

**VILLAGE OF FORESTBURG**  
**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2020**

# Brian King Professional Corporation

Box 560, Hardisty, Alberta T0B 1V0

## INDEPENDENT AUDITOR'S REPORT

**To the Mayor and Council of the Village of Forestburg:**

*Report on the Consolidated Financial Statements*

*Opinion*

I have audited the consolidated financial statements of the Village of Forestburg (the Entity), which comprise the consolidated statement of financial position as at December 31, 2020, and the results of its operations, changes in its net financial assets (debt) and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In my opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Village of Forestburg as at December 31, 2020, the results of its operations, change in its net financial assets (debt) and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

*Basis for Opinion*

I conducted my audit in accordance with Canadian generally accepted auditing standards. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of my report. I am independent of the Entity in accordance with the ethical requirements that are relevant to my audit of the financial statements in Canada, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

*Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements*

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Entity'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 cease operations, or has no realistic alternative but to do so. Those charged with governance are responsible for overseeing the Entity's financial reporting process.

*Auditor's Responsibility for the Audit of the Consolidated Financial Statements*

My 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 my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, I exercise professional judgement and maintain professional skepticism throughout the audit. I also:

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- 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 my 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 Entity'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 Entity's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Entity 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements. I am responsible for the direction, supervision and performance of the group audit. I remain solely responsible for my audit opinion.

I 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 I identify during my audit.

I also provide those charged with governance with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.

## *Report on Other Legal and Regulatory Requirements*

- **Debt Limit Regulation:**  
In accordance with Alberta Regulation 255/2000, I confirm that the municipality is in compliance with the Debt Limit Regulation. A detailed account of the Entity's debt limit can be found in Note 7.
- **Supplementary Accounting Principles and Standards Regulation:**  
In accordance with Alberta Regulation 313/2000, I confirm that the municipality is in compliance with the Supplementary Accounting Principles and Standards Regulation and note the information required can be found in Note 11.

M.D. of Wainwright

April 30, 2021



Brian King Professional Corporation

Chartered Professional Accountant

# VILLAGE OF FORESTBURG

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION DECEMBER 31, 2020

	<u>2020</u>	<u>2019</u>
<b>FINANCIAL ASSETS</b>		
Cash and term deposits (Note 2)	1,856,178	2,250,479
Taxes and grants in place of taxes (Note 3)	95,145	74,818
Trade and other receivables	196,487	176,965
Due from other governments	90,344	14,418
Inventory held for resale	474,124	482,469
Other financial assets	28,600	28,610
	<u>2,740,878</u>	<u>3,027,759</u>
<b>LIABILITIES</b>		
Accounts payable and accrued liabilities	343,517	221,835
Deferred revenue (Note 4)	277,142	378,360
Long term debt (Note 5)	1,062,923	1,195,149
	<u>1,683,582</u>	<u>1,795,344</u>
<b>NET FINANCIAL ASSETS</b>	<u>1,057,296</u>	<u>1,232,415</u>
<b>NON-FINANCIAL ASSETS</b>		
Tangible capital assets	15,160,562	14,373,873
Prepaid expenses	11,101	10,409
	<u>15,171,663</u>	<u>14,384,282</u>
<b>ACCUMULATED SURPLUS (NOTE 8)</b>	<u>16,228,959</u>	<u>15,616,697</u>

*Commitments and contingencies - See Note 11*

# VILLAGE OF FORESTBURG

## CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES FOR THE YEAR ENDED DECEMBER 31, 2020

	Budget (unaudited)	2020	2019
<b>REVENUE</b>			
Net municipal property taxes (Schedule 3)	894,450	<b>885,276</b>	900,032
User fees and sales of goods	1,187,160	<b>1,347,366</b>	1,313,810
Penalties and costs on taxes	23,590	<b>24,525</b>	18,296
Licenses and permits	5,280	<b>14,982</b>	7,567
Fines	850	<b>5,499</b>	1,545
Franchise and concession contracts	96,470	<b>94,086</b>	84,863
Investment income	19,290	<b>38,061</b>	48,353
Rentals	101,670	<b>106,707</b>	102,639
Government transfers for operating	119,650	<b>156,143</b>	192,930
Other	284,440	<b>122,515</b>	15,793
Gain on disposal of assets	-	-	20,227
	<u>2,732,850</u>	<u><b>2,795,160</b></u>	<u>2,706,055</u>
<b>EXPENSES</b>			
Legislative	61,840	<b>49,352</b>	67,270
Administration	385,350	<b>436,960</b>	455,673
Protective services	126,180	<b>74,773</b>	73,978
Transportation	408,570	<b>446,100</b>	423,211
Water supply and distribution	197,910	<b>171,479</b>	236,451
Wastewater treatment and disposal	60,810	<b>64,747</b>	66,161
Waste management	158,900	<b>156,524</b>	152,922
Public health and welfare	22,640	<b>23,259</b>	27,892
Planning and development	186,630	<b>260,963</b>	115,308
Recreation	365,210	<b>222,401</b>	268,481
Culture	53,460	<b>51,571</b>	60,587
Gas system	269,620	<b>302,835</b>	329,074
Amortization	549,170	<b>595,517</b>	549,159
	<u>2,846,290</u>	<u><b>2,856,481</b></u>	<u>2,826,167</u>
<b>EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES BEFORE OTHER</b>	(113,440)	<b>(61,321)</b>	(120,112)
<b>OTHER</b>			
Contributed assets	-	-	186,121
Government transfers for capital (Schedule 4)	733,110	<b>673,583</b>	382,124
	<u>619,670</u>	<u><b>612,262</b></u>	<u>448,133</u>
<b>EXCESS OF REVENUE OVER EXPENSES</b>	619,670	<b>612,262</b>	448,133
<b>ACCUMULATED SURPLUS, BEGINNING OF YEAR</b>	<u>15,616,697</u>	<u><b>15,616,697</b></u>	<u>15,168,564</u>
<b>ACCUMULATED SURPLUS, END OF YEAR</b>	<u><u>16,236,367</u></u>	<u><u><b>16,228,959</b></u></u>	<u><u>15,616,697</u></u>

# VILLAGE OF FORESTBURG

## CONSOLIDATED STATEMENT OF CHANGES IN NET FINANCIAL ASSETS FOR THE YEAR ENDED DECEMBER 31, 2020

	Budget (unaudited)	2020	2019
<b>EXCESS OF REVENUE OVER EXPENSES</b>	<u>619,670</u>	<u>612,262</u>	<u>448,133</u>
Acquisition of tangible capital assets	(1,531,440)	<b>(1,382,206)</b>	(767,400)
Contributed tangible capital assets	-	-	(186,121)
Proceeds on disposal of tangible capital assets	-	-	36,790
Amortization of tangible capital assets	549,170	<b>595,517</b>	549,159
Loss (gain) on sale of tangible capital assets	-	-	(20,227)
	<u>(982,270)</u>	<u><b>(786,689)</b></u>	<u>(387,799)</u>
Net (increase) decrease of prepaid assets	-	<b>(692)</b>	5,679
<b>INCREASE IN NET FINANCIAL ASSETS</b>	<u>(362,600)</u>	<u><b>(175,119)</b></u>	<u>66,013</u>
<b>NET FINANCIAL ASSETS, BEGINNING OF YEAR</b>	<u>1,232,415</u>	<u><b>1,232,415</b></u>	<u>1,166,402</u>
<b>NET FINANCIAL ASSETS, END OF YEAR</b>	<u><u>869,815</u></u>	<u><u><b>1,057,296</b></u></u>	<u><u>1,232,415</u></u>

# VILLAGE OF FORESTBURG

## CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2020

	2020	2019
<b>NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:</b>		
<b>OPERATING</b>		
Excess (deficit) of revenues over expenses	612,262	448,133
Non-cash items included in excess of revenue over expenses:		
Amortization of tangible capital assets	595,517	549,159
Loss (gain) on disposal of tangible capital assets	-	(20,227)
Tangible capital assets received as contributions	-	(186,121)
Non-cash charges to operations (net change):		
Decrease (increase) in taxes and grants in place of taxes	(20,327)	(17,620)
Decrease (increase) in trade and other receivables	(19,522)	49,475
Decrease (increase) in due from other governments	(75,926)	-
Decrease (increase) in inventory held for resale	8,345	2,181
Decrease (increase) in prepaid expenses	(692)	5,679
Decrease (increase) in other financial assets	10	-
Increase (decrease) in accounts payable and accrued liabilities	121,682	16,921
Increase (decrease) in deferred revenue	(101,218)	(42,531)
	<b>1,120,131</b>	<b>805,049</b>
<b>CAPITAL</b>		
Acquisition of tangible capital assets	(1,382,206)	(767,400)
Sale of tangible capital assets	-	36,790
	<b>(1,382,206)</b>	<b>(730,610)</b>
<b>INVESTING</b>		
Decrease (increase) in restricted cash or cash equivalents	150,240	(22,541)
<b>FINANCING</b>		
Long-term debt repaid	(132,226)	(128,297)
<b>CHANGE IN CASH AND EQUIVALENTS DURING THE YEAR</b>	<b>(244,061)</b>	<b>(76,399)</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<b>1,874,580</b>	<b>1,950,979</b>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<b>1,630,519</b>	<b>1,874,580</b>
<b>CASH AND CASH EQUIVALENTS IS MADE UP OF:</b>		
Cash on hand	200	200
Cash in bank	203,325	762,165
Term deposits	1,652,653	1,488,114
Less: restricted portion of cash and term deposits (Note 2)	(225,659)	(375,899)
	<b>1,630,519</b>	<b>1,874,580</b>

# VILLAGE OF FORESTBURG

## SCHEDULE OF CHANGES IN ACCUMULATED SURPLUS FOR THE YEAR ENDED DECEMBER 31, 2020 (Schedule 1)

	Unrestricted Surplus	Restricted Surplus	Equity in Tangible Capital Assets	2020	2019
<b>BALANCE, BEGINNING OF YEAR</b>	1,470,449	967,524	13,178,724	<b>15,616,697</b>	15,168,564
Excess of revenues over expenses	612,262	-	-	<b>612,262</b>	448,133
Unrestricted funds designated for future use	(73,552)	73,552	-	-	-
Restricted funds used for tangible capital assets	-	(335,294)	335,294	-	-
Current year funds used for tangible capital assets	(1,046,912)	-	1,046,912	-	-
Annual amortization expense	595,517	-	(595,517)	-	-
Net change in long term debt	(132,226)	-	132,226	-	-
Change in accumulated surplus	(44,911)	(261,742)	918,915	<b>612,262</b>	448,133
<b>BALANCE, END OF YEAR</b>	<b>1,425,538</b>	<b>705,782</b>	<b>14,097,639</b>	<b>16,228,959</b>	<b>15,616,697</b>



## VILLAGE OF FORESTBURG

### CONSOLIDATED SCHEDULE OF TANGIBLE CAPITAL ASSETS FOR THE YEAR ENDED DECEMBER 31, 2020 (Schedule 2)

	LAND	LAND IMPROVEMENTS	BUILDINGS	ENGINEERED STRUCTURES	MACHINERY AND EQUIPMENT	VEHICLES	2020	2019
<b>COST:</b>								
Balance - beginning of year	346,302	747,606	7,006,685	14,346,034	1,547,145	446,077	24,439,849	23,575,528
Acquisition of tangible capital assets	6,045	147,214	279,907	875,160	73,880	-	1,382,206	260,426
Construction in progress	-	-	-	-	-	-	-	693,095
Disposal of tangible capital assets	-	-	-	-	-	-	-	(89,200)
Balance - end of year	352,347	894,820	7,286,592	15,221,194	1,621,025	446,077	25,822,055	24,439,849
<b>ACCUMULATED AMORTIZATION</b>								
Balance - beginning of year	-	423,622	2,560,596	5,650,675	1,054,783	376,300	10,065,976	9,589,454
Annual amortization	-	36,349	159,287	323,576	55,371	20,934	595,517	549,159
Accumulated amortization on disposals	-	-	-	-	-	-	-	(72,637)
Balance - end of year	-	459,971	2,719,883	5,974,251	1,110,154	397,234	10,661,493	10,065,976
<b>NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS</b>	<b>352,347</b>	<b>434,849</b>	<b>4,566,709</b>	<b>9,246,943</b>	<b>510,871</b>	<b>48,843</b>	<b>15,160,562</b>	<b>14,373,873</b>
<b>OPENING NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS</b>	<b>346,302</b>	<b>323,984</b>	<b>4,446,089</b>	<b>8,695,359</b>	<b>492,362</b>	<b>69,777</b>	<b>14,373,873</b>	

# VILLAGE OF FORESTBURG

## CONSOLIDATED SCHEDULE OF PROPERTY TAXES LEVIED FOR THE YEAR ENDED DECEMBER 31, 2020 (Schedule 3)

	Budget (Unaudited)	2020	2019
<b>TAXATION</b>			
Real property taxes	962,270	<b>949,179</b>	960,938
Linear property taxes	32,360	<b>29,900</b>	34,400
Special assessments	96,180	<b>96,180</b>	96,180
	<u>1,090,810</u>	<u><b>1,075,259</b></u>	<u>1,091,518</u>
<b>REQUISITIONS</b>			
Alberta School Foundation	187,760	<b>181,383</b>	181,376
Flagstaff Regional Housing Group	8,600	<b>8,600</b>	10,110
	<u>196,360</u>	<u><b>189,983</b></u>	<u>191,486</u>
<b>NET MUNICIPAL TAXES</b>	<u>894,450</u>	<u><b>885,276</b></u>	<u>900,032</u>

# VILLAGE OF FORESTBURG

## CONSOLIDATED SCHEDULE OF GOVERNMENT TRANSFERS FOR THE YEAR ENDED DECEMBER 31, 2020 (Schedule 4)

	Budget (Unaudited)	2020	2019
<b>TRANSFERS FOR OPERATING</b>			
Provincial Government	101,220	<b>138,824</b>	161,807
Local Governments	18,430	<b>17,319</b>	31,123
	<u>119,650</u>	<u><b>156,143</b></u>	<u>192,930</u>
<b>TRANSFERS FOR CAPITAL</b>			
Federal Government	136,350	<b>290,789</b>	-
Provincial Government	596,760	<b>382,794</b>	382,124
	<u>733,110</u>	<u><b>673,583</b></u>	<u>382,124</u>
<b>TOTAL GOVERNMENT TRANSFERS</b>	<u>852,760</u>	<u><b>829,726</b></u>	<u>575,054</u>

# VILLAGE OF FORESTBURG

## CONSOLIDATED SCHEDULE OF EXPENDITURE BY OBJECT FOR THE YEAR ENDED DECEMBER 31, 2020 (Schedule 5)

	Budget (Unaudited)	2020	2019
<b>Expenditures</b>			
Salaries, wages and benefits	838,940	<b>707,268</b>	718,770
Contracted and general services	676,840	<b>851,284</b>	590,917
Materials, goods and utilities	482,540	<b>515,779</b>	589,894
Provision for allowances	2,000	<b>61</b>	10,311
Transfers to local boards and agencies	229,860	<b>125,874</b>	164,596
Transfers to individuals and agencies	-	-	152,844
Bank charges and short term interest	2,990	<b>2,487</b>	2,913
Interest on capital long term debt	41,540	<b>40,928</b>	36,007
Other expenditures	22,410	<b>17,283</b>	10,756
Amortization of tangible capital assets	549,170	<b>595,517</b>	549,159
	<u>2,846,290</u>	<u><b>2,856,481</b></u>	<u>2,826,167</u>

## VILLAGE OF FORESTBURG

### SCHEDULE OF SEGMENTED DISCLOSURE FOR THE YEAR ENDED DECEMBER 31, 2020 (Schedule 6)

	General Government	Protective Services	Transportation services	Environmental Services	Public Health & Welfare	Planning & Development	Recreation & Culture	Gas System	Total
<b>REVENUE</b>									
Net municipal property taxes (Schedule 2)	885,276	-	-	-	-	-	-	-	885,276
User fees and sales of goods	2,300	73,163	-	526,905	150	115,872	48,447	580,529	1,347,366
Penalties and costs on taxes	24,525	-	-	-	-	-	-	-	24,525
Licenses and permits	-	14,982	-	-	-	-	-	-	14,982
Fines	149	5,350	-	-	-	-	-	-	5,499
Franchise and concession contracts	94,086	-	-	-	-	-	-	-	94,086
Investment income	38,061	-	-	-	-	-	-	-	38,061
Rentals	-	6,000	-	-	-	100,707	-	-	106,707
Government transfers	138,824	17,319	-	-	-	-	-	-	156,143
Other	2,376	-	4,454	-	4,463	-	102,847	8,375	122,515
	<u>1,185,597</u>	<u>116,814</u>	<u>4,454</u>	<u>526,905</u>	<u>4,613</u>	<u>216,579</u>	<u>151,294</u>	<u>588,904</u>	<u>2,795,160</u>
<b>EXPENSES</b>									
Salaries, wages and benefits	266,958	25,617	144,369	100,484	17,845	94,840	50,224	6,931	707,268
Contracted and general services	199,040	25,626	155,426	232,746	3,448	101,453	48,621	84,924	851,284
Materials, goods and utilities	17,766	18,396	146,305	52,778	1,291	49,174	21,027	209,042	515,779
Provision for allowances	61	-	-	-	-	-	-	-	61
Transfers to local boards and agencies	-	5,134	-	-	675	6,344	113,721	-	125,874
Bank charges and short term interest	2,487	-	-	-	-	-	-	-	2,487
Interest on capital long term debt	-	-	-	6,742	-	-	34,186	-	40,928
Other expenditures	-	-	-	-	-	9,152	6,193	1,938	17,283
	<u>486,312</u>	<u>74,773</u>	<u>446,100</u>	<u>392,750</u>	<u>23,259</u>	<u>260,963</u>	<u>273,972</u>	<u>302,835</u>	<u>2,260,964</u>
<b>NET REVENUE, BEFORE AMORTIZATION</b>	699,285	42,041	(441,646)	134,155	(18,646)	(44,384)	(122,678)	286,069	534,196
<b>AMORTIZATION AND DISPOSAL OF ASSETS</b>									
Amortization of tangible capital assets	7,497	10,953	212,103	153,169	978	17,247	183,624	9,946	595,517
<b>NET REVENUE</b>	<u>691,788</u>	<u>31,088</u>	<u>(653,749)</u>	<u>(19,014)</u>	<u>(19,624)</u>	<u>(61,631)</u>	<u>(306,302)</u>	<u>276,123</u>	<u>(61,321)</u>

# VILLAGE OF FORESTBURG

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020

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### 1. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements of the Village of Forestburg 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 Canadian Chartered Professional Accountants.

Significant aspects of the accounting policies adopted by the village 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. This entity is comprised of the municipal operations plus all of the organizations that are owned or controlled by the village 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.

#### **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 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.

# VILLAGE OF FORESTBURG

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020

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### 1. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### **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 period. Where measurement uncertainty exists, the financial statements have been prepared within reasonable limits of materiality. Actual results could differ from those estimates.

#### **d) Investments**

Investments are recorded at amortized cost. Investment premiums and discounts are amortized on the net present value basis over the term of the respective investments. When there has been a loss in value that is other than a temporary decline, the respective investment is written down to recognize the loss.

#### **e) 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.

#### **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 the respective function.

#### **g) 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.

# VILLAGE OF FORESTBURG

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020

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### 1. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### **h) 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.

#### **i) Landfill Closure and Post-Closure Liability**

Pursuant to the Alberta Environmental Protection and Enhancement Act, the village is required to fund the closure of its landfill site and provide for post-closure care of the facility. Closure and post-closure activities include the final clay cover, landscaping, as well as surface and ground water monitoring, leachate control, and visual inspection. The requirement is being provided for over the estimated remaining life of the landfill site based on usage.

#### **j) 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.

#### **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.

#### **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:

	<b>YEARS</b>
Buildings	25-50
Engineered structures - other	5-75
Engineered structures - water system	45-75
Engineered structures - wastewater system	45-75
Land improvements	5-75
Machinery and equipment	5-40
Vehicles - declining balance	30%

Full annual amortization is charged in the year of acquisition and none in the year of disposal. Assets under construction are not amortized until the asset is available for productive use.



# VILLAGE OF FORESTBURG

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020

### 1. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 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 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.

#### iv. Inventories

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

#### v. Cultural and Historical Tangible Capital Assets

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

### 2. CASH AND TERM DEPOSITS

	<u>2020</u>	<u>2019</u>
Included in cash and term deposits are amounts received from various grant funding programs that are held for use in accordance with the funding agreements. (Note 4)		
Battle River Community Foundation (Pool Liner)	-	4,000
Community Hall Board (Hall addition)	-	12,726
Federal Gas Tax	<b>12,052</b>	150,916
Federal legacy grant	-	26,425
Lions Club (Hall addition)	-	25,000
MOST Covid relief funding	<b>56,000</b>	-
Municipal Sustainability Initiative - capital	<b>157,607</b>	156,832
	<b>225,659</b>	375,899
Included in cash and term deposits are amounts designated by council for future expenses and tangible capital asset acquisitions.	<b>705,782</b>	967,524
Total restricted cash and term deposits	<b>931,441</b>	1,343,423
Total un-restricted cash and term deposits	<b>924,737</b>	907,056

# VILLAGE OF FORESTBURG

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020

### 3. TAXES AND GRANTS IN PLACE OF TAXES RECEIVABLES

	<u>2020</u>	<u>2019</u>
Current taxes and grants in place of taxes	64,367	52,861
Arrears taxes	38,180	29,359
	<u>102,547</u>	<u>82,220</u>
Less: allowance for doubtful accounts	(7,402)	(7,402)
	<u>95,145</u>	<u>74,818</u>

### 4. DEFERRED INCOME

Deferred income consists of the following:

	<u>2020</u>	<u>2019</u>
Battle River Community Foundation (Pool Liner)		4,000
Community Hall Board (Hall addition)		12,726
Federal Gas Tax	62,104	150,916
Federal legacy grant	-	26,425
Lions Club (Hall addition)	-	25,000
MOST Covid relief funding	56,000	-
Municipal Sustainability Initiative - capital	157,607	156,832
Rent and By-law	1,431	2,461
	<u>277,142</u>	<u>378,360</u>

### 5. EMPLOYEE BENEFIT OBLIGATIONS

	<u>2020</u>	<u>2019</u>
Vacation, overtime and sick time accrual	17,781	25,157

Vacation and overtime

The vacation and overtime liability is comprised of the vacation and overtime that employees are deferring to future years. Employees have either earned the benefits and are vested or are entitled to these benefits within the next budgetary year.

Sick time accrual

The village allows full-time staff to carry-forward to a maximum of twelve months worth of sick time to future years. The sick time accrual is not vested and no expense is incurred when the employment relationship is ended.

# VILLAGE OF FORESTBURG

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020

### 6. LONG TERM DEBT

	<u>2020</u>	<u>2019</u>
Capital		
Alberta Capital Finance Authority	<b>1,022,923</b>	1,145,149
Private loan	<b>40,000</b>	50,000
	<u><b>1,062,923</b></u>	<u>1,195,149</u>

Principal and interest payments are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	136,333	37,449	173,782
2022	140,570	33,212	173,782
2023	144,962	28,820	173,782
2024	149,513	24,269	173,782
2025	78,484	19,932	98,416
Thereafter	413,061	46,438	459,499
	<u>1,062,923</u>	<u>190,120</u>	<u>1,253,043</u>

Debenture debt owing to Alberta Capital Finance Authority bears interest ranging from 2.37% to 4.276% per annum and matures in periods from 2024 through 2030 and is secured by the credit and security of the village at large.

Private loan is repayable to the Forestburg Golf Club and bears no interest. It is repayable in annual principal payments of \$10,000, maturing in 2024.

The village's total cash payments for interest in 2020 were \$41,539 (2019 - \$45,486).

# VILLAGE OF FORESTBURG

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020

### 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 Village of Forestburg be disclosed as follows:

	<u>2020</u>	<u>2019</u>
Total debt limit	<u>4,192,740</u>	4,059,083
Total debt	<u>1,062,923</u>	1,195,149
Surplus debt limit	<u>3,129,817</u>	<u>2,863,934</u>
Debt servicing limit	<u>698,790</u>	676,514
Debt servicing	<u>173,782</u>	173,782
Surplus debt servicing	<u>525,008</u>	<u>502,732</u>

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, which 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. EQUITY IN TANGIBLE CAPITAL ASSETS

	<u>2020</u>	<u>2019</u>
Tangible capital assets (Schedule 2)	<u>25,822,055</u>	24,439,849
Accumulated amortization (Schedule 2)	<u>(10,661,493)</u>	(10,065,976)
Long-term debt (Note 6)	<u>(1,062,923)</u>	(1,195,149)
	<u>14,097,639</u>	<u>13,178,724</u>

# VILLAGE OF FORESTBURG

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020

### 9. ACCUMULATED SURPLUS

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

	<u>2020</u>	<u>2019</u>
<b>Unrestricted surplus</b>	<b><u>1,425,538</u></b>	<b><u>1,470,449</u></b>
<b>Restricted surplus</b>		
General and administration	-	5,000
Contingency	<b>25,051</b>	150,374
Airport		2,910
Emergency management	<b>4,500</b>	4,500
Cemetery	<b>23,717</b>	23,717
Fire	<b>61,670</b>	61,670
Roads	<b>9,530</b>	20,000
Water	<b>115,500</b>	115,500
Sewer	<b>100,000</b>	70,000
Garbage	<b>60,000</b>	60,000
Community development	<b>158,635</b>	164,584
Parks and recreation	<b>97,846</b>	94,936
Gas system	<b>49,333</b>	194,333
	<b><u>705,782</u></b>	<b><u>967,524</u></b>
<b>Equity in tangible capital assets</b>	<b><u>14,097,639</u></b>	<b><u>13,178,724</u></b>
	<b><u><u>16,228,959</u></u></b>	<b><u><u>15,616,697</u></u></b>

### 10. SEGMENTED DISCLOSURE

The Village of Forestburg 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)

# VILLAGE OF FORESTBURG

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020

### 11. SALARY AND BENEFITS DISCLOSURE

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

	2020			2019
	Salary	Benefits & Allowances	Total	Total
Coutts	6,905	328	7,233	9,381
Fossen	9,200	448	9,648	11,341
Giroux	6,415	302	6,717	7,904
McNabb	6,175	262	6,437	6,915
Young	9,615	470	10,085	12,071
CAO (3)	123,464	22,627	146,091	138,869
Designated officer (2)	14,573	-	14,573	16,038

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

### 12. TRUST FUNDS

the Village of Forestburg administers the following trusts:

	2020	2019
Forestburg enhancement trust	67,042	49,019

### 13. CONTINGENCIES

The Village is a member of the Alberta Municipal Insurance Exchange (MUNIX). Under the terms of the membership, the village 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.

The Village is a member of the Flagstaff Regional Solid Waste Management Association. Under the terms of the membership, the village could become liable for its proportionate share of any landfill closure and post-closure costs in excess of the funds held by the association. Any liability incurred would be accounted for as a current transaction in the year the shortfall is determined.

# VILLAGE OF FORESTBURG

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020

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### 14. FINANCIAL INSTRUMENTS

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

The Village is subject to credit risk with respect to taxes receivable and trade and other receivables. Credit risk arises from the possibility that taxpayers and entities to which the Village 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 fair value of these financial instruments approximates their fair value.

### 15. LOCAL AUTHORITIES PENSION PLAN

Employees of the village participate in the Local Authorities Pension Plan (LAPP), which is one of the plans covered by the Alberta Public Sector Pension Plans Act. The LAPP serves 274,151 people and 420 employers. 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 village is required to make current service contributions to the LAPP of 9.39% of pensionable earnings up to the year's maximum pensionable earnings under the Canada Pension Plan and 13.84% on pensionable earnings above this amount. Employees of the Village are required to make current service contributions of 8.39% of pensionable salary up to the year's maximum pensionable salary and 12.84% on pensionable salary above this amount.

Total current service contributions by the village to the LAPP during the year were \$45,410. Total current service contributions by the employees of the Village to the Local Authorities Pension Plan during the year were \$40,944.

At December 31, 2019, the LAPP disclosed an actuarial surplus of \$7.9 Billion.

# VILLAGE OF FORESTBURG

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020

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### 16. CONTAMINATED SITES LIABILITY

The village has adopted PS3260 Liability for Contaminated Sites. The Village did not identify any financial liabilities in 2020 (2019 – nil) as a result of this standard.

### 17. PRIOR PERIOD ERROR

During the year it was determined that land held for resale was incorrectly recorded as a tangible capital asset. As a result inventory for resale and unrestricted surplus were understated by 453,806 and land and equity in tangible capital assets were overstated by 453,806.

### 18. COMPARITIVE FIGURES

Comparitive figures were reported upon by another auditor. Certain comparative figures have been restated to conform to the current year's presentation.

### 19. APPROVAL OF FINANCIAL STATEMENTS

Council and Management have approved these financial statements.