

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

Brian King Professional Corporation

Box 560, Hardisty, Alberta T0B 1V0

INDEPENDENT AUDITOR'S REPORT

To the Mayor and Council of the Village of Alliance:

Report on the Consolidated Financial Statements

Opinion

I have audited the consolidated financial statements of the Village of Alliance (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 Alliance 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:

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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 7.
- **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 11.

M.D. of Wainwright

October 17, 2019


Brian King Professional Corporation
Chartered Professional Accountant

VILLAGE OF ALLIANCE

CONSOLIDATED STATEMENT OF FINANCIAL POSITION DECEMBER 31, 2018

	<u>2018</u>	<u>2017</u>
FINANCIAL ASSETS		
Cash (Note 2)	250,565	95,631
Taxes and grants in place of taxes (Note 3)	59,125	70,087
Trade, grants and other receivables	22,685	22,751
Due from other governments	304,933	283,737
Inventory held for resale	65,883	65,883
Investments	20,000	20,000
Other financial assets	8,085	8,591
	<u>731,276</u>	<u>566,680</u>
LIABILITIES		
Accounts payable and accrued liabilities	34,652	25,290
Deferred revenue (Note 5)	643,590	478,648
Long term debt (Note 6)	23,670	30,651
	<u>701,912</u>	<u>534,589</u>
NET FINANCIAL ASSETS	<u>29,364</u>	<u>32,091</u>
NON-FINANCIAL ASSETS		
Tangible capital assets	<u>4,524,700</u>	<u>4,649,065</u>
ACCUMULATED SURPLUS (NOTE 9)	<u>4,554,064</u>	<u>4,681,156</u>

Commitments and contingencies - See Note 12

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

	Budget (unaudited)	2018	2017
REVENUE			
Net municipal property taxes (Schedule 3)	207,456	199,015	151,168
User fees and sales of goods	120,272	197,453	184,357
Penalties and costs on taxes	12,500	9,271	8,055
Licenses and permits	1,120	580	11,762
Fines	-	298	-
Franchise and concession contracts	16,000	14,703	13,439
Investment income	1,500	18	1,915
Rentals	2,000	2,988	-
Government transfers for operating	28,657	55,935	56,491
Other	20,300	6,609	31,584
	<u>409,805</u>	<u>486,870</u>	<u>458,771</u>
EXPENSES			
Legislative	35,700	36,635	36,625
Administration	106,040	126,058	150,246
Protective services	39,616	27,618	28,120
Transportation	118,130	155,941	156,620
Water supply and distribution	81,600	68,765	68,609
Wastewater treatment and disposal	12,750	18,405	20,778
Waste management	25,764	25,934	27,137
Public health and welfare	-	-	1,514
Planning and development	200	436	10
Recreation	29,871	34,517	39,641
Culture	6,829	7,113	24,460
Amortization	-	155,926	159,732
Loss (gain) on disposal of assets	(6,500)	(6,825)	-
	<u>450,000</u>	<u>650,523</u>	<u>713,492</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES BEFORE OTHER	(40,195)	(163,653)	(254,721)
OTHER			
Government transfers for capital (Schedule 4)	-	36,561	52,545
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	(40,195)	(127,092)	(202,176)
ACCUMULATED SURPLUS, BEGINNING OF YEAR	4,681,156	4,681,156	4,883,332
ACCUMULATED SURPLUS, END OF YEAR	<u>4,640,961</u>	<u>4,554,064</u>	<u>4,681,156</u>

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

	Budget (unaudited)	2018	2017
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	<u>(40,195)</u>	<u>(127,092)</u>	<u>(202,176)</u>
Acquisition of tangible capital assets	(797,000)	(31,561)	(41,721)
Proceeds on disposal of tangible capital assets	-	6,825	-
Amortization of tangible capital assets	-	155,926	159,732
Loss (gain) on sale of tangible capital assets	<u>(6,500)</u>	<u>(6,825)</u>	<u>-</u>
	<u>(803,500)</u>	<u>124,365</u>	<u>118,011</u>
INCREASE (DECREASE) IN NET FINANCIAL ASSETS	<u>(843,695)</u>	<u>(2,727)</u>	<u>(84,165)</u>
NET FINANCIAL ASSETS, BEGINNING OF YEAR	<u>32,091</u>	<u>32,091</u>	<u>116,256</u>
NET FINANCIAL ASSETS, END OF YEAR	<u><u>(811,604)</u></u>	<u><u>29,364</u></u>	<u><u>32,091</u></u>

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

	2018	2017
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING		
Excess (deficiency) of revenues over expenses	(127,092)	(202,176)
Non-cash items included in excess of revenue over expenses:		
Amortization of tangible capital assets	155,926	159,732
Non-cash charges to operations (net change):		
Decrease (increase) in taxes and grants in place of taxes	10,962	12,370
Decrease (increase) in trade and other receivables	66	(8,061)
Decrease (increase) in due from other governments	(21,196)	47,998
Decrease (increase) in other financial assets	506	(1,196)
Increase (decrease) in accounts payable and accrued liabilities	9,362	(27,986)
Increase (decrease) in deferred revenue	164,942	128,169
	186,651	108,850
CAPITAL		
Acquisition of tangible capital assets	(31,561)	(41,721)
Sale of tangible capital assets	6,825	-
	(24,736)	(41,721)
INVESTING		
Decrease (increase) in restricted cash or cash equivalents	(113,439)	62,545
FINANCING		
Long-term debt repaid	(6,981)	(6,570)
CHANGE IN CASH AND EQUIVALENTS DURING THE YEAR	41,495	123,104
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	(142,303)	(265,407)
CASH AND CASH EQUIVALENTS, END OF YEAR	(100,808)	(142,303)
CASH AND CASH EQUIVALENTS IS MADE UP OF:		
Cash and temporary investments (Note 2)	250,565	95,631
Less: restricted portion of cash and temporary investments (Note 2)	(351,373)	(237,934)
	(100,808)	(142,303)

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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
BALANCE, BEGINNING OF YEAR	359	62,383	4,618,414	4,681,156	4,883,332
Excess (deficiency) of revenues over expenses	(127,092)	-	-	(127,092)	(202,176)
Restricted funds used for operations	10,000	(10,000)	-	-	-
Current year funds used for tangible capital assets	(31,561)	-	31,561	-	-
Annual amortization expense	155,926	-	(155,926)	-	-
Long term debt repaid	(6,981)	-	6,981	-	-
Change in accumulated surplus	292	(10,000)	(117,384)	(127,092)	(202,176)
BALANCE, END OF YEAR	651	52,383	4,501,030	4,554,064	4,681,156

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**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
COST:								
Balance - beginning of year	68,041	126,197	1,478,399	4,638,124	217,593	241,030	6,769,384	6,727,663
Acquisition of tangible capital assets	-	-	-	31,561	-	-	31,561	41,721
Disposal of tangible capital assets	-	-	-	-	-	18,895	18,895	-
Balance - end of year	68,041	126,197	1,478,399	4,669,685	217,593	222,135	6,782,050	6,769,384
ACCUMULATED AMORTIZATION								
Balance - beginning of year	-	61,083	257,763	1,517,612	137,018	146,843	2,120,319	1,960,587
Annual amortization	-	5,750	29,417	97,278	10,232	13,249	155,926	159,732
Accumulated amortization on disposals	-	-	-	-	-	18,895	18,895	-
Balance - end of year	-	66,833	287,180	1,614,890	147,250	141,197	2,257,350	2,120,319
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	68,041	59,364	1,191,219	3,054,795	70,343	80,938	4,524,700	4,649,065
OPENING NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	68,041	65,114	1,220,636	3,120,512	80,575	94,187	4,649,065	

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

	Budget (Unaudited)	2018	2017
TAXATION			
Real property taxes	228,579	220,041	173,456
Linear property taxes	6,423	6,423	4,280
	<u>235,002</u>	<u>226,464</u>	<u>177,736</u>
REQUISITIONS			
Alberta School Foundation	26,036	26,036	25,168
Designated Industrial Levy	10	10	-
Flagstaff Regional Housing Group	1,500	1,403	1,400
	<u>27,546</u>	<u>27,449</u>	<u>26,568</u>
NET MUNICIPAL TAXES	<u>207,456</u>	<u>199,015</u>	<u>151,168</u>

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

	Budget (Unaudited)	2018	2017
TRANSFERS FOR OPERATING			
Provincial Government	28,657	45,385	28,657
Local Governments	-	10,550	27,834
	<u>28,657</u>	<u>55,935</u>	<u>56,491</u>
TRANSFERS FOR CAPITAL			
Federal Government	-	36,561	-
Provincial Government	-	-	52,545
	<u>-</u>	<u>36,561</u>	<u>52,545</u>
TOTAL GOVERNMENT TRANSFERS	<u>28,657</u>	<u>92,496</u>	<u>109,036</u>

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

	Budget (Unaudited)	2018	2017
Expenditures			
Salaries, wages and benefits	211,045	180,112	192,469
Contracted and general services	172,313	201,858	249,708
Materials, goods and utilities	66,946	99,207	85,274
Provision for allowances	2,000	9,180	3,152
Transfers to local boards and agencies	396	113	7,810
Bank charges and short term interest	-	-	6,352
Interest on capital long term debt	-	1,775	2,194
Other expenditures	3,800	9,177	6,801
Amortization of tangible capital assets	-	155,926	159,732
Loss (gain) on disposal of tangible capital assets	(6,500)	(6,825)	-
	<u>450,000</u>	<u>650,523</u>	<u>713,492</u>

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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
REVENUE								
Net municipal property taxes (Schedule 2)	199,015	-	-	-	-	-	-	199,015
User fees and sales of goods	-	3,960	4,070	167,498	-	3,000	18,925	197,453
Penalties and costs on taxes	8,113	-	-	1,158	-	-	-	9,271
Licenses and permits	-	580	-	-	-	-	-	580
Fines	-	298	-	-	-	-	-	298
Franchise and concession contracts	14,703	-	-	-	-	-	-	14,703
Investment income	18	-	-	-	-	-	-	18
Rentals	2,988	-	-	-	-	-	-	2,988
Government transfers	43,600	10,000	-	-	-	-	2,335	55,935
Other	3,016	-	778	-	-	-	2,815	6,609
	<u>271,453</u>	<u>14,838</u>	<u>4,848</u>	<u>168,656</u>	<u>-</u>	<u>3,000</u>	<u>24,075</u>	<u>486,870</u>
EXPENSES								
Salaries, wages and benefits	83,483	9,167	69,161	18,301	-	-	-	180,112
Contracted and general services	60,093	10,324	40,943	64,422	-	436	25,640	201,858
Materials, goods and utilities	5,340	6,487	43,835	28,606	-	-	14,939	99,207
Provision for allowances	9,180	-	-	-	-	-	-	9,180
Transfers to local boards and agencies	-	-	-	-	-	-	113	113
Interest on capital long term debt	-	-	-	1,775	-	-	-	1,775
Other expenditures	4,597	1,640	2,002	-	-	-	938	9,177
	<u>162,693</u>	<u>27,618</u>	<u>155,941</u>	<u>113,104</u>	<u>-</u>	<u>436</u>	<u>41,630</u>	<u>501,422</u>
NET REVENUE, BEFORE AMORTIZATION	<u>108,760</u>	<u>(12,780)</u>	<u>(151,093)</u>	<u>55,552</u>	<u>-</u>	<u>2,564</u>	<u>(17,555)</u>	<u>(14,552)</u>
AMORTIZATION AND DISPOSAL OF ASSETS								
Amortization of tangible capital assets	1,613	9,301	47,154	63,667	1,500	-	32,691	155,926
Loss on disposal of tangible capital assets	-	-	(6,825)	-	-	-	-	(6,825)
	<u>1,613</u>	<u>9,301</u>	<u>40,329</u>	<u>63,667</u>	<u>1,500</u>	<u>-</u>	<u>32,691</u>	<u>149,101</u>
NET REVENUE	<u>107,147</u>	<u>(22,081)</u>	<u>(191,422)</u>	<u>(8,115)</u>	<u>(1,500)</u>	<u>2,564</u>	<u>(50,246)</u>	<u>(163,653)</u>

VILLAGE OF ALLIANCE

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

1. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements of the Village of Alliance 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, 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.

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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	50
Engineered structures - other	20
Engineered structures - water system	50-75
Engineered structures - wastewater system	50-75
Land improvements	20
Machinery and equipment	10-15
Vehicles	10-20

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, 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	113,439	-
Municipal Sustainability Initiative - capital	237,934	237,934
	<u>351,373</u>	<u>237,934</u>
Total cash resources available	<u>250,565</u>	<u>95,631</u>
Excess (deficiency) of restricted cash resources	<u>(100,808)</u>	<u>(142,303)</u>

3. TAXES AND GRANTS IN PLACE OF TAXES RECEIVABLES

	<u>2018</u>	<u>2017</u>
Current taxes and grants in place of taxes	42,209	38,887
Arrears taxes	19,128	31,039
Property held by the village as a result of tax forfeiture	1,213	1,213
	<u>62,550</u>	<u>71,139</u>
Less: allowance for doubtful accounts	3,425	1,052
	<u>59,125</u>	<u>70,087</u>

4. BANK INDEBTEDNESS

Bank indebtedness consists of a demand loan due to Vision Credit Union and is repayable within one year

VILLAGE OF ALLIANCE

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

5. DEFERRED INCOME

Deferred income consists of the following:

	<u>2018</u>	<u>2017</u>
Federal Gas Tax	113,439	100,000
Municipal Sustainability Initiative - capital	523,122	378,648
Prepaid property taxes	7,029	-
	<u>643,590</u>	<u>478,648</u>

6. LONG TERM DEBT

	<u>2018</u>	<u>2017</u>
Alberta Capital Finance Authority	<u>23,670</u>	<u>30,651</u>

Principal and interest payments are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	7,417	1,479	8,896
2020	7,880	1,016	8,896
2021	8,373	523	8,896
	<u>23,670</u>	<u>3,018</u>	<u>26,688</u>

Debenture debt repayable to the Alberta Capital Finance Authority bears interest at 6.25% and matures in 2021 and is secured by the credit and security of the village at large.

The village's total cash payments for interest in 2018 were \$1,916 (2017 - \$2,326).

VILLAGE OF ALLIANCE

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

7. DEBT LIMITS

Section 276(2) of the Municipal Government Act requires that debt and debt limits as defined by Alberta Regulation 255/00 for the Village of Alliance be disclosed as follows:

	<u>2018</u>	<u>2017</u>
Total debt limit	<u>730,305</u>	688,157
Total debt	<u>23,670</u>	30,651
Surplus debt limit	<u>706,635</u>	<u>657,506</u>
Debt servicing limit	<u>121,718</u>	114,693
Debt servicing	<u>8,896</u>	-
Surplus debt servicing	<u>112,822</u>	<u>114,693</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.

8. EQUITY IN TANGIBLE CAPITAL ASSETS

	<u>2018</u>	<u>2017</u>
Tangible capital assets (Schedule 2)	<u>6,782,050</u>	6,769,384
Accumulated amortization (Schedule 2)	<u>(2,257,350)</u>	(2,120,319)
Long-term debt (Note 6)	<u>(23,670)</u>	(30,651)
	<u>4,501,030</u>	<u>4,618,414</u>

VILLAGE OF ALLIANCE

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

9. ACCUMULATED SURPLUS

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

	<u>2018</u>	<u>2017</u>
Unrestricted surplus	<u>651</u>	<u>359</u>
Restricted surplus		
General	6,000	16,000
Fire department	10,000	10,000
Water and Sewer	<u>36,383</u>	<u>36,383</u>
	<u>52,383</u>	<u>62,383</u>
Equity in tangible capital assets	<u>4,501,030</u>	<u>4,618,414</u>
	<u><u>4,554,064</u></u>	<u><u>4,681,156</u></u>

10. SEGMENTED DISCLOSURE

The Village of Alliance 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 ALLIANCE

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

11. 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
McLeod	-	-	-	7,600
Mackenzie	10,761	-	10,761	2,000
Ganshirt	12,122	-	12,122	2,000
Wickstrom	10,600	-	10,600	11,400
Zacharuk	-	-	-	7,600
CAO	40,524	4,407	44,931	47,951
Designated Officer (1)	4,996	-	4,996	4,948

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.

12. 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.

13. 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 ALLIANCE

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

13. 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.

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.