

VILLAGE OF FORESTBURG

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2021

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, 2021, 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, 2021, 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 21, 2022



Brian King Professional Corporation

Chartered Professional Accountant

VILLAGE OF FORESTBURG

CONSOLIDATED STATEMENT OF FINANCIAL POSITION DECEMBER 31, 2021

	<u>2021</u>	<u>2020</u>
FINANCIAL ASSETS		
Cash and term deposits (Note 2)	1,542,037	1,856,178
Taxes and grants in place of taxes (Note 3)	99,485	95,145
Trade and other receivables	246,349	196,487
Due from other governments	331,137	90,344
Inventory held for resale	485,400	474,124
Other financial assets	28,600	28,600
	<u>2,733,008</u>	<u>2,740,878</u>
LIABILITIES		
Accounts payable and accrued liabilities	331,294	343,517
Deferred revenue (Note 4)	52,267	277,142
Long term debt (Note 5)	1,119,764	1,062,923
	<u>1,503,325</u>	<u>1,683,582</u>
NET FINANCIAL ASSETS	<u>1,229,683</u>	<u>1,057,296</u>
NON-FINANCIAL ASSETS		
Tangible capital assets	15,397,094	15,160,562
Prepaid expenses	7,219	11,101
	<u>15,404,313</u>	<u>15,171,663</u>
ACCUMULATED SURPLUS (NOTE 8)	<u>16,633,996</u>	<u>16,228,959</u>

Commitments and contingencies - See Note 11

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CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES FOR THE YEAR ENDED DECEMBER 31, 2021

	Budget (unaudited)	2021	2020
REVENUE			
Net municipal property taxes (Schedule 3)	882,435	885,327	885,276
User fees and sales of goods	1,226,185	1,334,418	1,347,366
Penalties and costs on taxes	23,590	26,947	24,525
Licenses and permits	5,820	10,693	14,982
Fines	4,682	1,006	5,499
Franchise and concession contracts	95,790	99,248	94,086
Investment income	25,000	9,249	38,061
Rentals	101,670	110,382	107,847
Government transfers for operating	221,588	214,541	156,143
Other	49,600	15,330	121,375
	2,636,360	2,707,141	2,795,160
EXPENSES			
Legislative	64,170	53,161	49,352
Administration	400,921	387,413	436,960
Protective services	151,136	135,866	74,773
Transportation	436,683	419,900	446,100
Water supply and distribution	204,800	208,666	171,479
Wastewater treatment and disposal	61,543	58,657	64,747
Waste management	148,845	147,797	156,524
Public health and welfare	23,035	19,419	23,259
Planning and development	200,122	177,949	260,963
Recreation	284,506	232,784	222,401
Culture	58,799	58,469	51,571
Gas system	447,657	417,115	302,835
Amortization	549,170	627,858	595,517
Loss on disposal of assets	-	28,261	-
	3,031,387	2,973,315	2,856,481
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES BEFORE OTHER	(395,027)	(266,174)	(61,321)
OTHER			
Government transfers for capital (Schedule 4)	630,000	671,211	673,583
EXCESS OF REVENUE OVER EXPENSES	234,973	405,037	612,262
ACCUMULATED SURPLUS, BEGINNING OF YEAR	16,228,959	16,228,959	15,616,697
ACCUMULATED SURPLUS, END OF YEAR	16,463,932	16,633,996	16,228,959

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CONSOLIDATED STATEMENT OF CHANGES IN NET FINANCIAL ASSETS FOR THE YEAR ENDED DECEMBER 31, 2021

	Budget (unaudited)	2021	2020
EXCESS OF REVENUE OVER EXPENSES	<u>234,973</u>	<u>405,037</u>	<u>612,262</u>
Acquisition of tangible capital assets	-	(937,651)	(1,382,206)
Proceeds on disposal of tangible capital assets	-	45,000	-
Amortization of tangible capital assets	549,170	627,858	595,517
Loss (gain) on sale of tangible capital assets	-	28,261	-
	<u>549,170</u>	<u>(236,532)</u>	<u>(786,689)</u>
Net (increase) decrease of prepaid assets	-	3,882	(692)
INCREASE IN NET FINANCIAL ASSETS	<u>784,143</u>	<u>172,387</u>	<u>(175,119)</u>
NET FINANCIAL ASSETS, BEGINNING OF YEAR	<u>1,057,296</u>	<u>1,057,296</u>	<u>1,232,415</u>
NET FINANCIAL ASSETS, END OF YEAR	<u>1,841,439</u>	<u>1,229,683</u>	<u>1,057,296</u>

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CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2021

	2021	2020
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING		
Excess (deficit) of revenues over expenses	405,037	612,262
Non-cash items included in excess of revenue over expenses:		
Amortization of tangible capital assets	627,858	595,517
Loss (gain) on disposal of tangible capital assets	28,261	-
Non-cash charges to operations (net change):		
Decrease (increase) in taxes and grants in place of taxes	(4,340)	(20,327)
Decrease (increase) in trade and other receivables	(49,862)	(19,522)
Decrease (increase) in due from other governments	(240,793)	(75,926)
Decrease (increase) in inventory held for resale	(11,276)	8,345
Decrease (increase) in prepaid expenses	3,882	(692)
Decrease (increase) in other financial assets	-	10
Increase (decrease) in accounts payable and accrued liabilities	(12,223)	121,682
Increase (decrease) in deferred revenue	(224,875)	(101,218)
	521,669	1,120,131
CAPITAL		
Acquisition of tangible capital assets	(937,651)	(1,382,206)
Sale of tangible capital assets	45,000	-
	(892,651)	(1,382,206)
INVESTING		
Decrease (increase) in restricted cash or cash equivalents	225,659	150,240
FINANCING		
Long-term debt repaid	56,841	(132,226)
	56,841	(132,226)
CHANGE IN CASH AND EQUIVALENTS DURING THE YEAR	(88,482)	(244,061)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	1,630,519	1,874,580
CASH AND CASH EQUIVALENTS, END OF YEAR	1,542,037	1,630,519
CASH AND CASH EQUIVALENTS IS MADE UP OF:		
Cash on hand	200	200
Cash in bank	368,696	203,325
Term deposits	1,173,141	1,652,653
Less: restricted portion of cash and term deposits (Note 2)	-	(225,659)
	1,542,037	1,630,519

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SCHEDULE OF CHANGES IN ACCUMULATED SURPLUS FOR THE YEAR ENDED DECEMBER 31, 2021 (Schedule 1)

	Unrestricted Surplus	Restricted Surplus	Equity in Tangible Capital Assets	2021	2020
BALANCE, BEGINNING OF YEAR	1,425,538	705,782	14,097,639	16,228,959	15,616,697
Excess of revenues over expenses	405,037	-	-	405,037	612,262
Unrestricted funds designated for future use	(466,945)	466,945	-	-	-
Current year funds used for tangible capital assets	(937,651)	-	937,651	-	-
Disposal of tangible capital assets	73,261	-	(73,261)	-	-
Annual amortization expense	627,858	-	(627,858)	-	-
Net change in long term debt	56,841	-	(56,841)	-	-
Change in accumulated surplus	(241,599)	466,945	179,691	405,037	612,262
BALANCE, END OF YEAR	1,183,939	1,172,727	14,277,330	16,633,996	16,228,959

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CONSOLIDATED SCHEDULE OF TANGIBLE CAPITAL ASSETS FOR THE YEAR ENDED DECEMBER 31, 2021 (Schedule 2)

	LAND	LAND IMPROVEMENTS	BUILDINGS	ENGINEERED STRUCTURES	MACHINERY AND EQUIPMENT	VEHICLES	2021	2020
COST:								
Balance - beginning of year	352,347	894,820	7,286,592	15,221,194	1,621,025	446,077	25,822,055	24,439,849
Acquisition of tangible capital assets	-	142,466	-	529,285	265,900	-	937,651	1,382,206
Disposal of tangible capital assets	-	-	-	-	(99,901)	-	(99,901)	-
Balance - end of year	<u>352,347</u>	<u>1,037,286</u>	<u>7,286,592</u>	<u>15,750,479</u>	<u>1,787,024</u>	<u>446,077</u>	<u>26,659,805</u>	<u>25,822,055</u>
ACCUMULATED AMORTIZATION								
Balance - beginning of year	-	459,971	2,719,883	5,974,251	1,110,154	397,234	10,661,493	10,065,976
Annual amortization	-	40,532	162,064	347,819	59,262	18,181	627,858	595,517
Accumulated amortization on disposals	-	-	-	-	(26,640)	-	(26,640)	-
Balance - end of year	<u>-</u>	<u>500,503</u>	<u>2,881,947</u>	<u>6,322,070</u>	<u>1,142,776</u>	<u>415,415</u>	<u>11,262,711</u>	<u>10,661,493</u>
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	<u>352,347</u>	<u>536,783</u>	<u>4,404,645</u>	<u>9,428,409</u>	<u>644,248</u>	<u>30,662</u>	<u>15,397,094</u>	<u>15,160,562</u>
OPENING NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	<u>352,347</u>	<u>434,849</u>	<u>4,566,709</u>	<u>9,246,943</u>	<u>510,871</u>	<u>48,843</u>	<u>15,160,562</u>	

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CONSOLIDATED SCHEDULE OF PROPERTY TAXES LEVIED FOR THE YEAR ENDED DECEMBER 31, 2021 (Schedule 3)

	Budget (Unaudited)	2021	2020
TAXATION			
Real property taxes	937,871	935,205	939,904
Linear property taxes	42,124	42,124	39,175
Special assessments	97,020	95,970	96,180
	<u>1,077,015</u>	<u>1,073,299</u>	<u>1,075,259</u>
REQUISITIONS			
Alberta School Foundation	187,760	181,152	181,383
Flagstaff Regional Housing Group	6,820	6,820	8,600
	<u>194,580</u>	<u>187,972</u>	<u>189,983</u>
NET MUNICIPAL TAXES	<u>882,435</u>	<u>885,327</u>	<u>885,276</u>

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CONSOLIDATED SCHEDULE OF GOVERNMENT TRANSFERS FOR THE YEAR ENDED DECEMBER 31, 2021 (Schedule 4)

	Budget (Unaudited)	2021	2020
TRANSFERS FOR OPERATING			
Federal Government	-	32,850	-
Provincial Government	213,088	163,736	138,824
Local Governments	8,500	17,955	17,319
	<u>221,588</u>	<u>214,541</u>	<u>156,143</u>
TRANSFERS FOR CAPITAL			
Federal Government	-	164,557	290,789
Provincial Government	630,000	506,654	382,794
	<u>630,000</u>	<u>671,211</u>	<u>673,583</u>
TOTAL GOVERNMENT TRANSFERS	<u>851,588</u>	<u>885,752</u>	<u>829,726</u>

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CONSOLIDATED SCHEDULE OF EXPENDITURE BY OBJECT FOR THE YEAR ENDED DECEMBER 31, 2021 (Schedule 5)

	Budget (Unaudited)	2021	2020
Expenditures			
Salaries, wages and benefits	789,437	789,057	698,655
Contracted and general services	671,419	610,284	851,284
Materials, goods and utilities	646,051	616,393	515,779
Provision for allowances	2,000	38	61
Transfers to other governments	2,700	18,238	3,891
Transfers to local boards and agencies	307,360	221,983	130,596
Bank charges and short term interest	2,910	2,793	2,487
Interest on capital long term debt	37,450	37,692	40,928
Other expenditures	22,890	20,718	17,283
Amortization of tangible capital assets	549,170	627,858	595,517
Loss on disposal of tangible capital assets	-	28,261	-
	<u>3,031,387</u>	<u>2,973,315</u>	<u>2,856,481</u>

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SCHEDULE OF SEGMENTED DISCLOSURE FOR THE YEAR ENDED DECEMBER 31, 2021 (Schedule 6)

	General Government	Protective Services	Transportation services	Environmental Services	Public Health & Welfare	Planning & Development	Recreation & Culture	Gas System	Total
REVENUE									
Net municipal property taxes (Schedule 2)	885,327	-	-	-	-	-	-	-	885,327
User fees and sales of goods	3,335	83,778	-	528,931	1,750	787	48,047	667,790	1,334,418
Penalties and costs on taxes	26,947	-	-	-	-	-	-	-	26,947
Licenses and permits	-	10,693	-	-	-	-	-	-	10,693
Fines	1,006	-	-	-	-	-	-	-	1,006
Franchise and concession contracts	99,248	-	-	-	-	-	-	-	99,248
Investment income	9,249	-	-	-	-	-	-	-	9,249
Rentals	-	6,000	1,120	-	-	103,262	-	-	110,382
Government transfers	155,836	17,955	15,750	-	-	-	25,000	-	214,541
Other	3,716	-	1,600	-	1,305	-	2,400	6,309	15,330
	<u>1,184,664</u>	<u>118,426</u>	<u>18,470</u>	<u>528,931</u>	<u>3,055</u>	<u>104,049</u>	<u>75,447</u>	<u>674,099</u>	<u>2,707,141</u>
EXPENSES									
Salaries, wages and benefits	306,479	39,222	162,576	101,347	10,084	106,323	53,815	9,211	789,057
Contracted and general services	88,581	28,254	130,404	238,337	13	15,510	42,485	66,700	610,284
Materials, goods and utilities	16,357	18,105	126,024	70,066	1,684	34,579	19,604	329,974	616,393
Provision for allowances	38	-	-	-	-	-	-	-	38
Transfers to other governments	-	18,238	-	-	-	-	-	-	18,238
Transfers to local boards and agencies	26,000	32,047	-	-	7,613	12,582	143,741	-	221,983
Bank charges and short term interest	2,793	-	-	-	-	-	-	-	2,793
Interest on capital long term debt	-	-	896	5,370	-	-	31,426	-	37,692
Other expenditures	326	-	-	-	25	8,955	182	11,230	20,718
	<u>440,574</u>	<u>135,866</u>	<u>419,900</u>	<u>415,120</u>	<u>19,419</u>	<u>177,949</u>	<u>291,253</u>	<u>417,115</u>	<u>2,317,196</u>
NET REVENUE, BEFORE AMORTIZATION	<u>744,090</u>	<u>(17,440)</u>	<u>(401,430)</u>	<u>113,811</u>	<u>(16,364)</u>	<u>(73,900)</u>	<u>(215,806)</u>	<u>256,984</u>	<u>389,945</u>
AMORTIZATION AND DISPOSAL OF ASSETS									
Amortization of tangible capital assets	7,496	8,849	238,922	153,927	978	17,247	190,550	9,889	627,858
Loss (gain) on disposal of tangible capital asse	-	-	28,261	-	-	-	-	-	28,261
	<u>7,496</u>	<u>8,849</u>	<u>267,183</u>	<u>153,927</u>	<u>978</u>	<u>17,247</u>	<u>190,550</u>	<u>9,889</u>	<u>656,119</u>
NET REVENUE	<u>736,594</u>	<u>(26,289)</u>	<u>(668,613)</u>	<u>(40,116)</u>	<u>(17,342)</u>	<u>(91,147)</u>	<u>(406,356)</u>	<u>247,095</u>	<u>(266,174)</u>

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2021

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.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2021

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.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2021

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:

	YEARS
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, 2021

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>2021</u>	<u>2020</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)		
Federal Gas Tax	-	12,052
MOST Covid relief funding	-	56,000
Municipal Sustainability Initiative - capital	-	157,607
	<u>-</u>	<u>225,659</u>
Included in cash and term deposits are amounts designated by council for future expenses and tangible capital asset acquisitions. (Note 9)		
	<u>1,172,727</u>	<u>705,782</u>
Total restricted cash and term deposits	<u>1,172,727</u>	<u>931,441</u>
Total un-restricted cash and term deposits	<u>369,310</u>	<u>924,737</u>

VILLAGE OF FORESTBURG

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2021

3. TAXES AND GRANTS IN PLACE OF TAXES RECEIVABLES

	<u>2021</u>	<u>2020</u>
Current taxes and grants in place of taxes	54,630	64,367
Arrears taxes	52,257	38,180
	<u>106,887</u>	<u>102,547</u>
Less: allowance for doubtful accounts	(7,402)	(7,402)
	<u>99,485</u>	<u>95,145</u>

4. DEFERRED INCOME

Deferred income consists of the following:

	<u>2021</u>	<u>2020</u>
Canada Community Building Fund	-	62,104
MOST Covid relief funding	-	56,000
Municipal Sustainability Initiative - capital	50,861	157,607
Rent and By-law	1,406	1,431
	<u>52,267</u>	<u>277,142</u>

5. EMPLOYEE BENEFIT OBLIGATIONS

	<u>2021</u>	<u>2020</u>
Vacation, overtime and sick time accrual	27,438	17,781

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, 2021

6. LONG TERM DEBT

	2021	2020
Capital		
Alberta Capital Finance Authority	896,590	1,022,923
Capital lease	193,174	-
Private loan	30,000	40,000
	1,119,764	1,062,923

Principal and interest payments are as follows:

	Principal	Interest	Total
2021	174,270	33,212	207,482
2022	180,558	28,820	209,378
2023	273,392	24,269	297,661
2024	78,484	19,932	98,416
2025	81,835	16,581	98,416
Thereafter	331,225	29,857	361,082
	1,119,764	152,671	1,272,435

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.

Capital lease owing to De Lage Landen Financial Services Canada Inc bears interest at 5.489% per annum with monthly lease payments of 3,622 and an option to purchase of 89,900 in December 2024.

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 2021 were \$38,346 (2020 - \$41,539).

VILLAGE OF FORESTBURG

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2021

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>2021</u>	<u>2020</u>
Total debt limit	<u>4,060,712</u>	<u>4,192,740</u>
Total debt	<u>1,119,764</u>	<u>1,062,923</u>
Surplus debt limit	<u>2,940,948</u>	<u>3,129,817</u>
Debt servicing limit	<u>676,785</u>	<u>698,790</u>
Debt servicing	<u>207,482</u>	<u>173,782</u>
Surplus debt servicing	<u>469,303</u>	<u>525,008</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>2021</u>	<u>2020</u>
Tangible capital assets (Schedule 2)	<u>26,659,805</u>	<u>25,822,055</u>
Accumulated amortization (Schedule 2)	<u>(11,262,711)</u>	<u>(10,661,493)</u>
Long-term debt (Note 6)	<u>(1,119,764)</u>	<u>(1,062,923)</u>
	<u>14,277,330</u>	<u>14,097,639</u>

VILLAGE OF FORESTBURG

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2021

9. ACCUMULATED SURPLUS

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

	<u>2021</u>	<u>2020</u>
Unrestricted surplus	1,183,939	1,425,538
Restricted surplus		
Contingency	178,308	25,051
Civic building	60,481	-
Emergency management	4,500	4,500
Cemetery	23,717	23,717
Fire	8,341	61,670
Roads	70,340	9,530
Water	159,833	115,500
Sewer	117,809	100,000
Garbage	-	60,000
Community development	197,706	158,635
Parks and recreation	116,205	97,846
Gas system	235,487	49,333
	<u>1,172,727</u>	<u>705,782</u>
Equity in tangible capital assets	14,277,330	14,097,639
	<u>16,633,996</u>	<u>16,228,959</u>

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, 2021

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:

	2021			2020
	Salary	Benefits & Allowances	Total	Total
Caron	1,787	55	1,842	-
Coutts	5,457	138	5,595	7,233
Fossen	9,265	314	9,579	9,648
Giroux	7,014	191	7,205	6,717
McNabb	5,800	125	5,925	6,437
Young	12,060	467	12,527	10,085
CAO 2021 (1) 2020 (3)	117,746	27,955	145,701	146,091
Designated officer (2)	21,305	-	21,305	14,573

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:

	2021	2020
Forestburg enhancement trust	303,874	67,042

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, 2021

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 275,151 people and 433 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 \$50,207. Total current service contributions by the employees of the Village to the Local Authorities Pension Plan during the year were \$45,265.

At December 31, 2020, the LAPP disclosed an actuarial surplus of \$4.96 Billion.

VILLAGE OF FORESTBURG

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2021

16. CONTAMINATED SITES LIABILITY

The village has adopted PS3260 Liability for Contaminated Sites. The Village did not identify any financial liabilities in 2021 (2020 – nil) as a result of this standard.

17. COMPARITIVE FIGURES

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

18. APPROVAL OF FINANCIAL STATEMENTS

Council and Management have approved these financial statements.