognized as they are incurred and measureable 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.

#### c) 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 and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenditure during the reported period. Where measurement uncertainty exists, the financial statements have been prepared within reasonable limits of materiality. Actual results could differ from those estimates.

## d) 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.

#### e) Investments -

Investments are recorded at cost less any provision for other than temporary impairment.

Notes to Financial Statements For the Year Ended December 31, 2023

# 1. Significant Accounting Policies (continued)

#### f) 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 their respective function.

# g) 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.

#### h) 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.

## i) 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.

Notes to Financial Statements For the Year Ended December 31, 2023

# 1. Significant Accounting Policies (continued)

### j) 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.

# k) 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.

Notes to Financial Statements For the Year Ended December 31, 2023

# 1. Significant Accounting Policies (continued)

- 1) Non-Financial Assets (continued) -
  - 1) Tangible Capital Assets -

Tangible capital assets are recorded at cost which includes all amounts that are directly attributable to acquisition, construction, development or betterment of the asset. The cost, less residual value, of the tangible capital assets is amortized on a straight-line basis over the estimated useful life as follows:

	YEARS
Land Improvements	10-20
Buildings	25-50
Engineered Structures	20-40
Machinery and Equipment	5-20
Vehicles	10-20

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.

#### 2) Leases -

Leases are classified as capital or operating leases. Leases which transfer substantially all of 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.

- 3) Inventories -
  - Inventories held for consumption are recorded at the lower of cost or replacement cost.
- 4) 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.
- 5) Cultural and Historical Tangible Capital Assets Works of art for display are not recorded as tangible capital assets but are disclosed.

# m) 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 the Town is either directly responsible or accepts responsibility and is management's estimate of the cost of post-remediation including operation, maintenance and monitoring.

Notes to Financial Statements For the Year Ended December 31, 2023

2.	Cash	and	<b>Temporary</b>	<b>Investments</b>
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	2023	2022
	\$	\$
Cash on hand Guaranteed Investment Certificates Notice on Amount 90 days	836,590 - 914,816	264,505 5,255 1,177,557
	1,751,406	1,447,317

The town has a demand revolving bank operating line of credit with a maximum limit of \$200,000 bearing interest at 8.20% and secured by an assignment of property taxes. At year-end, the balance of the line of credit was nil (2022 - nil).

# 3. Taxes and Grants in Place of Taxes Receivables

	2023 \$	2022 \$
Current taxes and grants in place of taxes	41,097	48,935
Arrears taxes	34,421	24,082
Less: Allowance for Doubtful Accounts	75,518 (9,953)	73,017 (7,377)
	65,565	65,640

# 4. Trade and Other Receivables

	<b>2023</b> \$	2022 \$
Grants Trade GST Accrued interest	169,393 42,765 21,233	412,647 44,137 17,816 47
	233,391	474,647

Notes to Financial Statements For the Year Ended December 31, 2023

# 5. 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.

#### 6. Asset Retirement Obligation

#### Asbestos abatement

The Town owns buildings which contain asbestos and, therefore, the Town is legally required to perform abatement activities upon renovation or demolition of the buildings. Abatement activities include handling and disposing of the asbestos in a prescribed manner when it is disturbed. Undiscounted future cash flows expected are abatement costs in year 2025 of \$55,600 and in year 2038 of \$419,280. The estimated total liability of \$295,585 is based on the sum of discounted future cash flows for abatement activities using a discount rate of 6% and assuming annual inflation of 2%. The Town has not designated assets for settling the abatement activities.

#### 7. Deferred Revenue

	<b>2023</b> \$	2022 \$
ACP grant	44,318	-
Prepaid taxes	31,296	25,507
Undistributed donations	6,485	18,750
Deposits received - land sales	5,000	
	<u>87,099</u>	44,257

#### 8. Contaminated Sites Liability

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

Notes to Financial Statements For the Year Ended December 31, 2023

#### 9. 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:

	<b>2023</b> \$	2022 \$
Total debt limit Total debt	3,206,148	2,740,410
Total unused debt limit	3,206,148	2,740,410
Service on debt limit Service on debt	534,358	456,735
Amount of unused service on debt	534,358	456,735

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.

## 10. Equity in Tangible Capital Assets

		<b>2023</b> \$	2022 \$
	Tangible capital assets (Schedule 2) Accumulated amortization (Schedule 2) Asset retirement obligation adjustment (Note 6)	27,568,244 (15,168,580) (295,585)	26,780,421 (14,490,933)
		12,104,079	12,289,488
11.	Accumulated Surplus	2023	2022
		\$	\$
	Unrestricted surplus	1,061,268	894,401
	Operating reserves	46,359	46,084
	Capital reserves	1,032,513	1,172,473
	Equity in tangible capital assets (Note 10)	12,104,079	12,289,488
		14,244,219	14,402,446

Notes to Financial Statements For the Year Ended December 31, 2023

# 12. Segmented Disclosure

The Town of Milk River 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. Salary and Benefits Disclosure

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

		Benefits &	2023	2022
_	Salary (1)	Allowances (2)	Total	Total
_	\$	\$	\$	\$
Mayor - Larry Liebelt	7,650	247	7,897	8,250
Councilor - Peggy Losey	6,000	149	6,149	6,625
- David Degenstein	5,975	147	6,122	5,925
- Shayne Johnson	5,900	143	6,043	7,400
- Anne Michaelis	5,050	-	5,050	4,875
CAO - Kelly Lloyd	73,217	13,387	86,604	61,441
CAO - Village of Warner Contr	-	-	₩.	19,202
Designated Officer - assessor(1)	14,050	_	14,050	14,038

- (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, accident disability and dismemberment insurance, long and short term disability plans, professional memberships and tuition.

Notes to Financial Statements For the Year Ended December 31, 2023

# 14. Budget Amounts

The 2023 budget for the Town was approved by Council on June 12, 2023 and has been reported in the consolidated financial statements for information purposes only. These budget amounts have not been audited, reviewed, or otherwise verified.

The approved budget contained reserve transfers and capital expenses. Since these items are not included in the amounts reported in the consolidated financial statements, they have been excluded from the budget amounts presented in the financial statements.

	<b>2023</b> \$
Surplus per financial statements	(233,561)
Less: Capital expenses, net Add:	(22,150)
Transfer from reserves	255,711
Equals approved budget	

#### 15. 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:

	Buaget		
	(Unaudited)	2023	2022
	\$	\$	\$
ATCO Natural Gas	80,000	95,649	102,159
Fortis Electricity	81,083	99,611	88,667
	161,083	195,260	190,826

### 16. 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 \$24,760 (2022 - \$24,067). 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.

Notes to Financial Statements For the Year Ended December 31, 2023

#### 17. Financial Instruments

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

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 fulfil their obligations. The large number and diversity of taxpayers and customers minimizes the credit risk.

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

# 18. Comparative Figures

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

#### 19. Approval of Financial Statements

Council and Management have approved these financial statements.