

Management's responsibility for financial reporting

The accompanying financial statements of the Village of Forestburg are the responsibility of management and have been approved by the Mayor and the Council.

The financial statements have been prepared by management in accordance with Canadian public sector accounting standards. Financial statements are not precise since they include certain amounts based on estimates and judgments. When alternative accounting methods exist, management has chosen those it deems most appropriate in the circumstances, in order to ensure that the financial statements are presented fairly, in all material respects.

The Village maintains systems of internal accounting and administrative controls of high quality, consistent with reasonable cost. Such systems are designed to provide reasonable assurance that the financial information is relevant, reliable, and accurate, and the Village's assets are appropriately accounted for and adequately safeguarded.

The Council is responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the financial statements.

Council meets periodically with management, as well as the external auditors, to discuss internal controls over the financial reporting process, auditing matters and financial reporting issues, to satisfy themselves that each party is properly discharging their responsibilities, and to review the annual report, the financial statements and the external auditor's report.

The financial statements have been audited by Grant Thornton LLP in accordance with Canadian generally accepted auditing standards on behalf of the Council. Grant Thornton LLP has full and free access to the Council.



Debra Moffatt, Chief Administrative Officer

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Independent Auditors' Report

To the Mayor and Council of the Village of Forestburg

Opinion

We have audited the financial statements of Village of Forestburg (the "Village"), which comprise the statement of financial position as at December 31, 2019, and the statements of operations, changes in net financial assets and cash flows for the year then ended, notes and schedules 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 Village of Forestburg as at December 31, 2019, and the results of its operations, changes in net financial assets, 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 *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Entity 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 these 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 the 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 a going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditor's 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 auditor's 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 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 we conclude that a material uncertainty exists, we are required to draw attention in our auditor's 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 our 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.

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.

Grant Thornton LLP

Edmonton, Canada
May 7, 2020

Chartered Professional Accountants

Village of Forestburg

Statement of Operations

Year ended December 31

	Budget (see Note 18)	2019	2018
Revenues			
Net municipal property taxes (Schedule 3)	\$ 899,760	\$ 900,032	\$ 899,280
User fees and sales of goods	1,152,990	1,297,285	1,173,812
Government transfers for operating (Schedule 4)	146,590	192,930	187,860
Investment income	28,440	48,353	24,805
Penalties and costs on taxes	18,090	18,296	18,964
Fines	1,000	1,545	3,716
Licenses and permits	6,280	7,567	11,280
Franchise and concession contracts	82,110	84,863	80,793
Rentals	100,950	102,639	85,730
Land sales	-	16,525	-
Other	1,000	15,793	49,970
Gain on disposal of capital assets	-	20,227	10,000
	<u>2,437,210</u>	<u>2,706,055</u>	<u>2,546,210</u>
Expenses (Schedule 5)			
Legislative	65,290	67,270	66,395
Administration	377,980	366,567	343,815
Protective services	158,370	82,606	121,022
Roads, streets, walks, lighting	630,770	624,173	580,278
Water supply and distribution	312,850	342,867	319,584
Wastewater treatment and disposal	103,730	105,807	200,072
Waste management	188,160	152,922	157,047
Family and community support	134,380	155,118	52,326
Subdivision land development	1,077,650	7,631	4,450
Parks and recreation	421,190	416,484	426,999
Rental	93,780	105,295	97,149
Culture	64,650	60,587	51,308
Natural gas operations	257,000	338,840	267,376
	<u>3,885,800</u>	<u>2,826,167</u>	<u>2,687,821</u>
Shortfall of revenue over expenses for the year - before other	(1,448,590)	(120,112)	(141,611)
Other			
Contributed assets	-	186,121	4,100
Government transfers for capital (Schedule 4)	<u>371,150</u>	<u>382,124</u>	<u>170,934</u>
Excess of revenue over expenses for the year	(1,077,440)	448,133	33,423
Accumulated surplus, beginning of year	<u>15,168,564</u>	<u>15,168,564</u>	<u>15,135,141</u>
Accumulated surplus, end of year	<u>\$ 14,091,124</u>	<u>\$ 15,616,697</u>	<u>\$ 15,168,564</u>

See accompanying notes and schedules to the financial statements.

**Village of Forestburg
Statement of Financial Position**

December 31	2019	2018
Assets		
Cash and temporary investments (Note 2)	\$ 2,250,479	\$ 2,304,337
Receivables:		
Taxes and grants in place of taxes (Note 3)	74,818	57,198
Trade and other receivables	191,383	240,858
Land for resale inventory	28,663	30,844
Investments	<u>28,610</u>	<u>28,610</u>
	<u>\$ 2,573,953</u>	<u>\$ 2,661,847</u>
Liabilities		
Accounts payable and accrued liabilities	\$ 196,678	\$ 155,567
Deferred revenue (Note 4)	378,360	420,891
Employee benefit obligations (Note 5)	25,157	49,347
Long-term debt (Note 7)	<u>1,195,149</u>	<u>1,323,446</u>
	<u>1,795,344</u>	<u>1,949,251</u>
Net financial assets	<u>778,609</u>	<u>712,596</u>
Non-financial assets		
Tangible capital assets (Schedule 2)	14,827,679	14,439,880
Prepaid expenses	<u>10,409</u>	<u>16,088</u>
	<u>14,838,088</u>	<u>14,455,968</u>
Accumulated surplus (Schedule 1) (Note 10)	<u>\$ 15,616,697</u>	<u>\$ 15,168,564</u>

Contingencies (Note 14)
Commitments (Note 15)
Approved on behalf of the Village council

Mayor Council Member

See accompanying notes and schedules to the financial statements.

Village of Forestburg Statement of Change in Net Financial Assets

Year ended December 31

	Budget (see Note 18)	2019	2018
Excess of revenues over expenses	\$ (1,077,440)	\$ 448,133	\$ 33,423
Acquisition of tangible capital assets	-	(953,521)	(297,089)
Proceeds on disposal of tangible capital assets	-	36,790	10,000
Reversal of holdback from tangible capital assets	-	-	15,000
Amortization of tangible capital assets	502,730	549,159	542,600
Gain/Loss on disposal of tangible capital assets	-	(20,227)	(10,000)
	<u>502,730</u>	<u>(387,799)</u>	<u>260,511</u>
Acquisition of prepaid assets	-	(10,409)	(16,088)
Use of prepaid assets	-	16,088	10,892
	<u>-</u>	<u>5,679</u>	<u>(5,196)</u>
Increase in net financial assets	(574,710)	66,013	288,738
Net financial assets (debt), beginning of year	<u>712,596</u>	<u>712,596</u>	<u>423,858</u>
Net financial assets, end of year	<u>\$ 137,886</u>	<u>\$ 778,609</u>	<u>\$ 712,596</u>

See accompanying notes and schedules to the financial statements.

Village of Forestburg Statement of Cash Flows

December 31

2019

2018

Increase (decrease) in cash and cash equivalents

Operating

Excess of revenues over expenses	\$ 448,133	\$ 33,423
Amortization	549,159	542,600
Contributed assets	(186,121)	(4,100)
Gain on sale of capital assets	<u>(20,227)</u>	<u>(10,000)</u>

790,944 561,923

Net changes in non-cash working capital balances:

(Increase) decrease in taxes receivable	(17,620)	20,090
Decrease in trade and other receivables	49,475	110,300
Decrease in land for resale inventory	2,181	-
Decrease (increase) in prepaid expenses	5,679	(5,196)
Increase (decrease) in accounts payable and accrued liabilities	41,111	(76,565)
Decrease in employee benefit obligations	(24,190)	-
(Decrease) increase in deferred revenue	<u>(42,531)</u>	<u>174,552</u>

Net cash from operating activities

805,049 785,104

Investing

Proceeds from disposal of tangible capital assets	36,790	10,000
Reversal of holdback from tangible capital assets	-	15,000
Acquisition of tangible capital assets	<u>(767,400)</u>	<u>(292,990)</u>

Net cash to investing activities

(730,610) (267,990)

Financing

Long-term debt repaid	<u>(128,297)</u>	<u>(124,487)</u>
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(Decrease) increase in cash and cash equivalents during year

(53,858) 392,627

Net cash and cash equivalents, beginning of year

2,304,337 1,911,710

Net cash and cash equivalents, end of year

\$ 2,250,479 \$ 2,304,337

See accompanying notes and schedules to the financial statements.

Village of Forestburg Schedule of Changes in Accumulated Surplus

Year ended December 31

	Unrestricted Surplus	Restricted Surplus	Equity in Tangible Capital Assets	2019	2018
Balance, beginning of year	\$ 952,965	\$ 1,099,165	\$ 13,116,434	\$ 15,168,564	\$ 15,135,141
Excess of revenues over expenses	448,133	-	-	448,133	33,423
Unrestricted funds designated for future use	131,641	(131,641)	-	-	-
Current year funds used for tangible capital assets	(953,521)	-	953,521	-	-
Disposal of tangible capital assets	16,563	-	(16,563)	-	-
Annual amortization expense	549,159	-	(549,159)	-	-
Long term debt repaid	<u>(128,297)</u>	<u>-</u>	<u>128,297</u>	<u>-</u>	<u>-</u>
Change in accumulated surplus	<u>63,678</u>	<u>(131,641)</u>	<u>516,096</u>	<u>448,133</u>	<u>33,423</u>
Balance, end of year	<u>\$ 1,016,643</u>	<u>\$ 967,524</u>	<u>\$ 13,632,530</u>	<u>\$ 15,616,697</u>	<u>\$ 15,168,564</u>

Village of Forestburg Schedule of 2019 Tangible Capital Assets

Year ended December 31

	Land	Buildings	Engineered Structures	Machinery and Equipment	Vehicles	2019
Cost						
Balance, beginning of year	\$ 800,108	\$ 6,919,411	\$ 14,341,324	\$ 1,538,207	\$ 430,284	\$ 24,029,334
Acquisition of tangible capital assets	-	-	146,495	29,480	84,451	260,426
Construction-in-progress	423,304	87,274	182,517	-	-	693,095
Disposal of tangible capital assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>(20,542)</u>	<u>(68,658)</u>	<u>(89,200)</u>
Balance, end of year	<u>1,223,412</u>	<u>7,006,685</u>	<u>14,670,336</u>	<u>1,547,145</u>	<u>446,077</u>	<u>24,893,655</u>
Accumulated amortization						
Balance, beginning of year	-	2,407,956	5,758,558	1,012,129	410,811	9,589,454
Annual amortization	-	152,640	315,739	50,871	29,909	549,159
Accumulated amortization on disposals	<u>-</u>	<u>-</u>	<u>-</u>	<u>(8,217)</u>	<u>(64,420)</u>	<u>(72,637)</u>
Balance, end of year	<u>-</u>	<u>2,560,596</u>	<u>6,074,297</u>	<u>1,054,783</u>	<u>376,300</u>	<u>10,065,976</u>
Net book value of tangible capital assets	<u>\$ 1,223,412</u>	<u>\$ 4,446,089</u>	<u>\$ 8,596,039</u>	<u>\$ 492,362</u>	<u>\$ 69,777</u>	<u>\$ 14,827,679</u>

Included in buildings is \$87,274 (2018 - \$nil) and engineering structures is \$182,517 (2018 - \$nil) related to construction-in-progress. These amounts are not amortized as the buildings and structures are not available for use as of December 31, 2019.

Village of Forestburg
Schedule of 2018 Tangible Capital Assets
 Year ended December 31

	Land	Buildings	Engineered Structures	Machinery and Equipment	Vehicles	2018
Cost						
Balance, beginning of year	\$ 733,999	\$ 6,919,411	\$ 14,278,659	\$ 1,453,615	\$ 430,284	\$ 23,815,968
Acquisition of tangible capital assets	66,109	-	77,665	153,316	-	297,090
Disposal of tangible capital assets	<u>-</u>	<u>-</u>	<u>(15,000)</u>	<u>(68,724)</u>	<u>-</u>	<u>(83,724)</u>
Balance, end of year	<u>800,108</u>	<u>6,919,411</u>	<u>14,341,324</u>	<u>1,538,207</u>	<u>430,284</u>	<u>24,029,334</u>
Accumulated amortization						
Balance, beginning of year	-	2,254,326	5,437,729	1,021,060	402,463	9,115,578
Annual amortization	-	153,630	320,829	59,793	8,348	542,600
Accumulated amortization on disposals	<u>-</u>	<u>-</u>	<u>-</u>	<u>(68,724)</u>	<u>-</u>	<u>(68,724)</u>
Balance, end of year	<u>-</u>	<u>2,407,956</u>	<u>5,758,558</u>	<u>1,012,129</u>	<u>410,811</u>	<u>9,589,454</u>
Net book value of capital assets	<u>\$ 800,108</u>	<u>\$ 4,511,455</u>	<u>\$ 8,582,766</u>	<u>\$ 526,078</u>	<u>\$ 19,473</u>	<u>\$14,439,880</u>

Village of Forestburg Schedule of Property and Other Taxes

Year ended December 31

	Budget (see Note 18)	2019	2018
Taxation			
Real property taxes	\$ 962,420	\$ 960,938	\$ 960,177
Linear property taxes	33,130	34,400	34,483
Special assessments and local improvement taxes	<u>96,180</u>	<u>96,180</u>	<u>96,390</u>
	<u>1,091,730</u>	<u>1,091,518</u>	<u>1,091,050</u>
Requisitions			
Alberta School Foundation Fund	181,520	181,376	181,516
Seniors Lodge	<u>10,450</u>	<u>10,110</u>	<u>10,254</u>
	<u>191,970</u>	<u>191,486</u>	<u>191,770</u>
Net municipal taxes	\$ <u>899,760</u>	\$ <u>900,032</u>	\$ <u>899,280</u>

Village of Forestburg
Schedule of Government Transfers

Year ended December 31

	Budget (see Note 18)	2019	2018
Transfers for operating			
Provincial Government	\$ 105,490	\$ 161,807	\$ 157,212
Other Local Governments	<u>41,100</u>	<u>31,123</u>	<u>30,648</u>
	146,590	192,930	187,860
Transfers for capital			
Provincial Government	<u>371,150</u>	<u>382,124</u>	<u>170,934</u>
Total government transfers	<u>\$ 517,740</u>	<u>\$ 575,054</u>	<u>\$ 358,794</u>

Village of Forestburg Schedule of Expenses by Object

Year ended December 31

	Budget (see Note 18)	2019	2018
Expenditures			
Salaries, wages and benefits	\$ 766,610	\$ 718,770	\$ 685,484
Contracted and general services	613,370	590,917	595,968
Amortization of tangible capital assets	502,730	549,159	542,600
Materials, goods and utilities	1,596,360	589,894	481,376
Transfers to local boards and agencies	188,830	164,596	157,657
Transfers to individuals and organizations	156,340	152,844	150,642
Interest on long-term debt	45,480	36,007	57,590
Other expenses	11,980	10,756	11,982
Bank charges and short term interest	2,100	2,913	2,640
Provision for allowances	2,000	10,311	1,882
	<u>\$ 3,885,800</u>	<u>\$ 2,826,167</u>	<u>\$ 2,687,821</u>

Village of Forestburg Schedule of Segmented Disclosure

Year ended December 31

	Legislative	Administration	Protective Services	Roads, Streets, Walks & Lighting	Water, Wastewater, Gas & Waste Management	Airport	Planning & Development	Recreation & Culture	2019
Revenue									
Net municipal property taxes	\$ -	\$ 900,032	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 900,032
User fees and sales of goods	-	113,107	4,325	-	1,098,100	-	-	81,753	1,297,285
Government transfers	-	-	31,123	491,145	52,786	-	-	-	575,054
Investment income	-	48,353	-	-	-	-	-	-	48,353
Penalties and costs on taxes	-	18,296	-	-	-	-	-	-	18,296
Licences and permits	-	7,567	-	-	-	-	-	-	7,567
Franchise and concession contracts	-	84,863	-	-	-	-	-	-	84,863
Rentals	-	102,639	-	-	-	-	-	-	102,639
Land sales	-	-	-	-	-	-	16,525	-	16,525
Other revenues	-	619	15,174	-	-	-	-	-	15,793
Gain on disposal of capital assets	-	-	-	-	-	-	-	20,227	20,227
Fines	-	-	1,545	-	-	-	-	-	1,545
Contributed assets	-	-	-	-	-	-	-	186,121	186,121
	<u>-</u>	<u>1,275,476</u>	<u>52,167</u>	<u>491,145</u>	<u>1,150,886</u>	<u>-</u>	<u>16,525</u>	<u>288,101</u>	<u>3,274,300</u>
Expenses									
Salaries, wages and benefits	45,743	268,176	28,774	163,445	108,766	-	43,209	60,657	718,770
Contracted and general services	15,911	119,166	29,144	106,627	256,527	2,422	10,425	50,695	590,917
Materials, goods and utilities	5,616	51,154	13,645	149,187	254,902	-	81,097	34,293	589,894
Transfers to local boards and agencies	-	-	2,415	-	145,780	-	7,788	8,613	164,596
Transfers to individuals and organizations	-	4,176	-	-	-	1,530	681	146,457	152,844
Bank charges and short term interest	-	2,913	-	-	-	-	-	-	2,913
Interest on long-term debt	-	-	-	-	7,655	-	-	28,352	36,007
Other expenses	-	(223)	-	-	10,979	-	-	-	10,756
Bad debts	-	10,311	-	-	-	-	-	-	10,311
	<u>67,270</u>	<u>455,673</u>	<u>73,978</u>	<u>419,259</u>	<u>784,609</u>	<u>3,952</u>	<u>143,200</u>	<u>329,067</u>	<u>2,277,008</u>
Net revenue before amortization	<u>(67,270)</u>	<u>819,803</u>	<u>(21,811)</u>	<u>71,886</u>	<u>366,277</u>	<u>(3,952)</u>	<u>(126,675)</u>	<u>(40,966)</u>	<u>997,292</u>
Amortization of tangible capital assets	<u>-</u>	<u>16,189</u>	<u>8,629</u>	<u>195,623</u>	<u>155,828</u>	<u>5,339</u>	<u>4,946</u>	<u>162,605</u>	<u>549,159</u>
Net revenue	<u>\$ (67,270)</u>	<u>\$ 803,614</u>	<u>\$ (30,440)</u>	<u>\$ (123,737)</u>	<u>\$ 210,449</u>	<u>\$ (9,291)</u>	<u>\$ (131,621)</u>	<u>\$ (203,571)</u>	<u>\$ 448,133</u>

Village of Forestburg

Notes to the Financial Statements

December 31, 2019

1. Significant accounting policies

The financial statements of the Village of Forestburg (the Village) 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 of Forestburg are as follows:

Reporting entity

The financial statements reflect the assets, liabilities, revenues and expenditures, changes in fund balances and change in financial position of the reporting entity. This entity is comprised solely of the municipal operations. There are no additional organizations that are owned or controlled by the Village.

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.

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.

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. Significant estimates include estimating provisions for allowances for doubtful accounts, expected useful life of tangible capital assets and employee benefit obligations. Actual results could differ from those estimates.

Village of Forestburg

Notes to the Financial Statements

December 31, 2019

1. Significant accounting policies (continued)

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.

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.

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 leveling 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.

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.

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.

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.

Village of Forestburg

Notes to the Financial Statements

December 31, 2019

1. Significant accounting policies (continued)

Cash and cash equivalents

Cash and cash equivalents consist of balance with banks, net of outstanding cheques, cash on hand and funds held in trust with the Village's Community Enhancement Fund.

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 for the year.

Tangible capital assets

Tangible capital assets are recorded at cost which includes all amounts that are directly attributable to acquisition, construction, development or betterment of the asset. The cost, less residual value, of the tangible capital assets is amortized on a straight-line basis over the estimated useful life as follows:

	Years
Buildings	25-50
Engineered structures:	
Water system	45-75
Wastewater system	45-75
Other engineered structures	5-75
Machinery and equipment	5-40

Vehicles are amortized using the declining balance method, at a rate of 30%.

Assets under construction are not amortized until the asset is available for productive use.

Full year amortization is charged in the year of acquisition and no amortization is charged in the year of disposal. Assets under construction are not amortized until the asset is available for productive use.

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.

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 Forestburg

Notes to the Financial Statements

December 31, 2019

1. Significant accounting policies (continued):

Financial instruments

Initial measurement

The Village's financial instruments are measured at fair value when issued or acquired. For financial instruments subsequently measured at cost or amortized cost, fair value is adjusted by the amount of the related financing fees and transaction costs. Transaction costs and financing fees relating to financial instruments that are measured subsequently at fair value are recognized in operations in the year in which they are incurred.

Subsequent measurement

At each reporting date, the Village measures its financial assets and liabilities at cost or amortized cost. Temporary investments are measured at amortized cost. The financial instruments measured at amortized cost are cash and cash equivalents, receivables, investments, accounts payable and accrued liabilities and long-term debt.

For financial assets measured at cost or amortized cost, the Village regularly assesses whether there are any indications of impairment. If there is an indication of impairment, and the Village determines that there is a significant adverse change in the expected timing or amount of future cash flows from the financial asset, it recognizes an impairment loss in the statement of operations. Any reversals of previously recognized impairment losses are recognized in operations in the year the reversal occurs.

Unless otherwise noted, the carrying value of these financial instruments approximates their fair value.

Village of Forestburg

Notes to the Financial Statements

December 31, 2019

2. Cash and temporary investments

	2019	2018
Cash	\$ 762,365	\$ 535,392
GIC's - short term, maturing between two months to one year	<u>1,488,114</u>	<u>1,768,945</u>
	<u>\$ 2,250,479</u>	<u>\$ 2,304,337</u>

Temporary investments consists of GIC's maturing between two months to one year.

Council has designated funds of \$978,720 (2018 - \$1,099,162) included in the above amounts for capital replacement and other purposes.

Included in cash and term investments is a restricted amount of \$375,899 (2018 - \$353,358) held exclusively for capital projects (Note 4).

3. Taxes and grants in place of taxes receivables

	2019	2018
Current:		
Current taxes and grants in place of taxes	\$ 52,861	\$ 36,868
Tax arrears	<u>29,359</u>	<u>27,732</u>
	82,220	64,600
Less: allowance for doubtful accounts	<u>(7,402)</u>	<u>(7,402)</u>
	<u>\$ 74,818</u>	<u>\$ 57,198</u>

4. Deferred revenue

	2019	2018
Regional Collaboration Program	-	51,586
Municipal Sustainability Initiative - Capital	156,832	301,772
Centennial grant	-	11,200
FGTF grant	150,916	50,000
Rent and By-law	2,461	6,333
Federal legacy grant	26,425	-
Lions Club (Hall addition)	25,000	-
Community Hall Board (Hall addition)	12,726	-
Battle River Community Foundation (Pool liner)	<u>4,000</u>	<u>-</u>
	<u>\$ 378,360</u>	<u>\$ 420,891</u>

Village of Forestburg

Notes to the Financial Statements

December 31, 2019

5. Employee benefit obligations

	2019	2018
Vacation, overtime and sick time accrual	\$ <u>25,157</u>	\$ <u>49,347</u>

Vacation and overtime

The vacation and overtime liability is comprised of the vacation and overtime that employees are deferring to future years. Employees have either earned the benefits (and are vested) or are entitled to these benefits within the next budgetary year.

Sick time accrual

The Village of Forestburg allows full-time staff to carry-forward a maximum of twenty months worth of sick time to future years. The sick time accrual is not vested and no expense is incurred when the employment relationship is ended.

6. Contaminated sites liability

The Village has determined that there are no contaminated sites for which the Village has accepted responsibility. As a result, no liability for contaminated sites has been recorded at December 31, 2019 or 2018.

7. Long-term debt

	2019	2018
Tax supported debentures	\$ 1,145,149	\$ 1,263,446
Private loan	<u>50,000</u>	<u>60,000</u>
	<u>\$ 1,195,149</u>	<u>\$ 1,323,446</u>

The current portion of the long-term debt amounts to \$132,243 (2018 - \$128,297).

Principal and interest repayments are due as follows:

	Principal	Interest	Total
2020	\$ 132,243	\$ 41,539	\$ 173,782
2021	136,333	37,450	173,783
2022	140,570	33,212	173,782
2023	144,962	28,820	173,782
2024	149,513	24,269	173,782
Thereafter	<u>491,528</u>	<u>66,370</u>	<u>557,898</u>
	<u>\$ 1,195,149</u>	<u>\$ 231,660</u>	<u>\$ 1,426,809</u>

Village of Forestburg

Notes to the Financial Statements

December 31, 2019

7. Long-term debt (continued)

Debenture debt is repayable to Alberta Municipal Financing Corporation and bears interest at rates ranging from 2.327% to 4.276% per annum and have maturity dates from December 2024 to December 2030. The average annual interest rate is 3.58% for 2019 (2018 - 3.58%). Debenture debt is issued on the credit and security of the Village of Forestburg at large.

Private loan is repayable to the Forestburg Golf Club and bears no interest. It is repayable in annual principal payments of \$10,000, maturing in 2024.

The Village's total cash payments for interest in 2019 were \$45,486 (2018 - \$49,295). Interest on long-term debt amounted to \$36,009 for 2019 (2018 - \$57,590).

8. Debt limits

Section 276(2) of the Municipal Government Act requires that debt and debt limits as defined by Alberta Regulation 255/10 for the Village of Forestburg be disclosed as follows:

	2019	2018
Total debt limit	\$ 4,059,083	\$ 3,819,315
Less: Total debt	<u>1,195,149</u>	<u>1,323,446</u>
Amount of debt limit unused	<u>\$ 2,863,934</u>	<u>\$ 2,495,869</u>
Debt servicing limit	\$ 676,514	\$ 636,553
Less: Debt servicing	<u>173,782</u>	<u>173,783</u>
Amount of debt servicing limit unused	<u>\$ 502,732</u>	<u>\$ 462,770</u>

The debt limit is calculated at 1.5 times revenue of the municipality (as defined in Alberta Regulation 255/2000) 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.

9. Equity in Tangible Capital Assets

	2019	2018
Tangible capital assets (Schedule 2)	\$ 24,893,655	\$ 24,029,334
Accumulated amortization (Schedule 2)	(10,065,976)	(9,589,454)
Long-term debt (Note 7)	<u>(1,195,149)</u>	<u>(1,323,446)</u>
	<u>\$ 13,632,530</u>	<u>\$ 13,116,434</u>

Village of Forestburg

Notes to the Financial Statements

December 31, 2019

10. Accumulated surplus

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

	2019	2018
Unrestricted surplus	\$ 1,016,643	\$ 952,966
Restricted surplus		
General and administration	5,000	5,000
Emergency management	4,500	4,500
Fire	61,670	61,670
Roads, streets, walks, lighting	20,000	33,771
Water	115,500	215,500
Airport	2,910	2,910
Sewer	70,000	80,000
Garbage	60,000	60,000
Cemetery	23,717	23,717
Recreation, parks, and culture	94,936	91,816
Subdivision and land development	164,584	228,177
Gas	194,333	178,704
Contingency reserve	<u>150,374</u>	<u>113,400</u>
Restricted surplus total	967,524	1,099,165
Equity in tangible capital assets	<u>13,632,530</u>	<u>13,116,433</u>
Total accumulated surplus	<u>\$ 15,616,697</u>	<u>\$ 15,168,564</u>

11. Segmented disclosure

The Village of Forestburg provides a range of services to its ratepayers. For each reported segment, revenues and expenses represent both amounts that are directly attributable to the segment and amounts that are allocated on a reasonable basis. The accounting policies used in these segments are consistent with those followed in the preparation of the financial statements as disclosed in Note 1.

Refer to the Schedule of Segmented Disclosure (Schedule 6).

12. Trust Funds

The Village of Forestburg administers the following trust funds:

	2019	2018
Forestburg Enhancement Trust	\$ <u>49,019</u>	\$ <u>53,894</u>

Village of Forestburg

Notes to the Financial Statements

December 31, 2019

13. Salary and benefits disclosure

Disclosure of salaries and benefits for municipal officials and the Chief Administrative Officer as required by Alberta Regulation 313/2000 is as follows:

	2019			2018
	Salary	Benefits & Allowances	Total	Total
Councilor 1 - Coutts	8,705	676	9,381	9,373
Councilor 2 - Fossen	10,570	771	11,341	11,524
Councilor 3 - Giroux	7,300	604	7,904	7,610
Councilor 4 - McNabb	6,340	575	6,915	7,283
Councilor 5 - Young	11,250	821	12,071	12,133
Chief Administrative Officer - Moffatt	115,668	23,201	138,869	127,679
Designated Officer - Assessor	12,720	-	12,720	12,468
Designated Officer - Bylaw Enforcement	3,318	-	3,318	-

Salary includes regular base pay, bonuses, overtime, lump sum payments, gross honoraria and any other direct cash remuneration.

Employer's share include 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.

14. Contingencies

The Village is a member of the Flagstaff Regional Solid Waste Management Association and pays an annual requisition to this organization in exchange for waste management services. The estimated closure and post closure costs of the landfill controlled by the Association were budgeted at \$3,050,438 (2018 - \$2,990,625) using current dollars. The current capacity of the landfill should be approximately 30%, as of December 31, 2018 (2018 - 31%). An accrued liability of the Association of \$2,138,357 (2018 - \$2,069,513) has been disclosed in the Association's financial statements. The Association currently has cash reserves of \$1,498,295 (2018 - \$1,352,110). The total unfunded accrued liability of the Association is \$640,062 (2018 - \$714,403). The portion of the unfunded accrued liability attributable to the Village of Forestburg is \$65,511 (2018 - \$73,427). No amount has been reported on the financial statements of the Village related to this liability. The Village has established an internal reserve (currently \$50,000) to help fund their portion of the above liability should it arise.

The Village of Forestburg is a member of the Alberta Municipal Insurance Exchange (MUNIX). Under the terms of membership, the Village of Forestburg 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.

Village of Forestburg

Notes to the Financial Statements

December 31, 2019

15. Commitments

The Village has office equipment under a lease expiring December 2023. Future minimum lease payments, not including other charges, are as follows:

2020	3,340
2021	3,340
2022	3,340
2023	3,062

In 2019, the Village entered into two construction contracts for the Forestburg Community Hall and the Subdivision.

The Village has a contract for community hall renovations with Daventry Developments Ltd. with a total value of \$349,096. The Village will recover the costs from the Forestburg Community Hall Association. Cost incurred as of December 31, 2019 total \$87,274 with estimated costs of completion of \$261,822.

The Village has a contract for the Subdivision Project – Phase 1 with McNabb Residential with a total value of \$890,255. Cost incurred as of December 31, 2019 total \$605,821 with estimated costs of completion of \$284,434.

Both projects are classified as construction-in-progress as at December 31, 2019.

16. Local Authorities Pension Plan

Employees of the Village participate in the Local Authorities Pension Plan (LAPP), which is one of the plans covered by the Alberta Public Sector Pensions Plan Act. The LAPP is financed by employer and employee contributions and by investment earnings of the LAPP Fund.

Contributions for current service are recorded as expenditures in the year in which they become due.

The Village is required to make current service contributions to the LAPP of 9.39% (2018 - 10.39%) of pensionable earnings up to the year's maximum pensionable earnings under the Canada Pension Plan and 14.84% (2018 - 14.84%) on pensionable earnings above this amount. Employees of the Village are required to make current service contributions of 8.39% (2018 - 9.39%) of pensionable salary up to the year's maximum pensionable salary and 12.84% (2018 - 13.84%) on pensionable salary above this amount.

Current service contributions by the Village to the LAPP in 2019 were \$44,882 (2018 - \$47,190). Total service contributions by the employees of the Village to the Local Authorities Pension Plan in 2018 were \$40,506 (2018 - \$43,002). At December 31, 2018, the LAPP disclosed the reported value of its assets at \$44.50 billion (December 31, 2017 - \$42.82 billion) an actuarial surplus of \$3.47 billion (December 31, 2017 - \$4.84 billion).

Village of Forestburg

Notes to the Financial Statements

December 31, 2019

17. Financial instruments risks

The Village's main financial risk exposure is detailed as follows.

Credit risk

The Village is subject to credit risk with respect to taxes and grants in place of taxes receivables 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 fulfil their obligations. The large number and diversity of taxpayers and customers minimizes the credit risk.

18. Budget data

Public Sector Accounting Standards require a comparison of the results for the period with those originally planned on the same basis as that used for actual results. The fiscal plan in the statement of operations and statement of changes in net debt has been adjusted to be presented on a consistent basis as actual results. Below is a reconciliation of the figures from the approved fiscal plan to the fiscal plan per the financial statements.

	2019
Excess of revenues over expenses, per financial statements	\$ (1,077,440)
Add back	
Amortization expense	502,730
Net transfer from reserves	<u>693,010</u>
Deduct	
Debt principal payments	<u>(118,300)</u>
Approved budget surplus	<u><u>-</u></u>

Village of Forestburg

Notes to the Financial Statements

December 31, 2019

19. Subsequent Events

Since December 31, 2019, the spread of COVID-19 has severely impacted many local economies around the globe. In many countries, including Canada, businesses are being forced to cease or limit operations for long or indefinite periods of time. Measures taken to contain the spread of the virus, including travel bans, quarantines, social distancing, and closures of non-essential services have triggered significant disruptions to businesses worldwide, resulting in an economic slowdown. Global stock markets have also experienced great volatility and a significant weakening. Governments and central banks have responded with monetary and fiscal interventions to stabilize economic conditions.

The Village has determined that these events are non-adjusting subsequent events. Accordingly, the financial position and results of operations as of and for the year ended 2019 have not been adjusted to reflect their impact. The duration and impact of the COVID-19 pandemic, as well as the effectiveness of government and central bank responses, remains unclear at this time. It is not possible to reliably estimate the duration and severity of these consequences, as well as their impact on the financial position and results of the Village for future periods.

The Village sees the impact on overall timing of cash flow due to residents deferring payments of property taxes and utilities. The Council and management will assess the overall impact of these changes as they occur to determine if any operational changes are required.
