

VILLAGE OF HEISLER

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2019

Brian King Professional Corporation

Box 560, Hardisty, Alberta T0B 1V0

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, 2019, 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, 2019, the results of its operations, change in its net financial assets (debt) and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

I conducted my audit in accordance with Canadian generally accepted auditing standards. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of my report. I am independent of the Entity in accordance with the ethical requirements that are relevant to my audit of the financial statements in Canada, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

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

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

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to cease operations, or has no realistic alternative but to do so. Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditor's Responsibility for the Audit of the Consolidated Financial Statements

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

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- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements. I am responsible for the direction, supervision and performance of the group audit. I remain solely responsible for my audit opinion.

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

I also provide those charged with governance with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.

Report on Other Legal and Regulatory Requirements

- Debt Limit Regulation:
In accordance with Alberta Regulation 255/2000, I confirm that the municipality is in compliance with the Debt Limit Regulation. A detailed account of the Entity's debt limit can be found in Note 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.

M.D. of Wainwright

April 23, 2020


Brian King Professional Corporation
Chartered Professional Accountant

VILLAGE OF HEISLER

CONSOLIDATED STATEMENT OF FINANCIAL POSITION DECEMBER 31, 2019

	<u>2019</u>	<u>2018</u>
FINANCIAL ASSETS		
Cash and term deposits (Note 2)	596,004	562,384
Taxes and grants in place of taxes (Note 3)	46,792	47,522
Trade and other receivables	20,494	21,589
Receivable from other governments	167,198	25,766
Inventory held for resale	14,072	14,072
	<u>844,560</u>	<u>671,333</u>
LIABILITIES		
Accounts payable and accrued liabilities	24,366	26,579
Deferred revenue (Note 4)	447,434	302,392
	<u>471,800</u>	<u>328,971</u>
NET FINANCIAL ASSETS	<u>372,760</u>	<u>342,362</u>
NON-FINANCIAL ASSETS		
Tangible capital assets	<u>2,183,535</u>	<u>2,201,359</u>
ACCUMULATED SURPLUS (NOTE 7)	<u>2,556,295</u>	<u>2,543,721</u>

Commitments and contingencies - See Note 10

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CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES FOR THE YEAR ENDED DECEMBER 31, 2019

	Budget (unaudited)	2019	2018
REVENUE			
Net municipal property taxes (Schedule 3)	187,472	187,265	179,754
User fees and sales of goods	91,440	105,717	99,548
Penalties and costs on taxes	9,740	12,790	9,900
Licenses and permits	1,400	1,130	1,490
Fines	50	-	75
Franchise and concession contracts	10,260	12,552	12,268
Investment income	2,000	11,829	4,735
Rentals	2,600	2,749	2,529
Government transfers for operating	55,360	54,953	71,084
Other	4,900	2,582	2,083
	<u>365,222</u>	<u>391,567</u>	<u>383,466</u>
EXPENSES			
Legislative	8,660	7,239	8,160
Administration	93,286	95,418	117,345
Protective services	25,305	17,642	23,621
Transportation	108,016	129,291	109,615
Water supply and distribution	51,055	45,256	62,673
Wastewater treatment and disposal	21,071	33,844	15,407
Waste management	26,690	25,784	25,108
Public health and welfare	1,400	1,392	1,392
Planning and development	1,130	591	1,270
Recreation	7,598	10,711	6,558
Culture	7,480	3,920	4,391
Amortization	-	90,345	89,362
Loss (gain) on disposal of assets	-	(3,600)	(2,000)
	<u>351,691</u>	<u>457,833</u>	<u>462,902</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES BEFORE OTHER	13,531	(66,266)	(79,436)
OTHER			
Government transfers for capital (Schedule 4)	-	78,840	326,635
EXCESS OF REVENUE OVER EXPENSES	13,531	12,574	247,199
ACCUMULATED SURPLUS, BEGINNING OF YEAR	<u>2,543,721</u>	<u>2,543,721</u>	<u>2,296,522</u>
ACCUMULATED SURPLUS, END OF YEAR	<u><u>2,557,252</u></u>	<u><u>2,556,295</u></u>	<u><u>2,543,721</u></u>

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CONSOLIDATED STATEMENT OF CHANGES IN NET FINANCIAL ASSETS FOR THE YEAR ENDED DECEMBER 31, 2019

	Budget (unaudited)	2019	2018
EXCESS OF REVENUE OVER EXPENSES	<u>13,531</u>	<u>12,574</u>	<u>247,199</u>
Acquisition of tangible capital assets	(500)	(72,521)	(325,764)
Proceeds on disposal of tangible capital assets	-	3,600	2,000
Amortization of tangible capital assets	-	90,345	89,362
Loss (gain) on sale of tangible capital assets	<u>-</u>	<u>(3,600)</u>	<u>(2,000)</u>
	<u>(500)</u>	<u>17,824</u>	<u>(236,402)</u>
INCREASE IN NET FINANCIAL ASSETS	13,031	30,398	10,797
NET FINANCIAL ASSETS, BEGINNING OF YEAR	<u>342,362</u>	<u>342,362</u>	<u>331,565</u>
NET FINANCIAL ASSETS, END OF YEAR	<u>355,393</u>	<u>372,760</u>	<u>342,362</u>

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CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2019

	<u>2019</u>	<u>2018</u>
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING		
Excess of revenues over expenses	12,574	247,199
Non-cash items included in excess of revenue over expenses:		
Amortization of tangible capital assets	90,345	89,362
Loss on disposal of tangible capital assets	(3,600)	(2,000)
Non-cash charges to operations (net change):		
Decrease (increase) in taxes and grants in place of taxes	730	(6,638)
Decrease (increase) in trade and other receivables	1,095	(1,334)
Decrease (increase) in receivable from other governments	(141,432)	184,806
Increase (decrease) in accounts payable and accrued liabilities	(2,213)	(272)
Increase (decrease) in deferred revenue	145,042	(132,540)
	<u>102,541</u>	<u>378,583</u>
CAPITAL		
Acquisition of tangible capital assets	(72,521)	(325,764)
Sale of tangible capital assets	3,600	2,000
	<u>(68,921)</u>	<u>(323,764)</u>
INVESTING		
Decrease (increase) in restricted cash or cash equivalents	16,899	(54,627)
CHANGE IN CASH AND EQUIVALENTS DURING THE YEAR	50,519	192
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>259,992</u>	<u>259,800</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>310,511</u></u>	<u><u>259,992</u></u>
CASH AND CASH EQUIVALENTS IS MADE UP OF:		
Cash on hand	75	75
Cash in bank	487,643	366,309
Term deposits	108,286	196,000
Less: restricted portion of cash and temporary investments (Note 2)	(285,493)	(302,392)
	<u><u>310,511</u></u>	<u><u>259,992</u></u>

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SCHEDULE OF CHANGES IN ACCUMULATED SURPLUS FOR THE YEAR ENDED DECEMBER 31, 2019 (Schedule 1)

	Unrestricted Surplus	Restricted Surplus	Equity in Tangible Capital Assets	2019	2018
BALANCE, BEGINNING OF YEAR	<u>135,486</u>	<u>206,876</u>	<u>2,201,359</u>	<u>2,543,721</u>	<u>2,296,522</u>
Excess (deficiency) of revenues over expenses	12,574	-	-	12,574	247,199
Current year funds used for tangible capital assets	(72,521)	-	72,521	-	-
Annual amortization expense	<u>90,345</u>	<u>-</u>	<u>(90,345)</u>	<u>-</u>	<u>-</u>
Change in accumulated surplus	<u>30,398</u>	<u>-</u>	<u>(17,824)</u>	<u>12,574</u>	<u>247,199</u>
BALANCE, END OF YEAR	<u><u>165,884</u></u>	<u><u>206,876</u></u>	<u><u>2,183,535</u></u>	<u><u>2,556,295</u></u>	<u><u>2,543,721</u></u>

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CONSOLIDATED SCHEDULE OF TANGIBLE CAPITAL ASSETS FOR THE YEAR ENDED DECEMBER 31, 2019 (Schedule 2)

	LAND	LAND IMPROVEMENTS	BUILDINGS	ENGINEERED STRUCTURES	MACHINERY AND EQUIPMENT	VEHICLES	2019	2018
COST:								
Balance - beginning of year	9,504	105,007	112,730	2,900,134	529,983	25,500	3,682,858	3,368,515
Acquisition of tangible capital assets	-	-	-	32,221	40,300	-	72,521	325,764
Disposal of tangible capital assets	-	-	-	-	23,422	-	23,422	11,421
Balance - end of year	9,504	105,007	112,730	2,932,355	546,861	25,500	3,731,957	3,682,858
ACCUMULATED AMORTIZATION								
Balance - beginning of year	-	42,651	84,109	1,124,956	224,319	5,464	1,481,499	1,403,558
Annual amortization	-	4,755	2,689	53,437	25,821	3,643	90,345	89,362
Accumulated amortization on disposals	-	-	-	-	23,422	-	23,422	11,421
Balance - end of year	-	47,406	86,798	1,178,393	226,718	9,107	1,548,422	1,481,499
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	9,504	57,601	25,932	1,753,962	320,143	16,393	2,183,535	2,201,359
OPENING NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	9,504	62,356	28,621	1,775,178	305,664	20,036	2,201,359	

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CONSOLIDATED SCHEDULE OF PROPERTY TAXES LEVIED FOR THE YEAR ENDED DECEMBER 31, 2019 (Schedule 3)

	Budget (Unaudited)	2019	2018
TAXATION			
Real property taxes	196,650	198,320	189,082
Linear property taxes	14,030	12,947	14,836
	<u>210,680</u>	<u>211,267</u>	<u>203,918</u>
REQUISITIONS			
Alberta School Foundation	21,948	22,742	22,877
Designated Industrial Levy	-	-	10
Flagstaff Regional Housing Group	1,260	1,260	1,277
	<u>23,208</u>	<u>24,002</u>	<u>24,164</u>
NET MUNICIPAL TAXES	<u>187,472</u>	<u>187,265</u>	<u>179,754</u>

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CONSOLIDATED SCHEDULE OF GOVERNMENT TRANSFERS FOR THE YEAR ENDED DECEMBER 31, 2019 (Schedule 4)

	Budget (Unaudited)	2019	2018
TRANSFERS FOR OPERATING			
Provincial Government	38,340	37,200	57,861
Local Governments	17,020	17,753	13,223
	<u>55,360</u>	<u>54,953</u>	<u>71,084</u>
TRANSFERS FOR CAPITAL			
Federal Government	-	-	167,817
Provincial Government	-	78,840	158,818
	<u>-</u>	<u>78,840</u>	<u>326,635</u>
TOTAL GOVERNMENT TRANSFERS	<u>55,360</u>	<u>133,793</u>	<u>397,719</u>

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CONSOLIDATED SCHEDULE OF EXPENDITURE BY OBJECT FOR THE YEAR ENDED DECEMBER 31, 2019 (Schedule 5)

	Budget (Unaudited)	2019	2018
Expenditures			
Salaries, wages and benefits	141,423	139,056	134,005
Contracted and general services	120,800	124,179	145,755
Purchases from other governments	2,000	333	5,371
Materials, goods and utilities	78,710	97,174	79,315
Provision for allowances	3,050	3,077	5,452
Transfers to local boards and agencies	5,300	5,312	5,291
Bank charges and short term interest	150	171	145
Other expenditures	258	142	206
Amortization of tangible capital assets	-	90,345	89,362
Loss on disposal of tangible capital assets	-	(3,600)	(2,000)
	<u>351,691</u>	<u>457,833</u>	<u>462,902</u>

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SCHEDULE OF SEGMENTED DISCLOSURE FOR THE YEAR ENDED DECEMBER 31, 2019 (Schedule 6)

	General Government	Protective Services	Transportation services	Environmental Services	Public Health & Welfare	Planning & Development	Recreation & Culture	Total
REVENUE								
Net municipal property taxes (Schedule 2)	187,265	-	-	-	-	-	-	187,265
User fees and sales of goods	309	2,780	504	99,084	-	-	3,040	105,717
Penalties and costs on taxes	12,790	-	-	-	-	-	-	12,790
Licenses and permits	-	510	-	-	-	620	-	1,130
Franchise and concession contracts	12,552	-	-	-	-	-	-	12,552
Investment income	11,829	-	-	-	-	-	-	11,829
Rentals	2,749	-	-	-	-	-	-	2,749
Government transfers	33,462	17,753	3,738	-	-	-	-	54,953
Other	20	-	1,222	-	-	-	1,340	2,582
	<u>260,976</u>	<u>21,043</u>	<u>5,464</u>	<u>99,084</u>	<u>-</u>	<u>620</u>	<u>4,380</u>	<u>391,567</u>
EXPENSES								
Salaries, wages and benefits	57,384	5,357	44,152	32,163	-	-	-	139,056
Contracted and general services	34,050	8,346	12,993	60,715	-	591	7,484	124,179
Purchases from other governments	-	-	-	333	-	-	-	333
Materials, goods and utilities	6,189	3,939	72,146	11,673	-	-	3,227	97,174
Provision for allowances	3,077	-	-	-	-	-	-	3,077
Transfers to local boards and agencies	-	-	-	-	1,392	-	3,920	5,312
Bank charges and short term interest	171	-	-	-	-	-	-	171
Other expenditures	142	-	-	-	-	-	-	142
	<u>102,657</u>	<u>17,642</u>	<u>129,291</u>	<u>104,884</u>	<u>1,392</u>	<u>591</u>	<u>14,631</u>	<u>371,088</u>
NET REVENUE, BEFORE AMORTIZATION	<u>158,319</u>	<u>3,401</u>	<u>(123,827)</u>	<u>(5,800)</u>	<u>(1,392)</u>	<u>29</u>	<u>(10,251)</u>	<u>20,479</u>
AMORTIZATION AND DISPOSAL OF ASSETS								
Amortization of tangible capital assets	-	10,460	34,922	40,208	-	-	4,755	90,345
Loss (gain) on disposal of t.c.a.	-	-	(3,600)	-	-	-	-	(3,600)
	<u>-</u>	<u>10,460</u>	<u>31,322</u>	<u>40,208</u>	<u>-</u>	<u>-</u>	<u>4,755</u>	<u>86,745</u>
NET REVENUE	<u>158,319</u>	<u>(7,059)</u>	<u>(155,149)</u>	<u>(46,008)</u>	<u>(1,392)</u>	<u>29</u>	<u>(15,006)</u>	<u>(66,266)</u>

VILLAGE OF HEISLER

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

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.

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

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.

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

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.

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

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>2019</u>	<u>2018</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)		
Municipal Sustainability Initiative - capital	256,031	269,030
Basic Municipal Transportation Grant	29,462	33,362
	<u>285,493</u>	<u>302,392</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>206,876</u>
 Total restricted cash and term deposits	<u>492,369</u>	<u>509,268</u>
 Total un-restricted cash and term deposits	<u>103,635</u>	<u>53,116</u>

3. TAXES AND GRANTS IN PLACE OF TAXES RECEIVABLES

	<u>2019</u>	<u>2018</u>
Current taxes and grants in place of taxes	27,885	25,849
Arrears taxes	27,648	24,991
Less: allowance for doubtful accounts	(8,741)	(3,318)
	<u>46,792</u>	<u>47,522</u>

VILLAGE OF HEISLER

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

4. DEFERRED INCOME

Deferred income consists of the following:

	<u>2019</u>	<u>2018</u>
Federal Gas Tax	100,000	-
Municipal Sustainability Initiative - capital	317,972	269,030
Basic Municipal Transportation Grant	29,462	33,362
	<u>447,434</u>	<u>302,392</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>2019</u>	<u>2018</u>
Total debt limit	587,351	575,199
Total debt	-	-
Surplus debt limit	<u>587,351</u>	<u>575,199</u>
Debt servicing limit	97,892	95,867
Debt servicing	-	-
Surplus debt servicing	<u>97,892</u>	<u>95,867</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>2019</u>	<u>2018</u>
Tangible capital assets (Schedule 2)	3,731,957	3,682,858
Accumulated amortization (Schedule 2)	(1,548,422)	(1,481,499)
	<u>2,183,535</u>	<u>2,201,359</u>

VILLAGE OF HEISLER

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

7. ACCUMULATED SURPLUS

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

	<u>2019</u>	<u>2018</u>
Unrestricted surplus	<u>165,884</u>	<u>135,486</u>
Restricted surplus		
Administration	13,000	13,000
Community land	1,032	1,032
Fire department	41,383	41,383
General	100,305	100,305
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	14,702	14,702
	<u>206,876</u>	<u>206,876</u>
Equity in tangible capital assets	<u>2,183,535</u>	<u>2,201,359</u>
	<u>2,556,295</u>	<u>2,543,721</u>

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, 2019

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:

	2019			2018
	Salary	Benefits & Allowances	Total	Total
Martz	2,080	-	2,080	2,080
Williams	1,520	-	1,520	2,400
Wood	2,000	-	2,000	1,760
CAO	43,578	4,933	48,511	53,459
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 2019 (2018 – nil) as a result of this standard.

VILLAGE OF HEISLER

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

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)	2019	2018
Excess of revenue over expenditures, per financial statements	13,531	12,574	247,199
Adjustments			
Amortization expense	-	90,345	89,362
Loss (gain) on disposal of tangible capital assets	-	(3,600)	(2,000)
Acquisition of tangible capital assets	(500)	(72,521)	(325,764)
Proceeds on disposition of tangible capital assets	-	3,600	2,000
Results of operations - previous methods	13,031	30,398	10,797
Net transfers (to) from reserves	(2,100)	-	(2,000)
Increase (decrease) in unrestricted surplus	10,931	30,398	8,797

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.