

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

## **INDEPENDENT AUDITOR'S REPORT**

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

*Report on the Consolidated Financial Statements*

*Opinion*

I have audited the consolidated financial statements of the Village of Heisler (the Entity), which comprise the consolidated statement of financial position as at December 31, 2018, 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 Heisler as at December 31, 2018, 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:

**Brian King Professional Corporation**  
**Chartered Professional Accountant**



- 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 5.
- **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 9.

A handwritten signature in black ink, appearing to read "Brian King", written over a horizontal line.

M.D. of Wainwright  
May 7, 2019

Brian King Professional Corporation  
Chartered Professional Accountant

# VILLAGE OF HEISLER

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION DECEMBER 31, 2018

	<u>2018</u>	<u>2017</u>
<b>FINANCIAL ASSETS</b>		
Cash and term deposits (Note 2)	562,384	507,565
Taxes and grants in place of taxes (Note 3)	47,522	40,884
Trade and other receivables	21,589	20,255
Receivable from other governments	25,766	210,572
Inventory held for resale	14,072	14,072
	<u>671,333</u>	<u>793,348</u>
<b>LIABILITIES</b>		
Accounts payable and accrued liabilities	26,579	26,851
Deferred revenue (Note 4)	302,392	434,932
	<u>328,971</u>	<u>461,783</u>
<b>NET FINANCIAL ASSETS</b>	<u>342,362</u>	<u>331,565</u>
<b>NON-FINANCIAL ASSETS</b>		
Tangible capital assets	<u>2,201,359</u>	<u>1,964,957</u>
<b>ACCUMULATED SURPLUS (NOTE 7)</b>	<u>2,543,721</u>	<u>2,296,522</u>

*Commitments and contingencies - See Note 10*

# VILLAGE OF HEISLER

## CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES FOR THE YEAR ENDED DECEMBER 31, 2018

	Budget (unaudited)	2018	2017
<b>REVENUE</b>			
Net municipal property taxes (Schedule 3)	180,077	<b>179,754</b>	176,653
User fees and sales of goods	103,456	<b>99,548</b>	111,788
Penalties and costs on taxes	6,500	<b>9,900</b>	11,408
Licenses and permits	1,045	<b>1,490</b>	1,710
Fines	-	<b>75</b>	75
Franchise and concession contracts	11,628	<b>12,268</b>	11,928
Investment income	1,675	<b>4,735</b>	8,619
Rentals	2,600	<b>2,529</b>	2,529
Government transfers for operating	47,024	<b>71,084</b>	46,099
Other	5,400	<b>2,083</b>	13,829
	<b>359,405</b>	<b>383,466</b>	<b>384,638</b>
<b>EXPENSES</b>			
Legislative	8,600	<b>8,160</b>	9,410
Administration	93,916	<b>117,345</b>	92,453
Protective services	29,687	<b>23,621</b>	32,111
Transportation	105,350	<b>109,615</b>	100,535
Water supply and distribution	53,887	<b>62,673</b>	75,982
Wastewater treatment and disposal	20,348	<b>15,407</b>	19,380
Waste management	24,902	<b>25,108</b>	23,238
Public health and welfare	1,892	<b>1,392</b>	1,814
Planning and development	1,454	<b>1,270</b>	1,428
Recreation	6,999	<b>6,558</b>	26,865
Culture	8,370	<b>4,391</b>	4,227
Amortization	-	<b>89,362</b>	84,738
Loss (gain) on disposal of assets	-	<b>(2,000)</b>	2,583
	<b>355,405</b>	<b>462,902</b>	<b>474,764</b>
<b>EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES BEFORE OTHER</b>	4,000	<b>(79,436)</b>	(90,126)
<b>OTHER</b>			
Government transfers for capital (Schedule 4)	449,754	<b>326,635</b>	306,940
<b>EXCESS OF REVENUE OVER EXPENSES</b>	453,754	<b>247,199</b>	216,814
<b>ACCUMULATED SURPLUS, BEGINNING OF YEAR</b>	2,296,522	<b>2,296,522</b>	2,079,708
<b>ACCUMULATED SURPLUS, END OF YEAR</b>	2,750,276	<b>2,543,721</b>	2,296,522

# VILLAGE OF HEISLER

## CONSOLIDATED STATEMENT OF CHANGES IN NET FINANCIAL ASSETS FOR THE YEAR ENDED DECEMBER 31, 2018

	Budget (unaudited)	2018	2017
<b>EXCESS OF REVENUE OVER EXPENSES</b>	<u>453,754</u>	<u>247,199</u>	<u>216,814</u>
Acquisition of tangible capital assets	(483,615)	(325,764)	(292,728)
Proceeds on disposal of tangible capital assets	-	2,000	5,000
Amortization of tangible capital assets	-	89,362	84,738
Loss (gain) on sale of tangible capital assets	-	(2,000)	2,583
	<u>(483,615)</u>	<u>(236,402)</u>	<u>(200,407)</u>
<b>INCREASE IN NET FINANCIAL ASSETS</b>	(29,861)	10,797	16,407
<b>NET FINANCIAL ASSETS, BEGINNING OF YEAR</b>	<u>331,565</u>	<u>331,565</u>	<u>315,158</u>
<b>NET FINANCIAL ASSETS, END OF YEAR</b>	<u>301,704</u>	<u>342,362</u>	<u>331,565</u>

## VILLAGE OF HEISLER

### CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2018

	2018	2017
<b>NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:</b>		
<b>OPERATING</b>		
Excess of revenues over expenses	247,199	216,814
Non-cash items included in excess of revenue over expenses:		
Amortization of tangible capital assets	89,362	84,738
Non-cash charges to operations (net change):		
Decrease (increase) in taxes and grants in place of taxes	(6,638)	(7,361)
Decrease (increase) in trade and other receivables	(1,334)	488
Decrease (increase) in receivables from other governments	184,806	(199,727)
Increase (decrease) in accounts payable and accrued liabilities	(272)	11,153
Increase (decrease) in deferred revenue	(132,540)	(119,773)
	<b>378,583</b>	<b>(11,085)</b>
<b>CAPITAL</b>		
Acquisition of tangible capital assets	(325,764)	(292,728)
Sale of tangible capital assets	2,000	5,000
	<b>(323,764)</b>	<b>(287,728)</b>
<b>INVESTING</b>		
Decrease (increase) in restricted cash or cash equivalents	(54,627)	306,940
<b>CHANGE IN CASH AND EQUIVALENTS DURING THE YEAR</b>	<b>192</b>	<b>8,127</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<b>259,800</b>	<b>251,673</b>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<b>259,992</b>	<b>259,800</b>
<b>CASH AND CASH EQUIVALENTS IS MADE UP OF:</b>		
Cash on hand	75	75
Cash in bank	366,309	348,577
Term deposits	196,000	158,913
Less: restricted portion of cash and temporary investments (Note 2)	(302,392)	(247,765)
	<b>259,992</b>	<b>259,800</b>

# VILLAGE OF HEISLER

## SCHEDULE OF CHANGES IN ACCUMULATED SURPLUS FOR THE YEAR ENDED DECEMBER 31, 2018 (Schedule 1)

	Unrestricted Surplus	Restricted Surplus	Equity in Tangible Capital Assets	2018	2017
<b>BALANCE, BEGINNING OF YEAR</b>	126,689	204,876	1,964,957	<b>2,296,522</b>	<b>2,079,708</b>
Excess (deficiency) of revenues over expenses	247,199	-	-	<b>247,199</b>	216,814
Unrestricted funds designated for future use	(2,000)	2,000	-	-	-
Current year funds used for tangible capital assets	(325,764)	-	325,764	-	-
Annual amortization expense	89,362	-	(89,362)	-	-
<b>Change in accumulated surplus</b>	<b>8,797</b>	<b>2,000</b>	<b>236,402</b>	<b>247,199</b>	<b>216,814</b>
<b>BALANCE, END OF YEAR</b>	<b>135,486</b>	<b>206,876</b>	<b>2,201,359</b>	<b>2,543,721</b>	<b>2,296,522</b>



**VILLAGE OF HEISLER**

**CONSOLIDATED SCHEDULE OF TANGIBLE CAPITAL ASSETS  
FOR THE YEAR ENDED DECEMBER 31, 2018  
(Schedule 2)**

	LAND	LAND IMPROVEMENTS	BUILDINGS	ENGINEERED STRUCTURES	MACHINERY AND EQUIPMENT	VEHICLES	2018	2017
<b>COST:</b>								
Balance - beginning of year	9,504	105,007	112,730	2,574,370	529,983	36,921	<b>3,368,515</b>	3,108,287
Acquisition of tangible capital assets	-	-	-	325,764	-	-	<b>325,764</b>	292,728
Disposal of tangible capital assets	-	-	-	-	-	11,421	<b>11,421</b>	32,500
Balance - end of year	9,504	105,007	112,730	2,900,134	529,983	25,500	<b>3,682,858</b>	3,368,515
<b>ACCUMULATED AMORTIZATION</b>								
Balance - beginning of year	-	37,896	81,420	1,070,687	200,313	13,242	<b>1,403,558</b>	1,343,737
Annual amortization	-	4,755	2,689	54,269	24,006	3,643	<b>89,362</b>	84,738
Accumulated amortization on disposals	-	-	-	-	-	11,421	<b>11,421</b>	24,917
Balance - end of year	-	42,651	84,109	1,124,956	224,319	5,464	<b>1,481,499</b>	1,403,558
<b>NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS</b>	<b>9,504</b>	<b>62,356</b>	<b>28,621</b>	<b>1,775,178</b>	<b>305,664</b>	<b>20,036</b>	<b>2,201,359</b>	<b>1,964,957</b>
<b>OPENING NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS</b>	9,504	67,111	31,310	1,503,683	329,670	23,679	<u>1,964,957</u>	

# VILLAGE OF HEISLER

## CONSOLIDATED SCHEDULE OF PROPERTY TAXES LEVIED FOR THE YEAR ENDED DECEMBER 31, 2018 (Schedule 3)

	Budget (Unaudited)	2018	2017
<b>TAXATION</b>			
Real property taxes	192,676	<b>189,082</b>	189,149
Linear property taxes	11,555	<b>14,836</b>	11,138
	<u>204,231</u>	<u><b>203,918</b></u>	<u>200,287</u>
<b>REQUISITIONS</b>			
Alberta School Foundation	22,877	<b>22,877</b>	22,351
Designated Industrial Levy	-	<b>10</b>	-
Flagstaff Regional Housing Group	1,277	<b>1,277</b>	1,283
	<u>24,154</u>	<u><b>24,164</b></u>	<u>23,634</u>
<b>NET MUNICIPAL TAXES</b>	<u>180,077</u>	<u><b>179,754</b></u>	<u>176,653</u>

# VILLAGE OF HEISLER

## CONSOLIDATED SCHEDULE OF GOVERNMENT TRANSFERS FOR THE YEAR ENDED DECEMBER 31, 2018 (Schedule 4)

	Budget (Unaudited)	2018	2017
<b>TRANSFERS FOR OPERATING</b>			
Provincial Government	31,024	<b>57,861</b>	29,020
Local Governments	16,000	<b>13,223</b>	17,079
	<u>47,024</u>	<u><b>71,084</b></u>	<u>46,099</u>
<b>TRANSFERS FOR CAPITAL</b>			
Federal Government	167,818	<b>167,817</b>	51,454
Provincial Government	281,936	<b>158,818</b>	255,486
	<u>449,754</u>	<u><b>326,635</b></u>	<u>306,940</u>
<b>TOTAL GOVERNMENT TRANSFERS</b>	<u>496,778</u>	<u><b>397,719</b></u>	<u>353,039</u>

# VILLAGE OF HEISLER

## CONSOLIDATED SCHEDULE OF EXPENDITURE BY OBJECT FOR THE YEAR ENDED DECEMBER 31, 2018 (Schedule 5)

	Budget (Unaudited)	2018	2017
<b>Expenditures</b>			
Salaries, wages and benefits	132,755	<b>134,005</b>	133,051
Contracted and general services	124,052	<b>145,755</b>	148,257
Purchases from other governments	7,000	<b>5,371</b>	24,332
Materials, goods and utilities	83,825	<b>79,315</b>	74,043
Provision for allowances	1,630	<b>5,452</b>	-
Transfers to local boards and agencies	5,792	<b>5,291</b>	6,928
Bank charges and short term interest	151	<b>145</b>	150
Other expenditures	200	<b>206</b>	682
Amortization of tangible capital assets	-	<b>89,362</b>	84,738
Loss on disposal of tangible capital assets	-	<b>(2,000)</b>	2,583
	<u>355,405</u>	<u><b>462,902</b></u>	<u>474,764</u>

# VILLAGE OF HEISLER

## SCHEDULE OF SEGMENTED DISCLOSURE FOR THE YEAR ENDED DECEMBER 31, 2018 (Schedule 6)

	General Government	Protective Services	Transportation services	Environmental Services	Public Health & Welfare	Planning & Development	Recreation & Culture	Total
<b>REVENUE</b>								
Net municipal property taxes (Schedule 2)	179,754	-	-	-	-	-	-	179,754
User fees and sales of goods	742	579	-	97,010	-	-	1,217	99,548
Penalties and costs on taxes	9,900	-	-	-	-	-	-	9,900
Licenses and permits	-	705	-	-	-	785	-	1,490
Fines	-	75	-	-	-	-	-	75
Franchise and concession contracts	12,268	-	-	-	-	-	-	12,268
Investment income	4,735	-	-	-	-	-	-	4,735
Rentals	2,529	-	-	-	-	-	-	2,529
Government transfers	57,861	13,223	-	-	-	-	-	71,084
Other	807	-	276	-	-	-	1,000	2,083
	<u>268,596</u>	<u>14,582</u>	<u>276</u>	<u>97,010</u>	<u>-</u>	<u>785</u>	<u>2,217</u>	<u>383,466</u>
<b>EXPENSES</b>								
Salaries, wages and benefits	59,028	3,431	40,639	30,415	-	-	492	134,005
Contracted and general services	57,326	13,122	15,369	55,520	-	1,270	3,148	145,755
Purchases from other governments	-	-	-	5,371	-	-	-	5,371
Materials, goods and utilities	3,554	7,068	53,607	11,882	-	-	3,204	79,315
Provision for allowances	5,452	-	-	-	-	-	-	5,452
Transfers to local boards and agencies	-	-	-	-	1,392	-	-	1,392
Bank charges and short term interest	145	-	-	-	-	-	-	145
Other expenditures	-	-	-	-	-	-	206	206
	<u>125,505</u>	<u>23,621</u>	<u>109,615</u>	<u>103,188</u>	<u>1,392</u>	<u>1,270</u>	<u>10,949</u>	<u>375,540</u>
<b>NET REVENUE, BEFORE AMORTIZATION</b>	<u>143,091</u>	<u>(9,039)</u>	<u>(109,339)</u>	<u>(6,178)</u>	<u>(1,392)</u>	<u>(485)</u>	<u>(8,732)</u>	<u>7,926</u>
<b>AMORTIZATION AND DISPOSAL OF ASSETS</b>								
Amortization of tangible capital assets	620	9,841	37,444	36,702	-	-	4,755	89,362
Loss (gain) on disposal of t.c.a.	-	-	(2,000)	-	-	-	-	(2,000)
	<u>620</u>	<u>9,841</u>	<u>35,444</u>	<u>36,702</u>	<u>-</u>	<u>-</u>	<u>4,755</u>	<u>87,362</u>
<b>NET REVENUE</b>	<u>142,471</u>	<u>(18,880)</u>	<u>(144,783)</u>	<u>(42,880)</u>	<u>(1,392)</u>	<u>(485)</u>	<u>(13,487)</u>	<u>(79,436)</u>

# VILLAGE OF HEISLER

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

---

### 1. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements of the Village of Heisler are the representations of management prepared in accordance with generally accepted accounting principles for local governments established by the Public Sector Accounting Board of the Canadian Institute of Chartered Professional Accountants.

Significant aspects of the accounting policies adopted by the village are as follows:

#### **a) Reporting Entity**

The consolidated financial statements reflect the assets, liabilities, revenues and expenditures, changes in fund balances and change in financial position of the reporting entity. This entity is comprised of the municipal operations plus all of the organizations that are owned or controlled by the village are, therefore accountable to the Council for the administration of their financial affairs and resources.

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

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

#### **b) Basis of Accounting**

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

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

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

# VILLAGE OF HEISLER

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

---

### 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.

#### h) Landfill Closure and Post-Closure Liability

Pursuant to the Alberta Environmental Protection and Enhancement Act, the town 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.

# VILLAGE OF HEISLER

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

---

### 1. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### i) 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.

#### j) 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.

#### 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	15-50
Engineered structures - other	25
Engineered structures - water system	45-75
Engineered structures - wastewater system	45-75
Land improvements	20-40
Machinery and equipment	10-15
Vehicles	6-25

One-half of the annual amortization is charged in the year of acquisition and in the year of disposal. 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.



# VILLAGE OF HEISLER

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

### 1. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 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>2018</u>	<u>2017</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	-	67,817
Municipal Sustainability Initiative - capital	269,030	146,586
Basic Municipal Transportation Grant	33,362	33,362
	<u>302,392</u>	<u>247,765</u>
Included in cash and term deposits are amounts designated by council for future expenses and tangible capital asset acquisitions. (Note 7)		
	<u>206,876</u>	<u>204,876</u>
Total restricted cash and term deposits	<u>509,268</u>	<u>452,641</u>
Total un-restricted cash and term deposits	<u>53,116</u>	<u>54,924</u>

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

	<u>2018</u>	<u>2017</u>
Current taxes and grants in place of taxes	25,849	29,027
Arrears taxes	24,991	11,857
Less: allowance for doubtful accounts	(3,318)	-
	<u>47,522</u>	<u>40,884</u>

# VILLAGE OF HEISLER

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

### 4. DEFERRED INCOME

Deferred income consists of the following:	<u>2018</u>	<u>2017</u>
Federal Gas Tax	-	117,817
Municipal Sustainability Initiative - capital	<b>269,030</b>	283,753
Basic Municipal Transportation Grant	<b>33,362</b>	33,362
	<u><b>302,392</b></u>	<u>434,932</u>

### 5. 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 Heisler be disclosed as follows:

	<u>2018</u>	<u>2017</u>
Total debt limit	<b>575,199</b>	576,957
Total debt	-	-
Surplus debt limit	<u><b>575,199</b></u>	<u>576,957</u>
Debt servicing limit	<b>95,867</b>	96,160
Debt servicing	-	-
Surplus debt servicing	<u><b>95,867</b></u>	<u>96,160</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.

### 6. EQUITY IN TANGIBLE CAPITAL ASSETS

	<u>2018</u>	<u>2017</u>
Tangible capital assets (Schedule 2)	<b>3,682,858</b>	3,368,515
Accumulated amortization (Schedule 2)	<u><b>(1,481,499)</b></u>	<u>(1,403,558)</u>
	<u><b>2,201,359</b></u>	<u>1,964,957</u>

# VILLAGE OF HEISLER

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

### 7. ACCUMULATED SURPLUS

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

	<u>2018</u>	<u>2017</u>
<b>Unrestricted surplus</b>	<b><u>135,486</u></b>	<b><u>126,689</u></b>
<b>Restricted surplus</b>		
Administration	13,000	13,000
Community land	1,032	1,032
Fire department	41,383	51,383
General	100,305	88,305
General contingency	13,634	13,634
Public works	14,593	14,593
Recreation and culture	3,427	3,427
Sewer	4,800	4,800
Waste disposal	<u>14,702</u>	<u>14,702</u>
	<b><u>206,876</u></b>	<b><u>204,876</u></b>
<b>Equity in tangible capital assets</b>	<b><u>2,201,359</u></b>	<b><u>1,964,957</u></b>
	<b><u>2,543,721</u></b>	<b><u>2,296,522</u></b>

### 8. SEGMENTED DISCLOSURE

The Village of Heisler 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 HEISLER

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

### 9. 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:

	2018			2017
	Salary	Benefits & Allowances	Total	Total
Doege	-	-	-	640
Martz	2,080	-	2,080	480
Steil	-	-	-	2,320
Tetz	-	-	-	1,920
Williams	2,400	-	2,400	560
Wood	1,760	-	1,760	720
CAO	47,932	5,527	53,459	52,187
Designated Officer (1)	3,840	-	3,840	3,840

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.

### 10. 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 town 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.

### 11. CONTAMINATED SITES LIABILITY

The village has adopted PS3260 Liability for Contaminated Sites. The village did not identify any financial liabilities in 2018 (2017 – nil) as a result of this standard.

# VILLAGE OF HEISLER

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

### 12. 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.

### 13. RECONCILIATION OF OPERATING RESULTS TO BUDGETING SYSTEM

The village has prepared its budget according to the former accounting standards that were in place prior to 2009 which tracked all municipal activities including capital projects and reserves for future use. The reconciliation below to encompass these items is provided for information purposes only to provide users with supplementary comparative information. It should not be used as a replacement for the consolidated statement of financial activities and accumulated surplus and users should note that this information may not be appropriate for their purposes.

	Budget (unaudited)	2018	2017
Excess of revenue over expenditures, per financial statements	453,754	247,199	216,814
Adjustments			
Amortization expense	-	89,362	84,738
Loss (gain) on disposal of tangible capital assets	-	(2,000)	2,583
Acquisition of tangible capital assets	(483,615)	(325,764)	(292,728)
Proceeds on disposition of tangible capital assets	-	2,000	5,000
Results of operations - previous methods	(29,861)	10,797	16,407
Net transfers (to) from reserves	29,861	(2,000)	5,984
Increase (decrease) in unrestricted surplus	-	8,797	22,391

### 14. COMPARITIVE FIGURES

Certain comparative figures have been restated to conform to the current year's presentation.

### 15. APPROVAL OF FINANCIAL STATEMENTS

Council and Management have approved these financial statements.

**VILLAGE OF HEISLER**  
**FINANCIAL INFORMATION RETURN**  
**DECEMBER 31, 2018**

## **AUDITOR'S REPORT**

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

*Report on the Municipal Financial Information Return*

I have audited the accompanying municipal financial information return of the Village of Heisler for the year ended December 31, 2018.

*Management's Responsibility for the Municipal Financial Information Return*

Management is responsible for the preparation and fair presentation of this municipal financial information return 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.

*Auditor's Responsibility*

My responsibility is to express an opinion on this municipal financial information return based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the municipal financial information return. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

I believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for my audit opinion.

*Opinion*

In my opinion, this financial information return presents fairly, in all material respects, the financial position of the municipality as at December 31, 2018 and the results of its operations for the year then ended in accordance with Canadian public sector accounting standards.

It is understood that this report, as requested by the Minister of Alberta Municipal Affairs, is to be used primarily for statistical purposes. I have issued an audit report dated May 7, 2019 on the financial statements of the Village of Heisler for the year ended December 31, 2018 and reference should be made to those audited financial statements for complete information.

M.D. of Wainwright

May 7, 2019

A handwritten signature in black ink, appearing to be the initials "BK" followed by a long horizontal stroke.

Brian King Professional Corporation  
Chartered Professional Accountant