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VILLAGE OF DELBURNE
FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

VILLAGE OF DELBURNE

FINANCIAL STATEMENTS

AS AT DECEMBER 31, 2019

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MANAGEMENTS' RESPONSIBILITY FOR FINANCIAL REPORTING

Management of the Village of Delburne is responsible for the preparation, accuracy, objectivity and integrity of the accompanying financial statements and all other information contained within this Financial Report. Management believes that the financial statements present fairly the Village's financial position as at December 31, 2019 and the results of its operations for the year then ended.

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

The financial statements include certain amounts based on estimates and judgements. Such amounts have been determined on a reasonable basis in order to ensure that the financial statements are presented fairly in all material respects.

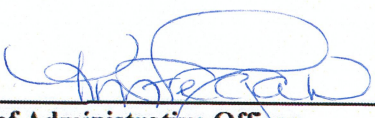
In fulfilling its responsibilities and recognizing the limits inherent in all systems, management has designed and maintains a system of internal controls to produce reliable information and to meet reporting requirements on a timely basis. The system is designed to provide management with reasonable assurance that transactions are properly authorized and assets are properly accounted for and safeguarded.

These systems are monitored and evaluated by management and reliable financial information is available for preparation of the financial statements.

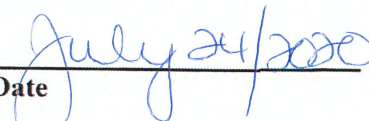
The Village Council carries out its responsibilities for review of the financial statements principally through council meetings. They meet with management and the external auditors to discuss the results of audit examinations and financial reporting matters.

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

The financial statements have been audited by Gitzel & Company, Chartered Professional Accountants, independent external auditors appointed by the Village. The accompanying Independent Auditors' Report outlines their responsibilities, the scope of their examination and their opinion on the Village's financial statements.



Chief Administrative Officer



Date

INDEPENDENT AUDITORS' REPORT

TO: The Mayor and Council
Village of Delburne

Opinion

We have audited the financial statements of the Village of Delburne, which comprise the statement of financial position as at December 31, 2019 and the statements of operations, changes in net financial assets (debt) and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Village as at December 31, 2019, the results of its operations, change in its net financial assets (debt) and 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 *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Village in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

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

In preparing the financial statements, management is responsible for assessing the ability of the Village 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 Village's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- 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 purposes of expressing an opinion on the effectiveness of the Village'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 Village's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of the auditors' report. However, future events or conditions may cause the Village to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

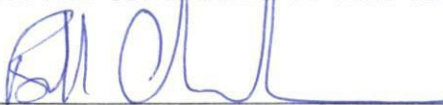
Stettler, Alberta
July 24, 2020


CHARTERED PROFESSIONAL ACCOUNTANTS

VILLAGE OF DELBURNE
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2019

	2019	2018
FINANCIAL ASSETS		
Cash and cash equivalents (Note 3)	\$ 1,598,098	\$ 1,467,214
Taxes and grants in place of taxes receivable (Note 4)	153,902	165,698
Trade and other receivables	54,259	51,175
Local improvement taxes receivable	20,186	25,232
Due from other Government	101,214	214,428
Land held for resale	47,755	27,074
Long-term investments (Note 5)	<u>1,773</u>	<u>1,661</u>
	<u>1,977,187</u>	<u>1,952,482</u>
LIABILITIES		
Accounts payable and accrued liabilities	83,308	67,020
Deferred revenue (Note 6)	<u>459,250</u>	<u>423,348</u>
	<u>542,558</u>	<u>490,368</u>
NET FINANCIAL ASSETS (DEBT)	<u>1,434,629</u>	<u>1,462,114</u>
NON-FINANCIAL ASSETS		
Tangible capital assets (Schedule 2)	8,235,443	8,067,647
Inventory for consumption	22,153	18,653
Prepaid expenses	<u>122,954</u>	<u>12,614</u>
	<u>8,380,550</u>	<u>8,098,914</u>
ACCUMULATED SURPLUS (Schedule 1)	\$ <u>9,815,179</u>	\$ <u>9,561,028</u>
CONTINGENCIES – Note 11		

APPROVED ON BEHALF OF THE VILLAGE COUNCIL:


 _____ Mayor


 _____ Councillor

VILLAGE OF DELBURNE

STATEMENT OF OPERATIONS

FOR THE YEAR ENDED DECEMBER 31, 2019

	Budget (Unaudited)	2019	2018
REVENUES			
Net taxes (Schedule 3)	\$ 738,097	\$ 740,953	\$ 715,103
Sales and user fees	492,787	399,362	452,264
Government transfers for operating (Schedule 4)	227,680	337,960	217,674
Investment income	8,602	31,719	24,713
Rentals	20,700	23,100	21,200
Penalties and costs of taxes	25,000	46,455	23,503
Fines and costs	11,239	8,228	2,990
Licenses and permits	6,962	7,567	7,078
Franchise agreement	40,000	52,959	50,334
Other	101,869	61,730	93,723
Gain on disposal of tangible capital assets	49,100	7,252	-
Total Revenue	<u>1,722,036</u>	<u>1,717,285</u>	<u>1,608,582</u>
EXPENSES (Schedule 5)			
Legislative	94,364	60,772	62,440
Administration	448,624	414,824	383,064
Protective services	56,675	45,501	38,591
Transportation services	475,392	472,692	416,155
Water and wastewater	242,312	283,498	254,745
Waste management and recycling	145,417	140,329	131,965
Recreation and parks	245,765	262,090	266,313
Family and community support	141,304	98,853	97,869
Land use planning, zoning and development	39,771	107,835	122,917
Total Expenses	<u>1,889,624</u>	<u>1,886,394</u>	<u>1,774,059</u>
EXCESS (SHORTFALL) OF REVENUE OVER EXPENSES – BEFORE OTHER	(167,588)	(169,109)	(165,477)
OTHER			
Government transfers for capital (Schedule 4)	<u>585,896</u>	<u>423,260</u>	<u>462,731</u>
EXCESS (SHORTFALL) OF REVENUE OVER EXPENSES	\$ <u>418,308</u>	254,151	297,254
ACCUMULATED SURPLUS – BEGINNING OF YEAR		<u>9,561,028</u>	<u>9,263,774</u>
ACCUMULATED SURPLUS – END OF YEAR		\$ <u>9,815,179</u>	\$ <u>9,561,028</u>

VILLAGE OF DELBURNE

STATEMENT OF CHANGES IN NET FINANCIAL ASSETS (DEBT)

FOR THE YEAR ENDED DECEMBER 31, 2019

	2019	2018
EXCESS (SHORTFALL) OF REVENUES OVER EXPENSES	\$ <u>254,151</u>	\$ <u>297,254</u>
Acquisition of tangible capital assets	(607,055)	(646,739)
Proceeds on disposal of tangible capital assets	57,000	46,350
Amortization of tangible capital assets	388,721	368,642
(Gain) loss on disposal of tangible capital assets	<u>(6,462)</u>	<u>10,650</u>
	<u>(167,796)</u>	<u>(221,097)</u>
Net use (acquisition) of supplies inventories	(3,500)	(17,203)
Net use (acquisition) of prepaid assets	<u>(110,340)</u>	<u>3,732</u>
	<u>(113,840)</u>	<u>(13,471)</u>
INCREASE (DECREASE) IN NET DEBT	(27,485)	62,686
NET FINANCIAL ASSETS (DEBT) - BEGINNING OF YEAR	<u>1,462,114</u>	<u>1,399,428</u>
NET FINANCIAL ASSETS (DEBT) - END OF YEAR	\$ <u><u>1,434,629</u></u>	\$ <u><u>1,462,114</u></u>

VILLAGE OF DELBURNE

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2019

	2019	2018
OPERATING ACTIVITIES		
Excess (shortfall) of revenues over expenses	\$ 254,151	\$ 297,254
Non-cash items included in excess (shortfall) of revenues over expenses:		
Amortization of tangible capital assets	388,721	368,642
(Gain) loss on disposal of tangible capital assets	(6,462)	10,650
Non-cash changes to operations (net change)		
Taxes and grants in place of taxes receivables	11,796	(60,674)
Trade and other receivables	(3,084)	1,285
Local improvement taxes receivable	5,046	5,046
Due from other Government	113,214	146,491
Decrease (Increase) in inventory for consumption	(3,500)	(17,203)
Prepaid expenses	(110,340)	3,732
Land held for resale	(20,681)	5,673
Accounts payable and accrued liabilities	16,288	(2,018)
Deferred revenue	35,902	265,681
Net cash provided by (used in) operating activities	<u>681,051</u>	<u>1,024,559</u>
CAPITAL ACTIVITIES		
Acquisition of tangible capital assets	(607,055)	(646,739)
Proceeds from disposal of tangible capital assets	57,000	46,350
Net cash provided by (used in) capital activities	<u>(550,055)</u>	<u>(600,389)</u>
INVESTING ACTIVITIES		
Acquisition of long term investments	(112)	-
Net cash provided by (used in) investing activities	<u>(112)</u>	<u>-</u>
CHANGE IN CASH AND EQUIVALENTS DURING THE YEAR	130,884	424,170
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>1,467,214</u>	<u>1,043,044</u>
CASH AND CASH EQUIVALENTS - END OF YEAR (Note 3)	<u>1,598,098</u>	<u>1,467,214</u>
CASH AND CASH EQUIVALENTS IS MADE UP OF:		
Cash	898,098	974,288
Guaranteed investment certificates	700,000	492,926
	<u>\$ 1,598,098</u>	<u>\$ 1,467,214</u>

VILLAGE OF DELBURNE

SCHEDULE 1 - CHANGES IN ACCUMULATED SURPLUS

FOR THE YEAR ENDED DECEMBER 31, 2019

	Unrestricted Surplus	Restricted Surplus	Equity in Tangible Capital Assets	2019	2018
BALANCE - BEGINNING OF YEAR	\$ <u>514,605</u>	\$ <u>978,776</u>	\$ <u>8,067,647</u>	\$ <u>9,561,028</u>	\$ <u>9,263,774</u>
Excess (deficiency) of revenues over expenses	254,151	-	-	254,151	297,254
Unrestricted funds designated for future use	(79,695)	79,695	-	-	-
Restricted funds used for operations	57,016	(57,016)	-	-	-
Restricted funds used for tangible capital assets	-	(24,135)	24,135	-	-
Current year funds used for tangible capital assets	(582,919)	-	582,919	-	-
Disposal of tangible capital assets	50,537	-	(50,537)	-	-
Annual amortization expense	<u>388,721</u>	<u>-</u>	<u>(388,721)</u>	<u>-</u>	<u>-</u>
Change in accumulated surplus	<u>87,811</u>	<u>(1,456)</u>	<u>167,796</u>	<u>254,151</u>	<u>297,254</u>
BALANCE - END OF YEAR	\$ <u><u>602,416</u></u>	\$ <u><u>977,320</u></u>	\$ <u><u>8,235,443</u></u>	\$ <u><u>9,815,179</u></u>	\$ <u><u>9,561,028</u></u>

VILLAGE OF DELBURNE

SCHEDULE 2 – SCHEDULE OF TANGIBLE CAPITAL ASSETS

FOR THE YEAR ENDED DECEMBER 31, 2019

	Land	Land Improvements	Buildings	Engineered Structures	Machinery and Equipment	Vehicles	2019	2018
COST:								
BALANCE – BEGINNING OF YEAR	\$ 309,446	\$ 1,191,557	\$ 1,365,783	\$ 9,583,384	\$ 934,417	\$ 132,061	\$ 13,516,648	\$ 12,930,849
Acquisition of tangible capital assets	-	-	54,623	431,913	71,796	-	558,332	639,962
Construction in progress	-	-	-	48,723	-	-	48,723	6,777
Disposal of tangible capital assets	(789)	-	-	-	(52,366)	-	(53,155)	(60,940)
BALANCE - END OF YEAR	<u>308,657</u>	<u>1,191,557</u>	<u>1,420,406</u>	<u>10,064,020</u>	<u>953,847</u>	<u>132,061</u>	<u>14,070,548</u>	<u>13,516,648</u>
ACCUMULATED AMORTIZATION:								
BALANCE - BEGINNING OF YEAR	-	569,413	477,053	3,867,642	428,768	106,126	5,449,002	5,084,300
Annual amortization	-	72,021	27,904	236,086	46,099	6,611	388,721	368,642
Accumulated amortization on disposals	-	-	-	-	(2,618)	-	(2,618)	(3,940)
BALANCE - END OF YEAR	<u>-</u>	<u>641,434</u>	<u>504,957</u>	<u>4,103,728</u>	<u>472,249</u>	<u>112,737</u>	<u>5,835,105</u>	<u>5,449,002</u>
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	<u>308,657</u>	<u>550,123</u>	<u>915,449</u>	<u>5,960,292</u>	<u>481,598</u>	<u>19,324</u>	<u>8,235,443</u>	<u>\$ 8,067,646</u>
2018 NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	<u>\$ 309,446</u>	<u>\$ 622,144</u>	<u>\$ 888,730</u>	<u>\$ 5,718,383</u>	<u>\$ 503,009</u>	<u>\$ 25,935</u>	<u>\$ 8,067,647</u>	

VILLAGE OF DELBURNE

SCHEDULE 3 – PROPERTY AND OTHER TAXES

FOR THE YEAR ENDED DECEMBER 31, 2019

	Budget (Unaudited)	2019	2018
TAXATION			
Real property taxes	\$ 932,820	\$ 934,698	\$ 910,720
Linear property taxes	34,322	34,322	33,325
Government grants in place of property taxes	<u>2,088</u>	<u>2,088</u>	<u>2,156</u>
	<u>969,230</u>	<u>971,108</u>	<u>946,201</u>
REQUISITIONS			
Alberta School Foundation Fund	229,420	228,442	229,420
Autumn Glen Lodge	1,599	1,599	1,628
Designated Industrial	<u>114</u>	<u>114</u>	<u>50</u>
	<u>231,133</u>	<u>230,155</u>	<u>231,098</u>
NET MUNICIPAL TAXES	<u>\$ 738,097</u>	<u>\$ 740,953</u>	<u>\$ 715,103</u>

SCHEDULE 4 – GOVERNMENT TRANSFERS

FOR THE YEAR ENDED DECEMBER 31, 2019

	Budget (Unaudited)	2019	2018
TRANSFER FOR OPERATING			
Federal government	\$ -	\$ -	\$ 1,632
Provincial government	69,885	199,977	86,363
Other local government	<u>157,795</u>	<u>137,983</u>	<u>129,679</u>
	<u>227,680</u>	<u>337,960</u>	<u>217,674</u>
TRANSFERS FOR CAPITAL			
Provincial government	<u>585,896</u>	<u>423,260</u>	<u>462,731</u>
TOTAL GOVERNMENT TRANSFERS	<u>\$ 813,576</u>	<u>\$ 761,220</u>	<u>\$ 680,405</u>

VILLAGE OF DELBURNE

SCHEDULE 5 –EXPENSES BY OBJECT

FOR THE YEAR ENDED DECEMBER 31, 2019

	Budget (Unaudited)	2019	2018
EXPENSES BY OBJECT			
Salaries, wages, and benefits	\$ 654,909	\$ 612,628	\$ 560,244
Contracted and general services	508,567	484,938	405,522
Materials, goods, supplies and utilities	287,410	216,664	221,151
Transfer to local agencies	123,977	135,947	150,390
Transfer to other governments	21,986	34,325	23,187
Bank charges and short-term interest	699	625	593
Amortization of tangible capital assets	276,576	388,721	368,642
Other expenses	15,500	12,546	33,680
Loss on disposal of capital assets	-	-	10,650
	\$ <u>1,889,624</u>	\$ <u>1,886,394</u>	\$ <u>1,774,059</u>

VILLAGE OF DELBURNE

SCHEDULE 6 - SEGMENTED DISCLOSURE

FOR THE YEAR ENDED DECEMBER 31, 2019

	General Government	Protective Services	Transportation Services	Planning & Development	Recreation & Culture	Environmental Services	Total
REVENUE							
Government transfers	\$ 95,984	\$ 7,200	\$ 256,661	\$ 149,314	\$ 66,012	\$ 186,049	\$ 761,220
Net municipal taxes	740,953	-	-	-	-	-	740,953
User fees and sales of goods	741	-	-	4,139	-	394,482	399,362
Franchise agreements	52,959	-	-	-	-	-	52,959
Rentals	300	-	-	22,800	-	-	23,100
Penalties and costs	46,455	-	-	-	-	-	46,455
Investment income	31,719	-	-	-	-	-	31,719
License and permits	4,310	3,257	-	-	-	-	7,567
Fines	6,171	-	-	-	-	2,057	8,228
Other revenues	14,142	600	-	16,488	29,311	1,189	61,730
Gain on disposal of tangible capital assets	-	-	7,252	-	-	-	7,252
	<u>993,734</u>	<u>11,057</u>	<u>263,913</u>	<u>192,741</u>	<u>95,323</u>	<u>583,777</u>	<u>2,140,545</u>
EXPENSES							
Salaries and wages	278,435	1,126	111,157	53,337	57,831	110,742	612,628
Contract and general services	129,641	14,410	78,718	56,146	24,855	181,168	484,938
Materials, goods and supplies	37,839	9,704	99,766	18,381	21,458	29,516	216,664
Transfers to local agencies	5,586	-	-	66,456	63,905	-	135,947
Transfer to other governments	-	11,413	-	11,132	11,250	530	34,325
Bank charges and short term interest	625	-	-	-	-	-	625
Other expenses	12,010	-	-	536	-	-	12,546
	<u>464,136</u>	<u>36,653</u>	<u>289,641</u>	<u>205,988</u>	<u>179,299</u>	<u>321,956</u>	<u>1,497,673</u>
NET REVENUE, BEFORE AMORTIZATION	<u>529,598</u>	<u>(25,596)</u>	<u>(25,728)</u>	<u>(13,247)</u>	<u>(83,976)</u>	<u>261,821</u>	<u>642,872</u>
Amortization expense	<u>(11,382)</u>	<u>(8,849)</u>	<u>(183,050)</u>	<u>(700)</u>	<u>(82,792)</u>	<u>(101,948)</u>	<u>(388,721)</u>
NET REVENUE (Note 13)	<u>\$ 518,216</u>	<u>\$ (34,445)</u>	<u>\$ (208,778)</u>	<u>\$ (13,947)</u>	<u>\$ (166,768)</u>	<u>\$ 159,873</u>	<u>\$ 254,151</u>

VILLAGE OF DELBURNE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

1. SIGNIFICANT ACCOUNTING POLICIES

The financial statements are the representations of management prepared in accordance with local government accounting standards established by the Public Sector Accounting and Auditing Board of the Chartered Professional Accountants of Canada. Because a precise determination of many assets and liabilities is dependent upon future events, the preparation of financial statements for a period necessarily involves the use of estimates which have been made using careful judgment. Actual results could differ from those estimates. The financial statements have, in management's opinion, been properly prepared within reasonable limits of materiality and within the framework of significant accounting policies adopted as follows:

(a) Reporting Entity

The financial statements reflect the assets, liabilities, revenues and expenditures, changes in fund balances and change in financial position of the reporting entity which comprises all the organizations that are owned or controlled by the municipality and are, therefore, accountable to the Council for the administration of their financial affairs and resources.

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

(b) Basis of Accounting

The basis of accounting followed in the financial statement presentation includes revenues in the period in which the transactions or events occurred that gave rise to the revenues and expenditures in the period the goods and services are acquired and a liability is incurred or transfers are due.

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

Realized and unrealized gains and losses are reported in the statement of operations.

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

(c) 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 DELBURNE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

1. SIGNIFICANT ACCOUNTING POLICIES – Continued

(d) 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.

(e) Government Transfers

Government transfers are the transfer of assets from senior levels of government that are not the result of and 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 revenues in the period that the events giving rise to the transfer occurred, providing the transfers are authorized, any eligibility criteria have been met by the municipality, and reasonable estimates of the amounts can be made.

(f) Taxes and Grants in Place of Taxes Receivable

Current and arrears taxes and grants in place of taxes receivable consist of current tax levies and tax levies of prior years which remain outstanding at December 31st.

(g) Held-to-Maturity Financial assets

Held-to-maturity financial assets are non-derivative financial assets with fixed or determinable payments and fixed maturity that an entity has the positive intention and ability to hold to maturity. They are measured at amortized cost using the effective interest rate method less any impairment loss. A gain or loss is recognized in net income when the financial asset or financial liability is derecognized or impaired, and through the amortization process.

(h) Land Held For Resale

Land held for resale is recorded at the lower of cost and net realizable value. Cost includes costs for land acquisition and improvements required to prepare the land for servicing such as clearing, stripping, and levelling charges. Related development costs incurred to provide infrastructure such as water and waste water services, roads, sidewalks and street lighting are recorded as property and equipment under their respective function.

(i) Interest on Long-Term Debt

Interest on long-term debt is recorded as an expenditure as payment is made and is accrued for as long-term debt interest payable at the end of the year.

VILLAGE OF DELBURNE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

1. SIGNIFICANT ACCOUNTING POLICIES - Continued

(j) Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one party and a financial liability or equity instrument of another party. The Village's financial instruments consist of cash, receivables, long-term investments, accounts payable and accrued liabilities, deferred revenue, long-term debt and capital lease obligations. It is management's opinion that the Village is not exposed to significant interest or currency risks arising from these financial statements. Unless otherwise noted, the fair value of these financial instruments approximates their carrying values. Cash, short-term investments and long-term investments have been classified as held-to-maturity.

(k) Allowances for Operating Assets

Allowances for asset valuations are netted against the related asset. Increases in allowances are recorded as an expenditure while decreases in allowances are recorded as a revenue in the operating fund.

(l) Over-levies and Under- levies

Over-levies and under-levies arise from the difference between the actual 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. When the actual levy is less than the requisition amount, the under-levy is accrued as a receivable and as property taxes.

Requisition tax rates in the subsequent year are adjusted for any over-levies or under-levies of the prior year.

(m) Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand, accounts with banks and short-term liquid investments.

(n) 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 Change in Net Financial Assets (Debt) for the year.

VILLAGE OF DELBURNE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

1. SIGNIFICANT ACCOUNTING POLICIES - Continued

(n) Non-Financial Assets

(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
Land improvements	15 - 45
Buildings	25 - 50
Engineered structures	
Roadway system	5 - 40
Water system	45 - 60
Wastewater system	45 - 60
Storm system	45 - 75
Machinery and equipment	5 - 40
Vehicles	10 - 25

The annual amortization charge in the year of acquisition and in the year of disposal is pro-rated based on the number of days that the asset was owned during the year. Assets under construction are not amortized until the asset is available for productive use.

(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) Inventories

Inventories held for consumption are recorded at the lower of cost and replacement cost. Cost is determined by using the FIFO inventory costing method.

(iv) 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.

VILLAGE OF DELBURNE

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2019

2. RECENT ACCOUNTING PRONOUNCEMENTS PUBLISHED BUT NOT YET ADOPTED

The following accounting standards have been issued by the Chartered Professional Accountants of Canada but are not yet effective. The village is currently evaluating the effect of adopting these standards on their financial statements.

(a) Section PS 1201 - Financial Statement Presentation

This revised standard is effective in 2019, when sections PS 2601 and PS 3450 are adopted.

(b) Section PS 2601 - Foreign Currency Translation

This section establishes standards on how to account for and report transactions that are denominated in foreign currency in government financial statement and is effective for fiscal years beginning on or after April 1, 2019.

(c) Section PS 3041 - Portfolio Investments

This new section establishes standards on how to account for and report portfolio investments in government financial statements. This standard is effective for the 2019 fiscal year.

(d) Section PS 3450 – Financial Instruments

This section establishes recognition, measurement and disclosure requirements for derivative and non-derivative financial instruments, effective for the 2019 fiscal year.

(e) Section PS 3280 – Asset Retirement Obligations

This section establishes standards on how to account for Asset Retirement Obligations and will apply in years beginning on or after April 1, 2021.

(f) Section PS 3400 – Revenue

Effective April 1, 2022, this new section establishes standards on how to account for and report on revenue. Specifically, it differentiates between revenue arising from transactions that include performance obligations and transactions that do not have performance obligations.

3. CASH AND CASH EQUIVALENTS

	2019	2018
Cash	\$ 898,098	\$ 974,288
Guaranteed investment certificates	700,000	492,926
	<u>\$ 1,598,098</u>	<u>\$ 1,467,214</u>

Council has designated funds of \$977,320 (2018 - \$978,776) included in the above amounts as restricted surplus.

Included in cash is a restricted balance of \$370,993 (2018 - \$313,978) related to various deferred revenues (Note 6).

Guaranteed investment certificate matures in December 2020 and earns interest at 2.10% per annum.

VILLAGE OF DELBURNE

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2019

4. TAXES AND GRANTS IN PLACE OF TAXES RECEIVABLE

	2019	2018
Current taxes and grants in place of taxes	\$ 117,814	\$ 130,855
Arrears taxes	<u>36,088</u>	<u>34,843</u>
	153,902	165,698
Less: Allowance for uncollectible taxes	<u>-</u>	<u>-</u>
	\$ <u>153,902</u>	\$ <u>165,698</u>

5. LONG TERM INVESTMENTS

	2019	2018
UFA patronage account	\$ 1,763	\$ 1,651
A.M.F.C. shares, at cost	<u>10</u>	<u>10</u>
	\$ <u>1,773</u>	\$ <u>1,661</u>

6. DEFERRED REVENUE

	2019	2018
Municipal Sustainability Initiatives – Capital	\$ 283,700	\$ 150,240
Federal Gas Tax Fund	55,693	133,184
FCSS programs	54,068	55,708
Municipal Sustainability Initiatives - operating	31,600	30,554
Red Deer County – Recreation Board	12,937	11,751
Fire department	9,276	9,877
Prepaid property taxes	6,552	11,421
Prepaid utilities	3,365	2,113
Other grants and programs	1,429	1,429
Prepaid licenses	630	1,030
City of Red Deer - FCSS	<u>-</u>	<u>16,041</u>
	\$ <u>459,250</u>	\$ <u>423,348</u>

VILLAGE OF DELBURNE

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2019

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 municipality be disclosed as follows:

	2019	2018
Total debt limit	\$ 2,575,928	\$ 2,412,873
Total debt	<u>-</u>	<u>-</u>
Amount of debt limit (exceeded) available	<u>2,575,928</u>	<u>2,412,873</u>
Debt servicing limit	429,321	402,146
Debt servicing	<u>-</u>	<u>-</u>
Amount of debt servicing limit (exceeded) available	<u>\$ 429,321</u>	<u>\$ 402,146</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 that could be at financial risk if further debt is acquired. The calculation taken alone does not represent the financial stability of the municipality. Rather, the financial statements must be interpreted as a whole.

8. EQUITY IN TANGIBLE CAPITAL ASSETS

	2019	2018
Tangible capital assets (Schedule 2)	\$ 14,070,548	\$ 13,516,649
Accumulated amortization (Schedule 2)	<u>(5,835,105)</u>	<u>(5,449,002)</u>
	<u>\$ 8,235,443</u>	<u>\$ 8,067,647</u>

VILLAGE OF DELBURNE

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2019

9. RESTRICTED SURPLUS

	2018	Increases	Decreases	2019
Administration	\$ 18,332	\$ 1,076	\$ -	\$ 19,408
Bunker gear	487	-	-	487
Cemetery	26,156	-	-	26,156
Community enhancement	-	41,852	(19,620)	22,232
Council golf tournament	610	-	(610)	-
Disaster	380	-	-	380
Economic development	30,112	-	-	30,112
Emergency services	6,275	-	-	6,275
Family and community support	7,536	-	(416)	7,120
Fire department	127,008	-	-	127,008
General capital	42,037	-	-	42,037
General contingency	53,270	-	(17,771)	35,499
Healthy communities	1,556	-	-	1,556
Lifeline	7,640	250	-	7,890
Public works	31,601	5,235	-	36,836
Recreation	25,135	-	(24,135)	1,000
Subdivision	140,618	-	(18,599)	122,019
Transportation	57,405	6,282	-	63,687
Water	236,835	25,000	-	261,835
Waste water	165,783	-	-	165,783
Total	\$ 978,776	\$ 79,695	\$ (81,151)	\$ 977,320

10. SALARY & BENEFITS DISCLOSURE

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

	2019			2018
	Salary(1)	Benefits & Allowances(2)	Total	Total
Mayor Chandler	\$ 8,520	\$ 256	\$ 8,776	\$ 8,252
Councillor Bourne	8,125	236	8,361	8,086
Councillor Dushanek	8,290	244	8,534	8,158
Councillor Wilson	8,670	264	8,934	8,265
Councillor Warner	7,615	210	7,825	7,164
Karen Fegan, CAO	\$ 87,683	\$ 7,760	\$ 95,443	\$ 91,037

VILLAGE OF DELBURNE

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2019

10. SALARY & BENEFITS DISCLOSURE – Continued

- (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.

11. CONTINGENCIES

The Village of Delburne is a member of the Alberta Municipal Insurance Exchange (MUNIX). Under the terms of the membership, the Village of Delburne 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 of Delburne is a member municipality of the Central Alberta Waste Management Authority and provides funds for operations on an annual basis. The Authority is accumulating reserves to fund any future site cleanup obligations. The member municipalities may be liable for future costs in excess of the restricted surplus.

The Village of Delburne and the City of Red Deer through a joint agreement provide funds for the operation of the Delburne Family and Community Support Services. The amounts presented in this financial statement represent only the Village of Delburne portion of contributions made to F.C.S.S.

12. FINANCIAL INSTRUMENTS

The Village is exposed to various risks through its financial instruments. The following analysis provides a measure of the Village's risk exposure and concentrations at the balance sheet date.

Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

Interest Rate Risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Village is exposed to interest rate risk on bank indebtedness and fixed rate investments as the interest rates vary with changes in the prime lending rate.

VILLAGE OF DELBURNE

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2019

12. FINANCIAL INSTRUMENTS – Continued

Operating Lines of Credit

At December 31, 2019, the Village had short-term bank lines of credit aggregating \$50,000 (2018 - \$50,000) of which \$NIL (2018 - \$NIL) had been drawn down. Lines of credit are revolving operating and term facilities that bear interest at prime. They are reviewed annually and secured by a general security agreement.

Credit Risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

The Village is subject to credit risk with respect to taxes and grants in place of taxes receivable and trade and other receivables. Credit risk arises from the possibility that taxpayers and entities to which the 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. The carrying value of accounts receivable reflects management's assessment of credit risk.

13. SEGMENTED DISCLOSURE

The Village of Delburne 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 6 – Segmented Disclosure.

14. APPROVAL OF FINANCIAL STATEMENTS

Council and Management have approved these financial statements.