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**VILLAGE OF DELBURNE**  
**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

# **VILLAGE OF DELBURNE**

## **FINANCIAL STATEMENTS**

**AS AT DECEMBER 31, 2018**

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## **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, 2018 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, 2018, the results of its operations, change in accumulated surplus 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  
April 23, 2019

  
CHARTERED PROFESSIONAL ACCOUNTANTS

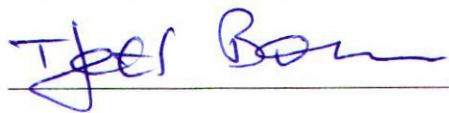
**VILLAGE OF DELBURN**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT DECEMBER 31, 2018**

	2018	2017
<b>FINANCIAL ASSETS</b>		
Cash and cash equivalents (Note 3)	\$ 1,467,214	\$ 1,043,044
Taxes and grants in place of taxes receivable (Note 4)	165,698	105,024
Trade and other receivables	51,175	52,460
Local improvement taxes receivable	25,232	30,278
Due from other Government	214,428	360,919
Land held for resale	27,074	32,747
Long-term investments (Note 5)	<u>1,661</u>	<u>1,661</u>
	<u>1,952,482</u>	<u>1,626,133</u>
<b>LIABILITIES</b>		
Accounts payable and accrued liabilities	67,020	69,038
Deferred revenue (Note 6)	<u>423,348</u>	<u>157,667</u>
	<u>490,368</u>	<u>226,705</u>
<b>NET FINANCIAL ASSETS (DEBT)</b>	<u>1,462,114</u>	<u>1,399,428</u>
<b>NON-FINANCIAL ASSETS</b>		
Tangible capital assets (Schedule 2)	8,067,647	7,846,550
Inventory for consumption	18,653	1,450
Prepaid expenses	<u>12,614</u>	<u>16,346</u>
	<u>8,098,914</u>	<u>7,864,346</u>
<b>ACCUMULATED SURPLUS (Schedule 1)</b>	\$ <u>9,561,028</u>	\$ <u>9,263,774</u>
<b>CONTINGENCIES – Note 11</b>		

**APPROVED ON BEHALF OF THE VILLAGE COUNCIL:**



Mayor



Councillor



# VILLAGE OF DELBURN

## STATEMENT OF OPERATIONS

FOR THE YEAR ENDED DECEMBER 31, 2018

	Budget (Unaudited)	2018	2017
<b>REVENUES</b>			
Net taxes (Schedule 3)	\$ 728,260	\$ 715,103	\$ 726,730
Sales and user fees	487,691	452,264	504,150
Government transfers for operating (Schedule 4)	225,215	217,674	272,462
Investment income	8,508	24,713	13,946
Rentals	24,164	21,200	19,503
Insurance proceeds	-	-	17,561
Penalties and costs of taxes	25,000	23,503	18,042
Fines and costs	4,692	2,990	8,628
Licenses and permits	6,776	7,078	7,155
Franchise agreement	40,000	50,334	54,728
Other	105,184	93,723	111,358
Gain on disposal of tangible capital assets	-	-	6,798
Total Revenue	<u>1,655,490</u>	<u>1,608,582</u>	<u>1,761,061</u>
<b>EXPENSES (Schedule 5)</b>			
Legislative	87,207	62,440	78,866
Administration	410,460	383,064	356,050
Protective services	56,502	38,591	89,939
Transportation services	465,440	416,155	523,539
Water and wastewater	221,357	254,745	216,827
Waste management and recycling	140,537	131,965	129,531
Recreation and parks	216,940	266,313	264,817
Family and community support	141,478	97,869	131,587
Land use planning, zoning and development	57,861	122,917	168,838
Total Expenses	<u>1,797,782</u>	<u>1,774,059</u>	<u>1,959,994</u>
<b>EXCESS (SHORTFALL) OF REVENUE OVER EXPENSES – BEFORE OTHER</b>	(142,292)	(165,477)	(198,933)
<b>OTHER</b>			
Government transfers for capital (Schedule 4)	<u>568,148</u>	<u>462,731</u>	<u>689,840</u>
<b>EXCESS (SHORTFALL) OF REVENUE OVER EXPENSES</b>	\$ <u>425,856</u>	297,254	490,907
<b>ACCUMULATED SURPLUS – BEGINNING OF YEAR</b>		<u>9,263,774</u>	<u>8,772,867</u>
<b>ACCUMULATED SURPLUS – END OF YEAR</b>		\$ <u>9,561,028</u>	\$ <u>9,263,774</u>

# VILLAGE OF DELBURNE

## STATEMENT OF CHANGES IN NET FINANCIAL ASSETS (DEBT)

FOR THE YEAR ENDED DECEMBER 31, 2018

	2018	2017
<b>EXCESS (SHORTFALL) OF REVENUES OVER EXPENSES</b>	\$ <u>297,254</u>	\$ <u>490,907</u>
Acquisition of tangible capital assets	(646,739)	(772,429)
Proceeds on disposal of tangible capital assets	46,350	57,356
Amortization of tangible capital assets	368,642	346,652
(Gain) loss on disposal of tangible capital assets	<u>10,650</u>	<u>17,664</u>
	<u>(221,097)</u>	<u>(350,757)</u>
Net use (acquisition) of supplies inventories	(17,203)	3,765
Net use (acquisition) of prepaid assets	<u>3,732</u>	<u>5,922</u>
	<u>(13,471)</u>	<u>9,687</u>
<b>INCREASE (DECREASE) IN NET DEBT</b>	62,686	149,837
<b>NET FINANCIAL ASSETS (DEBT) - BEGINNING OF YEAR</b>	<u>1,399,428</u>	<u>1,249,591</u>
<b>NET FINANCIAL ASSETS (DEBT) - END OF YEAR</b>	\$ <u>1,462,114</u>	\$ <u>1,399,428</u>

# VILLAGE OF DELBURNE

## STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2018

	2018	2017
<b>OPERATING ACTIVITIES</b>		
Excess (shortfall) of revenues over expenses	\$ 297,254	\$ 490,907
Non-cash items included in excess (shortfall) of revenues over expenses:		
Amortization of tangible capital assets	368,642	346,652
(Gain) loss on disposal of tangible capital assets	10,650	17,664
Non-cash changes to operations (net change)		
Taxes and grants in place of taxes receivables	(60,674)	21,457
Trade and other receivables	1,285	48,655
Local improvement taxes receivable	5,046	5,047
Due from other Government	146,491	(153,377)
Decrease (Increase) in inventory for consumption	(17,203)	3,765
Prepaid expenses	3,732	5,922
Land held for resale	5,673	47,169
Accounts payable and accrued liabilities	(2,018)	4,998
Deferred revenue	<u>265,681</u>	<u>(307,899)</u>
Net cash provided by (used in) operating activities	<u>1,024,559</u>	<u>530,960</u>
<b>CAPITAL ACTIVITIES</b>		
Acquisition of tangible capital assets	(646,739)	(772,429)
Proceeds from disposal of tangible capital assets	<u>46,350</u>	<u>57,356</u>
Net cash provided by (used in) capital activities	<u>(600,389)</u>	<u>(715,073)</u>
<b>CHANGE IN CASH AND EQUIVALENTS DURING THE YEAR</b>	424,170	(184,113)
<b>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</b>	<u>1,043,044</u>	<u>1,227,157</u>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR (Note 3)</b>	<u>1,467,214</u>	<u>1,043,044</u>
<b>CASH AND CASH EQUIVALENTS IS MADE UP OF:</b>		
Cash	974,288	558,358
Guaranteed investment certificates	<u>492,926</u>	<u>484,686</u>
	\$ <u>1,467,214</u>	\$ <u>1,043,044</u>



# VILLAGE OF DELBURNE

## SCHEDULE 1 - CHANGES IN ACCUMULATED SURPLUS

FOR THE YEAR ENDED DECEMBER 31, 2018

	Unrestricted Surplus	Restricted Surplus	Equity in Tangible Capital Assets	2018	2017
<b>BALANCE - BEGINNING OF YEAR</b>	\$ <u>492,608</u>	\$ <u>924,616</u>	\$ <u>7,846,550</u>	\$ <u>9,263,774</u>	\$ <u>8,772,867</u>
Excess (deficiency) of revenues over expenses	297,254	-	-	297,254	490,907
Unrestricted funds designated for future use	(82,166)	82,166	-	-	-
Restricted funds used for operations	28,006	(28,006)	-	-	-
Restricted funds used for tangible capital assets	-	-	-	-	-
Current year funds used for tangible capital assets	(646,739)	-	646,739	-	-
Disposal of tangible capital assets	57,000	-	(57,000)	-	-
Annual amortization expense	<u>368,642</u>	<u>-</u>	<u>(368,642)</u>	<u>-</u>	<u>-</u>
Change in accumulated surplus	<u>21,997</u>	<u>54,160</u>	<u>221,097</u>	<u>297,254</u>	<u>490,907</u>
<b>BALANCE - END OF YEAR</b>	\$ <u><u>514,605</u></u>	\$ <u><u>978,776</u></u>	\$ <u><u>8,067,647</u></u>	\$ <u><u>9,561,028</u></u>	\$ <u><u>9,263,774</u></u>

# VILLAGE OF DELBURNE

## SCHEDULE 2 – SCHEDULE OF TANGIBLE CAPITAL ASSETS

FOR THE YEAR ENDED DECEMBER 31, 2018

	Land	Land Improvements	Buildings	Engineered Structures	Machinery and Equipment	Vehicles	2018	2017
<b>COST:</b>								
BALANCE – BEGINNING OF YEAR	\$ 309,446	\$ 1,191,557	\$ 1,359,032	\$ 9,036,395	\$ 902,359	\$ 132,061	\$ 12,930,850	\$ 12,304,726
Acquisition of tangible capital assets	-	-	7,691	542,853	89,418	-	639,962	736,843
Construction in progress	-	-	-	6,777	-	-	6,777	35,586
Disposal of tangible capital assets	-	-	(940)	-	(60,000)	-	(60,940)	(146,305)
BALANCE - END OF YEAR	<u>309,446</u>	<u>1,191,557</u>	<u>1,365,783</u>	<u>9,586,025</u>	<u>931,777</u>	<u>132,061</u>	<u>13,516,649</u>	<u>12,930,850</u>
<b>ACCUMULATED AMORTIZATION:</b>								
BALANCE - BEGINNING OF YEAR	-	495,520	449,973	3,655,702	383,590	99,515	5,084,300	4,808,933
Annual amortization	-	73,893	28,020	211,940	48,178	6,611	368,642	346,652
Accumulated amortization on disposals	-	-	(940)	-	(3,000)	-	(3,940)	(71,285)
BALANCE - END OF YEAR	<u>-</u>	<u>569,413</u>	<u>477,053</u>	<u>3,867,642</u>	<u>428,768</u>	<u>106,126</u>	<u>5,449,002</u>	<u>5,084,300</u>
<b>NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS</b>	<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>	<u>\$ 7,846,550</u>
<b>2017 NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS</b>	<u>\$ 309,446</u>	<u>\$ 696,037</u>	<u>\$ 909,059</u>	<u>\$ 5,380,693</u>	<u>\$ 518,769</u>	<u>\$ 32,546</u>	<u>\$ 7,846,550</u>	

# VILLAGE OF DELBURNE

## SCHEDULE 3 – PROPERTY AND OTHER TAXES

FOR THE YEAR ENDED DECEMBER 31, 2018

	Budget (Unaudited)	2018	2017
<b>TAXATION</b>			
Real property taxes	\$ 925,789	\$ 910,720	\$ 920,698
Linear property taxes	26,008	33,325	26,305
Government grants in place of property taxes	1,778	2,156	1,801
Special assessments	<u>5,733</u>	<u>-</u>	<u>-</u>
	<u>959,308</u>	<u>946,201</u>	<u>948,804</u>
<b>REQUISITIONS</b>			
Alberta School Foundation Fund	229,420	229,420	220,490
Autumn Glen Lodge	1,628	1,628	1,584
Designated Industrial	<u>-</u>	<u>50</u>	<u>-</u>
	<u>231,048</u>	<u>231,098</u>	<u>222,074</u>
<b>NET MUNICIPAL TAXES</b>	\$ <u>728,260</u>	\$ <u>715,103</u>	\$ <u>726,730</u>

## SCHEDULE 4 – GOVERNMENT TRANSFERS

FOR THE YEAR ENDED DECEMBER 31, 2018

	Budget (Unaudited)	2018	2017
<b>TRANSFER FOR OPERATING</b>			
Federal government	\$ -	\$ 1,632	\$ 12,082
Provincial government	52,420	86,363	147,584
Other local government	<u>172,795</u>	<u>129,679</u>	<u>112,796</u>
	<u>225,215</u>	<u>217,674</u>	<u>272,462</u>
<b>TRANSFERS FOR CAPITAL</b>			
Provincial government	263,769	462,731	689,840
Federal government	<u>304,379</u>	<u>-</u>	<u>-</u>
	<u>568,148</u>	<u>462,731</u>	<u>689,840</u>
<b>TOTAL GOVERNMENT TRANSFERS</b>	\$ <u>793,363</u>	\$ <u>680,405</u>	\$ <u>962,302</u>



# VILLAGE OF DELBURNE

## SCHEDULE 5 –EXPENSES BY OBJECT

FOR THE YEAR ENDED DECEMBER 31, 2018

	Budget (Unaudited)	2018	2017
<b>EXPENSES BY OBJECT</b>			
Salaries, wages, and benefits	\$ 625,969	\$ 560,244	\$ 560,055
Contracted and general services	509,774	405,522	495,725
Materials, goods, supplies and utilities	266,070	221,151	314,246
Transfer to local agencies	102,593	150,390	179,294
Transfer to other governments	25,576	23,187	26,374
Bank charges and short-term interest	692	593	513
Amortization of tangible capital assets	251,608	368,642	346,652
Other expenses	15,500	33,680	12,673
Loss on disposal of capital assets	-	10,650	24,462
	<u>\$ 1,797,782</u>	<u>\$ 1,774,059</u>	<u>\$ 1,959,994</u>

# VILLAGE OF DELBURNE

## SCHEDULE 6 - SEGMENTED DISCLOSURE

FOR THE YEAR ENDED DECEMBER 31, 2018

	General Government	Protective Services	Transportation Services	Planning & Development	Recreation & Culture	Environmental Services	Total
<b>REVENUE</b>							
Government transfers	\$ 44,521	\$ -	\$ 130,949	\$ -	\$ 155,461	\$ 349,474	\$ 680,405
Net municipal taxes	715,103	-	-	-	-	-	715,103
User fees and sales of goods	3,318	-	-	67,188	-	381,758	452,264
Franchise agreements	50,334	-	-	-	-	-	50,334
Rentals	-	-	-	21,200	-	-	21,200
Penalties and costs	23,503	-	-	-	-	-	23,503
Investment income	24,713	-	-	-	-	-	24,713
License and permits	3,930	3,148	-	-	-	-	7,078
Fines	260	-	-	-	-	2,730	2,990
Other revenues	19,422	-	-	47,099	27,124	78	93,723
	<u>885,104</u>	<u>3,148</u>	<u>130,949</u>	<u>135,487</u>	<u>182,585</u>	<u>734,040</u>	<u>2,071,313</u>
<b>EXPENSES</b>							
Salaries and wages	240,115	1,601	97,900	57,446	63,287	99,895	560,244
Contract and general services	116,777	8,973	30,459	81,560	13,202	154,551	405,522
Materials, goods and supplies	31,711	7,237	110,563	12,972	23,780	34,888	221,151
Transfers to local agencies	12,500	-	-	57,251	80,639	-	150,390
Transfer to other governments	-	11,551	-	10,858	-	778	23,187
Bank charges and short term interest	593	-	-	-	-	-	593
Other expenses	33,308	-	372	-	-	-	33,680
Loss on disposal of tangible capital assets	-	10,650	-	-	-	-	10,650
	<u>435,004</u>	<u>40,012</u>	<u>239,294</u>	<u>220,087</u>	<u>180,908</u>	<u>290,112</u>	<u>1,405,417</u>
<b>NET REVENUE, BEFORE AMORTIZATION</b>	<u>450,100</u>	<u>(36,864)</u>	<u>(108,345)</u>	<u>(84,600)</u>	<u>1,677</u>	<u>443,928</u>	<u>665,896</u>
Amortization expense	<u>11,203</u>	<u>9,229</u>	<u>166,580</u>	<u>-</u>	<u>85,404</u>	<u>96,226</u>	<u>368,642</u>
<b>NET REVENUE (Note 13)</b>	<u>\$ 438,897</u>	<u>\$ (46,093)</u>	<u>\$ (274,925)</u>	<u>\$ (84,600)</u>	<u>\$ (83,727)</u>	<u>\$ 347,702</u>	<u>\$ 297,254</u>

# VILLAGE OF DELBURNE

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED DECEMBER 31, 2018

#### 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, and changes 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, 2018

### 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 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, 2018

### 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, 2018**

**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:

	<b>YEARS</b>
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, 2018

#### 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.

#### 3. CASH AND CASH EQUIVALENTS

	2018	2017
Cash	\$ 974,288	\$ 558,358
Guaranteed investment certificates	492,926	484,686
	<u>\$ 1,467,214</u>	<u>\$ 1,043,044</u>

Council has designated funds of \$978,776 (2017 - \$924,616) included in the above amounts as restricted surplus.

Included in cash is a restricted balance of \$313,978 (2017 - \$57,223) related to various deferred revenues (Note 6).

Guaranteed investment certificate matures in October 2019 and earns interest at 2.43% per annum.

**VILLAGE OF DELBURNE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

**4. TAXES AND GRANTS IN PLACE OF TAXES RECEIVABLE**

	2018	2017
Current taxes and grants in place of taxes	\$ 130,855	\$ 63,601
Arrears taxes	<u>34,843</u>	<u>41,423</u>
	165,698	105,024
Less: Allowance for uncollectible taxes	<u>-</u>	<u>-</u>
	<u>\$ 165,698</u>	<u>\$ 105,024</u>

**5. LONG TERM INVESTMENTS**

	2018	2017
UFA patronage account	\$ 1,651	\$ 1,651
A.M.F.C. shares, at cost	<u>10</u>	<u>10</u>
	<u>\$ 1,661</u>	<u>\$ 1,661</u>

**6. DEFERRED REVENUE**

	2018	2017
FCSS programs	\$ 55,708	\$ 52,593
Federal Gas Tax Fund	133,184	34,430
Medical clinic donations	-	28,100
Municipal Sustainability Initiatives	30,554	22,793
Prepaid property taxes	11,421	13,490
Land deposits	-	2,200
Prepaid utilities	2,113	2,042
Other grants and programs	1,429	1,429
Prepaid licenses	1,030	590
Fire department	9,877	-
Municipal Sustainability Initiatives – Capital	150,240	-
City of Red Deer - FCSS	16,041	-
Red Deer County – Recreation Board	<u>11,751</u>	<u>-</u>
	<u>\$ 423,348</u>	<u>\$ 157,667</u>

# VILLAGE OF DELBURN

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED DECEMBER 31, 2018

#### 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:

	2018	2017
Total debt limit	\$ 2,412,873	\$ 2,641,592
Total debt	-	-
Amount of debt limit (exceeded) available	<u>2,412,873</u>	<u>2,641,592</u>
Debt servicing limit	402,146	440,265
Debt servicing	-	-
Amount of debt servicing limit (exceeded) available	<u>\$ 402,146</u>	<u>\$ 440,265</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

	2018	2017
Tangible capital assets (Schedule 2)	\$ 13,516,649	\$ 12,930,850
Accumulated amortization (Schedule 2)	<u>(5,449,002)</u>	<u>(5,084,300)</u>
	<u>\$ 8,067,647</u>	<u>\$ 7,846,550</u>



# VILLAGE OF DELBURNE

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2018

### 9. RESTRICTED SURPLUS

	2017	Increases	Decreases	2018
Administration	\$ 17,256	\$ 1,076	\$ -	\$ 18,332
Bunker gear	487	-	-	487
Cemetery	26,156	-	-	26,156
Council golf tournament	784	-	174	610
Disaster	380	-	-	380
Economic development	30,112	-	-	30,112
Emergency services	3,923	2,352	-	6,275
Family and community support	7,536	-	-	7,536
Fire department	127,008	-	-	127,008
General capital	-	42,037	-	42,037
General contingency	81,102	-	27,832	53,270
Healthy communities	1,556	-	-	1,556
Lifeline	7,456	184	-	7,640
Public works	26,366	5,235	-	31,601
Recreation	25,135	-	-	25,135
Subdivision	140,618	-	-	140,618
Transportation	51,123	6,282	-	57,405
Water	211,835	25,000	-	236,835
Waste water	165,783	-	-	165,783
Total	\$ 924,616	\$ 82,166	\$ 28,006	\$ 978,776

### 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:

	2018			2017
	Salary(1)	Benefits & Allowances(2)	Total	Total
Mayor Chandler	\$ 8,135	\$ 117	\$ 8,252	\$ 6,860
Mayor Reckseidler	-	-	-	7,730
Councillor Faulk	-	-	-	4,901
Councillor Bourne	7,965	121	8,086	2,463
Councillor Dushanek	8,045	113	8,158	7,511
Councillor Wilson	8,155	110	8,265	7,758
Councillor Warner	7,085	79	7,164	2,277
Karen Fegan, CAO	\$ 83,533	\$ 7,504	\$ 91,037	\$ 90,739

# **VILLAGE OF DELBURNE**

## **NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED DECEMBER 31, 2018**

### **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, 2018**

**12. FINANCIAL INSTRUMENTS – Continued**

Operating Lines of Credit

At December 31, 2018, the Village had short-term bank lines of credit aggregating \$50,000 (2017 - \$50,000) of which \$NIL (2017 - \$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.