

# Management's responsibility for financial reporting

The accompanying financial statements of the Village of Forestburg are the responsibility of management and have been approved by the Mayor and the Council.

The financial statements have been prepared by management in accordance with Canadian public sector accounting standards. Financial statements are not precise since they include certain amounts based on estimates and judgments. When alternative accounting methods exist, management has chosen those it deems most appropriate in the circumstances, in order to ensure that the financial statements are presented fairly, in all material respects.

The Village maintains systems of internal accounting and administrative controls of high quality, consistent with reasonable cost. Such systems are designed to provide reasonable assurance that the financial information is relevant, reliable, and accurate, and the Village's assets are appropriately accounted for and adequately safeguarded.

The Council is responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the financial statements.

Council meets periodically with management, as well as the external auditors, to discuss internal controls over the financial reporting process, auditing matters and financial reporting issues, to satisfy themselves that each party is properly discharging their responsibilities, and to review the annual report, the financial statements and the external auditor's report.

The financial statements have been audited by Grant Thornton LLP in accordance with Canadian generally accepted auditing standards on behalf of the Council. Grant Thornton LLP has full and free access to the Council.

  
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Debra Moffatt, Chief Administrative Officer

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# Independent Auditors' Report

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Grant Thornton LLP  
1701 Scotia Place 2  
10060 Jasper Avenue NW  
Edmonton, AB  
T5J 3R8  
T +1 780 422 7114  
F +1 780 426 3208

To the Mayor and Council of the Village of Forestburg

## Opinion

We have audited the consolidated financial statements of Village of Forestburg (the "Village"), which comprise the consolidated statement of financial position as at December 31, 2018, and the consolidated statements of operations, changes in net financial assets and cash flows 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 financial position of Village of Forestburg as at December 31, 2018, and the results of its operations, its changes in its net financial assets, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

## Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Entity in accordance with the 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 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 the 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 Entity's ability to continue as a going concern, disclosing, as applicable, matters related to a going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative to do so.

Those charged with governance are responsible for overseeing the Entity'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 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 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 Entity 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.

Edmonton, Canada  
April 18, 2019

*Grant Thornton LLP*  
Chartered Professional Accountants

# Village of Forestburg

## Consolidated Statement of Operations

Year ended December 31

	Budget (see Note 18)	2018	2017
<b>Revenues</b>			
Net municipal property taxes (Schedule 3)	\$ 898,540	\$ 899,280	\$ 896,060
User fees and sales of goods	1,150,050	1,173,812	1,221,289
Government transfers for operating (Schedule 4)	199,640	187,860	169,994
Investment income	19,640	24,805	27,200
Penalties and costs on taxes	18,090	18,964	18,401
Fines	600	3,716	994
Licenses and permits	5,290	11,280	10,386
Franchise and concession contracts	79,310	80,793	78,503
Rentals	82,200	85,730	76,805
Other	1,250	49,970	63,043
Gain on disposal of capital asset	-	10,000	-
	<u>2,454,610</u>	<u>2,546,210</u>	<u>2,562,675</u>
<b>Expenses</b>			
Legislative	75,450	66,395	65,633
Administration	364,400	343,815	350,528
Protective services	128,020	121,022	92,262
Roads, streets, walks, lighting	602,370	580,278	580,183
Water supply and distribution	362,430	319,584	311,544
Wastewater treatment and disposal	97,950	200,072	110,367
Waste management	161,810	157,047	150,590
Family and community support	61,110	52,326	154,064
Subdivision land development	21,000	4,450	41,401
Parks and recreation	442,520	426,999	453,371
Rental	78,680	97,149	95,126
Culture	52,470	51,308	63,858
Natural gas operations	295,890	267,376	333,852
Loss on disposal of capital assets	-	-	37,825
	<u>2,744,100</u>	<u>2,687,821</u>	<u>2,840,604</u>
Shortfall of revenue over expenses for the year			
- before other	(289,490)	(141,611)	(277,929)
<b>Other</b>			
Contributed assets	-	4,100	-
Government transfers for capital (Schedule 4)	<u>215,000</u>	<u>170,934</u>	<u>930,392</u>
Excess of revenue over expenses for the year	(74,490)	33,423	652,463
Accumulated surplus, beginning of year	<u>15,135,141</u>	<u>15,135,141</u>	<u>14,482,678</u>
Accumulated surplus, end of year	<u>\$ 15,060,651</u>	<u>\$ 15,168,564</u>	<u>\$ 15,135,141</u>

See accompanying notes and schedules to the financial statements.

# Village of Forestburg Consolidated Statement of Financial Position

December 31

2018

2017

## Assets

Cash and temporary investments (Note 2)	\$ 2,304,337	\$ 1,911,710
Receivables:		
Taxes and grants in place of taxes (Note 3)	57,198	77,288
Trade and other receivables	240,858	351,157
Land for resale inventory	30,844	30,844
Investments	<u>28,610</u>	<u>28,610</u>
	<u>\$ 2,661,847</u>	<u>\$ 2,399,609</u>

## Liabilities

Accounts payable and accrued liabilities	\$ 155,567	\$ 232,132
Deferred revenue (Note 4)	420,891	246,339
Employee benefit obligations (Note 5)	49,347	49,347
Long-term debt (Note 7)	<u>1,323,446</u>	<u>1,447,933</u>
	<u>1,949,251</u>	<u>1,975,751</u>

Net financial assets	<u>712,596</u>	<u>423,858</u>
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## Non-financial assets

Tangible capital assets (Schedule 2)	14,439,880	14,700,391
Prepaid expenses	<u>16,088</u>	<u>10,892</u>
	<u>14,455,968</u>	<u>14,711,283</u>

Accumulated surplus (Schedule 1) (Note 10)	<u>\$ 15,168,564</u>	<u>\$ 15,135,141</u>
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Contingencies (Note 14)  
Commitments (Note 15)  
Approved on behalf of the Village council



 Council Member

See accompanying notes and schedules to the financial statements.

## Village of Forestburg Consolidated Statement of Change in Net Financial Assets

Year ended December 31

	Budget (see Note 19)	2018	2017
Excess of revenues over expenses	\$ <u>(74,490)</u>	\$ <u>33,423</u>	\$ <u>652,463</u>
Acquisition of tangible capital assets	(372,500)	(297,089)	(398,583)
Proceeds on disposal of tangible capital assets	-	10,000	104,321
Reversal of holdback from tangible capital assets	-	15,000	-
Amortization of tangible capital assets	543,310	542,600	538,827
Gain/Loss on disposal of tangible capital assets	<u>-</u>	<u>(10,000)</u>	<u>37,825</u>
	<u>170,810</u>	<u>260,511</u>	<u>282,390</u>
Acquisition of prepaid assets	-	(16,088)	(10,892)
Use of prepaid assets	<u>-</u>	<u>10,892</u>	<u>15,504</u>
	<u>-</u>	<u>(5,196)</u>	<u>4,612</u>
Increase in net financial assets	96,320	288,738	939,465
Net financial assets (debt), beginning of year	<u>423,858</u>	<u>423,858</u>	<u>(515,607)</u>
Net financial assets, end of year	\$ <u><u>520,178</u></u>	\$ <u><u>712,596</u></u>	\$ <u><u>423,858</u></u>

See accompanying notes and schedules to the financial statements.

## Village of Forestburg Consolidated Statement of Cash Flows

December 31

2018

2017

Increase (decrease) in cash and cash equivalents

### Operating

Excess of revenues over expenses	\$ 33,423	\$ 652,463
Amortization	542,600	538,827
(Gain) loss on sale of capital asset	<u>(10,000)</u>	<u>37,825</u>
	566,023	1,229,115
Net changes in non-cash working capital balances:		
Decrease (increase) in taxes receivable	20,090	(7,364)
Decrease (increase) in trade and other receivables	110,300	(165,908)
(Increase) decrease in prepaid expenses	(5,196)	4,612
(Decrease) increase in accounts payable and accrued liabilities	(76,565)	46,512
Increase (decrease) in deferred revenue	<u>174,552</u>	<u>(40,148)</u>

Net cash from operating activities

789,204                      1,066,819

### Investing

Proceeds from disposal of tangible capital assets	10,000	104,321
Reversal of holdback from tangible capital assets	15,000	-
Acquisition of tangible capital assets	<u>(297,090)</u>	<u>(398,583)</u>

Net cash to investing activities

(272,090)                      (294,262)

### Financing

Long-term debt issued	-	420,000
Long-term debt repaid	<u>(124,487)</u>	<u>(1,157,827)</u>

Net cash to financing activities

(124,487)                      (737,827)

Increase in cash and cash equivalents during year

392,627                      34,730

Net cash and cash equivalents, beginning of year

1,911,710                      1,876,980

Net cash and cash equivalents, end of year

\$ 2,304,337                      \$ 1,911,710

See accompanying notes and schedules to the financial statements.



## Village of Forestburg

### Schedule of Changes in Accumulated Surplus

Year ended December 31

	Unrestricted Surplus	Restricted Surplus	Equity in Tangible Capital Assets	2018	2017
<b>Balance, beginning of year</b>	\$ 905,738	\$ 976,947	\$ 13,252,456	\$ 15,135,141	\$ 14,482,678
Excess of revenues over expenses	33,423	-	-	33,423	652,463
Unrestricted funds designated for future use	(268,818)	268,818	-	-	-
Restricted funds used for tangible capital assets	-	(146,600)	146,600	-	-
Current year funds used for tangible capital assets	(150,490)	-	150,490	-	-
Disposal of tangible capital assets	15,000	-	(15,000)	-	-
Annual amortization expense	542,600	-	(542,600)	-	-
Long term debt repaid	<u>(124,487)</u>	<u>-</u>	<u>124,487</u>	<u>-</u>	<u>-</u>
Change in accumulated surplus	<u>47,228</u>	<u>122,218</u>	<u>(136,023)</u>	<u>33,423</u>	<u>652,463</u>
<b>Balance, end of year</b>	<u>\$ 952,966</u>	<u>\$ 1,099,165</u>	<u>\$ 13,116,433</u>	<u>\$ 15,168,564</u>	<u>\$ 15,135,141</u>

## Village of Forestburg Schedule of 2018 Tangible Capital Assets

Year ended December 31

	Land	Buildings	Engineered Structures	Machinery and Equipment	Vehicles	2018
<b>Cost</b>						
Balance, beginning of year	\$ 733,999	\$ 6,919,411	\$ 14,278,659	\$ 1,453,615	\$ 430,284	\$ 23,815,968
Acquisition of tangible capital assets	66,109	-	77,665	153,316	-	297,090
Disposal of tangible capital assets	<u>-</u>	<u>-</u>	<u>(15,000)</u>	<u>(68,724)</u>	<u>-</u>	<u>(83,724)</u>
Balance, end of year	<u>800,108</u>	<u>6,919,411</u>	<u>14,341,324</u>	<u>1,538,207</u>	<u>430,284</u>	<u>24,029,334</u>
<b>Accumulated amortization</b>						
Balance, beginning of year	-	2,254,326	5,437,729	1,021,060	402,463	9,115,578
Annual amortization	-	153,630	320,829	59,793	8,348	542,600
Accumulated amortization on disposals	<u>-</u>	<u>-</u>	<u>-</u>	<u>(68,724)</u>	<u>-</u>	<u>(68,724)</u>
Balance, end of year	<u>-</u>	<u>2,407,956</u>	<u>5,758,558</u>	<u>1,012,129</u>	<u>410,811</u>	<u>9,589,454</u>
Net book value of tangible capital assets	\$ <u>800,108</u>	\$ <u>4,511,455</u>	\$ <u>8,582,766</u>	\$ <u>526,078</u>	\$ <u>19,473</u>	\$ <u>14,439,880</u>

**Village of Forestburg**  
**Schedule of 2017 Tangible Capital Assets**

Year ended December 31

	Land	Buildings	Engineered Structures	Machinery and Equipment	Vehicles	2017
<b>Cost</b>						
Balance, beginning of year	\$ 741,591	\$ 6,974,321	\$ 14,006,881	\$ 1,410,631	\$ 430,284	\$ 23,563,708
Acquisition of tangible capital assets	-	49,500	306,098	42,984	-	398,582
Disposal of tangible capital assets	<u>(7,592)</u>	<u>(104,410)</u>	<u>(34,320)</u>	<u>-</u>	<u>-</u>	<u>(146,322)</u>
Balance, end of year	<u>733,999</u>	<u>6,919,411</u>	<u>14,278,659</u>	<u>1,453,615</u>	<u>430,284</u>	<u>23,815,968</u>
<b>Accumulated amortization</b>						
Balance, beginning of year	-	2,103,717	5,114,325	972,346	390,538	8,580,926
Annual amortization	-	154,785	323,404	48,713	11,925	538,827
Accumulated amortization on disposals	-	(4,176)	-	-	-	(4,176)
Balance, end of year	<u>-</u>	<u>2,254,326</u>	<u>5,437,729</u>	<u>1,021,059</u>	<u>402,463</u>	<u>9,115,577</u>
Net book value of capital assets	\$ <u>733,999</u>	\$ <u>4,665,085</u>	\$ <u>8,840,930</u>	\$ <u>432,556</u>	\$ <u>27,821</u>	\$ <u>14,700,391</u>

## Village of Forestburg Schedule of Property and Other Taxes

Year ended December 31

	Budget (see Note 18)	2018	2017
<b>Taxation</b>			
Real property taxes	\$ 959,640	\$ 960,177	\$ 957,082
Linear property taxes	34,480	34,483	33,538
Special assessments and local improvement taxes	<u>96,390</u>	<u>96,390</u>	<u>95,970</u>
	<u>1,090,510</u>	<u>1,091,050</u>	<u>1,086,590</u>
<b>Requisitions</b>			
Alberta School Foundation Fund	181,520	181,516	180,082
Seniors Lodge	<u>10,450</u>	<u>10,254</u>	<u>10,448</u>
	<u>191,970</u>	<u>191,770</u>	<u>190,530</u>
Net municipal taxes	\$ <u>898,540</u>	\$ <u>899,280</u>	\$ <u>896,060</u>

## Village of Forestburg Schedule of Government Transfers

Year ended December 31

	Budget (see Note 18)	2018	2017
<b>Transfers for operating</b>			
Provincial Government	\$ 161,690	\$ 157,212	\$ 145,141
Other Local Governments	<u>37,950</u>	<u>30,648</u>	<u>24,853</u>
	199,640	187,860	169,994
<b>Transfers for capital</b>			
Provincial Government	<u>215,000</u>	<u>170,934</u>	<u>930,392</u>
<b>Total government transfers</b>	\$ <u>414,640</u>	\$ <u>358,794</u>	\$ <u>1,100,386</u>

## Village of Forestburg

### Schedule of Consolidated Expenses by Object

Year ended December 31

	Budget (see Note 18)	2018	2017
<b>Expenditures</b>			
Salaries, wages and benefits	\$ 681,020	\$ 685,484	\$ 713,449
Contracted and general services	630,250	595,968	539,308
Amortization of tangible capital assets	543,310	542,600	538,828
Materials, goods and utilities	511,490	481,376	601,120
Transfers to local boards and agencies	164,450	157,657	156,744
Transfers to individuals and organizations	147,470	150,642	174,079
Interest on long-term debt	49,300	57,590	62,151
Other expenses	12,710	11,982	14,812
Bank charges and short term interest	2,100	2,640	2,166
Provision for allowances	2,000	1,882	122
Loss on disposal of tangible capital assets	-	-	37,825
	<u>\$ 2,744,100</u>	<u>\$ 2,687,821</u>	<u>\$ 2,840,604</u>

**Village of Forestburg**  
**Schedule of Segmented Disclosure**

Year ended December 31

	Legislative	Administration	Protective Services	Roads, Streets, Walks & Lighting	Water, Wastewater, Gas & Waste Management	Airport	Planning & Development	Recreation & Culture	2018
<b>Revenue</b>									
Net municipal property taxes	\$ -	\$ 899,280	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 899,280
User fees and sales of goods	-	50,086	1,705	-	1,056,473	-	-	65,548	1,173,812
Government transfers	-	-	30,648	143,572	184,574	-	-	-	358,794
Investment income	-	24,805	-	-	-	-	-	-	24,805
Penalties and costs on taxes	-	18,964	-	-	-	-	-	-	18,964
Licences and permits	-	11,280	-	-	-	-	-	-	11,280
Franchise and concession contracts	-	80,793	-	-	-	-	-	-	80,793
Rentals	-	85,730	-	-	-	-	-	-	85,730
Other revenues	-	29,382	20,588	-	-	-	-	-	49,970
Gain on disposal of capital assets	-	-	-	-	-	-	-	10,000	10,000
Fines	-	-	3,716	-	-	-	-	-	3,716
Contributed assets	-	-	-	-	-	-	-	4,100	4,100
	-	<u>1,200,320</u>	<u>56,657</u>	<u>143,572</u>	<u>1,241,047</u>	-	-	<u>79,648</u>	<u>2,721,244</u>
<b>Expenses</b>									
Salaries, wages and benefits	49,271	256,651	25,211	168,284	108,173	-	16,910	60,984	685,484
Contracted and general services	11,244	94,483	66,042	84,410	285,789	1,229	8,814	43,957	595,968
Materials, goods and utilities	7,229	54,379	18,226	141,319	225,960	347	7,056	26,860	481,376
Transfers to local boards and agencies	-	-	1,292	-	144,412	-	4,340	7,613	157,657
Transfers to individuals and organizations	-	10,291	-	-	-	1,350	656	138,345	150,642
Bank charges and short term interest	-	2,640	-	-	-	-	-	-	2,640
Interest on long-term debt	-	-	-	-	9,822	-	-	47,768	57,590
Other expenses	-	775	-	-	11,207	-	-	-	11,982
Bad debts	-	1,882	-	-	-	-	-	-	1,882
	<u>67,744</u>	<u>421,101</u>	<u>110,771</u>	<u>394,013</u>	<u>785,363</u>	<u>2,926</u>	<u>37,776</u>	<u>325,527</u>	<u>2,145,221</u>
<b>Net revenue before amortization</b>	<u>(67,744)</u>	<u>779,219</u>	<u>(54,114)</u>	<u>(250,441)</u>	<u>455,684</u>	<u>(2,926)</u>	<u>(37,776)</u>	<u>(245,879)</u>	<u>576,023</u>
Amortization of tangible capital assets	-	<u>19,861</u>	<u>8,903</u>	<u>179,529</u>	<u>158,717</u>	<u>3,810</u>	<u>4,898</u>	<u>166,882</u>	<u>542,600</u>
<b>Net revenue</b>	<u>\$ (67,744)</u>	<u>\$ 759,358</u>	<u>\$ (63,017)</u>	<u>\$ (429,970)</u>	<u>\$ 296,967</u>	<u>\$ (6,736)</u>	<u>\$ (42,674)</u>	<u>\$ (412,761)</u>	<u>\$ 33,423</u>

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# Village of Forestburg

## Notes to the Financial Statements

December 31, 2018

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### 1. Significant accounting policies

The consolidated financial statements of the Village of Forestburg (the Village) 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 Institute of Chartered Professional Accountants. Significant aspects of the accounting policies adopted by the Village of Forestburg are as follows:

#### Reporting entity

The consolidated financial statements reflect the assets, liabilities, revenues and expenditures, changes in fund balances and change in financial position of the reporting entity. This entity is comprised solely of the municipal operations. There are no additional organizations that are owned or controlled by the Village.

The schedule of taxes levied also includes requisitions for education, health, social and other external organizations that are not part of the municipal reporting entity.

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

#### Basis of accounting

The financial statements are prepared using the accrual basis of accounting. The accrual basis of accounting records revenue as it is earned and measurable. Expenses are recognized as they are incurred and measurable based upon receipt of goods or services and/or the legal obligation to pay.

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

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

#### Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities 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. Significant estimates include estimating provisions for allowances for doubtful accounts, expected useful life of tangible capital assets and employee benefit obligations. Actual results could differ from those estimates.

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## **1. Significant accounting policies (continued)**

### **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.

### **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.

### **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 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 the respective function.

### **Tax revenue**

Tax revenues are recognized when the tax has been authorized by bylaw and the taxable event has occurred. Requisitions operate as a flow through and are excluded from municipal revenue.

### **Contaminated sites liability**

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

### **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.

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# Village of Forestburg

## Notes to the Financial Statements

December 31, 2018

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### 1. Significant accounting policies (continued)

#### Cash and cash equivalents

Cash and cash equivalents consist of balance with banks, net of outstanding cheques, cash on hand and funds held in trust with the Village's Community Enhancement Fund.

#### 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.

#### 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:	
Water system	45-75
Wastewater system	45-75
Other engineered structures	5-75
Machinery and equipment	5-40

Vehicles are amortized using the declining balance method, at a rate of 30%.

Assets under construction are not amortized until the asset is available for productive use.

Full year 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.

#### 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.

#### 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.

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# Village of Forestburg

## Notes to the Financial Statements

December 31, 2018

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### 1. Significant accounting policies (continued):

#### Financial instruments

##### *Initial measurement*

The Village's financial instruments are measured at fair value when issued or acquired. For financial instruments subsequently measured at cost or amortized cost, fair value is adjusted by the amount of the related financing fees and transaction costs. Transaction costs and financing fees relating to financial instruments that are measured subsequently at fair value are recognized in operations in the year in which they are incurred.

##### *Subsequent measurement*

At each reporting date, the Village measures its financial assets and liabilities at cost or amortized cost. Temporary investments are measured at amortized cost. The financial instruments measured at cost are cash, receivables, accounts payable and accrued liabilities and long-term debt.

For financial assets measured at cost or amortized cost, the Village regularly assesses whether there are any indications of impairment. If there is an indication of impairment, and the Village determines that there is a significant adverse change in the expected timing or amount of future cash flows from the financial asset, it recognizes an impairment loss in the statement of operations. Any reversals of previously recognized impairment losses are recognized in operations in the year the reversal occurs.

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

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# Village of Forestburg

## Notes to the Financial Statements

December 31, 2018

### 2. Cash and temporary investments

	2018	2017
Cash	\$ 535,392	\$ 749,900
GIC's - short term, maturing between two months to one year	<u>1,768,945</u>	<u>1,161,810</u>
	<u>\$ 2,304,337</u>	<u>\$ 1,911,710</u>

Temporary investments consists of GIC's maturing between two months to one year.

Council has designated funds of \$1,099,162 (2017 - \$850,344) included in the above amounts for capital replacement and other purposes.

Included in cash and term investments is a restricted amount of \$353,358 (2017 - \$241,361) held exclusively for capital projects (Note 4).

### 3. Taxes and grants in place of taxes receivables

	2018	2017
Current:		
Current taxes and grants in place of taxes	\$ 36,868	\$ 50,883
Tax arrears	<u>27,732</u>	<u>33,807</u>
	64,600	84,690
Less: allowance for doubtful accounts	<u>(7,402)</u>	<u>(7,402)</u>
	<u>\$ 57,198</u>	<u>\$ 77,288</u>

### 4. Deferred revenue

	2018	2017
Regional Collaboration Program	51,586	103,304
Municipal Sustainability Initiative - Capital	301,772	138,057
Centennial grant	11,200	-
FGTF grant	50,000	-
Rent and By-law	<u>6,333</u>	<u>4,978</u>
	<u>\$ 420,891</u>	<u>\$ 246,339</u>

# Village of Forestburg

## Notes to the Financial Statements

December 31, 2018

### 5. Employee benefit obligations

	2018	2017
Vacation, overtime and sick time accrual	\$ <u>49,347</u>	\$ <u>49,347</u>

#### 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 of Forestburg allows full-time staff to carry-forward a maximum of one year 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.

### 6. Contaminated sites liability

The Village has determined that there are no contaminated sites for which the Village has accepted responsibility. As a result, no liability for contaminated sites has been recorded at December 31, 2018 or 2017.

### 7. Long-term debt

	2018	2017
Tax supported debentures	\$ 1,263,446	\$ 1,377,933
Private loan	<u>60,000</u>	<u>70,000</u>
	<u>\$ 1,323,446</u>	<u>\$ 1,447,933</u>

The current portion of the long-term debt amounts to \$128,297 (2017 - \$124,487).

Principal and interest repayments are due as follows:

	Principal	Interest	Total
2019	\$ 128,297	\$ 45,486	\$ 173,783
2020	132,243	41,539	173,782
2021	136,333	37,450	173,783
2022	140,570	33,212	173,782
2023	144,962	28,820	173,782
Thereafter	<u>641,041</u>	<u>100,639</u>	<u>741,680</u>
	<u>\$ 1,323,446</u>	<u>\$ 287,146</u>	<u>\$ 1,610,592</u>

# Village of Forestburg

## Notes to the Financial Statements

December 31, 2018

### 7. Long-term debt (continued)

Debenture debt is repayable to Alberta Municipal Financing Corporation and bears interest at rates ranging from 2.327% to 4.276% per annum and have maturity dates from December 2024 to December 2030. The average annual interest rate is 3.58% for 2018 (2017 - 3.58%). Debenture debt is issued on the credit and security of the Village of Forestburg 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.

Interest on long-term debt amounted to \$57,590 for 2018 (2017 - \$62,151). The Village's total cash payments for interest in 2018 were \$49,295 (2017 - \$62,224).

### 8. Debt limits

Section 276(2) of the Municipal Government Act requires that debt and debt limits as defined by Alberta Regulation 255/10 for the Village of Forestburg be disclosed as follows:

	2018	2017
Total debt limit	\$ 3,819,315	\$ 3,844,013
Less: Total debt	<u>1,323,446</u>	<u>1,447,933</u>
Amount of debt limit unused	<u>\$ 2,495,869</u>	<u>\$ 2,396,080</u>
Debt servicing limit	\$ 636,553	\$ 640,669
Less: Debt servicing	<u>173,783</u>	<u>173,782</u>
Amount of debt servicing limit unused	<u>\$ 462,770</u>	<u>\$ 466,887</u>

The debt limit is calculated at 1.5 times revenue of the municipality (as defined in Alberta Regulation 255/2000) 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.

### 9. Equity in Tangible Capital Assets

	2018	2017
Tangible capital assets (Schedule 2)	\$ 24,029,334	\$ 23,815,968
Accumulated amortization (Schedule 2)	(9,589,454)	(9,115,577)
Long-term debt (Note 7)	<u>(1,323,446)</u>	<u>(1,447,933)</u>
	<u>\$ 13,116,434</u>	<u>\$ 13,252,458</u>

# Village of Forestburg

## Notes to the Financial Statements

December 31, 2018

### 10. Accumulated surplus

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

	2018	2017
Unrestricted surplus	\$ 952,966	\$ 905,738
Restricted surplus		
General and administration	5,000	5,000
Emergency management	4,500	4,500
Fire	61,670	56,670
Roads, streets, walks, lighting	33,771	51,771
Water	215,500	224,500
Airport	2,910	2,910
Sewer	80,000	50,000
Garbage	60,000	50,000
Cemetery	23,717	23,717
Recreation, parks, and culture	91,816	66,816
Subdivision and land development	228,177	214,577
Gas	178,704	163,094
Contingency reserve	<u>113,400</u>	<u>63,392</u>
Restricted surplus total	1,099,165	976,947
Equity in tangible capital assets	<u>13,116,433</u>	<u>13,252,456</u>
Total accumulated surplus	<u>\$ 15,168,564</u>	<u>\$ 15,135,141</u>

### 11. 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).

### 12. Trust Funds

The Village of Forestburg administers the following trust funds not included in the financial statements:

	2018	2017
Forestburg Enhancement Trust	\$ <u>53,894</u>	\$ <u>34,804</u>

## Village of Forestburg Notes to the Financial Statements

December 31, 2018

### 13. 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:

	2018			2017
	Salary	Benefits & Allowances	Total	Total
Councilor 1 - Miller	\$ -	\$ -	\$ -	\$ 14,161
Councilor 2 - Coutts	9,095	278	9,373	10,830
Councilor 3 - Hagel	-	-	-	1,610
Councilor 4 - D. Oberg	-	-	-	4,753
Councilor 5 - K. Oberg	-	-	-	3,940
Councilor 6 - Fossen	11,147	377	11,524	2,418
Councilor 7 - Giroux	7,385	225	7,610	1,150
Councilor 8 - McNabb	7,061	222	7,283	-
Mayor - Young	11,745	388	12,133	2,710
Chief Administrative Officer - Moffatt	\$ 102,500	\$ 25,179	\$ 127,679	\$ 112,940

Salary includes regular base pay, bonuses, overtime, lump sum payments, gross honoraria and any other direct cash remuneration.

Employer's share include 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.

### 14. Contingencies

The Village is a member of the Flagstaff Regional Solid Waste Management Association and pays an annual requisition to this organization in exchange for waste management services. The estimated closure and post closure costs of the landfill controlled by the Association were budgeted at \$2,990,625 (2017 - \$2,827,268) using current dollars. The current capacity of the landfill should be approximately 31%, as of December 31, 2018 (2017 - 31%). An accrued liability of the Association of \$2,069,513 (2017 - \$1,939,866) has been disclosed in the Association's financial statements. The Association currently has cash reserves of \$1,352,110 (2017 - \$1,219,187). The total unfunded accrued liability of the Association is \$717,403 (2017 - \$720,678). The portion of the unfunded accrued liability attributable to the Village of Forestburg is \$73,427 (2017 - \$73,762). No amount has been reported on the financial statements of the Village related to this liability. The Village has established an internal reserve (currently \$50,000) to help fund their portion of the above liability should it arise.

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



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## Village of Forestburg

### Notes to the Financial Statements

December 31, 2018

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#### 15. Commitments

The Village has office equipment under a lease expiring December 2019. Future minimum lease payments, not including other charges are as follows:

2019	3,455
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#### 16. 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 Pensions Plan Act. The LAPP is financed by employer and employee contributions and by investment earnings of the LAPP Fund.

Contributions for current service are recorded as expenditures in the year in which they become due.

The Village is required to make current service contributions to the LAPP of 10.39% (2017 - 11.39%) of pensionable earnings up to the year's maximum pensionable earnings under the Canada Pension Plan and 14.84% (2017 - 15.84%) on pensionable earnings above this amount. Employees of the Village are required to make current service contributions of 9.39% (2017 - 10.39%) of pensionable salary up to the year's maximum pensionable salary and 13.84% (2017 - 14.84%) on pensionable salary above this amount.

Current service contributions by the Village to the LAPP in 2018 were \$47,190 (2017 - \$47,119). Total service contributions by the employees of the Village to the Local Authorities Pension Plan in 2018 were \$43,002 (2017 - \$43,272). At December 31, 2017, the LAPP disclosed the reported value of its assets at \$42.82 billion (2016 - \$37.81 billion) an actuarial surplus of \$4.84 billion (2016 - actuarial deficiency of \$637.36 million).

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#### 17. Financial instruments risks

The Village's main financial risk exposure is detailed as follows.

##### *Credit risk*

The Village 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 Village 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.

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## Village of Forestburg Notes to the Financial Statements

December 31, 2018

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### 18. Budget data

Public Sector Accounting Standards require a comparison of the results for the period with those originally planned on the same basis as that used for actual results. The fiscal plan in the statement of operations and statement of changes in net debt has been adjusted to be presented on a consistent basis as actual results. Below is a reconciliation of the figures from the approved fiscal plan to the fiscal plan per the financial statements.

	<b>2018</b>
Excess of revenues over expenses, per financial statements	\$ (74,490)
Add back	
Amortization expense	543,310
Net transfer from reserves	<u>18,160</u>
Deduct	
Debt principal payments	(114,480)
Capital expenditures	<u>(372,500)</u>
Approved budget surplus	<u><u>-</u></u>

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### 19. Comparative Figures

Comparative figures have been adjusted to conform to changes in the current year presentation.

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